



**Gujarat State Fertilizers & Chemicals  
Limited**  
Enriching Lives Everyday

# “Gujarat State Fertilizers & Chemicals Limited Q3 FY2023 Conference Call”

## February 09, 2023



**Gujarat State Fertilizers & Chemicals  
Limited**  
Enriching Lives Everyday



**ANURAG SERVICES LLP**  
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**MANAGEMENT: MR. V. D. NANAVATY – EXECUTIVE DIRECTOR,  
FINANCE & CHIEF FINANCIAL OFFICER - GUJARAT  
STATE FERTILIZER & CHEMICALS LIMITED  
MR. VISHVESH VACHHRAJANI – COMPANY SECRETARY  
& SENIOR VICE PRESIDENT LEGAL AND INVESTOR  
RELATIONS - GUJARAT STATE FERTILIZER &  
CHEMICALS LIMITED**

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

**Nitesh Vaghela:**

Thank you and good afternoon. Welcome to the third quarter earnings conference call of Gujarat State Fertilizer & Chemicals Limited hosted by Anurag Services LLP. From the management, we have Mr. V.D. Nanavaty – Executive Director Finance & CFO, Mr. Vishvesh Vachhrajani – Company Secretary and Senior Vice President Legal and Investor Relations 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 by opening remarks from the management post which we will have a question and answer session. Thank you and over to you, Sir!

**V.D. Nanavaty:**

Thank you. Welcome to the Q3 post result con call of Gujarat State Fertilizer & Chemicals. Hope you have seen the results and as per the demand of the few of the stock analyst, we also uploaded the analyst presentation and other media release as well as the production and sales volume data on our website and one of them on the filing with stock exchange also and we hope you have seen it or you can see it now also. So as far as the revenue is concerned for the nine-month period, we have almost exceeded the last year's revenue and as far as the net profit is concerned we have exceeded the network profit that was achieved for the whole of last year in this nine months. So this is a commendable achievement with good management guidance. As you are all knowing, government has declared its intention of protecting the farmers from the vagaries of price rise so what we saw the post Russia Ukraine war, whatever rise in input cost and subsequent increased cost of production or import, the government has absorbed the subsidy and kept the MRP of various fertilizers in almost the same level so we have seen the ballooning subsidy for FY2023 and definitely with efficient players like GSFC, we have been part of that good spending by government of India. We have our own share of subsidy and which is reflected in this good result also. Apart from that other things are normal subsidy receipts where also normal. For urea we have received subsidy up to second week of January and for PNK it is up to November end.

As you all know in the last one or two months government do not have budgetary funds so for February or March we may experience some cash flow from subsidy limit and that will be tided over by the short term working capital borrowing however from 1<sup>st</sup> April when the new budget is available, government generally immediately clears the past dues. As far as cash flow is concerned, there is not much of a problem. Stocks were also at the lead level and we have seen we sell whatever we procure or produce at the earliest. To save on marketing costs we have tried to maximize our sales in Gujarat region and for ammonium sulphate where we sell large quantity, we also sold it in the southern pockets of southern India so that has helped to contain our marketing costs. As far as industrial production is concerned, we experienced a new decline in prices of industrial products and particularly the melamine which gave us very good realization last year early, suddenly its prices were substantially down mainly because of lower demand as well as over supply from the China,

but we switched over more exports and now our exports are very regular and that help us to improve the top line and bottom line of IP products to some extent. For caprolactam if there is no improvement in demand in short term, we will also be resorting to export of caprolactam just like melamine. Of late from industrial product marketing we are getting signal that there will be improvement in these sentiments in the market and we look forward to improve prices of industrial products that has remained subdued for at least two quarters so hopefully next year it will be kind of the normalized situation. Other details we have already given in this third presentation and media release about capex plans, its timeline and some input related data and of course share price and all these things so there is nothing much to be added from my side. Thank you and now all are welcome to ask questions.

**Vikram Kotak:** Sir two questions, one question is how do you see the Capro Benzene spread now in the current quarter in the event of China opening and what is your view over a period of next one year that is question number one and question number two, so when are you planning to start the new melamine capacity of 40K which you are under evaluation so what is the plan there, that is the two questions from my side thank you.

**V.D. Nanavaty:** Capro Benzene for at least Q4 will still be in steady state. It will not dramatically improve and degrade so that is the signal, but as I said it is improving so next year it will be definitely more than what is subdued, but right now I mean for 2024 our companies budget is still under preparation so maybe next time we will be able to give more clarity on FY2024 numbers.

**Vikram Kotak:** Sure and Sir how is the demand side position in melamine and Capro what is your view here is demanded enough or you see a Europe slowdown impacting us as well.

**V.D. Nanavaty:** No demand is little less, but we should also get good price, so if you do not get good price then we will export more because in Europe lot of plants are closed melamine as well as caprolactam because there is a low spread nobody can operate, only China os on line.

**Vikram Kotak:** Last question, what is the cash balance as on 31st December in our books. What is the net cash including liquid investments.

**V.D. Nanavaty:** That is around Rs.700 to 800 Crores.

**Vikram Kotak:** Can you repeat. Sorry I missed that.

**V.D. Nanavaty:** Rs.700 to 800 Crores that is cash and liquid deposit.

**Vikram Kotak:** Okay Sir. Thank you so much all the best to you Sir.

**Ankur Sanwal:** Sir there were news about disinvestment by Gujarat government of various businesses it holds is there anything we have received information from government also.

**V.D. Nanavaty:** Such report has been submitted in past also many times but nothing has moved in such a direction.

**Ankur Sanwal:** Thank you Sir.

**Govind Lal Gillada:** Thanks for the opportunity Sir. In press release regarding capex it has been mentioned that we have place already lined up 4000 Crores capex and further growth plans are there for another 4000. So you are talking about 8000 Crores capex and just now you told that you have got cash in hand is only 700 to 800 Crores. Just I want to understand Sir how we are serious about this capex and how we are planing big cash flow of 8000 Crores.

**V.D. Nanavaty:** Our reserves are around 11,000 Crores. Cash on hand just because February, March government subsidy do not come in time so whatever deposits we have that we use it to pay our vendors because we pay everybody in time. We do not say that I do not have money so I will not pay you. We pay everything in time as per the contractual terms whether we have money or we have to borrow the money so we do not give excuses of this debt so as we said that government do not have the money so subsidy release is taking some time so cash will again be full maybe say by April or May but the financial institutions they evaluate debt equity considering equity as your net worth, so our net worth is 11,000 Crores so you can very well calculate that for 11,000 equity how much debt I can contract, so it is a much, much more amount that we can now borrow for our capex so 8000 Crore is not a big amount. Plus this things will take time, so just as you saw the result, we had a earning like 1000 Crores, 1500 Crores. If we add up the depreciation with the noncash item so by the time I do the Dahej project, again say at the speed of 1000 Crores per year I will have 4000 Crores out of my profit only. I do not have to borrow anything so right now we are a zero debt company so from that perspective we will not have any strain on our cash resources.

**Govind Lal Gillada:** Sorry regarding this 11,000 Crores you told but most of what you have told our investment in our associates, major investment in others is almost 6000 Crores that I do not see long lasting. We are planing to unlock the investment in GSFC all that they are the major ones. If you give outside then there is subsidy of 2000 Crores as per your last quarter balance submitted and all that not much. We are all put together 1000 Crores in cash and subsidy is around 2000 Crores but major investments in associated all that so are you planning to circulate this capex in pipeline. Any plans of unlocking these investments in our Gujarat company.

- V.D. Nanavaty:** There is no question of offloading our investment, but we can borrow whenever it is required we can borrow at a very competitive rate.
- Govind Lal Gillada:** Yes clarity it is there because we are taking 11,000 Crores including all investment that is the major portion 5000 to 6000 Crores. So one more thing so these kind of capex already concrete how much capex out of 8000 is in pipeline Sir.
- V.D. Nanavaty:** Around 4000 is under various stages of implementation and 4000 Dahej is still at very preliminary stage.
- Govind Lal Gillada:** This 4000 let us say 3-4 years we will be executing all this 4000.
- V.D. Nanavaty:** No we have already given the details in the investor presentation on our website so you can see the timelines are mentioned there when these projects are going to be commissioned so you can see that in our website at slide number 9.
- Govind Lal Gillada:** Last question what kind of asset turnover or return ratio we are expecting on these investments Sir.
- V.D. Nanavaty:** Generally, we do not invest in risky or low return investment. We only go for commercial evaluation of all the projects, of course so far rate of interest was low so our expectation of minimum ROI or all those capex period on the lower side, but now with rate of interest going up naturally our expectation of minimum return is also high so we generally do not take up project giving less than 13 to 15% IRR.
- Govind Lal Gillada:** Sir this 13 to 15. What is the 6-7 years payback period.
- V.D. Nanavaty:** All these plants and whatever plants we have set up they are already 50 years old so our plant last for very long period. So five to six years is not bad payback.
- Govind Lal Gillada:** Alright Sir. Thank you very much Sir.
- Kalpesh Shah:** Is there any plan to demerge over investment company into separate company whatever investment we have in our subsidiary.
- V.D. Nanavaty:** No there is no demerger. There is no such proposal.
- Kalpesh Shah:** Our chemical division and our fertilizer division to be separated.
- V.D. Nanavaty:** No they will work in one umbrella only.

- Kalpesh Shah:** Sir right now what is the rate of caprolactam is going on in this quarter and last three quarters Sir.
- V.D. Nanavaty:** So those details are give in our website, but still I am repeating it, Caprolactam price was around \$2000.
- Kalpesh Shah:** Current quarter.
- V.D. Nanavaty:** Yes, current quarter.
- Kalpesh Shah:** Last three quarters average.
- V.D. Nanavaty:** Last three quarters it was more now recently it has come down. It was \$1800 and around \$2000 earlier.
- Kalpesh Shah:** Okay. We can see approximately 2500 in first quarter of 2024.
- V.D. Nanavaty:** No it will not jump so much. It steadily increases maybe \$2200, \$2300.
- Kalpesh Shah:** So there will be viable to get up good profit Sir.
- V.D. Nanavaty:** Yes, profit will improve definitely.
- Kalpesh Shah:** If we do above 2000 then we shall get more profit.
- V.D. Nanavaty:** Yes, definitely.
- Kalpesh Shah:** Sir is there any turnover idea for fertilizer division in Q4.
- V.D. Nanavaty:** Yes, it will be around Rs.2000 Crores. This year we expect 11,000 Crores turnover for FY2023.
- Kalpesh Shah:** For fertilizer.
- V.D. Nanavaty:** For full company as a whole. For this full year 2022-2023, our turnover is expected to be 11,000 Crores.
- Kalpesh Shah:** Okay and right now we have antidumping duty on caprolactam or not Sir.
- V.D. Nanavaty:** No there is no antidumping duty on any product.

- Kalpesh Shah:** No product at all.
- V.D. Nanavaty:** No product at all. Okay.
- Kalpesh Shah:** Thank you Sir. Best of luck.
- Ankur Sanwal:** Sir during this budget government of India has emphasized a lot on nano urea which we are not making, so any idea of impact in future two years, three years as a quantum of nano urea on our products.
- V.D. Nanavaty:** There is still farmer acceptability issue for nano urea, so it is not going to make any impact on our present fertilizer. Nano urea is sprayed foliar and all this thing is done same time with normal urea so once there is some flowering then only they spray it on the foliar, these are all new thing so government is popularizing it in a big way but farmers have been traditionally doing farming for so many years with certain kind of fertilizer so they will not switch the things immediately.
- Ankur Sanwal:** Okay. Sir secondly you told about good prospect of our industrial division section in the coming next year. Can you elaborate on that?
- V.D. Nanavaty:** Mainly China factor plays everywhere around the world so China was almost closed because of zero COVID policy and recently their new year was going on so now they are out of this COVID policy as well as their new year activities are also over. Their market is opening up and when there is a good demand, naturally the prices also increase so that is how we see that improvement in the caprolactam and other price in the Q4 as well as next year.
- Ankur Sanwal:** We also supply to China.
- V.D. Nanavaty:** China is a major puller or pusher for anything in the world. So if China demands open up what happens if they do not have demand they export to everything means everywhere in the world so that lower down the prices but when they consume their caprolactam in their own country for garments and nylon products, they do not export so much so then export market prices also improve and India also we are all doing business on IPP basis, from an international price parity so whatever is the price in international market and that translates into Indian price so when there is a good international market price so we also get better realization in India so that is how it is all linked.
- Ankur Sanwal:** Thanks a lot Sir.

**Saket Kapoor:** I will come back with my observation, but thank you firstly to taking a note of our request and implementing the same. Sir you mentioned firstly that for fertilizer segment we are looking for a revenue of 2000 Crores for the fourth quarter. Could you elaborate more on how are we coming with that figure, what kind of volume are we expecting because I think for December quarter we did around 2880.

**V.D. Nanavaty:** Our marketing fertilizer officer will answer.

**Vishvesh Vachhrajani:** Our expected volumes will be around 4.50 lakh tonnes basically we got 1 lakh tonne imported urea in this quarter so that has helped us to increase the availability and our Sikka unit is also operating well for last few months so we have the inventories of phosphatic fertilizer also so almost volumes will remain at par with Q4 of last year and value will go up because of higher subsidy and MRP of fertilizer.

**Saket Kapoor:** But the margin per tonne will remain constant that is Rs.1500 only.

**V.D. Nanavaty:** Margin because government also wants to reduce subsidy burden so since the input prices are coming down they may decrease the subsidy from 1<sup>st</sup> January 2023 effectively so if that is the case then margins may come down little bit.

**Saket Kapoor:** What was the margin per tonne for the third headquarter in the fertilizer segment. The manufacturing one and the trading part.

**V.D. Nanavaty:** Trading price of urea we had just explained and DAT Rs.500 to Rs.1000 per tonne and other manufactured fertilizers we have not really come out with what is the per tonne margin so much volatility is there that per tonne margin is hard to do.

**Saket Kapoor:** Sir can you give some more colour on how for this quarter the raw material basket has shaped up and going ahead what are the trends for the raw material basket and then towards the power and fuel part.

**V.D. Nanavaty:** So we have shown it in our presentation about key input cost movement, so if you see the December phos acid price in rupee terms it is showing Rs.1,17,000 per tonne so that is almost equal to \$1175 terms, ammonia is reduced to \$1050 per tonne from \$1123 so I think \$125 to \$150 reduction. LG prices are also down we have shown it at Rs.60 per S&Q except urea, urea is pass through so we do not get affected except urea it is around Rs.50 to Rs.55 rupees per S&Q then benzine it keeps moving with the crude so there is nothing specific about benzine but September 2022 it was Rs.96,000 per tonne. It has gone to 75,000 in December quarter but now it is steady around that figure Rs.75,000 per tone and ammonia prices are going down along with the natural prices so it was around \$800, \$900



per tonne in Q3 now it is around \$700 to \$800 per tonne, but all the inputs are showing reducing trend so going forward also they will keep on coming down so that is why government is thinking that why subsidy should not be reduced, but let us see what do they do.

**Saket Kapoor:** Sir in that case then there will be reversal of same. Currently what we are selling how will that invoicing will then come into play if it happened on a retrospective basis?

**V.D. Nanavaty:** Invoicing is on MRP only. MRP is not same. Only when we claim bill for subsidy instead for say Rs.48,000 per DAP per tonne it may be 45,000 or maybe 43,000 whatever is the rate decided. It is not that they are going to do it but these are all something that has come in.

**Saket Kapoor:** On the power and fuel aspect Sir how are the gas prices power and fuel component trending.

**V.D. Nanavaty:** We are buying and doing fuel so it is coming down with the gas but the fuel that we buy from state utility there cost is not getting down so fast. It is sticky or maybe sometimes it increases also but overall there is some reduction in Q4 in power and fuel cost.

**Saket Kapoor:** Sir regarding the raw phosphate prices. What is the price trend there? I think that is not mentioned in the presentation.

**V.D. Nanavaty:** Yes, because we do not import much of this raw. There is no standard available, so we buy raw from Rajasthan Mines and Minerals, so they decide the price in their own way. It is also a state PSU so they have certain rules to be followed. Little bit here and there but raw due to process its price so process is coming down raw price should also come down and of course Sulphur prices are also coming down.

**Saket Kapoor:** Just to get an outlook on how the coming quarter has shaped up. We are almost 30 days in the quarter. The fertilizer is going to remain stable and for the industrial product there would be positive increment in the industrial product segment. This is how things can be spread as of now.

**V.D. Nanavaty:** It will not be so bad as Q3.

**Saket Kapoor:** Correct Sir. For the phosphoric acid part lastly what are the price trends there. I think that we are importing.

**V.D. Nanavaty:** So that I tell you 1175 was October December price in dollar. It has gone down to \$1050 from January so there also \$125 reduction has taken place.

**Saket Kapoor:** That translates into the end product prices also or the end product prices margins have remained intact.

**V.D. Nanavaty:** No directly transfer into end product cost because the MRP as I say, we are not reducing the MRP so if government does not reduce subsidy then the full advantage comes in our pocket.

**Saket Kapoor:** Sir in our expansion plans we have mentioned about this green hydrogen project also so what are we envisaging here Sir and it is mentioned that it will come up in 2025-2026.

**V.D. Nanavaty:** Yes, because it depends on the government policy also. Right now ammonia is made from natural gas and most of the natural gas is imported into India now with this green hydrogen, ammonia will be made from electrolysis of the water so from gas the ammonia will be made from water, so water will be divided into two, hydrogen and oxygen. Hydrogen is right now made from natural gas and for that process for making ammonia so now hydrogen will be taken from water and then that hydrogen will be further processed to make ammonia. So going forward India's dependence of natural gas consumption will initially come down if we are successful in this green hydrogen project.

This is a small start, our plants also has the technical capability to absorb this green hydrogen immediately as soon as it is produced. There is no need for storage and we will have lot of wind energy and solar energy as you may be knowing so this hydrogen is green you make from the coal based power or any other form of power, but it is only called green if it is from renewable sources. So we have renewable sources of power, we have this electrolyzer and then by churning the water, we produce hydrogen and then hydrogen is used for ammonia. That is how it is generated so right now electrolyzers are costly so it is expected that green hydrogen will be little costlier than grey hydrogen but over a period of time just like we have seen in solar power with large scale production and all, the cost come down so going forward green hydrogen will be much cheaper than grey hydrogen so we are maybe the first fertilizer company to start this 10 megawatt capacity.

**Saket Kapoor:** What is the capex we have envisaged for this 10 megawatt?

**V.D. Nanavaty:** That will be 100 to 120 Crores.

**Saket Kapoor:** Lastly sir on this phosphoric acid and sulfuric acid project at Sikka having the longer gestation period so where are we actually Sir in this project. I think this would be above 2000 Crores that we have envisaged.

**V.D. Nanavaty:** We will double the capacity for phosphoric and sulfuric acid plant at Sikka but we have now after COVID we are scaling down to half so now new drawing and everything is being

made by the technology suppliers and all those work is going on, so once we have the engineering drawings then we will coming out with the tender to invite participation from the vendors for setting up this plant.

**Saket Kapoor:** Cost of the project.

**V.D. Nanavaty:** That will be 1500 to 2000 Crores.

**Saket Kapoor:** Lastly Sir on this tax expense. If you could in brief explain to us exactly how are the calculation being made and for nine months what have been the tax out, go on account of the profits of 1234 Crores. What exactly have been the net cash outgo on account of tax expenses there.

**V.D. Nanavaty:** Whatever we pay now is only advanced tax, so this year computation we have to file the income tax return that is in November 2023 or October 2023 so what we have paid is only advance tax, but just like individuals have two tax regimens, old one and new one, so other than individuals also this option is given that you do not claim any reduction and then you go for new tax rate which are low so we have gone for that from this financial year 2022-2023 so whatever tax exception was made up to September that has been reversed and now current quarter we have applied for new tax rate so that is effective 109 Crores reversal in deferred tax liability and 10 Crores in **38:12 inaudible** so mostly our tax liability will be lower and therefore the tax payment will also be lower on going forward basis.

**Saket Kapoor:** Our tax rate would be 25%.

**V.D. Nanavaty:** Yes, hardly anything will be allowed in deduction so whatever certain adjustment are there income tax versus book of account so those will be made and balance taxable income is calculated. You have to pay that 25% straight away.

**Saket Kapoor:** Thank you for all the elaborate answers and for the presentation part and press release and the volume that definitely they will add value but what steps can be taken to increase shareholder value that should be deliberated, the dividend payout we are now coming to the end quarter of this financial year how the dividend pays out work out, what steps are taken so that the investor interest in such a big organization continues. It is there in the public domain that type of language sentiment we have for GSFC stock price even having diversified set of chemicals in our portfolio and so many imports substitute item but still the awareness, still the understanding in the investing community is not promising Sir so steps should be taken, we should hire the proper IR team, create the right awareness and deploy the agencies that can help us in giving the ideas that will create share holders value. You can look at yourself what have the investors gained in investing in GSFC over a period of

last four to five years and where the other players and the markets have moved so basically we will remain with the business but every company should have an intrinsic value also for which investors are reports the faith on the management. Hope these steps will also be deliberated going head Sir and the best to you Sir and Vishvesh Sir for the future endeavors.

**Questionnaire:** First of all, congratulations for good set of numbers. So just had couple of questions Sir first of all regarding the development as mentioned by the previous annual report that we are developing certain chemicals in fertilizer segments like nano urea which will be more efficient than the usual fertilizer bag which you are providing to farmers and farmer community so what is the update on that Sir. Are we seeing potential in these items and also because these are low cost items and also these will substantially reduce the subsidy which government have to give companies and are they scalable at the same time. What is your view.

**Vishvesh Vachhrajani** We can say that it is still in infancy, this nano urea. It is yet to prove its worth on the farmer's field. Yes, government has come with a big bang, but finally its action at the farmers level is yet to be tested so we are quite cautious on this project. Right now we will be initially trading nano ure taking from Isco which is a manufacturer through our own depots and we will do marketing and then we can decide on this but right now as a product under Indian conditions it has no auto acceptance at farmers level.

**Questionnaire:** What is your opinion on the cost part of it. Like is it 30-40% reduction in the cost burden for the farmers or is it the same cost.

**Vishvesh Vachhrajani** Literally it is claimed by the government under the ideal condition but as I said to you it is yet to prove its efficiency at the farm level.

**Questionnaire:** Sir and also going forward as many capex projects and we have a huge retail earning which have been accumulated there. Are we planing to capitalize it or are we going forward leveraging equity from the market or how are we seeing the debt structure going forward.

**V.D. Nanavaty:** Of course that will be decided by the board of directors but as you said for our capex you only see a short of fund, debt is easily available and very competitive rates so that does not hamper us or any capex plan so as far capitalization is concerned as I say it prerogative and they will decide at a suitable time.

**Questionnaire:** Okay what is our mix of our power because our power and fuel takes almost nearly 3000 Crores of revenue which is going under a 1000 year so going forward how do we looks like converting into because we have already set up the solar plan of 15 megawatts going forward how are we reducing our dependence on Gujarat Coal what do you feel Sir on that.

- V.D. Nanavaty:** There is another solar power 15 mega capacity plants.
- Questionnaire:** And this 15 megawatt. What is the value of this capex Sir.
- V.D. Nanavaty:** It is around 85 Crores. It reduces our dependence on the utility of state limited power.
- Questionnaire:** Sir how much proportion will this reduce our dependence if this has been installed like 10% or 15% of our requirement or is it much more than that.
- V.D. Nanavaty:** Our renewable power is 35 to 40% of our total consumption.
- Questionnaire:** And this project has been setups or is it in the phase till now.
- V.D. Nanavaty:** This 15 megawatt project is going on. We already have wind power of 153 megawatt and now 11 megawatt of solar power is already there so we have 153 wind, 11 solar and another 15 solar is going one.
- Questionnaire:** Okay Sir also in this quarters financial statement we have seen our finance cost also coming up because as mentioned and just a suggestion we can use our income earning but are we having taken any average cost of borrowing Sir which is in hand.
- V.D. Nanavaty:** It is around 5%.
- Questionnaire:** Around 5% okay mostly government subsidized.
- V.D. Nanavaty:** What we borrow is also because we do not want to break our deposit for some payments so we also borrow and we also deposit so both things working together. If you on net basis the income is much more than interest cost.
- Questionnaire:** And Sir two things here our inventory has also come up substantially and second our government subsidies receivables also have been accumulated just to rephrase it our government subsidies are also increasingly accumulating what is your view about it Sir, when do we expect it to be realized.
- V.D. Nanavaty:** Generally, to meet the fiscal discipline government provides little more subsidy than what is actually required so they exhaust the budget provided maybe in February or March so they do not have budget so they do not get the subsidy but on April 1<sup>st</sup> the new budget funds are available so immediately in the first week of April they pay all the past dues so it is mater of some month and half that subsidy due got accumulated.

**Questionnaire:** As and when the funds come the projects will be funded. Sir one more thing sulphur is also coming up as fertilizer. If I am not wrong sir 10 to 15% of fertilizer composed of sulphur and the major part is ammonium which is there in fertilizer industry so the sulphur is also picking and you said the proportion will be changing in future or the proportion will be remaining the same and demand for sulphur is being attracted somewhere else apart from fertilizer segment. This one which we produce the fertilizer bag to be specific 2/3 grades of fertilizer which we produce.

**Vishvesh Vachhrajani:** You are talking about what can be the scenario of fertilizers moving forward.

**Questionnaire:** Yes, what can be the scenario fertilizer moving forward in terms of sulphur Sir.

**Vishvesh Vachhrajani:** Sulphur is emerging as fourth major nutrient in Indian soil and fortunately we are one of the largest producer of sulphur based ingredients and government of India is also pushing for more usage of sulphur you must be knowing that apart from nitrogen phosphorus potash government is also giving subsidy for the sulphur so yes replenishment of sulphur deficiency has now become inevitable and that will definitely benefit to us. It is benefiting to us.

**Questionnaire:** Sir are we net exporter of sulphur or net importer of that.

**Vishvesh Vachhrajani:** Sulphur as an element. We are consumer. Country as a whole we are importer.

**Questionnaire:** We are importer. Okay we have dependence from sulphur. Is the sulphur is used in raw format or they have been converted to acid in liquid format and then used in fertilizer.

**Vishvesh Vachhrajani:** Acid form it is sulphuric acid.

**Questionnaire:** Sulphuric acid which is used in the acid. And Sir finally one last question has we have seen in the result what have you seen expecting Sir because I think the cost pressures have reduced a bit and the government trajectory for these subsidiary as rightly pointed by you is also slowly degrowing what do you feel the cost pressure will even smoothen further or we are expecting a reversal of cost to be coming in future. Cost of ammonia. The cost of other elements which are used to mix.

**Vishvesh Vachhrajani:** You must have seen that after September 2022 there is a downward trend still it is continued in Q4 so ammonia has gone down it has touched almost \$900. Now it is below 800 it is around 750, phosphoric acid it was 1175 now it is 1050 similarly prices of sulphur also going down so all across it has a downward trend for all the group of raw materials and similar trend is also there on the finished fertilizers which are being imported.

**Questionnaire:** Sir and just one final question or major supply goes to MSP side or do we do private supplies also.

**Vishvesh Vachhrajani:** MSP is applicable on six or seven identified crops and government is procuring at that rate all across the state. The rise all the time it is in the range of 6 to 8% which definitely benefits to the farmer.

**Questionnaire:** And what will our proportion be of sales Sir like government and private is there any private player if any what is a proportion of sales to just government and then private to be just 40:50, 40:60 or is it that proportion or majorly goes through government mediums only. I was asking of the total sales for the quarter or for the year as well so is there any proportion like certain 50% goes to government and then the government has a price limit on it or is it we sell it to other players. We sell the raw substance to other players and then the other players make their own manufacturing of fertilizer and sell it across again to government. Is it we do as an intermediary business also or is it direct to consumer, direct to farmers or government.

**Vishvesh Vachhrajani:** It is directly going to farmer because government has also said after DBT the subsidy is made admissible to the company only when farmer buys on the phos so obviously there is no drain in the subsidy, it is going to the farmer.

**Questionnaire:** And also have you applied for more carbon credits or do we have because it is a very manufacturing intensive business to produce fertilizer and also we use other non renewable energies do we think the carbon credit which government has been bringing for past three years does it have a more regulatory implications on our business or is it more relaxed or more ease of doing business going forward.

**Vishvesh Vachhrajani:** We do take care of the environmental issues in all our plants and they are under the clearances of the environmental pollution control. See we do not foresee anything regards to the environmental issue.

**Questionnaire:** Last final question is there any arbitration award which is yet to be received in our favor or if you can quantify the amount. Any legal proceedings or cases against us which award has been issued any arbitration cases.

**Vishvesh Vachhrajani:** No.

**Questionnaire:** Thank you Sir.

- S Ramesh:** Thank you very much and good evening and congratulations on good result and thanks for the call. So I have three broad questions one is in terms of the segment numbers can you share the EBITDA per tonne for phosphatic and the same number for urea in terms of EBITDA per tonne. The second question is went do you see the chemicals business turning around because that is where I think you are not able to perform the fertilizer business delivery growth and third question is in terms of the electrolyzer project is it a JV with the GNFC and what is the capital cost for the 5 megawatt electrolyzer you are planning to set up and have you any indication in terms of at what price you will be producing hydrogen so if you can answer these three questions I will be grateful.
- Vishvesh Vachhrajani:** Regarding the first question, the EBITDA I will say in Q3 it is in the range of 10%. We are not calculating per tonne with respect to product wise but overall fertilizer segment our segment in the range of 10%.
- S Ramesh:** 10% marginal sales okay but in urea are you getting positive contribution because in GNFC they mentioned urea is a bit negative in third quarter, is there any challenges in urea margins.
- Vishvesh Vachhrajani:** It has always been a challenge the concession price which has been given by the government is with respect to all the variables cost which they were released towards as to fixed cost they have maintained it from a very old rate. I think it is just about 2012 so that fixed cost part which most of the companies would have got recover and all the industrial players have been requested them to look into this part so something can be also taken care which is the fixed cost part so they will be margin issues but not that much.
- S Ramesh:** So I can move to the question on chemicals and electrolyzer.
- Vishvesh Vachhrajani:** What is your question on the chemicals.
- S Ramesh:** If you see this quarter and this year basically driven by the improved performance of fertilizers whereas chemicals has been a bit of a drag so when do you see the chemical business turning around in terms of adding to your profit growth and where is the challenge and the next question was on the 5 megawatt electrolyzer project. Because GNFC also talks about similar project. If you can give us an indication of what is the kind of cost per tonne hydrogen, we expect and what is the capital costs for 5 megawatt electrolyzer.
- Vishvesh Vachhrajani:** With regard to your capital the IT industrial products. In Q4 I will say there is an issue with respect to the realization price because it has already been suppressed a lot. What we see some improvement from the next year onwards. Q4 will still be under pressure with respect to realization and over and above this capital revenue spread which is increasing so that has



an impact on the realization straight away and the input cost so Q4 yes definitely industrial product will be under little pressure, but we are looking from the perspective of how we can maintain and adjust it from the domestic to export market like we have done in Q3 on the same basis we will try to do our product mix in such a fashion so that we get better realization wherever we have our market in abroad.

- S Ramesh:** Understood and if you can give your thoughts on electrolyzer.
- Vishvesh Vachhrajani:** Electrolyzer cost it is in a very early stage to comment on what the cost will be.
- S Ramesh:** Can you at least say the capital cost because that is an information which is totally lacking because everybody is talking about electrolyzer but there is no visibility on the capital cost.
- Vishvesh Vachhrajani:** It will be roughly around 100 Crores I believe.
- S Ramesh:** 100 Crores for 5 megawatt that is useful and lastly if I can just squeeze a question, the phosphoric acid and sulphuric acid expansion what is the capex required and to what extent it will reduce the requirement of outsourced sulphuric acid and phosphoric acid for your future growth.
- V.D. Nanavaty:** It will be 1500 to 2000 Crores, we have scaled some of the requirements. Earlier it was around 3000 Crores now it is PAT debt around 2000 Crores.
- S Ramesh:** And to what extent it will reduce your requirement of imported phos acid and say sulfuric acid.
- Vishvesh Vachhrajani:** It will be 2,00,000 metric tonne per annum, so we will have that in house both acid available that can make 4,00,000 tonne of DAP.
- S Ramesh:** Right Sir. Thanks a lot. Wish you all the best and congratulations and look forward. Thank you very much.
- V.D. Nanavaty:** Thank you so as we deliberated the growth story is intact, some segments performance here and there is part of the life so that will keep on happening, but the company will steadily grow both in terms of top line and bottom line and with new projects will be as per Athmanirbar Bharat and generating employment which is the dire of the country so thank you thank.