Gujarat Narmada Valley Fertilizers & Chemicals Limited
CIN : L24110GJ1976PLC002903

GNFC | Azadi Ka Amrit Mahotsav

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

P.O Narmadanagar - 392015, Dist. Bharuch, Gujarat, India
Ph. (02642) 247001, 247002 **Website:** www.gnfc.in

NO. SEC/BD/SE/
9th November, 2021

FAX : 02642 – 247084
E-Mail: acshah@gnfc.in

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

Co. Code: BSE - "500670"

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

Co. Code: NSE- "GNFC EQ"

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

Dear Sir / Madam,

We have vide our letter dated 30th October, 2021 intimated the Stock Exchanges about the schedule of Investors / Analysts Meet through Conference Call scheduled on Tuesday, 2nd November, 2021 at 3.30 pm.

We send herewith a copy of the Transcript of Investors / Analysts Meet through Conference Call which took place on Tuesday, 2nd November, 2021. The said Transcript along with the audio has also been uploaded on the Company's Website - www.gnfc.in

We request you to kindly take the same on your record.

Thanking you,
Yours faithfully,
For GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD

CS A C SHAH
COMPANY SECRETARY & GM (LEGAL)

Gujarat Narmada Valley
Fertilizers & Chemicals Limited
CIN : L24110GJ1976PLC002903
An ISO 9001, ISO 14001, ISO 45001 & ISO 50001 Certified Company
P.O Narmadanagar - 392015, Dist. Bharuch, Gujarat, India
Ph. (02642) 247001, 247002 Website: www.gnfc.in

"Gujarat Narmada Valley Fertilizers & Chemicals Q2 FY22 Earnings Conference Call"

November 02, 2021

MANAGEMENT:

MR. D. V. PARIKH – GENERAL MANAGER & CHIEF FINANCIAL OFFICER - GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS

MR. Y.N. PATEL - HEAD OF DEPARTMENT (O&M) - GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS

MR. A. C. SHAH - GENERAL MANAGER & COMPANY SECRETARY - GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS

MR. JITEN DESAI – CHIEF MARKETING MANAGER - GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS

AND MANAGEMENT TEAM – GUJARAT *NARMADA* VALLEY FERTILIZERS & CHEMICALS

A C Shah: Thank you. Welcome to all investors on this concall meet this afternoon. And here with me, the management team, Mr. D V Parikh, Chief Financial Officer, Mr. Y N Patel, O&M in charge, Mr. Jiten Desai, Industrial Products Marketing in charge and Mr Manish Upadhyay is there who is also looking after Industrial Products Marketing. So, friends in fact, we just wanted to mention that this time our finance department has made special efforts and uploaded the Financials of the Company, PowerPoint presentation on the Company's Website as well as on the Websites of NSE and BSE. So, with this, let us try to make our discussion very meaningful and look forward to have your cooperation for the same. I now request Mr. D V Parikh to take over please. Thank you one and all.

D V Parikh: Thank you. Good afternoon everybody to this quarter two conference call earnings call of GNFC. Like mentioned, we have a team from operations, finance and marketing will pick up the question respectively for the specific response. Now, as desired by both retail as well as institutional investor last time, we also uploaded the presentation apart from the financials, which is available both on the Exchange as well as our Website. I start this discussion with the overall economic scenario affecting the industry relating to our business. We'll start first with the fertilizer, actually the fertilizer industry has lower volume this time by around 7% main products which are affected our DAP and MOP respectively, within this 7% a DAP is at 22% negative and MOP is at 13% negative. While the volumes have been lower, the revenues have gone up because of the higher subsidies both because of the government intervention as well as increasing the gas prices which is resulting into the urea revenue going up. Predominantly it is in the nature of subsidy while talking about the inputs across the board, all four major inputs, basically ammonia, AB, phosphoric acid and rock phosphate, they're all gone up by 200%, 90%, 85% and 45% respectively. So as a result, there has been a special intervention by government somewhere around mid-May, which was valid till the Kharif season and round and September they also announced the continuity of the nutrient base subsidy into Rabi season as well. So companies will get some respite as it is the spiraling cost which is there for all the inputs practically. Even the gas pool price has also gone up by 65% over the last one year, this is resulting into more working capital lockup across the companies, we are also not an exception to that. So, this is what is happening to the fertilizer industry as such.

Coming to chemicals, there is actually buoyancy as far as industrial product chemicals are concerned, our imports have also risen which shows that the overall demand is good which is met by both the sources domestic as well as import. If we look at our products like formic acid**,** TDI, acetic acid, AN Melt everywhere the import has gone up substantially, nearby formic acid followed by TDI and thereafter a AN Melt and acetic acid. So, this is what is happening. So, downstream sector have really opened up. In the second quarter even H1 is also is fairly good as far as chemical industry is concerned.

The other part is all the inputs feedstock and fuel mainly coal, gas and oil they have increased substantially it is ranging from like 7% to 22% there has been an increase and this is an average we are talking whereas, if we look at the tailenders months, which are the last couple of months, the increase is really very, very sharp. So, chemical the scenario has been good because the company and in general chemical industry has been in a position to pass on the increased cost to the customer and overall margins are therefore maintained. As far as now touching upon the company's operating and financial performance on the operations side.

The periods while we talk about H1 is really comparable whereas Q2 versus Q1 is not comparable because of the shutdown we had and we lost around a couple of weeks in that. So, Q2 versus Q2 is comparable, H1 versus H1 is really comparable. And plants more or less except barring for a product like methanol, they ran at full capacity more than capacity. So, in terms of operation, there are no disturbances or such during this quarter and barring for the new shutdown in H1. As far as marketing side is concerned, there is a substantial decrease in the stock which has happened and we have been in a position to push up the inventory into the market. Like if you see the financials there is a figure of 106 crores which has reduced because of the lower inventories, inventories on the push down in the market. This also has been the quarter where TDI domestic sales has been the highest, overall sales also is the highest. The total TDI sales is around 19,525 metric tonne, which is the highest in our quarter. Apart from that we have very good realization in a few product although in certain product like Acetic acid, Aniline and Ethyl acetate the realizations have gone down to some extent, however the overall profitability is maintained because there was a good volume during the quarter.

Now coming to financials, you must have seen the media release as well this is a quarter with certain highest ever PAT in it, the revenue from operations both for the quarter two as well as H1 is the highest ever. Within that even the chemical revenue is also the highest ever. The revenue for the quarter stands at 2400 crore and for the H1 it is at 3500 crore and at a PBT level it stands at 417 and 782 crores in terms of EBITDA margin it has increased to 21% from 16% on Y-o-Y Q2 basis, even while we compare the entire last year there is somewhat increase in the EBITDA margins. As far as the outlook and CAPEX part is concerned, my colleagues will respond to the specific question about both marketing outlook as well as the capital expenditure part.

Now, coming down to the balance sheet, there is a networth of 6,500 Crore we have a healthy balance sheet with around 2,350 Crore of cash sitting in it, in terms of the cash flow if we compare to H1 around 700 Crore cash flow has happened both last year as well as this year. However, this year the cash flow is predominantly driven by the operating profits. Last year it was driven by more liquidity because of the liquidation of subsidiary receivables. So, that is from our side now, we leave the floor open and I will hand over the session back to Mr. Ranjit Cirumalla, from B&K. Thank you very much

Pawan Nahar: My first question is to Jiten, if I look at the last six, seven years average data that is given on spreads, it seems that TDI is pretty much within the band, the average seems Rs.130,000 and we are Rs.105,000 for the first half and acetic acid seems to be significantly higher than the band. If you can just throw some insights into it of course I understand it is difficult but your insights what is the new normal because we've always said that the new normal is going to be higher than the previous normal. Thank you.

Management: Good afternoon, thank you Mr. Pawan. This TDI is particularly to find applications in flexible polyurethane foam which in turn finds application in comfort products like mattresses, furniture. For any economic distress due to pandemic or any other reason the first to be hit is the demand of such comfort products. That is why, though the situation is good the TDI demand is not supporting the price increase like what demand has supported in other products. Compared to import cost, as per the spread is concerned, the TDI price should be much higher than what is prevailing that is about to TDI, but the demand has started increasing in India, the demand has remained very good as Parikh sir has told that we have achieved ever highest quarterly domestic share of TDI in quarter two. So, in India the demand is good, but the price of TDI depends on international demand, because TDI is one product which is used in every country actually, because the product manufactured from TDI is the voluminous. So where it is used, it has to be manufactured there. So demand should increase overall globally, then it will boost the price. But now, as per the latest reports, the demand has started increasing in Southeast Asia and in other parts of Asia also Middle East and Africa, the demand is good like India, Europe was a little bit down, but there the season is coming, high season is coming now so we expect the demand should increase. So, in overall the picture of TDI in going forward should be good, should be conducive. And Acetic acid you have already observed that it is a good demand as well as good pricing we are getting nowadays.

Pawan Nahar: Any outlook on Acetic acid Jiten, what do you think, do you think it can sustain for some time or it comes down?

Management: The prices we absorbed in last six months are at very high level and the new and the new normal obviously should be lower than that. But it is not go even what was previous normal, it will remain quite higher than that level. So the current price has gone very high. So it will stabilize somewhere in between the new normal and the current price.

Pawan Nahar: So between 40000 to Rs.90000 a tonne somewhere between there is what you think, but I'm more interested in the spread Jiten because it seems more like Rs.20,000 the difference between the price and the feedstock and right now it is 60. So any sense like what do you think like it's pretty clear that TDI's outlook on spreads may be better. Of course, Acetic acid can come down, but what do you think would be the normal?

Management: New normal will be anything between 65, around 60 plus minus five.

Pawan Nahar: Okay, the price of the spread you mean?

Management: Yes, the input cost also increase substantially in last two, three months, last two months, rather.

Pawan Nahar: That's why I was just focusing on the spread, because both will keep moving. So spread number, so 65 as a spread you're saying or you meant?

Management: Rs.65000 per metric tonne the price in India. That will be the new normal but that will happen over a period of time. Right now it is at very high level. But, market will take correction that way in that direction sooner or later.

Govind Dalal: So, I got only one question sir, quarter-on-quarter sequentially our revenue has gone up almost 60% but PBT level it has gone up only 16%. So, what was the impact, is it because of raw material prices have gone up and how we are seeing third quarter shaping up. That's all sir, thank you.

Management: Okay. See, quarter one like we mentioned earlier because of the shutdown, the quantities available were less apart from the bullish scenario the availability was also less so, we had a better pricing, like as you compare sequentially between Q1 to Q2 there is some price risen in three products mainly acetic, ethyl and aniline, apart from that the input cost has gone up substantially, which has caused the margin to be on a lower side. But that is made up by a higher volume. The key inputs we use they're all gone up substantially, which is gas, oil, rock phosphate, toluene and benzene. So, these are gone up in the last and they are also currently going up, although pricing is taking care but then both at times play a catch up game and it will be the end result of how far the spreads are maintained.

Govind Dalal: Can you quantify sir total raw material basket quarter one versus two how much it has gone up and further October how much it has gone up and what if scenario sir third quarter overall net, net regarding raw material prices?

Management: See projecting prices is difficult but if you ask for Q2 around 100 crore is because attributable, a little over 100 crore is attributable to input price increases and there is a price erosion which is to the tune of around 97 crores which has happened in Q2 as compared to Q1. So, both have contributed otherwise with the increase of around 700 crore of more turnover it would have contributed even better.

Govind Dalal: That is very helpful. So, how is current October is shaping up net, net and how total third quarter we can look on margin side or realizations, raw material side overall picture can you just check yourself?

Management: See, it is not right to talk about the current quarter. So we stay away from commenting on the quarter.

Govind Dalal: Okay, so longer term we have seen the raw material prices have weaken out or you see.

Management: No, they have not weakened out, see if you look at like even the current prices of oil gas they are very high but then there are news that it will taper off somewhere around mid-November and November, but difficult to predict the trend in this both input as well as outputs. We have been in a position to successfully price the product and maintain certain spreads, so this is how this 417 crore is a result of that. There is no significant one timer in this operational performance, it is a pure operational performance for quarter two.

Govind Dalal: That is agreed sir. No, versus let us say September or last quarter second quarter how October is shaping up and raw material prices still we have gone up comparing last quarter we are at higher levels we comparing or we can say that average prices of?

Management: These are the information which are normally available in public domain since being a price sensitive information. We would like to avoid responding on the current quarter any of the month.

Vishal Patel: I just wanted to have a question for Mr. Jiten, TDI will be the product for the domestic consumption related to the plastics and other things, each company facing any competition from the international market to raise the price or if so, then we're being the only one player can you apply for the anti-dumping duty or some protective measures to the Government of India. Thank you.

Management: Mr. Vishal.

Vishal Patel: Should I repeat the question sir?

Management: Yes, please.

Vishal Patel: My question is related to the TDI pricing power you have told that it is more over on the international prices. So being an only Indian player, is it affecting any challenges to raise the prices to more cost effective level as being only player who might apply to the government protective measures like anti-dumping duty or something like that?

Management: Yes, good afternoon Mr. Vishal. Though we are the only producer of TDI in India. For any products, TDI or any other products, we are open to the globe and competition can come from anywhere. So we have to compete, we have to regulate our price as per the import parity.

Ashish Agarwal: So, basically my question is on the debottlenecking slide which you have on your presentation, I can see there are three products TDI, acetic acid and one another product. So on TDI, if the debottlenecking is there for 16 metric tonnes, then the additional margin which we can earn from that per quarter would be around 40 crores with the current spreads. Is that right and will that start coming from Q3 onwards?

Management: It is actually we have mentioned mechanical completion is already over and It is expected that the production will get enhanced effective November end. It is already on a trial there is some enhanced production already coming, but the stabilization will take some time. So, by end November there will be an enhanced production and what you are seeing the 40 crore which you are quantifying is not the right way of looking at it, it is just the spread between the final product and the key fit there are other cost also attached to it. So, that way we can't conclude that it's a 40 crore per quarter will be earning because of this debottlenecking. It's a spread between toluene to TDI.

Ashish Agarwal: But then the additional margin will start coming practically from December onwards is what you're trying to say?

Management: November end yes expected.

Ashish Agarwal: And we will be able to take, so there will not be any demand supply mismatch with this quantity coming in?

Management: See domestic market is already there and the incremental production is going to be in the range of like 12,000 to 16,000 which anyway can be absorbed.

Ashish Agarwal: Okay. And can you also explain the other two debottlenecking things which we have done as a company, the other two points which we have mentioned in the slides, and how do we see…..

Management: Debottlenecking plus the Brownfield. Like there are four, one is like four megawatt solar, company has already implemented 10 megawatt solar effective November last. And other two are basically the Brownfield project which is CNA4 and formic acid two. So, these are the Brownfield projects, these are not the debottlenecking, TDI was a reliability related

CAPEX which is debottlenecking the end part of the product and since upstream was meeting the requirements of the enhanced production will get the enhanced production of around 30 metric tonne per day additionally.

Ashish Agarwal: Okay. One follow up question, we are cash rich and that's during our balance sheet, how do we invest these funds to get better earnings out of it?

Management: We have mentioned in the presentation that around 400 crore is already committed. Another 1200 crore is also committed people are working on it for the CAPEX and for the rest of the CAPEX, we have a business strategy team person also here, he will tell about what future projects we are thinking and on which lines. We have Mr. Y N Patel here who will respond on that, apart from the 1600 crore which we are mentioned in the presentation.

Management: See, regarding new projects we have already planning for increasing our top line from 6000 to 12,000 crore which will be spread over four to five years. So, we are already working on increasing capacity of acetic acid, then ethyl acetate and we are also thinking of some new projects like polycarbonate and others. We are also working on enhancing capacity of our handling plant as well. So, these are the projects and we are also looking for some new line of chemicals. So we are actively thinking on it and we are determined to increase our top line from 6000 to around 10 to 12,000 crore.

Nishith Shah: Sir, my question is specific for nitric acid. So for quarter two, how was the demand and if you can give realization number. So any outlook for the nitric acid business going forward?

Management: The nitric acid demand remain good in quarter two. And the prices we are able to pass on the input cost increase because it is basically the ammonia, nitric acid' main input is ammonia and ammonia price, it is in the public domain also has gone up substantially. But fortunately with a good demand support, we are able to pass on that in the market. As far as outlook is concerned yes, nitric acid is a ever growing product actually the downstream units are expanding leap and bound. So, we see that there is really good demand of nitric acid going forward also. In the concentrated nitric acid, which is 98% cannot be importable so, as soon as the domestic products increase the downstream units can come up.

Nirav Demodiya: Sir, my question is particularly to the methanol, so we require methanol for our acetic acid production. So, you can help us explain what's our annual requirement of methanol and we also produce some quantities of methanol in our plant. So, is that on a natural gauge based or do we produce methanol through some other route. So, that was the first question sir.

Management: Okay methanol we produce through two routes, the feedstock for methanol is both NG as well as oil we have three facilities for methanol, one is driven by NG predominantly and two are oil based, the total capacity of methanol is around 800 metric ton if we go full steam on that.

Nirav Demodiya: Metric ton per day?

Management: Yes, metric ton per day.

Management: When we use acetic acid we manufacture acetic acid in the range of 155000 to 165000 and the specific consumption is almost 0.535. So, half is the requirement, around 55% is the requirement of captive methanol for acetic acid.

Nirav Demodiya: Okay. So, generally we produce entire requirement of our acetic acid internally itself through this.

Management: By and large yes, except for the very expensive gas price because the capacity of within this 800 metric tonne per day the capacity of gas is more as compared to oil. So, if the gas prices significantly higher like currently it is, we do a mix of both purchase as well as capitive production from oil route, this is what we are doing currently.

Nirav Demodiya: And sir, if you can mention the current utilization for the gas base as well as to oil based plants that would be helpful sir.

Management: See right now we are producing from oil only because of higher NG price we have stopped our NG based engineers facility right now,

Nirav Demodiya: Okay. But suffice is to assume that everything for our acetic acid is –**33:27** or it's produced through our own internal route only and we do not purchase methanol from outside?

Management: No, we have enough capacity, but based on pricing we played in our era.

Management: Like currently, if you see the gas based production cost is very high. So buying from the market is more economical, apart from producing from oil route, which is relatively cheaper as compared to gas and since we have certain captive requirement for acetic acid, apart from that, we have certain midterm contract which we have to honor so for both the total methanol requirement is met through these two sources which is bought out methanol as well as in-house produce methanol.

Nirav Demodiya: Okay. And sir regarding the availability of methanol from the outside market, do we face challenges in terms of the imported material, because it is connected to our acetic acid production. So, is there any availability issue or mismatch in terms of are we getting methanol and then we produce acetic acid?

Management: No, there is no issue because 20 lakh 10 is being imported so far every year, every year almost 20, 21 lakhs is being imported and Indian manufacturers will probably only GNFC is manufacturing at moment, no other companies are able to manufacture it, but it is sufficient quantity is available in market.

Nirav Demodiya: Okay, got it sir. Sir my second question is in terms of any shutdowns we have taken for any of our plant in Q2?

Management: No, not in Q2.

Nirav Demodiya: Okay. And any timelines for any of the plans which are going for shutdown in H2?

Management: No, current year we have no plan for any further shutdown, because normally we did shutdown once in a year that is for preventive maintenance.

Nirav Demodiya: Correct, okay. Sir, last question would be our pricing contract. So, can you explain us in terms of our pricing contracts like do we enter monthly contracts or have we changed our contract terms to now changing our prices to the international pricing as and when they are changed?

Management: This are you asking for inputs or for the output?

Nirav Demodiya: No, I am asking from the point of view of because international prices have been changing quite frequently if we see because of the China issues and the dual control policy. So, do we change the prices here on a frequently basis as per the international prices or we try to charge the customers or the contracts have been entered on a monthly basis, I'm specifically asking from the pricing point of view?

Management: No, so most of our sales we regulate the price as the import parity, there are no fixed price contract in most of the cases.

Nagendra Maurya: Sir, just a basic question on the power cost side, if we see the quarter-on-quarter basis, it is basically gone up by 48% on absolute basis, but if we compare with the revenue that it is more or less similar almost 13% to 14% odd. So, I just wanted to know that, how much power cost is in the chemical segment and how much cost gone in the fertilizer segment, if you could provide the breakup of these two for Q1 and Q2.

Management: Your question cost?

Nagendra Maurya: Yes, power cost.

Management: Okay. These are actually the detailing of the segments. So, you may send your query will give you the exact set of number on an element wise basis, because we have a mix of couple of sources of power and how we are locating within a particular segment is a matter which we can respond later on if you can send an email in this regard please.

Nagendra Maurya: Okay, definitely. And on the power cost did the NG prices also included in the power cost or it is gone into……

Management: Yes, it's a mix of four things actually. One is bought out power, which is the list which ranges between 7 to 15 megawatts out of the total requirement of 55 megawatt around here. The second is the gas-based power, which we run between 25 to 33 megawatt, the third is the coal based power which we run through something called the TG and that goes up to 15 megawatt to 22 megawatt depending upon the need and fourth is the renewable power, we have renewable power of around 31 megawatt installed and we get a capacity the power factor of around 20%, 21% in that so around 5 to 6 megawatt a day we are getting from the renewable sources, both wind and solar together.

Nagendra Maurya: Okay. That is a good answer sir and just what is the gross margin on the chemical side this quarter?

Management: It's available in the segment report

Nagendra Maurya: Okay, this is EBIT side, I'll look on that.

Management: It's not EBIT, if you look at the segment result. There is a turnover per quarter of around 1600 crore and there is a segment margin also, segment result also. So, that will give you the segment in terms of percentage you want.

Nagendra Maurya: Right.

Management: And the ratio between like turnover is around 70:30 between chemical and fertilizer but more than 95%, 97% profit is coming from chemical only. So if you take the PBT of 417 crore minus let's say other income which is not part of the segment. So let's say 380 crore around 97% of the profit is that of chemical which will is reflected in the segment result.

Nagendra Maurya: Right sir. So that means sir shared by your revenue top line goal of around 10,000 to 12,000 from current level of 6000. So what is the timeline to achieve this?

Management: It's about four to five years. Once any project is conceived it takes at least 36 months for completion. So right now we are in planning stage and as the project is conceived at least three years are not required.

Maan Vardhan Baid: My questions have already been answered ma'am. So, thank you.

Ugyan Desai: I wanted to know whether you have any plans to make specialty isocyanides, because we have two plants for TDI so can we use the other plant for MDI or HDI or something, specialty isocyanides, which has a good market.

Management: We do have plant for isocyanides, but it depends on technology available or see most of the isocyanides they are not ready to part the technology because they themselves are producer. But we are still looking for it and if you're depending on viability, we do have that plan.

Anil Thakkar: The question I had is regarding like we have around 2400 crores of excess cash available in our books of accounts. And what I can see is around 1600 is the CAPEX that we are seeing as of now.

Management: 1600 crores.

Anil Thakkar: Yes 1600 CAPEX which we are planning around 2004 is around cash we have available and on an average we are making around 1000, 1200 crore cash from operating activities on a yearly basis. So, any plan for a buyback or special dividend or anything that kind of?

Management: At the moment there is no such a proposition on hand, however, the company means the management and the board will definitely take into consideration your suggestion and take the appropriate decision considering the appropriateness of the time.

Anil Thakkar: And the second question was, how is the increase in gas prices affecting our cost?

Management: Increasing gas prices has actually three effects on our operation. One is on urea which is by and large pass through but affects the working capital. Second is it affects in a major way the Dahej operations and third is it affects our methanol operation. So, these are the three operations which are getting affected out of which two are significantly affected, if we prioritize in order it is Dahej first, methanol second and third is urea which is just a working capital.

Anil Thakkar: That answers my question but just wanted to know, are we able to successfully pass on to the customer like?

Management: Okay. See we do a spot buying or contract buying for a month only. So, if we are in a position like there are two things in that, if we have a commitment of sale then we buy accordingly or produce accordingly, hence it goes on to the products like acetic acid via methanol route and currently we have been in a position to pass on the incremental differential.

Anil Thakkar: And sir can you help us with the global demand for TDI and global production for TDI if it is available with you?
Management: Good afternoon, the total capacity in the world for TDI is 3.3 million. And demand is demand is almost similar. So, it is a balanced market actually.

Tejas Shah: This time I connected on the concall little late so, I don't know if I get the repeat question. This time our volumes on chemical businesses have gone up, but substantially the margins have not gone up in that segment. So, can you share some where the pressure is coming on that margin on the chemical business?

Management: Okay, your question is on a sequential quarter basis right?

Tejas Shah: Yes.

Management: Okay, we explained this while you were away. Actually, there are two factors one is in quarter one we had limited availability and there was some premium pricing of the product number one, number two products like acetic ethyl and Aniline there is some price erosion, realization erosion in quarter two. Third is the higher volume has compensated for this lost margin. The fourth is input cost have increased significantly across the board of key inputs which we use which is basically a petrochemical input oil and gas or Toluene benzene these are the prime inputs which we use. So where there is an impact of more than Rs.100 crore, which has brought down the margin on a sequential quarter basis. So, from 1400 crore when we are touching 2000 crore the margin is on a percentage basis are lower.

Tejas Shah: Now going further are we expected the same thing and maybe the same top line or the top line will come in pressure?

Management: Going forward has many uncertainties. So, it is very difficult to like project something as of now. And normally on such a call, as we normally don't do like forward looking kind of statements or somebody asked about the outlook on the input prices. These are very difficult to comprehend actually, they are in nobody's hand. Even our marketing people if you ask whether they have a clue on what's going to happen a week next probably you will get the answer from there.

Tejas Shah: Okay. Another thing is, why don't we look at bonus, you have enough reserves because when you are paying dividend now it is tax is payable at the hands of the shareholders. So, depending on the tax level, while bonus does not attract the taxes and plus it basically enhances the overall equity shareholder value because the equity number of shares increases. So, I don't know why our company is not looking at bonus?

Management: See giving bonus will increase the equity and it will be difficult to service equity. So, I have seen many companies who are giving bonuses every year and year and then their equity base is so large they are not able to service that and at a point they go to point of breaking the whole balance sheet.

Tejas Shah: Small ratio.

Management: If you compare our equity capital, it stands at around 155 crore, around others like GAC, GNFC they are half the equity what we have. Like you said the more base you broaden there is always a question of service serviceability. Other avenues permissible may be more preferred. If for a medium term to long term you are not going to do much.

Management: I would just like to supplement by just bringing to your notice that the Board of Directors this year has already recommended a handsome higher rate of dividend, 60% increase. So, that also adds to shareholders wealth. And company would like to, management would like to ensure that such dividend and servicing part is taken care on sustainable basis.

Divesh Shah: My question is with respect to the minority shareholder. Sir, this is a strategic question to the management to think over, I am in this market from last 20 years and I have not seen the cheapest valuation as our company is, sir today our market cap is just about 7000 crore and with a cash of about 2400 crore. So, net market cap EV is about 5600 crore and with the EBITDA of about 1200 to 1400 crore per year it is absolutely cheap value stocks. So, what is the management thinking about the enhancing the shareholder's value the management required some brainstorming session how to increase the shareholder's value because today last from three to four years all chemicals and specialty chemical stocks are minimum 3x, 4x, 5x even a company with 1/5 of our turnover is valued at least three times bigger than our valuation. So, management's should think somewhere, we are classified as a fertilizer I do understand that we are classified as a, there are two direct to this company one is the name Gujarat it is considered as a state government PSU but we are professionally run company and with due respect to the management skill which you all have and second is the word fertilizer. So, PSU culture as well as fertilizers are direct to the valuation of this company. But the majority of the profit comes from the specialty chemical, sir I have just compared for your information the latest quarter of Atul Chemical Division versus GNFCs Chemical Division, only chemical division. Atul quarterly performance was 1250 crore and profit of 238 crore EBITA level whereas, we are much about 1450 crores of only chemical division and a profit of about 350, 370 crores at least 40%, 50% higher than but look at the market cap of Atul it is 27,000 crore and whereas we are at 7000 crore. So, sir my humble request is, please have some brainstorming session to some late manager or professionals what is lacking in this company, we should go for more specialized product, the time has come to instead of commodity chemicals and we have a lot of cash and we have a lot of plant if we can move away from commodity chemical to specialized chemicals even look at the Laxmi Organic the newly listed company which is putting it at least two to three times more market value and turnover is very less so, sir my humble suggestion is what is your thinking about this market perception of this company, we need some change somewhere. Thanks sir.

Management: Okay. Now, the example which you have given is that of private sector. If you take the example of any public sector company or a government company, normally the market valuations, the price earning multiples are not so high as that of the private sector, this is what has happened across you can take the example of like ONGC, you can take the example of IOCL, HPCL any company including GALCL and GSFC. So, how to increase the market value is something to do with the market and not with the company internal things are such. Company is operating at a healthy rate. Now, whether it is valued or not, it is not a phenomenon like confined to GNFC, it is across the board you take the ONGC valuation, ONGC valuation has improved by 50% over last six months, and that valuation stood there for almost three years and you take any other company also IOCL. So, this is normally what we observe is government set up as such versus private setup is not comparable similar comparison cannot be drawn even with the multinationals. You take the cases of companies like Styrolution or any other multi BSF, multinational listed company, they are really not comparable as such.

Divesh Shah: But sir you are very efficient company, you have very excellent management and you are comparing the state level level.

Management: That is in he hands of market to value, that is not in our hands to value.

Management: I'll just supplement by making a statement that it is the market sentiment which drives the market cap whereas, the companies like GNFC have the real intrinsic strength, they are really growing with strong fundamentals. So, market need to understand the fundamentals of a company and we appreciate your suggestion will definitely look into.

Divesh Shah: Sir, my humble request is don't consider this as a criticism, consider this as a positive attitude. We are a minority shareholders and we want to convey our concern to you, you are the best manage company within the public sector company. So, somewhere down the line you require some little bit of changes either your market perception has to be changed from your sides. So that market will accept the changes. So, if you put little effort, if you put 10% effort market will reward by 40%. So, little more effort on your side, I will complement it to this quarter you have given the best presentation by giving the TDI spread and everything. Suppose this way you can improve your perception to the market. So market requires some change, expecting some change from your side so that market can reward you. It's a win-win position for both you as a company and we as a minority shareholder and please take this my suggestion in a constructive spirit, please.

Management: Your suggestion is well taken and definitely will look into and whatever best possible. We'll try to make it sure.

Management: Thank you so much. On behalf of Gujarat Narmada Valley Fertilizers and Chemicals management I would like to extend our sincere thanks to all the participants for the constructive discussion and very nice, good suggestions, we definitely take note of all these points and try to make all efforts in future time to come to improve our performance. Further, in the interest of all the stakeholders, including the shareholders of our Company to improve their wealth. With this, I once again, thank one and all the Batlivala & Karani for making nice arrangements for this conference, and also my team members from the management side for actively and properly guiding the investors for the financials and other marketing and other aspects and production aspects of the company. Thank you once again, thanks a lot. And wish you all a very, very happy, healthy and safe Diwali and New Year ahead. Thank you so much.

****