



“Navin Fluorine International Limited Q1 FY2022 Earnings Conference Call”

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**MANAGEMENT: MR. RADHESH WELLING - MANAGING DIRECTOR -
NAVIN FLUORINE INTERNATIONAL LIMITED
MR. KETAN SABLOK – CHIEF FINANCIAL OFFICER -
NAVIN FLUORINE INTERNATIONAL LIMITED
MR. JIGAR KAVAIYA – STRATEGIC GROWTH ADVISORS
MR. PRATIK SHAH – STRATEGIC GROWTH ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Navin Fluorine International Limited Q1 FY2022 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 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 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. Radhesh Welling, Managing Director of Navin Fluorine International Limited. Thank you and over to you Mr. Welling!

Radhesh Welling: Thank you. Good morning and my very warm welcome to all the participants. I am joined by our CFO, Mr. Ketan Sablok and Strategic Growth Advisors, our Investor Relations Advisors. I hope everyone got an opportunity to go through our financial results and investor presentation, which has been uploaded on the stock exchange as well as on our company's website.

At the outset, I would like to wish and pray that you and your loved ones are safe and well. We continue to follow various protocols at all our manufacturing sites and the corporate office to prioritize and safeguard the health, safety, and wellbeing of all our employees. All our sites are currently fully functional and we have successfully completed vaccination program for our site employees.

Now, let me start with key highlights for the quarter ended June 2021 followed by business segment wise update and then Ketan will take you through financial highlights. For Q1 FY2022, our company has delivered an operating revenue of Rs.314 Crores with a growth of 53% on Y-o-Y basis, operating EBITDA of Rs.78 Crores, which translates to growth of 50% Y-o-Y basis and operating profit before tax of Rs.67 Crores, which grew by 59% on Y-o-Y basis. All of our business segments showed good growth compared to Q1 of FY2021, although it is on a very lower base primarily due to nationwide lockdown we saw in Q1 FY2021. Work on new HPP project is going well and we expect plant commissioning to happen in Q4 FY2022. Work on our multipurpose plant in Dahej is also progressing well.

Our high value businesses have seen good performance growth of 52% to Rs.200 Crores for Q1 FY2022 compared to same period last year. It now contributes 64% for the total revenue for the reporting quarter. Our specialty business reported a growth of 37% on Y-o-Y basis to Rs.133 Crores for Q1 FY2022 compared to the same period last year. On Q-on-Q basis it was marginally up by 1%. The business witnessed good growth driven by mix of new

products and market share gain, which primarily happened in US for one of our large products.

During this quarter, we continue to strengthen our pipeline of new products and are seeing strong demand for our capabilities from agrochemical and other industrial segments. Our CRAMs business reported a revenue growth of 98% to Rs.67 Crores for Q1 FY2022 compared to same period last year; however, on Q-on-Q basis it was down 11% primarily due to moving of one order from June to July. We are seeing good traction among our existing customers and good flow of repeat orders.

We continue to focus on expanding product project pipeline and further diversifying our customer base. In this regards, we have added a few new exciting customers in this quarter. Revenue of our legacy business Refrigerant Gas and Inorganic grew by 55% on Y-o-Y basis to Rs.114 Crores for Q1 FY2022 as compared to same period last year and it contributed 36% of the total revenue for the reporting quarter.

Our Inorganic Fluoride business of up 98% on Y-o-Y basis for Q1 FY2022 to Rs.56 Crores compared to same period last year and on Q-on-Q basis it was lower by about 6%. The segment has seen good demand traction from our existing enduser industries of stainless steel and glass. Our efforts of widening our end user segments are being fruitful and to that extent export in this business has shown growth driven by addition of new international customers.

Our Refrigerant Gas business up 28% in Q1 FY2022 on Y-o-Y basis to Rs.59 Crores compared to the same period last year. On Q-on-Q basis, it was marginally up by 1%. Improvement in the trade and service sector despite COVID related restrictions and good volume traction from international markets are contributing to the segment growth; however, the prices in international markets were bit subdued and this impacted overall margin.

Sales into non-emissive applications have been steady this quarter. That is from my side. I now hand over to Ketan to give you a brief on the financial performance of the company. Over to you, Ketan!

Ketan Sablok:

Thank you, Radhesh and a very good morning to all the participants. I hope all of you and your families are in good health. I will share the highlights of our performance for the quarter and following which we will be happy to respond to your queries.

So for Q1 FY2022 the performance on a standalone basis, the company has reported a growth of 53% in net revenues from operations of Rs.314 Crores in Q1 against Rs.205

Crores in Q1 FY2021. As mentioned by Radhesh earlier, the strong growth was also a factor of lower performance in Q1 FY2021 due to nationwide lockdown restrictions in the base quarter.

Operating EBITDA was up by 50% to Rs.78 Crores for Q1 FY2022 as against Rs.52 Crores in Q1 FY2021. The operating EBITDA margin stood at 25% during the quarter. Margins were marginally impacted due to rise in raw material cost, some pricing pressures and also due to the high employee cost during this quarter as the annual increments, some bonuses were paid out during this quarter and the addition of new employees during the course of last year.

Other income for Q1 FY2022 is Rs.7.6 Crores. It was Rs.35.6 Crores in Q1 FY2021. The Q1 FY2021 included Rs.26.2 Crores of interest income due to income tax refund. So that was the large item in the last quarter.

Operating PBT grew by 59% to Rs.67 Crores for Q1 FY2022 as against Rs.42 Crores in Q1 FY2021. The operating PBT margins stood at 21% in Q1 FY2022. Profit after tax stood at Rs.56 Crores for Q1 FY2022 as against Rs.52 Crores in Q1 FY2021. The PAT margin was at 18%.

Quickly on the unit wise performance for the quarter, the high value business grew by 52% and the legacy business grew by 55% during this quarter. Specialty business grew by 37% to Rs.133 Crores and CRAM segment grew by 98% to Rs.67 Crores. The legacy business showed an upward trend with a growth of about 97% to Rs.56 Crores in Inorganic Fluorides and about 28% that is to Rs.59 Crores in Refrigerant Gas business Y-o-Y basis.

So, that is all from my side. I think we can now open the floor for Q&A. Thank you very much.

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

Sudharshan P: Thank you for taking my question and congrats on good performance on the high-performance side. Sir, my question is to understand you had mentioned that in CRAMs we have been good in the inquiries from customers in Europe and US so some color with respect to the nature of these customers, I am trying to understand whether they are large innovative, smaller buyer biotech, I mean what is the kind of projects that they are looking at whether it is early phase development, some colour on this and what this also some kind of follow through from Manchester because that is what we are being talking about as well

that kind of getting a lot of input from Manchester and migrating those projects to India as well so some colour on this would be helpful, Sir?

Radhesh Welling:

Sure, so if you look at the overall growth that we are seeing and when talk about growth and basically including the inquiry, etc., in that in CRAMS basically there are three different kinds of growth. One the projects which are very nicely scaling up and we have actually been working very closely with the customers to ensure that we continue to service these businesses as they scale up so that we are actually seeing a pretty good traction because of which we continue to see pretty good repeat orders. We have actually specifically in this quarter, have actually added some new customers, these are big size biopharma companies primarily from US. Some of these companies we have been looking to target for almost last two years and we have finally now managed to crack it in this particular quarter and that would really help us going forward. These customers are primarily US based and these are midsized biopharma company and we believe that as we grow and as the engagement with these companies grows, the business will be extremely good for a midsize company like Navin Fluorine and the third piece, which is what we are primarily seeing in Europe, we have some long lasting relationships in Europe with some of the large innovators so there we have actually seen the good flow of new enquiries coming in from existing customers. So those are three different categories of inquiries that we are seeing, which will then translate to the growth in terms of sales for our CRAMS business. I hope that was helpful.

Sudharshan P:

Yes, Sir definitely helpful. Sir, my second question is a little bit more strategic. I mean today if you look at it I think we have done a phenomenal job on the CRAMS side and specialty chemical I mean largely the agro and the pharma side across bio and the chemicals as well, but if I look at fluorine as such has got lot more applications across other chemicals, across automobiles, so many other sectors. You have earlier mentioned that we are working on several things on the project level on the R&D side, my question is today when we are looking at the capex that is expected to come again next year or later that in specialty plant would that accommodate the newer projects or the newer applications that we are talking about or these newer applications would primarily be for the current set of products that we are developing and we would announce another round of probably capex for the newer applications on the production?

Radhesh Welling:

If you look at the two capexes that we have announced, one is related to HPP and one related to MPP, if you look at the MPP investment it is primarily related to existing applications, primarily agrochemical and some pharma piece is there. As far as HPP is concerned it is all new applications primarily these are new applications to us to India, etc., so those are focused on new application, but I think the applications that you are specifically referring to like EV, etc., those are not part of these existing capexes those are

the opportunities that we are currently working on at the incubation stage, one of the things that we could see is that there has been a significant increase in the employee costs as Ketan mentioned due to new addition of employees, so we have really strengthened our technology base, we have continuously been doing that so we have added lot of people on the technology and design side as well as on the R&D side to develop these opportunities because there it is not only about synthesis, it is not only about developing a new process for an existing product, but completely developing a new product and then once we develop that product basically ensure that product actually has the right functionality for the application segments. To a certain extent this entire piece is of kind of new for a company like us, so we have investing a lot of efforts and time on these opportunities and those will translate into capex, we believe in the next 18 months or so, but in the near term if you were to look at the next 12 months some of the capex is which we might announce will still continue to be in traditional application because those opportunities are slightly farther away to commercialization or at least the conclusion of the business than some of these other opportunities in newer segment where we are trying to get better understanding on the functionality and also get a better understanding on the channel to market.

Sudharshan P:

Thanks a lot. One final question for my side is that you mentioned that about hiring, can you throw some colour on respect to R&D hires that we have done, what is the kind of infrastructure addition that we have done etc.?

Radhesh Welling:

When we look at the technology piece our first priority was to add more people on the technology transfer side, on the design side and the engineering side, which is over the last one year if you see we had added, I mean actually almost created a new function from ground up. We today have about 80 people in that function, which actually did not even exist and there we have actually got lot of investment that we have done in our pilot facility, and investment has gone into setting up process safety lab, etc. The reason why we did that is because our R&D capability was relatively strong even before, so we said that let's get this technology piece done very well because some of the projects that we are discussing, basic technology has been developed by some of our international partners and our responsibility would be to ensure proper successful absorption and scale up. So for that we needed a strong technology and design team. Now having done that, we have started hiring for R&D, and we are actually looking at some opportunities for setting up a completely different application development lab. There we are currently in the process of evaluating the location for that whether it should be in Mumbai or in Surat or in Dahej so that is going to be more on the application side.

Sudharshan P:

Thanks, I will join in the queue.

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

Abhijit Akella: Good morning, Mr. Radhesh, good morning, Mr. Ketan. Thanks a lot for taking my question. First question is on the margins mainly, so last quarter we have learned that a couple of high margin shipment have been deferred by about one quarter and that is why the margins have been a little bit subdued last quarter, so just wanted to check, number one has been delivered this quarter and number two if so you know what is the reason for some further pressures you see on the EBITDA margin front and the increase in employee cost also this sustainable number that we should expect going forward?

Radhesh Welling: I will answer three questions that you have basically asked, one is specifically with respect to some of these orders in Q4, the second question was related to overall gross margin for this quarter and the third was the EBITDA margins. I will give you the response and then Ketan can add/subtract to that. So the business that we talked about was primarily in specialty, so that there were two orders and both the orders actually got delivered in this particular quarter. In this specific quarter, especially if you look at the contribution margin for the same period last year were down slightly primarily for three reasons, one in Refrigerant Gas, our sales as a percentage of total sales in the domestic market went down further and as you know this is significantly higher margin business, at the same time our sales in the international market actually went up which is a significantly lower contribution margin business so there the shift in the customer base impacted our margin in Refrigerant Gas. In specialty there were two reasons why the margins got slightly impacted, one it is basically because of one critical raw material for one of our main products saw a significant price escalation in this quarter and we believe that this will continue at least for another quarter or so. There the end product that we manufactured using this particular raw material primarily goes into US customers. There are two large US customers that we have and both these are actually locked into multiyear agreement, multiyear price agreement. We have actually gone back to both the customers and asked for price revision to absorb this increase in the cost, both the customers in principle have agreed for that, one of them we should be able to implement by end of Q2, beginning of Q3 itself, another customer though they have agreed to that in principle they have requested us to implement this from beginning of the next calendar year that is from January 2022. Which means for us our shipment, it will be Q3 shipment on that because they have on the basis of our agreement have back to back contract with their customers, which they will not be able to change at this point in time, so they have requested we could actually consider that and that dialogue is currently going on. The second, there is one important product that we were actually supplying into pharma application where we have actually seen a significant reduction in the demand primarily driven by inventory built up in the end market. This is the product which is actually going to multiple customers within the Indian markets who then convert into the final product and

supply it globally. There we have actually seen a sudden decrease, which even our customers were not anticipating and this is primarily because of the inventory build up. Again here we believe that overall the demand remains quite robust for this end molecule and we should again start seeing demand come back for us from Q3 of this financial year because again there the contracts are primarily made for calendar year. So those were primarily the three reasons why we saw the gross margin getting impacted. On the EBITDA piece, which is primarily related to fixed cost or employee cost, there were three reasons, one is the new employee addition, primarily on the technical side, the second one was the retention bonuses that we gave to some of our critical people given our growth plan, it was very important for us to ensure that certain set of people, we continue to keep with us so there is a certain retention bonuses one time retention bonuses, which were paid out in this particular quarter. Also in recognition of the efforts made by our team in the last year especially given the COVID-related challenges, etc., we have actually given out generous variable payout. So that also got reflected in this particular quarter and the fourth piece, which actually came in is for large section of our employee that is a kind of double increment, which happened in this particular quarter because last year we had actually deferred the increment, we did not take the increment from Q1 onwards. So there is an increments on FY2021 and then the increment that just happened for FY2022, so there is a kind of a double increment that happened in this particular quarter. So point number two, three and four are one-time occurrences, but the point number one which is a new employee addition which is something that we will continue to see for the rest of the year, but the other three are one-time occurrences.

Abhijit Akella:

Thank you. That is really helpful. Just one quick thing in that was it is possible to quantify the one-time portion that will be really helpful, so if Mr. Ketan, it is possible to help on that and the second thing last question from my end before I sign off is with regard to the new capex or new project announcement plans which we were considering last quarter as well, but which were deferred due to COVID so any further progress on that and will we could expect some announcements. Thank you so much.

Radhesh Welling:

To the first one related to the employee cost, if you look at the employee cost, employee benefit expenses have gone up by about Rs.9 Crores and about one-third of that is basically because of the new employee addition, which will continue and approximately about two-third, I would say 40%, 60%, 40% is because of new employee addition, 60% is one time which will actually not happen going forward and I am sorry I was not able to hear your second question properly, which project you have mentioned.

Abhijit Akella:

I was just saying in terms of a new capex or new project announcement plans, which we have as in specialty to refrigerants or any other areas for FY2022, so any further progress along that and when could we expect some announcements on that front.

Radhesh Welling: As we have maintained, we are actually working on some really good, exciting opportunities, but it will be very difficult for us to give a timeline because once the operating team is confident about the business case then that is where we go to the board and post approval from the board is when we will be able to make the announcement. Our efforts are currently underway to make these happen within this financial year for both refrigerant gas as well as specialty. It is very, very difficult for me to give you the timeline because first of all it is subject to the operating team being satisfied with the strength of the business case and then the board actually approving these capexes, but at least from our side they will do this within financial year.

Abhijit Akella: Got it. Thank you so much and wish you all the best.

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

Ankur Periwal: Sir, thanks for the opportunity. Sir, first question on the Manchester site you know for a year you have highlighted the synergy and the benefits that we can see especially the spectrum side so if you can please share your thoughts there?

Radhesh Welling: Currently if you look at MOL, MOL really does not play much role on the specialty chemical side. It primarily plays role on the CRAMS side; however, we are actually trying to understand if we could really develop a kind of an integrated business model where we pan across these two businesses. We are actually working currently with the large global consulting firm to relook at our CRAMs plus specialty pharma strategy and as a subset of that trying to understand how could MOL help us drive the growth in this particular piece and that work is currently going on. Currently if you to look at it, MOL is actually playing pretty insignificant role as far as the growth in specialty business is concerned, it is primarily focused on CRAMS side even there what we used to see earlier is that the opportunities that we develop in MOL used to get scaled up very nicely in India. That process has little bit slowed down primarily also because the overall enquiry flows have slowed down over the last 12 months primarily because of COVID related restrictions in UK. UK has been unfortunately not been operating the way our facilities in India have been operating so we are just looking at that entire business model to understand what do we really need to do to kick start that MOL piece and how we can really develop that integrated business model which spans the pharma piece within CRAMS as well as the pharma piece that we have within the specialty.

Ankur Periwal: Sure Sir that is helpful. Sir, secondly in your commentary as well as in our PPT we did mention pretty healthy outlook just for specialty chemical and CRAMS addition of new products, new clients, but just wondering from our capacity creation perspective are we

there in time or will we need to ramp up new capacity addition to address the rising opportunities wherein coming from is that you know while the opportunities are there and probably we have the capabilities there as well, but is there a possibility of a mismatch there in terms of timing or capacity as well as the opportunity or you believe there is a sufficient gap under sufficient buffer there?

Radhesh Welling:

I would have three responses to this question. One, what we are trying to do is this incubation of some of these opportunities we continue to make it happen in Surat. So for example in this quarter there are two new molecules that we actually manufactured and supplied out of Surat, of course this is at an initial stage of the opportunity. The second piece is if you look at the MPP that we have invested in, there is a room for us to add as I had mentioned and then we get the capex to add another line fairly quickly and also the products that we had initially planned for MPP, are expected to scale up and hopefully in two to three years' time actually go into their own dedicated plants. So as that happens we are ready with new set of opportunities which we can then put into those MPP. The third piece is that when you set up a new plant, typically it takes anywhere between 18 and 24 months, but if you look at these 18 to 24 months primarily the time is required for OSBL which is basically the infrastructure that you set up, the road, the ETP, etc., etc. But now we are already investing in Dahej and we are actually investing more than what we had earlier anticipated in OSBL in Dahej in anticipation of some of these newer opportunities coming in. So when we actually have to setup specific dedicated plants for some of these other opportunities specifically in specialty chemical we could bring those plants up fairly quickly and we would not necessarily take the period of 18 to 24 months to bring those new plants up.

Ankur Periwal:

That is helpful and just one comment on the CRAMS side as well, because being the CGMP led operations there, how much time does it take there and any plans of expansion?

Radhesh Welling:

Currently, we are working on debottlenecking of our CGMP3 facility because of some of these opportunities, which are scaling up or where we have visibility from the customer in terms of what these opportunities could scale to in let us say next two to three years. Our immediate priority is to do the debottlenecking in our CGMP3 plant and that is something that we intend to take to the board in the next quarter or so and that would be an investment that would be made first. Post that we would actually start looking at possibility of doing the CGMP4, given the pipeline, etc., but that work will happen post our design and the business case is ready for this debottlenecking and it is approved by the board that is our phase one priority. The debottlenecking should happen within less than 6 months and the CGMP4 we believe will probably take about 12 to 15 months as and when that capex is ready and post the capex approval it will take about 12 to 15 months.

- Ankur Periwal:** That is very helpful. Thank you and all the best. Thanks.
- Moderator:** Thank you. The next question is from the line of Vihang from Oxbow Capital. Please go ahead.
- Vihang:** Sir thanks a lot for taking my question. Just wanted to know I think one of your competitors domestically announced an expansion in fluorochemicals which have like PV applications PVDS and LIPF-6, so just wanted your thoughts on if you would at any point in the future consider getting into these and if not and why that is from my side? Thank you.
- Radhesh Welling:** So, we are looking at these products and some other products beyond these, but I think we at least believe that it is very, very important because here it is not about as I mentioned earlier about see typically if you look at most of the fine chemical companies in India, most of the specialty chemical companies in India typically are in the fine chemicals space and there the business model always has been to first focus on the synthesis, then we focus on the scale up, then we focus on the design and the engineering of the plant. Lot of these molecules the focus has to be on the functionality to ensure that the product has the right functionality for the right application and the second piece is the channel to market because if you do not do that you will continue to operate at a commodity end of that value chain. We want to ensure that we answer all these questions before we decide which of these molecules we should go into and how should that play really look like. So to your question are these opportunities we are looking at, the answer is yes, but we are approaching it slightly differently and we believe that once we have the right business model for these opportunities we will then translate those into the capex plan and the business case because we believe that it is very critical that here we not only answer what, which is in terms what products, etc., but how, in terms of how that play really should be so that we can focus on operating at the top end of the value chain and do not get relegated to the bottom end of the value chain. If you look at lot of the Chinese players in this particular space are at the bottom end, the commodity end of the value chain, which is not something that we would like to play in, so that is something that we are currently in the process of evaluating.
- Vihang:** Right, thank you so much, Sir. That is from my side.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.
- Rohit Nagraj:** Good morning, Sir. Thanks for the opportunity. Sir, the first question is on the CRAMS segment, so you have positive outlook plus two enquiries from the US as well as in European customers in terms of the US customers how much is the gestation period of the

start of discussions and then commercialization of the product and typically what is the threshold revenue potential from a molecule or from project that we look at? Thank you.

Radhesh Welling: I do not think there is a standard response to that because it completely depends on the specific opportunity, it depends on what that molecule is, at what stage the molecule is in, in some cases we have seen that the phase 2 revenue actually can be bigger than phase 3 revenue for some of the molecules, so I do not think there is the standard response that we can give with this question. It completely depends on customer to customer, it varies molecule to molecule, it varies therapeutic area to therapeutic area.

Rohit Nagraj: Right Sir, fair enough. Sir, my second question is in the terms of the exports market, so given that logistics issues that are currently going on in the international market, are we also facing any kind of challenges because of the same both of our exports as well as imports of raw material and how are we trying to mitigate the challenges? Thank you.

Radhesh Welling: Past at least six months if not more than a year since the COVID started we did have several challenges on both inbound as well as outbound logistics and the challenges are primarily been on front of the uncertainties because of a lot of vessels getting delayed or bypassing India or unavailability of the container, etc., etc. as well as on the cost escalation. Also in some of the cases for some of our raw materials we have also seen some challenges because two of our critical raw materials are mined raw materials, so we have actually seen challenges on the mining side as well in fact one of the raw materials that I have mentioned that there has been a significant price escalation. Their one of the large mines in the world actually closed down because of some labor issues and we believe that later in the year, the operations will restart and smoothen. Specifically on the logistic side in terms of inbound we continue to work with our suppliers. We also ensure that for some of these critical raw materials we relook at the inventory level, etc., so that there is no stock out and we will be managing that extremely well. On the outbound piece, because of that we have actually seeing some delays in the shipments where the shipments have actually kind of moved from let say particular month to another month etc., but we have by and large been managing that quite well and the focus has primarily been on good coordination and execution. On the pricing front, fortunately for a lot of our large businesses where we have multiyear agreements, these are all FOB contracts where there is a cost pass through for the freight so we are not really directly impacted and the impact will basically get negated with certain lag and having said that there are some models where the logistics cost or the freight has actually impacted where we are actually engaging with the customer because they are actually not only facing the issues with us, they are also facing the challenges from some of the other suppliers and wherever possible we are trying our best to increase the price accordingly. But when I say wherever possible the customers have in most of the cases completely agreed, it is based on their capability to increase their prices in their contract,

but generally we have seen our customers in the true spirit of partnership has been extremely helpful in terms of accommodating our requests.

Rohit Nagraj: Thanks a lot, Sir. That is very helpful and best of luck.

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

Sanjesh Jain: Good afternoon, Radhesh Sir and Ketan Bhai. First question is on the order book for the CRAMS in our annual report we have said that in FY2021 we entered with a very strong order book for the CRAMS which has helped us to scale up the revenue, how does it stands for FY2022? How does the FY2022 look like for the CRAMS? And a related question you said that one of the project got delayed to the second quarter how large was that project can you quantify these two and I got one bookkeeping question on the other expenses which have increased sharply on a Y-o-Y basis so quarter-on-quarter basis it has been quite stable, is there any one off in that particular line item because we generally see that from Q4 to Q1 that costs generally kicks down, is there any reason for it being steady quarter-on-quarter this year? These are my two questions. Thank you, Sir.

Radhesh Welling: As far as open order book position we actually went into FY2021 with a very strong open order book position versus the previous year which then translated into extremely strong growth in FY2021 over the previous year and as I mentioned in my earlier commentaries for FY2022 the most important priority for us in this particular year was to ensure that we hit a certain run rate every quarter because earlier if you remember in CRAMS what we have seen is that sales tend to be extremely lumpy and you know of course it is understood quarter-to-quarter there is a certain up and down but there used to be a significant variation year-on-year in terms of our sales. So this year our primary focus was to ensure that we take care of that lumpiness to the extent possible so that we do not see a significant degrowth after a year of a significant growth. So yes, we entered this year also with a pretty strong order book and more than order book with enquiry for orders. When we talk about order book means we have POs in hand so these are in orders where we actually have the purchase orders. This particular year not only our order book was strong, but also we had a lot of enquires which were there in the pipeline. As I mentioned a lot of new relationships that we have developed, etc., which we believe over the next few quarters would actually get translated into the order book, but if you look at the delta between the order book that you saw FY2021 getting into FY2021 versus the previous year because the delta was big in terms of percentage with the similar percentage increase in our way that get into FY2022, but on an absolute basis it still remained strong. Your second question was related to that one particular order which moved from Q1 to Q2 that primarily moved because there was a slight delay in the execution of the order and that was to the tune of about Rs.5 Crores or

something. The third question that you asked was related to other expenses, there is one particular item which is the standout item and I will let Ketan explain the other items, which was basically related the maintenance cost. The first quarter last year we had ensured that we keep a very close tag on maintenance costs and wherever possible to actually delay it from Q1 to Q2 or to Q3 because if you remember last year Q1 the numbers were really depressed as well. As we actually did not have almost 3 weeks of operation, one week in March and then 2 weeks in April, so given that scenario we had ensured that our maintenance cost in Q1 of FY2021 was on the lower side so one of the items where we see increase in Q1 this last year versus Q1 last year is the maintenance expense. Ketan, over to you!

Ketan Sablok: Thanks and so on your other point between the expenses for Q4 and the current quarter whether there is a one off, so as Radhesh earlier talked about, we have been working with one of this large global consultancy company for developing CRAMS strategy, so part of that expense has come in this quarter . That is the only one off, that we can say is the added expense for this quarter otherwise the expenses are in line with the quarter four of last year.

Sanjesh Jain: Got it, Sir. Thanks Ketan, Just one followup question on this CRAMS revenue recognition, have you made any change in that.

Ketan Sablok: No, Sanjesh, our revenue recognition for all business including CRAMS were consistent.

Sanjesh Jain: Got it. Thank you and best wishes.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Systematix. Please go ahead.

Naushad Chaudhary: Thanks for the opportunity. I just wanted clarity on in the last quarter you had mentioned that we had initiated some cost improvement initiatives especially in CRAMS division for the new projects, just wanted to understand the magnitude of this and when can we see the benefit of this? I will limit myself to one question.

Radhesh Welling: As far as thses cost improvement initiatives, this is not something which is a onetime exercise, this is an ongoing exercise that we continue to do in all the businesses. The specific comment was in response to a question where the question was asked wherein what did we see a decrease in the price as the opportunities scale up so there I had actually mentioned that yes, we expect that as the opportunities scale up, the price that we have to offer to the customer will have to go down, but our continued focus is to ensure that as the opportunities scale up for all the repeat orders, we continue to identify and deliver the cost improvement opportunities so that our margins remains intact. So that is an ongoing

exercise, it is not a onetime exercise and that is not limited to CRAMS, but it is also limited to other businesses because as you can imagine as the molecules scale up even in the specialty we then start getting a competition and it starts impacting the price. But while the prices go down our focus has always been to ensure that the margins continue to remain the same and that primarily happened because of this cost improvement initiatives.

Naushad Chaudhary: I will come back in queue.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Sir, thanks for taking my question. On the CRAMS business when you look at the pipeline how do you characterize, in the sense is there a way to characterizing them in terms of number of molecules where you have been commercial scale manufacturing, number of products which are getting late phase three or in early phase three, is there a way help us directionally the pipeline of size?

Radhesh Welling: Yes, so for us we actually divide this into almost like a 3X3 and again this is a kind of an evolving metrics. There is not a lot of sophistication that has been applied at this point in time, so it is on the basis of region, second is on the basis of the qualification of the customers so there are certain set of customers that we internally call key accounts, so you know how much of the businesses coming from key account versus in the other set of customers and again that characterization also keeps evolving as we move along and the third piece is repeat orders versus first time orders so these are the three metrics that we qualify our pipeline.

Nitin Agarwal: Sir, you do not analyze it more particularly around a number of products which can probably get into commercial scale because typical experience has been that when molecules go into the commercial scale is when the volumes will take off have your products like these, how many such projects that we have like these which can probably get into commercialization would see within a couple of years?

Radhesh Welling: We try to use the criteria that we believe we have influence over, if there is a criteria that we have very limited influence over to a certain extent it is meaningless is what we believe. So let us assume that we have a repeat order, so our focus is to ensure that we really focus on the cost optimization piece that we discussed earlier, on the quality of the execution, and the quality of the engagement with the customer so that as the molecules scale up we continue to be the main supplier for the molecule. Now would that molecule commercialize or not it is not something which is in our hands despite the customers giving us all the indication, it is quite possible that it might eventually not get commercialized for something

related and in some cases things are not even in our customers hands. So that is the reason we have some indication on how many of these molecules that we currently qualify as repeat order would eventually get commercialized and by when etc., On the basis of that we make some of these plans that I spoke about earlier in terms of CGMP 3, debottlenecking or the designing of CGMP 4 etc., but we do not look at that as a critical criteria primarily because it is not necessarily in our influence.

Nitin Agarwal: Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Good morning. Thank you for the opportunity. Just a clarification of what you have just mentioned in earlier participant question that some of your products where the price increase has been taken with the customers which will be effective from Q2 and Q3 of this year while the raw material cost has already gone up. Sir I just wanted to understand this pressure on margins especially on these contracts may continue or you also have you know backed up raw materials on the old prices, so there will not be any impact on the margin side, can you give some clarification on that?

Radhesh Welling: This effect we are actually seeing for some of the products in specialty. This is not something which is across the board so that is something which needs to be remembered. The second point is we believe that at least for the rest of this year and when I talk about a year I am trying to be talking about calendar year because a lot of these large RMs, our contracts actually or discussions with our supplier actually run-on calendar year basis, we believe that we will continue to see the pressure for the remaining of the calendar year. Now as far as our discussion with our customers are concerned, related to increase in the product price, we believe that the customers will be in the position to start absorbing those increases from beginning of the next calendar year, which is January onwards, which means product that we manufacture and supply from Q3 onwards so we believe that the pressure will continue in Q2, from Q3 onwards the pressure will start moderating. Beyond that if we start seeing some moderation in the RM prices the same process will actually reverse. We will not immediately pass on the benefit to the customer, but with the lag we will also start delivering that benefit. So I think the same process that we are seeing here where there is a lag of about 2 to 3 quarters the same one will happen in the reverse way as the prices will start moderating.

Rohan Gupta: What kind of product portfolio of the specialty, the prices have to take on annual basis and how people and what portion is on the monthly or quarterly context?

- Radhesh Welling:** As we have indicated I mean if you look approximate split that we have in the business in specialty is about 40% agro, 40% pharma, 20% industrial. 20% industrial is mostly multiyear contracts, 40% pharma is mostly spot, most of it is like spot or maximum for a quarter and in agrochemical 40% which is in agro about half of that is multiyear contract and half of it is either on a spot basis or let us say quarter, two quarter or annual contracts, but half of that agro is a multiyear contract and the entire industrial piece is a multiyear contract.
- Rohan Gupta:** So, the 20% industrial and almost half of your agro is getting impacted right now?
- Radhesh Welling:** This is approximately 40% of our total specialty, which is getting impacted here. Just to clarify on that particular point that half of that agro that I had mentioned there is a multiyear contract not all of it is getting impacted by RM, the RM piece is primarily impacting the 20% industrial.
- Rohan Gupta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Alfaccurate. Please go ahead.
- Amar Maurya:** Thank you for the opportunity. My first question is on the few projects which we indicated you know kind of a little smaller than HPP but we were pursuing it and got delayed from the COVID so any light on that and secondly one Korean contract which we had won so have we started supplying something, some products to them?
- Radhesh Welling:** To your first point I do not think there is any project, you are talking about new projects or you are talking about project execution, which has got delayed because of COVID?
- Amar Maurya:** So new projects basically new orders I mean where we were pitching to a few clients and you indicated that you know a few of those got delayed because we were not able to meet them personally and these were pretty sizable orders?
- Radhesh Welling:** We do not believe that any of those, I mean discussion actually tends to be little slower, but I do not think the projects as such have got delayed significantly because of COVID because we have been managing that pretty effectively on the phone, etc. Of course, you know what could possibly would have happened in one meeting takes a number of phone calls and typically something which would happen in one week typically gets dragged into three weeks or four weeks that is just the nature of the beast right now. But it is not like there are projects, which have got delayed by one year or two quarters or etc., because you know because of COVID related travel restrictions so that is one. The point that I had

earlier mentioned is that there could be some delays in our HPP plant commissioning so there also we had earlier when we went into March-April and when we started seeing lot of these issues with respect to manpower availability, oxygen availability, etc., we thought that there could be delay of at least a quarter in the plant commissioning, but we have been able to actually bring that up further and more or less the plant commissioning should probably not get delayed by more than a month or so and what is the second question?

Amar Maurya: Secondly you know the one new customer which we had won in Korea and we were expecting it can be a big customer over a period of time, so wondering that you know two new molecules which we supplied in specialty is both related to the Korean customer?

Radhesh Welling: No, those are not related to Korean customer. As a matter of fact, there are two customers that we have in Korea. One is for that industrial segment in specialty. As you know customers in Korea, Japan, etc., take a little longer to start the business and the second we had actually indicated was in the inorganic fluoride business where it was primarily supply of DHF to this customer in Korea. So that business is actually going on so they are still in the process. Initially we had actually supplied material for qualification that has gone up successfully and they have actually started ordering some material from us, but it is not really happening at a material level yet. It will probably take, typical of the customer in this particular region, where they typically tend to be slow, growing the relationship but one it is grown it typically remains very, very sticky.

Amar Maurya: One last if I can so last question on the CRAMS side the production process improvement which we did in the CRAMS largely from the batch reduction and all so have those benefits started coming to the P&L or we are yet to see that?

Radhesh Welling: I think I have already responded to that question.

Amar Maurya: I think it looks like those are the periodic thing, but wanted to understand that was a pretty significant improvement in the overall batch process and improvement so the benefits started coming to the P&L or not?

Radhesh Welling: As I mentioned in the earlier question that was asked, this is a regular occurrence, so if you look the repeat orders that we are getting if we had not done this the margins would have got depressed significantly because as the molecules scales up from gram level to kg level to tonne level, there is a significant decrease in the price that happen and as that happens if you are not able to improve your cost through some of the initiatives that we have talked about and there are number of other initiatives as well, the margins will get significantly depressed. So this is an ongoing exercise, and a lot of that exercise gets translated into the cost which then gets translated into the contribution margin on the P&L.

- Amar Maurya:** Thanks a lot. Thank you. That is helpful.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** You mentioned about the debottlenecking in CRAMs and we already doing a debottlenecking on the spectrum side. So just wanted to get a little sense as to what could be the increase in our quarterly run rate post this debottlenecking.
- Radhesh Welling:** As far as the specialty is concerned if you look at the commentary that we had made earlier about let us say two years back we had very clearly indicated that on the capacity on the specialty chemical side we are pretty much tapped out and a lot of now new businesses which will be coming in Surat especially we will be able to execute on the basis of relatively smaller debottlenecking projects that we will be doing and similarly we had been doing this smaller debottlenecking projects in Surat, which is then getting translated into the increase in the sales, but you would have actually seen over the last two years in specialty, if we had not done those debottlenecking exercise, we would have had to wait for this new MPP investment to come up in Dahej to start showing growth so that is on the specialty chemical side. On the CRAM side in this particular quarter as I mentioned to you we should be finalizing the plan, but the idea is that at least on the volumetric basis we should be able to, so there are two things in this debottlenecking, one is to get additional capacity on a volumetric basis, so we believe that we should be able to get approximately about 15% to 20% additional capacity through this debottlenecking at least and that number we will know once the entire work is completed. The second one is the right sizing because we have slightly better visibility on these products now then we had when we had designed the CGMP3. We know exactly which are the processes or which are the blocks which will need to be further scaled up. So one is getting additional volumetric capacity, the second is ensuring that we have the right sizing of the equipment and the production blocks that we have in the existing plant so both efforts are currently underway. I believe that in the next quarter or so we should be able to give you a slightly better response on both, on the investment side in terms of the how much the investment to entail and what would that translate into in terms of both volumetric and value.
- Kaushal Shah:** That helps. Thank you.
- Moderator:** Thank you very much. Due to time constraints we will have to take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Radhesh Welling: Thank you very much. These are challenging times and some uncertainties continue due to pandemic, but we continue to see very good quality opportunities that will help us grow our business profitably and sustainably over the next few years. We have built a very strong business foundation including a strong team of capable and experienced people and this I believe we will continue to differentiate us. I would like to thank everyone for joining on the call. I hope we have been able to respond to your queries adequately. For any further information, request you to get in touch with SGA our Investor Relations Advisors. Please take care, stay safe and enjoy the festivals in the coming months. Thank you very much.

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