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February 05, 2025

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Dalal Street, Fort,
Mumbai 400001
Scrip Code: 532504

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai 400051
Symbol: NAVINFLUOR

Dear Sir / Madam,

Sub.: Transcript of Earnings Call held for the quarter and nine months ended December 31, 2024

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Company's Earnings Call held on January 30, 2025 regarding discussion on operational and financial performance for the quarter and nine months ended December 31, 2024 (Q3 & 9M of FY 2024-25) is enclosed herewith.

This intimation is also being made available on the Company's website at www.nfil.in.

Request you to take this intimation on record.

Thanking You,

Yours faithfully,
For **NAVIN FLUORINE INTERNATIONAL LIMITED**

Niraj Bipin Mankad
Digitally signed by Niraj Bipin Mankad
Date: 2025.02.05 15:01:56 +05'30'

Niraj B. Mankad
President Legal and Company Secretary

Encl.: a/a

“Navin Fluorine International Limited

Q3 FY '25 Earnings Conference Call”

January 30, 2025

MANAGEMENT:	**MR. VISHAD MAFATLAL – CHAIRMAN – NAVIN FLUORINE INTERNATIONAL LIMITED** **MR. NITIN KULKARNI – MANAGING DIRECTOR – NAVIN FLUORINE INTERNATIONAL LIMITED** **MR. ANISH GANATRA – CHIEF FINANCIAL OFFICER – NAVIN FLUORINE INTERNATIONAL LIMITED** **MS. PAYAL DAVE – INVESTOR RELATIONS ADVISOR – ORIENT CAPITAL**
MODERATOR:	**MR. BHAVYA SHAH – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Navin Fluorine International Limited Q3 FY '25 Earnings Conference Call. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavya Shah from Orient Capital. Thank you, and over to you, sir.

Bhavya Shah: Thank you. Welcome to the Q3 and 9-month FY '25 earnings conference call. Today on the call, we have with us Mr. Vishad Mafatlal, Chairman; Mr. Nitin Kulkarni, Managing Director; and Mr. Anish Ganatra, Chief Financial Officer of Navin Fluorine International Limited.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Our detailed Safe Harbor statement is given on Page 2 of investor presentation of the company, which has been uploaded on the stock exchange and company website.

With this, I now hand over the call to Mr. Vishad Mafatlal for his opening remarks. Over to you, sir.

Vishad Mafatlal: Ladies and gentlemen, I would like to welcome you all to Q3 and 9 months FY '25 earnings call. I am joined by our Managing Director, Mr. Nitin Kulkarni; our CFO, Mr. Anish Ganatra and Ms. Payal from Orient Capital, our Investor Relations Advisor.

I trust that everyone has had a chance to review our financial results and investor presentation, which have been made available on both the stock exchange and our company's website. The environment in which we operate continues to be uncertain, driven by factors such as geopolitics and global macros. Despite these uncertainties, I am pleased to share that we have remained resilient and have committed to demonstrate adaptability in our operations.

Our focused efforts, combined with the strength of our relationship with our customers has allowed us to drive sustainable performance. I would like to highlight 2 key milestones we achieved in the last quarter. Firstly, we successfully commissioned our agro specialty plant at Dahej with an investment of INR540 crores.

Secondly, in Q3 FY '25, we surpassed revenue run rate of INR600 crores. In HPP vertical, we secured better realizations by optimizing the product mix with improved capacity utilization. In Specialty Chemicals and CDMO verticals, we have continued to drive higher capacity utilization with a strong order book outlook.

Our operating EBITDA for the last quarter has seen an increase of 95% Y-o-Y, achieving a sustainable EBITDA margin of 24.3%. We continue to drive discipline in cost management, maximizing operational efficiency, generating robust cash flows and effectively managing risks to secure short-term performance and long-term strategic goals.

Our priorities remain; one, manufacturing excellence with highest level of HFC practices; two, deepening the relationship with existing customers, while pursuing new customer acquisitions; three, disciplined project execution; fourth, pursuing growth opportunities within a tight financial framework. All these will result in long-term value creation for all our stakeholders.

I'm pleased to share that our Dewas site has earned the Gold Medal in the EcoVadis assessment, recognizing our commitment to sustainability and responsible business practices. Thank you once again for your continued support.

With that, I would like to now hand over to Nitin to provide a detailed overview of our operating and business performance during the quarter.

Nitin Kulkarni: Thank you, Vishad bhai, and good evening to everyone. I would like to start by expressing my sincere appreciation -- am I audible?

Moderator: Yes, sir, please go ahead.

Nitin Kulkarni: Yes. So I would like to start by expressing my sincere appreciation for your time and ongoing support. As always, it is a pleasure to connect with all of you during our earnings call. I would like to share some updates regarding our operational progress and performance across our business verticals.

We are pleased to announce the successful commissioning of our agro specialty plant at Dahej with an investment of INR540 crores. This project is significant steps forward for us and I'm happy to report that the commercial dispatches have been started. Our focus remains on maximizing capacity utilization, enhancing productivity and driving efficiencies across all our business lines, while deepening relationships with all customers. These priorities will guide us as we bring new projects online and continue to explore growth opportunities for the future.

Now let me take you through the performance of our business verticals. So HPP; HPP business has shown growth in the third quarter of FY '25. The revenue from this segment rose from INR251 crores in quarter 3 FY '24 to INR306 crores in quarter 3 FY '25, reflecting a year-on-year growth of 22%.

During the quarter, HPP business benefited from volume growth in HFO, R22, R32 and inorganic salts along with improved price realization across our products. The additional R32 capacity of 4,500 metric tonnes is progressing as planned and will be commissioned by February 2025. We remain constructive on the demand outlook for R32 in India and globally. We are engaged with a few global measures for evaluating an enhancement of R32 capacity.

Furthermore, we are making progress on our AHF project with an investment of INR450 crores, and the project is on track for commissioning by early FY '26. On second front, the Specialty Chemicals business, has shown revenue increase from INR175 crores in quarter 3 FY '24 to INR221 crores in quarter 3 FY '25, reflecting 26% growth year-on-year. A key driver of this growth has been the increased capacity utilization at both our Dahej and Surat plant.

Looking ahead, we have strong order visibility for quarter 4 FY '25 and beyond, particularly with the ongoing ramp-up at Surat and Dahej facilities. We are also introducing 1 new molecule in Q4 FY '25 and second in Q1 FY '26.

On CDMO business, the CDMO business revenue from this segment increased from INR73 crores in quarter 3 FY '24 to INR79 crores in quarter 3 FY '25, reflecting an 8% year-on-year growth. We remain optimistic about this segment, supported by strong order book for Q4 FY '25.

On the European CDMO front, I'm pleased to share that the registration formalities are in advanced stage and direct dispatches commenced during this quarter. Looking ahead, projections for FY '26 and beyond continue to remain strong, with an order book for CY '25 already secured. We also anticipate an additional molecule supply in FY '26.

We have received an order from a major European customer with supply schedule for FY '26. Furthermore, for our U.S.-based major customers, we have received a scale-up order with supplies planned in Q4 FY '25. Regarding the cGMP4 project, the first phase of INR160 crores investment is progressing as planned and is expected to be commissioned by the end of quarter 3 FY '26.

In summary, we are pleased with the progress we have made across all our business verticals in Q3 FY '25. On this note, I would like to hand over to Anish to brief you on financial performance. Over to you, Anish.

Anish Ganatra: Thank you, Nitin. Good evening, all, and I welcome you all once again on the earnings call. Let me discuss the financial performance of the company in Q3 and 9 months FY '25. Quarterly performance. We reported revenues of INR606 crores in Q3 FY '25, an increase of 21% year-on-year and 17% quarter-on-quarter led by an increase in revenue across all the segments.

Operating EBITDA for Q3 FY '25 was INR147 crores, a growth of 95% year-on-year and 37% quarter-on-quarter. Operating EBITDA margins stood at 24.3% as against 15.13% in Q3 FY '24, and improving sequentially from 20.7% in Q2 FY '25, reflecting higher realizations in HPP, higher capacity utilization at Dahej and Surat, and efficiencies secured within businesses.

Operating PBT for Q3 FY '25 was INR98 crores as against INR33 crores in Q3 FY '24 and INR66 crores in Q2 FY '25, an increase of 195% year-on-year and 49% quarter-on-quarter. Profit after tax in Q3 FY '25 stood at INR84 crores.

9-month performance, for 9 months FY '25 on a consolidated basis, the company reported net operating revenue of INR1,648 crores as against INR1,463 crores in 9 months FY '24, reflecting a growth of 13%. Operating EBITDA stood at INR355 crores as against INR288 crores in 9-month FY '24, up by 23%. Operating EBITDA margin for 9 months stood at 21.5% as against 19.7% in the same period last year.

Profit after tax in 9 months FY '25 stood at INR194 crores. As of 31st December 2024, our net debt to equity stood at 0.41 and net working capital days to at 99 days of sales, well within the financial frame that we have indicated earlier.

That's all from my side. We'll now open the lines for Q&A.

Moderator: Thank you, sir. We will now begin with the question-and-answer session. The first question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Couple of them. First, on the Nectar project, we have started dispatches, but is the performance of the plant on the expected line in terms of yield, operation and all, and has it been running on the expected line there?

Anish Ganatra Do you want me to respond 1 by 1 or you want to put your questions...

Sanjesh Jain: I will put my questions first in that case. The second question is on the CDMO, particularly on the Fermion product on the European MSA what we have signed. It appears to be one of your competition has been reporting a very strong number, while for us CDMO has been more like a flattish. Is that a lot of it will get captured from Q4?

And from the registration perspective, now you said that you have started dispatching directly. Is it fair to assume that now with the registration probably completed soon, we should be scaling up? And when you say we have secured the order for CY '25, what is the quantum of order that we are talking about?

And the third question is on Specialty. Domestic continues to do quite well and export is dull. Is the classification difference or there is a delivery difference? How should one read about it? And the last question is on AHF. Once the AHF plant start, what is the savings that we could do as we are buying AHF now from the outside market? These are my questions.

Anish Ganatra All right. Thanks a lot, Sanjesh. And firstly, again, thank you to you. I'm kind of remembering the time in Dewas when you highlighted the EcoVadis...

Sanjesh Jain: Yes. I wanted to congratulate on that...

Anish Ganatra: So I'm sure you've picked that up. So thank you again for the feedback.

Sanjesh Jain: And congratulations.

Anish Ganatra All right. So on the Nectar Project, Sanjesh, see, as you are aware, that's a 3 phase -- there are 3 phases or 3 stages involved in that particular project. It's a very complex chemistry involving high degree of chlorination at high temperatures as well as then freezing at very high temperatures. So because it's a complex chemistry, we are very, very clear that we want to ramp this project progressively, but in a safe and reliable manner. And this will ramp up, but it will take its time. We're not going to rush. We're not going to take any shortcuts. It will take some time to progress, okay? So that's on the Nectar project.

On CDMO, Fermion MSA, we talked about one of our competitors reporting a very strong number. See, frankly, our registration process is in a very advanced stage. The customer is very confident of getting a favorable registration sometime in the timeframe of April or May. Meantime, they have started to take direct dispatches from us already. And orders are in place for calendar year '25.

Now these are initial orders. I will not give a value to them at this stage. But rest assured, it will be at or equal or higher than where we are today for this calendar year, okay? The other thing to remember is that for us, Fermion ramp-up will also be progressive, and we continue to hold the view that we had indicated that for FY '27, the $100 million target that we put for CDMO, 30% of that will come from this contract roughly. Yes.

Specialty, the division of export versus domestic is again a supply chain factor. We basically get orders which are directed to supply domestically. So that's how they get reported. But rest assured, the profile of the customers remains to be international, and orders are prepared on contracts with them. So that's, again, the nature of how the business is rather than being exports or domestic.

AHF, your question was on, sorry...

Nitin Kulkarni: It's just how much savings you will get from.

Anish Ganatra: So you're talking about the quantum, right?

Sanjesh Jain: Yes. Yes. We are now buying from the outside market, right? Once we...

Anish Ganatra See, for AHF with the R32 capacity coming in, etcetera, etcetera, we are going to be a big consumer ourselves on a captive front. Plus you must remember that years ago, we actually exited or reduced our footprint in the merchant sales. So there is a huge opportunity that needs to be tapped over there, and that's exactly what we will do as the project comes into play and ramps up.

Sanjesh Jain: Like how much external sale are we targeting? Or what the quantum we were doing earlier?

Anish Ganatra: So our -- I think, again, Nitin had at one of the earlier sessions already talked about that our own demand would be good enough to contain up to about 25,000 to 27,000 metric tonnes, and we're looking to operate the external order will be in the range of 6,000 to 7,000 metric tonnes.

Sanjesh Jain: Got it. And just one last question before I come back in the queue.

Anish Ganatra: Yes.

Sanjesh Jain: Anish sir, do you want to upgrade the margin guidance for next year now that we are already hitting '25.

Anish Ganatra: I'm not going to upgrade. I had mentioned, if you remember, when we were at 15%, Vishadbhai and myself have put the journey out there, 15% to 20%, 20% to 25% we are on that path, and we've indicated that we would exit FY '25 near 25% or at 25%. And that's exactly what we are working.

Our aim here is to make this very sustainable, grounded in the -- in the kind of foundation of the company. And then as we move on and leverage comes in both with CDMO and HPP and speciality we will see what we will see, but we will not guide anything beyond the 25% at this stage.

Sanjesh Jain: Fair enough. Fair enough. Best of luck for the coming quarters.

Moderator: The next question is from the line of Madhav Marda from FIL Industries.

Madhav Marda: My first question was on the Specialty Chemical business, especially the agro CDMO business, which we do. Could you just give us some qualitative thoughts in terms of -- I think you did sound confident about a good ramp-up in FY '26 for the Spectrum business. So are we seeing the cycle kind of turning finally after almost 6, 7 quarters of weakness? That's my first question.

Anish Ganatra Okay. Again, do you want me to take them 1 by 1 or you want to put your questions out.

Madhav Marda: So my second question was just on the R32. There has been obviously some pricing positive, which has been playing out in recent times, probably led by better prices from China. I just wanted to get a sense from your side in terms of calendar year '25, how do you all look at R32 pricing for us, domestic and export market?

Anish Ganatra Okay. So on specialty, see again, with the ag chem sector, if you take a long-term fundamental view, that remains very, very constructive, okay? The demand for agri products is not going down. Additionally, if you look at some global statistics, there is a number out there which says that 40% of the produce actually gets lost to pests. So crop protection is quite significant and big. And thirdly, you must remember that agri also now plays a big role in energy transition for biofuels. So all these growth factors from a long-term point of view, there is solid sort of fundamentals remain, right.

Now in the near term, we are going to see pricing pressure. There's no doubt about it. Like we said last time, we were early to recognize this. We played our sort of navigated that space, ensuring that our relationship with customers bring up the orders, give us the higher volumes and we work with them on newer molecules that we are bringing to the market in an accelerated fashion.

Third thing, your point about R32 timing and China in pricing about calendar year '25. See, again, it's a factor of demand/supply, right? It's market conditions R32. We are very, very constructive about the market. And we believe that the pricing market should see upside from where we are now, difficult to quantify what that would look like. But certainly, the market remains very constructive for securing the upside.

Madhav Marda: Got it. Just on the agro part, I think -- when we said that we readjusted pricing to kind of ensure that we get our volume and plus come in with the new launches. So is it fair to say that in quarter 3, this pricing adjustment, which you've taken is kind of already in the base or -- I mean each quarter, it will reflect, but like quarter 3, is that the pace for our base business already? Or there's still some adjustment pending?

Anish Ganatra: No. So a large amount of pricing on the existing products is already building, okay? Now I think I had also indicated earlier that at best from a consol point of view, this would be a 0.5%, 1% in fact max between that range, okay? Now against that, how are we sort of responding to it. So this is not a transactional conversation with the customer, okay, for most.

It's not just a pricing conversation. It's a conversation to be part of their supply chain network, giving them the value they're looking from, from a flexibility perspective, adaptability perspective, driving process improvements in their existing process, driving cost down. And in return, securing the higher volumes as also a play in the future road map of our innovator customers, yes.

So it's a strategy that is being played out here. And that's the result of what you see in the numbers today. We're seeing solid capacity utilization at Dahej and Surat. I mean, Dahej as an example. this quarter, we've done on an average about 85% capacity utilization versus something like 40% to 50% in the last quarter.

Moderator: The next question is from the line of Sudarshan Padmanabhan from JM Financial.

Sudarshan Padmanabhan: My first question is on the CDMO side. I mean, if I'm looking at -- you talked about the Fermion contract, but also the visibility over the 2 years with other products, a lot of these products are under patent and there is a huge runway of growth. I mean today, when I'm talking about Fermion contract itself, I mean, they are trying to expand the product for other applications in oncology as well.

So from that side, I mean, beyond the $100 million, are we today in a spot where we have probably hit kind of a sweet spot with a few products hitting commercial in the late stage, which gives you visibility, not necessarily yet for 2 years, but say 3, 4, 5 years with the growth engine that we see. I just want to process on the cycle on that side.

Anish Ganatra Yes, I get where you're coming from Sudarshan. So good question. Thank you for that. I mean on the contract. See again, at any given point in time, we are working with close to about 35 to 50 molecules, okay, and -- in any year, right? And roughly, if I look at it, about 8 to 10 would be in the commercial space. So we are not sort of banking on one, commercial or late stage, right?

And then the others are your early-stage molecules, which eventually provides the long-term pipeline as they move into commercial. So it's a combination of things. Are we in a sweet spot or not, difficult to tell but we are certainly well diversified in terms of our footprint across the portfolio.

Sudarshan Padmanabhan: Sure. And with respect to the capex, I mean, now that we have capex for -- say the Phase 1, typically you're coming with INR160-odd crores that will come in the third quarter. I mean, do you think that probably with the scale up that you're seeing with the Fermion contract and other, I mean do we have enough land probably to go in for a brownfield or what is our thought process in terms of developing the capacity?

Anish Ganatra: Yes. Again, Sudarshan, I can't remember if you visited Dewas, but there is enough and more land available for 2 or more equivalent size of cGMP4 at the same site with common infrastructure, common utilities, common sort of administrative support, R&D blocks, etcetera. So there is enough scalability in the infrastructure. There's no doubt about it. Obviously, we will be very, very disciplined in the way we look at any project and execute capex.

Today, we've approved the INR160 crores Phase 1 part of the capex that's expected to come on stream in November. And as that ramps up and as some of the other molecules that we are working on move to a higher volume or scale and there is visibility to that, we will quickly expand that. So as we are doing the Phase 1 of cGMP4, we are making sure that to do the Phase 2 of cGMP4 is an accelerated journey because the common infrastructure elements of one are actually being addressed as part of Phase 1 itself.

Sudarshan Padmanabhan: Sure. And one final question before I join back the queue is on the specialty in the chemical side, the 2 molecules. I mean would there be -- I mean, these 2 molecules are they in the agri space, the pharma space. What is the kind of scale up that you see -- in the near term as well as from a longer-term perspective?

Anish Ganatra: Yes. These are in the innovator agri space. Again, it's part of the strategy, as we said, we are playing into with our innovator customers to be part of the future pipeline. And more than the near-term value, what this does indicate is the pipeline of new projects, new molecules coming in, which, again, at some point can support a further expansion and growth again.

Moderator: The next question is from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: First question is on the AHF capacity. Based on our understanding, how many years we will be able to fulfill the capacity at optimal level barring the external sales? So how much time will it take maybe 4 years, 5 years to completely utilize the capacity for captive consumption?

Anish Ganatra Yes. So see, the AHF capacity that has been put on. I mean, like I've always said, that's a license to dream project. It's a project,if you can't -- don't have AHF, there's no license to grow in this business, right? So the idea here is to keep that capacity, make sure we expand it, but we expand it in a meaningful manner. Our eventual goal is to keep increasing the realization per kg of AHF, and that's what we will strive to. So with the AHF capacity coming in, you should be looking to Navin in the coming years to look for entry into higher and higher value chain elements.

Rohit Nagraj: Sure. The second question is in terms of the capex that we have planned. Now more or less, all the projects are actually on track. And if we were to move for the next leg of project, I mean, there is a cGMP Phase 2 capex, but beyond that, on the HPP front, are we looking to debottleneck the Honeywell project? Or is there an aspiration to go in for brownfield expansion for the HPP, which we had anticipated at some time ago.

Anish Ganatra Sorry, that's still Rohit, I missed the name maybe. It's Rohit, right? Yes, Rohit. So in terms of -- in terms of the capex going forward, etcetera, like we've said, the capexes, which are currently on stream, start to look at giving us line of sight to FY '27 growth. I think Nitin in his commentary has also referred to some conversations and engagements going on with global majors regarding a potential R32 expansion.

We are also simultaneously and like we've said before, again, that we always have a hopper of projects. And these hopper of projects compete with each other in terms of driving value from being our shareholders, right? So we will progress these offers and bring them to a stage of maturity. We continue to hold the fact that within this financial -- coming financial year FY '26, hopefully, in the first half you should see some announcements coming in.

Moderator: The next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Congratulations on a good set of numbers. First question on the Specialty Chemicals side. You did mention that the INR540 crores capex, we will be ramping up this project -- the sales on this project gradually. Any timeline you can share when should we expect this business -- this product to reach its optimum revenue run rate?

Anish Ganatra Yes. So we had -- when we sanctioned the capex, we indicated peak annual revenue of about INR515-odd crores, if I remember correctly. And we've said that would be done in 2 years from commissioning. I think we still hold that view. So we are in FY '25, FY '27, you should start to see it getting closer to its peak, if not the peak.

Ankur Periwal: Sure. And similar run rate and timeline for the other capexes that we had commissioned, INR235 crores one and INR125 crores.

Anish Ganatra INR235 crores and INR1...

Ankur Periwal: MPP for special and then I think...

Anish Ganatra: So see, again all these peak annual revenue conversations are like a snapshot, right. I think that true at the timewhen you make it, prices change, volume change, etcetera. But as we look at this, and I'll probably give you a flavor beyond what you're asking for. But say, if you're looking at R32 capexes, the INR84 crores capex in HPP, we are well beyond the peak annual revenue. We had indicated 2x. We think we'll be at 2.5x in 1 year. So it will be the new capacity coming in for R32.

cGMP-4, we have indicated 2x, and we still hold that. And again, like I've said before, that will be FY '27 as part of contributing to our aspiration of CDMO segment in that year. In terms of Orchid we think that the peak annual revenue, it was a project that was commissioned in FY '23 and we are looking -- we should have been at peak in FY '25, but I think we have seen in the next financial year based on the order book that we have currently for Orchid, we will exceed the number basically in FY '26.

For MPP, again, very similar FY '26, we have enough order book and line of sight to the order book to be very close to the peak annual revenue we have indicated. The dedicated MPP will also be similar. It will start -- we had achieved peak revenue in FY '24. But like we said, we are looking to secure higher volumes and play a different sort of strategic card here. So that also will start to see ramping up and going up to a higher number as we look into FY '26 number.

So in the ag chem space, because of the global challenges, I think there has been some delay in the peak revenue. There's no shying away from that. But our focus remains on ensuring that we secure the capacities, run the plants to full and optimum level, securing the operational efficiencies and in FY '26, we will -- for the plants themselves and the specialty. Most of them will be in the range of 90% plus utilization.

Ankur Periwal: Great, Anish. Just one bit on our gross margin expansion in this quarter. If I look at quarter-on-quarter, we are largely flattish, while in the initial comments, you did mention HPP did saw a pricing as well as volumetric growth. So is it that the full benefit of that pricing is going to slow down because that would have -- should have been more margin accretive? And second part here on our overheads, whether manpower or the opex. So pretty impressive control over there. Should we expect this run rate to continue?

Anish Ganatra: Yes. So our view on the -- so let me take when you say flowdown, we are talking largely about the EBITDA number, right, flowing it down to the EBITDA, right?

Ankur Periwal: Right.

Anish Ganatra: So again, if I look at the journey of 15% to 20%, 20% to 25%, right? I will say that 5%, as we have always indicated, is coming from operating leverage. And that leverage now is a sustainable leverage given the line of sight we've got to the order books, okay.

The other big chunk of that, which is a 4.9-odd percent of the journey from 15% to 25% is largely an effort of the team. The team is kind of working very hard to drive procurement efficiencies, margin improvements to both product mixes, placing the products, getting better realizations than what the market is getting, and also simultaneously working towards securing fixed cost savings.

So that, we believe, is something that we have in our control, and we've driven a lot of effort around that to bring the numbers in. And obviously, 0.4x,0.4% is roughly the Forex impact in this quarter. So if you see the journey from 15.1% to 24.3%, this is what would sort of make it up. So that should give you a good sense of the fact that the margins are sustainable from where we are today.

Moderator: The next question is from the line of Jignesh Kamani from Nippon Mutual Funds.

Jignesh Kamani: Congratulations for a good set of number. Just on the Specialty Chemicals side. So if you talk about first half, we reported close to around 30% kind of decline and in third quarter, we replaced close to 26% basis of the revenue growth. And at the same time, we commissioned the Project Nectar also in November. So it's safe to assume even ex Project Nectar, our Specialty Chemicals grew in double digit, you can say?

Anish Ganatra Yes, yes, absolutely. I mean the Nectar Project only started dispatches on 9th of December. So its contribution to this quarter is not really that material.

Jignesh Kamani: Understood. So from where growth is coming because suddenly, growth has picked up drastically compared to first half?

Anish Ganatra I think again, see over here, Jignesh, as we've always said before, we had started to work on this strategy. Nitin and the team had sort of picked this up and make sure that we connected with the customers, driving the value proposition with them bringing the orders and also participating in the future growth of the innovator. So that strategy is in play, and that's what you are seeing for us.

Now if you sort of -- again, if you look at our operations that in the business itself. The driver for this, when a customer comes and gives you higher volume, they're always looking for your team and their capability to drive efficiencies and process improvements and we have been successful in demonstrating that we then start giving us a view of the order book in the coming year.

Jignesh Kamani: Understood. Second thing on the Project Nectar. So anchor client was supposed to, you can say, pick up annually, close to around INR300 crores kind of, you can say, order from as you can see. And since this year, it will represent close to around 4 months, is it safe to assume that we will be doing close to around INR80 crores from the anchor client this year, and maybe we will ramp up to close to INR300 crores kind of level next year. And adding to that, are we extended our product basket in the project Nectar, and you were in discussion with 3 to 4 more perspective clients. Any update on -- you can say there on whether we are able to supply the commercial molecule to them, meaning is it approval process have a stay?

Anish Ganatra So I think, again, the project Nectar like we said, the ramp-up will be progressive. We are prioritizing safety and reliability there. It will be slow. We do not -- and we've learned from our earlier sort of experiences -- like all organizations evolved and learned from that, right?

So FY '25, you will see a ramp up. It will not be a full 100% ramp-up. It will be a gradual ramp-up from where we are today. FY '27, as I said, you should see the par that we've indicated, which necessarily means that next year, you should roughly see about 40% to 45% of the par coming in.

Jignesh Kamani: Okay. And any update on the potential 2 or 3 customers apart from the anchor customer, which we are planning to help under dual cycle?

Anish Ganatra Yes, which will be part of the plan, as we've said, given that we've just started now which will be the plan in the coming years. So coming year, we'll be meeting the customers' requirement both for this molecule as well as for the additional molecule that the customer has funded, which we talked about before, if you remember. And also, we will be doing some qualification batches for securing the FY '27 order book.

Jignesh Kamani: Understood. And my last question on AHF, since now capacity will commission shortly. I can say -- and we will be aiming to have a 6% to 7% kind of merchant sale. On the purity level to supply to EV, do we have a technology and capability or are we thinking in that line maybe not now, maybe 2 years down the line? Or we need to have a technology tie-up if you want to venture into high-purity AHF grade, which can be...?

Anish Ganatra No. So like I said, one of our focus areas on AHF is to improve the AHF realization, yes, per kg. And in that sense, we are already working on at our end to develop high-purity kind of AHF in technology through collaboration with partners, yes. But at this stage, unfortunately, I'm unable to disclose any of that beyond what I've just said because of commercial sensitivities, yes.

Moderator: The next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: So Anish, the R32 expansion project that Nitin and you alluded to earlier on the call, for which your discussions are ongoing. Could you please give us some color around that? How large could the further expansion be what time lines, how much capex, etcetera?

Anish Ganatra: Abhijit, thanks for the question. Can I request some patience on that? See, the thing is, for us, the new R32 capacity is any way coming half, okay? So our sort of -- these conversations develop because effectively, what happens is when your new capacity company and you start seeing inquiries and you start seeing stronger inquiries then obviously, the conversation starts moving towards saying that can we do something more meaningful that's more strategic than transactional, right? And that's exactly the conversation happening. So just bear with us when we can disclose, we will disclose.

Abhijit Akella: Okay. Got it. The second one was just on the Specialty Chemicals disclosure about these 2 molecules being introduced in Q4 and Q1, the third bullet point on that slide. So are these part of the multipurpose plant or something separate?

Anish Ganatra: No, no. Multipurpose plant. This is securing the pipeline for future, yes, and securing a growth opportunity that can be taken in the future if appropriate.

Abhijit Akella: Got it. So this is part of the INR270 crores revenue potential of that plan?

Anish Ganatra: Yes. Yes, indeed. Indeed.

Abhijit Akella: Understood. Understood. And final thing on the...

Moderator: Sorry to interrupt, Abhijit. I would request you to re-join the queue so that the management can address as many participants as possible. The next question is from the line of Krishan Parwani from JM Financial.

Krishan Parwani: Sir, congrats on very strong set of numbers. Just 2 questions from my side. Firstly, on this INR30 crores Surat capex. I just wanted to understand what the sales be gradual in FY '26 and peak in FY '27? How that is...

Anish Ganatra: So INR30 crores capex has got an asset turn of about 1.2-ish, and yes, you should expect that in the FY '26 numbers to come in at the best case. Yes, it's already started. The project was commissioned, and we were planning -- working under sort of way as we speak.

Krishan Parwani: Understood. And on the CDMO side in the presentation, you mentioned that U.S. major, the scale-up order received. So is it like a new contract that you are in the midst of signing or how is it, can you please share some details there?

Anish Ganatra: So this is still at a stage where we received the scale-up order. Last time we -- I think it is probably the one that you're referring where we have got a process pre-process order that we had received last quarter, which we delivered. We've now got a scale-up order for the same particular molecule.

And yes, eventually, this may be one of those that will translate into the -- into MSA. Like we've always said before, that we are working on certain commercial molecules and the idea is to bring in more Fermion type activity there, which can then sort of support the growth of CDMO beyond even the $100 million number that we said.

Krishan Parwani: Okay. So you do have the capacity in order to, let's say, if you get the contracts, you have the capacity to execute it?

Anish Ganatra Yes, of course, Yes. Yes. Yes.

Krishan Parwani: Okay. Perfect.

Anish Ganatra I mean the -- you know Krishan you very well know that this is in this business, it takes time, right? So by the time you start doing work with the customer, it's not a 1-year relationship. It's a multiyear relationship. So there is enough opportunity to bond and grow together.

Moderator: The next question is from the line of Pranitha from Morgan Stanley.

Pranitha: My question is on the CDMO outlook, especially for F '26. Can you give us some color on that?

Anish Ganatra CDMO outlook for FY '26, again, we are looking at a strong sort of growth from where we are today. But this is something that is an active area of attention by the leadership team in terms of driving the sales and the relationships, okay? Some of the molecules that we are working on and have worked in the past, we are looking to get orders back again and that's an ongoing journey. But we remain very constructive of the business in CDMO, driven by the inquiries we are receiving and just the slate of product portfolios that we are working on.

Pranitha: Okay. Just one more question on the domestic refrigerant gas. I was wondering if you could give us some color on the domestic dynamics in terms of supply and demand. So what I see is that there's a lot of new supply coming in from you guys. And -- but the current tightness, what is driving that? Is it seasonality? Or is it something more fundamental?

Anish Ganatra I think that is -- so to answer your question that the demand/supply on the refrigerant gases and in particular on R32 is a global phenomenon. It's not just India, okay. India does play a role. I mean, OEMs, and I'm sure you track those numbers and forecast by OEMs when they talk of what they expect on the R32 market in the next couple of years. And at the same time, the global demand is quite strong.

So we are seeing a lot of inquiries from global majors and hence, again, I'm going to refer back to what Nitin brought up in his commentary. Simply at our -- the level of inquiries such that level and the scale of the inquiries such that you move from a transaction to a strategic conversation.

Moderator: The next question is from the line of Jason Soans from IDBI Capital.

Jason Soans: Just wanted to know, I mean, after some subdued quarters, we are again seeing some good recovery margins also recovering to a healthy 24% levels. I just wanted to know, are we looking at this ag chem recovery? Is it sustainable? I mean what are the -- what is underneath it? Is it some demand improving, some channel restocking. Just wanted to know, could it be an inflection point for the chemical sector to recover from here on with capex intensity, etcetera, picking on from these levels? Or does the situation still remain quite difficult.

Anish Ganatra So again, see, this is not something that is by accident, right. I mean, we had said in Q3 of last year that we would drive the margins from 15% to 20% to 25%. And we focus on the priorities were set by the Chairman at the time, and those priorities continue, right. So our focus is to make this very, very sustainable.

And what has happened here is that while we have continued to work and work on things that we can control and make a meaningful difference internally, we have also adapted and navigated the market space by recognizing what the customer wants. What our strategic partners are looking for, and working with them closely to secure the order book.

Like I said, we were okay to compromise on the EBITDA margin per unit of ag chem product, but in the benefit, in the bigger benefit of a higher EBITDA number. And some of the results that you see today are a reflection of that strategy along with, of course, the positive tailwinds that you've seen on the HPP vertical.

Jason Soans: Sure. And sir, I just wanted to also know that, I mean, you did give quite a detailed outlook for the CDMO business. Sometime back we were getting some good demand traction from biotech pharma as well. So just wanted to know in terms of demand from biotech, how is the outlook from that side from that vertical? And also just to add with that -- with this ambiguity in the BIOSECURE Act, does that impact us or regardless of that, we are on a good enough firm footing in terms of the CDMO business?

Anish Ganatra: No. So BIOSECURE obviously turned out to be a lot more muted than anybody expected it to be.

Jason Soans: Right.

Anish Ganatra: But I think what it did do is raise a question with every large customer. And we are seeing the benefits of that. We're also seeing higher inquiries coming in as a result of this.

Our focus in CDMO is to work with innovators in therapeutic areas where we know there is potential in the future. So things like oncology, things like neurology, those are the areas we are sort of focused on driving. And of course, at the end of the day, marrying that to our core capability on chemistry side.

Moderator: The next question is from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: I have 2 questions. So first, on the AHF side. So like we are on the verge of commissioning the plant. If you can share your thoughts on the availability of fluoride like which is due controlled by a few countries, Mexico, China and Africa mostly. So some of the reports also said is that Chinese are faster depleting their reserves for fluorspar given the kind of 6 million, 7 million tonnes of production they are seeing currently, given the kind of ecosystem they are building on. So from a sustainability point of view, how the company is placed in terms of the long-term availability and the contract for fluorspar? This is question number 1.

Anish Ganatra: So in the same way that we have strategic relationship on our customer side with strategic relationship with our vendors on the fluorspar. And we don't see any supply risk from that. Certainly not even in the conversation, frankly. And I'm looking at frankly, if he had ever heard anything on supply risk around this.

Nitin Kulkarni: No, definitely, we have not heard -- we have some multiple suppliers on a long-term contract basis. But the -- this point is very well taken, and we also know that we need to go beyond these contracts also to secure our fluorspar supply.

So if you look at our expansion of the new INR450 crores project of HF, so this particular plant can use any fluorspar of any origin right from Mexico, to China, to South Africa, to Vietnam, to Thailand, and particularly, we have spent some money on the table just to ensure that this single infrastructure can help us to play with the multiple fluorspar sources to secure our supplies of fluorspar.

So definitely, although we have a very strong relationship with our existing fluoride partners. We've also kept a cushion to ensure in case of any crisis, in case of any supply disruptions, we have other sources from where we can easily use the fluorspar.

Anish Ganatra Yes. No, I think that's -- I mean the -- as Nitin I mentioned, there's a lot of flexibility built up in the new plant to take diverse sources of fluorspar.

Nirav Jimudia: Got it. Sir, second question is on the inorganic fluoride business. So your FY '24 annual report says that we had a decent amount of volume growth in FY '24, but the pricing was under pressure. And given the kind of market leadership in aluminum, potassium and the sodium fluoride, which we have been holding for quite a number of years.

If we can hear your thoughts here in terms of how this business is shaping up, whether this incremental AHF is dedicated for some of the newer products in the inorganic floored side, some thoughts here.

Anish Ganatra: I'm going to look at Nitin to take that one.

Nitin Kulkarni: So we are basically -- of course, the aluminum fluoride, definitely, we are not into that play since last, I think, 2 or 3 decades. And our entire focus is into the salts, which you spoke right now. And if you see compared to last year, our shift is towards the high purity material. I'm not talking about here buzzwords like the electronic chemical, related salt, or the EV battery-related salts, but there is a niche segment where the high-purity KF as well as the sodium fluoride and the other inorganic salts are playing a role. And we have carved out that particular area as our focus area, and that is the reason, of course, there is a price pressure, but not while the way we are looking at the normal KF price in the market.

So we have a blend of this product mix, which is, as we said, we have worked on a certain product mix, which is giving us this opportunity to help to increase our contribution line, of course, by bringing in the operational efficiencies. And of course, that is going to be our focus area plus there are certain inorganic salts, which are finding an application in pharmaceutical industry. And fortunately, that particular demand have seen some uptick in last 2 quarters. So that is also helping us.

Nirav Jimudia: Got it. Sir, last clarification to Mr. Anish. So has the increased prices of sulfuric acid fully factored in, in Q3 or some bit of cost increases have to be felt in Q4 also?

Nitin Kulkarni: Sulfuric acid prices. I mean -- sulfuric we are the next...

Nirav Jimudia: My apologies, sulfur.

Nitin Kulkarni: Sulfur. No. We haven't experienced...

Anish Ganatra: Yes. It's not -- I mean, whatever it is, it's in the numbers, there's nothing more to factor beyond that.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance.

Keyur Pandya: Just one bookkeeping question is on the new plant. So the full depreciation interest and opex has been factored in this quarter or that would be next quarter? And any specific reason for say Q-on-Q fall in employee costs. That is first question. Second on...

Nitin Kulkarni: First question fall in?

Keyur Pandya: Fall in employee cost Q-on-Q.

Nitin Kulkarni: Okay. Okay.

Keyur Pandya: Second question is on cGMP3 capacity. So what is the peak revenue that we can do from cGMP3? Last I remember it was around, say, INR450 crores to INR500 crores. And that is the case -- I mean is it fair to assume that in the first year of operation itself, cGMP4 would achieve say INR350 crores kind of revenue in FY '27? These 2 questions.

Anish Ganatra: Okay. So your question on depreciation and interest for Nectar. Again, the asset was capitalized on 9th of December. So from 9th of December, depreciation and interest starts into the P&L. And you will see the full quarter effect obviously in the coming -- in the fourth quarter of this year and then going forward, right? So that's already factored in.

On employee cost, we have an ESOP reversal over there of about INR5 crores. But we think the sustainable run rate for employee cost is going to be in the range of between INR70 crores to INR75 crores per quarter, okay. It's not going to exceed that. In fact, it will probably to be coming down from INR75 crores onwards. Yes, if I was to take the reversal out, okay? So this sort of, again, if you see our percentage of cost to sales on employee, you will see that in Q4, we'll start to sort of bring it down more closer to a level. And it's already at 11.5% in Q3.

Keyur Pandya: Okay. And on CDMO?

Anish Ganatra: On CDMO, cGMP3, see cGMP3, again is a -- cGMP4, right, I think that's what you meant that when that asset comes in, you will start to see whether the peak revenue will start immediately. Now cGMP4 is going to be Phase 1 is going to be dedicated clearly to the Fermion contract. So there is already very close partnership between us and Fermion as the asset is being constructed. And the idea is to ramp it up very, very quickly as soon as it sort of comes on stream, yes. So hopefully, you should be able to see the peak revenue within the year. And that's what we indicated that FY '27, you should start to see the number that we talked about.

Keyur Pandya: And the peak revenue of cGMP3?

Anish Ganatra: cGMP3, 1, 2 and 3 again, simply going by the past, which I think was in FY '23, there is enough bandwidth to do up to about $50 million to $60 million to 1, 2 and 3.

Moderator: The next question is from the line of Surya Patra from PhillipCapital.

Surya Patra: My first question is on the Specialty Chemical export domestic mix this quarter. It looks like that mix has reversed this quarter from the earlier trend, anything to read out of it, sir?

Anish Ganatra: Nothing other than the fact that the supply is being made at the biggest global customer to their local supply chain partners.

Surya Patra: Okay. So going ahead, so it is a quarter-specific story or -- so nothing to read out of it or it can continue like this going ahead?

Anish Ganatra: These are campaign-driven things. So they could move from one campaign to another, very difficult to predict because, see, again, the global innovators, and I have said this before, they are looking at increasingly flexible supply chain partners, not just with us, but with all their counterparts, right? The flexibility means that some of these things will keep varying. I think in some sense, the export versus domestic will start to become more like a mismatch to be honest.

Surya Patra: Okay. Just last question from my side is that this for the Nectar Project. See, obviously, you have been consistently indicating that you have your order book for FY '25. So you have started building up visibility for '26, sir, for this project?

Anish Ganatra: See, again, Nectar Project starting now, the plan like we've always said, right, there is a dedicated portion and then there is...

Surya Patra: Your voice is not audible.

Anish Ganatra: Is it better now. Can you or hear me?

Surya Patra: Yes.

Anish Ganatra: See, for Nectar Project like we've always said, right, there is a capacity which is for the dedicated portion and then there is a capacity to our own account. The way the ramp-up plan is, is to first fill in the dedicated capacity because the technology belongs to the dedicated partner. We are working together in both the implementation of the project and also ramping it up.

And like I said, we are also working towards making another molecule with some modifications at the behest of the same customer. So the first year will always be focused on completing the dedicated part of it. And as we do that, we will also create space to complete our qualification campaigns for the open part, and that will come in the following year, which is why we had kind of always indicated that it's a 2-year journey to the par.

Surya Patra: Okay. Okay. There is no demand in cost equation or cost concern for this project to be successfully or to see a kind of meaningful ramp up. There is nothing like that.

Anish Ganatra: No, nothing. I mean, nothing like that, but being cost efficient is good for all seasons, right? So that push is always there.

Moderator: Ladies and gentlemen, in the interest of time, we would take that as the last question. I would now like to hand the conference over to the management for the closing comments.

Vishad Mafatlal: All right. We like to thank you all for participation and all your support.

Anish Ganatra: Yes. Thank you.

Nitin Kulkarni: Thank you. Thank you, everyone.

Moderator: Ladies and gentlemen, on behalf of Navin Fluorine International Limited, that concludes this conference. Thank you, and you may now disconnect your lines.