



**Gujarat Narmada Valley  
Fertilizers & Chemicals Limited**

CIN : L24110GJ1976PLC002903



(An ISO 14001 & ISO 45001 Company)

P. O. Narmadanagar - 392 015, Dist. Bharuch, Gujarat, India  
Ph (02642) 247001, 247002  
Websites www.gnfc.in

NO. SEC/BD/SE/INV MEET  
May 24, 2021

FAX: 02642 – 247084  
E-Mail: [acshah@gnfc.in](mailto:acshah@gnfc.in)

Dy General Manager  
BSE Ltd.  
Corporate Relationship Dept  
1st Floor, New Trading Ring,  
Rotunda Bldg  
PJ Towers, Dalal Street, Fort  
Mumbai-400 001

The Manager  
Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza,  
C-1, Block - "G",  
Bandra-Kurla Complex, Bandra (E)  
Mumbai – 400 051

**Co. Code: BSE - "500670"**

**Co. Code: NSE- "GNFC EQ"**

**Sub: Transcript of Investors / Analysts meet through Conference Call on  
General Business Update**

Dear Sir / Madam,

We had vide our letter dated 19<sup>th</sup> May, 2021 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Friday, the 21<sup>st</sup> May, 2021 at the Registered Office of the Company on "Financial Performance of Q4 and FY 2020-2021".

We send herewith a copy of Transcript of Investors / Analysts meet through Conference Call which took place on 21<sup>st</sup> May, 2021. The said transcript along with the audio is also uploaded on the Company's website i.e. [www.gnfc.in](http://www.gnfc.in)

We request you to kindly take note of the same on your record.

Thanking you,

Yours faithfully,  
For Gujarat Narmada Valley Fertilizers & Chemicals Ltd.

CS AC Shah  
Company Secretary & GM (Legal)



**“Gujarat Narmada Valley Fertilisers & Chemicals  
Limited Earnings Call hosted by Batlivala and Karani  
Securities”**

**May 21, 2021**

**MANAGEMENT:**      **MR. D. V. PARIKH – GENERAL MANAGER AND CFO, GUJARAT  
NARMADA VALLEY FERTILISERS & CHEMICALS LIMITED  
MR. Y. N. PATEL – HEAD (DEPARTMENT O&M), GUJARAT  
NARMADA VALLEY FERTILISERS & CHEMICALS LIMITED  
MR. A. C. SHAH – GENERAL MANAGER & COMPANY SECRETARY,  
GUJARAT NARMADA VALLEY FERTILISERS & CHEMICALS LIMITED  
MR. JITEN DESAI – CHIEF MARKETING MANAGER, GUJARAT  
NARMADA VALLEY FERTILISERS & CHEMICALS LIMITED  
MR. PIYUSH MANKAD, ADDITIONAL GENERAL MANAGER, BUSINESS  
& STRATEGY DEVELOPMENT, GUJARAT NARMADA VALLEY  
FERTILISERS & CHEMICALS LIMITED**

**MODERATOR:**      **MR. PARTH ADHIYA – BATLIVALA & KARANI SECURITIES INDIA  
PRIVATE LIMITED**



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Gujarat Narmada Valley Fertilisers & Chemicals Earnings Call hosted by Batlivala and Karani Securities. As a reminder, all participants' 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 '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Parth Adhiya from Batlivala & Karani Securities. Thank you and over to you, Sir.

**Parth Adhiya:** Thank you Malika. Good Afternoon everyone and thank you for joining us on Gujarat Narmada Valley Fertilisers & Chemicals 4Q and FY '21 Earnings Conference Call. We thank the Management for giving us the opportunity to host the call. Today, with us we have Mr. D. V. Parikh – General Manager and CFO; Mr. Y. N. Patel – Head of Department O&M; Mr. A. C. Shah – General Manager and Company Secretary.

I would now like to hand over the call to Mr. D. V. Parikh for his opening remarks. Thank you and over to you, Sir.

**D. V. Parikh:** Thank you very much and warm Welcome to all the participants to this call on Q4 and full year earnings call. Financial Year 2020-21 will be remembered as one of the exceptional years especially because of disruptions created by pandemic. The disruptions have been across the globe impacting demand supply as well as creating logistical bottleneck issues. The nature of disruptions have been varying impacting individuals in terms of the personal life and organization with far reaching financial and other impacts. Loss of life has been one of the key resource loss issue across the board. Many industries during this time have been badly affected especially in certain sectors like hospitality, aviation, real estate, etc. whereas certain sectors like bulk chemicals have recovered after initial hiccups.

Talking about fertilizer in general, industry in general, it has witnessed a growth of 8% overall. With in the fertilizer industry while we talk of urea, it has witnessed a growth of around 5% in sales and mix fertilizer SSP and MOP have witnessed double digit growth during FY '20-21. When it comes to bulk chemicals, it has fast recovered after initial hiccups mainly because of the lower imports, disruptions in logistical infrastructure across the globe, lockdown affecting demand supply due to impact on production.

Now, I will cover the Q4 and full year performance of GNFC. The first we touch upon the quantitative performance of the three periods that is Quarter-4 versus Quarter-3, Quarter-4 versus Quarter-4, and full year versus full year. Quarter-4 versus Quarter-3 has seen some decline in terms of the production mainly because we had an issue in our mix fertilizer plant and cost economic issues in product like methanol. While we compare Q4 versus Q4, there is a significant volume improvement mainly on account of the TDI production as well as sales. On a full year basis, there is a loss of volume of around 7% to 8% between chemical and fertilizer



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

mainly because for the whole of April, the plants were under shutdown and in case of TDI Dahej, it was practically under shutdown till mid-June. While we talk about the financial performance, there are certain highlights which we would like to give. GNFC has recorded highest ever PBT of 450 crore for Q4 mainly driven by the industrial product performance. On a full year basis, it is the second highest ever PBT part 948 crores. Board has also declared highest ever dividend at 80% at Rs. 8 per share.

Now, we come to the full year financials and major variances:

The major variances come in terms of the revenue from realizations driven by IP. In case of fertilizer while we will cover when we talk about segment, but the major change has come because in FY '19-20, there was a one-time realization in recognition of subsidy of around 191 crores. The salary costs are apparently down because last year GNFC recorded a PF transfer loss of around Rs. 61 crore. Apart from that, other expenses have gone up mainly because the catalyst cost has gone up, the obligation because of the CSR is contributing to some extent as well as the insurance cost has gone up, so these are the three factors affecting other expenses.

Now, while we talk about the segment performance, as is apparent it is the show is stolen by IP with a significant increase in the segment performance. Fertilizer is impacted mainly because last year to last year, there was a recognition of around 191 crores as one time subsidy which came in respect of the areas for last five years thereof because of the change in the Government policy regarding the fixed cost subsidy. This time, Board has clear investment proposals worth around 1250 crores mainly it pertains to the acids, ammonium nitrate and ammonia.

Looking forward in this financial year, the annual shutdown has been over in the month of April practically while the input cost of fast rising, the higher realization is keeping the momentum on and as of now although there are headwinds, company has been in a position to wither away the headwinds, so this is all from our side in terms of covering the headlines of the financials.

Now, I will leave the session over to question and answer, thank you very much.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Veera from Abacus Management. Please go ahead.

**Rahul Veera:** Sir, can you give the split of the chemical segment further down, TDI versus the other piece the revenues as well as the EBIT?

**D. V. Parikh:** Like last time we clarified, within the segment we generally do not give the product wise breakup, but since you want to know about TDI, it is touching 1000 crore within this chemical segment, but product to product, we normally do not disclose as a matter of approach.

**Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco. Please go ahead.



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

**Nitin Gosar:** Sir, can you please touch upon price points for various products, how they have behaved and what is the outlook like in case of TDI, acetic acid?

**D. V. Parikh:** Since it pertains to marketing aspect, I will request our senior colleague, Mr. Jiten Desai and M. M. Upadhyay to touch upon certain products how the prices have behaved and what is the outlook. I will deal with your first question also and you can tell me the second question as well please.

**Nitin Gosar:** Sir second question would be pertaining to the fertilizer subsidy the backdated ones which have been now cleared off, incremental what should be the number we should be keeping in our mind, is this a permanent change that we should be looking forward to or with regard to the recent changes in the subsidy which has happened day before yesterday, this will create an additional lag of tail burden which will come on the balance sheet at a later stage of time like Government may not be having the complete cash flow to provide those subsidies on time?

**D. V. Parikh:** Regarding your question on the fixed cost subsidy, in case of GNFC, we will get around 32 crores per annum because of the kind of change which was announced on the March 30, 2020, and it is going to be regular subsidy year-on-year. Now, coming to the question about day before yesterday's announcement of change in the nutrient based subsidy rates, of course there is going to be a positive impact but what has happened most of the companies have really increased the prices of the mix fertilizer and it might so happen that Government may expect these companies to roll back the price increase because the subsidy is now given to them, so let us see how it pans out and how the players react to this change which is announced in the nutrient based subsidy, it is little premature to talk about that.

I will give you the overall scenario about the industrial products, like we have a basket of industrial product as you may know ranging from acetic acid, ammonium nitrate, aniline, concentrated nitric acid, ethyl acetate, formic acid, methanol, TDI, so and so forth with nitric acid. Now, this year across board this IP, industrial products, have done quite well and one of the reason of doing quite well is there have been lesser imports as well ranging from 5% up to 29% depending upon the products. Secondly because of this logistical issues, it has given us a premium pricing at times because of the demand supply gap, like you have seen good pricing in case of like acetic acid, ammonium nitrate, concentrated nitric acid has been close to highest ever. My point is in most of this industrial product, we have seen including like as compared to '19-20, TDI also there is a significant improvement in terms of the realization, so this is broadly from a finance perspective about the industrial product.

**Moderator:** Thank you. The next question is from the line of Bharat Seth from Quest Investments. Please go ahead.

**Bharat Seth:** Sir my question was mainly on the pricing part only and market outlook and how do we see this hydrochloric acid and plus that part I will take later on with Mr. Desai coming in, but if you can



*Gujarat Narmada Valley Fertilisers & Chemicals Limited*  
*May 21, 2021*

give some rough idea capacity addition during FY '21 and CAPEX plan for '22, '23, and where we are adding the capacity?

**D. V. Parikh:** Regarding capacity addition like as you may know, we have three debottlenecking as well as Brownfield project which we covered last time as well. One is pertaining to the formic acid, which will add 20 metric ton per day. Second is the concentrated nitric acid which will contribute around 150 metric ton per day and the third is the debottlenecking in case of the TDI resulting from the new installation of the missed unit, so in the last con call we have already covered this thing and we are expecting this somewhere in this financial year as well as next financial year to contribute partly as well as thereafter fully.

**Bharat Seth:** In addition to that any new CAPEX plan has been formed up?

**D. V. Parikh:** Yes, Board has cleared CAPEX plan worth around 1250 crores and these are basically the Brownfield additions in ammonia, ammonium nitrate as well as weak nitric acid.

**Bharat Seth:** That will be over what timeframe 1250 crores?

**D. V. Parikh:** It will take around three years from zero date.

**Bharat Seth:** Okay, and how much capacity addition will happen on account of that?

**D. V. Parikh:** In case of weak nitric acid, we are planning around 200,000, in case of ammonium nitrate it will range between 100,000 to 130,000, and in case of ammonia it is going to be 50,000 metric ton per annum.

**Bharat Seth:** Any further Sir I mean plan on the reducing energy cost or?

**D. V. Parikh:** Energy is something where we are already like close to the threshold. The Department of Fertilizer has prescribed the norm of , last year average norm was 6.25 and we were around the same. This year effective October 1, 2020, it is 6.20 GCal per metric ton of urea and our operations team, I would request Mr. Yogesh Patel to throw some light on this, but as far as I know we are going to be hovering around the same.

**Yogesh Patel:** Regarding energy front, we are likely to achieve norms set by DOF that is around 6.2 because we have done some modification in plant like urea revamp. Regarding energy norms, energy requirements we are likely to meet requirements set by DOF that is 6.2 GCal per ton of urea because we have taken quite a few modifications in recent shutdown where something is done in urea plant where when chiller is installed, cooling water revamp job we have taken, and one ejector is also installed, which will continue to some extent to energy and major contribution will be in ammonia plant, where revamp has been carried out that will contribute and will likely to meet the norms.



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

**Moderator:** Thank you. The next question is from the line of Nikhil Parekh from Tamohara Investment Managers. Please go ahead.

**Nikhil Parekh:** Thank you so much for the opportunity, I have couple of questions. The first question is the recently announced subsidy couple of days back, I would like to know the impact it will have on the top line and the bottom line?

**D. V. Parikh:** Day before yesterday the announcement which came in case of our mix fertilizer there is an impact of around Rs. 6000 per metric ton. Now when Government gives a subsidy it is expecting companies to reduce the price which were increased, so it is going to be some interplay between the two and it will be premature to like quantify what will be the impact, but of course with the change in subsidy, the increased cost which has been there in terms of the rock phosphate, ammonia, etc. will be set of significantly, so to that extent fertilizer segment should improve now. Now to what extent it should improve, is an interplay within what kind of price rise we have been in a position to push through the market.

**Nikhil Parekh:** Okay, so Sir have we taken any price hike in the recent past and are we looking for any rollback?

**D. V. Parikh:** We did a price rise of around Rs. 7000 per metric ton somewhere in early May and that was followed by this Government notification. Now what happens most of the companies also increase the prices and accordingly GNFC also increased the prices because input costs were substantially rising. Now, after the announcement, Government might push hard. The fertilizer companies that they should roll back is not fully, at least partly the price increase, so let us see how it pans out, because it is little early to say about this how the market players behave, to what extent they roll back, and our reaction to that will all depend on that.

**Nikhil Parekh:** Okay, so any approximate percentage Sir can you give what industry has taken as a price hike in the recent months?

**D. V. Parikh:** It all depends upon, there are so many mixed fertilizers, like you must have seen the notification and for each there is a different impact. Depending upon the composition of nutrient, so in general we cannot say, but like in case of GNFC like it will improve by around 20% or so, the mix fertilizers margin improvement because it was so much eroded with the continuously enhancing cost, it has given some respite and that should improve the fertilizer segment going forward.

**Nikhil Parekh:** Sir, one point to confirm you are saying that the recent price hike about 7000 per metric ton which we have taken, in case if we do not roll back that price hike, it will be sort of given advantage of 20% to the margins?

**D. V. Parikh:** This 20% I am talking with respect to the day before yesterday's notification, with that normally what happens Government expects that company's rollback the prices because they have already



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

given certain amount. Now, in our case if you see we got around Rs. 6087 per metric ton and we increased the price earlier somewhere earlier around May 7<sup>th</sup> or 8<sup>th</sup> by Rs. 7000, so how the market plays around our rollback will depend up on that, it might be full, it might be partial and to that extent the percentage will change.

**Nikhil Parekh:**

That was helpful Sir, one more question again in month of February and March, we have seen a bullet payment with respect to all backlog subsidy which has been cleared, so just wanted to know your thoughts that going forward now do you see Government sort of clearing subsidy backlog on month-on-month basis or have you received any money in the month of May or April?

**D. V. Parikh:**

First of all because of the Government's additional allocation of 65,000 crore somewhere in October-November 2020, most of the companies got benefited including GNFC. GNFC has witnessed the highest ever subsidy receipt of 1722 crore last year. Now, coming to your question about current year, because of certain disruptions they have not released the subsidy in the month of April to the extent required, but they now provided fully the budgeted amount so we understand that subsidy will not be an issue and there will not be a backlog. Now, the issue is that of the day before yesterday's impact which will create around 14,000-15,000 crore of burden further on exchequer, either Government is increasing the budget allocation or not that is we are yet to see that what is the stand Government is taking whether it is incremental budget allocation or it will eat away the budget allocation of around 79,000-80,000 crore. In that case, there could be some arrears of subsidy but it is again premature to say on that because it will depend upon what stand Government takes.

**Nikhil Parekh:**

Sir last question was again on the industrial product as you rightly mentioned that we have seen some improvement or there was some improvement in outlook with respect to overall supply chain issues due to which there was restrictions on import, so import was later subdued, but once this logistics challenges sort of improves in couple of quarters then Sir in your thought what will be an overall outlook for industrial product segment?

**Jiten Desai:**

Good Afternoon, about the market outlook about the industrial products, the year '20-21 in spite of the COVID was very fantastic for us that everybody knows. Now, going forward in the current year '21-22, resurgence of COVID has definitely some impact but our main products are not affected that much. We can say just today also 7/10 main products, the price is prevailing is at our highest level, so because of the support of the demand, because of the support of international prices still sustaining and as you said one of your anxiety is the logistic. Now, logistic problems particularly the shipping from one country to another is a really bottleneck nowadays, but that is working in favor of us in most of our products, because our products are import substitute and delay in parcels are making imbalance in demand supply in India and that is to our favor to some extent.





*Gujarat Narmada Valley Fertilisers & Chemicals Limited*  
*May 21, 2021*

- Nikhil Parekh:** Sir, I just wanted to have further outlook saying that one is that bottleneck clears out in couple of quarters then what is the outlook for overall industrial products?
- Jiten Desai:** As far as domestic demands are concerned some of our products like TDI which is used in comfort products, definitely that domestic demand has affected due to COVID, but as we observed in last year the demand was standstill due to COVID but as soon as it subsides, the demand has spurt actually, it has bounced back so we as well the same thing again in this year and as you know the COVID situation is subsiding now in most of the area, so we have a good market and for our other main products like acetic acid, ethyl acetate, formic acid, the demand is still sustaining, it is a very good demand, and as far as international scenario is concerned, international scenario is not affected much by this COVID because resurgence is very limited in most of the area of the world, so we see at least similar year like last year going forward, second quarter, third quarter, fourth of this current financial year.
- Moderator:** Thank you. The next question is from the line of Nishad Shah from Aequita Investments. Please go ahead.
- Nishad Shah:** Good Afternoon Sir and congratulations on good set of numbers, Sir I wanted to understand our 1250 crores CAPEX, how much additional revenues do we expect from each of the segment like ammonia, weak nitric acid, etc.?
- Piyush Mankad:** Good Afternoon, ammonia is basically raw material for WNA, that is the weak nitric acid, and weak nitric acid is also getting consumed in ammonium nitrate, so part of the production that is so long as ammonium is concerned will be fully absorbed at 50,000 metric tons in the production of new WNA and the WNA will get also consumed by almost 1 lakh metric tons per annum, so the turnover directly impacts of the turnover will be by sales of ammonium nitrate and to the certain extent WNA, so it will be to the tune of around 200 crores and rest of the things will get utilized as a raw material.
- D. V. Parikh:** One thing I would like to clarify that when we use ammonia captively, there is going to be a significant cost advantage because of the increase the capacity which will again add up to the bottom line. Apart from the turnover which Piyush has mentioned, there is going to be an impact in terms of the reduced cost also because of this ammonia production.
- Nishad Shah:** Okay, so Sir can you help me understand how much this ammonia integration helps us ultimately in saving cost?
- D. V. Parikh:** Our current estimate is around 30 crore per annum, which will be saving by manufacturing through additional loop of 50,000 metric ton per annum.



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

- Nishad Shah:** Okay, and Sir if I heard it correctly you said that nitric acid prices are at all time high, so can you give me a trend how much it was higher in Q4 and post Q4 how much the prices are higher in percentage terms?
- Jiten Desai:** We have two types of nitric acid, weak nitric acid and concentrated nitric acid. For the weak nitric acid and concentrated nitric acid both the prevailing price is higher by around 30% to 35% and that is the highest ever price.
- Nishad Shah:** This 35% is higher than which rate?
- Jiten Desai:** Higher than the normal price, which is prevailing second quarter of last year.
- Nishad Shah:** Sir, you were saying the monsoon?
- Jiten Desai:** Monsoon will affect little bit as far as demand is concerned, so this Quarter-2 and Quarter-2 particularly the monsoon is on high, the demand of WNA particularly is going down, but we are keeping our fingers crossed that the price will sustain or will come to little bit lower level.
- D. V. Parikh:** To support what Jiten bhai is saying, if we compare Q4 versus Q4, the WNA price increase is more than 60% in terms of realization.
- Nishad Shah:** So post Q4 did we see in April and May any price increase?
- D. V. Parikh:** The number I gave is Q4 versus Q4, now your question is after Q4 there is an increase or not?
- Nishad Shah:** Yes.
- D. V. Parikh:** Not much, but Jiten will clarify further.
- Jiten Desai:** It is almost steady.
- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco. Please go ahead.
- Nitin Gosar:** Sir, can you help us understand capacity utilization in different products like TDI, acetic acid, formic acid, aniline acetate?
- D. V. Parikh:** We have our operations and maintenance side, so we would request Sri. Yogesh Patel to attend this question.
- Yogesh Patel:** Capacity utilization if we go by product wise, urea is around 120%, formic acid, methanol capacity utilization is around 77% in one plant methanol-1. Methanol-2 is around 69% because of some stoppage in between. Formic acid if you go it is 192%, acetic acid is 148%, ammonium nitrophosphate is 120%, likewise this varies. If we say CNA then it is around 108%, if we go for



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

aniline it is 92%. TDI-1 is 120%, TDI-2 is around 78%, some percentage here and there might be little bit change but these are more or less figures which I have right now.

**Nitin Gosar:** This is good enough to just get adjustment and all this, and ethyl acetate is if you could help on utilization?

**D. V. Parikh:** Ethyl acetate is 117%.

**Nitin Gosar:** We are seeing prices have continued to stay elevated in all the products that we are operating like?

**D. V. Parikh:** That Jiten bhai has already given the outlook.

**Moderator:** Thank you. The next question is from the line of AM Lodha from Sanmati Consultants. Please go ahead.

**AM Lodha:** Good Afternoon Sir, recently the Government has increased the subsidy in the MKP and other fertilizer whereas in urea Government has not increased any subsidy in urea, whether our company has given any representation to the Ministry of Fertilizer for increasing the subsidy in urea also?

**D. V. Parikh:** All representations are going through FAI, Fertilizer Association of India, and they are not only covering the issue of fertilizer subsidy, they are covering the industry issue in totality where subsidy issue is one of them. Like one of the representation they have been making to Department of Fertilizer is that the fixed cost which was decided is as old as that of 2002 and expect for the very recent like increase of Rs. 150 and Rs. 350 respectively, there is no such increase, so the FAI as a association is already harping to Government to review the levels of fixed cost subsidy especially because in case of urea, we are anyway getting 100% of the variable cost more or less.

**AM Lodha:** But Sir other urea manufacturer like Chambal and other they are making decent profit, our company is selling the fertilizers since quite a long time and ours is depreciated plant and we are debt-free company, why we are not making any money in fertilizer?

**D. V. Parikh:** Fertilizer is a controlled business. Secondly if you compare Chambal is a volume player, more than 3 million tons of capacity is there whereas ours is one-fifth of that, so what happens when limited volumes are there, you do not normally cover full of your fixed cost and therefore if you see although we are not making money in terms of profit, we are more or less close to the breakeven kind. This time the loss is because of certain provisioning as well as one month loss of production, otherwise it would have been like breakeven sort.



*Gujarat Namada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

- AM Lodha:** Sir, in that case since we are a 70% chemical company and we are earning only 30%-35% fertilizer business, in our opinion as an investor we should expand our business in chemical engineering taking that advantage of PLI scheme from the Government of India and either high of this fertilizer use came to the parent company, Gujarat Fertiliser they are having their dominate business in the fertilizer and we should be a purely a chemical company, that is as an investor we prefer that?
- D. V. Parikh:** Okay as an investor you are right Sir, but what happens when you study the operation side of the company, there are certain integrations which does not permit this kind of hive off. If you want to know still in better detail what you can do, you can get in touch on a one-to-one basis with our operations team who will explain why the hive off is not possible practically. Sir to answer your question that we should be like expanding in chemicals, this is what we have been doing. If you look at the 1250 crore investment which Board has cleared, it is towards the chemical.
- AM Lodha:** That is right I agree Sir, because the chemical business has got a bright future in India and your company should expand, can you do some guidance for turnover of the company if company can achieve in current financial year FY '22?
- D. V. Parikh:** There are different levers which we have explored internally for increasing the turnover as well including taking up certain profitable trading parts, so we should see going forward in couple of years down the line the impact of that. We have internally like reviewed the things as to how do we increase the turnover as well as the profitability, so there are like this is part of the strategy which is discussed internally and execution as you know will take has its own transition, so in due time to come the figures will witness the changes accordingly.
- Moderator:** Thank you. The next question is from the line of Nikhil Parekh from Tamohara Investment Managers. Please go ahead.
- Nikhil Parekh:** Sir thank you for the opportunity again, I just had one last question, Sir just wanted to check one thing with onset of COVID two and it is hitting the rural area badly, in your view what impact it can have on overall fertilizer industry because we are about to, the kharif season is about to begin, so what is the overall impact it can have on overall fertilizer industry?
- D. V. Parikh:** In the initial remark we covered that pandemic has actually not affected fertilizer industry as such. On the contrary, fertilizer industry in general has grown by around 80% , urea by 5% and NPK, MOP, and SSP in double digit growth, so pandemic has not impacted over last one year the fertilizer industry, and therefore, we have a reason to believe that it will definitely not affect.
- Nikhil Parekh:** In spite of last year, there was a view that it did not enter the rural area but this time it has entered the rural area but you still say there can be no impact with respect to onset of kharif season going forward?



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

- D. V. Parikh:** This is a question which is like more broader and it is very difficult at a Management level to assess such kind of things that what kind of a impact if it goes into rural area it will make, so we will not be in a position to answer this specific question as such because it is more global in nature and we cannot comprehend this kind of things very clearly.
- Moderator:** Thank you. The next question is from the line of Maanvardhan Baid from Laurel Investment Advisors. Please go ahead.
- Maanvardhan Baid:** Thank you for the opportunity, congratulations on a great set of numbers, Sir like you have just mentioned that for most of the products from the industrial side we seem to be operating at more than 100% capacity utilization so for each product can you tell us as to what utilization levels can they go to because that will help us understand that what is the runway that each product still has?
- D. V. Parikh:** Now, this question has a technical angle, but what happens if you see like GNFC's capacity utilization, capacity utilize is something which is debottleneck with certain opportunities which is witnessed by the technical team, so if you talk about the runway in each product immediate answers may not be there as in each product what is the runway expect where the team is currently actively working, so I will request Sri. Yogesh Patel to throw some light on the couple of products where there is a clear visibility and regarding the products where there is no immediate visibility, what happens there are plans which get developed over a period of time, and he will also explain on how the capacities are evolved in certain products. Now, it is over to Yogesh bhai.
- Yogesh Patel:** Regarding capacity utilization mainly it is IP products like formic acid, acetic acid, methanol, our technical expertise have digested the technology and whatever the design technology supplier has given, we have been breaking through in certain parameters of design and we have achieved a very high capacity utilization just by optimization of process parameters, whereas in some of the cases, some of the products like formic acid, we have duplicated the capacity; in acetic acid we have topped up the capacity, in methanol we have upgraded our version of catalyst. In ammonia also, we had done some series of modification where upgradation of technology is applied in the form of revamp, so likewise we are trying to add our capacity to the extent possible where major portion of the plant remains same, whereas some peripheral changes and some optimization in design parameter we are able to achieve very high capacity utilization and in some cases, we have also done some debottlenecking, so there we are able to get some very good capacity utilization, I hope I am answering your question.
- Maanvardhan Baid:** Just to for example formic acid where we are operating at 190%, so where can that go to because for a layman for a non-technical person like us, we feel 100% is the gap, so if there is 80 we feel it can go to so there is but over here since we are 190 we do not know where the ceiling is?
- D. V. Parikh:** Further Brownfield expansion will add up close to around 28% more to formic acid.



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

- Maanvardhan Baid:** On 190 to 28%?
- D. V. Parikh:** The current production is around 65 metric ton per day, there is another 20 metric ton per day which will come up, so it will be adding to that extent. Now regarding your question on what is the further run rate for the other products like we cover in case of TDI-2, there is further run rate of around 18% or so and regarding the other products, technical team continuously keep on working and wherever they see the opportunity, they either do revamp or certain changes in process parameter catalyst etc., so that gradually they inch up the capacity utilization.
- Maanvardhan Baid:** Sir one more question, what was the turnover of aniline this quarter?
- D. V. Parikh:** Product wise normally we do not mention, but just to answer your question, aniline turnover this year for the full year is around 325 crore.
- Maanvardhan Baid:** The quarter gone by, fourth quarter?
- D. V. Parikh:** As I told you normally we do not give product specific, since you asked for the FY we covered, so we have a request further not to ask on quarter-on-quarter basis.
- Moderator:** Thank you. The next question is from the line of Pratik Tholiya from Elara Capital. Please go ahead.
- Pratik Tholiya:** Thanks for the opportunity and congratulations on a very good set of numbers especially in your IP business, but again I was not exactly able to understand maybe I missed out the initial commentary, for the reason for the losses that you have showed in the fertilizer business considering that this is the fertilizer overall has been good and subsidy payments have also been timed, so what has really impacted us on the fertilizer side?
- D. V. Parikh:** There are three important factors which has affected the fertilizer segment this year. You are looking at the numbers on a comparative basis from segment profit of around 215 last year to 24 crore loss this year. Now there are three factors, in '19-20, Government on March 30<sup>th</sup> announced the subsidy on account of the fixed cost, so every company including GNFC recognized and GNFC recognized around 190 crore last year which was for the five full financial years, number one. Number two, this year we have lost one month production both in case of mixed fertilizer as well as urea which has contributed further down to the losses. The third is we have made certain provisioning in case of retailer incentive of around Rs. 14 crore, so this three factors taken together is accounting for around 95% of the variance explanation.
- Pratik Tholiya:** Okay, so these are recurring expenses or this was only one time and from FY '22 you expect the profits to improve?



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

- D. V. Parikh:** Production loss which was unusual, it is not expected like pandemic is not expected to be having the complex down for one month year-on-year, so it was definitely one time. Provisioning of regular incentive was a one time because arrears were accounted for and third is the difference because of the one-time subsidy of 190 crore which was accounted last year, so more or less most of the factors are one timer in nature, so to answer your question if you operate in a normal way, we expect the fertilizer business to at least breakeven going forward.
- Pratik Tholiya:** Breakeven would mean Sir what could be our EBITDA per ton, what is our breakeven?
- D. V. Parikh:** Segment wise EBITDA we do not calculate, but then in terms of PBT it will be like breaking even, EBITDA could be marginally around 2%-3% in case of fertilizer business.
- Pratik Tholiya:** No, on a per ton basis I just wanted to understand.
- D. V. Parikh:** Okay.
- Pratik Tholiya:** Sir secondly, how do you see the TDI, toluene spreads going forward, are you expecting the spreads to be in a similar range or they could be some contraction over here?
- D. V. Parikh:** First of all, we have the plotting of last five years of toluene to TDI, there is no correlation between NG price, toluene price, and TDI prices. Regarding the future outlook of TDI prices, Mr. Desai will answer the question.
- Jiten Desai:** Generally if we see the toluene-TDI ratio as Parikh Sir as rightly said, it has no relation, but when the gap is higher, when the toluene and TDI difference is higher then it can be said that the demand of TDI or the TDI market is very good, but when it is narrow then we say otherwise. The average toluene TDI difference is around \$1400 to \$1500 per metric ton.
- Pratik Tholiya:** The spreads are currently higher than this?
- Jiten Desai:** The spread currently is the same, \$1400.
- Pratik Tholiya:** So that is the peak?
- Jiten Desai:** No, peak has gone very high actually, in some of the year in 2018 and just last year also was good, but 2017-18, it was exceptional and at that time spread was gone up to \$2500 or even more than that.
- Moderator:** 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 if you could give us the mix in the fertilizer segment, what percentage is urea and how much is the complex fertilizer of the total revenue?



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

- D. V. Parikh:** Normally the total revenue is around 1700 crores for fertilizer as such. If you look at the breakup around 440 crore is that of the mixed fertilizer and 1250 crore is that of the main urea on a full year basis.
- Saket Kapoor:** Sir, on this 440 crore also what kind of margins are there, this is not a controlled business on the 440?
- D. V. Parikh:** This is not a controlled business, so in fact if we factor the fixed cost we are not making money because in case of mixed fertilizer, our volumes are also very less, around 200,000 or even less than that, last year it was around 165,000.
- Saket Kapoor:** Sir any obligation to be there in this complex segment
- D. V. Parikh:** Actually, if you look at regulatory obligation, there is no such regulatory obligation but because of the plant integration like in one of the participants case we referred to like you can also join with our technical team later on a one-to-one basis and they will explain why it is not possible to disintegrate this production of mixed fertilizer as well main urea because of the integration of the plant.
- Saket Kapoor:** Sir, you spoke about this other expenses part being higher this year, so on a normalized basis Sir what should be the absolute numbers, what is the ad hoc increase for this year and next year it will get evened out?
- D. V. Parikh:** This trend will be similar that of the last year because what has happened the price have gone through the roof, number one. Number two, CSR obligation is going to be more or less same or more, because it is normally calculated with respect to the last three year's profit, so it is going to be the same, so practically these two have made up and the third is insurance cost. As you know the GIC has increased the pricing and most of the companies have seen more than 250% increase in the insurance cost, so you may say that other expenses will be more or less on the same footing as that of the last year unless the catalyst price comes down but looking to the five year trend of catalyst, it is not subsiding, in fact it is on a fire.
- Saket Kapoor:** Right, the catalyst requirement is on an annual basis?
- D. V. Parikh:** Yes. Different plants require different kind of catalyst.
- Saket Kapoor:** Lastly Sir if you could give us the raw material basket and the power fuel basket, how is this going to shape up, and lastly on the TDI part Sir, you mentioned 1000 crore turnover for TDI that was the annual figure, close to 1000 crore for FY '21?
- D. V. Parikh:** Yeah.





- Saket Kapoor:** What was the figure for FY '20?
- D. V. Parikh:** To be precise, I gave the overall number to be precise, it is close to 900 crores.
- Saket Kapoor:** 900 crores for FY '21?
- D. V. Parikh:** Yes.
- Saket Kapoor:** On a comparative basis for FY '20, how it was what was the comparative figure?
- D. V. Parikh:** 750 crores.
- Saket Kapoor:** Now Sir my answer to for the raw material basket and power and fuel?
- D. V. Parikh:** We have around four to five key raw materials as you may know, which is toluene, benzene, oil, gas as well as special denatured spirit and it is very difficult to predict how they will pan out in terms of natural gas, oil, toluene, and at the same time like currently if you see most of the input prices are rising and rising disproportionately, but at the same time if you look at the realizations, they are also rising through the roof like Jiten bhai explained, so it is a balance which is normally maintained and because of our multiple product portfolio, company has been in a position to maintain the profitability. I cannot answer exactly what will be the outlook of like input prices, but the current trend is most of the commodities are on fire.
- Saket Kapoor:** Our power fuel utility mix Sir, how much it is totally gas based and how are we sourcing this gas and going forward are this contracted or mainly on the spot basis?
- D. V. Parikh:** Our total power requirement at the Bharuch plant is around 55 megawatts, out of which 33 megawatts is met through the gas mechanism and the rest is met through either renewables or coal based power. As far as sourcing of the gas is concerned, we have two arrangements, mid-term gas procurement as well as spot gas procurement depending upon the opportunity available.
- Saket Kapoor:** What was the mix at this time, Sir for this year?
- D. V. Parikh:** Mix of?
- Saket Kapoor:** Mix of the gas that you have, the cooling part which you were explaining?
- D. V. Parikh:** No, cooling is different; when we talk about gas, they are two types of gases, one is the gas procured in the cooling mechanism which is exclusively meant for urea and the rest is meant for the industrial product. When we talked about power, in case of power what happens like 33 megawatts, which we are generating, roughly 60% of the power is met for the urea out of this which is around 18 megawatts, because power generated is a common pool and thereafter it is distributed to different plants.



*Gujarat Narmada Valley Fertilisers & Chemicals Limited  
May 21, 2021*

- Saket Kapoor:** My last question is on the methanol part Sir, where are we in terms of methanol production and Sir going forward any CAPEX that we are doing and how is the requirement going to shape up going forward in case of methanol as a fuel in the cooking arena as earlier articulated by the Government?
- D. V. Parikh:** Regarding usage in fuel, GNFC is not as of now into that, so we will not be in a position to comment on that. Regarding methanol as an industrial product, we have two types of uses as far as methanol is concerned, one is the captive use of methanol and second is the commercial use of methanol, commercial use of methanol depends upon the cost economics which we do from time to time depending upon the gas prices because predominantly it is gas based and at times when we get an opportunity in oil also we manufacture that. Out of the total methanol, roughly 250 metric ton per day, we manufacture for our captive use in the acetic acid and the rest depending upon the opportunity we manufacture for commercial purposes and it is an interplay. If you look at the trend between methanol and NG, it is a direct correlation or less which we observe, plotting the data of last five years, so what happens it all depends upon encashing on the gas prices practically.
- Moderator:** Thank you. The next question is from the line of Urvija Shah from Isha Investments. Please go ahead.
- Urvija Shah:** Thank you Sir for this call and I hope that Management communicates consistently with the investors. Sir regarding our CAPEX, if my understanding is correct that most of it is going to be used in-house?
- D. V. Parikh:** Yes Madam, your understanding is correct, in-house meaning captively, which will reduce the cost.
- Urvija Shah:** Right, and Sir can you give me TDI price trend in the current quarter, ballpark figure for TDI prices?
- D. V. Parikh:** Your question was on TDI pricing going forward.
- Urvija Shah:** Yes, in the current quarter if you can give a ballpark number and the outlook?
- D. V. Parikh:** Exact price part is something which is price sensitive information, so we cannot divulge that but as of now I will tell you one fact because of this pandemic, TDI domestic business as of now is affected one in terms of volume and it all depends upon when the lockdown is lifted. Once the lockdown is lifted last time we witnessed that there was a sudden spurt of demand in the domestic front and we were unable to cater to the full demand, in fact because we committed our part to the export orders.



*Gujarat Narmada Valley Fertilisers & Chemicals Limited*  
*May 21, 2021*

**Urvija Shah:**

Sir one last thing was elaborating on previous participant's comments, Sir fertilizer division it is you mentioned that we can pin the numbers, it is not contributing, you said that we are a chemical company and we have been getting a chemical result, but Sir then we should also change our name maybe from fertilizer to realize the value of our company so that is one suggestion being a shareholder?

**D. V. Parikh:**

Madam, we are not saying that we are a chemical company, the only thing our major part of the revenue comes from chemical which is around 65% in terms of turnover and regarding fertilizer being a controlled business, there are enough capacities which are further coming up which will make India absolutely self-sufficient, so we are examining the possibility and as such there is no such possibility of expansion in the fertilizer because if you look at the total number, couple of years down the line India is going to be self-sufficient, and therefore, import is also going to be truncated one. If you look at the mix fertilizer mostly the plants run between 50% to 60% of the capacities and these are supposed to be coastal as well. Further these are dependent on the import inputs where there is no certainty on the input prices, whereas Government controls the nutrient-based subsidy, so it becomes very difficult to be on this side of the business. Further, there are capacity which are already coming, so there is not much better scope in case of urea and in case of NP case, they are already running at around 60% capacity or even less.

**Moderator:**

Thank you. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.