



“Navin Fluorine International Limited FY-15 Earnings Conference Call”

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**MANAGEMENT: MR. SHEKHAR KHANOLKAR — MANAGING DIRECTOR,
NAVIN FLUORINE INTERNATIONAL LIMITED.
MR. PARTHA ROYCHOWDHURY – CFO, NAVIN
FLUORINE INTERNATIONAL LIMITED.**

Moderator: Ladies and gentlemen good day and welcome to the FY15 Earnings Conference Call of Navin Fluorine International Limited. This conference call may contain certain forward looking statement about the company which are based on the belief, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risk and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. 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. Shekhar Khanolkar, Managing Director of Navin Fluorine International Limited. Thank you and over to you sir.

Shekhar Khanolkar: Good morning and a warm welcome to all participants. Today I am also joined by Mr. Partha Roychowdhury – our CFO. I hope you have received our result and presentation. We have also uploaded the same on our website.

The overall business witnessed a good traction across all divisions this year. Enabling us to sustain margins even when cost has gone up and specifically the raw material cost and power expenses.

We are at historic high in this year business performance both in terms of topline and PBT this year. I will give brief business unit wise update which will be followed by commentary on the financial results by Mr. Partha Roychowdhury.

First is the refrigerant business. This year refrigerant BU has performed very well with volumes improvements both in domestic markets as well as overseas market. Increasing usage of R22 in pharmaceutical companies **as feedstock** is also augmenting demand. In addition to this from June 1, 2015 AC manufacturers for importing R22 prefilled compressors either to refrain from importing such compressors and we will have to source R22 from domestic manufacturers giving a boost to the demand. Overall we expect this business to be fairly stable at its current levels.

Coming to inorganic business, being mostly driven by domestic demand this BU was impacted by the weak domestic steel industry. With the objective of de-risking we have been working on export markets and we are happy to say that we have started making inroads into European and the US market and have started feed marketing various products. We are also working on expanding our product portfolio, introducing new molecules within domestic and international markets.

In the Specialty Chemical business this BU has performed extremely good in both domestic and overseas market this year. This has been on account of improving product penetration in these markets. The multipurpose plant at Surat for Specialty chemicals also has started

contributing to the top line. In these BU as well we are continuously working towards introducing value added molecules to reach out to new customers.

CRAMS business has performed in line with expectations, such is the nature of this business that it is difficult to time revenue recognition. However we do have a clear visibility of the order book supporting our belief in this BU. The expansion at Devas for CRAMS is progressing as planned and is expected to be operational by H1 of FY15. Our JV project at Dahej with Piramal Enterprises is moving along smoothly. And we expect this project also to be commission by end of H1 FY16.

Overall we are moving in a direction which we had planned for in most robust and sustainable way as we enter into new financial year. That is all from my side, now I will handover to Mr. Partha Roychowdhury, our CFO, who will take you through the details of financial performance of the company.

Partha Roychowdhury:

Thank you Shekhar and a very good day to all the participants. I shall share highlights of our performance following which we shall be happy to respond to your queries. In the fourth quarter the company registered revenue of Rs.146 crores year on year growth of 17% from Rs.124 crores in the same quarter last year. For the full year the company registered a revenue of Rs.546 crores a year-on-year growth of 22% from Rs.449 crores in the same period last year. Operating EBITDA for the quarter is at Rs.18 crores, a growth of 38% years-on-year from Rs.13 crores. EBITDA margin expanded by 185 basis points to 12.6% in Q4 FY15. For the full year operating EBITDA is at Rs.63 crores with an EBITDA margin of 11.6%. Operating PBT for the quarter is at Rs.13 crores, a growth of 97% year-on-year from Rs.6 crores. And for the full year operating PBT is at Rs. 41 crores a growth of 19% year on year from Rs.35 crores. Profit after tax is at Rs.49 crores. The consolidated revenue is Rs.592 crores a year on year growth of 22% from Rs.486 crores over the last year.

For the full year consolidated operating EBITDA is at Rs.72 crores growth of 10% year on year with an EBITDA margin of 12.2%. For the full year consolidated operating PBT is at Rs. 49 crores, growth of 26% year on year from Rs.39 crores. Profit after tax at consolidated level is at Rs.58 crores. The growth in revenue was mainly driven by deeper market penetration, improved volumes across all segments, namely refrigerants, Specialty chemicals and CRAMS. At a consolidated level, refrigerant gasses contributed approximately 32%, Specialty chemicals contributed 36%, inorganic fluorides contributed 18% and the balance 14% is from CRAMS.

Refrigerant business and Specialty chemicals grew by 22% and 38% respectively during the year mainly on account of market penetration and improved demand. However this was offset to some extent by a subdued performance in inorganic fluorides. CRAMS has performed as expected though the traction in CRAMS was slower during the year due to inherent nature of the business.

Fluorspar and Chloroform prices still continue to be at previous quarter level. Other income for the year is at 30 crores with rental income of 15 crores and treasury income of approximately Rs.12 crores. The tax expense at 20 crores for the full year has been high in comparison to the previous year on account of the FMP tax benefit being no more available in the current fiscal. This is all from our side and now we are opening the floor for question and answer. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.

Ranjit Cirumalla: In your opening remarks you have alluded that R22 the imports have been banned so just wanted some clarity on that thing.

Partha Roychowdhury: Imports are not banned. The R22 the imports have always been restricted. they are on a restricted item list and one has to obtain a license to import R22. As I was saying that there is no ban as such on import of refrigerant gas 22. However, refrigerant gas 22 as you may know has always been on a restricted list of imports. So one has to obtain a license, etc to import Refrigerant 22 gas. What is now going to happen is, from 1st July in the current year which is 2015 the government is stopping the import of compressors which are filled in with the first charge of R22 gas. This applies to the original equipment manufacturers. Therefore we presume that this demand is going to sort of be available to the domestic producers.

Ranjit Cirumalla: Okay. And sir what kind of utilizations do we have in this R22 capacity now?

Partha Roychowdhury: We have near full utilization Ranjit.

Ranjit Cirumalla: Okay, so in that case the incremental demand would there be some de-bottle necking?

Partha Roychowdhury: No, there may not be any de-bottle necking as such but as you know chemical plant capacities are somewhat flexible, like instead of running the plant for 300 days if we run the plant for 310 days we will get a little bit of extra capacity. So we will make attempts to do that.

Ranjit Cirumalla: Okay. And sir any clarity or any view on the realization how it has moved because of what we also belief that China would have cut down 10% of its production from the 1st January.

Partha Roychowdhury: On the realization front one has to understand that we have actually grown in this segment despite the fact that the chloroform prices have been enormously high. Which means that the realizations have improved, which have enabled us to continue to remain in that market and push more volumes.

Ranjit Cirumalla: Okay. Sir and the second question is on the CRAMS we have seen a good ramp up in this particular quarter compared to other last three quarters in this financial year, but if I look at the sequential gross margins it has not moved much so CRAMS we believe that it's a high margin business for us.

- Partha Roychowdhury:** It is. It is a high margin business but again it depends on the products and the business that we do. For example if we do a molecule which we are doing for the first time, there is a likelihood that we will not be able to reach out to the optimum level of margins which we would expect from that particular molecule in the longer term. So one has to really see the sustained level of high margins into sometimes forward. One cannot really take a call on that immediately.
- Ranjit Cirumalla:** Okay. Then this Devas facility you are expecting it to commission it by the first half of this particular year?
- Shekhar Khanolkar:** Yes.
- Ranjit Cirumalla:** And the ramp up would take care in the second half, what kind of revenues you are expecting from this facility any ball park figure?
- Shekhar Khanolkar:** Ramp up will start only in the second half because one of the facilities you have the customers coming into to audit the facilities so you have to give adequate time for various global customers to come down and audit the facilities and approve the facilities so we expect that as we go in the second half we should be able to at least more than double the revenues from this facility.
- Ranjit Cirumalla:** Okay, probably in a year time?
- Shekhar Khanolkar:** Yes, within this year.
- Moderator:** Thank you. Next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.
- Pritesh Chheda:** Sir can you give some sense on the Fluorspar and Chloroform prices on a Y-o-Y basis where they are and how much up they are? And second what explains a deferential in margin between let say a quarter four and the full year number where the quarter four is higher than the full year number.
- Partha Roychowdhury:** To answer your first question, you see Fluorspar rise on a Y-o-Y basis is lower by about 10-15%, whereas Chloroform price is more than double on a year on year basis. So this is a sense on the Fluorspar and Chloroform. And to your second question, the improve margin is the function of the product mix essentially.
- Pritesh Chheda:** So what you started seeing in quarter four as a mix has to be more slightly higher mix on Specialty chemical and CRAMS vis-à-vis at the beginning of the year.
- Partha Roychowdhury:** Yes, but it has to be also drilled down to the level of product. So you cannot really generalize at their broader level.

- Pritesh Chheda:** Okay. Secondly what will be the deferential gross margins in Specialty and CRAMS business vis-à-vis let say inorganic fluorides and refrigerants?
- Partha Roychowdhury:** There will be a delta but we would not really like to comment at that level of granularity.
- Pritesh Chheda:** Okay, but is it safe to assume that the gross margin profile in Specialty and CRAMS is higher than the gross margin profile of Fluorides and Refrigerants?
- Partha Roychowdhury:** Yes of course.
- Pritesh Chheda:** Okay. And lastly I just wanted to check on Specialty chemical what is the updates on, any updates on other molecules because we have a family of molecules with us where we are trying to ramp up business any updates on any success on any molecule?
- Shekhar Khanolkar:** My I mentioned in initial talk. The multiproduct plan in which we invested a couple of years back, those products in last couple of years were under trial with many customers and we are got those success with those customers so from that perspective those new molecules are getting added into our portfolio last year for some time and definitely for this coming financial year. So that is the way basically we are adding a few more molecules into our portfolio going forward.
- Pritesh Chheda:** Can you just tell us how many molecules would be in a full scale production and how many are pilot or those kinds of indicative?
- Shekhar Khanolkar:** Those are all two digit numbers I would say between 10 to 11 molecules are already into commercial level at various stages with the customers and then there is a substantially good pipeline we have which is between our piloting activities and R&D activities at various stages. These are the molecules which would probably take another couple of quarter to start getting into the commercial levels.
- Pritesh Chheda:** Lastly what kind of growth is possible over the next two to three years in the Specialty chemical side of the business where the scale of business let say today is about 200 crores.
- Shekhar Khanolkar:** Yes, the Specialty business we see a good traction as I said the kind of efforts we have been putting into our R&D and efforts in last couple of year we have started seeing the fruits of that right now. Of course going ahead we probably have to put in little more assets on ground to really, fully commercialize those opportunities but having said this we feel that the current growth pattern will definitely sustain over next couple of year.
- Pritesh Chheda:** Okay. And on the balance sheet side the current investment figure seems to have come down and the non-current investments have gone up so any thoughts there and where is the cash got utilized?

- Partha Roychowdhury:** The non-current investments have gone up primarily because we have infused almost Rs30 crores of capital in to the JVC. So there is a movement from the liquid investments into the long term investments. So that is one and the second of course as you know the classification of current and non-current base is based on that 365 day cut off, so one has to actually view it together.
- Pritesh Chheda:** Can you give us the liquid cash balance in the form of cash or the investments in FY15 over FY14.
- Partha Roychowdhury:** That is of the order of, in FY14 it was of the order of Rs.158 crores and in FY15 it is of the order of about a Rs.100 crores.
- Pritesh Chheda:** Okay, so Rs50 crores out of which Rs.30 crores got invested in JV?
- Partha Roychowdhury:** Yes.
- Moderator:** Thank you. The next question is from the line of Chetan Vedia from JHP Securities. Please go ahead.
- Chetan Vedia:** Sir in the previous question you gave the outlook for the Specialty chemicals for the next two, three years can you similar give outlook for the refrigerant gases inorganic and for the CRAM segment?
- Shekhar Khanolkar:** As far as the refrigerant business is concerned it is pretty stable business going forward because we have R22 which has as we know there is a capacity restrictions going forward but overall there is a good traction is the business if you take a net shell both the things together then this business will be a stable business going forward in next couple of years. As far as CRAMS is concerned we are doing a lot of investment in CRAMS business in terms of assets on ground in Devas as well as in people and otherwise. From that perspective and the kind of response we are getting from the market place we are very confident that this business will really grow in multifold ways in next couple of years. As far as inorganic business is concerned we had not so good this year but we are hoping that our efforts which are doing into international markets to push off our inorganic products as well as new products which we are planning to launch should give that kind of growth momentum for inorganic business as well.
- Chetan Vedia:** Can you quantify the kind of growth that you expecting in the four divisions for FY16?
- Shekhar Khanolkar:** I can't give a specifically from each BU perspective but overall we hope to maintain the current growth patterns what we have shown this year in coming years.
- Chetan Vedia:** Sir that holds true for margins as well?
- Shekhar Khanolkar:** Yes, in fact we are hoping that the margins should improve going forward because lot of cost we have been talking for last couple of years are coming because of the new investment people

and other things and going forward the cost should get balanced out and the margin should improve.

Chetan Vedia: Okay. What is the CAPEX that you have planned for the company's as whole for FY16 how to divide between the four divisions?

Shekhar Khanolkar: The CAPEX required for CRAMS is already done at Devas which would fructify in the next financial year we are investing into the Dahej assets right now. so that will also continue. we are looking at opportunities to invest for few more activities for our Specialty business. as I said earlier lot of new products are getting developed in that market, in that segment and we may require some assets for that as well. But that amount and everything is not yet ready to be discussed but yes the investment would happen in the Specialty business going forward.

Chetan Vedia: Okay, sir just two more questions. This minority interest pertains to which subsidiary?

Partha Roychowdhury : Minority interest pertains to Manchester Organics predominantly.

Chetan Vedia: And sir this long term borrowing that has gone up substantial for this year, pertains to which specific investment?

Partha Roychowdhury : Long term borrowing has not gone up substantially it is just 12 crores.

Chetan Vedia: This Rs.27 I am saying this consolidated books. From the consolidated basis I am talking.

Partha Roychowdhury: On the consolidated basis in any case the increment is Rs.12 crores in our books and the JVC has taken our funding. So the JVC is consolidated at 49% so that is coming.

Chetan Vedia: In Essence would Dahej facility right?

Partha Roychowdhury: Yes, this is the JVC at Dahej.

Moderator: Thank you. Next question is from the line of Siddharth Purohit from Sushil Financial. Please go ahead.

Siddharth Purohit: Sir is it possible to share the volume growth across the segments for the quarter R22 Specialty and inorganic?

Shekhar Khanolkar: We cannot discuss specific volume growth but definitely all the business barring inorganic business all the business have shown a good volume growth.

Siddharth Purohit: Okay. And sir what is the status sorry for if I am repeating but what is the status of the Piramal JV, soon we can expect revenue from that JV.

- Shekhar Khanolkar:** The project is under construction right now as a said by early second half of this FY, we should go into trial production at that site and then further commercialization of the product depend upon how the trials progress and how the product gets approval from the customer.
- Siddharth Purohit:** So FY16 there is not much of revenue flowing in from that JV?
- Partha Roychowdhury:** No, FY16 there is going to be production activities based on our current plan but, the revenue streams are really going to start from first quarter of FY17.
- Siddharth Purohit:** Okay. And sir what would be the maximum possible asset utilization, plant utilization at that time and you can say asset turnover that is possible because the product profile over there would be much different from your existing I believe.
- Shekhar Khanolkar:** I should be 1:1 the asset turnover.
- Moderator:** Thank you. Next question is from the line of Rahul Bhangadia from Lucky Investment Managers. Please go ahead.
- Rahul Bhangadia:** Sir in the opening remarks you had mentioned that the CRAMS revenue kind of will go multifold but this year what is your expectation, that is one and second is as and when Indore starts contributing Devas starts contributing. Are you going to kind of classify into the CRAM segment only?
- Shekhar Khanolkar:** First of all, this itself we are expecting much larger growth in CRAMS business coming out of Devas site. so as I said earlier that we expect multiple growth during this year itself. that doesn't mean that the facility completely utilize this year, the facility takes three years to get completely utilized but this year definitely what we are at the current level definitely there will be multifold increase in our turnover out of that site, so that was your first question. And what was the second?
- Rahul Bhangadia:** Second was as Devas starts contributing as far as your segment is concerned you are going to add it to the CRAM side only?
- Shekhar Khanolkar:** Yes.
- Rahul Bhangadia:** So the last year FY15 your CRAMS revenue was about Rs.31 crores, now is it fair to say that we will be kind of at least doubling it this year as your Devas also starts contributing?
- Shekhar Khanolkar:** We are hoping to do that at least.
- Rahul Bhangadia:** You are hoping to at least double the CRAM segment this year.
- Shekhar Khanolkar:** Yes.

- Rahul Bhangadia:** Okay. And any chances of getting closer to the three figure this year?
- Partha Roychowdhury:** What do you think are the chances, your guess is as good as ours but, as part of the management we would really want to inch up to that point as far as possible. Whatever needed investments in terms of people, in terms of the market penetration we are already doing that but finally as you know in CRAMS business the product development cycle itself is pretty long and not sure at which levels the product will work and which level the product will fail as far as customer's trials are concerned. So to that extent it brings in little uncertainty into the business so you work on overall possibilities where you work on your customer base, you work on various products you are working and then take the best possible guess on those numbers.
- Rahul Bhangadia:** And the next question was on your other income, you gave a rough breakup with Rs15 crores of rent and Rs12 crores from your cash investments, so that run rate looks likely to continue in the sense that rent is likely to continue and the other income may go a little here and there depending upon how much cash you have on the balance sheet.
- Partha Roychowdhury:** You are absolutely right.
- Rahul Bhangadia:** That is likely to continue.
- Shekhar Khanolkar:** Yes.
- Rahul Bhangadia:** And just one final question ex of CRAMS as you mentioned that the rough growth rate expected in the other segments put together on an average 15 to 20% is a good number to go by?
- Shekhar Khanolkar:** Yes.
- Rahul Bhangadia:** And inorganic plus, Specialty chemicals, R22 will be stable but inorganic plus Specialty chemicals all put together.
- Shekhar Khanolkar:** Yes.
- Moderator:** Thank you. Next question is from the line of Niraj Mansingka from Edelweiss. Please go ahead.
- Niraj Mansingka:** Sir just one question on the human resource side now they are scaling up just in time investment in the CRAM side can you just share how you have got ready yourself on the human resources front?
- Shekhar Khanolkar:** We have been working on this for last couple of years in terms of how we grow that business so human resource planning was already done at the same time when we decided to invest into this business. Three years back we put a pilot plant for cGMP we recruited a few people

coming from the pharma background in to the company at various levels to ensure that they are fully conversant with the cGMP working environment. As we started building this large facility and as it is getting ready to operate we have been in process of recruiting right kind of people to manage this facility which includes not only production people but also good people with good understanding of high level of quality assurance and GMP systems understanding. We are also adding a few more product development labs there, which allow us to have more number of scientist working out various new chemicals and new products which are required by the customers. So we are fully geared up to have right kind of people and already those people are coming into place to ensure that we are having the right resources to support this business.

Niraj Mansingka: Right sir. And any thoughts on how many scientist you have and how many you plan to hire in future?

Shekhar Khanolkar: We have good number of scientists in our CRAMS business adequate enough to do a lab scale activities to start with for this business and then transfer this lab scale chemistries to a larger commercial scale. You should also not forget that we have another group of scientist sitting in Manchester Organics which is also supporting this business so there is a good amount of scientific knowledge available to us to grow this business.

Niraj Mansingka: You had shared about some 10-11 molecules at slightly advance stages and few molecules coming ahead in the pilot and R&D can you share on an average what would be the opportunity of each molecule over the life any thoughts on that?

Shekhar Khanolkar: It is difficult to say that because lot of this, this is your Specialty business and some of these molecules go into agrochemicals, some of these molecules are typically for one customer, but some of these molecules can go for two customers and these molecules can be, just give you a ball part number it can be 100s of tons if you ask me in terms of the potential of the molecules each of this molecule but it all depends upon the competitiveness of this molecules compared to China as well as the growth and the issues which agrochemical industry would face in coming years.

Niraj Mansingka: So it is right to say that most of the Specialty would be incrementally focus or the growth would come from the agro side and your CRAMS would be coming from the pharma side.

Shekhar Khanolkar: I would not differentiate that way, CRAMS definitely pharma because there you work with very innovative pharma companies at early stages of development of molecules. in our Specialty business we work with agro and pharma companies but that is not in the early stage of development of the molecules but it is little later stage so there we work with all pharma companies in India as well as outside India but there those molecules are pretty defined molecules and they already started using those molecules so that is a differentiation from the perspective of the business model.

- Niraj Mansingka:** Okay, sir last question on the MOL, the Manchester Organics, can you give some color on how you see the growth going forward in that business?
- Shekhar Khanolkar:** Manchester Organics is doing pretty well, for the capacities what they have with them, their relationship with some of these customers in the US and Europe is really strengthening going forward with lot of new molecules which we introduce into the catalogues. In last four years, the catalogue strength has gone from 8000 molecules to almost about 35000 molecules and that allows Manchester Organics to really penetrate more with the innovative pharma companies and in return it also helps Navin's Devas facility also to get the traction when the customers are using those molecules and there is an opportunity and window for those molecules to scale up.
- Niraj Mansingka:** Right but any thoughts on numbers or how you are seeing the growth?
- Shekhar Khanolkar:** It's difficult to really put those numbers there because as I said there are lot of activities which we can do it here for Manchester so we are doing the optimum way in terms of what molecules can be done here, what molecules can be done at Manchester.
- Niraj Mansingka:** On the Chinese side do you see any competition coming towards these businesses?
- Shekhar Khanolkar:** Chinese side this competition every business. if you talk of Specialty yes are companies who are competing with us in those markets. even in CRAMS there are companies. but because we are in Fluorine chemistry at the cGMP level and an intermediate level, with these three combinations the competitive pressures are lower because there are not many companies globally who have these kind of combination for fluorination, high pressure, high temperature cGMP facilities what we are building now.
- Niraj Mansingka:** Okay, thank you very much.
- Moderator:** Thank you. Next question is from the line of Navnit Harikumar who is an Individual Investor. Please go ahead.
- Navnit Harikumar:** I just wanted to get a sense of how you look at capital allocation, I see that you have Rs.15 crores of rental income given the cap rate in India there must be a significant amount of real estate in terms of value and then you have some liquid assets too. So how do you look at capital allocation in a broad sense, do you look at it in internal rate of return when you deploy the capital just wanted to get a sense?
- Partha Roychowdhury:** Essentially the real estate investments which we have are legacy investments. We have had these investments on our books for a very long time so none of them are fresh investments. And the other liquid investments are the investments which are of not a very long term nature these investments are arising out of the operating cash surpluses which we had in the past from time-to-time. And as far as the allocation philosophy is concerned one will observe that during this year we have put in investments which were in somewhat liquid form into the JVC a part

of our CAPEX has also been funded out of this investment kitty. So broadly this is how we look at the allocation of the funds.

Navnit Harikumar: Sure. If you plan to keep the real estate as it is even though the cap rates and rental yield is very low in India.

Partha Roychowdhury: Yes, but we would continue to keep them as of now, there haven't been any internal deliberations on that. So you can assume that we shall continue with these investments in the books.

Navnit Harikumar: Okay. And just wanted to get a sense of what kind of returns you are expecting from the Piramal JV you said it's a 1:1 asset turnover what kind of returns you expect?

Partha Roychowdhury: We cannot respond to that as of now. I would assume you will have to wait for a while until the results really form part of our accounts. There are certain obligations of confidentiality around it.

Moderator: Thank you. The next question is from the line of Khushbir Singh Batra who is an Investor. Please go ahead.

Khushbir Singh Batra: I have just few queries, first is you said unfilled gas compressors will be imported. can you just give us hint that what will be the size of that business approximately, expected increase in the business?

Partha Roychowdhury: That is actually something which you will have to get from the original equipment manufacturing industry, we don't have a sense on that.

Khushbir Singh Batra: Just indication tentatively?

Partha Roychowdhury: We would refrain from doing that.

Khushbir Singh Batra: Okay, second point was just wanted to know total imports and exports of the last year March '14-15 of the company?

Partha Roychowdhury: Okay, our exports have been around 40% of our turnover which is slightly more than Rs200 crores and the imports have been of the order of Rs.180-190 crores.

Khushbir Singh Batra: Okay, and one more query, the margins what we have seen in the fourth quarter can we assume that these will be sustained in the future?

Partha Roychowdhury: We would want to, as management, improve on them.

- Khushbir Singh Batra:** Very nice. And fourth query was you said that FMP our tax rate has gone up due to maturity of this FMPs but I think there is a possibility that we can roll over and we can save the taxes is it not so?
- Partha Roychowdhury:** It is so, which we have done for some of the FMPs, for some of the FMPs we had to mature.
- Khushbir Singh Batra:** Yes, so should we assume that the tax rate will come down in future?
- Partha Roychowdhury:** No, but that will also depend on how the Government of India decides on its taxation.
- Moderator:** Thank you. Next question is from the line of Dikshit Mittal from Shubhkam Ventures. Please go ahead.
- Dikshit Mittal:** Sir you mentioned in your comments that from July 15th onwards, OEMs will not be able to import the prefilled compressor, but sir with this production cuts coming effectively from January so will you be able to increase the production sir in case the demand comes up?
- Partha Roychowdhury:** No, I think I have respond to that question. We should be able to cater to these needs because we have an export and a domestic and various mixes within the volumes that we sell.
- Dikshit Mittal:** Okay, but sir can you increase the production in anticipation of that demand or you will be only?
- Partha Roychowdhury:** No, we cannot there is an overall CAP on the production. In anticipation of that demand we can't do it.
- Dikshit Mittal:** Okay but sir in that case we should take volumes same but pricing can go up in this R22 from July onwards.
- Partha Roychowdhury:** Are you asking me a question or you want to assume.
- Dikshit Mittal:** I am asking what are your expectations?
- Partha Roychowdhury:** No, but I cannot comment on that.
- Dikshit Mittal:** Okay, and sir secondly this Devas expansion have you commissioned that or it's still on the process of commissioning.
- Shekhar Khanolkar:** We are in a process of commissioning that by another couple of months we should be able to fully operationalize that.
- Dikshit Mittal:** Okay, so sir do you have orders in hand for that expansion or after the commissioning you will be looking out for orders?

- Shekhar Khanolkar:** No, we have been in market place so we have definitely visibility of orders but as I said earlier that there are lot of audits also happen so people will start coming in for audits in next couple of weeks or months. And that would give, once audits are successfully passed then these companies will start actually raising the purchase orders.
- Dikshit Mittal:** Okay, so sir assuming that one time asset turnover at least half of the year you will be generating on that kind of revenues.
- Shekhar Khanolkar:** No one time asset turnover as I talked of our Dahej site, our JVC and not for this one. So this would have far better asset turnover ratio than that one, than the Dahej one.
- Dikshit Mittal:** Okay, sir how much will it be?
- Shekhar Khanolkar:** We expect between 2.5x to 3x.
- Dikshit Mittal:** So that means on Rs.60 crores investment you can do around Rs.150 crores of revenues at full potential.
- Shekhar Khanolkar:** Yes.
- Dikshit Mittal:** And this multiple purpose plant that you generated around Rs.30 crores of revenue so what is the peak potential from that plant that you can achieve?
- Partha Roychowdhury:** No, our turnover from CRAMS has been 30 crores. It is not from a multipurpose plant.
- Shekhar Khanolkar:** Multipurpose plant we talked of Surat is for our Specialty business.
- Dikshit Mittal:** Okay. And sir this Rs30 crores this CRAMS how much can it grow sir?
- Shekhar Khanolkar:** As I said earlier we expect because that Rs30 crores business has come from our current cGMP piloting facility so the new facility coming up definitely it can increase or it should double up at least during this year that is what we expect.
- Dikshit Mittal:** Okay. Double the existing CRAMS and Devas will be additional whatever you get it.
- Shekhar Khanolkar:** Yes.
- Dikshit Mittal:** Okay. And sir lastly in inorganic business this year was relatively flat so going forward what kind of revenues that you expect in terms of sustainable growth?
- Shekhar Khanolkar:** As we said earlier that we have been working on exports front as well and we are getting good traction from our US based and European customers with some the molecules. So we hope that we can grow that business in those markets, domestic market also we hope that would come back to normal especially the steel industry if there is a impetus to the steel industry doing this

year to infrastructure industry so that would also improve market for saw the products into steel industry so overall we expect a good year for inorganic business as well.

Dikshit Mittal: Okay. And sir lastly this Manchester can you share the revenues that you generate in Manchester Organics?

Partha Roychowdhury: It is GBP 5 million.

Moderator: Thank you. Next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.

Pritesh Chheda: Sir just to understand what is the revenue model for Manchester Organics?

Shekhar Khanolkar: Manchester Organics has two activities. one is, they do a custom synthesis work where the customers they ask them to develop specific molecules for them which they provide right from gram levels to say 10-20 kilogram levels, another model which they have is catalogue business where they develop the catalogue chemicals into the labs or they get it developed from outside and they go adding into their catalogues and these molecules are then sold to various research institutions or pharma companies or electronic chemical companies various spaces across the globe. So these are two kind of models with which the Manchester Organics activities happen.

Pritesh Chheda: And if there is a commercial scale up required of those molecules then it comes to us.

Shekhar Khanolkar: Exactly so beyond 20 kgs or 25 kgs they cannot produce or they have to produce in a multiple batches which is not cost efficient so then those chemistries or those technologies are transferred at Devas and that is where we scale up the molecules to 50kgs, 100kgs and plus.

Pritesh Chheda: Have we been able to get any business or molecules from them?

Shekhar Khanolkar: Yes, very much. Last couple of years it has been a very good integrated marketing and manufacturing activities which has happened. There is a continuous discussion which happen between the scientists of both the companies on regular basis. Various chemistries and molecules are discussed. Every business which comes in we see where we can make those molecules and so it is very well integrated approach with which we are working into this vertical.

Pritesh Chheda: Okay, and just to clarify initial you gave some fact, on the CRAMS side you would see about Rs70 crores of business flowing in this year which is a function of the Devas site getting operational. is that the correct assessment that I made?

Shekhar Khanolkar: Yes.

Pritesh Chheda: Okay. And whatever comes on the Piramal side is extra on that JV which comes on consolidation.

- Shekhar Khanolkar:** Yes.
- Pritesh Chheda:** And second you gave a comment that you see ex-CRAM growth at about 15% to 20% at the company level for those three businesses and then whatever 100% growth is CRAMS adds up to that the overall top line growth.
- Shekhar Khanolkar:** Yes.
- Pritesh Chheda:** And what are the risk that you see in the CRAMS business if any for it not to fructify in FY16 is there any risk to that?
- Shekhar Khanolkar:** Of course any business there would be some risk and risk is coming because we are totally depend upon the customer's product development program. So customers have their own priorities, they have own success and failures at various stages of molecule development so a molecule can go to Phase-II but may not go to Phase-III they can lot of those kind of situations would happen. So that definitely becomes a threat to the business in general for any CRAMS business and at the same time as it's a new facility we would expect companies to come for audit and get those audit passed with these customers. Audit happens as per their time lines so to that extent that kind of uncertainty definitely comes into the business.
- Pritesh Chheda:** But I am assuming that this Devas is for molecules which would have reached commercial scales right?
- Shekhar Khanolkar:** No. That is fundamentally the model with which we are working, there we work with innovative pharma companies so these companies are developing their pipeline so in their pipeline this molecules will be at some stage so that would not have been commercialized. So from that point of view that is where the development risk which pharma companies take on various molecules that get transferred to us.
- Pritesh Chheda:** So the Devas site would have supply of multiple molecules of small batches?
- Shekhar Khanolkar:** Yes.
- Pritesh Chheda:** Or it is a couple of molecules on a fairly high volume number?
- Shekhar Khanolkar:** No, multiple molecules on a small scale.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.
- Shekhar Khanolkar:** So I would like to thank everyone for joining on this call. I hope we were able to respond to your queries adequately. For any further information, I request you to get in touch with the SGA who are our investor relationship advisors. Thanks you very much.



Navin Fluorine International Limited
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Partha Roychowdhury: Thank you very much.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Navin Fluorine International that concludes this conference call. Thank you for joining us and you may now disconnect your lines.