



“Navin Fluorine International Limited Q3 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to Navin Fluorine International Limited 9M-FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in 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 telephone. Please note this conference is being recorded. I now hand the conference over to Mr. Vishad Mafatlal, Executive Chairman of Navin Fluorine International Limited. Thank you and over to you Sir!

Vishad Mafatlal: Thank you. Good morning and a warm welcome to all the participants. It gives me a great pleasure today to welcome Mr. Radhesh Welling, our new Managing Director of the company. This is a beginning of mutually beneficial association for all of us. Times are very exciting at Navin and we are confident that under Mr Radhesh’s leadership and varied experience of industry over two decades we will grow and develop further. Now I will hand over to Mr. Welling to brief you about the company’s performance.

Radhesh R. Welling: Thank you very much. Good morning everyone. I am joined today by our CFO, Mr. Ketan Sablok and strategic growth advisors our investor relations advisors. I hope you got a chance to go through our financial results and presentation that is uploaded on the stock exchange as well as on our company website. I will start with key highlights for the quarter and for the nine months followed by business segment-wise updates, thereafter, Ketan will rundown the financial highlights for Q3 and nine months current FY2019. We are happy that we bounced back in this quarter with operating EBITDA growth of 4% and the margins expanded by 240 basis point to 23% for Q3 compared to the last quarter. We have taken price hikes with a few of our customers, which has helped us to improve our EBITDA margins compared to the last quarter and we are very optimistic of sustaining the same margin profile going forward.

Coming to nine months performance, all the businesses have reported good performance growth for the first nine months of this financial year compared to the same period last year except CRAMS. The CRAMS numbers, that you see excludes the Dahej operations. The performance of CRAMS division in this year especially in Q3 was negatively impacted due to shift of a few campaigns to next fiscal year. Overall, we reported strong growth on revenue front, our revenue for nine months increased by 17% on year-on-year basis to Rs.711 Crores compared to nine months FY2018.

Now coming to our operating performance, despite strong growth in the revenue, our operating performance for nine months was impacted due to significant increase in the raw material prices.

I will just give a quick update on each of the businesses specifically for Q3. On refrigerant gas, this particular quarter we saw weak demand in the domestic market, which is very typical in this time of the year. Exports have performed well both in terms of volume as well as by realization on the back of some supply constraints that some of our customers experienced. On inorganic fluorides, we saw demand from the domestic steel industry somewhat flatten in this quarter, but growth in the glass industry continues to remain robust. The increased cost of fluorspar and other raw materials has dented the margins as compared to last year. On the exports front, we have completed successful trial with customers in Korea and also some other new customers that we have developed in Japan.

On the speciality chemicals front, the segment has shown significant growth on the back of our efforts to increase domestic sales primarily driven by demand from the pharmaceutical segment. The export segment, which is mainly towards the agro chemicals industry also improved both in terms of volume as well as pricing and we took price increases across the product, across the markets in the specialty chemicals segment. In CRAMS, the business was impacted as I mentioned earlier due to push back of some campaigns of few of our customers to next financial year, which has actually shown slowdown in overall growth in this particular business unit. The capex in Dewas is progressing quite well and is as per the schedule. We are continuously working on building up the project pipeline for a new unit and capacity ramp up will be as per our expectations. Focus continues to be on deepening customer relationships and effective project management. We are very confident that we will return to growth in FY20 and beyond. Thank you. That is it from my end, now I would hand over to Ketan Sablok for financial highlights.

Ketan Sablok:

Good morning and thank you Radhesh. A warm welcome to all the participants. I will share the highlights of the financial performance followed by which we will be happy to respond to your queries. I will start with the revenue performance excluding the Dahej operations. The revenue for Q3 FY2019 grew by 6% to Rs.226 Crores as compared to Rs.212 Crores in Q3 FY2018. For nine months FY2019 excluding Dahej operations, revenue grew by 17% to Rs.711 Crores as compared to Rs.608 Crores in nine months FY2018. Now I will briefly share the business unit-wise revenue contribution and growth. For the refrigerant segment, the gas business revenue grew to Rs.57 Crores in Q3 FY2019 from Rs.53 Crores in Q3 FY2018 giving us an increase of almost 8%. For the nine months FY2019, revenue was at Rs.197 Crores compared to Rs.175 Crores in nine months last year giving us a year-on-year growth of almost 12%. The refrigerant segment contributed roughly 28% to the overall sales of which exports was roughly 45% in nine months FY2019.

Now coming to the inorganic business, the revenues grew to Rs.47 Crores in Q3 FY2019 from Rs.38 Crores in Q3 FY2018, an increase of 24%. Nine months FY2019 revenues were at Rs.146 Crores compared to Rs.104 Crores last year, an year-on-year growth of 40%. It contributed roughly 21% to the overall sales of which exports was roughly 10%. Coming to the speciality chemical business, this grew by more than 30% in Q3 FY2019 to Rs.73 Crores as compared to

Rs.56 Crores in Q3 FY2018. The growth for nine months was 41% to Rs.232 Crores as compared to Rs.165 Crores in FY2018. It contributed roughly 33% to the overall sales for this nine months of which exports was about 41%. The CRAMS business revenue excluding the Dahej operations for Q3 was at Rs.49 Crores compared to Rs.64 Crores during the previous year same quarter and it was at Rs.135 Crores for nine months FY2019 compared to Rs.163 Crores last year same period. CRAMS contributed roughly 19% to the overall sales and it was 100% export.

Now moving onto the operating EBITDA, for the Q3 FY2019, the operating EBITDA grew by 2% from Rs.51.5 Crores to Rs.52.4 Crores in Q3 FY2019 with a margin of 23.2%. For nine months, the operating EBITDA grew by 8% from Rs.153.8 Crores in FY2018 to Rs.165.9 Crores in FY2019 with a margin of 23.3%. On the operating PBT front, it grew by 2% from Rs.45.1 Crores in Q3 FY2018 to Rs.45.9 Crores in Q3 FY2019 on a margin of 20.3%. For the nine months, the growth has been about 9% from Rs.134.5 Crores in FY2018 to Rs.146.2 Crores in FY2019 with a margin of 20.6%. That is all from my side. We are now open to questions from your end. Thank you.

Moderator: Thank you very much Sir. 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 have our first question from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

S Padmanabhan: Thank you for taking my question. Sir on the CRAMS business on the press release you had mentioned about certain supply, this campaigns being shifted to the next year, can you talk a bit more on this business because for the last three quarters it has been like next year there is a possibility of a better numbers are available, but it seems to be a bit elusive in terms of what the performance has been and also can you talk about the new capacities which quarters they are expected to come and how do you see this traction happening in the CRAMS business in FY2020 and beyond?

Radhesh R. Welling: Yes. Thank you very much, so I will take the second question first in terms of the investment. We are currently on track to have the plant ready by end of Q1 of FY2020, so the mechanical completion of the plant will be done by end of June 2019 and we hope that immediately after that our trials will start and we will get full H2 for sales from our new unit. Now as far as the first question is concerned, if you look at our CRAMS business and if you look at all the leading indicators on the CRAMS we are doing extremely well. We remain positive on our CRAMS business, so in terms of customer acquisition, which is a very high lead time item we are doing well. We got further audited by two new customers in Q3 and both of the audits have been positive. The second one is in terms of our pipeline. We are working on building the pipeline, not only for our existing infrastructure, but also the new infrastructure that is coming in. As you know in this business, we work with global innovators within the Pharma space and most of the business that we have, consist of their phase 1, phase 2, phase 3 pre-commercial kind of

molecules. Now in some of these cases we do not have huge control in terms of when they decide to plan either their phase 2 rollout or a phase 3 rollout. We are engaged with all these customers and they tell us that this is definitely going to happen, you are a qualified partner for this particular phased role out, but for various reasons it could be either regulatory reason or some strategic reason within their organization, this postponement of the campaigns does happen. So there is very little control that we as an organization have on this, but overall if you look at it directionally we remain positive on our CRAMS business.

S Padmanabhan: Sir my second question is on the margins, this quarter you have seen a pretty sharp improvement on Q-on-Q basis in the gross margin, you talked about taking certain price hikes, is this is a normalized margin or do we see a runway of full benefit of the price hikes helping in the Q4 versus Q3 versus passing the Q3 or are we in the process of taking more price hikes as some of these contracts end, so I am trying to understand whether can we expect a further improvement in margins as we move to Q4?

Radhesh R. Welling: Yes, as far as the margins are concerned, our normalized margin expectation would remain between 22% to 24% that is overall for the business. We saw significant hardening of raw material prices this year and that trend continues, so though we have managed to take price increases we will have to continue to do that. Now specifically if you look at the margin expansion Q-on-Q basis we have actually divided our businesses into two segments, one is the legacy business and then high-value business, so a lot of these margin expansion is actually come from the high-value business where on the CRAMS though on the topline we will see a degrowth there has been a margin expansion, which means that just for the sake of growth we have not chased any low margin business. As a matter of fact on a Q on Q basis we have actually seen margin expansion in our CRAMS business. Also specialty business has seen a improvement in the margin and that gives us a lot of confidence because both these are clearly going to be sustainable going forward. While on the other side, on the legacy business both the refrigerant gases as well as inorganic, we have passed on price increases on case-to-case basis and we will continue to do that in Q4 because we continue to see the trend of increase in the raw materials.

S Padmanabhan: While you give some colour on Dahej contribution on the topline, how would the numbers look like on the EBITDA side, on the PAT side, if one is excluding the Dahej operation of the previous year?

Radhesh R. Welling: So if I understand your question correctly, you are asking to provide colour specifically on the Dahej operation right?

S Padmanabhan: Yes, more on the profitability side, just to understand how the core business has performed?

Radhesh R. Welling: Sure, if you look at our Dahej operation, the normalized EBITDA for that business would be similar to the normalized EBITDA margin of our overall business. Having said that you must have heard in the past quarters we talked about some production-related problems that we have had in the previous quarter because of which we were not able to push volume as per expectation.

Now some of these production-related problems are behind us. We have addressed the catalyst issue, we have loaded the new catalyst in this particular quarter and the catalyst is performing extremely well. We saw improvement in the performance in terms of overall topline, margins, etc., in Q3 because of this particular reason. The overall EBITDA margin of the Dahej operation would be in line with our overall EBITDA margin, which is 22% to 24%.

S Padmanabhan:

Sure Sir. Thanks a lot. I will join back in the queue.

Moderator:

Thank you Sir. We have next question from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella:

Good morning gentleman. Thank you so much for taking my questions. On the CRAMS business would it be fair to conclude that adjusted for these campaign shift, the existing facilities are now close to running at full capacity utilization in line with our guidance for reaching there by the end of this year roughly?

Radhesh R. Welling:

Good morning to you. This year our expectation was that we would be doing full capacity utilization of our existing infrastructure, but because of some of these movements currently our existing infrastructure is not fully utilized, which in the coming financial year we are quite confident that we will see the full utilization of the existing infrastructure.

Abhijit Akella:

Okay got it, that is helpful. Thank you and then on the specialty chemical and inorganic fluorides businesses on Q-on-Q basis sequentially there is a little bit of a decline in revenues in both these businesses, specialty chemicals, we started the year in Q1 with a very big growth, which we attributed to new order wins etc., and then since then in the next two quarters the revenues run rate on a quarterly basis has come down a little bit and this has happened despite the price increases we have taken, so the volume decline has been perhaps a little bit even more, so any specific reasons for that or is this just some quarterly kind of fluctuations and nothing that we read into it and what is your expectation for the growth outlook for both these businesses, looking ahead into FY2020.

Radhesh R. Welling:

Yes I think let me take your question regarding specialty first then we will go into the other business unit. On specialty, a significant part of our business comes from the sales into pharmaceutical industry and agrochemical industry and you might know that agrochemical industry actually follows campaigns, and typically in Q3, we did not see some of that agro business, as it is very cyclical and every year we see the same phenomena. But that is not something that we are worried about at all because that typically happens every year. At the same time if you look at our overall specialty because we have actually kind of compensated through sales to domestic pharmaceutical industry. If you compare the margin on Q-to-Q basis, this year, improvement on the margin both on absolute basis as well as in terms of percentage in the specialty business can be seen and we continue to remain positive. Overall we see very strong tailwinds in our specialty business. Now in terms of inorganic what we saw specifically in Q3 is that lot of our sales in the domestic market is to the stainless steel industry where we saw the

demand slightly flatten up, which is where the volume slightly went down, however, the other segments primarily the glass, continues to be very robust. To a certain degree we compensated that through increase in exports, the outlook of which remains extremely positive and going forward through our discussions with the customers in the stainless steel industry we expect that demand to start picking up in the quarters to come that is the indication we are getting from the customers.

Abhijit Akella:

Okay. Thank you that is really useful colour, thanks a lot, last question and I will get back in the queue for anymore. If you could just comment on the recent trends in raw material cost now, in the presentation you did mention that prices continue to harden. So if you would just talk a little bit about specifically fluorspar and then some of the other important raw materials, what trend we are seeing and what is your expectation is for the next couple of quarters down the line? Thank you so much

Ketan Sablok:

Abhijit on the raw material front if you see from quarter to quarter, as we have already said, the prices are hardening, so the trend seems to be continuing. The prices of our key raw materials like sulphur, fluorspar, chloroform are all on the uptrend and if you compare it with the pricing compared to the last year then the increases have been really very significant more than 40% to 45% increases in the major raw material prices. So, that trend seems to be continuing as of now, but we hope that going into the next year Q1 prices should get stabilized and then we will see how it actually pans out. Parallely we are working on passing on the price increases to the customers and part of this was quite evident in our performance in this quarter where we were able to pass on quite a bit of this price increase and we are continuing to work closely with customers. Some of the contracts we just closed out in December end will again be renegotiated at higher prices, so yes the price impact is being passed on, but the raw material price trend is still moving northwards.

Abhijit Akella:

Understood. Thank you so much and wish you all the best.

Moderator:

Thank you Sir. We have next question from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.

Karthikeyan VK:

Good morning gentleman.

Karthikeyan VK:

Just wanted your thoughts on the refrigerant gases business as we move into the next deadline which is January 1, 2020 for production cuts. How do you see the capacity is being observed and some thoughts on what is possible over there?

Ketan Sablok:

Karthikeyan just to update you, this year our production plan for R22, so we are fully utilized in terms of our capacities front both in the feedstock, non-feedstock and we are selling into domestic and export markets. Now going ahead in 2020, where we will be having the cut, we are planning now to start focusing a little more on the Pharma piece and to increase our business and the outgo to this industry. That is the focus that is going to be through this current year, so that

the production capacities, which will get phased out, we will try to maximize the sales on the Pharma front and make good the losses.

Radhesh R. Welling: So just to add to that, whatever loss we will see in terms of volume because of its cuts we intend to compensate both through supply into non-emissive, also we are working on a project to develop, to look at the downstream derivative opportunities of this R22 gas and actually focus on those ourselves rather than just supplying into non-emissive applications. We start developing non-emissive applications and the focus would be to continue to see full capacity utilization even beyond 2020.

Karthikeyan VK: You think you are reasonably advanced in terms of both these initiatives, downstream derivatives as well as non-emissive, I am asking because we have roughly a bit less than 12 months left, so?

Radhesh R. Welling: The second one yes, the first one not there yet, we have just started that initiative.

Karthikeyan VK: Interesting and those are readily available market opportunities I am sorry to be belaboring?

Radhesh R. Welling: Can you define what you mean by readily available?

Karthikeyan VK: What I meant is that there is available demand for these downstream derivatives?

Radhesh R. Welling: That is correct.

Karthikeyan VK: Right. Thanks very much and best wishes.

Moderator: Thank you Sir. We have next question from the line of Anant Bhavnani from Unifi Capital. Please go ahead.

Anant Bhavnani: Sir first of all on this CRAMS side of the business if you can help us understand is there any scope for us whereby we can reduce capacity for other customers in a scenario where one of the customer delays order and how much often does that happen and how is the overall dependability in terms of client, what kind of capacity are we dedicated to top five clients of our CRAMS revenue?

Radhesh R. Welling: I think there was some disturbance in the audio, but let me just ensure that I have understood the question correctly, so the first question, if orders that we were expecting do not come, would there be other opportunities to fulfill the capacity was the first question and the second question was around how do we improve the predictability / visibility of the business, have I got it correctly?

Anant Bhavnani: Yes, largely correct.

- Radhesh R. Welling:** We have two businesses, if you look at our specialty business and CRAMS business, they are very different business models, specialty is where we sell product, CRAMS is where we sell services. In specialty if I have product which I supply to three customers today and one customer does not give me the order I always have an opportunity to find the backup immediately and go to him and sell that particular product. Whereas on the CRAMS side that is not always possible, having said that now we have actually started looking at plan B, plan C etc., having learnt from this year's experience, we are trying to see how we can develop plan B, plan C while ensuring that we maintain the margin because we do not want a situation where we panic and get an order for an existing product where the margins are compromised and then business that we were earlier expecting actually comes through so that is a very tricky balance to be achieved, but we are currently working for FY2019-2020 the expectations that we have we are now in the process of developing plan B, plan C for that specifically to address what happened in this particular financial year.
- Anant Bhavnani:** Sir in terms of overall client concentration, how much of CRAMS would be coming from let us say top five clients, top 10 clients and what would be the total ballpark number of clients would we have in this particular segment?
- Radhesh R. Welling:** No I think it will be difficult for us to give numbers because what we do in CRAMS first of all we have confidentiality agreements with all our customers wherein we are not allowed to disclose any of these things so it will be difficult. Also because lot of these are kind of made to order project, as well as year-on-year the profile changes, so I think it is very difficult to answer that question.
- Anant Bhavnani:**
- Moderator:** Thank you very much Sir. We have next question from the line of Sanjesh Jain from ICICI Securities Limited. Please go ahead.
- Sanjesh Jain:** Thanks for the opportunity. First question on the revenue side, we have been mentioning that we have taken certain price hike across the category, the revenue growth has not come in if you look at quarter-on-quarter, and each of the quarter has shown decline so is it fair to assume that the volume offtake has been quite weak and it has been compressed in this quarter, any particular reason for it and is that December is quite a curtailed month?
- Ketan Sablok:** On the revenue side, if you see the quarter-on-quarter growth has not been there in fact we have degrown a little bit and the primary reason has been that one is the CRAMS shift, which has happened over this quarter plus for refrigerant business this is not the season for the business to grow. So even though we tried to push volumes into the export market, if you compare it with Q2, there is no significant growth in this sector. In inorganic fluoride business, the steel industry has been flat over this quarter and the offtake has not been as expected by us; however, we have seen it growing in Q4, the steel outlook seems to be better than the Q3 outlook. Specialty we have seen a slight drop in the revenues, but we have ensured that the product mix has been

planned in a manner which has helped us to bring in very high margin growth. So that is what has been the general trend during this quarter when you compare it with the Q2.

Sanjesh Jain: Just a followup on that, you say that there is no price elasticity, which is hurting the volume is that right way to look at?

Sanjesh Jain: Price increase has not dampened the volumes?

Ketan Sablok: No not at all.

Radhesh R. Welling: You are absolutely right, we have not lost any volumes because of the price increases that we did in the market.

Sanjesh Jain: That is fair to assume, it is more of seasonality and some one-off kind of thing as things are in control. Secondly on the cost side now that we are seeing lot of commodity prices are coming off while some of however raw material, which is a commodity again is still showing us strong growth particularly fluorspar, any reason there why is this divergence in fluorspar price hike?

Radhesh R. Welling: Yes fluorspar follows its own path, if you look at fluorspar price increase has happened primarily because lot of mines in China closed down last year that is in calendar year 2018 because of which China actually became net importer of fluorspar and typically what happens is suddenly a few mines, which were not earlier viable then start operating, which is what now we are seeing and we expect that in second half of next year onwards I am talking about calendar year that is second half 2019 onwards these new mines will be in operation, so lot of this increase in fluorspar is primarily supply related.

Sanjesh Jain: Okay but it is fair to assume that for us in terms of getting fluorspar is still not a problem?

Radhesh R. Welling: For us is not a problem because our supply chain is very well diversified, we have actually completely divorced our supply chain from China a few years back, so we are not really dependent on china and hence we do not really see an issue there.

Sanjesh Jain: That is helpful. One question on the specialty side, we have seen lot of technical prices for pharma and agrochemical has gone up, so on the specialty chemical do we see the pharmaceutical manufacturer starting to buy more domestic manufacturing even the long-term visibility and helping your specialty chemical that way?

Radhesh R. Welling: Absolutely. We are actually seeing very good demand from the domestic pharmaceutical industry and through our engagement with these customers we see that the growth is going to continue.

Sanjesh Jain: Specialty for us which will be more driven by pharma because we have not seen big capacity coming in on that particular business so how much headroom do you have from here to grow specialty chemical and what is your capex plan on the specialty side?

- Radhesh R. Welling:** As we have said earlier we actually did incremental capex of about Rs.10 Crores just this year, which was primarily for one agro customer and that will actually come into our topline as well as bottomline from the next financial year onwards and we continue to make smaller incremental capex to take care of some of these increases in demand that we are seeing from the local pharmaceutical customers, so there are lot of debottlenecking exercises that are currently going on in the factory. Having said that, we are looking to strengthen our pipeline for agro as well ,while today you see a lot of growth that is primarily driven by the domestic pharma industry we believe that directionally we will see significant growth in the near future not immediately the next quarter or quarter after that, to come from agro as well.
- Sanjesh Jain:** Capex plan for specialty you have not mentioned anything?
- Radhesh R. Welling:** Yes so the capex plan in the specialty as I mentioned currently we just had incremental capex plan, one of which we already had announced a few quarters back of Rs.10 Crores, which is for agro and there are few very small capexes which continue to happen on an existing plant just for debottlenecking. As far as the major capex, we are currently evaluating that and we will announce as and when we are ready as we have mentioned earlier, our focus will be on growth, at the same time the growth has to be profitable and sustainable.
- Sanjesh Jain:** That is helpful. Just last question, what has been the capex for the nine months?
- Ketan Sablok:** The general capexes and the maintenance and EHS capex is which we have done for nine months is about Rs.40-odd Crores so that is the general kind of ballpark number, which we spend on an annualized basis for all our EHS and maintenance capexes.
- Sanjesh Jain:** And growth capex so Rs.40 Crores is maintenance and what was the growth for nine months?
- Ketan Sablok:** Growth capex, which is going on, is that specialty capex, which Radhesh just spoke about and parallelly the CRAMS capex, which is going on.
- Sanjesh Jain:** That is it from my side. Thank you and good day.
- Moderator:** Thank you. We have next question from the line of Ranjit Cirumalla from Batlivala & Karani Securities India Private Limited. Please go ahead.
- Ranjit Cirumalla:** Thanks for the opportunity. Question is on the CRAMS business. Firstly just need clarification we have mentioned in the presentation that campaign have shifted to next year so just wanted to clarify is that calendar year or the financial year?
- Radhesh R. Welling:** I am talking about financial year so some of these campaigns were actually meant for customer roll out in 2019 that is calendar year 2019 and their campaigns are moving to the next calendar year, which is 2020 by which it means that we will have to make supply than the intermediate in our financial year 2019-2020.

- Ranjit Cirumalla:** That means another quarter of Q4 FY2019 would be kind of subdued for us Sir?
- Radhesh R. Welling:** That is correct especially from the CRAMS side.
- Ranjit Cirumalla:** Even on the CRAMS side if you see despite shifting of the campaigns we were able to still do Rs.49 Crores out of revenues in the CRAMS and when you compare it that with the sequentially it has been more or less flat, assume that base year Rs.64 Crores of the CRAMS business would have been some additional campaign would have run so to that extent the base would have been a bit higher, would it be fair to assume that despite these things the average quarterly runrate for the CRAMS business would be around Rs.50 Crores?
- Ketan Sablok:** Our aim is to keep it to that but with this shift happening in this quarter, probably this year will be slightly lower than that.
- Ranjit Cirumalla:** Second thing, we have mentioned that we have got two more clients audits done at Dewas facility, it would be helpful if you can give us the total client audits that have been done till date at the Dewas site?
- Radhesh R. Welling:** No, this is ongoing process. We are in touch with lot of customers, lot of new customers we are trying to acquire. As I mentioned earlier, this is typically very long lead time activity wherein you have to meet with the customers few times to actually earn their trust to even come down for the audit so this is an ongoing thing, I do not think we will be able to give much more color than what has already been provided.
- Ranjit Cirumalla:** My question was not on the incremental client audit, this was like as on date if you can provide or ballpark number on the number of clients that has been done on these?
- Ketan Sablok:** I do not have the specific number right now with me, but there have been multiple such audits from number of new customers that you are looking to acquire both from US as well as Europe.
- Ranjit Cirumalla:** Finally on the Piramal JV front. I heard you mentioning that the margin on profitability on the JV front would be similar to the company level and I was understand that it was probably bit lower than the company level since we have already hit around 20% EBITDA at the company level so as there has been any product mix change that particular JV level?
- Ketan Sablok:** No, it was low because of the issues that we had. The operational issues that we had in the first half of the year. Now that these operational issues have been addressed, the margin is at the overall company level. So our margins have actually improved in Q3 and on our normalised base, , it would track the overall company EBITDA margin.
- Ranjit Cirumalla:** Thank you Sir. That is all from my side.

- Moderator:** Thank you. We have the next question from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.
- Dheeresh Pathak:** Thank you. What is our emissive quota on R22?
- Ketan Sablok:** It is about 8400 tonnes this year.
- Dheeresh Pathak:** This is after 10% cut that happened in calendar 2015 right?
- Ketan Sablok:** That is right.
- Dheeresh Pathak:** Okay so on this we will another 25% cut?
- Ketan Sablok:** That is right.
- Dheeresh Pathak:** Is it 20% or 25% what is it cut that comes in 2020?
- Ketan Sablok:** 25%.
- Dheeresh Pathak:** 25% okay and non-emissive how much are we selling?
- Ketan Sablok:** It is about 10% to 12% off this number.
- Dheeresh Pathak:** Okay and what was the price increase that happens in the last calendar 2015 when the cut happened 15% whatever, there was some price increase right that happens because of the cut?
- Ketan Sablok:** The cut has not led to any price increase. Generally the prices of gas have gone up compared to the last year, so is that nothing to do actually with the cut.
- Dheeresh Pathak:** When this cut happened 25% across all players, do you expect price increase on the emissive side or no?
- Radhesh R. Welling:** Price increase actually is driven by lot of other factors. It is not only driven by these cuts.
- Dheeresh Pathak:** On a sequel a cut is 25% of the total capacity globally should lead to some sort of price increase right?
- Radhesh R. Welling:** It would, some price increase, but it is not primarily driven by that factor, there are a lot of factors that go into it.
- Dheeresh Pathak:** Thank you. That is all.
- Moderator:** Thank you. We have next question from the line of Amar Mourya from Emkay Global. Please go ahead.

- Amar Mourya:** Thanks a lot for the opportunity Sir. Sir firstly on just this cut in the non-emissive side of the business is going to commence CY2020 right or financial year 2020?
- Ketan Sablok:** Calendar year.
- Amar Mourya:** Calendar year 2020 okay and secondly Sir about the downstream derivatives, which we are planning in our R22, do we need to do some capex and if you can share some number that what is the kind of capex we have to do?
- Radhesh R. Welling:** As I mentioned earlier, we are in the early stage as far as the identifying and developing those opportunities. Once we are ready with the numbers we would be happy to present those to you.
- Amar Mourya:** Secondly Sir in specialty chemical business kind of growth, which we had seen both in the domestic as well as in the international market, what would be the ballpark breakup between the volume and pricing into this?
- Radhesh R. Welling:** It is equal between volume and price.
- Amar Mourya:** Sir going forward I mean do we see some improvement given that the China issues are there for the fluorspar so am assuming that will also lead to some benefit for our export business of agrochemical side of specialty so do we see the volume growth in financial year 2020 for specialty chemical?
- Radhesh R. Welling:** We will see volume driven growth in our specialty business in financial year 2019-2020? The answer is definitely yes. Is that driven by China? China is one of the factors, there are number of other factors that are driving this growth.
- Amar Mourya:** Okay what are the other factors other than this?
- Radhesh R. Welling:** We have identified a few global agrochemical companies that we are working very closely with, we have identified opportunities to work with these guys and these are project that we are currently working on and those projects will then get converted into this volume opportunities. These are primarily customer specific engagements that we have entered into.
- Amar Mourya:** Okay but then this is the commercial project, I am saying new opportunities which we are targeting is largely for the commercial products of the agrochemical right?
- Ketan Sablok:** That is correct.
- Amar Mourya:** So the volume would be high once the success has come?
- Radhesh R. Welling:** As you rightly said because you are talking about commercial products, we might not be the sole supplier, but yes the volumes will be significant so the key for us is to select the products where

the overall profitability will continue to be similar versus the expectations that we have for the company.

Amar Mourya: Perfect Sir. Thank you.

Moderator: Thank you ladies and gentlemen due to time constraints kindly restrict your questions to one per participants. We have next questions is from the line of Mehul Seth from PhillipCapital India. Please go ahead.

Surya: Sir in the opening remarks, you have mentioned that margin expansion large part of it is coming from the specialty business and the CRAMS and what we believe that large part of this business is customized so how come this margin expansion is coming whether it is disproportionate rise in the prices that you have taken considering kind of raw material rise or any other benefit is supporting for the margin expansion?

Radhesh R. Welling: I think the reasons are different for CRAMS and different for specialty. In CRAMS as I mentioned year-to-year the projects change so if you look at the margin expansion that you have seen in this quarter and this year it is primarily because of the project selection and also we have got more experienced in the CRAM business or ability to manage the project well has also improved significantly, which has also contributed to some of this margin expansion. As far as specialty is concerned, lot of our current specialty business is not customized product for select customers so there we have basket about 25 to 30 products, which we sell globally to various customers so we have been successful in effecting price increases.

Surya: Okay but there is disproportionate rise in the product prices then the compared to that of raw material is that correct Sir?

Ketan Sablok: Overall at a BU level if you look, answer is yes, but product by product if you look at it you might see that it is not significantly disproportionate because lot of that increase is also driven by the mix so there are specific opportunities that we are supplying for the Indian pharma industry where the volumes were relatively low earlier, the volumes have gone up in those specific products and those were high margin product.

Surya: Okay and relating to the CRAMS Sir, what you commented whether you have any liberty to change the product or campaign why because it would be decided whether partner only, we would be having less control over that whether to choose any specific product or campaign.

Radhesh R. Welling: Your understanding is correct.

Surya: Okay still we could manage to get better products?

Ketan Sablok: Yes that is primarily driven by some of the activity that we are currently undertaken in the market in terms of new customer acquisition building pipeline etc.

- Surya:** Thank you Sir. Thanks a lot.
- Moderator:** Thank you. We have next question from the line of Nav Bharadwaj from Anand Rathi Share and Stock Brokers Limited. Please go ahead.
- Nav Bharadwaj:** Thank you. I have just one question on the other income, could you throw some light on breakup or adjusted other income that you have shared with us?
- Ketan Sablok:** The other income breakup number is already there in the presentation.
- Nav Bharadwaj:** The adjusted part and how will be the rental income going forward if you could throw some light on that?
- Ketan Sablok:** This quarter we had about Rs.10.4 Crores of other income so out of that, one offs were sale of shares of MIL and NOCIL which were part of our portfolio so that is what came in from there, seven was already MTM which again a mix of our investments as well as the equities of MIL and NOCIL. The balance 2.5 was primarily the rental part which came in this quarter.
- Nav Bharadwaj:** It was specifically for the adjusted other income going forward do we see this going down as well versus 3.8 from 2.5?
- Ketan Sablok:** We should average at about Rs.3 per quarter.
- Nav Bharadwaj:** 3 per quarter okay thank you so much.
- Moderator:** Thank you. We have next question from the line of Sagar Arya from White Oak Capital. Please go ahead.
- Sagar Arya:** Could you give us from your perspective what are the medium and long-term targets for the business and additionally if there are any low hanging fruits right now, which might need immediate attention, just if you could give the flavor on that please?
- Ketan Sablok:** I think we will be able to give you better perspective post our Annual Board meeting. And when we have the annual presentation, we would be happy to give you some more color on the future outlook. Having said that, as I mentioned earlier on both CRAMS business as well as on the specialty business directionally, we are extremely positive. On the refrigerant gas business and on the inorganic business, we will probably see some kind of incremental growth, but on the other two businesses, we are extremely optimistic.
- Moderator:** Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to the management for closing comments. Over to you gentlemen!



Navin Fluorine International Limited
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Radhesh R. 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 to get in touch with SGA, our Investor Relation Advisors. Thank you very much for your time.

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