



“Navin Fluorine International Limited Q1 FY2019 Earnings Conference Call”

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**MANAGEMENT: MR. SHEKHAR KHANOLKAR - MANAGING DIRECTOR -
NAVIN FLUORINE INTERNATIONAL LIMITED
MR. MUKESH GUPTA – SENIOR MANAGER, FINANCE -
NAVIN FLUORINE INTERNATIONAL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Navin Fluorine International Limited Q1 FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve the risks and uncertainties that are difficult to predict. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shekhar Khanolkar, Managing Director of Navin Fluorine International Limited. Thank you and over to you Sir!

Shekhar Khanolkar: Good morning and a warm welcome to all the participants. Unfortunately our CFO, Mr. Ketan Sablok could not join this concall due to bereavement in his family. Mr. Mukesh Gupta, Senior Manager from Finance is attending this call. I hope you got a chance to go through our financial results and presentation that is uploaded on the stock exchanges as well as on our Company website. I will start with key highlights followed by business segment wise updates and then the financial highlights.

We have started Financial Year 2019 with a very strong note. We have reported a record operating EBITDA of Rs.63 Crores in Q1 FY2019, a record operating PBT of Rs.56 Crores, this performance does not include Dahej operations. Excluding the Dahej operations the revenue in Q1 FY2019 grew by 20% to Rs.243 Crores as compared to Rs.203 Crores in Q1 FY2018 whereas operating EBITDA grew by 16% to Rs.63 Crores in Q1 FY2019 from Rs.54 Crores in Q1 FY2018; with a margin of 26% in this quarter.

Operating PBT grew by 16% to Rs.56 Crores in Q1 FY2019 from Rs.48 Crores in Q1 FY2018 with a margin of 23%. The growth has been a result of core business performance and all the business segments are contributed towards this growth. In Q1 FY2019 our legacy business, which comprises of refrigerants and inorganic fluoride has shown a combined growth by 27% and high value business, which comprises of specialty chemicals and CRAMS has shown a combined growth of 13% year-on-year basis.

On quarter-on-quarter basis Navin registered the growth of 17% on net revenue from operations to Rs.243 Crores in Q1 FY2019 from Rs.208 Crores in Q4 FY2018. Operating EBITDA registered a growth of 37% to Rs.63 Crores in Q1 FY2019 from Rs.46 Crores in Q4 FY2018.

Operating EBITDA margin expanded by 387 basis points from 22.1% in Q4 FY2018 to 26% in Q1 FY2019. Operating PBT registered a growth of 48% to Rs.56 Crores in Q1 FY2019 from Rs.38 Crores in Q4 FY2018. Operating PBT margin expanded by 485 bps from 18.2% in Q4 FY2018 to 23.1% in Q1 FY2019. Profit after tax was same as compared to last quarter due to lower other income. We have already explained the changes in the other income in our result presentation slide #7 between Q1 FY2019 and Q4 FY2018, which is mainly coming due to

marked MTM losses and one of gain store sale of investment. Now I will give more detail on different business segment wise performance.

Refrigeration Segment: The revenue for the refrigeration business grew from Rs.71 Crores in Q1 FY2018 to Rs.77 Crores in Q1 FY2019 an increase of 8%. It contributed roughly 32% of overall sales of which exports contributed roughly 42%. The moderately better performance is attributed towards better price realizations from domestic and international markets. We expect export market volumes and pricing continue to remain dynamic going forward. Compared to Q4 FY2018 revenue from refrigerant business unit grew from Rs.66 Crores in Q4 FY2018 to Rs.77 Crores in Q1 FY2019 an increase of 16%.

Inorganic Business: Inorganic Fluoride business grew by 75% from Rs.28 Crores in Q1 FY2018 to Rs.49 Crores in Q1 FY2019, this business contributed to 20% of our overall sales. The growth was mainly driven by domestic markets, which contributed 92% of overall Inorganic Fluoride sales. All products in this business segment have shown considerable growth during this quarter. The demand turnaround from domestic industry has been a significant contributor into this growth. Fluorspar the key raw material has seen a price increase of more than 20% over last year; however, this increase has been adequately taken care of by better pricing across the products. Even compared to Q4 of FY2018 revenue for this business unit grew from Rs.43 Crores in Q4 FY2018 to Rs.49 Crores in Q1 FY2019 an increase of 15%.

Coming to Specialty Chemicals: The Specialty Chemical business grew by more than 50% in Q1 FY2019 to Rs.82 Crores as compared to Rs.54 Crores in Q1 FY2018, it contributed roughly 34% of overall sales for this quarter of which export contributed roughly around 41%. As we have been saying we are working towards increasing our share from the pharma business for this segment. Our efforts have started yielding results. Even compared to Q4 of FY2018 revenue from this business unit grew from Rs.61 Crores in Q4 FY2018 to Rs.82 Crores in Q1 FY2019 an increase of 35%. We have created a good product pipeline with significant potential. Even in the export market we expect that as soon as the global agrochemicals market improves the products response could improve further. We are planning for a small investment into debottlenecking of one of our plants during this financial year. This would add a capacity to potentially add revenue of around 25 to 30 Crores for this one product alone next year in this business. We will continue to track this business growth and capacities and we look at all possible investment opportunities for the high potential business.

CRAMS: The CRAMS business clocked a revenue of 35 Crores this quarter compared to 50 Crores during previous year same quarter. It contributed roughly 14% of overall sales for the quarter. While our manufacturing plant is optimally occupied actual invoicing for this quarter was low, but this is a part of lumpiness of this business. Overall CRAMS is doing well and progressing as per our expectations. We continue to work with global innovators in the pharmaceutical space and continue to strengthen our relationship with them. This has not only helped us build a strong pipeline of increased number of molecules, but has also helped us

leverage our complex chemistry capabilities further. This has helped us to increase wallet share of existing customers. Based on increase number of inquiries and higher visibility of the business from the customers we announced capex of Rs.115 Crores during last year. We have received environmental clearance for the same. We are confident that we should be able to complete the project by June 2019 as envisaged and the plant will be operational by then. This plant will be a multipurpose, multiproduct plant that will cater to needs of innovator companies and will allow us to expand our reach to newer customers and newer geographies.

To sum up we are seeing a positive traction from all our business units and this is a great start for the financial year. Our endeavor will be to continuously invest in research and development, which help us to be ahead in the race in our offerings. Based on the business demand we have invested in adding capacities and we will continue to do so in the years to come. We will continue to focus on increasing the share of value added offering, which will lead to improved profitability and the returns to the stakeholders. Thank you and we can open the floor for Q&A.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have a first question from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarshan P: Congrats on great set of numbers. Sir first of all on this specialty chemicals side we have seen a pretty sharp jump while we have been talking about efforts to increase the pharmaceutical pie and various opportunity that we were targeting earlier, and could you give us some idea with respect to how the traction has happened individually between the agrochemicals and the pharmaceutical space whether this incremental jump is primarily from one of the two?

Shekhar Khanolkar: Yes so this incremental jump in the previous quarter that is Q4 of last year as well as Q1 of this year is coming mostly from pharmaceutical segment. So the larger part is coming from pharma segment in the domestic markets. We also have some traction in agrochemical segment, but compared to pharma it is lower. So if you see overall share of pharma products into the portfolio on specialty chemicals has started increasing. Of course these are for the first two quarters where we are actually seeing this turnaround happening, but we expect that we will continue to see so, more from domestic pharma companies .

Sudarshan P: So this kind of traction will continue going forward so we should see a substantial growth for the full year on the specialty chemical side?

Shekhar Khanolkar: We hope so because the growth, which is coming is from the products, which are our regular products and the business segment where we are giving this products also seems to be sustainable so I do not see any specific issue there.

Sudarshan P: And second on the CRAMS business even excluding the JV we have seen a drop in numbers while I am aware of the fact you kind of mentioned number of times I do not get it on a quarter-on-quarter basis, just to get a sense whether there is this kind of a drop was primarily on account

of a higher base in 1Q or whether there has been any kind of shipment delay, which we should be able to catch up in the subsequent quarters?

Shekhar Khanolkar: So as we have been saying there is a lumpiness in this business so you may have some bunching of some projects during a particular quarter and may not have those projects in the next quarter, what is important is that whether your manufacturing facility is sufficiently occupied or not, on that ground as I said we are optimally occupied, so only thing is some processes would take much longer time and will not be able to invoice during the particular quarter. So to that extent this aberration comes in the numbers. As I said in my speech that overall, we find there is a good traction, which is happening in the CRAMS business and we are right now as a business development guys in Europe as well as US getting good traction and good inquiries coming to them. So I think materially the business continues to show a good visibility.

Sudarshan P: With respect to the other income can you explain what is this MTM gains and losses that you have seen in the fourth quarter and the first quarter?

Shekhar Khanolkar: So compared to fourth quarter we have already given it on the website, but basically compared to fourth quarter we had, MTM gain of about 5.5 Crores as against the Q1 of FY2019 we had a loss of about 1.79 Crores, so that is coming basically from there. If you also compare to that our rental income remains the same almost about as we have been talking about , a Crore per month that continues to be there. In Q4 FY2018 we also sold NOCIL shares and some mutual funds that contributed to about 5.6 Crores of one off gain.

Sudarshan P: This MTM is primarily arising on account of what in this case?

Shekhar Khanolkar: Basically on account of the change in the value of your investments as on end of the quarter, compared to the value of the investments as on previous quarter ., So it is basically not into your hands whatever the difference number comes as on 31st of that quarter and your previous investment value that is the mark-to-market.

Sudarshan P: And this will be reversed as the value increases again?

Shekhar Khanolkar: It depends upon how the markets and your investments perform in the market over a period of time.

Sudarshan P: And just one last thing from my side this debottlenecking what will be the expenditure from our side?

Shekhar Khanolkar: This is very small which is 10 Crores, but basically it is for one product, which we have been consistently supplying to certain customers and we had full utilization on the capacity so that is why we are adding capacity, which will be ready by another six to eight months, so it will be available from next year, it is not a big investment.

- Sudarshan P:** Thanks a lot sir. I will join back the queue.
- Moderator:** Thank you sir. We have next question from the line of Anand Bhavnani from Unifi Capital. Please go ahead.
- Anand Bhavnani:** Sir if I were to compare other income on year-on-year basis the difference is around 22 Crores. I understand last year we had a tax reversal of around 10 Crores so the net difference vis-à-vis the two corresponding quarters is 12 Crores can you give that split between equity and debt investment, which were responsible for this 12 Crores hit. See what we are trying to ask is essentially last year we had an investment portfolio of around 150 Crores whereas now we have hit it at around 433 Crores so has there been a bond yield hit that we have taken in this particular quarter along with the equity losses?
- Shekhar Khanolkar:** I do not have the data with me right now, but as you said last year we had interest income on income tax refund of about 10.5 Crores in Q1 of FY2018, if I compare, the difference is coming about 26 Crores, which was other income. The MTM gain was almost about 11 Crores last year that is Q1 of FY2018 compared to this quarter which is a negative 1.79 Crores so that difference is about 12 Crores.
- Anand Bhavnani:** So bond yields also got hit right because we do not seem to have made any kind of money on the investments overall?
- Shekhar Khanolkar:** It all depends upon the maturities of various fixed income instruments, so on that basis the income every quarter would go on changing, so overall we expect about 20 to 25 Crores as income coming from various instruments, which are operating as mutual funds and fees and other things. Now how much it gets accumulated in terms of MTM impact can be different in every quarter, so from that perspective it is very difficult to foresee what will the situation coming forward.
- Anand Bhavnani:** We will contact the IR team regarding that. The other thing is CRAMS we did 180 Crores last year sir, so is it a realistic expectation that we got full capacity utilization this particular year?
- Shekhar Khanolkar:** Yes, so we are expecting that by end of this year we will be utilizing the capacity fully and that is the reason why the new plant is timed such a way that it comes into the first quarter of next financial year.
- Anand Bhavnani:** And one last question if I can squeeze in. Regarding with JV can you give us any kind of indication of what is the revenue or EBITDA it has done this year, this quarter?
- Shekhar Khanolkar:** So as far as Dahej is concerned, we have little lesser volumes as compared to previous year same quarter because of certain issues in terms of operations and some catalyst issues which are now behind us. It is from this perspective our sales from Dahej is lower compared to last year. Last year we did about 22 Crores, but this year we did about 13 to 14 Crores we did almost about 40%

lower dispatches during this first quarter as I explained on the back of certain replacements in the catalyst and those things, but now we are back on track.

Anand Bhavnani: EBITDA breakeven sir?

Shekhar Khanolkar: On EBITDA level we should be, but on PBT level we would not be.

Anand Bhavnani: Fine sir, I will get back in the queue.

Moderator: Thank you Sir. We have next question from the line of Sandeep Nag from Ashmore Investment Advisors. Please go ahead.

Sandeep Nag: Sir my first question is, just two questions. First question is the utilization of new capacities in CRAMS just in the nature of the business how quickly does it go to full utilization and typically do you have orders already in hand in terms of knowing how the utilization will ramp up, so is a visibility, second is for fluorspar what percentage of the raw material was actually sourced from China and I have seen your presentation that you are obviously diversifying the sourcing, but if you could give us some sense on how easy is it to continue to diversifying and how much can we actually diversify?

Shekhar Khanolkar: To answer your first question in CRAMS when we invested 65 Crores in 2015 we said that we will take three years to reach the full capacity utilization, we are in the third year and we are on track in terms of that. Going forward we are investing about 115 Crores in the new additional facility and some other peripheral capabilities. So again we expect that it will take about three years to fill, we do not fill the capacity, so that is what the way we are planning and that is the way the business visibility is there, but if you ask specific orders do we have in hand the answer is no because this is the business where these are no long-term contracts, these are the businesses where we make molecules for underdevelopment molecules for the customers. So here we handle more and more projects and those projects generate volumes, which can be from 20 kgs, 50 kgs to tonne levels and so from that perspective we do not have a specific product visibility for long in this particular business. Second question was regarding fluorspar. Now as far as fluorspar is concerned we have been trying to diversify our sourcing from China and those efforts if you see in the current context as we are yielding good results. We do not buy from China any fluorspar. So our entire almost I would say 99.9% fluorspar comes out of the other countries like mostly from South Africa, partially from Kenya, but now mostly from South Africa. So we are not dependent on China for this key raw material,.

Sandeep Nag: Got it. Thank you sir.

Moderator: Thank you. We have next question from the line of Rohit Sinha from Emkay Global. Please go ahead.

- Rohit Sinha:** Some of my questions are already answered, just a couple of them. Like on the Honeywell side can you give us the breakup that how much contribution was there from Honeywell in Q1 FY2018 in this quarter?
- Shekhar Khanolkar:** So Honeywell as you have been seeing it is a very small portion of the overall business for Navin and so of course we do not have product wise details because it is a part that goes into our CRAMS business, but whatever the production capacity what we are able to produce those quantities similar to like what we produce last year.
- Rohit Sinha:** So in this 35 Crores this quarter also we have supplies to Honeywell?
- Shekhar Khanolkar:** Same thing in the last year 50 Crores it was there.
- Rohit Sinha:** Next question continuation for the Piramal JV that as per the presentation if we calculate the EBITDA calculation for Piramal comes to around 5.4 Crores for the last year Q1 FY2018 and that comes to around a margin of 24% so is that a fair calculation?
- Shekhar Khanolkar:** No, but in terms of numbers it is correct.
- Rohit Sinha:** So that 24% margin is correct for Piramal JV?
- Shekhar Khanolkar:** See do not take it from that, from the number perspective it is correct, but basically see we are still in a process of improvement of capacity utilization a lot of efforts are being put in terms of reduction in the cost and there are various aspects. This product is a new technology and a new chemistry, which is developed by Navin, so it is taking some time in terms of really developing it to the full scale. We are also trying to see what more and more improvements we can do, so all those things are going on in this particular stage in the plant. It is too early to say about the profitability of this project.
- Rohit Sinha:** So normally I would say what comfortable level you are expecting in this?
- Shekhar Khanolkar:** No we always said that all our businesses are EBITDA additive kind of businesses. So as a company's EBITDA margins is not the basis, but that is one of the benchmarks you can say over here.
- Rohit Sinha:** Thank you and that is all, I will come back in the queue.
- Moderator:** Thank you sir. We have next question from the line of Shaleen Kumar from UBS. Please go ahead.
- Shaleen Kumar:** My line got disrupted in between so I am not sure that if you have already answered this question. So one my first question is on the refrigerant gas can you little bit tell about it what has led to us such a strong growth in export of refrigerant gases?

- Shekhar Khanolkar:** Sorry can you just repeat?
- Shaleen Kumar:** Just want to understand sir, we could see that there is a strong growth in the export part of the refrigerant gas, if you can give some colour on that?
- Shekhar Khanolkar:** Yes, so as far as the exports are concerned the volumes are higher than compared to previous quarters. Also the pricing for the export is very dynamic for last almost about I would say two to three quarters and the pricing goes on changing almost every 10 - 15 days so we are being watching this space very regularly, our marketing teams have been looking at the pricing in China and based on that we go on adjusting your shipments on the pricing and contracts with the customers. So both volume wise as well as the value wise the export business overall contribution to the refrigeration business has increased.
- Shaleen Kumar:** Any particular geography where you see that there is improvement in demand?
- Shekhar Khanolkar:** No, there is one major geography is only the Middle East country, so it is basically the Dubai is a big market, Saudi is a big market, so these are the markets, all these markets are contributing to the growth, so there is no new market, which can come in this particular area.
- Shaleen Kumar:** Sir my second question is regarding the agri part so if you can tell us broadly like how much does it form of your specialty chemical and how confident are you of seeing an uptake here in this financial year?
- Shekhar Khanolkar:** Typically until last year the agro was about 40% of our total portfolio of specialty about 40% was pharma, and about 20% was chemicals, so pharma business is growing in last couple of quarters, so to that extent the pharma business the percentage would go on increasing. Having said this, the agri business is stable and it is also growing, but not at the same rate as pharma business, so these percentages we will see some changes as we go along in the next quarter that is the current situation.
- Shaleen Kumar:** But no visibility on agri as such?
- Shekhar Khanolkar:** Things are improving, but typically the third quarter that is September to December quarter is the quarter where the agrochemical company has finally formalized your next year's order, so that is the time where we would know how exactly the things are improving in this particular segment because they finalize the orders from January to December period, which typically gets formalized between September to December period.
- Shaleen Kumar:** Sir just asking it is up to you if you want to answer it, in this quarter is there a decline in the agri a bit?
- Shekhar Khanolkar:** Specifically compared to last quarter I do not have data with me right now.

- Shaleen Kumar:** Broad sense right now.
- Shekhar Khanolkar:** I do not think so there will be a decline.
- Shaleen Kumar:** Thank you sir. That is it.
- Moderator:** Thank you sir. We have next question from the line of Abhijeet Akela from IIFL. Please go ahead.
- Abhijeet Akela:** Congratulations on a good quarter sir. Thanks for taking my question. Just clarification regarding the margins, so this quarter we have seen really strong margins as you mentioned 26% at EBITDA level so just to take if any kind of one off reasons for that or any specific segment, which had some one off reasons or can we expect that this is a fairly stable kind of run rate going forward?
- Shekhar Khanolkar:** We do not have any one off reasons for this particular EBITDA performance so I would say from that perspective, which is sustainable. Of course we do not know how the raw material prices will pan out in as we go along in the next quarters and there can be some lag in terms of increase in the prices in the market place compared to the raw material prices to that extent, but fundamentally as a business model as a product mix point of view I think these are the margins, which are sustainable margins.
- Abhijeet Akela:** Regarding the specialty chemicals you already mentioned that you think this is a sustainable kind of increase in the revenues you have seen, is that the case in inorganic fluorides also?
- Shekhar Khanolkar:** Yes, inorganic fluoride also, see one is of course the Indian market domestic industry also showing good signs of improvement especially the steel and glass industry, so that is also the demand in that area is increasing in a big way. We have also seen a good increase in demand from our overseas customers of course it started off with China issue a couple of quarters back, but now we are getting lot of repeat businesses from them because of the quality and the service and all those areas so I think from that perspective we feel there is a good amount of sustainability in this business in both domestic as well as international markets.
- Abhijeet Akela:** One last question sir. This other income I think in previous calls we had said that on a full year basis 35 to 40 Crores is a good run rate to work with. Now this quarter we have seen only about 4 Crores excluding adjusting for the one off items, but just to check whether that 40 Crores number is still a good run rate to work with?
- Shekhar Khanolkar:** See the rental income comes to about 12 to 13 Crores in a year so that remains steady and that will remain steady for even next financial year and other income going for investments should be around 25 Crores in that particular bracket. So I think you can consider that as a good run rate 35 to 40 Crores.

- Abhijeet Akela:** Great fantastic. Thank you so much and wish you all the best.
- Moderator:** Thank you Sir. We have next question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.
- Sanjesh Jain:** Quite a few of my questions have been answered, couple of book keeping questions. Is there any change in our depreciation policy I can see a significant dip quarter-on-quarter and depreciation there?
- Shekhar Khanolkar:** So that is because of Dahej up till November last year we had Dahej on Navin's book and before we had slump sale done in end of November so to that extent the depreciation comes into the books until November last year.
- Sanjesh Jain:** Which is why I am talking more quarter-on-quarter basis, so last quarter I do not think Dahej was there, so we had 7.5 Crores of depreciation last quarter versus 6.9 Crores this quarter?
- Shekhar Khanolkar:** About 50 lakhs, this is part of the business, the investments which are related to the business I do not see. There is no change of policy or something.
- Sanjesh Jain:** Nothing there?
- Shekhar Khanolkar:** No.
- Sanjesh Jain:** And on the other expenses the increase has been very minimal it has been very benign quarter-on-quarter is there any I know you have just said that there is no one off, but what kind of inflation should one build in this kind of expenses?
- Shekhar Khanolkar:** Typically you have to get the inflation rates, which are there, which is 5% to 6% which are the inflation rates.
- Sanjesh Jain:** Is a fair kind of an expense?
- Shekhar Khanolkar:** Yes.
- Sanjesh Jain:** Just one last question on the gross margin, the gross margin quarter-on-quarter is more because of business mix or is raw material causing some kind of pressure on our gross profit margins?
- Shekhar Khanolkar:** No of course the product mix this quarter has definitely improved over Q1 of last year especially in specialty business as well as there is revenue growth across all the businesses except CRAMS, so from that perspective definitely the margins have improved.
- Sanjesh Jain:** No it has actually dipped, because inorganic fluoride probably is contributing more, but I am just want to check in segment wise is there any dip in the margin or they are stable?

- Shekhar Khanolkar:** Segment wise we are not talking of margins anywhere anytime.
- Sanjesh Jain:** I know that, that is why so last year we had 58% of gross margin that I can assume because we had higher contribution coming from CRAMS and this quarter the CRAMS business has contributed lower to just understand there is no raw material pressure on gross profit per se right?
- Shekhar Khanolkar:** No, see this year if you take up our high value product businesses, which are specialty and CRAMS together so both of them together if you have seen there is a growth, which is there. So from that perspective I do not see there will be any negative impact on the margins going forward.
- Sanjesh Jain:** I will take it offline. Thanks.
- Moderator:** Thank you sir. We have next question from the line of Alok Ranjan from L&T Mutual Fund. Please go ahead.
- Alok Ranjan:** Sir my question is mainly on the macro scenario so if you can give me more sense on how is the uses of fluorine you are witnessing that how will be the growth of fluorine to be used in the molecules in the pharma and agro and is that the reason why you are more inclined to focus towards the pharma compared to the agro?
- Shekhar Khanolkar:** No the increase in the usage of fluorine is seen in across all segments whether it is refrigerant gas segment globally because even the new molecules in the refrigerant gas has fluorine in that so there is increase in the demand from that side, there is increase in the usage of pharma as well as agro because pharma and agro finally are the life sciences, so fundamentally how the fluorine works in life science will remain the same in pharma and agro. Now the newer, newer molecules the research work, which happens in the pharma industry is far, far more than compared to what happens in the agrochemical industry that is what we are seeing. So four out of ten new molecules in pharmaceutical has fluorine in that and we expect that to continue. So from that perspective our aim has been to get more into pharma because pharma also has a capability to accept larger and complex chemistries, which is our strength and that allows you to give the value added products in that business. So from that perspective we are trying to increase portfolio in pharma very specifically, but that does not mean that agro industry is something, which we are not looking at, we are looking at new molecules into agrochemical industry as well, but the way agrochemical industry is going in the current phase our strategy of being in pharma and trying to have more products in pharma is helping us to continue to give a sustainable performance. So the fluorine is growing, so no doubt about that.
- Alok Ranjan:** Definitely in the current scenario the agro industry is not performing that well, but this is a cycle and the cycle will again revive, so will exactly the mix is change it will be more towards the pharma in the near-term and then when again agro will be more in focus so again the mix will change. Is it like that or there will be a continuous strength towards more of pharma?

- Shekhar Khanolkar:** This pharma has been more sustainable, if you want to see the history pharma has always been more sustainable and more predictive than agro and we strongly believe that ratatability of pharma is something, which we want to be associated with and that is the reason that we will continue to grow in the pharma. At the same time as I said is that if there are any good opportunities coming in the agro kind of a business we would definitely not miss those opportunities as well.
- Alok Ranjan:** Thank you sir.
- Moderator:** Thank you sir. We have next question from the line of Archit Joshi from HDFC Securities. Please go ahead.
- Archit Joshi:** Most of my questions have been answered, but if you can just broadly outline the qualitative performance why is Manchester Organics have seen a rather muted performance in FY2018 so if you can just illustrate the reasons what had happened before and what is the outlook?
- Shekhar Khanolkar:** So the Manchester Organics last year performance was not as per our expectations, but overall first quarter we are not very specifically writing those, but first quarter performance of Manchester is far better than compared to first quarter of last year. Manchester Organics have seen a lot of managerial changes last year and all those changes settle now and we are looking at growing that business. Of course there is a limited amount of growth Manchester Organics can bring in because Manchester Organics and our Dewas facility of CRAMS they are very much integrated so any new business comes in. The project management team decides way to take it. We are not investing into new assets in Manchester Organics so that business can expand so the business will remain at a certain level, but it will continue to be our foot in the door in the European markets. From that perspective the Manchester Organics add a lot of value to overall CRAMS business.
- Archit Joshi:** That is it from my side. Thank you.
- Moderator:** Thank you sir. We have next question from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.
- Karthikeyan VK:** Congratulations on brilliant performance. Just continuing on couple of things, could you give bit more of colour on the revenue composition in terms of the top products, just to understand how one should read this trend the 50% growth is rather impressive?
- Shekhar Khanolkar:** See this is a mix of the products what we already have in our portfolio, which have been there for last many years and some of the new products, which were launched in last one to one-and-a-half years because last one-and-a-half years we launch those products and those products are now getting more in the commercial usage so it is a mix of both.
- Karthikeyan VK:** What would have been the contribution of the newer products just a flavour so one knows how to think about this and why would there be a sudden spurt the 50% number is really what is there?

- Shekhar Khanolkar:** That is why you see growth in the last quarter also this is a six month, I would say the second quarter in consistency where this business is growing, so it is not one off kind of thing because the segments in which it is growing are both growing segments in the pharmaceutical areas. It is a mix of both old product lines as well as MPP product line (multiproduct plant) for specialty products.. I do not have a very specific breakup between the new MPP product and the regular products, but both the products have contributed and as I said earlier we find it is a very sustainable kind of requirements coming from the customers.
- Karthikeyan VK:** In terms of concentration what was the top product contribution be like, if you have that data readily?
- Shekhar Khanolkar:** I do not have that data, but as I said we also go and monitoring the risk coming in from certain product categories as well as risk coming in from concentration of certain customers a good thing for us here is that there is no specific concentration of a particular product or a particular customer in this case. From that perspective that is action of the questions then I think I would have answered your question.
- Karthikeyan VK:** Say a run rate of 320 Crores and I am just annualizing the quarterly numbers, would you have enough capacity for that apart from whatever debottlenecking that you spoke about or would you be committing further capital to support this kind of growth, so how soon should one expect further capex?
- Shekhar Khanolkar:** Whatever capacity we have those will sustain the growth what we are looking at right now and as and when we feel that the new capacities to be added we are quickly adding the capacity so that is the reason that when you found that one product is getting to 100% level in the plant we are just doing this debottlenecking so that when we are ready for the next year orders we will have the higher capacity available with us. So we continue to monitor our product plants and this thing and we also have some of the plants ready with us, we only activate those plants as and when we see there is a capacity and demand so we do not miss out on the growth.
- Karthikeyan VK:** And on refrigerant gases there is a dip in the share of the domestic business, so I am assuming that price would have accounted for a meaningful part of the growth that means that the volumes in domestic market has shrunk is my reading correct?
- Shekhar Khanolkar:** Yes volumes in domestic markets have shrunk during this quarter basically because some of the OEMs are moving into the different gases that is number one and of course the weather condition in the end of the first quarter do affect typically the sales.
- Karthikeyan VK:** And therefore how is profitability behaving because the initial earlier conversations used to be that export business is not as profitable as domestic is that still prove or how exactly is that?
- Shekhar Khanolkar:** That is what I said earlier is that export business is becoming good profitable business because the international prices are increasing and again the supply demand situation between India and

China is helping us. Only the pricing is becoming very dynamic now, which was not the case earlier so to that extent that we are able to increase prices as and when we want to be able to pass on the raw material increases in export market as well.

Karthikeyan VK: Just to understand this the domestic business therefore what should one think about as a gradient of change in terms of volumes?

Shekhar Khanolkar: No see it is as I said in first quarter the volumes have been lower because of course certain impact would be there because the OEMs moving in so that is a permanent loss of business, but at the same time the growth in the non-emissive users, i.e. pharma and agro, they are also increasing substantially, so that is also contributing. So we are very confident and we are in line to meet our entire quota, which is available to us for non-emissive applications for domestic and exports.

Karthikeyan VK: That is very, very helpful. Thank you and hope you continue to sustain this wonderful performance.

Moderator: Thank you very much sir. We have a next question from the line of Rajesh Kothari from ALFAccurate Advisors. Please go ahead.

Rajesh Kothari: Sir again this question is on specialty chemicals. In month of May conference call you are not that bullish on this segment and you are saying that it slowly may recover and growth was flattish of course for last four quarters. So the reason for the sudden optimism what gives us sudden optimism and what was missing in month of May, which did not give you that optimism?

Shekhar Khanolkar: No, May month was the first month where we have seen really outside turnaround kind of a situation because that was the previously quieter. Now I am talking after another three months so we already had a six months or two quarters of sustainable performance.

Rajesh Kothari: Fourth quarter growth was not good?

Shekhar Khanolkar: Fourth quarter growth is also good in specialties.

Rajesh Kothari: Fourth quarter was -2% if I am not wrong?

Shekhar Khanolkar: As year wise we were seeing.

Rajesh Kothari: Yes see 58 Crores was your last year first quarter, second quarter was 55, third quarter was 56, fourth quarter was 61, but now in this quarter all of sudden you have 80 plus so even Q-o-Q fourth quarter was only 9% then Y-o-Y fourth quarter was only 1%. It is of course good to see the good numbers, but I am just trying to understand that what was missing in last conference call that you are not finding it optimism and why the sudden optimism. The growth cannot be sudden am I right, one of their products, which got approved by the customer, is it something,

which has worked or whether you were able to pass it the raw material cost price what has changed?

Shekhar Khanolkar: No, as I said we try to see the performance whether it is as a department wise there is a business wise or product wise whether there is a sustainability, which we can see so unless we see the sustainability we do not show any optimism when we talk to our stakeholders that is fundamental. So when we see that thing coming up we can see that because when the customers it takes time to get the approval process. Approval process got finished, customers started buying some small quantity, certain quantities and they also start getting higher quantities and they start giving you projections for higher quantities. So that is where you see that there is a sustainability, which is coming in and that is where the optimism comes in so it is not that it happens over a period of one month or two months it is something where we like to see certain kind of indicators internal indicators to see that if the growth is coming only for one time or is it second thing we also see which you rightly pointed out that in terms of our capability to extract prices on the market with the increasing raw materials so raw material price increase is whether we are able to transfer it or not. It also takes some time to transfer the raw material price increase to the customers because of the existing contracts. So all these things culminate into a kind of a performance, so three months period is also big period in terms of how the things are changing and as and when we get those signals for a sustainability and that is where we show more optimism or bullishness.

Rajesh Kothari: How much is domestic growth and how much is the export growth in specialty chemicals?

Shekhar Khanolkar: It is mostly domestic because it is mostly coming from pharma and all local pharma customers.

Rajesh Kothari: Trying to understand specialty chemical so when you say specialty chemical in the pharmaceutical space is it like a small quantities of so many products and you said approval process takes time and now you have completed and the ramp up is happening, so say for example the top five products would be how much percent of the revenue in specialty chemicals?

Shekhar Khanolkar: This is mix of about 25, 30 products so some of the products we have been supplying for quite some time, some of the products, which we have launched in last one or two years typically it is a similar pharma process where you start launching with small quantities then get into their DMF and as and when the company gets into the production of that then they again calling for because we are already in the DMF and commercial so that is what that is the way it takes ramping up so it can vary from six months one year some time two, two-and-a-half years as well.

Rajesh Kothari: The waiting process is over that is what you are trying to say?

Shekhar Khanolkar: For some of the products yes, so there is a pipeline, so some products waiting period gets over to get into actual manufacturing, some products go into the waiting period, so it is a cycle, which continues.

- Rajesh Kothari:** So is it safe to assume this 80 Crores run rate for the remaining year?
- Shekhar Khanolkar:** No that is something, which I cannot say anything on that whether it can be multiplied by four times, which I cannot say, I think you need to take a signal from here in terms of how the business is growing and there is a positive and interestingly good traction.
- Rajesh Kothari:** Let me put in another way, unlike CRAMS business, which is more volatile, it is a lumpy business specialty chemical because historically it has been very steady business am I right and there is no one off in first quarter?
- Shekhar Khanolkar:** Yes so what you are saying is correct the specialty business is more stable business, definitely more stable business than the CRAMS business and there are no one offs in this quarter, so I think when you compare these two I do not have to say anything more than this.
- Rajesh Kothari:** And the new business what you have got in specialty chemicals that margin profile wise it is better regional product mix, superior product mix in line with what you have been doing for last few years how one should look into it?
- Shekhar Khanolkar:** It is in line with what we have been doing.
- Rajesh Kothari:** Great. Perfect. Thanks.
- Moderator:** Thank you sir. We have next question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** Sir Dahej can you just give me the headline numbers for FY2018 like revenue, EBITDA, PAT on Dahej?
- Shekhar Khanolkar:** The FY2018 revenue right now I just do not have maybe I can give you later on.
- Dheeresh Pathak:** So compared to what it did last year how is the FY2018 doing?
- Shekhar Khanolkar:** As I said compared to Q1 of last year the performance in terms of the topline is lower because we have not dispatched as much what we were suppose to dispatch in Q1 of this year so from that perspective it is lower than Q1 of last year.
- Dheeresh Pathak:** No, but I am just saying the overall outlook that you have based on whatever yields you have to able to achieve or whatever contracts you have what is the outlook for FY2019 versus FY2018?
- Shekhar Khanolkar:** No FY2019 definitely will be better than FY2018 that we are sure in terms of how we are ramping up the capacities. So that is very clear and as we ramp up the capacities overall the cost also gets divided over larger quantities. So from that perspective again overall the margin profile

would definitely improve, so only thing is in Q1 we are going through lot of changes into the catalyst and other thing, which we are now through.

Dheeresh Pathak: And sir what percentage of our ref gas production in non-MSA views?

Shekhar Khanolkar: Approximately around 15%.

Dheeresh Pathak: And what percentage of MSF quota are you actually selling in the MSA views?

Shekhar Khanolkar: Last year it is a quota, which is January to December calendar year so last year we use our full quota.

Dheeresh Pathak: Thank you sir.

Moderator: Thank you sir. We have next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir I just wanted to get some colour on the volume growth that you would have got in the inorganic fluoride business and the specialty chemical business considering the 75% topline growth and 50% topline growth in these two segments because in one of the comments you said specialty chemical you have seen growth coming from your existing product line also so if you could give some colour on the volume growth?

Shekhar Khanolkar: You want for inorganic business also?

Pritesh Chheda: Yes inorganic fluorides business what would be the volume growth and specialty chemical what would be the volume growth?

Shekhar Khanolkar: So inorganic business if you see overall volume growth compared to Q1 of last year would be above 40% almost or as I said in my speech almost all the products have shown extremely good growth in our inorganic product portfolio, which is hydrochloric acid and potassium chloride and ammonium bifluoride all these molecules.

Pritesh Chheda: I am sure that the market would not have grown at that rate because the aluminum production would have grown at a certain number so what is happening in the space if you could give some colour here for the 40% volume?

Shekhar Khanolkar: See basically we do not make aluminum fluoride so we do not supply to aluminum industry we supply to steel industry, there we are the one of the largest players in the steel industry and steel industry volume growth is very good during this year. So that is one contributor. The second contributor is also we have our overall share in our export business in last couple of quarters is increasing and when you are supplying to the export customers these are customers, which were typically buying either from Chinese or buying from European sources, so the exports into Gulf,

exports into Europe, exports into US is increasing this business, so all those things overall seen the improvement in terms of the volume.

Pritesh Chheda: Is there a shortage in supply for this product lines in the international market?

Shekhar Khanolkar: I would not say that, capacity is available for AHF that is hydrochloric acid within India, but every company has their own way of utilizing AHF so some companies use it more for making the value added products downstream, so we try to balance our AHF capacities in terms of how much we can sell into inorganic business at AHF and its variant and how much we can we need for our own use, so that is the way we play around.

Pritesh Chheda: Should we believe that the volumes, which you are now clocking are sustainable or it is just an opportunity, which is opened up in the market?

Shekhar Khanolkar: No the opportunity got opened up in the export market because of the China issue but now after going through that situation for the last two to three quarters we feel it is very sustainable because now we are trying to get into little longer-term contracts with those new customers, so all those things are happening now, so from that perspective I feel it is a sustainable growth, which would come in from volume perspective.

Pritesh Chheda: Similarly the same analysis for specialty chemical for the 50% topline growth what would be the corresponding growth?

Shekhar Khanolkar: Specialty has also shown good growth compared to last year same quarter almost about 30% plus into various products as I explained to a previous question that it is from our existing product it is also coming from new products we have also taken some price increases wherever it was required because raw material price increases so it is overall impact of both volume and value compared to previous year same quarter.

Pritesh Chheda: So is it equal, equal volume and price?

Shekhar Khanolkar: I cannot have that details right now, but fundamentally it is mix of both and as I said earlier we expect these volumes to be sustainable volumes going forward so it is not that we have taken some one's share or something here.

Pritesh Chheda: Just a followup here. Is it safe to assume that then the fluorspar price rise lot of it would have been mitigated by the price increases that you would have got in fluorides where there is a 35%, 40% rise in price so it sets off against each other?

Shekhar Khanolkar: Yes we were trying to pass on wherever possible the price increases to the customers so that we have been we are able to achieve in a very significant manner in this quarter so if we continue to do that then I do not see any issues in terms of maintaining the margin profile.

- Pritesh Chheda:** Just wanted to know your capex plan for 2019 and 2020 and where will you spend?
- Shekhar Khanolkar:** So as of now we are not really I cannot very specifically talk about capex plans here for the next year as we have been saying as and when the need comes for any specific business we are immediately willing to put the capex is the way you have put for CRAMS in Dewas or the small debottlenecking we are doing for specialties, so we continuously keep a watch on a situation, we keep our plants ready and as soon as the situation demands we put the money into this.
- Pritesh Chheda:** What is on board is CRAMS 115 Crores at Dewas?
- Shekhar Khanolkar:** That is the biggest one.
- Pritesh Chheda:** That is going on and another what you said in the call is debottlenecking in Dahej at about 35 Crores right?
- Shekhar Khanolkar:** No, this is I say for specialties we were doing a small debottlenecking, which is under 10 Crores it is not a big investment.
- Pritesh Chheda:** And what would your regular maintenance capex is?
- Shekhar Khanolkar:** Our maintenance capex is to the extent of about 50 to 60 Crores.
- Pritesh Chheda:** This is all capitalized?
- Shekhar Khanolkar:** All capitalized.
- Pritesh Chheda:** Thank you and all the best sir.
- Moderator:** Thank you. We have next question from the line of Ankur Jain from Investment Advisors. Please go ahead.
- Ankur Jain:** I have a question about this risk of organization, which you have talked about in the annual reports couple of annual reports, so I wanted to know is there any regulatory advisory that the company has received that in sometime in the future the plant needs to be shifted?
- Shekhar Khanolkar:** Can you repeat your question?
- Ankur Jain:** Sir my question is about the risk of urbanization around the Surat plant, which you have talked about in the annual reports, so what I wanted to know is there any regulatory advisory that the Company has received in the past that the Surat plants needs to be shifted?
- Shekhar Khanolkar:** No, we have not received any such thing we are in that place for the last 50 years and now the city has grown around that so as a responsible citizen we try to see that any risk can be mitigated

if something going forward if that kind of regulation comes in. Today there are no regulations, we are getting all the permissions what we needed, we are a zero liquid discharge kind of a company, so we have taken Dahej plant basically so that all future expansions we can do at Dahej so we do not have any regulatory advisory from government or any other authorities to stop production or any such notice.

Ankur Jain: But if anytime in the future this requirement comes is the company prepared to shift the operation to Dahej?

Shekhar Khanolkar: It is a part of the corporate risk governance kind of this thing, which you go on looking at all the risks, which can be potentially be there for the company, their businesses and existence and all those things and the plan is prepared, how the risk can be mitigated, so for every such risk there is intensity of risk and there is occurrence of the risk on that basis we decide the risk mitigation plan, so those plans are ready for almost all the risks, which we are associated with the business.

Ankur Jain: One more question, which is about in the latest annual report I see there is an investment of around 2 Crores made in a real estate special situation fund, which is a little aberration because most of the investments are in FMPs and ventures so is there any diversification or in the investment policy and does the company really have the expertise to invest in such funds?

Shekhar Khanolkar: So we have an investment policy and this investment policy gets approved time-to-time by the Board of the Company and the Board looks at various schemes and this thing and give their approvals and returns and risk profile and give the approvals for investment to various kinds of funds or various kinds of risk papers.

Ankur Jain: Any plans to increase this investment in these kind of funds?

Shekhar Khanolkar: No there is nothing specific whether we are doing whether increase or decrease as I said it is looked at opportunities as and when they come and those are thoroughly discussed by the Board.

Ankur Jain: Thanks a lot.

Moderator: Thank you very much sir. Ladies and gentlemen due to time constraint that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you Sir!

Shekhar Khanolkar: I would like to thank everyone for joining on this call. I hope you have been able to respond to all your queries adequately. For any further information request you to get in touch with SGA our Investor Relations Advisors. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of Navin Fluorine International that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.