"Gujarat State Fertilizer & Chemicals Limited

INVESTORS MEET Q4 AND YEAR END PERFORMANCE DISCUSSION 2022/23 CONFERENCE CALL"

May 26, 2023

MANAGEMENT: **MR. V.D. NANAVATY – EXECUTIVE DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – GUJARAT STATE FERTILIZER & CHEMICALS LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to Gujarat State Fertilizers & Chemicals Limited, GSFC, Investors Concall Meet to discuss the financial performance of Fourth Quarter and Financial Year end 31 March 2023 of 2022 and 2023 Earnings Conference Call. 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 star then zero on a touchstone 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, Nitesh Vaghela.

Nitesh Vaghela: Thank you, and good afternoon. Welcome to the fourth quarter and financial year ended 31 March 2023 of '22-'23 earnings conference call of Gujarat State Fertilizers & Chemicals Limited hosted by Anurag Services LLP.

From the management, we have Mr. V.D. Nanavaty, Executive Director and CFO; 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.

V.D. Nanavaty: Yes. Good afternoon, and welcome to all the participants to this earning conference call of GSFC. I hope you'd have all seen the results of the Q4 and the full year FY '23. I would like to highlight some of the points related to financial performance. As we have mentioned in our investor presentation and media, our believe this was the highest turnover and the highest PBT PAT year for GSFC. So this is highest in the history of GSFC. Just to give a glimpse of what that has been the reaching this performance, mainly it was the fertilizer sector, as you might have noted.

And the government subsidiary was very much helpful in achieving this performance. As you know, the government wants to have complete protection to the farmers from the price vagaries, whatever input cost rise was seen in the various raw materials during the year, government intervened in and increased the subsidiary accordingly, so that the MRP to the farmer remains the same and, in some cases, gets lower. That is how the subsidiary was calibrated and since GSFC was ready for this opportunity, we took up the same, and it is reflected in our performance.

You might have also noted the bumper crops that had going to be possible in this year, some advance estimates are there, which are putting these things at a very high pace. And as you may be aware, the fertilizer plays a significant role in crop output in this country.

Subsidiary, apart from revising the subsidy as required government also paid the subsidiary in time month-to-month. And so far for urea, we have received subsidy for almost third quarter of April. And for P&K fertilizer everything is paired to March end. So unlike earlier years, now there are no huge time gaps between rewarding of subsidy claim and receipt of subsidy from government.

As you might have noted, we have a 500% dividend is declared by the Board. This was also the long-standing demand of the shareholders. So we are glad to fulfill that. And as you are aware, after the AGM, shareholders approved the dividend, it would be paid to the eligible shareholders.

As far as post mark scenario is concerned, all the input prices are coming down substantially. So ammonia, natural gas, phosphoric acid, sulfur, raw phosphate, all the prices are down, which will help in our support to the margin. Of course, government has also reduced the subsidiary in 2 phases from January '23 to March '23. And now for current financial year from April '23 onwards till September '23 end, this has been further reduced based on the lower input cost. Still we are certain that we will have a profitable operation with this lower subsidiary also.

Our Industrial Products segment suffered due to price crash during the year and had a very minimal margin, but now things are slowly improving, and we expect capro-benzene spread to be around $900 going forward. One aspect was also related to income tax. We adopted the new tax regime, which lowered our tax liability.

So based on that, we had some tax reversal in form of deferred tax liability, and that helped to improve our PAT by 45% to PBT increase in the range of 20%. As you are all knowing, we will be a subsidiary debt free company and we have good cash reserve. So our capex plan will be fully supported with this kind of comfortable situation.

As we said earlier, from time to time and are also mentioning shareholders presentations that we have a short-term and long-term capex plans. So right now, we are in the process of implementing various capex. And this year, we expect to spend INR600 crores to INR700 crores. And ultimately, in 2 phases of INR4,000 crores proceeds, we have tied up for the capex.

Government of India had lower import of urea during FY '23. So based on that, we also had a lower urea trading operations. So that affected our volumes to some extent. You all might have been aware of the Government of Gujarat policy of encouraging higher dividend and other capital restructuring proposals. So dividend, we have already declared, and other proposals will be thought out going forward. And after a Board resolution or Board decisions on this, the announcement will be made from time to time.

So this was a great summary of the performance and some few highlights. Now we can take up the question-answer session, please. Thank you.

Shrikrishna Agarwal: Yes. Congratulations for the record-breaking performance of this quarter. My first question is regarding your product melamine and caprolactam, what is the prospect of this product in the current situation?

V.D. Nanavaty: Yes. The prospects are good. As you will be aware, in melamine, we are the only producer in India. So we are not able to meet even domestic demand and a lot of imports mainly from China and Europe are coming to India. So we have 3 melamine plants at Baroda, and we are thinking of setting a fourth plant of 40,000 metric ton capacity. So that we also have less imports become more Atmanirbhar and the precious foreign exchange is filled within the country.

Similarly, caprolactam, there are only 2 manufacturers in the country, FACT and that is in Kerala and GSFC. So there also a huge scope is there, many uses of caprolactam are importing from Europe and China. And we -- though right now, we don't have immediate plan for expansion, but the scope of caprolactam is good. Sometimes the downturn that we have seen in '22-'23, sometimes that happens, but caprolactam is also earn the huge money for us in past.

So chemical industry is cyclical in nature. So this thing will keep on happening. But as far as demand is still there, there is no problem. On the contrary demand keeps on increasing.

Shrikrishna Agarwal: My request is that you appeal to the Board of Directors for considering the Gujarat Government guidelines for regarding the investors at the earliest.

V.D. Nanavaty: Yes. Thank you. Sure.

Pratik Tholiya: Sir, on the fertilizer business, if you could just give the outlook in terms of what is the channel inventory right now? And with the approval any of the thing, how are you looking at the market?

V.D. Nanavaty: Yes. So, Pratik, as you know, the -- between '22-'23 and '23-'24, the fertilizer costing, or input cost and the sales fertilizer cost has totally changed. Last year it was very high, now from April onwards, everything has gone down. So DAP, which was more than $900 last year, now the latest import has recorded $500. So such a huge difference has come.

So based on that, many companies in India have imported finished product as well as raw material in large quantity and placed it in the field or they are lying at depots. And there is a sufficient quantity available in the channel to meet the kharif demand. So there is no problem as far as urea and P&K fertilizers are concerned.

And IMD has also forecasted a normal monsoon for kharif. So we see that there will be a good demand. And of course, supply is already stocked up. So this should be a very comfortable and normal season from demand supply point of view.

Pratik Tholiya: Sure, sir. And sir, secondly, there is this whole development of Nano BSE thing coming up. Some companies are getting good Nano DAP and for us conventional DAP has been a large part of our portfolio. So do you see any threat to our existing business if this Nano DAP comes up?

V.D. Nanavaty: Pratik, your voice is breaking. So if you can repeat, please?

Pratik Tholiya: Sir, I'm asking that some of your competitors are getting to Nano DAP, and we have a pretty big market share in the regular, conventional DAP. So I'm trying to understand if this Nano DAP catches up fast, can it be a threat to our conventional DAP?

Management: Sir, Nano DAP is basically in the trial-run stage. In fact, many things are projected for Nano fertilizers, both urea and DAP, but it has yet to prove itself on the field. So it will not have any -- I mean, significant impact on the enroll DAP demand.

Pratik Tholiya: But I think the price of Nano DAP is also slightly lower compared to the conventional DAP, plus there is no government subsidy on Nano DAP. So from government sample also and from farmer sample also Nano technology will be more suitable and government will try to push this thing. So how are we gearing up for this challenge?

Management: See, right now, a few companies have adopted the technology for production IFFCO and now Coromandel. But as I said, the Nano urea has come for last 1.5 year, but yet -- it has to have the acceptance at farmer's level. So we are just waiting for its acceptance on the commercial scale.

Pratik Tholiya: Okay. But are we also planning to get into something like that for any technology are -- is our R&D team also working on any such technology?

Management: We are in dialogue with IFFCO for urea right now.

Pratik Tholiya: Okay. So we will -- we'll do marketing of IFFCO's Nano urea?

Management: Yes. Initially through our own retail channels as a seeding program, but we are also in dialogue with them for the technology.

Pratik Tholiya: Okay. Okay. Understood. Right. Got it. And sir, just lastly, can you just give your capex or capex guidance for FY '24 and FY '25?

V.D. Nanavaty: Yes. So they are given in details in our investor presentation uploaded in our site as well as BSE, NSE site. But broadly, we are planning on ammonium sulfate and sulfuric acid, HX crystal, which is going for pharma industry, and then cyanuric, phosphoric acid, sulfuric acid production also we are planning the capex well, along with the melamine fourth plant of 40,000 metric tons capacity also.

And then the further phase we will come in Dahej, where now Baroda don't have any space. So we'll be expanding in Dahej and which is focus on chemicals because fertilizer though is giving good margin sometimes, we are dependent heavily on government policies and subsidiary determination. So slowly going to move away from fertilizer and going to the chemicals.

So the question about Nano DAP and urea along with the organic fertilizer that is being talked in the country. So in the long-term, the chemical fertilizer may have some effect. So from that angle also, we want to reduce our dependence on the fertilizers from medium to long-term basis can move towards chemicals more and more.

Pratik Tholiya: Understood. Sir, I wanted the capex amount, sir.

V.D. Nanavaty: capex means, what?

Pratik Tholiya: Sir, amount, how much you want to spend? What is the capex guidance for '24 and '25?

V.D. Nanavaty: This year, we are going to spend INR600 crores to INR700 crores, that will be kind of a cash outflow. And at the similar numbers will be spend next year also because the capex under execution is around INR4,000 crores. So it will just spend in phase-wise manner.

Rohan Gupta: No, no, sir, we have always been following up the company either directly or even reading your transcript, but sir, congratulations on good set of numbers.

Sir, one clarification, just wanted to understand on the fertilizer business. So government has further reduced the subsidiary effective from April to September. Generally, sir, what is this effective subsidy, number 1 question? Second, we do carry some high-cost inventory. What was the inventory in the channel? And what was the inventory with the GSFC?

And definitely, ammonia prices have been falling. So just wanted to understand, sir, what is the current spread our margin after the reduced subsidies the company will be making?

V.D. Nanavaty: Government has taken care to see the fertilizer business either manufactured or imported, they thrive in this country and support the full security. So even with the lower subsidiary from April, still it is quite viable for manufacturing as well as still is coming in a wide range. So that is also being supported.

So government only looks at the 12% upon the seasonality of profits. So at this time also we see some around 10% margin in this review also.

Rohan Gupta: 10% margin you are saying at EBITDA level?

V.D. Nanavaty: Yes, yes, yes.

Rohan Gupta: Okay. So after the reduced subsidies and considering the current ammonia prices, which has fallen very sharply, right?

V.D. Nanavaty: Yes, yes.

Rohan Gupta: But it is lower than what margin we have enjoyed last year or last quarter Q4?

V.D. Nanavaty: Yes. So it was -- I mean, as I said we just protect farmer in any way. When prices are fluctuating so high that it was difficult for anybody to say what is the right MRP. So you must have seen the government subsidiary numbers INR5 lakh crores '22-'23, which was gave a rise for them also. So when they disburse such an amount towards the fertilizer company got our share and which is reflected in our better numbers.

Now things have cool down and the government has also learned very good interaction with the industry time to time. So they have also calibrated the numbers successfully, still they have been, I would say, great in the flexibility subsidiary. And we have seen that people are able to get reasonable margins.

Rohan Gupta: Sir, on reasonable margins, there are one of your fellow competitor has recently mentioned in the concall that government prime facie agrees that company should be able to make 12% PBT level margins?

V.D. Nanavaty: Correct. That's what...

Rohan Gupta: So till that time, they are comfortable. So I believe that DAP, if I just take the example of DAP, still prices are roughly close to -- I mean, including subsidy and farmer level price, which are still at INR1,300 per bag, if I'm not wrong, so still prices are almost at INR40,000 per ton and INR40,000 per ton at 12%, it means that government is okay, the new companies making INR4,800 per ton margin at PBT level, which means that at EBITDA level margin even will be higher than that.

So that -- is these numbers, right? Because you just mentioned that the current reduction in subsidy probably our margins at PBT level are close -- less than 10%? So just wanted to get the numbers right.

V.D. Nanavaty: No it's maximum allowing 12% at PBT level. It is what the -- beyond that, they will deduct the profitability only the normality of the profit. That does not mean that everybody is making 12% or -- as you might see -- if you see the ammonia that you talk on DAP that we talk. DAP import at the start of dipping on end of March was above $600. But now it is at $500, still it is going down.

So those who imported at higher prices, they may get a little less than those who waited for the right opportunity. Similarly, ammonia was $400 in March end or April beginning, now it is below $300. So with this kind of things, the margin keeps on fluctuating.

But -- and just as we said, average in details. This calculation is also have certain finer points like can club sale products produced at the front plant, like ammonia phosphate sulfate, I'm producing at Baroda as well as Sikka, if I'm keeping my MRP same for the product, I can club my costing and offers, I mean, details to government.

So at Sikka, I'm importing ammonia [inaudible 0:24:39] I'm having captive ammonia and the phosphoric acid, sulfuric acid, so the costing and margin is vary, but I can basket them together as a PS and offer to government for costing an examination.

So 12% is a very, very broad kind of a thing. The only objective is that you should not scheme the market, or one should not very, very unreasonable profit because government is giving subsidiary, so the broad counter is like this only.

Rohan Gupta: Right, sir. And sir, we also have our own captive ammonia at -- partially at our plant. What was the gas cost which you were enjoying earlier and because of the gas price, they also started falling. So what is the gas cost average now we are paying?

V.D. Nanavaty: See, now they were around INR45 per SMQ, means INR45, INR50. Earlier, it was maybe around INR55 or INR54. So there is a INR15 to INR20 reduction for SMQ in gas consumption.

Rohan Gupta: Okay. Because ammonia prices, the way it has fallen, I think that the gas prices have not fallen that much, right? So I'm just trying to understand that since we have a captive ammonia plant and at INR45 at SMQ will it be sustainable to make our own ammonia or right now, the global or imported ammonia is cheaper than your own produced ammonia?

V.D. Nanavaty: No, there are 2 aspects because as I said in the morning interview, one is 50% of gas is used, which is used in making ammonia, 50% of the ammonia goes in making urea, which is a cost of fertilizer. That is my justified cost based on current gas price, I get paid by government for making urea. So there is no comparison between imported ammonia and captive production of ammonia. It is a back foot for me. So...

Rohan Gupta: No, sir, I was asking more for ammonia, which we use for the manufacturing of phosphate acid and in NPK?

V.D. Nanavaty: Yes. But this ammonia price is a very temporary phenomena, it’s not going to last forever. So the moment they see some opportunity, the overseas supplier of ammonia will increase the price. So there is no -- I mean they know that the whole year, this price is going to remain. They have also been affected from, say, $900 to say $275 now. So they are also hugely affected and always time revenues for increasing the price. So yes, these are also reasonably down, I would say.

Rohan Gupta: Okay. Right. Sir, second question is on recent verdict from the Gujarat government where they have tried and trying to make addition tinkering around with the Gujarat-based company. Sir, what you think is the government agenda here? I mean they want to benefit the government in terms of higher dividend? Or are they looking at the larger investment opportunities in the existing company, or you see that they want to encash the portfolio?

I mean what is your interaction when you are dealing with the government, what they are asking you in terms of putting the capex, increase the capex or growth or they just want that to okay, keep giving us our share in terms of increasing the higher dividend payout and not much bothered about the growth. What is the government discussions with you?

V.D. Nanavaty: There is no direct discussions. But what we can infer is that one is the higher dividend is very miniscule for government. So there's really looking like government wants money and that is where they are driving higher dividend. So such a whatever PSUs will give higher dividend, I mean it is a fraction of their GST collection every month. GST collection, total 10%, they will have more money than all of the dividends paid once in the year.

There is no, I mean, I would agreed on the government side to get more money. But they want that the PSU should work like a professional companies operating in the private space and should not be too much conservative. So like we have 0 debt. So 0 debt is not a good practice, I would say, that has definite leverage -- financial leverage.

And I mean, we have a good credit standing that we can get the debt easily for our capex. So keeping all the reserves for capex or whatever is a good capital structuring plan. So they want to have some professionalism. And unless something comes from top -- individual companies will not act for that harassment kind of a thinking from government to -- of course, for this kind of thing. Of course, shareholders wealth maximization is also in growing this that you have to reward the shareholders whether government is X percent or Y percent does not matter.

So they want to charge up the PSUs and increases into the image and the market cap in the market space. So there is no -- government does not want to be a beneficiary for any of these things. So it is, of course, incidental they will get it, but that is not the main agenda.

Himanshu Binani: So sir, continuing on the previous participant's question basically. So just wanted to have a sense on the EBITDA per ton guidance basically for FY '24. So as the previous participant rightly alluded that the RM prices are continuously falling. And in line with that, the government have already downward revise their subsidy guidance -- subsidy estimates for the fourth quarter as well as for the first half?

V.D. Nanavaty: Correct. Correct.

Himanshu Binani: Now my question is that sir, during the last time, the subsidy revision was for the second half of FY '23. However, with the falling RM scenario, they were like bound to revised further downwards for the fourth quarter.

Now, sir, is there like any like sense or any sort of like possibility for the government that they would be revising that, again, further downwards like they would be like bifurcating the first half of next year into quarter-wise. So maybe because why I tell you that is, number one, if I actually look into the gross margin profile in the current scenario and if I work -- do a math, basically, assuming that MRP or the farm gate prices are likely to remain constant. So in that case, the industry is likely to maintain a healthy or a remunerative sort of gross margins? So sir, any sense of that would be helpful.

V.D. Nanavaty: Yes. No. As I said, government also wants to encourage manufacturing in India as a part of Aatmanirbhar principal. So they -- I mean, it's not that they are not aware of this falling price and the lever they had to pull in form of a lower subsidy than what is even prescribed from April.

So government has cautiously allowed this subsidiary rate. It is not that they are not aware or whatever you say it is the mistake or they were blind to it, it is not. It is a conscious call that to support the industry, some leeway is desirable, you can squeeze every rupee out of this fertilizer industry.

And as you know, there are no control over the oversea suppliers. So last year what amount they took away INR2.5 lakh crores of subsidiary. So most of which has gone to the overseas supplier, where Government of India has no control.

So in a fair game when somebody is taking so much allowing some leeway to the Indian manufacturer is not something out of context. That is what government believes. So in that background, I think I'm not fully aware nor I have some government contract, but from the DAP and other deliberations, this picture seems to be the kind of thinking at government level.

So definitely, we hope that these rates are maintained until September '23. And officially, government will review from 1 October '23, what is to be done. So...

Himanshu Binani: Sir, then in that case, sir, then what is actually like stopping you or making you give a guidance of somewhere around a 10% sort of margins for the current year, which were likely to make because the maths actually does not suggest that there would be like any sort of like margin contraction for the industry, assuming that the MRPs are likely to remain at the status quo levels?

V.D. Nanavaty: Yes. No, as somebody asked in an earlier question, one is some stock carried over at higher raw material from January to March production, that is one. Plus there is something not coming on surface. So clearly, the point of sales mechanism for subsidy claims. So even if I say X or Y MRP subsidiary and margin. Unless those things are sold to farmers actual sale is happening to farmers through POS machine. I'm not able to claim what is there in the subsidiaries, government circular.

So that can miss the picture sometimes, like whatever I produce say in January '23, it is going to be sold in June '23. So I do not know what was -- I mean, definitely cost of production was higher in January as compared to, say, if I do it in April. But it is a mixed bag. Similarly, whatever I'm going to produce, say, in August or September, if I don't sell by the season, that is in end of November or mid of December, it will remain locked with me for a long time.

So whatever subsidiary that is only paper subsidiary for me. It is going to between some time. So considering all this thing, we'll give a clear guidance after the Q1 -- at the time of Q1 result when on actual things, actual manufacturing, sales, POS sales occur and rain has started, how it has started. All those things will come by Q1 results, where we'll be able to say more clearly on this aspect.

Himanshu Binani: Got it, sir. But then, sir, when you actually look into the industry numbers, so what they have done is that they have taken a large part of the subsidy, which is the subsidy revision, which was done in the fourth quarter. So they have already taken or accounted for that into their numbers in the 4Q.

So what I understand is that going forward, let's see that from 1Q from the April to September there is, again, the newer subsidy rates. So that would be just the incremental inventory loss or gain basically then in inventory loss, basically, they would be accounting for in this falling RM cost scenario. But the major part of the hit is already there on the books?

V.D. Nanavaty: So major part of it, they have taken is only for the January to March rates, not April rates. So if something is produced in, say, February '23 and sold in July '23, so -- because those who declare result earlier before the issuance of this subsidy circular, no way can they take the hit of both the scenario. They have taken hit for January to March. But as I said, February subsidiary booked at whatever rate, which was definitely not April rate.

And April sales is done, say, in June or July, so when the cost sale occurs, they are going to get based of applicable in June '23, which is -- I mean somebody maybe knowing informally, but I don't think both the rates are covered up in Q4 results. Most of the companies have done it for January to March downward revision. And for GSFC, I would say that we have also provided for both the rate revisions partly, that is how Q4 numbers are lower.

Himanshu Binani: Got it, sir. And sir, one last question, basically. So how should one actually look into the EBITDA per ton going forward? And secondly, sir,one just clarification on this 10% EBITDA margin. So this is the console fertilizer plus the industrial business. This is the consolidated EBITDA margin, or you were just talking about...

V.D. Nanavaty: No, fertilizer only. I think just -- I mean, recovering from very low price and margin scenario, it will take some time to get back to the reasonable numbers. So I'm not building huge margin for IP segment in the guidance.

Himanshu Binani: And sir, sir, any sense on the EBITDA per ton going forward?

V.D. Nanavaty: No, per ton, you see the INR2,500 has been the benchmark per ton from -- I mean the variety of products fertilizer. So I think that margin is reasonable to be assumed.

Saket Kapoor: Sir, last year you just mentioned that for the fertilizer segment, we are expecting a margin of INR2,500 per ton, is what we are considering for this year?

V.D. Nanavaty: Correct, correct, correct.

Saket Kapoor: And what is the volume we are envisaging?

V.D. Nanavaty: Volume, last year from '22-'23, we had a lower volume because price economics, at least for Sikka was not working out. So this time volume will be higher. So we are targeting around some 22 lakh metric tons.

Saket Kapoor: So this year it is -- we are targeting 2.2 million?

V.D. Nanavaty: Yes, 2.2 million against 1.8 million.

Saket Kapoor: Against 1.8?

V.D. Nanavaty: Yes, yes.

Saket Kapoor: Okay. So when we are looking at this INR2,500 per ton EBITDA -- per ton margin, the inventory loss, are we calculating in the same or that will be a separate?

V.D. Nanavaty: No, no, that is a covered here because government changing subsidiary at their convenience, it is difficult to know exactly what will happen. So kind of a safe margin we can talk.

Saket Kapoor: And what was the EBITDA margin for the last year for the fertilizer segment per ton?

V.D. Nanavaty: It was very large. So you can calculate on your own 1,800 -- I mean, 1.8 million turnover, you can calculate out the available number.

Saket Kapoor: Do you have the numbers with you, sir?

V.D. Nanavaty: No. Numbers are publicly available, but better everybody counts on their own not to be talked in public.

Saket Kapoor: There is a difference will be used. Okay, sir, coming to the industrial product partner in your press release, you did mention about the softening of the prices for natural gas and imported raw material especially about TT05 and ammonia. And you have also mentioned about the stabilization of the Sikka unit production capability.

Sir, if you could give -- throw some more color, what should be -- what are we looking out from in terms of the softening of prices, especially for the Industry Products segment, the margins have separately improved from December to March quarter. What are we looking at? And what are the current scenario for these 45 days FFO?

V.D. Nanavaty: It is slightly improving in the sale product selling prices are improving. And of course, crude is also quite soft. So that we have been improving the margins. But the progress is slow, I would say. So it will pick up over second quarter, third quarter in a better way.

And as we say that for Sikka unit, we will be setting up 600 metric tons phosphoric acid plant and 1,800 metric tons sulfuric acid plant, because there is a huge supply constraint for P25 from overseas supplier because they have the pre leverage in their hand because their country has rock phosphate, they have processing manufacturing and the DAP manufacturing facility in the same country.

So they decide what to sale at what point of time. So if they find good market for rock, they sell rock and don't make DAP. If they find better margin in DAP, they convert all processor into DAP and don't process -- processing required quantity. So we can't run such a large company and large country like this. So we will have our own grassroot plants. So we'll be importing rock, which is available in abundance and particularly low-quality rock is freely available at much cheaper price.

So just like a Reliance philosophy of importing dirty crude and making good GRM, so we're also having low price rock, which with high price rock at a competitive cost, and that will consistently improve our production at Sikka unit at a profitable manner. So this is the plan that we have.

Saket Kapoor: And sir, this import for rock phosphate would only happen once our project is through or at the current capacity also, we can envisage this procedure?

V.D. Nanavaty: No, at Baroda unit, we are importing rock phosphate. So we have a long experience of using imported rock and managing the logistics and everything. So that will be done in another way at Sikka unit. But at Sikka unit, we can't use rock right now, we only use phos acid and ammonia that is imported.

Saket Kapoor: What is the reason, sir, why we can't...

V.D. Nanavaty: No, we don't have plant. This is costal DAP plant; we have our own acid well. So the idea was to import basic raw materials and make DAP and NPK. But now with this raw material problems coming up, we have further backward integration we are doing so that we can use rock phosphate and make and sulfur. And sulfur realized the primary just opposite to the GSFC Sikka unit.

And of course, Nayara refinery is also nearby at Vadinar. So there's abundant supply for sulfur in that region. So we'll be importing rock and of course, we're doing RSNU rock also and using sulfur from these two refineries and make phosphoric acid, which will provide a consistent supply of DAP to the country.

And we will have the flexibility to sell sulfuric acid or phosphoric acid also like oversea supplier that this will be flexibility in that front also.

Saket Kapoor: But this complex will be ready by FY '26 as per your capex plan. So these are the plans for the long-term. As of now, for the Sikka unit, we are not going to reap any benefit as of now for the raw material?

V.D. Nanavaty: No. But still, there are a lot of unused capacity at Sikka unit. We can easily produce 10 lakh tons, that is 1 million. But right now, we have stuck at 3, I mean, 0.3 million or 0.4 million. So even with present situation, if we are able to get more processes, we'll be producing more quantity there, which will happen this year, I mean, FY'24, because government subsidiaries and MRP are reasonable.

We'll be importing more process here in ammonia and producing more DAP and NPK in Sikka unit. That is how the volume of sales will increase and the turnover that we expect to maintain INR11,300 crores, that will happen.

Saket Kapoor: Right, sir. But lastly, on the profitability part, if we take last year environment, taking into account the margins and the EBITDA per ton it seems as if that it will be an uphill task for us to repeat last year's performance, the lager contribution could be significantly lower than last year?

V.D. Nanavaty: Yes, this was the highest profit in 60 years revenue of GSFC. So it is difficult to replicate same thing in currency. Definitely, we will not take this number profitability, at least we will be able to maintain the top line bottom line do a little less.

Saket Kapoor: Right, sir. But even March '22 numbers were also better. I think the 1,300 is also not a small number. So, taking into account the current environment, we should look at even profits lower than what FY '22?

V.D. Nanavaty: We will discuss this in Q1 conference call.

Yajit Shah: I just wanted to ask that about the Gujarat policy, like we have more than INR1,000 crores of cash on our books and reserves are also more than INR2,000 crores. So are we planning to go for a buyback as mentioned?

V.D. Nanavaty: So that will be deliberated by the Board after taking professional advice, so bonus or buyback or splitting that will be done in the current year at the opportunity time, and for announcement will be made thereafter.

Yajit Shah: Okay. But it is on the agenda, right? Because like since we are planning to follow the guidelines, so...

V.D. Nanavaty: Yes, we have to evaluate all the restructuring proposal. So it will not be rolled out without evaluation.

Yajit Shah: All right. So sir, bonus and split will also be on the agenda, I think because...

V.D. Nanavaty: Yes. Because that need to, it is far off because we already done 2 or 3 splitting. Our share of INR100, then it was brought down to INR10 and then to INR2. So now further spitting seems not very -- I mean, urgent or required.

So INR2 share is also a reasonable for retail investor to trade, buy or sell. So splitting maybe not immediately taken up. That is my personal view, but Board may decide on their own what is to be done.

V.D. Nanavaty: Yes. Thank you. Thank you, all the participants for active participation and knowing more about GSFC. So as always conveyed by me, keep taking GSFC and we are a growing company and not sitting idle or not complacent any in manner and it for new projects on hand, yes, there is expansion. This company is going to achieve more and more such milestones in future, and our independent directors are here to take care of all the minority and other shareholders' interest.

So there is no way that anything on a sector or not in the commercial interest of the company is done, nothing of such thing has happened and it's not going to happen. And we are also deliberating internally how to carve out our next 60 years serving. We have completed 60 years. So we put that on in the right hands with the right ideas so that the journey keeps on going. Thank you.