

Operator: Ladies and gentlemen, good day and welcome to the Gujarat State Fertilizers & Chemicals Ltd. Q1 FY27 earnings conference call. This call is being hosted by Anurag Services Limited on behalf of GSFC Limited. Representing the management, we have Mr. S.K. Bajpai, Senior VP and CFO, alongside other senior executives. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. S.K. Bajpai, Senior VP and CFO, GSFC Limited. Thank you, and over to you, sir.

S.K. Bajpai – Senior VP & CFO: Thank you, Shuddhi. Good afternoon, everyone, and thank you for joining us today. On behalf of Gujarat State Fertilizers & Chemicals Ltd., I welcome you to discuss our performance in Q1 FY27. I hope you had a chance to review the financial results, media release, and investor presentation available on the stock exchanges and on our company's website.

If we look at the consolidated financial performance, sales increased by 64% from 2,184 crores to 3,583 crores. PBT also increased by 111% to 205 crores, and PAT increased by 14% to 159 crores. On a quarter-over-quarter basis, sales increased by 36% to 3,583 crores, PBT increased by 214% to 205 crores, and PAT increased by 204% to 159 crores.

Q1 FY27 was a strong quarter for GSFC, marked by several important milestones. We achieved our highest-ever Q1 revenue of Rs. 3,581 crore, driven by record Q1 fertilizer sales of Rs. 2,947 crore, representing year-over-year growth of 65% and 82%, respectively. Our industrial product segment sales of Rs. 635 crore and EBIT of Rs. 116 crore were the second highest for any Q1 to date. Profit after tax increased by 15% year-over-year to Rs. 161 crore, reflecting the company's ability to deliver profitable growth despite a challenging operating environment. Our performance was supported by effective price management, agile operational planning, optimization of the product mix, and proactive pricing actions, enabling uninterrupted operations and supply continuity amid heightened global uncertainty.

Now we will discuss the fertilizer segment performance. The fertilizer segment registered a robust operating performance, with sales volume increasing by 17% year-over-year to 5.26 lakh metric tons, supported by higher manufactured and traded DAP sales and the government's DAP special package, which helped offset international price variations. However, the quarter was also characterized by unprecedented inflation in key raw material prices arising from evolving geopolitical developments. Sulphur prices increased by 231%, ammonia by 144%, natural gas by 38%, and P2O5 by 35% year-over-year, resulting in a compression of the fertilizer EBIT margin from 8.49% to 4.09%.

Regarding industrial product segment performance, it delivered an excellent performance, with 15% growth in sales and a more than four-fold increase in EBIT, supported by higher Caprolactam sales and a significant improvement in the Caprolactam-Benzene spread. Despite volatile global markets and supply chain disruptions, the company maintained operational resilience through disciplined execution and timely business decisions.

Regarding our financial position and capex plans, we continue to maintain a strong balance sheet with no long-term debt, healthy net worth, and adequate liquidity. The Government of India's timely support in releasing fertilizer subsidies has kept working capital levels at an optimum level. As of date, the company has received subsidy dues up to the third week of July 2026. This provides the foundation for the company to execute its growth roadmap through strategic capex initiatives, including the APS capacity enhancement project and the Phosphoric Acid and Sulphuric Acid projects, among others, which will further strengthen our integrated operations and support sustainable long-term value creation.

If we talk about the outlook for Q2 FY27, looking ahead, the revival of the monsoon during July has improved the demand outlook for the agri-input sector ahead of the winter cropping season. At the same time, geopolitical developments, including the Russia-Ukraine conflict and tensions in the Middle East, continue to create uncertainty around the availability and pricing of critical raw materials and finished fertilizers. Elevated input costs, particularly for sulphur and phosphoric acid, are expected to influence the industry product mix, with demand likely to remain skewed towards DAP. Against this backdrop, GSFC remains focused on optimizing its product portfolio, strengthening operational efficiencies, and maintaining prudent inventory positioning.

The Caprolactam-Benzene spread is expected to remain stable to soft in the near term, amid continued volatility in crude oil prices and geopolitical uncertainties in the Middle East. This could impact feedstock costs and exert some pressure on margins across the Caprolactam-Nylon value chain. On the demand front, Melamine is expected to witness an improvement in both domestic and export markets. Export demand for HX crystal is expected to remain consistent, while domestic demand is likely to remain stable. Demand across other industrial products is also expected to remain steady, providing stability to the overall segment outlook. All right, I now turn the call over for the question-and-answer session. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Saket Kapoor from Kapoor & Company. Please proceed.

Saket Kapoor – Kapoor & Company: Good afternoon, Mr. Bajpai. I hope I am audible.

S.K. Bajpai – Senior VP & CFO: Good afternoon. You are audible. Please proceed.

Saket Kapoor – Kapoor & Company: Sir, although it is standard to compare year-over-year inflationary trends and profitability, could you give us some sense of how we exited the March quarter in terms of the price trends of raw materials and then the consequent quarter of June? How have the key factors shaped up? I think there have not been any significant changes in that aspect compared with what is reflected on a year-over-year basis. How are things currently shaping up, especially for the raw material basket?

S.K. Bajpai – Senior VP & CFO: Thank you, Saket. Actually, if you look at Q4, it was not a normal season for the fertilizer segment. Q4 last year was dull, and there has been a lot of improvement in

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sales as well as PBT and PAT. The figures are more than triple; if you look at the PBT and PAT figures, they are three times higher than in the last quarter. At the same time, raw material prices continue to rise, and this is a disturbing trend as far as the fertilizer segment is concerned. Sulphur pricing is now more than \$1,000 per metric ton in the international market, and P2O5 is at {? \$700 ?}; this is again a jump of around \$350 or \$340 per metric ton. Ammonia pricing has slowed down slightly, but other than that, natural gas prices have again increased in Q1.

Actually, in Q4 there was an almost-closure impact and there was a tight situation. Therefore, whatever inventory we had was utilized in Q4, but the impact of raw material pricing actually came in the first quarter of Q4. In any case, we dealt with it very well, and whatever products we could produce that were economically viable, we shifted away from the products with negative contribution or negative margins.

Saket Kapoor – Kapoor & Company: So, at the exit of Q1, regarding raw material prices, you mentioned that sulphur is now up to \$1,000. What was the average for our June quarter?

S.K. Bajpai – Senior VP & CFO: It was around \$800-\$900 because, if you look at it in rupee terms, it was around Rs.82,000 per metric ton on average in Q1, since we purchase from Reliance and Nayara, or wherever we can obtain sulphur. However, today it is ranging above Rs.115,000 per metric ton. It is continuously increasing, and that is a very dangerous trend. We are also approaching the international market for sulphur. If we can obtain one or two shipments at an appropriate pricing level, we are trying to do so.

Saket Kapoor – Kapoor & Company: Okay. Could you also give us some sense of the impact of the increase in raw material prices at the June exit and today? How will those affect the margin profile for both segments? I think we reported 4% EBIT in fertilizer, which is a low number, and we can understand the factors that led to it. I also think the performance from the industrial products segment was better because of the better Caprolactam spread. Taking into consideration the current inflationary trend in raw material prices as well as the finished products, how are margins likely to trend going forward?

S.K. Bajpai – Senior VP & CFO: As you know, in the case of urea and DAP, the government has provided the full subsidy, so there is no danger from any price increase. Even if natural gas prices increase, we receive the subsidy for urea. As far as DAP is concerned, you know that a special package has been announced by the government under which, whatever the import cost, we receive a 4% margin over the imported price. Therefore, in the case of DAP and urea, we are fully covered.

Other than that, there is a risk with the other fertilizers, where sulphuric acid and phosphoric acid are used. That causes us real discomfort. We are switching from one product to another, and we are also arranging some ammonium sulphate-type products that are not viable to produce. We are importing them from other countries at a reasonably good price. That is how we are managing the situation.

Saket Kapoor – Kapoor & Company: Right, sir. Just to conclude, with respect to market-linked fertilizers, is there a demand risk? Raw material prices have definitely increased at high levels; is there any demand destruction? When we say that the situation is alarming, are we referring to the

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cost of production and the selling price, or also to the demand aspect because we are unable to pass on the increase in raw material prices to our finished product prices?

S.K. Bajpai – Senior VP & CFO: This is a difficult question, but as far as my assessment goes, there is no demand problem. It is only the cost factor that is uncomfortable, not only for GSFC but for all fertilizer companies producing NPKs, ammonium sulphate, and APS-type products, mainly because of sulphur and sulphur pricing. Therefore, if sulphur pricing can be brought down now, that would be the solution. However, there is no demand problem as such in the market. My marketing head is sitting here, and he will further explain the demand situation.

Management (Marketing Head): The demand disruption to some extent is definitely there, as we have seen in the all-India fertilizer picture. Going forward, we presume that sulphur prices will remain more or less at the same level, or there may be slight tightening considering the upcoming seasons and other sulphur requirements. The main factor that impacted us was the monsoon situation and the pessimistic forecasts that we saw from both the IMD and Skymet. However, this situation improved somewhat in July, and the deficit has now reduced significantly. Therefore, we are seeing a little positivity there. That is all from my side.

Saket Kapoor – Kapoor & Company: Thank you. Regarding the capex, we had mentioned the commissioning of the train modification for APS at the Sikka unit. What is the current update on this, and how will we benefit? I believe it will give us more flexibility in the product profile depending on market conditions, if I am not wrong.

Management: The commissioning of the DP train to be converted for regular production of APS instead of DAP is more or less on schedule, and we will be commissioning that line within 1–2 months. This is a temporary phase while sulphur pricing is high. As soon as we obtain sulphur from a source at a reasonable level, I think APS and all the NPK grades of fertilizer will again be produced at our Sikka unit.

We will be commissioning our lines, and we are simultaneously arranging and finding out how we can produce ammonium phosphate sulphate. DAP is imported, so there is no scarcity of DAP and urea, but we are finding out how we can produce the other phosphatic fertilizers at our Sikka unit.

In the long run, we are also proposing to establish a phosphoric acid and sulphuric acid project at Sikka. We have already received the tender, and we will open the tender and finalize it shortly. Other than that, there are several other projects underway. Recently, at the board meeting, we also received approval for them. However, we will disclose the details only after finalizing the technology tie-up and the financial model. You will have to wait for 3 months. In the next quarter, I think I will be in a position to disclose much more about the projects being taken up by GSFC.

Saket Kapoor – Kapoor & Company: Is that in the fertilizer segment only, or does it also include industrial chemicals?

Management: It is a combination of both. In Dahej, we have acquired land as large as the land at the Fertilizer Nagar Vadodara unit. We will be developing an integrated complex. It will include some fertilizer products as well as industrial products.

Saket Kapoor – Kapoor & Company: Okay, so that will be a significant impetus for growth and profitability going forward.

Management: Yes, yes, yes.

Saket Kapoor – Kapoor & Company: Lastly, when we compare peers in this space, if we exclude urea and DAP, where we have the benefit of government-supported profit margins, which private players are we competing with in other NPK and APS products? Does Shree Pushkar Chemicals also have a similar product profile? I am trying to understand whether we compete with them on the same product profile or whether their line of business is different. If the marketing team representative can explain this, that would be helpful.

Management: Basically, in the NPK segment, we produce Ammonium Phosphate Sulfate 20:20:0:13 and ammonium sulphate at the fertilizer complex. In addition, we produce one NPK grade, 09:24:24, and we import 10:10:12 and make it available to farmers.

As for what other companies are doing and our competition with other companies, I do not think there is any demand for our products in the market because demand has declined drastically due to the pricing impact on NPK-grade fertilizers. Therefore, I do not foresee any demand threat as far as fertilizer is concerned. In fact, during the winter season, I personally feel that we have to be ready to produce or import as much fertilizer as the company can, so that there is no scarcity in the future winter season.

Saket Kapoor – Kapoor & Company: Sir, I missed your comments. Were you referring to lower demand or higher demand, or how demand is expected to develop? When you were discussing competition, I was trying to understand who our key competitors are in NPK and APS in the same region. I completely missed your point, sir.

Management: My marketing head will respond.

Management (Marketing Head): You will particularly understand that during these current 2 months, there has been an availability constraint for various fertilizers from various sources because most fertilizer companies are not operating at 100% capacity. Therefore, there is a scarcity of products in the market. Even we have certain products available only to a limited extent because farmers are asking for those products and they are not available in sufficient quantities.

The phosphoric acid raw materials that we are anticipating are also not easily available. Therefore, demand is definitely going to be strong in the current quarter. We are also entering the new season, and the winter season is particularly strong in the northern states, so that will definitely help us achieve higher sales going forward. However, the constraint is availability, and we need government support because viability is a question.

Saket Kapoor – Kapoor & Company: Understood. So, are all our NPK and APS products also market-driven? Are there caps on their selling prices, or are their selling prices market-driven?

Management: No, no. For most NPK grades of fertilizers, the MRP is more or less controlled by the producers, but they are not profitable because we cannot increase prices at the same rate as the increase in raw material prices. That is the main reason, because farmers should also be able to

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afford to purchase them at the relevant price level.

Some other companies may have different processes, and they may be selling at a cheaper rate, which is also a problem. NPK-grade fertilizer market pricing is open, but the government fixes only the subsidy portion, which we receive from the government.

Saket Kapoor – Kapoor & Company: Fair enough. We will wait for Q2 and then for the update on the new project, its timeline, and all other related factors. All the best to the team, sir. Thank you.

Management: Thank you, sir.

Operator: Thank you. We will take the next question. We would like to remind participants to press star and one to ask a question. Participants who wish to ask a question, please press star and one now. The next question is from the line of Neerav from Enwell. Please proceed.

Neerav – Enwell: Good afternoon, sir. I have 2 questions. First, on the fertilizer side, you mentioned that MRPs are generally fixed by us and cannot be increased in tandem with the increase in raw material costs. I want to understand whether, with the cost of phosphate, sulphur, and everything else having gone up, you are receiving any indication from the government about increasing the subsidy portion for NPKs for the upcoming winter season, so that we can at least cover the increase in costs. Could you update us on this?

Management: Neerav, you are absolutely correct. Every 6 months, the government changes and announces the subsidy for the next 6 months. The declared subsidy will expire in September, and with effect from October 1, new subsidy rates will be announced by the government. We are hoping that, considering the increase in raw material prices, there will be some increase in the subsidy. That will solve many problems for NPK-grade manufacturers.

Neerav – Enwell: Correct. When we look at the volumes we recorded in Q1, would you like to provide any guidance on the overall volumes we can achieve for FY27?

Management: As per the budget, we have budgeted more than 22 lakh metric tons, and now that good rains have started in July, I think we will record more than 22 lakh metric tons of fertilizer sales by the end of the year.

Neerav – Enwell: This includes the trading portion as well, correct?

Management: Yes, that is correct.

Neerav – Enwell: Also, on the fertilizer side, our sulphuric acid plant started in January 2025, and on a month-on-month basis we have seen an increase in sulphur prices, while sulphuric acid prices have increased on a spot basis. Has the increase in sulphuric acid prices benefited us this quarter when we sold some portion of the sulphuric acid in the market? If so, could you help us understand the benefit?

Management: You are right. We have 4 sulphuric acid plants at GSFC, and because sulphur prices are very high, it has been difficult, but we are still operating all 4 plants. Through the production of sulphuric acid, we obtain steam that is required in the process for producing fertilizers and

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industrial products. Otherwise, we would have to use natural gas from the boiler, and that steam is very costly.

Therefore, we are producing sulphuric acid at all 4 plants and selling it in the market. Even if there is not much contribution from sulphuric acid sales, it is required by the company for the generation of steam and for utilization in the process.

Neerav – Enwell: My second question is on the chemical side of our business. Over the last 2–4 quarters, we have seen stability in profitability from the chemicals business. I wanted to understand how sustainable this number is, given that the prices of most of the products we manufacture are at elevated levels and, apart from us, there is virtually no producer of those products in India. An explanation of the chemical portion in greater detail would be helpful.

Also, our Melamine production and sales were virtually nil this quarter. What was the reason for that, and how are we looking at the balance of FY27?

Management: Due to the crisis in the Middle East and the Russia–Ukraine conflict, there is a lot of volatility in the market, not only on the raw material side but also in the chemical sector, including Caprolactam, Melamine, and other products. China has banned the export of some products, and as soon as the flow of material from China stops, prices increase.

As far as Caprolactam is concerned, if you look at the Benzene–Capro spread, it is currently more than \$800. That is a comfortable level for Caprolactam. However, the benzene price has also increased by {? 30% ?}, but there is still a contribution, and we are producing Caprolactam.

As far as Melamine is concerned, due to the higher natural gas rate, including a {? 38% ?} increase in natural gas rates, molten urea is used in Melamine production, and the cost of Melamine production is not being covered because a lot of cheap Chinese imports are available in India. We have approached the Government of India for an anti-dumping duty or some minimum support price. Let us see what action the government takes.

Neerav – Enwell: My last question is regarding any update on the measures suggested by BCG. Last time, we were told that they were working on various initiatives that could be helpful in the short term and the medium term. Could you help us understand the list of suggestions they have made and the annual benefit that could result from these measures? Also, could you share the cash on the books as of June 2026? Thank you very much.

Management: Actually, the BCG assignment is being conducted on a continuous basis over a longer period. They are studying all the projects we are envisaging in Sikka and Dahej, as well as process improvements in the Vadodara complex, polymer unit, and fiber unit, and they are providing suggestions. After discussions, we will put the proposals before the board for approval because they require significant investment.

The BCG study is ongoing. However, we can share that during the quarter, we gained approximately 20–25 crores through BCG suggestions, and we implemented those schemes in our Vadodara complex.

Neerav – Enwell: This was predominantly on the chemical side?

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Management: No, this was on an overall basis. There are many things that might not be visible to us. The BCG team comes in with wider knowledge from across the globe, so its experts visit our plant and examine how to improve consumption norms and other parameters. As a result, we are implementing small schemes and gaining benefits from them.

Neerav – Enwell: This number should ideally increase every quarter as those measures are implemented, correct?

Management: Yes, I expect so.

Neerav – Enwell: Perfect. The last thing is the cash on the books as of June 2026, including our investments in liquid funds and other government companies.

Management: Due to fertilizer imports and the lean season in Q1, there was a significant cash crunch across the industry. As you know, the DAP subsidy bill under the special scheme of the government will be received after 6 months. Therefore, a significant amount of cash is tied up there. We also procured certain materials because, based on our expectations, raw material prices are still increasing.

We are carrying inventory so that there should not be any scarcity of fertilizer during the winter season. As part of our strategic planning, we deployed our funds toward the procurement of raw materials and finished goods in the fertilizer segment. Therefore, yes, you can say that there was no cash surplus in June. There was borrowing of 500 crores at the end of June 30.

Neerav – Enwell: If you could share the outstanding subsidy portion as well, that would be helpful to understand how much is currently blocked in terms of the subsidy portion.

Management: Approximately 500-odd crores is outstanding. We are receiving subsidies regularly from the government. This is a good time for us as a fertilizer industry, because we are taking up the issue of this cash crunch with the government, and the government is being kind enough to release the subsidy in a timely manner.

Because of the increase in raw material prices, there is a heavy subsidy burden on the government. We can understand that, but we are receiving the subsidy in a timely manner.

Neerav – Enwell: Perfect, sir. Thank you very much, and I wish you all the best.

Management: Thank you, Niraj.

Operator: Thank you. Before we take the next question, we would like to remind participants that they can press star and one to ask a question. The next question is from the line of Saket Kapoor from Kapoor & Company. Please proceed.

Saket Kapoor – Kapoor & Company: I have a small modification, sir. My brother, who is also a shareholder, Suresh Kapoor, would like to speak on the same line. Kindly permit him, sir. The next voice is Mr. Suresh Kapoor.

Management: Yes, please proceed.

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Suresh Kapoor: Greetings, sir. Thank you for giving me this opportunity. I wanted to know whether there is any buyback policy. Taking into account the asset-building exercise that has been undertaken over a prolonged period, say, 10 or 15 years, our book value is approximately Rs.310-Rs.320. The company has been continuously building its assets.

However, as far as the market capitalization and enterprise value of the company are concerned, I believe the enterprise value would be in the range of 5,900 crores, whereas the book value of the company, taking into account the assets of 16,000 crores that the company has, or 13,000 crores, would be at a different level. Please correct me if I am wrong. Could you share your views on your buyback policy and on when the appropriate time would be to undertake a buyback?

Management: At present, we have no such buyback scheme. We are focusing on project execution, and whatever development takes place will be in the interest of the shareholders. In the future, the returns from investing these significant amounts in new projects will be passed on to the shareholders in due course.

Suresh Kapoor: My second question is regarding ammonium nitrate and its use in the mining industry. One of your peers, Deepak Fertilizer, which is also a listed company, earns revenue from TAN, or tri-ammonium nitrate. Could you share your views on whether the company is planning to develop this type of explosive product for use in mining? Companies such as NMDC could also have a tie-up in this regard. Could you share your views? Gujarat Alkalies has a tie-up with NALCO, for example.

Management: At present, TAN is not in our product line, and there is no proposal to produce TAN. If some other companies, such as our peer companies, are already producing a product, we pursue products that are not currently produced in India. We are proceeding with import substitution, so we are not competing with Indian companies.

Our intention is aligned with the government's self-sufficiency policy. Toward the goal of becoming self-reliant, we are proceeding with products that are not currently produced in India, such as Caprolactam and others.

Suresh Kapoor: Sir, my last question is about the effort taken by GSFC and the Gujarat Alkalies team by investing in GIPCL and utilizing green or renewable energy to reduce the cost of production. The government is now focusing on Gobardhan to utilize CBG, or compressed biogas. Is the company planning anything in this area to reduce its costs further? I would appreciate your response.

Management: Under that scheme, we had earlier executed a project somewhere in Banaras with NDDB or someone else. However, at present, I do not know the viability of that particular project. Currently, we do not have any such scheme under Gobardhan production.

Suresh Kapoor: Okay, sir. Now my brother will ask. Thank you.

Saket Kapoor – Kapoor & Company: Yes, sir. Thank you for all the answers. I have completed my questions. That is all. Thank you.

Operator: Thank you. Participants who wish to ask a question, please press star and one now. To ask a question, please press star and one. As there are no further questions from participants, I now

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hand the conference over to Mr. S. K. Bajpai from GSFC Limited for his closing comments. Over to you, sir.

S. K. Bajpai – GSFC Limited: Thank you very much for the insightful questions. I hope that we have answered them to the satisfaction of the investors. Once again, I thank you for joining this call.

Operator: Thank you. On behalf of GSFC Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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