# "Navin Fluorine International Limited CAPEX Update Conference Call"

# December 17, 2020

**MANAGEMENT: MR. RADHESH WELLING, MANAGING DIRECTOR, NAVIN FLUORINE INTERNATIONAL LIMITED**
**MR. KETAN SABLOK – CHIEF FINANCIAL OFFICER, NAVIN FLUORINE INTERNATIONAL LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Navin Fluorine International Limited CAPEX Update 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 presentation 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. Due to time constraint, we would request the participants to limit their questions to one per participant and restrict the questions to the CAPEX announcement made. I now hand the conference over to Mr. Radhesh Welling, Managing Director of Navin Fluorine International Limited. Thank you. And over to you, sir.

**Radhesh Welling:** Thank you very much. Good morning, and warm welcome to all the participants. First of all, thank you very much for coming on call at such a short notice. I am also joined by our CFO, Mr. Ketan Sablok and SGA, our Investor Relations advisor for this discussion.

We are pleased to inform you that the board of directors at its board meeting held yesterday, have approved a CAPEX plan for setting up a Multi-Purpose Plant at Dahej in the State of Gujarat. The CAPEX outlay for this project is Rs.195 crores. This CAPEX will be undertaken by our wholly-owned subsidiary, Navin Fluorine Advanced Sciences Limited. The mode of funding for the project will be a mix of internal accruals and debt. The new capacity is expected to come on stream during H1 of FY'23 and will help commercialize new products in life science and crop science sectors in the specialty chemicals business. This investment that we are very excited about will lay foundation for the next phase of growth of our specialty chemicals business. It will help us enhance our product offerings and strengthen our customer relationships along with providing building blocks for future growth.

With this, I would now open the floor for Q&A. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Amar Mourya from Alf Accurate Advisors. Please go ahead.

**Amar Mourya:** I have questions related to CAPEX on what would be the fixed asset turnover ratio in this particular asset and the margin profile and the return ratio profile in the CAPEX?

**Radhesh Welling:** So, if you look at the EBITDA, you leave aside what we did in last specific quarter, but if you look at let us say the annualized range of EBITDA that the company has been performing at, the EBITDA for this project is going to be slightly above that EBITDA range. In terms of ROCE, it is more or less in the range of the overall company ROCE. So though the numerator is higher because this is the new investments, so ROCE is going to be overall in the similar kind of range. We expect that the payback will be around four years. And we expect the peak annual revenue to be between Rs.260 crores to Rs.280 crores which comes to about fixed asset turnover around 1.35 to 1.45. And we expect this peak annual revenue to be reached in about two to three years post commissioning of the plant.

**Amar Mourya:** Like as you indicated, this would be a new product or this would be the extension of also the existing product line because we were in the constraint of capacity?

**Radhesh Welling:** For our existing products, we continue to do smaller debottlenecking projects in Surat. These are completely new products. So this basically opens up a completely new portfolio of new products for us that we have been now working on for the last, let us say, two years or so, these are all new products.

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

**Sanjesh Jain:** A couple of questions from my side. First on the mix which we are anticipating. I understand it is a multi-purpose. So it is fungible, but still given the product profile, how will be the mix for this particular project? We today have 40-40-20 in terms of life science, crop science and industrial. How this incremental project should look like in terms of the revenue mix? That is one. Number two, our last MPP project was probably, if I remember right, it was four, five years back. It has taken at least four or five years to come up with the new MPP plant. Can you give us a thought process in terms of how should we look at MPP? Does it facilitate more dedicated plant in the future and that is how we should visualize and this is more of a new product launch pad? How should we see the MPP CAPEX as a whole?

**Radhesh Welling:** Let me answer your second question and then let me get into the philosophy of MPP and then thereby answer your first question related to mix. You are right, the MPP CAPEX that we had undertaken previously for our specialty business was long time back; it was more of seven, eight years back. So, this is actually happening after a long time. And we have been actually working on this set of products for over last two years wherein we identified the products, engaged with the customers, completed the R&D, completed the piloting, and now we are ready to scale this up. The way we look at is that most of the products that we are currently considering here are all relatively new products. So they have just been launched or just got launched like last year or so or this year, or they are just getting launched this year or next year, etc., So, these are all relatively newer products. And as you rightly said, we are looking at this MPP in two ways; one, everything that we are trying to do in this MPP is around a few value chains. If you look at the products that we have identified, so if there are let us say eight products, these are not a different value chain, these are limited number of value chain. So what that means is that it actually gives us an opportunity for backward integration and forward integration as we move ahead. So as I have mentioned in my commentary earlier that our focus would be to invest significantly in the fundamental fluorinated building blocks, which then strengthens our position in the fluorination space. So this MPP gives us that opportunity to go deep in certain fluorinated building blocks. Also, we expect that at least a few of these products in about two to three years after the commercialization of this plant will actually scale up and will require dedicated plant. So we are actually starting with about five products, which are currently planned for this MPP. But we have a pipeline or backup this one of around seven products which are ready to come into this MPP as those products move out. So we are actually looking at the healthy pipeline. As you rightly said, this should actually be looked upon as a kind of a launch pad for larger things to come. But the revenue indication that I had given to you is assuming that they continue at this level and continue to be in this MPP. If any of this opportunity requires a dedicated plant, because looking like it is going to scale up that will be a separate CAPEX, that will be a separate discussion and that will be a separate revenue number. So the number that I have given to you are assuming these products will remain at this scale. And obviously we hope that at least half of the products that are currently planned will actually scale up and will require dedicated plant going forward. As far as the mix is concerned, the initial products that we are going with, are all for agrochemicals. But if you look at the pipeline that we have which also consists of backup products, also there are some other products that we are working on which possibly could actually declare this as we move ahead, the split is almost 50% pharma and 50% agro. The first set of products that we are going with are all 100% agro.

**Sanjesh Jain:** Just one clarification. When you said we have five products at the launch and we will add another seven products or the total product portfolio will be seven?

**Radhesh Welling:** No, so what we are doing is that we are initially going with five products. So if you see the MPP, that has been designed for these initial set of five products. Having said that, because there are always commercial risks because the demand could go up, down, etc., if it goes up, obviously will require a dedicated plant. But assuming it goes down or the economics changes, it is important that we have a Plan-B, we have a pipeline of more number of products. So we actually have around seven products in the pipeline as Plan-B, so we currently have five plus seven, 12 products. So when we have designed the plant, we have designed the plant for these five products, but at the same time, we have kept flexibility in the plant to be able to accommodate the other seven products as well, from the point of view of the process design I am talking of, not in terms of volumetric. So we will not be able to do 5 plus seven, we will be able to do five, if some of these products go up or down, it is possible for us to replace from those seven into this MPP.

**Sanjesh Jain:** Just one follow up question. How should we see this, is this new product which we have tested and we see demand in the market or we are putting this plant with a certain demand visibility from the customer, how should we see ramp up because when you say it is two to three years, five products, it looks like it is just a pilot and we are testing the product now with the customer? That is one. Number two, the turnover on the MPP looked on the lower side given that we are putting it in the same facility, we are also putting HPP. So utility you said that would be same which we use for HPP. In that sense, the asset turnover of 1.3 looks on the lower side. This is more to do with the batch process and all those things or how should we see?

**Radhesh Welling:** This is actually going to come up in Dahej. So if you look at the overall infrastructure piece, respect to captive power plant, etc., a lot of those utilities or overall infrastructure was actually taken care of in a separate CAPEX which we had announced which was approximately about Rs.90 crores. So here all the infrastructure-related to the plant, so the roads leading up to this, the cable trays leading up to this plant, all the tanks etc., required for these plant along with the plant will all come into this project. The asset turn is not 1.3. We are indicating the asset turn of about 1.35 to 1.45, we expect it to be around 1.4. So that is the asset turn we are expecting on this particular thing. As you rightly indicated, it basically has a lot of batch processes and also if you look at the way we are actually constructing the plant, if you look at the civil cost, there is a significant portion of the plant, almost 40% of the plant we are actually keeping it empty for further expansion. So when we actually required to expand, putting new molecules, etc., there, we will just need to add the equipments, we do not at that point in time to construct a new plant for that. So that is how we are actually thinking about this design.

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

**Ankur Periwal:** Continuing with the earlier discussion, so this CAPEX that we have announced in our subsidiary, will it be fair to say that this chemistry that we are working on is broadly in similar line, it was for the earlier Rs.420 crores CAPEX and this CAPEX is more an extension to the earlier one, it is dedicated CAPEX and an opportunity that we are trying to capitalize?

**Radhesh Welling:** First of all, the products that we are looking at here, the scale of those products is going to be completely different from the scale that we had earlier looked at in MPP in Surat. One of the questions that was asked earlier is that what is the status of these products. So, the initial five products that we will be launching this MPP with have all been commercialized. And if you actually look at the literature which has been put out by our customers, you will see that they are actually banking a lot on success of these five molecules, which these five products go. So we expect that the scale at which we will be operating the MPP, I am talking on a volumetric basis and not a revenue basis or if you look at further opportunity for scale up, it is very different from the MPP that we had planned earlier in Surat, which was at a significantly lower scale, that is point number one. Point number two in terms of chemistry, the core chemistry that we will be handling here obviously is fluorination, but a kind of fluorination that we will be looking to do here will be a lot more complex, and also the number of steps are more than what we had capability to handle in our MPP in Surat.

**Ankur Periwal:** So, you did mention that 40% of the plant is being vacant for further expansion into the five or the seven products. So two parts of the question. So, one is the seven products that we are looking at is more an alternative to five products, if we are able to ramp up or not ramp up or any case they are going to come up and we will be using that 40% of vacant capacity and whenever that CAPEX comes up, and secondly the asset turn could be largely similar or there could be slightly lower or higher than what we are in right now?

**Radhesh Welling:** Yes, so, if you look at the initial five products that we are going with are the products which have already been launched in the market, but the customer has already launched the initial supply happen probably from western hemisphere or initial supply at a lower scale actually happened from our Surat plant. But the official launch has actually already happened. To that extent, the demand uncertainty is lower. Also, the technical level uncertainty is lower because we have already completed all the R&D work, all the piloting work, etc., The other seven products that we are talking about, those are related to products which are being launched by our customers, and there the R&D work is complete, we are currently doing piloting work, etc., So those will actually form the backup for these five products. So as some of these five products actually scale up and then go into their own dedicated plant, we expect that some of these seven products will then come into the MPP and MPP becomes like a launch pad. Now, as far as those seven products are concerned, when they come in, we will at that point in time have a look at in terms of what additional incremental CAPEX required for that will be, extra., But our expectation is given the fact that it is going to be an incremental, the asset turn should be at least what it is or it should be better than what it is. But I think there are a lot of variables. I cannot answer the question in a very simple term, because we will also have to see if those products are actually coming in as a replacement of any of our existing products because they are actually going out in form of a dedicated plant, or are they coming in top of what we already have or what is the circumstance, etc., a lot of those parameters will have to be looked into. But if you look at from the return perspective, I mean, you either talk about ROCE or EBITDA, etc., it will be at least what we have indicated today, or it will be better than what we have indicated today.

**Moderator:** Thank you. We have next question from the line of Ankit Gor from Systematix. Please, go ahead.

**Ankit Gor:** Sir in light of this CAPEX, do you see the delay in this CAPEX announcement because it is like 18 to 22 months away from now, will this derail our overall… derail is not a good word to use, but do you see some slowdown in our spec chem revenue in F'22 or debottlenecking will take care of that and it will be managed to do 15%, 20% revenue growth?

**Radhesh Welling:** So, if you look at this particular CAPEX, which has now come in, it is very much in line with the commentary that we have been giving earlier. We had basically said that FY'22, the growth in specialty chemical will be relatively muted, we will do the CAPEX in this calendar year, proposal will be taken to the board and hopefully getting it approved and accordingly it has happened, before end of the calendar year we have actually done that. And it will basically take us approximately about 15 to 18 months for completion of the CAPEX. In H1 of FY'23, we expect that probably by June or so, the manufacturing will actually start in this particular plant. So, we are basically looking at, at least a period of about nine months that we should be able to get in FY'23 using this particular assets for our specialty business.

**Ankit Gor:** That means it is a timeframe of about 20-months. So, is it a general phenomenon at Navin or we are doing some modification or customization which will be taking some time or…?

**Radhesh Welling:** No, it is not 20 months. As I said we are basically looking at 15 to 18 months. So, the plant is going to get commissioned in 15 months or so. So, we expect the plant commissioning to happen in April of calendar year '22 and it typically takes about a month or two to actually stabilize the plant. So, we expect that from June onwards the production will actually start. So, that is why we said that we are expecting in this financial year we should be able to get a run way of about nine months.

**Ankit Gor:** In between this plant getting commercialized and now, will we have any CAPEX announcement at spec chem side apart from debottlenecking?

**Radhesh Welling:** Yes, I certainly hope there will be more, I mean, given the current strength of our pipeline, we clearly expect that there would be more opportunities, and these opportunities could be either a) in form of more such MPPs, which could be either a dedicated MPP for agro or dedicated MPP for pharma or mixed MPP for agro, pharma, or there could be dedicated assets, which are product-specific, or there could be dedicated assets for the building blocks but certainly there will be more CAPEX.

**Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL. Please go ahead.

**Abhijit Akella:** Sir, just a couple of clarifications; one is that for this project, do we have like long-term orders in hand or will these be given by the customer on an annual basis?

**Radhesh Welling:** These initial set of products that we are talking about there we clearly have expression of interest. So, that is either in form of a long-term agreement, or at least is in the form of a LoI, which has been signed between us and the customer. So, it is not on the basis of orders which will come in later, it is clearly on the basis of some kind of agreement which has been signed up, either it is the actual material supply agreement, or it is a LoI.

**Abhijit Akella:** Since you indicated that these products are very important growth areas for the customers, what kind of scalability would the customers have in mind for these products that have just been launched over a five-year timeframe?

**Radhesh Welling:** So, in these five products, one of the products we do not have very clear visibility, but the other four products, we expect each of them have potential to be multi-100 tons in next four to five years. So we are talking about a scale of at least about 300 to 500 tons. And obviously, there are a lot of commercial uncertainties, because it also depends on how the customers product perform, but we expect that at least a few of them will get to that level and hence in about two years or so, or three years or so, they will actually require a dedicated plant. On one of the products we have already spoken to the customer, the discussions that we have had with the customers have been very, very encouraging, and we have actually decided that in the second half of next calendar year is when we will again get together to see what that scale of opportunity looks like. So, as early as second half of next year, we will actually get into that discussion. So, even before this plant actually commercializes or commissions, we will start having those discussions.

**Abhijit Akella:** And just one last clarification. Of the total land we have at Dahej, after the HPP and this MPP commissioning, how much of the land will be occupied and how much will still be available for further expansion? And then in terms of the refrigerant gas plants, should we expect something more that is possible at Dahej itself?

**Radhesh Welling:** So, as far as the land is concerned, we have enough and more land still available. So land is not an issue. I mean, even if you take the HPP and this MPP it still occupies about I would say one-third of the total land available for us. As far as the refrigerant gases are concerned, like a lot of other projects that we are currently evaluating, those are getting evaluated, and I am sure at least some of these projects we will be taking to the board at the right time. And as soon as the board approves, we will be happy to come and make the appropriate announcements. As we had indicated, so by end of this financial year or beginning of next financial year is when we will be able to have some of the refrigerant gases. So that is currently under work. As and when we are ready to go to the board with the final investment proposal and get approval from the board, we will make appropriate announcements.

**Moderator:** Thank you. We have next question from the line of Alok Ranjan from L&T Mutual Fund. Please go ahead.

**Alok Ranjan:** My question is related to the building blocks and capabilities that you had mentioned earlier in your discussion. When you mentioned that this chemistry will be more complex, is it because of the new capabilities that we have developed? And whether similar capabilities there in industry or Navin is only having this kind of capability to do fluorination which is more complex?

**Radhesh Welling:** So, let me try to answer this question in a slightly different way… I mean, it is very difficult for me to answer the question in terms of capabilities of other companies because I do not know exactly what those capabilities of other companies are. But what I can tell you is that these first five projects at least that we are currently working on, when we actually got these projects from the customers, we realized that we were actually not competing with any of the Indian companies to get these projects. So, if we had lost any of these five projects, we would not have lost to another Indian company. So, there was no Indian company that we were competing with. So, that is what I could mention.

**Moderator:** Thank you. We have next question from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

**Rohit Nagraj:** Sir, where are we in terms of the environmental clearance process now?

**Radhesh Welling:** We already have the EC with us. What we are doing is that we have actually gone back for revision of the product list, not specifically for this project, but given the other things that we currently have in the pipeline and a lot of things that we are seeing on the horizon, for that we have actually gone with an application for revision of the product list, but otherwise for the existing project, we already have the environment clearance.

**Rohit Nagraj:** Just one clarification. You mentioned these products are already commercialized. So, when these products were commercialized or launched by the customer, last one year or so? And are we a second vendor for these products?

**Radhesh Welling:** These are all recent commercialization and for three of these products, we are the second vendor. So, the first vendor was from the western hemisphere. So, there was either a European company or American company supplying the initial lot for commercialization. So, one of the products actually was purchased at a very small scale earlier from another supplier, again not in India. And there, they are actually taking now this product and putting into a completely new formulation, and that formulation is expected to do extremely well. So it is a new formulation that is getting launched next year, but the product they were buying at a relatively small scale from another vendor outside of India. And the last fifth molecule, again, the same thing, they were buying from another vendor. So that was a vendor in China. And now they are not happy with because of the complexity of the chemistry, etc., they do not feel comfortable in continuing that business given the strategic importance of the products for them and hence, that is how we engage with them. And just to give you some indication, if you see these five products that we are talking about, and if you see the customer profile, again, there is a good split between American company, European company and Japanese company.

**Moderator:** We have next question from the line of Rohit Sinha from Emkay Global. Please go ahead.

**Rohit Sinha:** Just one question on debt-equity. What is the debt for the project and how much CAPEX or debt level we should see in total for FY'21 and '22?

**Ketan Sablok:** So currently, the way this CAPEX is planned out over the next full year and partly going into the next year, currently we are expecting that general cash flows should suffice in meeting the requirements of this Rs.195 crores. So probably a few months down the line, we will have a relook at how the other CAPEXes come in, as and when planned, that Radhesh talked about, and then probably we will be taking a relook on what kind of debt we should take on the books. So currently in this CAPEX, the way it is spread out, I think we should be able to meet it through our internal accruals.

**Rohit Sinha:** So for this project as such, we do not see any debt?

**Ketan Sablok:** Currently we do not foresee, but then we will have a relook going forward.

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

**Tejas Sheth:** These five products plus the pipeline of seven products, all have application in agrochemicals or there is some pharma side also?

**Radhesh Welling:** As I mentioned earlier the initial set of five products are all for agro. But within agro, they have completely different kinds of applications in terms of herbicide, insecticide, etc., The seven backup products are equal split between life science and crop science.

**Tejas Sheth:** And they are all export-oriented, right?

**Radhesh Welling:** Not really. So, if we look at the initial set of five products, out of them, three are going to be for India, two of them are going to be for export market.

**Tejas Sheth:** And sir the process for these products, we have developed it in-house or they have been shared by the client?

**Radhesh Welling:** For two of them, we have actually developed jointly with our customer, and for three of them, we have independently developed.

**Tejas Sheth:** The seven products, the clarity on that we will be getting over next 12-months, and if they get commercialized, we would have to put up another MPP to meet that requirement?

**Radhesh Welling:** I really do not know. We currently are in the process of development; we are currently in the process of having deep engagement with the customer. As I mentioned to you, those seven are relatively at the front end of the pipeline, which means that we have not completed the piloting, they are about to be launched in the market, etc., So even the customer does not have as much clarity. The reason we kept that pipeline, and the reason why we selected the products which are in that particular space, is because we expect that in the next two to three years, we will actually start conversations with the customer to actually set up dedicated plants for at least few of these five molecules. So as they come out of the MPP and go into their dedicated plant, we need to continuously batching that MPP. So that is why we have kept this particular set of molecules. But if the prospect in the next 12-months looks much better than what we anticipate at this point in time, yes, surely, we will look at possibility of either expanding the scope of current MPP or altogether a new MPP, but as I mentioned earlier, we have kept flexibility in the current MPP for such expansion.

**Moderator:** Thank you. We have next question from the line of Archit Joshi from Dolat Capital. Please go ahead.

**Archit Joshi:** I just have one question. I was able to recall one of the statements that was made in the last quarter’s concall that you were able to retain chemistry from the joint venture which was hexafluoro chemistry. So, just wanted to ask you if we are in a state of harnessing this particular chemistry in the current multi-purpose plant or would this require different CAPEX altogether because I think there was some interesting application that one could have derived from this chemistry, I think you had mentioned there could be applications in the electric vehicle space, etc., so any clarity on that?

**Radhesh Welling:** So, there is one specific piece of technology which we have access to because of that technology, it was developed through the joint venture, that is not being used for this current MPP. That will entail a separate project, possibly entail a separate investment. So that is not currently under discussion. But as that project reaches a state where it gets converted into specific CAPEX, etc., and then get approval from the board, we would be happy to share that, but that technology is not currently in play for this MPP.

**Moderator:** Thank you. We have next question from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.

**Ranjit Cirumalla:** My question is largely on management bandwidth. Now, since we will be embarking upon a huge CAPEX, which we have not done, probably Rs.700 crores over the next couple of years, so how do we see the management timeline or the time getting utilized, we would be more focusing on implementing these CAPEX and making sure that it comes on steam, and in that way, we will probably not be looking that aggressively on the new business development or we will continue to have the same vigor in spotting for more opportunities simply because you are highlighting, there are like three to four different avenues that are still left the company would like to explore, be it in the hexafluoro chemistry or the refrigerants or dedicated plants, for one of these products, but do you think that at least for the time being for the next couple of years, the management timeline is a bit of tied up because you would be doing this of course, CAPEX, which we have not done historically. And to that extent, probably we might kind of delay the rethinking on these three or four new opportunities probably two years down the line. How should one view these things?

**Radhesh Welling:** So you are right. Historically, if you see, we have not really done CAPEX of this kind of quantum. If you look at over the last more than one year, we have been specifically investing time and effort on developing or building this bandwidth. We had actually identified some specific functions, specific areas, which we will need to build if we were to execute these projects successfully. And today, it gives us a lot of confidence that we have enough bandwidth to be able to do this. As we move forward, when we look at what possibly is to come in the next let us say 12 to 14 months, we continue to take a view that the development of the bandwidth has to clearly precede the announcement of the CAPEX and we continue to work on that. So that that basically entails both commercial assessment as well as technical assessment. But we feel that, as I indicated earlier, between today and commissioning of these opportunities, I would be surprised if we do not make more announcements. We already have built bandwidth for that.

**Moderator:** Thank you. We have the last question from the line of Nitin Agarwal from DAM Capital. Please go ahead.

**Nitin Agarwal:** Just following on one of the earlier answers, you mentioned about three of these products being for the domestic market and two for export markets. But sir if these products are essentially for MPP, how is domestic versus export bifurcation really play out?

**Radhesh Welling:** So when I talk about domestic, it is going to get converted into the final formulation domestically, and some of that final end use is for India, obviously, the entire end use is not going to be for India. What I was talking about was sale of Navin Fluorine product. So two of them we will be exporting, whereas three of them, we are going to sell to a local person for further conversion into formulation. But as far as the end use is concerned of all the five products is predominantly outside of India.

**Nitin Agarwal:** And sir, of the two that you mentioned where you said you developed a product on your own from a technology platform perspective, were you involved these two products specific through the development of the product or the opportunities came to you post commercialization?

**Radhesh Welling:** No, the opportunities actually came to us post-commercialization. So what typically happening was if you look at these products, this is typically not enquiry-led model where the enquiry floated to potential partners and then we won it. That is not how it happened. We proactively engage with some of these partners, and as I indicated earlier, we typically try to work with a limited number of companies but go really deep with them. And in our discussions, we have identified a few opportunities, given the value chains we want to play in, etc., And through those conversations, these opportunities got developed. But we were not the first company to actually do any of this. Out of these five, there is only one product that we were the first company to work with the customer on. The other four, there were already other companies in other parts of geographies, and we basically were kind of a second supplier. None of them actually has any other supplier in India today or likely to be in the future.

**Nitin Agarwal:** And then seven pipeline products, would their same characteristics in terms of partnership levels they will be coming to you post-commercialization, or you work with them during the development phase itself?

**Radhesh Welling:** No, some of those projects came to us at a very, very early stage, one of them actually started at Manchester Organics at a very, very early stage, and we have been working on it for almost 18-months now. So, different products have different characteristics. But in some of those, we basically started working at a very-very earlier stage. One of the pharma products that we have there out of the seven, it is a pure import substitution. Currently, there are other manufacturers, and we are primarily focusing on import substitution piece. So all the seven products have completely different characteristics.

**Nitin Agarwal:** Sir, just to complete that, of these five and a seven, how many of them would be intermediate, and how many would be full API?

**Radhesh Welling:** None of them is actives, all of them are intermediate or advanced intermediates.

**Nitin Agarwal:** And as a structural, do you see things changing in terms of probably with your conversations with client getting into probably in three, four years down the line conversations where we started doing full actives versus intermediates that we are doing?

**Radhesh Welling:** So as I indicated earlier, we will never become an API or AI player, that will not happen, okay, because there are a number of people who do that. But what will definitely happen is for our strategic partners, if they so wish, we will definitely forward integrate or backward integrate. So for example, as I mentioned earlier, some of these five products, and then some of these seven products actually have opportunities for forward integration. So we have already started talking on two of those five molecules on possibility of us doing the AI as well, the customer themselves came to us and said, "can you actually do the AI?" So, we are actually in discussion for registration, etc., So yes, your hypothesis is correct, but in the next let us say three to four years, there is a possibility that we could actually do forward integration and move into actives, but those will only be the actives where we already are a strategic partner to them for supply of the advanced intermediate. So, it will be a forward integration.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Radhesh Welling for closing comments. Over to you sir.

**Radhesh Welling:** Thank you very much for taking time out today. Before we close, I wanted to take this opportunity to provide quick update on our HPP project, for which CAPEX was approved earlier in the year. Despite several COVID-related challenges, our team has been working diligently on this project and the progress has been satisfactory. As per our original plan, we expect to commercialize this project in Q4 of FY'22. We would like to thank everyone for joining on the call. We hope we have been able to respond to your queries adequately. For any further information, I request you to get in touch with SGA, our Investor Relations advisors. Thank you very much. Have a good day and stay safe.

**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 and you may now disconnect your lines.