“Navin Fluorine International Limited

Q2 & H1 FY2021 Earnings Conference Call”

October 29, 2020

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Moderator: Ladies and gentlemen, Good day and welcome to the Q2 and H1 FY2021 earnings conference call of Navin Fluorine International Limited. 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 Sir!

Radhesh Welling: 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. The current times are difficult and I hope you and your loved ones were safe and doing well.

Let me start this call with some key updates during the quarter. The Board of Directors yesterday approved the appointment of Mr. Ashok Sinha as an additional Non-Executive Director. Mr. Sinha has been appointed as an Independent Director of the company for a term of five years. Mr. Ashok Sinha has B. Tech in electrical engineering from IIT Kanpur and postgraduate Diploma in Management from IIM Bangalore with specialization in Finance. Mr. Sinha has wealth of experience gained from his leadership journey as a Chairman and Managing Director of Bharat Petroleum Corporation Limited (BPCL). He spent 33 years in BPCL and served in the Board of BPCL for 15 years, first as Director Finance for 10 years from 1996 and then as a Chairman and Managing Director for 5 years from August 2005. He has also been conferred with various awards for distinguished performance over the years. It is an honor for us at Navin Fluorine to have him on the Board to guide us in our growth path. I am pleased to announce that Board of Directors has declared an interim dividend of Rs.5 per share of face value Rs.2 each, which comes to 250% for the financial year 2021.

Before I move on to discuss the business performance of the last quarter with you all, I would also like to update you on another business development. Navin Fluorine and Piramal Pharma mutually agreed on Piramal increasing its stake to 100% in Convergence Chemicals Private Limited (CCPL), so Piramal Pharma will acquire Navin Fluorine's 49% stake in Convergence Chemicals at Rs.65.10 Crores. As a part of this deal over and above the above consideration of Rs.65 Crores it is also agreed that Navin Fluorine will receive

Rs.7.9 Crores for leasehold rights of the GIDC land earmarked for CCPL. Of the total land of 85 acres around 11 acres was earmarked for the CCPL expansion. As a part of the deal Navin Fluorine will transfer the rights of this land to Piramal Pharma and the remaining land will continue to remain with us and will be utilized by us for our future growth plans. As part of this arrangement Navin Fluorine would obtain perpetual rights to use the technology for development and marketing of select products. Navin Fluorine is a supplier of one of the key raw materials for manufacturing of the starting raw material at CCPL for the anesthetic business of Piramal Pharma and will continue to supply this raw material to CCPL. We believe the deal is a win-win for both the parties. Navin fluorine will be able to continue to focus on the growth of our core business and our long-term strategy to expand in high value businesses and Piramal Pharma can continue to grow its anesthetics business. We at Navin Fluorine will continue to have access to the proprietary hexafluoro chemistry platform, which we can leverage to develop and sell new products in the future.

Now let us move on to discuss the performance of the company in the last quarter. Key milestones achieved in the last quarter are revenue from our operations returned to normal in Q2, we achieved EBITDA margin of over 30% in Q2 of this financial year and CRAMS business reported record performance in the last quarter. Despite the challenging times, the Navin Fluorine team has worked diligently to mitigate most of the potential business risks and help to deliver the strong performance. We recorded revenue of Rs.512 Crores, operating EBITDA of Rs.146 Crores with margin of 28.4% and operating PBT of Rs.125 Crores with margin of 24.4% in H1 FY2021. As it was briefed in the last quarter, during this period the company made aggregate contribution of Rs.5 Crores to PM CARES Fund and Chief Minister Relief Fund of Maharashtra, Gujarat and Madhya Pradesh, the impact of the same is visible in the financials of Q1 FY2021 and included under other expenditure. Our continuous efforts towards increasing revenue contribution from high value businesses, product rationalization, and cost management initiative helped us to grow operating EBITDA margin even in this challenging times. Our high value businesses, which are specialty and CRAMS, grew by 32% on year-on-year basis to Rs.332 Crores for H1 FY2021. It now contributes 65% of the total revenue as on H1 FY2021. Our specialty business reported a growth of 11% on YoY basis to Rs.199 Crores for H1 FY2021 compared to same period last year. This business has been performing consistently over the quarters now and we expect business momentum to continue especially driven by life science and crop science segments. We have been optimally utilizing the facility and as indicated earlier we are working on expansion plans to attain another leap in our growth trajectory. Our CRAMS business reported strong quarterly sales with growth of over 100% to Rs.99 Crores compared to the same period last year. For H1 FY2021 it grew by 84% on year-on-year basis to Rs.133 Crores compared to same period last year. During this period we successfully ramped up capacity utilization rates of our CGMP3 facility. This increase in utilization level was in the back of strong order position from start of the year that is

January 2020. This business continues to perform according to our expectations and we believe it is well positioned for sustained growth on the back of deeper penetration into existing customers, development of new customers and superior executions.

Our legacy business that is refrigerant gases and inorganic fluoride, performance was impacted due to weak demand from the end-user industry. For H1 FY2021 revenue was down by 29% on year-on-year basis to Rs.180 Crores compared to the same period last year. For Q2 it was down by 31% on year-on-year basis to Rs.106 Crores compared to the same period last year. Our inorganic fluoride business was down by 27% on year-on-year basis for H1 FY2021 to Rs.77 Crores compared to the same period last year; this was largely because of weak demand from end user industries. We also saw some pricing pressure due to this low demand. At the same time we have been successfully developing two new significant customers one in India and another in US during this quarter in this business. Our refrigerant gas business was down by 30% in H1 FY2021 on year-on-year basis to Rs.103 Crores compared to the same period last year. The impact was due to weak demand from the industry driven partly by the production cut, which took place in January 2020. There was a major dip in trade market while exports were impacted due to softening of prices. The non-emissive applications continue to show growth and we continue to work on understanding the prospects of the next generation refrigerant gases for the future growth in this business unit.

Now before I hand over to Ketan, let me update you on our new vertical high performance products (HPP). The project work is progressing well and we are on schedule for mechanical completion and plant startup in Q4 FY2022. That is it from my side I will now hand over to Ketan to give you brief on the financial performance of the company. Thank you.

Ketan Sablok: Thank you Radhesh and very good morning to all the participants. I hope you, your families, and loved ones are all keeping well and healthy. I will share with you the highlights of our financial performance following which we will be happy to respond to your queries. So, I will start off with H1 FY2021 performance. The company reported net revenue from operations of Rs.512 Crores as against Rs.505 Crores in H1 FY2020 so we saw a marginal growth of about 1%, operating EBITDA stood at Rs.146 Crores for H1 FY2021 as against Rs.128 Crores for H1 FY2020 up by about 13%, the operating EBITDA margin stood at 28.4% a growth of about 300 bps compared to the same period last year. Increased share of high value business helped us to maintain the EBITDA margins in spite of the various business challenges and plant shutdowns in early Q1 FY2021. Operating PBT stood at Rs.125 Crores for H1 FY2021 as against Rs.113 Crores for H1 FY2020 up by about 11%. The operating PBT margin stood at 24.4% for H1 FY2021. Profit after tax at

Rs.119 Crores for H1 FY2021 as against Rs.86 Crores for H1 FY2020 up by about 38%, the PAT margin stood at about 23.2%.

Now coming to the unit wise performance for H1 FY2021, on the high value business it grew by about 32% while the legacy business was lower by about 29%. Within the high value business the specialties grew by 11% to Rs.199 Crores while CRAMS grew by 84% to Rs.133 Crores. The legacy business showed a downtrend due to fall of about 27% to Rs.77 Crores in inorganic fluorides and about 30% to Rs.103 Crores in the ref gas business YoY basis. For Q2 FY2021 the performance on a standalone basis, the company's net revenue from operations stood at Rs.308 Crores as against Rs.264 Crores for Q2 FY2020 showing a growth of 17% on YoY basis. The operating EBITDA stood at Rs.93 Crores for Q2 FY2021 as against 68 Crores for Q2 FY2020 up by about 38%. This quarter the company reported a high operating EBITDA margin of 30.4% a growth of 476 bps compared to the same period last year. Increased share of the high value business helped to maintain the EBITDA margins. The operating PBT stood at Rs.83 Crores for Q2 FY2021 as against Rs.60 Crores in Q2 FY2020 up by about 40%, the operating PBT margin stood at 27%. Profit after tax stood at Rs.67 Crores for Q2 FY2021 as against Rs.46 Crores for Q2 FY2020 up by 45%, PAT margin stood at 31.9%.

Coming to the Q2 business wise performance, again our high value business grew by 42% while the legacy was lower by about 13%, speciality segment grew by 9% to Rs102 Crores while CRAMS segment reported strong sales this quarter, it grew by 110% to Rs.99 Crores. The legacy business showed a downtrend due to fall in the inorganic segment by about 6% to Rs.49 Crores and in the ref gas 18% to Rs.58 Crores on a YoY basis. Our balance sheet remains strong, the net cash position as on September is about a little over Rs.450 Crores, our prudent use of capital has maintained our capital employed, the return on capital employed by around a little over 30%, the net cash flow from operating activity stood at Rs.98 Crores compared to Rs.40 Crores last year showcasing our operating efficiencies. I think that is all from my side and we will now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

S Padmanabhan: Sir my question is on the CRAMS part of the business, it has reported a very strong growth for this quarter. Can you give some more clarity with respect to the utilization on the CGMP3 plant and specifically from your own expectations we normally have internal expectations with respect to the utilization for the first year, second year and third year, so are we running significantly higher than what we had envisaged in terms of utilization for the CGMP3 plant?

Radhesh Welling: In Q1 as well as Q2 for CGMP3 we saw capacity utilization of over 80%, as we have been saying that for any multipurpose kind of facility any capacity utilization over 70% is actually considered as optimum, the reason why we had a very high utilization in Q1 and Q2 as you are well aware this is the business where our typical production cycle tends to be a little longer than our other businesses and we had a lot of orders that had actually got bunched up, which we had announced in the commentary that we made in Q4 as well, so we had a lot of orders, which basically led to the strong utilization in Q1, Q2 and also our team has actually done excellent job of execution wherein we did not face as many problems in ramping up the production to CGMP3 level as was earlier expected, so lot of the orders we actually got first right first time, which also helped us to deliver most of the orders on time in this period, so to answer your question our utilization was above 80%, it was slightly higher than what we had anticipated in the first year of operation.

S Padmanabhan: With respect to this bunching of orders and you also made a commentary that we are seeing very strong inquiries, while I do not want to discuss quarter-on-quarter, which might not necessarily be right, but from a business trajectory point of view if I look at the last few quarters where the lows have been around Rs.25 Crores, Rs.30 Crores and we had been running at around say anywhere between Rs.50 Crores or Rs.45 Crores to Rs.55 Crores, do you think that this run rate should substantially be higher given the visibility of the business and also the new capacities coming in, so here what I am trying to understand is whether are we looking at least utilizing it over what we had talked about and probably looking at announcing another capex given that we are running a full on this CRAMS business.

Radhesh Welling: So there are two or three questions that you asked so let me take each of those separately. If you look at the trajectory going forward we are again seeing extremely strong tailwinds in this particular business both from our existing customers as well as from some of the newer customers that we have been developing both in Europe as well as US. From a run rate perspective, we had earlier mentioned that our focus was to get to a run rate of Rs.50 Crores every quarter. From now on, our focus would be to at least get to the run rate of what we have done in H1 so that is what we would actually look to do in every two quarters. We actually delivered about Rs.133 Crores of revenue in the first two quarters, and that is what we will look to do going forward. There could be some quarters, which will be slightly lower, some quarters which is slightly higher, but at least on a half yearly basis this is what we should be able to continue to do, While we are doing this, there are two things that we are really focused on at this point of time, One a process optimization by which we are looking to improve the norms, improve the yields and also significantly reduce the batch cycle time by which we will be able to free up the capacity available. Also we have identified few areas for debottlenecking, which will require some minor capex by doing that in the second half of this year we will actually be able to bring in additional capacity just through these small debottlenecking projects. Once we complete that towards end of this financial year that is FY2021 is when we will be in a better position to understand what the order book looks like for FY2022 and FY2023 and take a call on the next capital investment in this particular business so that is when I think we should be able to make a better commentary on CGMP4. Does that answer your question?

S Padmanabhan: Yes Sir, that was pretty clear. Sir one final question from my side if I may, on the speciality chemicals here again in this business we are seeing good inquiries, growth happening both on agrochemicals and pharmaceutical side, and we have over the last two to three quarters consistently been saying that capacities are running fairly high, so here what is the strategy, when are we looking to expand capacity and are we looking to, I would assume that a lot of products would have also moved from the high volume, low margin to anyway highly profitable and low volume kind of product which is reflecting in the margin, so from here where do we go as far as the specialty chemicals is concerned?

Radhesh Welling: Yes, so let me give you first of all some brief background on short-term and then, I will give you on mid to long-term. On short-term which is specifically related to Q2 and Q3 basically through end of the year, we continue to see pretty good momentum in our life science and crop science business; however, industrial business is a little softer as we get to the end of this year. We believe that again from starting off the next calendar year because there the contracts actually run for calendar year we should again start seeing a good momentum on the industrial side and as you know our businesses divided 40, 40, 20 between pharma, agro and industrial so that is on the short-term. Also on the short to mid-term we have actually done some smaller debottlenecking capex in our existing site, a lot of those have got commissioned in Q2, some of them are getting commissioned in Q3, but those are relatively smaller capex just to bring incremental capacity into our business. We are currently working on a number of projects, a number of new projects, these are both ones that will require standalone facility and there are those that will require setting up of multipurpose plant. Lot of these projects already completed the R&D hurdle, some of them have already completed the piloting hurdle, some of them are currently in piloting, and some of them are actually in the engineering. It means that in this financial year we are expecting to at least have few of these projects get converted into specific business plan, which will be presented to the Board and then will enter actual investment in Dahej. So we expect at least a few projects to be announced in this year, which will then give us capacity significantly higher capacity from calendar year 2022 onwards.

S Padmanabhan: Final remarks on the Piramal deal, any reasons why we have decided to part ways and any kind of businesses that we might lose because of this potentially?

Radhesh Welling: If we will lose any business the answer is no. What was the logic here as you all know, what did this JV entails, this was manufacturing of one product for one customer, which is basically Piramal, which was going into the anesthetics market. The focus of Piramal was basically to grow the anesthetics market for which they needed a product at a particular price whereas for us the focus was to use this platform to do a lot of other things that we want to do in our specialty chemicals and HPP segments. So we felt that it is in best interest of CCPL as well as best interest of Navin Fluorine as well as Piramal that we actually have a clear focus in what they wanted to do and what we wanted to do and have 100% control over our own destiny, so they will continue to drive the anesthetic business the way they wanted to do with 100% control and we will drive the growth of this platform into newer segments, other segments, which are primarily in HPP and specialty chemical, which is not focus area for Piramal, the way we want to do and have 100% control over that. So the logic basically said that it is in best interest of all the three parties that we separate and chart our growth trajectory. So having agreed on the logic then we came to the table and said who should basically acquire this particular asset, who should be running it etc., and we felt that Piramal was probably the best owner they already had 51% in this particular business and they were probably the best owner of that given the fact that this product was only going to Piramal. This deal gives us a perpetual license to the technology platforms, which means that we will be able to use these platforms to develop and sell lot of new products, which will get developed in the next few years for completely newer applications so that is something which was of our interest and we will continue to do that and have 100% control over it. So that was in short the logic behind this particular separation and will continue to drive our own growth trajectory with 100% control.

S Padmanabhan: Thanks a lot Radhesh I will join back the queue.

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

Sanjesh Jain: Couple of questions from my side. First on the gross margin side, just wanted to get your qualitative view on interplay of product mix and gross margin, there is no visible trend there in terms of how the gross margin moves and how the product contribution are changing because last quarter speciality chemical had a higher contribution and we did a much higher gross margin and this quarter CRAMS had a phenomenal sharp bounce back and the gross margin actually dipped. We understood that CRAMS was a more of a milligram to tonne kind of a supply and it was more of a research support we provide. Does the understanding was that it had a higher gross margin, but again it would have compensated by higher investment into R&D and talent can you just give some qualitative understanding over there?

Radhesh Welling: Ketan you want to take that?

Ketan Sablok: While on the numbers I will just brief you about the gross margins and if you see our business segment wise gross margins, this quarter and the last quarter on the high value businesses of speciality and CRAMS I think we have been able to maintain the gross margin levels, but as Radhesh spoke earlier in his speech I think our legacy businesses have kind of pulled down our gross margin especially more so in Q2 because of the pricing pressures that we face both on the ref gas business as well as the inorganic business. On the ref gas, specifically on the export front where we have seen the prices softening up again lot to do with the lack of demand and partly due to the Chinese impact on the global R22 prices and also in the domestic market prices, which we were expecting to firm up during Q2 has actually not really happened and we have had a slight pricing pressure also on the domestic front. Similarly in the inorganic business with the industry not really opening up the way we had planned and the domestic demand being under pressure the prices were also quite subdued, same was the story on the export side. I think the legacy business played a key role in the second quarter where you see the gross margin has slightly dipped over the Q1 margin, and there is a difference of about a little over 2% between the gross margins, I think the change in the pricing structure has created an impact on the overall 2%.

Sanjesh Jain: Got it, no, I was just not looking for this quarter per se, but in general how should we see when the CRAMS contribution increases because I think that is where we have a maximum capacity, now that we are talking of a much higher run rate once this pricing pressure on the legacy business becomes more normalized the margin should inch up right that is how should we look at it correct?

Ketan Sablok: Yes, that is the exact way of looking at it.

Sanjesh Jain: Got it thanks. One question to Radhesh. On the background that we spoke about debottlenecking increasing the yield for the CRAMS and process improvement there are we relooking at our guidance of 2.25x to 2.5x of asset turn in the CRAMS?

Radhesh Welling : Yes, I think it is little too early to say that, but I think because it is not only a question or for a function of these initiatives but also function of the kind of products that you do, kind of chemistries that you do, etc., so it is a little early to comment on that, but our focus has been and always continue to be, to see how do we actually extract maximum sales from these assets. So our focus would obviously be to extend that from 2.25 to over 2.5, but what would that exactly be it is a little too early to give a guidance on that.

Sanjesh Jain: Just one last bookkeeping question, what was our investment in the CCPL?

Radhesh Welling: CCPL our equity investment was about Rs.34.3 Crores.

Sanjesh Jain: Thank you and best wishes for the coming quarters.

Moderator: Thank you. The next question is from the line of Anand Bhavnani from Blend AIF. Please go ahead.

Anand Bhavnani: Congratulations for a strong set of numbers. Sir on CCPL, I just wanted to double check, we will get Rs.7 Crores lease fee so this would be for a certain number of years or for a single year if you can elaborate?

Radhesh Welling: No, the land that we have in Dahej is on a 99 years lease that is how the lands are actually given to various companies by GIDC. When we did the CCPL deal we have about 85 acre land, so when we did the deal 11 acres were actually transferred or earmarked for the CCPL business and now what we have done is we have just transferred that lease in the name of CCPL, which means now they will continue to have the lease for the remaining of 99 years.

Anand Bhavnani: So it is a one-time consideration of Rs.7 Crore that we have?

Radhesh Welling: That is correct, yes Rs.7.9 Crores.

Anand Bhavnani: Sir you also mentioned about the Hexafluoro platform that we have access to post the CCPL divestment can you give us a sense of the opportunities on this particular platform over next let us say a couple of years how do you see any products coming in and would you be required to do capex in view of the fact that now the CCPL facility is no longer accessible to you, would you need additional capex, if yes, how much?

Radhesh Welling: Yes, so it is early to talk about specific capex numbers, because that will depend on the specific volume and the specific products. So here, there are multiple Hexafluoro products and then further derivatives of those, there are two kinds of applications that we have already identified one is in pharma, the other one is in electric vehicles, so we are trying to understand how big these opportunities can really be. We are discussing with the customers on the specific products, which are derivatives of some of these products made through Hexafluoro platform and I think it will take us probably about six to nine months to make that market assessment and once we do that we would have finalized the specific products then we will get into either customer specific agreement or we will get into doing those ourselves, but we are probably a year away from giving out those specific details.

Anand Bhavnani: Lastly would there be a need for a joint venture in this chemistry or at this point in time you have reasonable confidence of being able to do this Hexafluoro on your own?

Radhesh Welling: We have extremely strong confidence now to be able to handle the chemistry, to scale up the chemistry and also to operate the plant at a commercial level so we do not see for the technology piece a need to do any joint venture.

Moderator: Thank you. The next question is from the line of Hasmukh Gala from Finvest Advisors. Please go ahead.

Hasmukh Gala: Congratulations for really very good set of numbers. After looking through our legacy business do you have any plans to get into any molecules that will be demand for next few years?

Radhesh Welling: Yes, so as I had indicated earlier, as well we are currently seeing a lot of new opportunities in number of our segments, so as far as our priority is concerned we will focus on the speciality, CRAMS and HPP first, so that is where we have clear visibility in terms of what this opportunity is going to look like. We clearly see a runway for those opportunities for many, many years to come, there is absolutely no regulatory headwind, etc., so we have a clear runway there, so those would be our priority. On refrigerant gas we have actually seen some opportunities, there are a lot of regulatory issues so we are trying to understand what could the best case be and what the worst case could be. So once we have more clarity then we will actually take a call and on the inorganic we have really not put any efforts or any management bandwidth to even understand what the opportunity landscape really looks like beyond just superficial understanding of that landscape. So as I mentioned the priority would be specialty, CRAMS and HPP and then refrigerant gases and in inorganic there is not much work that has happened.

Hasmukh Gala: The second question as far as CRAMS are concerned can you give us more color of the type of projects that we are doing that roughly Rs.130 Crores revenues, which we have how much is coming from pharma, how much is coming from crop protection, etc., and on how many projects are we working at a time if you can give some idea about the strategies, etc.?

Radhesh Welling: CRAMS business is 100% pharma, so we only deal with American and European pharma companies to supply molecules into regulated markets and these are innovative drugs that means they are currently under patent and these are molecules or these are drugs, which are at very early stage of their development so we typically start from the clinical stage phase I stage through phase III and then commercialization, etc. So these are typically molecules, which are at very early stage of their life cycle and 100% pharma. There will be some small agro piece as a part of CRO, but there is no material impact on the numbers coming from the agro most of it is coming from pharma. Now if you look at the projects, they are slightly different from the sales because projects is what R&D and the technology team works on. So there at any point in time we have about 20 to 25 projects that we work on. , Some of these projects are from single customer, so the customer can vary anywhere from let us say 10 to 15 customers and specifically if you look at the sales we have always seen irrespective of the number that we do in any quarter, typically about 65% to 70% of our sales is driven by the top three molecules that we do in that particular quarter which is the same for H1 this year as well.

Hasmukh Gala: The last question is on your HPP project last time you had indicated that as you go ahead and implement that project lot of new by-products and things like that you will be able to make and independence of that particular agreement on your own you will be able to manufacture and market, etc., so that work will start from identifying those particular derivatives and you can go ahead beyond that particular contract which we have entered?

Radhesh Welling: Yes, currently that is not a focus because the investment that will be required for that has already been made so that has already been approved and that the investment is currently going on. So currently our focus is on projects which require immediate investment i.e., the specialty investments required in Dahej, etc. Right now that is our focus and it will remain so for at least the next six months, post that we will probably start to look at some of those molecules. We have already identified some of those molecules, we have actually done some piloting in two of these molecules and supplied to some of our customers for qualifications so that is parallelly going on, but is there a concentrated activity going on in that particular area the answer is no.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: Wonderful performance. A couple of things, one is can you talk about the contribution of Japanese customers to your specialty business?

Radhesh Welling: The question that you are asking was contribution of Japanese customers right?

Karthikeyan: Correct.

Radhesh Welling: So if you look at our existing specialty business the contribution of Japanese customers is relatively small, but if you look at some of the projects that we are working on especially for a multipurpose plant there we have projects going on with Japanese customers. So we actually did some projects, we have been doing some projects for the last three to four years with some Japanese customers, but those were at a relatively smaller scale, but those relationships have now reached a stage where now they are looking for larger molecules or higher volumes of the same molecules from us and hence they will be part of this MPP investment that we will be making.

Karthikeyan: Wonderful. The second thing is a broader question in terms of automation of your facilities with the existing one in the CRAMS, specialty as well as the HPP can you take us through the automation levels at this point in time, hope for further automation and your broader thoughts on automation in general?

Radhesh Welling: Yes, so we are incorporating industry 4.0 design factors in the engineering for our Dahej plant. So if you look at the project that we have currently going on which especially related to HPP that is a continuous plant so relatively it is easy to incorporate the industry 4.0 standards into the design aspect and we are doing that. We have a separate company working with us only on the digitization and automation piece on that. Now we have started working with them for our CGMP3 also to automate lot of operations, which I mentioned earlier with respect to process optimizations this is one element there. So some of the manual operations we are actually looking to convert to automated operation that will not only help our batch cycle time but significantly improve overall the control and the safety level that would be the priority number two and then priority number three would be our existing facility in Surat because as you know Surat is a very old facility so incorporating the digitization or the automation aspect into the Surat facility will entail significant investment. So what we have done there is the MPP that we have in Surat is what we have identified to incorporate some of these elements so that is going to be our priority number three. So we are working on each of those three and then we are also working more from the digitization point of view, we are also working at other aspects like the material packing, data security, data integrity, etc., which will not only impact our CRAMS business but also the HPP business.

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

Rohit Nagaraj: Congrats on good set of number. Sir the first question is on the revenue generation from CCPL so what kind of revenues we are generating from there and was it accounted in the speciality chemicals or now will it come separately?

Ketan Sablok: CCPL since it was a JV it was just the consolidation of the profit. Revenues etc., was not part of our account.

Rohit Nagaraj: So incrementally that particular revenue will come as a part of our specialty chemical segment is that right?

Ketan Sablok: What I am saying is in the consolidated account the numbers of CCPL were not added on a line-to-line basis only the profit percentage of 49% of the profit was added as the share of profit from the joint venture, so the revenues in our accounts did not include the JV revenue numbers.

Rohit Nagaraj: That is what I am saying, so the raw material that we are supplying so now incrementally will form part of our revenues.

Ketan Sablok: The raw material which we were supplying to the CCPL was already part of our revenue it was coming under our inorganic fluoride business. Going forward it will continue to come under our inorganic fluoride business.

Rohit Nagaraj: Thanks for the clarification and the second thing on the balance sheet so we have higher inventories as well as the receivables are higher so what is the reason for this?

Ketan Sablok: Inventories if you see we are at about 5860 days, which we think we are quite reasonable and on the receivable side given the high CRAMS sales, that we had most of it getting shipped out in the latter half of the quarter and a large chunk of it going out in September I think that has impacted the receivable numbers as on September end, but I do not think we have any issues on that front.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Not really specific to this quarter but basically the reason that we have charted out to become a more technologically sophisticated firm, grow and evolved in the areas of specialty and CRAMS and HPP, not only we focus on our traditional business, but let them evolve as they happen, and in the process we not only evolve the chemistry strength technological capability to work those chemistries to the better advantage, get bigger and superior projects and skill the customers, so in this quarter a kind of a nice affirmation of that long-term journey and the picture continues that is the basic question I had?

Radhesh Welling: I think that is a very good summary and directionally you will actually see us continue to emphasize these various elements that you talked about. In the high value added businesses like you talked about which is speciality, CRAMS and HPP we have relatively good visibility in terms of what we want to do both from the product perspective, chemistry perspective and technology perspective, which will then obviously get translated into investments and the sales. As far as the inorganic business is concerned there is not much work going on in a very concentrated manner there and in refrigerant gases we do have a very strong point of view as of today, but we see a lot of regulatory hurdles going forward. So the point of view has not got translated into specific business plan, which we take to the

Board, but directionally you are absolutely right that is the direction that we will continue to take.

Bharat Shah: Which essentially means that the three focus areas are the ones where we shape and craft our destiny as the other two are concerned they are the existential kind of businesses and our destiny will evolve we really are not really doing anything much on what to do on that and in the process now over a period of time our margins and develop chemistry and its sophistication all will reflect that?

Radhesh Welling: That is correct yes.

Bharat Shah: Thank you Radhesh.

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

Ankur Periwal: I have one question and one clarification, taking the question first. Now in the first half, we have seen probably more than 350 basis point expansion in gross margin which was driven by spec chem. in the first quarter and CRAMS now and going ahead given our focus on CRAMS, spec chem. as well as the HPP business and reducing contribution from the legacy ones, do you believe that these margins will sustain going ahead as well even if let us say the legacy business will bounce back in FY2022 this margin expansion should sustain?

Radhesh Welling: You are talking about EBITDA margin not gross margin right?

Ankur Periwal: On the EBITDA and gross both phase whichever way you look at it.

Radhesh Welling: On the EBITDA margin front we should look at H1 together instead of Q2 separately, as we have indicated earlier. As we continue to scale specialty and CRAMS and also HPP comes in from FY2022 onwards, that will clearly have better impact on the margin, therefore the margins will start moving up. The legacy businesses, on the EBITDA margin side clearly drag our operating margins down during this particular period which is H1, if you see our legacy business were significantly down. So what really helped our margin was not only the fact that our CRAMS and specialty were up but also the lower operating margin businesses like refrigerant gas and inorganic businesses were down. Now clearly we did not reduce the sales of those businesses to increase the margin, but that is just the way it happened, we expect going forward that our inorganic fluorochemical business and to certain extent ref gas business will actually move up and hence the margins might slightly go back to about 25%, 26% level. But as we move ahead, as was mentioned in the earlier question, as we continue to scale our CRAMS and speciality business and as HPP kicks in, you will start seeing quarter-on-quarter and period-after-period EBITDA margin of what we have delivered in H1 or even better.

Ankur Periwal: Sure sir that helps and one clarification on the specialty chemical side, if I got you right in your earlier comments you did mention some of the debottlenecking led exercise, which will add to the overall capacity and hence the overall growth will it be fair to say that this debottlenecking exercise will be able to help us post a double digit growth this year and then the incremental capex will come in to drive the growth FY2022 onwards. The reason I am asking this is even if you put a new capex there will be some time lag as well right by when this capacity will come in which is we are slightly curious in terms of the timeline for the capex and the incremental impact on our revenues accordingly?

Radhesh Welling: Yes, so we believe that if you look at the speciality business this year will grow by and large to a similar extent as what we did last year, but next year could probably be slightly muted because the debottlenecking of capacity that I talked about. These are is relatively smaller debottlenecking exercises, there was a relatively very small capex because at our Surat facility we are not allowed to construct any new plant or anything. So whatever changes we have to make we have to make it in an existing plant. But from year 2022 you will actually see a significant increase in our business turnover, which is when the new capex that we are talking about now will actually start reflecting in the numbers.

Ankur Periwal: Okay fair enough that is helpful. Thanks a lot Sir and all the best.

Moderator: Thank you. The next question is from the line of Niket Shah from Motilal Oswal AMC. Please go ahead.

Niket Shah: Congratulations on a good set of numbers and thanks for the opportunity. I just wanted to know what is the cash on balance sheet and just a similar question to that was will Navin Fluorine be open to taking debt on balance sheet given the significant tailwind that the country is seeing now from China Plus One strategy and obviously Navin will clearly be a big beneficiary will we take a aggressive stance of taking debt on balance sheet are we open to that idea or you would like to have a industry balance sheet so that is the first question?

Ketan Sablok: Currently if you see the balance sheet in September we have a cash and bank balance of about Rs.360 Crores and when we add the current investments in that then the overall balance is around Rs.450 Crores and regards to your second point I think we have clarified earlier also that it is not that we have considered not taking any debt on the balance sheet we are open to that idea and I think that is the call we take as and when the capex comes in. We feel that the investments given the current state of the balance sheet can be funded in-house then we would like to get it done through our current balances and the current investments that we have. But overall we are open to taking debt and I think probably towards the end of this year and early next year when we have the entire project expansion plan on the table for speciality chemicals and anything coming up in CRAMS etc., I think that is the time we will take a more conscience call on taking on debt on the balance sheet.

Niket Shah: The Rs.65 Crores which we have got from the JV that will add up to this Rs.450 Crores going forward?

Ketan Sablok: That is right.

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

Amar Maurya: Sir I am saying from the project identification perspective any changes will we looking to do post Piramal event?

Radhesh Welling: Yes, as far as the project selection criteria are concerned there is no change in terms of those criteria, the criteria continues to remain the same, first there has to be a clear strategy fit in terms of what we are doing. These opportunities that we look at those projects need to be clearly sustainable profitability and then it has to meet our criteria in terms of the financial ratios, etc., so there has been no change post any of the events.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Investment Managers. Please go ahead.

Kashyap Jhaveri: Congratulations for a great set of members. All my questions have been answered. Just wanted to comment on one thing the slide one of your presentation probably now reflects our strategy very crystal clear, which is to value from partnerships. Just one question related to that what are the risks that you see associated with this strategy would the client concentration be a risk over here we have seen in one of the other specialty chemical company a cancellation of an order and consequent reflection on the numbers so what are the risks that you see associated with this strategy?

Radhesh Welling: No, so for us the selection of what we call partners is extremely critical and when we use terms like partnerships, we actually tend to use these terms very seriously we do not you know tend to use these words very casually. So these relationships that we have, commercial relationships that we have, have to cross a certain threshold to be called as partnerships and those could be with customers, those could be with suppliers, could be with peers, etc., and the way we have planned our overall business framework, which is around three P's, which is Products, Platforms and Partnerships we are ensuring that none of these three have over concentration on a few products or a few platforms or a few partnerships so we have the right level of risk mitigation playing out there.

Kashyap Jhaveri: That is it from my side. Thank you so much sir.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Sir one question, any new development in the fluorine chemistry space in terms of application, new products, deeper application of the existing category, which you would like to highlight?

Radhesh Welling: Yes. It will be difficult for us to highlight those because that information is extremely confidential, some of those we are independently developing in India or in UK and some of those we are developing along with the customers and hence those are covered by the confidentiality agreement that we have signed with those specific customers. But I can say one thing if you look at any of the new application areas to give you some examples like 3D printing, electric vehicles, battery chemicals, you look at any of the newer 5G applications, in these applications fluorine plays a big and important role in each of those and we are exploring opportunities in each of those sectors. Will those get converted into sales next year the chances are lower, but what we are looking to understand is in which of these opportunities could there be an opportunity for us so those one or two or three opportunities which we could significantly scale up the way we have done in case of the HPP project, which has already been announced, but there are number of those we are currently evaluating.Some of those we are discussing with the customers, etc., but a lot of those are a little confidential to actually mention on a call like this.

Dhaval Shah: And this is first time because it is a new technology so no one in the world has made already, so it is the first time you are working right on it?

Radhesh Welling: This is the first time we are working on it and in our understanding there is nobody from the eastern hemisphere who has worked on it but there are a few companies in US who have also worked on this.

Dhaval Shah: While we look at the new application altogether 5G or 3D or battery?

Radhesh Welling: Yes.

Dhaval Shah: Got it Sir. Great Sir. Thank you.

Moderator: Thank you. The next question is from the line of Vinay Jaising from Enam Asset Management. Please go ahead.

Vinay Jaising: Again a big congrats for the results and even a bigger congrats to get Ashok Sinha into your team, I have worked with him historically wonderful thought person so big congrats for that. My question Sir is I think what everyone has been asking you on the capex front, we have a huge net cash position Rs.4.1 billion going to Rs.4.7 billion with the cash inflow from the Piramal Group, EBITDA is growing this year but our utilization rate in some parts are 80% it takes one to one-and-a-half year for capex to come in and then the growth to come, so growth is visible in F2023, but I am just using your words F2022 could be slightly muted on the growth front what do we do so that we build capacity now that we know our products are right our direction is right as you put your partnerships are getting in place but you are going slow and getting a partner because you want to be there for the longer term, what is one thing you guys would do to increase your capex on the ground just so that you know your utilization rate remains at 60-65% or whatever so that you can have a huge growth a multi-year huge growth story and not a few months of hiccup and then again the growth coming back? Thank you so much.

Radhesh Welling: I think it is a good question. I think the way we look at it is that ultimately we have limited bandwidth I am talking about senior leadership bandwidth whatever we do has to be done very well so if you look at the project that we earlier announced so that initially took lot of our bandwidth to ensure that, the project actually came on track. In an ideal world we probably should have announced some of the expansion plans in this year, but because of COVID our mind space got shifted from growth to maintenance, so we had to make sure that we again bring our attention back to the execution of the existing business to ensure that we deliver a relatively good H1 and which is what has happened now, that, that has happened and parallelly we have been working on a lot of these projects through R&D, through piloting etc., and as you mentioned about Mr. Ashok Sinha similarly if you see a lot of our other Board members,, they expect a certain level of rigor to be applied to any project that is taken to the Board so that the sustainability, the profitability of those projects are assured, so we want to make sure that before we take anything we have the right level of assurance. Of course there could be a year in between where you know the growth could be muted but just to make sure or just to speed up the process we will not present any plan, which is shoddy or which is not very well thought out because we clearly understand that we are not in this business for a year or two, but we are here for the next 10 years, 20 years to make sure that we put this company on the right growth path and we will continue to do that and you will see that reflected in the decisions that we make in terms of capital investments.

Vinay Jaising: Sure Sir, thank you so much.

Moderator: Thank you. Ladies and gentlemen due to time constraints we will take one last question, which is from the line of Ranjeet Cirumalla from B&K Securities. Please go ahead.

Ranjeet Cirumalla: Congratulations on a great set of numbers. Actually I have a couple of questions. The first on the hexafluoro chemistry, which you have talked about I was under the belief that Piramal had approached us since we had the specialization in fluorine chemistry and would have helped them to build the capacity so I just wanted to get some clarity that in the last couple of years what was that particular technology that we had a value addition to ourselves so the way it was perceived that we would be providing some value addition to Piramal, that would be the first question, and the second question quarter-by-quarter we are only seeing your commentary getting a bit aggressive or bullish on the capex front so the way I understand right now in last quarter we were only expecting the capex on the spec chem. side now with the Piramal JV we are again indicating some bit of capex from the specialty chemicals, so the gratification whether these two things are different or these two things were the same one? Thank you Sir!

Radhesh Welling: Yes, so on the second part as I mentioned earlier we have a clear growth plan and that growth plan or trajectory or the pace is not going to change because of the Piramal transaction that we just did. It will just further reinforce and we will be able to do that in a much better way because we have freed up some management bandwidth from the activities which could have otherwise contributed only incrementally to Navin Fluorine performance so that is on the capex side that we will continue our business as usual. On the first part on the hexafluoro, you are absolutely right Piramal approached us because of our expertise in fluorination and that technology from the chemistry point of view was the earlier version of that chemistry was actually developed by us then that chemistry was then further worked upon or perfected by both of us working together and then CCPL worked on it to make sure that the scale up happened successfully and as you know in lot of our businesses it is not about the process development because we are not really necessarily doing any fundamental R&D. A lot of these process development information is available in the public domain is the question of how well we repeat those in our lab, how well we optimize those chemistries and the critical piece is how well we scale it up and stabilize the particular technology, which is what the initial part was done by Navin Fluorine then the middle part was done together by Piramal and Navin Fluorine and the later part was actually done by the CCPL and by getting these perpetual license we will get access to all the three, we will actually have equal right to getting access to all the three.

Ranjeet Cirumalla: Just one clarification on the capex front. The capex which were talked about from the CCPL front is in addition to the capex which you were earlier guiding for on the spectrum size?

Radhesh Welling: No we have not guided any capex on the CCPL side.

Ranjeet Cirumalla: Yes, so in this commentary in one of the questions we did indicate that hexafluoro chemistry you would be evaluating certain opportunities and there would be more clarity by the end of this year.

Radhesh Welling: That is correct. I mentioned that it will take us a year to really gain more clarity around what does that platform mean for us, what are the products that it will get translated into and what kind of volume those products will have potential for, which means that any discussion on capex meaningful discussion on capex we will be able to have only after a year that is what I meant. So at least for next year in terms of specific capex plans our focus is very clear, it is primarily going to be led by specialty chemical then there could be certain events in CRAMS, etc., which could actually bring some other opportunities to the table.

Ranjeet Cirumalla: Thank you very much for the clarification Sir and wish you all the best.

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

Radhesh Welling: Thank you. So we believe our company will benefit from these strong tailwinds in the coming years. We are very confident to navigate through these tough times and emerge much stronger and leaner. Over the years we have successfully transformed our business from volume driven to margin focused. We will continue to grow by leveraging our product basket and expanding our global network further and we aim to scale up the business from the current level. I would like to thank everyone for joining on the call; I hope we have been able to respond to your queries adequately. For any further information request you to get in touch with SGA, our investor relations advisors. Please take care, stay safe and enjoy the festivals in the coming months. Thank you very much.

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