GNFC

Gujarat Narmada Valley Fertilizers & Chemicals Limited
CIN : L24110GJ1976PLC002903

An ISO 9001, ISO 14001, ISO 45001 & ISO 50001 Certified Company

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November 13, 2023

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Co. Code: BSE - "500670"

Co. Code: NSE- "GNFC EQ"

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

Dear Sir,

We had vide our letter dated 23th October, 2023 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Thursday, 09th November, 2023 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 09th November, 2023. 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 CHIMANLAL SHAH
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CS A C SHAH
COMPANY SECRETARY & GM (LEGAL)

"Gujarat Narmada Valley Fertilizers and Chemicals Limited

Q2 FY '24 Earnings Conference Call"

November 09, 2023

MANAGEMENT: **MR. D. V. PARIKH – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED**
MR. Y. N. PATEL – HEAD OF DEPT. (O&M) – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED
MR. A.C. SHAH – GENERAL MANAGER AND COMPANY SECRETARY – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED

MODERATOR: **MR. NITESH VAGHELA – ANURAG SERVICES LLP**

D.V. Parikh: Good afternoon and thank you for holding this call. We welcome all the analysts and investors to this call on the quarter 2 performance of GNVFC. We will first begin with the overall environment in which we are working and thereafter we will touch upon the operational and financial highlights thereof. And this will be followed by some discussion on certain announcements which we have made.

So, to start with the overall environment, as far as fertilizers and chemicals segments are concerned, they continue to be under margin pressure across India as well as outside. Chemical sector scenario outside also is very challenging in terms of the margin pressures. Like you see in quarter 2, there is a good volume performance, but that is far offset by the margin pressures on account of the realizations which we are receiving on the output fronts.

On the operational part, quarter 2, there was no shutdown or any other outages by and large, whereas quarter 1, there was annual shutdown. Last year, the figures are without any shutdown. So, H1 and Q-o-Q are really not comparable. However, the plants have run fairly well wherever the economics have made the sense.

Coming to the very same operational part on the project fronts, the Concentrated Nitric Acid with 50,000 metric ton of capacity has been commercialized sometime in July. And the progress on co-generation power plant at Dahej is on, which is an investment of roughly INR613 crores. The rest of the updates on the projects and the strategy side will be covered by our colleague, Mr. Y. N. Patel, with the analyst. As far as financial performance is concerned, like this quarter, although the profit relatively has gone up as compared to the previous quarter, the previous quarter was impacted from a volume perspective.

When we compare H1 as well as Y-o-Y Q2, the margin pressure is clearly appearing. We have shared the investor's presentation also with everybody and it is uploaded on the website. Both on H1 and Q-o-Q as well as Y-o-Y Q2, it is the same situation. And the drops are very sharp when it comes to chemical. When it comes to fertilizer business, as you know, we have two products where one of them is a complex fertilizer and government subsidies are continuously reduced on account of those subsidies. And therefore, the business is becoming more challenging and our losses have also increased in case of fertilizer, mainly because of the subsidy impact.

On a full-year basis, that is YTD H1 basis, since there was a shutdown, the urea energy needs were also higher as compared to the last year. And on a net basis, we are still higher than the threshold, which is there. So, we will say that this is a fair performance as compared to what is going on in the market because of the combination of various factors and the kind of product portfolio we have.

As far as TDI is concerned, TDI2 ran well and with quite sort of reliability. The H1 production numbers have been encouraging. We produced close to around 27,000 metric ton in H1 TDI2. So, that is an encouraging sign and that has reduced the TDI losses from close to INR180 crores to INR95 crores in H1 so far.

Coming back to the announcement which the company has made, it is already now in the public domain. The company is purchasing back its shares at the rate of INR770, which is roughly a 10% premium over the recent prices. And if we see the price of 21st of October, the premium works out to around 17%. We understand that the margin that is the premium should increase over a period of time. And let us see how it settles as far as market price versus the offer price is concerned.

So, with this, I conclude my opening remarks and leave the floor open for any question-and-answer. Thank you.

Nirav: Yes, I am Nirav here from Anvil Research. So, sir, two, three questions from my side. Sir, one is on the ammonia production which we have clocked in H1 of FY '24 through the oil route. So, if you can just walk us through that, how much of the ammonia we have produced through the oil route? And let us say if we consider last year, how much of the oil we would have bought from the outside market so that we could produce those ammonia for the chemicals that we produce?

Y. N. Patel: I am Yogesh Patel answering your question. This ammonia plant, if we talk up to October, we have already produced 3,45,000 metric ton of ammonia. Out of this, the gas-based ammonia is 2,02,000 and the rest of it is oil-based ammonia.

Nirav: And sir, how much raw material is required to produce the ammonia through the oil route?

Y. N. Patel: The oil route consumption varies around 0.72.

Nirav: 0.72?

Y. N. Patel: Yes.

D.V. Parikh: 0.75. It ranges between 0.720 to 0.735 per metric ton of ammonia.

Nirav: Finish good. Yes. So, sir, why do we choose to produce ammonia through this route? Does there is a substantial difference between the cost of production of ammonia from the oil route as well as the gas route because with the gas prices also now coming down, doesn't it make sense to produce the ammonia for the chemicals through the gas route or the plant is such that we can only produce ammonia for the chemicals through the oil route only?

D.V. Parikh: Yes, I am D. V. Parikh. Actually, it is the way plant is set up. The gas-based ammonia plant is exclusively meant or dedicated for urea only. And the other one can only manufacture through the oil route.

Nirav: But sir, if we see the players globally or the players outside India who are producing let's say, acetic acid or ethyl acetate from ammonia, generally they may be using gas for their ammonia production. So, at some point of time, does it give us an advantage in terms of our ammonia coming at a lower cost and that gives us some sort of leeway in terms of margins when we compare those players outside India who produce ammonia through the gas route and hence producing those downstream products?

D.V. Parikh: Okay, I am D. V. Parikh answering your question. See, there are varying dynamics between oil and gas over a period of time. Changing feedstock is not an easy decision. It requires time, it requires investment. At the end of the day, in spite of that, what happens when we compare about the landed cost, as we know, if you refer to the PPAC website, we are a net importer of both gas and oil substantially. Okay. So, what happens is even if somebody is using outside because of the closer availability and lower cost, end of the day when you import, it comes at a market price and dynamics keep on varying. So, therefore, we choose to keep oil as a means of producing ammonia, point number one.

Point number two, when you use oil, it is more-rich in terms of hydrocarbons and therefore, it supports various chemical streams. If we use gas, then there could be some issues in terms of matching those frequencies or requirements of various types of gases. So, basically, it is a techno-commercial issue because of which we are continuing with the oil-based ammonia production.

More, I will request my colleague Mr. Y. N. Patel, who is from a technical side to explain.

Y. N. Patel: See, I am Y. N. Patel. Right now, we can augment production of oil-based ammonia to a larger extent, but we cannot increase our design of our plant setup. Both the ammonia, gas-based and oil-based ammonia is such that we cannot modify our gasification unit, basically, which is supplying this oil-based ammonia. So, we have to go for major modification if we want to convert into 100% gas-based facility. So, that is, right now in this existing setup, it is not possible.

And secondly, we have certain advantages as Mr. Parikh has pointed out that when we do gasification of oil, we are -- along with the hydrogen for syngas production of ammonia, we are getting CO and other composition, which is useful us in producing industrial chemicals, that is, formic acid, acetic acid, TDI, etcetera. So, right now, we are in a better position and we do not have any intention to modify our existing design of ammonia plant.

Nirav: Got it. And sir, this oil is similar to the fuel oil prices, which we generally get in the market or it is something different, what we use, which comes from the refinery?

Y. N. Patel: It is related to crude oil Index. Some Index we follow. So, based on that formula, price varies.

Nirav: Sir, is it possible to quantify the cost of fuel oil, which we would have incurred in quarter 2 as well as in 1H of FY '24?

D.V. Parikh: Yes, we can give that. Offline, you can ask us and we can give further details about this. To respond to your question, see the normal oil and this oil is somewhat different in terms of the sulphur content. What we use is a lower sulphur content oil and therefore, we pay some premium and this is how the pricing formula is designed with the supplier.

Nirav: Got it. Sir, my second question is on technical grade urea. So, I believe that is a non-regulated product, correct me if I am wrong, but when we see our total urea production of, let us say, close to 8 lakh tons, 8.5 lakh tons, if you can let us know what is the production as well as the sales for technical grade urea? And if you can talk something about the contribution to the EBITDA in FY '23 as well as in 1H of FY '24 because I guess with the increase in the prices of urea in the international market, we also do increase the prices of technical grade urea. So, if you can just talk about that product in a bit, that would be very helpful?

Y. N. Patel: See, regarding production part, I will cover. See, out of around 8,50,000 we produce, we are bound to supply minimum 6,36,900 to DOF. That will be made for neem-based urea, neem-coated urea, that is a fertilizer-based urea. Balance, we can divert it to technical grade urea, but normally we give some commitment slightly on higher side, so 6,40,000, 6,50,000 depending on our budget in the initial period and balance, we take it to technical grade urea.

Now, the contribution part, you know.

D.V. Parikh: Okay. First, we touch the financial part, like we make it clear every time that product-wise contribution levels is not something which we discuss outside of the company.

Nirav: Okay. Sorry. But, sir, is it a deregulated product where we can?

D.V Parikh: It is a fact, it is a deregulated product and nowadays what government has done is, it has also designed a separate HS code under which the imports are being reported. So, since last few months, the imports, if you see the data which is available on the Department of Commerce website, it is reported separately for technical grade urea. And it is showing up what is there for the market size. It is much more than what used to be earlier.

Nirav: Correct. And the usage is similar, it is sold to the farmers only or does it have any other uses apart from?

D.V Parikh: It has multiple uses, which I will request our Marketing head, Manish Upadhyay to talk about that application of…

Manish Upadhyay: Manish Upadhyay, major application is for DEF manufacturing. Our product is suitable to DEF manufacturing. So, the DEF manufacturer, diesel exhaust fluid is called as a [DEF]. DEF market is increasing. So, it is being used for regulating the NOx content, NOx emission from the diesel vehicles. So, now it has started and it is growing by almost 20%- 25% every year.

And we expect that this demand will continue and demand is definitely is going up. And total last year we have sold almost 1,96,000 ton material, that production was there. And this year also we are going to sizeable quantity will be selling, maybe around 1.8 lakhs ton to 1.2 lakhs of ton we are likely to sell the product.

Management: Technical grade urea.

Manish Upadhyay: Technical grade urea. And this will be definite. And second use is plywood industry, remunerated industries, some chemical industries, these people are there, CPC manufacturing, there is dye intermediate product. Cattle feed also they are using. Almost all dairies are using for cattle feed manufacturing.

Nirav: Got it, sir. Sir, I have few more questions, but I will join back in the queue.

Manish Upadhyay: Okay, thank you.

Arushi Shah: Yes, sir, just one question. When I see our spreads in our presentation, just wanted to understand, for this, the benzene and aniline spreads, they have been around 66 and around the lowest levels in the September month. Is there any kind of seasonality which will be impacted by it?

D.V Parikh: We lost you, madam, in last couple of sentences.

Arushi Shah: Yes. So, in terms of benzene and amyloid if you see the feedstock threads, we have touched the lowest in like in the month of September. So, do we get impacted by certain kind of seasonality or something? That is why the spreads are lowest there. Is it something like that?

D.V Parikh: No, spreads are lower because of the margin pressure. It is one of the lowest in our presentation which is sent out. That is the spread between benzene and aniline. Another spread which is also one of the lowest is that of the Toluene TDI. As far as aniline benzene aspects are concerned about the spreads and what impacts the margin profile, Mr. Manish Upadhyay will talk about it as to what is the scenario in case of aniline on the market front.

Manish Upadhyay: Manish Upadhyay. Aniline largely is being exported from China. China is very aggressive. Consumption in China is very less. It is reduced now. And they produce less MDI. Aniline is being used to manufacture MDI. And MDI production is where they start dumping nearby areas. So, India is one of the destinations to sell the product. And we are one of the largest consumers of the aniline in this area, surrounding area.

So, they export to India at a very cheap rate and we have to compete with them. It is difficult because their raw material cost is very less. Their gas price is high, their coal price is low compared to the Indian prices. So, it is very difficult to compete with them. But still we are able to compete comfortably.

Arushi Shah: Okay, sir. Thank you. That was really helpful. Sir, one more question. Your year-on-year your revenue has reduced and there is a huge jump in other income, any one off in the other income and the other part of the question would be, what have you really done something so differently that our margins have come on this [inaudible]? And hence, what do we plan to do differently, to recover those margins and our revenue? If you could elaborate on an overall standpoint?

D.V Parikh: So, a couple of things we have understood that the, in case of other income, there are no one-offs. The other income has increased because of primarily two reasons. We hold several investments where the dividend payout has been significantly higher as compared to last year of INR10 crores, we have received around INR29 crores as dividend income.

Second most is the interest on the various deposits we hold with the internal accruals coming, there is a sizable deposit, which has increased the interest portion of it. So, therefore, there is an increase in the other income, there is nothing which is one timer in nature in the other income.

Now, regarding the question of, what we are doing to recover and all. See, we respond to the market realities and by configuring actions, including the production mix, etcetera. So, this is what at company level we do for the challenges of various products.

Arushi Shah: Okay. So, I mean, I think we can see a recovery coming back on track, like if not numbers, like in terms of a timeline, that, when can we really see our volume growth not being, set off by our margin pressure?

D.V Parikh: That's a price scenario, it will be very difficult to predict the price scenario. As far as volume scenario is concerned, our O&M Head colleague would throw some better light on both the operations.

Yogesh Patel: See, operations side, we are, already doing very good. And the capacity wise, we don't have any margin, to compensate what we are losing on valuation side. So, there is no asset, there is no loss of production on at present on any technical visible things. So, our volumes will remain at the same level and there is no scope that we can increase volume without any project, no installation or conceiving any production. So, right now, the volume will remain same and we are already operating at very high level.

Arushi Shah: Okay, sir. And so, do we have any capex plans or have we even undertaken a buyback? So, like, would that impact our cash flows? Would that plummet our cash flows? And in a way, do we have less capex plan, if you could shed some light in the coming years?

D.V Parikh: These are the considerations which are already factored in while declaring the size of the buyback as to what is the current capex, what is the future capex. And what will be the requirement for the operating cash These are the deliberations which have already happened yesterday and after that the announcement of around INR652.81 crores is made.

Arushi Shah: Okay. So, any number in terms of the capex for coming years?

D.V Parikh: Yes. Our colleague from business strategy will respond on this.

Yogesh Patel: See, we have already outlined the capex of INR4,800 crores in the next five years.

Arushi Shah: Okay, sir. And that can be more or less, equivalently distributed or do we have some big plans in short term or a long term?

Yogesh Patel: See, if you want, roundabout figures, current year will be planning for around INR200 crores, next year will be INR700 crores, then around INR1500 crores in 2024- '25, 2025- '26 and 2026- '27. This is now tentative distribution.

Arushi Shah: Okay, sir. Thank you so much and best of luck. Thank you.

D.V Parikh: Madam, if you would have referred the presentation, it is already part of it.

Arushi Shah: The capex figure?

D.V Parikh: Yes. Along with the timeline.

Arushi Shah: Yes. So, timeline was there, but I wasn't really able to find the capex amount. So, that is the reason I asked. Yes, thank you so much.

Jainam Ghegyami: Hi, sir. Thanks a lot for this opportunity. So, sir, I just had one question. So, have we taken the provision for the reduction in subsidy? And if so, what is the amount that would be affected? Thank you.

D.V Parikh: Okay. See, the subsidy reduction is on account of two parts. One is urea and second is the complex fertilizer. One that has affected is that of a complex fertilizer, which is the ammonium nitrophosphate in our case. The impact is around INR85 crores in the books of account because of the change in the subsidy rates as compared to the previous corresponding period.

Jainam Ghegyami: So, have we accounted for that in this quarter or will that come in quarter three?

D.V Parikh: No. It's already accounted for. See, what happens is when we are expecting some reduction, normally we make a provision based on the estimates given by marketing. It so happened that whatever was announced was very close to what was given by way of a provision. So, it is already factored.

Jainam Ghegyami: Okay. Thanks a lot. Thank you, sir. And wishing the whole team a happy Diwali in advance.

D.V Parikh: Thank you.

Nirav: Hi, sir. Nirav here. Sir, previous participant question on INR85 crores of subsidy provision. This was in H1 of FY '25, which you have provide, right?

D.V Parikh: It's not the provision of INR85 crores, it's a differential additional loss, which we have taken on account of subsidy over this period of H1.

Nirav: Correct. So, sir, if we see on a normalized basis, excluding all these provisions and everything or the one-time hit, which we have to take because of the reduction in the NBS rates by the government and because for urea our energy consumptions are slightly higher, what sort of sustainable run rate of profit or loss could happen for the fertilizer division on a quarterly basis if we take the situation as it is from currently?

D.V Parikh: It is not that straight to understand because let's understand the complex fertilizer. Okay. Apart from the rates of subsidy, there are input parameters like weak nitric acid, ammonia, etcetera. So, there is an interplay of more than one factor which will affect and therefore, one cannot predict that what will happen to the fertilizer segment on a standalone basis because it will all depend with the moving parts floating around as to where it settles from period to period. As far as urea is concerned, yes, we can say that urea is not going to be profitable anytime soon because of the under-recoveries mainly of the fixed cost and energy.

Nirav: Correct. What is that amount if you can quantify, sir? What amount of extra under-absorption we undergo every quarter because of which the urea business is under pressure?

D.V Parikh: See, energy norms under recovery depends upon the prices of gas. Okay. Like in Q1, we lost close to around INR30 crores or so in the energy norms because of the shutdown, the norms were very higher. In Q2, the norms have been quite lower, so it has caught up. So, the losses reduced to around INR7 crores. As far as fixed cost under-recoveries are concerned, see, we get roughly INR2,629 on a per metric ton basis in case of urea. We spend close to INR1,000 more on the various fixed costs in case of urea. So, that is the impact. If we see, we manufacture roughly INR6,40,000 taking the figure a little above the reassessed capacity and that is a number which will continue to occur regularly till the time fixed costs are revised by the government.

Jainam Ghegyami: Yes. Correct. Sir, second question is on the concentrated nitric acid. So, if we see Indian market, I think we are the predominant player after Deepak Fertiliser. So, if you can just help us understand how the pricing of CNA is done. So, is it ammonia plus some premium of ammonia and a fixed margin to produce CNA or CNA prices are more dependent upon the market dynamics in India because CNA cannot be imported in India.

D.V Parikh: Normally, it is market driven. However, for a limited time, we do a fixed price contract also depending upon the situation.

Jainam Ghegyami: So, there probably the volatility in terms of margins could be more because prices of CNA have corrected a bit as compared to that of last year. So, there the volatility in margins which we have seen in our numbers also could be, one of the reasons could be this also, where because we sell in the spot market, we do suffer when the prices move down substantially.

D.V Parikh: That is true for any product.

Jainam Ghegyami: Correct. Sir, you mentioned about the TDI part that TDI-II, we have produced close to 27,000 tons in H1. I think Q1, we had some sort of shutdown at our complex. So, if you can share the production numbers in Q2 and how do we see TDI-I and TDI-II for FY'24 because last year, if I am not wrong, we have produced close to 56,000 tons. So, if you can share this and then I have one more associated question to this?

Y. N. Patel: I am Y. N. Patel answering your question. See, TDI-I so far, we have already produced 10,000 up to October 23 and TDI-II also, we have produced 31,000. And right now, capacity realization is first time we are operating at higher level than 100% throughout this first and second quarter.

The shutdown which you are talking, it was for Bharuch complex for TDI-I. TDI-II was running at least not a planned shutdown was there. There were certain unplanned shutdowns were there. But right now, both TDI-I and TDI-II are running very nicely. And capacity realization of TDI-I is 124 around. But this outlook for TDI-II production scenario for this current year is very good. So, we have achieved that stability.

Jainam Ghegyami: Correct. And that is why probably our losses have reduced if we compare H1 versus H1 of last year.

Y. N. Patel: Yes.

Jainam Ghegyami: So, if you can share the fixed cost which we incur for TDI-II plant because I think that is a higher proportion of the entire volume. So, what is the annual level of fixed cost we incur for our TDI-II plant?

D.V Parikh: See, this was already covered in the last con call. But for your purpose, roughly it is about INR50,000 per metric ton. And if we talk about the annual number, it will be close to around INR300 crores for the Dahej plant.

Jainam Ghegyami: Sir, last question is on ammonium nitrate. So, what we could hear is that the government have lifted some restrictions on the export of ammonium nitrate, which they have imposed at the start of the year. So, if you can share the scenario of ammonium nitrate currently and how is V placed in terms of the H1 performance for ammonium nitrate, some sort of understanding there?

D.V Parikh: Yes. From marketing side, this question will be covered.

Manish Upadhyay: I am Manish Upadhyay. Ammonium nitrate in India is a short supply. Rather short supply means India is in need of the ammonium nitrate. Ammonium nitrate is being used for manufacturing of the explosives, commercial explosives and it is mainly used by the coal India. There is a net import around INR2 or INR3 lakhs, three lakh ton material every year. Some small quantity, a special grade product is being sold by the depot fertilizer in the market. Otherwise, the market is growing because coal India's consumption is increasing and the market is growing.

Jainam Ghegyami: Thank you. Mr. Patil, I can understand that it is not possible to share product-wise details, but let us say if we take H1 of FY'24, if you can just list in order of contribution, which products would have contributed better in terms of the profitability from the chemical division? Top three or four could help, sir.

D.V Parikh: Acetic acid. In terms of profit per unit.

Jainam Ghegyami: yes, okay. And nitric acid.

D.V Parikh: These are the three products which contributed. As far as TDI is concerned, it has contributed to positive contribution as against negative contribution last year and therefore reduced the losses. Although we are still not in profit in TDI too, but it has substantially reduced the losses because of this.

Jainam Ghegyami: Got it, sir. Got it. Thank you so much, sir, for answering the questions in detail and festival wishes to the entire team of GNFC.

D.V Parikh: Same to you.

Priyans: Yes, first of all, thanks for the board for the approving the buyback, but I just could see that in the buyback announcement, it is not mentioned, no way it's mentioned that whether the promoter companies are going to participate in the buyback or not. It is a step perspective that whenever any company announced buyback, they categorically mentioned that yes, that the promoter has expressed their willingness to participate in the buyback. So shall we assume that the promoter companies will not participate in the buyback?

D.V Parikh: Your understanding is partially correct in terms of normally what is the practice. We cannot answer whether promoters will participate or not at this point in time. It will be part of the public announcement which will be made. And every company works in this way at the time of making the public announcement only after the board meeting takes place, there is a scheduled time of making the public announcement. And in that public announcement, the total shareholding cost thereof and the participation intent, if any, is mentioned. This is true across India. No company mentions at the time of intimating the board decision.

Priyans: No, sir, this is not true. I mean say, since this subject is already like a part of the agenda, so the promoter company already knows and we can share you end number of announcements after approval of the board meeting where it is mentioned that the promoter has expressed the intention to participate in this one. So this is number one.

And number two currently means like considering this, for example, this raw material prices and our product prices, how is the business going on in say, for example, October, November month vis-à-vis the Q2 September?

Ashwin Shah: I am Ashwin Shah, Company Secretary, replying to the first part of your query. In fact, the statutory requirement is to publish the public announcement. E plus two is the deadline. So companies which receive the confirmation or consent for participation in the buyback process from the promoters, they can make such announcement upfront also while filing their outcome proceedings of the board meeting.

In our case, we are in the process of getting the final consent from the promoters as regards their consent to participate in the process. So we intend to publish the public announcement in the newspapers tomorrow. So it will be available in the public domain about the intent of the promoters to participate or otherwise in the buyback process.

Priyans: First of all, let me compliment you for the logical answer instead of vehemently refuting. Thank you so much, number one. So while you will be publishing public announcement, maybe you will be announcing in your local newspaper and so on. So we will not have access to that one. So I'm sure that you will also be submitting a copy of the announcement to the stock exchange so that the public at large can just browse and see it?

Ashwin Shah: Yes, it will be published in one English national level English language newspaper, one national level Hindi language newspaper, and one local newspaper of Baruch. And it will be also uploaded on the stock exchange websites where our shares are listed, that is BSE and National Stock Exchange, and also on the company's website.

Priyans: My second question is that, like with regard to this policy announced by the Gujarat government during sometime in April or sometime this year, early this year. So now we have given a handsome dividend of INR30 per share and now we announced this buyback. So after these two major steps, how much like corpse is still lying, which has to be further utilized within the finance sector, for example, either in terms of a bonus or dividend, whatever?

D.V Parikh: We understand you intend to know the cash which would be lying.

Priyans: No. Since you are like, you are a company promoted by Gujarat government. So Gujarat government has announced a policy for the distribution of surplus funds or whatever it is. So like, I think I don't remember the number, but 70% something like they announced that a company has to pay back a certain portion of their return earning either by a dividend, buyback, bonus, whatever.

So now after that policy, the company has given 30 rupees dividend, which was, like a first time such a high and then now it is a buyback. So what I'm asking that whatever was your obligation to distribute like to the shareholders from the return earning as per the Gujarat government policy.

Out of this, how much has been consumed by the dividend of INR30? We like generally suppose we give you a dividend of INR10 rupees for this or additional dividend of INR20, for example, and how much will be consumed by this one buyback and what will be the remaining portion which the company has to still distribute to the shareholders?

D.V Parikh: Okay, I'm D. V. Parikh answering your question. On account of dividend, the total outgo is INR466 crores. As far as buyback value is concerned, value is already part of the public announcement, INR652.81 crores. Now, remaining amount is not exclusively meant for the other options. Remaining amount is meant for the capital expenditure pipeline, meeting some of the requirements for challenging times, working capital needs and so on. So it is not that whatever it is there is available for rest of the options.

Ashwin Shah: Yes, I'm Ashwin Shah. I would like to just supplement what Dilip bhai has said. That first of all, I would like to just clarify that there was a guideline issued to all the companies promoted by government of Gujarat and there is no policy as such. Let us be very clear. And as per that guideline, the companies are expected, not directed, companies are expected to act depending upon the host of internal and external factors in which the company and the environment in which each company is operating. As you know, the government has promoted the companies in various sectors like chemicals, fertilizers, then energy, right. So nothing is mandated. It is at the option of the company, depending upon host of circumstances and the factors. I think so...

Priyans: So, sir, thank you for the clarification. But we are public shareholders and we do not have the access to the raw documents of the PDF or whatever governments have regulated. So maybe I will request the secretary to send a copy of the notification, which is issued by the government. But in the meantime, we have access only to the financial newspapers. I'm just reading from Money Control itself, say that is that State of Government of Gujarat has mandated a minimum of 30% of net profit or 5% of net worth whichever is higher to be a minimum level of dividend declare for the shareholders. Says like this, so we at public understand that is a mandated and it says then Gujarat announce a new policy of dividend on bonus share beside policy.

And it says that the Gujarat Government said there is now policy or minimum dividend distribution of bonus – state public distribution also give better clarity to minority shareholders and it includes the forms that can issue to investor to so on so. Besides, the directive will force the state PSU to put their ideal case to good use.

Ashwin Shah: Sorry, please continue.

Priyans: Yes, so it's like and then it says that the state government has mandated a minimum of 30% net profit or 5% net profit, which is higher to be a minimum level of dividend declared for shareholders. However, it has been mentioned in this order that this is the only minimum level and maximum permissible level of dividend should be declared. So what you are saying, sir, and what is available in the Money Control is totally contradicting. So I would say this one.

Ashwin Shah: Okay. I'm Ashwin Shah answering to your point. In fact, we do not know where from Money Control has got the information. Point number one. Point number two, we have not and we cannot share this circular to any of the stakeholders because it is an internal circular issued by the Government of Gujarat to its companies promoted over a period of time. So the authenticity we do not know.

But as such, the intention of the Government of Gujarat is to get a positive note and positive intention. The Government expects the companies to give a good return to the shareholders to also ensure that the activities and the corporate actions are done in such a way that the shareholders wealth improves over a period of time. That is what our perception is.

Priyans: Okay.

Ashwin Shah: Thank you.

Priyans: Okay. So coming to my other question that considering the prices of raw material during this Q2 and currently and considering the prices of, for example, the product which we manufacture during Q2 and now, how do we see the scenario like that? Are we positive or are we negative during the current quarter?

D.V Parikh: Okay. I am D V Parikh. As far as volume is concerned, it is stable.

Priyans: It is bad. No, sir, your word is missing. So far volume is concerned, it is?

D V Parikh: Stable.

D.V Parikh: It is stable. And prices, there are ups and downs, but no major corrections which we have witnessed. And this keeps on changing from period to period, day to day. So making a prognostic for the whole period is not right when it comes to price. Volume part, our Head of O&M has already explained that there are no practical issues from the plant side, operation side.

Priyans: And the raw material prices have softened or like are stable?

D.V Parikh: As compared to last year, softened, yes.

Priyans: No, no, Q2, Q2 September?

D.V Parikh: As compared to Q2, more or less, same.

Priyans: And did we take any price hike from October 1 till now for any product?

D.V Parikh: Output product?

Priyans: Did we take any hike in the prices of any of our product from October 1 till now?

D.V Parikh: Output product?

Priyans: Did we take any hike? Did we increase the price of any of our product from October 1 till now?

D.V Parikh: So we want to clarify, is it output product or input, you are asking?

Priyans: No, no, no, sir, I am saying the price of a finished product.

D.V Parikh: This is what I am saying, output product is finished product.

Priyans: Output finished product.

D.V Parikh: Our marketing colleague will answer that.

Priyans: Please, sir. Please, sir.

Manish Upadhyay: Sir, not increase in any product so far, because raw material prices going down and we have kept our price almost at the steady or slightly reduction side.

Arushi Shah: Thank you for the follow up opportunity. Just one question, what, I mean, could you give any idea regarding the asset turnover we are looking at?

Management: Asset turnover?

Arushi Shah: Asset turnover ratios.

Management: Asset turnover ratios.

D.V Parikh: So, last year it is already in the annual report.

Arushi Shah: Okay.

D.V Parikh: This year, it's going to be less than that, depending upon how we fare in terms of the revenue side.

Arushi Shah: So like, once all our, capex plans, they, start coming into play like, say, from FY25, 26, can we see an increase in the turnover? Like, and if from what, if you could guide a timeline if possible?

D.V Parikh: What kind of timeline?

Arushi Shah: So like, in case we, as you said, we might take a dip in the asset turnover in the current year. So when can we start seeing the improvement in the gross asset turnover or net asset turnover as you would, say, FY26 or 27? If briefly, if you could give some color on that?

D.V Parikh: Forecasting the marketing projections. So, okay, I'll request our marketing colleague to tell us the scenario up to FY26, 27. Normally, in a chemical sector, it is difficult, but let's see.

Manish Upadhyay: Manish Upadhyay. Normal chemical market is normally growing.

Arushi Shah: Okay.

Manish Upadhyay: Normally growing. Of course, it all depends on the raw material price. So how price is going to behave depends on the raw material prices. So it's not difficult to predict at the moment how will be the scenario.

Arushi Shah: Okay.

Manish Upadhyay: Yes.

Arushi Shah: Okay, okay. So my question basically was that once we place, you know, our new expansion plans in place, once they are in place and our revenue starts to increase, when can we see such an improvement? Optimistically from, say, FY26, 27 or, you know, four, five years hence is what my question is.

D.V Parikh: So, you are asking about the project revenue when they start coming in?

Arushi Shah: Yes. And what are the peak revenues they can reach?

Y. N. Patel: Yes, it will be, you know, beyond 26 only, you know, we'll be seeing that, you know, real increase in revenue.

Jigar Shroff: Thank you for taking my question. I missed the capex plans, you said it's INR4,800 crores for the next five years. What was the year-wise breakup? You said FY24, current year 200, FY25, 700. After that I missed, if you could please repeat.

Y. N. Patel: Subsequently, it is 1500 and 1200, 1200, you can say. These are tentative figures.

Jigar Shroff: Okay, but this is for all the 4 megawatt solar power plant till the Ammonia expansion, which is mentioned in the presentation, correct?

Y. N. Patel: Yes, that also includes, you know, our project for which, you know, bidding is going on, that is, you know, weak nitric acid 3 and AN well 2. And also…

Jigar Shroff: That is there in the presentation.

Y. N. Patel: Pardon?

Jigar Shroff: That is there in the presentation.

Y. N. Patel: Yes, yes.

Jigar Shroff: So, the ongoing project is 4 megawatt solar power plant, coal-based cement power plant, TDI 1, 2, then 10 megawatt electrolyzer-based green hydrogen project, weak nitric acid, ammonium nitrate prints and Ammonia expansion. These six projects, correct?

Management: Yes.

Jigar Shroff: And, sir, the real impact of the increase in revenue will be only from FY27 or FY28-29, according to you?

Y. N. Patel: Beyond 26, you will be able to see.

Jigar Shroff: Beyond 26, so from FY27?

Y. N. Patel: Yes.

Omkar Kamtekar: So, with respect to the spreads across the products, say for example, TDI is one of the lowest ones and the Methylalanine Acetic Acid is at the highest one, one of the highest ones. So, will these spreads remain volatile? So, for example, Methanol Acetic Acid has more than doubled over the last three months. So, the Acid prices, Acidic Acid prices also have been very volatile. So, is this sustainable or it will go back to normalized levels?

Manish Upadhyay: Manish Upadhyay from Marketing. Normally, raw material cost is different and finished product price is also different. Spread sometime may go narrow down or sometime it may increase also, decrease also. It all depends on the volume of the import because all products are more or less we are competing with the import.

Omkar Kamtekar: Okay. So, it will be as dynamic as it is. So, we might see a drop maybe in the next quarter or…

Manish Upadhyay: We are hopeful that normally this, whatever the ratio we have seen at the moment, definitely likely to be maintained. Or it may improve also. Okay. Because the last, this year, this particular financial first half year is not very encouraging. This year can be improved.

Omkar Kamtekar: Okay. And one of the earlier participants had asked a question with respect to CNA and how its market dynamics are. So, my question is on a similar line with respect to the entire product portfolio. So, during the first half and especially in quarter one, we saw a lot of impact from the China dumping, China being aggressive in its pricing of its products. So, it seems that it has receded to a certain degree. But I would like to get a sense from you, are we still chasing it at a substantial level and will it continue or will it recede further?

Manish Upadhyay: There are chances of the improvement because last, first quarter, first half, there was a hit because of the high price of the, low price of the urea, low price of the ammonia for the world. So, one, they made, this ammonia is the main raw material for the CNA. So, CNA price and nitric acid price was on lower side. These are, it has already started improving and we are hopeful that it will likely to go up now.

Omkar Kamtekar: Okay. So, by improving you mean the market dynamics will improve in our favor and not that the China dumping will work?

Manish Upadhyay: Price will definitely, it would like to improve.

Omkar Kamtekar: So, it will be favorable for us?

Manish Upadhyay: Maybe short term, maybe not improving, but if you see the second half totally, there are possibilities of the improvement because of the improvement in the ammonia price internationally. Okay.

Omkar Kamtekar: So, that would be kind of favorable, in our favor also? Okay. And with respect to the oil price also, I think it was explained, but I did not understand properly. So, the gasification of the oil, the oil-based gas that we produce of ammonia, how is that priced? I was not able to understand that logic properly. It is not proper crude oil, the normal oil. So, how is that?

D.V Parikh: Okay. See, we source a differently value added kind of an oil, okay, known as FOHV. It is a variant of an oil with a different sulfur content and therefore, the pricing formula is configured accordingly and with some premium over the normal oil.

Omkar Kamtekar: Okay. So, that is because of the sulfur content or is it something else?

D.V Parikh: Mainly sulfur content, tailor-made to our requirement.

Omkar Kamtekar: Okay. And because we are also using that gas, I heard late, right, correct me if I am wrong, this also helps us in other chemistries also, in industrial chemistries because the output products are also used in other chemicals?

D.V Parikh: Yes, this is how it is configured.

Omkar Kamtekar: So, going on, we would be trying to shift towards that and, you know, move away from the gas-based. Will that be?

D.V Parikh: We have two independent facilities. Gas-based is meant for exclusively urea and the rest is for chemicals and complex fertilizer both.

Priyans: Okay, okay. So, it will be case-specific, use-specific?

Y. N. Patel: See, the ratio will remain same. There won't be any change.

Omkar Kamtekar: Okay.

Y. N. Patel: Our plants are designed like that.

Ashwin Shah: Yes, I'm Ashwin Shah, Company Secretary. I would like to extend our sincere thanks from GNFC management side for all the participants who actively participated and made this con-call of the investors a success. Also, we extend our sincere thanks to Anurag Services LLP for arranging this con call meet with investors to have exchange of information and get idea about the scenario about working of the company.

I also personally thank the representatives from the management, various verticals, head of the departments for actively participating and nicely responding to the queries raised by the investors. Thank you. Thank you one and all.