"Navin Fluorine International Limited Q2 FY 2018 Earnings Conference Call

October 30, 2017

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Moderator: Ladies and gentlemen good day and welcome to Navin Fluorine International Limited Q2 FY2018 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on 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, Navin Fluorine International Limited. Thank you and over to you Mr. Khanolkar!

Shekhar Khanolkar: Thanks good morning and a warm welcome to all the participants. I am also joined by our CFO, Mr. Sitendu Nagchaudhuri for this discussion. I hope we could get a chance to look at our financial results and presentation that is uploaded on the stock exchange as well as on company website. I will give you a brief business update followed by commentary on the financial results by Mr. Sitendu.

It gives that great sense of pride that your Company reported another strong quarter. The Company continuously strives to create opportunities for growth by offering, innovative products and services to the customers within all business units. This concentration of efforts on moving up to the high value added segments especially leveraging on our fluorination chemistry capabilities has allowed us to make a huge positive impact in these chosen areas. I am delighted to see each of these business units scale up significantly to start making a difference in the Company's performance with improved profitability and return ratios. There are still huge opportunities ahead and we all are quite confident about the better growth prospects.

Our overall H1 revenues stood at Rs.456 Crores, which is a growth of 25% over last year same period. The EBITDA stood at Rs.112 Crores, which is a growth of 38% over the last year same period. Our Specialty Chemicals and CRAMS business units put together contributed 57% of our standalone sales for the first half of this fiscal year vis-à-vis 49% in the same period last year.

Due to our deep experience in Fluorine chemistry, we have developed a strong R&D capability and are able to deliver niche products in all the business segments. This has helped the Company to position itself as one of the key players in value chain of fluorine based chemicals.

Now let me begin with giving you a BU wise update.

Starting with CRAMS, CRAMS business has handsomely contributed towards the H1 revenue. It clocked the revenue of Rs.143 Crores, which includes about Rs.46 Crores from Dahej operations. This business has achieved momentum and is moving ahead as per our expectations. The utilization of Dewas plan has been encouraging and is on track. The improvement in order book visibility indicates a positive traction for the business going forward; however, as I said earlier we should not overlook possibility of quarter-to-quarter fluctuations in this business.

As discussed in last earning call, we have already received shareholder's approval for the slump sale of the assets of Dahej facility to the JV Company. Business Transfer Agreement between Navin and JV Company is under final states of preparation and post execution of this agreement and subject to certain conditions precedent the slump sale will get executed.

We are happy to report that the regular production of 1234YF has started from the pilot plant and we have commenced the suppliers to Honeywell. The successful product approval and starting of regular supplies, demonstrate our technological capability to manufacture this next generation Refrigerant Gas.

Coming to Specialty Chemicals BU, our Specialty Chemicals revenue for first half is at around Rs.109 Crores, which remains flat compared to the same period last year. As discussed in the earlier calls, the business continues to face challenges as the agrochemical segment is yet to see the uptick in demand. Also the domestic market, we continue to face a bit of headwind as in one of the products the end-consumer has switched to alternate route. Both these factors combined has affected the performance of this BU. We continue to look for new opportunities within local and international markets for our other existing and newer products.

Refrigerant BU The performance of this BU for the first half is at Rs.124 Crores about 4% higher than the same period last year. The export revenue contribution in this segment has increased due to increased offtake from the customers. During last quarter, we have seen very high volatility in refrigerant gas prices internationally. The price of R22 and other gases in China has been fluctuating quite rapidly. We could respond to these changes in market successfully, which had positive impact on the business. The demand from the domestic OEMs customers and feedstock sector remained subdued during this quarter.

Coming to Inorganic Fluorides business. We witnessed a good growth trajectory in this BU largely aided by export market. H1 turnover at Rs.66 Crores is about 19% higher than last year same period. Again in this business, the international pricing remained dynamic for HF acid and other inorganic fluorides. With our focused pricing efforts in this marketplace, we could get better realizations from both domestic as well as international markets.

Overall we are satisfied about our business performance for the first half of this year. Our operational excellence was further recognized when we received prestigious award for Experience in Management of Safety and Health for the year 2016 from Indian Chemical Council. Now I hand over to Sitendu who will take you through the financial performance of the company details.

Sitendu Nagchaudhuri: Thank you Shekhar. Good morning and a warm welcome to all the participants. I will share highlights of financial performance following, which we will be happy to respond to your queries.

I am happy to share with you that the board of directors of the company at its meeting held on Friday, October 27, 2017 has declared an interim dividend of Rs.3.40 paise per share, which is 170% of the face value of equity share of Rs.2 each for the financial year 2018. The record date for ascertaining entitlement for payment of the aforesaid interim dividend has been fixed at Thursday, November 9, 2017 and the same shall we paid on Tuesday, November 14, 2017.

With respect to the Company's financials, please note that the financials are prepared in accordance with the Companies (Indian Accounting Standards) Rule 2015 i.e. Ind-AS subscribed under section 133 of the Companies Act 2013.

First I will discuss the financial performance for the half-year ended September 30, 2017,

In the 1st half of the year the Company registered as revenue of Rs.456 Crores, year-on-year growth of 25% from Rs.366 Crores in the same period last year.

Key driver for this growth has been improved topline performances in CRAMS, Inorganic Fluorides and Refrigerant Gases business units. The refrigerant gases business grew by 4% from Rs.119 Crores in H1 of FY2017 to Rs.124 Crores in the current H1, contributing roughly 28% of the overall sales of the company. The BU has recorded exports of 35% in H1 FY2018 compared to 29% in the same period last year.

CRAMS revenue has more than doubled to Rs.143 Crores in the 1st half of this year from Rs.63 Crores in the 1st half of FY2017. The growth for the period has been 126% year-on-year, even excluding Dahej operations, the revenue rose to Rs.97 Crores in the H1 of FY2018, which is 54% growth over the same period last year. Proportion of CRAMS revenue in total revenue has increased from 18% in H1 FY2017 to 32% in the current period.

Inorganic Fluorides revenue is Rs.66 Crores for half-year FY2018 witnessing a growth of 19% year-on-year. Proportion of this BU revenue to the total revenue of the company's stands at 15%, exports contributed 13% of the BU revenue.

The growth across all these business units was marginally offset by subdued performance in the Specialty Chemicals business.

Specialty Chemicals BU recorded revenue of Rs.109 Crores in the 1st half of 2018, which is 25% of the total revenue. The year-on-year growth has been soft at 1% versus the same period of last year. Exports contributes 37% of this BU's revenue during the 1st half of FY2018 as compared to 44% in the same period last year.

During the 1st half of FY2018, we have witnessed more or less stable raw material cost. The profitability has improved on the account of a variety of factors like portfolio mix, product mix, and geography mix.

EBITDA for H1 FY2018 is Rs.112 Crores, a growth of 38% year-on-year from Rs.81 Crores. EBITDA margin expanded by 238-basis points to 24.6%.

Operating PBT for the 1st half of the year was at Rs.91 Crores, which is a growth of 31% year-on-year from Rs.69 Crores in the same period last year. Operating PBT margin improved by 97-basis points from 18.9% in the H1 of FY2017 to 19.9% in the H1 of the current fiscal.

Profit after tax is at Rs.92 Crores for the 1st half year of FY2018 compared to Rs.82 Crores in the same period last year, which is growth of 12% year-on-year.

Now coming to the quarterly performance for the quarter ended September 30, 2017

The Company registered revenue of Rs.218 Crores, which is a year-on-year growth of 14% from Rs.191 Crores in the same quarter last year.

EBITDA for the quarter was at Rs.53 Crores, which is a growth of 29% year-on-year from Rs.41 Crores. EBITDA margin witnessed an expansion of 281-basis points to 24.2%.

Operating Profit Before Tax for the quarter was at Rs.42 Crores, which is a growth of 20% year-on-year from Rs.35 Crores in the same quarter last year. Operating PBT margin for the quarter was at 19.2% up from 18.3% in the same quarter last year.

Profit after tax was at Rs.43 Crores in Q2 FY2018 registering a growth of 12% year-on-year up from Rs.38 Crores in Q2 FY2017.

On the balance sheet side, cash and cash equivalents of the Company including current and non-current investments stands at Rs.438 Crores as on September 30, 2017 vis-à-vis a NIL long-term debt of the Company as on the same date thus making us significantly a net debt free company.

That is all from our side and now we can open the floor for questions and answers. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Sudarshan Padmanabhan from Sundaram Mutual fund. Please go ahead.

Sudarshan P: Good morning. Congrats on a good set of numbers and thank you for taking my questions. My question is from the primarily on the CRAMS side. You had talked about the quarterly Rs.46 Crores coming in from the Dahej in the first half and also the impending slump sale with respect to this unit, if you can tell us in terms of utilization where are we and over the next couple of years where this sales can go to and even on the Balance Sheet, I mean once this in a slump sale happens what could be the gross block which can actually move from the current books to the JV?

Shekhar Khanolkar: As we discussed in last concall as well, the production is now ramping up. We have not reached to the full capacity utilization, but we are moving towards it so it will take some more time to reach to the 100% utilisation capacity because as you said the product is new and the technology is new, it takes some time to really get the full utilization limits of the plant so we are moving towards that so that is on the Dahej operations.

Sitendu Nagchaudhuri: Assets will be actually transferred as on the net book value as on the transfer date, as per the BTA. We are very close to execution of the BTA, but as Shekhar alluded that there are certain other conditions precedent, which we also need to be complied with, which will in term govern the date of the final execution of the transfer. So as on that date, assets will be transferred as on the net book value from Navin to the Joint Venture Company.

Sudarshan P: So that would basically be the capex that you are incurred, what would be the value that net book value?

Sitendu Nagchaudhuri: It will be marginally lower than the capex because obviously there is depreciation in the impending period. So the capex we have originally incurred for this project is roughly around Rs.140 Crores to Rs.145 Crores. Depending on the transfer date, the written-down value as on that date would be transferred as net block of the core capex.

Sudarshan P: And we can do something like around two times of assets turnover on this block right more or less even if the pharma?

Sitendu Nagchaudhuri : No, for Dahej unit, we have been saying that it will be one time asset turnover.

Sudarshan P: Sir on the speciality side part of the business, I think it has been at least two to three quarters where we have been taking about headwinds on the agrochemical side. I mean do we see any kind of revival happening on the ground level either on the domestic side or the international terrain and what would be our strategy in terms of allaying these issues because we are reporting kind of flattish numbers, is there some way we can further the proportion of pharmaceuticals, vis-à-vis agrochemicals and if you can just throw some idea on how much is the pharma versus the non-pharma part on this Speciality Chemicals?

Shekhar Khanolkar: There are various activities, which are going on this front. Our dependence on agro and pharma together was about 80%. Now only thing is that the agrochemical scenario if you ask me I feel will continue to remain the same as it was in last two quarters. We have been having some encouraging meetings now with some of the customers, but we will know the outcome only by third quarter of this financial year. Having said this, we continuously work on various new products and the new products approval process with some of the agrochemical customers as well as the pharma customers is ongoing process. It takes some time to really get the new products introduced in the market in the commercial quantities and we can see some success here where we are working is not the agrochemical companies as well as the pharma companies in India where the product is in the process of getting final approvals. So that is the current status, so as of now we are status quo but hopefully the things would turn in the next coming quarters.

Sudarshan P: Just one last thing from my side, I mean now that if you are using the Dewas facility, encouragement is pretty good in terms of traction and Dahej as well we can do about one to one point two times. I mean what could be the capex because if we envisage the growth in the CRAMS business and the opportunity is there for our grab, we would have to do some kind of capex if this growth will have to continue over the next couple of years.

Shekhar Khanolkar: Yes, so as of management team we are working on this and at a right opportunity we will invest the money into various capexes required.

Sudarshan P: Sir but at this point of time we did not see a requirement of deploying or doing the capex immediately?

Shekhar Khanolkar: As I said, we have been continuously working on that and we have a good interaction with the customers and based on that will invest accordingly. We also understand the time required to bring that facility up, so everything taken to account will announce accordingly.

Sudarshan P: Thanks a lot Sir. I am joining back in the queue.

Moderator: Thank you very much Sir. Participants kindly restrict your questions to two per participants. We have a next question from the line of Pawan Kumar from Unifi Capital. Please go ahead.

Pawan Kumar: Congratulations on a good set of numbers Sir firstly. Sir, this is my continuation to the last participant's question, so if we wanted to put up another facility for continuing growth in CRAMS operation, how much time does it take for it to come up and running if we started today?

Shekhar Khanolkar: Our CRAMS business is out of Dewas facility, which is large facility and can take new models into the plant but still it will take about 12-15 months from date of starting the work in the plant.

Pawan Kumar: What is the kind of capex it would be required in case what we are trying to double our revenue potential from here?

Shekhar Khanolkar: We have various models, which we were currently working on in terms of the kind of business requirement which we have between 2018-2019 or 2019-2020, so based on that we will have to take a call, because for a certain levels of percentage growth if you add capacity one time or two times, so whatever it is, the ground support in terms of other facilities, all the things also go on changing, so there are multiple combination, which need to be done before you finalise the capex, so we are evaluating various multiple combinations at our end right now and as soon as we are ready with that based on the market requirements we will ensure that we do that capex.

Pawan Kumar: It will be Brownfield right?

Shekhar Khanolkar: It will Brownfield.

Pawan Kumar: I just wanted to understand what is the flexibility in terms of maximum revenues that CRAMS can do? We were made to understand that it can do some Rs.250 Crores at peak, but does it more significantly depending on the kind of product mix and this can go to maybe Rs.300 Crores or it can come down to Rs.200 Crores, so how does it flexibility of revenue?

Shekhar Khanolkar: You have rightly said it can vary between Rs.200 Crores to Rs.300 Crores if it is Rs.100 Crores investment because it depends upon product mix. Every time there are different products and the volume which you can make, 100 Kg or you can make 1 tonne or you can make 5 tonnes again the combination changes, so it is more difficult to really pinpoint whether it will be Rs.250 Crores or Rs.200 Crores or Rs.300 Crores, you are right on the target there.

Pawan Kumar: Okay and HF1234YF any kind of new capex that we are putting and any kind of revenue potential that you can share as of now?

Shekhar Khanolkar: No. This was a small-scale plant, meant for technological demonstration and so we have just completed that and we started exporting the products from that plant.

Pawan Kumar: Okay, but now we are not planning to put up any new facility as of now?

Shekhar Khanolkar: As of now no.

Pawan Kumar: Okay, fine. I will joint back in the queue, thank you Sir.

Shekhar Khanolkar: Thank you.

Moderator: Thank you Sir. We have a next question from the line of Abhijeet Akella from IIFL. Please go ahead.

Abhijeet Akella: Good morning gentlemen. Thanks a lot for taking my questions. First just on the refrigerant gases segment you mentioned in your opening remarks that there was a lot of volatility in prices especially out of China. I understand that prices have gone up sharply for a lot of these refrigerants including R22 over there, so if you could talk a little bit about how the price trends have been for you in the last quarter or even first half and whether there has been any significant margin improvement that you have been seeing and do you think that these new prices increasing margins are here to stay?

Shekhar Khanolkar: See as I said in the 1st half of this year there was a lot of fluctuation in the pricing. It is not necessary that it is one way increase in prices or decrease in prices, it has been volatility in the pricing, so if there is a trend which you can set in those six months saying that everything is going up is a different issue, but if you divide this period of six months between every month or three weeks or six weeks kind of period, again you will find fluctuations happening, so that was little different that what used to be the case earlier and that is why I said the volatility was there and as a Company we could really anticipate to certain extent, a certain extent to respond to as the changing situation in terms what contract with our customers in terms of how we take orders and how we execute orders and we could gain out of this volatility during last six months.

Abhijeet Akella: Will be possible to just give us an indication of where R22 prices turn today versus where they were six months back or 12 months back?

Shekhar Khanolkar: It is very difficult to say that. As I said there are a lot of fluctuations if I give certain percentage or certain number to you it would not be exactly pinpointing the current situation on the ground.

Abhijeet Akella: Okay but at least can we conclude that margins have improved in the ref gases segment this quarter:

Shekhar Khanolkar: Compared to last quarter yes.

Abhijeet Akella: Okay and compared to last year as well?

Sitendu Nagchaudhuri: Yes, compared the same quarter last year as well.

Abhijeet Akela: Second on the inorganic fluorides business you have shown significant jump in the revenues this quarter and I think you also mentioned that you have been successful in getting some realization increases both in the domestic and export market, again can we conclude that margins there also have improved this quarter?

Shekhar Khanolkar: Yes.

Abhijeet Akela: How do you see it trending going forward, I mean is this here to stay?

Shekhar Khanolkar: In Inorganic Fluorides businesses, there are lots of products, which are commodity products, and there is lots of competition out of China. The base product over there is hydrofluoric acid, which are again seeing a lot of volatility in the last six months. We could really work on the volatility to ensure that we are in a right kind of contracts. At the same we are now getting of a lot of tractions with some of our European and American customers as well as customers in Gulf, who have been depending only on China earlier for some of the products. They are now looking at us in terms of buying some us on a sustained basis. So all those things we have seen happening in the last six months and we feel that the traction may continue a period of time.

Abhijeet Akella: That is great. One last question and I will get back in the queue. On Speciality Chemicals you mentioned that you are working on new product, can we expect some traction out of all these actions perhaps before the end of this year as soon in 3Q and 4Q or do you think it will spillover into in FY2019 before we see any?

Shekhar Khanolkar: I hope so but we are working on that. It is very difficult to tell that yes from third quarter or four quarter we can actually see getting it demonstrated either way I cannot say at this point in time.

Abhijeet Akella: Okay, I will just squeeze in one last thing the another income is again Rs.20 Crores plus for this quarter if you could give any commentary on that. Thank you so much.

Sitendu Nagchaudhuri: you are talking about the The other income for current quarter?

Abhijeet Akela: Yes. That is right.

Sitendu Nagchaudhuri: This essentially is culmination of couple of factors, our property income which is from leave license & lease rentals which is about Rs. 3 Crores, the balance is treasury income, of which the effect of mark-to-market evaluation is about Rs. 12 Crores and Rs. 11 Crores is a transactional treasury income if that answers your question.

Abhijeet Akela: Okay so going forward is there a run rate that we can work with for other income?

Sitendu Nagchaudhuri: We have a fair amount of visibility in terms of the transactional part of Treasury Income. Unfortunately, the market to market part of impact it is beyond anybody’s guess because as the name suggests the treatment is as per Indian Accounting Standards and how the market is going to be and how portfolio investment in equities or mutual funds is going to get evaluated at a future period cannot be predicted.

Abhijeet Akela: So just to clarify the transactional part of this other income was about Rs. 15 Crores or so, is that the number?

Sitendu Nagchaudhuri: If you roughly take between the rental income, property income and the transactional treasury income it would be about Rs. 14 Crores.

Abhijeet Akela: And that is sustainable?

Sitendu Nagchaudhuri: That is sustainable.

Abhijeet Akela: Okay. Thank you so much and I will get back you in the queue.

Sitendu Nagchaudhuri: Thank you.

Moderator: Thank you Sir. We have the next question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Good afternoon Sir. Congratulations for good set of numbers. I just wanted to see that in CRAMS, Dahej plant right now is contributing at EBITDA level?

Sitendu Nagchaudhuri: Yes.

Rajesh Kothari: Okay and as by third quarter do you think the utilization will be close to optimum?

Sitendu Nagchaudhuri: That is difficult to say at this point in time because as I said earlier that we are ramping up the capacity and there can be some issues which we cannot anticipate at this point in time, but efforts are to reach to maximum capacity as earlier as possible.

Rajesh Kothari: Okay and since CRAMS has already turned, Dahej has turned EBITDA positive; I was just wondering why there is no much significant increase in the EBITDA margin if I do QOQ comparison?

Sitendu Nagchaudhuri: If I can actually pick this question up, Dahej actually is in the path of being EBITDA positive and as Shekhar alluded there are still process stabilisation going on, so we are yet to see Dahej actually reaping up the rewards in terms value creation at its full potential. As we consistently keep on saying that it will take about 18 to 24 months post commercialization of the shipment from Dahej, which has started from beginning of this year. For the operations to really reach at the peak level of value creation and much before that we do contemplate that the operations will be transferred out of Navin to the joint venture company. Hence if you look at on an overall basis of CRAMS the QOQ value comparison, and if we expect Dahej actually show and contribute into the kitty, it is a little pretty premature as yet.

Rajesh Kothari: Sorry, I am not able to get. Whether Dahej has contributing EBIDTA positive?

Sitendu Nagchaudhuri: It is EBIDTA positive, but it is yet to reach its full potential of value creation.

Rajesh Kothari: That is absolutely fine. So what I am saying is in June quarter to September quarter, I am sure that Dahej profitability would have improved a little bit, considering that September Dahej capacity utilisation would have been higher, am I right and add to your earlier answer to one of the question that there are two other segments where you are seeing improvement in margin, both on YOY basis as well as on QOQ basis? Sir, I am just trying to understand by the overall EBITDA margin in second quarter are still at first quarter level, am I missing something?

Sitendu Nagchaudhuri: You mean company as a whole?

Rajesh Kothari: Yes.

Sitendu Nagchaudhuri: No, I think first to clarify Dahej you are saying the ramp up of the revenue versus Q1 and Q2 is pretty much at the flattish level because that depends on particular specific call up from the customers from the US and that does not quite get ramped up quite significantly because this is essentially a specific product supply. If you look at the overall movement basically in certain treatments in terms of the Indian Accounting Standards the certain charge-offs also has been take, so overall if you look at EBITDA level we think an EBITDA roster is good. EBITDA margin expansion is also in the positive direction basically I think so there is nothing much to worry about.

Rajesh Kothari: How much Dahej contributed in second quarter in terms of revenue?

Sitendu Nagchaudhuri: The turnover of Dahej in the second quarter for this year is about Rs. 23 Crores.

Rajesh Kothari: How much in first half?

Sitendu Nagchaudhuri: It is about Rs. 45 to 46 Crores.

Rajesh Kothari: It is flattish?

Sitendu Nagchaudhuri: It is flattish.

Rajesh Kothari: Ok, I understood and Specialty Chemical, you said that you are hopeful for outlook to improve so whether it is more driven by global agrochemical industry or you think both domestic has also started witnessing some improvement?

Shekhar Khanolkar: We are more in domestic pharma segment, so the international business is more of a agrochemical business, is more of an international agrochemical business improves there is a possibility that our business will also improve in that category.

Rajesh Kothari: So, this is kind of a worst for specialty chemical and for even Inorganic Fluorides?

Shekhar Khanolkar: What do you mean by worst?

Rajesh Kothari: I mean the Specialty Chemical, if I see last one and half year it has not seem much improvement right in terms of the growth, so do you think its kind of base numbers for Specialty Chemicals?

Shekhar Khanolkar: I cannot comment over the base number or not, it is a dynamic situation, so we are hoping that things would improve because we are also preparing for various scenarios, we continue to work on new molecules. It all depends upon how these new molecules are picked up and commercialized with the help of some of these global companies, so that is the reason. So it is very difficult to say that where we are right now and whether it is the lowest. All the efforts are going on in terms of as the company, which can meet the efforts those efforts are being made right now.

Rajesh Kothari: My last question on Specialty Chemicals, you said your dependence on agro and pharma, which was 80% earlier, which has now reduced so currently how much that contributes to your overall revenue of Specialty Chemicals?

Shekhar Khanolkar: Agro and pharma together is about 80%, 85% that continues. The balance is other chemical business.

Rajesh Kothari: That continues. Fine, great. Thank you Sir and wish you all the best.

Moderator: Thank you Sir. We have a next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, on your initial comments on the fluorides business just wanted to understand did we have any volume growth in the fluorides business in Q2 and H1 or it is largely a price led growth what we are seeing in fluorides?

Shekhar Khanolkar: No, we had both. We had volume growth as well as the prices increases.

Pritesh Chheda: Can you give some sense on the changes in the aluminum fluoride prices and hydrofluoric acid prices, ballpark changes that you have seen in the last six months?

Shekhar Khanolkar: We do not sell aluminum fluoride.

Pritesh Chheda: Then do you sell hydrofluoric acid?

Shekhar Khanolkar: Hydrofluoric acid we sell, but we cannot discuss specific product prices.

Pritesh Chheda: Will the volume growth be a single-digit volume growth largely?

Shekhar Khanolkar: It is good growth. Overall if you see on entire portfolio there has been a double-digit growth.

Pritesh Chheda: Double digit volume growth?

Shekhar Khanolkar: Yes.

Pritesh Chheda: And when did the prices start moving generally, is it phenomena of last three months, is the phenomena of last six months?

Shekhar Khanolkar: For six months the prices have been fluctuating as I said. It is not necessarily going up or going down in specific direction. It has been fluctuating, so there are some months where the prices are moving up, there are some months where the prices are coming down, same thing is happening in refrigeration gases also, because hydrofluoric acid is also a precursor to the refrigeration gases.

Pritesh Chheda: Any closure of facilities internationally?

Shekhar Khanolkar: I cannot comment that is there will be a one specific factor, which would be affecting these prices globally.

Pritesh Chheda: No problem, my last question is on the raw material side, what are the price movements on Fluorspar and Chloroform prices?

Shekhar Khanolkar: As of now the Fluorspar prices are almost at the same levels, for first six months the prices have been almost steady, and for us basically because we also our contractual long-term customer as far as the Fluorspar is concerned. Chloroform prices have been fluctuating and again there is some increase, which are happening in Chloroform prices compared to last year and compared to this year.

Pritesh Chheda: Can you quantify the price changes in Chloroform?

Shekhar Khanolkar: Chloroform prices compared to last year the changes have been about plus or minus 10% both sides.

Pritesh Chheda: Thank you very much Sir.

Shekhar Khanolkar: Thank you.

Moderator: Thank you. We have the next question from the line of Viraj Mehta from Emkay Global. Please go ahead.

Amar: This is Amar this side. Thanks a lot for the opportunity and congratulation for a good set of numbers. Sir, knocking off your Dahej CRAMS business, your core CRAMS business had also shown a significant run rate growth, so any specific reasons for this?

Shekhar Khanolkar: The reason is that we are working with the various customers in European and the US markets and it is basically traction with the customers, so some of the new customers, some of this business coming from the existing customers, so that is the way it is.

Amar: So meaning, this kind of run rate in the core CRAMS business now looks sustainable?

Shekhar Khanolkar: As I said earlier the CRAMS business, there can be some quarter-to-quarter fluctuations, but overall what we were earlier in couple of years back and today, we can have much better understanding of the market in terms of how it is moving our customers, how they are moving in the next couple of quarters or so, but still in terms of deliveries of the product and how it works that that remains always an issue or a matter which get sorted out on a quarter-to-quarter basis and that is why just I want to say that same run rate can be maintained over quarter-to-quarter.

Amar: I am not asking for the quarter-to-quarter Sir, but now I think you are pretty consistent from last three quarters if I see, so the trend is moving right to the northwards?

Shekhar Khanolkar: Absolutely.

Amar: Secondly I am still trying to understand that whenever anybody asks you, you say that one time is the sweat asset ratio, which is primarily possible in the CRAMS Dahej business. Is it not that once you start your expansion being your utilities are already installed do you see that the fixed asset turnover ratio should inch up?

Shekhar Khanolkar: As I said earlier in one of the answers when you built a particular plant, we will build this cGMP plant 2 when you spend Rs.60 Crores we built certain utilities. Some of the utilities may be good enough to take new plant, some of the utilities may not be, again the size of the new plant will determine what kind of utilities we require. So we may have to invest some utilities, we may not have to invest some utilities or somewhere we were just add one more module, so there are various permutations and combinations happen depend upon the capacity of the new plant what we will put and that is what the work is going on internally among ourselves in terms of what kind of capacities and when and those kind of decisions which are being made right now.

Amar: Why I am saying this to you Sir given the company with your thought process and kind of long term initiatives you always take I am assuming that whenever you would have planned utilities foreseeing the growth, now given that we are in our core business also, we are at some optimal utilization level in a CRAMS business and obviously in Dahej business also over a period of time in another 18 to 21 months, we will reach to a optimum utilization level. So is it not fair to assume that over a period of time whenever you do your expansion plan we can assume that you will be crossing the one time utilization level, more than one time sweat asset ratio?

Sitendu Nagchaudhuri: Just to clarify, one time asset turn ratio, we mentioned for the Dahej operations that is not relevant core CRAMS operation in Dewas, for which we consistently say that from the last injection of the major capex, which happened in 2015, so about 36 months of run rate of streamlining of commercialisation of that phase which is end of FY2019, early FY2020. Our estimate is to see an asset turn of about 2 to 2.25, we are still on track pretty much on that.

Moderator: Thank you very much Sir. Due to time constraints we are taking the last question. We have the question from the line of Dhimant Shah from Principal Mutual Fund. Please go ahead.

Dhimant Shah: Thank you for taking my question. Just quickly to draw from the previous questions in the three segments particularly as far as the CRAMS go, Sir do you see a huge opportunity to continue given our knowledge about the high pressure Fluorination, so how do you see the pipeline ensuing as far as the CRAMS goes? As far as the specialty goes do you see the mix improving favor of the high margin customers or high margin products and as far as the refrigeration goes do you see the Honeywell now the proof of concept that has been demonstrated by us? Do you see that converting into a larger business opportunity?

Shekhar Khanolkar: Answering your first question on the CRAMS business, we see a continuity of growth opportunities. It is a very large segment. There are huge opportunities for us to grow in this business and there is a good traction, which you have seen over the last couple of years, so I think we continue to be very positive on the opportunity base, which the CRAMS business and high pressure Fluorination or any other related segments, which we are getting. Coming to Specialty Chemicals, yes the new molecules, which we are launching in various segments whether it is agrochemical or pharmaceuticals those are higher value molecules that we have been marketing earlier, so overall for the specialty business our endeavor, which is as per the consistent of the company's stated strategy that we are going up onto the value chain and that is what we are doing in the specialty business as well. So that continues to be our efforts to do that. Coming to refrigeration gas, see 1234YF as you rightly say it is a proof of concept, we try to do that, which we have already done. As of now, we have not initiated plans to commercialize in a larger scale and that will happen as and when the opportunity arises.

Dhimant Shah: Lastly if you can share how do you want to use the huge cash flows that of course you have been kind to the minority shareholders by the way of increasing dividends, but how would the capital allocation look like particularly from the capex angle?

Shekhar Khanolkar: As I have been saying various businesses whether it is Speciality Chemicals, whether it is CRAMS, or Inorganic Fluorides business as and when they require the capital, we will be utilizing this money, so fundamentally we continuously work on our future growth plans. We have certain strategic path, which as a company we have agreed and decided on, so for that what is the funds we require, it will be coming from these particular funds, so that is the way the capital gets utilized.

Dhimant Shah: Any figure that you can share possibly?

Shekhar Khanolkar: Right now no because we are as I said we have been still working on various capexes and as and when the time is right we will invest into these businesses.

Dhimant Shah: Great Sir. Thank you so much.

Moderator: Thank you Mr. Shah. Ladies and gentlemen, due to time constraint that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you Sir!

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

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