



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

“Gujarat State Fertilizers & Chemicals Limited
Q4 '24 Earnings Conference Call”
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Chemicals Limited**
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**MODERATOR: MR. MR. ANUJ HALAKHANDI – ANURAG SERVICES
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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Earnings Conference Call of Gujarat State Fertilizers & Chemicals Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Halakhandi from Anurag Services LLP. Thank you, and over to you.

Anuj Halakhandi: Good afternoon, everyone, and welcome to the Fourth Quarter and Financial Year End Earnings Conference Call for Gujarat State Fertilizers & Chemicals Limited. The call is being hosted by Anurag Services LLP.

Present from the management team are Mr. V.D. Nanavaty, Executive Director, and CFO; and Mr. Sanjeev Varma, Executive Director of Fertilizer Marketing, along with other senior dignitaries. We appreciate the management for granting us the opportunity to host this call, and we can begin with the management's opening remarks, followed by a question-and-answer session.

Thank you, and over to you, sir.

V. D. Nanavaty: Thank you, Anuj. Welcome to this earnings conference call of GSFC. As you are aware of the economic and fertilizer industry situation in particular, the government reduced the subsidiary rates for P&K fertilizers from October '23. And that trend also mostly continues in April '24 also except the APS, where some rise is given.

In contrast to the reduction in subsidiary rates, input costs have actually been rising. And of course, of late, they have a little bit softened. So the industry margins were under screen during the last 6 months, which is reflected in this particular -- in this Q4 earnings of GSFC. The good thing government did was to announce subsidy rate for the FY '25 well in advance so that companies were able to plan raw material according to the cost economics of the various products and take decision how to proceed from April onwards. And that helps GSFC also in planning in advance, assuming that subsidy will continue or will be improved in H2 of '25.

So we are glad to inform that we are targeting 20% rise in fertilizer volume in FY '25, based on the higher production in Sikka Unit as well as higher production from the -- for the ammonium sulphate plant, mainly out of ammonium sulphate 4 plant, which was commissioned in January '24.

Subsidy received, as you are all following, government has been regular in clearing the subsidy dues. We received around INR4,143 crores subsidy during FY '24. And outstanding is INR1,106 crores, which has reduced from INR1,760 crores from FY '23.

Cash position, as you are aware, we are a zero-debt company, and the total deposits are around INR2,200 crores as on March end. Subsidies has been cleared, everything, for FY '23. And some portion for April '24 has also been paid. As you all know, government has good tax collection,

direct and indirect. And this indirect tax election, GST, is making new records a number of times during the year. So government is equally fast in repaying the subsidy dues.

Q4 particularly was a little suppressed because of the particular Red Sea crisis, and the whatever raw material inputs were ordered, they came late because they had to take a long route to avoid Red Sea route, and that disturbed the production planning in Q4. So resultantly, production sales, everything was affected and was not as per our plan or estimates during the year. However, we are taking care of the same in this current financial year. We are factoring in the long shipping routes into our procurement planning so that we plan in advance and are able to achieve the production -- higher production that we are targeting.

As far as the industrial products are concerned, though we're expecting things to improve in H2, but it has not really improved, and the capro-benzene spread was lower than the last year. The details are in the -- given in the presentation uploaded on our website as well as the stock exchanges. Still, there are no immediate signs of improvement in this Industrial Products segment also. So I think there, we expect the margins to remain under pressure.

Fertilizer input prices are in a range-bound manner. So phos acid, ammonia, rock phosphate are behaving in a certain manner, including natural gas. So we expect that they will be in this range during the year, and we'll be able to make the fertilizers economically.

Dividend, all you have seen, we have declared 200% dividend, mainly due to lower PAT, and 5% of net worth would have led to a very high payout ratio, which is not good for any company, plus the capex plan that we have for the next 5 years demand that we retain the cash to meet this capex requirements.

Salary expense has risen during the year. That was mainly because of the long-term settlement for the staff and offices done every 4 years. But it will come down in the current financial year. Because of the onetime impact will be eliminated, we expect reduction of around INR90 crores from the FY '24 figures and going into FY '25.

Otherwise, all the projects are going on as per the schedule. And as we discussed, we'll be commissioning for capex plans during the year. One is sulfuric acid fifth plant, then HX crystal plant, then a 15-megawatt solar installation. And last is the urea revamping to meet the energy norms as required by Government of India, so that will be commissioned by March '25. So we expect these 4 plants to start this year.

And for full effect, it will be seen next year. So they'll be helping in top line and bottom line or by the way of cost cutting. And further details of the 5-year plans are already given in investor presentation, so you may go through the same.

That's all from now. So we can now pick up the questions one by one. Thank you.

Moderator:

We'll take our first question from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia:

I have a few questions to ask. Sir, first is on the ammonium sulphate. So what you indicated in your opening remarks that the subsidy rates have revised from October. So what it seems like

that the subsidy, which was INR16,707 till September has been revised downwards to INR10,309.

But sir, on the cost side, if we see sulphur prices, which averaged around \$156 in 3Q came down to \$120. And even the ammonia prices, which averaged around \$600 in 3Q, came down to around \$465. But still we reported the losses in the fertilizer segment. So this is because whether our conversion cost has gone up like freight or power or any other cost increases because of which these losses were reported.

V. D. Nanavaty:

No. So at Baroda we make ammonia -- I mean, ammonia out of natural gas, so we don't buy ammonia. So natural gas prices have been stable. In fact, they have not reduced. So -- but subsidy has reduced. So that was the one major thing that was impacting the -- plus MRP also. Because of the competition we had to either reduce MRP or give large discount to the dealers because ammonium sulphate is a -- I mean, as you may be knowing, we and FACT are the only producers of. And steel-grade ammonium sulphate is quite popular in Bengal and those side steel plants are there.

So FACT is operating with very few products. And -- I mean, selling those volumes are kind of a survival issue for them. So they offer very good discounts, which we have to match it if we want to sell our ammonium sulphate. So all those factors also affect the margin. That is the point. And of course, Q4 is not a fertilizer season. So as you know, the season starts -- kharif season starts from April onwards. So in a dry season those who are lifting material they have a little upper hand in terms of asking for more demand and -- I mean, discount and all those kinds of things.

So Q4, with, of course, long -- very long credit period because they pay when the rain starts, and farmer starts paying through then. So we have a long credit period as well as -- and some discounts to be offered to get them receive our products. So all these factors come into play for reducing the margin.

Nirav Jimudia:

Sir, 3 things here. So one, I think the MRPs were close to INR20,000, if I'm not wrong. So what sort of discounts do we offer, number one? Second, vis-a-vis the imported ammonia and our cost of production of ammonia through the natural gas, how much we have to sacrifice in terms of per ton margins? And third thing is, was there any spillover of inventories of those higher subsidy returns, which we were carrying in our books or at the POS because of which those impacts in the Q4 results were reflected?

V. D. Nanavaty:

Yes. So our ED, Marketing, will clarify on this.

Sanjeev Varma:

Yes. Good afternoon, the discount part on ammonium sulphate of MRP of INR20,000 per metric ton average out to around INR2,000 per metric ton. And it calls for higher storage charges and even also the secondary freight during the off season for placement. This was the first question which you asked. Ammonia price, I think Nanavaty sir will -- has given the answer already in some details.

V. D. Nanavaty:

I'll just make one more remark, ammonia price remains soft for a very little period of -- short period of time during the year; otherwise, it remains elevated. So comparing imported ammonia

and ammonia produced from natural gas is not directly comparable. You cannot switch between the 2.

And once you decide that you will use natural gas, then all the natural gas contracts are long term in nature, and there are dedicated pipelines made from the supplier's point to your factory. And then there are take-or-pay obligations. So it's a very, very tight arrangement in buying natural gas. Once you get into it, difficult to get out and definitely not possible to compare ammonia with the imported ammonia.

Plus one cannot transport such huge quantity of imported ammonia for fertilizer production, so any ammonia purchase that we have through pipelines. So those kind of things are not in there. So only those who are having ports linkage can only buy imported ammonia. Those who are in the interline, they have to use natural gas, or their requirements should be less; otherwise, large volume of ammonia cannot be transported through tankers.

Management:

And one question you asked for the stocks which are produced during the higher subsidy. This normal stocks of ammonia sulphate is higher than other phosphatic fertilizers because specific use, mostly during the rainy season for particular crops. So there is an impact, but this is a regular phenomenon which happens at both the sides, whenever subsidy increases, whenever subsidy decreases. So there was no abnormal as such stocks level.

Nirav Jimudia:

So sir, given the current situation as it is as we stand now, would we be making any profits at the EBITDA level for the ammonium sulphate business given the kind of situation what you explained? So one thing is that the gas price is coming down. And second part is the discounting thing, which you just explained to us. So if these 2 things are eliminated or, let's say, if these things are not there, would the ammonium sulphate be reporting the profits? Or what one should take a normal level of EBITDA per metric ton given the current situation?

V. D. Nanavaty:

Yes, yes. So as we -- as everybody knows, there are hardly any rainfalls during January, March of any year and the season starts from April onwards. So definitely in these full season for the fertilizer on the back of good monsoon that is expected, we'll have a better position from now onwards, say, June to say up to November, December. So only during January, March, we are stuck up in this particular situation where production takes place all the time, 365 days x 24 hours, but consumption is limited to the season. And in between, as you say, subsidy changes, that inventory effect also takes place, that is also definite.

Nirav Jimudia:

Perfect. So, sir, INR2,000 or INR2,500 is a fair assumption to take at the...

V. D. Nanavaty:

Yes. Yes, yes. You can take INR2,500.

Nirav Jimudia:

Got it. Sir, second question is on the urea plant. I think based on the presentation, what can we observe is that we operated our plant at the optimum levels. So...

V. D. Nanavaty:

Correct. Correct.

Nirav Jimudia:

And as per the NUP policy of 2015, I think we need to bring down our energy consumption because then we were needed to paying some penalties also from the government. I think that

was -- and policy document mentions that. So 2 things here. One, is our fixed cost higher than what is compensated by the government? What is our actual energy consumption in Gcal per metric ton and how much did government compensate us?

And once we complete this project, I think the savings would be close to 0.75 Gcal per metric ton. So how much of our profitability per metric ton could improve based on the energy consumption exercise which we are going to complete by the end of this financial year?

V. D. Nanavaty:

So right now, our actual consumption is close to 6.4 Gcal to 6.5 Gcal, it is mandated to be brought down to 6.2 Gcal. And so companies have been allowed to do it by December '24 or March '25. So that we will be bringing. But when we achieve that we will be reaching around 5.8 Gcal instead of 6.2.

So there will be some savings once we achieve the new energy norms. So -- but you know India has committed in the Paris Agreement about the 2030 target, 2070 targets on energy reduction and 1.5 C temperature and all these things. So government is constant exercise of pushing the energy reduction for urea plants.

So while we will be achieving or more than achieving the present mandate of 6.2 Gcal per ton, by the time we do it in May '25, from April '25, they will come out with new norms, reduced norms. So this is an ever-going cycle, and hardly, you can think of not making any money in urea. So that is the situation.

Nirav Jimudia:

But sir, at the normalized level, what sort of per ton margins we should take? Because currently, we may be losing on the energy part, but there is some...

V. D. Nanavaty:

Yes. Some fixed cost, you said, that is still more interesting. That now government is calculating fixed cost at the base of 2023. So they have not revised the fixed cost base since last 2002-2003. Only, in 2014, they gave one ad hoc rise of INR3.50 per ton and further INR1.50 for more than 30 years old plant. So for us, we got INR500 rise in fixed cost from 2014 onwards, but that is an ad hoc exercise done. So fixed cost, everybody is losing heavily because you can imagine 2002-'03 and 2023-'24, so 20 years old data they are using for calculating fixed costs.

So if you see overall, there is hardly any urea plant is making any profit. Only when there are other products, the urea being the most popular fertilizer, people are able to sell other products when they have urea in their basket. So that is the only purpose. That is all about the urea.

Nirav Jimudia:

Sir, just to clarify, our fixed cost under absorption is close to INR1,500 a ton? Or is it even...

V. D. Nanavaty:

No, no. Government gives INR3,600 per ton, ours is more than double, more than INR7,000, INR8,000.

Nirav Jimudia:

Okay. Okay. And on the energy side, we may be losing close to, what, INR800, INR1000 a ton?

V. D. Nanavaty:

Yes, it is a small loss, really -- I mean, the penalty because of not meeting 6.2. Some few crores we lose every year. But now converting -- I mean, meeting those norms requires INR450 crores

of capex, that is the mix side of it. But since government is pushing that you have to meet this norm, so whether it is a viable proposition or not, you have to meet it; otherwise, you lose...

Nirav Jimudia: That also allows you to recoup also over a period of 3, 4 years.

V. D. Nanavaty: No, they don't allow. The mop off all the gains. Only if you go below their norms, then there is some savings, which is allowed as per their calculation. So like suppose if they continue 6.2 after April '25, and we keep on producing at 5.8, then that difference will be compensated to us in -- based on the matter they adopt for compensating the savings. Otherwise, all the reduction in energy norms are -- all these savings are taken away by the government. There is no -- nothing is allowed to be kept with the fertilizer company.

Moderator: We'll take our next question from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir, firstly, when you spoke about industrial product margins to remain in this range, so for Q4, I think so, we posted the profit for -- under the Industrial Products segment, and the PBT margin is also in excess of 10%. So in this -- in the current likelihood of what March exit was, can we keep this as a base for now? Or what's the trend post March exit for the Industrial Products segment?

V. D. Nanavaty: No. If you look at the full-year Industrial Products results for our future forecast, March was kind of aberration you can say. But what we saw for the full year is the real picture.

Saket Kapoor: Okay. So post March, again, the margins have taken a hit. That is what you are alluding to.

V. D. Nanavaty: This Industrial -- because you know GSFC is an integrated complex, so this Industrial Products and Fertilizers are really post segments or post bifurcation kind of thing. As you know, ammonium sulphate is produced from caprolactam plant. So whether I call that plant as caprolactam plant or fertilizer plant is a dilemma. But we are forced to recognize between either of the 2, maybe partly here, partly there.

So in -- because this is a unique situation for GSFC and most of the fertilizer companies in this country don't have so much of industrial products in their portfolio with this kind of integration of plants, so when this NDS notification came for showing the segment result as per their method of working also. So we have to be -- remain in tandem with overall scenario that per Companies Act per SEBI, there is one nature of preferring segment results. Now you're saying I also want segment results presented in my way approved by the directors.

So all these things, which are part of the costing principles, are now being brought into accounting perspective. So -- and this has to be audited by the auditors approved by the directors. So -- and this notification came in January. So its effect is seen in this Q4 result between Industrial Products and Fertilizers segment results. So really, chemical per se have not performed so good in Q4 and going down in Q1 next year, it is not like that. It is consistently not showing good margins, and that picture is still not improved.

Saket Kapoor: Right. So we should not look at this quarterly number. This is what the explanation we have given. It is all because of the integration that we have between the fertilizer and the chemicals.

- V. D. Nanavaty:** Correct. Correct.
- Saket Kapoor:** Sir, this -- and then you explained that the INR90 crore impact is one-off, and then, we will be again back to the -- to our number of INR175 crores -- INR170 crore for the employee cost from the next quarter.
- V. D. Nanavaty:** 1 minute. INR170 crores, let me check. No, it will be more than INR170 crores. So right now, it says INR32 crores, so you remove INR90 crores from them. So it's around INR750 crores.
- Saket Kapoor:** Okay. INR750 crores divided 4, INR185 crores, INR190 crores should be the number on a quarterly basis...
- V. D. Nanavaty:** Correct.
- Saket Kapoor:** Sir, and the other expense's part has seen an escalation because of the freight cost only from the Red Sea on account -- rising on account of Red Sea issues?
- V. D. Nanavaty:** No, some marketing costs because of higher volume, around 6% higher volume fertilizer sale has been done. So some parties because of that plus this PM Kisan Samridhi Kendra's were given to us for upgradation and modernization. So PMKSK upgradation costs were to be borne by the fertilizer companies plus this drawn in this scheme. So it was drawn and its training and all related expenditures. So all these things increase the marketing cost. Plus we had some interim stores and spares because we changed the catalyst over after a few years. So when the catalysts are changed, the number goes up for their repairment and all.
- And some rise in administrative cost was there because of the higher CSR spending, which is mandated as 2% of last 3 years profit. So last 3 years profit was higher, so we had a higher CSR expenditure. So that also led to rise in the -- this common expenditure, other expenditure.
- Saket Kapoor:** Sir, can you quantify a number, the one-off number would be? Or is it difficult?
- V. D. Nanavaty:** No, CSR, initially, it will be a little -- I mean, almost same, not little less. Volumes, we are going to do more, say, 20%. So marketing-related packing cost, freight cost is going to be higher. PMKSK is also a continuous program. Only store spares we can think of some reduction, maybe say, INR5 crores to INR10 crores when catalysts are not changed every year. So some relief may be there. But since you know our plants are old, 40, 50 years old plants, so -- and to run them at above 100%, we have to spend over repair maintenance, store spares adequately. And no shortcuts can be taken there.
- Saket Kapoor:** Right. So lastly, sir, the only positive that we can factor in for this year is the 20% volume growth in the Fertilizers segment that you are setting. And that is what the only solace we have. Other than that, there are so many moving parts that it is very hard for investors to factor in what kind of earnings can be projected for this year. This understand is correct, sir, I think.
- V. D. Nanavaty:** Plus some rise in ammonium sulphate subsidy has been made, some INR1,500 per ton from April '24, so that will be little bit helpful. And post-election results, if they look at this industry's

pain points and give some relief in subsidy calibrated to the input cost, then that will be further helping to improve the margin.

Saket Kapoor: Right, sir. Other than that, sir, when I am doing what the sum and substance is that the moving parts are -- there are various moving parts, so very hard to factoring in how to factor what volume -- numbers are. Very difficult for investors, sir. Tough time, sir.

V. D. Nanavaty: Yes, yes. There are no large things that can be categorized and put numbers to it. So we are taking so many steps. So cumulatively, they will be helping, but to say that this step will help like this, difficult to say. But broadly, to the subdued performance of industry products, we'll be going for the niche product value addition and kind of commodity type, like caprolactam has become a commodity now. So we'll be producing more HX crystal, which is a specialized product and substitute API in the pharma industry from China.

So that will be in this product substituting imports and that is a good value addition. And plus some raw material we will be importing instead of making ourselves. So there also some margin improvement is expected. So like this we keep on changing product mix to achieve higher realization and better margin. So -- but as I said, there is nothing one-off kind of thing that can be pinpointed. So -- but our efforts are on, that's all we can say.

Saket Kapoor: And last point, what about capex which is going to be commercialize in this current year. What are the additional revenue we will be achieving? Additionally, it will go to the top line from the commissioning of the capex, which we have outlined.

V. D. Nanavaty: Correct. Correct. So directly, like solar plants will be helping in reducing the power cost, no topline assets contribution. Similarly, urea to revamp will be meeting the statutory requirement. There is no topline effect on the same. This sulfuric acid for plant will be -- also be captively consumption of sulfuric acid and steam generation that will help to reduce steam made from the natural gas, so that will be helping that.

Only HX crystal projects will be directly contributing to the topline part of the year. Full effect will be in only next year. So I think around some INR100 crores topline effect is to be seen on a full-year basis from this plant.

Moderator: We'll take a next question from the line of Vipul Shah from Sumangal Investment.

Vipul Shah: Sir, what is our capex for phosphoric acid and sulfuric acid plants? And what benefit those capex will bring in reducing our cost per ton?

V. D. Nanavaty: Yes. So the capex is around INR1,500 crores at Sikka Unit. And still we are doing the -- we'll be floating the tender for technical deals and all these things. So it is difficult to say what exact benefit it will bring. But if you reduce the phosphoric acid procurement that we are doing from imports right now, so overall production will be definitely cheaper than imported PA. So that will be helping us to -- one, to produce more DAP and other NPK fertilizers. And second, it will be bringing down the cost of phosphoric acid.

So even if I gain \$100 per ton by our own production, so -- it will be INR8,000 per ton of PA. So I will be producing around 2 lakh tons of phosphoric acid from this plant. So it will result -- I mean, bottom line from INR160 crores to INR200 crores per year.

Vipul Shah: So -- but when is it likely to be operational? Because in your presentation, you have mentioned just that it is '27, '28, so...

V. D. Nanavaty: Yes, because we'll be trying to do it fast, but being in the public sector, we have certain processes to be followed, and we cannot be so fast like private sector. So that is the real constraint. But one should understand that we are giving opportunity to that number of entrepreneurs to participate in such projects instead of MNCs and large companies taking away work of such projects. So that is the difference why we take time, and somebody is not taking so much of time because we are here to provide participation.

Vipul Shah: So what is our annual requirement as on today for phos acid and sulfuric acid? And how much we -- I mean, are they met by 100% import as on today?

V. D. Nanavaty: Yes. So if we can produce 10 lakh ton of P&K fertilizers at Sikka Unit, so there we require 4 to 4.5 lakh ton of phosphoric acid. Right now, everything is imported. We have a joint venture with TIFERT in Tunisia. So some actually is coming from that JV. But, otherwise, everything is imported. So it's 100% import dependent. So with this new plan, we'll be producing -- say, out of 4.5 lakhs, we will be producing 2 lakh tones, so at least 50% of my requirement is captively met and then some part is coming from my JV. So then import dependence will go down.

But, of course, we will be not restricting ourselves to the 10 lakh tons, so we'll be -- in future, we'll be expanding the finished product capacity also. And similarly, putting up a similar plant for -- I mean, same capacity also once this first plant is coming up on the stream. So for Sikka, we have a long-term plan of expansion and that will be kept -- I mean, we'll keep on doing if the time and everything permits. So we'll have another 4-lakh ton of sulfuric acid after this first phase is commissioned.

And then we will have another facility for producing DAP and NPK fertilizers. So like that, we will keep on expanding. Just to give you some government's long-term perspective, NITI Aayog had done the study on the food security up to Amrit Kaal, that is, 2047. And there, they have indicated that with the steady state of affairs, the fertilizers consumption will be same or a little higher. But if we assume economy to grow, the fertilizer consumption will be still higher. So there is a scope to expand in fertilizer space.

Vipul Shah: You said our annual requirement for phos acid is around 4.5 lakh tons.

V. D. Nanavaty: Correct.

Vipul Shah: So even after this 2-lakh ton plant becomes operational, we will be importing still more than 50% of our requirement?

V. D. Nanavaty: Correct. Correct. Right now, we are importing 100%. Of course, we are not able to get all the 4.5 lakh tons. So the Sikka production capacity, though the capacity is there, we are able to

operate at 40%, 50%, 60% only because the phos acid either it is not available, or it is available at higher cost that don't permit cost economics of production. So at that time, we keep the plant down. So we are not able to achieve 100% capacity at present.

Vipul Shah: So what is our capacity at Sikka for DAP and NPK fertilizers? And per ton of fertilizer, what quantity of phos acid we require, sir?

V. D. Nanavaty: So it is all flexible capacity. DAP, NPK are -- we are able to flexibly produce whatever is required. For DAP -- for every ton of DAP, we will require, I mean, 0.46 ton of phos acid, that is P₂O₅. So almost half, a little less than half. So DAP has a 46% phosphate in it, so 46% P₂O₅ that is required -- phos acid is required.

And NPKs, for different grades, different requirements are there. So -- but they are lesser than DAP. So against 46%, some grades have 20% processed phosphorus in that, some have 25%, some have 32%. So different grades have different requirements. So -- but generally, they are lesser than DAP.

Vipul Shah: So what is the capacity, sir, for DAP and NPK at Sikka right now, nameplate capacity?

V. D. Nanavaty: As I said, nameplate is 7,22,000, but we can actually produce up to 10 lakh tons.

Vipul Shah: Okay. Okay. So once you're -- these captive production plants are operational, you will -- you are planning to increase the DAP and NPK capacity also, right, sir?

V. D. Nanavaty: Yes. Once this is done, then we'll have similar plants of phosphoric acid and sulfuric acid for another 4 lakh tons sulfuric acid -- I mean, phosphoric acid. And simultaneously, we'll expand the DAP and NPK capacities also.

Vipul Shah: But do you have the necessary land and infrastructure in place for -- to support the...

V. D. Nanavaty: Yes, yes. Everything is there in Sikka. Because when land is taken, it is taken with a very long foresight because land -- getting land is very difficult. So when you plan for projects and land, very long view is taken, and adequate lands are acquired at the first go.

Moderator: We'll take our next question from the line of Ketan Athavale from Robo Capital.

Ketan Athavale: I just wanted to know revenue and margin guidance for FY '25 and FY '26.

V. D. Nanavaty: So revenue, as you know, the subsidy government keeps changing, so what we plan does not turn into reality. But as of now, it will be a little more than INR10,000 crores revenue for the next year. And of course, we plan for profits also higher than what we achieved for the full year this year, PBT. So we plan for higher revenue, higher volume and higher PBT for FY '25.

Ketan Athavale: Okay. And can you give the same numbers for FY '26 as well?

V. D. Nanavaty: Yes, it will be still higher because of the capex that we will implement in this year. They will have full-year impact in FY '26. So it will be -- hopefully, it will be still higher. And we've government in place, and the modification in the -- I mean, whole agriculture policy to make

Indian agriculture modern, whatever steps are taken, we are fully geared up to take advantage of those steps. So we keep on marching ahead in terms of top line and bottom line.

Ketan Athavale: Okay, sir. And how much incremental revenue did we say we will get from our -- this year's capex assuming that we will be utilizing this year full utilization?

V. D. Nanavaty: Right now, as I said, revenue side, capex is only HX crystal project that increases the early revenue by INR100 crores. So this year, it may be having some 50% or 40% impact. Next year, it will fully contribute INR100 crores to the top line.

Moderator: We'll take our next question from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: I just wanted to know like we require sulfuric acid for our phos acid, ammonium sulphate and ammonium phosphate sulphate. Sir, given our current situation in terms of the prices of sulfuric acid, are we still competitive in terms of the cost of production vis-a-vis what is available from the market?

And secondly, I guess, our capacity is close to 7,96,000 tons. So how much we produce and how much we actually acquire?

V. D. Nanavaty: No. Sulfuric acid has an advantage in terms of producing steam. So we require a lot of steam in the process of making fertilizers and chemicals. So if I don't have sulfuric acid, I will have to use natural gas for making steam. So compared to natural gas, sulfuric acid plant is much cheaper. So if you -- in fact, if you give comparative study, I would say there is a 0 cost of making sulfuric acid for us because of the steam credit. So anything we buy from outside, it will have still some price, but captive production is almost zero cost. So that is the logic.

And as we expanded the ammonium sulphate plant in January, we commissioned ammonium sulphate 4 plant. So we are commissioning sulfuric acid 5th plant in this year also, maybe by November. So that will fulfil the further requirements of sulfuric acid -- I mean, captive requirement. And also, as I said, it will produce steam that will replace my natural gas, and so it's a complicated working. But for a user of steam or power, sulfuric acid is a very good product, I would say.

Nirav Jimudia: So, sir, our capacity post this expansion would be close to 10 lakh tons of sulfuric acid.

V. D. Nanavaty: No, I don't have 10 lakh tons. 1 minute, let me just check. Yes, it will be around 9 lakh tons.

Nirav Jimudia: So our requirement is also closer to that? Or do we still need to...

V. D. Nanavaty: Yes. As you know, we are the largest sulphur-based producer of fertilizer in India. Nobody has these quantities of fertilizer, which contains sulphur. And sulphur is deficient all over India. There is no region where there is no sulphur deficiency. So we are the largest buyer of sulphur in India. We are the largest producer of sulphur-based fertilizer. And these things, 9 lakh tons, are not being captively consumed for producing different sulphur-based fertilizers.

Nirav Jimudia: And sir, secondly, what is our total requirement of power across both the complexes because now we are focusing more on the renewables and consuming the power through the captive use?

So what could be the expected savings in the power cost, which could happen to us given the 20% production increase which you just talked about? So one, what is our total requirement of power, if you can give us some understanding?

And second, with this captive source of power getting implemented, how much we would be using power through our own captive source?

V. D. Nanavaty: So Sikka, I'm not exactly aware, but at Baroda, we consume 72-megawatt power per hour, and we are at 40% on renewables already, so which is a big achievement. Many companies are still less than 5%. So in this situation, we achieved 40%, is a big achievement. So with this new 15-megawatt power further coming in from, say, by September '24, it will further improve the renewable portion in our power consumption.

And we are still tying up with GIPCL, which we have floated 30 years back. So they will be coming up with another 75-megawatt power plant, which they will be selling to us and GACL on a 50% basis, which is likely to commission maybe by June '25. So further -- so with this 15-megawatt plus GIPCL, 37.5% is what we get on sharing basis. Our renewable power -- I mean, breakup of our portion of the renewable power will lead to around 57%. So it is a huge saving because against INR10 to INR11 per unit that state electricity or utilities got, this power remain around INR5 per unit.

Nirav Jimudia: So despite of our production going up, one, our power cost in absolute amount won't go up. And from next year onwards, when this GIPCL would start operations, probably our power cost would be starting trending downwards.

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

Nirav Jimudia: And sir, just a last clarification. You mentioned about the ammonium sulphate we discussed at the first point. So does the subsidy fixation happens based on the prices of imported ammonia or it happens based on the availability or the cost of gas in the domestic market?

V. D. Nanavaty: As far as ammonium sulphate is there, I should not share a secret, but since you have asked, you see, capacity is the only large industrial undertaking in the State of Kerala. So it is a prime importance for them. And they have limited products. Ammonium sulphate is one of their major products. So subsidy speaks in such a way that they get some push up. I don't require so much of subsidy.

Nirav Jimudia: And sir, one thing what you mentioned on that we expect the PBT to be better in FY '25 vis-a-vis FY '24.

V. D. Nanavaty: Correct.

Nirav Jimudia: So would this incremental profits be coming from the fertilizer division because, one, you mentioned that the MRPs have been raised or the discounts have been taken back? Secondly, our production is going to go up by 20%. And thirdly, with the commissioning of this backward integration projects, there could be some savings accruing to us on a staggered manner over FY

'25. So the PBIT of close to INR325 crores or INR330 crores what we have reported for FY '24, this number vertically should be showing upward trajectory in FY '25. Is my assumption correct?

V. D. Nanavaty:

Yes. Mostly, it will be coming from fertilizers only because the pressure -- margin pressure, I think, still continues. So with mainly China dumping a lot of their output in India because their economy is sluggish, so -- and they have very large capacities, like caprolactam, if you compared, we have capacity of around, say, 90,000 on an active production, which is partly captively consumed from nylon-6.

But again, they are going to recently commission 4 lakh ton caprolactam plants. Apart from already capacities they have built up, further 4 lakh tons will be set up. So this is the kind of scale they go for. And then, they -- so at a very competitive price. So their price structure, state support, nobody is able to understand how they are able to produce at such a cheap cost. But whatever it may be, but they are able to export it at a very low margin. So it disturbs everything in India. So that situation is going to be there in FY '25 also.

Nirav Jimudia:

Sir, last question. Out of the total capex of INR1,600 crores, what you mentioned on the phos acid and sulfuric acid, apart from that INR450 crores under urea, so I think combined -- on a combined basis, we are spending close to INR2,200 crores, INR2,300 crores of capex. How much of this has already been spent and is there in our FY '24 balance sheet? And how much is still left to be spent?

V. D. Nanavaty:

So we have spent around INR230 crores up to FY '24. And this year, FY '25, we will spend around INR800 cores to INR900 crores.

Nirav Jimudia:

Okay. So balance payments would happen in FY '26.

V. D. Nanavaty:

Yes, it will take some time because our total capex is INR6,000 crores -- more than INR6,000 crores for a period of 5 years. So what you counted is only INR2,000 crores. So INR4,000 crores in Dahej we are going to spend for this 5-year period. So maybe from next year -- I mean, some part will start in this year itself after we have the DPR, and all completed. So that is another major chunk. Because in Baroda, we have our hands full. I mean, no land is available for setting a new plant. So all major expansion will now happen in Sikka or Dahej.

Moderator:

As there are no further questions, I would now like to hand the conference over to management for closing comments. Over to you, sir.

V. D. Nanavaty:

Yes. Thank you for the patient listening and joining the call. So as we said every time, GSFC is a growth story. And we don't have any one-off kind of promoter who wants higher dividend or part of their pie. So most of our properties are ploughed back in setting up new plants and growing -- in company's growing. So that feature will continue, and we will have better days ahead.

Of course, '23-'24 was a -- not a good year from IP and fertilizer segments. But I think the better sense will prevail and things will align with the reality, then we are able to perform better. So thank you and let us see how the Q1 pans out. Of course, we have a volume growth in Q1, but looking to the subsidy and all, the topline and bottom line will emerge. So thank you till then.

Moderator: Thank you. On behalf of Anurag Services LLP, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.