Twitter Thread by Volatility Volume and Value

Volatility Volume and Value
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A Thread on #GNFC and a Deep Dive into it's Business

Gujarat Narmada Valley Fertilizers and Chemicals

■■A Chemical Major in love with a Fertilizer Minor

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(A small Effort from your side could make a big Impact)

GNFC - A small peek into Valuations and Results before studying the Business

Posted Best ever Results - It was a clear Bumper

An EPS of 35 in a Quarter with a Margin of 28% and Sales at 2400 crores

Trades at a P/E of 6 ... Yes you heard me right .. A P/E of 6 ..

Well before concluding what is cheap is cheap for a reason do hear me

I question valuations a lot and always trust my charts and price more . More often i think market values stocks better than me ..

Reserves of 7200 Crores on Books with almost Zero Debt . (I'm not Kidding)

The FII have kicked their Stake up from 14% to 17% in a Jiffy .

The Public Stake is Decreasing . A Killer combination for a stock to start it's Upward Journey .

Yes GNFC is a cyclical .. But the Antidumping duty makes it a Partial Cyclical Story and infact more of a Structural

Shareholding Pattern

Numbers in percentages

INSIDER TRADES

	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021
Promoters +	41.18	41.18	41.18	41.18	41.18	41.18	41.18	41.18	41.18	41.18	41.18	41.18
FIIs +	14.04	14.16	13.74	12.88	12.36	9.94	8.71	8.55	10.04	11.68	13.75	17.27
DIIs +	13.59	13.82	14.04	14.26	14.73	14.91	13.87	13.60	11.23	10.31	7.31	6.61
Public +	31.19	30.83	31.04	31.67	31.73	33.96	36.23	36.67	37.54	36.83	37.76	34.93

The diversification of GNFC into many streams and chemicals rather than concentrating its dependance on just 1-2 chemicals makes this a great name .

When one product dominates a business (That too in a Cyclical) it's not a great place to put your feet in ..

The market size of various chemicals dealt with by the company is as under:

No.	Products	Domestic Market Size, TMTPA	GNFC Domestic Market Share %	Major Sources of Import
1	Acetic Acid	1,055	15	Malaysia, Singapore, China, Taiwan
2	AN Melt	969	16	Russia, Turkey, Bulgaria, Iran
3	Aniline	106	32	China, Belgium, USA
4	C N A	184	15	No import
5	Ethyl Acetate	320	20	No import.
6	Formic Acid	38	53	China
7	Methanol	2,448	4	Saudi Arab, Qatar, Iran, Oman, Venezuela, Algeria
8	Technical Grade Urea	280	37	China, Middle East, UAE, Oman, Japan
9	Toluene Di-Isocyanate	57	66	China, Germany, Korea, Japan, Saudi Arabia
10	W N A	273	36	Korea

Source: Various International Reports

Getting bored cuz I'm talking about just the Business of GNFC

Chalo .. Let's dive into some Technicals ..

A Power Earnings Gap up on Results and holding the Gap well even in this Poor Markets

Strong Relative strength

Excellent Price action breaking the 2018 High .

Now what makes GNFC different from the Ex-GNFC in 2018

It was clearly a cyclical business . Still it is but not so cyclical like the past . The FII know this and is jumping in Quickly

Selling everything around the market but Buying GNFC .. Looks unique and cool

2018 EPS at 50 and 2022 EPS above 100

Price is exactly where it was in 2018 peak ..

Wow . The market is unfair at times but with fertilizer prices going over the moon and Fertilizer stocks doing crazy moves in US . GNFC could soon pick up and do a great show with Momentum

Profit & Loss

Standalone Figures in Rs. Crores / View Consolidated

PRODUCT SEGMENTS

	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	TTM
Sales +	2,614	2,841	3,862	4,253	4,847	4,642	4,552	4,589	5,837	5,896	5,162	5,129	7,604
Expenses +	2,330	2,462	3,311	3,659	4,231	4,662	3,989	3,936	4,445	5,022	4,621	4,125	5,635
Operating Profit	**284**	**379**	**551**	**593**	**616**	**-21**	**563**	**653**	**1,392**	**874**	**542**	**1,003**	**1,968**
OPM %	11%	13%	14%	14%	13%	-0%	12%	14%	24%	15%	10%	20%	26%
Other Income	78	144	30	40	45	52	252	517	140	215	153	237	198
Interest	25	20	34	63	92	274	297	203	100	6	5	20	4
Depreciation	117	121	131	149	145	209	251	251	270	263	264	272	286
Profit before tax	**220**	**381**	**417**	**422**	**424**	**-452**	**268**	**715**	**1,162**	**819**	**425**	**948**	**1,877**
Tax %	44%	30%	32%	35%	31%	0%	35%	27%	32%	10%	-17%	27%	
Net Profit	**124**	**267**	**284**	**273**	**292**	**-452**	**173**	**521**	**790**	**741**	**499**	**689**	**1,369**
EPS in Rs	7.97	17.15	18.26	17.57	18.81	-29.09	11.11	33.54	50.80	47.69	32.10	44.35	88.11
Dividend Payout %	41%	19%	19%	20%	19%	0%	18%	15%	15%	15%	16%	18%	

How to manage Risk ..

According to me the Stock is ready for a Blasting move with regards to technicals if the PEG is held .

If the stock doesnot fall back into the Earnings Gap , it's all set for a Blast .

So my Stop Loss is the Power Earnings Gap (490 SL)

Let's move on

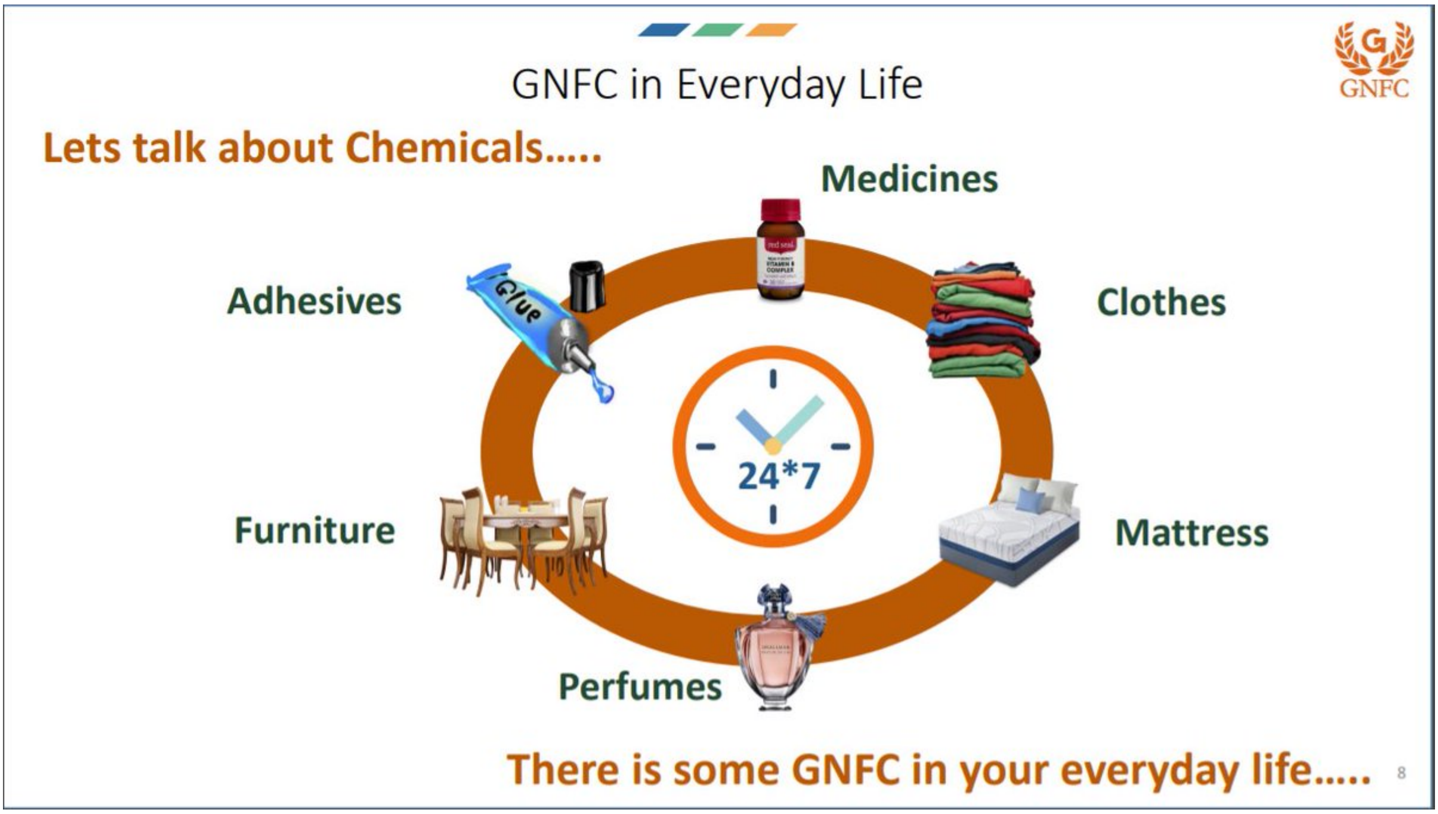
Let's talk about business .

Dont fret because i'm too optimistic about valuations

I have mentioned this name at 400 as a great investment and invested too . Do read my Tweet about GNFC

GNFC is a chemical major in love with a Fertilizer Minor

I'm present in your Day to Day life

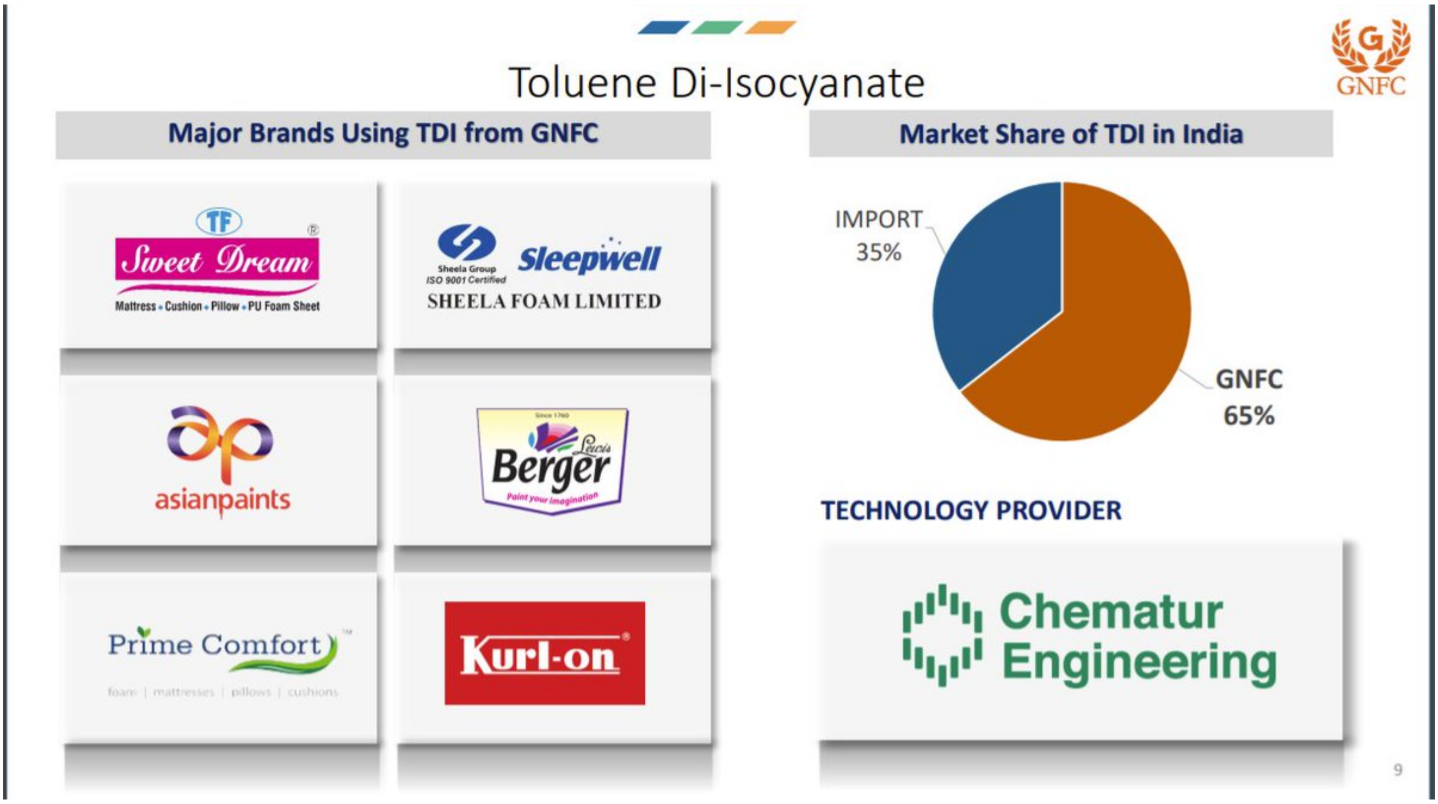


TDI - Prices are steadily in Rise and Antidumping duty is a Cherry on the Cake

Aniline is the next engine in GNFC
The other engines for GNFC are as follows

Formic Acid
Technical Grade Urea
Acetic Acid
Ethyl acetate

Now how does being diversified help?
Lets look



Most of these chemicals are commodity chemicals and hence the profit is based on the Spreads internationally

If you deal in more chemicals if the spread of one chemicals is down 5-10Rs the other could gain the same and compensate the net EBIDTA
Dependence on single chem is Bad

"Among the very few Public Sector companies with no Debt "

Give them an applause

Best Result among peers and least valued company

Things will change . The volume Charts and RS say that as of now ..

Ok let's wrap it up now . Hey after analysing for this long you have a Stop Loss . Dont you feel silly

This is a question i frequently get

For me Risk first Reward later . All this research is done to find the reward .

But Risk first . @markminervini

Hope you liked this detailed explanation about Fundamentals and technicals

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would mean a lot for the effort i put

Didn't tag anyone as i trust the Readers would share and spread