



“Navin Fluorine International Limited Q4 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Navin Fluorine International Limited Q4 FY2021 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Radhesh Welling, Managing Director of Navin Fluorine International Limited. Thank you and over to you Mr. Welling!

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

I hope you and your loved ones are safe and doing well in these difficult times. Our office in Mumbai continues to remain closed except for some emergency work and many of us continue to work from home. Our plant operations in Surat and Dewas and project activities in Dahej are running smoothly despite COVID-related disruptions. Currently around 68 of our people including our contract workforce are out due to COVID infection across all our sites, only a few of them are currently hospitalized, all of them are doing well and recovering, we are in touch with them and their families to help provide all the support they need. Thankfully, rate of infections across our sites is now coming down. We however continue to remain extremely cautious and operate zoning and other strict protocols across our sites. We are also working with local administration especially in Surat and Dewas to provide all the support we can with the local population in these times of crisis. We are working with our external partners like customers, suppliers, transporters, etc., to ensure our operations continue to run smoothly. We hope that these challenging times will pass soon and as the vaccination pace improves things will start normalizing soon. We are planning on-site vaccination drive at all our sites to be run on discretionary basis for all our employees and their eligible family members.

Let me now start with key business highlights for the quarter and the financial year ended March 2021 followed by business segment-wise updates and then Ketan will take you through financial highlights for Q4 and full year 2021. I am happy to report that we delivered strong Q4 FY2021 in which our operating revenue was up by 22% to Rs.324

Crores, EBITDA was up by 25% to Rs.84 Crores and operating PBT was up by 29% to Rs.73 Crores. This performance was primarily driven by a growth in specialty and CRAMS. Our specialty business registered growth of 26% whereas our CRAMS business registered growth of 40%. For FY2021 our company delivered operating revenue of Rs.1133 Crores with growth of 11% on Y-o-Y basis, operating EBITDA of Rs.311 Crores with growth of 19% on year-on-year basis and operating profit before tax of Rs.269 Crores with growth of 19% on year-on-year basis in spite of the challenging situation that we faced related to COVID-19 especially in the first quarter of FY2021. The overall growth has been driven by high value businesses.

Our high value businesses have seen good performance growth of 32% to Rs.732 Crores for FY2021 compared to the same period last year, it now contributes 65% of the total revenue as on FY2021. Our specialty business reported a growth of 19% on year-on-year basis to Rs.453 Crores for FY2021. Business has shown strong growth driven by mix of new customers, new products and market share gains. We continue to focus on introducing new products by leveraging our R&D capabilities and deep fluorination expertise as well as continue working on debottlenecking initiatives especially in Surat along with building new capacities for existing as well as new products.

Our CRAMS business has again reported strong sales with growth of 62% to Rs.279 Crores for FY2021 compared to the same period last year. The strong performance was driven by new customer acquisition and repeat business from existing customers. We envisage sustainable growth for this business backed by good project flows from new and existing innovators. We have also undertaken few cost improvement initiatives for repeat business in FY2022, which will lead to better operating efficiencies.

Our legacy business i.e., the refrigerant gas and inorganic fluoride performance has shown positive momentum on back of new customer signups and demand recovery from the end user industry during H2. For FY2021 revenue was down by 14% on year-on-year basis to Rs.401 Crores compared to same period last year. For Q4 revenue grew by 10% on year-on-year basis to Rs.117 Crores as we see demand normalizing. Our inorganic fluoride business was down by 7% on year-on-year basis for FY2021 to Rs.193 Crores compared to the same period last year but for Q4 it recorded good year-on-year growth of 16% to Rs.59 Crores. The segment's performance improved quarter-on-quarter supported by capacity enhancement through debottlenecking and recovery of end user industries like stainless steel and glass. Widening of end user segments in few products along with new customer additions in exports will drive future growth in this particular segment. Our ref gas business was down by 20% in FY2021 on year-on-year basis to Rs.208 Crores compared to same period last year For Q4 showed marginal growth of 4% to Rs.58 Crores. The trade and

service sectors along with exports have registered strong demand in the quarter. The demand was also aided by addition of new customers in international market.

Work on HPP and MPP projects in Dahej continues at full swing. We managed to successfully work through first wave of COVID last year. Clearly the second wave has been more hard hitting for the industry. Nevertheless our team is working very hard to ensure we deliver the projects with minimal delay. At this point we feel confident that we will be able to successfully complete work on HPP project with a potential delay of around a quarter. That is from my side and I will now hand over to Ketan to give you brief on financial performance of the company. Ketan over to you!

Ketan Sablok:

Thank you Radhesh and a very good morning to all the participants. I wish all of you and your families are in good health and safe. I will quickly share the highlights of the financial performance followed by which we will be happy to respond to your queries.

So for FY2021 on a standalone basis the company has reported net revenue from operations of Rs.1133 Crores in FY2021 as against Rs.1022 Crores in FY2020 growth of about 11%. Operating EBITDA stood at Rs.311 Crores for FY2021 as against Rs.261 Crores in FY2020 up by 19%. The operating EBITDA margin stood at 27.4% a growth of 193 bps compared to same period last year. The increase in operating EBITDA margin was due to better performance in our high value businesses and the revival of our legacy businesses towards the second half of the year. The operating PBT was up by 19% and stood at Rs.269 Crores for FY2021 as against Rs.225 Crores for FY2020. The margins for operating EBITDA stood at 24% in FY2021. PBT before the exceptional items was at Rs.343 Crores a growth of 34% versus Rs.257 Crores in FY2020. Profit after tax stood at Rs.299 Crores for FY2021 as against Rs.400 Crores in FY2020. The PAT margins were at 26%.

Coming to the unit wise performance for the year, our high value business registered a growth of 32% while the legacy was lower by 14% again due to the end user demand impact in the first half of the year. In the legacy business performance of inorganic fluoride improved substantially during H2 as the business registered a marginal revenue degrowth of 7% to Rs.193 Crores; however, ref gas business took a little more time to recover and the overall revenue showed a degrowth of 20% to Rs.208 Crores for the year. Specialty grew by 19% to Rs.453 Crores and CRAMS grew by 62% to Rs.279 Crores. The overall robust performance during the year further strengthened our balance sheet and cash flows. Our net cash position stood at over Rs.600 Crores on a consolidated basis and the prudent use of capital has helped us improve our operating return on capital to almost 31%. Net cash flow from operating activity stood at Rs.296 Crores improved by about Rs.140 Crores compared to last year showcasing an overall strong improvement in operations.

For Q4 performance the company reported a growth of 22% in net revenue from operations of Rs.324 Crores against Rs.265 Crores in Q4 FY2020. The operating EBITDA was up 25% to Rs.84 Crores for the quarter as against Rs.67 Crores for Q4 FY2020. The operating EBITDA margin stood at 26%. The operating PBT grew by 29% to Rs.73 Crores as against Rs.57 Crores in Q4 FY2020, the margin stood at about 23%. PBT before exceptional items was at Rs.93 Crores a growth of 50% Vs Rs.62 Crores in Q4 FY2020. For the quarter the high value businesses grew by 31% and the legacy grew by 10%. Specialty segment had a growth of 26% to Rs.131 Crores and CRAMS grew by 40% to Rs.76 Crores. The legacy business showed an upward trend with a growth of about 16% to Rs.59 Crores in inorganic and about 4% in ref gas touching Rs.58 Crores Y-o-Y basis. During the year, we completed the CCPL transaction on 24th of February, 2021. As informed earlier we divested our 49% stake in the JV for Rs.65.1 Crores and gave up the rights on the leasehold land at Dahej for Rs.7.9 Crores. The gain of Rs.31.39 Crores on account of the above transactions net off all the incidental expenses have been shown under exceptional items. The company also gave up its leasehold rights in the land situated at the Dahej to our wholly owned subsidiary Navin Fluorine Advanced Sciences Limited and the gain of Rs.34.8 Crores, this again has been shown under exceptional items. That is pretty much from my side. I will now open the floor for Q&A. Thank you everyone.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhijit Akella from IIFL Securities Ltd. Please go ahead.

Abhijit Akella: Good morning gentlemen, congrats on a good set of results and thanks for taking my questions. I just had two one was with regard to the gross margin movement in this quarter, it seems to have come a little bit under pressure if I look at it both sequentially as well as year-on-year so just wondering if there might be some element of input cost inflation that might have led to this or is there any other reason?

Radhesh Welling: As far as the gross margin in this particular quarter is concerned the decrease was basically driven by two BUs, the primary driver was refrigerant gas and then a minor reason was specialty. In refrigerant gas what happened was the demand for the domestic R22 especially on the non-emissive side was lower in this particular quarter because one of our main customers had actually taken a shutdown for a month so the sales into that non-emissive category was low and that clearly is a high margin business versus the exports of R22 actually grew in this particular quarter, which is significantly lower margin business, so it was driven by that factor. On specialty it was primarily because of product mix, so we have one big product in industrial segment, which we basically export and there because of the supply chain issue the demand was lower in US it was not particularly because of the end market demand it was basically because a lot of the containers, etc., got stuck because of the

Suez Canal issue so because of that there was a dip in the demand of that product and on agro side at the same time there was an increase in the demand in one product, which is of a lower margin so these four or five factors actually happened at the same time because of which we saw the dip in the gross margin. As far as the impact of raw material is concerned, on the industrial side in specialty, we also have number of other products where there are certain solvents, etc., are currently used so there we actually saw a significant uptick in the price and those products we were not able to pass on the price because there is a contracted price there, but overall impact of that on the gross margin is minimum so it was primarily because of these other factors rather than any significant increase in the raw material front, which you are not able to pass on.

Abhijit Akella: Got it. Thank you and that is helpful. Just to sum up this is more of temporary kind of issues and we should see some normalization from next quarter onwards?

Radhesh Welling: We believe so.

Abhijit Akella: Got it and my second question was just with regard to the exceptional gain that we have shown on the two divestments my note is that the exceptional gain on the consolidated books is much lower than that on the standalone and I understand that it is largely because of the Piramal JV divestment but if Ketan Sir could just explain what is driving the big difference between standalone and consolidated?

Ketan Sablok: As I said that one of the gains of about Rs.34.8 Crores was due to giving up the leasehold rights of lands to our subsidiary, which we have recognized in the standalone books, this gain is not there in the consolidated accounts because the gain is actually coming out of the transaction with our wholly owned subsidiary, so that is getting knocked off in the consolidated accounts so that is the reason why you see that difference between the exceptional item in the standalone and in the consolidated accounts.

Abhijit Akella: Okay thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Amar Maurya from AlfAccurate Advisors Pvt. Ltd. Please go ahead.

Amar Maurya: Thanks a lot for the opportunity and congratulations for a very good set of numbers. Sir my question is first on the CRAMS now this kind of run rate is it sustainable given that the cGMP-3 has started, along with that we had also expanded our marketing team by appointing two people one in North America and one in Europe?

Radhesh Welling: This kind of performance in terms of the result, etc. is sustainable, we clearly believe so. Is this kind of a growth rate sustainable, in this business as we have maintained all the time it is a little difficult business to track on a quarter-to-quarter or a year-to-year basis so we might not be able to show consistent growth in terms of percentage on year-on-year basis, but overall trajectory if you see of this business we continue to remain extremely positive as we have always said because we are clearly seeing a lot of tailwind here, a lot of hard work that we are putting over the last few years in terms of acquisition of new customers or delivering on the existing orders, etc., are now resulting into a higher set of businesses, so overall trajectory we remain very, very positive and confident of, but will we actually see exactly the same percentage growth year-on-year maybe not, the overall trajectory will continue to remain positive.

Amar Maurya: Second question is on the specialty chemicals, we did two round of debottlenecking I think second quarter also and now in the third quarter so what would be the total quantum of this debottlenecking capex?

Radhesh Welling: So if you actually look at these capexes we continuously do debottlenecking projects, we currently have in Surat for specialty about four projects going on, on debottlenecking, not all of them require capexes or even if there are capexes they are actually minimal. There is one relatively larger capex, which was there, which was approximately about Rs.10 Crores and that we had undertaken last year, but most of these capexes that we talk about are relatively small capexes and sometimes this debottlenecking exercise that we do does not even entail capex. So we continuously identify ways and means to basically sweat the assets that we currently have so that we can map new products or get extra volume of the existing projects and till Dahej actually comes on board, which will happen next year will continue to get growth in specialty through these initiatives.

Amar Maurya: Thank you Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital Ltd. Please go ahead.

Ankur Periwal: Congrats for the good set of number and thanks for the opportunity. Sir first question on the new molecules of the products that we are seeing, how is the run rate across the specialty chemicals and CRAMS?

Radhesh Welling: So we are actually seeing number of new products currently in the pipeline both on the specialty chemical side, on the CRAMS side, also we are seeing generation of good opportunities on the HPP side, so those are the opportunities currently in the pipeline that we are currently working on.

Ankur Periwal: If I focus on spec chem here if I remember it right last year we were in around 20 or 22 molecules there in the pipeline across agri and pharma so currently also the run rate is similar or there is some ramp up there?

Radhesh Welling: No, the run rate continues to remain more or less the same so what we typically do is as the molecules actually come off that pipeline we keep adding new molecules so the run rate right now is slightly higher than the run rate that we had last year, but what has happened is the quality of the projects has significantly improved. So for example earlier maybe about 18 months back some of the opportunities that we were working on were the molecules, which were already launched or where we were basically the second or third or fourth supplier whereas now the opportunities that we are working on in many of them we are either the first company or company with customers are working with or the second company and wherever we are the second company we are the first one in the eastern hemisphere that they are working with, so the quality of those opportunities have significantly changed.

Ankur Periwal: Sure that is encouraging. Sir second thing on the capacity addition part while on CRAMS we already have CGMP here on which you have guided decent utilization over the next two years, on the specialty chemical side anything incremental there?

Radhesh Welling: As I mentioned earlier we continue to do the smaller debottlenecking projects because given the limitations in our existing Surat site we cannot do really any large brownfield project in Surat so the next big capex or capexes will happen only in Dahej, one of them we have already announced few months back and we are continuously working on niche opportunities there, but as far as Surat is concerned we are working on multiple debottlenecking projects, which will actually help us not only bring incremental capacities on board but also for various cost saving initiatives.

Ankur Periwal: Just one last clarification here on the gross margin front while you did explain the Q4 margins are there and the reason for the decline, on a full year number also if I see while the legacy business has degrown from a full year perspective and the specialty high value one has grown but the gross margin side numbers do not look as high in terms of growth they are largely flattish so just your comment on that were those the same reason what led to this flattish gross margin and henceforth there has been improvement or how should one look at it?

Radhesh Welling: I think one of the big factors which led to this was our domestic refrigerant gas business which was always a very high margin and because of the phase out schedule, etc., that business has taken a significant dip this particular year which we had actually anticipated we had planned for that is why we are actually seeing that, but what we really did very well

was we ensure that we compensate for the drop by identification and development of newer opportunities in CRAMS and specialty.

Ankur Periwal: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thanks for the opportunity. A couple of questions from my side, first on the specialty chemicals, this quarter has been a very strong growth on the domestic side it should be led by pharma generic, there is a lot of talk on the import substitution part on the pharma side, are we seeing a lot of opportunity on that side and a connected question to this is from the import substitution, which we can help pharma products to have more backward integrated within India that was the first, the second one is on the export side the agrochemical side that looks like a slowdown a lot of it, we have a 12% y-o-y growth whereas last year the same quarter was slightly at that quarter and exports generally are very strong in Q4 and Q1 given approach in pharma so how are you seeing the agrochemical business for next year?

Radhesh Welling: If you see the growth that we are seeing in domestic was driven both by agrochemicals as well as by pharmaceuticals, this new product introduction we made this particular year where the molecule has actually gone to an another Indian company to make the final formulation and then it is going to get exported to multiple other countries. Whereas the dip in the exports that you see that has primarily as I mentioned little earlier that has primarily happened because of dip in the product that we sell into the industrial segment where it was not necessarily because of any dip in the end user market it was primarily because of the supply chain issues where a lot of our empty containers actually were held up because of the supply chain issues and hence we were not able to get the rotation in this particular quarter, but now we are again back with those empty containers, etc., so we believe that going forward the supply chain should function seamlessly, so it was a temporary dip because of that in this particular quarter. But overall on agro side we continue to see extremely strong momentum on both agro as well as pharma side, if you ask me on import substitution piece we continue to see a lot of noise around import substitution, but the problem is that as soon as you start working on these opportunities and as soon as another Chinese company starts manufacturing on that product the Indian customers expect us to actually match the price that they are getting from a Chinese vendor so what we have ensured and which is what the commentary have always been giving is that we will not let our strategy be driven by import substitution. We will do what is the right thing for us if it helps because of import substitution very good, but we will not let import substitution be the primary driver of our strategy.

Sanjesh Jain: Great thanks. Just one followup question Sir, spillover of industrial should be visible in the next quarter's revenue right?

Radhesh Welling: Some amount of that yes we will see in the next quarter.

Sanjesh Jain: The second question from my side, on the capex we already have announced close to Rs. 600 Crs. plus kind of capex and our balance sheet has that kind of a cash and we have good two years to run on it, do we expect any large capex announcement this year and what will be the thought processes for the next round of capex?

Radhesh Welling: As I have indicated earlier, we have really good opportunities currently in the pipeline that the operating team remains very excited about and we are working on that. We would have probably liked to take one such opportunity to the Board that was relatively a smaller opportunity to the Board last week, but because of the COVID situation and there is a likelihood of the projects getting slowed, etc., so we said we will actually move that a little bit, but overall will there be announcement of capex it is very difficult to say because the announcements can only be made once the Board gives us the approval, but the operating team currently is working on a number of such opportunities, which we intend to take to the Board in this financial year and as soon as the Board gives us the approval we will be happy to make announcement on this. This will primarily be on the specialty chemical side.

Sanjesh Jain: Thank you very much and best of luck.

Moderator: Thank you. The next question is from of line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir my question is basically with respect to the trust which Navin has developed from the MNC customers in terms of either protecting their IP standards and matching the EHS standards which are I think the two most critical elements for contract manufacturing so once this trust was developed over a period of time I think cost arbitrage as well as the technology arbitrage plays a key role in terms of moving the customers along with their value chain for higher value added products are probably developing the intermediate products for finished products, Sir if you can help us understand where actually Navin is currently in terms of the cost arbitrage as well as the technology arbitrage?

Radhesh Welling: You are absolutely right and we are actually seeing that momentum kick in, in at least three of our businesses, CRAMS, speciality and HPP where because of the way we are working with our customers the customers are now feeling lot more comfortable in coming to us with more projects, more complex projects and more value-added projects. We have actually already seen that happening clearly in CRAMS and speciality and we believe this

will happen in HPP business as well. Also because these projects are a lot more complex and lot more value added the kind of technology required to handle these projects or the level of technology is very different from the kind of technology that we have been used to. Some of these we are actually developing for specific set of partners whereas some we are developing jointly with some of our partners and in some cases the partners are actually giving us their proprietary technology, which we then will be able to use as a platform we will be able to leverage that for multiple products across the business and that is what I always talk about in terms of technology arbitrage so that is the direction we would like to go in and we are already seeing that happening in the CRAMS as well as in specialty and we believe we will actually continue to see this in HPP as well going forward.

Nirav Jimudia: So basically the focus of the company is on the two things partnership as well as developing the product along with them through cost and technology arbitrage?

Radhesh Welling: That is correct; so by cost arbitrage what I meant was earlier the projects would come to India or an Indian manufacturing partner primarily because of the cost arbitrage gain. So what we are saying is that we would like to move away from that, that does not mean that our focus on cost will get diluted, our focus on cost always has to be there from the technology side, from the supply chain side and from the operational side, so that will continue to be there, what we are saying is that will not continue to be the primary driver. The primary driver will move to our ability to develop and then handle the newer technologies.

Nirav Jimudia: Sir, the second question pertains to the newer location. As compared to the traditional geographies of USA and Europe, I think Middle-East and Korea lot of opportunities predominantly from electronic chemicals point of view so if you can share your thought process, how India could be a part of this opportunity and in a way how Navin can be a part of this opportunity?

Radhesh Welling: First of all I would like to say that if you look at the size of the company that we are, we are nowhere close to fully exploring and then exploiting the opportunities that even the western hemisphere offers or has to offer, so there is significant headroom available there itself first, so rather than diluting our attention we would first like to make the most of those opportunities that US and Europe has to offer. Having said that you are absolutely right, there are a number of newer opportunities that this new segment as well as new geographies would offer we have actually just brought on board a new customer in speciality on the industrial side from Korea and we believe that that would be a relatively big customer for us going forward and as I have indicated before, we continue to identify and develop new opportunities in these emerging segments like EV etc., that you talked about but these are not opportunities which we will be able to monetize like next quarter or this year or

something. These are typically opportunities that take a little longer to develop, but once you develop these are absolutely sticky, so they do not go away so once we develop those and we are in those opportunities, those are here to stay for the next 10, 15, 20 years, but there are a number of these kind of opportunities, we are currently working on.

Nirav Jimudia: Thanks a lot for answering the queries and all the best.

Moderator: Thank you. The next question is from the line of Manoj Garg from White Oak Capital Management. Please go ahead.

Manoj Garg: Good morning and thanks for giving this opportunity. Radhesh like while you spoke about Specialty chemical pipeline, would be great if you can give us some color on the CRAMS side of the pipeline also and if you can highlight in terms of how many molecules currently are in the commercial stage and how many molecules are in the relatively advanced stage, stage 2 or stage 3?

Radhesh Welling: Thanks Manoj. As you know we typically do not indicate numbers on the CRAM side, we typically do not you know for various reasons there are some confidentiality issues etc, so we are not allowed because typically if you look at in CRAMS and you can look at our portfolio in CRAMS, there are two sets of opportunities that we have. One, which are the other end of the spectrum phase 2, phase 3 which are actually developing quite well and then there are number of opportunities at the beginning of that particular pipeline so we do not typically like to give the numbers. Having said that what I can tell you is that if you look at the number of opportunities that we today have in phase 2, phase 3 versus the number of opportunities that we had let us say last year or a year before at the same time in phase 2, phase 3, numbers have gone up significantly and more importantly, these opportunities are with the same set of customers that we have been working very closely with. So what that means is these opportunities will develop hopefully because a lot of that is also beyond our control depends on how the customers drug actually performs but because of the way this is developing and because of the way this partnership is developing and it is a kind of relatively long life because of that we are actually now started getting a lot of good interesting new projects from the same set of customers which is also kind of filling up the front end off of that pipeline, but today if you look at the overall number, we currently will be working on approximately about 25 plus, minus number of new projects currently, so that is the number of projects we are currently working in CRAMS.

Manoj Garg: The second question is Radhesh like obviously clearly we are seeing a lot of tractions on the pharma side, as well as Specialty chemical, HPP side and you have also indicated the use of fluorination in other areas like we spoke about battery electrical vehicles or maybe 3D printing and I understand that these are the relatively new areas, so just to like to understand

that how are we thinking about these areas and what are we doing in terms of building the capabilities in those areas, which may emerge may be three, five years down the line, the bigger growth drivers for us?

Radhesh Welling: So there are number of new opportunities as you rightly said within the fluorination space that are emerging and we believe some of these opportunities at least are going to basically they are here to stay so we are just trying to understand these opportunities a lot better primarily through partnerships so some of these companies who we have very strong relationships with today, also have very deep relationships with these companies who are actually driving innovation in these particular newer segments, so we are leveraging these partnerships to actually get better understanding of these spaces. As far as the technology is concerned, we are currently evaluating a possibility of setting up an innovation center outside of India for some of these emerging segments so these innovations center will not only focus on developing new products, but also focus on developing new applications. We are currently you in the initial phase of designing etc but as soon as we are ready to have some announcements to be made on the capex side we would be happy to come back to you, but we believe that this capability not just on the product development side but on the application side is what will differentiate us and what will be required for us to have a very good sustainable growth over a long period of time in this newer segments.

Manoj Garg: Sure. I wish you the best. Thank you very much for answering all the questions and stay safe.

Moderator: Thank you. The next question is from the line of Dikshit Mittal from LIC Mutual Fund. Please go ahead.

Dikshit Mittal: I just wanted to know what is the kind of raw material inflation we are seeing in our basket, because we are seeing commodity across the board rising quite substantially so any indication that you can give them on that front?

Radhesh Welling: So if you actually look at the raw material basket that we have, the basket consists of three kinds of materials. First which is a big jump, it is a fluorspar and typically we have a very long term contract in the fluorspar, so we do not really, we are not seeing any inflation on that side because there we have very good deep relationships with the suppliers and there is no significant impact. Then we have a basket of intermediates that we buy for our specialty business and our CRAMS business so there again either we are not seeing inflation or even if there is inflation, there is a clear passthrough so we are not really seeing a significant impact on our business due to inflation. There are some products where there has been inflation about 20% or 25% but there is a very clear passthrough and hence we are not really feeling the heat there. Where we are really having a problem is on the commodity

side, on the bulk chemical side, so it is solvents or a lot of other bulk chemicals is like bromine etc is where there is a significant inflation in some cases has been 50% inflation, 75% inflation but if you look at the business that we have, we typically play way down the value chain versus where these raw materials are so even if there is a 25% or 50% inflation overall impact that it has on our cost structure is not that significant but we are continuously monitoring that working on ways to mitigate that just because there is no significant impact does not mean that we are not continuously monitoring and working on that. For example things like chloroform etc, we actually had a specific initiative last year because of which though the domestic price actually went up significantly if you look at our pricing on chloroform maintained this, and were able to maintain it or actually bring it down somewhat.

Dikshit Mittal: Okay and is there any pressure at all that will only be reflected in refrigerant and inorganic fluoride only right and specialty and CRAM will be complete passthrough?

Radhesh Welling: Only thing is that in speciality and CRAMS it might be a passthrough the certain lag but yes if the pressure continues to remain for a longer period of time, there will be a clear passthrough in speciality and CRAMS but if there is a sudden spike let us say for two or three months and then it again normalizes and we might not be able to passthrough only for that short period of time for the sake of long-term partnership we might decide to absorb it.

Dikshit Mittal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ankur Jain from Prayas Capital. Please go ahead.

Ankur Jain: Thank you Sir for the opportunity. I do not have any questions. I have two suggestions if I may, so the first suggestion I have is about the website of the company I think that nowadays the websites are the digital assets and they are the first port of call for all the stakeholders, so I think there is a refurbishment required for the website and it is dry and lackluster so we can make it exciting and there is one peer in the flow chemical space which is called Halocarbon and their website really caught my attention it is into engineer charge and electronic solutions so maybe the management can look at that particular refurbishment of the website that is the first suggestion which I had. The second suggestion I wanted to highlight this part that now Navin Fluorine is on a very strong wicket with clear signs of growth and opportunities which the management has talked about, but couple of years back there was an HR crisis in the company where the CEO and the CFO resigned in quick succession and the controlling promoter Mr. Vishad Mafatlal, he took the reign of the company in the interim and had a calls with the investors as well where he talked about the strategic direction etc., so given that background I just wanted to suggest is it possible to

have a call with the controlling promoter Mr. Vishad Mafatlal where he can guide us that what is the level of involvement he has with the company now and how is he thinking about building this business, how does he think about this business over the next decade or so and what are the thoughts on building the second line of leadership in the company if something happens? Thank you.

Radhesh Welling:

Thank you very much for both the suggestions. I think both the suggestions are good ones and we will definitely take note of both of them and come back on both. I completely agree with you on the website front, I have to be very frank with you even I do not like going to our company's website. One of the things that we have now undertaken which we want to really do first before we actually go to the company website is that actually now doing a complete rebranding of our CRAMS business so that the CRAMS business will have its own identity, its own name, its own website so that these innovative drug companies when they want to know about our CRAMS business do not have to come to Navin Fluorine website. They can directly go to that particular website that is something that we are currently working on and we will actually see a launch of that in this financial year. I am sure you will be very excited to see that website along with the entire branding exercise that we are currently doing on that. Once that is done then we intend to actually work on the Navin Fluorine website but I completely 100% agree with your remark around the website, the quality of the website we have I also agree with your point related to Halocarbon, David Bacon who is the CEO of that company is a close friend of mine and I have been tracking Halocarbon for quite some time, so they have a really good website. As far as the second point is concerned, we have a very deep bench inside our company. As you rightly pointed out sometime back we had a quick succession of departures, CFO left and CEO left etc., but as you must have noticed despite two very senior level departures, the companies neither the performance took a great hit nor the direction of the company significantly changed and that clearly is due to the fact that we have been around for many, many years and we have a very extremely deep bench here you obviously do not get to see the entire team that is there behind me and Ketan but I would like to assure you that we have extremely strong team behind us which is actually doing most of the hard lifting but to your point yes we will definitely have an internal discussion, we will also speak to our chairman Mr. Mafatlal and at the right time we would definitely have him come in front of all of you to address you. Its a good suggestion we will definitely take a note of it and having discussion on that.

Ankur Jain:

Thanks a lot Sir. That is very heartening to know and thank you for taking these suggestions in the right spirit. Thank you.

Moderator:

Thank you. The next question is from the line of Naushad Choudary from Systematix. Please go ahead.

Naushad Choudary: Thanks for the opportunity. I am trying to understand the kind of capacity you are building in the next four to six quarters, so internally what do you feel where is the gap in terms of our operational capabilities which we have to build to get the maximum out of these investments so in terms of adding more products, or in terms of any processes, HPP which is something new for us so what are the gaps in terms of overall management?

Radhesh Welling: I would actually not necessarily look at it from the gap perspective, I would basically look at it as a continuous evolution so we continuously keep identifying new technology platforms and when I talk about new technology platform they could either be from the chemistry perspective or engineering perspective we continuously identify those and we bring them on board and we continuously bring them on board in Surat and Dewas and in future we will be doing that in Dahej. Now if you look at most of the investment going forward will obviously happen in Dahej where we are setting up a huge Greenfield piece so a lot of investment will happen in the next five, six years there, also will happen in CRAMS where we will continuously invest first in debottlenecking our cGMP-3 and then there are provisions there for cGMP-4, cGMP-5 etc. Currently if you look at it the gap is primarily from the headroom for the capacity in certain products, in certain pockets so there we continuously do debottlenecking exercise etc as far as the specific capability, technology driven capability is concerned those are something that we can even bring in our existing set of assets that we have in Surat and Dahej but if you look at the majority of the investment that is happening in Dahej and the focus of that investment is to bring in platforms which are very different from the ones that we have worked on in the past.

Naushad Choudary: Yes like one specific question how many number of more people will be needed for these two plants and currently at what stage we are in terms of getting these people?

Radhesh Welling: So when you say people I assume you are basically talking about people in operations. So for our HPP plant we probably will need approximately about 60 to 70 people at the operating level and for our MPP we will probably, in total between two of them we probably will need approximately between 150 to 200 people and this will be between manufacturing and supply chain.

Naushad Choudary: And how easy it is to get people, we a lot of people for these plant...

Radhesh Welling: No I think it is more about finalizing the timeline for these hire so that you are not burdened with excessive fixed cost way ahead of the plants actually commissioning, at the same time you do not delay the process so much so that you do not get adequate time for training etc so it is more about the training getting the right capabilities I do not think will be an issue because what we intend to do is that in all the core areas of operations which are basically very proprietary to our company, we intend to actually take people from our existing plants

that is in Surat especially and put them in those critical position there, so for all the critical operations in Dahej we will be relying on our existing capabilities, our existing people in Surat.

Naushak Choudary: Okay, lastly on balance sheet side if I see our receivables, last three years we have seen increase in terms of number of days, is there any specific reason or just because of some logistic thing that had impacted these numbers?

Ketan Sablok: I do not think there is any cause of concern on that point, it is more again to do with, the way the business is shaping up, the product mix and the business mix that is changing over the last year or so. So if you see these gone up by about 12-days odd in terms of our receivables but I think we are quite in control of the overall receivables and the overall net working capital position I think is quite apt for the business as it is growing.

Naushak Choudary: Thank you Sir.

Moderator: Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: I just had one question on the inorganic business, now that aluminium steel industries are reviving, are we seeing any tangible change in our business prospects for inorganic and do we see a higher growth trajectory for this particular segment for the next let us say four to eight quarters?

Radhesh Welling: In the next four quarters would we actually see a significant change in the trajectory, the answer is no, okay because currently there will be some incremental growth which is happening because of this what we have seen in the end user industry, but we are not expecting any huge tangible or non-incremental growth there. Primarily it is because our management bandwidth is focused really on other BUs where we are actually seeing huge opportunities and sustainable opportunities to grow our business profitably. So we have decided to prioritize those versus the once that we are actually seeing in inorganic and if you were to basically force rank these 5 BUs and I am including HPP also in that if you were to force rank these 5 BUs I would probably say inorganic would come last in terms of priority and priorities in terms of the investment that it will get. And again when I talk about investment I am talking about a significant investment for a non-incremental growth, we continue to invest for some debottlenecking projects etc but there would not be any significant investment going into inorganic, the way it will go in other BUs.

Kaushal Shah: Great that helps Sir. Thank you.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities & Finance. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats on good performance. The first question is on the specialty chemical side, we had earlier alluded that FY2022 will be able to achieve 20% growth, so which implies that about Rs.90 Crores of revenue, so do we have the ability to get these Rs.90 Crores of revenues simply through debottlenecking will be able to release about 20% incremental capacity just from the debottlenecking that has happened and probably currently in progress? Thank you.

Radhesh Welling: So as I mentioned we continue to identify and develop these opportunities, one of the things that we also do is that continuously look for opportunities to move the business along that value pyramid right so earlier if we were selling a \$5 per kg product we now look at opportunity to sell a \$50 per kg product which means with the same manufacturing footprint we basically are able to get a slightly larger turnover so we continuously look for these kind of opportunities and that is basically an ongoing process. For next year as we have indicated before I did not indicate any specific number before, I have basically said that we should be growing at mid teens plus, minus percentage next year.

Rohit Nagraj: My apologies for the number, so the second question is on the supply chain issues, so you indicated that during this quarter because of the supply chain issue, our customer order was postponed so what is the current situation both on the raw material sourcing front and on the exports front whether it has eased out or whether it is still challenging and will it have some kind of impact which will come in Q1 and probably to some extent in Q2 as well? Your thought on this. Thank you.

Radhesh Welling: So as you know we went through lot of challenges last year when the COVID started in February and March there were a lot of issues initially because the material coming in from China was getting delayed, a lot of factories were shut then there was again lot of issues because of the ISOs availability and then there was a problem because of Suez Canal etc., but despite all these challenges I think the team has really done excellent job of ensuring that we never had to actually shut our plant because of unavailability of raw materials nor did we have at any point in time problem with respect to movement of our FG because of non-availability of ISOs or anything, so we did not really see a huge issue last year and going forward also we do not foresee at least Q1 we have a complete visibility, Q2 we have already started working on the specifics, we do not really see a big issue and that is primarily because of the way we have planned all the raw materials, FG movement etc. The problem that I spoke to you about was a very specific problem on a specific product related to a specific market which is USA, where a lot of these and these are very specialized containers that we require for this product and hence it is not very easily possible to replace

these with ones which are available off the shelf or because of that we had to wait for these containers to reach the customer for the material to get offloaded and the empty containers to come back wherever there is a fungibility involved where we can use one ISO versus other ISO we have done an excellent job but here just because of that physical challenge we got into some issues. But now we have actually addressed that issue and more or less we feel confident that Q1, Q2 we should not see a challenge, we actually walked through April quite well, we are also seeing very strong movement of empty containers into India for the month of May, June we are keeping our fingers crossed because we really do not know what is going to happen with this lockdown etc, etc, some people keep talking about national lockdown, so we are working through this but currently we believe that going forward both of Q1 and Q2 as you ask the question, the movement of these empties should be quite seamless.

Rohit Nagraj: That is really helpful. Thanks a lot and best of luck Sir.

Moderator: Thank you. The next question is from the line of Nitin from Green Capital Single Family Office. Please go ahead.

Nitin Shakhder: Good afternoon to Radhesh and Ketan. My question is looking at the inorganic fluoride business and the refrigerant business, there is a slight decline in segment revenue annually so any particular reason or a factor that the management can attribute for the annual decline in these two segments. If you could talk us through that please?

Radhesh Welling: If you look at our commentary over the last few quarters, we have actually clearly mentioned that in Q1 we had a huge problem where our sale for inorganic products into various end industries was very low because the customers plants were really closed down so it is a lot of it is actually because of what we saw in Q1 and so there was this after effect of that. In refrigerant gas again the trade market was almost shut in Q1 so because of that there was no sale into the trade market in India. Also some of it was basically because of the phase out of R22 because of which the sale into OEM was going to be down in the year 2020 anyway so that is something which was any which way anticipated just primarily because of these three. A) Lower sales of some of our products because of the end industry getting impacted especially in Q1 in inorganic. Second, again beginning of the year, the trade market was completely closed and hence we were not able to sell much of our R22 into that and then sell off R22 into OEM basically because of the phase out.

Nitin Shakhder: Okay and in terms of capacity expansion for HPP you had indicated an investment of Rs.365 Crores in the manufacturing facility, how is the unveiling of the work and the development of the new manufacturing facility going on and when can we expect it to come online with and start supplies if you could just give a brief on that please?

Radhesh Welling: First of all it is not a capacity expansion, it is a completely new Greenfield investment, okay which is what we are doing in Dahej. We had earlier indicated that the plant, the operations will actually start of the plant will basically start towards end of Q4 FY2022 beginning of Q1 FY2023. The work has been going on well, we actually worked through phase one despite a lot of worker migration etc, etc, we work extremely well through that, now we are actually seeing a lot of issues because of availability of manpower, because of unavailability of oxygen for industrial use, a lot of fabrication work has got impacted, a lot of our vendors work has impacted because of some of the equipments are getting delayed. So we are trying to assess the situation as we sit here today we believe that the delay would be approximately about a quarter but as you know this is a fast evolving situation, it is very difficult to predict how this thing is actually going to unfold but we are keeping a very, very close tab, so we have steering committee for this project so we meet twice a week, earlier we used to meet every Friday evening, now we need twice a week where we go through every key equipment which could potentially be on the critical part some of them I am actually talking to their owners etc to ensure that some of these things have actually happene on time so they are closely monitoring that as we said today we believe that the delay should not be more than a quarter but as you can imagine it is a fast evolving situation so every day the things are changing, so we are keeping a very close track on this.

Nitin Shakhder: Thank you that is very comprehensive and all the best for the coming quarters. Thank you.

Moderator: Thank you. Thank you very much ladies and gentlemen that will be the last question for today. I will now hand the conference over to Mr. Radhesh Welling for closing comments.

Radhesh Welling: Thank you very much for those questions. So just to sum up we believe our businesses will benefit from the strong tailwinds in the coming years with new capacity coming on stream for next couple of years, we see the strong growth momentum sustaining. The addition of new customers as well as new products will help us in de-risking and our strong expertise and experience in fluorine chemistry will enable us to continue our journey of moving up the fluorine value chain. We aim to scale up the business sustainably and in a profitable manner over the next few years. I would like to thank everyone for joining on the call. I hope we have been able to respond to your queries adequately. For any further information I request you to get in touch with SGA or Investor Relations Advisor. Please take care and stay safe. Thank you very much.

Moderator Thank you very much. On behalf of Navin Fluorine International Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.