GNFC
Azadi Ka Amrit Mahotsav

**Gujarat Narmada Valley Fertilizers & Chemicals Limited**
CIN : L24110GJ1976PLC002903

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

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February 14, 2022

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

Dear Sir,

We had vide our letter dated 07th February, 2022 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Friday, 11th February, 2022 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 11th February, 2022. 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

CS A C SHAH
COMPANY SECRETARY & GM (LEGAL)

# "GNFC Limited
# Q3 FY2022 Earnings Conference Call"

## February 11, 2022

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| **MANAGEMENT:** | **MR. D V PARIKH – EXECUTIVE DIRECTOR & CFO - GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED**<br>**MR. Y N PATEL – HEAD OF DEPARTMENT O&M - GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED**<br>**MR. A C SHAH – GENERAL MANAGER & COMPANY SECRETARY – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED**<br>**MR. JITEN DESAI – GENERAL MANAGER, INDUSTRIAL PRODUCTS, MARKETING DEPARTMENT - GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED** |

**A.C. Shah:** Thank you Mr. Shah. On behalf of the GNFC management, we welcome all the investors to this con call meet for the discussion on unaudited financial results, standalone and consolidated for Q3 and nine months ended on 31 December, 2021 and the management has already placed on its website as well as the websites of Bombay Stock Exchange and the National Stock Exchange, a detailed PPT presentation on the analysis of the performance and financials of the company for Q3 and nine months for the information of all the investors.

Now, I welcome, I will introduce my colleagues on this concall me, Sri D V Parikh is the Executive Director and Chief Financial Officer. Shri Y N Patel - Head of Department, Operations and Maintenance and Mr. J I Desai, he is General Manager, Industrial Products, Marketing Department.

Now I request Shri D V Parikh to start with his opening remarks on the performance and finances of the company for Q3 and nine months ended on December 31, 2021. Over to Shri Parikh please.

**D V Parikh:** Thank you Mr. Shah and good afternoon, everybody. Thank you very much to Batlivala and Karani for holding this call and warm welcome to the analyst, investors and others who have joined the call.

Between the last call and this call, there are certain important developments which will be first covered at a cross border level as well as at a domestic level. At a cross border level, actually energy prices are on the boil, be it gas, oil or coal.

These energy prices are supposed to be actually firing up the economies but actually the prices are firing up themselves because of the geopolitical tensions. The situation on gas is arising mainly because of the Russia and Europe disconnect especially relating to not to pipeline whereas in respect of oil, the disruption is because of the major countries commanding the supply chain, Russia joining them known as OPEC Plus. In case of coal because of the environmental reason, the availability is very limited which is driving up the prices up?

The other part is from the environment angle, there are like various agencies as well as government which are driving down the use of fossil fuels and encouraging non-fossil fuels. There has been a summit called COP 26 in Glasgow last quarter where in different countries place themselves for reducing the emissions etc., so these are the developments on a crosscountry level apart from that there is an important proxy were going on between US-Russia as well as US-China, Russia trying to command Ukraine and China trying to command Taiwan is actually creating these tensions.

On domestic front, this month there is a budget announcement which mainly focuses on the capex or investment lead growth. In terms of the announcement of budget like we are affected GNFC is affected in terms of its two product which is Methanol and Acetic acid where the duty is reduced by around 2.5%, however, there is a positive sign since the duty on oil is reduced by 2.5%, so on a net basis, we expect the effect to be either neutral or positive, so ESG fronline company has been trying for garnering the support of experts in this regard, apart from that there is on fertilizer and chemical front, there are few other important developments. On the fertilizer front as we know, there was a subsidy, budgeted subsidy of around 80,000 Crores, 79,000+Crores, so 80,000 rounded which is now revised estimate is 1,40,000 Crores whereas in the budget next year it is standing at 105 Crores with around 63,000 Crores for urea and the rest for the others NPK and others. As far as subsidy disbursement is concerned, the government even after October-November which normally dries up this time like last year, there has been a smooth flow of subsidy. There was some buildup **(audio cut) 06:30** but thereafter in January there is a good disbursement of the subsidy. On the NBS front, the subsidy beyond October is also continued, so which is a positive sign has given some breather to all NPK manufacturers including us. So, these are some of the developments on fertilizer front. On the chemical front, the overall imports have increased except for one product where we deal in.WNA imports have reduced over the last seven months data available in the public domain whereas rest of the cases it has substantially increased be it TDI, acetic acid and ANM etc., so this is the scenario in which companies operating both in fertilizer and chemical.

Now touching upon the financial part, I will first start with the physical quantitative performance part of it. For the quarter ending, the production is higher except for the methanol which we did not operate for the cost economics reason whereas sales are a bit lower in terms of absolute quantities. However, on a Y-o-Y basis, whether on quarterly or year-to-date basis both production and sales are higher. The main reason for a good performance is number one, a general increase in the realization; two is the pricing discipline especially on the part of IP products marketing; three is avoiding certain pitfalls on the procurement side; fourth is product mix and fifth is make or buy decisions when your cost economics do not work out.

So, these are the basically five reasons where which are responsible for the good performance and the company has recorded like 1427 Crores of PBT and 1060 Crores of PAT apart from which are the highest ever even considering the annualized performance of the company will last 46 years. The revenue is just 1% or 2% down than the highest ever in the 46 years history of the company. So, this is what is happening overall. In terms of the performance when we break it down to the segment level, it is predominantly the chemical segment which is contributing because fertilizer we are neither expanding and second part is a control industry more or less urea is a control industry, NPK are semi-controlled industry but except for the breather on subsidy there is nothing more to one in that. So, both taken together like others as well as fertilizer segment contribute to around 1% each and 98% of the profit is coming from the chemical segment whereas the revenue is coming at a rate of 68% in the quarter. So, these are the overall financial performance as well as profit and loss account is concerned.

Coming to the balance sheet part of it, the balance sheet is growing with the increase accruals, and it is a healthy and clean balance sheet with a size of around 9,500 Crores. In terms of working capital at the quarter end, there is some buildup of the subsidy as well as inventories at the quarter end which is chewing away the cash and therefore, the cash flow has not kept the momentum along with the profit but in January there is a substantial cash release because of both the factors, liquidation of stock as well as the receipt of subsidy. On the future plan of the company like we already covered in the media release as well as the presentation, there is a lined-up capex of around 1700 Crores, I am talking about the rounded in hundreds of Crores, so around 1700 capex is lined up over a period of next three years, apart from that there is active examination for the bigger investment which my colleague Mr. Y N Patel will cover in the question-answer session.

So, with this, I hand over the session back to Batlivala and Karani for the question-answer session. Thank you very much.

**Neerav Gimodia:** I have two questions, so, first is on the ammonia part, so how we are placed with respect to of our ammonia requirement because it is a mother plant for our urea, ammonium, nitrate, weak nitric acid, so are we currently utilizing our ammonia capacity fully with increase in the oil prices and probably the natural gas prices or are we importing ammonia for our urea as well as other chemical products?

**D V Parikh:** I am D V Parikh. As far as ammonia is concerned, both the capacity, gas-based ammonia capacity as well as oil-based ammonia capacities are utilized fully. We are not importing ammonia, at times we try to do an exchange when we fall short of the total urea requirement and if at all we import it, it is for the reason of Neem based urea production, otherwise it is not required. As of now, we are self-sufficient in the urea production, even during the last quarter we have been self-sufficient.

**Neerav Gimodia:** Okay and Sir when we produced ammonia, so our first priority would be towards the urea production and leftover would be going towards ammonium nitrate as well as the other products and let us say if there is any shortfall we try to cover it through input so in terms of priority always the urea would be the first one and then chemicals or we have some dedicated capacities for chemicals and we do that sort of bifurcation?

**D V Parikh:** It is not like that, ammonia has like two streams like I said oil and gas, and both are sufficient to cater to the requirement of achieving the asset capacity level of urea as well as the required production of chemical, we are not sacrificing any chemical production because of urea because of the sufficiency on the ammonia front on the upstream.

**Neerav Gimodia:** Okay and Sir my second question is on concentrated nitric acid, so like few days back there was a management interview where they mentioned that we produce more of CAN instead of producing TDI, so this was mainly because the CNA was giving us more profit, so how has been the situation currently with respect to the TDI plants, TDI-I Bharuch plants as well as TDI-II Dahej plant?

**D V Parikh:** Okay, first about your question on operation of the concentrated nitric acid, TDI like we have two production facilities, one at Bharuch and one at Dahej, at times we could not operate for input cost economics reason the TDI-II plant and therefore whatever was the concentrated nitric acid available in the upstream, there was a enough market available for it which could be sold by IP marketing at a very comfortable price, so what happened, TDI was not giving those kinds of attractive contributions whereas at this point in time last quarter CNA has given more contribution than what is coming from TDI, so that was the reason TDI was not run and concentrated nitric acid was sold as a priority, it is basically nothing but a product mix priority which was decided.

**Neerav Gimodia:** Okay but Sir how has been the situation currently, so are we still on the same line in terms of producing more CNA and stopping TDI sales or has the dynamics change with respect to the debottlenecking also which we have undertaken for the TDI. My question was that how has been the situation currently, are we still producing more CNA and producing less TDI or with the TDI debottlenecking already completed, we have shifted more towards the production of TDI with the improvement in the dynamics.

**D V Parikh:** TDI production has already been scheduled effective 1 February, so there are barring for the certain hiccups in the plant, TDI manufacturing has started at Dahej and in case there are certain issues of operational nature and there is an excess CNA which is easily getting sold in the market.

**Neerav Gimodia:** Okay and Sir with the increase in the TDI production, we would be getting some increased bio-product also HCL, so how we are dealing with those things, are we planning some downstream product for HCL, so that we need not have to dispose it from our plant, or we would continue selling HCL in the market?

**Yogesh Patel:** For selling HCL as of now we do not have any plan because we are able to dispose of whatever is produced, earlier we had a plan of going for DCP project but that project is held now and as of now, we do not have any plan for any products that based on HCL, so we will be selling in the market with cost plus or sometimes even negative cost also we are able to push surplus HCL in the market.

**Neerav Gimodia:** But that is not stopping us from operating TDI plant at the HCL?

**Yogesh Patel:** No, so far, not of single hour is wasted on account of surplus HCL. There is not going to be bottlenecked in near future.

**Neerav Gimodia:** Sir my last question would be if you can touch upon some of our other products like nitrobenzene, aniline as well as formic acid, how they have done for the last quarter as well as for the nine months?

**D V Parikh:** Except for aniline, on a nine monthly basis, finally when methanol are the two products where the production has been lower than its capacity over a nine-month period, over a three-month period it is only methanol which is not produced, otherwise all products are produced to its full capacity.

**Neerav Gimodia:** Okay and Sir with respect to the nitro benzene, if you can touch upon?

**D V Parikh:** Nitro benzene is an upstream product for aniline, so there also we cater predominantly for aniline, and we also sell outside in the commercial market and that market is well served.

**Neerav Gimodia:** Okay. Thank you for answering the questions in detail Sir. I will join back in the queue if any.

**Tejas Shah:** TDI bottlenecking, so what we have done, there you are saying we will increase the turnover of around 400 Crores annually, so that project you said it started, correct?

**D V Parikh:** Since last quarter years, debottlenecking is completed, now the plant should start manufacturing at a higher level than earlier one.

**Tejas Shah:** What is the profit margin that we get on a TDI?

**D V Parikh:** No, these are sensitive product and price sensitive questions, so we will not be in a position to answer what is the exact profit margin of TDI.

**Tejas Shah:** In this quarter is already out, so if you can share, I do not know?

**D V Parikh:** Okay, there is positive contribution in TDI, both one and two, this is what we can say. The level of contribution will be little price sensitive question, so we are staying away from it.

**Tejas Shah:** Okay. Thank you.

**Rajeev Shah:** Good afternoon, Sir. I had three queries, if you could answer please. Number one is as by God's grace the COVID menace is on the decline, should TDI demand pick up more than what it was for the past two quarters. Secondly, if the international oil prices are going to touch 100 as what they are forecasting, how much proportion should it affect our company and thirdly, the last quarter of the coming year should it be on the same line, I know you cannot give exact figures, but can we be optimistic about the future of our company Sir?

**D V Parikh:** Okay, first one the question is on TDI demand. I request our IP Marketing Head, Mr. Jiten Desai to answer this.

**Jiten Desai:** TDI is basically used for the comfort products as you know for mattresses and furniture's. Whenever there is some recession or some COVID like natural calamity, the first to hit is the comfort product demand and that is why TDI demand was suppressed in due to the COVID and it was up and down I would say in last two years as the waves like the wave up and down, the COVID intensity remained up and down during this last two years and so as the TDI demand but now you have rightly said that with the subside of COVID, the demand should increase.

**D V Parikh:** Your next question was regarding the oil and its impact, so oil definitely will have impact but the current space is having cushion, so we should be in a position to figure away any crisis because of any conflict which might happen and disruption because of that in the oil supply whether from like Russia, Venezuela or OPEC countries.

**Rajeev Shah:** Thank you Sir. My next question was how do we see the coming quarter Sir please because last quarter the results were excellent…?

**D V Parikh:** I am talking about that quarter.

**Rajeev Shah:** Thank you Sir. I just wanted to from a shareholders angle view also, how would be the last quarter, what should we expect. If they are not in a position to give any light on that, so be it yes.

**D V Parikh:** We have given a qualitative answer that is going to be stable. We cannot quantify it for the reasons known to you as well as us.

**Rajeev Shah:** Yes, thank you, thank you Sir, I think you have answered all my queries.

**Deepak Chitroda:** Thank you and congratulations first of all on the good set of numbers. My first question is that on the ammonia side, as you previously explained about you know that we produce ammonia on a gas based and this oil base, so if I understand it correctly, what if the ammonia which we are basically producing from a natural gases is basically used to produce urea, right and there is no excess ammonia which we have as of now which basically are utilizing for chemical business and whatever the ammonia which we are producing out of oil is basically used for chemical products?

**D V Parikh:** So, there is no shortfall as of now like we explained. Do you want to know the quantum of ammonia?

**Deepak Chitroda:** Yes, I mean so basically my question was that the ammonia which we are using for urea is basically a subsidized gas, so my point was that are we using this subsidized gas to produce the chemical products.

**D V Parikh:** No, we cannot because there is a government guideline through DoF Department of Fertilizer that all subsidized gas has to be used for production of urea by default, we cannot use that for chemical at all. For chemical, we have to produce both speed and fuel is either oil, gas or coal at market price.

**Deepak Chitroda:** Sure, so basically whatever we are producing is basically entirely used for urea production right?

**D V Parikh:** Yes, subsidized gas is meant for urea only and after that what has happened off late the subsidized gas, the quantum has reduced substantially like we use around 1.25 million SCM a day out of which very small proportion is of subsidized gas, so majority of the gas is therefore RLNG which has to be used at times you have to source through beyond contractual commitment through EPMC.

**Deepak Chitroda:** Okay, understood. My second question is regarding the capex; you mentioned about 1700 Crores of capex over the next three years, so I mean of course you highlighted the ongoing project which is already there on the CNA and formic acid and also you talked about future projects, so can you just quantify the timeline for those?

**D V Parikh:** Next three years.

**Deepak Chitroda:** Yes, I mean all products which we are basically sinking out?

**D V Parikh:** Okay, specific answer to your question, the formic acid should be operational by March, the concentrated nitric acid should be up and running by October-November this year and the rest three major one like weak nitric acid of 200,000, ammonium nitrate of 100,000 and ammonia of 50,000 will be operational in next three years then.

**Deepak Chitroda:** I see okay and so roughly so how we can look at this capex in terms of like, for example, in terms of contribution towards say in terms of revenue, so as you mentioned for the ongoing project but if we look at the entire capex together, can we accept asset turnout more than two times?

**D V Parikh:** Not okay, the capex will result into two things, one is the cost reduction part and second is the top line part but the overall IRR which we consider is between 10% and 12% post tax minimum and whenever such IRR is not there then we take decision based on the other reasons like strategic reason. It is not always necessary that it has to match that criterion, but exceptions have to be carried out for different reasons.

**Deepak Chitroda:** Sure and this last question is basically on the margin, of course we had a good amount of margin this year because of the good realization across the commodities which we have seen but if we somebody wants to look at over long term to medium term like say what could be the sustainable margin profile which we can have in our next two years or three years down the line we can work with, of course capex which we have already announced we will definitely going to support to some extent to that side but what could be the sustainable margins going forward which we can look at?

**D V Parikh:** Okay, regarding margin as far as quantification is concerned, it will not be possible to give any definitely quantification on the level of margin but we expect given our history even our strength given the kind of ventures we have, we should be earning more or less what we have been earning so far over these years and gradually adding to that and on a turnover to profit ratio it should improve, the bottom line should improve over a period of time.

**Deepak Chitroda:** No, I was asking because we have seen quite volatile obviously in terms of margin because of the commodity nature of our business, so I mean if you look at over past 10 years history, I mean most of based on the gas or oil prices, we have seen quite volatility in terms of our earnings or margins.

**D V Parikh:** That is the reason. The reason we are not trying to quantify because there is no certainty on any part whether output part or input part.

**D V Parikh:** The products is balanced in such a way that.

**Deepak Chitroda:** Okay and last thing if I can add or regarding this the fertilizer business, so as of as I understand correctly Sir, we just have in ANP we just produce this 20-20 grade, right, that is the only grade which we have in the portfolio?

**D V Parikh:** Yes 20-20-00.

**Deepak Chitroda:** Sure, and any plans to add any further grades going forward?

**D V Parikh:** In fertilizer?

**Deepak Chitroda:** Yes.

**D V Parikh:** No, except for fertilizer trading which we are planning.

**Deepak Chitroda:** Sure, thanks Sir.

**Mitesh:** Good afternoon. Thank you for the opportunity and congratulations to the team on a very good performance in Q3, so my question is that as far as I understand GNFC is the only manufacturer in India for **"inaudible"(30:00)** acetic acid, TDI and formic acid, and while the balance requirement is largely is all important, so is this spread benefit coming through for the companies at current inflationary environment due to higher ocean trade cost which is pushing up the landed prices of the products which are exclusively being manufactured by the company?

**D V Parikh:** Actually, there was some disruption in your vice, will you please come again on your question very clearly. Let me repeat your question, you are saying that we are the only manufacturer in certain products like acetic acid, formic, aniline etc., this is what we heard up to, now what is your question with respect to that?

**Mitesh:** Yes, so my question was that we have seen the spreads being at very high levels which is actually resulting in a very strong profitability for us, is it basically because of the inflationary environment with regards to the ocean trade costs which is basically pushing up the landed cost of imports and which is driving this extra profitability for us in the products which have been exclusively manufactured by the company and to that extent would it be temporary or is there something structural also which can provide support to these spreads when the trade costs cool off?

**D V Parikh:** No, it is like difficult to say in future how it will pan out but then if the feedstock and fuel cost is rising for everybody, market has to accept and price the product accordingly towards benefit we are also currently reaping number one. Number two, because of this implication of the complex, we are in a position to juggle differently or amongst the product and third is like conscious kind of procurement so given all the levers, we will try and see how the margin can be maintained or enhanced.

**Mitesh:** Okay, so my next question is what restricts other players to get into some of the products that GNFC has been doing manufacturing exclusively for last many years, so as we see the company's profitability in chemical segment has been fairly healthy if you see the last five years - six years especially, so what is it that we are doing better or differently compared to others or do we have any technology tie-ups or any exclusivities as far as some of the products are concerned?

**D V Parikh:** Okay, in our presentation, we have already given who are all the partners for the technology tyre and for certain products like acetic acid even aniline, the technology is not so easily available, the people who invented are actually manufacturers, somehow, we have got this technology license and we are manufacturing apart from that the kind of setup which we have is making it possible to manufacture in a cost effective manner so these are the results as a result of which.

**Mitesh:** Sure. Thank you for this and one more thing, on the import duty side initial part of your remarks, you mentioned that it will be this reduction of import duty on methanol and acetic acid in the budget, you mentioned it will be either neutral or it will be positive. Did I get that correctly and I just wanted to understand how will it be positive for us given that the duty reduction would make imports more competitive?

**D V Parikh:** For both this product methanol and acidic acid, we have to price our product at IPP, so it is going to be somewhat competitive but at the same time, the feed which is oil, the import duty has reduced and we already negotiated the price with the supplier benefit of which is going to come, so by and large we feel that the effects will be neutral or positive because of the price dynamics, it is not possible to quantify the exact impact except on input, so on input we already quantified internally and based on our experience, we know that it will at least be neutral if not positive.

**Mitesh:** Alright, okay and maybe one last thing on the capex, so you know given that we had 2,000 Crores plus on our balance sheet in the last reported numbers in September quarter and after that there should have been addition to this cash component, I mean has it increased or I mean can you give the cash on books figure as of December 31?

**D V Parikh:** The cash on books as of December is around Rs. 2500 Crores and regarding the deployment of which apart from the already planned capex, the business strategy group is already examining certain capex of high value which will take some time to come in shape.

**Mitesh:** Okay, any color that you can give on this high value capex and quantum if you can like any ballpark number that you can give? I mean apart from the 70,000 Crores number that is already finalized?

**D V Parikh:** As you have heard in our interview by our Managing Director, we already have lined up plan for 3000 Crores capex which will be through within next three years that is by 2026, now we are also working on duplicating some of the existing chemicals which you said where we are the only producers but as a long-term plan since we are debt free company, we are also under pressure that how to based utilization of this gas, so our long-term plan is we are planning for naphtha-based tighter complex where main item will be ethylene and propylene which are always in short supplies and all downstream products depending on the feasibility study which is underway but depending on that we are you know planning for large capex in the range of 12,000 to 15,000 Crores which is a long term plan and it depends on what is the outcome of our feasibility report, so this is our both short-term and long-term plan we are going to move ahead.

**Mitesh:** Okay, so that is very helpful Sir. Thank you so much and all the best near future.

**Urvija Shah:** Congratulations team for the good result and thank you for an elaborative presentation. I think this is the first time we have given this elaborative presentation and I hope that we continue it. I think lot of my questions about capex and margins you have answered, so can you just confirm that what can be sustainable margins, you said that we would be trying to improve it in the coming quarters as well, so is that understanding correct?

**D V Parikh:** This has already explained, further you intend to you are looking for?

**Urvija Shah:** Okay, fine I am just confirming.

**D V Parikh:** You see what has happened; we cannot give guidance of a quantified nature because of the regulatory restriction that is the constraint.

**Urvija Shah:** Okay, Sir I also wanted to understand about the dividend policy I think last year we had a payout of 18% so what kind of dividend payout are we looking at, is there a policy that we follow?

**A C Shah:** Our company is a consistently dividend paying company and except for one year all through, the company has been paying the dividend, good return to the shareholders, investors and we expect to maintain the tempo for the present, current, financial year also however, it is not advisable to quantify because of the regulatory restrictions but the management considering these consistent and uniform long-term dividend-paying policy, the company has already placed on the website, its dividend distribution policy as per the regulatory provisions so in line with that management will continue to reward the investors in a fair manner.

**Urvija Shah:** Okay, one last question I had was post the capex the three years capex that we have referred in this call, so what can be the revenue breakup between our two segments?

**D V Parikh:** The entire capex will result into a revenue increase and profit increase in chemical segments, nothing on the fertilizer side, so the ratio will definitely go in favor of chemicals, apart from that we are also thinking into the line of trading of fertilizer which probably will ramp up the top line and some bottom line into fertilizer front but it all depends upon the kind of opportunities because currently the imports are very dearly guised and important will be making losses even the domestic prices.

**Urvija Shah:** Okay, thank you Sir.

**Manish Ostwal:** Thank you for the opportunity, Sir. My question on the energy cost during the quarter, so can you confirm us this current quarterly energy cost reflects underlying market rates, or any low-cost inventory also benefitted the PNF?

**D V Parikh:** No, it is market rate driven, the power and fuel cost is totally market driven.

**Manish Ostwal:** I mean point is the coal price and gas price the current market rates are testing, so we do not have any benefit of low-cost inventory which we consume during the quarter and because of that the PNL is energy cost on a lower side?

**D V Parikh:** Not significant, you are talking about probably the weighted average price which gets reflected for different procurements, of course there are because of the rising prices the cost will go up but then it is a dynamic and that effect will not be that much significant.

**Manish Ostwal:** Right Sir, understood. The second question on the you said in your opening remarks that one of the factor of better performance of chemical division is a product mix and we have certain volume from TDI to the CNA so that mix will continue in Q4 or that will change materially and that can have an impact on the overall operating margin of the chemical business?

**D V Parikh:** The product mix is an outcome of a response to a situation, so depending upon the situation we respond to it by changing our product mix.

**Manish Ostwal:** Okay and last point in terms of our key product realization during the quarter and the current product utilization trend, so any material change of the price trend, if there is a material, you can highlight us?

**D V Parikh:** Since we are seeing stable, we are still like at the beginning of February and secondly, realization part is again a price sensitive part, so we cannot comment specifically whether realizations are improving or what, there are like information available in the specific public domains which may be referred but as far as we are concerned, we will not be in a position to comment on the price relation part of it.

**Manish Ostwal:** No problem, Sir, thank you. Thank you for the opportunity.

**Saket Kapoor:** Thank you for this opportunity. Sir I joined a bit late, so forgive me for the repetition. Firstly, what are the projects that will be commissioned in this financial year and what is the plan for the next financial year and the capex on the same amount to be spent?

**D V Parikh:** May we request that if you refer to this con call transcript, you will get answers to this.

**Saket Kapoor:** Okay, Sir can you give me some color, what are the current prices of the key product post the exit of the December quarter, how has been the price trend of our key products in the international market? Price trend, when we exited the December quarter, the key product prices and currently how have the trends being for the price, the prices of the key product?

**D V Parikh:** Price trend like, this is the third time we are reporting, the price trend is indicative of certain price sensitivity, so you may get that from the public domain rather than from us.

**Saket Kapoor:** Okay that actually we are getting it from the public domain, it was just a confirmation on part of investors to speak directly, we get an opportunity to speak to you, so we were just trying to get some sense whether the premise of this increase in trend is also being substantiated by you, that was the only reason. The price trends are available to us also, you are right, it is in the public domain, so I was just trying to validate the same from the management, the price trend After December quarter how the products are? Has it a positive trajectory or negative?

**D V Parikh:** You are right from expectation point of view, but we are constrained because of the regulator requirement. We will be happy to assist you otherwise but then we have to consider first the framework, legal framework.

**Saket Kapoor:** Correct. Sir coming to my last point, these are unimaginable times for companies like us and especially for investors value creation ideas, these are times when the management should sit across the table and get the best minds of how to create or unlock value because these trends are repeated, we do not have past inference of it, that prices and the profitability of companies like the ones which we are in the domain getting these kinds of profit, so there should be profit sharing ideas also that should be well documented to the investors, just like, we have seen in the case of Deepam, where all the central PSUs have been advised or in fact if I use the word directed to distribute X amount of profit or X amount of profit up to the net worth with the investor but since our being a state PSU, we do not fall under the domain, we should try to contemplate with the government of Gujarat coming up with policy changes with the change of times so that as the elder speaker has asked for the different parts, they should be well documented this different distribution for our policies but today you are speaking about capex of 12,000 Crores – 10,000 Crores but you are unable to speak over different distribution policies, so they are like the anomaly, so just requesting the State Government authorities to get the record, accept the some things on records that there should be a process by which the investors should be aware of what kind of profit will be distributed to us in form of dividends as well as from buyback, buyback should also be a part of distributing cash to your investors, investors not only look for growth but also look at regular cash to be distributed to them because in this journey chemical sector journey there will be times of ups and downs and we have seen our company also going through rough times, so that was the thought process and please convey the same to the Board so that things should be deliberated at the anti-government level firstly then only it can come top one, so this was my small understanding and also Sir I would also request through this forum that the government we should also look at unlocking values through the holdings which all shared PSUs are holding in them, they invested in the company for a specific purpose and today with the type of market capitalization these companies are commanding, the value has risen by many polls, so some something should be decided on the basis of which, that money should also be returned back to the government as well as to the shareholders, so this was the thought from my side. I hope wish the best to the team. Thank you.

**A C Shah:** Yes, I am happy to inform that we definitely welcome your suggestion and will take up with appropriate forum through the top management at the same time we would like to mention that the company operations being a listed public company, there is no intervention of the management direct or indirect in the determination of market price of the share. It is freely driven by the demand and supply, the forces in the market. Secondly that the company has always been considered and positive in rewarding the investors and over a period of time, it is noticeable quite apparently means clearly noticeable that the investors value has definitely improved much and far better level in the past years, the current price is hovering around Rs. 500 per share, that is the biggest enhancement of the shareholders value, at the same time last year considering the top line and bottom line especially the bottom line of the performance of the financials of the company, the Board of Directors, of course it is the prerogative of Board of Directors to recommend after considering the performance financial parameters of the company and the final approval of the shareholders to pay the dividend. Last year you must have observed that there is a substantial increase in rewarding by way of declaration of higher dividend Rs. 8 per share by the management, so management is definitely concerned for giving better returns to the shareholders, at the same time the company has also mentioned earlier that the company has already framed its long-term dividend policy which is already placed on the website of the company and on the basis within the framework of that policy definitely management and the Board of Directors will try to reward in a fair manner to the investors in the times to come.

**Saket Kapoor:** What would be the replacement cost for our… definitely I will join the queue. Thank you for answers.

**Rajeev Shah:** Thank you once again. I just wanted to ask is there any possibility of the company splitting its two businesses mainly fertilizer and chemical into two different sections whereby the chemical sector which is doing so well and all chemical shares have got very good valuation, they mostly are all talking in terms of P/E they are all rating at Rs. 15, Rs. 20, Rs. 30 P whereas GNFC, at the moment even with today's closing price of 560 is commanding a P/E of only about 7.5, that was my first question and second question is there any plans to subdivide or make it into a two paid up share whereby the liquidity increases and small investors can also invest in your company?

**D V Parikh:** Okay, first about your second question about division into share with dematerialization of the shares, there is no much question of liquidity issues in the share. Second, now your first question is regarding splitting the business into fertilizer and chemical,

**Rajeev Shah:** Yes, there are two different shares of like for example GNFC chemicals and GNFC fertilizers, as two, is that a possibility, I am not a CA or anything, just this thought came to my mind, so I wanted to share with you and ask you please.

**D V Parikh:** From the structure point of view, conceptually you are right but practically it is not possible given the nature of our operations, these are integrated operations and therefore we cannot have those kinds of different setups, split the businesses into two. If you have been the regular remnant of the call, couple of quarters where the same question was asked by somebody, and we responded in an elaborate manner on this.

**Rajeev Shah:** Okay because I think once the stock gets split, for example, GSFC is a two paid up share then GMDC is two paid up share and that way I am just talking from the angle of benefit to the shareholder, the valuations increase. My reason to ask you was because GSFC, GMDC are two paid up whereas GNFC and Gujarat alkali are 10 paid.

**D V Parikh:** You are right. Mr. Shah, it doesn't make a difference whether you have a Rs. 2 share or Rs. 10 rupees share with scenario of dematerialization, as far as value is concerned, it is divided by the number of shares, number of shares we increase 5-4 if we divide by 2, so these are the like not fundamental changes which we are looking at, dividing the shares with Rs. 2 and all.

**A.C. Shah:** Basically, splitting is nothing, but it is a psychological advantage which is passed on to shareholder, these type of practices are indulged by the company who are speculative in nature, all such type of practices, so we believe in complete growth.

**Rajeev Shah:** Correct. No I asked this question only because GSFC and GMDC were two paid up which is I think your sister company is only of Gujarat, that is why I put this question and in fact I would be happier with remaining at 10 paid up. Thank you.

**Viraj Mahadevia:** I had a question. Thank you and congratulations, excellent results, companies well placed it seems. What part of revenue increase in nine months of FY2022 versus the previous year has come from volumes versus price?

**Jiten Desai:** Our sales volume, we call top 10 products, we have total 22 chemical products and 10 products we said is the major products, other products are either co-products or intermediates, so, for top 10 products, the volume has increased, sales volume has increased by 4.3% whereas sales value has increased by whopping 90%.

**Viraj Mahadevia:** Right, so you are saying, the top 10 products which are most indicative, large part of the revenue increase has come from price increases and not volume increases?

**Jiten Desai:** Yes, that is right.

**D V Parikh:** On a quarter-on-quarter basis you are right which was covered in the opening remark as well but although there is an increase in the production there is an estimated inventory and sales has been relatively little lower than that of the previous quarter, however on a Y-o-Y basis both quarterly as well as nine monthly, there is an increase in the sales and provision.

**Viraj Mahadevia:** Yes, Sir but it seems like your volume increase is only 5%, right irrespective that would get captured in your production, your volume increase is only 5%, so 90%+ share of your revenue increases has been on the back of pricing?

**D V Parikh:** It is not entirely true to make this kind of statements, however in a major way you are right, the other angle is that of the product mix, for example when we sacrifice something like we sacrifice methanol production, we bought it out from outside, so apparently there was a reduction but overall, we made a better bottom line out of it.

**Viraj Mahadevia:** Yes, Sir which is why I have asked the question on a revenue basis and not an EBITDA basis right, product mix would not make a difference at the revenue level, but I needed that

**D V Parikh:** I will tell you how it makes, let us take the case of a swap between TDI and CNA, CNA price is less than one-third of that of TDI, so what happens when you manufacture more of an upstream product, it makes a difference on the top line and it makes altogether different difference depending upon the decision on the bottom line, so it is not that it does not make difference on the top line, this is the defeating example of how it makes difference on the top as well as bottom line.

**Viraj Mahadevia:** Understood, very clear Sir, thank you. So, you are saying it is not as skewed as this, but it is clearly most skewed towards pricing for spot, I think that is the apparent.

**D V Parikh:** In a major way, yes you are right, so and we elaborate this on both the side, see on the input side also if you see they have gone into three digits, price increases whether of gas, oil even other products which we are consuming raw, benzene, toluene from two digit to three digits the increases are there but end of the day either the margins are maintained or enhanced depending upon the market opportunity.

**Viraj Mahadevia:** Understood Sir. Can you elaborate on your thought process around the capacity expansions that have been planned over the next few years, are it driven more by import substitution or ability to, can you elaborate on the thought process around capacity expansion? Is it driven more by import substitution or creating an export opportunity with China +1 inquiries?

**D V Parikh:** No more end of an import substitution.

**Viraj Mahadevia:** Lastly this question has been asked by media last year, I will ask this a slightly differently, last few quarters we have done EBITDA margins of 21%, 26%, 29% would you say a sustainable EBITDA margin has a range of 21% to 25% is possible,

**A.C. Shah:** This is Ashwin Shah. I would like to clarify that most of our products are market driven and considering the major chunk of revenue and margins coming from chemical products which are mainly demand driven products, market driven products, it is difficult to predict in a concrete and concise manner, but we are quite hopeful to at least maintain the stability in our supply chain management and the earnings.

**Viraj Mahadevia:** Right, okay which is why I asked for a rain, I know this is difficult to predict, there are many moving parts but I think all analysts would like to at least be able to forecast some kind of range, 20%-25% is still a pretty large range and it is 4% lower than what you have delivered this quarter, so my question is, is 20% to 25% sustainable?

**A.C. Shah:** Okay for a range, this being a cyclical nature of a business, you can refer and take last five years average which should be maintainable. Please do not go on a quarterly basis, go on a yearly basis.

**Viraj Mahadevia:** Right, okay. Thank you very much, all the best.

**D V Parikh:** For closing comments, I would like to handover to Mr. Shah, Company Secretary for closing comments.

**A C Shah:** On behalf of GNFC management, I would like to express my sincere thanks to the investors for exposing their confidence in the management and at the same time I extend my hearty thanks to Batlivala and Karani for making this event for investors meet a grand success and hope the management has been able to explain and clarify the queries to the satisfaction of investors to enable them to make conscious decisions on the investment, their investment decisions. Thank you one and all for this successful con call meet. Thank you very much.