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August 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 for the first quarter ended on 30th June, 2017

Dear Sir / Madam,

We had vide our letter dated 5th August, 2017, intimated the Stock Exchanges about the schedule of Analyst / Investor Conference Call on Monday, the 7th August, 2017 at the Registered Office of the company, on Unaudited Financial Results for the first quarter ended 30th June, 2017.

We send herewith a copy of Transcript of Analyst / Investor Conference Call which took place on 7th August, 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)



“Gujarat Narmada Valley Fertilizers & Chemicals
Limited Q1 FY2018 Earnings Conference Call”

August 07, 2017



ANALYST: **MR. RANJIT R. CIRUMALLA - VP RESEARCH - HEAD
CHEMICALS, AGRI & PAINTS - BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**

MANAGEMENT: **MR. R.A. SHAH - CONSULTANT – GNFC LIMITED
MR. D.B. SHAH – EXECUTIVE DIRECTOR – GNFC LIMITED
MR. R.T. BHARGAVA - OFFICER ON SPECIAL DUTY -
GNFC LIMITED
MR. D.V. PARIKH - CHIEF FINANCIAL OFFICER - GNFC
LIMITED
MR. TUSHAR LAKHMAPURKAR - COMPANY SECRETARY –
GNFC LIMITED**



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Moderator: Ladies and gentlemen good day and welcome to the GNFC Q1 FY2018 Earnings Conference Call, hosted by Batlivala & Karani Securities India Private Limited. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ranjit Cirumalla from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Ranjit Cirumalla: Thank you Lizaan. Good afternoon to all. On behalf of B&K Securities, we welcome all the participants to this earning call. We are very thankful to the management of GNFC for giving us opportunity to host this earnings call for them and also like to congratulate them for taking the initiative of doing this earnings conference call. We have with us today Mr. R.A. Shah, Consultant, Mr. R.T. Bhargava, Officer on Special Duty, Mr. D.V. Parikh, Chief Financial Officer, Mr. Tushar Lakhmapurkar, Company Secretary. I would like to now hand over the floor to Mr. Tushar Lakhmapurkar. He would provide a brief overview of the company and the quarterly performance post that we can take a question and answer session. Over to you Sir!

Tushar Lakhmapurkar: Good morning and welcome to all the investors. After long, long time we are conducting such type of concall meeting and along with me my CFO, Mr. Dilip Parikh is there, Mr. RT Bhargava is there and all other senior executive directors are also there. Now, I request our CFO, Mr. Dilip Parikh to introduce about the company as well as Q1 results.

Dilip Parikh: Good afternoon everybody. GNFC as you may be knowing from the public domain has been operating since around 1982 primarily starting with the urea business and thereafter expanded to the complex fertilizer called ANP the product we have, which is nitrogen and phosphate fertilizer. Thereafter gradually it ventured into the various chemical segment and we have basket of products by now and the last one we added is that of TDI, some smaller scale operation was already there at our Bharuch complex for TDI, which is around 15000 to 17000 metric tonne per annum and thereafter at Dahej we had tripled the capacity to 50000 plus metric tonne per annum and that is being operated since last two years' time.

In terms of the quarterly results, the quarter results total revenue stands at 1054 Crores, which is 11% rise over the corresponding previous quarter. In terms of the PBT, it is at 105 Crores as against 51 Crores, which is 106% increase. The primary contributor for this PBT is a good show of fertilizer and chemicals as well as the lower interest cost. There is a significant change in the power and fuel cost as behead of cost element primarily because of the change in the natural gas prices on a higher side and corresponding impact we have also taken as a one time impact in the last year because of the government directive of using all domestic gas into the urea, so this is what the broad overview of the Q1 results.



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On the contributive side, fertilizer segment has witnessed an increase of weighted average 27%, urea has witnessed an increase of 32%, and this is purely manufactured urea. The imported urea has gone up by 82% and ANP, which is nitrophosphatic fertilizer, has gone up by 6%. In chemical segment we have a basket of product where few things are up and few are down, but the good part is TDI has now turnaround even with stabilizing volume we have got good realization and due to which the sowing also, which is contributing to a better show. That is it from our side on the financial results.

Tushar Lakhmapurkar: Now we hand over the floor for the question and answer session Sir!

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Anand Bhavnani from Samiksha Capital. Please go ahead.

Anand Bhavnani: Thank you for the opportunity and congratulations for wonderful Q1. Just wanted to understand how do you see the capex for chemical and fertilizer segments over the next two to three years? As I see on our website for chemicals, most of the chemicals our capacity utilization is more than 100%, so if you could help us understand the capex that has been planned in the two segments and the current capacity utilization for fertilizer segment?

Dilip Parikh: For the capex as of now we do not have anything on hand in terms of the major capex. The current capex are mainly the replacements, which we are doing because of the ageing plants. As far as capacity utilization is concerned, we operate the entire fertilizer at more than 100% both urea and ANP.

Anand Bhavnani: What could be your maintenance capex ballpark for a year?

Dilip Parikh: Around 125 Crores.

Anand Bhavnani: In terms of TDI just wanted to understand how do you see that pipe strength going forth for the entire year and what is the current capacity utilization that you are operating at?

Dilip Parikh: Regarding the capacity utilization in terms of market we have full market available for our full capacity, which is 50000 at TD12 and 15000 plus at TD11. TD12 as you know is a relatively new plant and technology where we are trying to come to the grip in terms of the operations and we face at times certain difficulty because of which the capacity utilization is confined to around 70% in the last quarter. In terms of price trend it is a very volatile product, but since September late and October onwards we have seen a substantial price increase and of late it has tapered down, but it is hovering around 33-50 or so recently.

Anand Bhavnani: \$33-50 per tonne is it?

Dilip Parikh: Dollars per tonne.



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- Anand Bhavnani:** At 70% capacity utilization for TDI2 and I think 100% for TDI1, what will be our breakeven price levels for TDI, 33-50 is the current market price at what price do we generally do an EBITDA breakeven?
- Dilip Parikh:** Normally product specific profit we do not diverge on a call as a matter of policy, so we request all to restrict that.
- Anand Bhavnani:** No worry Sir, that is perfectly right and Sir just wanted to understand what is the capex for our joint venture on EcoPhos?
- Dilip Parikh:** EcoPhos capex total 540 Crores.
- Anand Bhavnani:** What is the timeline and what kind of revenue can we expect?
- Dilip Parikh:** Timeline is already there in the public domain, December 2018 is the timeline for commercial operation of EcoPhos and as of now whatever team can say it is very much on schedule.
- Anand Bhavnani:** What kind of revenue would this plant be able to generate?
- Dilip Parikh:** I would request Mr. RT Bhargava to throw some better light on the operation side.
- RT Bhargava:** Good morning, this is RT Bhargava and this EcoPhos is a joint venture with Belgium Company this ECB unit and mostly it is export oriented products may be a very small fraction will be sold in India, otherwise rest of the thing will be sold in may be in Europe and almost like buyback company.
- Anand Bhavnani:** In terms of revenue potential when it operates at 80% to 90% or 100% capacity, what kind of revenue this can generate?
- Dilip Parikh:** Revenue I would say that this capacity both 200000 tonne per annum. It will be almost European market range is between may be \$370 or \$400 per tonne, it is by December 2018 the plant will be ready for commissioning.
- Anand Bhavnani:** EBITDA margin wise ballpark number for this particular plant, which you can share?
- RT Bhargava:** That is premature to divulge. There are two explicit benefit as far as this JV is concerned, one is currently we are taking for one of our products HCL, which will get consumed at a compensating price to us. We will have a share of around 15% in the overall profits of this company and this company is going to have a substantial part of its production exported and as per the discussions we covered various partners they have already have a order backlog, they are waiting for these two turnaround in terms of production.



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- Moderator:** We will take the next question from the line of Hardik Shah from Prospero Finvest. Please go ahead.
- Hardik Shah:** My question is there is an inventory built up of around 115 Crores so that is for the chemical division or it is for the fertilizer division?
- Dilip Parikh:** It is for both.
- Hardik Shah:** Can we get the breakup for the inventory?
- Dilip Parikh:** Sure. Out of the total inventory of 250 Crores around 95 Crores is that of fertilizer and rest is that of chemical.
- Hardik Shah:** Thank you Sir!
- Moderator:** Thank you. The next question is from the line Dhruvesh Sanghvi from Prospero Tree. Please go ahead.
- Dhruvesh Sanghvi:** In the last quarter Q4, we had a big shutdown in terms of TDI; however, even after in the Q1 when the shutdown was not there the chemical division the revenues were down with TDI price is not going down substantially so is that that we were not able to produce TDI for the full three months or if you can throw some light on that?
- Dilip Parikh:** No, it is not like that. TDI was down from November 2, 2016 to February 19, 2017. Now in this period of Q1 of 2017 apart from TDI we take an annual shutdown of whole of our Bharuch complex that is why the segment revenues are down as compared to the immediate previous corresponding three months by around 200 Crores. We are in a position to manufacture TDI at roughly 67% to 70% capacity.
- Dhruvesh Sanghvi:** When we say 67%-70% of 50000 or the entire 65000?
- Dilip Parikh:** If you divide 50000 is a renewal capacity, so it roughly works out to 12500 per quarter, of that we have manufactured around 70%.
- Dhruvesh Sanghvi:** Bharuch was completely shut?
- Dilip Parikh:** No, Bharuch was not completely shut it was an annual shutdown for around 20 days' time.
- Dhruvesh Sanghvi:** But Bharuch is doing 100% otherwise apart from those 20 days?
- Dilip Parikh:** Bharuch normally does 100% apart from those 20 days.



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- Dhruvesh Sanghvi:** So actually what I am trying to figure out is let us say now that there is no shutdown due to the problems that we faced in terms of those pipeline and now there is no annual maintenance shutdown can we expect assuming that there is demand because India is a net importer and we believe that there is some TDI being exported so net-net can we expect now TDI to run at 100% and if so assuming the prices remaining constant for all chemicals, what would be our quarterly chemical sales, the entire chemical division sales?
- Dilip Parikh:** We expect TDI to keep up the show in terms of the continuous production and as a result of that definitely we expect chemical segment to do relatively better.
- Dhruvesh Sanghvi:** Can you quantify a little bit on this please?
- Dilip Parikh:** Which kind of quantification?
- Dhruvesh Sanghvi:** I mean there used to be a time when we used to give the breakup of the plants that the profitability per plant, suddenly in the last three quarters we have stopped giving that, if you can share it in that way for example chemicals in FY2016 did revenue of 2400 Crores I do not have the number for FY2017 in my hand and at the same time the Bharuch did 578 Crores of PBT and TDI Dahej plant did 352 Crores of loss in FY2016, do we have the numbers for FY2017 in PBT terms for Dahej and Bharuch?
- Dilip Parikh:** See these figures were really not strategically require to be given, but we are giving as a matter of precaution because there was a huge loss coming from the Dahej plant operations and we felt as a management to show it as a separate impact. These things are normalizing we have stopped giving the information because that was no more relevant.
- Dhruvesh Sanghvi:** Can we expect that the chemical division will give a 30%-40% increase from here because of TDI stabilizing or something on that kind on the revenue terms, that kind of quantification?
- Dilip Parikh:** It will be difficult to give any forward-looking statement on such kind of matters, but as a management we are hopeful of improving our show in Q2.
- Dhruvesh Sanghvi:** Fine. I will come back.
- Moderator:** Thank you. The next question is from the line of Manish Oswal from Nirmal Bang Securities. Please go ahead.
- Manish Oswal:** My question on the power, fuel and other utility cost during this quarter it has increased around 27%, so could you throw some light why this has increased so sharply?
- Dilip Parikh:** There is a background to this, which we gave the March financials as well. There are primarily two reasons of increasing the power cost. As far as this quarter is concerned, it has shoot up from



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150 Crores to 192 Crores, around 42 Crores. The primary reasons are two, one is the natural gas prices on QoQ basis has increased by 22% and rest we were using this gas, which was meant for domestic gas, which as per the directives of Government of India now has to be used only in urea and so there is a differential cost we are paying for the power and fuel as RLNG prices.

Manish Oswal: Could you share the data of TDI sales volume and production volume this quarter and average realization?

Dilip Parikh: Earlier on the call we requested not to ask for product specific information because that is relatively price sensitive because most of the people know the price of TDI and then it becomes price sensitive so we have requested since we are just starting an opening up would like to confine ourselves on such kind of matters.

Manish Oswal: Thank you.

Moderator: Thank you. The next question is from the line of Satish Ramanathan from Tattva Capital. Please go ahead.

Satish Ramanathan: Is there any antidumping duty on TDI still there?

Dilip Parikh: Yes, the antidumping duty is there on TDI and it differs from which country it comes depending upon when it is from Japan, Korea, China and within those countries, which supplier supply it depending upon that the antidumping duty is levied.

Satish Ramanathan: What is the minimum imported landed price?

Dilip Parikh: TDI is priced at IPP level import parity price level and it keeps on fluctuating there, and in the last few months it has fluctuated between 4200 to 3250, so these are the ranges.

Satish Ramanathan: Second question I have is can we hope that we can take the TDI2 to about 80-85% or do we think that technically 70% is the feasible level that we can remain at?

Dilip Parikh: Technically we feel we can definitely take it up beyond 100, but this being a new technology it takes time to come to the groove and because of the hazardous nature we remained as a conservative while operating because of the few recent incidences.

Satish Ramanathan: For projection sake we can assume 17, 18 at a capacity utilization of 70% to 80%.

Dilip Parikh: Hopefully so.

Satish Ramanathan: In terms of the overall GST impact on our business, is that the reason why inventory built up has taken place or is there any other reason why the inventory built up has taken place?



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- Dilip Parikh:** No, that is not the reason. In fact GST we do not have that kind of significant impact whether in terms of inventory built up or in terms of the profits. We did the business impact analysis where we are not hit by those kinds of substantial margins. The inventory is not only normal process in fertilizers and chemicals and if you see it has come down as compared to the last year.
- Satish Ramanathan:** Has TDI imports come down after antidumping duty significantly and what would be the percentage of imports versus domestic?
- Dilip Parikh:** I will leave this question to our marketing people. Mr. D.B. Shah would respond to your question. By the time he responds let me tell you the overall domestic demand hovers around 70000 metric tonne and as far as the TDI is concerned the Bharuch complex we normally cater to the domestic demand and as far as TDI2 is concerned we have a mix of export as well as domestic and in terms of export around 40-50% of the production we are in a position to export at least, but depending upon the realization we take the decisions on how much to export and how much to absorb in domestic market.
- Satish Ramanathan:** In terms of the overall growth rate for TDI, what do you anticipate?
- Dilip Parikh:** Demand growth rate you are saying?
- Satish Ramanathan:** Yes Sir!
- Dilip Parikh:** Around 5-7% over the existing one.
- Satish Ramanathan:** Thank you Sir!
- Moderator:** Thank you. The next question is from the line of Resham Jain from DSP BlackRock. Please go ahead.
- Resham Jain:** Thank you for the opportunity. Sir just wanted to ask on two things. One on the fertilizer segment where we have seen the profitability has been quite muted last year as well as in Q1 this year, so what is your expectation or what is your view going ahead in this division?
- Dilip Parikh:** Fertilizer gradually we have started doing better as I told at the time of initiation of the call that is substantial volume increase, but fertilizer as a sector being regulated sector we do not get fully compensated for full fixed cost. We do have a contribution level, but we do not get compensated for the full fixed cost and government has not revised the fixed cost in the years together and as you know in a company while they are running the operations there are fixed costs, which are increasing like salary basis and other things. Our request has only been made not only by the GNFC, but all fertilizer companies to revise the fixed cost. Apart from that we have a very important aspect going on with Department of Fertilizer regarding the revision in energy norms. So the current operational results do not factor in those revisions, which we have requested for



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and if it is materialized that will be a windfall to us, which is not part of the good profit as of now.

- Resham Jain:** Can you further elaborate on this windfall, which you have mentioned?
- Dilip Parikh:** We have already elaborated in our Q4 results and there is a footnote to the results where we have said that we have not accounted for around Rs.225 Crores, which is attributable to the energy norm difference.
- Resham Jain:** Understood. So that was my first question. Secondly we are hearing that TDI there is some global capacity of Dove, which is coming in somewhere by the end of this year and globally the demand scenario as you mentioned is not growing in double digits, it is growing in single digit, so how do you expect your capacity to sell and what is your expectation on the prices going ahead?
- Dilip Parikh:** These apprehensions were there when we just started operating the TDI plant particularly the point of referrals being made is that of Sadara. We are in the business and in business competition will be there, but the only thing we can say about this is we have to be a little competitive enough about our product, about selling it.
- Resham Jain:** In terms of competition if you can just explain your cost competitiveness versus some of the other competitors, how are we placed versus some of the competition globally?
- Dilip Parikh:** As far as India and surrounding countries are concerned, this is the only plant operating as of now. Regarding China and other countries Korea from where it is coming I would request our marketing department to communicate about the cost structure they have, but irrespective of the cost structure since it is selling at 3350 around and US\$3300 we have reasonable margin.
- Resham Jain:** This is regarding the statement, which we have seen on the television Mr. Rajiv has mentioned about company becoming debt free by FY2018 end. We have seen close to Rs.1700 odd Crores of debt at the end of FY2017 and looking at the existing cash flows, which is coming in on a quarterly basis, can you just give some perspective on this that how the Rs.1700 Crores debt can come down to zero?
- Dilip Parikh:** As of now we have a total term debt, which is around Rs.892 Crores. This does not include the working capital, which we have utilized of around Rs.500 Crores on an average and the kind of so which we had last year if that continues we hope to be debt free by end of the year. If you see the Q1 last year was around Rs.51 Crores, Q2 was Rs.228 Crores, Q3 was Rs.123 Crores and Q4 was Rs.314 Crores PBT. Now this kind of profit if they are maintained we hope to be debt free if all other things remain equal.



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- Resham Jain:** Sir Question related to it. With respect to how are you going to utilize this cash let us say in FY2018 you will be using it to repay debt, but FY2019 have you already started planning for further capex or you are going to repay it as or give it back as a dividend to the shareholders?
- Dilip Parikh:** As of now except for the EcoPhos, we do not have that kind of high cash consuming capex on hand, so we will see what to do. First of all let us come out of this debt trap, which was more than Rs.2500 Crores at some point in time. Once we come out of this we will think of what to do on that.
- Resham Jain:** Thank you very much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.
- Dheeresh Pathak:** Sir thank you for doing the call. Can you just briefly explain the main raw materials for making TDI and where you source it from?
- Dilip Parikh:** The main raw material for TDI is and toluene and natural gas and chlorine. The solvent we source from Reliance. Natural gas we have a mid term contract with GSPC.
- Dheeresh Pathak:** This is RLNG right?
- Dilip Parikh:** This is RLNG and chlorine we source from one of the GOT companies, GSTN and a couple of others.
- Dheeresh Pathak:** Which one, which company did you said first?
- Dilip Parikh:** GSTN and Aditya Birla.
- R.T. BHARGAVA:** In nearby area.
- Dheeresh Pathak:** They pay you right for chlorine offtake or do you pay them anything?
- Dilip Parikh:** They pay us.
- Dheeresh Pathak:** Sir Can you just mention the project, what was the project cost for Dahej plant?
- Dilip Parikh:** Around Rs.2400 Crores.
- Dheeresh Pathak:** Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Jayesh Parekh from JMP Capital. Please go ahead.



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- Jayesh Parekh:** Congratulations for excellent set of numbers. I am referring to one of the interview of Mr. Rajiv, in which he said that TDI production was 52000 metric tonne for FY2017 including production loss of 140 days. So do we mean to say that it had production loss of 140 days would not help in there, TDI plant would have operated more than 100% capacity utilization in FY2017 itself?
- Dilip Parikh:** Yes.
- Jayesh Parekh:** Your answer is yes, right?
- Dilip Parikh:** Yes. The 140 days production if you take at 150 metric tonne comes to around 22,000 metric tonne plus and we already operated a 33,000 plus metric tonnes, so it will definitely cross 50,000 which is now are main place capacity for TD-2.
- Jayesh Parekh:** So we can easily operate at more than 100% capacity utilization?
- Dilip Parikh:** Yes.
- Jayesh Parekh:** My second question is why there was no tax provision in Q1 of FY2017 where our PBT is Rs.50 Crores and PAT is also Rs.50 Crores?
- Dilip Parikh:** Till corresponding last quarter we had accumulated losses and depreciation, which were eligible for this adopt, but with a passage of time and good profit now we are out of MAT and we are paying the regular tax.
- Jayesh Parekh:** Thank you very much and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Deepak Mehta from Anush Shares And Securities Private Limited. Please go ahead.
- Deepak Mehta:** Congratulations to all of you. You all have done exceeding well. Sir can you throw some light that the TDI in domestic demand has been fed fully or yet at times there is shortage or mismatch in the supply and consumption in the market?
- Dilip Parikh:** As far as our supply is concerned, we meet the demands to our customers, but customer has choice of import as well as sourcing from us and we also try to balance between export and domestic because of our EPCG obligations, so customer service is not affected more or less because of this TDI production except we had some tough period during those 140 days of shutdown where we had to ration our product.
- Deepak Mehta:** So now going ahead our prices are in parity with the import plus antidumping along put together are we yet at the lower end or we are at the parity of the import prices?



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- Dilip Parikh:** We normally are supposed to maintain the parity because of some – if you are an importer you will factor the antidumping duty and calculate your landed cost versus what GNFC offers, so that is normally what happens in the IPP pricing.
- Deepak Mehta:** Just that there was hike in prices in the Chinese market etc., have we also hiked the prices in the last one-month or anything Sir?
- Dilip Parikh:** Will you please repeat your question?
- Deepak Mehta:** Sir there have been hike in prices in China in the last about 20 to 30 days, so correspondingly have we also gone ahead and increased prices in our product in India in TDI?
- Dilip Parikh:** We normally follow international market and specific answer to your question, yes.
- Deepak Mehta:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.
- Anand Bhavnani:** Thank you again for the opportunity. I just wanted to understand how do you see the impact of where the TDI prices would stabilize once Sadara comes in and BASF's Ludwigshafen plant comes online they have 3,00,000 tonne capacity, Sadara has 200000 tonnes, so once this capacity comes globally from the current prices of \$3300 odd, where do you see it can stabilize?
- Dilip Parikh:** We are as knowledgeable as you on this subject.
- Anand Bhavnani:** But you must be having some internal estimates because we do not have antidumping duty or import from Saudi Arabia or...?
- Dilip Parikh:**To make conjectures like this, okay if Sadara comes up the scenario may change also, but all need to be competitive, if you see Sadara the region possibly may help them as far as gas prices are concerned and may be their Toluene could be little competitive, but we expect RIL also to be as much competitive while getting us this product, otherwise we will have an import source as well open, so we are not afraid of the possible competition and let us see how the market works, it is premature to say any such thing as of now.
- Anand Bhavnani:** Second question since we are not doing any capex on the chemical side apart from the EcoPhos it is more of a strategy thing that we no longer would be doing a lot of capex on the basic chemicals like formic acid, nitric acid and we will keep focusing on higher value-added chemicals, is it more of a strategy or is it temporary pause, if you can throw some light on that?



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- Dilip Parikh:** Since last one and a half year we are just coming out of the debt burden, which was huge on us, which has never been the case which GNFC in its around 40 years of history, so as of now the focus is to increase the throughput and once we come out of the debt we will see what to do. For good products like formic acid our efforts are on to add on the in-house capacity, it would be a little more of a Brownfield type than a Greenfield type.
- Anand Bhavnani:** Sir there was a mentioned about Santosh Agrochem wet lime project joint venture any updates and overall any details you can share on the economies of that particular project?
- Dilip Parikh:** It is under progress that is all we can say as of now about this one, where did you get the name of Santosh Agro?
- Anand Bhavnani:** Sir it was mentioned in one of the news articles, Business Standard if I remember correctly, I can share you the link.
- Dilip Parikh:** That is okay.
- Anand Bhavnani:** One last question and then I will come back in the queue in last year's annual report I was seeing there is Rs.107 Crores of loan to employees, Sir it is a very significant amount, can you help us understand such huge loans being given to the company and aided for the same?
- Dilip Parikh:** We normally have a portfolio of Rs.100 Crores of different types of concessional loans to the employee. This is not that we have given last year it is because of the IndAS requirement just come up, otherwise we normally choose a portfolio of around Rs.100 Crores for different types of loan, vehicle loan, housing loan, some festive loan, so and so forth, so as a company we do GSFC, and a few other GOT companies also does it.
- Anand Bhavnani:** Do we charge any market interest rates on these or these are subsidy loans?
- Dilip Parikh:** Yes, these are concessional rate, but the differential impact is ignorable, in terms of the interest impact.
- Anand Bhavnani:** Thank you Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Jai Balaji from Jai Balaji Securities. Please go ahead.
- Jai Balaji:** Good evening Sir. I am an investor. My question is of direct benefit transfer scheme. What will be its impact for our company's financial performance, the fertilizer subsidy if Government of India is going to bring it, and that it is going to link it with Aadhar, so in the future, what will be its impact in our financials?



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- Dilip Parikh:** Direct benefit transfer has an impact on the working capital of all fertilizer companies as of now we are eligible for subsidy where the material reaches to the designation. Under DBT, we will be eligible for subsidy when it is actually sold to the pharma to the extent of this timing differential, there will delay in subsidy and hence the working capital impact. So there are representations to Government of India to increase the marketing margin to offset this effect.
- Jai Balaji:** Sir so when you think it will be...this project which government is planning to implement this, when we can anticipate that this can happen on the ground?
- Dilip Parikh:** It has already happened on pilot basis in few of the districts.
- Jai Balaji:** That is in your district itself why
- Dilip Parikh:** Throughout country after the successful implementation of this pilot.
- Jai Balaji:** The two pilots which are being done, which is in my knowledge, and which I have seen it in Rajiv's account in Twitter that is being done near by your district? Is this information right it would be grateful.
- R.T. Bhargava :** There are 14 district across the country in which the pilot project is going on and in Gujarat it is Narmada District.
- Jai Balaji:** What is the success of the project that you have implemented?
- R.T. Bhargava:** This is ongoing in Narmada District and then as a part this all this point of sell machines have been given and they are installed in Gujarat and accordingly also in some almost all the state.
- Jai Balaji:** Second question was that you had this Neem project which I got the information from your Twitter account, and you always update your website, and in Rajiv's Sir's account in Twitter the Neem seed which you are having, is there any financial discount or is it done through corporate social responsibility? Do you have any implications on the financials of the company, we are getting the news of it is of 500 Crores sales?
- Dilip Parikh:** As of now it is very limited activity we are trying to venture out with different products. So gradually it will pick up, but the target, which is shared, which is in the public domain as well is around Rs.50 Crores this year, not Rs.500 Crores.
- Jai Balaji:** Sir it is my mistake, I am sorry. The previous financial quarter in that we have an exceptional item of Rs.292 Crores, can you please throw some light on it what has been at the bottom, if you can explain us it would be grateful, about the Rs.292 Crores of the last quarter, March quarter?



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- Dilip Parikh:** In financial year 2014-2015 the company has recognized impairment gross of Rs.330 Crores and therefore on the account of TDI-2 Dahej plant considering a very bleak kind of prospect of this plant. This plant has turned around. The asset impairment is restated back net of depreciation so 330 minus depreciation of around Rs.38 Crores, which was accumulated for two years. The restated value is Rs.292 Crores.
- Moderator:** Sorry to interrupt Mr. Balaji. Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Thank you for the opportunity. Sir firstly on the fertilizer part is there multifactor also playing up that will get given out in the quarters ahead for the losses, which have been accumulated or the operational losses?
- Dilip Parikh:** Will you come again please on your questions?
- Saket Kapoor:** Sir I was talking about the fertilizer segment that the losses, which have occurred in this quarter, are they going to the seasonality factor in this quarter or they operational losses and what are the factors of reversing the same going forward, what is the outlook on that?
- Dilip Parikh:** We covered the response to this question basically the negative figures, which appear at Rs.33 Crores in the segment for this quarter as compared to Rs.42 Crores in the corresponding quarter. The results are basically two, one is our where fixed costs are not getting fully observed for which representations have been given by industry including GNFC to Government of India and secondly, there is an issue of energy norms, which is unsettled with Government of India, the credit of which we have not taken up to Rs.225 Crores is a footnote given in the Q4 annual accounts.
- Saket Kapoor:** For the year as a whole if you take the fertilizer segment, the segment is not going to attribute in any great way to the bottom line that we can factor in going forward as for the trend have been or these are not sorted out Sir?
- Dilip Parikh:** See in government if takes it own time, but we are hopeful of sorting out our issues and you can see the case of ammonium sulphate of GSFC has taken quite sometime, but finally it was Rs.600 Crores plus, which was the case settled recently, a quarter back.
- Saket Kapoor:** Okay Sir, there are issues that may be settled was going forward Sir? What percentage are they for the urea part and are we there only in the urea segment or the NPK also?
- Dilip Parikh:** Predominantly urea has this energy norm issue as far as ANP is concerned it is freely market priced product.



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- Saket Kapoor:** My point towards this EcoPhos part is has all the capex been done and now we will not be putting anymore money and SAP will be operational by this December 2018 or we have to put more capital toward it and is it happening through GNFC or have we done any JV and we have a proportionate share of participation in it?
- Dilip Parikh:** EcoPhos is a JV with 85:15 ratio, the GNFC share is 15%, which is Rs.161 Crores out of the GNFC has already subscribed around Rs.25 Crores.
- Saket Kapoor:** JV is going to have a mix of daytime equity?
- Dilip Parikh:** Equity is Rs.161 Crores, and 15% that is GNFC share.
- Saket Kapoor:** So in that case the profit assessable will be 15% as line-by-line competitors.
- Dilip Parikh:** 15% of profit and realization of HCl, which otherwise we are paying currently.
- Saket Kapoor:** And the realization of
- Dilip Parikh:** Hydrochloric acid, we sell around 2 lakh per annum of hydrochloric acid to them and their overall requirement for this project is Rs.5000 metric tonne of hydrochloric acid. Balance they will source from other sources.
- Saket Kapoor:** 2 lakh will be made available by us Sir?
- Dilip Parikh:** Yes.
- Saket Kapoor:** Okay then we realize... what is the realization as on date for hydrochloric acid?
- Dilip Parikh:** Hydrochloric acid is normally priced is different prices, but whatever limited we know in terms of projection, we should be realizing around Rs.35-40 Crores on account of hydrochloric acid.
- Saket Kapoor:** On this 2 lakh tonne requirement for them...the 35 will go to the bottom line directly?
- Dilip Parikh:** Should go yes.
- Saket Kapoor:** My last question, the raw material prospect that you explained about Toluene?
- Moderator:** Sorry to interrupt Mr. Kapoor. Sir may be requested that you return to the queue?
- Saket Kapoor:** No issues Madam, I will obey that.



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- Moderator:** Thank you. The next question is from the line of Pradeep Tolia from MK Global. Please go ahead.
- Pradeep Tolia:** Thanks for the opportunity Sir if you can just share the volume numbers for urea, ASP and TDI for the quarter and similarly for the last year same quarter?
- Dilip Parikh:** Individual like... I do not whether the call is audible to all, individual product details we are little reluctant to share because we see it price sensitive information, so we request you not to focus on the individual product details.
- Pradeep Tolia:** Sir Fertilizer volume details any, which was available on the government right so I do not think there is any sensitive information.
- Dilip Parikh:** Whatever is available in the public domain definitely it is available to you but as a matter of internal policy, we do not disclose those kind of things.
- Pradeep Tolia:** Sure Sir and Sir if can you just share the subsidy numbers for the quarter what is the outstanding subsidy in fertilizer?
- Dilip Parikh:** Rs.600 Crores.
- Pradeep Tolia:** Rs.600 Crores and Sir what was the number in March?
- Dilip Parikh:** Rs.555 Crores.
- Pradeep Tolia:** Thank you so much Sir. I am done.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investment Manager. Please go ahead.
- Sachin Kasera:** This is realization of 3350 that you mentioned for TDI, this is including the benefit of the antidumping that has been imposed or anti-dumping benefit is not including this price?
- Dilip Parikh:** The prices, which are internationally available, are the CIF prices. Anti-dumping duty is a country specific thing, which is added up to this price.
- Sachin Kasera:** So far our beneficial could you tell us what is the current realization we are able to get in domestic market ever since the anti-dumping duty has imposed?
- Dilip Parikh:** It is international prices plus anti-dumping duty.
- Sachin Kasera:** How much the duty Sir?



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- Dilip Parikh:** It has mix of variation between depending upon from where it comes from originating country and the supplier type?
- Sachin Kasera:** What is the range Sir approximately the lowest and highest?
- Dilip Parikh:** Around 140 is the lowest and 400 is the highest.
- Sachin Kasera:** And from which date this has become applicable Sir the anti-dumping?
- Dilip Parikh:** Just a minute, 5th May.
- Sachin Kasera:** Okay.
- Dilip Parikh:** It is available in the public domain, but the information, which we have, is 1st week of June it is imposed.
- Sachin Kasera:** Sir my second question is if you could tell us about the demand-supply situation as far as India is concerned how big is the market for TDI India and have the imports come down in the last two months ever since the anti-dumping has been imposed?
- Dilip Parikh:** As far as our product is concerned, we are in a position to fully absorb our volume. See as far as import is concerned of late Government of India has put a restriction on the import information.
- Sachin Kasera:** But also in the market...while you are in the market you must be interacting with the customers. Have you started to sense that the import levels have come down and consequently demand from your side has gone up because see if the imports come down your domestic volumes will go up, so have you started to get that sense in June and July of this?
- Dilip Parikh:** Definitely our market share is around 50%.
- Dilip Parikh:** Just a minute our marketing people will respond to this query.
- RT Bhargava:** Import has reduced and our market share has increased from 50% to 70%.
- Sachin Kasera:** What is the size of the domestic market Sir? What is the domestic requirement in India for TDI?
- Dilip Parikh:** Around 70,000. From 57,000 to 70,000. It varies.
- Sachin Kasera:** 57,000 to 70,000? Okay. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Runjhun Jain from Nirmal Bang Securities. Please go ahead.



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- Runjhun Jain:** Thank you for the opportunity Sir. Sir just wanted to know normally how much you export TDI, what is the percentage?
- Dilip Parikh:** Around 40% to 50% of production at Dahej plant is being exported.
- Runjhun Jain:** 40% to 50% of Dahej plant and just wanted to confirm whether Mr. Rajiv has given an interview on TV today and he said that the target for this year's export is 30,000 for TDI?
- Dilip Parikh:** So 30,000 is roughly 60% of our nameplate capacity.
- Runjhun Jain:** The rest would be for the domestic, which you think is going...I mean the outlook for that is positive?
- Dilip Parikh:** Yes.
- Runjhun Jain:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.
- Dhruvesh Sanghvi:** Hi Sir, on the question of capital subsidy what is the amount of capital subsidy what is the amount remaining to be reimbursed by the government to us?
- Dilip Parikh:** Rs.397 Crores.
- Dhruvesh Sanghvi:** Sorry can you come again.
- Dilip Parikh:** Capital subsidy was on account of our list of conversion plants and the amount outstanding to be received from the Government of India is Rs.397 Crores.
- Dhruvesh Sanghvi:** And this typically will come in this year itself right?
- Dilip Parikh:** No it will come up to 2018.
- Dhruvesh Sanghvi:** December 2018 you mean?
- Dilip Parikh:** Yes.
- Dhruvesh Sanghvi:** Sir one more part when we are saying debt free I think you said something, but I missed, on terms of dividends have we decided anything in terms of policy I missed that part?
- Dilip Parikh:** Our investor service Sir will respond to this regarding dividend policy matter.



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Tushar Lakhmapurkar: See as far as company is concerned, recently it has come up as a top 500 companies list as on 31st March, 2017, so we have already framed the policy of our dividend payment and as compared to last track record the company has already declared this year highest 50% record break dividend, so on the basis of profits, revenue, and growth of the company, for each and every year the management will decide the dividend payment percentage for respective years.

Dhruvesh Sanghvi: I think this was more of a compliance answer. I was more looking in terms of is there a broader mind frame that we are looking at a 25% to 30% pay out at least or something like that? This is not a commitment I understand, but just a thought process?

Tushar Lakhmapurkar: See after all, the company is taking care of the shareholders growth in terms of market price and dividend payment also because as compared to past years, what we have recommended this year, is also looking to interest of the shareholders only and we would like to break our own records in coming times like GSFCL done. So let us hope for the best.

Dhruvesh Sanghvi: Great. Fine Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ankur Shah from Quasar Capital. Please go ahead.

Ankur Shah: Thanks for the opportunity Sir. Sir I have three questions related to the segment. Sir first is the fertilizer division when I look at the fertilizer division and the capital employed in the division, it is consistently making losses in spite of significant increase in volume, so if I consider year-on-year there is a 45% increase in the sales, but still we are making good amount of losses, so does it make any economical sense to operate this division?

Dilip Parikh: We answered this question for two times during the call.

Ankur Shah: Right Sir, but it is more from the perspective because since the last year I understand the subsidy part the government has been quite swift in releasing its subsidies because when I compare it with the other companies, other fertilizer companies they have started showing a significant improvement in profit numbers, but again in case of GNFC it is very clear that the loss is still sustained?

Dilip Parikh: We have already responded on this one. There are issues going on, which are being addressed and as a conservative measure, the contingent gains are not recognized that is why it is showing up the losses.

Ankur Shah: Sir my second question is in the chemical division. It is on a specific product TDI since we have a very big capital invested in TDI, Sir again I was just thinking about the prices, which were prevailing last year in comparison with this year, so let us say last year the prices during this time were Rs.1,40,000 to Rs.1,50,000 or sort of in that range. Today prices are significantly up. In



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spite of that we have not been able to show any significant profits from the chemical division. Since I do not have a specific number for TDI, I am just commenting on the chemical division. Sir, what are the problems, which we are facing in scaling up TDI. Can you throw some greater light, so that we can understand the profitability matrix of that particular plant?

Dilip Parikh: As far as scaling up the TDI is concerned, there are no major variances as compared to quarter-on-quarter. Price is looking up, but we have a basket of the product and in any company some of the products may look up and some may go down, so overall this is the profitability. As far as the bigger investment of TDI 2 is concerned, we are towards the path of recovery on that with expected prices to remain from.

Ankur Shah: Okay, Sir if I consider from the last just as a followup... if I consider from the last year now whatever has been the price change from the last year, I understand that will directly flow to the bottom line for the TDI plant, so considering that in mind Sir only Rs.10 Crores year-on-year profit jump seem quite low, so were there any other divisions, which saw a significant dip are you trying to say that?

Dilip Parikh: As we told you within the chemical basket, there are a few products where the realizations are down and which is having the compensating affect.

Ankur Shah: Sir third and last question. Sir on the other segment revenue I see a revenue of Rs.38 Crores and PBIT of Rs.12 Crores. Sir is there some one-time gain out of this division or are these real margins, which the other division earns? I think other is reported for the IT business right?

Dilip Parikh: Yes, predominantly it is IT business. The other representing terms of revenue around Rs.35 Crore from our (n) Code division and a significant profit is also from (n) Code division. As you know last time also we referred to it and around Rs.189 Crores was the revenue, which was coming from this division.

Ankur Shah: Sir if I compare the margins of this division in the March quarter the sales were Rs.91 Crores and the PBIT was Rs.13 Crores. This quarter, the top line is Rs.38 Crores and the PBIT is Rs.12 Crores, so approximately a margin of 33%, so Sir are these kind of margins sustainable in this business?

Dilip Parikh: The (n) Code has a project base business where the margins vary and this represents the actual margins of that business being done. There are no onetime gains as far as (n) Code is concerned.

Ankur Shah: So do you look at it as a sustainable measure like are these sustainable?

Dilip Parikh: We hope to do so.

Ankur Shah: Thank you so much.



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Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Ranjit Cirumalla for his closing comments.

Ranjit Cirumalla: Hi all thank you once again for showing your interest in GNFC and we thank the management of GNFC for giving us the opportunity to host the call. Mr. Tushar if you have any closing comments you can make now.

Tushar Lakhmapurkar: We all are also thankful to Ms. B&K Securities particularly Mr. Ranjit and Archit Joshi. We are also thankful to all the investors for interacting with us and also thankful to Chorus call for extending their support for this system. Thank you so much.

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