



“Navin Fluorine International Limited Q1 FY 2018 Earnings Conference Call

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**MANAGEMENT: MR. SHEKHAR KHANOLKAR - MANAGING DIRECTOR -
NAVIN FLUORINE INTERNATIONAL LIMITED
MR. SITENDU NAGCHAUDHURI - CHIEF FINANCIAL
OFFICER - NAVIN FLUORINE INTERNATIONAL LIMITED**

Moderator: Good morning ladies and gentlemen welcome to Q1 FY2018 earnings conference call of Navin Fluorine International Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee 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, Navin Fluorine International Limited. Thank you and over to you Mr. Khanolkar!

Shekhar Khanolkar: Good morning and a warm welcome to all the participants. I am joined by our CFO, Mr. Sitendu Nagchaudhuri for this discussion. I hope we could get a chance to look at our financial results and presentation that is uploaded on the stock exchange as well as on company website. I will give you a brief business update followed by commentary on the financial results by Mr. Sitendu Nagchaudhuri.

We are happy that we could start the financial year 2018 on a very good note. Our efforts towards improving the performance of each of our business units is yielding dividend, which is visible in our results. This reflects a strong and resilient business model, which we have initiated to leverage on our capabilities in fluorination chemistry.

The Company’s enduring commitment to outperform its own and the market expectations, and our business strategy to move up to the high value-added segments like specialty chemicals and Cram segments are finally bearing fruits while transforming the topline growth into a healthy bottomline results.

For past few years, we have continuously invested financial and managerial resources to achieve this goal and will continue to do so. Our overall Q1 revenue at Rs.238 Crores is almost 37% over last year’s same quarter. The EBITDA at Rs.59 Crores is almost 47% over last year’s same quarter. Today our specialty and CRAMS business units put together have contributed 55% to our standalone sales for the current quarter vis-à-vis a 44% in the same period last year while other businesses continue to grow. This strategic shift has enabled the Company to not only improve its profitability profile, but also return ratio another important measure of business performance. Our continuous R&D initiatives have helped us to deliver niche products in all the business segments. Thus, the Company is well placed to capitalize the growing importance of unique fluorine based chemicals.

Now let me begin with giving you business wise update. Starting with CRAMS BU, this business unit has handsomely contributed towards the Q1FY18 revenue. It clocked the revenue of Rs.72 Crores, which includes about Rs.22 Crores coming from Dahej operations. We have successfully delivered a variety of orders across a range of scales to innovator pharma measures through

effective utilization of the new CGMP manufacturing plant at Dewas. The business continues to gain momentum and we expect to have good order book going ahead based on visibility now.

Our utilization of plant capacity is coming on stream, as we envisaged while putting up the facility; however, as I said earlier we should not overlook the possibility of quarter-to-quarter fluctuations in this business. Our production at Dahej is ramping up as per our plans and we are able to deliver the product quality as per the expectations of our customers that is Piramal. We have received shareholder approval for the slump sale of the assets to the JV Company and the transition will happen as soon as certain preconditions are met up with.

We have completed construction and have started production of 1234yf out of our pilot plant for Honeywell and the product approval is in place.

Coming to specialty chemical BU, our specialty chemical revenue at around Rs.58 Crores remained flat compared to the same quarter last year. The business continues to face challenges in the domestic pharma segment and internationally from other agro chemical segment. We continue to focus on new molecules in this segment and our working closely with pharma and agro customers across geographies.

Refrigerant BU - the revenue of this BU is Rs.71 Crores is about 9% higher than the same quarter last year. The export revenue contribution in this segment has increased due to increased offtake from the overseas customers.

Overall there has been a pricing correction in domestic as well as in exports market, which had a positive impact on contribution this quarter.

Coming to inorganic business we witnessed a positive traction in this BU largely from the export market. Q1 turnover at Rs.30 Crores is about 8% higher than last year same quarter. The domestic sale in this BU got impacted to some extent due to shutdown of one of our plants and also due to rollout of GST with effect from July 1 2017. Now I will hand over to Sitendu who will take you through the financial performance of the company.

Sitendu Nagchaudhuri: Thank you Shekhar and a very good morning and warm welcome to all the participants. I will share highlights of performance for the first quarter FY2018 following, which we will be happy to respond to your queries.

This is the first time that we have reported our financial results as per Ind-AS. Company registered revenue of Rs.238 Crores for the first quarter of the financial year 2018, a year-on-year growth of 36 % up from Rs.174 Crores in the same period last year.

Topline growth was mainly driven by CRAMS and refrigeration gases segments. The refrigerant gases business revenue stood at Rs.71 Crores compared to Rs.65 Crores same period last year,

which is a year-on-year growth of 9%. It has contributed roughly 33% of overall sales of which exports contribute roughly 29%.

Specialty chemicals business revenue for the quarter stood at Rs.58 Crores albeit at the same level last year. It contributed roughly 24% of the overall sales for the quarter of which exports contribute roughly 44%. This segment still faces some headwinds in the domestic segment as well as in the global agrochemical space.

CRAMS business saw tremendous growth momentum. The topline of CRAMS has increased by 272% to Rs.72 Crores from Rs.19 Crores same period last year even excluding turnover from the Dahej operations of Rs.22 Crores the underlying revenue grew by 157% versus same quarter last year. The BU's contribution to overall sales grew to 30% this quarter up from 11% in the same quarter last year. This is in line with our long-term strategy of moving up the fluorination value chain.

Inorganic fluorides contributed Rs.30 Crores up 8% from Rs.28 Crores during the same period last year. This business contributed 13% of overall sales of which domestic sales contribution is around 90%.

EBITDA for the quarter is at Rs.59 Crores up from Rs.40 Crores same period last year that is a growth of 47% year-on-year. EBITDA margin expanded by 185 basis points to 25% up from 23% same period last year.

Operating PBT that is PBT before other income came at Rs.49 Crores up from Rs.34 Crores in the same period last year, which is a growth of 43% year-on-year. Operating PBT margin is at 20.5% for the quarter up from 19.7%, same quarter last year, which is an expansion of 89 basis points.

The other income for the quarter includes an interest of Rs.1044 lakhs received on refund of income tax. Profit after tax for the quarter is at Rs.49 Crores up from Rs.44 Crores during same period last year, which is a growth of 13% year-on-year.

Total comprehensive income for the period stood at Rs.48 Crores and cash PAT stands at Rs.60 Crores for the quarter. At the 19th Annual General Meeting of the company held on June 29, 2017, members of the company have passed resolution approving subdivision of equity shares in the ratio of one equity share into five equity shares of Rs.2 each. The record date for the aforesaid subdivision was 20th July 2017, consequently the basic and diluted earnings per share has been adjusted for the subdivision of the shares for the quarter ended June 30, 2017 and the corresponding quarter ended June 30, 2016 in according with the provisions of Ind-AS-33, which is earnings per share.

That is all from our side and now we can open for the floor for questions and answers. Thank you.

- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** On Dahej you mentioned Rs.22 Crores, so that is the full 100% revenues of the entity and not just your share of sales?
- Shekhar Khanolkar:** Dahej it is Rs.22 Crores is the invoiced amount for the first quarter.
- Sitendu Nagchaudhuri:** That is the 100% of the turnover of the operations, yes.
- Dheeresh Pathak:** Now that you have been operating it and it is ramping up, any colour and outlook on that asset and how do you expect?
- Shekhar Khanolkar:** No, we are still ramping up the production, so we have yet not reached to the capacity utilization of the plant, so we will know it over next few months.
- Dheeresh Pathak:** At the EBITDA level if you were to just look at and do an analysis, to this is EBITDA accretive based on the trends that we have done in our business ex-of Dahej, Dahej is EBITDA accretive to the reported numbers, is that correct to say?
- Shekhar Khanolkar:** It is very difficult to disclose product wise EBITDA margins in the CRAMS business as such, so that is not possible to talk about specific product wise EBITDA margins.
- Dheeresh Pathak:** Because we are seeing a good improvement in margins in this quarter obviously you had Dahej last year as well, but it was very small, so this quarter it is like?
- Shekhar Khanolkar:** Overall the CRAMS business has grown by multifold, so there are multiple products into that business, so all of those products are contributing to different kinds of margins into the product.
- Dheeresh Pathak:** CRAMS run rate ex-of Dahej already had touched about Rs.50 Crores in I think last quarter as well, so from sequential basis margin improvement if we are seeing the variation that we are seeing in segmental revenues is mainly on Dahej ramp up.
- Shekhar Khanolkar:** That is on since the CRAMS business – it is not the same products go every quarter to the customer, being the CRAMS business, the products quite also changes every quarter, so the EBITDA margins or the margins coming out of products for a quarter-to-quarter changes based on the product mix into that particular business.
- Dheeresh Pathak:** Understood. On refrigeration gas side can you give a colour in terms of how much was driven by volumes and how much was by value?

- Shekhar Khanolkar:** It was both. It was volume as well as the price and as well as both in domestic as well into the international markets. I cannot specifically say about what is coming out of volumes or what is coming out of price.
- Dheeresh Pathak:** All right. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.
- S Padmanabhan:** Thank you for taking my question. I would like to understand a bit more on the crams segment one is you had mentioned about the Rs.22 Crores contribution coming in from the Dahej unit, but going forward, what is the utilization number one at Dahej probably what is the kind of the expectation that we have there and in the current numbers taking the cues from the previous participant whether this Dahej unit has started contributing as far as EBITDA is concerned and if you are looking at it more from a business unit how do you see the profitability and sales tracking for this year especially from point of this quarter splitting both Dahej now contributing Rs.22 Crores and the rest of the business is at around Rs.50 Crores, so from there what is the trajectory like?
- Shekhar Khanolkar:** As I said earlier Dahej business it is a new product, new process, so it will take sometime to ramp up and as we have been saying in terms of the turnover ratio, will be around one for that particular site, so you would know what exactly, where we can reach even if we run the plant at full capacity and the plant as a new product, it will take sometime to ramp up, so we expect that the ramping, the process will continue over next quarters and definitely these product is adding to the EBITDA margins of the overall business, but as I said earlier it is very difficult to separate out to inform the specific EBITDA from a specific product, it is difficult for us to do that.
- S Padmanabhan:** On the specialty chemicals business number one we have seen the kind of pain over the last few quarters as well especially you had mentioned on the agrochemical side you have also mentioned something on the GST also impacting us, so if you can tell us broadly where are we, we see that impact kind of moving off and how do you see the overall environment as far as the agrochemicals going forward on the specialty chemicals?
- Shekhar Khanolkar:** GST impact I talked specifically from inorganic business point of view because there some of the products which go to dealers and there are a lot of clarity, which was not there in the last weeks of quarter and so to that extent there was an impact. We did not have any specific impact of GST on our specialty chemical business. Specialty chemicals business continues to have impact due to the volatile situation to agrochemical intermediates and also, we have certain issues in the domestic market for one of our products where the customer is looking at different routes, so these are the reasons basically for the performance of specialty chemicals. Specialty chemicals performance is not affected by GST.

S Padmanabhan: Sir especially on the tax you had earlier mentioned that probably could go out because of the benefits coming off, but what is the kind of rate that we are looking at for the full year?

Sitendu Nagchaudhuri: This year on a full year equated basis, we are effectively looking at somewhere around 34%, 35% tax rate and as you have already noted, the last year because of the capitalization of Dahej and couple of other factors of some long-term capital gains effective tax rate was significantly lower. This year at the time of working out the annual income tax impact we have considered the BTA execution, the transfer of the business undertaking from our company to the JV operations, hence we have taken up the consequential taxation impact of that, which has predominantly resulted into the effective tax rate going up. We have got some set off in the deferred tax liability as well, but net the effective tax rate for the company we foresee this to be hovering around 34%, 35% mark for the year.

S Padmanabhan: Thanks a lot. I will join back the queue.

Moderator: Thank you. The next question is from the line of Varun Rao from May Bank Asset Management. Please go ahead.

Varun Rao: My questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Good morning. Congratulations for the great set of numbers. I had a couple of questions on the numbers itself. What I notice is that while our EBITDA margins have gone up quite substantially the RM as a percentage of sales has moved up and therefore the margin expansion really has happened because of other expenses, employee cost, etc., not moving as much, so I just wanted to understand why has the RM cost moved up and what do we read into it? The second thing is that you mentioned that other income includes about Rs.10.4 Crores of income tax refund so that means other income actually vis-à-vis last year is down a little bit to Rs.16 Crores versus Rs.20 Crores. Is that because of the way it has been invested and the income gets recognized in a particular quarter or what is primarily the reason for it? My third question really is that while we been directionally moving towards specialty chemicals and CRAMS and CRAMS has shown a lot of traction this quarter, challenges in specialty chemicals persists like you mentioned. How do you see this going forward and how long do you think it would be before we start to see growth pickup in specialty chemicals also?

Shekhar Khanolkar: I will take one-by-one. The first question is based on the raw material consumption. Now when it comes to raw material, I think, this quarter compared to the percentage of raw material against the revenue is actually lower than last year so definitely that has contributed to this, but at the same time, I would also like to say that there are some raw materials, which are going up especially fluorspar and chloroform this kind of raw materials have shown upward trend in the market place, but we are well covered in terms of fluorspar and some other key raw materials and

we are trying to take appropriate price increases from the marketplace to maintain our revenue and the margin profile.

Sitendu Nagchaudhuri: I think Madam. Your next question is on other income. You are right. The current quarter other income Rs.26 Crores if you take out 10.44 Crores of interest, it is about Rs.16 odd Crores, if you try and compare that with the other income of Rs.20 Crores of same quarter last year what I would like to point out on this juncture is the numbers, which we see they are as per Ind-AS treatment, even same quarter last year number has also been recast in line with the Ind-AS principles, which includes , very prescriptive norms, in terms of reevaluation or mark-to-market adjustments of our investments both in equity as well as in mutual funds. Consequential result of that is basically because certain part of the actual earning which as per traditional Indian GAAP would have been shown as the current quarter earnings goes into the retained earnings and subsequent mark-to-market adjustments, which is why basically 16 looks marginally down than 20. On an actual realization basis we are on the healthy trend upwards.

Shekhar Khanolkar: Third one is I think regarding specialty chemicals. As I had also mentioned last quarter that we are working with various customers in domestic market as well as international market we have a healthy product pipeline, new products pipeline and that is something, which is aggressively pushed with these customers in terms of product approvals and other things, so we are working with customers very closely on this. We also hope that the scenario for agrochemicals will go on improving as we go ahead in next quarters, but when is something which we really do not know, but our focus continues to remain on this business in terms of our pipeline the products and the new products launches.

Sangeeta Purushottam: All right. Thank you very much.

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

Pawan Kumar: I just wanted to understand when this particular facility of Piramal JV is going to be transferred to on the JV's book how much are we going to realize from it?

Sitendu Nagchaudhuri: So the principle for transfer of the operations to the JV is essentially at cost because the whole understanding and that is actually cleared in our notes to financials also. The purpose of Navin actually getting into setting up the operation was to help the ultimate business needs to really fast track the operations in the ground and start catering to the ultimate customer's needs, so the approvals, from the shareholders and the board from the company has been secured. We are currently working on some other relevant approvals and as and when those gets secured the BTA will be executed.

Pawan Kumar: Can we expect some Rs.50 Crores or that kind of figure to come into the books once the sale happens?

Sitendu Nagchaudhuri: No as I alluded a while earlier that it will be actually transfer of this undertaking at the net book value of the undertaking as on the date of transfer.

Pawan Kumar: What would be the net book value if you can help me?

Sitendu Nagchaudhuri: As of now it is too early to comment because as you must appreciate that the net book value will fluctuate depending on the transition date and as of now although we are trying our level best to actually fast track this, but still we are not very clear about when exactly this BTA will be eventually executed.

Pawan Kumar: But there is no debt that has been taken on Navin's book for building up this asset right as of now?

Sitendu Nagchaudhuri: In Navin's books there are no debts for building on these assets, but in JV books there are some debts.

Pawan Kumar: On inorganic fluoride side, Shekhar mentioned that there was a shutdown taken for some period of time, what was the length of shutdown and has the manufacturing restarted?

Shekhar Khanolkar: Yes so it was about 20 - 21 days, which is typically to as a preventive maintenance shutdown which comes over certain period of time and so to that extent there was certain material, which we could not deliver in time, but that is plant is already back on track, no issues.

Pawan Kumar: The last thing from my side HF1234yf since we are seeing we are seeing a product approval is in place did I hear that right and what can be the potential going forward?

Shekhar Khanolkar: Product of course is in place and we have started dispatches, but it is too early to really comment again as the same thing because the plant has just started, so it will take sometime to reach to certain level of production, anyway this is a pilot plant, this is a not large commercial plant.

Pawan Kumar: But any kind of investments that are being planned, Shekhar may be if you could just touch on the quantum or when we can see some considerable revenue, may be in 2019 or 2020 something?

Shekhar Khanolkar: For 1234YF?

Pawan Kumar: Yes.

Shekhar Khanolkar: That is as of now as I said we do not have any specific commercial arrangement in place for any larger plant at this point in time, so something which we do not have how can we have an answer at this point in time.

Pawan Kumar: Can you at least share some what might have been the revenue from this particular say 1234YF in this quarter if possible?

- Shekhar Khanolkar:** It is very difficult to say because as I said just started this and this is a small plant and it is not really going to add substantially to the revenue over a period of time as well, so that is why we are putting it together with a CRAMS revenue only.
- Pawan Kumar:** Okay you have put it along with the CRAMS revenue?
- Shekhar Khanolkar:** Right.
- Pawan Kumar:** I will join back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Tejas Sheth from Reliance Mutual Fund. Please go ahead.
- Tejas Sheth:** Good morning Sir. On the gross margins, I think, my question was that revenue mix YOY if we see has substantially changed or moved towards CRAMS, which we always expect is a higher gross margin business, but the margins are 174-BPS down YOY, so where is that, is the understanding wrong that the crams business is a higher gross margin business?
- Sitendu Nagchaudhuri:** Actually, if you look at the underlying performance first quarter last year versus current first quarter on a portfolio basis, contribution margin percentage is sort of holding forte. As we keep on clarifying this point that at a portfolio level for the company as a whole, the effective margin percentage is a resultant of so many different factors. The BU mix within the portfolio, the import versus export mix within a BU, the product portfolio mix within a BU because each product will have a differential capacity for margin extension and there will be quarter-on-quarter fluctuations, so whilst CRAMS is really ramping up and as I mentioned in my speech that even excluding Dahej it has ramped up from Rs.19 Crores to Rs.50 Crores and with a very healthy growth of topline and consequentially margin and there are other factors in other BUs and stuff like that, for example, we have mentioned specialty fluorochemicals is actually having some headwinds and there are other factors in terms of portfolio mix, product mix within a BU, import versus domestic mix, overall our contribution margin is sort of flattish at the same level of that of last year.
- Tejas Sheth:** Tax rate for this year which you said 34% to 35%, is it going to be only this year because of the transfer of Dahej facility or it is going to be recurring the same in FY2019?
- Sitendu Nagchaudhuri:** Each year there are some key impacts on this apart from the changes and regulations and stuff like that, factors are we actually going to have any major investments, what are the consequential impact of the capex and consequent depreciation etc., so it is very difficult to actually comment on how things will, but generally if you look at it basically it will probably hover around anywhere in that range only between , 32% - 35% around that level.
- Tejas Sheth:** Any number on the budgeted capex for this year?

- Shekhar Khanolkar:** We are still working on various capexes for our businesses, so we do not have any specific number for any capex to be given at this point in time.
- Tejas Sheth:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Thank you for the opportunity. I do not know if you covered this earlier, but is this Rs.16 Crores other income for the quarter excluding the tax refund. Is this run rate sustainable Sir?
- Sitendu Nagchaudhuri:** Chirag, there are two aspects, which one is what the company can do on an underlying basis to actually try and optimize the return on investments and alternative incomes within the framework of the company's investment policy, which is what we have always at and will be. The second aspect is basically because of this restrictions of treatment, under Ind-AS there are factors like mark-to-market adjustment and stuff, so the moment we talked about mark-to-market adjustment that is subject to market fluctuation and it is very difficult to draw a line in the sand in this aspect.
- Chirag Dagli:** But the increase for example last year's number Sir, is the predominantly mark-to-market affectivity investments?
- Sitendu Nagchaudhuri:** There is some adjustment or some impact of the mark-to-market adjustment in the same quarter last year numbers as well, because the whole financial have been recast as per Ind-AS.
- Chirag Dagli:** But if it is mark-to-market it should not be sustainable, right, because the incremental mark-to-market has come through, now depending on how those investments move this run rate then in that case may not be sustainable?
- Sitendu Nagchaudhuri:** As I alluded a while ago, it has two components. One is an actual realization during the quarter plus on the closing portfolio of investment from mark-to-market adjustment.
- Chirag Dagli:** Can you split the two Sir?
- Sitendu Nagchaudhuri:** It is not possible at this juncture please.
- Chirag Dagli:** Fundamentally, should we think that whatever we reported last year that was more of the realized income and the balance is?
- Sitendu Nagchaudhuri:** What we reported last year as per Indian GAAP, Indian GAAP obviously always went into principle of realized profit.
- Chirag Dagli:** The balance is much.

- Sitendu Nagchaudhuri:** A lot of it came in from Ind-AS.
- Chirag Dagli:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Karthikeyan V from Suyash Advisors. Please go ahead.
- Karthikeyan V:** Good morning gentlemen. I wanted some colour on the visibility for the CRAMS business I mean you spoke in general about being inline but could you give some color on the pipeline that you see for the CRAMS business please?
- Shekhar Khanolkar:** So CRAMS business as I said in my initial talk we are having good visibility as of now and our business development teams in the Europe and US. We have now complete team out there. We are getting good number of enquiries; some of the products are going into the little larger volumes now. So from that perspective and the relationship with the customer is increasing, we are getting new customers as well as we are able to enhance the relationship with the existing customers. I think overall if you see there is a good traction from the market place for this business.
- Karthikeyan V:** Interesting, the reason I ask you that is of course while you said that you are drawing up the capex plans, should we expect capex is in the near term it seems that you are fairly close to full utilization?
- Shekhar Khanolkar:** As I said plant utilization, I meant was that we are going as per what we have planned when we invested into this plant in 2015 at that time say that, it will take three years for us to really reach to the full capacity of the plant as per the schedule as of now.
- Karthikeyan V:** Just a data point, second thing was there any dividend included in other income the current quarter, in the first quarter that is?
- Shekhar Khanolkar:** No.
- Karthikeyan V:** Thank you so much and best wishes
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from India Infoline. Please go ahead.
- Abhijit Akella:** Good morning gentlemen and thanks a lot for taking my question. First, just a figure to the Dahej plant and revenue potential previously you have talked about Rs.140 Crores investment in the plant and about 1:1 turnover ratio on that, if that Rs.140 Crores number still the number or did you end up spending a bit higher than that?

Shekhar Khanolkar: The total investment on the plant operations is in the region of about Rs.170 Crores and we are still maintaining that outlook basically about by 24 months post streamlining of the commercialization, we expect an asset turnover of about 1:1 from this operation, but there is post 24 months of streamlining commercialization.

Abhijit Akella: I just wanted to understand one thing more clearly, I think in Q4, we have disclosed about Rs.15 Crores of revenue from the Dahej plant, which I believe was about one-month revenue because I think the plant was commissioned only in March whereas this for the entire quarter it is only about Rs.22 Crores, so I was just trying to reconcile why the runrate seems to have dipped a bit?

Shekhar Khanolkar: This is too early for calculating runrate of the plant while we established the continuous production in the month of March, by the end of March, we are also working on getting some small quantity which are not really commercially viable to sale and there we are also waiting for approvals coming from the customer on the product. So we are some product, which was generated, and that is the way we could dispatch some quantities in the month of March. So frankly speaking the quantity what we have dispatched are sold in the last financial year again this is not comparable. Probably you have to have a comparison going forward in the second and third quarter where the production would get stabilized.

Abhijit Akella: I understand. Thank you. Just on you mentioned that the plant is contributing to the EBITDA margins. So I just wanted to understand that EBITDA positive right now, not that it is actually increasing the margins of the overall business. We have not reached that take yet, is that correct.

Shekhar Khanolkar: It is EBITDA positive.

Sitendu Nagchaudhuri: It is EBITDA positive and it contributes to the portfolio value extraction for the company.

Abhijit Akella: Just to clarify when we look at the blended margin for the company of 25% quarter, Dahej plant is probably less than that right?

Shekhar Khanolkar: No, we cannot discuss in a specific product wise margins as I said earlier in this concall. In an overall CRAMS business as I said earlier, every quarter there are different products, so the margin profile changes over the quarter, it is not the same product, we should go on selling every quarter like in specialty or inorganic business. In this business, every quarter there are new products, different products. So it is very difficult to really segregate each product and try to come out with the margin. It has to be seen as the overall bouquet of the margins rather than dissecting it product wise.

Abhijit Akella: I appreciate that. Just one last thing on this transition; if it happens during Q2, will you be consolidating part of the quarter in your financials and then showing the remaining part of the quarter as equity income from associates, how will that work?

Sitendu Nagchaudhuri: Up to the closing date for the BTA effectively that is the date when the operations is transferred from Navin books to JV books up till that time the turnover and the consequential impact will be there in Navin books. Thereafter it will be in JV books and will have to apply the Ind-AS treatment, which will be only the equity accounted share of profit eventually which will come back to Navin as a shareholder in the company.

Abhijit Akella: Thank you and one last thing. Just on other income, the footnotes to your result release indicate that in last year's other income of Q1 of around Rs.20 Crores, there is about of Rs.14 Crores gain on fair value of investment under Ind-AS, Rs.14 Crores out of Rs.20 Crores. Is there a number this quarter also that you can disclose out of the Rs.16 Crores that is remaining?

Sitendu Nagchaudhuri: Which one you are talking about sorry?

Abhijit Akella: If we see the footnotes for your results, I think there is a table their reconciling last year's Indian GAAP PAT versus this time the Ind-AS PAT that you have reported for the last year Q1?

Sitendu Nagchaudhuri: Yes.

Abhijit Akella: If I look at the components of that reconciliation there is about 14 Crores item there which is basically the gain on fair value of investments?

Sitendu Nagchaudhuri: Absolutely.

Abhijit Akella: Is there corresponding number for this year's Q1 that you can disclose?

Sitendu Nagchaudhuri: For each quarter, there will be corresponding number gain on fair value investments, but this number will significantly fluctuate depending on the actual market movement from quarter-on-quarter. As I alluded a while ago answering some other question on the subject is going forward from now onwards other income will have essentially two components. One is the impact of the realization of transaction and second is on the closing portfolio investment, the impact of mark-to-market fair valuation of the portfolio. Now each quarter therefore will have some impact, some quarters depending unfortunately on the market actually nosedives there could be some negative impact coming in also as to what the impact would be nobody can draw a line in this hand, but as the standard Ind-AS treatment.

Abhijit Akella: Okay, so going forward we are not going to show this reconciliation between non-Ind-AS versus Ind-AS?

Sitendu Nagchaudhuri: No, that is the requirement for the first time adoption and when we do the first time adoption we actually show this for better clarity because the same quarter numbers have been published earlier as per Indian GAAP, so this table is to help people at large to understand the numbers and the movement from Indian GAAP profit to Ind-AS profit for the quarter which is the first quarter last year.

- Abhijit Akella:** Great, understand. Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.
- Ranjit Cirumalla:** Thanks for the opportunity. My question is on the CRAMS side. My question is regarding the CRAMS business even if you deduct the Dahej contribution from the CRAMS business, it should be around Rs.50 Crores odd and we have been maintaining that the CRAMS business would be lumpy in nature. So even the ramp up which we have seen at their facilities, is it a sustainable number or there would be lumpiness pertaining to this?
- Sitendu Nagchaudhuri:** This business is a lumpy business. In certain quarters, what happens is that sometimes the order manufacturing cycle is pretty long. So, you continue to produce, but you will not be able to sell in a specific quarter. So that is the reason that this business is a lumpiness which comes in and the invoicing can happen at different point in times, manufacturing can happen at various intervals and so that kind of thing will continue. I do not see any respite from that at any scale of the operations.
- Ranjit Cirumalla:** But that would not change your guidance on the Rs.100 Crores capex by FY2019, 2.5 turnover?
- Shekhar Khanolkar:** No, we are still on line with that.
- Ranjit Cirumalla:** So, second question is on the other expenditure side, if you see sequentially from Q4 to Q1 it has declined by Rs.10 Crores odd any specific reason to that?
- Sitendu Nagchaudhuri:** Which one you are talking about?
- Ranjit Cirumalla:** The March quarter versus the first quarter.
- Sitendu Nagchaudhuri:** When we look at March quarter end we are looking at Indian GAAP and first quarter which we are looking at Ind-AS, so that is the applied across the financial, but just to fundamentally assure that we have at enterprise level, we do not see any significant change in the trend of incidence of other expenses. This effort on part of the management to actually try and contain them within our average norms and within the industry norms so there is no cause or concern there.
- Ranjit Cirumalla:** Finally, on the 1234YF I just wanted to your sense on how quick the adoption has been, we believe that this is a completely new product. We have got the product approval in place. So has the adoption been quite quick?
- Shekhar Khanolkar:** It has been quite quick, there was a good collaborative effort between Navin's R&D technology and management team and Honeywell's global team, so I think we are happy with the way we have put up this plant in a short frame of time and could deliver product first time right. So I think from Navin perspective, it is a very good achievement I would say we are happy about it.

- Ranjit Cirumalla:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Emkay Global. Please go ahead.
- Amar Maurya:** Thanks a lot for the opportunity Sir. Congratulations for a good set of numbers. My first question is on the specialty chemical side now as you alluded that the client has chosen some another route for domestic market. So I wanted to understand that all the impact of this particular change is already there in the numbers or there are some volume losses, which we will see going forward?
- Sitendu Nagchaudhuri:** It is very difficult to say at this point in time. It is going to difficult to say that because what happens it is overall the product portfolio, which comes in, there, so there are some products where you lose some volumes but then there are some other product application which come up. So it is a mix of all those things, and we are also as I said earlier there are couple of new products on which we are working. So it is a combined impact of some positives coming out of some new product launches and negatives about some volume lost with some customers. So that is the way this entire basket is currently going through that particular cycle. We are confident of our pipeline of products and we are also confident of our relationships with all our customers. Whatever is happening is mainly due to external environment
- Amar Maurya:** Because what I understand here is that that product has a huge application in the pharmaceutical side and that has got changed and you were having a significant customer base over here. So I wanted to understand that if the route change is happening over a period of time, the transition will happen and overall technology change would lead to some volume loss going forward also right?
- Sitendu Nagchaudhuri:** It is not something, which is uncommon in a pharmaceutical world, you have change of routes, which are happening with various customers, at various point in times. So this is one such change, as a company, we always prepare ourselves to really work with those changes, so we are in very close touch with customers, not every customer would like to go for those changes, because every process have advantages and disadvantages, so that is the way it is. So it is not something, which is completely out of the world that people have changed processes, even we change processes and then the raw material consumption norms can change, or raw material profile can change, so we are used to this kind of happening in the market.
- Amar Maurya:** Second is the new product pipeline, which you talked about is primarily if I see the mix is it more towards the agrochemical side or it is the mix of pharma and agro?
- Sitendu Nagchaudhuri:** It is mix for both, so that is why we are launching some new products into pharmaceutical sectors in India and also, we are working with some of the global agrochemical companies where we are commercializing some of those products for both the segments.

- Amar Maurya:** Is it fair to understand that the mix of the pharma would take lesser time to be launched as compared to the agrochemical side because as you alluded that there is a lesser visibility in terms of the agrochemical today?
- Sitendu Nagchaudhuri:** I would not say that because the process of commercialization almost remains same with pharma and agro because they do with the small sampling then they go for some pilot scales then they go for commercial launches, again the launch of commercial launch of your product as against their commercial launch all those things needs to get matched into the calendar. So if you ask my experience is that both the spaces they take almost the same time.
- Amar Maurya:** Okay, meaning even the clarity for the specialty chemical turnaround is primarily depend on lot of other factors, so how do I read like if going forward when I can see there is some positive happening to the specialty chemical overall?
- Shekhar Khanolkar:** As I said that specialty chemicals continue to remain in our focus, so we feel that if you just aberration which is happening for some quarters and we are confident of our pipeline of products and we are also confident as we have a good relationship with all of our customers, so it is something which is happening out of the external environment and not specifically because of our products or because of our customer relationships. So, from that perspective we are confident that this is a matter of time and we should be able to come back on a good track quite fast in this.
- Amar Maurya:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.
- Rajesh Kothari:** Good afternoon Sir. My first question is in terms of the margins leaving aside CRAMS, specialty chemicals, inorganic and refrigerant gases put together whether you are seeing improvement in margins or you have seen declining operating margin?
- Sitendu Nagchaudhuri:** As we alluded a while ago we do not get into BU split of any margin analytics.
- Rajesh Kothari:** I am saying on totality basis, because there is a one new we just started, am I right. So everybody is just trying to understand whether you have lost margins because that the new unit or you have lost margins in all other three segments?
- Sitendu Nagchaudhuri:** The way we look at it basically, Sir, it is a combination of each BU performance within that product-to-product portfolio performances, combination of imports and exports and the price interactions etc. So, if I look at it on a portfolio basis in certain places there were some headwind and other places there were some positive traction is coming up, all ends up on a portfolio basis the company's contribution margin percentage is well maintained and it is secured at the level definitely the same level of same quarter last year. The gross margin level basically is robust and sustainable performance.

- Rajesh Kothari:** My second question is I think few quarters back in the conference call you were mentioning that Dahej your total investment is close to about Rs.140 Crores and probably by fourth quarter FY2018 you will reach one-time asset turnover likely to reach. Now you have mentioned that your total investment has increased Rs.140 Crores to Rs.170 Crores and also you mentioned that 24 months post streamline you may able to achieve that one-time asset turnover. So, are you trying to say that it is going to take probably beyond fourth quarter FY2018 to reach full capacity utilization?
- Sitendu Nagchaudhuri:** Just couple of clarifications even when we talked or alluded about some previous call you mentioned Rs.140 we have said that things are still under final face of capitalization. So, the final eventual impact came in for the entire operations is around Rs.170 Crores, Capex of around Rs. 148 Crs & Other Assets of around Rs. 22 Crs. Talking about the asset turn, we expect, we have all along maintained that we start, we have started commercialization, but it takes a while to stabilize and streamline the commercialization, which is we can also try to explain that it is too early and premature to look into one-month Rs.15 Crores versus one quarter Rs.22 Crores, we think it is still premature. So fundamentally our asset turnover expectation was anywhere post stabilization, which might take up to 24 months, and asset turn of one and which is we are still maintaining.
- Rajesh Kothari:** Do you think by third quarter end or by fourth quarter, you think you will able to reach utilization I am not asking one or two months I am saying by fourth quarter FY2018, do you think you will reach the full capacity utilization?
- Shekhar Khanolkar:** We should be able to stabilize operation by then to be very frank, but it is very difficult to pinpoint to say that whether we reach 100% capacity, but we will able to stabilize operations by then definitely.
- Rajesh Kothari:** My third question is the inorganic side of the business I think even in FY2017 you reported good growth in first quarter also what is driving this segment inorganic side?
- Shekhar Khanolkar:** We are working with various customers in those steel infrastructure and glass and those kinds of industries within India. We are also working in some of the pharma companies in India, pharma agro companies in India and outside India. We are also concentrating more on exports of some of the inorganic chemicals. So I think the efforts, which are going across product categories, across industry categories, and across geographies in this business and that is the reason you find that this business is showing growth every year or every quarter also.
- Rajesh Kothari:** My last question is you mentioned the other income because the new Ind-AS standard it will include both realized gain as well as mark-to-market gains. Considering that investments value must have gone up, why the other income should come down, because now it includes mark-to-market, so it means all gains whether realize or not or booked in terms of the number working?

Sitendu Nagchaudhuri: When you are looking at the comparative numbers, even the comparative numbers are also Ind-AS, so as per the treatment norms we had to have recast our financials from April 1, 2016 which is a transition date for us which is exactly a year before the migration date of April 1, 2017. So the numbers which we are looking into like for like and when you startup basically the initial impact of entire initial mark-to-market goes into the first quarter.

Rajesh Kothari: So basically, you mean to say that the 14...

Sitendu Nagchaudhuri: You would have some steady year some balanced view in terms of mark-to-market movement, you got to actually wait for a few more quarters once actually see consequent quarter-after-quarter reporting on this line in terms of Ind-AS and that is an industry wide phenomenon.

Rajesh Kothari: No Sir, this Rs.16 Crores now anyway includes entire thing mark-to-market am I right, realize as well am I right?

Sitendu Nagchaudhuri: Realized plus the mark-to-market impact as on June 30, 2017.

Rajesh Kothari: Correct and that must be positive in better mark-to-market right considering where the investments have moved up am I right, then why it should be lower compared to last year first quarter or whether the investment total value has reduced?

Sitendu Nagchaudhuri: As I just tried to explain a while ago, the last year 20 Crores number which you also see has got 14 from mark-to-market impact and this is an initial evaluation of mark-to-market applying particularly in both sides equity and the mutual funds basically especially in the equity part of it. The comparison with the original cost etc., which comes in the first time is mark-to-market subsequently it is all from the last evaluation date.

Rajesh Kothari: So 14 includes bulk of the first time one time mark-to-market?

Shekhar Khanolkar: Yes.

Rajesh Kothari: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen due to time constraints we will be taking the last question that was from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: On the Piramal assets, which lies in our book, so the gross block, is where it reflects the assets of about Rs.150 Crores?

Sitendu Nagchaudhuri: The gross block will actually as of June will reflect around Rs.140 Crores odd and there will be other assets and liabilities in terms of working capital in other parts.

Pritesh Chheda: When you say net book value what do you mean by that?

- Sitendu Nagchaudhuri:** Net book value of assets and liabilities as on the transition date.
- Pritesh Chheda:** So that is after depreciation whatever has come in our book, right?
- Sitendu Nagchaudhuri:** Yes.
- Pritesh Chheda:** When the transaction happens, the asset gets shifted there, so as of now it is from your cash flow that you have created the whole assets?
- Sitendu Nagchaudhuri:** Yes, but we have actually received quite a bit of payment from the joint venture also.
- Pritesh Chheda:** Okay and when you transfer the asset to the joint venture, you receive the balance payment?
- Sitendu Nagchaudhuri:** That is what the current understanding is.
- Pritesh Chheda:** Okay and accordingly the revenue, which is booked in the quarter, last and this shifts there?
- Sitendu Nagchaudhuri:** No. The revenue, which is booked in, the financials stays in the financial.
- Pritesh Chheda:** Post the transaction it shifts there.
- Sitendu Nagchaudhuri:** No, post transaction subsequent or revenue operations will be recorded in the joint venture books.
- Pritesh Chheda:** My second question is with respect to the CRAMS asset, which seems to be moving towards fairly high utilization number now. First of all, in your initial comment you mentioned that there is a good visibility on CRAMS business. Does that comment indicate that the asset utilization would remain at a fairly high number throughout the year? Does that mean in that way?
- Shekhar Khanolkar:** It means that whatever is the asset utilization; we have planned as I said earlier in 2015 when you put the asset on ground, and so we are going as per the plan that is what I meant by that.
- Pritesh Chheda:** So that plan was third year from?
- Shekhar Khanolkar:** As per the plan the third year from date of...
- Pritesh Chheda:** You are in the third year so you will be 100% utilization on that.
- Shekhar Khanolkar:** Yes.
- Pritesh Chheda:** Which is about Rs.200 Crores, Rs.240 Crores of revenue?
- Shekhar Khanolkar:** Yes.

- Pritesh Chheda:** Okay, so when do we see the next round of visibility for CRAMS in terms of asset creation?
- Shekhar Khanolkar:** We are working on that and because what kind of assets are required and the scale of those assets based on what kind of pipelines we envisaged for next couple of years, so that thinking process is already going on. So when will be announcing and how and what kind of thing it depends upon how the things are moving doing this couple of months.
- Pritesh Chheda:** Lastly, I just missed on the other income you gave the split what is the interest income if you could just give the split of the other income?
- Sitendu Nagchaudhuri:** In the current quarter?
- Pritesh Chheda:** Yes Sir.
- Sitendu Nagchaudhuri:** It is about Rs.10 Crores odd of interest.
- Pritesh Chheda:** Residual all is M to M?
- Sitendu Nagchaudhuri:** No, combination of realized gain plus M to M.
- Pritesh Chheda:** How much would be the realized gain Sir?
- Sitendu Nagchaudhuri:** At the moment, this is very difficult to establish. We have the breakup but we can take it basically the combination of realized gain and the mark-to-market put together will be about Rs.16 Crores odd.
- Pritesh Chheda:** Thank you and all the best.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Shekhar Khanolkar for his closing comments.
- Shekhar Khanolkar:** We would like to thank all of you for joining of the 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 Relations Advisors. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Navin Fluorine International Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.