



“Navin Fluorine International Limited
Q2 & H1 FY2020 Earnings Conference Call”

October 24, 2019



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Moderator: Good day, ladies and gentlemen, and welcome to the Navin Fluorine International Limited Q2 & H1 FY2020 earnings conference call. 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 a guarantee of future performance and involve 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. Radhesh Welling - Managing Director of Navin Fluorine International Limited. Thank you and over to you, Sir!

Radhesh Welling: Thank you. Good morning and a warm welcome to all the participants. I am joined by our CFO – Mr. Ketan Sablok and Strategic Growth Advisors – our Investor Relations Advisors. I hope everyone got an opportunity to go through our financial results and investor presentation which has been uploaded on the stock exchange as well as on our company’s website.

First, I will give you brief on our different business segments and then Ketan will take you through the financials.

To start with the company has declared an interim dividend of Rs.4 per share of the face value of Rs.2 each so that is 200% of the face value to reward the shareholders for their continued support.

On company’s performance for the quarter ended September 30, 2019 and for first half of the fiscal year, the company has reported strong set of numbers across businesses.

Our speciality business segment delivered strong numbers in Q2 FY2020. Revenue for the quarter was at 94 Crores which is growth of 21% on year-on-year basis. This growth has driven primarily by volume and our continuous focus on cost improvement initiatives has also helped margin expansion.

With good project inflow from life science, crop science as well as industrial verticals. We expect very strong growth momentum in this business going forward.

Our CRAMS business did well in this quarter. We remain very positive on the long-term outlook for this business. This BU reported revenue of 47 Crores compared to 25 Crores in the last quarter and 50 Crores compared to the same period last year.

New customer acquisitions and our other business development initiatives are helping us build strong growth pipeline for the future.

On the capex front our new cGMP3 will start manufacturing from December 2019. With this new facility getting ready by end of this calendar year, we are now looking forward to our next cycle of growth.

With our recent agreement with one of the large US key account for multiyear supply of one of the molecules we are hopeful our leveraging our investments to deliver strong and profitable growth in the years to come.

Coming to our other businesses, in refrigerant business, revenue stood at 70 Crores for Q2 FY2020, which is a growth of 11% on year-on-year basis. We have witnessed margin expansion in this business on the back of better pricing in both domestic as well as export markets.

In the inorganic fluoride business, revenue for Q2 FY2020 stood at 52 Crores with same as what we saw last year. Despite some challenges faced by stainless steel industry we were able to maintain our volume as well as margins.

Strengthening of our performance of each of the business units in this quarter, contributed to the overall profitability and improvement in return ratios.

Our operating EBITDA for Q2 stood at 68 Crores with a growth of 34% on year-on-year basis. Margin expanded by 479-basis point to 25.6%. Operating PBT improved by 35% to 60 Crores with margin expansion of 434-basis point to 22.6%.

To sum it all, all the steps that we are taking to profitably grow each pie of the business, we are now confident to increase number of opportunities leading to better performance of each of the segments and company as a whole in the years to come.

That is it from my side. I will now hand over to Ketan to give you brief on the financial performance of the company. Thank you.

Ketan Sablok:

Thank you Radhesh. Very good morning to all the participants.

I will share the highlights of our financial performance following which we will be happy to take questions from your side.

We will start with the Q2 performance. The company has registered a net revenue from operations of 264 Crores as against 244 Crores Q2 FY2019 a Y-o-Y growth of 9%.

The operating EBITDA grew by 34% to 68 Crores with improvement in margins by 479-BPS to 25.6%. Operating PBT grew by 35% to 60 Crores with improvement in margins by 434-BPS to 22.6%.

The profit after tax stood at 46 Crores, a growth of 36% with PAT margins of 17.6%.

Before I get into the unit wise performance, I would like to update you on the taxation front. In this quarter the company has made the tax provisions as per the old rate of 34.9%. We are in the process of evaluating whether to move to the concessional rate under Section 115(BAA) and hopefully before the end of the year, we will be able to evaluate where we stand in terms of the taxation, and take a call in the second half of the year.

Now coming to the unit wise performance for Q2FY20. The legacy business grew by 8%, and high value business grew by about 10% on Y-o-Y basis. Refrigerant grew by 11% to 70 Crores, domestic sales was at 49%, the international at 51%. The inorganic segment grew by 3% to 52 Crores, the domestic contributing almost 89% to the sales. The specialty segment grew by 21.5% to 94 Crores with a breakup of domestic at 67%, and international at 33%.

CRAMS, we were able to do well with revenue of 47 Crores though it was down about 7% and as you all know CRAMS is a 100% export business.

Now coming to the H1 FY2020 performance the company registered net revenue from operations of Rs.506 Crores as against 485 Crores in H1 FY2019, a year-on-year growth of 4%.

Operating EBITDA grew by 13% to 128 Crores with an improvement in margin by 200-BPS to 25.4%. Operating PBT grew by 12% to 113 Crores with an improvement in margin by 155-BPS to 22.2%.

Profit after tax stood at Rs.86 Crores, growth of 16% with PAT margins of 17%. In the unit wise performance for H1, legacy business growing by about 6% and the high value business grew by about 3% on Y-o-Y basis, refrigerant and inorganic both grew by about 6% to 148 Crores and 105 Crores respectively. The speciality segment grew by 13% to 180 Crores, and in CRAMS business because of the softer performance in Q1 the revenue was impacted in the first half which was down about 16% to 72 Crores.

As you know we have a very strong balance sheet, our net cash position is about 400 Crores as on September 30. Our prudent use of capital has helped us to maintain strong return on the capital employed of more than 30%. Net cash flow from operating activities stood at 57 Crores, improved by about 17 Crores compared to last year, showcasing our operating efficiency.

That is all from my side. We now open the floor to questions. Thank you.

Moderator: Thank you very much. We will now begin the question & answer session. The first question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: Congratulations for great number. Just wanted to understand, in the joint venture, the profit was 3.5 Crores in Q1, it has come down to 0.8 Crores, any specific reasons for this?

Ketan Sablok: In the joint venture, when we had consolidated the accounts in the Q1 the joint venture had not made the tax provisions. So the entire H1 tax provisions have actually come in this quarter. So that is why on the PAT front, the numbers are skewed.

Anand Bhavnani: So what would be the PBT numbers for Q1 and Q2?

Ketan Sablok: PBT numbers for Q1 as we had consolidated was at 7.23 Crores in quarter and the H1 is about 12.09. So the Q2 numbers are at about 4.86 Crores.

Anand Bhavnani: Sir in terms of our CRAMS business, we see that this quarter have seen an uptake. Is this uptick likely to sustain in the base CRAMS business that we are currently doing from our current facilities?

Radhesh Welling: I think, when you are talking about uptick, first of all you have to basically compare it versus last quarter, and in last quarter we had actually mentioned that it was almost the bottom that we had actually seen in our CRAMS business. We had mentioned that we would start seeing growth in this particular business which is what we are actually seeing now. Now with this new cGMP3 facility getting ready, and being available for us from December onwards, we should continue to see good growth momentum.

Anand Bhavnani: Sir this cGMP3 facility what is the ballpark capacity utilization expectation you have for let us say Q4, Q4 will be the first full quarter, so any sense on the capacity utilization?

Radhesh Welling: I think as we have mentioned previously on the calls, in the CRAMS business unlike lot of our other businesses capacity utilization as such does not really make that sense because some orders, the kind of reactions and number of reaction steps etc., could give less capacity

utilization, but could be much more profitable, but overall in Q4 we are expecting optimal capacity utilization.

Anand Bhavnani: So we would be breaking even at PAT level would that be a fair assumption for Q4 for that new facility?

Would the PAT positive for the specific facility you spend 115 Crores considering the operating cost, depreciation?

Radhesh Welling: We do not really do PBT or PAT business wise. We actually look at it for entire business. So it is not really right way of looking at that business.

Anand Bhavnani: I will come back in the queue for any other questions.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarshan P: Sir my question is on the tax rate, if I am correct, we do not have a very large deferred tax or I would rather put it as MAT credit. So what does it that we are awaiting for in terms of evaluating whether we should move to a new tax regime or whether we should continue the same tax rate, because we are at present at full tax and should not we directly get a benefit when we move to the 25%?

Ketan Sablok: As I put across during my commentary also, there are some earlier tax expenses on which we are working and for which we expect that some tax benefits could accrue to the company, and hopefully by the end of the current year we will be in a better position to understand whether those benefits will be accrue, and we'll know if it is beneficial for the company or should we move into the newer, lower rate of taxation. So we are in the process of evaluating these various options that we have and we conservatively provided for tax at the higher rate and we will finally take the call going forward.

Sudarshan P: Sir specifically coming to the speciality chemicals business, this is one business where I think consistently for the last three to four quarters we are seeing very strong growth and one is, if you can give some clarity with respect to what is driving this growth whether it is a single customer where we are supplying products or is it multitude of customers which basically is driving this kind of a number and even if I am actually coming down to the sales, it looks like probably we are doing a little better on the domestic side even on a Q-on-Q basis, the specialty chemicals has done fairly well and whether that should be the kind of trajectory that one should look at on the speciality chemicals?

- Radhesh Welling:** On specialty your observation is right. We are seeing in the last few quarter's good growth momentum and we are expecting that that growth momentum will continue, actually we will build on that particular momentum. The good news is that if you look at the growth that we are seeing in this business, is coming from across the sectors, so it is coming from both life science as well as crop science, going forward the industrial side will also start contributing towards this growth because of some of the projects that are reaching the stage of commercialization. Also, these are coming from four products so there is no reliance on a single product and out of these four products three are multi customer product so again there is no reliance on one specific customer, two are for domestic market one is only for export and the fourth product is both for domestic and for exports. As you can see between geography, between customers, between products there is a pretty good spread that is driving this growth.
- Sudarshan P:** When we are talking about growth sustaining and things looking pretty good in this segment, one is do we have capacities in place post the debottleneck and if one is looking at this kind of a growth if it is largely driven by volumes then when do we look at further debottlenecking and are we looking at specific announcement in terms of capex sooner or later over year?
- Radhesh Welling:** We are definitely seeing pretty strong growth momentum. As we speak we are in the process of finalizing some capex programs, both there are going to be some smaller capexes for our existing facility in Surat and the second is going to be larger capexes for our new Greenfield facility that we are planning to come up in Dahej. Also on the industrial side we have some capacity headroom available which is what we are planning to use going forward. So in terms of timing as we had indicated earlier within this financial year we should be coming back to you with some announcements from capex.
- Sudarshan P:** On the CRAMS side in the first quarter we talked about that one of the two customers and one which would likely come back in the near-term which I would assume would have come back seeing the traction Q-on-Q, any idea where we see number one this traction continuing and when the other customer would also come in, in terms of contributing on the CRAMS side.
- Radhesh Welling:** One of the customers has come back and that is the customer that we have actually signed a multiyear contract with, that the actual order flow will start from end of Q3 beginning of Q4 for that particular order so that is not actually reflected in the numbers here. As far as the second customer is concerned, the customer themselves have gone back to the drawing board and they are actually reevaluating the route etc., and they have indicated to us that by end of November is when they will come back to us with the future course of action on that particular molecule.

- Sudarshan P:** Sir thanks a lot I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Abhijeet Akela from IIFL. Please go ahead.
- Abhijeet Akela:** Congratulations on a good quarter and thanks a lot for taking my question. First, just wanted to check, to clarify the Piramal JV commentary you gave the PBT number for 2Q is 4.86 Crores compared to 7.23 in 1Q is that correct?
- Radhesh Welling:** Yes, that is right.
- Abhijeet Akela:** So the Q-o-Q drop would be because of what Sir?
- Ketan Sablok:** So as we had indicated in Q1 the planned shutdown for the plant which we had anticipated to happen in the first quarter. But we had not taken the shutdown because the plant and the catalyst was working great. So, we continued the run right through the quarter and took the shutdown in Q2 around July. That is really why the numbers has slightly down in the second quarter.
- Abhijeet Akela:** Going forward for the on a quarterly basis the 1Q number would be a good run rate to work with?
- Ketan Sablok:** I do not think that could be the correct number the H1 number could be better number to go with for the entire year.
- Abhijeet Akela:** So about 12 Crores per half year.
- Ketan Sablok:** Yes, that should be around that.
- Abhijeet Akela:** And the tax rate applicable here will also depending on the outcome of your evacuation.
- Ketan Sablok:** No the tax rate for the Piramal works, the CCPL works separately it has nothing to do with our tax rate.
- Abhijeet Akela:** So have you made a decision there about 25%?
- Ketan Sablok:** They are already because they are less than that 400 Crores bracket so they already on the lower rate.
- Abhijeet Akela:** Second on the CRAMS side if I may just sort of clarify I think you mentioned that in 4Q itself you expect to hit optimum capacity utilization for cGMP3 is that correct.

- Radhesh Welling:** Yes and I will tell you the reason why that is the case. We were expecting this plant, cGMP3 to be ready by, as I had indicated earlier, by end of October. That actually have got delayed by little over a month and hence what has happened is there is a slight order pile up which we will need to execute in Q4 and we have actually seen pretty good order book and hence we expect very good capacity utilization in Q4.
- Abhijeet Akela:** If I may just understand a little bit closely I think for the cGMP3 we had talked about 2x kind of asset turns at full utilization will that sort of be achievable within the first year itself based on the order backlog you have or do you think it will take you the full three years to get there as you originally envisaged?
- Radhesh Welling:** No. I think directionally whatever we have said stands. Quarter-to-quarter the things could actually vary depending on the either the pile up of the order flow or what typically happens is once the order is received it takes us about three to four months to actually begin the campaign so lot of it actually depends on the sequence of the order flow and the timing of the order flow. But directionally what we have said earlier stand and given the overall order flow not only from our older orders which were earlier at lower volume and now the molecules have actually started progressing quite well and the second one is in terms of new customer acquisition, if you look at both these indicators we are extremely positive on this business.
- Abhijeet Akela:** The speciality chemicals business there is this jump in the domestic contribution this quarter from 67% compared to 61% last quarter, so this because the new order that we won for the 10 Crores debottlenecking that we did earlier this year, is that in the domestic segment is that the reason or something else?
- Radhesh Welling:** No, that quarter-to-quarter that change is basically because of the product mix so there is no specific product movement or an intended movement between domestic and export. So you will keep seeing this movement between 60/40 sometime it will be 65/35 quarter-to-quarter.
- Ketan Sablok:** But the debottlenecking that you refer to was 100% export.
- Abhijeet Akela:** Okay great, got it, thank you so much sir wish you all the best.
- Moderator:** Thank you. The next question is from the line of Manoj Garg from White Oak Capital. Please go ahead.
- Manoj Garg:** Congratulations for very good set of numbers and promising outlook. Couple of quarters back we have indicated that we had two customers in CRAMS business so its order have been defer and out of that one customer came back any visibility on the second customer in the CRAMS segment?

- Radhesh Welling:** So we actually just mentioned little earlier that one of the customers is actually come back and that is what we have actually converted into a multiyear agreement. The second customer had to go back to the drawing board in terms of the specific selection of the route that they had come for their molecule and they have indicated that they will complete that process and come back to us by end of November beginning of December, so that is when we will hear on future course of action from that customer.
- Manoj Garg:** Just a second question that we are obviously looking for the newer capex both in spec chem as well as I think earlier you had indicated at some point of time that probably you are thinking about coming out with some new applications on the ref gas side also. So is it that the new capex whatever we put going forward can come or can take the advantage of the new government policies of the 15% kind of tax rate has to promote making their kind of strategy of the government?
- Radhesh Welling:** Yes, we currently have that option in our mind as we are looking at this new investment. We will be currently evaluating all the options and when as soon as we are ready to announce that capex we will also announce that specific decision on the tax.
- Manoj Garg:** Just a last question from my side Sir. Would you like to update on the new product, the application which you are working on the ref gas side how is the progress and where we stand at this point of time?
- Radhesh Welling:** Yes, so all the capexes that we have actually talked about across the businesses, we have indicated that the announcements will be made in this financial year, either in a phased manner or some of it will be required to be clubbed, so we will be stick to that, We are hoping that from beginning of Q4 onwards we will actually start making these announcements. So you should expect to hear from us on that.
- Manoj Garg:** That is very helpful. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Dhiresh Pathak from Goldman Sachs. Please go ahead.
- Dhiresh Pathak:** Sir If you look at the published consolidated numbers, item number 6 share of profit loss from JV and associate for 1H it is 43.2.
- Ketan Sablok:** You are talking about line item number 6?
- Dhiresh Pathak:** Yes.

- Ketan Sablok:** 12 Cr which I told you was the PBT the PAT is 8.84, the 49% of 8.84 is 4.3 which comes into the consolidated.
- Dhires Pathak:** Second question on the speciality chemical business, if I did the numbers correctly the domestic is doing much better versus the export. The export is pretty much flattish on a 1H basis but domestic has done much better so if there is a new product then does it have export potential as well as the domestic potential?
- Radhesh Welling:** I think as Ketan just explained I think you should not read too much in to this quarter-to-quarter movement between domestic and exports in specialty. As you can imagine as we start moving towards the end of the calendar year some of the exports especially that is happening in the agro that volume actually starts drying up and as we start approaching end of the calendar year that volume again starts picking up that is basically on the agro campaign that happens. But overall as I mentioned earlier is basically driven by four new products two of those products are meant only for domestic one is meant only for exports and the four products is both for domestic and exports.
- Dhires Pathak:** Sir last on the Dahej expansion, is it going to be for both speciality and CRAMS or it is just for speciality?
- Radhesh Welling:** The CRAM is happening in Dewas as I mentioned the new facility will be available for us in the month of December and all the future investments that happened in that business they have happened only in Dewas as we see today. As far as Dahej is concerned only the speciality will happen in Dahej, we are also looking at some other opportunities beyond speciality for Dahej.
- Dhires Pathak:** Sir one last if I may, this 1234FY that we put it under crams or that is shown in refrigerate.
- Ketan Sablok:** That comes under CRAMS.
- Dhires Pathak:** So is there a sequentially large delta between Q1 and Q2 between that 1234YF.
- Radhesh Welling:** 1234YF is a very steady business quarter-on-quarter both from the point of view our topline as well as bottomline. It is absolute flat because it is basically meant to deliver a certain volume year-on-year basis. So there is no movement either upward or downward in terms of both topline or bottomline in that number.
- Dhires Pathak:** Got it Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Manoj Bahety from Carnelian Capital. Please go ahead.

Manoj Bahety: Thanks for taking my question. My question was mainly on Fluorine chemistry like considering Fluorine is very difficult to handle and also I think in one of the previous conversation you mentioned that the eight to ten years of golden base for Fluorine chemistry. I just wanted to understand that is there a risk of substitution of Fluorine based chemistry by something else so just wanted to hear your thoughts around this?

Radhesh Welling: I think this is actually going to take much longer to respond to because we will actually have to go segment-by-segment and understand but overall if you actually look at it, we remain extremely bullish about the future prospects for Fluorine across segments and if at all we have actually just started that process of growth. So we do not see any imminent threat coming from any other chemistry for Fluorine chemistry per se, but I think the devil lies in the detail and I would be happy to have much longer conversation with you when we discuss segment-by-segment how we are seeing either adaptation to Fluorine or possibility of threat for Fluorine.

Manoj Bahety: Sure Sir I will come back to you on this. Secondly sir as you mentioned like in the third or fourth quarter for CGMP3 you will reach optimum utilization due to back log order and also you mentioned that it will take around two to three years for the plant to reach optimum utilization so does it mean that after one or two quarters of jump in revenues it will again come back to normal and it will take around two to three years for this plant to reach optimum asset turnover which is 2x kind of a asset turnover which you mentioned?

Radhesh Welling: Directionally, what we have mentioned in terms of asset turn remains true. As far as quarter to quarter I think unlike our other steady state businesses this is not a business which can be looked at from a quarter-to-quarter basis. As I mentioned earlier, sometimes the orders get bunched up and it takes us about two to three months to get ready for the manufacturing campaign after receipt of the order and also lot of these times this volatility is also driven by how the customers plan their campaign. So quarter-to-quarter basis it is a little difficult even for us to actually predict as to how the numbers are going to pan out but overall when we look at all the leading indicators which is what we actually track on a very regular basis we are extremely positive. There are lot of new customer acquisition that has happened especially in this particular financial year and the statement that we make specifically for Q4 is on the basis of two factors one the order pipeline that we are seeing, and the fact that we are slightly delayed on getting the cGMP3 ready.

Manoj Bahety: Sir do you want to revise your guidelines of three years of optimum utilization considering significant ramp up in the customer for optimum utilization of the plant?

Radhesh Welling: As far as the revision in terms of guideline once we feel completely confident about it we would be happy to come back with revision in our guideline.

- Manoj Bahety:** Thanks for taking my questions. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Mitul Mehta from Lucky Investment Managers. Please go ahead.
- Mitul Mehta:** Mr. Radhesh congratulations on a great set of numbers and a very strong operational quarter. Sir I just wanted to get some sense on the raw material outlook as far as the floor prices goes have we benefited a lot in this particular quarter which has resulted into these kind of margins if you could just throw light on that? Another question that I want to ask you is that we are sitting on about 400 plus Crores cash on our balance sheet and you have highlighted that you would go ahead and invest in the spec chem. and with time also in the CRAM business. Just wanted to get your understanding on these two businesses because as I understand incrementally these two businesses are going to create value for the shareholders, we are seeing enough momentum and most of the CRAM players are reporting very good growth visibility going into future and Navin historically has been a little conservative as far as investment into fixed assets go. So are we kind of now sensing the opportunity and now pressing the button to go and invest in these businesses.
- Radhesh Welling:** Your first question on the RM lot of what we saw in terms of margin expansion in this particular quarter was not driven by RM. Our major RM is Fluorspar and beginning of the year we had actually indicated likely trend for Fluorspar and we are actually seeing exactly the same pan out. So the prices went up, the prices plateaued and now we have actually hoping for the prices to actually start coming down from end of this year or beginning of next year onwards I am talking about calendar year. Lot of that margin piece was not driven by RM. Your second question regarding the investments are concerned, CRAMS investment as you know we have already made one investment and as we start more closely monitoring some of the developments that we are seeing, we shall take call for future investment as and when required and we will come back to you with more details. The specific investment that I talked about earlier which is going to be made in Dahej that is primarily going to be made in speciality chemicals and some other opportunities that we are seeing outside of CRAMS and specialty chemicals. Some of these opportunities are little difficult to define in terms of which exact business unit it will come under but will figure out a way to communicate that to you. But definitely that investment is going to come in specialty chemical and there will be investment outside of specialty chemical which is not going to be in CRAMS.
- Mitul Mehta:** A large part of the cash on the books would be used out for this particular capex?
- Radhesh Welling:** I think when we come back to you with specific announcement on the capexes we will be happy to also share with you in terms of means of capital for that particular investment but the decisions that we make for investments are not driven by how much cash we are sitting

on the balance sheet. We have been pretty prudent in terms of how we use capital and we clearly will continue to remain prudent in terms of how we will use capital going forward as well.

Mitul Mehta: Sir my last question is as far as Dahej goes do we have enough plan to build the building blocks there or we will have to acquire land and then put up an entire?

Radhesh Welling: No, we already have land and we already have the approvals as well.

Mitul Mehta: So does that mean that our asset turns on the new capex will be much better?

Radhesh Welling: Much better than.

Mitul Mehta: Much better in the sense that can we do more than 2x on the spec chem. Investment?

Radhesh Welling: I think typically if you look at some of the new investments that happen in this particular sector you will realize that in spec chem. typically you do not expect an asset turn of two, if there is the CRAMS which is completely other end of the spectrum is where we have actually indicated that kind of an asset turn but then that business comes with some other challenges like volatility that we talked about etc. Speciality typically will come with a slightly lower asset turn but it also comes with very strong earning visibility. Specifically when we actually come back to you with the capex announcements we would be happy to share the specific asset turn that we expect for those investments.

Mitul Mehta: Thank you very much and all the best and wish you happy Diwali.

Moderator: Thank you. The next question is from the line of Tejas Seth from Nippon India Mutual Fund. Please go ahead.

Tejas Seth: Good morning. Great set of number. Thanks for the opportunity. Just on the CRAMS side you said there is a lot of order piled up on cGMP3 plant I just wanted to understand why we could not execute the same from the current facilities considering that we are not utilizing the current facilities to the turnover?

Radhesh Welling: I think our cGMP plant was supposed to be available for manufacturing from end October onwards. Now it is going to be available to us from December onwards and as you know the cGMP3 plant is a much larger version of cGMP2 plant so typically the orders that we can execute in our older facility in about 9 to 12 months can be executed in this facility in about three to four months, I am just giving you an indicative comparison plus there are some other new capabilities that we have in our cGMP3 facility. So, if we were to actually take some of these products or some of these opportunities or some of these campaigns we were to start in

the older facility, overall it would actually take much longer time. So even if we start a little early, we will end much later than we would if we actually run rating cGMP3 and hence it is a better decision to wait for a month or two to get the cGMP3 ready and then actually run it there.

Tejas Seth: Just on the follow up of this you have mentioned that the facility cGMP3 has better plant capabilities, would that mean that the higher end of the CRAMS opportunity will be executed there and which will have a higher margin profile?

Radhesh Welling: There are different set of capabilities. If you actually look at within the fluorination we already do a lot of higher end pieces within the fluorination chemistry as well as fluorination engineering at our cGMP1 and cGMP2. These are just different set of capabilities and I do not think they are higher or lower. Customers come to us primarily because of our value proposition around fluorination and wide portfolio within that particular platform.

Tejas Seth: Until the new plant on the spec chem. comes live what could be the peak asset turn or peak quarterly run rate we can do from the current Surat facilities with debottleneck?

Ketan Sablok: I think in the current quarter is a good indicator of where we should end the year at so the H1 kind of an outlook we are hoping to be around the same number in the second half.

Tejas Seth: No, but the new plant will commence let us say even if they announce by end of this year it will take another 12 to 18 months so I wanted to understand would FY2021 the growth will be muted on this segment or debottlenecking will help us to capture the huge opportunities that which are playing out right now?

Radhesh Welling: No, one is obviously the debottlenecking. We are actually looking at some other smaller investments to happen in Surat and on the industrial side we have capacity headroom available and we are looking at opportunities within the industrial side. So those three taken together will actually help drive growth in specialty in the next fiscal year.

Tejas Seth: Thank you very much.

Moderator: Thank you. The next question is from the line of Aman Mourya from Alpha Equity Advisors. Please go ahead.

Aman Mourya: Thanks a lot for the opportunity. Congratulations for a very good set of numbers. Radhesh, I just wanted to understand little bit more on the speciality part of the business. I believe along with the volume growth in this whole year we have seen a good amount of pricing

improvement also so do you see that this is going to sustain or any risk to the pricing going forward?

Radhesh Welling: Specifically in this particular quarter, Q2 there was some price movement but lot of it was actually driven by the volume and also beginning of this financial year we had actually undertaken some cost improvement initiatives which are led to better margins. Going forward, we expect overall that momentum to continue, this is what we have actually hearing from our customers.

Aman Mourya: Any color why these prices had gone up is it like a crunch in the second suppliers supply or is it like the demand has significantly gone up or is it your mode that nobody else can produce in India?

Radhesh Welling: The price improvement that we are seeing was primarily in one important product for us and that was basically driven by some supply issues.

Aman Mourya: So basically some or other day that has to tweak?

Radhesh Welling: That has to what.

Aman Mourya: That has to come to the mean level that is what is my understanding?

Radhesh Welling: That is a fair assumption but we will have to see how it plays out.

Aman Mourya: That has basically worked significantly well for the whole trailing 12 month growth, 50% of the growth would be the pricing led growth is it fair to assume?

Radhesh Welling: Within the speciality.

Aman Mourya: Yes.

Radhesh Welling: No, I think lot of it is actually driven by volume, very small piece is driven by pricing.

Aman Mourya: Thank you.

Moderator: Thank you. The next question is from the line of Shiva Kumar from Unifi Capital. Please go ahead.

Shiva Kumar: I wanted to understand whether in the CCPL Venture whereby we took a shutdown in Q2 and we have started operations, is it running smoothly because a year earlier we had some catalyst issues and after the shutdown are we facing any issues or is it functioning smoothly?

- Ketan Sablok:** Yes, so post the shutdown the plant is running quite smoothly. The issues which we had faced last year, I think most of them we have tide over and the current year we have seen the plant running quite smoothly and we are hopeful that through the year the plant should have a good run.
- Shiva Kumar:** Wonderful. Sir secondly on refrigerants, now from January month because the new cuts kick in wanted to understand that are we anticipating any higher volume offtakes in the run up to this or all the inventories have already been built up and there is nothing much to expect of hereon?
- Radhesh Welling:** I think we are also trying to understand how this is actually going to play out but we expect some volume built up on the export side, on the domestic side we do not expect that.
- Moderator:** Thank you. I would request Mr. Kumar to come back in queue for follow up question. The next question is from the line of Nav Bhardwaj from Anand Rathi. Please go ahead.
- Nav Bhardwaj:** Good morning gentlemen. Great set of numbers. Thank you for allowing me question. One small question on the inorganic product side, I wanted to ask is we are facing any headwinds in terms of volumes or pricing over there?
- Radhesh Welling:** You know that our inorganic business is actually driven a lot by what is happening in the industrial sector in India especially stainless steel etc., and we clearly are seeing soft demand from there but despite that we have actually done a few things and because of which we have managed to maintain the volume as well as pricing there in that business.
- Nav Bhardwaj:** Going forward do we have a foresight as to we can maintain these margins going ahead in the coming quarters?
- Radhesh Welling:** Yes, our estimate is that we will maintain both volume as well as the pricing and hence the margin in that business.
- Nav Bhardwaj:** That is amazing. In CRAMS we shared that the customer has come back to us which at earlier lost campaign so and you also mentioned that asset multiyear contract so could you share some light in terms of what percentage of current revenue is that going to be and how many years are we signed in for?
- Radhesh Welling:** Yes, this is a business which we have been doing for some time now. We actually started working with this particular customer on this particular molecule right from the preclinical stage and as molecule has advanced we have continued to be the main supplier for this particular product. Now this particular product is actually getting ready for its commercial

launch next year and hence they have signed this particular multiyear contract. The multiyear agreement is basically a five year agreement that we have signed for material supply for them. In terms of percentage it will be difficult for us to give the exact percentage as this has not started yet reflecting in the numbers it will basically start from Q4 onwards.

Moderator: Thank you. I would request Mr. Bhardwaj to come back in queue for follow up question. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: Couple of questions. One is the debottlenecking which we had done in the specialty chemicals for a product have that started contributing to revenue in this quarter and if so what would be the share?

Ketan Sablok: Yes, so the debottlenecking has started contributing to the revenues in the current quarter, we generally do not indicate the product wise revenues so it would be a good assumption that the specialty revenue that we have seen in this quarter it includes that debottlenecking.

Anubhav Sahu: In earlier conversation, I think you mentioned about the potential of this debottlenecking. Can you comeback to on that number of what is the potential of this?

Radhesh Welling: I really do not recollect we giving any specefics on the debottlenecking. What we have said that we have spent about 10 Crores on the debottlenecking, I think that is the number we had indicated.

Anubhav Sahu: Secondly Sir can you share any update on Manchester Organics, where are we now in terms of transition, do the set of headwinds which you saw last year what is the status on that?

Radhesh Welling: Yes, so Manchester Organics actually plays very important role in our CRAMS business because lot of projects actually originate from MOL. It actually helps us not only in terms of new customer acquisitions but also the customer that could be reluctant to come to India for their newer molecules. We begin our customer engagement through MOL and as the molecules grow they eventually come to India.. It is playing that role and we are actually now in the process of looking at the business case for significantly upgrading our capabilities at MOL, which will happen probably in H1 calendar year 2020. It is then that we will finalize the case and there will be an investments made in MOL for significant upgradation of capabilities there.

Anubhav Sahu: That is all. Thank you.

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

- Pritesh Chheda:** Sir just one question on specialty chemical side you initially mentioned that bulk of the growth is from the three to four products that we have. I was just referring to my past notes we have a portfolio of about 15-20 products. When you mentioned that comment you mean to say that three to four or what are the growing products which are driving speciality chemical growth or we reading is otherwise?
- Radhesh Welling:** No, so typically what happens is in specialty business is that you have a pipeline of products and then you keep introducing newer products so from the pipeline of the products you kind of see a steady business coming from there and as you introduce newer molecules every year you see a significant jump coming from those newly introduced molecules. Which is what has happened this year and we are working on strengthening that pipeline so that we can actually look to introduce similar set of molecules every year.
- Pritesh Chheda:** So the interpretation is that the incremental molecules which get added on production side is what brings you growth and the existing molecules is where you do a steady state business that is how the assessment is?
- Radhesh Welling:** Yes, more or less, I mean, it is a little difficult to generalize it because there could be an event which could actually trigger a significant growth in the existing molecule or the some of the newer molecules could hit a snag because of what is happening on the customer end and there could be a degrowth but if we do not go into the specifics in general, yes your statement is right.
- Pritesh Chheda:** Will there be seasonality in this business from quarter-to-quarter and second what kind of visibility you would usually have in this business at any point in time?
- Radhesh Welling:** Overall in terms of the visibility, I would say it is relatively stronger than some of our other businesses **Pritesh Chheda:** I will just ask you relatively stronger means you would have supply contracts for the next two quarters three quarters or more than that?
- Radhesh Welling:** Everything that we are trying to do now we have actually trying to convert into supply contracts and these are typically longer-term supply contracts. Having said that if the customer's molecule does not do well, your molecule could take a hit but what we are trying to do is that we are ensuring that in this particular business we do not over leverage our growth or our prospects on any one segment or any one customer or any one product. So we continue to keep the business very well diversified.
- Pritesh Chheda:** Thank you very much Sir.



Navin Fluorine International Limited
October 24, 2019

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Radhesh Welling for his closing comments.

Radhesh Welling: I would like to thank everyone for joining on 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. Have a Prosperous Diwali and may the joy and light of this beautiful holiday brighten your life. Happy Diwali and Prosperous New Year. Thank you very much. Bye! Bye!

Ketan Sablok: Thank you everybody and have a great Diwali. Thank you.

Moderator: Thank you. On behalf of Navin Fluorine International, that concludes this conference. Thank you for joining us. You may now disconnect your lines.