



**Gujarat Narmada Valley  
Fertilizers & Chemicals Limited**

CIN : L24110GJ1976PLC002903

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

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November 14, 2022

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

Dear Sir/Madam,

We had vide our letter dated 08<sup>th</sup> November, 2022 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Friday, 11<sup>th</sup> November, 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 11<sup>th</sup> November, 2022. The said transcript along with the audio is also uploaded on the Company's website i.e. [www.gnfc.in](http://www.gnfc.in)

We request you to kindly take note of the above.

Thanking you,

Yours faithfully,  
For GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD

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COMPANY SECRETARY & GM (LEGAL)



**“Gujarat Narmada Valley Fertilizers & Chemicals  
Q2 FY2023 Earnings Conference Call”**

**November 11, 2022**



**MANAGEMENT: MR. D V PARIKH – EXECUTIVE DIRECTOR & CHIEF  
FINANCIAL OFFICER - GUJARAT NARMADA VALLEY  
FERTILIZERS AND CHEMICALS LIMITED  
MR. Y N PATEL – HEAD OF OPERATIONS AND  
MAINTENANCE- GUJARAT NARMADA VALLEY  
FERTILIZERS AND CHEMICALS LIMITED  
MR. J. I. DESAI – HEAD, INDUSTRIAL CHEMICAL  
SALES  
MR. MANISH UPADHYAY – HEADS INDUSTRIAL  
PRODUCTS CHEMICALS**

**ANALYST: MR. NITESH VAGHELA – ANURAG SERVICES LLP**



*Gujarat Narmada Valley Fertilizers And Chemicals Limited*  
*November 11, 2022*

**Nitesh Vaghela:**

Thank you and good afternoon. Welcome to the second quarter earnings conference call of Gujarat Narmada Valley Fertilizers & Chemicals Limited hosted by Anurag Services LLP. From the management we have Mr. D V Parikh – Executive Director CFO; Mr. Y N Patel – Head of Operation and Maintenance and other senior dignitaries from the management. I would like to thank the management for giving us the opportunity to host this call. We will begin the call with opening remarks for the management post which we will have a question and answer session. Thank you and over to you Sir!

**D V Parikh:**

Thank you moderator and organizer and good afternoon to all the participants. Basically I will start with the general factors which are impacting and running within India. Our operations are predominantly confined to India. Basically two factors have been more pronounced during Q1 is the inflation and second is the impact of foreign exchange rates. Inflationary situation has been around since last 6 to 8 months by now. RBI is trying to contain the inflation through different means (inaudible) 1:48 especially by increasing the interest rate to contain the money flow within the economy. Exchange rate has been depreciated by almost about 10% over the last 6 months.

Coming to the specific part of the industry both chemical and fertilizer, fertilizer subsidy has been a main area of concern for the government since even after increasing more than 105% of the total subsidy which totaled up to 215000 Crores by now the expected subsidy is going to cross or likely to cross around 250,000 Crores. On fertilizer side, there are three important developments. One is the recent announcement of the NBS rates which are going to be valid for H2 of FY2022-2023. GNFC also has one fertilizer where it is applicable. The second is the policy relating to the one nation one fertilizer where a sort of co-branding is going to prevail for all the urea manufacturing units as well as other fertilizer manufacturing units. The third is the announcement of PM-KSK that is Pradhan Mantri Kisan Samrudhhi Kendra. So these are the three developments which are going to impact across the board all the companies which are into manufacturing as well as retailing of fertilizers. On the bulk chemical part which is industrial product part there are some contradictory observations in terms of elements operating. On the realization part across the board what we have witnessed for our chemical is there is moderation in the realization whereas as far as input cost is concerned more or less there is not much change except in coal and gas. Gas prices have increased by around 18% Q-o-Q and coal prices gone up by around 64% Q-o-Q which is basically denting the margin. Apart from that talking about antidumping duty on our chemicals, the antidumping duty on AN Melt has been withdrawn whereas that of TDI has been extended till September 27. Our colleagues from IP market will talk more about this later on.



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Talking about the financials, we first touch open the operating performance in terms of production and sales volume and thereafter we will go to the different elements of profit and loss segment reporting followed by balance sheet and cash flow. On the volume front like production is affected mainly because of the outage at both the complexes Bharuch as well as Dahej. At Dahej there were various maintenance issues whereas at Bharuch the mother plant was disrupted that is ammonia plant was disrupted. In addition to that there was a disruption in weak nitric acid plant also. Ammonia plant disruption happened around late July for 8 to 9 days. These have resulted in impact on the sales volume also. This outage has also caused certain unproductive cost at both the locations. We are talking about the production volume therefore the production volume is down by around 12% on a Q-o-Q basis of chemicals. When we talk about the sales volume, sales volume of chemical is down by 8%, the sales volume is down because of predominantly two reasons one is the market reason and second is the availability reason. Methanol continues to be not produced because of the cost economics reason whereas chemicals like AN Melt, TGU and aniline have not been selling because of the market reasons. There is a sale but the sale is dampened in terms of the volume so these are the volume effects on production and sales. Talking about realizations, the realizations in case of fertilizer have been reasonably well because of the subsidy component especially for the complex fertilizer. The revenue part in urea has gone up mainly because of the gas prices operating at an elevated level. In chemicals the realizations have been down across the board. There is not a single chemical where realizations are positive as compared to Q-o-Q. Other income mainly represents some increase in the interest income and the dividend part of it. When you talk about the raw material the main increase in terms of feed and fuel has come from the gas and coal prices. The rest are more or less not so significantly impacting whereas because of the outage there is also some impact on the specific consumptions which have weighed on the profitability of the company. In terms of increase/decrease in the inventory although the production of TDI was less, the sale has been reasonably well as compared to the quarter-on-quarter basis so because of this there is a substantial reduction in inventory of around ₹100 Crores or so in TDI. In terms of fuel and feed cost again the same element of NG and coal comes into picture.

When we talk about the overheads this time effective July the long-term wage settlement of the company is due for which provisions have been made both in the profit and loss as well as other comprehensive income, so overall taking into considerations all these factors the PBT stood at ₹316 Crores still a decent figure. When we talk about segment performance the segment revenue of fertilizer has gone up substantially whereas in terms of profit it is not making much headway because of the regulatory framework on fertilizer although in case of mixed fertilizer there has been quite a good profitability, urea has been negative



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mainly because of the energy norm effect. On an YTD basis there is an impact of around ₹22 Crores because of the higher energy norms. As it is apparent from the segment performance, the segment result is more driven as always by the chemical segment of it; however, in terms of the revenue pie there is more impact in terms of fertilizer revenue, which has improved from 29% to 37% mainly because of the revenue increase on account of subsidy part.

Now talking about balance sheet more or less the balance sheet has been stable except for the increase in the working capital. The working capital increase has been because of the subsidy levels increase, which has increased from around ₹700 Crores to ₹1100 Crores level. There has been like a healthy cash flow in terms of operating cash flow which is constrained by the working capital blockage mainly because of the subsidy.

Talking about the capex part Board has approved around ₹850 Crores of project which are already now into the implementation stage. The two projects which comprise this figure of ₹850 Crores is around ₹225 Crores is that of ammonia make-up loop which will have a capacity of around 50000 metric tonne per annum and the second is the coal fire steam and power plant at Dahej which will not increase the revenue but which is expected to reduce the cost in the vicinity of ₹12000 to ₹15000 per metric ton of TDI. In terms of outlook our colleagues from operation and marketing will cover how the outlook will be for the respective side but on overall company perspective we see the smoother sailing in couple of quarters down the line to come. With this I close my opening remarks and make the session open for Q&A. Thank you very much.

- Nirav Jimudia:** Good afternoon team, so Sir I have two to three questions. Sir when we look at your annual report like we produce almost around 426000 tonnes of weak nitric acid in FY2022 so after utilizing that for AN Melt and concentrated nitric acid how much of WNA we would have sold in the open market in FY2022?
- D V Parikh:** Our colleague from IP marketing team Mr. Jiten Desai will attend this question.
- Jiten Desai:** Good afternoon Mr. Neerav I am Jiten Desai. Specifically for weak nitric acid we have sold in last financial year about 115000 metric tonne.
- Nirav Jimudia:** Okay rest was consumed internally right?
- Jiten Desai:** Yes after consumption captively.



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**Nirav Jimudia:** The new concentrated nitric acid plant of 50000 tonnes would have also started operations or it is yet to get commissioned?

**Y N Patel:** This project is likely to commission by February, March.

**Nirav Jimudia:** So once this project gets commissioned less of WNA would be sold in the market because then this would be consumed internally right?

**Y N Patel:** Yes you are right.

**Nirav Jimudia:** In the next phase when again a big WNA capacity is being set up along with AN Melt so currently whatever WNA gets consumed in concentrated nitric acid would again get free after the commissioning of new WNA plant so probably once those plants get commissioned again whatever we are currently selling in the outside market would again brought back to the levels of FY2022 level is it safe to assume whenever those plants would get commissioned?

**Y N Patel:** We will be adding up at least 2 lakh metric tonne capacity of WNA so they will be available in market after consumption this 50000 in concentrated nitric acid.

**Nirav Jimudia:** But then we are also commissioning some AN Melt capacity which is there in the presentation so I guess there also WNA would be consumed?

**Y N Patel:** Yes there also there will be some consumption you are right.

**Nirav Jimudia:** Got it and second question is on the ammonia part so in FY2022 I think we produced almost around 667000 tonnes of ammonia so if you can break it down between how much was produced for chemicals and how much was for fertilizers that would be helpful?

**D V Parikh:** Normally whatever ammonia we produce by and large one third is for the chemicals and two third is for the fertilizer. Let us say we produce 2000 tonnes of ammonia a day then you can safely assume around one third of it, we are producing 2100 so one third of it in the chemical and two third in the fertilizer.

**Nirav Jimudia:** In Q2 FY2023 what would have been the cost of production of ammonia when it is produced through oil because that goes to chemicals and what would be the cost of production of ammonia through gas which goes into our urea so if you can help on that part?



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- D V Parikh:** The cost of production of ammonia normally produced from the gas especially during Q2 and this FY has been higher because of the gas prices. Overall gas prices have been higher and every unit is treated at only rate at the end of month which is a pool price whereas that of oil base is lower. Exact numbers we cannot tell you in terms of cost of production because this is important raw material but broadly this is the situation for ammonia produced from gas and produced from oil.
- Nirav Jimudia:** Last related question to this before I again join back in the queue so what would have been the sales contribution of AN Melt in FY2022 and if you can specify it for first half of FY2023 that would be helpful.
- Jiten Desai:** Ammonium nitrate revenue is around 24% it is current year first half and last year it is around 16%.
- Nirav Jimudia:** 16%?
- Jiten Desai:** Yes.
- Nirav Jimudia:** Mr. Parikh on the opening remarks you mentioned something around 850 Crores of capex but I think the voice got muffled in between so if you can again touch up on that that would be very helpful, I think you mentioned some break up in terms of the ammonia capacity of 50000 tonnes and one coal based power plant which could help us in some TDI production of 12 to 15000 so if you can just touch upon that again that would be very helpful?
- D V Parikh:** The capex relating to 50000 tonnes of ammonia is around ₹225 Crores out of ₹850 Crores; the rest is for the captive power plant for steam and power. The objective is lower cost production of steam and reliability of the power in this.
- Nirav Jimudia:** How much in megawatt if you can specify?
- D V Parikh:** Equivalent megawatt would be 35 around whereas power would be around 18 megawatt, the rest is steam.
- D V Parikh:** 150 metric tonne when we say it is 150 metric tonne per hour we are talking.
- Nirav Jimudia:** Got it Sir. Sir I will again join back in the queue and thank you for answering the questions in detail all the best Sir.



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- Prayatna Mahajan:** Thank you Sir. Thank you for giving me the opportunity. Sir I was just trying to understand there are so many products that we cater to can you broadly provide us a split of let us say I just wanted in two categories what is the revenue contribution from the TDI segment and let us say others on the revenue side and as you mentioned that the fertilizer business does not contribute much to the EBIT if you can give us a split of TDI and others in revenue and TDI and others in EBIT that will be very useful?
- D V Parikh:** Revenue part our marketing colleague, Shri Jiten Desai will cover. Let me cover the contribution part of TDI. TDI like we have two plants one is at Bharuch and second is at Dahej. Bharuch plant has been positive in terms of the contribution even at net level it is positive whereas Dahej plant has been incurring losses predominantly because of the fixed cost whereas last quarter in addition to the fixed cost we made losses also because of the contribution losses because it was necessary to be in the market. Now on the revenue part, our colleague will touch upon the figures.
- Jiten Desai:** TDI contribution in our total revenue is around 17 to 18%. It is steady in both last financial year as well as first half.
- Prayatna Mahajan:** Can you provide us the same split for EBIT also how much EBIT is coming from TDI usually on a run rate basis?
- D V Parikh:** The EBITDA is negative for TDI like we are incurring losses there.
- Prayatna Mahajan:** So you are saying that all the EBITDA that the company is generating majority of it is coming from other products and not TDI?
- D V Parikh:** Yes for H1 it is true.
- Prayatna Mahajan:** What was the split for FY2022?
- D V Parikh:** FY2022 also we were in red in TDI.
- Prayatna Mahajan:** I just want to understand which is the most valuable chemical for us from an earnings standpoint, what would be the most valuable chemical which we guys are selling?
- D V Parikh:** At different points in time different chemicals perform out of the basket. Last year we had a very good run on acetic acid, AN Melt, technical grade urea so it is like that. On revenue part TDI also generated good revenue but it is not profitable at the net level. That is the reason we applied for some protection and antidumping duty is extended till September





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2027. The second important part within TDI is as of now the major operations are running on gas and we know what is the situation in last 9 to 12 months as far as gas prices are concerned,

**Prayatna Mahajan:** Right so you would not say that TDI prices globally where they are we are still not able to make profit at these elevated prices also?

**D V Parikh:** Up to September yes, after September the scenario has improved in terms of realization and the most important part is the input cost has gone down especially that of gas and other petrochemicals also but predominantly it is the gas prices which have turned the contributions positive.

**Prayatna Mahajan:** So just one last question for 1H FY2023 because we are not doing segmental disclosure what would be the contribution I understand that TDI is negative but which segment has contributed us the most let us say if you have to say acetic acid or nitric acid which chemical is contributing the most to our EBIT in 1H FY2023?

**D V Parikh:** By and large all chemicals contributed more or less equally except TDI.

**Prayatna Mahajan:** Okay so TDI has been a drag rather?

**D V Parikh:** The proportion of the margin has been going down mainly because of the reasons we explained in the press note. In investor presentation also some parts of the press notes are appearing so these are basically the reasons. The contradiction which we observe is there is stagnancy in cost of most inputs so they are at same or all elevated level. Some of the inputs like coal and gas have further gone up but the same is not reflected in the output products.

**Prayatna Mahajan:** Got it Sir and Sir any guidance for us for the second half how are we looking at it, are we seeing a very sharp contraction in our earnings for the second half or are we fairly confident of maintaining the run rate at which we are in the first half?

**D V Parikh:** No we have mentioned that in the press release that we are pretty okay with whatever is the current level and we do not see any issues because operations are stable, pricing realizations are also stable, the rest I would request our colleague from operations and marketing to comment.

**Y N Patel:** From operation we do not see any eventuality unless there is a surprise or breakdown of any machinery otherwise operation wise our performance will be smooth as such.



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- Prayatna Mahajan:** Right I will join back in the queue. Thank you so much Sir.
- Nishith Shah:** Good afternoon Sir and thank you for this opportunity. Sir I would like to understand how the current raw material are prices trending post Q2?
- D V Parikh:** This information is already in public domain but we will still answer that. Gas prices have softened, gas spot prices have softened after Q2, other petrochemical prices like oil, toluene, benzene which we are using are also softened but there are monthly trends to this so we cannot say with an exact forecast that it will go down or up but as of now we see a moderation because there was a sharp rise in all the input prices. The only thing where we see some consistency is coal.
- Nishith Shah:** Okay and Sir how do we see imports now in terms of volumes and pricing?
- D V Parikh:** Pricing our marketing colleagues would explain. Like on volume Mr Y N Patel has already explained that operations are stable both at Bharuch and Dahej. On the sales part our colleague Mr Jiten Desai will explain?
- Jiten Desai:** As far as prices of chemicals are concerned you know that recession like situation is taking its toll but we are better insulated because our products finding applications in various end user sectors so suppose one sector like textile is not doing well and other sectors there are enough demand for our chemicals. As far as prices are concerned current prices levels are okay as CFO has explained and going forward we cannot predict because it is month-to-month and situation is a bit volatile nowadays.
- Nishith Shah:** So there are no dumping like situations on the import side right?
- Jiten Desai:** Yes normal volumes are coming actually as far as imports of acetic acid and TDI because majority of the products. India is net importer imports are coming in normal quantity.
- Nishith Shah:** Okay and Sir earlier you were selling more of nitric acid compared to TDI because the spreads were better so are the spreads still better in nitric acid?
- D V Parikh:** TDI like we said gradually has improved in terms of realization so if you look at the value addition it is providing more value when we produce TDI now and also like a couple of months back there was heavy demand for concentrated nitric acid which has moderated actually so it is better to put to use when the plant is running for TDI, secondly for market reason also we continue manufacturing TDI so looking from all these factors as of now TDI has a preference over concentrated nitric acid because beyond a particular volume of nitric



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acid company has to enter into certain contract which may not be so lucrative as that of the spot prices.

**Nishith Shah:** Okay and Sir what is the capex for H2?

**D V Parikh:** Our colleague Mr. Patel will respond on that.

**Y N Patel:** See it is difficult to exactly give capex but broadly it will be around 235 Crores that is the cash outflow.

**D V Parikh:** Mr. Shah if we look at the press release we have covered the capex in three parts one is ₹140 Crores of capex which is expected to be completed by FY2023, the second is the capex of around ₹5000 Crores we have mentioned where different capital expenditure are there for weak nitric acid, AN Melt, the CCPP and others and after that we have also mentioned a figure of ₹15000 Crores which is at a very raw stage not even up to drawing board stage which has something to do with the cracker related investment so these are the three things which are given in the press note. The exact breakup if you want Mr. Patel will tell you the breakup of around ₹5000 Crores of capex lined up, ₹140 Crores is basically two things concentrated nitric acid and 4 megawatt solar plant.

**Nishith Shah:** Okay thank you Sir this is all from my side. Sir lastly I have just one request so I wanted to do a plant visit so I will think it will help investor community as a whole to better understand the company and operation so if you can consider this request it will be great.

**D V Parikh:** Always you may get in touch with our investor services they will do the needful coordination for that and you are welcome.

**Nishith Shah:** Okay Sir thank you.

**Alkesh Mungra:** Hi good afternoon Sir. Sir I think most of my questions related to TDI are already answered I only have one question. Like as we know in the month of October TDI prices went up quite high so were we able to take any advantage of it like any price hike or anything? Like last month in the month of October TDI prices globally went up quite high so my question is were we able to take advantage of it like any TDI price hike from GNFC side?

**Jiten Desai:** Yes there was a spike observed in last phase of October and we have also increased the price in tandem with that but the current situation it is slightly moderating now.

**Alkesh Mungra:** Okay thank you Sir and what is the utilization level of plant for TDI right now?



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**Y N Patel:** Right now we are running at 110% capacity but if you want yearly utilization then it will be 130.

**D V Parikh:** Last year the figures of TDI two was around 70% and normally Bharuch plant operates at more than 100% it ranges between 110 to 120%, for the H1 Mr. Patel will tell that.

**Y N Patel:** It is 69% up to October for TDI two, for TDI one it is 128%.

**Alkesh Mungra:** Okay thank you Sir. That is all from my side.

**Ankur Shanwal:** Thank you for the opportunity. Sir GNFC has some excellent set of chemicals for the last few quarters we have been performing really well same cannot be said about our fertilizer division I am not efficient in fertilizer because government has been really helpful with the subsidies they are providing I know GNFC might be using some other technology so you cannot compare it but why our fertilizer division is not generating profits in huge quantity? Thank you.

**D V Parikh:** There is a fundamental difference between the product portfolio of GSFC and GNFC. GNFC's product portfolio of fertilizer is just two fertilizers and out of like close to 1 million tonnes of fertilizer roughly 70% fertilizer or around 75% volume is that of urea and urea the profits are highly regulated, the fixed costs are not revised since quite some time so when you have a product mix where there is highly regulated business you cannot make much profit. The second part within urea business is that government is squeezing the norms of energy which are very difficult to achieve for a very old kind of plant. Our plant has been running since 80s so this is another reason fertilizer is not into profit, but if you look at H1 as compared to ₹11 Crores the profit of fertilizer has gone up to ₹57 Crores in the segment itself mainly this is because of the complex fertilizer where government has been helpful and if you look at GSFC portfolio their portfolio is more on the complex fertilizer side than the urea side. Their urea is substantially lower, lower than what we manufacture whereas if you look at their chemical side their chemical side is not so significant our chemical side is very significant. This will be apparent to you from the segment results also like we are broadly speaking 65% to 70% chemical and rest fertilizer almost and theirs is exactly opposite of us this is the reason there is a difference in the profitability. In the complex fertilizer you take the case of Coromandel they have reported the results for H1 as well as Q2, they made excellent profit whereas you take the case of Chambal which has declared the results they have eroded their margins as compared to Q1 so it all depends upon what product portfolio you have. Within the fertilizer also there are two major companies which I told you one is Chambal second is Coromandel. Coromandel is doing exceedingly well;



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Chambal is not doing so well in terms of its Q-o-Q performance. This is the reason we are not making so much of money in fertilizer.

**Ankur Shanwal:** Thanks for the detailed clarity regarding fertilizer and Sir your chemical division has overall been doing really well since last two years. I hope the performance will continue over the years.

**Maanvardhan Baid:** Good evening Sir. Sir just wanted to understand sort of with interest rates rising and since we have significant cash balance are we getting the benefits of that rate rising?

**D V Parikh:** That is already reflected. If you look at the other income part of the P&L that is reflected. The other income has gone up mainly because of two reasons interest and dividend.

**Maanvardhan Baid:** Okay so now what is the interest that we get?

**D V Parikh:** It depends upon the tenure for which we park but it ranges between 6% to 7.4% as of today.

**Maanvardhan Baid:** 6% to 7.4%.

**D V Parikh:** Depending upon tenure yes.

**Maanvardhan Baid:** Okay fair enough Sir. Thank you.

**Nirav Jimudia:** Thanks for the opportunity Sir again. If you were mentioning that we made operating profit losses on TDI at both the plants in H1 as well as last year so what could be the breakeven cost for us for the TDI plant at Bharuch as well as at Dahej considering the current tolling prices as well as the CNA prices?

**D V Parikh:** CNA we factor only at cost so that is not an issue as far as TDI cost is concerned. The main component of TDI cost is toluene and gas prices which are wildly fluctuating month-to-month. Apart from that when we talk about breakeven; breakeven depends upon what is the contribution margin you are getting for covering the fixed cost. Now there is also an equal kind of changes in the net realization so there is no specific one figure which we can attribute to a contribution level which will give the breakeven point. What we can at the most say is that there is a particular fixed cost and we require certain contribution which has again two varying elements one is realization and second is the variable cost of it. It is a fact that as of now we are not covering and we are incurring losses especially at TDI-II. This is the sixth quarter consecutively we are incurring losses at TDI-II.



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- Nirav Jimudia:** If you can specify the fixed cost also that would be helpful like we do not want the breakup of the variable cost but let us say even if you can give us an idea about the fixed cost on an annual basis at both the plants that would be helpful?
- D V Parikh:** If you look at our financials the fixed cost is going to be around ₹1200 to ₹1300 Crores. There is some impact which will come because of the wage revision also. On an average roughly ₹100 Crores per month is the fixed cost which is there for the company out of which when we say safely between 25% to 30% is attributable to TDI
- Nirav Jimudia:** Okay 25% to 30% of the ₹1200 Crores could be attributable to both the TDI plants in combined right?
- D V Parikh:** Yes.
- Nirav Jimudia:** Just a clarification on the concentrated nitric acid because last year we produced around 116000, 120000 tonnes and we almost sold the equivalent amount so was not CNA not utilized for our aniline as well as TDI so how that mismatch happened if you can just help us understand on that part?
- D V Parikh:** Actually there have always been such mismatches depending upon the market opportunities. Supposing aniline is scoring like we do production planning meeting almost weekly and depending upon the market situation which product scores over in terms of the contribution we take a decision based on that for certain time. There are input forecast, there are realization forecast based on that those decisions are taken, so some time back in the call we also said that instead of TDI we prefer concentrated nitric acid for some time and reverse is the case currently so if you talk about aniline for quite some time it was down if you look at the production numbers it was down in Q2, now we have started not at the full level which is consuming concentrated nitric acid but supposing tomorrow we get a good chance to realize concentrated nitric acid more then aniline will be sacrificed, it is all about product optimization.
- Nirav Jimudia:** If I can ask on the cost of production of producing ammonia through oil as well as natural gas you mentioned that it is a sensitive figure which we cannot disclose on but is it safe to assume that because of the recent increase in the oil prices what we have seen and in your chart gas prices have been constant at around Rs.88 per SCM for the last three to four quarters, is it safe to assume that the cost of production of ammonia through oil is almost 25, 30% higher than what it was before two to three quarters?



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- D V Parikh:** The cost of oil has been continuously rising. In our case it is not just the crude which is quoted it is a special type of oil which we buy which has two variables one is the normal crude which is the high sulfur crude price and second is the very low sulfur crude price, ours is a product which falls in between that but in general we would say that oil prices have a continuous rise since three to four quarters by now.
- Nirav Jimudia:** So has those costs increased by almost 25 to 30% for the cost of production of ammonia through oil over the last 6 months to 8 months?
- D V Parikh:** Yes.
- Nirav Jimudia:** Small clarification to the capex is what you mentioned so when could we expect our ammonia plant to get operationalized along with power plant and the TDI of 10000 tonnes what you mentioned so if you can just highlight the timelines of each them that would be helpful?
- D V Parikh:** TDI I will cover and the rest will be covered by Mr. Patel. I am DV Parikh. TDI 10000 tonnes is already in operation. The debottlenecking has already taken place. There are factors like operating disturbances as well as market which is constantly as of now coming in the way of the capacity utilization. Regarding ammonia make-up loop of 50000 metric ton and that 18 megawatt power plant Mr. Y N Patel will tell you the expected dates of completion.
- Y N Patel:** We have received the LOI for both these projects. Ammonia make-up loop will take at least 36 months so we expect by end of 2026 ammonia capacity that is 150 metric tonne will be added 150 metric tonne per day and for this power plant tenure is around 30 months we are trying to complete as fast as possible but that will get commissioned by end of year 2024-2025
- Nirav Jimudia:** The capex for it is around 600 Crores right?
- Y N Patel:** 613 precisely for this power project and for ammonia make-up loop it is 225 Crores.
- Nirav Jimudia:** So our effective TDI capacity now stands to around 74000 tonnes with this 10000 tonnes of debottlenecking which has happened right?
- Y N Patel:** Yes.
- Nirav Jimudia:** Thank you so much Sir and all the best.



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- Sandeep Avhang:** Firstly, we saw one-on-one traction by almost half a percentage and what was the major reason let us say the product which contributed to this margin contraction are there any particular reason for particular products which contributed to the volume contraction or how was it?
- D V Parikh:** There are two major products which have led to the margin contraction one is technical grade urea another is AN Melt during the last quarter.
- Sandeep Avhang:** What was the update on the price hikes which you had taken, are they any price hikes which you have taken or you have not taken any?
- D V Parikh:** Prices have been continuously going down for these two products and therefore it is eroding the margins directly so it is a sales price variance in a way.
- Sandeep Avhang:** Going ahead where can we expect your margins to be stabilized like by H2 or maybe next year is there any update on that?
- D V Parikh:** Our IP marketing executive Sri Manish Upadhyay will respond on that.
- Manish Upadhyay:** Actually second half normally we will get a good price so of course particularly maybe for one month or two months time the urea prices may be stable or will be slightly on lower side but we will be expecting the better price realization after that period,
- Jiten Desai:** AN price right now is steady and we hope that it will remain for the balance period.
- Sandeep Avhang:** Okay than you that is all from my side.
- Akhilesh Kumar:** Thank you. Sir I joined little late. If you have answered already please skip that. I wanted to know if we have touched upon the AGR demand from the DOT what I believe is couple of years back the demand was withdrawn do we know why all of a sudden it has again come up?
- D V Parikh:** Department of Telecommunication you are talking.
- Akhilesh Kumar:** Yes.
- D V Parikh:** This is not all of a sudden actually what happens with every time passing by there is an increase in the interest and penalty which they apply till the time the issue is settled so every time we expect that they will keep on revising but in substance demand is the same demand.





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The only thing which is changing because both the licenses have expired the only thing which is adding up with the passage of time is interest and penalty so like in the financial it is mentioned around ₹21370 Crores or so, so that is last demand that it started with the demand of ₹15019 Crores and it went up to ₹16359 and it went up to around ₹19000 and now ₹21370 Crores so there is nothing in terms of principal which is adding up.

**Akhilesh Kumar:** But we do hope any resolution on that or it will keep hanging all the time?

**D V Parikh:** We have taken up the matter at the highest level at the government level and legally also and we are awaiting certain outcome to come. Certain positive decisions came already but then again department has contested that in the Supreme Court so let us see what kind of decision comes on those appeals against appellate tribunal decision, which is already given in favor of the assesses so it define the further course of action.

**Akhilesh Kumar:** Okay thank you for clarification. That is it from my side.

**Maanvardhan Baid:** Thank you for the opportunity again. Sir just wanted to understand sort of gas prices have gone up and that has impacted us but that has impacted some other geographies more than us so sort of going ahead or in the longer run do you see some advantage out of this whole thing, are you seeing capacities globally getting mothballed or something on those lines?

**Jiten Desai:** Yes you are right that particularly the capacity erosion. Many plants are not in operations for TDI it is happening worldwide and particularly in Europe but on the other side the demand is also weak so whatever supply and demand imbalance has eroded by weak demand, so it is advantageous to us to some extent but not fully.

**Maanvardhan Baid:** Because of this are you being able to identify some gap because again one of the advantages with GNFC is that it is sitting on a very large cash pile so in terms of maybe procuring some machinery or some of these plants maybe relocating them because sort of at our end we feel that given the kind of cash that the company is sitting on and sort of the spread of the capex, etc., and it is continuously cash generating kind of business that you are in so sort of any opportunities that are there on that front or that you are considering which could lead to some quick addition of capacity one might say?

**Y N Patel:** Normally any good project of substantial size it takes at least 2 to 3 years for execution and by the time you complete engineering it is almost 1 year gone and GNFC has a tradition that we do not buy old machinery or old plant, relocating from any other place and we do not go for any inferior technology where guarantees are not involved so we do not do any such



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gamble at GNFC. We go with fresh installation of plant and we go with good technology supplier so I do not see short term opportunity we can cash on at least on capex side.

**D V Parikh:** We is not mainly into R&D it is mainly towards the execution after purchasing technology, absorbing and reasonably mastering it so the second part is growth can come in two ways like one is organic which we are into and second is inorganic which can happen through the process which you said including some companies acquisition but most of our kind of companies do not go in an inorganic way so ours will be an organic way. Whatever position we are at from 1976 to this date is purely organic journey. Do you have any further question on this?

**Maanvardhan Baid:** No Sir this clarifies things. Thank you.

**Mridul Saraote:** Good evening everyone so my simple question over here is from last many quarters we have seen that PAT of around 500 Crores was being posted by GNFC in this particular quarter because of some inevitable reasons the PAT has dipped to 235 to 240 odd Crores in future can you just give a hint about the PAT or profitability where we can see in the future quarters? Thank you.

**D V Parikh:** We do not give any future guidance like this. If we were to be knowing probably we would have been doing business on our own. These are charting into certain rough weather over a period of time and responses will all depend upon the market conditions. Okay we may have ₹500 Crores or whatever PAT you are talking about, but then if you look at the consistency of profitability I do not think on a per annum basis it was around ₹325 Crores more than that if you take our history of 47 years. So we would definitely like to grow both in revenue and profit but after adjusting ourselves to market conditions. It can always not be stratospheric but if opportunity comes then we definitely take those opportunities in stride and go forward.

**Mridul Saraote:** Thank you so much.

**Rajesh Pillai:** Thank you all our investors for participating in our investor conference call and I also thank my senior executives for joining this call and adequately replying to the queries of the investors. Thank you. So we close this conference call right now.