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August 1, 2022

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Scrip Code: 532504

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai 400051
Symbol: NAVINFLUOR EQ

Dear Sir / Madam,

Sub.: Transcript of Earnings Call of Q1 FY 2022-23

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Company's Earnings Call held on July 25, 2022 regarding discussion on operational and financial performance for the quarter ended June 30, 2022 (Q1 of FY 2022-23) is enclosed.

This intimation is also being made available on the Company's website at www.nfil.in.

Request you to take this intimation on record.

Thanking You,

Yours faithfully,
For **NAVIN FLUORINE INTERNATIONAL LIMITED**

Akshika

Akshika Thakkar
Manager - Secretarial and Legal

Encl.: a/a

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"Navin Fluorine International Limited Q1 FY-23 Earnings Conference Call"

July 25, 2022

MANAGEMENT:	**MR. RADHESH WELLING - MANAGING DIRECTOR - NAVIN FLUORINE INTERNATIONAL LIMITED** **MR. B. K. BANSAL – CHIEF FINANCIAL OFFICER - NAVIN FLUORINE INTERNATIONAL LIMITED**
MODERATOR:	**MS. RASIKA SAWANT – ORIENT CAPITAL, INVESTOR RELATIONS PARTNER**

Moderator: Ladies and gentlemen, good day, and welcome to the Navin Fluorine International Limited Q1 FY23 Earnings Conference Call.

As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the opening remarks concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note this conference is being recorded.

I would now like to hand the conference over to Ms. Rasika Sawant from Orient Capital, Investor Relations Partner. Thank you, and over to you, Ma'am.

Rasika Sawant: Thank you, and welcome to the Q1 FY23 Earning Conference Call. Today, on this call, we have Mr. Radhesh Welling – Managing Director of Navin Fluorine International Limited along with Senior Management Team.

This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page number two of the Annual Report of the Company which has been uploaded on the stock exchange and Company's website as well.

With this, I now hand over the call to Mr. Radhesh Welling for his opening remark. Over to you, sir.

Radhesh Welling: Hello everyone. Good morning to you, and I hope you all and your families are doing well. Warm welcome to all the participants. I am joined by Mr. B. K. Bansal – the Chief Financial of Navin Fluorine and Orient Capital, our Investor Relations Partner. I hope you all got an opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchange as well as Company's website.

Before I move on to discuss the quarterly performance, let me take you through some of the key highlights and developments in the Company.

At Navin Fluorine, one of our overarching responsibilities is execution excellence and comprises the ability to commission new capacities with plants and projects towards desired outcomes. I am happy to report that we inaugurated manufacturing plant for Honeywell International at Dahej on **12th July**. Trial supplies have already started and commercial supplies will come in soon.

As you all know, we received Board approval for this project on February 25th, 2020, and the entire country went into lockdown from March 2020 onwards. Also, this was a complete greenfield project where we had to first get the land ready and then start working on specific manufacturing plants. We have managed to successfully complete this large and complex project through three tough phases of COVID-19 pandemic.

Setting land in around two years is demonstration of our strong technical capabilities and our commitment to growing our partnership with Honeywell. The next generation product out of this facility has a very low global warming potential (GWP) and no ozone depletion potential, thereby helping customers lower their carbon footprint and improve energy efficiency without sacrificing end product performance.

From this financial year, we have redefined our business units and implemented a new organizational structure with very clear three BUs each headed by operating CEO with full P&L responsibilities. The three business units would be High Performance Product, CDMO, that is Contract Development and Manufacturing Organization, and Specialty Chemicals. High Performance Products business would include erstwhile inorganic fluoride, refrigerant gas and high-performance products.

I am also very pleased to inform you all that we have appointed Mr. Partha Roychowdhury as CEO of our HPP business. As some of you might know, Partha worked with Navin from 1995 to 2016 and was the CFO in his last role. He understands the Company and business very well, and I am very happy he is back at Navin Fluorine.

Let me now take you through the operating performance for Q1 FY23, and then Mr. Bansal will update you on the financial performance:

Operating revenue stood at Rs. 386.8 crore, a growth of 23% on Y-on-Y basis. We recorded highest ever quarterly sales in Specialty Chemicals of Rs. 176 crore.

Operating EBITDA stood at 29.9 crores, growth of 28% on Y-on-Y basis. Despite several headwinds, we managed to achieve operating EBITDA margin of around 26%. Operating PBT stood at 88.1 crore with a growth of 32% on Y-on-Y basis.

Now moving on to discuss the operating performance of each business unit:

Our Specialty Chemicals business continues to deliver strong performance driven by strong partnerships. We achieved record quarterly revenue in this business unit in the last quarter and reported revenue growth of 32% on Y-on-Y basis at Rs. 176 crore for Q1 FY23. The growth of this business is driven and will continue to be driven by significant improvement in the new business pipeline. The segment has very strong pipeline of growth in line with our 3Ps principle: product, platform and partnerships. The revenue contribution from international business is about 48% and 52% is from our domestic operations.

Our HPP business grew by 33% in Q1 FY23 to Rs.152 crores compared to same period last year. From this quarter onwards, we have merged our erstwhile Inorganic Fluorides and Refrigerant Gas business and the new HPP business into new High Performance Product business vertical.

The growth in this unit for this quarter was driven by higher volumes as well as strong pricing in Inorganic as well as Refrigerant Gases business.

We are working on identifying new opportunities in our Inorganic as well as in the Industrial Gases portfolio. Revenue from the new upgraded graded plant for Honeywell will start from Q2 FY23. The international business contributed about 22%, whereas balance 78% is from our domestic operations.

Board has approved debottlenecking of Rs. 80 crores for a new molecule in this business unit at Surat. Manufacturing of this product will start from July 2023.

Our CDMO reported revenue of Rs. 59 crore in Q1 FY23. As we have already highlighted in the past, it's unfortunately difficult to assess performance of this business on a quarter-on-quarter basis. Our focus in this business continues to be on expansion of new project pipeline and further diversifying customer base. In this regards, we successfully completed an important plant audit for one of our large US-based companies and have already received first order from them. Work on the cGMP3 plant capacity expansion is scheduled to be finished on schedule in Q3 FY23, and we are working on preparing business case for cGMP4.

Now let me give you a quick update on our ongoing CAPEX programs, which we have announced in the last many months.

All our projects in Dahej, that's MPP, the one for dedicated plant for agrochemical customer, and one for the important building block are progressing well. Our plan is to commission MPP in stages from Q2 onwards, the dedicated agrochemical facility by December 2022 and the final project by December 2023.

We have also undertaken a large infrastructure upgradation project in Surat wherein we are investing in our R&D and pilot plants. All these investments are clear demonstration of the confidence Board has in the operating team and also of the operating team in the sustainable and profitable growth prospects for Navin Fluorine.

I will now hand over the line to Mr. Bansal to give you brief on the financial performance of the Company. Thank you.

B. K. Bansal: Thank you, Mr. Radhesh, and very good morning to all the participants. I will share the highlights of our performance in Q1 FY23, following which we will be happy to take questions from you all.

On the performance of Q1 FY23, as Mr. Radhesh has said that Company has reported net revenue from operations of Rs. 386.80 crore as against Rs. 313.9 crore in the same quarter of previous year showing a growth of 23%. Our EBITDA margin is Rs. 99.9 crore in Q1 as against 78 crore in Q1 FY22, a jump of 28%. It reaffirms our pricing power. Despite increasing input cost, we have been able to outperform on the margin front. Despite several headwinds, we achieved an operating EBITDA margin of 25.8% as against 24.8% in the same period last year, an increase of 100 basis points.

Operating PBT increased by 32% to Rs. 88.1 crore for Q1 FY23 as against 66.7 crore in Q1 '22. Profit after tax stood at Rs. 79 crore for Q1 FY23 and the PAT margin stood at 20.4%.

Moving to BU wise performance for this quarter:

In Specialty Chemicals, we registered a growth of 32% to Rs. 17 crore as against Rs. 133 crores in Q1 FY22. In HPP business, we registered a growth of 33% to Rs. 152 crore as against Rs. 114 crore in Q1 FY22. In CDMO business, we reported revenue of Rs. 59 crore as against Rs. 67 crore in Q1 FY22.

So, that's all from my side. Now I open the floor for question and answer. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. [Operator instructions] We have the first question from the line of Nirav Jimudia with Anvil Research. Please go ahead.

Nirav Jimudia: Good morning to the entire team and congratulations on excellent number, Sir. I have two questions. So, I was just going through your Annual Report where you have mentioned some of the advantages of the R&D, like one off was you have developed some 10 new products which will be commercialized in FY23.

The second was with respect to the challenges, with respect to one product where the capacity was 10 tons per month, but we were facing initially in terms of utilizing those full capacities and through process and engineering, we could ramp up those capacities to 10 tons per month which we have mentioned in your Annual Report.

One more benefit which you have mentioned in the Annual Report is the revenue derived from the new products in CRAMS which have been developed over the last few years and the contribution has reached to now almost 50%.

So, if you can just elaborate in terms of which are the products which we have developed or which segments this product qualifies for, and what could be the size of the opportunity for these products what we have developed? So, this is question number one, Sir.

Radhesh Welling: Thank you very much for the question. So, I will not be able for confidentiality reasons to give you the exact names of the molecules, but these molecules primarily, and these are across the three business verticals, in specialty, they are primarily in agrochemicals. CDMO, of course, they're all in pharmaceuticals, and these are primarily for innovative drug companies. For the first category, which is for specialty agrochemicals, it is primarily happening out of our R&D facility in Surat, which is where we have now invested in the significant upgradation in the facility. The CDMO piece is actually out of Dewas which is targeted towards the innovative pharma companies and there is limited work that is actually happening on the HPP side. So, there are two molecules that we are working on, one of which the work is already over and the second one is continuing.

Nirav Jimudia: But Sir, can you just give us some glimpses about the opportunity size of these products given we have already went quite ahead in terms of now the commercialization of this product? So, do you can give some understanding about what can be the opportunity size? Some rough understanding of the same would also help, Sir.

Radhesh Welling: Typically, we don't like to talk about the opportunity size on a product basis unless it's a large building block. Then, obviously, because the building block then typically goes into multiple products etc., one of which we have actually invested in setting up a plant which is going to get commercialized. Individually, we don't typically like to talk about for the obvious reasons.

Nirav Jimudia: And Sir, like what you have mentioned that we have been investing significantly in the R&D probably, the Annual Report talks about initially we are putting up 40 crores in that R&D block. And even if we see on a yearly basis, we are investing now more than 10 to 15% of our profits into R&D which is visible in the disclosures you have made. So, just wanted to understand like given the new players also are entering the fluorination space, what could be the challenges for us in terms of upping our R&D capabilities with respect to the new recruitments probably our competitors would have been doing or in order for us also, because now we have been investing significantly. So, what challenges we could face in terms of recruiting and retaining those top-level employees at Navin?

Radhesh Welling: So, if you actually look at specifically related to this particular space, which is fluorination, our focus has been to continuously upgrade our capability fluorination, so wherein we actually started from simple helix-based chemistry. Then thereafter we went to HF-based chemistry. Now if you look at the chemistries that we typically handle, within fluorination or in the adjacent spaces, these are extremely complex chemistries.

So, we believe that as you rightly said, in the next few years, our assumption, our internal assumption is that some of these new players will be able to handle the helix or HF chemistries as well as some of the incumbents today. So, it's very critical for us to ensure that whatever that gap exists today, the capability level between us and some of these new players continues to remain. And hence, we are continuously focusing on upgrading our capabilities.

Now when I talk about capabilities, these are chemistry-based capabilities. These are engineering-based capabilities, and then there are infrastructure related capabilities and talent related capabilities. As far as the talent retention is concerned, on the chemistry side, our ability to retain talent across the site is relatively higher, and that's primarily because of the kind of opportunities that we present to some of these people to work on.

The issue that we typically face is on the engineering side where we believe that there could be fun and hence what we've done is we've actually just recently ran internally it is called a STAR program, Special Talent Recognition program, where we identified high potential as well as typical roles and worked on specific programs around that and this is actually across the Company, not only limited to chemistry and engineering. That's basically towards ensuring that the talent remains with the Company for the foreseeable future.

Moderator: Thank you. We have next question from the line of Sanjesh Jain with ICICI Securities. Please go ahead.

Sanjesh Jain: Good morning, Radhesh and Bansalji. First of all, congratulations on starting the first large project HPP. On the HPP side, I just wanted to understand how has been your initial days experience on running the plant and more so on the raw material sourcing now that we have started, which are the key raw material in this product and where are we sourcing for these products? That's my first question.

Second, on the HPP side, it looks like there is a slight underperformance in the erstwhile Inorganic Fluoride because Ref Gas is a seasonally strong quarter and R22 prices have gone up. Is that industry dynamic weakness hurting us also in organic fluoride? And the related question to that is that the margin expansion we have seen this quarter, quarter-on-quarter, can it be attributed to the stronger sale of domestic Ref Gas which we have earlier quoted as one of the reasons for why our margins were weak when this fell? So, these are my initial questions. Thank you.

Radhesh Welling: Yes, I think you have asked about three, four questions. Let me try and take each of them. If I miss answering it, just let me know. Then I can, you know, again come back. As far as the HPP plant is concerned, our initial experience has been extremely heartening. I think as I had indicated earlier, we have actually two main plants.

So, the first plant actually manufactures the intermediate, then goes as an input to the second plant. The first plant is a little tricky and our technology supplier had indicated to us it could actually take us anywhere between three to six months to stabilize that plant. Our team has actually managed to stabilize that plant in less than four weeks. We've already started supplying the trial quantities from the second plant. So, I think our initial experience has been extremely heartening. What our technology supplier expected us to do in three to six months, the team has really achieved in the record time.

As far as the raw materials is concerned, one of the important raw materials is HF, which is currently been supplied by Surat to HPP. We have also currently working on the possibility of setting up a new large HF facility in Dahej itself, but currently it has been supplied by Surat. There are some other raw materials, all of which have been locked into long-term agreements, which actually mirror our long-term agreement with the customer.

On the performance between inorganic and Ref Gas, this particular quarter, we've actually seen a pretty strong performance on both inorganic as well as refrigerants and on both the sides, on both the parts, it's been both because of both through volume as well as pricing actions. I would say on the Refrigerant Gas, it has been more on the volume than on pricing. In inorganic, it has been more on the pricing than on the volume. But even on inorganic, we have seen pretty strong growth and a significant part of that is because of the volume. Have I answered all your questions or is there anything that is left?

Sanjesh Jain: No, I was more looking from the sequential perspective, Radhesh on this last one.

Radhesh Welling: On the sequential, if you see our business, you cannot look at it from the sequential perspective because a lot of it is very seasonal. Even in the inorganic business, within that, there is a lot of seasonality because as you know our molecules actually go into agrochemicals etc., even on the inorganic side. So, we've always maintained that the right way of looking at our business is on a year-on-year basis.

Sanjesh Jain: And the reason for the margin expansion sequentially, is this more of domestic Ref Gases? Is that the right understanding?

Radhesh Welling: So, on the Ref Gas, our volume has actually grown across the three segments, which is domestic MSM, domestic non-MSM as well as international and we have seen margin improvement in each of those three areas as well as on the inorganic and specialty. Specialty, it is primarily the product mix, this one, and again on the inorganic, some of the higher margin molecules has actually seen a volume growth.

Sanjesh Jain: Thank you for patiently answering all my questions and best of luck for the months ahead.

Moderator: Thank you. We have next question from the line of Chintan Modi with Haitong Securities. Please go ahead.

Chintan Modi: Thank you for the opportunity. So, my first question is with respect to the pharma CDMO business where we have seen some degrowth this quarter. Would you kind of value this to issues in Europe that we are seeing? And do you maintain your guidance of about 30% growth this year?

Radhesh Welling: No, so, first of all, I don't think I have given a 30% growth guidance. We typically don't give any guidance as such. The issue that we see and as you might recollect, I had already indicated that for this particular year, our H1 might look softer. H2 is looking pretty strong because we are actually seeing pretty strong business pipeline for calendar year '23. So, to your first question, is this softness because of some of the issues that we are seeing in Europe? The answer is no. And on an annualized basis or even directionally, do we believe that we'll continue to see strong growth in the CDMO business? The answer is yes. And that is also demonstrated in the fact that we've already started working on cGMP4 and we should soon be actually taking that particular business case for approval and that confidence is basically coming because of the strong business pipeline, opportunity pipeline on the CDMO side.

Chintan Modi: So, I was just my mistake that 30% guidance. I think I was referring to the Annual Report where you have mentioned about 25% growth. So, yes, but I got your answer.

Secondly, coming again from annual report, you have mentioned about the Fluoropyridine platform under the specialty chemical section. So, two things here. If you could talk a little bit more about this because you are expecting to launch a new product by 2023? And is this the same CAPEX that we are doing like 540 crores which we announced recently, the last CAPEX?

Radhesh Welling: As I had mentioned before there are multiple platforms that we are currently working on and already some of those have got converted into CAPEXes. Some of them are still in the pipeline and being converted into CAPEXes as we speak. This particular one that you talked about Fluoropyridine, again there are multiple platforms in that. There are actually three specific platforms under Fluoropyridines, one of which has been converted into CAPEX. There are two more that we are currently working on. Working on as in those are the two where the R&D work is almost done. The pilot currently happening and then those will get converted into CAPEXes.

Chintan Modi: But this 540 crore CAPEX has nothing to do with this. That's different.

Radhesh Welling: I will not be able to comment on that because then that will basically mean that I'm correlating the specific product. For competitive reasons, it will be difficult for me to comment on that.

Moderator: Thank you. We have next question from the line of Naushad Chaudhary with Aditya Birla. Please go ahead.

Naushad Chaudhary: Thanks for the opportunity. Just some clarifications, sir. Firstly, what was the rationale behind redefining your Inorganic and Ref Gas as an HPP segment? Because if I remember, we used to indicate that HPP will report separately. That's one. And secondly, in terms of your HPP initial teething issues, so has that risk from the plant resolved now? And if there was any teething issue, can you quantify it, how much it was?

Radhesh Welling: So, I'll let your second question first. I think, I already spoke about that in my earlier commentary. I wouldn't really say that there were any big issues. As I mentioned, our technology supplier had actually talked about three to six months to actually get that plant stabilized and start getting the molecule and our team has actually been able to do that in less than that. So, we're really not seeing any significant teething problems. There are some usual typical issues which are there, but those are not really of material significance.

On the second part, the rational for combined, as you know that earlier about four years back, our primary focus was on CDMO and we were really focusing on growing the CDMO piece, which was then called CRAMS whereas we didn't really have very strong growth plan in some of the other businesses and I've maintained that each of our business verticals has very strong growth prospect and very soon, one by one, they will all start finalizing their growth strategies and they'll be on their individual growth trial.

Now what we have tried to do is that for each of these, that is Inorganic, Ref Gas as well as on HPP, we have actually developed a very clear growth strategy. We have a plan on refrigerant side. We have a clear plan on HPP, and on inorganic it is still a little work in progress, but we are very confident that each of these three will actually have its own growth trajectory. But again there's a lot of synergy between these three businesses. For example, the product which is produced by one is a raw material for another etc. So, we felt that if you actually combine this because, otherwise, it will be misleading the external stakeholders. So, we combine that, these three business verticals and they look at in combination what the growth in the vertical is.

And the third reason is that some of these businesses are almost like single molecule or limited molecule businesses. So, when we actually declare the results of some of these businesses separately, it's very easy for the competition to really understand what the revenue is of that one specific molecule or those limited number of molecules. And for confidentiality reasons, we didn't want all of that to be so transparent. So, that is the reason. These are the three reasons we decided that we will actually combine these three businesses into one business vertical, which will be called High Performance Product going forward and we will see each of these three.

Also, we decided to rename the CRAMS business into CDMO business because that truly reflects what we do. We are not really into CRAMS business, but we are more into CDMO business.

Naushad Chaudhary: Understood. Makes sense. And lastly, in terms of your HPP plant of full utilization as we had indicated earlier also and the plant has now started. So, do we remain confident that within one or two quarter, next one or two quarter we should reach to full utilization of this plant?

Radhesh Welling: So, if you see my commentary when we got the Board approval and I'd presented this particular, I'd responded to this particular point, I had mentioned that from year two onwards, we expect the plant to start operating into the full capacity. There will be a ramp up in year one, but year two onwards, we expect that the plant would more or less running to almost the full capacity. We expect that from Q4 onwards itself, so that is the first quarter of the calendar year '23, we should start seeing relatively full capacity, if not 100%, close to full capacity.

Moderator: Thank you. We have next question from the line of Vivek Rajamani with Morgan Stanley. Please go ahead.

Vivek Rajamani: Hi, Sir. Congratulations on a very good set of numbers. Two questions from my end. So, if you could just share some qualitative information in terms of how your plans have run this quarter and how you see this evolving over the next few quarters? And I guess the second question would be from a management perspective, is there any one or two particular issues that you are currently focused on, which you think would be critical over the next three, four months? That will be really helpful as well. Thank you.

Radhesh Welling: So, now commentary around the plants you are asking?

Vivek Rajamani: The plant runs. Correct, Sir. Utilization or just optimally if you just give some qualitative comments, that'll be really helpful.

Radhesh Welling: Sure. So, I think HPP, the erstwhile HPP, I think I have already spoken about. The plant in Surat of HPP is running to almost full capacity. Refrigerant Gas plant, of course, is there is a capacity headroom and we are working on some options there. In specialty, in most of the queues we are running almost to full capacity or close to full capacity.

As you know in specialty we have, some of them are dedicated blocks, like the ones for the or there are multi-purpose plants there. So, multi-purpose plants are running to almost full capacity. Of course, product by product it could, you know, depending on the product that we're in the specific, it could vary slightly. But specialty we are actually running to almost optimum capacity because of which the need for lot of these new projects in Dahej, as you know we have already announced three, for specialty in Dahej. This is primarily trying to address that capacity utilization issue on the specialty.

On inorganic, we have some capacity headroom available in some of our smaller molecules like NaF, etc. But on the larger molecules like HF etc., we are running the plant to actually more than full capacity. On the CDMO side, in Q1, we had the capacity headroom available, but we expect that from August onwards, the plant will again start operating to almost optimum capacity.

Vivek Rajamani: Thank you, sir. Very, very useful. And sir, any comments on how you see this shaping up over the next two, three quarters?

Radhesh Welling: Are you talking about specifically plant capacity?

Vivek Rajamani: If you just focus on the specialty segment, that'll be great as well.

Radhesh Welling: So, I think the other question that you had asked was a priority for the next three to four months. I missed answering. You know, I think there are clearly two, three priorities of one, which is the ongoing, this one, priority, which is around talent management.

The second priority would be to ensure these plants which are started or which will be starting in Dahej to ensure a smooth operation of these three plants, so HPP and there are two plants that commissioned in the next few months so to ensure that that happens.

And the third important point would be given that we will be manufacturing lot of these molecules for the first time, we have to lock the raw materials for all of them. So, what we are currently working on as an organization is to lock all these critical raw materials for calendar year '23 either through contracts or to actually ensure that we actually position these raw materials in India so that we don't face any disruption as these plants start getting commissioned. So, I would say, these would be the three high level priorities.

Moderator: Thank you. We have next question from the line of Abhijit Akella with Kotak Securities. Please go ahead.

Abhijit Akella: Thank you so much and good morning, Sir. First question is that with regard to the 80-crore debottlenecking CAPEX announced under the HPP business, if you could please help us a little bit with what category or what product this is in and the financial sort of outlook for this? I mean, how much revenue etc., it can generate?

Radhesh Welling: Yes. So, I think it will be difficult for us to give you the category or the name of the molecule because we are still in the process of locking the raw material etc., for the same. Obviously, as you can guess, one of the critical raw materials is AHF, but there are some materials as well.

On the financials, as I mentioned that we expect the production, the plant to get commissioned by July and then we'll start from there on, and we expect that year two to year three, we should actually see the plant running to full capacity and us actually getting full annual revenue from year two, year three itself and we expect the annualized revenue to be around 150 crore plus minus.

Abhijit Akella: That's helpful. Thank you. And the second thing was just with regard to the refrigerants business, any final decision taken on the possible foray into HFCs? And also, the Annual Report has a mention of supplying R22 PTFE as a large opportunity as a Non-Chinese supplier. So, I just wanted to clarify whether that is for the gas that you'll be supplying or for the polymer also, the PTFE also? Thank you.

Radhesh Welling: So, on your first point on HFC, we are evaluating various options there. On the second point, it was specifically talking about supplying R22 for PTFE manufacturing. We are actually looking at either supplying R22 as such or supplying the downstream of that, but that is primarily point of view of capacity utilization. It's not going to be a kind of a long-term strategic this one. We are actually looking at some other strategic options for converting R22 ourselves into some other potential value-added molecules or retrofitting that plant to manufacture some other molecule. So, we are looking at those two as long-term strategic options. So, this one is it's more going to be an interim option till we actually get that other piece done.

Moderator: Thank you. We have next question from the line of Ankur Periwal with Axis Capital. Please go ahead.

Ankur Periwal: Hi, sir. Thanks for the opportunity and congrats for good set of numbers. First question on the capital allocation side, especially when the business reject from a reporting perspective is already behind us and you did dilute it to dedicated CAPEX for the respective businesses subject to opportunities. So, at the Company level, how should one look at from a capital allocation perspective? CDMO, because you did mention CDMO, uh, you know, cGMP4 as well under discussion now. So, your thoughts there?

Radhesh Welling: So, in each of the three business verticals, specialty, CDMO and HPP, we have very clear growth plans. At an organization level, we don't start by having a very clear capital allocation strategy in terms of this percentage should go to this business etc. It's more bottoms up where each of the business is actually simple for developing their own strategy and growth plans and then accordingly, we decide the capital allocation piece. But currently, if I look at it, all the three businesses we have growth plans in the immediate future as you can see from the CAPEXes that will probably be announced in the near future or specialty will clearly take a large portion of the overall allocation, but as I mentioned, we are working on cGMP4 a business case for CDMO, and also we are working on some other opportunities on the HPP side.

Ankur Periwal: Sure, Sir. That's helpful. And just a clarification. The healthy growth that we saw in the specialty business this quarter and you know I'm trying to connect your comments on the R&D side as well for the new products commissioning etc. This is largely led by the existing product portfolio and the incremental contribution from the newer products, which are largely Agrochem is yet to play out. Will that be fair understanding?

Radhesh Welling: Yes. So, there is one molecule we launched in this particular quarter. So, some of that growth has actually happened through this, but primarily, I would say it's happened through a higher volume of existing molecules.

Ankur Periwal: Great, Sir. And just one clarification. The incremental expansion, whether in HPP or in specialty, the working capital over here, how should one look at it? Because if I look over the years, there is slight increase there because of our expansion. So, your comments there.

B. K. Bansal: Yes. So, this cycle is generally of 90 days, and we hope that it will be maintained. Maybe in the short time, it can go some here and there little bit, but otherwise, it will be around three months only.

Moderator: Thank you. We have next question from the line of Ishmohit Arora with SOIC LLP. Please go ahead.

Ishmohit Arora: Hi, Sir. Congratulations for a great set of numbers. Sir, my first question was as a management processes, I just wanted to understand that when it comes to the agro business and the pharma business, we are mainly into the intermediate strategies. Especially for agro, do we have plans to get into active ingredients? And especially for pharma, do we have plans to get into API manufacturing as well? And if not, then what are the reasons for not getting into it?

Radhesh Welling: Sorry. I understood one part of that question where you asked if we have any plans to get into API business. What was the other part of that question?

Moderator: Could you please repeat your question so that the management can answer back?

Radhesh Welling: So, let me respond to the question that I heard which was around API piece. We don't have any immediate plans of getting into APIs. Our immediate plan and which we have already started working on is to actually get into doing more of advanced, but no immediate plan of getting into API. Because we feel that that API piece is actually more of a commoditized piece.

Moderator: Thank you. We have next question from the line of Tejas Sheth with Nippon India AMC. Please go ahead.

Tejas Sheth: On the HPP, so when we signed the contract, the input cost economics, and the logistics cost economics, even the power cost economics were very different. So, once we ramp up this full capacity, would the margin profile of this project be very different or how the pricing contract is signed in this molecule?

Radhesh Welling: No, so as we had indicated earlier, the margin profile of this business is going to be pretty in line with our overall Company, slightly higher than the overall Company. And the way the agreement was structured, it was basically on a cost-plus basis. So, increase in the input cost etc., there will be a clear pass through.

Tejas Sheth: And secondly, what is the potential of the two new molecules under specialty and HPP? Is that something which can be a big investment potential or there is something which is a kind of add-on and hence the investment potential will be minuscule?

Radhesh Welling: No. See typically what happens is unlike in, actually, look at the three businesses, right? HPP, CDMO and specialty. Specialty, typically, there are two kinds of CAPEX programs. One is in form of a MPP, which is typically a multi-product multi-process plant or there could be a dedicated facility. So, dedicated typically tends to have a non-incremental CAPEX, non-incremental impact. On the CDMO side, it's always on the MPP side, but in HPPs, on the HPP side, unless it's a small debottlenecking project, there's always a non-incremental impact both in terms of capital investment, also the impact on the business.

Tejas Sheth: So, opportunity can be sizable then?

Radhesh Welling: That's correct.

Moderator: Thank you. We have next question from the line of Bharat Shah with ASK Investment Managers. Please go ahead.

Bharat Shah: Hi, Radhesh. Two questions. One, when we look at Europe, in general, it seems that Europe is destined to face a long winter, generally lack of innovation, society's work ethic is somewhat poor, the incompetence in the way they've handled the inflationary situation, and generally, inability to really clear the ground for future by doing more innovative work. Do you think this will have impact on your business and on your plants over long run?

Radhesh Welling: So, good morning, Bharat bhai. So, you're absolutely right. This is something that we are trying to make an assessment on. We believe that the issues that we are seeing in Europe will clearly have impact on two businesses. We are trying to understand what the potential impact could be on the HPP side both from the opportunity perspective as well as challenge perspective, but we clearly understand that it will have an impact on the CDMO side, which is why we are accelerating our move into at least the advanced intermediate so that, you know, because earlier some of our intermediates were going to Europe for conversion into advanced intermediates and then the API. So, we want to actually move that advanced intermediate piece also in-house so that from the challenge perspective, our business doesn't get impacted.

From the opportunity perspective, we have actually started having a lot of conversations with the customers wherein we are positioning ourselves as an alternative to Europe as to their own manufacturing, you know, some of their own manufacturing which was happening in Europe. Also in Specialty, we are seeing the same dialog currently happening on the agrochemical side. So, clearly, on a mid to long term basis, we believe that it's going to be net positive for our CDMO business and on our specialty business.

One more point that I would just like to highlight here is that on the specialty side, you know that lot of dialogue has currently been happening or in the past also has happened primarily on the agrochemical side. Now as some other Indian companies are also trying to look at this space etc., we have consciously started working on lot more opportunities within the specialty side, on the performance material side. If you look at three of our businesses, HPP, CDMO and Specialty the way we have configured that, specialty is a service business. CDMO will be a service plus product business. And HPP will be product business. So, on the service side, which is primary specialty, we have also started working on opportunities in the performance material side. And again, there, we are actually seeing a lot of traction and we believe it will basically be significantly positive the years to come for our specialty business.

Bharat Shah: That's very useful. If you look at last few years, Navin has been transforming itself based on the tremendous strength in the Fluorine and complex chemistry emanating from there. So, we have struck some very good long-term contracts, people capability, building infrastructure, investment in research, generally, sharper focus on the way the business is being evolved in shape. So, bulk of I suppose a significant part of the transformation, I think with some satisfaction, we can say that it is in the base.

Now if you take a look at next three to five years, what it will mean for Navin in terms of growth, scale, capability, customer relationships, debt, and in general, overall, long-term outcome in terms of Navin given the kind of significant changes which we have brought about.

Radhesh Welling: So, I think, Bharat bhai, I think the question that you have asked really warrants a very long kind of an answer. I don't know if you will have time for that, but we can go into the details. But I'll tell you. Let me just address that question by summarizing steps. One, we have to be completely focused on the execution, because if you just take the projects that we have already announced, actually, ensure that the execution is absolutely good, something that we have already demonstrated in this HPP project despite all these headwinds,we have managed to actually complete that project in around two years, which is what we had actually told the market when we actually, you know, signed the contract and, and announced the contract, I think the first thing is just pure execution excellence,.iIf you do that, you can actually just add up the numbers, we already announced, when we announced each of those CAPEXs, you'll see a significant growth in the top line as well as bottom line.

Also, what will happen is if you execute this well, because some of these projects are with very large customer, and we have just started scratching the surface in terms of their overall consumption base. So, I mean, if you look at in terms of share of the wallet, we will still be a very small percentage in terms of their total purchase basket. So, just with these customers that we are executing this project, but the size is significant. And hence, as I have always maintained that if we do this, the momentum effect will actually start coming in and we'll start seeing a significant growth.

The second point as I've said, we have brought in very sharp focus in terms of what we do and what we will do in each of the three businesses and hence, as I mentioned earlier, service, product plus service and product. So, for example, in specialty, we said that irrespective of what molecule we supply, we are basically a service provider, or a development service as well as manufacturing service. Today, most of what we do there is primarily for our agrochemical and pharma customers. There is no reason to actually start getting into the performance material space. And as you know, the performance material space is significantly larger than the agrochemical space. So, we basically take the same set of capabilities, same set of building blocks, same set of platforms, but start appealing to or positioning that with a much wider set of audience. So, that will actually give us a significantly larger growth opportunity.

And third one would be in form of the product piece that we talked about. There are number of new opportunities that we have identified, we are working on, some in HPP, some outside of HPP in new emerging segments. And again, there, we are currently really trying to understand which of these we should really invest in for a future growth, because they are actually clearly non-incremental in nature, both in terms of investment as well as in terms of impact on top line and bottom line. So, that would at a very high level summarize how we are looking at the business, but our clear focus is to ensure that if you look at by, let's say FY25 or FY26, in terms of size, we would be significantly bigger than what we were in FY22. Also, the nature and the quality of business will be significantly different than what has been in the past or what it was in FY22.

Moderator: Thank you. We have next question from the line of Jason Soans with Ashika Stock Broking. Please go ahead.

Jason Soans: Thanks for taking my question. I know you did touch upon this, but just wanted to know, I mean, your gross margins in this quarter have shown a good 220 bps improvement sequentially. Now last quarter you did talk about the gross margin being impacted due to high prices of a host of commodity items such as solvents, molten sulphur. So, just wanted to know in that that perspective, have you seen those prices moderate or is it some impact, more of a product mix impact, or a price hike impact? Just I wanted some color on this gross improvement, especially in this scenario where a lot of inflation is there already in the market? So, just wanted your thoughts on that for this reason of improvement in the gross margins.

B.K.Bansal: So, it is a mix of two, three things. One is we have been able to take price increase, and there is a little bit impact of the product mix also. So, because of that, we have been able to maintain our gross margin. In fact, I touched upon this in my opening remarks also.

Jason Soans: And my next question is, I just wanted to know, congratulations on bringing Mr. Partha Roychowdhury onboard, and I heard in your opening remarks that he'll be the President of the HPP segment. Now if you could just highlight some, of course, there is this rejig which you have done. So, if you could just highlight a broad outline of the strategy or the vision you have for the HPP segment going ahead with Mr. Partha Roychowdhury at the helm, if you just really outline that, that would be really helpful.

Radhesh Welling: No, sorry. I didn't understand the question. Outline what? The strategy?

Jason Soans: Yes, the broad level strategy of the HPP segment. Now you rejigged it as well with bringing Ref Gas and IO also in the fold plus the HPP segment, and you will have Mr. Partha Roychowdhury as the President of the HPP segment. I think that's what I heard in the initial commentary. So, if you could just highlight a broad outlook for that segment going ahead for the HPP segment?

Radhesh Welling: So, I think, obviously, there is a detailed strategy that we are actually working on for that particular segment. If you look at this step one, step two, step three, that step one we have already got some projects. We want to ensure that we execute them and ensure that these projects reach their potential including, as I had mentioned earlier, HPP, there is some debottlenecking possibility which we are looking at and we will probably implement that later in the current financial year.

Second is Inorganic and Ref Gas business. We've actually in both, we have kind of trying to broaden the definition, and in Inorganic trying to look at some opportunities going into a similar set of customer requiring a similar set of capabilities but non-fluorinated inorganic compounds. And on the Ref Gas, other than trying to define that as Ref Gas, we're trying to see if we could actually define it little broadly in terms of industrial gases and we started identifying some opportunities there in which some of them are with some of our existing partners, some of them will be with new partners, some of them will be done separately by us. So, that would be I would say the second piece.

And the third piece is in some of these new emerging segments, as I have indicated earlier, we've actually got a clear set of opportunities that we're working on. Now the question is, should that be part of HPP or should that be outside of HPP? So, that's a decision we will take soon, but I would say at a very high level, these are the three set of opportunities we are working on in HPP. But, of course, there is a detailed strategy piece that we are currently working on in HPP.

Jason Soans: Thanks for that. And Sir, just one question what I want to ask you. Quite a lot of times it's mentioned that the quarterly run rate of CRAMS is around $10 million and in this quarter, we are actually short of that. So, is there some spill over to the next quarter, like it did happen in the quarters before? That is there some spillover? We just want your thoughts on that. And just a broad overview on the specialty chemicals segment, demand outlook as well. You did mention that the ARV segment is seeing some slowdown. How is that impact or any other points which come to your mind in terms of the specialty chemicals' demand outlook and the CRAMS piece which I asked?

Radhesh Welling: So, on the CDMO side, as I have indicated earlier, H1 is likely to be soft. So, we will not see Q2 actually taking care of that gap in the run rate, but we are actually seeing H2 to be extremely strong. So, whatever gap we see in H1 will be more than taken care of in H2. That is how we are currently seeing this particular business. And similarly, the next year because as I mentioned before, our calendar year '23 is looking extremely strong.

On the second question, which is around specialty, ARV continues to remain extremely soft. About two years back as you might know, our dependence on ARV, both on the top line as well as bottom line was extremely high. But what we did was very quickly, we identified some alternate opportunities to put in that plant where the ARVs were getting manufactured and we've been pretty successful in doing that. So, today, our all dependence on ARV has come down significantly. But we are not really seeing that demand in ARV actually come back to where it was at during the pre-COVID era. But it doesn't really today are our specialty. Our specialty will continue to grow despite ARV.

Moderator: Thank you. We have next question from the line of Dheeresh Pathak with White Oak Capital. Please go ahead.

Dheeresh Pathak: Thank you for taking my question. And congratulations for early stabilization of the HPP plant. I am just taking forwarding, earlier question on the raw materials being the passed through in most of these contracts. But you've also mentioned that one of the priorities for you is securing raw material. So, just trying to again clear my understanding that both on the raw material side as well as on power and fuel and steam and the other logistic cost, all of those would be pass-through in the large contracts or they would be pass-through after certain thresholds increases?

Radhesh Welling: No, so let me make it very clear. Thanks for asking that question. So, when I talked about securing raw material, I wasn't about securing raw material for HPP. I was talking about securing raw material for the new projects which will be coming on later in the year. So, the MPP, and MPP will actually get commissioned in phases and then the dedicated agro clock which will come by December 2022. So, I was primarily talked that. I was not talking about HPP. HPP is already a good segment. On the input cost, there is a pass through. Because of the way the agreement is structured, some of it could happen with some lag effects, but there will be a complete pass through.

Moderator: Thank you. We have the next question from the line of Sunny Roy, an investor. Please go ahead.

Sunny Roy: Sir, good morning. I have one question on the CDMO side. Can you quantify approximate how much percentage of the last year's revenue you're anticipating for CDMO is contributed by the top 20 big pharma companies? And what are we doing on the business development plan to get more business out of the big pharma companies in CDMO? Thank you.

Radhesh Welling: No, so in terms of revenue, I would say a significant portion of that was with top 20 biopharma companies. There used to be some business with the smaller biopharma companies, but fortunately or otherwise, they have also been now as the molecules are growing, they have been actually purchased by the large biopharma companies. So, a significant rate of that revenue is actually coming from the top 20 biopharma companies.

Now what we are doing in terms of business development, we are increasing the number of BD people in the market. So, we have actually hired new BD people, both in Europe and in US. And as I have indicated earlier, our focus is to expand our customer base to actually bring in lot of these new biopharma companies which exist both on the east coast as well as west coast in US to develop deeper engagement with our existing customers so that we get more number of inquiries and possibly some non-fluoro enquiries from existing customers. So, basically focus more on the partnership piece.

And the third is with some of these customers or some of the other larger biopharma companies, to try and see if there are any late-stage opportunities that we can develop and start supplying to. In terms of order of difficulty, they actually go, I mean, the three that I mentioned, they are basically in the respective order of difficulty. The first one is relatively easy. The third one is relatively harder to do. But those would be at a very high level some of the business development initiatives that we have undertaken.

Sunny Roy: Sir, and out of these top 20 biopharma companies, do they include the companies which make the patented **NCs**, the innovators, like Abbott, Pfizer, Johnson & Johnson? I'm not talking about the name, but do they include all the chemical companies as well who are making the **NCs?**

Radhesh Welling: No, none of this actually includes any chemical companies. All of the customers there are only the large biopharma companies like Merck of the world or Pfizers of the world or Gileads of the world. Both European as well as American.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference back over to Mr. Radhesh Welling for closing comments. Over to you, Sir.

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. If you have any further queries, you may reach out to our Investor Relations partner, Orient Capital. Thank you very much and have a good day.

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