



Gujarat Narmada Valley

Fertilizers & Chemicals Limited

CIN: L24110GJ1976PLC002903

An ISO 9001, ISO 14001, ISO 45001 & ISO 50001 Certified Company

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May 26, 2023

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Co. Code: NSE- "GNFC EQ"

Script of Investors / Analysts meet through Conference Call.

Sub.: Trans

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Dear Sir/Mao

our letter dated 16th May, 2023 intimated the Stock Exchanges about the
dule of Investors / Analysts meet through Conference Call on Monday, 22nd
3:30 PM IST through Conference Call.

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May, 2023 at

ewith a copy of Transcript of Investors / Analysts meet through Conference
ok place on 22nd May, 2023. The said transcript along with the audio is

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Call which to



**“Gujarat Narmada Valley Fertilizers & Chemicals
Limited**

Investors Concall Meet Conference Call”

May 22, 2023



MANAGEMENT: **MR. D. V. PARIKH – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER – GUJARAT NARMADA
VALLEY FERTILIZERS & CHEMICALS LIMITED
MR. Y. N. PATEL – HEAD OF DEPARTMENT
(OPERATIONS & MAINTENANCE) – GUJARAT
NARMADA VALLEY FERTILIZERS & CHEMICALS
LIMITED
MR. A.C. SHAH – GENERAL MANAGER AND COMPANY
SECRETARY – GUJARAT NARMADA VALLEY
FERTILIZERS & CHEMICALS LIMITED
MR. JITEN DESAI – MARKETING – GUJARAT
NARMADA VALLEY FERTILIZERS & CHEMICALS
LIMITED**

MODERATOR: **MR. NITESH VAGHELA – ANURAG SERVICES LLP**



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Moderator:

Ladies and gentlemen, good day and welcome to the Gujarat Narmada Valley Fertilizers and Chemicals Limited Investors Concall Meet to discuss the financial performance for the fourth quarter and financial year ended 31st March 2023 of 2022-23.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitesh Vaghela from Anurag Services, LLP. Thank you and over to you, sir.

Nitesh Vaghela:

Thank you and good afternoon. Welcome to the fourth quarter and financial year ended March 31st, 2023, earning conference call of Gujarat Narmada Valley Fertilizers & Chemicals Limited hosted by Anurag Services, LLP. From the management, we have Mr. D.V. Parikh, Executive Director and CFO, Mr. Y.N Patel, Head of Operations and Maintenance Department, and Mr. A.C. Shah, General Manager and Company Secretary and other senior dignitaries from the management.

I would like to thank the management for giving us the opportunity to host this call. We will begin the call with opening remarks from the management, post which we will have a question-and-answer session. Thank you and over to you, sir. Thank you. Thank you.

D.V. Parikh:

Good afternoon and welcome, everybody. I will first start with the year in retrospect for FY22-23. There has been a massive impact as far as the commodity sector is concerned about two factors. One is, at the start of the year, the impact of intensifying war as well as the China lockdown. These two have had impacts mainly on the input costs, apart from the fact of elevated finished goods prices because of the China lockdown.

Coming to the overall company performance, on a volume basis, the fertilizer volumes have been lower, especially in urea. We will touch upon the points of reduction in the volume of urea in the Q&A session. And as far as chemical is concerned, it has done a bit better even after factoring the reduction in both aniline and methanol volumes on an annual basis.

When we come to the price part, the prices have been quite robust up to December, but thereafter it has nosedived in terms of the chemical products in Q4. As far as input costs are concerned, they have been all through very high. Now they are showing the signs of tapering off, especially from Q4 -- after Q4 onwards.

In terms of production and sales records, there has been highest production and sales of ethyl acetate, ammonium nitrate as well as urea in general, both taken together. Formic acid is also highest, but there was a revamp, so in a way, these three products have been the highest in its true sense.



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Coming to the capital expenditure part of it, the Formic acid revamp plan has been operationalized somewhere around April 22 during the year and substantial commitment in

respect of the coal-based power plant has been made. 90% of the total, around INR600 plus crores of investment has been committed.

Coming to the financial part of it, the turnover stands at INR10, 227 crores, other than the other income, otherwise it exceeds INR10,500 crores. Dividend is at 300%, INR30 per share. In terms of the profit, they are the second highest ever at INR1, 931 crores in terms of PBT. When we talk about segment, segment is primarily led by chemicals. In case of fertilizer, there have been losses. We will come to the points of losses when we come to the question-and-answer session. So, this is what broadly the coverage on the broad financials is.

Now I hand it over back to the organizer for the Q&A session.

Nirav Jimudia:

Sir, first is on our ammonia production through the oil route. So even if we consider the current prices of fuel oil or the oil which we use, I think some rough understanding and working suggests that, still our cost of production of ammonia is coming closer to the international rates of ammonia which is prevalent in the world, where most of the ammonia is getting produced through the natural gas route. So, if you can just confirm this that whether those sorts of calculations are correct, and we should continue produce ammonia through the oil route rather than purchasing ammonia from the outside market and producing those downstream chemicals?

Y.N. Patel:

I am Y.N. Patel answering your question. As far as ammonia is under question, we are not producing ammonia basically for sale of ammonia.

Nirav Jimudia:

For downstream only?

Y.N. Patel:

Yes, it's for captive consumption. So as per the contribution in downstream products, if required we buy ammonia source from the market irrespective of whether it is from energy or whatever may be the feedstock.

Nirav Jimudia:

My question basically is still producing through the oil route gives us good amount of trade-off between producing it rather than purchasing it from the market because ammonia rates whatever it was in the month of December and now they have gone down by close to \$550-\$600 in that range through the correction in the natural gas prices. So still, I am just trying to understand that still it is profitable for us to produce ammonia through.

Y N Patel:

Yes, yes, you are right. As far as you know we still have some margin in producing from oil as a feedstock.

Nirav Jimudia:

In one of the last presentation, I think our oil cost was like INR52. So, if you can let us know for Q4 what was the cost and what is the cost currently going on for the oil part? So, our raw material which we predominantly purchase for our ammonia production.



D.V. Parikh: So, on ammonia we will come back to your oil cost part little later, on ammonia if you see on yearly basis the price has gone down by 66%. Number one. Number two when we are talking about producing versus buying, manufacturing company like ours cannot do that on a huge scale why because it is through the manufacturing process other integrations are served. It is not that if you buy ammonia when it is cheaper, we stop producing the full ammonia and yet we are in a position to make the downstream products. It is not possible.

Now coming to your question on the oil, oil is still hovering around between ranges of ₹45000 to ₹55000 every month it hovers by around ₹5000. So oil cost, yes of course they have come down as compared to the earlier ones especially in Q4 it has come down. Coal has come down and natural gas has also come down in Q4.

Nirav Jimudia: And sir what was the production of ammonia through the oil route in FY23 if you can specify?

D.V. Parikh: Mr. Y.N. Patel will answer that question.

Y.N. Patel: See total ammonia production is 6, 79,000 So there is a total production out of which you can consider about 40% production, I don't have the figure -- roughly 40% will be from oil based.

Nirav Jimudia: The second question is on the situation of WNA & CNA in the domestic market because we are also now expanding our CNA plant is coming up in FY24, if you can just walk us in terms of what is the current demand supply situation for WNA & CNA? How much we have produced in FY23 WNA and how much we have sold in the domestic market? So, if you can first talk about our company and then if you can just break down between the demand supply situations in India that would be helpful sir?

D.V. Parikh: Regarding WNA production we got around 3.23 lakh WN and sales of 1.08 lakh so total it is 431,000 MTPA WNA production we have got, and CNA summation will be 110,000 MTPA.

Nirav Jimudia: Last year we have sold close to 115,000 tons of WNA in the market after consuming for our internal consumption, similarly this year also could be a similar figure, or we have sold higher WNA in the market this time?

Jiten Desai: Last year we sold 1, 07,000 if I correct you, I am Jiten Desai from marketing. Mr. Nirav last year we sold something around 1, 07,000 this year FY23 we have sold 1, 15,000

Nirav Jimudia: If you can just walk us through the demand supply situation of WNA & CNA in the domestic market in lieu of few more players are setting up their captive capacities we are also expanding so if you can just help us explain the domestic situation that would be helpful?

J I Desai: Some of the bulk consumers are setting up their plants, but it will take some time as per our information and secondly as per CNA is concerned, we have our captive consumption so we have a spare quantity is very little for us for sale whenever our CNA 4 plant will be



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commissioned, we are preparing for that and there is a sufficient demand to absorb the additional production.

Nirav Jimudia: So, what could be the size of Indian market in terms of WNA & CNA?

J I Desai: CNA it is very difficult to say because the demand is suppressed because of availability because you know CNA is not importable.

Nirav Jimudia: Correct absolutely. WNA could only be imported...

J I Desai: Whenever it is made available the downstream units will come up and start consuming the quantity. About weak nitric acid demand in India is concerned it is around 3 lakh tons 3.5 lakh tons anywhere between this because this is used in some unorganized sectors like potassium nitrate and calcium nitrate, so this is based on the sales of the producing manufacturers but the demand can go up or down because it is in unorganized sectors and largely depends on so many other factors, apart from the captive.

Nirav Jimudia: Got it sir I have one more question, but I think I will join back in the queue for further follow up. Thanks a lot sir.

V. Rangan: Congratulations for the excellent set of numbers and no doubt you have adhered to the Gujarat government's policy of declaring; I hope next year also we will get the same thing. And I would like to know what will be the expanded INR2200 crores you are talking about out of which how much will be over next year? I am talking about 23/24, 24/25 and 25/26? And what is the expected turnover increase roughly based on the capital expansions? And why the fuel prices have increased to INR1800 crores from INR1100 crores to 1800 crores. I would like to know that.

This is another question otherwise -- raw material also cost has increased up what are the steps taken for that. I congratulate this company for the excellent performance, thanks.

Y.N. Patel: See capex, if you say it will be around -- I am Y. N. Patel answering your question, see within next 3 years total INR2,000 crores of capex we are planning to put and if you consider polycarbonate then our turnover -- if you consider polycarbonate then our turnover will be increasing by about INR1,000 crores.

V Rangan: That is for 23-24, correct?

V Rangan: That will be 25-26 but what will be the capacity expended in 23-24 is it going to be capitalized in relation to that and increase in the turnover?

Y N Patel: See capex capitalization will depend on progress of the project. So, by this time 80% of amount will be capitalized.



- V Rangan:** Then 23-24?
- Y N Patel:** Not 23-24 up to 25-26 if project is little bit delayed or there is mismatch in timing then you have to consider 80% only up to 26,
- V Rangan:** Okay but what will be the average loan you have borrowed anything average interest cost from the cash will close everything?
- Y N Patel:** No, we are not borrowing, our CFO will reply this but normally we are not.
- D V Parikh:** There is no borrowing company is debt free as of now.
- V Rangan:** Thank you very much fuel cost only is taken and told about more than and one time with the employee expenses also you have got one-time expenses how much?
- D V Parikh:** If you see employee cost there is an accrual for the wage settlement which is yet to actually happen but accruals have to be done because it is effective 1st of July 22 around you can take a figure around INR150 crores which is accounted for in terms of the cost in P&L and another around INR90 crores in OCL.
- V Rangan:** Thank you very much.
- Yash:** Good evening. So, my question is regarding the recent Gujarat government notification how has the notification affected the mindset of the company till now I mean you have increased the dividend to 30rs but I think buyback program is also on the way according to the notification so could you elaborate on that.
- D V Parikh:** I would request company secretary to respond
- Ashwin Shah:** I am Ashwin Shah Company secretary the first point I would like to highlight is that the impact of the government of Gujarat notification or what we call guidelines has been positive on the company. However, about the comment on the progress of whether other activities are being taken up being price sensitive, first we need to notify whenever that will be considered by the board of directors, we will notify first to the stock exchanges. So, at the moment we are sorry we cannot comment on the progress or whatever other activities.
- Yash:** My question was that in the notification that the government gave you is anything about a buyback return in the notification that you have to follow?
- Ashwin Shah:** In fact, there are 4 things mentioned in the guidelines it is also available in public domain now in newspapers also it appeared in social media also it was circulated. The first thing mentioned was about the other propositions about capital restructuring where the buyback proposal the bonus proposal as well as split of the shares. So, these were the proposals covered under the guidelines for the capital restructuring of the government of Gujarat supported companies.



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Yash: Under buyback of the shares the government the guideline that they gave was the PHU having a net worth of at least INR3,000 crores and cash in bank balance of INR1,000 crores has been mandated to exercise the buyback option of their own shares. So, if you follow the guidelines then you have to do a buyback so my question is will you do it below the book value as an investor. That is the only thing I would like to know because doing it below the book value is going to basically hurt the investors invested into the company?

Ashwin Shah: See this is the point which the board of directors will consider at the appropriate time this is the only thing which I can speak to you about at the moment.

Yash: So, can you please make sure that the board of directors this point of mind teaches them that they shouldn't do it below book value because it will hurt the current investors. So please take that into your notice and also what is the current cash in bank balance of the company?

Ashwin Shah: Let me answer I am Ashwin Shah I will just answer the first part we all are aware that the board of directors of the company is quite matured. We have the senior IAS officer's additional chief secretary rank, and we have other learned members on the board so let the board take a call whenever the things are considered right? So, your expectation maybe I can convey to the board.

Yash: This is the message as an investor obviously I am not the decision maker decision maker of your board so I am just giving you my opinion I will also suggest him that's it so?

Ashwin Shah: I will convey to the managing director and the chairman of the board.

Yash: Thank you. Now about the cash in bank balance?

D.V. Parikh: Cash in bank balance is around 2,800. I am D V Parikh answering your question the cash in bank balance taken together is 2831 crores.

Yash: This is before paying the dividend, right?

D V Parikh: Before yes as reported.

Yash: Thank you so much for taking my questions.

Rohit Sinha: Hello. Yes sir thank you for taking my question just one thing on the capex plan, just wanted to know the update on this green hydrogen project, which we are working on what is the progress and what is the timeline when we are expecting this and maybe we know for whom it would be for captive or for some other purpose?

Y.N. Patel: I am Y N Patel answering your question. Regarding green hydrogen we have already got in principle approval from management we have already floated the bid. Right now, bidding is going on. Still bid is open and we are facing certain difficulties like banking and other concerns. So, we are waiting for clearance from regulatory authorities unless that is received, we may not



move ahead decisively in this project. So final investment decision will be based on regulatory support unless there is clarity, we will try to wait for the decision to come this is a pilot plant capacity is only 2.16 metric ton per day and which we are going to consume captivity for ammonia production.

Rohit Sinha: Okay so as of now it is under observation?

Y N Patel: No bidding is going on so at any point of time we might close the bid right now the decision is that we have to wait for regulatory support.

Rohit Sinha: And question of...

Rohit Sinha: So, one question on this commodity side pricing scenario we have seen some correction in last 3-4 months maybe we are talking about some stabilization or improvement. So, where we are seeing our product profiles heading towards and especially on the acetic acid prices, prices have corrected significantly have been consolidating somewhere around INR40 for some time. So, where that we see any kind of improvement, or it will remain some bit of subdued in let's say first half of 2020?

Jiten Desai: I am Jiten Desai from Marketing to answer your question about acetic acid pricing, yes it has gone down considerably it is 43% lower than the previous financial year. But it seems that it is stabilized now, it is normalized rather. So, we expect that it will sustain at this level, at the current level, and will not go down further that is based on the market feedback available with us.

Rohit Sinha: And rest of the prices, rest of the products we are seeing what kind of demand and supply chain and pricing scenario?

Jiten Desai: After all it is anybody's guess, the forecasting is because the prices depends on so many factors but the prices are normalized now at the level of previous Covid period, and I think that should be now stabilized.

Rohit Sinha: Ok, ok and one last question just apart from what the capex plan is there for ammonia or WNA or other products is there any other de-bottle making in the existing product portfolio or the capacity will more or less remain the same?

Y N Patel: There are no major de-bottle making is on hand right now.

Rohit Sinha: Okay that is from my side, thank you.

Nirav Jimudia: Yes, sir thanks for the opportunity again, sir if you can elaborate on the fertilizer part like we have done some retrospective adjustments in terms of revision in the energy consumption norms. So, if you can help us like the breakup between what was the recurring part and what was the non-recurring part which was being debited in the PNL in quarter 4?



D.V. Parikh: Okay, I am D V Parikh, in the fertilizer segment there are two basically main impacts, one is on urea. In respect of urea as far as energy norms are concerned for GNFC they have been applied effective 1721. Okay, and there is a total impact which is accounted for of around INR41 crores including the arrears thereof. The arrears is around INR 5 crores and the rest pertains to the financial year, apart from this in case of complex fertilizer there are two impacts which are taken one is the estimate of downward revision of the Nutrient based subsidy as well as the reduction in price.

So, both taken together is to the tune of around INR50 crores accounted for, sometimes the new NBS rates are announced around 17th or 18th May and it is closer to our estimate, what government has done is as per our estimate. It was to be made applicable effective 1st April, but government has also tweaked the rates for the quarter 1 of last year. That is quarter 4 of the last year January 23 to March 23 yes, so it has given an additional impact of around 5 crores or so. So, these are the effects in the fertilizer segment which are weighing on it apart from the fixed cost increase overall.

Nirav Jimudia: So, sir is it safe to believe that like based on what you just guided on still fertilizer segment on the current production levels or the higher fixed cost. Still, we are making some INR35 crores- INR40 crores of quarterly EBIT loss in the fertilizer segment based on the adjustment factors what you just quantified sir?

D V Parikh: Yes, we are net negative.

Nirav Jimudia: Correct, got it sir. And sir 2nd question is on our chemical division, so like if we see this year's performance, so if you can just help us explain like what were the top 3-4 products in terms of contribution to sales out of those total reported sales of INR6,500 crores in FY23?

D V Parikh: Okay, I request Mr. Jiten Desai to talk about this by the time he comes back see top 3 products if you see it is urea, ANP and TDI, overall, I am saying out of the total turnover of INR10,227 crores. In terms of the chemicals now he will respond it starts with TDI but rest he will cover.

Jiten Desai: I am Jiten Desai as Parikh sir told the 3 top products are ammonium nitrate, technically urea and TDI. As far as current situation are concerned, as I have answered the two previous questions the prices have normalized now, going forward it is anybody's forecast and that depends on so many factors.

Nirav Jimudia: Sir one just small thing on TDI, like if we see the global balance, I think none of the players are expanding the capacities and those even with the capacities are reducing their runs in terms of not operating to the highest level. Could be a demand problem at this point of time where the prices are seeing such sort of volatilities, but whenever things come back on track, when the demand starts recovering, how we are placed in terms of utilizing our capacities if between the two plants what was the performance in FY '23 in terms of the production if you can share? And one of the statement in the press release was also that because of the normalization of TDI



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production in H2 of FY '23 as compared to previous year. You can just share your views that would be helpful.

D.V. Parikh:

Okay. I am D.V. Parikh answering your question. As far as chemical portfolio is concerned on a rounded basis it is close to around 763,000 tons which were sold. Out of this, like if you compare on a year-on-year basis, there is a smaller improvement but if you factor for the lower volume of aniline as well as methanol then there is an improvement. As far as TDI production is concerned it is hovering around the same level of production. However, the reliability of production is more since last four months to five months and that has lowered down the cost which both variable cost has been coming down, realization has improved to some extent which is contributing to lowering down of the losses.

Nirav Jimudia:

Right. And sir on the methanol part, I think now the natural gas prices have come down sharply, so at what level we would be comfortable in again restarting our methanol production so that also turns to be a profitable product for us?

D.V. Parikh:

Okay. I am D.V. Parikh, see it all depends upon at what rate we are getting the imported methanol, given the current dynamics of imported methanol. If we get natural gas at around INR32 then both are equaling more or less. And we would like to start our methanol plant especially, for the captive consumption of acetic acid if not sale in the market.

Nirav Jimudia:

Right. Got it sir, and sir just a last clarification like what you mentioned, so what you just discussed is about the contribution of top 3 products, so is it fair to assume that in terms of profitability wise I think nitric acid would be the biggest profitable product for us in FY '23?

D.V. Parikh:

One may assume that, yes.

Nirav Jimudia:

Got it sir. Thanks a lot sir and all the best.

Yash:

Hi sir, what was the capacity utilization for TDI2?

Y N Patel:

TDI2 utilization is 64%.

Yash:

And how do you see this in the coming year, in the coming financial year? Do you see scaling up on the demand basis?

Y N Patel:

Yes. If you see last quarter capacity lines is around 87% so at least we see around we will try to achieve at least 90% or maybe our efforts are to move towards 100% depending on NG price and other factors, support and market also support then our target is to move at least in the range of 90% to 100% coming year.

Yash:

And sir, for this particular quarter, the ongoing quarter have the spreads improved for TDI and Toluene?



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D V Parikh: TDI and?

Yash: Toluene?

D V Parikh: In our investor presentation we have given that comparison about the spreads. Although, they have improved. It is yet to come up to the earlier levels, reported in the previous years.

Yash: Thank you for taking my question.

Hari Krishnan: Sir my doubt is regarding since you mentioned about the capex and the bidding that you have mentioned, since you are going almost zero debt how much debt do you estimate for financial year '24?

D V Parikh: Zero.

Hari Krishnan: Zero only? So, all this other like in case the buyback happens or the capex it will be met through your internal accruals, or?

D V Parikh: Whatever happens if at all that will be planned accordingly only because company's capex needs are always a first priority.

Hari Krishnan: So, you are not planning to raise any debt for the capex, right? Because you are not planning to raise any debt for the capex, right?

estimate?

We normally take the debt also into consideration. Okay. When we think of the options, we will take that also into consideration.

D V Parikh:

Okay, sir. So, do you estimate anything as of now it is zero itself, right?

Hari Krishnan:

Yes. As of now it is zero.

D V Parikh:

Okay. Sir just one more doubt can you elaborate on the losses in the fertilizer segment?

Hari Krishnan:

This is already explained in our previous question person asking the question.

D V Parikh:

Sorry sir, I joined late that is why can you just...

Hari Krishnan:

We will have to repeat. If it is possible you can refer to the transcript later on because we will have to repeat the same thing.

Management:

Okay.

Hari Krishnan:

Yes, hi. Thanks for taking my questions. I have two questions. Sir, what is the price of natural gas currently? And what is the outlook for the fertilizer business, going forward?

Chirag Shah:



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- D V Parikh:** Our person from fertilizer marketing, Mr. Billore, will answer your second question. And about the natural gas prices, they are prevailing at around INR38 per standard cubic meter.
- Chirag Shah:** Currently INR38 or was that the average for the last quarter?
- D V Parikh:** No, it is less than the average for the last quarter and in terms of the dollar per mm Btu, it hovers around \$11 per mm Btu, and that is also reflected on an index called GIXI.
- Manish Billore:** For the second question, this is Manish Billore answering your question. Fertilizer business as we understand it is largely dependent upon the government initiatives towards the subsidies. The costing which we are having when we cost it on the opportunity cost is higher so based on the ~~which is less than the average for the last quarter and in terms of the dollar per mm Btu, it hovers around \$11 per mm Btu, and that is also reflected on an index called GIXI.~~
going ahead if we continue with the manufacturing or the capacity utilization here.
- So, what companies thinking of, company thinking of getting into some kind of a initiative into the trading activities of certain other agri-inputs, wherein we are having better margins available. And company would try to have those products as trading products in the brand of GNFC. This is what is the best possible solution today if we look at the other companies in this segment doing.
- Chirag Shah:** Other companies are of course profitable, but so if the prices of natural gases have come down then that improves the outlook for fertilizer as well, correct? Means maybe we don't lose money but maybe we break even or make marginal money is that a right assumption?
- Manish Billore:** That is partially right. We have been doing so any company would like to do so, we have been doing it but when it comes to the retrospective effect like, it has been done, what Mr. Parikh in answering the previous questions told. So, there is nothing which we can do because we cannot even change our prices. Selling prices also are controlled by Government of India.
- Chirag Shah:** But even if we exclude that INR91 crores I think so you mentioned INR50 crores and INR41 crores, there is still EBIT loss I believe?
- Manish Billore:** Yes, there is a loss but that again is there is a competition availability of the product. There are certain things which are not controllable, even beyond the subsidies and all. We have been doing it. If you go through the results previous year results, you could see there have been profits which were booked. So, to compensate those losses, we are looking for the trading options.
- Chirag Shah:** Okay. Thanks. All the best.
- Manish Billore:** Thank you.
- Sanjana Jain:** Thank you for the opportunity. I have a question on the TDI 1. What is the current capacity utilization for TDI 2?



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- Y N Patel:** See, it is 64%. We have already answered this question. For the year TDI 2 capacity utilization is 64% and for TDI 1 it is 99%.
- Sanjana Jain:** And for the coming year, we expect TDI 2 to run at full capacity?
- Y N Patel:** Yes, I expect to run it at full capacity.
- Sanjana Jain:** Okay. Thank you, sir.
- Rusmik Oza:** Thanks for the opportunity. Sir, my question was to continue with TDI, recently BASF had shut down its plant in Germany, any update on actually whether they are going to restart, or it is going to be remaining in the next fiscal year it will remain shut only? And in terms of better utilization, how much does it improve the profitability for FY '24 vis-a-vis FY '23?
- Jiten Desai:** I am Jiten Desai from Marketing. I will reply to your first question about BASF shutdown. As far as market reports they have shut down the plants permanently and they will not going to restart it. About the profitability link, with the capacity utilization, Parikh sir, will...
- D.V. Parikh:** As far as profitability is concerned, TDI is still into losses. Mainly because of the two reasons one is the lower overall capacity utilization and the second is not recovery of the fixed cost. We have supported the customer at times even at the cost of contribution.
- Rusmik Oza:** Assuming that current prices are say INR210, at what level actually you start making money in terms of TDI prices?
- Y N Patel:** See it depends on two factors. One is sale price and second is prices of raw material. Basically, a contribution level. If feedstock prices are moving in tandem with market price, then we might continue situation like this.
- Rusmik Oza:** My second question is given current prices in all the chemical products; how does it impact the revenue for FY '24 vis-a-vis FY '23? Will we see revenue growth, or will there be de-growth in FY '24, as compared to FY '23? If you can give just some ballpark percentage basis?
- D.V. Parikh:** See this is the start of the year it is very difficult to say, when we are just into half month of operation. It will be like assuming the current prices for the next 10 months.
- Rusmik Oza:** But assuming the current prices continue at least for first half, how does it impact the revenue in terms of percentage basis?
- D.V. Parikh:** That I leave it marketing team to respond.
- Jiten Desai:** I think it is very difficult to predict actually. The situations are so dynamic always that it is not good for presuming anything or estimating anything on this type of question.



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- Rusmik Oza:** If I can just ask one more last question BASF had a total capacity of 3 lakh tons, I think and we have around 68,000 tons, who are the other major players who make TDI with some capacity figures if you can share, it will be helpful. Thank you, sir.
- Jiten Desai:** Covestro is the other major producer. Covestro is Ershwill Bayer, and they have plant of 3 lakh tons in Germany and 3 lakh tons in China apart from 2 plants of 120,000 in USA other major producer is Wanhua of China they are operating 3 lakh ton plant in China, and they have taken over Bolshok of Hungary who has capacity of 240,000 tons.
- Manish Maheshwari:** Sir, could you give us some numbers in terms of the treasury investment that we have made in the last financial year?
- ■■■■■■■■■■** Out of the total cash balance of INR2,831 crores IN■■■■■crores is in the inter corporate deposit and the rest are in bank fixed deposits.
- Manish Maheshwari:** Sir, on the ammonium nitrate business, what is the outlook?
- Jiten Desai:** Ammonium nitrate is predominantly used in exclusive manufactures that is used for mining activities. And I think demand will persist and in fact as per the coal India estimate it is growing around 6% per annum.
- Manish Maheshwari:** So, the demand is expected to remain consistent?
- Jiten Desai:** Yes, it is regularly, consistently increasing.
- Manish Maheshwari:** And what is its contribution to the chemical segment as a percentage of revenue?
- Jiten Desai:** Percentage of revenue is -- the turnover of the chemical sector is around 6500 per annum out of 10200 Ammonium nitrate is 20% in last year.
- Manish Maheshwari:** Specifically, again with respect to your treasury investments INR2,080 crores is what I have picked up from the cash flow. So, you said that INR800 crores is passed in ICD and remaining about what number you gave For FDs, fixed deposits?
- D V Parikh:** Yes, with banks.
- Manish Maheshwari:** And sir what sort of XIRR are we making from our treasury investments on an average?
- D V Parikh:** Around 7.2%.
- Manish Maheshwari:** 7.2% Pre-tax or post tax?
- D V Parikh:** Pre-tax, interest is always pre-tax.
- Vivek Nayak:** Sir any updates on share buyback or stock split or bonus? Thank you.



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- Ashwin Shah:** About the proposal I just, in the previous question We have explained that the Board may consider at appropriate time the proposal as suggested in the guidelines by the government of Gujarat. At the moment it is quite premature to comment on any of them and that too being price sensitive as we all know. Thank you.
- Nirav Jimudia:** Yes, sir, thanks for the opportunity again, Sir, two questions If you can share the average prices of WN and CNA for us for FY '23 and Q4 of FY '23 that would be helpful?
- Jiten Desai:** Q4 of FY23, average price.
- Jiten Desai:** I don't have the quarter wise figures.
- Nirav Jimudia:** For the current rates and the yearly figure would also help, if you can?
- Jiten Desai:** 100% basis it is around INR55,000 per metric ton in last financial year.
- Nirav Jimudia:** For WN?
- Jiten Desai:** It is INR55,000 in FY '22-'23 and INR39,000 in last year on a full year basis.
- Nirav Jimudia:** Sorry to clarify So 22,000 for WNA prices for FY '22 which was INR39,000 in FY '23 right? On 100% basis?
- D V Parikh:** Yes, 55 versus 39. '22 versus '21-'22
- D V Parikh:** '22-'23 versus '21-'22.
- Nirav Jimudia:** Got it. And if you can share for CNA that would be also helpful?
- J I Desai:** CNA is around 61,000 in '22-'23.
- D V Parikh:** 61 versus 44,000.
- Nirav Jimudia:** Sir, you mentioned that we haven't done enough production of aniline in FY '23 So was the user industries in India not supporting or the raw material prices were higher and we decided to sell more of nitro benzene in the market in FY '23 So what was the reason for aniline not operated at probably optimum levels in FY '23 if you can share your views sir?
- D.V. Parikh:** I am D. V. Parikh, yes, your understanding is right it is mainly because of the input prices were so high that the margins as compared to the opportunity margins were lower and that was not operated. If you see the figures which are available in the public domain up to February '22 anilines worth 101,000 metric tons have been imported.
- Nirav Jimudia:** Okay, got it. So have we sold more of nitro benzene in FY '23 instead of converting that into aniline and selling in the market?



- D.V. Parikh:** It is not only nitro benzene, nitro benzene's demand is limited. If we sacrifice it cannot be sold to the full extent. The comparison is done between nitro benzene as well as CNA both taken together.
- Nirav Jimudia:** So instead, we have decided probably to sell more CNA in the market rather than producing nitro benzene and selling in the market?
- D.V. Parikh:** Yes.
- Naitik Mohata:** Thank you for the opportunity, sir. Just ammonium nitrate, you said that is the most profitable product for us during FY '23. So, could you just help us with the volumes of ammonium nitrate that we produced in '23 vs '22?
- D.V. Parikh:** Yes. It is last year last year it was 197,000 and previous to that it was 185,000.
- Naitik Mohata:** Okay. And sir could you also share some insight on what is basically the difference between ammonium nitrate and technical ammonium nitrate that will be my last question?
- Jiten Desai:** it is same I am Jiten Desai answering question. Technical ammonium nitrate and ammonium nitrate what we call is same actually.
- Chirag Shah:** Yes, thank you for taking my question again. Sir, just wanted some again on TDI -- on TDI so if our TDI plant II is expected to work at a better utilization, then we expect that plant to also make money what is that utilization level at which we start making money?
- D.V. Parikh:** Both are actually -- I am D. V. Parikh both are connected any plant which is running at a full load will of course have impacts on its operating cost so it will always be beneficial having said that the positive impacts on the margins, which is a variable margin may not necessarily turn into profit. It is a dynamic between what kind of margins we are getting. Finally, from two sides. One is from the yield side which is a direct impact on the plant operation and second is the price side of it.
- So, this is a dynamic involved and depending upon the movements there the precondition always is for a better and profitable operation, the precondition is the plant operates regularly at full load. Having said that it may not be possible to make profit out of it. Because there are other variables, especially the input cost part of it.
- Chirag Shah:** Okay. Let me reframe my question, so what is the expected for our TDI plant if per cent broadly speaking not exactly, but broadly speaking?
- D V Parikh:** At full load it is INR50,000 per ton.
- Chirag Shah:** INR50 per kilo broadly speaking INR50,000 rupees per ton you said, correct?



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D V Parikh: Correct.

Rohit Sinha: Yes. Thank you for the follow up. So again, I mean, looking at the comment at TDI that we are still making losses. So just wanted to understand how we should see going forward maybe the top 3-4 products which should be contributing to the you can say making maximum to the top line and what would top 3-4 products would be contributing to the profit for the company?

Because ultimately there are few products which are still on the negative or maybe on the breakeven side there are only few products who are contributing on the positive side so mainly on the chemical segment I would say, where we should see and how we should you can say track or understand that where these segments are where all products are going to make a turnaround for the company?

Y N Patel: See in chemicals all products are contributing except TDI-II.

Rohit Sinha: Okay. And that is what I mean we are seeing that overall, the utilization level needs to be improved in order to get that profitable thing right?

Y N Patel: Yes.

D.V. Parikh: Thank you very much. I will request our company secretary for the closing comments. Thanks.

A. C. Shah: Thank you on behalf of GNFC management, I extend our sincere thanks to the participants who made this conversation live and fruitful also would like to extend thanks to Anurag Services LLPP for arranging this con call meeting with the investors and all other people who directly or indirectly contributed to the success of this con call meeting. Thank you very much one and all. Thank you, bye.