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October 27, 2022

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Phiroze Jeejeebhoy Towers,	Exchange Plaza,
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Mumbai 400001	Mumbai 400051
Scrip Code: 532504	**Symbol: NAVINFLUOR EQ**

Dear Sir / Madam,

Sub.: Transcript of Earnings Call of Q2 FY 2022-23

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Company's Earnings Call held on October 20, 2022 regarding discussion on operational and financial performance for the quarter ended September 30, 2022 (Q2 of FY 2022-23) is enclosed.

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

Request you to take this intimation on record.

Thanking You,

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

NIRAJ MANKAD
Digitally signed by NIRAJ MANKAD
Date: 2022.10.27 19:02:19 +05'30'

Niraj B. Mankad
President – Legal and Company Secretary

Encl.: a/a

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“Navin Fluorine International Limited Q2 FY23 Earnings Conference Call”

October 20, 2022

MANAGEMENT: **MR. RADHESH WELLING – MANAGING DIRECTOR**
MR. PARTHA ROYCHOWDHURY – INTERIM CFO, CEO - HPP BUSINESS

MODERATOR: **MS. RASIKA SAWANT – ORIENT CAPITAL**

Moderator: Good morning ladies and gentlemen. Welcome to the Navin Fluorine International Limited Q2 FY23 earnings conference call.

As a reminder, all the participants' 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 the operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

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

Rasika Sawant: Welcome to the Q2 and H1 FY23 earnings conference call. Today, on this call, we have Mr. Radhesh Welling - Managing Director of Navin Fluorine International Limited along with the senior management team.

This conference call may contain forward-looking statements about the Company which are based on beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page #2 of the investor presentation of the Company, which has been uploaded on the stock exchange and Company's website as well.

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

Radhesh Welling: Good morning and a warm welcome to all the participants. On this call today, I am joined by Mr. Partha Roychowdhury and our investor relations partner, Orient Capital. As you all know, Partha joined Navin Fluorine as the CEO of our High-Performance Products business. He has also been assisting me and the finance team in the interim, as we interview candidates for the CFO position. I hope all of you got an opportunity to go through our financial results and investor presentation which have been uploaded on the stock exchange as well as on the Company's website.

Before my comments on the business performance, I would like to brief you on a few key developments at Navin Fluorine. It gives me pleasure to inform you that the commercial production at the plants set up to manufacture and supply new hydrofluoroolefins has started post successful supply of commercial trials to the customer. The customer has validated the product specifications for the requisite batch quantities on agreed parameters. This plant is under our wholly owned subsidiary, Navin Fluorine Advanced Sciences Limited in Dahej, Gujarat. Also, 2 additional new plants in Dahej are scheduled to start in Q3 FY23. Commercial production in MPP will start in a phased manner while production in the dedicated plant for agrochemical customer will start in the month of December. Debottlenecking project for our cGMP3 plant in Dewas is well underway and is scheduled to get completed as per plan.

It gives us pleasure to inform you all that the Board of Directors has declared an interim dividend of Rs. 5 per equity share of the face value of Rs. 2 each for financial year ‘23 at the Meeting held yesterday.

Now, I would like to discuss the operating performance of each business unit. Our Specialty business continues to deliver strong performance driven by strong partnerships. All 3 verticals - crop science, pharma, and Industrial- have delivered good results. We achieved record quarterly revenue in this business unit for this quarter and reported revenue growth of 46% on YoY at Rs. 177 crores for Q2 FY23. This business continues to see development of a rich pipeline of differentiated business opportunities. As mentioned earlier, we are focused on commercialization of 2 new projects in H2 of FY23.

Our HPP business grew by 76% in Q2 FY23 to Rs. 211 crores compared to the same period last year. This also includes revenue from NFASL which comes from the newly commissioned plant at Dahej for manufacture and supply of the new HFO molecule.

Our legacy business also saw a combination of strong growth as well as price increases. International business contributed about 46% whereas the balance 54% is from our domestic operations.

Our CDMO business reported revenue of Rs. 39 crores through FY23. As I had indicated earlier, our calendar year 2022 looked soft, which is also reflected in our Q2 performance. But overall, we remain quite confident of our growth in our CDMO business. Work on the business plan for cGMP4 is ongoing, and we expect to take this to the Board towards the end of the current financial year.

This quarter, we successfully completed important plant audits of 2 large pharma innovators. Also, we received a relatively large purchase order of $16 million molecule for a late-stage clinical trial. Supply for this molecule is to happen over 2 quarters in calendar year 2023, and we are currently discussing with the customer for the specific dates for the delivery of this molecule.

Now I would like to share the highlights of our financial performance following which we will be happy to respond to your queries. For H1 FY23, on a consolidated basis, the Company has reported net revenue from the operations of Rs. 817 crores as against Rs. 665 crore in H1 FY23 with a growth of 23%. Operating EBITDA stood at Rs. 193 crores as against Rs. 162 crore in H1 FY22, up by 19%. Operating EBITDA margin stood at 23.6% as against 23% in same period last year.

As mentioned earlier, we commercialized a new plant in Dahej in the last quarter, which impacted the overall margins, which was operational in August 2022. On a standalone basis, NFIL delivered a margin of around 25%.

The operating PBT was up 16% and stood at Rs. 159 crores for H1 FY23 as against Rs. 137 crores last year. Operating PBT margin was at 19.4% in FY23. Profit after tax stood at Rs. 132.3 crores for H1 FY23 and PAT margin was at about 16.2%.

Now coming to the quarterly performance for Q2 FY23, the Company reported a growth of 24% in net revenue from operations to Rs. 419 crores against Rs. 339 crores in Q2 FY22. The operating EBITDA grew by about 11% to Rs. 94 crores as against Rs. 84 crores in Q2 FY22. Margins stood at 22.4% for Q2 FY23. Operating **PBT** stood at 17.2% at Rs. 72 crores. PAT stood at Rs. 57.8 crores for Q2 FY23 as against Rs. 63.2 crores in Q2 FY22.

I think I have covered most of the basic information around the business and financial information. We now open the floor for Q&A.

Moderator: Ladies and gentlemen, we will now begin with the question & answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Sudarshan Padmanabhan from JM PMS. Please go ahead.

Sudarshan Padmanabhan: I have 3 questions. My first question is on the HFO supplies to Honeywell. If I look at the standalone minus consol, we are looking at around Rs. 30 crores to Rs. 35 crores. I understand that you earlier said that the ramp-up would be slow. But if you can give some color on how one should expect the ramp-up to happen, say over the next 4 quarters to 6 quarters.

The second question is on the CDMO side. While I agree or understand that this is a little bit lumpy in the nature and we have a fair amount of tailwinds that is there in terms of interest as well as execution, is there any kind of a shipment delay that would have resulted in non-booking of certain contracts in this quarter and should be basically bunched up in the third quarter? Or how should one look at say the next 3 to 4 quarters in terms of the build-up?

And finally on the cost side. The other cost seems to be on the higher side. Just to understand whether largely the other cost reflects the upfront cost on the new capacities or is there any one-offs?

Radhesh Welling: On HFO, we are actually being a relatively strong demand from the market. If you look at the quarter - we are talking about Q2, and again, going forward Q3, Q4 - we believe that at least from the demand side, we should basically be running the plant close to optimum capacity. One of the challenges that we faced last month was in availability of one of the critical raw materials for which one of our suppliers actually has a new plant and that project had got significantly delayed. That plant was supposed to be ready by December of last year; it just got ready; because of which, we actually didn't get all the raw materials that we actually need to manufacture.From the demand side, the demand continues to remain pretty strong.

Again, from the manufacturing side, we believe that we are in a position to ramp up to almost close to full capacity. And from the quality side also, we have actually been able to get the product right the first time. We expect that from December onwards, we should be able to get all the raw material that we require and hence we should be able to actually ramp up the production to close to full capacity fairly quickly from the end of this quarter onwards. Because of our inability to actually run the plant to the full capacity - we actually had 2 or 3 issues. One, our ability to absorb the fixed cost was impaired in this particular quarter. Second is, our utilization was relatively higher because we had to actually operate the plant at suboptimal level. And as I mentioned to you because this supplier was not able to actually supply the molecule as per the agreement, we actually had to go out in the spot market and buy the raw material at a significantly higher cost. Because of these 3 factors, we actually saw a significant impact on our operating margin in NFASL, which is basically for this particular molecule, which is what dragged the overall operating margin for the Company down. That is on the HFO.

On the CDMO, it is primarily again bunching up of lot of these orders. We see no issue on the execution side. Our execution - our demand fulfillment piece - continues to remain very strong. We expect that in Q3, we should be able to do around $11 million of invoicing. And Q4, as it is seen right now, we expect to be very strong. As I had indicated earlier, our calendar year 2022 looked soft when we actually did the budgeting for this year, but calendar year 2023 onwards looks pretty strong. We continue to see the same effect because of which our Q1 and Q2 were relatively soft. Q3, we will be back to our $10 million plus run. Q4 onwards which is when we move into the calendar year 2023, we are expecting a significant growth to this baseline number, which is also giving us confidence to continue to work on this large cGMP4 business plan which we hope to take to the Board by end of this financial year or beginning of the next financial year.

Partha Roychowdhury: The other costs are higher. If you see the standalone, they are not significantly up, and they are up because of the higher energy cost on account of higher coal prices, etc., and the freight continues to remain high. And there has been some mismatch in terms of timing in the booking of the CSR-related expenditures. These are the primary things for the mismatch in the other costs.

Moderator: The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Thank you for taking my questions; a couple from my side. One is on the R32 project that has been announced in the investor presentation. I don't believe we had received many details about this in the past in terms of the total CAPEX, on the capacity and commissioning timeline, etc. So, if you could please just put some color around this? And also, on any other plans for other HFCs that you might have now?

Radhesh Welling: The announcement about R32 was actually made in the last quarter. If you see, we had announced a CAPEX of about Rs. 80 crores. We actually didn't specify there exactly which product it was, etc., and we didn't really get any question on the capacity, etc. So, we didn't have the opportunity to respond to that. But since you are specifically asking this. This is a Rs. 80 crore CAPEX which was announced on the last quarterly call. What we had done was initially we actually started working on this particular piece where we convert one of our existing lines of R22 to R32. But when we did the detailed work, we realized that we can actually set up one line for R32 without impacting our existing capacity of R22. In terms of the specific capacity and the actual impact on the revenue, I will let Partha, who is the CEO of that business, respond.

Partha Roychowdhury: We are essentially looking at a revenue of about 200 odd crores plus/minus, which we expect to ramp up in calendar year 2024. As of now, that is the timeline which we are running. I think we have enough confidence that we should be able to adhere to this timeline. There will be some production and sales in calendar year 2023 and the full ramp up is going to be in calendar year 2024.

Abhijit Akella: Partha, sir, I just lost some number you said. You said Rs. 70-odd crore revenue, is it from this?

Partha Roychowdhury: No, Rs. 200 crores.

Abhijit Akella: And the capacity if you could please just specify.

Partha Roychowdhury: I would not want to specify that. We are in the project stage, Abhijit. As we progress, maybe we can discuss about this later in the calls in the future.

Abhijit Akella: Any other HFCs that you might have on your agenda and for the future?

Radhesh Welling: While this is already done and the plant is going to be ready for production from April 2023, we are already looking at some other opportunities as well as an opportunity to further expand capacity of R32. And once we are ready, we will take it to the Board for approval and also make the requisite announcements. But as you can see, for this particular project, from the announcement to actual production, it is even less than about 9 months. So, we believe that the newer projects that we are currently working on should also have a similar kind of a timeline about 1 year plus/minus. We should be able to do it fairly.

Abhijit Akella: Just one last thing from my side, if you'll permit. Regarding the ESOP announcement that was made yesterday - this 1,55,000 ESOPs being announced to senior management. If you could please just share some details around who all are eligible to participate in this ESOP plan? And also, on the accounting side of this, will this be routed as an expense through the employee cost line? Or how will this be treated in the financials?

Partha Roychowdhury: The second thing first, Abhijit. It is going to follow the classical accounting methodologies which everybody else follows. 1) It will be charged to the P&L, but I would like to remind you that this is actually not a cash. 2) It has a tax break. 3) Eventually, this charge goes and resides in the net worth of the Company. I am sure you are aware of this. This is how the mechanism will be.

Radhesh Welling: And specifically on the ESOP plan, currently, this particular plan which has just been announced, is primarily for 4 people which is the Managing Director and the 3 CEOs.

Moderator: The next question is from the line of Rajesh Kothari from AlfAccurate. Please go ahead.

Rajesh Kothari: I have 2 questions. 1) You said that you appointed 3 new CEOs and a completely new organization structure. Can you please share details of that - the 3 business units, who are leading the 3 CEOs, their little bit brief profile and how it is going to be structured over a period of time? 2) Your CAPEX plan over the next 2 to 3 years, and how do you see the visibility from your customers?

Radhesh Welling: As far as the restructuring is concerned, this was done sometime back. So, this is not a new phenomenon, and actually, I had given information related to this during my last call also. What we have done is our existing businesses, we have actually now divided them into 3 business verticals. Each of them actually is headed by a CEO. For example, high-performance products which is a combination of the erstwhile inorganic fluoride business, refrigerant gas business, and the new HPP business have all been put together into the new HPP vertical, high-performance product vertical, and that is led by Mr. Partha Roychowdhury, the CEO of that business vertical. All the functions including manufacturing, R&D, technology, etc., specifically for that business report into Partha.

Similarly, CDMO business is headed by a gentleman by the name of Mr. Ravi Venkataramanan. He has got 30-odd years of pharma experience. He has worked both on the pharma side as well as on the CDMO side. Before joining Navin Fluorine, he was the CEO of the CDMO arm of Dr. Reddy's. He was working for a company called Aurigene. And prior to that, he worked for many years with Dr. Reddy's both in India as well as outside of India.

And the third vertical which is Specialty business vertical is headed by Mr. Amrit Singh who has been with the Company now for 2-1/2 years. He joined in a development role and then was moved into the Specialty and then was elevated to become the CEO of our Specialty business. He has worked in the agrochemicals business for quite a few years. And prior to that, he started his career with Nocil and then worked in Europe with Unilever for a few years before moving to the agrochemical business.

As far as the CAPEX plan is concerned, you are aware of the CAPEX plans which are currently in the pipeline. And one of the reasons why we have actually now divided the entire thing into 3 business verticals is that each of the CEOs now will be responsible for developing the overall business plan for the growth and will be working on the CAPEXs for their individual business verticals. We are currently seeing a pretty strong set of opportunities in each of these business verticals they are all working, i.e., Amrit, Partha and Ravi are working on those specific set of opportunities.

For example, I talked to you about cGMP4. Similarly, in Specialty, there are quite a few molecules that we are working on. Also, we are working on some opportunities with respect to new MPP. Similarly on HPP, other than this R32 which has already been announced, there are few other opportunities that we are working on both in NFIL as well as under NFASL.

Apart from these 3 verticals, we are also seeing opportunities in the new emerging segments which I have also indicated earlier. Those are a separate set of opportunities that we are actually working on. And as we are ready to convert those into CAPEX plan and business plan, we will take it to the Board and make the requisite announcements. But currently, in each of these business verticals and some other opportunities outside of these 3 business verticals, we are seeing a strong set of opportunities.

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

Ankur Periwal: First question on the gross margin expansion that we saw in this quarter. If you can highlight a few reasons for that given that you did mention that on the HFO side, the capacity for the plant was underutilized as well as the higher spot prices for the RM that we bought.

Radhesh Welling: If you actually look at NFASL, the NFASL performance was actually impacted both at the gross margin level as well as the operating margin level for the reasons that I explained earlier. But on NFIL, our performance on the gross margin was extremely strong, which is a combination of product mix within the existing BUs and the price increases that we took specifically in some of the products in HPP as well as on the Specialty side. Of course, at the operating margin level, we are still at around 25% that is primarily because some of our fixed costs like employee cost, etc., which have increased, which is primarily the investment that we are actually making in some of these growth-related opportunities that we are seeing across the business.

Ankur Periwal: So, would it be fair to say that once we achieve ramp-up in the HFO part, which is, let's say, maybe Q3 or Q4 onwards, there could be further sort of tailwind to the margin expansion overall?

Radhesh Welling: We believe and which will basically get reflected in your NFASL numbers, you're absolutely right. From now onwards, we should actually see significant improvement on the gross margin side.

Ankur Periwal: Second question on the CDMO side. You did allude it towards the revenue invoicing starting Q3. Just wanted to understand, any commentary from the global clients, especially the European ones from a demand outlook perspective?

Radhesh Welling: The overall demand continues to remain very strong. And what had happened earlier was that almost for a period of 2 years, a lot of large pharma companies were either focusing on a lot of COVID-related opportunities or were not able to move as fast as they wanted on the clinical trials, etc., because of the lockdowns, etc. And also, a lot of these newer pharma innovators were actually not able to come to our plant to audit the plant. So, on each of those three, now we are actually seeing a lot of activities. We actually had 2 large pharma innovators who we have been talking to for quite some time, but we were just not able to start the business with them because they were not able to travel to our client to actually conduct the audits. Both those audits actually got completed successfully, and we have already started seeing some queries coming in from these pharma innovators. On each of those 3 accounts, we are actually seeing a positive movement.

Ankur Periwal: If I may ask, on the Specialty side, pretty strong growth there. The earlier slowdown that we were witnessing in one of the quarters in one of the segments, has that been reversed and we are looking at pretty broad based growth there?

Radhesh Welling: On the Specialty side, we have over the last few quarters seen very good growth and that growth will continue to remain. I think what you are probably referring to is the slowdown in the sales, specifically to the pharma segment, primarily because of the sales into ARV segment which was historically an important segment for us. But what we have now managed to do as we saw a consistent slowdown in that particular uptake, we have actually successfully managed to retrofit our assets for other applications and products. So, we have kind of divorced our overall business performance with the ARV performance. Despite that, we have actually shown good growth.

Moderator: The next question is from the line of Naushad Chaudhary from Aditya Birla AMC. Please go ahead.

Naushad Chaudhary: Just one clarification in our HFO business, Sir. Can you explain your raw material pricing and procurement policy in HFO business and same for your finished product also? And also, is there any obligation towards the suppliers of the raw material as well as the client has any obligation in terms of lifting the volume?

Radhesh Welling: As was indicated earlier, when we announced this particular signing of the multiyear material supply agreement, we have a clear understanding with the customer for a certain volume uptake over the life of that project, which also talks about a certain minimum uptake on an annualized basis. Currently, from the demand side, we actually believe that their actual uptake will be significantly more than that minimum uptake that they have guaranteed through the agreement.

And what we have done is that in line with the material supply agreement that we have with our customers, we have actually signed a similar agreement for the critical raw materials with our supplier. One of the most important raw materials for this is HF which is basically manufactured by us. For other raw materials, there is a back-to-back supply agreement which basically reflects a lot of terms and conditions which we have with our customers.

Naushad Chaudhary: In terms of price revision for the raw material, which we are outsourcing versus the finished product also, how often we can change the price? Is there any fixed price or fixed formula which is helping us in terms of mitigating the volatility that is there in the raw materials?

Radhesh Welling: If you look at HF, this is an agreement that we finalized the terms and conditions with our customer in 2019. As we know, the world was very different in 2019 than what it is today. The basis of the agreement was the pass-through. And we had actually discussed that once a year, i.e., in the month of September, we will actually finalize the formula for the following year because for HF, it's an annualized outlook that we get because our raw material for HF also locked in an annual contract. Similarly for the other raw material, what we had seen earlier was that the price remains more or less stable across the years - not just in that particular year, but across the year. But of course, the world has now changed significantly. So, now what we are actually discussing with the customer is the possibility of doing a quarterly revision or a 6-monthly revision. But the relationship that we have with the customers actually enables us to be very flexible on this particular point. And in the past, the agreement basically talked about a fixed price for year 1, which is basically year 2022. Because of this significant increase in the raw material price, etc., we went back to the customer and talked about this increase and the customer has been very very supportive in the spirit of partnership. What we have seen is that the customer is pretty flexible, and we will finalize the mechanism closer to finalizing volume and the pricing for the next year, which we believe should happen in the month of November. It was supposed to happen in the month of September, but we have requested the customer that let us move the discussion to the month of November because that is when we will have better clarity on all the raw material for the calendar year 2023.

Naushad Chaudhary: So, for now, till next November, our raw material procurement prices are open, but finished product prices are fixed and freezed till November next year, right?

Radhesh Welling: No. Currently, our pricing is fixed till December of this year. For January onwards, we will actually relook at it in the month of November because we will get a better idea on the pricing for next year. This agreement is on a calendar year basis. So, again, within the calendar year, if there is a significant movement in the raw material pricing down, there will be an adjustment in the product pricing. Our emphasis will be to ensure that there is a certain margin expectation that we have and we are insistent with that, which is the commitment we have made to the Board that irrespective of the movement of the raw material, we should be able to make over the life of that project a certain margin.

Naushad Chaudhary: Just one on this only. From the time we have signed this contract till now, in terms of the pricing of the final product, how much increase we would have taken or has it remained the same from the signing of contract till today or have we taken any revision in the price?

Radhesh Welling: As I mentioned to you, the pricing discussion for January onwards will actually happen in the month of November.Currently, what we have done is basically this period of supply till December, as you know that, that particular quantity is relatively very low. So, it's not really a significant impact. But I think the major discussion will be for the supply from January of 2023 and we believe that the pricing will see an upward revision of probably at about 15% to 20%. The 15% to 20% is what I am giving you with respect to what we have done for this period. But in November, we will look at what the raw material pricing is looking like for the next year and accordingly have the discussions with our customers.

Moderator: We will move onto the next question that is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: Sir, on the Specialty chemicals bit, I had 2 questions. The first one is a clarification. You have mentioned in the presentation that there will be 2 plants that we will be commissioning in the ensuing quarter. Are these 2 plants in the spec chem side or are these the ones that one of them being the MPP and Rs. 125 crore CAPEX plant or the project that we had announced last year. Are these 2 plants or am I missing something?

Radhesh Welling: Yes, you are absolutely right. Those are the 2 plants.

Archit Joshi: Sir, something more on spec chem. You have obviously delivered a very strong growth in spec chem in the last 2 years. We are growing in healthy double digits. And we have in the past communicated that we keep on doing some bit of debottlenecking to get an incremental headroom with respect to volume growth. Sir, where are we with respect to our capacity utilization and how much headroom do we have for growth in maybe the next couple of years in the spec chem bit?

Radhesh Welling: I think spec chem growth will happen in 2 manners. One is, lot of these new projects that will come up in Dahej. For that, we have already made 3 announcements. Two of these plants will get commissioned in this quarter and one will get towards the end of next calendar year. That will actually give a boost to significant growth in that business. In Surat, which is under NFIL, we continue to do debottlenecking to get additional capacity as well as we continue to look at the product mix so that we actually move up the value curve. That is an ongoing exercise. If you look at what we have done in this business, you know 4-5 years back, the commentary was that we don't have much capacity headroom in Surat facility. But despite that, we have actually significantly grown the business which primarily happened through the debottlenecking in Surat and that is the thing that we continue to do right now. Currently, because most of the plants in Surat are MPP in nature, we have a capacity utilization of approximately about between 70% to 75%. But as I said, we continue to do debottlenecking. And there is one dedicated plant which we have for a product for industrial segment. There, again, the capacity utilization is about 70%.

Archit Joshi: Just one bit on the financials. We have seen a reasonable increase in our consolidated long-term and short-term debt. We have added almost Rs. 480-490 odd crores of debt. I just want to understand when all the CAPEXs are into place and we see gross block addition, how will the capital structure look like?

Partha Roychowdhury: Obviously, it will be high. But if you really look at it, the consolidated numbers, the debt equity, while the full CAPEX is done in the current tranche, the debt equity should be of the order of 0.5 to 0.6, not beyond that.

Moderator: The next question is from the line of Ranjit from IIFL Securities. Please go ahead.

Ranjit Cirumalla: I just had a query on the R32 capacity that we have announced last quarter, and you have also said that we would also consider debottlenecking of that particular capacity. We were always under the impression that Surat is running a bit tight and to that extent availability of HF would be an issue at the Surat plant. Now, we have gone into the HFC. So, I just wanted to get a clarity whether we also be debottlenecking the HF capacity at Surat?

Radhesh Welling: If you remember, a few quarters back, we had actually made an announcement of a small debottlenecking project for HF. We are working on that and that should basically give us about 15% to 20% additional capacity in HF from Surat plant from next quarter onwards. Also, we are currently working on a completely separate for a large HF plant to be set up in Dahej. We believe that in this financial year, we should be able to take it to the Board and get an approval for that which will give us a significantly large capacity of new capacity of HF.

Ranjit Cirumalla: That should again pave the way for....

Radhesh Welling: Yes, which will basically support not only **R32** project, but all the other projects that we currently have in the pipeline, which we haven't yet taken to the Board or announced that because a lot of projects that we currently have in the pipeline, all require HF because of which we have actually decided to look at a fresh **3200** metric ton new capacity in Dahej. And before the end of the current financial year, we are planning to take it to the Board.

Ranjit Cirumalla: And second bit on the other raw materials for this. We understand MDC is also one of the key raw materials. How do you see the supply and the prices panning out in the near future and also probably over the next 2 to 3 years?

Radhesh Welling: Are you specifically talking about HFO?

Ranjit Cirumalla: MDC.

Radhesh Welling: You're talking about MDC for R32? Currently, as you know, MDC has actually started going soft now because there are a lot of new chloromethane plants that are coming up and will continue to come up. While that is the case, we are also looking at separately because, as I said to you, we have had some other ref gas opportunities including additional capacity of R32, etc. So, separately we are also looking at a chloromethane investment.

But overall, for what we have done is, the way we have actually run the scenarios for our R32, we are keeping an assumption that the current high price for MDC will continue for the next - at least a period of 2 to 3 years. If it softens, it will further benefit our project economics.

Ranjit Cirumalla: The R32 would be largely for domestic or we are also looking at exports?

Partha Roychowdhury: It will have a similar behavior as all the other refrigerant gasses. So, we are not really focused on any one particular market.

Moderator: The next question is from the line of Isha Agarwal from VT Capital. Please go ahead.

Isha Agarwal: Sir, my question was regarding CRAMS. Basically, I wanted to understand, in CRAMS, what are we more focused on - Phase-1, Phase-2, or Phase-3 or the commercialized molecule? If you can help me with the percentage mix, it would be really helpful.

Radhesh Welling: If you look at the CDMO business, the way it operates is that most of the client engagement typically starts at the preclinical stage. Then they continue as the molecule progresses. The possibility of our directly getting a commercial molecule or a late-stage molecule is relatively slim. But as that typically starts at a preclinical or a Phase-1 level and then the relationship continues. For example, the $16 million PO that I talked to you about, that relationship started a few years back when it was Phase-1, and as the molecule grows, our business with the customer grows.

Isha Agarwal: Is it possible you can help me that presently the mix of the molecules that are into? At what levels are these molecules are into like? If you can have some percentage?

Radhesh Welling: No, we don't actually give out the exact percentages, etc., because that is just too much of information. But typically our focus - again, quarter on quarter or year over year, it could be different. But our focus is to ensure that we have a balance between the early stage and the late stage. We typically tend to keep that portfolio at about 50:50. So, 50% Phase-1 & Phase-2 and 50%, let's say, Phase-3 and commercial. That would be ideal for us and that is constant focus to ensure that that remains that way.

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

Sanjesh Jain: Thanks for taking my questions. One, on the ramp-up of CRAMS, now we guided that it will be 12 million next quarter. We were guiding 10 million. I think debottlenecking is helping us to increase. So, is it fair to assume that next year we will do 12 x 4 = 48 million and another 16 million that the contract we have got? Will it be fair to assume that next year CRAMS can achieve this 65 million kind of a run rate?

Radhesh Welling: No, it will be difficult for us to give specific guidance on this. We typically don't do that in any of our business. But I think it's fair to assume that the overall trajectory will continue to be up.

Sanjesh Jain: Second, on the HFC side. We talked about the Rs. 200 crores revenue from the R32. This is based on the current realization, I think.

Partha Roychowdhury: This is based on our view on the realization and you must also be mindful of the fact that we are saying will come in '23 calendar year and '24 calendar year.

Sanjesh Jain: So, the view will be better than the CMP or will it be lower? I know it's too much of information, but just to get an idea.

Partha Roychowdhury: Yes, but we can't discuss the view on this forum.

Moderator: The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Just one question. Some clarifications and investment opportunity which you see in ref gasses. It sounds that you are pretty optimistic about the future of the ref gasses and the way in R32 you are investing. What kind of investment do you see that this business can require for the next 2 years from your side?

Partha Roychowdhury: There are more than one aspect to this. If we have to invest in purely the product, the investments are going to be of a certain dimension. And some minutes back, our Managing Director had mentioned that we are looking at an investment of hydrofluoric acid. There is a possibility at some point down the road, we can do upstream investments for certain other key starting materials. So, the dimension of the overall investment will undergo some change and I think we shall come back to the investing community in a modular manner. I think that should be our view at this point in time.

Radhesh Welling: Just to add to that, I think across the businesses, one of the things that we are always conscious about is that in any of the areas that we actually commit a large CAPEX, we don't want to be a second fiddler. We need to be very sure that we are bringing something at either a differentiated point of view or a platform or a partnership, etc., to the table. As you know, in HFC and some of these other things, some of the other companies have clear head start. So, what we don't want to do is just blindly follow someone and just become a me-too player, where we will actually be a #2 or a #3 player. So, yes, we will probably make smaller investments and continue to reap the benefit there, but we probably will let a large CAPEX or a large portion of our overall CAPEX to an opportunity where we believe we don't have a clearly differentiated play and hence a very clear sustainable, profitable, business proposition.

Rohan Gupta: Sir, I was saying that in ref gasses, we already have a clear leader being there. Definitely, we may see some opportunities growing in domestic market consumption and also in export opportunities, whether we want to be a leading player in that where the leader is already very strong in the domestic market, I don't know how the future will pan out. But the ref gas investment is basically for the 2 purposes; one is for our own capital purpose and one for the outright sale in the open market. I was looking from the second perspective that how much investment do you see that the company is in position to make for the outright sales in the domestic market or in export market for ref gasses separately?

Radhesh Welling: You are talking about future investments, right?

Rohan Gupta: Absolutely right, sir.

Radhesh Welling: It is going to be very very difficult actually because on the capital allocation, we don't have a set framework that this amount of capital will be allocated to one business or within that one business to one particular area. We have to look at it on a holistic basis and then look at how much we want to actually allocate to each of those BUs and within HPP, how much do you want to do it for ref gas, etc. So, it is very difficult for me to actually give you a number, etc., because either we don't have a mandate from the Board that X amount of capital has to be allocated to a specific opportunity, nor does the operating team actually approaches that with a certain number in mind. So, it is difficult for me to comment on that question.

Moderator: The next question is from the line of Rajas Joshi from Marcellus Investment Managers Private Limited. Please go ahead.

Rajas Joshi: Just a small bookkeeping question. On your annual report for FY22, there has been an increase in the balances with government authorities. Could you please shed some light on the same line item, please?

Partha Roychowdhury: You are talking about the consolidated numbers, right?

Rajas Joshi: Yes. That's correct, Sir.

Partha Roychowdhury: This is an accumulation of the various deposits that we have to make with the government authorities for the new facility like deposits to the Gujarat Electricity Board these, that, and the other. And it also has an accumulation of some GST, which we have spent on the CAPEXes. It is part of the working capital. It will get utilized, as we ramp up the capacities.

Moderator: The next question is from the line of Sabyasachi Mukerji from Centrum PMS. Please go ahead.

Sabyasachi Mukerji: I have just one question on your CRAMS business. If I look at the long-term trajectory, we have been doing this Rs. 280 crores, Rs. 290 crores, Rs. 300 crores on the similar ballpark range of numbers since FY21 - annual revenue I am talking about. FY21, FY22, and probably FY23 also looks like we will close in similar lines. If I go back earlier, FY18, FY19 and FY20, we had a range of around Rs. 180 crores to Rs. 200 crores. And you talk about a good CY '23. So, is this the nature of the business that every 3 years, we kind of get a good jump, and then it kind of saturates? What is the nature of the business? And what kind of growth opportunity probably you see in the next 2-3 years?

Radhesh Welling: I think some of that is actually a nature of the business, but more importantly, it is also a nature of where we are as an organization in that business; because we have 3 cGMP plants, we don't have a large cGMP plant like what's in specialty, etc., which is why we are working on cGMP4. But to be very frank with you, our continued focus is to ensure that either through our base business or there are some other options that we are currently working on to ensure that it doesn't remain the way you have described where for almost a period of 2 to 3 years, it remains flat and then suddenly we see a big jump and then again it gets like flat, etc. Directionally, our focus is to ensure - and this is something that I have indicated before also - that by FY25 or by the year after, we should be able to touch $100 million revenue in CDMO. That's what we are currently looking at.

Sabyasachi Mukerji: And we work with only pharma innovators?

Radhesh Welling: CDMO business is primarily pharma; not primarily, only pharma innovators. No other segment and we don't do any business with Indian pharma companies in that business.

Moderator: Ladies and gentlemen, we will be taking the last question that is from the line of Amar More from AlfAccurate Advisors Private Limited. Please go ahead.

Amar More: Radhesh Sir, a couple of questions. You said that this $16 million CDMO order which we got, we are likely to supply in the next 2 quarters, right?

Radhesh Welling: No. The current indication that the customer has given us is over 2 quarters of the calendar year '23. So, they have talked about Q2 and Q3 of calendar year '23. We are currently in discussion with them to see how to really spread it over, lets say, Q1, Q2, Q3, etc., of calendar year '23, not financial year, calendar year '23.

Amar More: And secondly, when you are saying that 2 specialty projects likely to commission, I am assuming that one project which was like Rs. 195 crores likely to commission in Q3, that is commissioning: and second that project of Rs. 125 crores CAPEX, that is also commissioning in Q3, right?

Radhesh Welling: That Rs. 125 crores which is our dedicated facility for a single molecule will get commissioned in this Q3. And the other one which is MPP, which is for multiple molecules, there we have actually got a different line. So, we have basically got 2 lines. One line for a certain set of molecules; other line for separate set of molecules. That we are actually doing it in a phased manner. The first one is already commissioned. We have just started the trial production, etc., but that will happen in a phased manner.

Amar More: So, when you say two, basically the Phase-1 of the Rs. 195 crores and Rs. 125 crores the single plant, correct?

Radhesh Welling: That's correct, yes.

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

Radhesh Welling: I would like to thank everyone for joining the call. I know that some of the participants actually had multiple questions that we were not able to get to because of the limitation that we had today, and probably a lot more had questions. So, what I would actually request our Investor Relations partner – Orient Capital, is to coordinate with all of you and drop a follow-up call immediately after Diwali so that we can get to all the questions that you have or you might have. I just want to ensure that you all get an opportunity to ask as many questions as possible. So, if any query that you have or for confirmation of the date, etc., you may please reach out to Orient Capital and schedule that post-Diwali. Thank you very much for your time today and wish you all and your families a very Happy Deepavali. Thank you very much.

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