



# “Navin Fluorine International Limited Q3 FY-17 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to Navin Fluorine International Limited Q3 FY17 Earnings Conference Call. This conference may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' 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. I take this opportunity to wish you all a happy and a prosperous New Year 2017. I am also joined by our CFO – Mr. Sitendu Nagchaudhuri for these discussions. The quarterly results and the presentation have been uploaded on the exchange as well as on our website and I hope you had a chance to go through it.

Before we talk on the performance of the quarter, let me brief you on the restructuring done in the Arvind Mafatlal Group of Companies. During the previous quarter, as part of an agreement executed among the promoters, their family members, family trust and companies including the three listed entities of Arvind Mafatlal Group and approved by The Board of Directors on 6<sup>th</sup> of August 2016, the company had divested part of its shareholding in Mafatlal Industries Ltd. and in Nocil Ltd. the profit arising out of the divestment of such long-term investment amounting to Rs. 27.33 crores has been shown under exceptional patterns in the results.

Therefore, the net profit for operations for 9 months is Rs. 77 crores, a growth of 41% and similarly for Q3 FY17, it is Rs. 21 crores, a growth of 52% on year on year basis. I will give you a brief business update followed by the commentary on the financial results by Mr. Sitendu Nagchaudhuri. Our YTD revenue performance has improved almost 12% on year on year basis, CRAMS BU which is our growth driver, has clocked strong YTD revenue which is even higher than the revenue reported by the BU in its entire FY16. We have achieved the nine-month EBITDA margin of 22.1%; it is business mix, product mix within each business unit as well as the geographic mix that has derived our revenue and profitability.

To begin with CRAMS BU, this BU has been giving traction over considerable period time now. During nine months of this fiscal, the revenue of which is Rs. 92 crores. With this, it has surpassed last year's Annual revenue of Rs. 87 crores. This instills a lot of confidence in our vision for this division. The overall outlook seems to be very positive for this BU with a good order visibility. We continue to strengthen our foothold across American, European and Asia Pacific regions thereby generating sufficient interest in our services. The occupancy of our new CGMP manufacturing plant at Dewas is as per our expectations. We expect this positive

traction to continue next quarters. While I mention this, we should not overlook possibility of quarter to quarter fluctuations in this business.

Coming to refrigeration BU, the performance of this BU has declined marginally on YTD basis. The performance was affected due to some extent from export side of business where we have seen lesser uptake. The slowdown could be attributed to quota expiry of some of the countries where we export. However, we believe that The New Year setting in these quotas will be released; however, from a longer-term perspective with growing urbanization and increase in AC and Refrigeration usage in addition to increase in usage of R22 as feed stock in Pharmaceutical and Agrochemical sector, we believe this BU is well poised for continuous growth.

Coming to our Specialty Chemicals BU, this BU continues to face a challenge due to lower uptake from global Agrochemical companies. We also face some challenges within domestic Pharma market with some products. Our continual focus on creating a diversified portfolio of products, customers and markets enable us to offset the impact to some extent. Now coming to Inorganic business; this business posted quite strong numbers on YTD basis where revenue growth was more than 20% on year on year basis. We have seen positive volume traction in key product categories though there were some challenges from the export side of business, our initiatives towards expanding markets and product portfolio, globally are showing positive results. We expect further improvement in performance of this BU over periods to come.

We are happy to inform you that both of our sites; Surat and Dewas have received 'Certificate of Appreciation' from National Safety Council for our sound health, safety and environment related practices. During the quarter, MSCI (Morgan Stanley Capital International) has announced changes to the constitution of MSCI – India domestic small cap index and as a part of this change Navin Fluorine International Limited has been included in the said index. At Dahej, we are now in plant startup phase. The product got validated in the US by the customer and we expect to see movement of this product starting from this quarter.

Now I handover to Sitendu, he will take you through the financial performance of the company.

**Sitendu Nagchaudhuri:**

Thanks Shekhar. Good morning and a warm welcome to all the participants. I will share highlights of our financial performance following which we will be happy to respond to your queries.

Starting with the year till date performance, the company registered revenue of Rs. 501 crores; that is a year on year growth of 12% from Rs. 447 crores in the same period last year. Top line was mainly driven by CRAMS and the Inorganic fluorides segments. Refrigerant gases business is almost the same as the last year with revenue of Rs. 156 crores in the nine month FY17. It contributed roughly 31% of the overall sales, of which exports contributed roughly around 30%. Specialty Chemicals business had a revenue of Rs. 165 crores in nine months

FY17. It contributed roughly 33% of the overall sales, of which exports contribute roughly 43%. This BU has been experiencing some headwinds on account of demand challenges in few parts of our domestic segment as well as lack of positive traction in the global Agrochemicals sector. CRAMS business continued its growth momentum more than doubling its top line to Rs. 92 crores in nine months' FY17 from Rs. 43 crores in nine months' FY16. It contributed roughly 18% of the overall sales of the company during this period vis-à-vis 10% in the same period last year. Inorganic fluorides contributed Rs. 87 crores, up 23% from Rs. 71 crores during the same period last year. This business contributed 17% of overall sales in the nine months FY17, of which the domestic sales contribution is around 93%. Well there has been a bit of a challenge on the pricing front and to a certain extent to a demonetization effect for the volume uptake by the traders has been little lower than expected.

Operating EBITDA is at Rs. 111 crores, up from Rs. 80 crores in the 9 months FY17 that is a growth of 38% year on year. EBITDA margin is at 22.1% in 9 months' FY17; that is up 18% from the same period last year which is an expansion of 414 basis points. Operating PBT that is profit before tax before other income came at Rs. 93 crores in 9 months' FY17; up from Rs. 63 crores they were in the same period last year, which is a growth of 47% year on year. Operating PBT margin is at 18.5% in 9 months' FY17, up from 14.1% in the same period last year which is an expansion of 441 basis points. Net profit for the 9 months' FY17 is at Rs. 105 crores, up from Rs. 55 crores during the same period last year; that is a growth of 90% year on year. Adjusted net profit for 9 months' FY17 excluding the exceptional item of Rs. 27.33 crores stands at Rs. 77 crores which is a growth of 41% year on year. Adjusted net profit margin is at 15.4% in the current period, up from 12.3% in the same period last year which is an expansion of 313 basis points.

Moving on to the quarterly performance, during Q3 FY17 Company registered revenue of Rs.154 crores which was a growth of 6% from the same quarter last year. Operating EBITDA is at Rs. 30 crores for the quarter, up from Rs. 23 crores in the same quarter last year; that is a growth of 32% year on year. Operating EBITDA margin is at 19.7% for the quarter, up from 15.8% in the same quarter last year which is an expansion of 391 basis points. Operating PBT grew to Rs. 24 crores during the quarter, up from Rs. 16 crores same quarter last year which is a growth of 52%. Operating PBT margin is at 15.8% during the third quarter of FY17, up from 11% in the same quarter last year which is an expansion of 477 basis points. Net profit for the quarter is at Rs. 21 crores, up from Rs. 14 crores in the same quarter last year which is a growth of 52% year on year. Net profit margin is at 13.4% in Q3, up from 9.4% in the same quarter last year which is an expansion of 403 basis points. That is all from our side and now we can open the floor for Q&A. Thank you.

**Moderator:**

Thank you very much. We will now begin with the question and answer session. We take our first question from the line of Sangeeta & Andre Purushottam from Cogito Advisors. Please go ahead.

- Sangeeta Purushottam:** My question was in a couple of businesses where you have face challenges which is basically on a Specialty Chemicals side. Do you see the scenario improving as we go because on the Agri side worldwide we are seeing some pickup in commodity prices, the domestic sectors are supposed to also get support from the Government? So, do you see anything changing over there and also on the fluoride side, I know that there is a long-term sort of stability or decline expected there but what is the outlook on both these businesses?
- Shekhar Khanolkar:** Yes, part of the first question on Specialty Agrochemicals; yes we expect 2017 as a calendar year should be better than 2016 but it all depends upon how the, because there is a lot of Agrochemical companies globally are little cautious in terms of how they want to commit themselves, typically by this time they commit themselves to the entire year which is not happening to our expectation so far, so while the situation is little off better than if I compare with 2016 calendar year but there are no clear I would say indications, in terms of how to be pan out.
- Sangeeta Purushottam:** And what about the Refrigeration side of the business?
- Shekhar Khanolkar:** Refrigeration side of the business, we are in R22 gas where we do find the domestic market still growing in both the applications; that is the Refrigeration application as well as the feed stock applications. So, from that perspective, we are already confident about this market going to next year.
- Sangeeta Purushottam:** In terms of your revenue split between Q1, Q2, Q3, Q4, the seasonality pattern roughly, how is the pattern every year?
- Shekhar Khanolkar:** As far as Refrigeration gas business you are asking then yes, it is as how like in India the typically the season would start sometime February end, March onwards and will go on until May end, June depending upon when the monsoon starts. If you talk of gulf markets, the season, the weather some parts of view it is, if the business would start typically from March onwards, will go until July, August. So, you have these kinds of variations which are happening depending upon how the monsoon comes and that is the way it is.
- Sangeeta Purushottam:** That is for your Refrigeration business, how about the other businesses.
- Shekhar Khanolkar:** Other businesses are not that seasonal; though Agrochemical business you have certain discharge requirements for those global companies but more or less it is all flat across all the quarters.
- Moderator:** Thank you very much. We take our first question from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** Out of four segments, any color which segment has witnessed a very strong margin improvement compared to others because despite Ref gas being down and you can say

CRAMS, our specialty being lower than all because of the demand, our margin improvement is very strong. So any color, which segment has witnessed very high margin improvement, which is the less in packing order?

**Shekhar Khanolkar:** All our businesses are part of our chemical segments, so we do not really discuss individual part of business in the margin profile.

**Jignesh Kamani:** But any segment which has led to large chunk improvement or all has witnessed equivalent amount of improvement?

**Sitendu Nagchaudhuri:** It is a combined effect of numerous factors like product mix, geography mix, portfolio mix within a BU, so it is very difficult to pin point any particular BU or any particular product line to have contributed to this significantly.

**Jignesh Kamani:** And on the Ref market since probably Feb end you will see the Indian market will be picking up, so any color how significant you demand are getting from the AC manufacturer and auto segment? Ref market you can see the Q3, Q4 7 Q1 will be the peak market for India, so any idea what is the demand environment from the vendor on the Ref Gas?

**Shekhar Khanolkar:** No overall the Ref gas market in India has been going about 8-10% every year, overall if you see all the gases everything together. We see no reason why it should not grow at the same rate for next coming years.

**Jignesh Kamani:** Okay, so as of now you think that kind of growth will continue?

**Shekhar Khanolkar:** Yes.

**Moderator:** Thank you. We take the next question from the line of Abhijeet Akela from IIFL. Please go ahead.

**Abhijeet Akela:** First just on the CRAMS business we have seen a slight sequential moderation in the revenue this quarter but your commentary about the business sounded very positive, right at the beginning of the call, so from what I understand I believe the target was to hit utilization at Dewas within a couple of year which I understand is somewhere around 2.5 times assets you have invested in the segment, so is that some target you are still on track to reach in the next couple of years, you think?

**Shekhar Khanolkar:** Yes, as I said in terms of occupancy what we have planned for the asset, we are as per what we have planned that is what I said in my speech, so from that perspective yes, we are as per the budget. Second thing, yes compared to Q2, the Q3 numbers are lower of the CRAMS business but as we have been saying all along that this business has the lumpiness on quarter to quarter basis, so the way we look at this business is that on a long-term view and in terms of how the

orders are panning out, how the customer relationships are panning out and that is where we feel good about this business.

**Abhijeet Akela:** And last year in the 4<sup>th</sup> quarter, we had a big quarter for CRAMS, is there any kind of seasonal pattern in this business that makes 4Q larger than the other quarters?

**Shekhar Khanolkar:** No, there is nothing specific about any particular season.

**Abhijeet Akela:** And also, are all the revenues we are generating from CRAMS currently at the R&D stage only, R&D molecules, is there any visibility into progression of any of the molecules in manufacturing stage at some point in the future?

**Shekhar Khanolkar:** We are working with all the innovative Pharma companies who are into development of these molecules, the quantity start increasing once the molecules go to the next stage of development, so as of now we are still working with various companies on the development stage of molecule only. The quantities may increase from 'x' Kgs to couple of 100 Kgs or ton levels but to answer your question we are still working with a molecule which are yet to get launched.

**Abhijeet Akela:** And secondly on the Dahej project with Piramal Enterprises, you mentioned that you are expecting some shipments to commence this quarter, what is your outlook in terms of how quickly it can scale up to full potential?

**Shekhar Khanolkar:** See, as far as that product is concerned that product is under USFDA and EU approvals, so once we start getting those approvals we will start dispatching the product from here. So, that is where you have just started dispatching in this particular quarter. In terms of capabilities and in terms of the ability to use this product with Piramal, they can lift the entire product from the plant but it will take some time for us to scale up to the full capacity of the plant being a new product and it takes time to ramp up the production, so that is what something which we will be looking at to do from this quarter onwards.

**Abhijeet Akela:** So, FY18 can we expect that the plant can be running at full utilization?

**Shekhar Khanolkar:** That is what we are hoping for.

**Sitendu Nagchaudhuri:** It will be a gradual ramp up.

**Abhijeet Akela:** So, by end of the year maybe you hope to reach full utilization?

**Shekhar Khanolkar:** Yes, FY18 as fast as possible, we would like to reach.

**Abhijeet Akela:** And one last question from my side, just regarding the financial profile of these two projects Dahej versus Dewas, if could you give us some sense, is there a difference in characteristics in

terms of assets turns versus margins versus ROC between these two projects, how should we think about them differently from each other?

**Shekhar Khanolkar:** Asset turn wise it is different because as we have been saying in Dewas it will be about 2-2.5 times, in Dahej it will be 1 time but in terms of the revenue model, in terms on Return on Capital, Return on Assets, there are different models with which these businesses are being built.

**Abhijeet Akela:** But will the ROC be comparable between Dahej and Dewas or is Dewas significantly better than Dahej?

**Sitendu Nagchaudhuri:** They are two different models. If you look at it basically the Dewas model constructed predominantly with the focus on the CR side of the spectrum within CRAMS which is Contract Research, while the Dahej side Operating construct is focus on the CM side of the CRAMS phase, which is Contract Manufacturing. The two are not comparable.

**Moderator:** Thank you. We take the next question from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

**Anand Bhavnani:** My question first was about the CAPEX what is the outlook for CAPEX for 2018 and 19?

**Shekhar Khanolkar:** See we have done a CAPEX cycle last year where we invested in Dewas, we invested in Dahej, now our objective is to ensure that we fill these assets and we are also looking at some opportunities into our Specialty business as well as CRAMS business. So those activities are still under design stage in terms of how and when you want to put the assets so we are continuously monitoring how we are utilizing our existing assets and then we will be doing all required investment at an appropriate time to ensure that we continue to grow these businesses.

**Anand Bhavnani:** Okay, so currently they are in to print stage, there are no concrete....

**Shekhar Khanolkar:** Yeah.

**Anand Bhavnani:** And sir you mentioned something about quota expiry about the Fluoro Chem business, can you sir elaborate on that?

**Shekhar Khanolkar:** See what happens is that in these Gulf countries, the quota which comes for the import of the R22, Government gets a quota, this quota they distribute to the existing the distributors within the country. Now typically this distribution happens in the month of January for the entire calendar year. So this depend upon how these people import depend on the season, sometimes the quota for some distributors get exhausted in the month of October and November also, depend upon how they utilize their quota. So you have some challenges. Typically, we have seen in the last 2 to 3 years that in the third quarter of our Financial Year that some of these companies do not have quota and these quotas are getting released in the month of January and



then again they start building the inventories or buying the products, so you have that kind of variation which happens during this time.

**Anand Bhavnani:** Okay and sir you mentioned about the demonetization impact. You are a largely B2B company so how do you, , why is that we have been affected and what is the quantum that you think we might have got affected.

**Shekhar Khanolkar:** No, it is miniscule but what happens is that when we sell to some distributor especially on inorganic business, in domestic market or when we sale to in the refrigeration gas business, the distributors then they distribute the further sell to small stockiest or retailers or small organizations, so they had some challenges in terms of securing their money and other things, which then eventually shows up on to the company, so that is what the impact we are talking about.

**Anand Bhavnani:** And lastly sir, there was a list by Government in the first week of January, there was some 18 pesticides are being banned from next calendar year. Sir any of these pesticides that we produce or we sort of export, just wanted to understand if that ban list affects us.

**Shekhar Khanolkar:** No we are not in pesticide manufacturing, we make intermediates for agrochemicals so we have no impact on this.

**Moderator:** Thank you. We take the next question from the line of Pawan Kumar from Unify Capital. Please go ahead.

**Pawan Kumar:** I just wanted to understand regarding the specialty chemicals business, sir is it like 10% to 15% growth may be expectation is it going to be the new normal and what are the kind of challenges if you can elaborate on we are facing on the domestic pharma side.

**Shekhar Khanolkar** I did not understand what you mean you knew normal?

**Pawan Kumar:** Our Specialty Chemicals business, should our expectation be that it will grow at around 10% from here.

**Shekhar Khanolkar** I cannot comment specifically on in terms of what kind of average growth rate we will have on this business. For us, CRAMS as well as the Specialty both business are kind of a growth engines for this organization because highly depend on the R&D capabilities and investment which we are doing in this two businesses, so for us as of now the Specialty business going through some challenges. These are the challenges which we feel that will get overcome, not only by changes in the fortune of the industry but at the same time with the new products which are continuously launching into this business, we feel that we will be able to overcome that.

**Pawan Kumar:** So, overall a 2 to 3-year perspective we remain positive?

- Shekhar Khanolkar:** Definitely yes.
- Pawan Kumar:** Okay and sir secondly regarding the new thing that we are launching along with Honeywell, so can we expect some kind of production happening from the pilot project during this year or is it going to happen in FY18 only?
- Shekhar Khanolkar:** Sir, this pilot plant is under construction right now and it will go on into trials in the next couple of months, so we will start production out of that by at the end of this quarter or next quarter.
- Pawan Kumar:** Okay and sir, I was seeing your EBITDA margin swing, it was quite huge in the sense refrigerants went down by just 6% in terms of revenue contribution whereas CRAMS went up just 3%, but I just wanted to understand overall inorganic fluorides which we are selling incrementally right now, do they have higher margins?
- Shekhar Khanolkar:** Yes inorganic business, the way we are shaping this business, the contribution margins are also good numbers from that business as well.
- Pawan Kumar:** Yeah, and you expect this growth rate to continue?
- Shekhar Khanolkar:** Yes.
- Pawan Kumar:** Okay sir, fine, and lastly last question from my side, the Piramal side of the JV, so when are we expected to start the production?
- Shekhar Khanolkar:** As I said earlier that we are planning to start the production this quarter as well as dispatches from that particular site during this quarter.
- Moderator:** Thank you. We will take the next question from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.
- Chetan Thacker:** Sir, I just wanted to understand two things – one is on the Dahej, the input that will go to Dahej, the intermediate will be supplied from our Specialty Chemical business itself is that correct?
- Shekhar Khanolkar:** It is one of the intermediates which will come from our inorganic business.
- Chetan Thacker:** From the inorganic business?
- Shekhar Khanolkar:** Correct.
- Chetan Thacker:** On the raw material side, just wanted to understand how are those prices moved in the last quarter?

- Sitendu Nagchaudhuri:** I don't see any significant changes in the raw material pricing trend in the current quarter versus the last quarter. Having said that certain parts of our raw material is always subject to market fluctuations.
- Chetan Thacker:** Sure, and sir on the CRAMS side, we were expecting full utilization to happen at Dewas in 2 to 3 years so has that rate now increased and we can reach full utilization faster?
- Shekhar Khanolkar:** As I said earlier, we are on schedule in terms of how we want to use that capacity, so we are on our target as far as the occupancy of the plant is concerned.
- Moderator:** Thank you. We take the next question from the line of Sneha Talreja from Emkay Global. Please go ahead.
- Sneha Talreja:** It was mainly related to the refrigerant segment, as you answered that exports business was facing some issue mainly because of the export quotas, even domestic business has seen some kind of a moderation. So we have seen some 13% YOY decline in revenues, can you highlight some of the reasons sir?
- Shekhar Khanolkar:** Yeah for the last quarter compared to the same quarter last year, we had some lower than expected demand from non-refrigeration businesses especially the customer who supply agrochemicals or in pharmaceuticals because they had the shutdowns in the plant which is a normal and a routine aspect so we expect that to come back during this quarter.
- Sneha Talreja:** Okay, sir there was one more question from the Specialty Chemical segment, we were facing issues even with the pharma side of it, so has even that started improving because agrochemicals still as you said continues to remain under pressure?
- Shekhar Khanolkar:** Yeah Pharma side we had issues with one or two products. Partially that continues even now because that there is change of that particular raw material by the customer into another raw material, but we are having some other products which are now taking place of that particular product into the market, so that situation now gradually will improve.
- Sneha Talreja:** Okay, sir one last question which is the follow up of the earlier question, so you were saying that the project which is going to start in Dahej is going to be supplied by the inorganic fluoride segment, so one of the raw material will come from that segment, so how big that can be for inorganic fluoride segment sir?
- Shekhar Khanolkar:** It is difficult to talk about that at this stage because that product is going to get used, going to get recycled, so there are couple of issues in that. So we will have the exact picture of that in next couple of quarters when we actually go for the full stream in terms of production.
- Moderator:** We take the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

- Pritesh Chheda:** Sir, you said that the Piramal JV will start production in quarter 4 2017?
- Shekhar Khanolkar:** Yeah.
- Pritesh Chheda:** Okay and my second question is what has been the 9-month performance of Manchester?
- Shekhar Khanolkar:** 9-month performance in general I can tell you that it has been better than compared to last year's 9-month, that is what, because last year we were not really as per our expectations, so now these 9-months has been better than that.
- Pritesh Chheda:** Because last year there was loss at the end of the year?
- Shekhar Khanolkar:** So from that perspective I am saying.
- Pritesh Chheda:** And on the CAPEX side, what is the CAPEX number for 2018 and 2019?
- Shekhar Khanolkar:** As I said earlier, we are still in a process of finalizing those things, , we did invest last year in both Dahej and Dewas, so we expect those sites to start giving the returns to us and as and when required in Specialty business as well as in CRAMS wherever we need to put in money we will do that, so we are monitoring the growth cycles of both these businesses. So we are still in a stage where we have not yet finalized the numbers.
- Pritesh Chheda:** Okay and my last question is when you are referring to achieving full utilization or asset in Dewas, I just want to recall what is the reference sales number which one should look at from the Dewas facility whenever it gets achieved so the reference peak sales number?
- Sitendu Nagchaudhuri:** Sir, we have already mentioned that query like consistently over our calls, our expectation is to achieve an asset turn of anything between 2.25 to 2.5, our run rate basis 3 years post-commercialization of the plant, which means at the end of FY19 and looking at the progress of the business, we are still hopeful that by end of FY19, we should be there.
- Pritesh Chheda:** I just read, it was Rs 100 crore CAPEX right at Dewas?
- Shekhar Khanolkar:** Right.
- Moderator:** We take the next question from the line of Kishor Kumar from Karvy Stock Broking. Please go ahead.
- Kishor Kumar:** Yeah sure sir, I just want to know is there any raw material which relates to the crude oil prices?

- Shekhar Khanolkar** Okay, we don't use any raw material which is directly related to crude prices. The closest I can think of is sulfur but that is also not really directly related. Otherwise, most of the raw materials are non-crude related.
- Kishor Kumar:** And sir my another question is I just want some sense to understand the EBITDA margin which decreased nearly 140 bps quarterly basis, so is there any specific reason for that?
- Sitendu Nagchaudhuri:** He is talking about the movements, sort of sequential basis between Q2 and Q3.
- Kishor Kumar:** Yeah.
- Sitendu Nagchaudhuri:** Q2 and Q3 as we have alluded a while ago that depends on actually the movement of the top line of the different segments for example the Q2 CRAMS top line was definitely significantly more than Q3 but having said that we have all along said that CRAMS the very nature of the beast is there will be lumpiness in quarter-to-quarter fluctuations so on an overall the annual outlook looks positive.
- Moderator:** We take the next question from the line of Dhaval Dama from Equirius Securities. Please go ahead.
- Dhaval Dama:** Sir, I just wanted to ask you from a broader sense that what could be the volume trend that we would have been seeing in the various businesses over the last 9 months on a YOY basis and similarly may be on the realization basis also if you can highlight?
- Shekhar Khanolkar** Volume basis.
- Dhaval Dama:** Yeah what would be the volume growth. Are we seeing some kind of volume growth coming into our various business and how the realization trends are shaping across various business segments?
- Shekhar Khanolkar** As far as volume is concerned, if I compared on quarter-to-quarter basis, compared to last year, the volume growth we see in refrigeration gas business, we are seeing that growth into inorganic fluoride business as well, so there is a substantial volume growth in both these businesses for us.
- Dhaval Dama:** Okay and what about Specialty Chemical sir.
- Shekhar Khanolkar** Specialty Chemicals, some products there is a volume growth, some products there is a degrowth, because it is a mix of many-many products. So it is not possible to really put everything into tonnage basis which is not fair to really look at from that perspective.
- Dhaval Dama:** And sir, what would be the realization trend that we are seeing and what could be the trend going ahead also in some of the product categories where you can highlight?

- Shekhar Khanolkar** We don't discuss realization trend from the business unit wise, so as an organization, we are in upswing on an overall basis.
- Moderator:** We take the next question from the line of Siddharth Bhattacharya from Suyash Advisors. Please go ahead.
- Siddharth Bhattacharya:** Yeah, I just wanted to know if in our Conversions Chemicals JV, do we have any scope of increasing capacity once the product offtake happens, so within the plant do we have scope to increase capacity?
- Shekhar Khanolkar** Our first objective is to reach to the rated capacity of the plant and there is a possibility that if the demand increases then we can actually do the debottlenecking or we can add some equipments and meet the increasing demand of the customers within the scope.
- Siddharth Bhattacharya:** Okay and could you help us understand what are the end markets for this product, would they be geographically or application wise?
- Shekhar Khanolkar** For us Piramal is the customer, so that is where we would supply them to. Beyond that which markets they would use is, what kind of formulation that we are not privy to it.
- Siddharth Bhattacharya:** Okay and are we exploring any other such opportunities with either Piramals or other companies?
- Shekhar Khanolkar** We are continuously looking for such kind of growth opportunities into our CRAMS space, so yes that is that continues.
- Siddharth Bhattacharya:** And could you help me with the refrigerant gasses non-emissive volumes, what are they currently.
- Sitendu Nagchaudhuri:** We are gradually ramping up over the periods, if you look at the current trend sort of it, a few years ago, it was below 5% and now it is north of 12%, so it is gradually growing up.
- Siddharth Bhattacharya:** Okay and finally sir, with respect to the pilot plant for Honeywell now that we are almost nearing completion of the plant, could you help us understand what is the pricing formula over there at least for the pilot plant?
- Shekhar Khanolkar** It is a pilot facility so it is a small-scale manufacturing and we have certain agreement based on how you would like to sale the product, so but we cannot disclose the exact formula in terms of how the pricing is going to be for that product.
- Moderator:** Thank you. We take the next question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

- Rajesh Kothari:** Sir, how much your CAPEX is on Dahej?
- Shekhar Khanolkar** Dahej, approximate CAPEX is about 140 to 150 crores.
- Rajesh Kothari:** Okay and on this plant you said that you are looking for one-time asset turnover and that we should be able to do it by in what timeframe.
- Shekhar Khanolkar** We are just starting the production, so it will take some quarters to really ramp up to the full capacity, so that is what. So by end of FY18, we should be able to be successfully ramp up the capacity of that particular facility.
- Rajesh Kothari:** So by fourth quarter FY18, one can achieve the utilization level understood. Sir, second question is with reference to inorganic fluoride, what are the demand drivers for this, because this segment is growing quite robustly with a 24% growth in this quarter?
- Shekhar Khanolkar** There are multiple products in this business. The product application into steel glass industry, steel industry then partially into agro and pharma industry, so these are the main applications for this particular product category. So not only in domestic market we could grow, we have also trying to get into more into export markets and we have been able to crack some of the customers and various markets outside India, so that is all actually adding into sales of this business.
- Rajesh Kothari:** How much is exports is the percentage of the revenue for this segment?
- Shekhar Khanolkar** As of now, it is not very high but we are starting almost from 1% to 2%, today it is almost about 11% to 12%, so we expected to go further as we go along.
- Rajesh Kothari:** And typically, this is basically which regions, when you are doing export to which countries?
- Shekhar Khanolkar** It is going into Europe, it is going into Gulf, almost all over, in to US.
- Rajesh Kothari:** Okay, if you can just explain in terms of USP, why our exports are gaining momentum? What is the reason for that, how we are competitive compared to other players?
- Shekhar Khanolkar** See our competition is mainly from Chinese suppliers, also there are some European suppliers but to be very frank, we have been looking at this market only in the last couple of years. So as we started focusing on these markets, we have started gaining the business because our product quality point of view and the service point of view we are good, some places we are also able to get premium over Chinese prices and cost position is good.
- Rajesh Kothari:** I see but is it also because in China, there are lot of this pollution related norms, so you think China is becoming uncompetitive particularly to the product?

- Shekhar Khanolkar** Not necessarily that is not the driving force for this business at all. So Chinese remain and there are many Chinese producers who are as good as any other global producer in terms of SHE practices as well, so we have to compete with all sorts of producers from China.
- Rajesh Kothari:** Understood and my third question is with Specialty Chemical what is the application based if you can divide for example agrochem versus pharma, how much is each of that contribute to your revenue?
- Shekhar Khanolkar** We have Agrochemicals, Pharmaceuticals and there are some basic chemicals where this product go, so if you take about 80% goes in the agro and pharma, so of that 80%, 50% is agro and 50% is pharma
- Rajesh Kothari:** And if you compare versus last year, since Agrochem is not doing well, so whether Pharma has reported growth or how is that?
- Shekhar Khanolkar** Pharma is doing better than the chemical sector where it is non-pharma, non-agro sector we are calling as the chemical sector is also growing, so we are some good exports orders in our specialty business, so that is non-pharma, non-agro kind of segment, so we are getting a good traction there.
- Rajesh Kothari:** How much is the exports to your revenue in this segment?
- Shekhar Khanolkar** In this segment, specialty export is about 43%.
- Rajesh Kothari:** 42%, and that is growing at, which market is getting faster export or domestic?
- Shekhar Khanolkar** This year export grew faster but there is nothing hard and fast about it, it depends upon the product mix, customers and other things.
- Rajesh Kothari:** I see and in your margins any FOREX income or loss?
- Sitendu Nagchaudhuri:** No, we have balanced coverage policy so there is no differential impact of any FOREX gain or loss.
- Moderator:** Ladies and gentleman, due to time constraints, that was the last question, I would now like to hand the conference over to the management for closing comments. Sir you may go ahead.
- Shekhar Khanolkar** I would like to thank everyone for joining on this call. I hope we have been able to respond to your queries adequately for any further information, request you to get in touch with SGA, our Investor Relationship Advisor. Thank you.
- Moderator:** Thank you very much. On behalf of Navin Fluorine International that concludes this conference. Thank you for joining us and you may now disconnect your lines.