



NO. SEC/BD/SE
13th February, 2024

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

Dear Sir,

We had vide our letter dated 25th January, 2024 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Thursday, 08th February, 2024 at 3:30 PM (IST) through Conference Call.

We send herewith a copy of Transcript of Investors / Analysts meet through Conference Call which took place on 08th February, 2024. 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

ASHWINKUMAR
R CHIMANLAL
SHAH

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COMPANY SECRETARY & GM (LEGAL)



**“Gujarat Narmada Valley Fertilizers & Chemicals
Limited Q3 FY24 Earnings Conference Call”**

February 08, 2024



MANAGEMENT: MR. D. V. PARIKH – EXECUTIVE DIRECTOR & CFO
MR. Y. N. PATEL – HEAD OF THE O&M
MR. A. C. SHAH – GENERAL MANAGER & COMPANY
SECRETARY
MR. MANISH BILLORE – GUJARAT NARMADA VALLEY
FERTILIZERS & CHEMICALS LIMITED
MR. MANISH UPADHYAY – GUJARAT NARMADA
VALLEY FERTILIZERS & CHEMICALS LIMITED

MODERATOR: MR. ANURAG HALAKHANDI – ANURAG SERVICES LLP



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Anurag Halakhandi:

Thank you. Good afternoon. On behalf of Anurag Services LLP, I welcome the management of Gujarat Narmada Valley Fertilizer and Chemicals Limited for Earnings Concall.

From the management, we have Mr. D. V. Parikh - Executive Director and CFO; Mr. Y. N. Patel - Head of the O&M; Mr. A. C. Shah - General Manager and Company Secretary and other senior members from the management.

We will begin the call with the "Opening Remarks" from the Management post which we will have a question-and-answer session.

Thank you and over to you, sir for "Opening Remarks".

D. V. Parikh:

Good afternoon. Good afternoon to Anurag Services for holding this call and warm welcome to the participants. On the industry scenario, if you start with their results which are declared by different companies, both domestic and international, the results are subdued in nature as compared to the last year as well as quarter-on-quarter. Basically, if we talk of fertilizer and chemical, both industries are impacted. The fertilizer industry is impacted mainly because of substantial reduction in the complex subsidy levels even if the operations are stable in most of the units. Apart from that, if we talk about urea as a fertilizer, urea has been suffering with under recoveries of fixed cost since quite some time and there is some sort of energy under recovery also in that business, so overall fertilizer industry is getting impacted because of these reasons.

As far as chemicals are concerned, the margin pressure is observed mainly because of the disproportionate impact rather on the realizations as compared to the inputs. Although, both have gone downward, the proportions are different, which is impacting most companies, including GNFC, as the case may be.

The key highlights of Quarter 3 would be like in case of GNFC it has completed the buyback with a response of close to 3x which is about 300% and with extinguishment of around 8.4 million shares. Now, the share capital is reduced by a factor of around 84 lakh shares. It has changed the composition of the shareholding pattern of promoters, which was earlier 41.18, which has gone up to 41.3% for both the promoters taken together.

During Quarter 3, the long-term settlement also is also completed with the employees and the same is settled with a minor impact since most of the amounts were provided. Apart from the margin pressure, what is unusual in this financial year is there has been a shutdown which has created an impact both on the topline and bottom-line, which is substantive because the days were close to a month in early April which has impacted. If you talk about the operation from chemical perspective, the production levels have been a little lower as compared to Quarter 2



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whereas if you compare with Quarter 3 and Y-o-Y basis, Quarter 3, the production levels are higher and on a Y-o-Y basis the production levels are lower mainly because of the shutdown. In the case of sales, there has been the stock built up at the end of period because of which the sales overall are affected. The inventories are increasing, mainly that of TDI, which was the highest at the quarter end if we compare the last 3-4 quarters. TDI as far as the production part is concerned, has done extremely well especially the Dahej plant, there is a reliable production which has exceeded the annual production of last year.

In terms of the financials, it is before you, the financials as well as the press release are loaded on the Stock Exchange followed by the presentation, so number part we will take more questions rather than elaborating on that.

With this, I close my opening remarks and invite questions from the participants. Thank you.

- Nirav:** I have few questions. Sir, first on the TDI plant, I think last quarter you mentioned that plant was operating at optimum levels, even this quarter the plant has exceeded our expectations. So, if you can just share the sales number for both the plants separately till 9 months of FY24?
- D. V. Parikh:** Mr. Manish Upadhyay, if you can please respond to this query with sales numbers.
- Manish Upadhyay:** Total figure, I am just giving at moment, April to December total 50,800 and we already crossed. Last year it was almost 37,000 ton, so this is the total and in Dahej we almost crossed almost 60,000 tons so far.
- Nirav:** Sorry, sir, come again, for Dahej how much it was?
- Manish Upadhyay:** Dahej, production is 55,822, 61,023. Sales is almost 50,500 so far.
- Nirav:** 50,500 so balance is from the Baruch plant. So, total sales is 58,800 of which the Dahej is 50,500 and balance is from Baruch plant, correct?
- D. V. Parikh:** Total sales is 51,000 divided into two parts, Bharuch is 13,000 and Dahej is 38,000. These are the numbers of sales.
- Nirav:** And sir, last time you mentioned that the losses from the TDI on a half yearly basis has narrowed down to Rs. 95 crores, so how much it was now for 9 months of FY24?
- D. V. Parikh:** See the total loss has gone down by half.
- Nirav:** So, it is now Rs. 47 crores for 9 months?



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- D. V. Parikh:** See for 9 months there was a loss of more than Rs. 350 crore last year. It has gone down half.
- Nirav:** It is now Rs. 175 crores?
- D. V. Parikh:** Yes.
- Nirav:** Sir, second question is on our power and fuel cost. So, when we see our quarterly results, I think it is around Rs. 400 crores run rate. Last quarter it was also on the similar lines. So, if you can just help us explain what feed we actually use for the production of chemicals like, is it the same which we use for the production of ammonia for our chemical business like the fuel oil which you mentioned last time and if yes, how much do we annually consume fuel oil for our chemical business, for the power and fuel part?
- D. V. Parikh:** For the power and fuel part practically no fuel oil is used. For power and fuel, there are three sources, one is coal-based facility, second is the gas based facility and third is the import of power which is from the state electricity gate. Depending upon the operational and financial feasibility, we operate within these three lines. The total requirement of power and fuel, its range is little above 50 megawatts per day and the mix is decided based on the cost and reliability part of it.
- Nirav:** Sir, you mentioned 15 MW.
- D. V. Parikh:** 50 plus MW. It ranges depending upon the production level between 51 to 55.
- Nirav:** So, let us say the coal cost is currently pending down as per the presentation. So, let us say even if you share the figures for 9 months, what was the mix in terms of our consumption of power for this 9 months of FY24 that would be helpful, sir?
- D. V. Parikh:** What exactly do you want in terms of?
- Nirav:** No, sir, this 50 MW of consumption which we require on a daily basis for our chemical production, if you can just break it down in between coal, the natural gas and the power which we purchased from the grid?
- Y. N. Patel:** I am Yogesh Patel answering your question. As Mr. Parikh has narrated we do variation based on the variation in the rate of fuel as well as power we draw from GEDCO Grid, but approximately you can take one third each component.
- Nirav:** So, sir, when we see our presentation, I think you have been showing the data for oil, natural gas and the imported coal. So, when we see, let us say Q1 of FY24, the natural gas cost was like Rs. 41 and the coal price was Rs. 12, which is now also at similar levels more or less, but when we



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see our power cost, Q1 was like Rs. 340 crores and now it is at around Rs. 400 crores. So, is it because of the increase in the production of chemicals, this increase has happened or because of the higher consumption or higher takeoff from the grid that has increased our power cost?

D. V. Parikh:

So, as compared to Q1, there was a shutdown. So, the consumptions were less, if you compare Q1 versus any other quarter, whether Q2 or Q3, you will find the difference because of the shutdown period.

Nirav:

And sir, the last question before I again join back in the queue, what was our ammonia production in 9 months of FY24? And if you can just bifurcate between how much was meant for urea and how much was for chemicals?

Manish Upadhyay:

Ammonia production, if I give you figure up to December, it was 4,63,512 out of which gas base was 2,72,000 and the oil base was 1,91,000. So, 60:40 ratio is there.

Atul:

So, basically just wanted to check in terms of scenario if one has to think, is this kind of margin pressure likely to continue or they have bottomed out across most products and is it okay to assume that probability of further margin decline is low if just to get a sense on?

Manish Upadhyay:

Actually Quarter 3 was not that good because Quarter 3 should be good, but this year Quarter 3 was facing problem of the margin as well as the selling, of course sales was quantum wise almost same was there compared to the previous month, but margins were down because of the high input costs as well as the lower selling price. Price has started going up from December onwards. It has already started. Almost all products now, we have reduced our inventory considerably and we are able to increase price sales loss to one and a half or two months' time, so we are hopeful that this quarter will be definitely better than the last quarter.

Nirav:

Sir, you mentioned that our fertilizer business was affected because of the reduction in the subsidy rates and last of our interaction, you mentioned that the because of the higher fixed cost urea business incurs for around Rs. 65 crores on an annual basis. So, when we compare the 9 months of FY23 and 9 months of FY24, last 9 months were profitable. So, was it because the other fertilizers were doing well in terms of profitability and urea was suffering and this year those profit numbers have turned negative because of this reduction in the subsidy rates, is it a fair assumption?

Manish Billore:

This is Manish Billore responding to your question. See more or less, the urea continues to make losses because of those recoveries explained by Mr. D. V. Parikh earlier in his note. There are other fertilizers which were giving us some kind of a profit though we had quantum wise a little less as compared to the Q3 means year till date December for the previous year and this year, when we are having this conference. Yes, your assumption is correct and it is like that we had made a little profit in our other fertilizers which falls into the category of NPK or complex



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fertilizers and the subsidy revision, which has taken place actually has taken place effective from 1st of January 2023, retrospectively announced later in the next financial year and again with effect from 1st of April 2023. So, these are two facts that have contributed to the losses this year, put together, as we look the fertilizer segment as.

Nirav: Sir because when we see our current 9 months, the PBIT loss is Rs. 191 crores. So, even if we exclude the urea loss, the losses have been higher. So, is there any onetime inventory hit which we have taken in this 9 months and what could be the sustainable or a repetitive quarterly loss figure, which we could continue to report based on the losses on the urea side?

Manish Upadhyay: See, the urea remains unchanged, and we cannot ignore the inflation in between, which has been taken place. We have increased our manpower cost because of certain decisions taken by the management in terms of remunerations to the employee. This is what has also contributed to it. And another is that major part can be assigned to the NBS subsidy, which has been given. Going forward, this fertilizer business per se depends upon the feasibilities what we are having looking at the nutrient-based subsidy scenario and the fixed cost subsidy revision in urea. So, this has been the case for GNFC for quite some time now.

Nirav: Sir, second question is on the contribution of top three or four products this quarter in terms of the sales, if you can just highlight US or let us say in terms of even profitability if you can just highlight for this quarter and or let us say even if for 9 months that would be helpful, for this 9 months or quarterly, whatever is convenient, so what were the top three or four products in our portfolio which has contributed to the sales as well as to the profitability?

D. V. Parikh: TDI, weak nitric acid and acetic acid, these are the top contributing products in terms of contribution, TDI in terms of sales as well.

Nirav: Because the TDI losses have reduced. That is why the contribution to that extent have gone up, right?

D. V. Parikh: Yes.

Nirav: Sir, last question is on ammonium nitrate. So, how has been the situation currently because last year I think that was also one of our profitable product and if I am not wrong, last year we produced or sold close to 1,97,000 tons. So, if you can just help us, what were the production numbers of ammonium nitrite for 3Q as well as for 9 months and the outlook on that business?

Manish Upadhyay: Production number for Quarter 3 is 35,000 tons as compared to 41,000 tons in Quarter 2. I will tell on 9-month basis also what are the production numbers. The AN Melt is 116,000 tons as compared to 153,000 tons in 9 months last year.



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- Nirav:** So, sir, to that extent probably our weak nitric acid consumption into AN Melt would also gone down and that extra WNA we have to sell in the market?
- D. V. Parikh:** No, not necessarily, because see, last year the AN Melt was different quantity because of certain product mixes, and what happens is that AN Melts we have two routes. One is Co-producing it along with the ammonium nitro phosphate and also independently produced irrespective of ANP. So, it not necessarily that it will save, but in general if we run it independently then it says WNA, yes.
- Nirav:** And sir, on the timeline of our CAPEX is like the 50,000 and ammonia plant one like 63,000 tons of AN Melt plant and 200,000 tons of WNA. So, if you can just walk us in terms of the timeline for commissioning of this CAPEX and of the total CAPEX, how much we have spent till date?
- Y. N. Patel:** Y. N. Patel answering your question, see out of total CAPEX right now, the committed expenditure is only for two projects, which is 4 MW power plant and coal base power plant at Dahej complex that is Rs. 613 crores and 23 crores that is already committed expenditure and this ammonia expansion Rs. 225 crore are committed. For weak nitric acid and ammonia melt investment decision is not there, but we are likely to conclude that within next 2 months or so and the completion for this project will be around '26 and mid of '26.
- Nirav:** Mid of Financial '26.
- Y. N. Patel:** Yes.
- Nirav:** And sir, how much we have spent till now on this?
- Y. N. Patel:** No, we are yet to spend anything on this weak nitric acid and AN Melts.
- Nirav:** No, I am talking about that 4 MW plant as well.
- Y. N. Patel:** 4 MW project, I think more than Rs. 20 crores we have already spent and ammonia we have only spent around Rs. 30 crores so far.
- Nirav:** And sir, even when these projects are finalized for both what you mentioned, what sort of CAPEX we are looking on for both these projects put together?
- D. V. Parikh:** Both these projects will be consuming around Rs. 1,200 crore. I am talking about this weak nitric acid and AN Melt.



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- Nirav:** And, sir, last question if you allow, sir, what was the production and sales number for WNA and CNA for Quarter 3 as well as for 9 months?
- D. V. Parikh:** For 9 months it is 3,24,000, has been 3,28,000 last year.
- Nirav:** And for concentrated nitric acid, sir?
- D. V. Parikh:** 105,000 versus 81,000 last year on 9 months.
- Nirav:** And CNA, out of this some portion would be consumed for our nitrobenzene as well as TDI, rest would be sold in the market, right?
- D. V. Parikh:** Yes.
- Nirav:** So, if you can just let us know what was the sales figure for CNA that would be helpful, sir?
- Manish Upadhyay:** I am Manish Upadhyay speaking. It is around 37,500 ton roughly, approximately.
- Nirav:** This is what we have sold in the outside market.
- Manish Upadhyay:** Yes, within 9 months' time.
- Rusmik Oza:** I wanted to get the outlook on FY25 considering that this year has been quite disappointing in terms of margins both on fertilizer and chemicals, will there be any cost cutting measures you are taking to improve the profitability next year because considering that a lot of CAPEX are fructifying and coming in FY26?
- Y N Patel:** We have not initiated any cost-cutting measures. For CAPEX, we don't go for that. But for margin part, I think Manish can throw more light on pricing and margin on chemicals segment.
- Manish Upadhyay:** I will just give you the outlook of the chemical side. As I talked to you from December onwards, prices started going up. Last year, ammonia price was on higher side, so we got advantage of the ammonia-based product like nitric acid, CNA, WNA, Ammonium Nitrate Melt as well as the urea, these four products are dependent on the ammonia, so all these four products are scored very well last year. This year the price has gone down almost to 50% of that level compared to last level. So, this has naturally affected our sales realization as well as the whole sales price. Now, it is coming back to normal. Of course, ammonia price is under stabilization and now it is almost steady since last couple of months or 2-3 months' time. We are hopeful that this quarter will be definitely better, and the coming year also will be under stabilization, and we will be able to get a proper margin.



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- Manish Billore:** I am Manish Billore responding to the other segment, which are fertilizers. When it comes to the fertilizers, these are statutory rates which we cannot really change and this also largely depends upon the subsidies and dispensations we are getting. Also, our manufacturing facilities are stabilized, and we cannot really make kind of a change which is required to change the whole lot of scenario. Just we are doing kind of an integration and taking care of product mix in our Nitro phosphate complex, if we get better margin that we are not getting in the fertilizers which is one of the products there in Nitro phosphate plant. We may get back to other products like AN Melt and all depends upon the market dynamics. So, there is not much to do and much to change as far as the fertilizer segment is concerned for cost cutting.
- Rusmik Oza:** Sir, follow on question, like for example if I am looking at the operating profit margin in FY22, we had the peak 28% operating margin, which came down to 18% last year and the first 9 months, I think we are at 6 to 7%, so will we go to double digit operating profit margins next year based on your assessment or will it remain sub 10% next year also?
- D. V. Parikh:** Looking to the IP pricing guidance given, it looks like it should be better.
- Rusmika Oza:** But will it be in double digits next year, FY25 on aggregate basis?
- D V Parikh:** We are trying for that. Looks like it should be in double digit, but we cannot provide a guidance of for future looking kind, but we are hopeful of realizing this double-digit margin because most of the products, if you see at its ebb rather and the corresponding input cost have not gone down so much. So, there is still scope for margin improvement.
- Nirav:** Sir, on that coal based steam and power plant for the TDI 2, will it increase our TDI capacity or the production numbers for the Dahej plant?
- Y N Patel:** No, it has no relevance with the production capacity, but it will improve our margin in TDI at Dahej.
- Nirav:** How much of the per ton cost reduction could happen because of this exercise?
- Y N Patel:** Depending on the pricing difference between natural gas and coal, it will be in the range of around the 15,000 to 25,000 metric ton per ton of TDI.
- Nirav:** So, 15,000 could be considered as a base and 25,000 on the higher side?
- Y N Patel:** Roughly or depending on what is the coal and gas prices.
- Nirav:** Yes, the prices of the fuels in that way.



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- Y N Patel:** Differential between pool and NG price.
- Nirav:** So, then this sort of losses, what we have been incurring on the TDI side, could be profitable even if we consider the realizations at the current level?
- Y N Patel:** Yes, then we further reduce.
- Nirav:** Sir, second question is on our chemical business, so are there any contracted terms on which we sell our products or entirely it is sold on a spot basis?
- Manish Upadhyay:** We have a different product; different strategy is there. In TDI we do a contract, yearly contract and Aniline we do monthly contract. In certain product like nitric acid, we do a quarterly contract, but it is a quantity-based contract with variable prices. It is not a fixed price normally all with variable prices.
- Nirav:** And acetic acid and everything is on the spot basis, so whenever the prices change, I think we do change the prices according to the prices in the international market?
- Manish Upadhyay:** Yes, even in contract also, it is dynamic pricing, not the fixed pricing. Fixed pricing contract is very normal. Couple of contracts are there in Aniline, it is a fixed price contract. Otherwise almost all products it is variable price contract. So, whenever there is a price change in upward side, we are getting advantage of that.
- Nirav:** And sir, you mentioned that some of the prices have recovered from December onwards. So, I guess acetic acid was one of them, but let us say for TDI or let us say for nitric acid, have we seen the price increases as compared to the Q3 average numbers like for TDI as well as for this concentrated nitric acid?
- Manish Upadhyay:** It has already started.
- Nirav:** so TDI prices have already started an upward trend along with the nitric acid prices, yes?
- Manish Upadhyay:** Yes.
- Nirav:** Sir, third question is on the natural gas cost, so the natural gas, what we buy for chemical business for our power and fuel side, how are the contracts there? Are the contracts based on the average prices of the last six months? Or they are bought on the spot basis because I think spot prices have started trending downwards, so it gives us an advantage in terms of reduction in our power and fuel cost because the natural gas prices have started trending downwards?



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D. V. Parikh: The industrial product that is chemical related procurement of gas is on spot basis only which has seen some of the benefits, but then the reduction as compared to the output products, the disproportionate part is what is playing out on the margin.

Nirav: So, let us say for which of the product categories in our industrial product basket we are operating at optimum levels or and which of the products where we are still to achieve those optimum level of production?

Y N Patel: See, as far as our production levels are concerned, we are operating all the plant at maximum capacity barring fuel like Aniline where there is a pressure on margin, and we are not able to recover our variable cost or so. So, sometimes we do operate at a lower capacity level, but bearing one or two example, we don't need to reduce our load for most of the products.

Nirav: And sir, last one bookkeeping question, what is the cash on books including what we held in fixed deposits as well as the government securities?

D. V. Parikh: There is Rs. 2,000 crore of cash on hand.

Nirav: Including the fixed deposits and what will hold?

D. V. Parikh: Cash on hand, yes.

Rusmik Oza: In terms of dividend payout, sir, because the sales profit is going to be quite far low as compared to last year and last year we had around 32% payout ratio, will that be maintained at 30% or maybe there could be some change in the payout ratio?

Ashwin Shah: I am Ashwin Shah, Company secretary. The company has been paying consistently dividend and the trend is to as far as possible, maintain the dividend based on the past experience. And this time also depends upon the business topline and the bottomline, especially the board will consider in the ensuing board meeting of May 2024 the recommendation of dividend to the shareholders for approval in the ensuing Annual general meeting. As far as possible, the management would prefer to maintain the dividend that is the track record of the company.

Rusmik Oza: My question was actually because there was some state guidelines that Gujarat state undertaking something around 30% payout. So, I think I was just asking in that reference that will that dividend payout ratio be maintained at 30% in FY24 as compared to FY23?

Ashwin Shah: Again, I am Ashwin Shah here. Management means the Board of Directors will consider that also the guideline of the government of Gujarat, but it is only recommendatory in nature, so it is not sort of binding but in spirit, yes, in board will definitely keep that in mind and try to observe that.



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Ashwin Shah:

Thank you. I am Ashwin Shah here. I extend sincere thanks on behalf of GNFC management to all the participants for active participation and interaction in the question-and-answer session and the financials of the company for the 3rd Quarter of Financial Year 2023-24. I also thank Anurag Services LLP for arranging this concall meet with investors and also the moderator of this session for conducting this question-and-answer session successfully. Thank you one. Thank you all. Bye, bye.