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**Gujarat Narmada Valley
Fertilizers & Chemicals Limited**

CIN : L24110GJ1976PLC002903

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

NO. SEC/BD/SE
August 17, 2024

Dy. General Manager
BSE Limited
Corporate Relationship Dept.,
1st Floor, New Trading Ring,
Rotunda Bldg, PJ Tower,
Dalal Street, Fort,
Mumbai - 400 001
Scrip Code: "500670"

Dy. General Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
C-1, Block - "G",
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051
Symbol: "GNFC"

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

Dear Sir / Madam,

We had vide our letter dated August 08, 2024 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Wednesday, August 14, 2024 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 August 14, 2024. The said transcript along with the audio is also uploaded on the Company's website i.e. www.gnfc.in

You are requested to take note of the above.

Thanking you.

Yours faithfully,

For Gujarat Narmada Valley Fertilizers & Chemicals Limited

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PRABHATKUM
AR DHARAJIYA
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CHEITNA
PRABHATKUMAR
DHARAJIYA
Date: 2024.08.17
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Chetna Dharajiya
Company Secretary & Chief Manager (Legal)

Encl.: As above



“Gujarat Narmada Valley Fertilizers and Chemicals
Limited

Q1 FY '25 Earnings Conference Call”

August 14, 2024



MANAGEMENT: **MR. D. V. PARIKH – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER**
MR. Y. N. PATEL – HEAD OF DEPT. (O&M)
**MS. CP DHARAJIYA – CHIEF MANAGER AND
COMPANY SECRETARY**
**MR. MANISH UPADHYAY – ADDL GENERAL MANAGER
(MARKETING)**

Moderator:

Ladies and gentlemen, good day, and welcome to the Gujarat Narmada Valley Fertilizers and Chemicals Limited Q1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal



*Gujarat Narmada Valley Fertilizers and Chemicals Limited
August 14, 2024*

an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Present from the management are Mr. D. V. Parikh, Executive Director, and CFO; Mr. Y. N. Patel: Head of Department, O&M; Ms. CP Dharajiya, Company Secretary and Chief Manager, and other senior team members of the management.

I now hand the conference over to the management for the opening remarks. Thank you and over to you, sir.

D.V. Parikh:

Good afternoon and thank you very much for holding this call. We welcome all the participants to this conference on Q1 results of GNFC for FY '24-'25.

As you know, we have put up in the public domain the results, investor presentation as well as public release. The public release was actually updated after the announcement of the results and there is a new version which was made available yesterday itself because of the change in certain factual position of the investments. Just to clarify so that people can have a look at it, I will cover in my discussion about the update as well. I'll cover two updates. One is on the business side and second is on the financials. On the business update.

And before I go there, I'll tell you the three names which are introduced apart from that we have our marketing colleague, Mr. Manish Upadhyay. He is joined along with his other colleague, Mr. Tejash Shah. In case of any questions relating to either operations management, projects or business strategy, Mr. Y. N. Patel will be answering those questions, on the marketing side, Mr. Manish Upadhyay will be answering and any general question or on the finance-related matters, I'll be answering the questions, and we'll introduce ourselves respectively while responding to the queries.

Now on the business side, as you know we have announced that Board of Directors has cleared the investment proposal for investment into the weak nitric acid. The capacity we announced is 200,000 metric ton per annum, which is expected to be around 57% increase over our current capacities on a per annum basis. This will also pave the way for investment in ammonium nitrate for which approval for tendering has already been obtained.

Apart from that, there is development during the quarter we have capitalized investments projects worth around INR 135 crores.

There are four such projects which are capitalized during the quarter. One is on the ammonia tank, which is a double wall tank, which is built up, erected, and now put into operation sometime in June. The second is a four-megawatt solar power plant, which is wheeled to Dahej.

Third is on the railway track renewal for which around seven-eight kilometres of tranche has already been replaced. The fourth is on the desalination plant 4 MLD desalination plant which



*Gujarat Narmada Valley Fertilizers and Chemicals Limited
August 14, 2024*

is capitalized in the books. We participated in the 100 MLD GIDC project at Dahej and this will provide reliability in terms of water, apart from reducing the cost. So this is on the capitalized projects.

Apart from that, there are two other projects which are ongoing, and they are on stream and expected to be completed well on time, which is one, is the investment of around INR613 crores in coal-based power plant at Dahej which is expected to commission sometime in April '25 and the other investment is into the additional ammonia loop, which will yield another 50,000 metric ton per annum, which is expected to be operational sometime in '26.

On the fertilizer front, the subsidies are coming on well and government has been working on two other aspects, which is in case of urea renewal of fixed cost for various urea units and revision in energy norms. On the chemical side, the operations are stable and the annual turnaround which we have taken at Dahej is going to be operational by end of this month. So this is on the business side.

Now, coming to the financials, we talk about volumes on a Y-o-Y basis, the volumes are quite positive, both in fertilizer and chemical and on a Q-o-Q basis the volumes are good in chemical, and some optimization is done in case of fertilizer and therefore the fertilizer volume mainly the complex fertilizer is lower.

If we talk about the margins, the realizations in case of chemical on Q-on-Q basis are improving, whereas on Y-on-Y basis it has tapered down. Going to the feed stock and energy, all the input costs have come down except for the oil and because of the geopolitical reason, especially escalating tensions across geographies probably the oil is not coming down.

On the other income side, there is lesser income by around INR 10 crores mainly because of the increase in the working capital on a Q-on-Q basis, whereas on a Y-o-Y basis, there is a INR10 crores positive because of the internal accruals. During the quarter there are certain one offs, around INR40 crores mainly pertaining to the interest cruising on the EPCG liability, some higher coal consumption, and the unproductive cost at TDI Dahej which has impacted TDI, around INR40 crores out of the total results.

So this is by and large, things are on financial, although we are not reporting the balance sheet and cash flow on a quarterly basis except for half yearly basis, but there is no major change in terms of balance sheet item. The cash flow overall has been positive because of the internal accruals due to the profit.

So with this, I am concluding my opening remark and leave open the floor for any question and answers. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Nirav Jimudia from Anvil Research. Please go ahead.



- Nirav Jimudla:** Yes, good afternoon, sir. Thanks for these opportunities. I have few questions to ask. So, first on the TDI part. So, if you can just help us out with respect to the losses on the TDI, which we have recorded in FY '24 and first quarter of FY '25, along with it if you also can share the production and sales data for TDI in Q1 of '25?
- D.V. Parikh:** Okay. First of all, on the last side in the Q1 TDIII losses are at INR59 crores as compared to INR35 crores in the corresponding quarter of the previous year. Like the whole year, loss was at around INR259 crores last year at TDI 2. Coming to the volume of quarter one, the production volume of TDI 1 is around 5,000 metric ton and TDI 2 is around 9,000 metric ton. The TDI-II volumes are a little lower because of the annual turnaround taken in somewhere in early June.
- Nirav Jimudla:** Got it. Sir, these losses what you mentioned are at the EBITDA level, or are they at the PBT level?
- D.V. Parikh:** At the PBT level.
- Nirav Jimudla:** Okay. Sir, if you can also help us out like the losses in the TDI have been coming down. So at one point of time, we had a loss of around INR353 crores, INR370 crores also. So has it something to do with the XCL, which comes along with the TDI, and where the prices have improved and those negative realizations which were there early is not currently there, and because of these losses the TDI is coming down? Is FCR also one of the factor? If you can highlight something on that.
- D.V. Parikh:** On a net basis, we do pay for the evacuation of HCL. Last year was quite a good year in terms of the production and sales of TDI. Number two the mix of sales that is lesser of export and more of domestic happened last year. There was an increase in the market share, as well as the realization, which helped partially bring down the losses at TDI-II Dahej.
- Nirav Jimudla:** Got it. Sir, if you can also help us out in terms of how much is the domestic market for TDI currently and what would be our market share?
- Manish Upadhyay:** I am Manish Upadhyay from marketing side. TDI market size is almost 100,000 ton to 105,000 ton and our share is almost 66,000, almost 65%.
- Nirav Jimudla:** 65%? Okay, so rest we may be exporting out, right?
- Manish Upadhyay:** Yes, around some quantity we are exporting.
- Nirav Jimudla:** Got it. And sir, let's say if this shutdown wouldn't have been there, what would have been the incremental volumes at TDI 2 plant, which we would have.
- D. V. Parikh:** See, we do normally between 5,000 metric ton to 6,000 metric ton per month. Maximum is 6,000 at its peak. Otherwise between 5 to 5,500, you can consider so if you take three months' time, it



is around 16,500 metrics should have been there. As stock was there, we ended up with 9000 metric ton.

Nirav Jimudia: Got it, sir. The second question is, on the urea side. You alluded that there has been some presentations to the government, which would allow us to recover or probably our fixed cost would have some sort of revision. So let's say vis-a-vis our actual fixed costs, which we are incurring for the urea as well as what is getting compensated from the government. If you can help us with that figure?

D.V. Parikh: Okay. See, there are more than one type of recoveries in the case of urea business. One is the fixed cost part of it. Second is on the freight part of it, the third is on the energy part of it. So predominantly there are three under recoveries which are happening in urea business. Now if we talk about what is our actual versus what we are getting, there is, depending upon the volume, there is a difference between INR500 to INR600 per metric ton.

The government has taken the data of all the units for the purpose of reviewing and revising the fixed cost, but this is a mammoth exercise, so probably it will take some time and also it depends upon the kind of burden which government envisages on its exchequer. So let us see what happens. But the industry demand has been since quite some time about the revision, for which at least some steps are taken in terms of collation of data.

Nirav Jimudia: Correct. So let's say if such revisions happen by INR500 to INR600 tons per month, would our losses be wiped out, which is like currently INR30,000 on a quarterly basis, or still we would have some sort of losses because of our energy consumption in higher?

D.V. Parikh: Okay, first of all, it is not INR500 to INR600 metric ton per month, it is INR500 to INR600 per metric ton.

Nirav Jimudia: Apologies, sir.

D.V. Parikh: The INR30 crores, INR32 crores which you see in this segment as a loss comprised of more than one fertilizer like we have two fertilizers. The summation is for both the fertilizer.

Nirav Jimudia: Okay.

D.V. Parikh: Answering your question. If you get, let's say, around INR500 per metric ton more, it will substantially reduce the under-recovery. Secondly, we are trying to be efficient on the energy front, which is the Gcal per metric ton of urea. So if both we control well, it will at least, if not, be positive breakeven.

Nirav Jimudia: Correct. So let's say our energy consumption in Gcal per metric ton for urea would be closer to 6.56, 6.6 and what is getting compensated would be close to 5.8. Is it the right understanding or?



- D.V. Parikh:** That is not a right understanding? Our threshold which is given by government up to 2025 March is 6.2 Gcal per metric ton and as of now, in quarter one, we are very close to it.
- Nirav Jimudia:** Okay. Okay, sir. And probably some modifications, and the investment there would help us to reduce that energy consumption going forward.
- D.V. Parikh:** That is a constant effort to reduce the energy. But what happens if we reduce below 6.20. Normally, units don't have much incentive because government takes some share of the balance, and we get only a certain portion of the saving.
- Nirav Jimudia:** Got it. The last from my side is like we have announced this 200 kt of WNA 163 KT of ammonium nitride. So based on the input-output now, probably you would require some higher WNF for our ammonium nitride. So if you can help us out, like in FY '24 and in 1Q of FY '25, how much of WNA we have sold in the outside market? If you can some understanding on the same.
- D.V. Parikh:** I will request Mr. Upadhyay to respond on this.
- Manish Upadhyay:** I'm Manish here. Nitric acid, we are regularly selling almost 6,000 tons to 7,000 tons per month, on 100% basis we are selling different grades. Last **corresponding financial quarter**, we have sold almost 25,400 tons and this financial year, this quarter, it was 22,500 tons approximately.
- Nirav Jimudia:** Okay. So 25,400 is a quarterly number what you mentioned on the quarter last year.
- Manish Upadhyay:** Yes.
- Nirav Jimudia:** Sir, last thing from my side is we have seen the improvement in the profitability in Q1 specifically from the chemical side. So among the product basket what we have, is it safe to believe that was it because of the ammonium nitrite and the acetic acid where we have seen some sort of price increases and because of which is improvement in profitability, would have happened?
- D.V. Parikh:** There are more than one product. ANM is one of them. Second is technical grade urea, acetic acid is also amongst them. So it is a phenomena of more than one product.
- Nirav Jimudia:** Okay. So, ANM was not the single contributor.
- D.V. Parikh:** No. It is one of the contributors.
- Nirav Jimudia:** Correct. And has AN Melt done profitable for now, sir?
- D.V. Parikh:** Yes.
- Nirav Jimudia:** Okay, so last year it has made profits.



- D.V. Parikh:** Last year also it made profits.
- Nirav Jimudia:** Okay. And there is an anti-dumping duty also on the energy. So if you can help us out in terms of how much is the anti-dumping duty on AN Melt and how much it would have benefited us in FY '24. Some sort of understanding there and the production volume.
- Manish Upadhyay:** I'm Manish Upadhyay.
- Nirav Jimudia:** Yes, sir.
- Manish Upadhyay:** One minute. I'll just give you anti-dumping duty amount. Anti-dumping duty is from The Korea, China, and Japan for TDI. **Aniline** is from China.
- Nirav Jimudia:** Yes. So I was inquiring about the ANM part. So what was the production and the sales last year? And how much would the anti-dumping duty benefited us in FY '24?
- Manish Upadhyay:** It is **USD 36.9** from China.
- Nirav Jimudia:** Okay. And it is.
- Manish Upadhyay:** Other than one -- for one who and other than one, it is \$121.79.
- Nirav Jimudia:** Correct. And sir, last thing the production and the sales volume for **Aniline** in FY '24?
- Y. N. Patel:** Production up to June is 12,000.
- Nirav Jimudia:** April to June.
- Y. N. Patel:** Yes, I'm Y.N. Patel answering your question. April to June production if you get it is around 12,000 and if you want a figure up to July also, it is 15,900.
- Nirav Jimudia:** No, sir, I was inquiring about FY '24. If you can share the figures for FY '24, sir?
- Y. N. Patel:** I have to recall. It will be matching. Sales figure will tell you what.
- Y. N. Patel:** Sales figure is also because some would have been the nitrobenzene sales also.
- Manish Upadhyay:** Yes, last year sales was almost 2,000 tons in April, May, June, and this year it was 11,200 tons approximately.
- Nirav Jimudia:** Okay. Thank you so much, sir, and wish you all the best.
- Moderator:** Thank you. We have a follow-up question from the line of Nirva Jimudia from Anvil Research. Please go ahead, sir.



- Nirav Jimudia:** Sir, the opportunities again. Sir, one question on the coal-based steel plant, what we are currently undergoing a capex. So once it is commissioned, how much of our dependence on the outside gas would come down, one? And you mentioned something around INR625 crores of capex for the same. What could be the expected period for the same?
- D.V. Parikh:** I'm D.V. Parikh, I will answer your question. Currently, the gas which we are using is in the range of 200,000 to 2,25,000 SCM a day. With the resumption of this CCPP, it will be cut to half. Now depending upon the gas and coal price, the economics are going to work out. But as per our current estimate, this is going to generate a saving of around INR75 crores per annum. Yes. So in a way, if you talk about a simple payback, it is going to be roughly little between seven to eight years.
- Nirav Jimudia:** Correct. And for this, ammonium nitrate and the WNA, the capex would be in the range of INR1,200 crores, INR1,300 crores or it could be more than that.
- D.V. Parikh:** It will be within the band of INR2,000 crores. Both the projects put together, yes.
- Nirav Jimudia:** And what could be the expected commissioning of both these plants?
- D.V. Parikh:** For weak nitric acid, the current time plan is around 33 months.
- Nirav Jimudia:** Okay.
- D.V. Parikh:** And for the melt, it will be lower around 24 months or so. For the melt, we are going ahead with the new tendering, so we are trying in a way that both the things coincide so that upstream and downstream is aligned together.
- Nirav Jimudia:** Got it. And sir, about the ammonia part. I'm using a rocking remark. So that 50,000-ton plant when it would be commissioned and what would be the capex for the same?
- D.V. Parikh:** Okay, that is covered in my opening remarks. The ammonia loop is going to be commissioned sometime into '26.
- Nirav Jimudia:** Okay.
- D.V. Parikh:** What is your another question on ammonia?
- Nirav Jimudia:** Yes, I was trying to understand the capex part of the ammonia and...
- D.V. Parikh:** INR227 crores.
- Nirav Jimudia:** Okay.



*Gujarat Narmada Valley Fertilizers and Chemicals Limited
August 14, 2024*

- D.V. Parikh:** For the coal-based power plant, it is INR613 crores I said and for the ammonia it is going to be INR227 crores.
- Nirav Jimudia:** Correct. And do we have any surplus ammonia in the first quarter, which we would have sold in the domestic market after consuming for our downstream products?
- D.V. Parikh:** No. As of now, there is no surplus ammonia. On the contrary terms, we have to buy ammonia.
- Nirav Jimudia:** Got it. Thank you so much, sir, for answering my questions, and wish the entire team of GNFC all the best.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Chetna Dharajjiya:** Yes, I'm Chetna Dharajjiya, Company Secretary, I extend my sincere thanks to all the participants for active participation and interaction. I'm thankful to Anurag Services LLP for arranging this call and the moderator also. I also thank the representatives from the management team. Thank you, everyone.
- Moderator:** Thank you. On behalf of Gujarat Narmada Valley Fertilizers and Chemicals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.