

“Gujarat State Fertilizers and Chemicals Limited Q1 FY '26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Gujarat State Fertilizers and Chemicals Limited Quarter 1 FY 2025-26 Earnings Conference Call. This call is hosted by Anurag Services LLP on behalf of GSFC.

From the management, we have Mr. S. K. Bajpai - Senior Vice President, Finance and Legal and CFO; Mr. S. V. Varma - Executive Director, Agribusiness, HRS and IR and other senior members from the management.

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.

I now hand the conference over to Mr. S. K. Bajpai. Thank you and over to you, sir.

S. K. Bajpai: Good afternoon, everyone. And thank you for joining us for Quarter 1 2025-26 Earnings Call of Gujarat State Fertilizers and Chemicals Limited.

It is always great pleasure to connect with all of you and share the key updates that we faced during the quarter. I hope that you had the chance to review the Financial Results, Media Release and Investor Presentation available on the stock exchanges and also uploaded on our Company's website.

As we see, the consolidated financial performance for Y-o-Y basis, revenue from operations grew marginally by 1% Y-o-Y from Rs. 2,163 crores to Rs. 2,184 crores; PBT rose by 63% Y-o-Y, Rs. 184 crores from Rs. 113 crores; and PAT by 59% Y-o-Y, Rs. 139 crores versus Rs. 87 crores. If we see quarter-over-quarter, then revenue from operations grew by 14%, Rs. 2,184 crores from Rs. 1,922 crores; PBT jumped by 108%, quarter-over-quarter Rs. 184 crores from Rs. 89 crores; and PAT by 93%, Rs. 139 crores from Rs. 72 crores. Quarter 1 marked as a resilient start to Financial Year 2025-26 with stable revenues and improved profitability.

In volume tons, fertilizer production reduced by 40,787 metric tons that is approximately 10% in Quarter 1 Y-o-Y. However, this includes a one-time transfer of 40,435 metric tons of urea towards the revamping project. Taking this into consideration, the production reduction is limited to 3,352 that is only 1% Y-o-Y due to lesser urea and DAP production. IP production remains stable year-on-year basis. Reported fertilizer sales grew marginally in volume, 2% and estimated stable in volume tons around 4.51 lakh metric tons in Quarter 1 Y-o-Y basis. However, this includes a one-time transfer of Rs. 149 crores of urea towards the revamping project. Taking this into consideration, fertilizer sales would have grown by 11% in value terms and 10% in volume terms in Quarter 1.

On the cost side, raw material prices were mixed. Prices of natural gas and ammonia softened, offering some relief, while costs of Phosphoric acid and Sulphuric Acid saw a sharp increase

impacting P&K cost economics. Our fertilizer segment delivered a strong EBIT of Rs. 137 crores, up from Rs. 86 crores in the corresponding quarter last year, reflecting stronger operating leverage, favorable product mix, and better cost absorption. This was supported by robust trading volumes, especially in NPK, higher manufactured APS and AS sales, and improved realization in P&K Fertilizers. Urea volumes, however, declined due to stabilization challenges and exclusion of project-related trial sales worth Rs. 149 crores in Quarter 1. The industrial product segment turned profitable with Rs. 25 crores EBIT, added by improved realization in ammonia and HX crystals, even as spreads and core volumes remained subdued.

We continue to maintain a strong balance sheet with no long-term debt, healthy net worth, and adequate liquidity. Our liquidity position has also been supported by the timely disbursement of government subsidies, reflecting a proactive fiscal approach by the government. As of date, the Company has received subsidy dues for P&K fertilizers and urea claims raised up to the first and second week of July, respectively. This provides the foundation for advancing our CAPEX roadmap. I am happy to report that 3 major projects were commissioned during the quarter. First one is 15 MW solar power project at Charanka, Urea – II energy revamp facilities, and our participation in GIPCL's 75 MW solar project with our share of 50% i.e. 37.5 MW. These will enhance cost efficiency and sustainability over the long term.

Looking ahead, the progress of the South-West monsoon has been healthy so far, supporting Kharif sowing and agri-input demand. However, rising input costs, especially for Phosphoric acid and DAP, pose challenges for the fertilizer sector. We may see some upward pressure on MRP in the coming months. Policy actions from the Department of Fertilizers will be critical in this context. We intend to pursue a balanced production-import strategy, particularly in DAP and non-DAP grades, to protect margins and optimize fertilization.

In the industrial segment, Caprolactam Benzene spreads are likely to remain under pressure due to oversupply and continued Chinese dumping. That said, demand for Melamine and other key products is expected to remain stable, and we anticipate much better performance in the segment for Quarter 2. With that, I now hand over the call for questions and answers. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question comes from Nirav from Anvil Wealth Management. Please go ahead.

Nirav:

Sir, thanks for the opportunity and good afternoon team. Sir, I have few questions. Sir, just to understand like when we produce AS and APS fertilizer, how does profitability fix, so just like the percentage of realization which is a mix of MRP and subsidy, we get certain percentage of this as an operating profit and at the PBT level, so how this mechanism work, let us say, if we take for AS grade which is like MRP plus subsidies close to around Rs. 29,000-Rs. 30,000 a ton, so how the profitability is ensured by the government, something as a percentage of this or is there any other mechanism which is fixed?

- S. K. Bajpai:** So, I think the profitability in case of Ammonium Sulphate and Ammonium Phosphate Sulphate is dependent on the cost of the nutrient what we are using in the production of AS and APS. Actually, for us this P_2O_5 rates are very high, and it is presently around \$1,258 per metric ton. So, there is no fixed norm that what is the percentage of profit we are earning. It all depends upon at what cost we get this raw material from the international market. As far as Ammonium Sulphate is concerned, we produce here in Vadodara. So, Sulphuric acid, as you see, Sulphur and Sulphuric acid prices are very high. Approximately, 150% has been risen if you compare with the last quarter on Y-o-Y basis. So, really the margins in the case of Ammonium Sulphate have squeezed a lot. And in APS, due to the Phosphoric Acid prices going high, there also we are getting hit in the margin terms.
- Nirav:** So, sir, last year, you mentioned that on an average we make close to around Rs. 3,000-Rs. 3,500 a metric ton for both these fertilizers put together. How was the scenario in Q1 and how do you see panning out for FY '26?
- S. K. Bajpai:** As I told you, because of the cost inflation, it is around Rs. 2,000-Rs. 2,500 in case of Ammonium Sulphate we are getting per metric ton.
- Nirav:** And how do we see for the rest of the year?
- S. K. Bajpai:** As I told you in the opening remarks, the subsidy is due to be fixed based on the input cost by the Government of India with effect from 1st of October. So, we are quite hopeful that there must be some revision because Sulphuric Acid price and Phosphoric Acid price, both have been risen a lot and that is the reason the DAP is not economically viable for us to produce. And there is a lot of shortage of DAP in the market also. So, we hope that the Government will do certain things with certain criteria for fixing the subsidy with effect from 1st of October.
- Nirav:** Sir, two clarifications here. So, one, let us say for both these fertilizer grades, we produce close to around 3,17,000 tons of volumes. And based on the convergence, I think Ammonia requirement is close to around 85,000 tons and Sulphuric Acid is close to around 1,90,000 tons for this quarter. So, are both these inputs produced captively or do we need to source something from outside market also?
- S. K. Bajpai:** As far as Sulphuric Acid is concerned, we have the 4 Sulphuric Acid plants, but still the demand of the Sulphuric Acid in our complex due to the Ammonium Sulphate IV new plant, capitalized a year ago, is high. So, the Company is already in the process of establishing Sulphuric Acid V plant, which is due to be commissioned in 2 months from now. So, till now, we are getting the long-term arrangement with the companies who are supplying the Sulphuric Acid at the Baroda complex and as well as Sikka complex for Ammonium Sulphate Phosphate. But after commissioning of the Sulphuric Acid V plant, we will be having the sufficient, the required quantity of Sulphuric Acid for production of Ammonium Sulphate.
- Nirav:** Plus we would have something surplus also to be sold in the market?

- S. K. Bajpai:** Surplus also, it will be transferred to the Sikka unit for APS production.
- Nirav:** Sir, just wanted to understand from you, sir, out of this 1,98,000 tons, how much would be available for sale in the market after using for captive?
- S. K. Bajpai:** I do not think so. If the APS requirement in the Sikka, so around 200 or 250 metric tons additional quantity we will be having in the Baroda complex. So, we will be transferring the Sulphuric acid to Sikka unit. But looking at the price, if the Sulphuric Acid price comes down and there is any opportunity that we are getting Sulphuric Acid at Sikka at a lower price, then we can think of going into the market for sale.
- Nirav:** And sir, any volume guidance you can tell for both these fertilizer grades put together and for a Company as a whole for FY '26?
- S. V. Varma:** FY '26, the whole year, we are expecting fertilizers in the range of 23-24 lakhs. And APS and this both combined around 10 lakhs.
- Nirav:** Correct. And this also includes, this 23 lakhs also includes the trading volumes or they are separate out of this?
- S. V. Varma:** Estimated on a conservative basis because DAP prices are volatile and we are handling Urea for Government of India at Rozi Port, but we could not get much allocation last year. So, we have taken a conservative, this is the minimum which we think. If the trading improves, it will be further increased.
- Nirav:** Got it. Sir, second question is on the Urea part. So, we had a revamp undertaken in 1st quarter. So, what was the impact on the sales and profitability in 1st quarter of FY '26?
- S. K. Bajpai:** No, actually during the quarter, we have commissioned this project on 2nd June. So, commercial production started only after that. So, only 28 days we could get the commercial production. Otherwise, whatever the production was there during the trial run, so we have transferred to the capital side of the balance sheet. So, during the trial, there is a lot of wastage of the inputs and all this. So, we are not in a position to say what is the profitability. And as such in the Urea, there is no big margins available. So, it is only, I think if I remember, Rs. 3 crores only we shifted to the capital cost.
- Nirav:** Correct. And sir, like currently we have a gcal per metric ton consumption or the group norm of 6.5. I think after this revamp, you were saying earlier that our consumption could go down to 5.75 gcal per metric ton with this revamp. So, let us say, given the current gas prices, what could be the savings which could accrue to us on a per ton basis? Or if you can say that what sort of incremental EBITDA could come to us with this Urea revamp?

- S. K. Bajpai:** So, actually, after this revamp, we could get less than 6 gcal energy consumption per metric ton of Urea. So, whatever the targeted energy norm by the Government of India, it has been achieved. And that less conserving of this energy norm, that will provide temporary relief. But I don't know what is the stance of the Government of India, they will fix the energy norms and the subsidy for the GSFC. It is under the proposal of DoF ministry. So, until and unless they notify the energy consumption for GSFC and fix the subsidy accordingly, then after we will be only having some margin.
- Nirav:** Got it. So, sir, two things here. One, are we allowed to recover the revamp cost which like we have spent close to around Rs. 500 crores for this revamp. So, are we allowed to recover through a higher energy consumption norms A? And B, also there is a proposal to have an increase in the fixed cost compensation by the government. So, your thoughts here?
- S. K. Bajpai:** Actually, as you rightly said, this energy consumption norm has been achieved. Now, we have requested the government of India that they have not reimbursed any capital cost for revamp. And actually, it is not Rs. 500 crores, it is below Rs. 400 crores. So, we have completed the revamping below Rs. 400 crores. So, if they fix the subsidy based on the old energy norms, then we will generate something like Rs. 50-Rs. 60 crores per annum. So, that payback period will be 6-7 years.
- Nirav:** Correct. Sir, next question is on the chemicals. So, like we have won close to around Rs. 25 crores this quarter, despite of challenging Capro-Benzene spreads. So, last quarter, I think we were at Rs. 94 crores and you mentioned that we had done some ammonia trading last quarter because of which the numbers were higher. So, what was the situation for this quarter, like is this Rs. 25 crores entirely from chemicals and this could be a steady run rate which we should assume or work with, given the current spreads of Melamine and Capro? Or does it also include some proportion of trading from Ammonia?
- S. K. Bajpai:** No, actually, as you rightly said, this Capro-Benzene spread has been reduced to \$540. If you see the same quarter last year, it was \$582. But it has improved from \$521 in the last quarter. So, if you see the quarter-over-quarter basis, it has improved from \$521 to \$540. So, that is a good sign of improvement, and we have also taken up with the Government of India for anti-dumping duty because a lot of Caprolactam and Melamine is dumped from the Chinese material in India. So, for protection of our local industry, we expect the Government of India will do something very soon, as the tariff war is already going on geopolitical. So, for saving the industry, we are only the producer of Melamine in the country and as far as Caprolactam, we and only FACT produces the Caprolactam but FACT plant, I do not know whether it is continued. Most of the time, they are because of this price war, they are closed. So, we are only the producer of Caprolactam Melamine, and we are patiently waiting for any positive outcome from the Government of India. And as far as information we are having, they are certainly doing something for the anti-dumping duty.

- Nirav:** Correct. So, sir, just my question is whether this Rs. 25 crores is the steam trend rate which one should work with going forward given the current spread?
- S. K. Bajpai:** That is not only the Ammonia trading. Ammonia trading is the basic factor and we continue the Ammonia trading if we get the Ammonia at a good price. So, we import Ammonia and trade and there is a good demand of Ammonia. So, we have the contract in our hand and we will continue to do so in the next quarter or coming quarters also. But also, in the Caprolactam side now, we have developed a new product HX crystal. So, while Caprolactam is not giving any positive contribution, we have shifted some of the intermediate product like HAS for manufacturing of HX Crystal. So, during the last quarter, it has also given a very good margin. So, the IP sector has come into positive side and it will continue to do so because these are the permanent plants, HX Crystal and other things like Ammonia. So, I think now, we will have some more improvement in the coming quarter.
- Nirav:** Sir, last question if you allow. So, on the power side, I think we have been investing a lot on renewables which is also visible in the presentation what we have shared. So, if you can share like for both the complex put together, what is our current requirement of power at both the locations and currently, how much it is coming from renewables?
- S. K. Bajpai:** So, whatever the requirement of the power is there, more than 50% is coming from green power. Put together this wind mills what we are having and solar projects we are having at Charanka and the one from GIPCL. So, that power 37.5 megawatts we are getting from GIPCL, our sister concern. So, it is a very good and cheap source of power and because of that we have stopped any power requirement or steam requirement from the gases by generating the power from the gas turbine or steam turbine and we have also not purchased our power requirement from the electricity board. So, this all combined together has given a lot of cost efficiency as far as power is concerned.
- Nirav:** It is visible in our numbers also because our power cost has not gone up despite of the increase in production numbers. So, correct sir. Thank you so much sir and wish you all the best.
- S. K. Bajpai:** Thank you. Thank you, Nirav.
- Moderator:** Thank you. The next question comes from the line of Yash with Unify Capital Private Limited. Please go ahead.
- Yash:** Hi sir. Am I audible?
- S. K. Bajpai:** Yes, Yash.
- Yash:** So, in the presentation you have put that there was an increase in P&K fertilizer trading, and I saw the volume also has increased by around 4x. So, can you just give us the breakup of trading and manufacturing revenue wise, what is the breakup? It will be helpful.



- S. K. Bajpai:** So, actually whatever trading we had done was in the last quarter for the NPK-10 and NPK-12 grade of fertilizers. So, that is the trading portion and the manufacturing side, we have not produced much DAP. Only a small quantity of DAP has been produced in the Sikka. But all our plants at the Baroda Fertilizer Nagar complex, it is running more than 100% capacity as usual other than the Urea because the revamping project was just commissioned. Percentage wise, if you see that trading is 10% of the total fertilizers.
- Yash:** It is in revenue wise, right sir?
- S. K. Bajpai:** Yes.
- Yash:** And last year, it was comparatively lower, right?
- S. K. Bajpai:** Yes. Because there was no NPK trade. So, now DAP is not available, so we are exploiting the APS and other NPK grade of fertilizers and it is required for the balanced nutrition to our crops. So, government is also pushing us to provide balanced fertilizer or complex fertilizer as per the requirement of the crops.
- Yash:** And another question sir, regarding the previous participant just asked. So, can you just quantify what will be the power reduction savings by the 2 new plants which we have just commissioned? Annual run rate, what will be the cost savings?
- S. K. Bajpai:** Urea?
- Yash:** Not Urea, sir. So, the solar power plant, two plants we have commissioned this quarter, right? So, what will be the annual power cost savings?
- S. K. Bajpai:** No, actually Urea, this solar plant has been commissioned just now in the last quarter only. So, full impact will be coming in the next quarter. But roughly, we can say that Rs. 20 crores odd figures we will be receiving by way of reduction in the power cost.
- Yash:** And just last one. I think this quarter we also had a reduction in your employee benefit expense. So, can you just like quantify like what was the specific one-off, either it is one-off reason or anything specifically related to that?
- S. K. Bajpai:** Actually, last year in the same quarter due to the revision of the 4 years revision, we have paid all the, some money to the LIC and for this gratuity and pension funds. So, that was the major factor. Now, it is not coming, this will come only after 4 years. So, at the time of revision, certainly the liability accrues, so we have to pay the deficit in the funds set up with the LICs for the pension as well as gratuity.
- Yash:** Understood. And just one last thing. Do we intend to increase the production of DAP, like 3-4 years back, we used to produce basically a DAP more. So, considering the import restriction



from China, basically has put export restriction and there is a shortage of DAP. So, do we intend to increase production in coming quarters?

S. K. Bajpai:

No, actually the DAP production is not cost-economical. So, we have tied up 4 shipments of DAP from the international suppliers and actually one has already arrived and 3 are in the line queue. So, enough DAP will be available to the farmers during the season and in place of DAP, we are manufacturing this APS and one idle strain of this DAP production at Sikka unit now, we are proposing to convert it for the fungible production whether we require to produce DAP or APS or other NPK grade of fertilizers. So, we are carrying out the modification very soon. We are approaching the board for the approval and as soon as we get this approval, we will start the work and within short period, we will be converting this facility also for production of APS or DAP. So, in that case, APS production will be doubled whatever we are achieving presently at Sikka unit.

Yash:

Thank you.

Moderator:

Thank you. The next question is from the line of Saket Kapoor with Kapoor and Company. Please go ahead.

Saket Kapoor:

Yes. Thank you for the opportunity. Sir, keeping in mind our Quarter 1 performance, especially in the fertilizer segment and then with the higher raw material prices, especially Phosphoric Acid and Sulphuric acid, what should we testing in terms of margin per ton going ahead? I think so you gave the volume number of production number and sales for 2.3 million for fertilizer.

S. K. Bajpai:

Yes, this is the early what Varmaji is saying that 2.3 million metric ton of fertilizers, we will be producing and selling for the full year. But what I am saying that during the quarter, as you rightly said, the Phosphoric Acid and Sulphuric Acid price were very high. So, it creates some problems in production of DAP and we are also facing the reduction in the margins in case of Ammonium Sulfate and Ammonium Phosphate Sulfate because the Sulphuric Acid price are also very high, as you rightly said. But slowly, I will see that these are in the peak levels now. So, if there is any reduction, it will additionally benefit in our production margins of the Phosphoric and Sulphuric Acid fertilizers. As far as this subsidy is concerned, because of the prevailing prices of the Phosphoric Acid and Sulphuric Acid, they fixed the subsidy which is due from 1st of October. So, I presume that the Government of India will take a note of these high prices of the Phosphoric and Sulphuric Acid. And they will pick some higher subsidy for the Phosphoric and sulfur based fertilizers.

Saket Kapoor:

Sir, quarter 2 generally, what is the kind of volume uptake we experience for industry? And what are we anticipating for this quarter in terms of volume for the fertilizer segment?

S. K. Bajpai:

Around 5.8-6 lakhs.

Saket Kapoor:

For the entire entity, for the Company?

- S. K. Bajpai:** Yes, as a Company, Q2.
- Saket Kapoor:** Sir, when we look at these RM prices, which are I think so, all are as per the import parity prices and that are very dynamically changing, why are companies like us, which are government entities, not referring or suggesting a model by which with the variations in the prices, the subsidy mechanism could be created in a formula base so that these ad hoc pains that goes through the companies like us can be reverted into that sense. Since prices, everything is available in public domain, only an automated formula principle can be created, a platform can be created or suggested by which these residues can be removed and prices or subsidies are reset by themselves and not waiting for the government authorities to take note of the same.
- S. K. Bajpai:** Saket, you are right, but if we see the side of the government, they cannot give the subsidy whatever the price is internationally coming and they are raising the price as per their mercy because the subsidy is given by the Indian government. So, there will not be any end to it because if they give the subsidy, whatever the price of Phosphoric Acid prevails in the international market or there are few countries which are having these phosphate deposits and they are producing the Phosphoric Acid in big quantity, so then there will not be any end. So, that is the limitation with the Government also because the subsidy budget is limited and they cannot fix like the unlimited disbursal of the subsidy. So, for just checking the things, they are keeping this twice in a year, they see what is the price and then they provide subsidy. I think it is a fair working.
- Saket Kapoor:** Sir, for Q1, our total sales for manufacturing was 3.64 lakhs and on this we are expecting a tonnage of 5.82 lakhs. That is what you have just answered in the previous question.
- S. K. Bajpai:** Yes. But total our tariff, if you see the including trading, it is 4.51 million tons, 4.51 lakhs. So, while Mr. Varma is saying it is including trading, that he is saying that 6 lakh metric tons we will be selling in the market but that is including the trading.
- S. V. Varma:** Yes, total turnover.
- Saket Kapoor:** And what should be the likely breakup? I am just trying to understand the type of profitability which we have done for this quarter in the fertilizer segment and with the increase in raw material prices, is there any threat to the profit margins in the ensuing quarter or we can maintain these numbers?
- S. K. Bajpai:** No, we will maintain irrespective of whatever, because we have a lot of, got the material in hand. At least for the quarter, there is no problem. We have got this Phosphoric Acid P_2O_5 in our stock. So, whatever the price increase, it will be reflected only in the 3rd quarter of the Company. So, we are quite sure that there will not be any hit in the margin. And after this September, as I said that I am pretty sure that the Government of India will certainly revise the subsidy rates.

- Saket Kapoor:** Sir, you mentioned for the industrial product that includes some ammonia trading? So, can you quantify for us what was the contribution from Ammonia trading in terms of revenue and profitability?
- S. K. Bajpai:** Sir, this is around Rs. 20 crores approx margin we have got from this Ammonia trading. So, we are also trading from the Sikka and when the urea plant was in the revamp, we also had the access to Ammonia production. So, that we also marketed a little bit here in fertilizer complex.
- Saket Kapoor:** That Rs. 20 crores is the revenue contribution?
- S. K. Bajpai:** No. Margin.
- Saket Kapoor:** Profitability?
- S. K. Bajpai:** Yes.
- Saket Kapoor:** So, out of our segmented profit, we see Rs. 25 crores, Rs. 20 crores is attributable to only the ammonia trading?
- S. K. Bajpai:** Yes, that is right.
- Saket Kapoor:** And this is only a one-time phenomenon since our unit was not commissioned, and we have surplus of the same or these factors are not going to continue going ahead?
- S. K. Bajpai:** No. We will continue as far as this import of Ammonia at Sikka plant. So, we will continue. We have the long-term contact with the suppliers. So, we have the separate quantity for the trading and as per the requirement of Indian market, we trade and provide this imported Ammonia. So, it was a one-off that during this quarter, sometimes the Ammonia stock was full. So, either we have to reduce the load of the plant or where we stock. So, just a little we have traded the ammonia from the fertilizer complex.
- Saket Kapoor:** No, sir. When we look at your price graph on slide number 6, we find Ammonia prices trending lower or settling lower from Rs. 38,000 metric ton to Rs. 31,000. So, we are carrying stock. What should one read into this decline from Rs. 38,000 to Rs. 31,000 that we should factor in for the current issuing quarter?
- S. K. Bajpai:** Actually, Ammonia import is based on the international prevailing prices. It may come down, it may go up little bit here and there. But whatever the contact we are having to supply the Ammonia to Indian market that is based on the delta on the imported price. So, that will never be a loss to GSFC. Even if we are carrying the Ammonia stock or fresh Ammonia we are receiving at a higher price or lower price, so we have fixed the formula like delta over the imported price. So, that we are getting the margins.

- Saket Kapoor:** Sir, can you give only one more color, what would be the revenue in that sense because industrial product segment posted revenue quarter-on-quarter is higher, even year-on-year is higher. And you have mentioned that the Caprolactam prices were lower, the spread was lower. So, Ammonia trading, how much has it constituted to the topline for the quarter?
- S. K. Bajpai:** It is around Rs. 60 crores.
- Saket Kapoor:** Only 60 that is 11% or 10%-11% of the total revenue in the industrial product?
- S. K. Bajpai:** Yes.
- Saket Kapoor:** And sir, going ahead also in the industrial product segment, I think so March quarter, we did see higher contribution to the profit. So, what were the factors that were reversed, sir, Q-on-Q that led into these profitability going, taking a hit or if you could just give the number of Ammonia trading for the March quarter also, how much margins we earned for the March quarter?
- S. K. Bajpai:** No, actually one more factor which I tell to you that during this fiscal instruction as on 31st March of the physical stock of the ammonia and the book stock, there was some mismatch. So, we have inflated the stock in the system because physical stock was there. So, that was also one factor which provided a little more margin because it was that the stock material uploaded in the system and that is the reason that you are seeing the higher margins available by way of trading on ammonia.
- Saket Kapoor:** Sir, I didn't get the last point. Can you please repeat once more about the closing stock part, is it the revaluation aspect which you are mentioning?
- S. K. Bajpai:** Not revaluation, actually at the financial year end, we check the stock, our statutory auditors, the physical stock versus the book stock. If there is any discrepancy, then we have to utilize, we have to make the, correct our book stock as per the fiscal stock available. So, at certain times, there are so many shipments coming of the ammonia. So, there may be somewhere some more material comes, somewhere there is a gap. So, at the year end, we match the book stock with the fiscal stock and in that process, we have got this stock hiked.
- Saket Kapoor:** So, that has gone to the profitability?
- S. K. Bajpai:** Yes, because if we sell that stock, then it will be a total profit because it is zero cost, because cost is already there.
- Saket Kapoor:** Right, sir. And lastly, sir, on the other expenses line item also, I think so Q-on-Q, there is a significant dip from Rs. 285 crore to Rs. 201 crore. What explains this lowering of other expenses Q-on-Q basis?
- S. K. Bajpai:** Other expenses?

- Saket Kapoor:** Yes, sir. Other expenses line item.
- S. K. Bajpai:** One of the reasons I told that this urea, a plant was under trial and production. So, as we have shifted this sales value of the 40,000 metric ton of urea amounting to Rs. 150 crores, the same manner, we have also credited the expenses in the revenue side and transferred it to the capital. So, that balance can be met and there is no difference as per the accounting standard. So, we have transferred the expenditure incurred during the quarter for the trial period that is around 2 months. So, that was transferred there. So, that may be the reason that other expenses might be lower in comparison to other ones.
- Saket Kapoor:** Right. And on the larger project, sir, of setting up of this Phosphoric Acid and Sulphuric Acid project at Sikka, sir, where are we in terms of, where are exactly, at what stage are we, sir, since it will be commissioned by as per your slide number 8, it will be commissioned sometimes in FY '27-28. So, if you could just give whether DPR is done, what is the update on the same, current update on the same?
- S. K. Bajpai:** Yes, PA-SA plant, we have got the basic engineering, and we issued the tender for detail engineering and that are under the investigation and negotiation level. As soon as we fix the detail engineering, we will start the activities at the Sikka for this PA-SA project.
- Saket Kapoor:** And what is the total cost of the project for both phosphoric and Sulphuric Acid if you could give the breakup?
- S. K. Bajpai:** No, cost still we are in the negotiation stage. So, it is not firmed up. Earlier, we have estimated around Rs. 1,500-Rs. 1,600 crores for this PA-SA plant. But after receiving the actual cost and commercial negotiation, we will be able to finalize and tell to you what is the real cost of the project.
- Saket Kapoor:** And for this, sir, what are we doing for the raw material sourcing for both phosphorous and sulfur to get this project viable and also to ensure raw material security? What steps are there being taken or are in the annual?
- S. K. Bajpai:** As I told you that Sulphuric Acid V plant, we are already commissioning in Fertilizer Nagar. So, whatever the additional we will be having, we will be transferring it to Sikka for this production. Additionally, we have the long-term arrangement of Sulphuric Acid supply from the Hindustan Zinc and other suppliers like Adani who are presently coming in the market with big volume of Sulphuric Acid. As far as Phosphoric acid is concerned, we are getting it from the foreign suppliers. And for PA plant, we require a rock phosphate. So, we have dialogue with the certain parties for securing the rock phosphate supply and it is not a very challenging job. I think at the time of requirement of rock phosphate, we will be having required supply of the rock supplies.
- Saket Kapoor:** And last two points that we have some investment in Tunisia, I think so, earlier some JV. So, what is the latest update on the same? Correct me there.

- S. K. Bajpai:** In the TIFERT plant, there was a fire in February. So, it is still closed, I think. So, there is no supply we are receiving from the TIFERT presently. But we have sent two executives from GSFC to Tunisia for getting the feedback to what is the status of the facility to be restarted after this fire. And we will get the information as soon as the plant is started. So, we will restore our supply from this quarter.
- Saket Kapoor:** As of now, we used to source the rock phosphate on a contractual basis or what was the last consignment or tonnage we received from them?
- S. K. Bajpai:** No, from Tunisia, we received only P₂O₅, Phosphoric acid, not rock phosphate. So, before 6 months, we received one shipment, but then after the plants were closed, so there was no production and there is no shipment accordingly.
- Saket Kapoor:** What is our investment sir, there? How much have we invested in this project?
- S. K. Bajpai:** It is way back in 2012 or 2013, maybe Rs. 200 crores odd figures, we might have invested in the 15% equity in the TIFERT project along with the Coromandel.
- Saket Kapoor:** And lastly, sir, on the consolidated numbers, when we consolidate our quarterly results here, there is an increase of revenue to the tune of Rs. 13 crores and the bottomline is reduced by Rs. 6 crores. So, can you explain this phenomenon, what goes into consolidation and why the profitability at the PBT level goes down?
- S. K. Bajpai:** No, because the subsidy impact, we are having our 100% on subsidy GATL. So, if there is any stock lying there, we book as a sale in the standalone accounts. But while in consolidation, that subsidy portion is adjusted. So, that is why the PBT is down. But whatever sale is there of the GATL as a whole, that increases the revenue. So, while consolidating, we adjust the sales and the PBT levels.
- Saket Kapoor:** I will just go through it again. Thank you for all the elaborate answers. In the presentation part, offline, sir, I would like to give some more suggestions, wherein our presentation can be made more addressable to the investor. But a lot of good changes have been made to the presentation and we are really grateful to the management for addressing our request. Some more changes can be made that would make the presentation more addressable going ahead. So, we would look to interact with the team who have prepared the same. So, for my input, sir, if they can be deliberated on.
- S. K. Bajpai:** Sure, Saket and thank you.
- Saket Kapoor:** Thank you.
- Moderator:** Thank you. The next question comes from Saania Jain with Care PMS. Please go ahead.

- Saania Jain:** Hello, sir. Thank you for the opportunity. Just wanted to know what would be the CAPEX number this year?
- S. K. Bajpai:** CAPEX, which is capitalized or under execution?
- Saania Jain:** Under execution.
- S. K. Bajpai:** Under execution, today only this Phosphoric Acid and Sulphuric Acid plant at Sikka, which is proposed. So, that CAPEX is around Rs. 1,600-Rs. 1,700 crores what we have projected at the time of proposal. Now, the firm bids have been received, and we are under negotiation, we cannot disclose the price. So, this is the CAPEX available presently. But one more stream of DAP at Sikka is proposed to be converted into fungible production facilities like APS and other NPK. So, approximately, Rs. 30-Rs. 40 crores expenditure will be there to convert this DAP train.
- Saania Jain:** And sir, what about the Sulphuric Acid plant in Vadodara?
- S. K. Bajpai:** Yes, that is commissioned in next month or so, September, October. So, that is around Rs. 340 crores of the plant. So, we will be capitalizing that in the next quarter or in the 3rd quarter.
- Saania Jain:** And sir, did we experience any inventory gain this quarter in the fertilizer segment?
- S. V. Varma:** What you are saying? Please repeat.
- Saania Jain:** Did we experience any inventory gain in the fertilizer segment this quarter and if you could quantify them?
- S. V. Varma:** Inventory gain?
- Saania Jain:** Yes.
- S. V. Varma:** See, in case of fertilizer that subsidies are paid on POS normally and in case of Q1 is already off-season. So, normally this does not happen, not a major part of anything.
- Saania Jain:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question comes from the line of Munzal Shah with NSFO. Please go ahead.
- Munzal Shah:** Good evening, sir. A couple of questions. One is, a few years back, the Gujarat government had come out with some guidelines for Gujarat-based PSUs with respect to dividend policy and buyback. So, are they supposed to follow those guidelines actually still?
- S. K. Bajpai:** Yes, sir, because this circular is still in force, so we are actually following it.

- Munzal Shah:** Because there was a guideline for buyback also and I think GSFC was one of the candidates for fulfilling those guidelines actually.
- S. K. Bajpai:** Yes, as far as dividend is concerned, the last quarter we have said that now the dividend, when it will be paid, the board will decide accordingly. As far as buyback or bonus, whatever the items were there in the circular, our Chairman is the Chief Secretary of Government of Gujarat. So, he knows better. So, whatever the instruction coming from the board for buyback or bonus, suitably applies.
- Munzal Shah:** And sir, would it be fair to assume that whatever CAPEX you have announced and obviously yet not finalized, okay, but considering improved performance, it would be mostly financed through internal accruals?
- S. K. Bajpai:** No. 3-4 projects, we have already commissioned and now our money we are having, it is not sufficient to cater the needs of other project, which is more than Rs. 1,600 crores. So, let us see whenever we need, we will approach the market for that portion.
- Munzal Shah:** But you already have more than Rs. 2,000 crores cash in the books and our annual cash generation is close to Rs. 800 odd crores?
- S. K. Bajpai:** Yes, so that has been reduced quite a bit, Rs. 800 crores. So, now because of the raw material prices going on, other inventory we are piling up for the next quarter production. So, we are not having that much cash, which I can assume that it will suffice for the PASA plant.
- Munzal Shah:** So, you mean to say the March 2025 cash has reduced substantially?
- S. K. Bajpai:** Yes, presently it is reduced. I do not know if the subsidy is increased and we received good margin on the fertilizer along with the subsidy, then it will recoup / recover again.
- Munzal Shah:** Sir, last question, one is there is with regards to lot of increase in the fertilizer prices, there is a talk that the fertilizer subsidy will increase substantially this year. So, say by March 2026, do you think that all the companies would be receiving the subsidies or this time there is a possibility that they can be delayed?
- S. K. Bajpai:** No, I think that whatever the pricing of the raw material is prevailing, the Government will certainly look into and increase the subsidy, especially on the phosphorous and Sulphuric Acid content, P and S. Whatever budget the Government has provided in the budget, so that will be revised, I think, whatever additional is needed, because the agriculture sector and fertilizer sector is of prime importance for the economy and for the government also.
- Munzal Shah:** In the cash flow perspective, actually, more from the cash flow perspective, because government has been repaying subsidies for last couple of years, but this year, there would be a substantial



increase and considering the cash flows, would they be able to repay on time or there could be a delay?

S. K. Bajpai:

No, we are receiving the subsidy well in time, up to the July 2nd week, we have been receiving the subsidies, there is no delay from the Government side, and I hope that this will continue.

Munzal Shah:

Sure, thanks a lot, sir.

Moderator:

Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. S. K. Bajpai for closing remarks.

S. K. Bajpai:

Yes, so thank you, participants and I hope that our team and myself have given the satisfactory reply, whatever questions has been posed to us and it is good quarter for us and hopefully good season, rainy season is there, so we will come out with the better results in the coming quarter and till then, goodbye. Thank you.

Moderator:

Thank you. On behalf of Gujarat State Fertilizers and Chemicals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.