NO. SEC/BD/SE
November 20, 2024

Dy. General Manager	Dy. General Manager
BSE Limited	Listing Department
Corporate Relationship Dept.,	National Stock Exchange of India Limited
1st Floor, New Trading Ring,	Exchange Plaza,
Rotunda Bldg, PJ Tower,	C-1, Block - "G",
Dalal Street, Fort,	Bandra Kurla Complex, Bandra (E),
Mumbai - 400 001	Mumbai - 400 051
Scrip Code: "500670"	Symbol: "GNFC"

Dear Sir / Madam,

Sub.: Transcript of earnings conference call

We had vide our letter dated November 08, 2024 intimated the Stock Exchanges about the schedule of Investors / Analysts meet on Thursday, November 14, 2024 at 04:00 PM (IST) through Conference Call.

We send herewith a copy of Transcript of Investors / Analysts meet through Conference Call which took place on November 14, 2024. The said transcript along with the audio is also uploaded on the Company's website i.e. www.gnfc.in

You are requested to take note of the above.

Thanking you.

Yours faithfully,

For Gujarat Narmada Valley Fertilizers & Chemicals Limited

CHETNA PRABHATKUMAR DHARAJIYA
Digitally signed by CHETNA PRABHATKUMAR DHARAJIYA
Date: 2024.11.20 17:02:41 +05'30'

Chetna Dharajiya
Company Secretary & Chief Manager (Legal)

Encl.: As above

"Gujarat Narmada Valley Fertilizers & Chemicals Limited
Q2-FY-2024-25 Earnings Conference Call"

November 14, 2024

ANURAG SERVICES LLP
Advertising, Digital & Branding Solutions

MANAGEMENT:	**MR. D. V. PARIKH – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER- GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LIMITED** **MR. Y. N. PATEL – HEAD OF DEPARTMENT (OPERATIONS & MAINTENANCE)- GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LIMITED** **MS. CHETNA DHARAJIYA –COMPANY SECRETARY & CHIEF MANAGER (LEGAL) - GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LIMITED** **MR. MANISH UPADHYAY – ADDITIONAL GENERAL MANAGER (MARKETING- INDUSTRIAL PRODUCT), GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Narmada Valley Fertilizers & Chemicals Limited Q2 FY-2024-25 Earnings Conference Call.

This call is being hosted by Anurag Services LLP. From the management, we have Mr. D. V. Parikh - Executive Director and CFO; Mr. Y. N. Patel – HOD, O&M; Ms. Chetna Dharajiya - Company Secretary & Chief Manager, Legal.

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 any assistance during this conference, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference call is being recorded.

I now hand the conference over to Mr. D. V. Parikh. Thank you and over to you, sir.

D. V. Parikh: Thank you, ma'am. Good afternoon everybody. I have with me one more colleague who is from marketing – Mr. Manish Upadhyay too. So, from operations side we have Mr. Y. N. Patel, from marketing side Mr. Manish Upadhyay and me and Chetna are there. She is representing the secretary side. I am the finance side.

Now I will touch base with first the business update and thereafter the Financials of Q2:

In terms of the business update there are three ongoing capital expenditure projects which are going on. The total of this estimated CAPEX is around ₹2,200 crores. Out of this, one is that of weak nitric acid which is around ₹1400 crore. Another is ammonia make up loop which is ₹227 crore and third is we call it CCPP coal based power plant, power and steam plant which cost around ₹613 crores. In addition to that, we have something on a tendering stage which is for the ammonium nitrate melt for which update was given during the Q1 that it has been approved for the tendering stage. So, we are expecting this CAPEX decision sometime in January.

In addition to that, there is an announcement which was made during Q1 that there is a strategic management consultant which is appointed who is Kearney and they are working on basically two parts. One is charting out the future direction in terms of where to invest and how to invest. And secondly is transformation on the existing business side, which is expected to improve the bottom line. Mainly the effectiveness and efficiency part of it will be taken care. In terms of the policy changes at the fertilizer level, currently there are no developments, but there are two things which are going on actively. One is on the revision in energy norms, which is expected to be effective first of April 2025. And second is on the cost part, the fixed cost of Urea for which exercise is on and units are invited to their cost sections.

Subsidies are coming regularly. In terms of the volume pickup, fertilizer is going good. In terms of volume, both complex as well as straight fertilizer which is urea and with Dahej plant now fully operational at 100% capacity, chemical volumes are also going up including the consumption of upstream products like CNA etc.

Coming to the financial part, there are two differences on an H1 basis. Like last year there was a shutdown/ annual turnaround at Baruch complex. And here in the first quarter one as well as whole of quarter two, there was a turnaround of Dahej complex. This has impacted to some extent the volume of chemical. Actually, the volume of chemicals are impacted because of three primary reasons. One is the availability of TDI as a product from Dahej. Second is the impact on the AN melt because of the monsoon season. And third is there are competitive pressures which are being witnessed in case of aniline. All this has brought down substantially the realization as well as the contribution part of the chemical segment whereas fertilizer did well, especially the complex fertilizer did quite well in quarter two. And therefore, on a net basis, there is a change in realization overall of close to around Rs.100 crore. Other income this time is higher mainly because of the dividend. In terms of the cost elements, the personnel costs are somewhat relatively down because of the write back of the excess provisions. Other costs are down mainly because of the catalyst consumption which has not happened at TDI, Dahej. And there is a finance cost which is down by around ₹15 crores because last quarter we booked the charges on account of interest of EPCG. So, this is broadly on the profit and loss side.

Coming to the segment part of it, in terms of segment results, the turnover, the revenue from fertilizers segment has improved, driven by the complex fertilizer, whereas it is down in case of chemical because of the reasons we cited and the same thing has an impact, corresponding impact on contribution of chemical segment. In addition to that, there are impacts related to a turnaround which is mainly the unproductive cost and the turnaround related cost which has impacted the TDI Dahej operation. And therefore, there are certain losses which are widened in case of Dahej.

So, coming to the segment assets and liabilities, there are no major changes except on a YoY basis. There are three changes if we compare 30th of September, 2023 to September, 24, which is on the fertilizer segment, the asset side has gone up because the subsidy levels have gone up in terms of the areas. The second is unallocable portion has come down because between last year to this year, there are two fundamental changes. There are three elements which are contributing to a reduction of around ₹1469 crores in the unallocable assets, mainly because of the buyback of around ₹851 crores and the rest is dividend between the two periods.

In terms of unallocated liability, there is a change of around ₹524 crores, mainly because last time it was accrued but paid after the 30th of September. This time it is paid well before 30th September. The amount pertains to mainly the dividend part of it. So, coming to balance sheet, there are no major changes except now in the cash flow. The two major items in the cash flow, one is on the financing side and the second is on the investment side. The financing side represents the dividend outflow which is to the tune of around ₹230 crore which is paid out and on the investment side, there is an advance which is given of around ₹190 crore because of the capital projects, mainly the weak nitric acid. So, this is what is on the cash flow.

Apart from that, we see H2 to be relatively better because of the high available volume and no downtime of the sort which has happened in H1. And therefore, the H2 forecast we have is that of a regular realization and reasonable levels of contribution.

With this, I am completing my opening remarks and the floor is open for questions. Thank you.

Moderator: Thank you. We will now begin with the question and answer session. The first question is from the line of Nirav Jimudia from Anvil Corporation. Please go ahead.

Nirav Jimudia: Sir, few questions. So, first is if you can help us understand what was the volume lost at the Dahej TDI-II plant in Q2.

D. V. Parikh: See volume loss of Dahej actually has happened from June onwards. As far as Q2 is concerned, there is about ₹14,000 ton of volume which is affected. And if you see overall from June onwards, there is an impact of around 16,000 metric ton.

Nirav Jimudia: So, what was the actual production or the sales between both the plants put together in Q2?

D. V. Parikh: For Q2, the total volume of TDI production is 5000 metric ton. So, you can take 5000 metric ton of production.

Nirav Jimudia: Between both the plants?

Y. N. Patel: Yes. For TDI-I it was 4680, for TDI-II, it was 0. Yes, around that.

Nirav Jimudia: And sir, what was the PBT loss for TDI in Q2? Because I think for the first quarter you mentioned that it was around ₹ 59 crores. So, what was the loss in the Q2?

D. V. Parikh: PBT of Dahej?

Nirav Jimudia: Yeah, PBT loss of Dahej.

D. V. Parikh: See, additional contribution which we lost is around ₹62 crores. See what happens when the TDI is down, marketing effort is more directed towards the upstream which is CNA as well as WNA too. So, the net loss is quantified in terms of these effects. So, we lost around if we talk about only Q2, we lost about ₹170 crore in terms of realization and around ₹62 crore in terms of the contribution.

Nirav Jimudia: So, the losses of ₹59 crores in Q1 at the PBT level for Dahej 1 plant plus another ₹62 crores, is that right assumption sir?

D. V. Parikh: Roughly yes.

Nirav Jimudia: Sir, secondly on our CNA production of 149,000 tons in FY-2024. So, I believe that to that extent WNA sales in the outside market would have been lower. So, if you can help us understand that out of 437,000 of WNA production in FY-2024-25, how much we would have sold in the outside market?

Manish Upadhyay: I am Manish Upadhyay from marketing side. Last quarter, we sold almost 21,000 WNA in market.

Nirav Jimudia: You are talking about Q2 right?

Manish Upadhyay: Yes.

Nirav Jimudia: Q2, what was the figure for Q1 and FY-2024 sir?

Manish Upadhyay: Last year this quarter it was 21,000 and last year also it was 22,000, 22,500 roughly.

Nirav Jimudia: And sir, what was the sales volume for last full year, FY-2024-25? Last full year?

Manish Upadhyay: Normally it is around 60,000 to 70,000, 72,000, I have to search.

Nirav Jimudia: No worries sir. Sir when can we expect our CNA plant to run at optimum level? I think our capacity is now 1,66,000 tons. So, when can we see optimum utilization for our CNA plant?

Y. N. Patel: I am Yogesh Patel answering your question. See right now, it is operating at almost 80% to 90%. But in last quarter, because there was no captive consumption from our Dahej complex, it was operating at slightly lower capacity. But now we are expecting it to run at 90% to 100% capacity.

Nirav Jimudia: But sir, is it not safe to assume that, let's say if TDI is not operating and in absence of coal based and steam based power plant which is going to commission very shortly in FY-2025. Anyways there were the losses on the TDA side. So, was it not feasible due to the TDA shutdown at Dahej to sell that extra CNA in the market and improve the utilization rates?

Y. N. Patel: Yeah we can sell it, but we are more interested in selling weak nitric acid.

Manish Upadhyay : Actually it is a product mix, so which product is giving better realisation that we are selling. So, we are concentrating more in weak nitric acid. Last year actually I got the figure, last year we sold almost 88,000 tons on 100% basis, weak nitric acid.

Nirav Jimudia: Sir, third question is on the ammonia side. So, like last year we produced close to around 6,36,000 tons of ammonia. So, if you can just bifurcate in between the production which was meant for chemicals and production which was meant for urea and also if you can share the similar production numbers for ammonia for H1 of FY-2024-25?

Y N Patel: Normally, ratio for fertilizer to chemical is normally 58 to 41, 42. So, in that ratio normally we move. So, exact figure we have to calculate based on this.

Nirav Jimudia: And what was the ammonia production in H1 of FY-2024-25 and have we sold any ammonia in the outside market or was it utilized for our WNA production?

Y N Patel: No, no we have not sold any ammonia so far. In fact to some extent, we have procured ammonia for our internal requirement.

Nirav Jimudia: Sir, considering the ammonia production for our chemical division, what would be the annual requirement of that specialized oil which we are using to convert into the ammonia? Let us say last year if we take the ratio of 58 to 42 in terms of fertilizer to chemicals, what could be the requirement of oil for that ammonia production?

D. V. Parikh: It is the oil requirement ranges between 250,000 metric ton to 270,000 metric ton.

Nirav Jimudia: And sir are we seeing any sort of cost reduction there because in the presentation I could make out that the prices are fairly stable in between the quarters also like close to around ₹53 a kg, so with the crude prices falling have we seen similar amount of corrections in the oil prices or that is not a case?

D. V. Parikh: For Q2 that is not a case, but it has not hit so much hard as compared to the Q1. If we take the total H1, the oil prices have not moved so significantly downward as compared to the output realizations. So, there are actually two elements where the cost has not moved down rather it has gone up. One is the oil for the oil based ammonia and second is the benzene on an H1 basis, therefore, there is a hit on account of margin pressure on account of these two products.

Nirav Jimudia: Sir one more thing which I observed from the annual report like last year we produced close to around one lakh ton of methanol. So, like earlier discussions you were saying that the gas prices has to be economical for us to produce methanol so if you can share at what level of breakeven gas cost would be viable to produce methanol given the current realizations of ₹ 26, ₹ 27 rupees for methanol?

D. V. Parikh: It's a dynamism between the methanol realization as well as the gas price. So, it is dynamic in nature. But we could source this year some gas for which methanol is produced. Our operations head will tell the production of methanol which has happened from the procured gas in H1.

Y. N. Patel: In methanol, production so far is 66,000 metric tons, but now November onwards, we have to again explore what are the NG prices and depending on that we will decide whether to continue with methanol production or we have to procure from market. As Mr. Parikh said, see there are two aspects. One is price of NG as well as at what price methanol we are getting. So, if we are getting at cheaper rate, we will continue to source from outside.

Nirav Jimudia: Got it. And sir, last bit from my side is you mentioned close to around ₹ 2200 crores of CAPEX between the three line of items. So, out of that, how much we have spent till now and how much balance would be spent in FY-2024-25 and FY-2025-26?

D V Parikh: In respect of the CAPEX, there are three CAPEX. One is on the coal and gas steam and power plant, not the gas, coal-based power and steam plant. The CAPEX size is ₹ 613 crore. So, far we have expended around ₹ 250 crore on account of that. As far as ammonium makeup loop gas is concerned, there is no major outflow which has happened on account of this project. Third is on the weak nitric acid. In terms of the cash outflow, we have given advance to the tune of around ₹ 190 crores.

Nirav Jimudia: Just a bookkeeping question sir, like cash on the books currently is close to around ₹ 2000 crores and the investments which is showing of around ₹ 2300 crores that is also parked in the liquid investments. So, clubbed together we have cash and cash equivalent of close to ₹ 4300 crores?

D. V. Parikh: No, it is not like that. The investment represents two things. One is GSEC, second is quoted and unquoted equity shares. The quoted and unquoted equity shares portion is around ₹ 1100 crore out of this and we don't liquidate that and we have no intention to liquidate that because we have been holding for certain reasons that since beginning.

Nirav Jimudia: Sir last thing you can share on the fertilizer part like in the presentation and your opening remarks also you had mentioned that the fixed cost subsidies in discussion with the government. I think our under recovery in terms of fixed cost at the EBITDA level or losses at the EBITA level was close to around ₹ 700 to ₹ 800 rupees per metric tonne. If you can share, if anything comes up here in terms of the compensation for the government, would our fertilizer segment start earning positive contribution?

D. V. Parikh: It all depends upon what they really provide in terms of fixed costs. So, it is premature to comment on such kind of conjecture.

Moderator: Thank you. As there are no further questions, I would like to hand the conference over to the management for closing comments.

Chetna Dharajiya: I am Chetna here. I extend my sincere thanks to the participants for active participation. I also thank the moderator and Anurag Services LLP. I also thank all the participants from management team. Thank you everyone.

Moderator: Thank you ma'am. On behalf of Gujarat Narmada Valley Fertilizers and Chemicals, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.