



**Gujarat Narmada Valley
Fertilizers & Chemicals Limited**

CIN : L24110GJ1976PLC002903

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

P.O Narmadanagar - 392015, Dist. Bharuch, Gujarat, India

Ph. (02642) 247001, 247002 Website: www.gnfc.in

NO. SEC/BD/SE/
17th May, 2022

TELE : 02642 – 247001

E-Mail: acshah@gnfc.in

Dy General Manager
BSE Ltd.
Corporate Relationship Dept
1st Floor, New Trading Ring,
Rotunda Bldg
PJ Towers, Dalal Street, Fort
Mumbai-400 001

The Manager
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza,
C-1, Block - "G",
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051

Co. Code: BSE - "500670"

Co. Code: NSE- "GNFC EQ"

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

Dear Sir / Madam,

We have vide our letter dated 10th May, 2022 intimated the Stock Exchanges about the schedule of Investors / Analysts Meet through Conference Call scheduled on Thursday, 12th May, 2022 at 3.30 PM IST.

We send herewith a copy of Transcript of Investors / Analysts Meet through Conference Call which took place on 12th May, 2022. The said Transcript along with the audio is also uploaded on the Company's Website - www.gnfc.in

We request you to kindly take note of the above.

Thanking you,

Yours faithfully,

For GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD

CS A C SHAH
COMPANY SECRETARY & GM (LEGAL)

ENCL:A:A



**“GNFC Limited
Q4 FY2022 Earnings Conference Call”**

May 12, 2022

**GUJARAT NARMADA VALLEY FERTILIZERS AND
CHEMICALS LIMITED.**

MANAGEMENT TEAM:

MR. D V PARIKH – CHIEF FINANCIAL OFFICER

MR. Y N PATEL –HOD, O&M

MR. A C SHAH – COMPANY SECRETARY

**MR. JITEN DESAI – GENERAL MANAGER,
INDUSTRIAL CHEMICALS**

**MR. MANISH UPADHYAY – ADDL. GM - INDUSTRIAL
CHEMICALS**

**MR. M. I. PATEL – CHIEF MANAGER – FERTILIZER
MARKETING**



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

D V Parikh:

Thank you very much to the organizer. Now, just as a word of caution since everybody is identifying themselves, we would like to identify ourselves before the responses begin to the each begin.

This year 2021-2022 actually started with a severe impact of pandemic which subsided around Q2 of the financial year, so after the first half when it subsided, the inflationary effect started showing up and which was exacerbated by Russia-Ukraine war somewhere around late February 2022, thereafter the input prices which were already on the high rise have been on the boil especially that of gas and oil.

As of now, the run up in the oil still continues but the gas is tempering down, gas prices are depended now for a future on the decision of Europe on the Russian gas supplies, so this is the environment under which most countries and business is operate. This has very severe impact on the country's finances especially those which we are not having based on resources with them.

These are affected businesses also in different way although our business was protected one from the input cost rises although it was witnessed but finally a delta is maintained in terms of margin and margin could also be enhanced because of the competitive position and pricing opportunities which were there.

Now talking about the industry in which we are operating touching upon the fertilizer first, the country saw around 10 million person decrease in the consumption in the overall different types of fertilizer like which comprise of Urea, DAP, NPC, MOP, and SSP. The total demand of 60 million metric ton has been there during 2021-2022.

As far as domestic production is concerned except the MP case the domestic production of most that is DAP is adamant but urea and SSP has increased whereas the imports have across the board decreased, it is mainly because of the high prices of fertilizer.

On the subsidy front, the subsidy of Government of India which was budgeted at around 80,000 Crores has increased to 150,000 Crores. The budget for 2023-2024 is 105,000 Crores. It all depends upon how the prices really move going forward. Now in terms of the subsidy rates, government has revised the subsidy rates last year effective May 20 for the NBF which was again kept at the same rates effective October 1, so there was a tremendous government support as far as NBF subsidy rates were concerned, as far as subsidy payout is concerned, there is a substantial payout happening month-on-month and it has not pampered even in the last quarter of the calendar and till March, subsidy has been released.



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

The total release of subsidy has helped the company also and our outstanding has just inched up by around 200 Crores mainly because of the higher gas prices otherwise all the subsidy demands, or the claims have been met by the government. On industrial chemical front across the board imports have increased except for minor change in Nitric acid, most of the chemical imports have increased in spite of that the volume sale have been higher by around 9% this was the company's compatible position in terms of pricing and reach, so this is the background.

Now touching upon the financials as you know the total revenue from operations has gone up by around 69% and PBT has gone up by 142%. In terms of balance sheet, there is a healthy balance sheet with a reserve of 7,900 Crores to 7,900 Crores and company has a cash just of around 3,500 Crores with it.

Cash flows have been a very healthy, cash flow has been hovering around 1700 Crores plus during the FY2021-FY2022, this is mainly on account of the time release of subsidy as well as internal accruals, so buy and large these are the financial.

On the capex front we have already covered certain part in the media release but during last year and 1 April, there are two facilities which have been operated, one is the TDI to bottleneaking which will increase the volume by around 10,000 metric tonne per annum and second is the formic acid which will increase the volume by around 6,800 metric tonnes per annum.

This year there are two other projects which are going to be operational, one is the 4 MW Solar power plants, which is around Q3 of calendar year FY2022-FY2023 and another is the CNA-IV with a capacity of 50,000 metric tonne which is also likely to be operational around the same time.

Apart from that there is a capital outlay of 4,250 Crores which is already identified, out of which capex was 1350 as already gone on course and capex were 2,900 Crores are at an advanced stage of approval, out of 2,900 Crores around 2,500 pertains to polycarbonate and 400 Crores pertain to green hydrogen, so this is by and large the outline of what the company has done and what company intends to do.

The last season the outlook although we do not need forward-looking statements but currently the outlook is stable mostly will be covered by my colleagues from marketing both fertilizer as well as industrial product or people from operation group who is handling the strategic part as well. So, with this I hand over the call back to the organizer for the Q&A session. Thank you very much.



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

Neerav Gimodia: Good afternoon team, I have two questions, so, one is on our P&L, so, if we see this quarterly result I think our raw material cost was up 160 Crores but sales was almost up 400 Crores, so how much it was contributed by the volume increase, that is number and if you can just talk about of our some of the basic raw materials for our chemical division like Natural gas or tolling so what was the average cost of natural gas for this quarter and how those contracts are generally with our suppliers of natural gas, so are those on long term contract basis or do we buy some natural gas on the spot basis also, if you can just touch upon those aspect?

D V Parikh: First, last question we will take, as far as contractual arrangement of natural gas is concerned the contractual arrangement normally exist for the Urea gas partly, we have certain contracts wherein part of the requirement is met through the long term and midterm contracts. The rest of the natural gas shows more or less on spot basis. The requirement is mainly for the non-urea, the requirement is little lower at Bharuch complex and relatively higher at Dahej complex. Dahej complex the operational maturity we are yet to gain, so we are not having the take or pay agreement kind of long-term arrangement as of now. As far as the cost part is concerned, the Dahej Natural gas prices have gone up by 116% whereas at Bharuch it has gone up by around 31%. Bharuch, we use mainly for Methanol and Methanol is as you know we sale also as well as captive for Acetic Acid, so when cost economics do not work out, we purchase from outside. As far as the increases in Toluene and other part are concerned, all raw materials have increased in the range from 10% to 100%. If you take oil, it has increased by 57%, if you take gas as such the non-urea gas taken together it is around 116% and there are different ranges for different materials.

Neerav Gimodia: Okay but Sir this gas price increase what you mentioned of 116% that is on Y-o-Y basis, or this is what you are talking?

D V Parikh: Y-o-Y basis that is Y-o-Y basis. On Y-o-Y Q4 the increase is around 200%.

Neerav Gimodia: Okay, so if you can just quantify like how much it is in terms of rupees per FDM the cost in Q4 what we have actually incurred?

D V Parikh: That is already part of the investor presentation. If you look at the spread which we have given between Methanol and gas types, it is mentioned at Rs. 31 which is a Bharuch complex, and it is Rs. 49 at Dahej complex this is a weighted average on a year-to-year basis.

Neerav Gimodia: Okay and Sir if you can just quantify in terms of our MMA CMD requirement of Natural Gas both for the chemical division as well as for the fertilizer business?



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- D V Parikh:** There are two complexes which we operate, one is Dahej, and one is Bharuch. Dahej, we require roughly in the range of 200,000 to 225,000 HCM per day when the plant is in full operation. At Bharuch the requirement is mainly for urea and non-urea, the urea requirement is around 1.25 million HCM per day and the non-urea requirement depends upon whether the cost economics workout or not but given the full swing of operation it ranges between 0.5 million to 0.6 million at the max.
- Neerav Gimodia:** Okay, Sir, second question is on our expansion of concentrated Nitric acid, so this concentrated Nitric acid some portion would be used for our TDI, so rest would be sold in the outside market, is it right assumption?
- D V Parikh:** Yes, you are right. It is a right assumption.
- Neerav Gimodia:** Okay but Sir then we would also require weak nitric acid for this concentrated nitric acid, so do we have those sufficient capacities with us or the commissioning of CNA would be along with the double unit capacity which we have announced as a part of our expansion project?
- D V Parikh:** See there are timely mismatches as of now between WNN and CNA but meanwhile our team is trying to tie up this weak nitric acid and secondly, we have some product mix options available whereby we can cater to the requirement of additional weak nitric acid, these are the three options as of now with us.
- Neerav Gimodia:** Okay and Sir one clarification on the sequential improvement of 400 Crores in the topline what we have seen so what were the major products which has contributed to this?
- D V Parikh:** AN1, weak Nitric acid, technical criteria, these are the three main products, and my colleague will cover more on the subject. Now I hand it over to Shri Jiten Desai, who is looking into the IP Marketing side.
- Jiten Desai:** Good afternoon, as CFO Sir has told these are the three products which has contributed increase in contribution or increase in income of this product is significant and other products also have contributed, those are Aniline also have observed the growth concentrated Nitric acid, Formic acid, Ethyl acetate and Acetic acid also have observed the growth.
- Neerav Gimodia:** Okay and Mr. Jiten if you can share your outlook on Aniline as well as CNA that would be helpful, this is my last question?



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- Jiten Desai:** CNA is not an importable commodity and downstream units of concentrated nitric acid, the graphic is very significant, and consumers are required more and more concentrated Nitric acid, so for CNA it is going forward also it will remain strong and as far as Aniline is concerned my colleague, Mr. Patel will respond.
- M I. Patel:** Aniline growth is also expected at oil because there are couple of companies could be consumer like no sea level as the Aarti, we are expanding with the capacity, so the consumption will be on higher side, and we expect good demand also in particular this year also.
- Neerav Gimodia:** Okay. Thanks a lot Sir for answering the questions. I will join back in the queue if any.
- Ashish Agarwal:** First of all congratulations on a good set of numbers and as I have seen the MD also give expectation in that in the coming quarter we will maintain margins, my question was more specific to the polycarbonate and the green hydrogen, can you elaborate more as to did we analyze these and when will this come live, as to when will the cash flow happen, when will the CWIP happen and when these facilities will come live and what would be the typical revenue out of it?
- Y N Patel:** Green Hydrogen as of now we have taken approval from Board for inviting explanation of interest from various parties. As of now, mostly Green Hydrogen plant are based on electrolytes while technology has developed but this is an age old technology, there is nothing new in this technology but since from 2026, there are so many players coming out with area alternatives and as of today nobody has concrete proven technology but anyway we are going ahead with this project with 2.12 metric tonne of Green hydrogen and along with this we will needing 25 MW solar power plant that is renewable energy, so we will be going for 25 MW solar power plant and regarding your Polycarbonate we have already very recently received market survey which is very promising, so we are going ahead with investment of 2500 it will be in the range of 2500 to 2900 and that will be at Dahej location and this capacity will be around 1 lakh metric tonne per annum and as of today there is no brokerage of polycarbonate in this country and looking to the history as you know various organizer have attempted for this project but because of involvement of frozen mostly people have dropped this project. Since we have expertise in handling and frozen in our TDI I as well as TDI II, we are moving ahead with this project.
- Ashish Agarwal:** How much would be the typical demand in India for this Polycarbonate?
- Y N Patel:** Polycarbonate as per our IP marketing it is growing as the raise of 9% CAGR.
- Ashish Agarwal:** And today how much it would be?



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- Y N Patel:** Today around 21.8 lakh metric tonne is imported in the country and as of now there is no producer of Polycarbonate in the country.
- D V Parikh:** I am D V Parikh, these are basically the import substitutes, as far as your question on Green hydrogen is concerned, it is more to meet with the regulatory frame work and there are certain obligations which Central Government has come up with that those who are producing from fossil fuel will have to meet certain percentage out of Green hydrogen, these are not formally announced but then we are doing the preparatory work and at last going ahead with 25 MW of solar back of facility for that.
- Ashish Agarwal:** Okay and typically when will the groundwork start for this Polycarbonate and the Green hydrogen for this, will it start in the coming year, will we see some cash flow getting into these projects in the coming year? Have done, there you are saying we will increase the turnover of around 400 Crores annually, so that project you said it started, correct?
- Yogesh Patel:** I am Yogesh Patel, answering to your question regarding Polycarbonate we already have encouraging market survey report from third party which is supporting perception of our IT marketing group. We will be conducting the TFR which will take three months to four months, based on this we will move ahead with management approval, and we will then pick up the project. Normally, this site of project takes at least 36 months for implementation.
- Ashish Agarwal:** Okay. Thank you. That was last my question. That is it. Thank you.
- Mitesh:** Thanks for the opportunity. My first question is on the cash flow statement, which indicates that a corporate deposit of 2,000 Crores has been made so if you could just share which corporate is this where you made with deposit?
- D V Parikh:** We have Gujarat Governments financial service corporation called GSFS, we have made a deposit with them of 2400 Crores. Gujarat State Financial Services Ltd. is a Government of Gujarat controlled entity.
- Mitesh:** Sure thanks. My next question is with the prices of Acetic acid, TDI etc., underwent some correction even the oil, gas, methanol, toluene all the other input prices rising or the other form, so would it be impacting the spread for the company and if so would it be fair to say that Q1 of FY2023 that is the current ongoing quarter could be slightly weaker quarter as compared to the quarter gone by that is Q4?
- D V Parikh:** Gentlemen your voice is not pretty audible, if you can come up again and also request to make your question very short and crisp as far as possible, please.



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- Mitesh:** With some of the product, the final product price is correcting particularly Acetic acid TDI etc., and whereas your input prices being firm or rising, so would it be impacting spreads for the company, and would it be fair to say that the ongoing quarter Q1 could be slightly recur as compared to Q4?
- Jiten Desai:** I am Jiten Desai, good afternoon. Prices for the commodity and particularly in chemicals are cycle actually and TDI prices are on ground trend but still persisting at a reasonably high level. Acetic acid also has observed the corrections because the normal price range is around \$500 to \$600 which is born up to, so I would say that it is not reducing but it is normalizing, prices are normalizing actually.
- Mitesh:** Sure, and on the margins, on the spreads, are we seeing compression on the margin and input cost increases?
- Jiten Desai:** It is actually month-on-month scenario like I said in my initial statement; the oil is still on the run whereas gas prices are tapering down. There is the mix of manufacture apart from oil and gas which will decide about the margin.
- Mitesh:** Sure, okay, so one final question if I may I mean when can we expect the weak Nitric acid and the nitrate plants to come in by which year?
- Y N Patel:** I am Y N Patel answering your question, new weak Nitric acid and AL based will be on screen by year 2026.
- Mitesh:** Year 2026. Okay, that is all Sir, thank you so much.
- Bharat Sheth:** Thanks for the opportunity. We started commission I mean two brown field facility in current year, so on account of that how much additional turnover can we expect to?
- D V Parikh:** We have started Formic acid in this year and around Q4 of calendar year last year, TDI II debottlenecking has happened, so on TDI our colleague Mr. Jiten Desai will respond and on Formic acid, our colleague, Mr. Manish Upadhyay will respond.
- Jiten Desai:** Good afternoon, I am Jiten Desai. With the enhancement of CNA by 50,000 metric tonne per year had turnover is likely to be increased by around 300 Crores.
- Manish Upadhyay:** I am Manish Upadhyay. We expect around 6000 tonne as such production in Formic acid in this financial year and roughly it will be around 4 Crores to 5 Crores.
- Bharat Sheth:** Okay and this Formic acid 50,000 additional capacity that we are..?
- Manish Upadhyay:** 45 Crores to 50 Crores.



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- Bharat Sheth:** Okay and how do overall because what gave that confidence to us that in Q1 will be able to sustain this spread, so some of the product it may be going down but some of the product it may be strengthening also could be, so what gave us confident that we will be able to protect our spread in this Q1?
- D V Parikh:** There are full of maintaining because of the product mix like you said there are certain products which are going up certain down, there are input price mixes and all but, on the whole, we are full of maintaining margins.
- Bharat Sheth:** Which are going up and which are just I mean if you can give few products?
- D V Parikh:** Gas is tapering down, oil is still on the run, months on months other petrochemical like Toluene, Benzene etc., varies depending upon the international situation, now if you talk about the output prices the weak Nitric acid and melt are improving, CNA is also improving whereas product like Acetic acid is going down, TDI is going down but it is a mix on the whole based on which we are houseful of maintaining the margin.
- Bharat Sheth:** Okay and last question, in some of the facility like Aniline and this Acetic acid where China is the largest manufacture since lockdown, we were not avail in the market, so while they come into the market, how do we see impact on our company?
- D V Parikh:** Okay, there are two side scale, earlier also there have been like dumping or China issues were there and even if it is there like Aniline, we have Nitro Benzene as well as CNA available and this year we made a very good sales of Nitro Benzene as well around Rs. 74 Crores at a basic value and CNA also has a good demand, so suppose if there are any headwinds in case of Aniline these are the two products, we can say is an optimized the overall contribution.
- Bharat Sheth:** Okay. Thank you very much and all the best.
- Nishith Shah:** Good evening, Sir and thank you for this opportunity. I would like to understand what is our cost of meeting Nitrate Ammonia?
- D V Parikh:** Will you please come up again?
- Nishith Shah:** What is the cost of making ammonia?
- D V Parikh:** Ammonia as you know we have two sources, one is NG, second is oil, so it depends upon the input prices but last year if you see it ranges between 40,000 to 50,000 and gas base Ammonia also we have a mix of gas both domestic as well as RMNG, so on the whole the cost is lower than based on the RLNG because of the domestic gas. It varies from month-to-month.



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- Nishith Shah:** Okay, Sir what I understand is that spot Ammonia prices would be approx. \$500, so for a cost manufacturing Ammonia through oil and gas both would be significantly lower, right, so in that terms how much it would in dollar terms?
- D V Parikh:** How much would be?
- Nishith Shah:** For Q4 in the dollar terms what would be our cost?
- D V Parikh:** Q4 dollar terms, we have in rupee terms like oil price has been around 50,000 and from oil to Ammonia there is a specific ratio and certain added cost but more or less you can say the Ammonia cost in Q4 is around 50,000.
- Nishith Shah:** Okay and oil-gas would be used more for the chemicals, is that right understanding?
- D V Parikh:** it is mainly for chemicals, we do use that Ammonia in fertilizer called Ammonium Nitro phosphate, it is not NG based ammonia which we use, NG based Ammonia is exclusively used for new coated area.
- Nishith Shah:** Okay and Sir how do we see the natural gas prices going forward in 2023?
- D V Parikh:** Like we said in the beginning it all depends upon the Europe's decision of sourcing Russian gas because that is a disruptor. Mainly the demand has increased towards that side because of certain decisions of not to source the Russian gas.
- Nishith Shah:** Okay, so would not we have any long-term contract even midterm like one year or first contract?
- D V Parikh:** We already covered this response in one of the earlier questions as to what kind of contractual arrangement will have for the natural gas.
- Nishith Shah:** Thank you.
- Marshall Lewis:** Good afternoon, my first question is regarding the TDI, so can you please advise that what was the average price of TDI during Q4 and what is the average price you can say from 1 April to 30 April or 1 April to 10 May whatever data you have and number two, what was the turnover of TDI standalone in Q4?
- Jiten Desai:** I am Jiten Desai. First in Q4 our price is I will tell you in the dollar term that is our price largely depending on the input clarity price and the dollar price remain at an average of \$2850 CIF India during Q4 and in the month of April, the price has increased to \$3250.



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- Marshall Lewis:** But just now you said that the price is tapering down?
- Jiten Desai:** It is tapering down in the month of May.
- Marshall Lewis:** Okay, what is the current price approximately?
- Jiten Desai:** Today it is coated around \$3000.
- Marshall Lewis:** Still it has been in Q4?
- Jiten Desai:** Yes, Q4 is higher.
- Marshall Lewis:** No, what I am saying the current price is 3000 is still higher than the Q4 average price of 2850?
- Jiten Desai:** Yes exactly.
- Marshall Lewis:** Yes Sir, very good. Can you tell me what the approximate turnover of was contributed by the TDI in Q4?
- Jiten Desai:** TDI 280 Crores.
- Marshall Lewis:** Small amount.
- Jiten Desai:** Yes.
- Marshall Lewis:** Okay and the second thing that regarding this as this with respect to gas and Europe struggling for not buying Russian gas, so are you planning to import some Natural gas, or it is feasible or not?
- D V Parikh:** I am D V Parikh, resource our gas from domestic supplier not international suppliers and in turn they may source from Russia or anywhere, we are not much aware about their supply sources.
- Marshall Lewis:** Okay, so Sir like as this crude price is still like going up for is hovering around 105 to 108 or 110 and this it will be tapering down, so how it is going to, how these two things is going to impact the margin say in Q1 2022-2023?
- D V Parikh:** We responded on this margin question just couple of minutes back.
- Marshall Lewis:** No, like I heard that you said that you will be able to maintain margins because you are something going up or something going down, but I am asking with respect to the



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

impact like tuned by the crude, crude is going up and this debt is coming little bit down, so how much is debt will be coming from these two aspects?

D V Parikh: Okay, the normal ratio of gas and oil which we use is 1:2.5 and that is 2.5 times gas we use as compared to Y. For example, if you use around 700 Crores of oil then there seems around 2.5 times of that normally, so when gas prices go down the biggest breaker we get in, in TDI production cost. TDI, we have the steam and Hydrogen and co-requirement through the Natural gas.

Marshall Lewis: But Sir like recently this government has increased the price of this by about 50% so is there a differentiate than you are using because it was 6.6 like this unit dollar to which will be 9.6 times for some time?

D V Parikh: There are three types of gas prices, one is what government controls and announces every six months then second is auction-based prices which is a freedom given to companies like Trend Reliance and third what is available in the spot and fourth kind of prices is what is their one of formula midterm, long term formula-based prices, we resource our gas especially for TDI on a spot basis when the government is fixed price on that.

Marshall Lewis: No Sir, what I am saying that I just like to understand academically so when the government has announced the six-monthly price which the visibility is till September by more than 50%, so should this increase, that will not increase the spot price, this is my question?

D V Parikh: I forgot to introduce I am DV Parikh. It has seen this government price which is announced six monthly is meant for the domestic prices and domestic gas by design is supposed to be using urea, so this gas price increase is a passed through. For example, we received the gas from ONGC, so gas price of ONGC has also gone up by the percentage you are referring; this is going to be the pass through in the form of subsidy.

Marshall Lewis: Okay so now you are saying that in that case this gas using only for urea or ammonia or are we not reading that case for TDI is my question?

D V Parikh: This is what I am saying, we cannot use by regulation, this domestic gas into non-urea, unless it is an auction gas which has started of late beginning with Reliance followed by Trend.

Marshall Lewis: So, this Reliance price will also be high, I wanted to understand that when the general price in the market has been increased by 40% to 50%, will this note have a cost



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

reading impact on whatever base you are buying or whatever resource, this is one my question?

D V Parikh: No, we have not bought this kind of auctioned gas so far, our urea gas is partly contracted partly on spot and TDA gas is totally on spot, so the gas which is available on the spot is not heavy, it is not having any bearing right now?

Marshall Lewis: Okay, fantastic and Sir my other question that when we parked 2400 Crores with GSFC what is the rate of interest on that?

D V Parikh: 5.25, banks are paying around 5, we are getting GSFC 5.25, so is it like a 10 year but for a normal 10 year over here we are getting 5.25%.

Marshall Lewis: But like this other NBFC like for example, this Bajaj Finance or HDFC will they not give higher rate suppose if you pass for two year or may be some small, small person we can park, for different period because entire amount we may also not need after one year, so maybe half of the amount or whatever we could have pass for say two year stretching a higher rate with a triple rated company?

D V Parikh: These are company's financial decisions and we are comfortable with GSFS, there is an internal directive given the energy in petrochemical department to park the funds excess funds with GSFS.

Marshall Lewis: Okay Sir. Great, thank you.

Yogansh Jeswani: Thanks for the opportunity, one follow-up on your investment in the GSFC, so this 2000 Crores that we have fund initial 5.25%, just wanted to understand is there any locking for this?

D V Parikh: No. It is withdrawn on first notice.

Yogansh Jeswani: There is no lock in or any exit load?

D V Parikh: There is no lock in the only thing which might get affected in the rate of interest is the short term and good over the period for encashing in case of requirement or liquidity issues.

Yogansh Jeswani: Understood and if we have to think about that instead of parking the money here, why did not we try and think of buyback of shares because I think our capex plans are till 2026, so we have couple of years and by the time there will be significant internal accruals, so why not a liberal dividend or even better of rights because buybacks are more tax efficient, so why not something on those?



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- D V Parikh:** Dividend is already increased by 25% and there is a maintainability which is required in case of a dividend, so these are more approval and decisions involved. Number two, vendor financing we do negotiate with vendors in every proposal of high value about this but then if they have a requirement which is there through the internal approvals or other sources then they do not talked out of it. We are trying for keeping this kind of terms during high value negotiations.
- Yogansh Jeswani:** Okay and Sir, secondly on your capex plant where we have mentioned for WNA and the other one, so I was just knowing through N2 and WNA, so I was just knowing through the investments, so we will be setting 953 odd Crores in WNA and we expected turnover of 200 Crores formic and similarly for 182 Crores AN2 we are expecting 200 Crores, then for your poly I want it again on investment of 2500 Crores we are expecting turnover of 1500 Crores, so in all these three the SA terms is very, very low, any specific reason here or is this higher margin for this and that is why we will be able to make the required returns, if you could just elaborate a bit more?
- D V Parikh:** My colleague will elaborate more but there are two things when it comes to the weak Nitric acid and AN melt is directly a sellable product whereas weak Nitric acid has two uses. One is the captive used within iron melt and concentrated Nitric acid and second is commercial state. So, what happens is asset turnover apparently may be low but if you look at the probable margin improvement the possibilities are very high because it has further embedded margin or value addition in AN melt and CNA and the kind of pay back decisions which are taken are based on these lines, what kind of captive usage is there, suppose we do not have weak Nitric acid, what happens, we cannot manufacture so much of alignment because that kind of weak Nitric acid is not at all available, the imported quantities are minuscule.
- Yogansh Jeswani:** From the capacity that we are adding typically how much will be internally look like captively order Rs. 2 lakh?
- Y N Patel:** Capacity AN Melt mainly it will be going for sell total, so there is no internal consumption as such. WNA we will be consuming partly in AN melt to be extend our consumption will be around 0.6 in the range of 0.6-0.62. This balance will be either will be sold or we can utilize in other products also through CNA route.
- Yogansh Jeswani:** Okay and Sir if I am not wrong, I think I do not have the FY2022 numbers but with the FY2021 numbers and FY2022 number we typically produce around 4 lakh tonnes of WNA, so out of that how much are we selling outside and how much are we captively using now?



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

D V Parikh: Generally last year if you want our colleagues Mr. Jiten Desai will tell but by and large if you see the balance 100,000 to 125,000 is one may expect in terms of commercial sales, the rest is captive but if you want the exact number for FY2021-FY2022 I hand it over to Shri. Jiten Desai.

Jiten Desai: I am Jiten Desai, in FY2021-2022 we sold 1,15,000 metric tonnes of WNA in the market.

Yogansh Jeswani: Okay, so Sir but it is a setting of 2 lakh capacity I am just telling out one lakh capacity so we do have excess capacity then, right, so are we reduce the size of this capex and probably increase capex on some other downstream product where acid terms and ratios could have been higher?

D V Parikh: I am D V Parikh, tells already a material balance. If you look at AN Melt and the kind of specific consumption which is explained that will consume around 80,000 tonnes to 90,000 tonnes of weak Nitric acid. Further, CNA IV which is going to be operational will consume another 50,000, now we are left with only 50,000 tonnes to 60,000 tonnes of weak Nitric acid for a commercial sale at the most.

Yogansh Jeswani: Understood Sir. That will be helpful. Last question from my end, over the years if you look at your sea products say for example TDI, so TDI as a product has signal lot of volatility in terms of its realization and now again like you mentioned we are opening commentaries at prices are bid softer and with the AD also again the dynamic slight of change, so in your opinion what is the kind of price rate that you think is the sustainable price range or is this a kind of a commodity or chemical in which there cannot be sustainable way, it will be volatile in that nature of it, so in terms of your key products TDI and one or two other products that you can explain, is there a sustainable range which the company can maintain or are these very, very secure?

Jiten Desai: I am Jiten Desai, this for chemical products we are benefitted of other chemicals and most of the other products are import substitute, so we have no choice but to follow the import substitute and as far as range is concerned whatever we have observed in 2021-2022, those are the phenomenally high price actually for most of our products and it remained quite higher about 30% to 80% higher range in for different products, different range but there will be new normal of course, we as per our opinion it will be on the products, range will find the new normal and whatever it is remained before pretty COVID period that will be slightly about 20% on an average basis will be higher than new normal levels. As far as TDI is concerned, if you see that about 10 years average is \$2550, the current price is around \$3000, so the new normal we in our opinion stood the anywhere between \$2700 to \$2900.



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

- Yogansh Jeswani:** Okay, that is really helpful Sir. If as to summarize basically what we are saying is given that most of our capacities are now running at optimum capacity and in some cases above 100% utilization as well, so with the value is now normalizing the growth will only be dependent on increased prices, you know move up further from here or it can actually go down by 20%-30% if the prices say what the long term trends are, right?
- D V Parikh:** It is not like that, there are three products like we explained one is TDI volume increased possibility, second is Formic acid and third is concentrated Nitric acid, these are the three things which will be contributing to volume going forward. Secondly, in last financial year we have seen increased production of second product like Ethyl Acetate and AN Melt that is another possibility of maintaining it in terms of volume, so volume wise these have been five products where there is a possible increase or maintainability possible of 2021-2022 level.
- Yogansh Jeswani:** Okay Sir, understood. That is from my side. I will get back to the queue.
- Naitik Mohata:** Good morning, Sir and first of all congratulations on the great set of numbers. Just to add onto what you answered to the previous participant regarding the TDI turnover for Q4 which was somewhere around 280 Crores, so out of the 2020 Crores that we have posted for chemical division, the remaining 1740 Crores could you throw some light on which products have accumulated what kind of turnover for us?
- D V Parikh:** Normally, we do not provide product wise break up for information, the lines is that of urea and TDI, followed by Acetic acid, weak Nitric acid, AN Melt and like of that but if you want on specific figure for each of the product as the company normally, we do not part with the product wise number both for revenue as well as profits.
- Naitik:** Yes, I understand that but the thing is earlier TDI used to be one of the key products and that has sensed only a smaller part of a revenue and in Q4, so I was just trying to get a picture key which particular products have increased our share and revenue?
- D V Parikh:** I am D V Parikh, this has already covered by our colleague, I will repeat the AN Melt technical grade urea, and weak Nitric acid is the products which have contributed to the revenue as well as margin.
- Naitik:** Alright, okay Sir. That is it from my side. Thank you.
- Saket Kapoor:** Thank you for this opportunity. Earlier also you have attributed to the fact that a new normal has been set in all the industry and chemical, so if you could give us some more briefs what factors have now led to believe that this is going to be a new normal



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

because what have seen is that the logistic cause to spread disturbances had been one of the major reasons for the increase in the selling prices, so once they get restored in the near vicinity, are things going to come down or has there been capacity that has been completely mod-bulled especially in terms of TDI and all, so if you would just add more color?

Jiten Desai: I am Jiten Desai, as I told replied while answering the earlier question that our most of the products are input substitute and currently there are very few projects for our key products Acetic acid was pretty high coming up in the world because of the corona effect and a natural growth has also restored actually, after the corona the recovery has started and that the natural growth which we have observed the pre-COVID period is again restored, so to compensate that growth rate there will always be demand supply situation in the prior up supplier for the key products.

Saket Kapoor: Right Sir and you did mention that softness in the TDI package I missed the earlier commentary, so for the sake of repetition also if you can give some more color are there any **slighting** in the price trends for TDI for this last two months?

Jiten Desai: Last two months, is because of the demand we can see actually, the supply is steady and demand because of the geopolitical situation and the cost have increased, the cost of normal life has increased in Europe and other countries that is why the demand has gone down and that is the effect on TDI price actually.

Saket Kapoor: What has been decline side in percentage term can you give some more color?

Jiten Desai: Yes, as far as numbers are concerned, I have already informed well replying earlier question, that it has gone down in the month of May only and in April it was prevailed at a little higher range than what it was prevailing in Q4.

Saket Kapoor: Okay Sir. I will come in the queue for the follow up. Thank you.

Bharath Sheth: On these polycarbonates have we tried up for some technology or we have our own technology if you can give some color and same thing earlier call, we had said that in some of the four-five products we are the only sole manufacturer in India and that cannot be the technology is not easily available, so are we planning in Brown field expansion for the same product?

Y N Patel: I am Y N Patel answering your question. The technology sourcing mainly is a problem in Acetic acid but there also we are trying with some of the technology supplier, regarding polycarbonate we are already in touch with some of the technology suppliers and we do not face any issue regarding polycarbonate. Regarding other products



*Gujarat Narmada Valley Fertilizers And Chemicals
Limited*

May 12, 2022

wherever we feel there is a scope, we have been moving ahead but mostly we have been needing technology support, generally we do not have our own technology which is no project is developed on our own or R&D basis, so we will be in turn with technology supplier and wherever it is available we will move ahead.

Bharath Sheth: Do we think some of the product where we are sole manufacturer some other producer can also source the technology and set up?

Y N Patel: This is always an open market but mostly over a period of time you have acquired some expertise been handling some of the products and because of integrated nature of our complex, we do not see any threat from any competitor in near future.

Bharath Sheth: Okay and last question on Dahej as well as Bharuch, we have two sites, so do we have sufficient land for future expansion?

Y N Patel: Yes, as far as Bharuch complex mostly it is full but some of the products which we are already manufacturing we have such an room for expanding the capacity, existing capacity but any new project Brown field project we are planning at Bharuch site and we have ample a land at Bharuch site.

Bharath Sheth: Can you spell out, how much lands do you have and the power the scenario?

Y N Patel: Around 1800 Crores land is available at Dahej site; power we can always source from Zedco, power is not a constraint for anybody as such in Gujarat.

Bharath Sheth: 1800 Crores or 1800 acre?

Y N Patel: 1800 acre.

Bharath Sheth: Yes, okay, thank you very much.

Ashwin Shah: Thank you very much. I am Ashwin Shah, on behalf of GNFC management we extend our sincere thanks for the support extended by the organizing firm, our management team as well as the valued investors for their unstinted support to the Company. So with this good results and, positive remarks from the investors, we declare this ConCall Meet as closed. Thank you very much.
