

**RESEARCH**
**Deepak Fertilisers | NOT RATED**

Takeaways from company interaction

**SUMMARY**
**Deepak Fertilisers**

- DPFCL's FY21 performance was best ever for the company with EBITDA/PAT jump of 2.1x/4.6x YoY
- Higher capacity utilization, cost optimization initiatives, higher pricing, and a product differentiation strategy helped improve profitability
- A set of ongoing expansion projects including expansion of its ammonia capacity, a key raw material, to further improve cash flow certainty

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**Daily macro indicators**

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.35	(8bps)	(21bps)	71bps
India 10Y yield (%)	6.18	9bps	15bps	38bps
USD/INR	74.55	(0.3)	(2.1)	0.5
Brent Crude (US\$/bbl)	74.53	(3.4)	3.7	73.0
Dow	34,577	(0.6)	(0.5)	33.6
Shanghai	3,530	(0.1)	(1.7)	5.5
Sensex	52,861	0.0	1.5	44.1
India Fil (US\$ mn)	05-Jul	MTD	CYTD	FYTD
FII-D	74.5	61.6	(3,105.2)	(1,077.9)
FII-E	59.0	(292.0)	7,792.2	465.8

Source: Bank of Baroda Economics Research

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**DEEPAK FERTILISERS**

| Agrochemicals

| 07 July 2021

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### Moving up the value chain with focus on high-value differentiated products...

DFPCL has transformed itself over the years from manufacturer of ammonia to a multi-product company with a focus on high-value differentiated products and premium solutions. Company's portfolio now spans Industrial Chemicals, Bulk and Specialty Fertilisers and Technical Ammonium Nitrate.

### ...Resulting in Improved margin profile; backward integration into ammonia to reduce cost further:

DFPCL improved its operating margin by ~700bps in FY21 over 5-year average of 9% (FY16-20) on the back of increased capacity utilization, higher price, and increased focus on premium products. With backward integration of ammonia under progress, DFPCL's ammonia capacity is set to increase 5x, resulting in lower dependence on imported Ammonia, which otherwise is subject to volatile global prices. International Finance Corporation is among its lenders.

### Capacity ramp-up; global supply chain shift to India to further support the growth:

DFPCL has been ramping up its capacities across product and solutions. It is also simultaneously focusing on diversification of RM sourcing, backward integration of key raw material, and debottlenecking existing capacities.

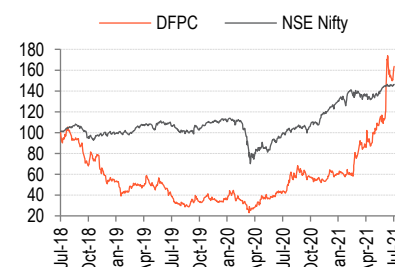
Ammonia plant expansion at Taloja, near Mumbai, is currently underway and will add 510 KTPA to existing 129 KTPA capacity. Company has spent Rs. 15.7bn till now and will be spending further Rs. 28bn. This investment will reduce dependence on import of Ammonia as well as reduce logistics cost. Utilization of Ammonia plant will likely be 100% once technically complete thanks to captive requirement.

The company also plans to invest ~Rs. 18bn on a new TAN capacity of 376 KTPA in Gopalpur, Odisha which is likely to roll out in the next 24-36 months and will further strengthen DFPCL's leadership in the TAN market. Company already has an installed capacity of 487 KTPA of TAN at its Taloja complex. DFPCL is expecting IRR in high teens for its Ammonia and TAN expansion projects.

Ticker/Price	DFPC IN/Rs 430
Market cap	US\$ 591.5mn
Free float	44%
3M ADV	US\$ 4.52mn
52wk high/low	Rs 474/Rs 107
Promoter/FPI/DII	56%/3%/2%

Source: NSE | Price as of 7 Jul 2021

### Stock performance



Source: NSE



## Disclaimer

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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