Gujarat Narmada Valley Fertilizers & Chemicals Limited
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An ISO 9001, ISO 14001, ISO 45001 & ISO 50001 Certified Company
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NO. SEC/BD/SE/
February 14, 2023

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Mumbai – 400 051

Co. Code: NSE- "GNFC EQ"

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

Dear Sir/Madam,

We had vide our letter dated 03rd February, 2023 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Wednesday, 08th February, 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 08th February, 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 LTD

ASHWINKUMAR CHIMANLAL SHAH
Digitally signed by ASHWINKUMAR CHIMANLAL SHAH
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CS A C SHAH
COMPANY SECRETARY & GM (LEGAL)

"Gujarat Narmada Valley Fertilizers and Chemicals Limited

Q3 FY '23 Earnings Conference Call"

February 08, 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** **MR. TEJAS SHAH – IP MARKETING – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED**
MODERATOR:	**MR. NITESH VAGHELA – ANURAG SERVICES LLP**

Nitesh Vaghela: Thank you and good afternoon. Welcome to the Third Quarter Earning Conference Call of Gujarat Narmada Valley Fertilizers and Chemicals Limited, hosted by Anurag Services LLP. From the management, we have Mr. D. V. Parikh, Executive Director and CFO; Mr. Y. N. Patel, Head of Operation and Maintenance; Mr. A.C. Shah, General Manager and Company Secretary; Mr. Tejas Shah, IP Marketing; and other senior dignitaries from the management.

I would like to thank the management for giving us the opportunity to host this call. We will begin the call with opening remarks from the management, post which we will have a question-and-answer session. Thank you and over to you, sir.

D V Parikh: Yes, good afternoon, everybody, and thank you, Anurag Services, for holding this call and welcome to all the investors who have joined this call. First of all, we will touch upon some of the general points of the environment. In terms of the economic environment, the prices on both the sides, both input as well as outputs are softening in general, that is considering the less aggression of the war, which is going on. Secondly, at the beginning of the month, there has been Union Budget, where the momentum has been that of more on the emphasis on capital expenditure. If we talk about the impact on the Company in terms of the budget proposal, there are no significant changes in corporate rate, Taxation rate as well as indirect tax, which is GST.

So, from the budget perspective, there are no major impacts, which is coming on the Company as such. While we talk about the operating performance, the production and sales levels mainly, the production for the quarter, if you look at on a sequential quarter basis, has been up by around 24% and sales has been up by around 18% in case of chemical, whereas it is down by 8% and 10% respectively in case of production and sales respectively for fertilizers.

On a Y-o-Y basis, on a nine-month basis, also the production and sales have improved. The production has marginally improved by 2%, whereas the sales have improved by 6% in case of chemicals. Now, some of the major products, where there has been an issue of increasing inventory, are basically Aniline and TDI, which is contributing apart from Ammonium Nitro Phosphate, which is a complex fertilizer, where the stock levels have been high during the quarter as compared to the last quarter. In terms of the production rate also, there are a few products where we did not produce mainly because of the market reason in case of aniline and methanol as well as at times, the complex fertilizer. From the operating perspective, the TDI Dahej plant has been affected because of the operational issues. So, this is on the operating side of it. Overall, there is an increase, which is reflected in the P&L of around INR 40 crores mainly because of the chemicals I narrated. While you go to the profit and loss account, like things are already now in the public domain in terms of financials that we ended the quarter with around INR 2,673 crores of revenue, which is the highest ever for the quarter and for the nine months also, the revenue and profits are highest ever. The PBT is around INR 1,515 crores apart from the topline of around INR 79,00 crores rounded, so this is on the profit and loss.

Apart from that, within the groups, which are there in the reporting lines of profit and loss, there are two important line items where expenses have had significant variance. One is the personnel cost and second is the other expenses. Personnel cost has gone up as you know because there is a note also in the foot note to the results there, because of the wage settlement, there are certain provisions, which are made and which is creating an impact on the personnel cost. There is a onetime impact also, which is there because of the past service cost. So going forward at least from April onwards, it will be annualized effect of the normal wage revision because all the past service cost will be accounted by end of this financial year.

As far as other expenses are concerned, there are certain provisions, which are made for the contingent part of the liabilities in line with our practice adopted last year, because of which the other expenses are higher. When we go to the second part of the profit and loss, which is other comprehensive income, there are two significant changes, which are there. One is because of the past service liability relating to gratuity, the other comprehensive income is affected. And second is the valuation gap in respect of the mainly unquoted shares, which is impacting the OCI.

Going to the balance sheet, there are two significant changes. One is in respect of the investment part, which has increased mainly because of a change in the investment pattern as per the approved policy and the second is the overall cash accumulation with the accrual of the profits. In terms of contingent liability, there are no major changes in the contingent liability as such and Company continues to recognize the same contingent liability as before. This is on the balance sheet side.

In terms of the cash flow like with the accrual of cash profit as well as depreciation accruing, there is a significant cash, which is generated during the quarter to the tune of around INR 500 crores plus. There is one major announcement in the budget with respect to subsidy. As compared to the last year subsidy, which was at INR 1,53,000 crores, it is now at a level of INR 2,25,000 crores. This year, the subsidy budget expected to be around INR 2,50,000 crores. As you know, the initial budget was INR 105,000 cores and the revised estimate is around INR 2,25,000 crores of budget.

So, we would like to take on record the contribution of government of India in releasing the subsidy because normally, subsidy used to be in arrers except for the last two years and in spite of the increasing fleed cost, the subsidy is being released and liquidity is maintained for the Company as well as the players in the industry. This is on the cash flow part. Apart from that, there are segment, assets and liabilities, if you go by, which are reported. There is significant change in case of fertilizer as such mainly because the fertilizer subsidy related to urea, if we compare on a Y-o-Y basis and if we compare on a sequential quarter basis, there is an improvement because of the liquidity. There are no significant changes in the assets and liabilities otherwise of chemical as well as fertilizer. In terms of unallocable assets, the assets have increased mainly because of the cash accrual. So, this is what all [inaudible 0:08:21]

Nirav Jimudia: I have two, three questions to ask, sir, first is on the ammonia side, so if you can help us explain what is our ammonia production for the chemicals business because we produce ammonia, one through [net figures 0:09:45] and one through oil if you can guide us in terms of or help us explain how much you have produced ammonia for the chemical business for nine months and what was the figure for FY '23?

Y. N. Patel: See. I am Y.N. Patel answering your question. Normally, we produce around 1,100 metric ton of ammonia for producing neem urea and around 800 metric tons being produced for oil-based IP products, which contributes to ANP also. Capacity utilization for this year is around 155%, capacity utilization of ammonia we have achieved, which is in the ratio of 60:40, you can say.

Nirav Jimudia: Sir, the 155%, you mentioned this for oil based or is combined together.

Y. N. Patel: This is combined together, but if you want individual figure, I can give you. This cumulative production for gas-based ammonia. You are interested in ammonia, right?

Nirav Jimudia: Yes sir, yes sir.

Y. N. Patel: Yes, so ammonia is -- this year is 6,07000 is for this total figure, out of this, 3,53,000 is gas-based ammonia and balance is oil-based ammonia, so it will be around 2,50,000.

Nirav Jimudia: And this 2,50,000?

D V Parikh: I will give you the exact number, see, normally 800 metric tons like Y.N. Patel said, per day we manufacture. On a nine-month basis, we produced oil-based ammonia, which is mainly for chemicals of 2,24,000 metric ton is the figure for the nine-month ending December '22.

Nirav Jimudia: And sir, this also includes what ammonia goes for your ANP right?

D V Parikh: Yes, Yes, you are right.

Nirav Jimudia: Correct. Sir, when if we just do some calculation, I think the furnace oil or the oil requirement for this ammonia is roughly 2, 2.5x or the total ammonia production or it is slightly lesser.

D V Parikh: We consume 250,000 metric ton per annum of oil, which is meant for supporting the oil-based ammonia.

Nirav Jimudia: Correct

Y. N. Patel: We normally don't use this as a fuel. This is a feed.

Nirav Jimudia: Correct.

Y. N. Patel: It is not actually a furnace oil. It is fuel oil.

Y. N. Patel: Yes, it is fuel oil. Sorry, my apology. So, proportionately for nine months, we have used the fuel oil to the extent of our production, right?

Y. N. Patel: Yes, Yes. See, our consumption for oil is it varies from 0.72 to 0.75 roughly.

Nirav Jimudia: Correct.

Y. N. Patel: So that is a factor our consumption of oil based on oil-based ammonia we produce.

Nirav Jimudia: Sir, second question on AN Melt. Sir, this AN Melt is produced as a byproduct of ANP or we had a separate production process for AN Melt?

Y. N. Patel: See we have two streams. Around 400 metric ton we produce as a byproduct and about 165 or so, we have additional capacity where we can additionally produce Ammonium Nitrate Melt

Y. N. Patel t: We can also produce independently the AN Melt in case nitro phosphate complex, especially the complex fertilizer is down.

Nirav Jimudia: Correct.

D V Parikh: There is maneuverability as far as operating process is concerned. Overall, we can manufacture, like Mr. Patel said, where 400 MTPD is the normal one, roughly 61% of the total ANP, we get AN Melt. Apart from that, we get around 160 metric tons to 165 metric tons on a regular basis, even when the ammonium nitro phosphate plant is on. Suppose it is down, then our AN Melt would be higher even after the total of these two factors of 70 metric tons to 80 metric tons per day.

Nirav Jimudia: Correct and WNA goes for our ANP, right?

D V Parikh: As well as weak nitric acid goes for concentrated nitric acid, absolutely.

Nirav Jimudia: Absolutely, so our CNA plant is supposed to start in a Q4 as per our presentation? So last year, in one of our calls, you mentioned that we sold something around 1,12,000 tons or 1,15,000 tons of WNA in the market. So if you can walk us through what was the similar figure for nine months of FY '23 and once this 50,000 tons of CNA gets commissioned, how much this WNA, which is getting sold in the market will be consumed internally?

D V Parikh: When the CNA -- the new capacity is coming up is 50,000 metric tons per annum and there is a plan to manage the WNA so as to produce concentrated nitric acid not to lose the market. In case there are any difficulties, the plant will be operated based on the contribution margin on a per ton basis based on the product mix priority.

Nirav Jimudia: And sir, if you can walk us through how much WNA and CNA we sold in nine months of FY '23, that would be helpful, sir.

Tejas Shah: I am Tejas Shah from marketing. In FY '22-'23, we sold WNA 84,500 tons on 100% basis and CNA 28,200 tons in the market.

Nirav Jimudia: This is also a 100% commission-based right.

Tejas Shah: Yes.

Nirav Jimudia: Okay. This is for nine months, right?

Tejas Shah: Nine months.

Nirav Jimudia: Sir, the last question is on the TDI part, so until the prices have slightly improved, vis-a-vis Q3, so last quarter you mentioned that we were incurring the losses on the TDI side, so we incurred loss in FY '22 also and for the first half also, so what is the capacity utilization in Q3, had we also incurred the loss in Q3 and if yes, what is the situation currently? So, are we making profit on TDI in Q4, so if you can just help us with this.

D V Parikh: TDI as you know, there are two production facilities. At Bharuch complex, yes we are making profit. At Dahej complex, no, we are not making profit. We supported the market even at the cost of contribution losses, but with the improved situation, there are positive margins in the TDI-II.

Nirav Jimudia: What was the capacity utilization for Q3 for both the complexes, sir, for TDI.

Y. N. Patel: Capacity utilization for the year, it is -- for Bharuch complex, it is 130% and the TDI-II, Dahej, it is 67%.

Nirav Jimudia: This is on the increased capacity of 10,000 tons recently increased last time, so the 67% is on the increased capacity of 10,000 tons, sir?

D V Parikh: No. The capacity is based on the capacity, which was earlier, which is 50,000 metric tons. The 10,000 tons, which was added because of the introduction of the new unit of [LIST 0:18:28] is not part of this.

Ashish Agarwal: Basically, the first question is on the gas prices. While I see that there is a lot of reduction, which has happened in the international market on the gas bid, when does it reflect in our P&L and how does the gas bid go for GNFC as to the procurement process, the price, etcetera?

D V Parikh: Yes. See gas prices have started coming down recently. Okay. So, Q3, as compared to Q2, yes, it has tapered down, both oil as well as gas, not coal, but the reflection actually if you see is also getting it is showing up in the P&L, when you look at the numbers of the sequential quarter Q2 versus Q3, but as it is continuously moving down, the further betterment should get reflected in Q4.

Ashish Agarwal: So, sir, how much can we expect there? Can we have some numbers like what was it at the end of Q2, what was it as an average in Q3 and what it is running today as a unit only? I do not want amount because it is price sensitive, maybe a tougher unit with the price on Q2 as an average and what was it in Q3 as an average and what it is Q4??

D V Parikh: See gas, as you know, we procure on a spot basis for chemical, okay. Like, the last month December, it ranged around INR 57 per standard cubic meter and every month it changes, okay. Currently also like January also, we bought it more or less the same price with INR 2 3 here and there.

Ashish Agarwal: Okay. What is was it in Q3 as an average?

D V Parikh: Q3 average, immediately I do not have the average number of gas price on Q3 basis. At the December and January is what I have immediately.

Ashish Agarwal: Like someone said earlier on the TDI prices, while I understand that it takes time, what I could see is in international market like China, the prices have surged from the base of TDI to about say 20% to 25% higher, while Indian prices, what I can see have surged only around 10% bid, so how does it translate between international prices and our prices in India?

Tejas Shah: I am Tejas. You are right. China market is improved a lot, but it shows around 20% increase, but other international markets are improved just like 10%. Earlier, Indian market was around USD 2,300 per metric ton, now it reached up to USD 2,700 per metric ton, so slowly effect is coming in all other markets.

Ashish Agarwal: So, you are saying in coming days, we might see that impact?

Tejas Shah: It depends on the supply demand side, if the demand is weak in particularly China, because China is the major producer of TDI, so they will throw the material all in international market. So all depends on the supply demand side. No doubt, presently the market is in the improving trend.

D V Parikh Another way of looking at answer to your question is if you look at the normal spread between toluene to TDI, it is one of the lowest over last 12 months that is December '21 to December '22.

Ashish Agarwal: Okay.

D V Parikh: So, there is a potential, but finally like as Tejas Shah explained, it is a market driven by more than one factor, but if you go by the key factor, which is of spread, then it is one of the lowest as of now standing at around 60%.

Ashish Agarwal: Last quickly is on capex, while we have done a lot of announcement in the last quarter as well last to last quarter that we are working on polycarbonate and other capex projects. What is the real progress, which has happened in last six to three months on these projects?

Y. N. Patel t: See, regarding…

D V Parikh: See. Okay. We made various announcements; you are right. We made quantified announcement with respect to all except cracker and polycarbonate. As far as polycarbonate, which was around INR 2,700 crores of project and cracker, which was INR 5000-plus crores of project, DFR level work is already on with Engineers India Limited. They are working on and this calendar year, they are going to submit the report on both the products. As far as rest of the projects are concerned, CNA4 like we already said, it is going to be commissioned sometime in the mid of this calendar year. As far as CCP project is concerned, which is to the tune of INR 613 crores of investment, the [inaudible 0:24:26] already awarded, work has started.

As far as other investment proposals are concerned, which is the ammonia makeup loop, the order is already given and they are in the final phase of arriving to the formal agreement. Weak nitric acid and AN Melt, which is an investment of around roughly INR 1,100 crores, which is also on schedule and the TEFR is expected to come by June '23, so these are the major ones, which we captured and which we announced last time. As far as the green hydrogen and solar capacity for supporting the green hydrogen is concerned, we are awaiting certain clearance in terms of the GOI policy initiatives. While that happens, we will decide about our investment, although in principle, we have committed ourselves that we will definitely invest in green hydrogen as well as green ammonia, so these are the major ones, which are on the cards.

Ashish Agarwal: So if I may ask my last question, which is around fixed income that we earn from the investment that we will do with the financial institution, Gujarat is, earlier from two quarters, but we said that we make out investment at 5.5% or 6%, while the rates have increased a lot, does that number also increase?

D V Parikh: Yes, see, finally, we decide about the investment looking to two aspects, one is safety and second is the yield. So Gujarat state financial service is just one of the avenues out of many avenues we have in our approved investment policies. So as long as the safety is concerned, safety is not compromised, we do optimize the returns. To answer your question, yes, we have invested in higher yield securities.

Bhavesh: My question is partly answered. So, just wanted to elaborate on the sir, what is the cash in hand at this moment I mean in terms of deposit or return. How much is the cash in the books?

D V Parikh Yes. INR 3,400 crores.

Bhavesh: INR 3,400 crores. Sir, particularly I am seeing that the margin had been reduced primarily because with many reasons, is one of the reason is also because of our inventory like we have more inventory than…

D V Parikh: No, no. It is not like that. First of all, the absolute margins are definitely higher as are apparent in the profit. While looking in terms of percentage, it is lower because the top line has substantially increased. So if you look at the margins, it is overall higher at PBT level, now let us dissect here further into the chemical as well as fertilizer. Fertilizer has improved, whereas chemical has gone down, okay, but overall still the margins are improved in absolute terms. This is in spite of the fact of the accruals, which we stated at the beginning in the opening remark.

Bhavesh: And I need specific detail for declining the margin for chemical type?

D V Parikh: As you said, on a nine-monthly basis, the margins are still better, have improved. If you look at the tapering down effect on a sequential quarter basis, which is Q3 versus Q2, Q3 margins have gone down because of the general price reductions across the product more or less. The main ones are like acetic acid and weak nitric acid, technical grade urea. These are the three particular products, where it has gone down substantially and if you look at the last year also or the first six months, the realizations were way above the normal realizations, which are supposed to be there.

So they are tapering down but if you look at the input cost also, which is of oil and gas particularly, coal has gone up, these two otherwise have gone down, which has made up the margin and this is how on a sequential basis, the margins have improved. On a nine-monthly basis also, the margins have improved, whereas if you look at on a Y-o-Y Q3 basis, the margin and chemicals have reduced mainly because of the tapering effect in these three chemicals, weak nitric acid, technical grade urea and acetic acid.

Yash Dantewadia: Sir, my first question is what is the asset turnover that you are expecting on the nitric acid plant that is coming up by the end of this financial year?

D V Parikh: There is some background noise, see your question, we first put in context, you are asking that what will be the turnover from the new nitric acid plant, which we are putting up. Is that a right understanding of your question?

Yash Dantewadia: Yes sir.

D V Parikh: Okay. I will request Shri Y. N. Patel to respond on this meanwhile let me clarify. We are putting up 2,00,000 metric tons of weak nitric acid plant. Mainly, this will cater to the other plant requirement, which is coming up of around 1,35,000 equivalent of AN melt, so there will be a captive convention there. There will be a further captive convention in the concentrated nitric acid IV where we are falling short of the nitric acid, the rest will be sold in the market. Now, I hand it over to Shri Y. N. Patel to quantify the number on the expected sales as well as the quantum.

Y. N. Patel: See, sell, it depends on the price.

Yash Dantewadia: Sir, you could just comment, take today's price in consideration to comment. So what I just understand is what how much value addition the capex is going to do on our books?

D V Parikh: Okay. See you can take the broad number like this that we would be selling in the market additionally around 35,000 to 40,000 metric tons of weak nitric acid, if everything goes well, which means all the two plants run at full throttle, which is concentrated nitric acid IV and new AN melt plant equivalent to around 135000, so it will spare around 35,000 to 40,000 metric tons more of weak nitric acid, which we can sell.

Yash Dantewadia: Yes sir, so what is the asset -- what kind of turnover will we get on that?

D V Parikh: If you take a price of around INR 40,000, you multiply by INR 40,000 per metric ton, that is the normal one, so INR 160 crores, INR 170 crores

Yash Dantewadia: Sir, my next question, what is our cash in books right now as of today?

D V Parikh: Somebody already asked it, I said INR 3,400 crores.

Yash Dantewadia: Also, sir, do you, let the management realize that they are trading -- the stock prices trading below book value, which is very rare for the company that generating the sort of cash that you do?

D V Parikh: Okay. See, we cannot comment on whether the price is fairly reflective of it or not, what we can comment is, you can take your judgment on the fact that balance sheet is absolutely clean. There are no skeletons hanging in the balance sheet. Okay, now based on that, investor may take a clue on whether to invest or not.

Yash Dantewadia: Yes, but why does not the management proactive discipline of some kind of buyback, because if you are able to buyback that with some below book value, doesn't that make sense?

D V Parikh: See, we try and offer various options. These are deliberated at a board level, so these are board level discussions and these are privy to us, so we cannot say more than what is there in the public domain. Your point is already noted, we already acted upon it. Okay.

Ankur Tanwar: My question is regarding nano-fertilizer, which our company is not producing and Government of India is emphasizing on nano-fertilizer, so what quantum of effect it could have on our fertilizer business?

D V Parikh: Okay, see nano-fertilizer as you may have seen is mainly by the IFFCO, number one. It has also licensed and it is in the process of talking to other bigger companies, mainly the public sector one like NFL etc, for licensing the technology. We have initiated dialogue with them for licensing the technology to us.

Now if you look at how the replacement is going to happen, the urea demand overall is around 35 million tons in India, out of which around 9 million tons are imported, so even if they replace the imports and we are holding around less than 3% of the market, so we don't see any adverse impact on our urea market of nano-fertilizer. Nano-fertilizer will help our country to replace the imported urea, if it really becomes successful on a pan India basis.

Ankur Tanwar: Just a suggestion that we can proactively put up a presentation to LIC, because they have been constantly selling our shares for last two years. I know management do not have anything to do with their prices, but it would be more better if we put a presentation to LIC.

D V Parikh: You see, presentation and all, we regularly remain in touch in terms of conference call, in terms of certain physical conference is we cannot go to somebody that you don't sell our share or, buy our shares, it is purely their domain whether they require cash or not, we also do not know that why they are selling, whether they are in need of cash, therefore they are selling or they do not see a value, therefore they are selling, so we cannot get into any of these initiatives.

Ankur Tanwar: I agree. Thanks a lot sir.

Akshat Mehta: I think the question was answered on the nano-fertilizer part. Secondly, I just want to understand in this fertilizer, trade fertilizers, what is the kind of ideal margins that your company can make when we trade fertilizer?

D V Parikh: Less than 5%.

Akshat Mehta: Less than 5%. These are the normalize situation of course it may depend on what the domestic prices and the import prices, correct?

D V Parikh: No, It has nothing to do with domestic or import prices. See, we manufacture roughly 1 million tons of fertilizer at full rate. Now, these are the controlled fertilizers. Both the fertilizers are controlled fertilizer. As far as international prices are concerned, the internal prices only affect us to the extent of urea production, which is close to 65% of the 1 million tons. The rest is decided by inputs, which is on the NBS basis, Nutrient Based Subsidy basis, so direct international prices have more or less no impact except the input prices of international prices.

Saket Kapoor: Sir, firstly, you did mention about the reason for higher power, fuel and fuel prices on Q-on-Q basis, so taking into account the current trend, how is this line item going to shape going ahead?

D V Parikh: Okay. See, there are like in energy basket, there are two main products, one is gas, another is coal, and third to very lesser extent around 10% extended purchase power. Now, if you look at the prices on a spot, they have receded substantially of late. Okay, like somebody was asking when I say trend is from 56 to 58 and somebody also asked the question what has been the average of the quarter, which figure I did not immediately have, but now I have it around INR 85 per standard cubic meters. Now, your question of how it will further remain at what level, coal, we see some tapering down and gas also expected to remain tapering down as we cross towards summer, but these are just estimates, we don't know much about how it will unravel, but as of now, we think that our Q4 should be at least stable enough.

Saket Kapoor: So, there is a tapering effect that we will get going ahead?

D V Parikh: Yes. It is a likelihood; I mean this is what we foresee. It is of course judgment, but there are many factors, see tomorrow again something happens and then they shoot through the roof. We never know all this. When it comes to see, as far as the international market of coal, gas and oil is concerned, as of now, there is complete uncertainty. Various reports and various things like a few months back people were saying when it crossed 100 for a standard cubic meter, that even if it comes down in the near term, it is going to remain at an elevated level because of the continued war signals they are getting in respect of this Russia and Ukraine one.

Saket Kapoor: You are correct in not predicting things but still, we are already 38, 40 days into the quarter, so the trend line must have shaped up as decision making…

D V Parikh: See what we think should be the way forward and therefore, we feel Q4 should be stable.

Saket Kapoor: Sir, and sir, now coming to our end product prices, sir, when we look at our presentation Page Number 3, when you have mentioned about the chemicals and the fertilizers and the installed capacity, so sir, as per the turnover basis, what should be the order for our chemical segment?

D V Parikh: Order of?

Saket Kapoor: As per the turnover basis, ascending order of turnover basis, we have mentioned it alphabetically for the chemical segment…

D V Parikh: What is the highest turnover contributing product is what you mean to say?

Saket Kapoor: Yes, the highest to lowest.

D V Parikh: Okay. We have our -- the chemical marketing gentleman, Shri Tejas Shah, he will respond on this.

Tejas Shah: If we compare to these nine months of this '22-'23, AN melt has generated more revenue, it is first of GNFC, second one is TDI, third one is technical grade urea, fourth is weak nitric acid and fifth one is Ethyl acetate, and acetic acid, six.

Saket Kapoor: What was the first line item, sir?

Tejas Shah: First line item is ammonium nitrate melt.

D V Parikh: AN melt.

Saket Kapoor: When we look at the capex that we are emphasizing going ahead, if you could given an understanding of how much capex is going for backward integration so that the product, which we are going to enhance the capacity, would be capably consumed.

Y N Patel: See. capex, we are putting INR 225 crores for additional capacity of ammonia that is 150 metric ton per day will be arranged and WNA III and AN meld put together, it will be along A1 135, so this is for backward integration if you call it backward integration. And the other projects will be new investment and there will be additional capacity, we will be building up.

Saket Kapoor: Sir, when you mentioned that out of that extra cash generated, we are also putting into high yielding, investment. What are you trying to convey, sir, by high yielding other than the investment in the Gujarat State Finance Company?

D V Parikh: No, no. See, somebody asked a question that would be change in interest rate on a higher side, whether your rate of interest has gone up or not, so response to that question, yes, it has gone up because we first select the instrument based on the safety and second is on the yield one. It will be normal investment in the time we make our actual investment for the business.

Saket Kapoor: Sir, what is our exposure currently to Gujarat State Finance, how much have been invested and what is the yield, blended yield currently?

D V Parikh: See, yield is like somebody already mentioned goes around 5.25 percentage and the GSFC investment is to the tune of around INR 1,600 crores.

Saket Kapoor: Other instrument, where we have invested, it is the sole investment we have done?

D V Parikh: No, we normally place with GSFS as well as banks.

Saket Kapoor: So, what is the yielding on them?

D V Parikh: It is little higher than GSFS as of now.

Saket Kapoor: Sir, is there any other commitment that we have from the government that we have to invest in Gujarat state Finance Corporations only or it will be prudent choice that the management is making on the basis of the rate criteria, which we have already mentioned?

D V Parikh: No, see we have an approved investment policy based on which we make different choices considering these two criteria of safety and yield. There is no particular direction of Government, because it is a Board approved policy.

Saket Kapoor: And also the tenure, sir, can you give an understanding what is a tenure for which the amount and…

D V Parikh: There are different maturity profiles depending upon the plan of capex as well as the opportunity needs, so that is decided based on the internal cash flow situation and it ranges between one year to three years.

Saket Kapoor: Because currently the Sovereign government security the G-Sec for two years or four years, five years and even 10 years, are quoting well above 7.2%. They have the highest safety considering the Indian domicile, so investment can be parked in the highest Safety instrument of G-SEC keeping in mind that the yield to maturity, we have to hold the instrument till it matures, So in the 200-basis point, extra interest income could be generated just on deploy the funds to a government security

D V Parikh: Your point is noted. See, we have our own systems which are well calibrated. Top of it, there is an audit committee which is watching out as to what is happening to the investments and cash surpluses. But in spite of that, your point is noted regarding getting some 100 to 200 basis points above the normal one which we are getting as of now. Just for your information, we are also investing into government G-SECs since last three- four months. But what happens is the ticket size is not the same as we want.

Saket Kapoor: Yes sir, now the market has opened up very well. It's a very liquid instrument. We can deliberate on that.

D V Parikh: Yes, ticket size is running into less than INR 50 crores at a time more or less. And by the time we go to the market that also evaporates. But in spite of that, we keep our try on. We invest in both G-SEC as well as SDLs.

Nirav Jimudia: Sir, to the previous question, you mentioned that the top revenue generator for our chemical business was AN melt, So for nine months FY '23, if you can tell the percentage break up also for all those five, six products that would be very helpful, sir?

D V Parikh: These are like some of the questions, like your question is quite internal to the working of the company. And we don't reveal to the extent of the individual product level, the margins and percentages. So we stay away from this question.

Nirav Jimudia: The second question is on the capex is what you mentioned for WNA and AN melt. So when this capacity will be commissioned? So ammonia, WNA, AN melt. So if you can share the schedule of the capacity which we announced and the timeline for the commissioning?

Y N Patel: All these projects will be commissioned by end of Q3, Q4 of year '25-'26.

Nirav Jimudia: Just a small clarification on the WNA volumes what you mentioned, what we sold for nine months, which you mentioned was 54,500 for 100%, right? So generally we sell in a concentration of 70%-72%. So if we just do some backward calculation it is like 76,000 tons if we take 72% concentration. Am I correct?

D V Parikh: See, Shri Tejash Shah has indicated a volume of weak nitric acid of around 85,000 tons which is sold. So that's 100%. So if you divide by 0.61, it will give you the ratio of total tonnage sold.

Nirav Jimudia: Correct. And last year what we sold 1,12,000 was also 100%.

D V Parikh: Yes, we report on 100% basis only.

Prayatn Mahajan: To the prior question where you mentioned the split of revenue, is it possible to give us a decreasing orders contribution on the EBIT also business wise, I mean vertical wise? Just a directional which one in the nine months like you have given for turnover…

D V Parikh: Okay, I will broadly answer this question. See if you take like our marketing person Shri Tejas Shah has explained what is the order. Like, he said it started with AN melt first. So in terms of contribution also as of now it is the number one product.

Prayatn Mahajan: So you are saying that contribution from TDI is positive because I remember in the last call you said that it's loss making.

D V Parikh: No. Contribution from TDI one is positive. Contribution during the quarter even from TDI two is negative.

Prayatn Mahajan: And sir, the second question is, a more forward-looking question. You mentioned that you expect stability, given that now we have cost deflation, as an advantage to us. And as you mentioned that TDI price and other chemical prices are also moving up. Safe to say that we can maintain run rate earnings for the next three to six months in your view?

D V Parikh: We can talk about an outlook; we can't quantify a number. We already responded on that; we are already somewhere in early February. So we see the outlook stable for Q4. Now for stable you can derive the meaning the way you want.

Bhavesh: So I just wanted to check on the contagion liabilities, what is that and any update on the TRAI notice, is that case dismissed or is it still open?

D V Parikh: You are talking about the Department of Telecom related contingent liability. There is no change in terms of the status.

Bhavesh: And we also made some provision for that, right? I mean, provision for contingent liability. What was that?

D V Parikh: Okay. If you see, DOT liability is not the part of contingent liability at all. There are liabilities other than DOT liabilities which are part of the contingent liability. For example, urea diversion case, for example, natural gas issue going on with Gail. The third example is issue of insurance going on with NIA. These are the three major ones in the contingent liabilities.

Nishith Shah: Sir, I would like to understand how are the imports trending in terms of volumes and price?

Y. N. Patel: Of which product?

Nishith Shah: For our major products.

Y. N. Patel: Okay. Shri Tejas Shah from marketing will respond on this industrial products.

Tejas Shah: As you might be knowing we are only manufacturing acetic acid in India. So if you consider acetic acid around Indian demand is 12 lakh tons and we are producing 1,50,000 tons. So we are only catering 15% market. Same way in Formic acid also we are the only manufacturer of formic acid. So 41% market we catered and rest is import. Same way in Aniline also around 31% market we catered and 69% is import. TDI also we are catering 65% market. TDI also we are the only producer, and 35% is import. If four major products are getting imported? in the technical grade area almost around 45% we hold market share. So your question was on the import scenario up to nine months. But more or less these are the numbers on an annualized basis. So the figures can be derived based on our responses for each of the product. And the last one is methanol. Methanol like neither we nor RCF nor GSFC manufacturers considering the gas prices. So around 2.3 million tons of methanol is the requirement of the country which is met with import.

Nishith Shah: So sir, the rest of the volumes which are imported are we seeing any significant price reduction and that is leading to our realizations going down?

D V Parikh: See all our products except ethyl acetate are priced based on the import parity price only. So if you see the performance reasonable better then we have no choice but to compete with these people. And these are the companies of much wider standings. You take the case of for example TDI, they are the likes of Dow, they are the likes of BASF, Covestro etc who bring the product here either through China or through Malaysia or at times even through Europe.

Nishith Shah: And sir last time I made a request on the conference call itself for a management meeting and I was in touch with the Investor Relations department but I didn't get any response. So sir is there any mail ID or somewhere possible where I can request my meeting?

A.C. Shah: Yes, you can put your request to me acshah@gnfc.in.

Nishith Shah: I will do that sir. That's it, sir. Thank you.

D.V. Parikh: I'll request Shri A.C. Shah, the Company Secretary and General Manager to take it further.

A.C. Shah: Yes. We thank the participants to make this investors' con call meet a very bright success. And as we all know that the performance of the company is on the improving trajectory over a period of time, and we expect the same trend to continue in the times to come. At the same time, we thank Anurag's Services LLP, for arranging this good arrangements for this concall. And also my colleagues who participated and attended and addressed all the queries of the participants. So wish you all the very best. Thank you once again.