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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 Third Quarter ended on 31st December, 2017.

Dear Sir / Madam,

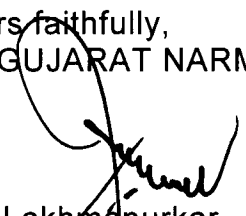
We had vide our letter dated 25th January, 2018, intimated the Stock Exchanges about the schedule of Analyst / Investor Conference Call on Monday, the 29th January, 2018 at the Registered Office of the company, on Unaudited Financial Results for the Third quarter ended on 31st December, 2017.

We send herewith a copy of Transcript of Analyst / Investor Conference Call which took place on 29th January, 2018. 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. Lakshmapurkar
Company Secretary & GM (Legal)

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“Gujarat Narmada Valley Fertilizers & Chemicals Limited Q3 FY2018 Earnings Conference Call”

January 29, 2018



ANALYST: MR. RANJIT R. CIRUMALLA - BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED

MANAGEMENT: MR. R.A. SHAH - CONSULTANT
MR. R.T. BHARGAVA - OFFICER ON SPECIAL DUTY
MR. G C SHAH – EXECUTIVE DIRECTOR
MR. Y.B. GANDHI – EXECUTIVE DIRECTOR
MR. G S MAHARAJA – EXECUTIVE DIRECTOR
MR. D.B. SHAH – EXECUTIVE DIRECTOR
MR. P.G. DAVE – EXECUTIVE DIRECTOR
MR. DILIP V. PARIKH - CHIEF FINANCIAL OFFICER
MR. TUSHAR LAKHMAPURKAR - COMPANY SECRETARY & GENERAL MANAGER (LEGAL)



- Moderator:** Ladies and gentlemen good day and welcome to the GNFC Q3 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 B&K Securities. Thank you and over to you Sir!
- Ranjit Cirumalla:** Thank you. On behalf of B&K Securities, we welcome all the participants on the GNFC Q3 FY2018 Earnings Conference Call. We thank the management of GNFC for giving us opportunity to host this call. From the management we have today Mr. R.A. Shah, Consultant, Mr. R.T. Bhargava, Officer on Special Duty, Mr. Dilip V. Parikh, Chief Financial Officer, Mr. Tushar Lakhmapurkar, Company Secretary. I would like to now hand over the floor to Mr. Tushar Lakhmapurkar, Company Secretary. Over to you Sir!
- Tushar Lakhmapurkar:** Good morning. For and on behalf of GNFC management, we are thankful to B&K Securities and Chorus Call and to all the participants at this meeting. Now we can start the proceedings. Our CFO, Mr. D.V. Parikh will reply all the questions and as and when it is required other executives are also available over here, so even they can reply some questions relating to their department. Now we can proceed with the matter.
- Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Pratik Tholiya from Emkay Global. Please go ahead.
- Pratik Tholiya:** I just wanted to know what is the capacity utilisation for TDI-I and TDI-II during Q3?
- Dilip V. Parikh:** The capacity utilisation of both the plants taken together for nine months ending is 87% and for the quarter ending is 101%. Individually for the nine months ending it is 113% and 80% respectively and for the three months it is 136% and 91% respectively. There is a marked improvement of production. Production has increased overall by 10% a year.
- Pratik Tholiya:** If you could just give us the production volume number also?
- Dilip V. Parikh:** Volume number individually product wise we normally do not share.
- Pratik Tholiya:** No, for TDI?
- Dilip V. Parikh:** Product specific, we have a request not to ask product specific questions.
- Pratik Tholiya:** If you could just also indicate that in January we had some one week of production loss at TDI-II so how much would that be, if you could just throw some light.



- Dilip V. Parikh:** We lost around a weeks' production. We have our Executive Director who is looking into the TDI Group who would respond to your question exactly.
- G S Maharaja:** It was a minor normal maintenance activity and in addition that we want to secure certain aspect regarding safety so that in coming months we can operate without any interruption. So that job is well taken and Factory Inspectorate Office was also involved in this aspect, the Director of Industrial Safety and Health of Gujarat Government that department was also involved and we have checked the health of the plant and that is why we took this one-week shutdown and the plant has again restarted and restored the normal load of the plant.
- Pratik Tholiya:** Sir, what would be the current market prices for TDI?
- Dilip V. Parikh:** The current market price hovers around US \$4300 to US \$4500.
- Pratik Tholiya:** US \$4300 to?
- Dilip V. Parikh:** US\$4300 to US \$4500.
- Pratik Tholiya:** Sir, what was it last year?
- Dilip V. Parikh:** Last same the same period, last year we had not much sale because of the incidence of Toluene leakage but the sale prices were around US \$4000 at that time as well because we launched the production at the peak time last year.
- Pratik Tholiya:** Sir, looking at the way China the prices are moving up, what is your sense on TDI prices going forward? Do you expect them to remain at the current levels or there could be some moderations going forward?
- Dilip V. Parikh:** Short-term it looks like these prices may prevail, but these are chemical products and nobody can say with certainty.
- Pratik Tholiya:** Sir, moving on to your fertiliser business there has been a drastic underperformance over there; we barely managed to scrape through as far as EBIT is concerned to fertilisers. Sir, if you could just take us through what is happening in the fertiliser business and why over the last three to four quarters, we are seeing marked degrowth in that segment?
- Dilip V. Parikh:** The fertiliser segment goes for the nine months ended and three months ended has actually been growing in the revenue terms. What is apparent on the REPO in terms of financials the reduction in around 8% of the revenue for nine months basis and 12% on three month basis reflects the trading of TDI which is discontinuing otherwise there is a 6% increase in the volume overall of the fund as a business. For three-month basis and around 2% volume increase on nine months basis for both urea and complex taken together. So we lost around 158 Crores in the urea trading



business for the nine months ended and around 1 Crores around three months ended December 2017. So if we offset that the revenue is actually increasing by 6% and 2% respectively for the quarter and nine months ended. Now as far as bottomline is concerned, the profit of 2 Crores which is reflected upon the quarter ending and the loss of 4 Crores which is reflected for the nine months ending is predominantly emanating from a couple of factors, which we described last time also in case of urea we lost around 25 Crores due to the energy norms this year and we are losing consistency in the complex business because the prices more or less remains stable whereas we are getting a dent on the margin because of this increased cost mainly the fines. We manufacture this complex fertiliser out of ammonia through the fine route and oil prices have increased 24% in the quarter and 29% overall for the nine months ending December 31, 2017.

Pratik Tholiya: Sir just on the phos acid the new contracts you have signed at 678? I am asking that the new contract prices for phos acid?

Dilip V. Parikh: We do not procure phos acid. Phos has to be used in the DAP. We have a complex fertiliser, which is ANP, and we do not have that route of phos acid; however, for your information, the phosphoric acid prices are going up together with the ammonia international prices. We expect the government to tweak the subsidy part considering this increased cost of inputs.

Pratik Tholiya: Sure. That is all from my side. I will back in the queue.

Moderator: Thank you. The next question is from the line of Charulata Gaithani from Dalal & Broacha. Please go ahead.

Charulata Gaithani: My question pertains to how much is the loss expected because of the fire?

Dilip V. Parikh: Madam, which fire are you referring to?

Charulata Gaithani: The one which happened in January?

Dilip V. Parikh: No, there is no fire, which happened in January. There was a leakage, which happened in January.

Charulata Gaithani: But the plant was down for almost 10 days, right?

Dilip V. Parikh: Seven days.

Charulata Gaithani: Seven days, so how much would be the volume loss?

Dilip V. Parikh: Around 1000 metric tonnes you can say, ballpark.

Charulata Gaithani: 1000 metric tonnes and would you need any refurbishment for plant because of that?



- Dilip V. Parikh:** No, the preventive measures are already taken and the plant was put back to operation and there are certain small maintenance issues, which keep on coming up, because we are yet to come to the full grip of the plant in terms of handling it.
- Charulata Gaithani:** How old is this plant?
- Dilip V. Parikh:** We started the commercial production on March 24, 2014. So it is a three-and-a-half year old plant.
- Charulata Gaithani:** Okay. What would be the average age of the plant entire?
- Dilip V. Parikh:** We are running our TDI-I plant since 1998. So close to about two decades and the plant is running fine without any hassles. So you can apply the conjuncture based on that.
- Charulata Gaithani:** Okay and this plant would be what percentage of your revenues?
- Dilip V. Parikh:** Individually the revenue component we do not mention for the product specific type of business, but our TDI revenue for nine months ending is 27% higher. There is a full year revenue of TDI last year. It has already crossed 1000 Crores plus.
- Charulata Gaithani:** Fine. Thank you. I will get back.
- Moderator:** Thank you. The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.
- Sudarshan P:** Thank you for taking my question. Sir my question is on the other chemicals apart from TDI. I mean can you throw some colour on the utilisation and I also understand that apart from TDI there is a lot of other chemicals also have seen a jump in spreads and realization. So how are we on the other chemicals compared to the last year?
- Dilip V. Parikh:** We have a basket of nine chemical products. TDI is one of them and on all the fronts except ethanol and TDI we have a plant utilisation of more than 100%. Now in terms of the volume on a comparable basis for nine months and quarter ending, except for two products we have exceeded the volume target as well as the price target of most of our products.
- Sudarshan P:** This would basically be in line with how the TDI has performed, I mean in terms of magnitude?
- Dilip V. Parikh:** Magnitude we already mentioned, our overall capacity utilisation of both the TDI two plants have increased from 80% to 87% on a comparable basis for the nine months and for the quarter it is 101%.



- Sudarshan P:** Sir with respect to Toluene prices how do we see that as crude has started to move up, so do you think probably from, if I am taking probably not one quarter view, but say the next year or a little higher than that, would we be in a position to maintain the spreads that we are seeing on the Toluene TDI side?
- Dilip V. Parikh:** Toluene prices if you see on a comparable basis for nine months, we are still not having it has seen so much increase as that of the benzene. Volume prices are still containing although they are increasing, but the kind of spread, which is there, is not going to affect much as it looks like because the current prices of TDI are quite reasonable as compared to our cost of production.
- Sudarshan P:** Sir finally on the raw material as well as finished goods inventory. Normally how many days do we keep the finished goods and raw material?
- Dilip V. Parikh:** Exactly it is difficult to say how many days because it is an interaction of demand supply, product-to-product basis, but normally chemical products are moving faster than the fertiliser products and chemical products, we take normally a real time decision whenever the stock positions are building up, now except for two to three chemicals as of now we see a comfortable position in the stock.
- Sudarshan P:** Sir, which means that we will not be having an impact on that one week or ten days closure because it will be to that extent fair amount of inventory, which would be there on the price?
- Dilip V. Parikh:** We leave it to you to decide about that because there is an actual production loss around 1000 plus metric tonne, which will definitely affect our scheduled delivery if not the sales.
- Sudarshan P:** Thanks a lot. I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Sandipan Ghosh, who is an Individual Investor. Please go ahead.
- Sandipan Ghosh:** Good morning Sir. Sir in the last quarter in the other expenses we had made provisions of Rs.38 Crores for giving effect to the contingent liability so what is the amount in Q3 and what is the plan for Q4 and forward?
- Dilip V. Parikh:** We have provided around 40 Crores in Q3 as well.
- Sandipan Ghosh:** Another thing is regarding the JV with Ecophos, I understand that presently the TDI the byproduct HCL production is 200000 tonne per annum and the lifting cost we are incurring is Rs.4000 to Rs.5000 per tonne so that will be saved by doing this JV. Sir that amounts to 80 Crores to 100 Crores expense that can be directly taken out and added to the bottomline is that reasonable estimate on an annual basis?



- Dilip V. Parikh:** Our normal HCL output on a comparable basis is around 150000 metric tonne per annum so the current cost, which we are incurring on lifting, which depends upon the demand supply position of HCL between 2500 and 3500. So that we will be saving and we will be getting something in turn from Ecopho, which is a formula based pricing for HCL.
- Sandipan Ghosh:** Sir also in the previous concall I noted we have planning to market TDI outflow in the auto sector any progress on that front?
- Dilip V. Parikh:** So far there is no breakthrough we have got but we are actually thinking of a blend because as such TDI is alone we cannot sell to the automotive sector we will have to sale some blend called TDI MDI and our efforts are going to explore the market.
- Sandipan Ghosh:** Okay Sir in the other chemical segments that we produce do you know the cyclical or our annual and inter-annual cyclical movements in the cyclical movements in this segment in your experience on long-term trends?
- Dilip V. Parikh:** Somehow we have witnessed this time the cycle of chemical. Most of the chemicals have been on a bullish side so our offtake is quite good not only the offtake is good but the price realizations are also matter in most of the products Ethyl Acetate, Formic Acid, Acetic Acid, we have got historic realizations.
- Sandipan Ghosh:** Do you expect this trend to maintain or even follow a cyclical trend just from the previously you said so hence I am asking?
- Dilip V. Parikh:** It is difficult to say.
- Sandipan Ghosh:** The final one is regarding the energy gas consumption the targets of the next year assumed the government is 6.2 GKcal PMT of urea and as per the last we have mentioned we are consuming 6.54 GKcal. Sir what is the number in Q3 and if 6.2 persist. I understand we are represented in government give our details but if 6.2 persists so what is the next plan of management to bring it down?
- Dilip V. Parikh:** Few actions have been taken still as at Q3 end we are around 6.54 and the current mandate the current norm is 6.301 so we are loosing around 0.24 GKcal on an annualized basis but the kind of measures we have taken the impact has been reduced and this year if you see the impact so far is around 25 Crores in urea which used to be in the range of around 80 Crores per annum when we were having the actual GKcal, which was more than 6.7 per metric tonne of urea production.
- Sandipan Ghosh:** It is much better now. Thank you Sir. Thanks a lot. I will come back in line.
- Moderator:** Thank you. The next question is from the line of Tejas Seth from Reliance Mutual Fund. Please go ahead.



Tejas Seth: Good morning Sir. Great set of numbers. Sir on the TDI typically these contracts are for what period in terms of volume tie-up?

Dilip V. Parikh: Mr. Tejas please speak loudly we are not able to hear you.

Tejas Seth: Sir in the TDI what are the typical volume contracts tied-up and is it for three months six months or it is kind of a one-year contract, on the volume side.

Dilip V. Parikh: No, we do not have a contract arrangement like that but we do have a backlog as at January we had a backlog of around 5400 metric tonne in terms of exports and domestic market we have an arrangement for lifting out with the customer but the quantities are defined on a volume basis but not necessarily that they will take it because they are tied with volume discounts if they take it they get the discount otherwise they do not get the discount. In terms of the actual order on hand it is mainly in the export, which is 5400 metric tonne to be 50% satisfied.

Tejas Seth: Okay this 5400 is for what period?

Dilip V. Parikh: Period, it is for the two months delivery between February and March.

Tejas Seth: Sir on the debt side what will be the debt as on December because I have been seeing your interest cost has been falling quarter-on-quarter for last multiple quarters?

Dilip V. Parikh: Interest cost has fallen more than 50% this quarter from 46% to 23% and the debt level has gone down from 888 Crores at the beginning of the financial year to just 213 Crores as at December 31, 2017 out of which the substantial portion will be retired by March 31, 2018.

Tejas Seth: Then any plans how we are planning to utilize the cash flows for FY2019 because that will be substantially generated?

Dilip V. Parikh: Yes, during the last call we said there are as of now no plans except retiring debts but now we are considering actively certain options. It is little premature to talk about the options but we would be coming out soon with certain options after evaluation.

Tejas Seth: Sir on the fertilizers what would be the outstanding subsidies?

Dilip V. Parikh: 538 Crores as of December 31, 2017.

Tejas Seth: And how much of that is on that energy norm dispute with the government?

Dilip V. Parikh: Nothing. The entire receivable on account of the dispute is outside the books, which is accumulated to 247 Crores as at December 31, 2017.



- Tejas Seth:** Fine Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sameer Raj from Reliance Mutual Fund. Please go ahead.
- Sameer Raj:** Good morning Sir. Thanks for taking my question. Since our new TDI plant is giving frequent troubles what kind of production level one should assume in the coming year or coming quarter?
- Dilip V. Parikh:** I will leave it to Mr. Maharaja who is the Executive Director to risk on to this question.
- G S Maharaja:** See we have already achieved 80% of capacity utilization and this being a very complex plant world over the capacity utilization is around 80%, 85% so but yes in GNFC, our Bharuch plant we have at more than 100% capacity utilization and we are in that direction and in coming period we will try to increase our capacity utilization by 10% and if you see this year we have already increased the TDI production by 10% for nine month ending. So the stabilization factor is coming up.
- Sameer Raj:** So basically whatever steps we have taken now you are satisfied and confident that you will be able to do the 10% increase without any significant problem?
- G S Maharaja:** Yes if you see this time also when the leakage happened it did not turn out to be fatal like that of last year. So that clearly shows the kind of measures the company has taken.
- Sameer Raj:** But Sir if suppose that this kind of leakage happen one more time then can government come like little heavily because it always runs at risk of loss of life for something like that so like we have to make sure that there is no leakage also. Otherwise sometimes government can come really strong?
- Dilip V. Parikh:** In chemical plant these leakages are very common but this identification of leakage and confinement of that leakage is very important and for that we have taken a very drastic actions on this. We have placed automatic sensors, which can measure in a PPM level of gas and immediate actions are planned so everything related to safety is in place so there will not be any leakage which can cause a havoc and we can create some emergency situations that we are not envisaging because we have taken sufficient safety measures.
- Sameer Raj:** So we are well prepared on that front?
- Dilip V. Parikh:** Yes we are well prepared.
- Sameer Raj:** Sir secondly to the previous question of Tejas you replied that there is a 238 Crores of outstanding loan outside because of energy norm, which is outside balanced so what is the expectation on that any progress on that, by when we expect to receive that amount?



- Dilip V. Parikh:** We have taken a strongly with the government and this time also we have decided that we will go all over in that and take up with the Department of Fertilizer but these are government related matters and we cannot say for certainty but we have insulated our balance sheet because of these issues. These are all sitting outside for books, which was 238 last quarter which is now 247 Crores as at Q3 end.
- Sameer Raj:** Sir lastly from my side, you mentioned that by the end of the year you will be almost debt free and earlier you are not thinking of capex but now we were thinking on those lines. So just to get some sense of scale of capex, which you are envisaging or kind of a will it be matching our cash flows or will it be significantly higher than our annual cash flows?
- Dilip V. Parikh:** It is a little premature to tell in terms of the quantification but what we can say it will not be incremental. It will be something, which will make a good impact on the topline of the company.
- Sameer Raj:** Great Sir. That is all from my side. Thank you so much and all the best for the quarter and year.
- Moderator:** Thank you. The next question is from the line of Amit Sureka from Bharti Axa Life Insurance. Please go ahead.
- Amit Sureka:** In the beginning of the conference, you mentioned that your current TDI realizations are in the range of \$4200 to \$4300 per tonne so roughly what was the same number your average realization for the Q3 last quarter?
- Dilip V. Parikh:** Just a correction to what you said, somebody asked us about the prices prevailing and the discount rate it is between 4300 and 4500. Our realization is not necessarily be same; however, we do try to price the product at IPP and as compared to the current quarter or the corresponding last year's quarter we had around the same situation in terms of international markets, which was at the same range.
- Amit Sureka:** No, actually by last quarter, I meant for the quarter ended December 2017. What was the average realization for the quarter, which has just gone by?
- Dilip V. Parikh:** In terms of dollar?
- Amit Sureka:** In terms of dollars or in terms of rupees whatever you are okay to share with?
- Dilip V. Parikh:** Product specific realization we can tell you about the price but not the realizations we have.
- Amit Sureka:** Okay so what was the price let us say in the last quarter I mean the quarter ending December 2017?
- Dilip V. Parikh:** As indicated it hovered between 4300 and 4500.



- Amit Sureka:** So when you told 4300 to 4500 that was for the average for the quarter ended December 2017 have I got it right?
- Dilip V. Parikh:** No. That is for the current price, which somebody asked us the question is the prices are fluctuated between 3800 and 4400 if you talk about the quarter.
- Amit Sureka:** And my related question would be the current international TDI prices are hovering in the range of \$6000 plus so what is the difference between what are the international prices and what we earn as our realization? Are we always at a discount to the international prices?
- Dilip V. Parikh:** No. We have not heard any price of \$6000 and normally we keep some premium to the landed price in India considering the antidumping duty and the immediate availability so our domestic prices are little higher for the domestic consumers considering this couple of aspects. As far as exports are concerned we do price it very competitively.
- Amit Sureka:** And can I assume that our domestic and international realizations are broadly same except to the extent of antidumping duty in India?
- Dilip V. Parikh:** No it is not right to conclude. It depends on which locations we sell, whether Middle East, Africa, somewhere else so our price is met accordingly.
- Amit Sureka:** Thanks for this information, outside TDI your Acetic Acid and the Formic Acid prices obviously I understand they are also going up so are the current spot prices higher than the last quarter's average or they are now cooling down sort of?
- Dilip V. Parikh:** It is a mixed one. If you look at Formic Acid and Acetic Acid, Acetic Acid is firming up off late. Formic Acid is going down so chemical-to-chemical, there are demand supply issues any and if you see we had a good realization last quarter, this quarter it is tapering down to some extent off late.
- Amit Sureka:** One more thing like last quarter obviously, as you motioned our capacity utilization were also going strong across different chemicals so is that the same kind of runrate we can expect for the Q4 also minus whatever accident related shutdown which might have happened, outside that across all other chemicals we should maintain the same level of capacity utilization?
- Dilip V. Parikh:** Except for TDI methanol normally we keep the utilization level, which is much higher than the capacity, and normally we match the normal production, which is whereby we achieved in the previous periods.
- Amit Sureka:** Thank you. Many thanks for the information.



- Moderator:** Thank you. The next question is from the line of Siddarth Mohta from Principal India. Please go ahead.
- Siddarth Mohta:** Good morning Sir. Sir my question is with respect to capital subsidy that we are getting in fertilizer segment especially in case of urea where we have converted our plant from naphtha to natural gas so what was that amount in this quarter and YTD?
- Dilip V. Parikh:** It is 107 Crores outstanding as of December 31, 2017.
- Siddarth Mohta:** And which we will be getting in another eight to nine months.
- Dilip V. Parikh:** By October 31, 2018.
- Siddarth Mohta:** So in this quarter Sir we might have also received like 28 to 30 Crores.
- Dilip V. Parikh:** Yes.
- Siddarth Mohta:** Sir in one of the previous concalls you have mentioned that we may increase the TDI in the sense the Brownfield capacity it may come in TDI plant II whereby we can increase our capacity by 15% to 20%?
- Dilip V. Parikh:** See TDI plant yes we are in a process to increase our capacity utilization from 80% to 100% and it is a slow process and we have to implement certain things, we have to do some investment on that and we have to increase the reliability of the plant so that will take some time for peers. We are definitely going ahead with increasing in capacity utilization from 80% to 100%.
- Siddarth Mohta:** Sir that I understand here we are increasing our capacity from that is capacity utilization but my question it was we are further increasing our nameplate capacity actually by 15% to 20%?
- Dilip V. Parikh:** No that we are not planning for.
- Siddarth Mohta:** That you are not plant in spite of antidumping duty, which has been notified couple of years back?
- Dilip V. Parikh:** Yes we are not planning for increasing the nameplate capacity.
- Siddarth Mohta:** Sir my second question is again with respect to power and fuel especially in the chemical division whereby we are taking some steps to put up the captive cogen power plant and the other operational efficiencies. So if you can just provide me or if you can just quantify me that how the power and fuel cost is going to decrease in the coming 12 to 18 months?



- Dilip V. Parikh:** See power and fuel cost for the quarter has gone up from Rs.151 Crores to Rs.232 Crores mainly because of the couple of factors. One is last year we did one time adjustment in Q4, which around Rs.189 Crores, which is there in the notes to the financials because of that the power and fuel cost has gone up, number one. Number two off late, we see certain issues in procuring the coals, so we are either to do the imported the coal where our cost is a little higher than domestic coal cost. So these are two single largest reasons apart from the fact that gas prices are firming up, so that is contributing to the higher cost of power and fuel. The gas prices have firmed up on nine monthly basis at 20% increase and for Q3 it is 48% increase in the gas prices.
- Siddarth Mohta:** Sir what are the steps that we are taking to negate this increase in the cost, one is definitely we can increase the finished good prices and second is an operation efficiency, so are we working on some internal efficiency?
- Dilip V. Parikh:** As the plant stabilised especially of TDI, we are expecting some efficiency number one. Number two we are looking for mid term or long-term contract to bring down the cost of procurement of energy.
- Siddarth Mohta:** Okay Sir. Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Sameer Raj from Reliance Mutual Fund. Please go ahead.
- Sameer Raj:** Sir I just wanted to understand from you because since you are day-to-day touch with TDI market, I just wanted to understand from you what are the factors that are driving a strong TDI prices and do you see any risk to this strong prices?
- Dilip V. Parikh:** Generally this TDI market is governed by supply and demand situation and as I said earlier that this plant very corrosive and very special plant and guarded technology and hard to operate, so capacity utilization worldwide normally remains between 80% and 85% of the plant and if you look at the scenario of the capacity of the world production capacity and consumption worldwide then there is a gap exist even after Sadara production. So this gives the leverage in higher prices.
- Sameer Raj:** Right, so unless this demand supply equilibrium basis, you expect prices to remain firm by and large I mean finally the market will decide but by and large?
- Dilip V. Parikh:** Yes.
- Sameer Raj:** Great Sir. That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Mahesh Dholakia as an Individual Investor. Please go ahead.



- Mahesh Dholakia:** Hello everyone. Sir my question is regarding expansion since most our plants we are running at more than 100% capacity, I just wanted to understand that what will be the future revenue strength for the company? Is the company considering any kind of big bang expansion or sort of buyback stocks option?
- Dilip V. Parikh:** We have already responded this question sometime back, but just for your information it is on the active letter, and we will be seen soon coming out with certain expansion plans.
- Mahesh Dholakia:** Okay and regarding that one of the question, which one of the participant raised just while back there was an interview of our MD Sir, which says that the company was considering some Rs.50 Crores investment, which will increase the TDI-II plant capacity by 15% to 20%. So are we considering that thing or we are just postponing that thing for now?
- G.S. Maharaja :** That Rs.50 Crores investment what our MD Sir has said is regarding to increase the reliability and improve the features of the plant, so that as we are getting a capacity utilization in our Bharuch plant near to 100% or more than 100% that same capacity utilization can be available at the Dahej plant also. So that was for that only. It will not change the nameplate capacity.
- Mahesh Dholakia:** Okay. Got it and Sir this TDI consumption right now in India can you give us some idea in tune of how many metric tonnes and how it will shape up around five years down the line from now?
- Dilip V. Parikh:** Generally in Indian market, this TDI market is growing at around 5%-7% growth rate. Internationally it is growing at 4% growth rate.
- Mahesh Dholakia:** Okay and what is the consumption right now of the TDI as a whole in India?
- Dilip V. Parikh:** The TDI it is 55000 per annum and some special utilization in as a TM brand and some special adhesive mind, adhesive market it is a 10000 to 12000 metric tonnes additionally.
- Mahesh Dholakia:** Okay. Got it. Another question is regarding FMCG business since we are now selling our products in most of the government, defense canteen and all those kind of stuff. Are we considering any kind of mass media advertisement or something like I mean those kind of stock any time soon, I mean just wanted to know that how serious or how dedicated we are about our FMCG business?
- Dilip V. Parikh:** Yes there are plans and soon we will be engaging certain agencies of repute for marketing the products.
- Mahesh Dholakia:** Okay and my last question would be regarding fertilizer business, so we are hearing that in a couple of states in India government is rolling out the DBT, so what is the case with state of Gujarat, I mean when the DBT is going to be rolled out and what could be the implication in our



fertilizer profitability and majorly, which is that couple of things, which is not letting us to have good profitability in fertilizer business?

Dilip V. Parikh:

Fertilizer business, we have already covered in a couple of previous questions that why the profitability is low, maybe our input costs are increasing in the complex fertilizer business, and in India we are getting a dent because of this energy norm issues, there are the predominantly two reasons so we are getting a beating in fertilizer business. As far as DBT's preparedness is concerned, we have made reasonable efforts for preparing ourselves and once it operates the impacts will come out as to how we are impacted but in general it looks like that the working capital cycle might get elongated because as of now it is on the receipt based model, on which we are getting subsidy. After DBT it is going to be fills based model, so to some extent we are going to have working capital tie up, now how much of it that on the time will tell because there is one silver lining in this that once we are on DBT, the subsidy claims in the processed on a weekly basis. Now having processed on weekly basis is one criteria but when the government, Department of Fertilizer, DoF process is that is important.

Mahesh Dholakia:

So you meant to say that I mean the subsidies at the rate which are getting right now after DBT roll out that will be elongated that means that may have some additional interest burden on the company?

Dilip V. Parikh:

Yes. That may have some additional interest because as of now we are getting upon receipting the district, which will change to the actual sales.

Mahesh Dholakia:

Okay but the basic fundamental or the whole concept of DBT was to reduce the working capital cycle of the fertilizer company's right?

Dilip V. Parikh:

But it will mature with the passage of time. It will not be overnight. So as of now it is little difficult to say how much of it will really affect because at the same time there are representations from APTEL also and few fertilizer companies individually that government should consider the increase in the compensation by at least Rs.50 for metric tonne of fertilizer mainly urea.

Mahesh Dholakia:

And my last question is regarding IT numbers, so our IT profitability this Q3 numbers already reflects IT profitability or that will get summed up at the end of the year?

Dilip V. Parikh:

No, it definitely includes IT profitability for the nine months.

Mahesh Dholakia:

Okay. Thank you very much.

Moderator:

Thank you. The next question is from the line of Sandipan Ghosh who is an Individual Investor. Please go ahead.



- Sandipan Ghosh:** Thank you again. Sir I wanted to know about the segmental revenue section there was Rs.49.67 Crores in the other segment revenue, Sir it is decreasing from Rs.49.67 Crores to Rs.41.04 Crores in this quarter compared to Q2. Sir what is the reason for that and can you provide the breakup revenue of FMCG?
- Dilip V. Parikh:** FMCG, it is not FMCG as such. It is name-based products. It is picking up but mainly the decrease is on account of IT.
- Sandipan Ghosh:** Okay. Sir can you provide the break up. is it the expenses going up or the revenue coming down?
- Dilip V. Parikh:** For nine month ending, we have revenue of Rs.123 Crores and for three months ended we have revenue of Rs.38 Crores in that segment which is summed up under others.
- Sandipan Ghosh:** Okay that is IT exclusively, right?
- Dilip V. Parikh:** Yes, IT plus others.
- Sandipan Ghosh:** Okay. No Sir I want IT separately or others separately I mean the new products separately and IT separately is that possible?
- Dilip V. Parikh:** Yes. IT is Rs.123 on a nine-month basis, and Rs.38 Crores for third quarter ending December 31, 2017.
- Sandipan Ghosh:** Okay. That is only IT specifically right?
- Dilip V. Parikh:** Yes.
- Sandipan Ghosh:** Another thing Sir which chemical do you see growth prospects so that doing further expansion in that we can increase our topline?
- Dilip V. Parikh:** It is a little premature for us to tell you about that although we actively consider certain options.
- Sandipan Ghosh:** Sir what about methanol, because we see government giving out certain propositions regarding blending with the diesel and petrol, so do you see growth in that in ethanol segment?
- Dilip V. Parikh:** Ethanol segment, we are continuously in contact with the government and according to the government directive we will work on that because we produce some ethanol right now from the oil and government is insisting from coal, so we have to discuss with the government and that process is under progress.
- Sandipan Ghosh:** Okay Sir if that sourcing ethanol or producing ethanol from coal will be we having enough capacity to do that or we should expand our capacity in that segments if required?



- Dilip V. Parikh:** Right now we have a capacity to produce from the oil but if we have to invest for the coal then we have to think of it in consultation with the government.
- Sandipan Ghosh:** Okay Sir in that case is there any option for Brownfield expansion?
- Dilip V. Parikh:** Yes. If government pushes then we may have to go for it and that is possible.
- Sandipan Ghosh:** Okay Sir. Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Siddarth Mohta from Principal India. Please go ahead.
- Siddarth Mohta:** Thank you Sir. Sir just one clarification, Sir this capital subsidies that we are getting in urea segment of Rs.28 Crores to Rs.30 Crores, that is forming a part of other income or it is forming a part of fertilizer EBIT segment?
- Dilip V. Parikh:** No, capital subsidy is not part of the profit and loss. It is part of balance sheet and we have like current outstanding of around Rs.107 Crores, which will get squared off by October this year.
- Siddarth Mohta:** Okay Sir and within other expenses, we have already done a provision of Rs.40 Crores so that will continue in FY2019 also or how one should look in to it?
- Dilip V. Parikh:** We have made enough provisions by now. If there is a need depending upon the development then only we provide for.
- Siddarth Mohta:** Okay but that is with respect only contingent liability and in the previous concalls you have said that it may happen in Q3, which has happened and might be another quarter that is Q4 after that it may not happen?
- Dilip V. Parikh:** So it depends upon the kind of development we have on the contingent liability front.
- Siddarth Mohta:** Sir within ANP fertilizer you said that we are producing ammonia via oil route and oil prices is also going up, so can we purchase ammonia directly from the market rather than producing ammonia and then it can be feasible production?
- Dilip V. Parikh:** We are already doing that but the procured ammonia is much costlier than our in-house ammonia.
- Siddarth Mohta:** Okay Sir. Sir then in that case I assume that there is a substantial market for ANP, then in that case if you are producing ammonia via oil so we might be in a little better position as compared to be competitors, who is purchasing ammonia directly from the market?



- Dilip V. Parikh:** In the ANP, there are two issues, one is the pricing issue and the second is the cost issue. Complex fertilizer like we have a mix technical known as 20:2000 and others have different types of mix, which are acceptable in the market, so we have to be competitive and offering our volumes, so that is what is the problem; however, we are exploring the possibility of changing the product mix on this front but it will take some time, it is at a very nascent stage in terms of discussion.
- Siddarth Mohta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Naresh Kataria from Money Curve. Please go ahead.
- Naresh Kataria:** Thanks for the opportunity. Can you update anything on the Ecophos JV what we are doing it is on track when it is likely to go live?
- Dilip V. Parikh:** Yes it is on the track.
- Naresh Kataria:** When can we expect go live because I think we also have the same money from the lifting cost for FCL from TDIL, so I am just trying to understand when can we expect way to observe our share?
- Dilip V. Parikh:** As of now the commercial operation date is scheduled in March 2019.
- Naresh Kataria:** March 2019, another year. Thank you. My second question was on the Neem segment, glad to see lot of traction on Neem side even on the FMCG products we are launching. Any update how is it going or what is the plan we have for maybe next two to three years, can it become a really very meaningful big segment for us, the FMCG segment in Neem?
- Dilip V. Parikh:** Yes, we have already about 10 products in the market right now and we are in the phase of expanding the retail market and there are very ambitious plans for the next two to three years, where we will be adding more products which we are developing, primarily we will be in Neem segment all derivatives and all downstream productions of Neem.
- Naresh Kataria:** Okay and just one suggestion Sir. I ordered some products from Amazon and the shipping cost on Neem from GNFC is highest of any product, I have ordered from Amazon, so far 10 soaps, it is Rs.120 shipping cost, so you may just want to consider the if there is something, which can be done here?
- Dilip V. Parikh:** Actually we do not have any control on that because that is decided by the service provider that is the individual website, we pass it on to them, we do not get any.



- Naresh Kataria:** Yes. I understand but you can just see if order any other soap, any other product, it is not so, if I order 10 soaps it is 120, if I order 20 soaps it is Rs.240, if I order 30 soaps it is Rs.360, it does not see quite rational but I leave it to you to decide how to address otherwise it is a great product.
- Dilip V. Parikh:** Yes. We will look into that to how to optimize it but right now we are at whatever is charged by the respective website it is part an Amazon, we have to add it to our cost.
- Naresh Kataria:** All right. Thank you Sir and all the best for future.
- Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management for closing comments.
- Tushar Lakhmapurkar:** Mr. Ranjit Ji and Corus concall team we are thankful to you for arranging this facility of concall and the whole team on behalf of GNFC management, we are thankful for the same and expecting the same cooperation in the next quarter also, Ranjit Ji it is up to you now!
- Ranjit Cirumalla:** You can disconnect the call now.
- Moderator:** Sure. Thank you very much. On behalf of B&K Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.

