"Navin Fluorine International Limited Q4 FY2018 Results Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Navin Fluorine International Limited Q4 FY2018 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve the 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 "*" 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 the participants. I hope you got a chance to go through our financial results and presentation that is uploaded on the stock exchange as well as on our company website. At the outset, I want to inform you all about the recent change in the Management team at Navin Fluorine. Mr. Sitendu Nagchaudhuri, the current Chief Financial Officer of the company has tendered his resignation in order to pursue his career interests beyond the company. This resignation has been accepted by the Board of Directors at its meeting. His last day of working with Navin will be June 15, 2018.

Also based on the recommendations of the nomination and remuneration committee and the audit committee the Board of Directors have decided to appoint Mr. Ketan Sablok who is currently Vice President, Finance as a new Chief Financial Officer of the Company. The change will be effective from June 16, 2018. I would like to introduce to you our new CFO, Mr. Ketan Sablok. He is a Chartered Accountant and a Cost Accountant by profession. He has been associated with a company for past 21 years and has worked across various facets of finance, accounting, MIS, Systems Design and Integration, Business Planning and Analysis and Acquisition in his tenure with the Company. I have both Ketan and Sitendu with me on this call.

First, I will give you a brief business update followed by commentary on the financial results by Mr. Sitendu Nagchaudhuri.

In FY2018, the Company reported excellent set of numbers and to reward its shareholders for their great support the Board of Directors not only recommended final dividend of Rs.3.60 per share of the face value of Rs.2 that is 180%, but also announced a special dividend of Rs.3 per share on the shares of face value of Rs.2 each that is 150% for FY2018. The special dividend is on completion of 50 years of business operations.

We are very glad that our business performance has maintained the momentum for yet another year. We believe our focus on a fluorination chemistry expertise holds the key for our great success and have started yielding consistent results. We are committed to total customer satisfaction by identifying their specific needs, translating them into quality products and be a dependent long-term supplier for them. All our efforts and dedication are towards moving up the value chain in the fluorination chemistry. We believe the fluorination chemistry offers huge growth opportunities and we are confident of capitalizing these opportunities with the help of strong R&D capabilities and recent capex announced. Each business unit is contributing to the overall growth in profitability and thus improving the return ratios. We recently announced capex plan of Rs.115 Crores at our Dewas facility investing in 3rd cGMP facility which is progressing as per schedule. Our net revenue for operations for FY2018 is Rs.873 Crores, which is a growth of 26% over corresponding period of last year. The EBITDA for FY2018 grew 41% to Rs.211 Crores over the same period last year.

Now let me begin with giving you BU wise update.

CRAMS

The BU revenue of Rs.258 Crores of FY2018 includes Rs.56 Crores on Dahej operations. Non-Dahej revenue for CRAMS business has grown by 66% compared to last year. The business is doing well and is in line with our expectations and business plan. The utilization has increased and by the time we reach optimum level we will be ready with our new facility to support our next cycle of growth.; However, I would like to reiterate which I have been saying all along that we should not overlook possibility of quarter-to-quarter fluctuation in this business due to varying nature of this business.

Coming to Specialty Chemicals BU

As all of you are aware that last year this segment has been facing significant headwinds. The ongoing challenge in this BU required our focus attention to reshape our strategy.. Our Specialty Chemical revenue for the financial year 2018 had remained flat at around Rs.226 Crores compared to last year. We are yet to see green shoots especially in the global agrochemical business; however, we are witnessing some traction for our existing products in the export markets, which should help us going ahead. We continue to work on the R&D and developing newer molecules as per our plan.

Refrigerant BU

The BU has improved the performance by 14% with revenue of Rs.242 Crores in FY2018 as compared to Rs.211 Crores FY2017. Export business has contributed significantly and performances attributable towards better price realizations. We expect the growth momentum to continue in the coming quarter.

Inorganic Fluorides BU

This BU performs well for this year by growing 23% in FY2018 compared to the last year. Our focus is on export market where we are seeing good demand coming through. Our efforts are giving us good results in this segment. The current situation in China has also helped us identifying new international customers. Our volume and price extraction in this segment of our business has been improving due to sharper focus on global cues on supply demand situation. Now I hand over to Sitendu who will take you through the financial performance of the company.

Sitendu Nagchaudhuri: Thank you Shekhar and very good morning to all the participants. I will share highlights of a financial performance following which we will be happy to respond to your queries. Please note that the financials of the company are prepared in accordance with the Companies Indian Accounting Standard Rules 2015 prescribed under section 133 of the Companies Act 2013, which is better known as Ind-AS.

First I will discuss the financial performance for the fourth quarter and then the full year ended March 31, 2018,

For the fourth quarter the company registered net revenue from operations of Rs.208 Crores a year-on-year growth of 5% from Rs.198 Crores in the same period last year. Refrigerant gases BU saw a growth of 17% from Rs.57 Crores in fourth quarter of FY2017 to Rs.66 Crores in Q4 FY2018 and contributed 32% to the net revenue from operations in Q4 FY2018. This business unit has recorded exports of approximately 38% during the quarter.

CRAMS revenue excluding Dahej operations has registered a growth of 32% to Rs.39 Crores in Q4 FY2018 up from Rs.29 Crores in Q4 FY2017. Share of CRAMS revenue in the Co's Net Revenue from Operations has increased from 16% in Q4 FY2017 to 19% in FY2018. In Q4 FY2017 CRAMS had revenue from Dahej operations, which stood at Rs.15.78 Crores. As you were aware the business transfer arrangement has been executed and the Dahej operations have been transferred to the joint venture Convergence Chemical Private Limited with effect from December 1, 2017.

Revenue from Inorganic Fluorides business unit is Rs.43 Crores for the fourth quarter FY2018, which grew by 29% year-on-year from Rs.33 Crores in fourth quarter FY2017. This BU contributes 21% to the total revenue of the company and share of exports has increased from 11% in Q4 FY2017 to 13% in Q4 FY2018.

Performance of the Specialty Chemicals business continues to be subdued compared to other business units due to the factors enumerated by Shekhar in his speech. Specialty Chemicals BU recorded revenue of Rs.61 Crores in the fourth quarter FY2018 down 3% from the same quarter last year. As percentage to total revenue the BU has contributed 29% in the Q4 FY2018 as compared to 34% in Q4 FY2017, 38% of this BUs revenue has come from exports.

Operating EBITDA, which excludes other income for the quarter, registered a growth of 22% up from Rs.37 Crores in Q4 FY2017 to Rs.46 Crores in Q4 FY2018. Operating EBITDA margin has improved by approximately 305 basis points to 22.1%.

Operating profit before tax, which excludes other income for the quarter was at Rs.38 Crores compared to Rs.27 Crores in Q4 FY2017, which is a growth of 41% year-on-year. Operating PBT margin for the quarter grew by approximately 461 basis points to 18.2% up from 13.6% in Q4 FY2017.

Profit after tax was Rs.39 Crores in Q4 FY2018, registering a growth of 7% on a year-on-year basis from Rs.36 Crores in Q4 FY2017.

Moving on to the annual performance

The company has registered net revenue from operations of Rs.873 Crores, a year-on-year growth of 26% from Rs.695 Crores in the same period, which is whole of last fiscal on standalone basis. On consolidated basis the topline of the Company stands at Rs.912 Crores, a year-on-year growth of 23% from Rs.741 Crores during the last financial year. Key drivers for this growth has been the continuing growth journey in CRAMS, improved realization in the refrigeration gases business and positive fraction in demand by end user industries in Inorganic Fluorides business. Refrigerant gas business saw a growth of 14% from Rs.211 Crores in FY2017 to Rs.242 Crores in FY2018 and contributed 30% to the net revenue from operations for the Company as a whole in FY2018. The business unit has recorded exports of approximately 35% during the fiscal.

CRAMS revenue excluding Dahej operations has registered a growth of 66% from Rs.122 Crores in FY2017 to Rs.202 Crores in FY2018. Share of CRAMS revenue in Net Revenue from Operations has increased from 18% in FY2017 to 25% in FY2018. Total CRAMS revenue has registered a growth of 87%, which stood at Rs.257 Crores for FY2018 compared to Rs.138 Crores last year. This includes revenue from Dahej operations of Rs.15.78 Crores during the FY2017 and Rs.55.68 Crores during the current fiscal till November 30, 2017. Revenue from inorganic fluorides business unit is Rs.148 Crores during the fiscal, which grew by 23% year-on-year from Rs.120 Crores in FY2017. This BU contributes 18% to the total revenue of the company and exports have increased from 8% to 13% in FY2018.

Specialty Chemical BU recorded revenue of Rs.226 Crores in FY2018, which is similar to that of the last year. As percentage to total revenue the BU has contributed 28% in FY2018 as compared to 33% in FY2017. 38% of the BUs revenue comes from exports.

Operating EBITDA, which excludes other income for FY2018, is at Rs.211 Crores, registering a growth of 41% year-on-year basis from Rs.150 Crores last fiscal. The operating EBITDA margin expanded by approximately 255 basis points to 24.1% on standalone basis.

On consolidated basis operating EBITDA, which excludes other income for FY2018 is at Rs.215 Crores, registering a growth of 35% on year-on-year basis from Rs.159 Crores last fiscal. The operating EBITDA margin expanded by approximately 212 basis points up to 23.6% in the current fiscal.

Operating PBT, which excludes other income, grew by 42% to Rs.172 Crores in FY2018 up from Rs.121 Crores during the last fiscal. Operating PBT margin improved by 226 basis points from 17.4% in FY2017 to 19.7% in FY2018 on standalone basis.

On consolidated basis operating PBT, which excludes other income grew by 38% to Rs.174 Crores in FY2018 up from Rs.126 Crores in FY2017. Operating PBT margin improved by 201 basis points up from 17% in FY2017 to 19.1% in FY2018.

Profit after tax is at Rs.179 Crores for FY2018 compared to Rs.132 Crores in FY2017 a growth of 35% year-on-year on standalone basis. PAT margins stood at 20.5%, which is an improvement of 141 basis points compared to the last year. On consolidated basis PAT stood at Rs.183 Crores a year-on-year growth of 33% with a margin expansion by 152 basis points to 20%.

For the fiscal Return on Networth stood at 18% compared to 16% in FY2017 and Return on Capital Employed during the fiscal is 27% as compared to 22% in FY2017 on standalone basis.

That is all from our side and now we can open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Good morning and congratulations for a great performance last year. I had two sets of questions. Firstly would it be fair to say that in terms of the business on the Specialty Chemical side the challenges that you experienced last year are likely to continue this year also. Secondly on the CRAMS side given that we are in the process of establishing a new facility, so what is the headroom we have in terms of our existing capacity to grow that was on the business side. As far as the numbers are concerned, I just wanted to understand that in the other income if you could give a breakup between what is going to be the recurring other income element which comes because of mark-to-market of the investments which are being held, what is the cash on the books right now and what is the market value and book value of the investments that we are still holding?

Shekhar Khanolkar: Thanks you have too many questions, I will start answering and then you have to repeat a couple of questions again. Regarding CRAMS business yes we have capacities, the way we planned this business expansion is based on our understanding and our visibility in terms of the business what would come in, so from the CRAMS perspective we have optimum capacity available for this year’s sales expectations and new capacity as we have said would come online by end of first quarter, early June 2019, as per our expectation for this business, so we are on track in terms of the CRAMS business activities. I forgot the first question was that regarding speciality chemical business?

Sangeeta Purushottam: Yes.

Shekhar Khanolkar: So Specialty Chemical business as I said the issue were regarding the agrochemical intermediate business, which is more of an exports to some of this large companies that had few challenges. We feel the challenge still continue in this business. We also had some challenges in terms of sale to some of the products in the local Pharma business. What we have been doing in last couple of quarters is we are trying to look our product portfolio and try to see that we are not really into this kind of situation and we are increasing our customer base, we have put some new products into the market which is going to the pharma sector and that is the way we are trying to reorganize the portfolio. Our R&D continues to churn out the newer products into these segments, so we feel that our dependency in terms of this particular segment would come down over a period of time. So we have taken certain very definitive steps to improve our outlook for this particular Specialty Chemical business.

Sangeeta Purushottam: So is there a sense you have that this business will grow in the low single digit something this year as the steps come into play or will the growth actually happen in FY2020?

Shekhar Khanolkar: This business has a potential and we are confident to grow this business by double-digit and I see no reason why we should not, these kind of things which are happening in this particular business for a certain situation which have come up, but overall if you see our product line, our customer base, our geographic reach all those things are good enough to take the advantage of the market as soon as it changes.

Sangeeta Purushottam: In terms of CRAMS, given whatever facilities we have, what is the optimum revenue that facility can actually generate, so if you are at roughly about Rs.200 odd Crores right now can that go up to about Rs.250 or Rs.220 or what is that we can actually generate from the existing capacity?

Shekhar Khanolkar: We have been talking about this investment that this would generate about 2.25x to 2.5x the investment what we have done in this business, so we are as per that particular path.

Sangeeta Purushottam: If you could just remind me our investment was about Rs.100 Crores.

Sitendu Nagchaudhuri: Good morning I will pickup your questions on the number side. Firstly to answer your question on Other Income during the year , the total Other Income stands around Rs.90 Crores, if you look at the sustainable other income on a going basis, it will be around Rs.40 odd Crores, which essentially consists of transactional treasury income of about Rs.26 Crores, property income, which is lease rental income of about Rs.12 Crores and miscellaneous other income of about Rs.3 Crores. We are fairly confident of around Rs. 40 Crores of Other Income which would be on a sustainable basis. Tthe balance Rs.50 odd Crores is predominantly One Off , having two major components i.e.the net mark-to-market revaluation impact as on the closing date and the revaluations on the transactions for our investment of around Rs.33 Crores and certain one off receipts during the year including interest on income tax refund received of Rs.10 Crores and some other interest income, stacking up to about Rs.15 to Rs.16 Crores, so this Rs.16 odd Crores one-off interest income and Rs.33 Crores of mark-to-market, which at any given fiscal you cannot forecast, brings the total other income to Rs.90 odd Crores. Moving on to your next question the total investment if I look at current and non-current investments on a standalone basis it is close to about Rs.400 Crores, it is Rs.395 Crores of which the cash and near cash equivalent is around Rs.355 Crores.

Sangeeta Purushottam: So the investment in the group company shares would be right now about Rs.45 Crores?

Sitendu Nagchaudhuri: All other investments basically are including property and other group company shares. They were naturally at mark-to-market, so that brings in the balance.

Sangeeta Purushottam: Thank you very much.

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

Abhijeet Akella: Good morning gentlemen. Thanks a lot for taking my question.

Sitendu Nagchaudhuri: Good morning Abhijeet.

Abhijeet Akella: First of all I wish you a very happy next innings in your new role Sir.

Sitendu Nagchaudhuri: Thank you very much.

Abhijeet Akella: Just on the queries, one was about Manchester Organics, so it seems like there has been a decline in EBITDA from whatever I could gather from the consolidated numbers, EBITDA seems to have gone down from Rs.8 Crores to about Rs.4 Crores in FY2018, so just wanted to get your commentary on how that business has shaped up this year and what is the outlook going forward?

Shekhar Khanolkar: Yes so what you are saying is correct, this year has been a little tough year for us in Manchester Organics, though profitable but the EBITDA margins drastically have come down during this year. There are a couple of reasons. One is of course the change of the top management or the original promoters going out, new the senior management coming in that is one part of the major structuring, which has happened there, second thing is of course we also had certain I would say ERP investment done into that particular facility that also had some impact in terms of day-to-day operations of the business. If you ask me as a business model or as a core business there are no issues over there at all, so it is only we would be coming back to normal in next couple of quarters. I would say there is no big impact because the team is now settled, the automation is done, the coordination between the Manchester Organics, the CRAMS activities, in Manchester and in Dewas are well coordinated, so there are some of the projects, which we are transferring to Dewas based at our Manchester facility, based on the availability of the capacities, so all those things are going on well, so it is matter of time that we come back onto the normal business numbers, so basically what I am trying to say is that there are no significant core issues in terms of the business or the business model at Manchester.

Abhijeet Akella: Thank you. That is helpful. Second on the Piramal JV, I know we recorded Rs.56 Crores of revenue until April to November what was the number for 4Q if you can help us with that the revenue number, which obviously we did not record and also the loss from associates on the consolidated P&L stands at Rs.2.7 Crores, so is it fair to interpret that this is Navin Fluorine's share of the loss for the four months after it was divested from the standalone entity?

Sitendu Nagchaudhuri: On your first question, the operations have been transferred with effect from December 1, 2017, so yes the topline for the JV for the four months concluding up to March 31, 2018 been approximately around Rs.25 Crores and the second part your study is absolutely right, the Rs.2.7 Crores, which you see is predominantly coming from the share of operating loss, the Navin Fluorine share of operating loss coming up from the JV for this four months, which is about Rs.2.6 Crores.

Abhijeet Akella: Okay, just to clarify Rs.25 Crores sales is for four months or for Q4 Sir?

Sitendu Nagchaudhuri: It is essentially four months, which is the fourth quarter plus the last month of the third quarter.

Abhijeet Akella: Okay, so the full year sales for the entire operation would have been about Rs. 56 Crores plus Rs. 25 Crores, which is Rs.81 Crores?

Sitendu Nagchaudhuri: Roughly thereabout, yes.

Abhijeet Akella: That is it. I will get back in queue for any more questions. Thank you so much.

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

Kartikeyan: Good morning gentlemen. So just continuing on the earlier question. I am just trying to normalize the performance for the year and quarter, so if I take the Rs.2.7 Crores reported loss would it be reasonable to say that this operation would have incurred a loss of around Rs.20 Crores for the full year?

Sitendu Nagchaudhuri: No not really for couple of reasons, as you all know that post this transfer taking place, the way of working goes through considerable degree of change moving from NFIL way of operations into the JV's way of operation, so that takes time to stabilize. We had a bit of topline shifting from the back end of the last quarter, into the beginning of this fiscal and also we had some stabilization activities going on the ground for which there are some one off overheads expense, so I would say it will not be right on anyone's part to actually look at this Rs.2.6 Crores or Rs.2.7 Crores of loss and trying to extrapolate this on an annualized basis. These are more effects of the initial streamlining, stabilization of the operations post the transfer.

Kartikeyan: But just to understand what would have been the 12-month performance at that level if you can share that number with me?

Sitendu Nagchaudhuri: As we consistently say that for this particular operation, we expect post stabilization of operations on a run rate basis an asset turn of about 1 on investment of Rs.140 Crores, so basically anything between Rs.135 Crores to Rs.140 Crores would be on a run rate basis a good number to estimate.

Kartikeyan: Thanks very much for the clarification and Mr. Sitendu best wishes for your next assignment.

Sitendu Nagchaudhuri: Thank you very much Kartik.

Moderator: Thank you. The next question is from the line of Pavan Kumar from Unifi Capital. Please go ahead.

Pavan Kumar: Regarding this Piramal JV, what are the kind of margins you would be expecting full capacity and number two are we expected to reach the full capacity utilization this year?

Sitendu Nagchaudhuri: Unfortunately, we do not get into BU specific discussions of margins, suffice to say that this model of operation is structured on standard contract manufacturing model of operation and the margins expected over here are reflective of the portfolio margins, which is normally extracted in contract manufacturing sector and your second question is when do we expect on a full year basis that expected asset turn, hopefully in FY2018-2019 we should be hitting the expected asset turnover of 1x, so as I answered you a while ago hopefully the turnover should be hovering between Rs.135 and Rs.140 Crores.

Pavan Kumar: Will this particular investment be margin accretive as compared to whatever our whole Navin standalone margins are?

Sitendu Nagchaudhuri: We would say that with respect to the nature of operations and the landscape expectations of a contract manufacturing model the margin extraction from there will be representative of the market.

Pavan Kumar: Secondly, it is more of an accounting question, if I look at your property plant and equipment Rs.414 Crores has gone down to Rs.281 Crores that is I guess with a transfer of Piramal JV, so when that particular transfer of Rs.150 Crores of assets taken place, has it been in the financial asset investment column?

Sitendu Nagchaudhuri: You are absolutely right. The movement in fixed asset is predominantly because of the BTA where the plant and machinery has been moved out from Navin books to the JV books, which is why the fixed assets block has come down considerably and the adjustment is happening. Last fiscal basically there are already advance received from the JV quite significantly that has been adjusted to that affect.

Pavan Kumar: So that is reflective in the financial assets?

Sitendu Nagchaudhuri: It is reflected in the financial assets.

Pavan Kumar: Long-term, this is non-current asset, right?

Sitendu Nagchaudhuri: The advance received from the joint venture already has been knocked off against this asset transfer, so the liabilities have already been adjusted accordingly.

Pavan Kumar: Lastly, I wanted to ask you about we have around Rs.300 Crores of cash on books now, so we are generating more than Rs.200 Crores of cash per year, so do we have those kinds of scale of investments to actually invest this kind of cash whatever we are generating?

Sitendu Nagchaudhuri: Are you asking do we have the capacity to invest or are we investing?

Pavan Kumar: The opportunities out there?

Shekhar Khanolkar: I will answer this, basically we are looking at various opportunities in businesses either in Specialty Chemical or in CRAMS to invest., As a management team we are continuously looking out for opportunities, so as and when the opportunities come definitely we would like to invest this particular cash, which is available to us. The Rs.115 Crores, investment which we are doing at Dewas it will also come mostly through internal accruals and partially only through debt.

Pavan Kumar: Shekhar is there a chance that we do some kind of inorganic – we look at an inorganic opportunity going forward?

Shekhar Khanolkar: We are looking at such kind of opportunities, but as and when if sometimes come up which is compatible in terms of business models then definitely we would look at it.

Pavan Kumar: We are open?

Shekhar Khanolkar: Absolutely.

Pavan Kumar: Okay, fine, I will get back in the queue.

Moderator: Thank you. The next question is from Amarnath R from Gomukhi Capital. Please go ahead.

Amarnath R: Good morning everybody. I have a question again relating to the CCPL joint venture, would we continue to have a supplier relationship in terms of some of our products being supplied to the JV going forward?

Sitendu Nagchaudhuri: We will.

Amarnath R: Is that what reflects the revenue from operations of this business at Rs.9.44 Crores, which is mentioned in the presentation, is that our supplies to them or that for share of the revenue for the quarter?

Sitendu Nagchaudhuri: I am sorry which particular number are you talking about?

Amarnath R: This is in slide number 10, the key highlights for FY2018 and there is number mentioned revenue from operations of this business. So that is not our supplies to them, that is the share of revenues of ours the 49% of the revenue of JV?

Sitendu Nagchaudhuri: In fact just to clarify because of the Ind-As treatments the only number, which comes in our financials, is the equity accounted share of profit or loss, so we do not have line-for-line consolidation for any of the toplines.

Amarnath R: What about the sales we make to the JV?

Sitendu Nagchaudhuri: We supply one of our product from Inorganic Fluorides BU to the JV, so that sales to the JV is actually included in the inorganic fluorides portfolio and that is one of the intermediaries.

Amarnath R: Thanks.

Moderator: Thank you. The next question is from Pritesh Chedda from Lucky Investment. Please go ahead.

Pritesh Chedda: Some clarification on the way the P&L is constructed for the Piramal business, the first nine months would be part of your standalone where you would have done Rs.55 Crores of revenue and there would be corresponding loss on that business, because when we see the four month number it looks like Rs.25 Crores revenue which you shared and Rs.5.2 Crores loss so that is about 20% net loss from doing the Piramal business. So would a similar 20% like Rs.10 Crores number would be sitting in your standalone which when you make the numbers next year for FY2019. Your standalone should be better by that Rs.10 Crores and whatever you do in FY2019 on Piramal gets reflected in the share of profit from the JV line in your consolidated, is that the fair assessment of this whole Piramal business being bifurcated into P&L standalone and consolidated?

Sitendu Nagchaudhuri: I do not remember the first part of your question because such a long winded one. So if your question is basically the net impact of the year, it is not bifurcation between standalone and consolidated. It is a bifurcation between Navin P&L and CCPL P&L both standalones. To first answer your assumption whether you should take four-month loss of Rs. 5.12 Crores as a 20% and apply that on Rs.55 Crores revenue and therefore get Rs.10 Crores loss? The answer is no. As we kept on clarifying that this is the first year of operational stabilization, it is not on a steady state of afairs basis operations, so therefore any kind of an extrapolation for full year basis does not quite hold in this first year. Yes in the Rs.55 Crores of turnover, which has been captured in the Navin financials for the eight months up to November 30, 2017 there have been some part of loss , which cannot be extrapolated as an Rs.10 Crores loss on a 20% run rate basis. To answer your next question going forward hopefully when the JV further stabilizes in FY2018-2019 and actually clocks the turnover in our expected line of assets turn, since the operations would have stabilized by that time, it should actually start garnering the returns and the margins in the expected lines of contract manufacturing sector.

Pritesh Chedda: Just to recall what is the investment done in this asset of CRAMS and what is the corresponding?

Sitendu Nagchaudhuri: The plant and machinery would be around Rs.140 Crores.

Pritesh Chedda: And the prospective asset turn on it?

Sitendu Nagchaudhuri: One.

Pritesh Chedda: So basically Rs.140 Crores type revenue versus which it is operating at slightly more than 50% utilization currently?

Sitendu Nagchaudhuri: Yes.

Pritesh Chedda: When does the utilization start or achieve the peak utilization?

Sitendu Nagchaudhuri: As I have said a while ago that FY2018-2019 would be the year when predominant part of the stabilization of the operations will take place, so hopefully by the end of FY2018-2019 we should see that it is actually heading towards the headroom asset turn of about one.

Shekhar Khanolkar: Just to add here Pritesh, basically the team is working on enhancing the capacity utilization, so it is our endeavour to ensure that we increase the utilization as much as possible, because there is a requirement from the customer that is Piramal to have larger quantities moved to them, so it is in works which is going on jointly within the company to improve the utilization as well as possible.

Pritesh Chedda: Do you now mind sharing what can be the prospective gross margin or some direction since you are going to eventually report it so, would it be similar to your standalone operations, CRAMS margin?

Shekhar Khanolkar: As Sitendu earlier said it is in line with what typically CRAMS projects of this kind of clients would have, it is too early to comment on that.

Pritesh Chedda: My last question is on refrigerants business, whatever research we are doing, there is some spike in prices on the refrigerant gas. Just wanted to take your direction on the refrigerant business both in terms of volume and price led growths and how the dynamics in the market are shaping up especially on the refrigerant?

Shekhar Khanolkar: For refrigerant business, we are manufacturing R22 gas only. Now the last financial year has been very high volatility in the price and prices were actually fluctuating almost on about week to 10 days basis.. So we have been closely monitoring the prices especially of export coming out of China into the Gulf region and monitoring our prices accordingly. So we feel that this will continue and so the price volatility in this particular market will continue to increase going forward and the same gets reflected into domestic market as well.

Pritesh Chedda: What is your volume growth for FY2018, the 14% topline growth that we see in refrigerant?

Shekhar Khanolkar: That is mostly coming out of value, that is the pricing, because we have a cap in terms of the capacity, so it is mostly coming through the pricing.

Pritesh Chedda: This price led growth factor is valid even in subsequent years as you will be constrained by the capacity?

Shekhar Khanolkar: Yes, it will be constrained the capacity, the pricing is the function of market and raw materials are the cost.

Pritesh Chedda: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Amar Maurya from Emkay Global. Please go ahead.

Amar Maurya: Thanks a lot for the opportunity Sir. My first question is primarily on Dahej CRAMS side, if you can help understand when you talk about 66% of yearly growth; in that non-Dahej, are we also including R-gas business of 1234YF?

Shekhar Khanolkar: Yes.

Amar Maurya: If I knock off that what would be the growth on a like-to-like basis in non-Dahej CRAMS business?

Shekhar Khanolkar: It is still be about 45%.

Amar Maurya: 45% growth, so meaning the 1234YF is also picking up?

Shekhar Khanolkar: It is a small piloting facility and not a big facility.

Sitendu Nagchaudhuri: It is not a major volume.

Amar Maurya: Okay and secondly Sir when we say that at a peak Piramal JV should be replica of any other contract manufacturing piece, so if I see your peers, peers are doing asset turnover ratio of more than 1x, so why we are saying that at max this can reach to is a 1x kind of asset turnover ratio whereas if I see peers and pharma are doing much better fixed asset turnover ratio?

Shekhar Khanolkar: If you see at our Dewas contract manufacturing site, our asset turn is pretty high, but that is because it also depends upon the nature of the product what you are making number one. Number two, is this investment also included some investment which goes into the investment which are required when the manufacturing plant comes up and the site related activities and other things, because tomorrow if we decide to expand this plant so at that time there is a possibility that the asset turn will be higher because lot of other utilities would already be there. So this is absolutely a green field project so the initial cost is pretty high and again the nature of the product, on the specialty business if you see the asset turns are 1 or 1.2 not more than that.

Amar Maurya: So but then is it fair to assume given that it is a 1x asset turnover ratio business, so you would be enjoying above normal average margin?

Shekhar Khanolkar: I cannot comment specifically on this, but if you want to really get the margins in comparison to the CRAMS business activities, then yes, you need to have initially higher margins in this business. Mathematically what you are saying is correct, but as I said asset turn is lower because of initial investments into the business.

Amar Maurya: Got that Sir.

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

Shrinath Sridhar: Good morning Sir. I wanted to know in your Specialty Chemical business, what would be the segment bifurcation for pharma and agrochemical?

Shekhar Khanolkar: We supply to three basic industries, pharma, agro and chemicals, so typically chemical business will be about 20%, pharma will be about 40% and agro will be about 40%.

Shrinath Sridhar: In domestic market to which agrochemical companies do you supply to?

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Shekhar Khanolkar: Most of our customers are global agro chemical companies and there are couple of midsize technical manufacturers in India to whom we supply.

Shrinath Sridhar: Okay and globally the companies that you will be supplying to an agrochemical?

Shekhar Khanolkar: These are the normal big names in the industry.

Shrinath Sridhar: Overall in the next year how much volume growth can we expect in all your businesses put together?

Shekhar Khanolkar: It is difficult to put because we have some product which are commodity products, some products are very highly specialized, so it is very difficult to put one volume number., Number can come in terms of absolute tonnage to tonnage but that has no relevance, because we sell thousands of tonnes of hydrochloric acid then we sell some specialty product which are only few hundred tonnes in a year. So individually each business wise we expect the volume growth comings in all our four businesses in next year.

Shrinath Sridhar: But in refrigerants you said it is capped?

Shekhar Khanolkar: In Refrigeration gas business volume is capped, to that extent yes, but only thing is there we play differentiation between domestic and exports and that's the way we manage it

Shrinath Sridhar: Okay Sir.

Moderator: Thank you. The next question is from Gargi Bhattacharya from Shreyas Mutual Fund. Please go ahead.

Gargi Bhattacharya: Good morning Sir. Thanks for taking my question. I have two questions. First one is related to your gross margins. It has improved significantly in the fourth quarter, so the reason behind this and what do you think the margin scenario in future would be like and second question is related to other expenses it has gone up, so the reason behind it? Thanks.

Sitendu Nagchaudhuri: For enterprises like us, there are numerous factor contributing to the movement in gross margin ranging from the BU mix, the product portfolio mix within the BU, the domestic versus exports turnover mix within the BU so on and so forth. So it is very difficult to pinpoint a particular type or a specific set of factors attributing to any significant movement in gross margin. What we always endeavour to do as a Company , is to sustain this gross margin performance at both a BU level as well as at the enterprise level. Secondly coming to your question on other expenses, the analysis of all the key overheads as a percentage of turnover for the enterprise, we think that basically we are not way off the mark. All the key overheads as a percentage of the turnover are well within manageable lines and within the industry standards. We are going to keep in mind that this is a growth enterprise and therefore certain part of investment has to be there in terms of resources and the capabilities of the enterprise, which entails certain expenditure. We are well within the industry standards.

Gargi Bhattacharya: Thank you so much.

Moderator: Thank you very much. Next question is from Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: I wanted to comment on the raw material cost inflation. I mean Y-o-Y there has been a dip, but sequentially it has move up and if you can comment on that if you can also comment on the moving parts for that because fluorspar prices of something else?

Shekhar Khanolkar: Some of the raw materials are showing upward trend, fluorspar being the major one. So that the cost of fluorspar has been increasing last couple of months, otherwise if you see some other raw materials like bromine, the cost is going up. As far as chloroform and other raw materials are concerned, they are pretty steady at particular level, so major increase at fluorspar affects because it is a basic product from where we make all other chemistry so that affects most of the businesses.

Anubhav Sahu: As far as fluorspar is concerned, we do not source much from China?

Shekhar Khanolkar: No, fluorspar we do not source much from China, we are buying from other sources. Another raw material is sulphur, which has also shown major increase compared to last year.

Anubhav Sahu: Sir for the near-term or near to medium term, how do you see the pipeline?

Shekhar Khanolkar: We are finding fluorspar will continue to be at a high levels in next couple of quarters, same thing is on sulphur, bromine. These are the products where we expect the pricing levels to remain at current level. Other than that we do not expect those pricing has to go down in next couple of quarters.

Anubhav Sahu: Other than fluorspar?

Shekhar Khanolkar: Fluorspar, sulphur, which have increased this year. Prices of Fluorspar, sulphur, bromine have increased in a big way this year and I do not see anything coming down immediately.

Anubhav Sahu: Okay, I got it and Sir how much we would be sourcing from the domestic; you do have a joint venture with GMDC?

Shekhar Khanolkar: The project is not yet financially closed so that will take sometime to start getting from our own JV. That is still couple of years away.

Anubhav Sahu: Okay and on the refrigerant business regarding a pilot plant, what scope we see for a scaling it up and are we really focus on the second generation refrigerant gas in times to come?

Shekhar Khanolkar: What we are making right now is a product we are making for them and so it is supplied to only them at this point in time, so as of now there is no specific commercial agreement in terms of going to the larger scale in this particular product.

Anubhav Sahu: Okay, Sir. That is very helpful. Thanks.

Moderator: Thank you. Next question is from Nav Bharadwaj from Anand Rathi. Please go ahead.

Nav Bharadwaj: Good morning gentlemen, Congratulations on the fabulous set of numbers. Could you give us breakup of the growth that has happened in terms of price and volume for each of the BUs?

Shekhar Khanolkar: Each BUs, price and volumes?

Shekhar Khanolkar: We do not segregate BU wise numbers in terms of the volume and value, but while talking in terms of, for example when I spoke about refrigerant gas business I said most of it coming from predominantly prices, inorganic fluorides business is coming from both volume as well as the pricing, specialty chemical again mostly are coming from the pricing and CRAMS has nothing to do with specific volumes, CRAMS is all independent projects, this is the overall picture in terms of pricing and volumes.

Nav Bharadwaj: Thank you Sir.

Moderator: Thank you very much. Next question is from Bharat Shah from ASK Investment Manager. Please go ahead.

Bharat Shah: Good morning. Just to continue from last time when we had discussed this one point, I will deeply appreciate the prudent and capital efficient way in which each line of the businesses are structured within Navin, Now on a more longer term basis rather than any quarter to about any particular year what we had discussed is that given the size of opportunity, our capability to handle complex chemistry and our preparedness to meet with the needs of each of the lines of the businesses that we operate, roughly about 20% long-term compounded value growth or more is something that can be thought off while maintaining or improving capital efficiency and that will mean that operating profitability either remains or gets improved, does that continue to remain a fair assessment?

Shekhar Khanolkar: The factors we have talked of and our Company's ability to invest in terms of the cash what we have, the numbers what you are talking of are fair to assume and there is a market which is available to grow in that particular number levels, so I think any prudent management would have got those kind of expectations from their businesses.

Bharat Shah: Okay, the size of opportunity and our internal preparedness both together do make reasonably comfortable looking in that scenario?

Shekhar Khanolkar: Absolutely right.

Bharat Shah: Thank you very much.

Moderator: Thank you very much. Due to time constraints we will take that as the last question. I would now like to hand the conference back to Mr. Shekhar Khanolkar for closing comments.

Shekhar Khanolkar: I would like to thank everyone for joining the call I hope you have been able to respond to your queries adequately. For any further information I request you to get in touch with SGA, our Investor Relation Advisor. Thank you very much.

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