



NO.SEC/BD/SE/
November 16, 2017

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Company Code : BSE : "500670"

Company. Code : NSE "GNFC EQ"

Sub: Transcript of Analyst / Investor Conference Call on the Unaudited
Financial Results Second Quarter ended on 30th September, 2017

Dear Sir / Madam,

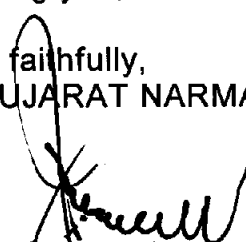
We had vide our letter dated 9th November, 2017, intimated the Stock Exchanges about the schedule of Analyst / Investor Conference Call on Monday, the 13th November, 2017 at the Registered Office of the company, on Unaudited Financial Results for the second quarter ended on 30th September, 2017.

We send herewith a copy of Transcript of Analyst / Investor Conference Call which took place on 13th November, 2017. The said transcript is also uploaded on the company's website.

Kindly take the above on record.

Thanking you,

Yours faithfully,
For GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD


T.J. Lakhmapurkar
Company Secretary & GM (Legal)



“GNFC 2Q FY18 Results Conference Call”

November 13, 2017



MANAGEMENT: **MR. R A SHAH – CONSULTANT, GNFC LIMITED**
MR. R T BHARGAVA – OFFICE ON SPECIAL DUTY,
GNFC LIMITED
MR. DILIP V PARIKH – CFO, GNFC LIMITED
MR. TUSHAR LAKHMAPURKAR – COMPANY
SECRETARY, GNFC LIMITED

MODERATOR: **MR. RANJIT R CIRUMALLA – BATLIVALA & KARANI**
SECURITIES INDIA PVT. LTD.



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- Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY18 Earnings Conference Call of GNFC hosted by Batlivala & Karani Securities India Pvt. Ltd. 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ranjit R Cirumalla from Batlivala & Karani Securities. Thank you and over to you sir.
- Ranjit Cirumalla:** Thank you Natasha. Good morning. On behalf of B&K I welcome all the participants on GNFC 2Q FY18 post results earnings call. We thank the management of GNFC for giving us the opportunity to host this call today. We have with us Mr. R A Shah - Consultant, Mr. R T Bhargava – Office on Special Duty, Mr. Dilip V Parikh – CFO and Mr. Tushar Lakhmapurkar – Company Secretary and other senior members of the management. I would now like to request Mr. Tushar Lakhmapurkar – Company Secretary to take the call forward.
- Dilip V. Parikh :** We will first take you through the Quarter 2 results of the company. Starting from revenue, apparent revenue is up by 3% at Rs. 1507 crores as against Rs. 1463 crores in the corresponding quarter last year. In real terms the increase in sales is around 10% because in line with the new standards that is known as IndAS(International Accounting Standards), which are adopted by the company, now excise duty is no more part of the top line. In the corresponding last quarter excise duty was part of the top line which is around Rs. 89 crores for Q2 and Rs. 160 crores for half year ending 30th September. So both for Q2 as well as for H1 the revenue increase is 10% in real terms.
- The other income has gone down because of the grant income which is gradually going down with the utilization of mainly the EPCG benefits. In terms of the expenditure, the power and fuel expenditure is mainly increasing because of the change we did in the last year to comply with the regulatory requirements of government so there is an increase of roughly Rs. 60 crores there. Then there is some Rs. 4 crores increase in the employee cost mainly resulting out of the higher bonus we paid to recognize the contribution to the operating performance. Then there is a slight increase in the depreciation mainly in lieu of the fact that last year we reversed the impairment of our TDI to plant because of that capitalization the depreciation increased a bit. The main increase is coming in the other expenditure. This comprised of two parts. One is the one-time donation of Rs. 10 crores which is given to flood victims of Gujarat this year. This was paid somewhere in August and Rs. 38 crores provision we have done on a conservative basis to close the open issues and which will help strengthen the balance sheet over a period of time. So this will be ended up with around Rs. 245 crores of PBT as against Rs. 228 crores last year, which is apparently a 7% increase and on half-yearly basis we ended up with Rs. 350 crores as against Rs. 278 crores which is 26% increase over the last year. In terms of PAT, apparently there is hardly Rs. 1 crores increase but in real terms there is a significant over 24%



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increase in the PAT because last year we took a one-time gain of Rs. 31 crores in the MAT credit. So that is it from our side as far as P&L is concerned. So we now invite further questions from the analysts both on the P&L and the balance sheet portion.

Moderator: Thank you very much. We will now begin the question & answer session. The first question is from the line of Devender Bhandari from Joindre Capital Services. Please go ahead.

Devender Bhandari: Sir I want to know about TDI, how much is the average realization for this quarter and what is the current prices?

Dilip V. Parikh : The current price hovers around \$4400 to \$4500.

Devender Bhandari: No, in rupee terms, what is our selling price?

Dilip V. Parikh: It is around Rs. 3 lakh per ton.

Devender Bhandari: And what is the average price for last quarter?

Dilip V. Parikh: Last quarter was around Rs. 2 lakh.

Moderator: The next question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: Sir I wanted to know what kind of growth rate would be? Other expenses I understand that there was a Rs. 38 crores provision and a Rs. 10 crores donation. So, going ahead, what would be the run-rate for other expenses.

Dilip V. Parikh: Other expenses are likely to be in line with the previous quarter and gradually as the profit permits we make certain provisions to strengthen the balance sheet and this would cover the open issues which normally are part of the contingent liability of the company. But then going by the good practices, we have studied good companies and they are providing for certain amounts on account of this when the going is good. So accordingly, we have provided for the amounts.

Dimple Kotak: Sir secondly is that what would be the P&F. As you said that you are complying with the government standard norms, so it has increased by Rs. 60 crores, so going ahead what would be the run-rate for power expenses?

Dilip V. Parikh: No, if you see the power cost has increased mainly because of the rate of natural gas. Out of this total increase, substantial part is pass through in urea. To achieve the energy norms, we are using more of one of our efficient co-processing unit called CPSU, which generates the higher gas but substantial part of this is a pass-through.



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- Dimple Kotak:** So that would be with a lag, maybe with one or two quarters lag you will be able to pass through it or is it an immediate pass through?
- Dilip V. Parikh:** It is an immediate pass through. Whatever you see as an increase, substantial portion is already a part of the top line as well through the form of subsidy.
- Dimple Kotak:** And sir for the TDI prices if you can give me what is the outlook and what was the price last year same period?
- Dilip V. Parikh:** Last year we already said, it was around Rs. 2 lakh and currently it is Rs. 3 lakh and in terms of US Dollar it is hovering between \$4400 to \$4500.
- Dimple Kotak:** So what is the outlook? Do we see stabilizing at this level or going up further?
- Dilip V. Parikh:** Chemical prices outlook it is difficult to gauge but then whatever we are aware this is going to remain firm around this time at least for a quarter.
- Dimple Kotak:** Okay sir. And sir your growth outlook, I mean going ahead in the quarters ahead would it be better, because in real terms I can see it is 24% growth so in H2 how would it be and in next year as we are heading?
- Dilip V. Parikh:** It is already reflecting a reasonable growth of 10% because most of the analysts would know that the total excise duty part of the revenue last year was Rs. 352 crores. Up to this H1 it is Rs. 160 crores. So if we adjust the Rs. 2400 crores of turnover by 160 the top line has already grown by 10% then that is a reasonable thing for a chemical and fertilizer manufacturing company. The top line has got a main beating on account of the fertilizer and that is because of our conscious decision of not doing the business of imported urea. The last quarter we did 115,000 metric ton of imported urea as against this, this quarter we did around 8800 metric ton of imported urea. So around Rs. 80 crores are the impact of this in the revenue.
- Moderator:** The next question is from the line of Naresh Katriya from Money Curves. Please go ahead.
- Naresh Katriya:** My question is on the other expenditure. So, you said that Rs. 38 crores is provided conservatively. The remaining part which is flood relief or employee cost bonus, they should not recur. Is that a reason of assumption, those Rs. 14 crores is one time?
- Dilip V. Parikh:** No, employee cost is already a separate line item in the results. Other expenses does not contain any employee cost. It contains a one-time donation of Rs. 10 crores done to help the flood victims.
- Naresh Katriya:** Got it. So that Rs. 10 crores should not repeat and the Rs. 4 crores is also a one-time bonus for employees.



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- Dilip V. Parikh:** Yes.
- Naresh Katriya:** My second question is on that Ecophos JV which we are implementing. I have heard Honorable MD on the TV on how it helped us in the TDI because we are paying Rs. 4000-5000 a ton to lift HCL. So are we currently incurring that lifting cost of HCL and that will get from a minus to a positive thing in Ecophos. Is that a right assumption that we will save on the cost of lifting HCL?
- Dilip V. Parikh:** Yes, the whole purpose of doing the JV was getting some benefit rather than the payment of HCL. We are paying around ranging between Rs. 2000-2500 per metric ton for the HCL lifting and substantially that will be saved. On the contrary we are going to get something. We have a pricing agreement with Ecophos so we expect an impact of around Rs. 35-40 crores where the project gets implemented on an annual basis.
- Naresh Katriya:** And this starts in 2018, when, the project?
- Dilip V. Parikh:** March 2019 is the outer deadline for COD.
- Naresh Katriya:** And my last question is on the capital subsidy. So, we had budgeted, I think we have been receiving capital subsidy every year. What part of it is still left or have we received everything for that when we changed from naphtha to natural gas?
- Dilip V. Parikh:** As on 30th September the outstanding subsidy, capital subsidy is Rs. 287 crores.
- Naresh Katriya:** And when will that we be receiving with the last portion?
- Dilip V. Parikh:** This is already regularized. Every month we are receiving. The subsidy has been regularly received this year and this has something to do with the production. So, this will last up to October 2018. So, by one year from now on we should be receiving around Rs. 287 crores in cashflow.
- Naresh Katriya:** And on the TDI you had mentioned that the average – so Rs. 3 lakh is the current price of the TDI?
- Dilip V. Parikh:** Domestic sales price, yes.
- Naresh Katriya:** And what was the average realization for us during the Q2 quarter?
- Dilip V. Parikh:** Around Rs. 2 lakh.



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- Naresh Katriya:** Not the previous quarters, not Q1 or Q2 of FY17 because I believe prices have been in an uptrend so what has been the trend for Q1 and Q2, I mean would realization be higher in Q3 is what I want to know sequentially?
- Dilip V. Parikh:** No, corresponding quarter around Rs. 2 lakh is what we said. This is the third time we are repeating.
- Naresh Katriya:** And are we exporting because I see that international prices are higher than domestic prices, so does that give us flexibility to export more and sell less domestically?
- Dilip V. Parikh:** It is actually a reverse in our case. The domestic prices are higher than the international prices because of the anti-dumping duty and some immediate supply premium we charge. So your domestic prices normally remain higher than the import parity. And because of this increasingly we are catering to the domestic market. So, if we compare the period to period, this year the domestic sales is more than the corresponding period last year.
- Naresh Katriya:** And the last point is on that provisions or whatever Rs. 38 crores which we are doing, which we have done this quarter to clear up the contingent liability. How much is the amount, I mean for how many quarters could that continue?
- Dilip V. Parikh:** See it is basically a discretion, when the going is good we provide for certain amounts in consultation with the auditors. And this is purely something which is dent in the P&L but not the cash flow.
- Naresh Katriya:** Got it. So my question is will that be a one-two quarter affair or can it continue for long?
- Dilip V. Parikh:** Couple of quarters down the line we would like to continue with certain provision if not necessarily Rs. 40 crores every quarter.
- Naresh Katriya:** Thanks a lot sir and all the best for future.
- Moderator:** The next question is from the line of Tejas Sheth from Reliance Mutual Fund. Please go ahead.
- Tejas Sheth:** I just wanted to know the volume number in Q2 of TDI.
- Dilip V. Parikh:** TDI volume is a little sensitive but what we can tell you is we have operated the plant at 75% capacity both for Q2 and 74% capacity for H1.
- Tejas Sheth:** And how we see the end of the year exit rates. Do we see it incline towards 80-85%?
- Dilip V. Parikh:** We hope to achieve more than 90%.



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- Tejas Sheth:** By this financial year, right?
- Dilip V. Parikh:** Yes, in fact the production loss for the H1 it is planned that we cover up in the next H1.
- Tejas Sheth:** And sir on the pricing side, how we see the global pricing we are building up if you see the supply which was shut down because of some events coming back into the market?
- Dilip V. Parikh:** The supply somehow has eased up but the prices have firmed up so the exact reasons are not known to us of the market dynamics. Even after this Dow-Sadara plant coming, joint venture plant coming the prices have firmed up. They have been in operation since last by around a quarter by now but still the prices are not affected on the downward side.
- Tejas Sheth:** So the demand supply mismatch scenario still persists in the global market?
- Dilip V. Parikh:** See what we know the overall demand and supply with the operating ratio of around 80-85% of the plants across the TDI across the globe, the demand and supply matches almost. But as you know in certain countries like China and India the demand is picking up because of the change in lifestyle of people, so that equation is not clearly known as of now.
- Moderator:** The next question is from the line of Mitul Shah, individual investor. Please go ahead.
- Mitul Shah:** Is there any expansion plan as all the chemical prices are going up, so what is your expansion plan? And second, why is the capacity utilization at only 70-75% even though the prices are almost peak? So can't we utilize this time as a more capacity utilization like 90-95% and pump up the sales?
- Dilip V. Parikh:** Coming to your first question about the expansion plan, we already have Ecophos on agenda, #1. #2 we are thinking of certain Brownfield expansion, no Greenfield expansion is on the cards as of now. The second question regarding the capacity utilization, except for two plants, one is Methanol and second is TDI, all the plants are running at more than 100%. TDI we consciously take certain shutdowns considering the last year's incidence which strengthens our operational capability to handle the plant. And this year we hope to achieve the same number or even better number as that of last year.
- Mitul Shah:** So that means that the expansion, you are considering to Brownfield expansion. So how you will finance that internal accruals or something like that?
- Dilip V. Parikh:** We have enough internal accruals to finance as well as pay off the debts as well.
- Mitul Shah:** And the second thing is all the chemical produced by GNFC are making new highs, so are you considering that, even though the volume is a bit of less like the prices have risen but the P&L



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given that is not reflecting that way. Sales I am saying, last year we have done Rs. 775 crores, this year we have done around Rs. 960 crores. So cannot we do more in the H2?

Dilip V. Parikh: Now like the figure you said there is a 25% increase in the top line of chemicals from Rs. 774 crores to Rs. 963 crores.

Mitul Shah: And sir the prices have risen by more than 35%, that is my point. So you know sales figures have not risen in the parity. That is what my point is.

Dilip V. Parikh: In chemical segment there is a 25% overall basket revenue increase, #1. #2 if you see in terms of the segment profit of chemical it has grown by 49% from Rs. 193 crores to Rs. 287 crores. Now this has resulted out of two things. We have a basket of product out of which 4 to 5 chemicals have grown both in terms of the volume and price. Acetic Acid is grown in terms of price, not in terms of volume. Aniline has grown in terms of volume and price. Formic Acid has not grown in terms of the volume but in price and Methanol has grown in terms of the volume mainly and to some extent price. And there is some corresponding hit we have taken on the TDI in terms of the production and sales. So all take together there is a 25% increase in the revenue and 49% increase in the profits.

Mitul Shah: And the conscious decision which was taken by us that you know about fertilizers, so are we going to utilize that plant into something else or that production has been lost?

Dilip V. Parikh: It is not about the production lost. The conscious decision we have taken is regarding import of urea. So we have stopped importing urea. We have surrendered the port which was assigned to us by government. So it has nothing to do with the production capability.

Mitul Shah: Okay, so that was an import part.

Dilip V. Parikh: The revenue lost is on account of the trading revenue.

Moderator: The next line is from Viraj Parekh from KR Choksey. Please go ahead.

Viraj Parekh: I had a couple of questions which I would like to touch upon. Sir I would basically like to know your outlook on our fertilizer segment, because when I am seeing the numbers especially the segmental profitability numbers this quarter vis-à-vis the same quarter last year, we as a company have suffered a loss. So I just wanted to know what is your outlook going forward with respect to the fertilizer segment?

Dilip V. Parikh: There are two issues in the fertilizers segment. The profit has gone down from Rs. 44 crores to Rs. 22 crores in the corresponding quarter. So there is a 50% reduction in the profit of fertilizers. This is mainly on account of two things. One is in case of urea we already have an open issue of energy consumption which we are not booking it as part of the revenue and it



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remains off balance sheet. So whenever this thing is decided we are going to get a real time rate of the contingent which is as of now appearing off balance sheet, #1. #2 on the complex fertilizer we sell ANP which is under a price and cost pressure both. If you see this, this is made out of oil and oil prices have jumped 22% quarter on quarter. So if you compare the oil price for the corresponding quarter to the current quarter it is a 22% increase in the cost and all the cost we are not in a position to pass on because it is a really competitive market.

Mitul Shah: So those are the primary reasons why we are seeing such a shift in the profits and a reduction in the profits.

Dilip V. Parikh: And third thing is there is a slight volume, around 8% reduction in the complex fertilizer and 13% reduction in urea which we hope to make up in the quarter 3.

Mitul Shah: Okay, so you do feel that we would be able to improve the present condition pertaining to urea and ANP in quarter 3.

Dilip V. Parikh: Yes, because this is more or less a controlled business substantially.

Mitul Shah: Sir one more question, this might be on a little bookkeeping front. I would just like to know our status currently with respect to the fertilizer subsidy realization and how do we account for the same in the book sir?

Dilip V. Parikh: The accounting part is very much made clear in the notes to accounts. We account for only as per the permissible energy norm although our representations are already there with the government for considering the increased norm. The contingent gain which we are talking is representing the differential between the two.

Mitul Shah: Sir your take on our other industrial chemicals, we being market leaders pertaining to Formic Acid, Acetic Acid, Aniline, so how does market condition seem to you going forward?

Dilip V. Parikh: Currently we are witnessing good demand for all these chemicals including Methanol, Aniline, Formic Acid. Realizations are also equally good.

Mitul Shah: And just one last question, with respect to our joint venture with Ecophose pertaining to our Dicalcium Phosphate project, sir how are we placed? Are we on schedule with pertaining to our expansion plans with respect to DCP?

Dilip V. Parikh: Yes.

Mitul Shah: Thank you so much sir and thanks for organizing the call again. And sir just one last complement to you on the amazing debt reduction that the company has shown and my all the best to the company for the coming periods.



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- Moderator:** The next question is from the line of Abhishek Maheshwari from Wallfort Financial Services. Please go ahead.
- Abhishek Maheshwari:** Hello sir, my questions got covered by the previous participant. Thank you.
- Moderator:** The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Sir first question is on your TDI plant if you can just give the breakup that you mentioned the 75% utilization was total. What was the utilization level for plant 1 and Dahej?
- Dilip V. Parikh:** Plant 1 was more than 100%. Whatever utilization we spoke about, 75% in quarter 2 and 74% for H1 is for TDI to Dahej plant only.
- Rohan Gupta:** So our main plant continues to run at 100% plus.
- Dilip V. Parikh:** Our mother plant was TDI 1, original plant. TDI 2 is running at less than 100%.
- Rohan Gupta:** Second question on your balance sheet, you have definitely reduced the debt and now we are almost at 450 long term and 400 sort of short term debt. So that is of the Rs. 850 crores. Our cash flow generation remains pretty strong. You mentioned some Capex. Can you just give us some elaborate plan like how much is the Brownfield, Greenfield and Ecophos that what was the Capex amount you are looking at over the next 2 years?
- Dilip V. Parikh:** The overall Capex is not much. Mainly it is on account of the maintenance Capex and we have a budget of roughly Rs. 110-125 crores in the maintenance Capex. Ecophos is fully funded so we do not have anything further to expend on Ecophos.
- Rohan Gupta:** Yes, you also mentioned that you have some Brownfield and Greenfield. What will be that likely?
- Dilip V. Parikh:** That is under discussion, but it will not be more than Rs. 50-60 crores.
- Rohan Gupta:** What are your planning in a Greenfield sir?
- Dilip V. Parikh:** As of now no plan. The first plan is to reduce the debt to zero.
- Rohan Gupta:** So with the current kind of cashflow generation and even the government capital subsidy of almost Rs. 287 crores will be received by October also. So I mean over a year your cashflow generation will be equal to your current debt. So I mean even if in our kind of business the gestation period is so high, it goes from 2 years to 4 years. I believe the company must have made some plans at the Board level what you want to achieve over the next 3 to 4 years. So if you can just give some light on that whether in the TDI or any other chemical you are lacking



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or in fertilizers. So if you can give us some broader lines that what are the company's thought process over the next two years?

Dilip V. Parikh: There are only two things as of now. One is the Ecophos project and second is some increase in the capacity at TDI 2 depending upon the market. There are certain debottlenecking plants which will increase the capacity by around 15-20% and that will involve a Capex of roughly around Rs. 40-50 crores at the most.

Rohan Gupta: Sir you mentioned that right now your accounting revenue booking is done on the acceptable or notified norms of the government gas consumption. But the issue is still open on the energy consumption. What kind of contingent gain you anticipate that based on your representation to the ministry there can be?

Dilip V. Parikh: Till 30th September it is Rs. 240 crores contingent gain which is not part of the books.

Rohan Gupta: So what is our notified gas consumption and what is actual energy consumption?

Dilip V. Parikh: Our notified rate is 6.30 GKal per metric ton of urea. What we have achieved is 6.54 GKal per metric ton of urea.

Rohan Gupta: But after this year from October the government is asking that all the urea fertilizer companies will be aligned to 6.5, so after that there will be any changes?

Dilip V. Parikh: We are not aware about 6.5. Next year the target for us is 6.2 as per the categories which are mentioned by the fertilizer industry. We fall in group 2 and our energy norm, the next target of energy norm is from 6.3 to 6.2. We have made representations with the government not to change from 6.3 to 6.2 considering our current situation.

Rohan Gupta: So why we are not able to achieve this 6.2? Why our consumption is 6.5. I mean is there any technical problem or any other issues which you are facing which are short term and can be resolved?

Dilip V. Parikh: These are internal technical issues due to which there is difference as of now. And these are represented to the department of fertilizer in its true spirit as to why it is higher and what they need to consider. In fact these amazing norms are substantially lower than the plants which came up in the corresponding period and that is the reason we have made up our case to Government of India.

Moderator: The next question is from the line of Sameer Raj from Reliance Mutual Fund. Please go ahead.

Sameer Raj: Your reported PAT does not give true picture. Your reported PAT is only Rs. 232 crores as cashflow is Rs. 700 crores plus. So that is a really good show. Sir you mentioned in your



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answer to previous question that your first priority is to retire debt. Sir I was just wondering, our debt equity is hardly 0.2:1 and the interest rates are so lower nowadays and the kind of valuation at which are shares are traded, does not it make more sense to buy back the shares rather than to repay the debt?

Dilip V. Parikh: So far we have not given a thought. We will give a thought on this when we feel our intrinsic market price does not really reflect the intrinsic value of the share.

Sameer Raj: So currently you feel the market price is already reflecting that?

Dilip V. Parikh: These are not the statements we would like to make on a call.

Sameer Raj: No, I was just wondering because when our debt equity is only 0.2:1 and we expect further good cash generation and the interest rates are low, so what sense it makes to retire a debt?

Dilip V. Parikh: Debt retirement is normally now we are going with a philosophy of doing any expansion with internal accruals only. We will do the mix of debt when a very high cost project comes up because the projects have its own sensitivities and the risks attached. And we have seen a bad phase just a couple of years ago with a Rs. 452 crores of loss and therefore this has become the first priority to retire the debt.

Sameer Raj: So we feel currently our shares are totally undervalued, so buyback makes more sense. Maybe you can think internally and decide, my only suggestion is that.

Dilip V. Parikh: Let market decide on that. We will not comment on that.

Moderator: The next question is from Jigar Jani from Edelweiss. Please go ahead.

Jigar Jani: Would it be possible to share the revenues and EBIT of TDI 2 like we used to share earlier?

Dilip V. Parikh: No, it is actually as per the statutory requirement it was not required but just to show the picture that there was a huge loss coming we used to show that. And since it has normalized since last one year we have stopped showing it separately.

Jigar Jani: Have we seen any increase per se in both the fixed costs as well as the COGS for the TDI 2 plant because at the current prices profitability needs to be a bit lower than what we were expecting.

Dilip V. Parikh: No, we do not know for which particular area you are looking into because in the results we have not given product specific results but to answer your question the fixed cost is going down day by day with the retirement of the debt one of the pre-dominant portion of the fixed



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cost was interest cost which is going down with reduction in debt and with the stabilization of the plant even the variable cost has gone down.

- Moderator:** The next line is from Dilip Tanna from Kamakshi Consultants. Please go ahead.
- Dilip Tanna:** Sir I just wanted to know that in comparison with Q2 how are the price trends of our main chemicals like TDI and Acetic Acid?
- Dilip V. Parikh:** We have seen a good price rise across the basket of products of all chemicals. Acetic Acid there is a good rise. Formic Acid there is a substantial rise. Aniline there is a decent rise.
- Dilip Tanna:** And sir at what capacity are all these our plants operating currently?
- Dilip V. Parikh:** All are running at more than 100% except TDI 2 and Methanol.
- Dilip Tanna:** And sir next question was that our power and fuel cost has gone up considerably in Q2. Just wanted to know whether it will remain high even for Q3?
- Dilip V. Parikh:** It has become higher since last one year. If you see the power, fuel costs were high last year also when we made the adjustment of Rs. 189 crores in quarter 4 to comply with the government regulation of diverting all the domestic gas to urea. So apparently it looks higher but substantial portion of this is already part of the subsidy on the top line. So it is not an absolute increase in the cost per se. The Rs. 60 crores increase which you see from Rs. 160 crores to Rs. 220 crores is not reflecting fully the increase in the cost.
- Dilip Tanna:** And sir the next question is that we are launching a mosquito repellent, to the best of my knowledge I think it is an herbal product because currently there is no particular herbal product available in that particular segment. Am I right?
- Dilip V. Parikh:** Whatever is available in the public domain you can infer.
- Dilip Tanna:** No, just wanted to know whether it is a herbal product or not because –
- Dilip V. Parikh:** Just a minute, I would request Mr. R T Bhargava who is looking into this to comment on this.
- R T Bhargava:** See basically we have gone into a forward integration of a neem oil which we are extracting and accordingly we are putting a natural product to make various ingredients which includes the Neem Night also. They are all under shifting and maybe we will be launching soon.
- Dilip Tanna:** And sir last question is that how is the market response for our newly launched neem soap and all the products?



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- R T Bhargava:** The market response has been very good. We have lots of outlet across India, mainly various police canteens, then Kendriya Bhandar, Big Bazaar. We have also launched things on Flipkart, eBay, Amazon, Snapdeal, Shopclues. e-marketing also has been explored and we will be putting up various stores may be around 1000 in Gujarat very soon. So there will be a lot of visibility of our products and that also is moving well.
- Moderator:** The next line is from Shazia Khan from Nirmal Bang. Please go ahead.
- Manish Uppal:** I have a couple of questions. First on account of this chemical division possibility during this quarter compared to the June quarter 2017, as we understand one is the certain chemical product price has gone up and the utilization levels would have increased during the quarter. So could you take us through in terms of profitability of key product segment and volume growth during the quarter?
- Dilip V. Parikh:** Like we said within the chemical, the main contributors are Acetic Acid, Aniline, Formic Acid, TDI and Methanol, which is driving the profitability of chemical segment.
- Manish Uppal:** Second on the gross, what is the total outstanding gross debt number on 30th September?
- Dilip V. Parikh:** Effective this year, after the GST which is coinciding with the same date as that of the quarter the gross and debt are same for the current quarter. However, for the corresponding last quarter you need to make an adjustment of Rs. 89 crores which is already part of the footnote of the results.
- Manish Uppal:** I am asking gross debt number.
- Dilip V. Parikh:** Rs. 770 crores is the outstanding debt as at 30th September. And Rs. 400 crores of CC utilization.
- Manish Uppal:** And you did comment about the current prices of TDI 3 lakh ton in domestic market. What was the realization during this quarter sir? Can you tell us that number?
- Dilip V. Parikh:** We can tell you the current realization. Average realization has been substantially better than the corresponding quarter. The individual product realizations we normally do not disclose on a call like this.
- Manish Uppal:** And lastly this power and fuel related cost continues to be higher level what you indicated, right?
- Dilip V. Parikh:** Yes, this question is covered a couple of times during the call.
- Manish Uppal:** Actually I joined late.



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- Dilip V. Parikh:** You may refer to the conversation later on when it is getting uploaded on the site. You will get the answer to that question.
- Manish Uppal:** And last question in terms of contract supply of our key chemicals, how many months we have generally? 2 months, 3 months, how is it? Pricing reset to sell our products to the customers.
- Dilip V. Parikh:** See our prices are always spot, which is adjusting for the discount to the bulk customer.
- Manish Uppal:** But the frequency – it is 2 months of 1 month or how the context apply.
- Dilip V. Parikh:** No, it is always the spot prices adjusted for the discounts.
- Moderator:** The next line is from Anshuman Mohta, individual investor. Please go ahead.
- Anshuman Mohta:** I would like to ask upon two questions. The one is like we aim to make sales of Rs. 500 crores by selling neem products in the next 2 years. Sir what are the margins expected on that front because that will be around 15-17% of our revenue, 15% if I can say. And second is about the DCP plant which we plan to operate by March 2019, what will be the volumes you will be generating from DCP plants?
- Dilip V. Parikh:** On neem products Rs. 500 crores is not going to be within this year. Margins will depend upon – we will decide about the pricing over a period of time when the acceptance of the product happens. As of now we are not incurring a loss. We are making something out of it but we are not incurring a loss. As far as DCP related plant position is concerned our actual sale is going to be that of HCL only and we have a 15% stake in the JV.
- Anshuman Mohta:** HCL which is a byproduct of TDI I guess, which is 500 tons per day I guess.
- Dilip V. Parikh:** It is 200,000 tons per annum.
- Moderator:** The next line is from Anubhav Sahoo, MC Research. Please go ahead.
- Anubhav Sahoo:** I had a specific question on TDI market, so you have the data. What is the domestic demand per se (**Inaudible**) and how much is imported and what is our market share, if you have data on that?
- Dilip V. Parikh:** Total domestic demand which is know is around 50,000 to 55,000 metric tons, which is increasing with the change in life style in the Indian market. We cater to all the segments basically furnishings, mattress mainly and we do not as of now fetch with the automobile segment. And our market share, we intend to capture around 75% market share over next 1 year.



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- Anubhav Sahoo:** Other than GNFC's capacity in TDI you are talking about new plant which is by one of our competitors from Dow you are talking about, right?
- Dilip V. Parikh:** Dow plant is in Saudi Arabia and it is a joint venture with Saudi Arabian company as well as Dow.
- Anubhav Sahoo:** And regarding the other company to polyurethane, MDI it is not manufactured in India right now, right sir?
- Dilip V. Parikh:** Yes.
- Anubhav Sahoo:** And sir any plans for TDI application for the auto sector also?
- Dilip V. Parikh:** Yes, it is on the cards. We will take some time. We are exploring various avenues for catering to this segment.
- Moderator:** The next line is from Runjhun Jain, Nirmal Bang Securities. Please go ahead.
- Runjhun Jain:** I just have one question sir. I understand that you are not comfortable giving in the particular product's realization. You have already given an indication that the TDI prices are moving around 3 lakh tons in this quarter. Just wanted to know directionally, is it higher than the Q2 or not. My question is coming here because we are getting a sense from the other foam making company that TDI wages have started coming down. Just wanted your views on it.
- Dilip V. Parikh:** It has gone beyond 315,000 per metric ton. It has softened a little off late.
- Runjhun Jain:** So you believe these are stable prices or you believe that it would come down from here onwards? What is your view sir?
- Dilip V. Parikh:** It is going to be a conjecture. Really market dynamics are not in our hand but we are comfortable at this price.
- Runjhun Jain:** So it is little softened from the Q2 realizations.
- Dilip V. Parikh:** No, little better than Q2 realization.
- Runjhun Jain:** But low from the peak.
- Dilip V. Parikh:** Low from the peak which was the highest ever peak.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Tushar Lakmapurkar for closing comments. Please go ahead, sir.



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Tushar Lakhmapurkar: On behalf of GNFC management we are thankful to Mr. Ranjit from B&K Securities and his team. We are also thankful to Chorus Call for arranging this con-call for us and all other members and investors who are directly or indirectly involved for this successful con-call. Thank you very much. Mr. Ranjit, now handing over to you to conclude the same.

Ranjit Cirumalla: So we can close the call.

Tushar Lakhmapurkar: Yes, thank you so much. Thank you very much.

Ranjit Cirumalla: Thank you sir.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala& Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.