

## **Deepak Fertilisers at an inflection point**

Net sales at Deepak Fertilisers and Petrochemicals Corp. Ltd increased by 56.8% in the March quarter from the year-ago period, but its net profit growth was a tepid 13.1%,

That was because higher provisions for deferred taxes, interest, depreciation and exceptional expenses, together with much lower “other income”, pulled down profits.

Operating profit margins were lower than in the year- ago period, and analysts say that’s because of higher naphtha prices, on the one hand, and a higher proportion of low-margin trading income from fertilizers, on the other. Operations in the dominant fertilizer segment continue to suffer from lack of phosphoric acid, with sales of fertilizer manufactured in-house declining sharply. That was offset by a rise in fertilizer trading, but margins are much lower in trading.

The chemicals business did well, with an increase in volumes and prices of iso-propyl alcohol.

Looking ahead, however, there are several factors that could change the profile of the company. One of them is the company’s Ishanya mall, revenues from which are growing and which should be fully operational this fiscal year

In the company’s core business, its ammonia capacity expansion will also take place this year while art improvement is also expected on gas availability.

Despite the commissioning of the Dahej-Uran pipeline, gas availability continues to be uncertain. Analysts say that once gas is available from the Krishna-Godavari basin, its prices is likely to be lower. Higher gas availability will also boost capacity utilization, which is around 70% at present. The joint venture with Yara International could propel the company into a different league from other fertilizer and chemical firms given Yara’s skills in speciality fertilizer.

But the company will have to allay concerns about delays in projects-its Paradip project for ammonium nitrate is nowhere on the horizon, despite being announced two years ago- and on the availability of gas and phosphoric acid.