“Navin Fluorine International Limited Q2 FY17 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Navin Fluorine International limited Q2FY17 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 risks and uncertainties that are difficult to predict. As the remainder, 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shekhar Khanolkara, Managing Director of Navin Fluorine International limited. Thank you and over to you, Sir.

Shekhar Khanolkar: Good morning and a warm welcome to you all the participants. I hope you have received our results and presentation. We have also uploaded the same on stock exchange and our company website. I am also joined by our CFO, Mr. Sitendu Nagchaudhuri and SGA, our investor relations advisors.

To start with, I will give you brief business updates followed by commentary on the financial results by Sitendu. Before we talk on the performance of the quarter, let me brief you on the latest restructuring done in the Arvind Mafatlal Group of companies. The promoters of the company and the three listed entities in the Arvind Mafatlal Group entered into an agreement in August 2016 to amicably restructure the share holdings of the three listed companies and other group companies. The restructuring enabled each of the promoters to concentrate on the companies under their respective fold by focussed strategic direction. As a part of this agreement, NFI divested part of its shareholding in Mafatlal Industries limited and Nocil Limited during this quarter. The profit arising as a part of this divestment has been reported under exceptional item in the financial statements and will be discussed further by Sitendu.

Now, coming to company's performance, we are glad that we have been able to sustain the growth momentum in this quarter as well which is mainly driven by CRAMS, inorganic and refrigerant business. I will begin with CRAMS business unit. Our CRAMS division has been performing in line with our expectations. We are seeing healthy ramp up in this business so far. The overall outlook seems to be very positive for this BU with a good order visibility. We continue to strengthen our foothold across American, European and Asia-Pacific regions thereby generating sufficient interest in our services. While I mention this, we should not overlook possibility of quarter to quarter fluctuations in this business. Refrigerant business remains flat compared to H1 of last year, mainly on account of lower exports.

Overall, Q2 remained lower than Q1, traditionally on account of easing volume demand across domestic and overseas markets with the temperatures cooling down in most of our markets. This was however offset to some extent by improving realization. Long term outlook for this business, however, continues to be positive with increasing demands for air conditioners and cooling solutions in domestic markets. This will be further augmented by improved demands in non-emissive usage. In recent amendments to Montreal protocol for HFCs does not affect us directly as we are not producing any HFCs. Now coming to inorganic business, this business has been improving its performance over the last few quarters. This has been mainly led by improving penetration to the export markets. With these markets responding positively, we expect to gain significant market share in the targeted markets over the period to come. However, our Specialty Chemical business continues to face lot of challenges in domestic as well as the overseas markets. We are yet to witness any reversal in the sluggishness across agro-chemical industry globally. We are also facing sudden demand-reversal for some of our products catering to pharma sector in India. Both these developments continue to affect us unfavorably. But despite all this headwinds, we continue to work closely with the customers, and introduce new products to widen our customer base and geographic reach.

Our JV products at Dahej with Piramal Enterprises moving along smoothly and the product is under validation process. Overall, we strongly believe that growth will be led by innovation and thus we continue to invest in research and development of new molecules, new applications and more efficient processes and techniques. We would continue to look forward to various growth opportunities in this sector and we are operating in a very focused manner.

That is all from my side. Now, I will hand over to Sitendu, who will take you through the financial performance of the company.

Sitendu Nagchaudhuri: Thanks, Shekhar and a very good morning to all of the participants. I will share highlights of our financial performance following which we will be happy to respond to your queries. As mentioned by Shekhar a while ago, NFIL has divested a part of its shareholding in Mafatlal Industries limited and Nocil limited during the quarter as part of an arrangement amongst promoters, promoter groups and the 3 listed entities of the Arvind Mafatlal Group. The profit arising out of the divestiture of such long term investments to the tune of Rs. 27.33 crores has been reported under exceptional items. As a part of our philosophy of sharing profits with all our stakeholders, the board of directors have declared a special dividend of Rs. 7.50 per share. In addition, the board of directors have also declared an interim dividend at the rate of 110% that is Rs. 11 per equity share on face value of Rs. 10 each. This is the highest interim dividend ever declared by the company.

Moving on to the financial performance, in the first half of the year, the company registered revenue of Rs. 347 crores, year-on-year growth of 15% from Rs. 301 crore same period last year. The growth in top line has principally been driven by segments witnessing good off take in volumes and improved realizations. Refrigerant gases business grew from Rs. 113 crores in H1 of previous year to Rs. 119 crores of current H1, which is a growth of 5% year-on-year. It contributed roughly 34% of the overall sales. Of this 30% was contributed by exports. CRAMS revenue grew more than three folds from a base of Rs. 20 crores in the first half of FY16 to Rs. 63 crores with a growth of 219% year-on year contributing to 18% of the total sales. Inorganic fluorides contributed Rs. 56 crores witnessing a growth of 21% year-on-year. This BU contributed 16% of sales of the company. Of this 7% was contributed by exports. Growth across of these business segments were partially offset by somewhat of a muted performance in the Specialty Chemical business on account of the headwinds all these explained by Shekhar a while ago. Specialty Chemicals contributed Rs. 108 crores in the first half of the fiscal that is 31% of the total sales. Of this, 44% was contributed by exports. Overall, the trend of raw material costs has been more or less stable through the quarter. Profitability has improved predominantly on account of product mix.

Operating EBITDA in the first half FY17 was at Rs. 80 crores, that is a growth of 40% year-on-year from Rs. 57 crores. EBITDA margin expanded by 416 basis points to 23.2%. Operating profit before tax for the first half of the year was at Rs. 68 crores which is the growth of 46% year-on-year from Rs. 47 crores same period last year. Operating profit before tax margin was at 19.7% in H1 FY17, which is per movement from 15.5% in the same period last year. Profit after tax is at Rs. 84 crores in H1 FY17, up from Rs. 41 crores in the same period last year which is a growth of 108% year-on-year. As alluded a while ago, during the first half of FY17, the company reported an exceptional item of Rs. 27.33 crores, adjusted PAT, that is PAT net off this exceptional item stands at Rs. 57 crores in the first half of FY17, up from Rs. 41 crores in H1 of FY16 which is a growth of 37% year-on-year. Adjusted PAT margin was at 16.3% an expansion of 262 basis points from 13.7% in H1 FY16. Moving on to the quarterly performance, for the quarter ended September 30, 2016, the company registered a revenue of Rs. 183 crores, a year-on-year growth of 21% from Rs. 151 crores in the same quarter last year. Operating EBITDA for the quarter was at Rs. 41 crores, that is a growth of 28% year-on-year from Rs. 32 crores. EBITDA margin witnessed an expansion of 129 basis points up to 22.3%. Operating PBT for the quarter was at Rs. 35 crores, which is a growth of 32% year-on-year from Rs. 26 crores in the same quarter last year. Operating PBT margin for the quarter was at 19% up from 17.4% in Q2 FY16. Profit after tax adjusted for the exceptional item was at Rs. 28 crores in the second quarter FY17, up from Rs. 23 crores in the same quarter last year, which is a growth of 21% year-on-year. This is all from our side and now we can open the floor for Q and A.

Moderator: Thank you. We will now begin the question and answer session. We take the first question from the line of Pawan Kumar from Unifi Capital. Please go ahead.

Pavan Kumar: Sir, I just wanted to understand in Specialty Chemicals where we have seen some 9% degrowth in H1. Is it possible for us to at least be stable for the full year going forward? Secondly, when is Piramal JV expected to become operational?

Shekhar Khanolkar: Answering the first question, while we have this a setback due to the issues in the agro-chemical industry globally, as well as some of the products in pharma sector, we have a large pipeline available for our products. So, definitely we are working with different set of customers and different markets and with these currently ongoing activities we hope to recover by the end of the year from where we are right now. Coming to the second part of Piramal, the project is ongoing. We have made some batches which have gone for validation. The product is under validation with the customer and once we get the validation results, which are dependent on the authorities, when we get those, then we will get into full swing production.

Pavan Kumar: Sir, can we expect production to start from Q4 or December?

Shekhar Khanolkar: Yes, at the earliest because as I said, we have made the product and the product as per us, it is as per the specifications which were expected by the customer. Now we need to get authorization from the customer after the validation process. As soon as that process completes, we can start the full-fledged production from the site.

Pavan Kumar: Is the order flow from CRAMS as per our expectations as of now?

Shekhar Khanolkar: Yes, that is what I said, it is as per our expectations.

Pavan Kumar: Thank you.

Moderator: Thank you. Next question is from the line of Sneha Talreja from MD Global. Please go ahead.

Sneha Talreja: Good morning sir, my question is pertaining again to the CRAMS segment, so, here have we seen any kind of a customer which has come in for the manufacturing or is it continuous research work that we are still doing for the customers?

Shekhar Khanolkar: No, we have been doing manufacturing for the customers, but at the same time you must understand when you are talking of manufacturing, these are small quantities of manufacturing. So, we are talking of manufacturing from 100 kgs to ton lots, those kinds of quantities. Secondly this product that we are doing are basically the advanced intermediates which are for the innovative pharma companies. So these are all commercially launched molecules. So, as the molecule is getting developed, the quantity with some of these customers are increasing.

Sneha Talreja: Do we have some long-term visibility of certain products which we have got?

Shekhar Khanolkar: We do have visibility in some products, but it is still not completely defined, because these are research programs of some large companies and they have their own priorities, their own success ratios and other factors. So, we have to fully depend upon that and what they convey back to us about the success of their programs.

Sneha Talreja: Secondly sir, the question is with respect to gross margins. If I see the QoQ movement in the gross margin, the movement could mainly be because of your refrigerant segment where exports have increased significantly and domestic volumes have gone down. Can I know some other reasons as well apart from refrigerants affecting the margins?

Sitendu Nagchaudhuri: See it is predominantly because of the product mix and you got to keep in mind that the contribution margin, extraction percentages vary quite considerably across business units and even within the business unit across the product portfolio. So it will be very difficult to pinpoint the specific reason for the QoQ gross margin movement. However by and large it is actually in line. The fluctuation between the domestic and exports mix in the refrigeration business is one of the contributors to the gross margin development.

Sneha Talreja: Other contributor can be CRAMS, because when I see QoQ performance your CRAMS has increased even if the Specialty Chemical segment has more or less been stable compared to last quarter.

Sitendu Nagchaudhuri: As Shekhar alluded a while ago, basically the headwinds we faced in certain parts of our product portfolio in the Specialty Chemical also adds on to share gross margin movements and all that. So, all as I said is a factor of product mix within BUs as well as the relative contribution of the BUs within the depressed portfolio of sales.

Sneha Talreja: Lastly on the inorganic fluoride segment, we have seen significant pickup in the activities in the inorganic fluoride segment, so what is the future looking like for this segment?

Sitendu Nagchaudhuri: In the fluoride business which was mostly domestic concentrated business couple of years back. So, now we are actually moving out and working to various other geographies with our part of portfolio. So, there are a lot of activities which are happening where we are trying to increase our spread. We are also trying to add a few more products into this category and that is why you are seeing some momentum into this business.

Sneha Talreja: Sir, the growth is sustainable going forward?

Sitendu Nagchaudhuri: Yes, it looks like.

Moderator: Thank you. We take the next question from the line of Abdul Puranwala from Centrum Broking. Please go ahead.

Abdul Puranwala: My question is again related to the EBITDA margin. What I wanted to understand about your refrigerant and Specialty Chemical business is that, there are certain products which have higher margin than the overall CRAMS business. Is my understanding correct?

Shekhar Khanolkar: No we have never discussed specific product margins at any point of time. So, I am not able to get the reference to this question.

Abdul Puranwala: My reference was basically for the dip in the margin of the current quarter, as what you explained to the previous participant that it was mainly due to dip in change in product mix for certain refrigerant and Specialty Chemical business products. So, what led to that dip in the margins?

Sitendu Nagchaudhuri: When you talk about dip in the margins, are you talking about Q2 versus same quarter last year?

Abdul Puranwala: Yes.

Sitendu Nagchaudhuri: There is no dip in the margin in Q2 versus same quarter last year it is by and large in line. This marginal change versus Q1 and as I explained a while ago that predominantly depends on the product mix within a BU as well as the relative contribution of the BUs within the company portfolio of the top line performance.

Abdul Puranwala: My second question was regarding the restructuring program within the group companies. Can you help me as to what was the book value of this particular investment recorded in the balance sheet?

Sitendu Nagchaudhuri: The investments are actually carried at cost because we are following the Indian GAAP.

Abdul Puranwala: Is the entire investment sold off or a part of it?

Sitendu Nagchaudhuri: A part of the investment has been sold out.

Abdul Puranwala: Can you give me the CAPEX guidance for the current year? As well as what have you have spent for the year so far?

Sitendu Nagchaudhuri: The CAPEX for the current fiscal, usually speaking for an enterprise of our scope and scale, usually we have a maintenance CAPEX of around Rs. 25 to 30 crores, which are all small medium debottlenecking kind of stuff. Currently, we are not having any concrete plans for any major CAPEX layout. Just having come out of two such major CAPEX investments in the last fiscal, in Dewas phase 2 as well as in Dahej. I think, said that we are working in a number of initiatives at the strategic level and depending on the outcome of such initiatives, further significant CAPEX layout, if any, will be worked out.

Moderator: Thank you. We take the next question from the line of Aniket Gore from Ceremet Consultant. Please go ahead.

Aniket Gore: I wanted to understand our PEL JV better. We do Fluorochems by ourselves and then we have a JV with Piramal Enterprises, what is the rationale behind this separate JV, what kind of products do we intend to manufacture, will this be a sale to Piramal Enterprises or will it be a sale to end customers and how do you see scalability and margins and so on? So what was the rationale behind this JV?

Shekhar Khanolkar: I think we have discussed this many times in the past but fundamentally this is a JV where we are making a product which will be used by Piramal Enterprises for one of their products. It is intermediate. It's a fluorinated intermediate which will be made at our Dahej site for them.

Aniket Gore: I wanted to understand what kind of scalability we would have? Piramal Enterprises themselves do a lot of Fluoro Chemistry molecules and significant sales there, so I just wanted to understand what kind of scalability prospects we would have?

Shekhar Khanolkar: We do supply many Fluorinated molecules to Piramal Enterprises in our normal course of business and because of our specialization of Fluorination chemistry they came to us. We are working on this molecule and they are the exclusive customers for this particular product and that's the reason for them to be in the JV. From that perspective there is a stability to the JV because they are the buyers for this particular product on a long-term basis.

Moderator: Thank you. We take the next question from the line of Andhrey Purshotam from Cogito. Please go ahead.

Andhrey Purshotam: I want to just request you to spread some more light on the general market for speciality chemicals in the near future. What are the underlying causes for the decline in the agro chemicals and the pharma space? Secondly what needs to change and when do you think it will change?

Shekhar Khanolkar: Of course, the speciality chemicals as far as we are concerned we are mainly in Pharma and Agro. Now Agro chemicals sector itself is going through a lot of flux in the last almost about 1.5 years to 2 years now. It has its own growth cycle and they were on top of the cycle sometime in 2013-2014. They built up a lot of inventories and they took some time to liquidate those inventories, these are out of the global agrochemical companies. Not everyone is still out of dots because again the markets in Brazil and other countries are working differently, so that is affecting companies like us who are into intermediates and again it depends upon specific products as well. If you are into specific products for some specific customers and that particular product is not working for that customer we have those sub-issues within the segment. Overall as a general perspective the speciality industry especially agrochemical industry is going through this particular issue. We expected that the industry will be out by mid of 2016 but as of now it looks like it will take some more time, how much, that we really don't know and we do work with all global large companies and we are always in touch with them. So when this will really improve and go back to the growth cycle is something which is not known to us. What we kind of do in our business is that our business is spread in pharma, agro as well as some chemical applications, so we try to see where our portfolio mix changes, the product mix changes because we have a large product range and try to cater to some other industries, try to use the capacity for some other products and ensure that we try to minimize the impact of this kind of external environment on our product groups.

Andhrey Purshotam: Apart from Agro chemicals and Pharma which are the other industries that you might be selling in the area of speciality chemicals?

Shekhar Khanolkar: We supply to some of the chemical industries which manufacture resins, some of the special additives which go into rubber industry, so these are some of the applications where some our products in our speciality portfolio go, within India and outside India.

Moderator: Thank you. We take the next question from the line of Ritesh Chedda from Lucky Investment. Please go ahead.

Ritesh Chedda: On the speciality chemicals side what is the visibility or pipeline that looks like, it's been about 5-6 quarters that we have gone through that transition so if you could share some more light as when do you see the pickup happening? And typically these products generally work on there is a funnel where that is certain in the pilot stage and certain in full scale, so do you see any of those visibilities emerging in speciality chemicals?

Shekhar Khanolkar: As I said earlier the products which go to Agro chemicals industry will have its own course depending upon how the Agrochemical industry revives, that is one part. As far as we are concerned there are many products which are in pipeline and as you rightly said they are in various stages of development, some will be an R&D, some are in the pilot stage, some are actually into the manufacturing stage. The total development cycle is a typical long cycle because the customer takes some quantities, validates and then comes back for larger quantities. So we have various products in those categories as well. So as and when we get an opportunity to really push these products with these customers we do that.. We are in the process and some of the product portfolio is undergoing change but this change is a gradual change and we are confident to make it up from the point of view of the product pipeline what we have and definitely we have a large pipeline to follow into this particular segment.

Ritesh Chedda: Do you see the traction picking up in the near term or it is going to be only in FY18 where the traction in speciality chemical picks up?

Shekhar Khanolkar: It is very difficult to say at this point of time. We are in touch with all the customers whom we have been doing business for years together and we understand the situation in their markets. They are themselves not sure in terms of how the year is going to play. This is the time typically the 3rd Quarter or the 4th Quarter when they finalize their 2017 kind of orders. So we are in discussions and negotiations with many companies. The quantity, the pricing and all those things are something which will have an impact if the things do not improve. But to be very frank we can be only in touch with them and understand the situation but when the situation will turnaround is something which is a matter of guess for everyone.

Ritesh Chedda: On the raw material side what's the trend looking like on fluorspar and on chloroform. How have the prices moved in the last 6 months vis-à-vis last year and any thoughts there?

Shekhar Khanolkar: Raw material as far as fluorspar is concerned is fairly steady now. There have not been many fluctuations since the last six months in fluorspar and I don't see in immediate future. Chloroform also is fluctuating, not in wide percentages but chloroform is in its normal course is fluctuating in the last couple of months and that fluctuation is a very normal fluctuation which probably would continue going forward.

Ritesh Chedda: But are these 6 month prices higher than the last 6 months?

Sitendu Nagchaudhuri: The H1 RM cost trend is marginally lower than the same period last year.

Ritesh Chedda: So is it fair to then conclude that the 400 basis points expansion in gross margin is a function of product mix?

Sitendu Nagchaudhuri: Product mix as I explained quite a few times in the call already that it's a combination of individual product performance within the business unit as well as an overall business unit contribution to the enterprise portfolio. Raw material cost is only a part contributor to this whole ballgame. It is a contributor; it is not the only contributor.

Moderator: Thank you. The next question is from the line of Chetan Thakkar from ASK Investment. Please go ahead.

Chetan Thakkar: I wanted to understand the average realization improvement on the refrigerant, gas and on the CRAMS, will the H2 growth be higher than the H1 growth, in terms of absolute numbers and also will the H2 be higher than H1?

Shekhar Khanolkar: This is something which I will not be able to answer to you.

Chetan Thakkar: On the average realization?

Shekhar Khanolkar: We do not talk about average realizations for any specific business segment.

Chetan Thakkar: How have they moved, that is all I wanted to understand. In your opening commentary you mentioned it's moved up.

Shekhar Khanolkar: Overall we said that the EBITDA margins are moving up and as I have explained to you earlier it is basically a combination of various products into the specific segment and overall the contribution of that segment overall business.

Chetan Thakkar: On the CRAMS side there is nothing you would like to add on how H2 will pan out because you would have visibility on the orders that are there?

Shekhar Khanolkar: It is very difficult to say that, as I said earlier that there is lumpiness in this business. While you would have orders it doesn't mean that those will get dispatched or those will be supplied during that quarter because there is a lot of interaction which happens with the customers and customers programs go on changing, so it’s very difficult to have a quarter-to-quarter analysis of this particular business.

Chetan Thakkar: For this year end where do you see the Dewas facility utilization in terms of the peak that is there, at what level will it operate on the revenue side?

Shekhar Khanolkar: Overall we expect this facility to get full increase with time. It need not be in a proportionate manner every year but we are on track as far as the capacity utilization is concerned.

Moderator: Thank you. We take the next question from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.

Ranjit Cirumalla: We have been telling this that if you follow a pyramid then CRAMS would be at the higher end of the pyramid that is it would be having the highest margin. But I believe that to have happen probably the mass should also be equivalent to all other BUs. So just wanted to get a sense are we near to that critical mass as far as CRAMS is concerned or it is still sometime away?

Sitendu Nagchaudhuri: CRAMS is gaining traction. It is actually growing up but what we could keep in mind definitely is this particular BU faces the acute challenge of fluctuations in the customer's R&D program and which has got the consequent impact in terms of execution of the orders or the process development which we do in the CRAMS side of the BU. So therefore whilst if you look year-on-year movement, yes, it is gaining traction and momentum and you are absolutely right that is one of the factors for which obviously this is on the top of the value pyramid so on an enterprise business it will have impact in terms of margin improvement. Whether how exactly the scale is tilting, etc., it's a matter of time, no one can actually comment on that.

Ranjit Cirumalla: Any update on the HFO agreement with Honeywell?

Shekhar Khanolkar: We are putting up the facility for them and it is going on as per what we had anticipated as per plans, so it should be ready by end of this financial year.

Ranjit Cirumalla: Any CAPEX you are sharing that we would be incurring for this facility?

Shekhar Khanolkar: We had said last time that we are spending about $ 2 million on this.

Ranjit Cirumalla: And expected by the end of this year?

Shekhar Khanolkar: Yes.

Moderator: Thank you. We take the next question from the line of Pawan Kumar from Unify Capital. Please go ahead.

Pawan Kumar: Can you share some idea on what are kind of revenues that can be generated from the Honeywell agreement?

Shekhar Khanolkar: The Honeywell agreement as we said is for a very small quantity of products because it's a new technology and new product so this is a pilot level kind of a plant. This is fundamentally to test the capabilities and the technology for this 1234yf.

Pawan Kumar: Secondly on Piramal JV side, what is the kind of utilization at least now you might be factoring for FY18, what are the kinds of utilization, maybe 50-60% something like that?

Shekhar Khanolkar: It's very difficult to say right now because once the product validation happens as in a typical chemical plant it takes some time to ramp up to the full capacity, so from that point of view it is difficult to say. Once we have this validation done, then we will actually start building the capacity and ramping up the capacity. Being a new technology it may take some time as well so it's very difficult to say at this point in time but only thing I can say is that the requirements for the products are pretty high from the customer side.

Moderator: Thank you. We take the next question from the line of Chitan Modi from Motilal Oswal Securities. Please go ahead.

Chitan Modi: Recently India became signatory to the Paris agreement and if you can highlight how things will change for refrigerant gases business in India and what is there for us in that. Thirdly, globally how will this get impacted and if we can have some opportunities out of it.

Shekhar Khanolkar: This is really a big topic which I don't think I can answer out here but fundamentally that is what I said in my statement earlier is that the recent Montreal Protocol Amendment which happened that was for HFCs and as a company we do not make HFCs. So from that point of view it doesn't affect us in our performance at this point of time.

Chitan Modi: But we do import and sell it in India, HCFs?

Shekhar Khanolkar: That doesn't affect us because if you have seen the deadlines those are quite far.

Chitan Modi: But in terms of developing new gases like HFO-1234yf that we are doing, how soon these transitions can happen per you?

Shekhar Khanolkar: As I said, it's a big topic. It has various connotations in terms of supply demand preparedness of the industry, preparedness of the users, last minute connectivity, there are many issues, and it's very difficult to discuss that on phone out here.

Moderator: Thank you. We take the next question from the line of Abhijeet Akela from IIFL. Please go ahead.

Abhijeet Akela: If you could give us update on how Manchester Organics is progressing through the first half?

Shekhar Khanolkar: The Manchester Organics performance for this for half is better than the first half of last year. As we said last year there were some issues but now those things are sorted out and the team is fully working. Both the teams in Manchester as well as at Dewas CRAMS have been integrated and based on the capacities, capabilities of the sites we share the products that will be made in Manchester, it will be made in Dewas. So I think overall the performance is better than the first half of last year.

Abhijeet Akela: Possible to share any figures for the first half?

Sitendu Nagchaudhuri: We only consider publication of consolidation of subsidiaries at the annual basis.

Abhijeet Akela: Second question was regarding the EBITDA margins in the stand-alone business, they have sustained above 22% now for the second quarter running. I know in the past you have said that you have not yet reached a stage where you can be confident about sustainability of +20% margins but do you think you are close there. Can we expect that this is fair run rate to sort of trend off in subsequent quarters or is there still a chance that they can go back below?

Shekhar Khanolkar: I am still there. I am not committing that it will be a long-term this thing, you have to see. You have to see quarter-to-quarter how we move and because some of the business are growing businesses like CRAMS, they contribute a lot, refrigeration contributes a lot, specialized we are going through some issues right now but those will get sorted out, so you have to see all these things in totally. But as I said, in terms of the company strategy, company's product portfolio, company's focus continues to be improvement in EBITDA margins, so that continues. It is very difficult to announce that we have reached sustainability in terms of the margin improvement.

Moderator: Thank you. The next question is from the line of Kishor Kumar from Karvy Stock. Please go ahead.

Kishor Kumar: Could you give some sense of market share for all segments ie refrigerants, inorganics, fluoride, special chemical business?

Shekhar Khanolkar: Unfortunately it is very difficult to give market share for various reasons because CRAMS is a global business; we compete globally with large Chinese European companies. Market size is too huge in terms of the percentage of share affecting us at all. Same situation in inorganic business, inorganic business is also pretty large globally in terms of the product mix, product profiles, and again we are very small compared to that. To be very frank again I think specialty is the product portfolios which we have. Probably the product portfolio with some other speciality companies is not matching product to product. So it is very difficult for any of our businesses to really define market shares. The only good thing for us is that the markets are too huge in all these segments for us to really be bothered about specific market share percentages.

Kishor Kumar: Second question is what is the production capacity utilization rate for refrigerants in Q2 FY17?

Shekhar Khanolkar: I don't have a specific number with me right now on this in terms of capacity utilization. We have certain production capacity numbers which were governed by in terms of the production schedule as per the quota which government has given to us and we are well within that quote.

Shekhar Khanolkar: That's the phase down schedule we have and we are actually well within that phase down schedule our targets.

Sitendu Nagchaudhuri: To be very frank the capacity doesn't matter right now because that quota is lower than the capacity anyway, so from that perspective we are within the quota.

Moderator: Thank you. We take the next question from the line of Vipul Shah from Bonarch Networth Capital. Please go ahead.

Vipul Shah: Recently the Environment Ministry has given an order to accelerate to the HFC 23 which is a byproduct of R 22, so is it going to affect us in terms of investing in new facilities and higher cost, etc.?

Shekhar Khanolkar: Fundamentally we have been insonating R 23 for years together as a part of our commitment to environment, so we have never ever let R 23 go into the environment at all. All the investment required to insonate R 23 in terms of specialized technology and equipment are already in place and every gram of R 23 which gets in the process gets insonated at our site.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their closing comments, over to you.

Shekhar Khanolkar: I would like to thank everyone for joining to the call. I hope we have been able to respond to your queries adequately. For any further information, I request you to get in touch with SGA or investment relationship advisors. Thank you very much and have a very happy Diwali.

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