No. GNFC/DSC/LODR
February 25, 2025

Dy. General Manager
BSE Limited
Corporate Relationship Dept.,
1st Floor, New Trading Ring,
Rotunda Bldg.,
PJ Towers, Dalal Street, Fort,
Mumbai - 400 001
Scrip Code: "500670"

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
C-1, Block - "G",
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051
Symbol: "GNFC"

Sub.: Transcript of Investors / Analysts meet through Conference Call.

Dear Sir/Madam,

We had vide our letter dated January 17, 2025 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Thursday, February 20, 2025 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 Thursday, February 20, 2025 at 04:00 PM. The said transcript along with the audio is also uploaded on the Company's website i.e. www.gnfc.in

We request you to kindly 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: 2025.02.25 13:51:08 +05'30'

Chetna Dharajiya
Company Secretary & Chief Manager (Legal)

Encl.: As above

"Gujarat Narmada Valley Fertilizers & Chemicals Limited Q3 2025 Earnings Call"

February 20, 2025

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 AND CHIEF MANAGER (LEGAL), GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Gujarat Narmada Valley Fertilizers & Chemicals Limited Quarter 3 Financial Year 2024-2025 Earnings Conference Call. This call is hosted by Anurag Services LLP on behalf of GNFC.

From the Management, we have Mr. D. V. Parikh – Executive Director and Chief Financial Officer, Mr. Y. N. Patel – Head of Department, O&M, Ms. Chetna Dharajiya – Company Secretary and Chief Manager (Legal) and other Senior Members from Management.

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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Dilip Parikh: Thank you, ma'am, and thank you, Anurag Services for holding the call, and good afternoon, and welcome to all the participants for the Quarter 3 Conference Call of GNFC.

First, I will cover the business aspects and thereafter, I will touch the financial part of it. As you know, the company is mainly into the 2 segments, Fertilizers and Chemicals. On the Fertilizer side, by and large, it's a controlled business in terms of mainly the subsidy part of it.

There are 3 positive developments which are there from the Fertilizer business point of view:

- One is the regular receipt of the subsidy, which is not holding up the funds. Pipeline inventories are also at its lowest, as at the quarter end. When we talk about pipeline inventory, we mean inventory pending the DBT sales.
- The second other positive aspects is government is working on revising the energy norms, which are scheduled to expire by 31st of March 2025. And exercise is also on at Central Government level for revising the fixed cost of different urea units.
- On the Complex Fertilizer front, basically, the witness is quite good, because of the reduction in input cost.
- Now if you go to the operations part of the business side, the operations have been stable during the quarter, both at Dahej as well as Bharuch.

- In terms of the project, projects worth around INR 2,300 crores are already approved, are at various stages of implementation. My colleague, Mr. Y. N. Patel, will cover questions on the project.On the strategy side, As you know, we have appointed Kearney for both growth as well as transformation. And we are in the final stages of wrapping up on the report. And in a quarter or two, that thing would be finalized from a strategy perspective. So, this is the broad update on the Fertilizer part, strategy part. I will also cover the Chemical part of it.

In Chemicals, the realizations have been a little subdued, which are made up by the higher volumes of chemicals, mainly during Y-o-Y as well as on a sequential quarter basis in Chemicals.

Coming now to the financials:

As you know, the PBT and both PAT have gone up on a sequential quarter as well as Y-o-Y basis. We ended up with around INR 211 crores of PBT and INR 158 crores of PAT. There are two important reasons because of this positive change in the PBT and PAT. One is the certain operational improvement because of the higher Chemical volume. And second is there are a few write-backs, which have happened during the quarter. So, this all totals up to in that incremental figure of around INR 76 crores on a sequential quarter basis.

Coming to the segment part of it, as you know, in chemicals, particularly few chemicals like TDI and Technical Grade Urea have done relatively better on a sequential quarter basis and Technical Grade Urea as well as a few other chemicals like Acetic and AN Melt have done far better in terms of volume on a Y-o-Y basis.

So, when we go to the segment results part of it, the Fertilizer losses have reduced mainly because the input costs have come down into the Complex Fertilizer part. And Chemical business has improved, both because of the operational improvement as well as write-backs we spoke about during the Quarter 2. We will talk more about these items when there are questions about this.

In terms of balance sheet:

There is no major change, except that the receivable of subsidy have come down, mainly because of receipt as well as the receipt based on the reference point of earlier concession rate, which is higher. So, these are the broad things on the balance sheet part. Therefore, in terms of cash flow, there is a positive in terms of operating cash flow.

So, these are the aspects with which I am closing my opening remarks and leave the floor open for the questions-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Neerav Jimodia from Anvil Wealth. Please go ahead.

Neerav Jimodia: Yes. So, thanks for the opportunity, and good afternoon to the team. Sir, I have few questions. So, first, on the TDI side, sir, in some of our earlier conversations during the con call, you have mentioned that our fixed cost for TDI is close to INR 50 a kg or INR 50,000 a metric tonne. And at the contribution level, the TDI plant on an annual basis was making a loss of close to around INR 150 crores to INR 200 crores, correct me if I am wrong here.

So, 2 things here, sir. If you can share that with the shift to the coal-based plant and its current differential to the natural gas prices, how much per kg variable cost can we save with this shift to coal-based plant? And b, how much of the HCL is currently contributing to the negative contribution margin in per kg when we produce TDI out of our Bharuch and Dahej plant?

Dilip Parikh: Okay. I am D. V. Parikh, answering your first question on what will be the differential saving when we switch over to the coal-based power plant? The coal-based power plant is likely to schedule the commencement around 1st of August as per the current plan. There is some delay of around 4 months in that, after which we don't foresee any further time overrun.

Upon being operational, the current budgeted figure is around INR 14,500 saving per metric tonne of TDI, because of the differential between coal and gas price. On the HCL negative contribution, I am requesting my colleague, Shri Manish Upadhyay to respond on that.

Manish Upadhyay: I am Manish Upadhyay from Marketing side. HCL is normally variable cost; it depends on the chlorine availability and caustic production. It varies from the INR 100 to almost INR 1,500. Fortunately, GNFC is giving around INR 500 minus. So, we are charging INR 10 at the cost, invoice value. And then we give discount of INR 500 or something, based on the quantum. Now, on an average, it is INR 500 outflow.

Neerav Jimodia: Correct. Correct. So, it is not materially contributing negatively to our contribution margin. And on that figure of INR 150 crores to INR 200 crores of loss on the contribution level, it is a correct figure, sir? Or am I slightly higher on this number?

Dilip Parikh: No, you are close to the number. Why because this time, as you know, there was an elongated shutdown at Dahej plant. As the volumes reduce, the fixed cost goes up on a per metric tonne basis. So, roughly, we have a fixed cost of around INR 250 crore per annum at the Dahej plant, okay? And since we are going to have less volume, because of almost 4 months of shutdown, which was originally planned for around 55-57 days. So, this time, it will have a little higher per metric tonne figure, okay?

Because of the unproductive loss, which normally happens during the shutdown time as well as under absorbed fixed cost, the loss figure would be different than what you are talking We will see at the year-end because as of now, it is picking up. So, we will come to know finally what will be the number at the end of the year.

Neerav Jimodia: Sir, if you could share the figure for third quarter, because third quarter, I think we have run the plant optimally after the shutdown. So, if you can share for Q3, both the production and the sales figure for TDI as well as the losses, and sir, these losses are at the contribution level or at the PBT level, which you have mentioned?

Dilip Parikh: No. Losses are not at contribution level, except unproductive cost. We are talking about PBT level. The production and sales figure, yes, our colleague, Mr. Y. N. Patel will cover the production part; and sales part, marketing colleague will take care.

Neerav Jimodia: Yes. If you can share the TDI losses at the PBT level for Q3 along with the production and sales figure, that would be helpful.

Dilip Parikh: Okay. First, we talk about the volumes?

Neerav Jimodia: Yes. Yes, sir.

Dilip Parikh: So, you want a quarter or...

Neerav Jimodia: Quarter and 9 months would help, sir.

Yogesh Patel: 9 months figure, I am Y.N. Patel answering your question. For TDI-II, April to December figure is 20,507. That is what TDI-II, and TDI-I, you want or only...

Neerav Jimodia: Yes. TDI I also. No, no sir, both.

Yogesh Patel: TDI-I is 14,699, that is April to December.

Neerav Jimodia: And for Q3, sir?

Yogesh Patel: Q3, I will just give you in the moment. Yes.

Neerav Jimodia: And sir, second question is on the opening remarks you mentioned about the fixed cost on the urea is set for some revision for different units. I think if I am not wrong, earlier, you have mentioned that our actual cost is close to around INR 3,600 a tonne, and what is actually being paid is like INR 2,500, INR 2,600 a tonne. So, with this revision in the energy norms and the fixed cost also getting revised, is it fair to assume that once if it gets passed through the government, our TDI losses would be wiped out and it will more than cover our deficit of INR 1,100 a tonne, which we are currently losing on?

Dilip Parikh: See, on one side, you are talking about urea. On the other side, you are talking about TDI. TDI losses has nothing to do with the government tax...

Neerav Jimodia: No, no, no, sir. I am into my second question. So, I think that you said you will just give us in a moment, so I then switch on to the second question. My apologies.

Dilip Parikh: Okay. See, you have asked for the losses of TDI. On a product level basis, see these are sensitive information, which are supposed to be within the company. Product level information, and I don't think not only GNFC, any company shares on a product level basis, their profit or loss.

Neerav Jimodia: No worries, sir. Apologies.

Dilip Parikh: And if anybody is sharing, please do let us know, okay? Because normally, this is supposed to be a very confidential kind of a data.

Neerav Jimodia: Correct.

Dilip Parikh: Now production and sales figure, you got sales. You are yet to receive, sales?

Neerav Jimodia: No, no. I have received, sir.

Dilip Parikh: Received? Okay. I think Mr. Y.N. Patel has covered production. Sales on a 9 monthly basis is again close to that 22,000, it's the sales of TDI-II. TDI-I is 15,000, in terms of the volume we are talking. If you want to know Quarter 3, it is basically 9,000 and 5,000 metric tonne, respectively, for TDI-II, TDI-I.

Neerav Jimodia: Got it, sir. Got it. Sir, on that question of urea, if you can share your views.

Dilip Parikh: Yes. Now see, again, it is very clear that depending upon the level which is set for the fixed cost as well as the energy, we will come to know whether we stand to gain or lose. It is very clear when it comes to the revision in fixed cost, it is going to happen upward side only. But whether it will recoup the kind of under recoveries it has, is very relative. So, very difficult to make a guess, not only for any unit, how much government will revise, what kind of position, although they exercise it at a very advanced level.

We are receiving queries almost every week, okay, for discussion. We visited there. There is a cost cell assigned to it and all that. So, we are hopeful that something should happen in the shortest possible time. What is not moving in our view is a change in the energy norm.

Now, we had meetings few months back, and thereafter, we don't see any movement in terms of interactions with the industry or the units as such. So, that is where we feel that whether there will be change or not is not clear. And finally, if it gets rolled over, then it might remain at the same level also. So, let us see in 1 month's time, 1.5 months' time, what actually happens to the norms part of it.

Neerav Jimodia: Correct. Next question is on the TGU part. I think you mentioned that the prices were remunerative in Q3, and that has also helped to improve our profitability. So, if I am not wrong, I think we produce close to around 1,90,000 to 2,00,000 tonnes of TGU on an annual basis. So, if you can share how much is the demand domestically or how much we are currently India as a country importing TGU? And is it safe to believe that the prices of TGU in the international market drives the domestic prices of TGU in India? Is it a right assumption to make? Or am I different in here?

Manish Upadhyay: I am Manish Upadhyay. Indian demand is around 5 lakh tonne and around 2 lakh tonne is being produced by GNFC and 3 lakh tonne will be imported. And our price is more or less in line with the import, international prices.

Neerav Jimodia: Correct, correct. And sir, for this TGU, are we producing it through natural gas route or through the oil route, like the ammonia, which is required for this, it is either produced from the oil or the gas which is available in the market?

Yogesh Patel: It is produced from oil. TGU is produced from oil, yes.

Neerav Jimodia: Okay. Okay. Sir, next question is on the AN Melt. I think AN Melt, we have seen the imports getting reduced, which were predominantly coming into India a year back. So, if you can share your views here, because I think now Q4 looks to be a good season for AN Melt, given the pickup in the CAPEX activities, which we normally see during this quarter. So, if you can share your views in terms of, a, the outlook for AN Melt; and b, how much we have produced in these 9 months?

Manish Upadhyay: Production part, Mr. Y.N. Patel will tell. I will tell about the sales point of view. Demand is definitely on higher side in Quarter 3 and quarter 4 also. It will be reduced since Quarter 2 normally when monsoon is there. And actually, production of Deepak Fertilisers and RCF is increasing, and we are also producing more. So, there's less import compared to the previous year.

Neerav Jimodia: Correct.

Dilip Parikh: I am D. V. Parikh, this is on the volume. Actually, the 9-month volume is 127,000, and the sales and production are more or less in sync except for a difference of 1,000 metric tonne here and there.

Neerav Jimodia: Got it. Got it. Sir, next question is on the WNA part. I think we produce more than our actual capacities, like we produce close to around 4,40,000 tonnes of WNA. So, let's say after consuming for CNA and AN Melt, some rough calculation of mine suggests that we are left with close to around 85,000 to 90,000 tonnes of WNA, which we can sell in the open market. So, is this figure correct? Or it is slightly lesser than this?

Dilip Parikh: You are close. That is on annual basis.

Neerav Jimodia: Yes, this is on annual basis. So, roughly a run rate of 20,000, 22,000 tonnes on a quarterly basis is the right number to work with?

Dilip Parikh: Yes.

Neerav Jimodia: Correct. And sir, for CNA, I think after our new plant got started, we have a capacity of 1,66,000 tonnes. So, assuming that, let's say, TDI plant runs at optimum utilization, how much of the CNA is available for sale in the market, which we can sell in the open market?

Yogesh Patel: Approximately 150 metric tonne is available for sale as such.

Dilip Parikh: Per day.

Yogesh Patel: Per day.

Neerav Jimodia: Okay. 150 metric tonne per day? Okay. Sir, last question from my side is on the CAPEX part, I think we are working on 2 CAPEXs. So, one, ammonia 50,000 tonnes and WNA, 2,00,000 tonnes. You mentioned some figure of INR 2,300 crores also. So, if you can share the commissioning schedule of both this plant and out of INR 2,300 crores, how much we have spent till now?

Dilip Parikh: Okay. See, INR 2,300 crores comprises of 3 projects. One is the coal-based conversion, which we are talking, which is scheduled to commission by 1st of August. The CAPEX figure is INR 613 crores. The WNA has a CAPEX figure of INR 1,420 crores. And the ammonia makeup loop has a CAPEX figure of INR 225 crores. This how it totals up to around INR 2,300 crores.

When it comes to the actual commitment, we have already given advance of around INR 187 crores for WNA. And in respect of CCPP project, the last completion schedule, we were behind by around 40%. So, around 60% CAPEX is committed. This is an LSTK, so commitment is almost full. It is just a matter of giving out the cash flow. Out of INR 613 crores, INR 525 crores worth of project is already given on an LSTK basis.

Now coming to INR 225 crores of ammonia loop, we are yet to commit the CAPEX because there are various work which are going on for the ammonia makeup loop of 50,000 metric tonne per annum.

Neerav Jimodia: Okay. And the commissioning would be next year or...

Dilip Parikh: We have given in the investor presentation, the schedules of commissioning also.

Neerav Jimodia: I will check that, sir.

Dilip Parikh: If you may check, or else we can give you offline also, but it is already part of the information available in the public domain. But still for your information, I will quickly tell, 1st of August, like for CCPP INR 613 crore worth of project. Ammonia makeup loop is somewhere coming by 2027. And around 2028, WNA is coming.

Neerav Jimodia: Okay. Sir, one more thing, like you have mentioned in the presentation that because of the Chemical volumes looking good and the TDI plant also running optimally. The numbers look optimally better for Q4 of FY '25. So, since you refer on a Q-on-Q basis or you refer on a Y-o-Y basis?

Dilip Parikh: No. See, the outlook you are referring to we believe Is Q-4.

Neerav Jimodia: Yes.

Dilip Parikh: See, whatever is the show in Quarter 3 is based on the steady numbers, okay, of production and sales. And since we don't foresee a major outage, we hope that the steady state should continue.

Neerav Jimodia: Got it. Got it, sir...

Dilip Parikh: And so far up to this day, 28th of February, there are no major outages also which are witnessed.

Neerav Jimodia: Got it. Got it, sir... Thank you so much sir, for answering the questions in detail. And wish you all the best.

Dilip Parikh: Thank you.

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: Thank you very much for the insight. So, the first part, if you look at your Chemical segment, the margins have improved substantially Y-o-Y and even on a quarter-on-quarter basis. So, apart from the savings input cost, which are the products on the Chemicals, where you're seeing this improvement in margins, because we are not able to make that out in the spreads you have shown in the presentation. So, which are the products where you've seen this sort of margin improvement? And how do you see the outlook, say, over FY '26, '27 in these products where you're seeing this margin improvement?

Dilip Parikh: Okay. I am D. V. Parikh, if you look at the chemicals segment, basically, the profits are coming from there. And their AN Melt, technical grade urea are contributing positively, okay, on both Y-o-Y basis and a sequential quarter basis, and mainly it is driven through the higher volume.

S. Ramesh: Okay. So, that means you're getting a lot of operating leverage, below gross contribution. So, in terms of headroom for volume in these 2 products, what is the kind of additional sales growth, you can expect in FY '26, '27?

Dilip Parikh: In AN Melt and technical grade urea, you mean?

S. Ramesh: Yes.

Dilip Parikh: The debottleneck capacity for urea is around 8 lakh metric tonne, okay, per annum. And out of that, like we see, we have an RAC, which is normally sort of compulsory production we have to make between 8 lakh to 8.3 lakh, you can say. So, the balance is the kind of quantity available for technical grade urea.

As far as AN melt is concerned, see, there is an integration interplay. On a stand-alone basis, we get roughly 500 or 550 metric tonne per annum basis. But in case Complex Fertilizer is not remunerative, we can add up to some more volume into the AN Melt, which goes at times up to 650 to 700 metric tonne per day.

S. Ramesh: Okay. So, when you mentioned the numbers for Technical Grade Urea, your annual capacity is 800,000. You said RAC is 8 lakh to 8.3 lakh. So, what is the tonnage you have that you can capitalize on in terms of the Technical Grade Urea there?

Dilip Parikh: Again, I am Dilip Parikh. See RAC cannot be revised to 8 lakh. Why because the gas-based plant has a limiting capacity. We have a capacity of ammonia of roughly 1,120 metric tonne per day of ammonia from gas. If you total up on an annual basis on operating days of around 340, that comes to around 636,900, which is the RAC. So, let's say, tomorrow, if it is increased, we should have a feed available from the gas side of it, which is not possible. And therefore, the balance is going to be Technical Grade Urea and for which we have the approval also.

S. Ramesh: Okay. So, it is basically the headroom you have in terms of the ammonia that you can divert for Technical Grade Urea, got it. So, the other question is in terms of the Fertilizer segment, when you say that turning around, because there is a lot of capital employed, which is not earning any returns, earning negative returns last year, this year, year-to-date. So, what is required to make it viable and generate at least 10%, 12%...

Dilip Parikh: No, you were talking about the returns on Fertilizer or overall returns?

S. Ramesh: No, I am talking about the Fertilizer segment. So, if you see the segment number, there is a loss, right, at EBIT level. So, if you look at the EBIT on the capital employed before taxes, so when do you see that at least the ROCE before tax becoming positive, when you see the segment PBIT on Fertilizer what is required to achieve this?

Dilip Parikh: See, in case of controlled businesses, it is difficult because we are not expanding into the fertilizer. And the only leverage in a control business is, by and large, volume and fixed cost. So, we don't see Fertilizer segment dramatically improving from loss to profit. Our bread winner is going to be Chemicals, which continues to be the in case as of date also.

S. Ramesh: Can we conclude that will be driven by whatever growth you can get in this AN Melt and Technical Grade Urea and any growth in the margins we may get in acetic acid and other chemicals, which are not performing now, TDI and acetic acid. So, some of the growth levers you have for FY '26, '27?

Dilip Parikh: You are not pretty clear while you are talking, can you come again, and be a little slow so that we...

S. Ramesh: Yes, yes. So, what I am asking is in terms of the growth you can show in revenue and profits for financial year '26 and '27, would it be driven largely by the volume growth in ammonium nitrate melt and the technical grade urea and any reversal in the fortunes in let's say TDI business and any growth we may expect in acetic acid. So, is that broadly the avenues for growth for FY '26, '27?

Dilip Parikh: Okay. I would request marketing because it has something to do more with the pricing. Okay. Volume-wise, we have a steady state till the time the expansions fructify. And before that, further volumes are not going to be increasing overnight. Now as far as price projections are concerned, I don't know what will be the price in '26, '27, but still, you may listen from our marketing colleague about any forecast if it is available.

Manish Upadhyay: Manish Upadhyay, actually, both products are being imported largely, and we need to compete them. So, based on the imported price, we will have to play the price, our pricing. But more or less, it can say it will be steady price or looking to the last 1, 1.5-year scenario, it will be either steady or slightly moving upward.

Dilip Parikh: So, I am Dilip Parikh again. See, to answer your question, what will be the levers. One is, of course, the interplay of the margin, which emanates out of the realization and the direct input cost. The other is there are certain transformation initiatives which we are talking internally. And if that fructifies, there is some chance of improving the profitability there also, okay, both in variable cost and the fixed cost. So, for '26, '27, we will be in a position to tell you more closely about this transformation matter in a quarter or 2.

S. Ramesh: Okay. So, in terms of the expectation from the CAPEX of INR 2,300 crores, you mentioned the improvement in savings from the switch to coal for power. When do you see that actually...

Dilip Parikh: So, we are not getting what is the exact question?

S. Ramesh: Yes, yes. Sorry, there's some disturbance in the line. So, in terms of the coal conversion from the time you commission that coal-based power, when do you get to see the full benefit of that cost savings from gas to coal?

Dilip Parikh: Yes. Our current projection is INR 14,500 per metric ton of TDI. And we are going to get that as per the schedule effective 1st of August.

S. Ramesh: So, from the second half, we will be able to get the entire benefit on whatever you produce on TDI, right?

Dilip Parikh: Yes, it has to come. And as the gas prices are firming up, probably this may increase also.

S. Ramesh: Okay. So, in terms of the weak nitric acid, that's where the largest part of the CAPEX is growing, INR 14 crores, INR 20 crores. So, what are the returns we can expect on that? How do you see that over the next 2, 3 years in terms of the returns you can earn on that?

Dilip Parikh: See, there is a projected IRR on that, okay? And we have a threshold beyond which we normally invest. And internally, we have a threshold of 14% post tax, and we have worked out the numbers considering this threshold.

S. Ramesh: So, if you're expecting that to be commissioned by '28, maybe by FY '29, '30, we will be able to achieve that full impact of the 14% ROCE, right?

Dilip Parikh: It should come. It will have a two impacts. One is a substantial part of this production is going to be part of downstream production, which is of AN Melt. And there is going to be some quantity around 70,000 metric tonne per annum available for merchant sales.

S. Ramesh: Okay. Got it. So, in terms of your cash flows, you're generating a lot of cash flow, right? And you have INR 2,300 crores of CAPEX will be done in 2, 3 years and you have INR 1,000 crores cash flow. So, any thoughts in terms of what the additional cash flow will be used for, whether it will be returned to shareholders through dividends or buyback, or you have any further investments you're planning beyond this CAPEX? What are your thoughts there?

Dilip Parikh: Okay. See, buyback is already affected some time back around October, November '23 of INR 851 crores. So, and normally, as per the regulation, there is a cooling off period of 1 year. As far as other CAPEX is concerned, we are working on some alternatives of what is the possible project. The immediate on hand on which our team is working is that of AN Melt, okay? And the tender is under evaluation phase. So, we will come to know about the size of the CAPEX as we progress further.

S. Ramesh: Thank you very much. Wish you all the best and looking forward to meeting you sometime. Keep up the good work. Thank you very much.

Moderator: Thank you. A reminder to all the participants that you may press "*" and "1" to ask a question. The next question is from the line of Govindlal, who is an individual investor. Please go ahead.

Govindlal Gilada: Thanks for the opportunity, and congratulations to GNFC, entire team for good set of numbers in this tough environment and guiding for better 4th Quarter going forward. I got two questions, sir. So, currently our margins are in last 8 quarters between operating margins are around 5% to 8% range. And earlier, we have done on the higher side, I think 25%, 30% margin also, it is 2, 3 years back.

So, shall we assume that this is the tough environment, and this is the bottom margin reflected? And what should be, okay 28%, 30% as the best case. Shall we presume this is the worst margin? I think almost in the last 10, 12 years, this worst margin 5%, 7%, 8%. So, in regular course, what margin we should take into account? And that is the first question, sir?

Dilip Parikh: Okay. Probably you have taken this percentage from the public domain we are publishing, where we are also publishing the EBITDA data. So, that is showing the figures which you spoke about.

Govindlal Gilada: Yes, I have taken from screener, sir.

Dilip Parikh: Okay. Screener. Okay, fine. Now screener will also reflect more or less the same thing which we have given. In fact, our data will be more accurate than screener, because we know the individual line items at P&L level.

As far as your question on what is the maintainability of margin, whether it has bottomed out or not. See, these are difficult guesses to make, but our internal perception, including what is available in the public domain by expert is that the downturn in Chemical cycle has lasted longer than expected. So, these are just the hopes people can make about whether it's a bottom of the cycle or there is yet further next level of bottom yet to come.

So, there are no informed guesses which are normally available. But like we said and our marketing colleague has also said, predominantly, India is an import-dependent country when it comes to the major chemicals, like out of our 10 chemicals, 9 are import parity driven. So, it all depends upon what transpires globally, which will have impact in India.

Govindlal Gilada: So, just I was wondering we can presume, sir, 12% to 15% of margin should be a reasonable margin, as said was 28%, 30% lower is on 5%. So, just rough guess, you are best in the industry, you've got idea. As a layman I am asking. So, can you guide me, sir? Generally, a reasonable scenario, 12%, 15% margin we should expect?

Dilip Parikh: Okay. I am Dilip Parikh. Actually, your question pertains to something which has to do with macro picture, okay? And we operate at a micro level, okay? Difficult to make such guesses and tell you that whether it will be 12%, 20% or 5%, because the way we operate, we normally have a visibility of a few months down the line apart from the overall visibility of how the direction is taking shape. But it has more than one part moving around in terms of the inputs and outputs.

So, regarding the maintainability of margin, if you take the leaf out of the past, probably that would be telling how much we should be in a position to make. But informed guess is not with us as to what will really happen in future.

Govindlal Gilada: Got it, sir. Thanks. My second question is regarding TDI prices. How they are ruling, sir, quarter-on-quarter, any improvement has happened, sir, last quarter, what was the average and what is current prices going on?

Manish Upadhyay: Manish Upadhyay. Price is improving. Last quarter, price was a little lower. At moment, price is around INR 2,10,000.

Govindlal Gilada: So, what was the average sir, last quarter?

Manish Upadhyay: It almost steady, but it was slightly lower than at moment. So, it is improving.

Govindlal Gilada: Got it, sir. Then last one question is what is our dividend payout policy, sir, some state government has given some directions on this. So, what was that, sir, just I can confirm?

Dilip Parikh: Rajesh?

Rajesh Pillai: Yes, that we request our company secretary respond on the dividend policy.

Chetna Dharajiya: Good evening, am I audible?

Govindlal Gilada: Yes.

Chetna Dharajiya: See, dividend policy, actually, you can refer from the website of the company and dividend we pay as per the policy and the government directives. So, it is mixture of both.

Govindlal Gilada: So, that's what only I am asking what is the directive of state government last year, they have given. Just can you summarize that's what I am asking, will be helpful for me?

Chetna Dharajiya: So, dividend would be 30%, Dilip bhai, please correct me if I am wrong. 30% of the OpEx.

Govindlal Gilada: 30% of the PAT, that is including of buybacks if you do?

Chetna Dharajiya: Sorry?

Govindlal Gilada: No, buyback, that is including a buyback amount or it is excluding a buyback amount dividend. 30% is total of buyback plus dividend, that's what I am asking.

Chetna Dharajiya: No, no it is excluded.

Govindlal Gilada: Just a hypothetical question. Suppose if you do buyback also last time you have done buyback. So, suppose we do buyback also and dividend some portion we do pay out. So, I am asking this both put together 30% or dividend exclusive 30% buyback will be over and above?

Chetna Dharajiya: So, that will be a management's decision whether to go for buyback and dividend both. But dividend is a separate decision from Management and buyback is a separate decision.

Dilip Parikh: May I answer your question, gentleman.

Govindlal Gilada: My understanding is -- so I am asking sir, 30% payout policy government as directed, state government. I am asking this is purely dividend or including buyback? These both dividend and buyback put together?

Dilip Parikh: Chetna, may I answer his question.

Chetna Dharajiya: Yes. Yes.

Dilip Parikh: I am Dilip Parikh. See the directive is 30% of the PAT or 5% of net worth, whichever is higher, number one. Your question is whether this 30% is after considering the buyback or not. 30% has nothing to do with the buyback as such, because it has a reference point of PAT.

When it comes to the other reference point, which is the net worth, with buyback, the net worth will definitely reduce. So, it will have some impact, but it depends upon which one is higher. So, dividend is decided predominantly first based on the guideline; secondly, based on what the

Board decides considering the overall situation and the dividend policy of the company. Is there anything else which is left out in terms of the question?

Govindlal Gilada: I got it, sir. I got it. So, 30% PAT dividend is assured and this buyback is over and above bonus if it happens. Got it. Thank you very much, sir.

Moderator: Thank you. A reminder to all the participants that you may press "*" and "1" to ask a question. The next question is from the line of Ankur from ICP Group. Please go ahead.

Ankur: Yes. Hi. Thank you for taking my questions. My question is, sir, you mentioned we are a lot dependent on imports. So, just wanted to understand the contracts for ammonia and natural gas, are these long-term contracts? And how are they indexed? What is the structure of these contracts? If you can just throw some light on that, that will be helpful. Is the index or benchmarks that they are based on? Thank you.

Dilip Parikh: Okay. I am Dilip Parikh answering your question. See, if you talk about our key inputs, gas, oil, coal, rock phosphate, benzene and toluene, these are the key inputs for the company. Now whether there is a long-term contract or not, we have a long-term contract for the gases of urea. We don't have the long-term contract for the Chemical part of it. We do have short-term contract and the spot purchases of gas. We have a mid-term and long-term contract for oil, which is worked out based on the mutual understanding about what are the global benchmarks, okay?

For example, in case of oil, there are a few benchmarks like Fujairah, et cetera. So, whatever is the most prevalent, that is what is negotiated upon in terms of the different element apart from the benchmarks. If you talk about coal, we do have an Indonesian benchmark, okay? So, depending upon the commodity, there are benchmarks which are considered after internal evaluation and the inquiries are floated accordingly. For coal also, the buy normally happens on a spot basis a couple of times in a year. So, this is third commodity.

Regarding the benzene and toluene, it's a mix of spot as well as formulae-based buying. Again, when it comes to the formula, it has a benchmark like Platts, etc., which is taken into account. When it comes to the rock phosphate, it is a kind of no reference point negotiation.

At times, people fall back on phosphoric acid. At times people fall back on some other base. But then it is who wins in the negotiation, who has more power. So, that is what happens in case of rock phosphate. So, out of our various product of gas, oil, coal, benzene, toluene and rock, these are the ways and means with which we procure, we structure procurement.

Ankur: Okay. Thank you, sir. And as you mentioned, some are on the basis of spot and are there any long-term contracts as well? Or these are mostly short-term contracts?

Dilip Parikh: For gas, we do have contracts up to '28, but these are mainly for urea because we don't want to bank on either EPMC or spot and do the inquiry and most of the time, there is a push from government also to enter into long-term contract and not bank on EPMC or spot.

Ankur: Okay. Thank you, sir. Thank you so much for answering the question. That's it.

Moderator: Thank you. Ladies and gentlemen, a reminder to all the participants that you may press "*" and "1" to ask a question. The next follow-up question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: Hello, thank you for the follow up. So, on this transformation exercise you're doing with Kearney, I know you said you will share it once you are in a position to discuss it after the 4th Quarter. But in terms of your broad thought process on the avenues of cost savings and incremental growth, what are the key areas you would have possibly identified for this study, just to get your thought process?

Dilip Parikh: Okay. I am Dilip Parikh answering your question. See, there are various items at variable cost level, majorly and only some at fixed cost level. Fixed cost level addressing has a structural issue to be addressed. So, that's a matter which is yet to be debated.

On the variable cost level, there are items like power, fuel, etc., sourcing of oil, etc., which is being firmed up And then we will come to know exactly how much benefit we can expect as against what is being advised to us.

S. Ramesh: Okay. So, basically, it's your attempt to reduce the variable cost and improve the contribution. Got it. So, this is focused more on the Chemical business or you will also look at it for the Fertilizer business?

Dilip Parikh: Partly Fertilizer also because urea, as you know, is out of question because variable cost has an impact only to the extent of inefficiency in energy norms.

S. Ramesh: Sure, sure.

Dilip Parikh: Okay? And inefficiency or not meeting the standards of fixed costs, which are difficult to meet for most players in the industry. When it comes to the other part, which is a complex fertilizer, yes, this is going to help if there is a reduction in the input cost, because the base is again oil-based ammonia predominantly, rock phosphate and weak nitric acid.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. D. V. Parikh for closing comments.

Dilip Parikh: I would request the company secretary to place a vote of thanks, please.

Chetna Dharajiya: Yes. Good evening, everyone. I am Chetna here. My sincere thanks to all the participants for active participation. I am thankful to the moderator and Anurag Services LLP. I am also thankful to all the members from Management team. Thank you, everyone.

Moderator: Thank you. On behalf of Anurag Services LLP, that concludes this conference. Thank you for joining us and you may now disconnect your lines.