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

No. GNFC/Transcript/LODR
May 29, 2025

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

The 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 January 17, 2025 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Monday, May 26, 2025 at 03:00 PM (IST) through Conference Call.

We send herewith a copy of Transcript of Investors / Analysts meet through Conference Call which took place on Monday, May 26, 2025 at 03:00 PM. The said transcript along with the audio is also uploaded on the Company's website i.e. www.gnfc.in

We request you to kindly take note of the above.

Thanking you,

Yours faithfully,
For Gujarat Narmada Valley Fertilizers & Chemicals Limited

RAJESH PILLAI
Digitally signed by RAJESH PILLAI
Date: 2025.05.29 10:49:46 +05'30'

Rajesh Pillai
Company Secretary

Encl.: As above

"Gujarat Narmada Valley Fertilizers and Chemicals Limited

Q4 FY '25 Earnings Conference Call"

May 26, 2025

MANAGEMENT: **MR. D. V. PARIKH – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED**
MR. Y. N. PATEL – HEAD OF DEPT. (O&M) – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED
MR. M. I. SHAMSI– GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED
MR. NITIN PATEL – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED
MR. TEJAS SHAH – HEAD, MARKETING – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED
MR. JAGDISH THAKKAR – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED
MR. RAJESH PILLAI – COMPANY SECRETARY – GUJARAT NARMADA VALLEY FERTILIZERS AND CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Gujarat Narmada Valley Fertilizers & Chemicals Limited Quarter 4 Financial Year '24-'25 Earnings Conference Call, hosted by Anurag Services LLP on behalf of GNFC.

From the management, we have Mr. D.V. Parikh, Executive Director and Chief Financial Officer; Mr. Y.N. Patel, Head of Department, O&M; Mr. Rajesh Pillai, Company Secretary in charge; and other senior members of the management.

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

I now hand the conference over to Mr. D.V. Parikh. Thank you, and over to you, Mr. Parikh.

D.V. Parikh: Thank you. Good afternoon, all, and a very warm welcome to all the participants on this Q4 as well as full-year FY '24-'25 financial results con call. I would first update you about some of the business updates, and thereafter, touch upon the financial results part, and then, we'll take the question and answers.

On the business part, like we have updated, the investor presentation, apart from the financial results on the website as well as with the stock exchange, which most of you must have gone through. In terms of the key update, basically, Board of Directors has recommended a dividend of 180%, which is INR18 per share, which augurs well as compared to the last one, which was at 165%, INR16.5 per share.

As far as capital expenditure plans of the company are concerned, total capex of around INR2,900 crores is at different stages of execution as well as approval. Some of the capex is already part of the presentation, whereas others are in the nature of maintenance capex, which aim to improve either efficiency or cost saving part of it.

As you know, company has appointed Kearney, and the final outcome of the recommendations has been debated in the last Board meeting. And now the company will be working on some of the chosen opportunities in respect of the capital expenditure investment.

The broad profile of Kearney mandate has been into 3 parts. One is the organization structure. The second was the transformation, which is pertaining to the existing operations. And third is the expansion part of it. The expansion and transformation parts are already cleared, and now, the company will be working towards the execution thereof.

As far as fertilizer is concerned, as you know, effective 1st of April, the NBS subsidies have been revised. In case of GNFC, the impact is roughly INR2,600 per metric ton, INR2,560 to be precise. Industry-wide N factor is not updated somehow. So these are the broad updates from our side on the capital expenditure and other aspects.

I'll touch upon the financial part of it. The company has clocked a turnover more or less equal to that of last year. This turnover reflects the elongated shutdown of TDI-II, which, otherwise, would have added to the topline of roughly INR300 crores and profits of roughly INR100 crores.

When we are talking about profits, we take into consideration 2 parts, one is the contribution loss and second is the extra cost, which happens because of the shutdown, mainly the variable cost on account of the shutdown. Of course, due to shutdown, there are certain other fixed costs also, like higher repairs and maintenance, which account for it.

So if you see barring for that elongated shutdown, the results would have been higher by roughly INR300 crores in terms of the top line and about INR100 crores in terms of the bottom line. The Q4 has been quite good with the top line of roughly INR2,055 crores and the bottom line of INR287 crores of PBT, I'm talking about. And out of the INR790 crores of PBT, INR287 crores pertains to quarter 4, which is because of the very good contribution from the chemical side of it.

Overall, if we see, the losses on account of fertilizer has come down by a factor of around INR64 crores, despite the fact that the volumes and the overall revenue has been lower. Whereas in case of chemical, the volumes have been higher, the profitability has also improved. And some of the chemicals like AN melt, technical grade urea and aniline, they have contributed positively towards the performance of the company.

When you go to the segment assets and liabilities, there is a net change of roughly INR250 crores in the overall net worth of the company, mainly emanating out of 2 important reasons, one is the outgo of dividend, which is accounted for on as-it-goes basis. And second is the accrual of the profit. So this is how the INR250 crores is the net impact, which is coming to the net worth of the company.

Talking about the other comprehensive income, there is a net loss of roughly INR100 crores. It emanates predominantly out of the listed investment which the company has, where the prices have gone down. The overall effect of like INR585 crores, which is the PAT minus the comprehensive -- other comprehensive income, is now going to the net worth. So this is the overall on the P&L.

Coming to balance sheet, there is no major change in the balance sheet except if you go towards the investment side, there is a liquidation of government securities during the year and which adds up to the cash flow. If you see the cash flow part of it, the profit and operating cash flow are more or less touching each other, which means there is no incremental working capital, which is called for during the year.

So with this, I would like to end the opening remarks and leave open the floor for Q&A. Thank you very much.

Moderator: Thank you. The first question comes from the line of Neerav with Anvil Wealth. Please go ahead.

Neerav: Sir, so my first question is on the sales volume growth in terms of volumes in FY '25 versus FY '24 basis. So if you can just walk us through what was the sales volume growth and also help in terms of which of the products have -- would have contributed to this sales volume growth in FY '25?

Tejas Shah: Yes. I am Tejas Shah, Head, Marketing. As far as the sales volume is concerned, the acetic acid sales was 7% high than '23-'24. AN melt sales was also high by 9%. Aniline sales was high by 15%. TG urea sales was high by 52%. And CNA sales was high by 15%. Formic acid sales was also high by 6.7%.

D.V. Parikh: Methanol by 73%.

Tejas Shah: Methanol by 73%.

Neerav: Okay. Sir, in terms of FY '26, would there be any planned shutdown for any of our plants? And if you can also let us know which of the products within our product basket could see a volume growth in FY '26 over FY '25 basis?

Nitin Patel: I'm Nitin Patel. We -- I look after operations and technical services. We already had a shutdown in the beginning of current financial year for about 3 weeks. So volume growth possibility is very less because of the factory shutdown for 3 weeks, more or less. And we do not have any further shutdown till the end of FY.

Neerav: Correct. Correct. Sir, for the products, you have mentioned that we had registered a volume growth, but I think we had a shutdown for the TDI plant, for which the impact on the sales and profitability was explained on the opening remarks. So if you can guide us like what was the production for TDI in FY '25 and how we are looking FY '26 so far as TDI is concerned, combining both the plants?

Nitin Patel: Combining both the plants, the production is down by 31%. TDI Bharuch is more or less on the plus side, plus 9%, whereas TDI Dahej, because of the extended shutdown, we are down by 44% in the volume. And looking forward to current financial year, we do not foresee any major issue in achieving the installed capacity production. We'll be close to that mark.

Neerav: Got it, sir. Got it. Sir, second question is, so far as the input prices are concerned, predominantly on the toluene side, we have seen a good correction in the prices of toluene from March end onwards. So when can we see the benefit of this reduction in toluene prices in our numbers? Like it's a major raw material for us, so have we also started seeing the reduction in toluene prices in our purchase orders from the suppliers?

D.V. Parikh: Yes. I'm Dilip Parikh. Yes, toluene, in fact many petrochemicals are going down, including toluene. But the issue is it also has an impact as of now on the TDI, which is under pricing pressure since last couple of months. So that advantage is actually taken away when it comes to the input cost advantage because the output prices are also under pressure.

Neerav: Correct. And sir, with reference to this, I think, in the presentation, it is showing that we are going to commission the boiler in FY '26. So with reference to its commissioning and benefit accruing out of it, if you can again refresh it in terms of the latest update, that would be very helpful.

Jagdish Thakkar: Yes. I am Jagdish Thakkar looking after projects. And present status of that CCPP plant, which is a boiler plus power plant, we are expecting to be completed by maybe September this year.

D.V. Parikh: Actually, your other part of the question was on the impact. See we foresee, as of now, an impact which might range between INR12,000 to INR18,000 per metric ton. It's an interplay between the two prices of gas and coal. So one may say that effective 1st October, assuming that it all goes well and it is commissioned, this is the advantage we foresee in our contribution.

Neerav: All right. And possibly, it would help us to narrow down our losses in the TDI at the PBT level.

D.V. Parikh: Yes. It depends upon the total value coming because on the other side, there will be depreciation also on this investment, which is having the capex size of INR613 crores.

Neerav: Got it. Correct. Sir, next question is on the -- on your opening remarks about the debate which you had with A.T. Kearney for the reduction in the variable cost. So like this is more towards the power cost or the other operating costs or would also be extended towards improvement in our input/output ratios or norms for most of the chemicals what we produce, and if you can share some insight that would be very helpful.

Nitin Patel: See, there were a couple of initiatives. Number one is procurement optimization initiative. We buy major raw material and fuel. Major raw materials are benzene, toluene, fuel oil, natural gas, and other is power optimization, increasing the portion of RE and substituting part of the captive power by RE. Then third is digital initiatives. Management has insight to some extent on all these initiatives, but now on a concrete way forward, we will move ahead with the handholding of third parties.

Neerav: Got it. And sir, if I may ask, like the benefit of these initiatives would be visible in FY '26 or we would see the benefit coming next year?

Nitin Patel: See, they have defined short term, medium term and long term. If we talk about the oil, then it's a 3- to 4-year exercise. If you talk about other initiatives, then it's a 1-year to 2-year exercise. Some small initiatives are having a span of 6 to 12 months. So the effect on the balance sheet would be slow and gradual.

Neerav: Got it. Got it. And sir, last from my side is if you can share the production numbers for ammonia and weak nitric acid for FY '26? For ammonia, if you can share both for gas as well as from oil?

Nitin Patel: Ammonia from oil, we produced 3,36,000. From gas, we produced 3,69,000 having a ratio of around 48% and 52%, respectively. Weak nitric acid, we produce close to 4,43,000.

Neerav: Okay. And of this, possibly we would have sold 75,000, 80,000 tons in the outside market, is a safe assumption?

Nitin Patel: Yes, more or less like that.

Moderator: Next question comes from the line of Aatur with ICICI Prudential Mutual Fund.

Aatur: Yes. Just -- is on this expansion which you highlighted that Kearney were evaluating. Anything in terms of size, etcetera, you can share with us or in terms of product line, existing products, new products, if you can help us get some better understanding.

Nitin Patel: Are you talking about new projects, which are shown in the presentation?

Aatur: No. That is given, weak nitric acid, that is there. I'm saying in terms of the recommendation from Kearney for the next phase of expansion, is there a particular size which you are looking at in terms of their recommendation? Are there new products, existing products? What is the kind of expansion recommendations, if you can share?

D.V. Parikh: Okay. I'm Dilip Parikh. I'll tell you about this. First, about the investment size. When we started with Kearney, we took around INR15,000 crores worth of kitty, which we may look at for the purpose of investment. They have given a few options - with an investment size which goes up to around INR22,000 crores.

Coming to the question whether they are existing line, they are different products, not what we are manufacturing. However, they are more or less sort of import substitutes. So this is what broadly we can share as of now, once the detailed feasibility report is out, we'll be in a position to tell better about which particular products we are going in for.

Aatur: Sure. So it could be part or it could be entirely. So right now, that is not decided. It could be in parts also or in entirety also. Is that a better understanding or not?

D.V. Parikh: It will depend upon the attractiveness of the products, which are suggested by them. When we do the detailed feasibility report, it will come out that what is the return profile of each of the products. And as against that, what is the investment size? So based on that, the Project Committee and Board may decide.

Moderator: Next question comes from the line of Mehul Panjuani with 40 Cents.

Mehul Panjuani: I had a question because I'm new to the company, and I have not gone through the investor presentation. Can you please help us -- help me who are Messrs. Kearney? What is -- can you just throw some light on the discussion which is going on about Kearney?

Nitin Patel: See, Kearney is one of the top 4 or top 6 management consultant globally. For any company growth or improvement, performance improvement, future roadmap, it is very customary that this type of companies are hired. And accordingly, based on the directive of Board, Kearney was on the board for all these activities. So they are managing -- management consultants.

Mehul Panjuani: Right. So sir, have they completed their due diligence and have furnished the report or they are in the process?

Nitin Patel: Due diligence is completed, report was presented to the Board, and it was debated in the last Board meeting.

Mehul Panjuani: Right, sir. And sir, when do we think the Board will finalize the -- how do you want to go about with this?

Nitin Patel: See, the report is presented, and further line of actions are decided for the margin improvement, which was discussed in the first question and for detailed feasibility report, as our CFO has highlighted, for the new investment and new projects. All activities will begin now on a defined roadmap.

Mehul Panjuani: Right. And sir, where are these -- where is this management coming from, Kearney? Is it from India or abroad?

Nitin Patel: I think they are stationed in Bangalore, Bangalore or -- basically, it is a multinational company.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. We have a question. It's from the line of Mehul Panjuani, once again, from 40 Cents.

Mehul Panjuani: Sir, one question with -- regarding the management consultant, Kearney. Is it the initiative of the Government of India? Or is it an initiative which was as part of the Board initiatives?

Nitin Patel: It is a Board initiative.

Mehul Panjuani: So, sir, because GNFC is such an old company, have these kind of initiatives been done before also or this is just a first kind of initiative in terms of improving the margins and efficiency?

Nitin Patel: Before 17 years, this kind of initiative was taken for the first time, and this is second exercise.

Moderator: Next question comes from the line of Neerav with Anvil Wealth.

Neerav: Sir, one thing on the methanol part. You mentioned that we had registered some close to around 73% volume growth. Sir, was the economics favoring in terms of the pricing of methanol for us to produce and sell in the market? Because, I guess, in some of the commentary last time or before that, you mentioned that the pricing is the main criterion for us to produce methanol, so if you can share your thoughts here.

D.V. Parikh: Yes, you are right. Up to November, we had that advantage of contracting gas at a competitive price. And for about 7 to 8 months we ran the plant, that is a normal cycle we internally anticipated that we require so much time, and it ran well. But from effective December, again, the prices of gas have gone up and are not competitive in manufacturing. So the plant is stopped as of now. It's not in operation.

Neerav: Correct. And for the 7, 8 months, when we ran the plant, plant was profitable or the product was profitable in our overall product basket portfolio.

D.V. Parikh: Yes. Yes.

Neerav: Got it. And, sir, any outlook on the oil prices? Because even in the presentation, when we see, I think the prices have been not correcting despite of crude prices correcting a bit. So are we seeing on a forward curve basis, the prices of oil, which we use for our ammonia production, is seeing some sign of correction or some sign of softness?

D.V. Parikh: See the pricing for oil is not directly correlated with this crude. Crude, even if it comes down, this is a special category of oil, which is procured from Indian Oil. And like what we referred in terms of inputs from the strategic management consultant, we are using those levers to bring it down. And hopefully, it should come down as compared to what it used to be.

Of course, we have a formula-based price mechanism with IOCL, but somehow the different components therein are such that it does not have a direct co-relationship with the crude, which you are referring to.

Neerav: Got it. And sir, last thing from my side is on the ammonia through oil route, we have produced close to around 3,36,000 tons. So was there any opportunity for us in FY '25 and more predominantly in Q4 of FY '25 to sell some excess ammonia in the market to capitalize the benefits?

D.V. Parikh: Actually, when we produce more of oil-based ammonia, if the downstream products, value-added products are not working out, then we think of selling the ammonia provided it is profitable. In this case, the downstream products worked quite well as you see from the Chemical segment result also and the overall Q4 results also. So the ammonia was more valorized in terms of value-added product rather than selling it out. So we did not sell any ammonia during Q4 or rather for the entire year.

Neerav: Got it. And sir, last question from my side is on weak nitric acid. I think in FY '26, we are -- in the second half, we are seeing some of the capacities of WNA coming up more predominantly for CNA as well as for AN melt. So if you can share your thoughts here, a, for the demand for AN melt in India? And how do we opt to participate in that demand growth for AN melt in FY '26, a? And b, do we also produce some sort of value-added products for AN melt, like LDN or HDN, which is a slightly better realization than AN Melt?

Tejas Shah: I'm Tejas Shah. If you see the Indian market now, ammonium nitrate import in FY '24-'25 is around 4.2 lakh tons. So no doubt, additional capacity is coming. Chambal is coming up with additional 2 lakh tons. But Indian demand growth is also good compared for the ammonium nitrate, so that will slowly -- all the capacity will be absorbed in the Indian market.

Nitin Patel: Your second question was about LDPN and other form of solid ammonium nitrate. We do not manufacture that. We manufacture only in the melt form.

Neerav: Okay. Okay. And sir, any plans over a period of time we may foray into or think of? Because like what could -- or in other words, if I can ask like which sectors are stopping us in terms of those value-added products, if you can share?

Nitin Patel: See, LDPN or solid form of ammonium nitrate that itself is a separate plant, prilling tower and downstream solid handling and product conditioning units. So that's a higher capital investment. Melt is front end, and solidification and conditioning is this rear end of the entire end product basket, if we talk. That is why we are not into it and only producing the front-end product that is made.

D.V. Parikh: One of the reason, like, of course, there is some value addition, but if you compare it with the incremental capex, it really did not work out for the company. And therefore, we changed back our mind from those kinds to produce in the melt form only.

Neerav: All right. And sir, given the kind of volumes and the plants we manage across both the locations, what one should consider in terms of an annual maintenance capex, which we need to spend in order to keep the plants up and running?

D.V. Parikh: Okay. If you see, the total R&M, normally when the shutdown is there, touches to around INR200 crores per annum taken together for both the complexes.

Neerav: Okay. And sir, if you can guide in terms of what should be the capex for FY '26?

Jagdish Thakkar: See, total, our capex maybe for this year, we will be if we were to complete power plant, that is around INR600 crores and -- that is INR600 crores around, completion.

Neerav: Expenditure you're talking about?

Jagdish Thakkar: Yes. It will be around INR300 crores. It will be around INR300 crores.

Neerav: Okay. And this INR300 crores also includes our maintenance capex also.

Jagdish Thakkar: No, no. It's a different.

D.V. Parikh: No, no. It does not include maintenance capex as such. See the capex, which Jagdishbhai is referring to, is out of around INR2,200 crores, which is part of the presentation, which predominantly consists of 3 different natures, which is weak nitric acid of roughly INR1,420 crores, INR225 crores of ammonia make-up gas loop, which is undergoing certain cost escalation. And the third is CCPP, which is INR613 crores as of now.

Neerav: Got it. Correct. Got it, sir. Got it. So in an ideal scenario, we should work with this INR300 crores plus INR200 crores of maintenance capex in order to keep the plant...

D.V. Parikh: It will be more than that. Maintenance capex will be more than that. But then it has its own spread of time, like one of the maintenance capex, which pertain to the effluent treatment plant, it will go over more than 2 years, which is to the tune of roughly~ INR130 crores.

So it is like that. Whereas there are certain capex, like retrofit of turbines, which will happen over a period of 16 months or so. So the spread would be over 2 financial years, probably. It depends upon when it starts and when it ends, but the spread would be over 2 financial years, at least.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. D.V. Parikh for closing comments.

D.V. Parikh: I'll request Rajesh to talk about the vote of thanks.

Rajesh Pillai: Yes. Thank you to all the participants for joining this call, and I would like to express my gratitude to all the senior executives of the company as well as the moderator and the team of Anurag Services LLP. Thank you.

Moderator: On behalf of Anurag Services LLP that concludes this conference. Thank you for joining us. You may now disconnect your lines.