GUJARAT FLUOROCHEMICALS

CIN : L24304GJ2018PLC105479

Tel: +91-265-6198111/2330057 | Fax: +91-265-2310312 | www.gfl.co.in

Gujarat Fluorochemicals Limited
(earlier known as Inox Fluorochemicals Limited)

Vadodara Office: ABS Towers, 2nd floor, Old Padra road, Vadodara-390007, Gujarat, India

23rd November, 2021

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Scrip code: 542812

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai 400 051
Scrip Code: FLUOROCHEM

Sub: Transcript of Earnings Call with Investors / Analysts held on Wednesday 10th November, 2021

Dear Sir/Madam,

Please find enclosed herewith transcript of the Earnings Call held with Investors / Analysts of the Company on 10th November, 2021 post declaration of the Unaudited Financial Results for the half year ended 30th September, 2021. The same is also available on the Company's website at www.gfl.co.in.

We request you to kindly take the above information on record.

Thanking You

Yours faithfully,

For Gujarat Fluorochemicals Limited

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GUJARAT FLUOROCHEMICALS LIMITED * VADODARA

Bhavin Desai
Company Secretary

Encl.: As above

"Gujarat Fluorochemicals Limited Q2 FY22 Earnings Conference Call"

November 10, 2021

ANALYST: **MR. ROHIT NAGRAJ – EMKAY GLOBAL FINANCIAL SERVICES**

MANAGEMENT: **MR. VIVEK JAIN – MANAGING DIRECTOR - GUJARAT FLUOROCHEMICALS LIMITED**
MR. V. K. SONI – HEAD (PROJECTS AND NEW INITIATIVES) - GUJARAT FLUOROCHEMICALS LIMITED
MR. MANOJ AGRAWAL – CHIEF FINANCIAL OFFICER - GUJARAT FLUOROCHEMICALS LIMITED
MR. VIBHU AGARWAL – HEAD (INVESTOR RELATIONS) - GUJARAT FLUOROCHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Gujarat Fluorochemicals Limited Q2 FY22 Earnings Conference Call, hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Nagraj from Emkay Global Financial Services. Thank you and over to you, Sir!

Rohit Nagraj: Thanks, Nirav. Good evening, everyone, and hope all are in good health. I would like to welcome the management of Gujarat Fluorochemicals Limited and thank them for providing us the opportunity to host the conference call. We have with us today the senior management team of the company represented by Mr. Vivek Jain – Managing Director, Mr. V. K. Soni – Head (Projects and New Initiatives), Mr. Manoj Agrawal – Chief Financial Officer and Mr. Vibhu Agarwal – Head – Investor Relations. I shall now hand over the call to Mr. Manoj Agrawal for his opening remarks. Over to you, Sir! Thank you.

Manoj Agrawal: Thank you Rohit. On behalf of Gujarat Fluorochemicals Limited, I would like to extend a very warm welcome to all participants. We are happy to inform that the Board of Directors of Gujarat Fluorochemicals Limited had its board meeting approved financial results of the company for Q2 FY22. The financial results are uploaded to the websites of the stock exchanges, BSE as well as NSE, and also on the website of the company. We have also uploaded the earnings presentation for Q2 FY22. I will take you through this presentation initially and then we can open the call for any questions that you all might have.

Starting with the financial results overview: revenues for the quarter (Q2 FY22) stood at Rs 954 crore, which is 56% higher than the revenues for Q2 FY21 which were at Rs 617 crores. Further, on quarter to quarter sequential basis as compared to Q1FY22 which was at Rs. 912 Cr, there is a growth of about 6% Q1 FY22.

Looking at the EBITDA numbers: EBITDA for Q2 FY22 stood at Rs 296 crores as compared to Rs 157 crores in Q2 FY21, up by 88%. When compared with the EBITDA for preceding quarter i.e Q1FY22, EBITDA was Rs 255 crores currently it is higher by 16%.

As far as PAT is concerned, PAT for Q2 FY22 is at Rs 205 crores, up 159% from Q2FY21 which was Rs 79 crores. Further, PAT for the previous quarter Q1 FY22 was Rs 151 crores and is now up 36% at Rs 205 crores on sequential basis. So, this was a brief financial overview of the company at the aggregate level.

Now if you look at the performance of the various business verticals. The company revenue from operation comprises 4 different business verticals namely Bulk Chemicals which comprises Caustic Soda, Chloromethanes and Refrigerant Gases, Fluoropolymers i.e. PTFE, New Fluoropolymers comprising of FKM, PFA, FEP, PVDF, PPA and Micropowders and lastly the specialty chemicals.

I will take you through one-by one for the performance of all business verticals.

Caustic soda revenue for Q2 FY22 stood at Rs 102 crores as compared to 72 crore Q2FY21, up 42%, FY21. Caustic soda revenue as compare to previous quarter i.e. Q1FY22 is up by 16% at Rs 88 crores sequential basis.

Chloromethanes revenue for Q2 FY22 stood at Rs 122 crores as compared to Rs 83 crores in Q2 FY21 up 47%. Chloromethane's revenue when compared to previous quarter i.e. Q1FY22 is up by 30% from Rs 94 crore on sequential basis.

Refrigerants revenue for Q2 FY22 is stood at Rs 92 crores as compared to Rs 88 crores in Q2 FY21 marginally better. Refrigerant revenue when compared to previous quarter Q1 FY22 is almost flat on sequential basis.

PTFE sales now covering the polymer business, polymer verticals. PTFE sales for Q2 FY22 were at Rs 360 crores as compared to Rs 205 crores in Q2 FY21 up 76%, gaining significantly on account of rise in both prices and volumes due to robust demand across all geographies. PTFE sales when compared previous quarter i.e Q1FY22 is up 12% from Rs 320 crore Q1 FY22 on sequential basis.

New Fluoropolymers sales is when at Rs 182 crores up 184% as compared to Rs 64 crores in the same quarter previous year that is Q2 FY21. New Fluoropolymers sales when compared to previous quarter that is Q1 FY22 is up by 23% from Rs. 148 Cr on sequential basis.

Lastly, the specialty chemicals are down by 11% from 73 Cr to Rs 65 crores when compared to same quarter of previous year Q2 FY21, mainly on account of demand displacement for certain molecules due to COVID. Thus, the company has posted robust growth in most of the business verticals. So, this was a brief quantitative discussion of the financial performance of the company.

Now, apart from the financial performance, we have also in the presentation included qualitative description of each of the business verticals, I will briefly take you through each of them.

As far as the caustic soda is concerned, the plants are currently running at about full capacity utilization. Caustic Soda prices started strengthening during the quarter and are expected to increase further during H2 FY2022. Demand supply situation is expected to remain favorable for the next few quarters, whereas there has been an increase in the cost because of rising energy prices. However, this cost increase is expected to be offset from the higher realizations.

Within the Bulk Chemical segment, as far as Chloromethanes are concerned, the plants are also running at full capacity. Demand for MDC, which is mainly used in pharma sector, remains quite strong. On the price front it is likely to be impacted from Q1 FY23 as some additional capacities are expected to be commissioned domestically. Similarly, on the raw material side the methanol prices have increased that have been offset by the higher product prices.

As far as our refrigerants are concerned, R22 volumes and prices remained stable in Q2 FY22. Similarly, for refrigerants, demand is expected to remain suppressed in Q3 FY22 due to seasonality and expected to be normalised by Q4 FY22, but our productions will continue to increase due to the rising feedstock requirements and prices are also expected to be increased due to the cost push on input side of raw material, energy, as well as logistics.

Coming to the fluoropolymer vertical on PTFE side, plants are running at full capacities, demands are very robust across all geographies. Prices are moved up due to both rising demand as well as the cost push. Demand expected to remain robust for next few quarters and with this the management has planned the capacity augmentation in line with the demand growth.

On new fluoropolymers, capacities are in place for all the six new fluoropolymers and various grades under each polymer have already been established and a few new PVDF grades are developed and are in the process of customer qualifications and commercial ramp up. Capacity utilization during the quarter is around 65% and expected to reach full capacity utilization by end of this financial year.

On the demand front, there is substantial increase in demand for FKM, PVDF and Micropowders. Additional capacities for these products are also under installation and commissioning. Prices for both FKM and PVDF have moved up due to rising demand and cost push of key raw material R-142b, and to mitigate this, GFL is backward integrating to produce R-142b for captive feedstock requirement for both FKM and PDVF as well as for exports

Lastly, on the specialty chemical verticals all 11 products have been fully commercialized; however, capacity utilization will remain low for pharma related intermediaries due to demand inflationary in favor of COVID related drugs. We expect that this will start normalizing from Q4 FY22. Additionally, we have to discontinue two products due to cost increases which eroded the margins. However, three new plants for manufacturing of eight additional products are expected to be commissioned by Q4 FY22.

With all this we expect substantial increase in revenues will commence from Q1 FY23 with the new plants fully operational. So that was the brief qualitative outlook of each of the business verticals.

Apart from the macro level for each business verticals, at overall, at the company level our expansion plans are well in place. We are in the process of augmenting existing as well as adding new capacity in new fluoropolymers and specialty chemicals which are yet to be fully commissioned. The same are expected to reach full utilization in its two, three quarters leading to higher revenues in profit. Given this, ROCE is expected to further improve, given higher margin from these incremental sales.

As regards to new age products, GFL is in process of setting up an integrated battery chemical complex. In addition, GFL has developed suitable PVDF grades for cathode binder application. This initiative will require significant capex in next few years and will ensure a robust growth in revenues and profits.

GFL is also in process of setting up India's first PVDF solar film project which will be commissioned in next financial year with our own integrated PVDF manufacturing facilities this plant will be ideally suited to cater to both domestic and international markets.

GFL with its rich experience and a portfolio of major fluoropolymers is well equipped to cater to fluoropolymers required for hydrogen, electrolyzers, fuel cells and charging stations.

GFL has also taken the project to indigenously develop and produce PEM membranes. We believe that our new age products will see substantial growth in next few years, with higher margins leading us to further improvement in our financial results.

GFL expects all these initiatives to offer a sustained business growth through our foreseeable future.

So, That, ladies and gentlemen, was a walk through the presentation. I would now like to open this up for any questions that you might have that will try and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question……….The first question is from the line of Hansal Thacker from Lalkar Securities. Please go ahead.

Hansal Thacker: Good evening, Sir. First of all, heartfelt congratulations on what might possibly be one of our best quarters in the recent past, Vivek Ji and Manoj Ji. I have two questions sir, one about the existing business and one about the new age vertical. About the existing business I just wanted to know what is the status of our captive wind power asset, there seems to be a delay so I was just wondering if you could give some timeline on the installation and the realizing of the cost again.

Vivek Jain: Sorry, we did not get your question right

Hansal Thacker: Sir, I was wondering if you could give a timeline on the installation of our wind power asset - the 125 megawatts of wind power asset that we were to install?

Vivek Jain: There have been certain delays there but by March 31, 2022 we will put up about 20-25 megawatt of capacity. The delay is largely due to the fact that there was a wind power policy in Gujarat which was going to be updated in April 2021, but due to COVID that policy renewal is now going to take place only in April 2022. Now what that policy was going to do was that it was going to lift current restriction on installation of wind power projects because in the previous policy it was restricted to 50% of the contract sanctioned demand. Unfortunately, because the policy revision has got delayed, we have to wait till April 22 and once it goes through then we would be able to put in additional capacity, for which we had sought sanction. In the solar policy in Gujarat, they had already removed the ceiling on the contract demand and as such any amount of solar capacity can be put up for captive use. With the similar kind of change was supposed to have been done for wind but as I explained earlier there has been a delay and we expect that to happen in the next financial year April. Now while the 20 megawatts which we are planning to put up just now is on the basis of contract demand which is already available with us, so that is something which is possible to put up just now and as you might know that there has been a massive increase in energy prices in the last one year. Coal has gone up by four times, gas has doubled tripled so energy cost has become very high. So, the renewable energy projects have improved in return expectations and once we are clear about the government policy when we intent to put up the balance capacity also. However, if there is a restriction in the new policy which is announced by the Government of Gujarat then by 30th of June next year, whatever capacity which is not permitted to be fulfilled, the advances which have been given by GFL will be returned back to the company.

Hansal Thacker: Ok. Thank you for the detailed answer. Sir, on the new expansion I believe we have clearances from the proposed expansion for which we have received the TOR in September so I think we should be receiving those clearances in the next 15 to 30 days. My question actually is I just wanted to know that what is the timeline and the status of the trial production of these new age chemicals like the lithium hexafluorophosphate and the electrolytes I mean are these tried out successfully in our labs and excepted by our customers as of now?

Vivek Jain: Our commercial plant will be commissioned by about September 30, 22 and thereafter our test trials with the customers will begin and we expect that you probably take about a quarter for the product quality to be fine-tuned to the requirements of the customers.

Hansal Thacker: All right Sir this like the PVDF and the electrolytes and the LIPF6 which are using as a salt so I would assume that this would be the EV vertical of the business so are you in a position to let us know what percentage of our revenue can come from this EV segment particularly?

Vivek Jain: See at this point of time it is difficult for us to give you a number but all we can say is that once these new products, for instance this PVDF as well as LIPF6 projects are successful, PVDF we are already manufacturing, we are readying the grades for approvals by the EV battery manufacturers and we have already sent samples for evaluation. Once these are successfully tested and approved by customers, we see a huge potential for growth in the next coming years because the entire EV business is slated for a huge expansion. I think numbers which the Government of India is talking about, what Europe is talking about, the US are talking about are huge and so the potential to expand in a way for a company like us is in a way unlimited.

Moderator: Thank you. ……………The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Sir nice to hear from you after a long time. Sir what is the current price of PTFE we are selling in a market.

Vivek Jain: Current average price of PTFE would be about Rs 8 lakh.

Ketan Gandhi: Sir my next question is in the existing business the management has very prudently mitigated the risk with the procurement of the raw material like fluorspar and salt which gives you the final product. So similarly, what is the strategy of the management to mitigate the raw material risk of lithium carbonate, phosphorus pentachloride and ethylene or dimethyl or propylene carbonate because I have been tracking the price of the lithium carbonate which has gone by almost two or three times since last one and a half years?

V K Soni: Actually, there are two raw materials basically as you are rightly said lithium carbonate and phosphorus pentachloride so regarding the latter, we plan to make it ourselves in a phased manner, regarding the former the lithium carbonate we are in serious discussions with many parties around the world and facilitated by Niti Aayog and KABIL who are organizing these so we do not see any issue whatsoever in making available the raw materials.

Ketan Gandhi: Sir what about ethylene and dimethyl or propylene carbonate which is required for making electrolyte.

V K Soni: A phased program starting with the main salt which is lithium LIPF6 and additives as well as the electrolyte formulation and making lithium chloride in-house, PCL5 in-house this will be followed later with the solvents. At the moment we will be buying the co-solvents. So, in the electrolyte sector will be limiting presently to the main salt, the additives and the formulations.

Ketan Gandhi: Sir there is a lot of work regarding green hydrogen lately in India as well as abroad and I believe that generating green hydrogen through electrolysis of water using PAM that is proton exchange membrane technology which requires lot of PTFE and PVDF with the critical requirement in the process. So can you throw some light on the, I mean, how we are thinking in this about this whether we will be tying up with somebody and supplying the material or we will make this thing ourself and we will be selling like a product company or service company.

V K Soni: You see regarding hydrogen it is firstly as you rightly said produced in electrolyzers, electrolyzers have two requirements where GFL figure in one is the fluoropolymers for the various parts of the electrolyzers like gasket seals etc., and also the frames to support the membrane. So, these are our natural products and we will be supplying for the electrolyzers which make green hydrogen. There is another part which is proton exchange membrane, PEM membrane which we will be doing R&D with indigenous institutes and that would be a new product which will be launching but it will take couple of years' time because we have to develop the same. Regarding fuel cells the story is same it also needs membrane which we will be developing as well as it needs even greater intensity of fluoropolymers which are our natural products and we already make them and we will be supplying those.

Ketan Gandhi: So, we will be a product company right Sir if I am not mistaken?

V K Soni: Yes, we would not be going into at the moment into making green hydrogen but we would be facilitating it greatly by giving the components for electrolyzers and the fuel cells.

Ketan Gandhi: Sir you have spoken about the expansion I believe in next two years they are doing around Rs 1,100 crores capex so for this incremental capacity what would be our asset turn?

V K Soni: We have given Rs 600 crores by FY22, Rs 900 crores by FY23 and about Rs 1,000 crores by FY24, so the capex asset turnover would vary because the substantial part the capex would be done for fluoropolymers and battery chemicals where the asset turnover ratio is better. So, I did not understand, you wanted for the company as a whole or for the new capex.

Ketan Gandhi: No new capex only, Sir?

V K Soni: New capex it(asset turnover) would be definitely higher, yes probably be about more than one and a half times.

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

Sanjesh Jain: Good afternoon, Sir and thanks for taking the question. First on the continuing with the capex thing I was looking at we have a CWIP of Rs 5.6 billion and we intend to do a Rs 600 crores of capex this year and we have already spent Rs 250 crores. So that means this year the capitalization will be upwards of Rs 700 crores, Rs 800 crores is that the understanding, right?

Manoj Agrawal: Actually, if you see the slide, we have given a total figure for FY22 that is Rs 600 crores includes the CWIP or expenditure already done by us to the tune of around Rs 300 crores to Rs 400 crores and balance Rs 200 crores will be done in the second half.

Sanjesh Jain: Balance Rs 200 crores will be done in the second half. So total capitalization will be Rs 600 crores, right?

Manoj Agrawal: That depends on the completion of the project as we envisage and plan.

Sanjesh Jain: Got it. Can you give some color on the capex for this year at least where are we spending this Rs 600 crores odd whether it will be PTFE because we are running at a full capacity already in the PTFE? Number two, do we have enough R22 to support the expansion of PTFE and again within the fluoropolymer the six new fluoropolymers we have, which are the ones we are looking to expand? So, can you give just some color on this Rs 600 crores of capex we are incurring in FY22 and it will be helpful if you can also give us some color on FY23 spend?

V K Soni: Regarding your first question on the capex out of Rs 600 crores about Rs 250 crores to Rs 300 crores will be on specialty chemicals and about Rs 300 crores on fluoropolymers as we mentioned mainly on these three fluoropolymers FKM, PVDF and Micropowders.

Sanjesh Jain: Next year because we are running at PTFE that means volume growth for PTFE is kept at the existing level, right?

Vivek Jain: Yes, that is right volume growth will be limited to our current capacity.

Sanjesh Jain: So, when are we planning to add the PTFE capacity for the growth in that segment?

Vivek Jain: That is happening in the next financial year which is part of the Rs 900 crores capex which we have indicated that is about Rs 250 -300 crore will be put into that and that will come up by the first quarter January, February, March 23.

Sanjesh Jain: And if you can give us color on the R22 capacity for all these expansions?

Vivek Jain: We will have enough R22 capacity.

Sanjesh Jain: Sir R22 is not the concern area we have enough and more for the current and expanded capacity of the fluoropolymers.

Vivek Jain: Sorry.

Sanjesh Jain: The existing capacity is fully covered for the future growth in the fluoropolymers from the R22 side.

Vivek Jain: Yes, we will have enough R22 available for meeting the requirement or enhanced requirements of R22 volume going to the capacity increase of PTFE.

Sanjesh Jain: Got it and Sir last question from my side. I come back in the queue a about more. If you can just explain when we say the you are about to commission an integrated battery chemical complex what does this really mean if I want to visualize what will this entire complex will consist of.

V K Soni: See basically integrated battery chemical complex we mean that we are going into starting from lithium carbonate which is mined and refined ore and the basic raw materials like red phosphorus or yellow phosphorus and chlorine. So that means all the components of making in-house PCL5 or PF5 or AHF or lithium chloride will be all included in this complex it is integrated from basic raw material up to the last step of electrolyte formulations which go into the lithium battery makers.

Sanjesh Jain: And we will be the only manufacturer of LIPF6 in India?

Vivek Jain: Presently yes.

Sanjesh Jain: Okay thank you, Sir. I will come back in the queue for more question and best of luck for coming quarters.

Moderator: Thank you. The next question is from the line of Nikhil from Galaxy Financials. Please go ahead.

Nikhil: Thank you for the opportunity, Sir and congratulations on a great set of numbers it is absolutely fantastic. I have just two small questions, we have been reading a lot about reorganization of promoter holding over the last couple of weeks, indicators and through the disclosure so anything that management would like to comment on this if it is possible and it is not confidential.

Vivek Jain: No there is nothing confidential it has been a very amicable realignment within the family, Gujarat Fluorochemicals and the wind operations are with my group and other three businesses in the erstwhile group are with Mumbai family.

Nikhil: Sir the alignment with all these reorganizations would be kind of complete, so all the court filings and all.

Vivek Jain: It is all completed everything is amicably settled.

Nikhil: The second question was sir on this we have a borrowing limit or lets say loan limit of Rs 1,000 odd crores to the group company so can we expect that over the next maybe one to two years once things stabilize and everything goes well so these limits will no longer be required and hence we will not be supporting the group companies.

Vivek Jain: Yes, I would say by 31st March, 2023 most of these guarantees will be returned back.

Nikhil: And no fresh guarantees will made?

Vivek Jain: There are no further requirements because the wind business itself is now becoming strong and there is a huge opportunity of growth there.

Nikhil: Okay fine thank you Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Mithun Soni from GeeCee Investments. Please go ahead.

Mithun Soni: Sir I have a couple of questions. One in the caustic soda segment what would have been our realizations, realizations in the market have gone up but our revenue has not really gone up as much, so what could be our average realizations.

Manoj Agrawal: The realizations are going up now and average realization is around 27000 to 28000 per metric tons during this quarter

Mithun Soni: Sir, but would we have been running at full utilizations or running at lesser realisations.

Vivek Jain: Full utilization.

Mithun Soni: Sir in terms of the PTFE and new fluoropolymers what could be our current capacity utilizations, you had indicated that we will almost reach for utilizations by year end so what could be our current utilization in these two segments.

Vivek Jain: So, PTFE we are running at full capacity which is almost about 1500 to 1600 tons per month. The new fluoropolymers we are at about 550 tons and our capacity is at 700 tons so by March 22 this will be fully utilized.

Mithun Soni: So basically, then in case of PTFE the new growth will come only once we start seeing the new capacity coming up.

Vivek Jain : Yes, this is going to happen January, February, and March 23.

Mithun Soni: So basically, for one that is almost like a one year now, one and a half or over four to five quarters.

Vivek Jain: Yes.

Mithun Soni: If you can give some breakup on Rs 900 crores of capex and Rs 1,000 crores so that if my understanding correct Rs 900 crores will be spend in FY23 and then Rs 1,000 crores is additional in FY24, so if you can just give a broad guidance as to where are we going to spend all this money.

V K Soni : You want the breakup for FY23 Rs 900 crores right.

Mithun Soni: Yes, Sir.

V K Soni: See, actually we would be spending on the battery chemicals and the EV fluoropolymer components that is PVDF, on battery chemicals we will be spending about Rs 250 crores, PVDF film we will be spending about Rs 100 crores and we will be spending on PTFE expansion about Rs 250 crores and one intermediate for backward integration into chemical sector for our fluoropolymers will be spending about Rs. 100 crores and the rest Rs250 crores for infrastructure energy etc. and wind, which includes the wind power, just now as Mr. Jain mentioned so that would be it.

Moderator: Thank you…….. The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: I just wanted to know about the recent imposition of antidumping duty on some of our products, not the imposition other removal what could be the impacts on our company Sir, first question?

Vivek Jain: Negligible or no impact.

Vivek Gautam: How come Sir.

Vivek Jain: Very, very limited competition which we are directly doing with Russia maybe it is about 10, 15, 20 tons in a month so it is not much and there is enough demand we can sell that volume anywhere so it is not really impacting anything which we are doing here in India.

Vivek Gautam: Sir there are some concerns on the company on the related party transactions I think so that was a big overhang.

Vivek Jain: That we have discussed already, this was related to the advance given for the wind capacity which is going to be put up for Gujarat Fluorochemicals for our own requirements of wind because energy constitutes the biggest single cost element for the company and we were going ahead with this investment to reduce our energy cost.

Vivek Gautam: Sir what role the second generation of Mr. Jain going to play in this company.

Vivek Jain: Sorry.

Vivek Gautam: The Son of the Founder?

Vivek Jain: Yes.

Vivek Gautam: Is he playing any role in this company or he is looking after the Inox Wind and any role he is playing in the Gujarat Fluorochemicals Sir?

Vivek Jain: Yes, in a year or two he will start involving himself with the chemical business also once wind settles in the next year, he will have enough time to be start devoting to the chemical business also.

Vivek Gautam: Thank you Sir.

Moderator: Thank you. The next question is from the line of Viral Shah from Enam Holdings. Please go ahead.

Viral Shah: Thank you for the opportunity and congratulations on a good set of numbers. Sir couple of book keeping questions sir would it be possible to share with the PFE volumes for the quarter and how would the mix be between value added PTFE and commodity grade of PTFE.

Vivek Jain: On a very general side value added PTFE would be about 55% and the general grade PTFE would be about 45%.

Viral Shah: Sir second question is if I may take the other income this quarter there is a quarter-on-quarter rise of around Rs 20 crores so what would this be pertaining to, Rs 46 crores of other income.

Manoj Agrawal: The gain is for the Rs 19 crores gain on disposal at the office the Bombay office.

Viral Shah: Sorry sir I could not hear you if you could repeat that please.

Manoj Agrawal: Yes, the gain on the sale of property which is our office property in Mumbai we have shifted entire operation from Mumbai to Delhi so that office was no longer required and we have disposed that office.

Viral Shah: And just last question I think you have done there have been improvement in working capital if I look at it compared to the March quarter the previous September quarter is there any scope of improvement here sir or do you think that we have been in the optimum levels.

Vivek Jain: Our internal target is to take it down to 100 days but we must remember that our business is different from other businesses, in the fluoropolymer business which constitutes the bulk of the business we export 75% of our product. To service our customers very efficiently there we maintain one month of stock in our warehouses in US and Europe there is one month of inventory in transit on the seas and one month inventory is there with us to meet the urgent requirement from customers with us in India. So, the nature of our business as such that it requires a higher inventory of finished goods it may be different for other companies who are say handle bulk chemicals because chemicals. In any case you cannot hold much inventory because it is all liquid and there has to be bulk storage so by nature of the business. Our business requires a higher inventory and that is there much of our sizeable part of our working capital has been allocated. Secondly, there is also the issue of the terms at which you sell your products now for instance somebody, some companies were to sell the products through distributors and get the money upfront then their blockage of funds in working capital will be less. On the other hand, we give more credit because we get a better price so it is a call between better margins or lower working capital but we are now looking at the entire working capital again in a very focused manner to try and ensure that we are able to further reduce the overall working capital and we believe that in the next one year we should be able to get it down to 100 days.

Viral Shah: Thank you so much. That is helpful.

Moderator: Thank you. The next question is from the line of Dhimant Shah from One-up Financial. Please go ahead.

Dhimant Shah: Thanks for the call, sir. Two quick questions as we graduate to, I believe we do most of the grades in PTFE both general grade and the value-added grade is there any grade that we currently not addressed and are likely to take it up in the forthcoming capex.

Vivek Jain: That could be possible but as we see that there is going to be sufficient additional demand coming in for grades which we have already developed, at this point of time we don't see a gap in the product portfolio which we currently offer to the market so frankly speaking I would not be able to answer that but really it doesn't matter because we would have enough demand coming in to be able to utilize the additional capacities which we are proposing.

Dhimant Shah: Secondly, in your opinion the new polymer segment would be at the forefront in terms of both growth and margins as we move forward so clearly if you have to do a kind of analysis of the better performing segment it would be new polymer then PTFE then specialty and then bulk or the order would be different that is in terms of growth, ROCE and margins.

Vivek Jain: Yes, the new fluoropolymers the margin and the growth will be higher in terms of percentage the volumes will go up especially because of the requirement of PVDF and EV batteries and Solar films.

So, we see a huge potential for growth there. So, in the next two to three years as these markets grow, we will keep on increasing capacities to meet those requirements.

Dhimant Shah: As an associated question since we are again undergoing a capex cycle what in your opinion because I think, from past two years your consolidated operating profit is in the range of 500 to 600 crores so do you see a significant rise and where do you see the debt kind of peaking

Vivek Jain: So far, our operating profitability is much higher; secondly, we will keep on growing if there is an opportunity, we put in capex there is an opportunity and at this point of time we see a lot of opportunity in the products and business segments in which we are currently working. So that is the reason why this additional capex has been put in and we expect the return from this additional capex would be similar if not better than the margins which we are currently getting we expect most likely the margins would be better.

Dhimant Shah: So, if you have to put a rough kind of estimate on the growth would it be upwards by 15%, 20% for next few years or for next two, three years because your topline?

Vivek Jain: I would say certainly in the region of 20% - 25% for sure.

Dhimant Shah: Lastly, if you can comment on the competitive landscape that we are likely to face in specially PTFE because I think SRF also wanted to kind of enter this space so if you can enumerate?

Vivek Jain: No. I do not think it is possible for me to say what will happen when they come in but all I can say is that the market is large enough it is growing and we perhaps might not be competing except in a very small percentage of our total PTFE portfolio.

Dhimant Shah: So, in new polymers we would have no competition, in specialty by and large we would have no competition and PTFE there would possibly be no overlap.

Manoj Agrawal: Yes, but there could be competition you cannot say that there would not be any competition but we are not overly concerned about it.

Dhimant Shah: Super. Thank you. Many thanks for answering all the questions, Sir.

Moderator: Thank you very much. The next question is from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.

Ranjit Cirumalla: Thanks for this opportunity. I have two specific questions sir you gave the breakup for FY23 capex I would like a similar breakup for FY24 which we are pecking at 1000 odd crores?

V K Soni: These are broad numbers which we are giving and it would undergo a change because the situation is constantly evolving but we will indicate to you what we currently have in mind. So, the most of the capex of about Rs 1000 crores is for the new age products it comprises of two components one is for the fluoropolymers basically PVDF and its monomer for the new age products which is binders for the EV batteries and film for the backseat for the solar panels and almost other half is for further expansion in the electrolyte, LIPF6 and formulations etc.

Ranjit Cirumalla: And this capex will take at least couple of years to fructify.

V K Soni: No actually, we are putting the capacity ahead of the demand because the demand with all projections is expected to come, so it would be in pace with the demand rise in India as well as abroad especially in Europe.

Ranjit Cirumalla: The second question we had is about this income tax refund that we had recognized couple of years back have we received the full money or still something is pending on that front.

Manoj Agrawal: No everything is received. In fact, last year we have moved to vivad to vishwas settlement also and we have moved to a concessional tax regime if you see, our effective tax rate for this year it is 25%.

Ranjit Cirumalla: Sir just referring to our tax refunds on the carbon credits income that we had kind of recognized.

Manoj Agrawal: We have received all that.

Ranjit Cirumalla: Thank you.

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

Rohit Nagraj: Thanks for the opportunity and congrats on a good set of numbers. Sir my first question is on the R&D front so how are we currently positioned in term of our R&D strength infrastructure and given that we are involved in the EV space which probably will have more focus on R&D and developing newer products in terms of indigenous technology what are the steps that we are taking on this front if you could elaborate? That will be helpful. Thank you.

Vivek Jain: No, we have a sufficient strength at this point of time we keep on adding people to the strength as and when required, so frankly speaking we do not see any necessity. We also work with some of the laboratories both in India and abroad to be able to benefit from the expertise which we already process and I think for the time being our R&D strength is sufficient to be able to cater to the requirements which we have for the next two to three years.

Rohit Nagraj: Sir the second question is in terms of supplying the EV related products to the customers so are we going in for any long-term contracts with domestic companies or the global companies and so what are the thoughts on this particular process how the entire process will pan out once we start commercializing these products.

Vivek Jain: Very early to say this at this point of time all I can say is that there is a huge interest from all the potential manufacturers of EV batteries in the country and we are also talking to several people over

EVs also. So, there is enough interest which is coming in we have to now go step by step build the plant commercialize it get the product tested qualified and then move on. That is the time when we will start looking at the commercial terms and on which we are going to sell our products, it is still too early.

Rohit Nagraj: And just a follow up on this so once we commercialize any project usually what is the timeframe within which we will be able to utilize the plant optimally so is it two years, three years or upwards of three years.

Vivek Jain: So just now after commissioning, it could take a couple of months or a quarter for process tweaking and getting the quality align to what is going to be required by the customers etc. once that happens when we start spending out initial quantities etc., we would expect given the demand and the current capacities which we are putting on, in the second year after commissioning we should be running the plant at full capacity.

Rohit Nagraj: Thank you so much for the time, Sir. Best of luck Sir.

Moderator: Thank you very much. The next question is from the line of Anant Jain, Individual Investor. Please go ahead.

Anant Jain: Thanks for the opportunity, Sir and congratulations on a great set of numbers. The first question I that I have is our performance in the fluorospecialty chemicals segment has been rather weak because what I remember from earlier conference calls is that we have Rs 700 crores is what we expected as the annual run rate and this quarter it seems like Rs 65 crores how do we see this segment going ahead and the new product that we are adding up do you think we will be able to reach much higher capacity utilization and what would be the size of or what would be the total sales when these new eight products gets added in the fluorspecialty chemicals segment?

Vivek Jain: See what I will give you briefly is numbers which we are likely to achieve in terms of turnover next year on the fluorospecialty piece without the chemical which are going into EV batteries. So yes we had estimated that we would be able to have a run rate of about Rs 600 crores annually from the investments which we have made in specialty chemicals up till now which is about Rs300-350 crores. This year again we are investing about Rs250 crores which will make a total investment of about Rs 550-600 crores in fluorospecialty by March 31, 22. In the financial year 22-23, we are expecting the turnover of about Rs 800-900 crores form the fluorospecialty business which would indicate roughly about 1.4 to 1.5 times asset turnover. This year the performance has been week for two reasons, one in two of the products which we make there has been intense competition, margins have eroded in both because of competition from China and increase in raw material cost and which we were not able to pass on to the customers and therefore we had to withdraw and there has been a decline in sales of some of our pharma intermediates because a lot of the customers moved into making COVID related medicines, we expect that this will start coming back from Jan, February, March next year and in the following financial year it should come back to a normal sales volume situation.

Anant Jain: The second question that I have is on the fluoropolymer side, the specialty fluoropolymer side, do we have products which are like made for specific clients in the sense that and also do we have long-term contracts with these clients for the supply of these products.

Vivek Jain: No, in the fluoropolymers we do not have long-term supply neither for PTFE that is not the way we conduct our business or the business is conducted globally. So, it is normally could be spot three monthly, six monthly, yearly at the most.

Anant Jain: If the same thing in fluoro specialty chemical sir.

Vivek Jain: Fluor specialty chemicals, ones in which we are it is following a similar pattern but of course in fluoro specialty chemicals depending upon what product and what kind of commercial agreement which you have with your buyers they could be much longer, could be three, five years or whatever it is. But we have not as yet got into those kinds of products.

Anant Jain: Last question sir on the semiconductor side I think we have an approval from the semiconductor so is there for fluoropolymers for semiconductor so are there opportunities here for large contracts and what is the overall opportunity size in semiconductors.

Vivek Jain: That is very, very difficult to say we are a very, very small part of the semiconductor industry one of the fluoropolymers which we make which goes into semiconductors is a product called PFA so PFA our capacity is around 60, 70 tons in a month we are already currently at about 50%, 30% and the balance 30% is what we are trying to supply to the semiconductor industry so it is not a humongous business opportunity for us but yes the PFA it is a high value polymer and which finds an application in semiconductors and that is where we are now going and getting our grades approved for that application.

Moderator: Thank you very much. The next question is from the line of Rupesh Tatiya from IntelSense Capital. Please go ahead.

Rupesh Tatiya: Sir thank you for the opportunity and congratulations for the great set of numbers. My question sir is in H1 we have roughly Rs330 crores of revenue from new fluoropolymers, Sir out these Rs330 crores roughly what percentage would be this new age applications 5G semiconductors solar panels be?

Vivek Jain: No up till now nothing, all this is going to come in the future.

Rupesh Tatiya: Then this new fluoropolymer at full capacity utilization if you are saying 65% for Q2, I see roughly is for Rs 1000 crores plus segment, sir in next two three years the new segments right 5G EV all this it will become an equivalent to this size roughly can be work with that kind of assumption?

Vivek Jain: Your voice is not very clear can you please repeat your question.

Rupesh Tatiya: What I am saying is sir this new fluoropolymer at full capacity utilization is roughly Rs 1000 crores, Rs 1100 crores for us, this new age right in our business unit of profit center we are creating which is new age applications 5G EV solar panel this can be work with the assumption that this new age segment will be this similar Rs 1000 crores kind of number in next two, three years.

Vivek Jain: I think it could be potentially much larger.

Rupesh Tatiya: But at least the kind of number management has in mind?

Vivek Jain: Yes of course we think we believe it could be much larger but again at this point of time we would not want to give any numbers out because frankly speaking we have not done detailed calculations on what would be the position in the next two, three years that all I can say is that it looks to be substantial and looks to be quite promising.

Moderator: Thank you very much. Ladies and gentlemen, we will take the last question from the line of Nikhil from Galaxy International. Please go ahead.

Nikhil: Sir so just looking at the opportunity size and the capex that we are doing so can we estimate that we will be a billion-dollar organization by 2025 FY25 any thoughts?

Vivek Jain: I mean we will be close to that. We have not done the number work for 25 but perhaps we should be near about that.

Nikhil: That God willing so I think that would be great so that is one second sir have we given any thoughts to have any forward integration in some sort of GNP material supply right so right now what we do is all chemicals and minus 3, 4, 5 kind of a linkage that is there any thoughts or anything for power integration is there an API or in N minus 1, N minus 2, which might require GNP facilities and other things which might be more niche.

Manoj Agrawal: See just now at this point of time we have got so much on our plate we see huge opportunity so that for growth in the segments in which we are now venturing into that we do not want to defocus and even the products which we are manufacturing or going to manufacture will require very, very sophisticated processes and very, very clean environment, so really speaking at this point of time we are not looking at those areas. Perhaps in the future yes because yes we can also look at those areas but at this point of time, we are focusing more on what we have already started.

Moderator: Thank you. The next question is from the line of Ravi Mehta from Deep Financial Consultants. Please go ahead.

Ravi Mehta: Thanks for the opportunity. Just one small clarification like in some of the earlier calls we were given an understanding that the current gross block what was there ignoring the new capex that you are announcing that had a potential to generate Rs 3600 crores kind of a topline and which with some kind of capex being planned can go to Rs 4200 crores it given the whole pricing environment now and just ignoring the new capex and the new verticals future ready businesses what the numbers could now be some kind of color you can share.

Vivek Jain: I didn't get your question are you talking about, expected asset turnover for this financial year?

Ravi Mehta: Maybe not this financial year so we were given a sense that maybe by 23 or 24 you can hit a pick peak turnover of Rs 4200 crores with the gross block that you had this was in some of the earlier calls few quarters back. So given the dynamics of the environment what could be a peak turnover from the current gross block you have and ignoring the battery chemicals and the new businesses maybe some number on what is it.

Vivek Jain: With the investments which we would already have put in by March 31, 22 and we can expect a turnover of about Rs4500-5000 crores.

Ravi Mehta: And the recent margin uptick of upwards of 25% closer to 30% is that kind of a sustainable margin given the pricing environment you are in.

Vivek Jain: You are saying 30% EBITDA margins is it.

Ravi Mehta: Yes, EBITDA margins.

Vivek Jain: Yes, I think this will be sustainable maybe it will improve in the next few quarters but I think long-term this should be sustainable given the nature of product which we are going in for I think this would be sustainable.

Ravi Mehta: Also, any color on the peak debt number can be given the capex raodmap

Vivek Jain: Debt will only reduce in the next one year we will see further reduction in debt. All these new capex will be funded from internal generation. It is not being funded through debt.

Moderator: Thank you very much. Ladies and gentlemen, that will be the last question for today. I will now hand the conference over to the management for closing comments.

Manoj Agrawal: Thank you ladies and gentlemen, due to the time constraint we would have like to take the more question but couldn't do. Well as always, I would like to thank you for your interest in the company and look forward to your continued participation on this earning update calls and look forward to your support as well. Thank you.

Vivek Jain: Thank you very much and we look forward to further earning calls quarter-by-quarter and hope for improved performance as we move on.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services Limited, that concludes this conference.