



# GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Fertilizernagar – 391 750. Vadodara, Gujarat, INDIA.  
CIN : L99999GJ1962PLC001121

**NO.SEC/2021**

**16<sup>th</sup> August, 2021**

The Corporate Relationship Department BSE Limited 1st Floor, New Trading Ring Rotunda Bldg., P.J.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 (East), MUMBAI - 400 051
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SCRIP CODE: **500690**

SYMBOL: **GSFC**

Dear Sirs/Madam,

**Sub: Transcription of conference call held on 13<sup>th</sup> August, 2021**

With reference to our letter dated 12<sup>th</sup> August, 2021 regarding Conference Call, post declaration of Unaudited Financial Results of the Company for the 1<sup>st</sup> Quarter ended 30<sup>th</sup> June, 2021, we are enclosing a copy of the transcription of Conference Call. The aforesaid information is also disclosed on the website of the company at [www.gsfclimited.com](http://www.gsfclimited.com).

Kindly take the same in your records

Thanking you,

Yours faithfully,

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

  
16/08/2021

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

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Encl : As above





# “Gujarat State Fertilizers & Chemicals Limited Q1 FY22 Earnings Conference Call”

**August 13, 2021**

**MANAGEMENT: MR. V. D. NANAVATY – EXECUTIVE DIRECTOR AND  
CFO, GUJARAT STATE FERTILIZERS & CHEMICALS  
LIMITED  
MR. VISHVESH VACHHRAJANI – COMPANY  
SECRETARY & SENIOR VICE PRESIDENT, GUJARAT  
STATE FERTILIZERS & CHEMICALS LIMITED**

**V. D. Nanavaty:**

Good afternoon and welcome to this GSFC Q1 Post Result Concall and thank you everybody for maintaining your interest in the company consistently you have seen the numbers so I will not explain about it. Fertilizer has been somewhat effective because of the higher raw material prices of Phos-Acid, ammonia, sulphur and looking to the farmers interest companies are not increasing the MRP in line with rise in raw material cost and government has also informed of higher subsidy, but still the spiraling prices have put pressure on the margins so companies are taking cautious call on the growth aspect of the fertilizer.

We also tried to sell maximum fertilizer in our primary market zones which has helped in reducing the freight cost and the storage cost etcetera, but as you know the industrial products all the products are in the super cycle mode and prices are going up since April and July has still been better than the Q1 I would say. So, last year we clocked in around 1,700 crores turnover in industrial products segment wherein we see a good growth this year of around 30% to 35% that will take care of the top line reduction in the fertilizer segment. The capro-benzene spread has been about \$1,050 and has been maintained to that level from this year and we hope it will continue throughout the year or other chemicals also we expect they need to continue throughout the year and which should have been improving the top line and bottom line both. The methanol plant which we started somewhere in September 20 is going on and the prices have also improved.

As far as the subsidy is concerned government is paying the subsidy in time and due to which the working capital requirement has substantially gone down and interest cost has been quite low in fact we are earning the interest on the deposits which goes as an other income so do not reflect in any segments. So, we hope that will also continue throughout the year. So, the good performance of IT with no interest burden the contra interest earning should improve the profitability of the company. On the downside we had higher raw material prices particularly for the fertilizer segment and we had a planned shutdown during the Quarter 1 so that also affected the production.

As per our practice all the production and sales details are uploaded on our website so you can see it. Some of the expenses have increased that is mainly due to rise in the natural gas cost and the packing expenses because these are all the ultimate derivatives of the crude so their cost have gone high. However, on a QoQ basis employee cost seems to be higher, but we have started provisioning right from the first quarter in line with the last year. So, if you see the last year expense it is not higher on a proportion basis.

So, we continue to be a debt free company and have a deposits of more than 1,000 crores at present and the improved profitability and balance sheet all the ratios have also improved, stock turnover, debtors all the ratios, profitability ratios are up and the projects that we talked last time they are continuing to progress that is ammonium sulphate 4<sup>th</sup> plant, sulphuric acid, fifth plant, nylon fix compounding plant and 15 megawatt solar project the urea revamp project

to bring down the energy cost they are all going on and so the larger CAPEX MMA Dahej and phosphoric acid, sulphuric acid at Sikka. The discussion and the detailing are going on and we are positive that will also be through so we are now when that stage comes. So, this COVID is after us and GSFC is fully out of it and is continuing to grow as in the past. Thank you.

**Saket Kapoor:** Sir firstly about this raw material consumption part I missed the initial part of the commentary what led this increase and going forward sir what does the trajectory look like on the cost of material consumed?

**V. D. Nanavaty:** All the raw material required for the fertilizers particularly that is natural gas, sulphur, phosphoric acid, ammonia all have shown increasing tendency. So, of course in line with crude, natural gas and sulphur is likely to soften going forward, but ammonia lot of international factors are at play so difficult to say anything and phosphoric acid is concentrated with few countries so it is a kind of cartel so difficult to say when the prices will come down.

**Saket Kapoor:** Sir if we look at the PBT numbers for fertilizer segment on a sequential basis also that has gone up significantly from 45 crore to 85 crore was there any one off for the March quarter I do not have the March details or what is the reason for the sequential increase?

**V. D. Nanavaty:** So, last year particularly the raw material cost were not so high like gas prices are also down, Phos acid is also comparatively not so high and sulphur also was steadily increasing it was not high right from the beginning. So, raw material price as last year margin this year as I said raw material prices have increased, but government has also increased the subsidy substantially like DAP subsidy has been raised by 137% as compared to 2021 and other subsidy accordingly for phosphatic fertilizers have gone up in line with the nuclear content. So, that has helped plus as I said whatever was the past stock with lower raw material cost that also it will help in this Q1 to improve the margin.

**Saket Kapoor:** But it is totally operational number only there is no one off item in this 85 crore PBT numbers?

**V. D. Nanavaty:** There is not one off item, but looking to the subsidy mechanism of government of India where we get subsidy on a cost sales when the point of sales happens at the retailer level when the farmer actually buys the fertilizer then only subsidy claim is generated. So, whatever past stock whatever we sold during say Q4 of last year that got really consumed or bought from by the farmer in the current quarter so that entitles us to higher subsidy so that impact is there. It is not a one time, but it is a normal thing.

**Saket Kapoor:** So, for this quarter number will percolate into the next quarter that is what that should be the

**V. D. Nanavaty:** Yes so this will continue because subsidy has been increase at least for this financial year so this is a normal phenomenon every time it happens.

**Saket Kapoor:** Two very small question sir firstly on the employee cost and the finance cost what number are employee expenses and power and fuel what should we look at going forward I think for employee benefit that has gone down from 227 crore to 164 crore and the power and fuel cost is also gone down on a sequential basis?

**V. D. Nanavaty:** Yes that you can say whatever was the last year cost that will more or less remained the same for the full year basis and that is 684 crore. Power and fuel has gone down sequentially, but so the current quarter truly reflect the power and fuel cost. So, I think that can be taken as some basis.

**Saket Kapoor:** And lastly sir on this production number also which have been updated on the website I think so this quarter the methanol sales have contributed to around 94 crore and going forward sir this should be the order on a quarterly basis and the prices have remained firm I mean we can realize this Rs. 94 crore on a sequential basis also?

**V. D. Nanavaty:** Yes mostly we are hopeful, but recently natural gas prices have gone up substantially so some tapering may happen, but ethanol prices have also gone up compared to Q1 right now in July it is still higher compared to Q1. So, yes you can say 94 crore sequentially can be taken as a benchmark.

**Saket Kapoor:** And lastly sir if we take the profile of our company it is mentioned a chemicals we are deriving a larger part of the EBITDA because of the uniqueness of the product portfolio, but other than that if we go for a likewise comparison also with the other listed players or the other companies we find there is a big gap in the valuation, do you see investors as GSFC are at a loss when compared to be invested in any other fertilizer company you can take a likewise comparison or also any comparison if you want, why is this so differentiation if we have given the PSU part also sir PSUs are more efficient than other players as has been the numbers. So, I think so the better utilization of the cash going forward and rewarding your investor should be the likelihood going forward because it is a long wait for investor from one cycle to other cycle the returns from being invested in the company have flattened out compared to what market and other companies in the same space are offered you have the data in front of you that is all in the public domain so what is the thought process of the management going forward and the way where the investors who have reposed PAT in the organization and esteemed organization if I use the term as GSFC that they are also adequately rewarded for the risk they have taken in India that is the thought process how is the management going to deal with it because the sulphuric acid part of the story also is a big step so it is taking a longer time than what is anticipated so if you could give some color on the growth journey going forward since the subsidy part of the story the government have absolutely looked into the aspects and so that should not be a cause of bother which used to be earlier cause a worry for us a very small point from my side I will queue for further questions please dwell into it and if any reply you want right now please do explain us?

**V. D. Nanavaty:** So, what you explain is correct, but management is taking this aspect into account and apart from this what two large CAPEX we say we are also thinking of going for this fourth Melamine plant of equivalent 40,000 capacity so that will improve the top line, bottom line similarly we have a large land in Dahej available so we are also appointing international consultants to work out what are the good project that we should do at the Dahej and after those reports are there and deliberations are there we will go for those projects also. So, management is very much been to expense and chemical has been a consistent giving a good profit so we have a good experience there so there is no I cannot thought about chemical segment as such. So, whatever is the right type of chemical or industrial products that will be suggested that we will be going forward. So, we are in that process of maintaining the growth cycle or improving the growth cycle and the results will come in days and years to come.

**Anup Nayar:** So, basically we have capacity of 55,000 ton in Melamine what would be the current capacity utilization there?

**V. D. Nanavaty:** See right now we are not running Melamine I that is 5,000 metric ton plant, but with the higher production of Melamine III as compared to the installed capacity I think just let me see the Melamine production number you have but in the website that we have uploaded. So, compared to about 6,400 tons that is the production, but as I said there are shutdown during this first quarter. So, for this three quarters it will run on a efficient and normal basis. So, at least wherein 5,000 tons we will have some kind of 100% capacity utilization for the Melamine plant. So, that is 50,000 tons.

**Anup Nayar:** So, other than this 5,000 ton for Melamine -I we are percentage of a capacity?

**V. D. Nanavaty:** Barring that old plant which is very energy guzzler so we do not run this plant, but of course whatever shutdown effect is there that will remain.

**Anup Nayar:** So, sir what will be the current price for Melamine can you share the price and do we feel that the market price or do we have any long-term contract with our client also sir who will be usual industries mainly that who are buying Melamine from me?

**V. D. Nanavaty:** Melamine we do not have long term contract so we sell it on spot basis and right now Melamine is a new champion product for GFSC its prices are ever high since we installed the first Melamine plant in 1982 so we have not describe it is around \$2,200 to \$2,300 which used to be around \$1,400, \$1,500. In rupee term it is some Rs. 1,77,000 per ton and mainly the laminates and paint industries use Melamine for their production.

**Anup Nayar:** One more question if I may ask that is on the methanol you said that the plant was started in September 2020 so I think we have around 1.5 lakh plus capacity there on an annual basis so what would be our current capacity utilization there as well?

- V. D. Nanavaty:** Right now it is running at 100%, but since I think in mid-August or in September or rather in September gas prices are very high because of the seasonality. So, there we may cut a little bit of production to 70% or so again I think it will come down 200% once the gas prices are back to normal stage.
- Anup Nayar:** What would be our cost of production per ton on a per ton basis therefore and are we selling all the reproduced market is buoyant right?
- V. D. Nanavaty:** You see methanol is the producer two or three in the country only GNFC, RCF, GSFC and methanol is imported to the tune to 20 lakh metric ton per year in India where the local capacities are just nothing may be not 10% even all put together all the three companies. So, there is no question of any demand, mistake of client or anything whatever is produced in sold and we do not comment on the individual cost of production, but industrial product you can see the 15% EBIT margin is there so that we are hopeful to maintain.
- Dhaval Sheth:** I just want to know the current capacity of Caprolactam and what is the price going on right now?
- V. D. Nanavaty:** Capacity is I mean April production is around 85,000 to 90,000 ton, but some of it is captively used for making nylon sheet. We generally sale about 60,000 Caprolactam in the market which price is Rs. 1,60,000 that is \$2,000.
- Bharat Sheth:** Sir on this fertilizer business the raw material prices started increasing from April onward and again it started substantially increase neither Phos-Acid and ammonia of recently as well as sulphur, so the subsidy which remain stagnant for the first half announced by the government in view of that have we taken any price increase in this Q2 and if we have taken what are the response from the market whether it has been absorbed or not?
- Management:** For section of the product like ammonium sulfate recently we have increased this price twice for rest of the products as far as DAP is concerned yes so far it is not considered as there was indirect mandate from the government also to maintain the same price, but for non DAP products yes now companies have started reading it upward and we also consider it soon.
- Bharat Sheth:** Sir I mean non DAP means all complex fertilizer is that correct?
- Management:** Just in MP case Yes.
- Bharat Sheth:** And sir how is the earlier I mean we have been also listening that China is putting a ban on export of the fertilizer so whether it is on urea or all kind of and what could be the impact of that also in for the domestic manufacturer whether remain benefitted if you can say give some more color?

**Management:** The ban is on all kind of fertilizers basically it is with this perspective that China is also a large consumer like India and with increased world crisis their domestic prices were also going high. So, for their own perspective we have just banned the export and now India being the importer yes we are almost 30%, 40% of DAP and almost 10% urea it is coming through China and they are also the largest player in the world as far as exportable surplus is concerned. So, it will have its impact on the prices moving forward it is expected that it will have a rather prices may still move upward.

**Bharat Sheth:** And now in this rising scenario how do we see the import is taking place or not or it has come down?

**Management:** If you consider YoY basis yes import has gone down like last year in the first half India has imported DAP 41 lakh ton so far it is contracted hardly 26 lakh ton and with the prevailing price of some \$625 perhaps servility maybe the question. So, unless market prices go up or the subsidy is reviewed during this two months of August and September profitable import can be a question mark. So, yes import has gone down substantially.

**Bharat Sheth:** Sir on input price we say that phosphoric will remain has been fixed for quarterly now normally, so any color that kind of I mean with this high phosphoric price whether some of the people who are not very venturing might have gone, so supply may ease and hence the price may come down and sulphuric sir we said that prices are expected to soften in couple of months, but ammonia what you say I could not follow, can you give some sense on this input cost price outlook?

**Management:** Indian buyers PA contract prices on quarterly basis so it will remain the same till September end.

**Bharat Sheth:** Sir post that second half how?

**Management:** Everything will depend how far this prices go up and how the market absorb it right now import Indians have stopped import because it is not viable. So, likewise you know and rest of the parts where fertilizers are being imported or they are more dependent on the imports. There is a limit for absorbing the increase in the prices. So, like here the import has substantially gone down likewise it happens all across then perhaps it may have a impact on the prices.

**Bharat Sheth:** And ammonia outlook ammonia prices?

**Management:** Ammonia for last say two quarter it is going upward continuously and it is apart from fertilizer it has more bearing with other sectors also. So, ammonia right now we also have the upward trend.



- Bharat Sheth:** And how much ammonia we do manufacture source from inhouse, but we also buy 100% requirement from the market?
- Management:** Sir for the Sikka unit we are importing solely for Baroda requirement we have the captive provision.
- Bharat Sheth:** On phosphoric acid do we have any captive facility?
- Management:** At Baroda we have the captive for Sikka it is solely import based.
- Bharat Sheth:** Even for phosphoric acid also PA?
- Management:** Yes PA we are solely importing at Sikka both ammonia and phosphoric acid. For Baroda everything is captive.
- Bharat Sheth:** So, how much is sir total percentage of the capacity between Sikka and Baroda?
- Management:** Right now, it is almost similar as far as production is concerned it is 1 million ton here about 1 million ton there, but Sikka the capacity is not higher.
- Bharat Sheth:** I believe that we have also taken a stake in this Trifert so how that really helps us?
- Management:** Part of our PA annually if we take it is around 2 lakh plus PA is coming through Trifert.
- Bharat Sheth:** So, that we will may get some kind of a dividend also because typhoid so far was not making money so now from this year do we expect we will start generating a good amount of profit?
- Management:** Typhoid will take some time to generate profit because it is running at low capacity so the cost of production is high. We have to wait for some time to get the benefit of dividend.
- Bharat Sheth:** So, they have low capacity so are we doing anything I mean to increase the capacity or improving the capacity utilization is low or capacity is low?
- Management:** No utilization is low because it is the only Arab country which has moved to democracy all have a dictators in different like Iraq or Syria and Iran so this is the only country which has moved to democracy. So, lot of people expectation on jobs and the life standard are there so they keep on socially interest and social always keeps on emerging frequently that hampers the production and logistics for this plant. So, few days before there was revolt and the President took all the powers in his hand. All the parliament and the Prime Minister was set and now President is ruling the country in the new elected government is there. So, all this thing disrupts the production there so they have not been able to achieve the full capacity so that is

why the cost of production is high, but with good price of \$1,160 now they should improve their financial position.

**Bharat Sheth:** You might have answered but I missed it how is the spread that we are looking for caprolactam and demand and the spread for caprolactam product from here onwards?

**V. D. Nanavaty:** So, we expect \$1,000 to continue throughout the year capro-benzene spread which is also the present I mean Quarter 1 also it was \$1,050 and \$1,000 to continue.

**Bharat Sheth:** In demand side?

**V. D. Nanavaty:** Demand because we are the only producer in the country so there is no question of demand whatever we produce get sold.

**Bharat Sheth:** its 100% capacity?

**V. D. Nanavaty:** Yes it is more than 100 it was more than 125%.

**Bharat Sheth:** And are we looking for expansion?

**V. D. Nanavaty:** No not now because these are all very costly CAPEX kind of a projects and China large capacity is coming the price become very volatile so difficult to predict how what margin you can make.

**Kaushik Shekhar:** My question was regarding this current prices of fertilizer and the kind of disruption in supply and also from China the ban in export etcetera, are these new higher levels of fertilizer that we are seeing or it is just a temporary moment and also if the prices are indeed going to remain high what are our plans regarding we have an investment in a company called Karnalyte what would be the plans in that business and also last year the government had announced that there are certain Aatma Nirbhar packages they wanted certain things to be produced inhouse within India so what are the development on that, are there any opportunities for our company in that?

**V. D. Nanavaty:** So, fertilizer prices are high because company buys higher material prices so we do not see any time is coming down substantially down. It will remain little high something may go here and there, but this is a worldwide phenomena where the demand for fertilizers have substantially increased and supplies are limited plus some of the countries are experiencing COVID disruption so supplies are down so prices have gone up so that we do not see anything coming down immediately and recently the potash prices have also increase that towards the last commodity and mid price increase has started recently. So, right now our Karnalyte project is not viable because of low potash prices, but with the price really also making there and if it continues then we will have the opportunity to revise the potash project there so right now we do not get anything in the Karnalyte project.

**Kaushik Shekhar:** So, will it be possible to share what kind of potash prices permanent or rather level of potash prices at which these kind of projects to be viable and if at all there is a opportunity to invest what is the kind of magnitude of investment that the company would need to commit?

**V. D. Nanavaty:** Potash prices right now CSR India price is \$280 but in the North America and Europe region the prices were substantially gone up. Typically, we need around \$350 FOB more for making deposit viable so that is the kind of level that is required, but Karnalyte is a publicly listed Toronto stock exchange listed company. So, it will do its own CAPEX and whatever funding requirements are there they will be making their own efforts. So, we have a offtake agreement so we expect forecast to be provided to us out of their project. So, whatever will be done will be done there in the Canada whatever support we will have to provide that we will provide, but it will be standalone kind of work to be done there. The potash project has quite CAPEX heavy project so any project of normal size they come at \$ 2 billion that is more than 15,000 crores, but this is modular project where small capacities are added as and when the probability permits. So, it will start with some say 600,000 tons and where no CAPEX will be around \$600 to \$700 million so that is the kind of requirement.

**Kaushik Shekhar:** One last question you had mentioned that India is importing less DAP in this season compared to last season, is it that the consumption has come down or is it is just that we are waiting for the prices to come down and if indeed the prices do not come down then how would the demand and supply be met within the country?

**V. D. Nanavaty:** Overall so far the consumption has gone down to almost 10% in the country one is that the overall rainfall is good, but distribution was little erratic and so far we are right now in the orders, but still 10% of the area is not shown. So, on the demand side yes it has gone down by 10%, but normally this season has the backlog of the January to March which is otherwise null period here. So, the availability is taken care, but the impact of this lesser import will be there in the next season that is Rabi season basically.

**Ahmed Madha:** Sir just one question there is increase in the realization across industrial products, so can you just explain what is driving the Melamine prices globally?

**V. D. Nanavaty:** Yes one is some of the European plants under shutdown because of the COVID impact so that was the reason and as far as India is concerned the ultimate usage of Melamine that is in laminates and paints and all. So, real estate sector is growing in India if you see the population or the family numbers in India maybe 75% do not have their own houses so it is going to be huge opportunity in the real estate which ultimately comes to the Melamine as far as doors and windows and the wooden things are concerned. Melamine is must in the laminate industry. So, we see a good demand for the product and when the supply is not there then that is increasing.

**Ahmed Madha:** So, do you expect to sustain for next couple of quarters?

- V. D. Nanavaty:** Yes at least up to March 22 we expect good price to continue.
- Ahmed Madha:** Sir if there is any change in CAPEX plans other than you mentioned last time?
- V. D. Nanavaty:** As far as I mean shelf of the project if we consider so we have putting up another Melamine plant of 40,000 metric ton that is fourth plant and then for Dahej land we will be looking for good project opportunities in our niche area of chemicals so there we will be taking international consultants help and of what products are falling in line with our kind of synergy. So, there further development will take place.
- Ahmed Madha:** And what will be the cost of this new Melamine plant?
- V. D. Nanavaty:** That will be around 800 crores.
- Ahmed Madha:** Sir couple of quarters back you mentioned that you are looking for entering in pharma intermediates and Aatma Nirbhar Bharat etcetera, so is there any update on that front?
- V. D. Nanavaty:** Some four, five products are already in the market for market seeding take so we are providing it to the pharma company for their acceptance or their feedback and another four, five products are at the laboratory or pilot scale, but since these are all ultimately directly or indirectly this products are exported. So, US FDA norms applies to whatever we also supply intermediates that we supply to this pharma companies. So, there is lot of documentation to be done and the lot of facilities of this production are under lot of scrutiny so it takes little time to move ahead in this project, but it is very well on this line. So, we are not abandoned on those products.
- Ahmed Madha:** And sir this quarter there was some decline in the Melamine sales volumes maybe it will because of the shutdown in plants, so next quarter it will come back to normal level right?
- V. D. Nanavaty:** Yes definitely.
- Ahmed Madha:** And sir fertilizer segment margins do you expect it to sustain?
- V. D. Nanavaty:** Yes we feel that 4% to 5% we should get it I mean there is nothing and they are not some super market or very high market. So, up to 5% is sustainable.
- Nishit Shah:** Sir I wanted to understand you said that natural prices are going up, so can you please quantify what are the current prices and how much the prices went up?
- V. D. Nanavaty:** The current prices for this month August is more than Rs. 50 per FMQ which was there at Rs. 15 in February 20 it was Rs. 15 per FMQ it is now Rs. 50 per FMQ versus the how the prices have moved.

- Nishit Shah:** So, Rs. 50 now versus Rs. 15 in February?
- V. D. Nanavaty:** 20 not 21 by February 20 maybe 15 months or so.
- Nishit Shah:** So, more than 3x kind of jump?
- V. D. Nanavaty:** Yes but this is not going to remain, but these are all spot prices so seasonality and particularly there is issue in this shipping availability for the Asian countries this Panama Canal and all those things are putting consent in the number of ships that travel from Western countries to Asian countries. So, availability becomes a problem.
- Nishit Shah:** So, we buy everything on spot or do we also have a long term agreement?
- V. D. Nanavaty:** We have long term agreement so maybe 50-50 of the total requirement.
- Nishit Shah:** And what would be our agreement price?
- V. D. Nanavaty:** There was link to crude or some other benchmark like JKM that is Japan, Korea, Marker or Western Markers or we also buy from the exchanges that is get exchanges situated at Delhi. So, we buy from the exchange also. So, it is mix of varieties of benchmark and varieties of gas sourcing.
- Nishit Shah:** So, that would be significantly lower than Rs. 50 right?
- V. D. Nanavaty:** Yes definitely.
- Nishit Shah:** And how much that would be if you can throw some idea?
- V. D. Nanavaty:** No it could be Rs. 35, Rs. 36.
- Yogesh Bhatt:** Sir one observation and pardon me for this observation in the sense that we have close to around 6.8% ownership in the company called Gujarat gas and this investment we must have done for some other purposes or circumstances and if we see the line of business obviously it is you can say unrelated business also, so any plans in your thought process because current valuation would be close to around 3,500 crore if you take Gujarat gas price of monetizing of this investment under our thought process?
- V. D. Nanavaty:** Since you see the Gujarat state was formed in 1960 I mean from Bombay state and Maharashtra and Gujarat were formed and GSFC was setup in 1962 immediately after formation of Gujarat state. So, we are like a grandfather to all the state PSU. So, whenever new PSU is setup we support them through equity and other participation irrespective of what business there is that is how we will land up in Gujarat and of course we are a huge gas

consumer in the country. Our gas consumption is around 1,500 crores every year so it is I mean indirectly a backward integration and we buy from GSPC that is the group company Gujarat State Petroleum Corporation. Right now we do not have any plan to monetize this these investments are done at the request of the state government it is a majority shareholder in GSFC this company. So, to come out in the new kind of business and ventures the Gujarat government ventures into such new areas where the profit making PSU support them. So, any decision on disinvestment or monetization will be done on a broader level the Gujarat government level. So, till then we do not have any such plans.

**Yogesh Bhatt:** Last question is if you can just quantify the CAPEX number for the next two years that is FY22 and FY23?

**V. D. Nanavaty:** The CAPEX plan will be around 700 to 1,000 crores and up to say March 23 then it will increase once the large ticket projects are taken up, but now we do not have much big plans.

**Jayesh Shah:** Just one question can you just brief us of the status of anti-dumping investigation in caprolactam?

**V. D. Nanavaty:** No caprolactam is going on we already have anti-dumping duty on Melamine since maybe 2004 we have this duty so that is under review. So, by September end the government will come out with the extension of that anti-dumping duty, but caprolactam we have recently launched so that they take a long process to really come out with the actual position of duty it will take some time.

**Jayesh Shah:** Because I understand that it is already been close to 10 months since the investigation actually started?

**V. D. Nanavaty:** Yes now everything in public domain becomes increasingly difficult with everybody becoming vocal the exporter to the India the local consumer or consuming caprolactam and the WTO guidelines and general perception that India is very protectionist country where everything is protected so government do not want that kind of impression on the international level also. So, all this becomes difficult to get through in a short time.

**Jayesh Shah:** My only contention was that because usually all anti-dumping investigations usually end within 12 months, so in this case you don't think that couple of months we could see some resolution to whichever way the anti-dumping investigation on caprolactam?

**V. D. Nanavaty:** Right now, with this good prices we do not need anti-dumping duty also you know till last year till March 21 the capro-benzene spread was below say \$800 may be for last two years so that required that we should stick with that, but now in this current year it is improved and we hope

that this will continue. So, when we get a good margin we do not foresee a need for anti-dumping duty.

**Raj Nahar:** My just question is on Melamine though the question has been partially answered what kind of current price is there and the likelihood of continuing the current price level?

**V. D. Nanavaty:** So, currently we sell at some \$1,77,000 that is between \$2,200 to \$2,300 this has been very high price not seen in the may be 30 years, 40 years, but it is increasing you said sometimes this happens, but if this price is not maintained but we expect that at least it will be between \$1,500 to \$2,000.

**Raj Nahar:** What is our capacity sir total?

**V. D. Nanavaty:** Our capacity is 55,000 tons, but we do not run one plant or 5,000 tons so it is 50,000 tons per year.

**Raj Nahar:** Any increase in the raw material price also for Melamine?

**V. D. Nanavaty:** It is made out of natural gas so sometimes gas price as we discuss goes up due to seasonality or some other factors, but since we have large usage of gas we know how to tied over all such cost rises and we manage our input cost in a reasonable way.

**Chirag Bhagat:** So, I just wanted to ask Q2 historically has been the best quarter so are we on line in that and also like will the operating margins be sustainable for this quarter as well Q1 the margin were pretty good overall because of high industrial sales, but do we expect the same this quarter as well?

**V. D. Nanavaty:** Yes we expect that industrial product margins has been maintained and we will make reasonable margin in fertilizer sector also. So, this year we see balance kind of thing in both the segments and our top line and bottom line should improve as compared to last year.

**Chirag Bhagat:** And the second question on the other income so I assume these are the liquid investment, so June quarter was a bit lower, but do we expect it to be reasonable to Q4 of last year in this quarter or it will be on the lower levels?

**V. D. Nanavaty:** Q4 is a residual quarter but now everything has combined or merges so that was a very high other income kind of a thing, but on an average basis we will have a more than 100 or 150 crores of further income for the whole year.

**Saket Kapoor:** Sir as continuing to the earlier participant sir how has been price trend in our industrial product if you could specify the main items how are the price trending post the June quarter for caprolactam Melamine and other product nylon 6 also?

- V. D. Nanavaty:** So, all prices are good so caprolactam is just \$2,000 and nylon 6 is on \$2,500, Melamine is around \$2,200, \$2,300 and methanol is also around \$320, \$325. So, compared to Q1 some improvement from July is seen in this industrial product prices, but we believe that normal prices will prevail throughout the year it may not be so high like July, but whatever happen till June those thing may continue till March.
- Saket Kapoor:** So, June quarter in realization are expected to remain somewhat stable for the remaining part of the year as per your understanding?
- V. D. Nanavaty:** Correct.
- Saket Kapoor:** And regarding the addition there will be a 5,000 ton capacity addition in Melamine that will be contributed from this quarter itself its contribution?
- V. D. Nanavaty:** No there is a 5,000 ton we are not operating that plant so real capacity is 50,000 tons to produce, but there will be some impact of the shutdown that happened in first quarter so that will not be recovered fully. So, maybe 45,000 to 50,000 tons full year.
- Saket Kapoor:** Because if we take the quarter number our production was 6,000 so taking into account the 50 it was on the lower side so you are now guiding for full year or 45,000?
- V. D. Nanavaty:** Yes.
- Saket Kapoor:** For the balance year it will even out in the higher vicinity to it would be double what we did for this quarter?
- V. D. Nanavaty:** There was a long shutdown so there was no production at all. So, now let us hope it will.
- Saket Kapoor:** And on the product development part sir some water-soluble fertilizer and some other aspects or some calcium chemical also I am forgetting the name where we came with a news article earlier that we will be the only player in the country supporting the Aatma Nirbhar Bharat story, so what could be the product additions sir going forward for the remaining part of this year?
- V. D. Nanavaty:** No these are all as I explained these are all pharma grade intermediate so in the pharmaceutical company we use this intermediate products and they export to US and other countries. The same stringent documentation and the scrutiny that applies to this pharma companies they apply to this pharma company supplier also. So, we have lot of documents to get it support this US FDA clearance including the stringent norm for the production facilities. So, it takes time to really develop this product as per the expectation of our customer which will be the pharma companies and lot of data has to be submitted to them. So, we are on the track to develop this products and some four, five products have been made at the value of scale and provided to



these pharma companies for market sharing purpose and we make improvement as per their suggestion and feedback and some are deliberately scale where it will be further developed and given to the customer again for the market seeding, but as I said lot of time is taking in the documentation part. So, we will come out with this product once everything is done so we will have to get a small plans for making this product because they are not added fertilizers or chemicals so separate plans of different sizes will be put up. Now we will announce it when that stage comes.

**Saket Kapoor:** Sir we can conclude this is the API scheme the government has announced it would be the PLI we will be getting the benefit of the investment linked incentives for this segment going forward?

**V. D. Nanavaty:** No these particular things are not considered for PLI scheme, but pharma intermediates margins are always good. So, I mean we do not need any PLI.

**Saket Kapoor:** Just to conclude what should be the market size of the products of which we are in the development stage, but to understand where are we in midst of when they are approved what kind of market size are we catering to looked into?

**V. D. Nanavaty:** No market size as far as volumes are concerned we will not be likely fertilizer volumes, but their profitability is very high. So, with lower I mean the efforts the bottom line increase will be good.

**Saket Kapoor:** Can you name some products so that we can study what kind of markets those products garner and get an understanding of where we stand what are those products where we are working?

**V. D. Nanavaty:** One is say like ammonium sulfate pharma fertilizer making. So, we will be making ammonium sulfate of pharma grade that will be further purification and there is a melamine cyanurate that is the further derivative of Melamine so that is one then calcium nitrate is there it is 100% imported from China right now. Then there are boronated liquid fertilizers whichever is highly specialized fertilizer gives quick results and particularly used for the costlier fruits and all these things. So, these are all the then potassium, dihydrogen, phosphate these are all long names, difficult names.

**Saket Kapoor:** Difficult names are the one which garner higher margin?

**V. D. Nanavaty:** Yes.

**Saket Kapoor:** It is easier the name lower the margins?

**V. D. Nanavaty:** If someone will understand then he will not give the money and if he would not understand then we will get the good money.

- Saket Kapoor:** On the lighter note sir calcium nitrite part which you are telling this it is totally imported from China, what is the annual requirement and what are garnering in terms of production?
- V. D. Nanavaty:** Annual requirement is huge because the whole of the Himachal Pradesh, Jammu and Kashmir everybody is highly dependent on calcium nitrate it is 100% imported from this thing. Right now we will start with some 10,000, 15,000 metric tons and then we will expand as and when we get the hold of the market.
- Saket Kapoor:** What is the end use sir and current realization and any number you can share sir?
- V. D. Nanavaty:** It is sold at some Rs. 30,000 per ton or so and I mean this is a fertilizer so it is not like a pharma and that is used in the apple farming and other costlier fruits they used it grapes and apples and all.
- V. D. Nanavaty:** Thank you for the good participating and showing interest in GSFC as always. So, sometimes I say that in response to the questions that the share prices or the returns in GSFC as compared to other fertilizers companies are low, but I would just say that our value or our premium will come when the CSC is in full force. So, being a very ethical company taking care of environment, water, air in all respects so this is how we produce. So, we see that we do not damage any of the natural resources that is available to the society. So, world and India is there to put a premium on those kind of working, but when this comes in the limelight our values we will be much higher like say renewable energy you said if you see the large companies switch over to the renewable power you will find it may be 5% alternate power is use, but we are at 45% out of the huge power requirement 45% comes from the renewable sourcing. Similarly we have eliminated some 80% of the carbon footprint that we generate and in the process of eliminating balance 28% also. So, if you see the comparative company early anybody is near to our performance in this area. So, for our perspective plants we are at zero affluent company, we do not drop out a single drop of water outside our factory, no polluted water is going outside our factory everything is recycled. So, these are all the important things which we do alone with the good financials, but as I said when society looks to give more weight to this thing our real value will come up. So, let us wait till that time and thank you again to all of you. We will again meet after Q2 results bye-bye.