



# GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Fertilizernagar - 391 750. Vadodara, Gujarat, INDIA.

CIN : L99999GJ1962PLC001121

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2<sup>nd</sup> June, 2022

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SCRIP CODE: **500690**

SYMBOL: **GSFC**

Dear Sirs/Madam,

**Sub: Transcription of conference call held on 30<sup>th</sup> May, 2022**

With reference to our letter dated 25<sup>th</sup> May, 2022 regarding Conference Call scheduled on 30<sup>th</sup> May, 2022, post declaration of Audited Financial Results of the Company for the Year ended 31<sup>st</sup> March, 2022, we are enclosing a copy of the transcription of Conference Call. The aforesaid information is also disclosed on the website of the company at [www.gsfclimited.com](http://www.gsfclimited.com).

Kindly take the same in your records

Thanking you,

Yours faithfully,

**For Gujarat State Fertilizers & Chemicals Ltd.,**

**CS V.V.Vachhrajani**  
**Company Secretary &**  
**Sr. Vice President (Legal & IR)**

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Encl : As above



**Gujarat State Fertilizers & Chemicals  
Limited**  
Enriching Lives Everyday

# “Gujarat State Fertilizers & Chemicals Limited Q4 FY2022 Conference Call”

May 30, 2022



**Gujarat State Fertilizers & Chemicals  
Limited**  
Enriching Lives Everyday

**MANAGEMENT: MR. V.D. NANAVATY – EXECUTIVE DIRECTOR FINANCE  
& CHIEF FINANCIAL OFFICER - GUJARAT STATE  
FERTILIZER & CHEMICALS LIMITED  
MR. VISHVESH VACHHRAJANI – COMPANY SECRETARY  
& SR. VICE PRESIDENT (LEGAL & IR) - GUJARAT  
STATE FERTILIZER & CHEMICALS LIMITED  
MR. S.P. YADAV – EXECUTIVE DIRECTOR MARKETING  
- GUJARAT STATE FERTILIZERS & CHEMICALS  
LIMITED**



**V.D. Nanavaty:**

Good afternoon. Welcome all the participants to update this post results conference call of GSFC. I would summarize the performance of the company mainly I will highlight the full year performance. So I am glad to announce that this was the record year for GSFC in terms of highest sales in revenue terms and highest PBT and PAT in the history of the company. We thank all the investors for supporting GSFC in this time. The sales for the year grew by 20% on overall basis; however, industrial product sales grew by 65% on variety on chemical market. Caprolactam benzene also improved through almost \$1050 from almost \$700 last year, so there was a good growth there.

Melamine III plant stabilized during the year and we had the highest Melamine sales during the year coupled with good price realization. The production and the sales data are put our website, so you all can access the same to see the volume numbers.

As you know, last year company's financial performance has improved and working capital position is very comfortable in fact we had deposits of Rs.1500 Crores as on March 2022. That brought down the interest cost substantially and in fact we had a good interest income reflected in other income line item in the profit and loss account.

Production at Sikka unit where it is a portal DAP plant, which was affected because of the vagaries of input prices. So Phos acid and the ammonia rose substantially and coupled with reasonable MRP to be maintained, which remains affordable to farmers and subsidiary level not every time making it input cost that kept the economic at Sikka Unit making it nonviable many times so that production and sales was affected; however, due to lower volume our marketing cost went down substantially, so that was some positive. Subsidy release as government has been very regular in releasing the subsidy so far urea subsidy to April 2022 has been paid and for phosphatic and phos acid fertilizers up to March 2022 all the subsidies have been paid.

From quarter four onwards, there is some softening of some major industrial product prices particularly Capro and Melamine, so they have come down from the peak level observed during the earlier nine months period; however, the spread in the post margin remains good. With prices prevailing at such high level and government has also increased the subsidy level for various fertilizers, we see good growth in terms of revenue numbers for the current financial year also maybe 25% growth is the expected.

We want spent around 400 Crores on capex during FY2023 and of course our long-term growth based on new projects and new plant continues, so we will be investing in new sulphuric acid plant, ammonium sulphate plant, Sulphate Crystal, Chrome, Gibson granulation, sulphuric acid and sulphuric acid at Sikka unit and we also want to take the



lead in green ammonia and green hydrogen production of course on a small scale to start with and management is also considering setting up additional Melamine IV plant of 40000 metric ton capacity and urea resulting to meet the energy norms prescribed by Government of India is also planned.

We have a pipeline of good projects on hand and later on we will be developing more projects at Dahej land where thrust you on setting up more chemical plants to reduce dependence on the fertilizer segment. So this was a short summary of performance and the current year outlook. Now, we can move to the question and answer session, please. Thank you.

**Rohit Sinha:**

Thank you for taking my question, Sir. Just wanted to know as you have announced that lot of projects are in the pipeline, so just wanted if at all possible to give the breakup of these projects in cost and ideally give the total cost which will be involved in this total capex and when we are expecting these projects to be commissioned?

**V.D. Nanavaty:**

The projects, which are under commissioning are sulphuric acid that will be exist the plant at Baroda unit so that will be 600 metric tons per day and capex will be around 250 Crores, this will be for supporting our sulphuric acid requirement at Baroda unit and maybe it will be done in 2024 commissioned. Similarly we have ammonium sulphate that will be the fourth plant and that is 400 metric ton capacity with a capex of 110 Crores, so that will bring in the revenue of around 480 Crores per year and by next year end we plan for commission this plant and we have a small hydro HX crystal plant that substitute the imports from China for pharma industry, so it is a 20 metric tons per day plant with 125 Crores capex and that will bring turnover of around 100 Crores it will be commissioned by the end of next year. Then in line with the Government of India directive or policy to encourage the organic fertilizer we are going to produce chrome fertilizer, which is based on rock phosphate which contains phosphorus that will be 400 metric tons per day plant with a small capex of 20 Crores. It will be setup at our Polymer unit, which lying idle after our Polymer unit was shut down in 2020. Then on a larger side the projects, which are under consideration or technology tie up are phosphoric acid and sulphuric acid plant a Sikka that is 600 metric tons per day of phosphoric acid that capex is around 1500 Crores that will support our phosphatic production at Sikka unit. The technology tie-up is going on for this plant. Similarly, we are talking to OPAL for MMA project at Dahej so that will be around 2000 Crores so that talks about the input supply and pricing is going on with OPAL. Similarly, Melamine new plant will be around 1300 Crores so for that also technology tie-up is going on and it will take three years after zero debt. Urea revamp is around 400 Crores, so that is a mandate from Government of India to make the new energy norms, reduce energy norms, otherwise they will deduct the subsidy or they throw a subsidy at the lower norms, even if we do not achieve. So these are all some details about the project. We



are also doing some solar 15 megawatt project for reducing our power cost that will be commissioned by December 2022 and it will reduce our power cost to some extent and as I said for a longer term horizon new projects at Dahej will be setup, but it will take some five years to come up, so right now we are just touching upon the longer horizon.

**Rohit Sinha:** I see some big round of capex for next I think three, four years basically from current level just wanted to the understand what sort of revenue estimate we should for the next two years with the kind of revenue addition would be seeing for FY2023-FY2024, maybe if you can just add upon?

**V.D. Nanavaty:** Yes, for 2023, as I said we will crossing 11000 Crores from 9000 Crores at present and plants really come by December 2023 or early 2024, there will be some further addition to the revenue from HX crystal and ammonium sulphate four plants and this could be to the tune 500 Crores to 600 Crores minimum additional by the inflation and all this will be further ad up 15 Crores, but minimum this will be to 600 Crores will be additional from this particular two projects.

**Rohit Sinha:** I am not talking about the fertilizer side, but just on the chemical side, how much confident we are in terms of maintaining the margin or maybe scaling the margin profile with all these backward integration things come into play in the next two years?

**V.D. Nanavaty:** We are the very large buyers of the various raw materials in this chemical space like benzene or sulphur or MEK brands, we get a very good a competitive price for whatever procurement that we make or tie-up that we make, so then we are able to maintain the normal margin even in chemicals sectors so capro benzene spread of around \$1000 is maintainable, similarly Melamine also gives a very good return, so these new plants are quite efficient plant in terms of reducing variable cost so that helps in maintaining the margin.

**Rohit Sinha:** One last question on this Dahej project I think that could be the biggest project going forward for us, so any thing we can get on this what kind of chemical we will be adding there?

**V.D. Nanavaty:** Broadly we will be confining ourselves to our niche areas or core strength and we do not want to venture into unknown areas so those projects will be upstream or downstream of ammonia and sulphuric acid chain and Melamine chain, or Capro chain, so those things we will be concentrating, so it will not be something very adventurous and now with expanding market, there is a good scope of all these derivatives instead of selling a commodity kind of a thing, with derivatives made for specific application like paper melamine, it is used for making fire retardant, say switchboard or MCB, so there we get more value ad than selling



this Melamine for the commodity, so similarly HX Crystal is a specialized for API in pharma industry, which right now is 100% imported, so with our entry domestic availability will be there I mean pharma those who are buying these things they will have alternate source of India base supply line, so all these things helps to the customer and also to us in selling the products on international pricing that is IPP so it is a very remunerative things.

- Rohit Sinha:** Funding would be from mix of debt and equity or from internal accrual only?
- V.D. Nanavaty:** If required we will take some long-term finance, otherwise, at least we will make some 500 Crores gross profit every year, so by the time or this project comes we will have internal generation sufficient to meet most of the requirements.
- Rohit Sinha:** That is all. Thank you for taking my question. That is it from my side. I will come back in queue. Thank you.
- Rahul Sanwal:** Congratulations to the management for giving the stellar performance, best ever sales and profits. My question is, in the last quarter, we had chemical sales of around 687 Crores, industrial product and we had done product profit of 166 Crores that was around 25% margin, but at the current quarter our sale was 782 Crores and profit was 68 Crores around 9%, why there is such a drastic fall in the margin of industrial products?
- V.D. Nanavaty:** As I said the very high prices that went up to nine months of 2021-2022, post that we started to cool down particularly for capro and melamine from January, February 2022 onwards so those very high margins went down in this quarter four, otherwise there is no abnormality, so we are generally earning between 12% and 15% margin on the industrial products so that will be maintained in overall basis.
- Rahul Sanwal:** So, in future we will be able to maintain this kind of margin around 12% to 15%?
- V.D. Nanavaty:** Yes.
- Rahul Sanwal:** Thank you, Sir. That is all from my side.
- Saket Kapoor:** Thank you for the opportunity. Firstly, just in continuation to earlier participant, we also found that for this quarter even the fertilizers were low, but the profitability was high on Q-o-Q, so if you could explain to us that what was the key reason that accumulated and what are the consistent margins?
- V.D. Nanavaty:** Government raised the subsidy per ton from October 2021 and so subsidy is paid on the per sale basis, so when actually pharma buys the fertilizer we are entitled to raise the claim so those differential claims were accounted in Q4 in fertilizer segment, so the profitability



went up substantially high, but that is not a sustainable or thing in the one time thing, so generally it make a margin of between 5% and 10% in fertilizer that is sustainable and chemical products as I said between 10% and 15% is the normal margin.

**Saket Kapoor:** As you mentioned that we are looking for our sales to go up from 9000 Crores to 11000 Crores for this year, so you are touching in this increase especially from the fertilizer segment include turnover?

**V.D. Nanavaty:** Yes, because last time government increased the subsidy, but it was confined to only mainly DAP or the phosphatic part because DAP is the widely consumed fertilizer and government wanted to see that farmers do not suffer because of high MRP so instead of allowing companies to increase MRP they compensated by increasing the subsidy, but at this time they rationalized the subsidy across all the nutrients, so subsidy and nitrogen, phosphorus, sulphur, or potash all the nutrients have been raised for which now our different products will get benefit because of this so from upwards some MRP will increase has also been allowed on all the phosphatic fertilizer, so this will increase our fertilizer revenue substantially in the current financial year.

**Saket Kapoor:** The margins would be in the vicinity of 5% would be the margins, which would work with?

**V.D. Nanavaty:** 5% to 10% and we are being very efficiently managing as I said we buy inputs at a very competitive price, which is a sulphur or natural gas or ammonia so that helps in a volatile market.

**Saket Kapoor:** Sir, there is also an increase in inventory of 319 Crores, so which segment does it attribute to such?

**V.D. Nanavaty:** Inventory yes, volume ton has not really increased. It is a valuation has gone up, so it is showing more number, otherwise volume is not there, it has not really increased physically.

**Saket Kapoor:** That is also pertaining to both the industrial chemicals because industrial chemical you said the prices have cooled off, so that is pertaining only to the fertilizer segment?

**V.D. Nanavaty:** We still had it because we bought phosphoric acid and ammonia in quarter four, which was the peak of the price during the whole of 2021-2022, for ammonia prices were at peak in quarter four, whatever we bought it increase the inventory value substantially.

**Saket Kapoor:** Sir, when we look at the volume data for Q4 and also for Q3, we have found Caprolactam there is an increase in inventory and when you look at the Q3 data it was 19970, but production and the sales were 12709 and for Q4 again on the similar production was 22795

and the sales is 15813, so what are the reasons, why we are maintaining inventory in Caprolactam for the last two quarters?

**V.D. Nanavaty:** No, there is nothing specific reason that depends on the demand, so we would not like to sell when the prices are not competitive, so at that time whatever we have in the market we look profitability aspect also.

**Saket Kapoor:** Correct, Sir, because on a two quarter basis, on two trailing quarter basis we are holding inventory so there must be something in the market because of which we are unable to liquidate it, as we are the sole player I think in the Caprolactam?

**V.D. Nanavaty:** Right.

**Saket Kapoor:** If you could explain what would be the reason, is it with the lower realizations or the lesser demand from the enduser industry or what could be the key reason?

**V.D. Nanavaty:** One major reason is that our Nylon-6 production has increased so whatever production you see there on the gross basis, but selling in Caprolactam we sell more which convert into Nylon-6 and then sell more Nylon-6, so that is the sales of Caprolactam seems on a lower side, if you see the Nylon-6 against production of 7106 tons we have sold 1541 tons so that is how the Caprolactam was taken further on the value chain basis, so really there is no Caprolactam demand on a consistent basis any problem.

**Saket Kapoor:** Sir, the current business environment in the industrial chemical segment, post the March the exist as you have told that the realizations are trending downward, how are we today went into this first quarter, are the realization is trending lower only or we are more concerned about the margin profile, the delta?

**V.D. Nanavaty:** So, it is better to look at the margin profile only as far as maintain \$1000 spread, this is okay and off late Caprolactam prices are also rising in crude and benzene price, but margin as I said on an overall basis will be minimum \$1000 that spread is maintained, yes.

**Saket Kapoor:** Sir, last point is about the raw material basket and then I have a small question about this dividend payout also. I think so this year first of all I should congratulate the team on a very good set of numbers, but the dividend payout has been at 11%, so the thought process of the management behind dividend payout of 11% if you could throw some more light onto it and also about the raw material basket, how is the raw material basket currently shaping up post the market risk how are the price, what are the price trends in terms of the key raw material?

**V.D. Nanavaty:** As you know GSFC is a conservative company, so we will not jump suddenly of higher dividend because of good numbers and one would expect that dividend should be consistent





so paying something more suddenly and then bringing it down when it is not supported by numbers, so we do not follow that policy, so we look to the consistency kind of a thing and plus as I said for the new products also some funds are kept that we do buy expensive term loans, so that is the thought process behind the dividend, otherwise raw material basket, as you know with very small variety of raw material we produce large number of finished product, so at Baroda units say we use only four to five raw materials, but we produce around 50 to 60 products. Of course raw material prices are rising like crude is at \$119 today, so I will affect the benzene price going forward and rock phosphate prices are also raising. The ammonia has started coming down and phos acid we expect it to be steady for April-June in line with January-March prices. Natural gas prices are also rising in line with Brent crude so there also some rise is seen, but as I said we are able to maintain the normal margin with good combination of various products and competitive procurement policy.

**Saket Kapoor:** We can sum up the normalization of margins in the industrial chemical would be there in the first quarter itself, the dip which we have seen particular for the last quarter is this the normal or the one which you have to put in potential is the number which we have to look out?

**V.D. Nanavaty:** Yes, that will be seen in the first quarter itself.

**Saket Kapoor:** The utilization levels are up to the optimum level?

**V.D. Nanavaty:** Yes, there is no question of any demand problem. Demand because most of the thing we are monopoly supplier, so demand is always there. That is why we are doing more projects because we are not able to meet the domestic demand also, so demand is not a problem.

**Saket Kapoor:** On the employee cost front, this 668 Crores the number should we look at this number for the next year with some increase with inflation what should be the number that we can workout?

**V.D. Nanavaty:** Yes, some increase is compared to the current year for all yearly number, some increase of inflation will be there, otherwise it is going down and down once big reason is there so from that itself it is going down every year, so at this time some inflation impact will be there in the March 2023 results.

**Saket Kapoor:** One small point to conclude and then I will back in the queue. What we investor of the investing community and particularly myself, I am speaking for myself is that there is a lot of lacking on the part if I may use the word on the management in approaching the investor in the right way, we have requested for the investor presentation, we have requested for comparative volume data on a Q-o-Q basis, the cumulative numbers, but how these messages are not being accepted from the team. I being an investor like to understand the



reasons why the merits are not looked into for investor presentation and just to conclude also on the point of dividend part whenever what my basic understanding is when the dividend is declared, it is based on the performance and also on a conservative basis on how the capex will happen, when the capex is going to happen three years down the line and in three years a lot of things can change, the business environment can change, so we are withholding today's earnings for the coming three years the scenario can change totally, so somehow this message is also not going good with investors particularly it is my understanding is there that we should look at some stable dividend payout ratio and 11% looks absolutely no, so look into at such there are reasons why our market capacity is low, so one must try to take the feedback and messages from the investing community and work out the reason why things are not getting corrected even after having the best of the management and reporting best of numbers, the things are in front everybody is there to see how the market behaves, so there must be reasons why the market is not rewarding its investors, so please I request the management to look into the aspects of it deliberate on the same that is the humble request from us.

**Vishvesh Vachhrajani:** Hi, Vachhrajani here.

**Saket Kapoor:** How are you Sir?

**Vishvesh Vachhrajani:** As far as your point regarding the investor presentations and getting more connected with the investors you will appreciate last two years we have lost good time on the account of Corona and all, so you know and I think many of the investor, investing community friends know, we have been very regular in meeting the investors at least once in a year regularly we have been meeting for a year together and meet with major investors including mutual funds, etc., that process which has missed the Corona I think one, we are expecting that we will start that process again and I am sure we will be able to come back with the details of dates, etc., for the same soon, one. Two, so as far as the dividend is concerned of course I only touch upon and Mr. Nanavaty can further throw a light on it, 110% to 125% is definitely an increase and probably in a way you point is addressed by the management.

**Saket Kapoor:** It is up to the management to understand that investor presentation was my point and if it can be dwell into, you can take the example from the other companies in the same sector, what kind of deliberations are done at the investor level in terms of presentations and the volume data, it will suffice the needs of the investor that was my only point.

**Vignesh Iyer:** I just wanted to know as of March 2022, what is capacity of the chemicals that we produce like ammonium phosphate, sulphate, Caprolactam and can you give us numbers in terms of capacity utilization as well if possible?



**V.D. Nanavaty:** We generally operate all our plants beyond 100% capacity sometimes it is 125% for sometimes more than that, so because you maybe knowing our plants are old and we have done a lot of debottlenecking over a period of time, so compared to yearly capacity really we operate on a much higher capacity like Caprolactam operates at 105%, 124% rather and ammonium sulphate operates at 153% and overall fertilizer of Baroda unit plants were 115% of their installed capacity, Melamine as I said, recently Melamine III is stabilized which operates at 104% and Nylon-6 plant operates at 116%, so most of our plants operates beyond 100% and you will appreciate that some of the plants are fifty years old and nowhere in the world has this kind of old plants work, but in case of GSFC not only work smoothly, but they work beyond their capacity, so it shows the management expertise and technical area and the proactive repair and maintenance that is done by the company for maintaining a consistent production.

**Vignesh Iyer:** Absolutely, Sir. Always been operating at higher level, I think company is for so long. Coming to another part, you earlier mentioned that we are expecting around 11000 Crores of sales in FY2023 and after certain capex fix in FY2024, how much additional do you expect in terms of you said 5 to 6 something, so I missed on that part?

**V.D. Nanavaty:** 500 Crores to 600 Crores.

**Vignesh Iyer:** Right, Sir, just one more thing as an investor I just wanted to bring it to the management attention, so earlier like in FY2018 or something we used in our annual report disclose all the realization part, for per chemical what the realization was, I guess we have stopped that in the last two to three years, so can we expect that going ahead in this financial year we might disclose like per chemical what is the realization is, so it helps us analyze the company and understand it better?

**V.D. Nanavaty:** Yes, with the change in accounting standard and disclosure requirements which is not required we do not disclose, but as I said we have uploaded these details on our website with a sales figure in Crores and quantity, so you can derive easily per ton realization we update this data every quarter, so you can have whatever period comparison you want to have, you can have it on your own along with the previous year figures of course, so some analytical work will need to be done by you with change in accounting standards.

**Vignesh Iyer:** Surely. Thank you, that is all from my side.

**Smita Mohta:** I wanted to know that with your capex around 500 Crores to 600 Crores, how would your interest cost increase?

**V.D. Nanavaty:** As I said it is 500 Crores every year, most of the capex would be funded through internal sources only, so with internal accruals of 500 Crores every year and project taking time in



setting up, so most of the capex will be funded through internal sources only, early we will need some term loan kind of thing if needed then only we will be going for the thing, otherwise we generally do not need any external funding for the project, so as you might say in last 10 years also hardly we have not taken any projects loan, so most of our capex have been funded inhouse only.

**Smita Mohta:** So, one more thing what I wanted to ask was that with this capex where will be your market share be in the fertilizer industry?

**V.D. Nanavaty:** Can you repeat your question, please?

**Smita Mohta:** Yes, I wanted to ask that with this capex where will be your market share be in fertilizer industry?

**V.D. Nanavaty:** As I said one is our ammonium sulphate fourth plant we are going to setup, so there our market share is already more than 60% because we and FACT only two companies will produce ammonium sulphate in the country, so we enjoy most of the market share, and with this higher production it will further go up from 60% that we have at present and another thing is crystal project as I said it is an import substitute and there is no domestic manufacturing so everything is imported so maybe we will have a market share of around 20% with this new capex coming in. So we have fairly on overall basis on all India basis, all kind of fertilizer I think we are eighth in the country in terms of market share and of course in Gujarat we enjoy more market because all the facilities are setting up in Gujarat, so in Gujarat we have a larger share, but on overall India basis we are eighth in the volume numbers basis, total volume sold in the country is more than 6 Crores tons of various fertilizer, so there we stand on the eighth.

**Smita Mohta:** Another thing, which I wanted to ask, was that with this capex of your fertilizer, which fertilizer of yours will have margin?

**V.D. Nanavaty:** As I said ammonium sulphate only two suppliers are there, so we have a good margin in this still and in general we generally do not talk about the individual product wise margins, so as I said fertilizer segment creates a margin of 5% to 10%.

**Smita Mohta:** Sir, just last question, your working capital cycle and your return ratios, can we expect any this year?

**V.D. Nanavaty:** Fertilizer being a low margin and high volume business, so those ratio, the percentage do not improve much, it is a volume game so absolute numbers like even 500 Crores or even 1000 Crores both numbers matters more.



- Smita Mohta:** Thank you, Sir.
- Jaydep M:** Sir, is there any business is for reviving the potash project, Sir?
- V.D. Nanavaty:** Yes, as you know the potash prices have substantially increased contract price with India is \$590 for 2022, which was \$280 for 2021, and plus world market it is much higher, so there is a business case for reviving the potash project and the local Canadian management is undertaking some technical studies to update the capex and opex and the viability of the project and then once those things are done maybe say in July some announcement about how the project would be moving those kind things will be announced.
- Jaydep M:** In the past you have mentioned that the price has to be consistently above \$250 to have the project is that still valid that?
- V.D. Nanavaty:** New capex like steel price and everything has gone up, so the new capex could be more so the minimum benchmark price may go up, but as I said it is much, much higher in the present circumstances and it seems it will be a viable price for say next 10 years or so, so hopefully let us wait till the financial model is worked out and actual number are out.
- Jaydep M:** Thank you, Sir. I do not have anymore questions.
- Harmish Desai:** Thank you. Sir, any update on the contracted phos acid prices for Q1?
- V.D. Nanavaty:** No, now there is some fragmentation because OCP has not declared the price and Government of India wants those maths price should be rolled over because subsidy has been calculated on those March prices so those price should remain valid at least from April to June so there is some discussion going on, on the price, but formerly there is no declaration as on today.
- Harmish Desai:** Sir, according to you the price should be below \$15 to \$30 per metric ton?
- V.D. Nanavaty:** No, minimum 15% to 30%.
- Harmish Desai:** Sir, can you give an update on what is our annual phos acid requirement?
- V.D. Nanavaty:** That depends on the economics of the production, if I produce 7 to 8 lakhs in terms of DAPA and another NPK products I will require some 3 to 4 lakhs tons of phos acid.
- Harmish Desai:** Sir, to what extent are we backwardly integrated in our phos acid requirement percentage?



- V.D. Nanavaty:** Ideally TIFERT should give me one 180000 tons almost 50% of my annual requirement, but there they are not able to produce consistently so hardly 20% to 30% is backward integrated.
- Harmish Desai:** This is basis for all our plants or any one particular plant this backward integrated?
- V.D. Nanavaty:** This is about the Sikka unit, in Baroda unit we have gross root plant, so we buy rock phosphate then we have phosphoric acid plant, sulphuric plant, so at Baroda we are fully integrated, there is no dependence on phos acid for outside, so we are able to consistently maintain production up to 10-11 lakhs metric tons to 11 lakhs metric tons.
- Harmish Desai:** Sir, any plans for debottlenecking?
- V.D. Nanavaty:** No, urea revamp we will undertake to make the energy norms of Government of India so that we will be there and recently we did debottlenecking in APS plant and Phos acid plant at Baroda, so we improved the infrastructure and supporting things.
- Harmish Desai:** How much we fund on that particular project?
- V.D. Nanavaty:** That was around some I think 40 Crores to 45 Crores we spent in debottlenecking.
- Harmish Desai:** Sir, that increased the capacity by how much?
- V.D. Nanavaty:** It is not really increasing the capacity, but old plant requires over a period of time good debottlenecking repair maintenance kind of a thing.
- Harmish Desai:** So, that is a maintenance kind of?
- V.D. Nanavaty:** Yes.
- Harmish Desai:** Sir, any number on how much subsidy we have received till FY2022 and how much is pending, if there is any?
- V.D. Nanavaty:** Pending is at balance sheets, so that is around 75 Crores which we have received as I said till date and government has been very regular in releasing the subsidy, so as I said up to March all the phosphatic fertilizers subsidy is received but urea I think we have received up to April, but of course government give subsidy only for the claim that we make to PoS machine, so what we account for in the books may be ahead of time, it may not qualify for subsidy claim with government, but whatever is lodged with the government this is status that to March they have paid the subsidy claim.



- Harmish Desai:** Understood, Sir. Thank you, that is all from side.
- Smita Mohta:** I wanted to ask again that with your backward integration, how much percentage of expense can reduce in your books, if you can give any percentage.
- V.D. Nanavaty:** It is difficult to give any percentage, but as I said at Baroda unit we are as it is, that helps in moving ahead and had in value chain so instead of selling our product as a commodity, we are able to cater to niche market where our margins are more, so that is really the advantage, so we look forward to more revenue and more margins than only focusing on reduced expenses of course on broad basis we can say with government plants manpower expenses reduces substantially and with the money say like DCS machine being common we can do away with separate manpower, separate spares inventory so all these things helps in the expenditure.
- Smita Mohta:** Numbers, which you have given for 2022 for your EBITDA and your profitability, so will you be able to replicate or put in a better performance for FY2023, what can we understand from here?
- V.D. Nanavaty:** FY2022, because of the COVID effect it was a kind of an abnormal year, abnormally good for the company, as I said we look forward to a normal margin between 5% and 10% in fertilizer and between 10% to 15% in chemical, so that would be the kind of performance in current financial year.
- Smita Mohta:** Can you to give me a figure for the revenue and the profitability any figure or any percentage growth?
- V.D. Nanavaty:** It is difficult to give, but as I said more turnover will be coming from fertilizer because of the rationalization of subsidy and MRP so on topline that will be driving naturally bottomline is also be reflected in that way.
- Smita Mohta:** That means that right now your revenue from fertilizers that we understand is near around 77%, right and 22% is from chemical?
- V.D. Nanavaty:** Correct.
- Smita Mohta:** So, is that going to increase going ahead with this capex of yours some difference?
- V.D. Nanavaty:** Yes, maybe 75, 25 or maybe between 70, 30, so it range between 70, 30 to 75, 25, generally over a period of time if you see with this two segment, so that will broadly the trend.



**Smita Mohta:** Sir, just the final question that from the fertilizer segment and from the chemical segment, which is that one fertilizer or one chemical, which gives you a better margin compared to any other product of yours and what are you doing to increase that so that you can have a better margin for FY2023?

**V.D. Nanavaty:** As I said whatever projects are undertaken they are driven by the sales loss of three years you are telling that is a common sense that one should venture into those projects where margins are more, so from whatever I said about capex you can guess which are our better products and in chemicals things change in an international movement or international development basis particularly the price is not in our hand, they are all IPP prices, sometimes Caprolactam becomes a champion product and sometimes Melamine becomes a star product, so it is difficult to say that permanently X product is good and a number you can take its place, it is not like that, it is cyclical and suppose China catches up new capacity, so it will definitely affect the margin of all other players, so those kind of things keep on happening.

**Smita Mohta:** Thank you, Sir.

**V.D. Nanavaty:** Thank you for listening to us and for your questions. We will be taking it in the right spirit. As I mentioned in all the concall that GSFC growth story is intact and not going to hit back anything less. There will always the new brands coming with the existing plants and products also, GSFC is always trying to improve the margin and with its volume particularly in fertilizers, large volume achieving the cost economies in all areas that we will continue to do. Of course plant maintenance, proactive maintenance and plant health and safety is our priority. Going forward as and as when this GST becomes more focus or comes in the forefront, you will see much more value in GSFC compared to today because today we are only talking of topline and bottomline, but at what cost to the society and to the human being this growth and this sustenance is coming so and so when those parameters become important, GSFC will be far, far ahead of other companies. Just to touch upon one or two aspects like almost 40% to 45% of the energy that we use comes from green energy while government is persuading large corporate to go for 5% green energy, we are already more than 40%. So this is the productive way we work. Similarly for carbon footprint, we have eradicated carbon footprint more than 75% and this new projects and all coming one day we will be a 100% carbon neutral or carbon zero company and mind well this is a fertilizers and chemicals have a huge, energy users of the energy, so achieving such a high level of green power or carbon neutrality is a very, very difficult task, but GSFC has been doing as a part of its duty without any mandate from law or any investor community. We will keep on pursuing those important societal goals also along with the value addition in the topline and bottomline. Thank you to all and we will again meet with even better performance after Q1 results. Thank you.