

**“Gujarat Fluorochemicals Limited Q1 FY-15 Earnings
Conference Call”**

July 30, 2014

MANAGEMENT: MR. VIVEK JAIN – MANAGING DIRECTOR, GUJARAT
FLUORO CHEMICALS LIMITED
MR. DEEPAK ASHER – DIRECTOR & GROUP HEAD -
CORPORATE FINANCE, GUJARAT FLUORO CHEMICALS
LIMITED
MR. DEVANSH JAIN, DIRECTOR, INOX WIND LIMITED

MODERATOR: MR. NIRAJ MANSINGKA – ASSOCIATE DIRECTOR - IE
RESEARCH, EDELWEISS FINANCIAL SERVICES LIMITED

For Gujarat Fluorochemicals Ltd.


BHAVIN DESAI
Company Secretary

- Moderator** Ladies and gentlemen good day and welcome to Q1 FY15 Financial Results call of Gujarat Fluorochemicals Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal the operator by pressing '*' then '0' on your Touchtone telephone. I would now like to hand the conference over to Mr. Niraj Mansingka – Associate Director – IE Research of Edelweiss Financial Services. Thank you and over to you, Mr. Mansingka.
- Niraj Mansingka** Good morning everybody and thank you for joining us today. We would like to welcome Mr. Vivek Jain – Managing Director of Gujarat Fluorochemicals Limited; Mr. Deepak Asher – Director & Group Head – Corporate Finance as well as Mr. Devansh Jain – Director – Wind Business. We thank them for giving an opportunity to host the call for them. They will be sharing us updates on the Q1 FY15 Results. Over to you, sir.
- Deepak Asher** Thank you very much Niraj and a very good morning to all of you. This is Deepak Asher here Director & Group Head – Corporate Finance of the Inox Group of Companies. On behalf of Gujarat Fluorochemicals Limited I am pleased to extend a very warm welcome to all of you to this earnings call organized by Edelweiss. Those of you who attended last quarter's call will recall that we had promised to make this a regular affair and we are glad to have been able to keep up that promise. I am extremely grateful to all of you for your time and the interest you have shown in tracking the performance of this company.
- As Niraj mentioned I am joined this morning by my Managing Director – Mr. Vivek Jain and Mr. Devansh Jain who is spearheads the wind energy business for the group.
- I would like to start by giving you an overview of the financial performance of the company. In this analysis the numbers for Q1 for the financial year 2014-15 are compared firstly with the numbers for the preceding quarter which is Q4 for the financial year 2013-14 for a QOQ comparison; and then with the numbers for the Q1 of financial year 2013-14 for a YOY comparison.
- First the big picture. At a consolidated level, Total income from operations registered a drop from Rs. 1193 crores to Rs. 890 crores from Q4 of last year to Q1 for this year, which is a fall of about 25% but this largely because this is not strictly an apple-to-apple comparison. Q4 of last year witnessed a significant bump up in sales in the Inox Wind business; the wind turbine manufacturing business, which is how that business is conducted most of the revenues are booked in the last quarter of the year.
- EBITDA for Q4 2013-14 was Rs. 157 crores this grew by 21% to Rs. 190 crores in Q1 of 2014-15 and PAT registering a very marginal drop of Rs. 46 crores in Q4 of 2013-14 to about Rs. 44 crores in Q1 of 2014-15 which is a drop of about 4%.
- However, if you look at the YOY comparison Q1 2013-14 compared to Q1 2014-15 total income from operations grew by 28% from Rs. 695 crores to Rs. 891 crores; EBITDA grew by 13% Rs.

168 crores to Rs. 190 crores and PAT fell from Rs. 55 crores to Rs. 44 crores essentially because of higher depreciation charge because of the new Companies Act as well as the higher tax incidence in this quarter.

Now this is the overall consolidated performance of GFL. As you are aware GFL owns several businesses it owns 100% of the chemical business which is housed in GFL directly. In addition it owns 75% of the wind turbine manufacturing business carried out by Inox Wind Limited. It owns 100% of the wind farming business carried out by Inox Renewable Limited and it owns around 48% of the multiplex business which is carried out by another listed entity Inox Leisure Limited. IWL (Inox Wind) and IRL (Inox Renewables) are unlisted subsidiaries whereas ILL (Inox Leisure) is a listed subsidiary. In order to enable you to appreciate the financial performance of the company I would like to share with you the business wise key numbers.

On the chemical side of the business the chemical's turnover QOQ fell marginally by 8% Rs. 308 crores in Q4 of 2013-14 to Rs. 284 crores in Q1 of 2014-15. EBITDA grew by 19%; Rs. 58 crores in Q4 2013-14 to Rs. 69 crores in Q1 2014-15 and PAT improved by 64% from Rs. 10 crores in Q4 of 2013-14 to about Rs. 17 crores in Q1 of 2014-15. On YOY comparison, chemicals turnover improved by 12% from Rs. 254 crores in the first quarter of 2013-14 to Rs. 283 crores in the first quarter of 2014-15. EBITDA improved by 4% from Rs. 66.6 crores to Rs. 69 crores and PAT fell by 20% from Rs. 23.7 crores to Rs. 16.9 crores, as I said, essentially because of higher depreciation charge in the incidence of tax.

On the wind turbine manufacturing business which is I mentioned is carried out by Inox Wind QOQ while strictly not comparable as I said because of the seasonality of the industry, however, the turnover from Q4 2013-14 which was Rs. 689 crores fell to Rs. 304 crores. EBITDA from Rs. 55 crores was at Rs. 48 crores and PAT from Rs. 45 crores was at Rs. 23 crores. However, if you look at the YOY comparison turnover actually improved from Rs. 275 crores to Rs. 304 crores which is an increase of 11% and EBITDA improved by 8% from Rs. 45.2 crores to Rs. 48.6 crores. PAT registered a drop Rs. 33 crores to Rs. 23 crores essentially because of higher tax and depreciation charge.

On the wind farming business turnover improved by 50% from Rs. 37.7 crores in Q4 of 2013-14 to Rs. 56.8 crores in Q1 of 2014-15. EBITDA improved by 67% from Rs. 32.5 crores to Rs. 54.2 crores and PAT improved significantly from Rs. 54 lakhs to Rs. 10.4 crores in the first quarter of 2014-15. A YOY comparison indicates the turnover improved by 14% from Rs. 49.9 crores to Rs. 56.8 crores. EBITDA by 19% from Rs. 45.5 crores to Rs. 54.2 crores and PAT fell by about 40% from Rs. 16.9 crores to Rs. 10.4 crores.

On the cinema business again firstly the QOQ comparison. Turnover improved by 23% from Rs. 188.3 crores to Rs. 232.37 crores; EBITDA by 35% from Rs. 22.3 crores to Rs. 30.1 crores and PAT by 200% from Rs. 1.5 crores to Rs. 4.5 crores. For a YOY comparison, turnover was virtually flat Rs. 229 crores to Rs. 232 crores an improvement of about 1%. EBITDA Rs. 39.2 crores went down to Rs. 30.1 crores and PAT from Rs. 14.2 crores went down to Rs. 4.5 crores essentially because of lack of quality content in this business.

Now that is a brief snapshot of the financial numbers that went in to the consolidated results. I also like to spend some time by sharing with you the outlook of each of these businesses.

On the chemical business we indicated last time and we continue to expect to see a healthy increase in topline and more than proportionate improvement in the bottom line due to a combination of several factors including (a) higher capacity utilization in the PTFA facility which ran at an average of 55% during the last quarter, (b) improved PTFA realizations from the present \$9 as we churn the product mix to higher value added grades, (c) several cost reduction and revenue enhancements schemes that we are implementing and which we expect to kick in progressively during the year, and (d) our planned entry in to the fluoro specialty segment.

On the wind turbine manufacturing business it is an extremely favorable regulatory environment reflected by stable and attractive wind policies across the four states that we currently operate in, reintroduction of accelerated depreciation, continuation of 80-IA benefits; SAD exemption on components imported for manufacturing of wind turbines and several other such measures, we expect to see a significant growth in demand and profitability which could help boost our performance in this segment considerably. As some of you are aware IWL had filed a DRSP with SEBI and we are pleased to inform you that this has recently been cleared by SEBI.

In the wind farming business we should see some modest capacity additions during the year from the equity which would be provided by the cash generated from this business. We do not expect to make any incremental cash investments.

In the multiplex business we expect to maintain the momentum of growth and profitability backed by a steady property pipeline we are implementing as well as a robust flow of quality content. We have continue to pursue both organic and inorganic growth opportunities in this business and believe that there are several opportunities for consolidation in this space going forward.

With this backdrop I would like to hand over the proceedings back to the moderator.

Moderator

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Chintan Sheth of SKS Capital & Research. Please go ahead.

Chintan Sheth

I have a question regarding actually we are seeing lot of trades in your company's name in BSE, NSE bulk deals. So I just wanted a clarity on what is the company policy on capital market investments and what is the current exposure as of now?

Deepak Asher

I am sorry I do not think I understand your question clearly. Are you talking about the equity investments that the company had made?

Chintan Sheth

Yes sir, we keep seeing this trades your company's name in NSE, BSE bulk deals like in BSE, NSE listed companies so I just wanted to get a clarity on what is the company's policy on capital market investment?

- Deepak Asher** Well, we don't do capital market investments. We had some equity investments historically which were kind of invested in about four or five years ago. As the market upturned over the last quarter we have actually liquidated a large part of these investments. I believe we hold now only one or two stocks which also we intend to liquidate at an appropriate time. We are not making any fresh investments in equity, if that helps.
- Chintan Sheth** So we just currently hold one or two companies' stock which we intend to sell it off?
- Deepak Asher** At the appropriate time.
- Chintan Sheth** And what is your current exposure in those companies if you can provide the details?
- Deepak Asher** I will probably have to pick it up I do not have it in front of me.
- Moderator** Thank you. Our next question is from Avinash Agarwal of Sundaram Mutual Fund. Please go ahead.
- Avinash Agarwal** Sir, just one question on Inox Leisure. Is the company in plans to raise any capital and as promoters would we be willing to invest money in to that?
- Deepak Asher** Well, that is a hypothetical question. There are not any such proposals before the board of the company at this point of time. As you know the company does own about 20% of itself as treasury stock. So if at all there is a need to raise capital that might be its first port of call but beyond that at this point of time at least there is no proposal under the consideration of the board to raise its capital.
- Avinash Agarwal** What I meant was more of sale of treasury shares so even for that we do not have any proposal as of now?
- Deepak Asher** Well, we realize that we own treasury shares and we realize that that is value and we will probably use that value in order to pursue some of our growth plans going forward.
- Moderator** Thank you. Our next question is from Ravi Shenoy of Motilal Oswal Securities. Please go ahead.
- Ravi Shenoy** Sir, this depreciation impact during this particular quarter is quantified as Rs. 4.37 crores. This is a one-time item or would this be recurring in the following quarters too?
- Deepak Asher** Well, first of all I think the depreciation impact would be recurring in as much as the revised rates would be applicable for not just this quarter but all the future quarters going forward.
- Ravi Shenoy** So a similar impact could be expected for every quarter?
- Deepak Asher** Yes, that would be fair to say.
- Ravi Shenoy** And the tax rate could we give a guidance?

- Deepak Asher** We are still trying to evaluate the impact of couple of things that have happened. One is Inox Wind Limited; the wind turbine manufacturing business which was under a 100% tax free regime till last year, now falls in to a regime where part of its profits would be taxed. However, we have paid MAT earlier so whether the partial taxability which kicks in this year would be larger than the MAT liability provision is something that we are trying to evaluate. So unfortunately I would not be able to give you a specific guidance. Again it also difficult to say because this is really blended for different businesses with different tax rates and different profitabilities. So unfortunately the best indication you have is the current tax rate.
- Ravi Shenoy** And in our notes to account we have also mentioned the project abandonment cost about Rs. 4.3 crores. What project would this relate to?
- Deepak Asher** Well, that was one chemical project that we were pursuing we had made certain advance payments for the license and part of the equipment. Unfortunately the market in that particular chemical segment deteriorated and we decided then not to pursue that anymore. So rather than invest further we thought it might be best to cut our losses and abandon that project at that stage.
- Ravi Shenoy** Any possibility of any of that money coming back to us?
- Deepak Asher** No, I think what we have done is provided for what we thought would be the loss on that abandonment.
- Ravi Shenoy** In the chemical business the PTFE business how large would that be, during this particular quarter?
- Deepak Asher** Very broadly speaking our turnover roughly comprises of about 45% to 50% from PTFE and about 50% to 55% of the commodity chemicals which is caustic soda and chloromethane.
- Ravi Shenoy** And anything from the fluoro specialty side, sir?
- Deepak Asher** Yes, I will request Mr. Jain to throw light on that.
- Vivek Jain** Our first fluoro specialty plant is likely to be commissioned in August and we will see some volumes and revenues start picking up from there.
- Ravi Shenoy** How large could that be, sir?
- Vivek Jain** Well, I think that plant will get in to a full capacity utilization mode by January this year and we would expect a turnover of about Rs. 8 crores a month from there.
- Ravi Shenoy** And how large would our investment be in this particular project?
- Vivek Jain** The total investment will be about Rs. 18 crores.
- Ravi Shenoy** Any capex guidance for this particular year, sir overall?

- Deepak Asher** I think most of the capex that were to be incurred has already been outlaid in terms of cash. I think that is very marginal may be about Rs. 50 crores or so of incremental capex that might happen from the cash flow perspective from now till the end of the financial year.
- Vivek Jain** But that would be for the entire chemical business not only for fluoro specialties.
- Ravi Shenoy** And for the rest of the businesses the exhibition business?
- Deepak Asher** Well, the cinema exhibition business we have a pipeline of about 15 properties that we are working on at this point of time which we expect to commission by the end of this year. Roughly at about Rs. 8 crores for property there will be a Rs. 120 crores of capex which is funded by bank debt of about Rs. 80 crores and internal accruals of about Rs. 40 crores.
- The wind farming business would probably not see any significant investment. I mean there would be may be 20 to 25 megawatt has been set up which would translate to roughly about Rs. 120 crores to Rs. 140 crores worth of investment.
- The wind turbine manufacturing business does not anticipate any significant capex except for what is stated in the DRHP.
- Moderator** Thank you. Our next question is from Ketan Gandhi of Gandhi Securities. Please go ahead.
- Ketan Gandhi** Sir, two questions. What is the capacity utilization in chemical segment particularly PTFE? And what is the Inox Wind order book position?
- Deepak Asher** As I said the chemical business actually comprises of two sub-segments. There is a commodity chemicals which is caustic soda and chloromethane and then there is a speciality chemical which is PTFE. The commodity chemicals are running at about 95% to 100% capacity utilization and PTFE last quarter was at about 55% capacity utilization which we expect to take up to about 100% in the coming months.
- Ketan Gandhi** Sir, my question is particular to this quarter I mean this quarter?
- Deepak Asher** This quarter chloromethane and caustic ran at about 95%.
- Ketan Gandhi** And PTFE?
- Deepak Asher** PTFE at 55%.
- Ketan Gandhi** Same as the previous quarter?
- Deepak Asher** Right.
- Ketan Gandhi** And sir, Inox Wind order book?

- Deepak Asher** Frankly speaking we are restricted by SEBI guidelines to give any information which is not contained in the issue document. So you will need to refer to the issue document. The issue document I believe talks of an order book of about 468 megawatts which was what it was last year. I can only say that the position now is only better.
- Ketan Gandhi** And sir, after this wind depreciation I mean accelerated depreciation allowed in this budget restored if we want to ramp up the capacity how fast it can be ramped up and at what cost I mean what incremental capex?
- Devansh Jain** So I think our DRHP talks about expanding manufacturing capacities. Ramping up is a fairly quick thing for us. I think between 4 to 6 months. We have already ramped up capacities in anticipation of that and I think we should see a significant part of that play out over the course this year and we continue to invest to ramp up capacities as is stated in our DRHP. I think we will increase capacity from next year onwards. At this point of time we have enough capacity for the next 6 to 12 months.
- Ketan Gandhi** That will be I mean if suddenly demand increase by say 500, 600 megawatts per annum can we cater to that?
- Devansh Jain** I think we are already catering to significant demand this year and we are ramping up capacity beyond that to cater to additional demand next year.
- Moderator** Thank you. Our next question is from Kuntal Shah of Axis Holdings. Please go ahead.
- Kuntal Shah** My question is pertain to three things. Of the total wind turbine manufacturing we have done so far how much we have actually sold outside and even the potential order pipeline how much is the external sales removing the internal group sales?
- Deepak Asher** If you talk of three years ago 100% of our sales were captive to group companies which fell down to about 60% and then fell down to 30%. I believe last year it was about 15%. This year we expect it to be still lower.
- Devansh Jain** Less than 5%.
- Kuntal Shah** And we heard something about I am just saying wind turbine manufacturing would require a continuous investment in technology upgrades as it moves down the efficiency curves and competes with solar. How is the technical support from AMSC and others coming or what are you doing to make sure that the technology obsolescence does not hit us on the wind turbine generation side?
- Devansh Jain** So I believe we have a very strong relationship with AMSC. As you may know that they are probably the global leaders in terms of technology sourcing. In the past two of their licensees have been in the global top 10 so these guys are pretty much aware of the technology curve and what is happening globally. Given the fact that we have a very strong relationship, we have been continuing to leverage on that in terms of bringing new products in to the Indian market. You

may have heard that we have launched a new product which is a 100 rotor turbine which probably is the most efficient turbine in the country I think at this point in time. And given the fact that AMSC continues to invest in new products we will continue leveraging on that to remain ahead of the market.

Kuntal Shah How does wind compare with solar going ahead your near-term view of couple of years?

Devansh Jain Well, clearly we are in the wind business so I would always say that wind is far ahead of solar but I think what is happened over the past two or three years is that solar prices have dropped drastically there is now a marginal difference of may be let us say Rs. 1.5 per kwhr between solar and wind but the fact is that wind as a technology has been around for the longer period of time and hence it is more mature. So as we see solar increasing efficiency wind is also increasing efficiency. So I think there will always remain some amount of gap between solar and wind and we believe that wind will remain more efficient than solar.

Kuntal Shah And just in terms of the capital allocation. We are not investing further in wind farm business beyond Rs. 100 crores Rs. 120 crores this year. Correct, Deepak?

Devansh Jain We have invested that amount last year and we should see that play out over the course of this year.

Moderator Thank you. The next question is from Paras Nagda of Enam Holdings. Please go ahead.

Paras Nagda I wanted to know what is the kind of installations that you did in Inox Wind for the quarter, sir?

Deepak Asher Paras, again I regret we will not be able to divulge that because as I said since we have received the SEBI approval for the issue we would like not to go beyond what the document already contains.

Paras Nagda So you will not be able to speak anything on Inox Wind because my next question was the margins which have shown considerable improvement on quarter-on-quarter basis?

Deepak Asher No, to the extent that information is available in the public domain and in our results including those of Inox Wind are available in the public domain, yes, the numbers do show that there is an improvement in margins.

Moderator Thank you. Our next question is from Amol Kotak of ASK Investment. Please go ahead.

Amol Kotak Could you just tell me the gross debt position across all your entities?

Deepak Asher Yes, the gross debt in the chemical business in GFL would be roughly about Rs. 280 crores and the wind farming business is about Rs. 940 crores and the wind turbine manufacturing business about Rs. 56 crores because it was essentially for working capital. In the multiplex business about Rs. 213 crores.

- Amol Kotak** And against this you would have cash and investments also so if you could tell me entity wise?
- Deepak Asher** Yes, it would be fair to say we would probably have about Rs. 300 crores to Rs. 350 crores worth of cash across different entities. Largely may be Rs. 300 crores worth of treasury stock in Inox Leisure and about Rs. 100 crores of cash across the other businesses.
- Moderator** Thank you. Our next question is from Rajesh Kothari of AlfAccurate Advisors. Please go ahead.
- Rajesh Kothari** My question is in reference to Specialty Chemical business. Can you give the outlook on what is right now your inventory level which was the high cost inventory which you had some time back to what extent this still remaining? That is point number one. The second question is with reference to these chemical prices over last three to nine months we have seen different chemical prices have shot up significantly. So what is your outlook there and when do you expect that significant price increase may come on a halt or it may start coming down depending upon the global demand supply and if you can give some outlook over the next 1.5 to 2 years say FY15 and FY16 how much Specialty Chemical will contribute to your overall revenue and how do you see the margins in that segment for say FY16?
- Vivek Jain** First of all we did not have any high stocks of Specialty Chemicals. What we had was stock build up of PTFE which is now getting liquidated. So that is one. As far as Specialty Chemicals is concerned as I just mentioned our first multipurpose plant is getting commissioned during the course of this month and from January onwards we hope to run that plant at full capacity And we have a pipeline of products which we are currently doing R&D and hopefully in the course of next one to two years we will probably be investing in another two multipurpose plants.
- Rajesh Kothari** So what would be our investment over next two years in this business?
- Vivek Jain** In the next two years as I see it today probably we see in the range of about Rs. 100 crores to Rs. 150 crores.
- Rajesh Kothari** And since this new plant you are saying about Rs. 8 crores revenue per month so that will be close to about Rs. 100 crores on a full potential basis. So by when you think this full potential is that when you think you will be able to achieve this?
- Vivek Jain** By the middle of next year.
- Rajesh Kothari** And then the new investment which we are making by when you think that can start giving results?
- Vivek Jain** See I think the new investments will come in phases. Perhaps we will have another multipurpose plant by the third quarter of next year and once that is commissioned we will start building the next multipurpose plants because all these will happen in phases.
- Rajesh Kothari** And currently PTFE which is around I think you said 45% to 50% of your revenue which is a non-commodity kind of a business. How has the realization has been in the current quarter?

- Vivek Jain** Well, the realization is now stable. As we move in the next three quarters we will see volume buildup taking place from 55% to 100% by the end of this financial year. And there will be some price improvement because our product mix will also change in the next three quarters. And hopefully this should only go up because the new products which we are launching enjoy a better price.
- Rajesh Kothari** So can you give some highlight on the product mix right now how it is within PTFE between high value added to low value added or high margin compared to low margin and how do you see the change in that product mix over next three, four quarters?
- Vivek Jain** In totality our higher priced products would be about 40% to 45% and 55% would be slightly lower value generic PTFE.
- Rajesh Kothari** And then over the next three quarters how you see say by next year how do you see this mix?
- Vivek Jain** By the close of this financial year we would see 45% high value PTFE and the balance 55% would be our generic rates.
- Rajesh Kothari** So no change basically because you see right now also it is 45 to 50 basis points?
- Vivek Jain** Right now it is not 45%; right now it is much lower. What I meant was right now our total capacity utilization in the PTFE plants is 55%.
- Rajesh Kothari** No, that I understood. What I am saying here within PTFE?
- Vivek Jain** Yes, within that I think it is probably be about 15% to 20%.
- Rajesh Kothari** And my last question if I may. Why the current capacity like this you said it is 50% to 55% it should increase to over next three, four quarters. So this 55% utilization is it a factor of demand or is it factor of our capacity constraint?
- Vivek Jain** No, there is no capacity constraint. This is high performance polymer and there are several grades which have to be developed which have to undergo process of trials and approvals with the customers. It is a fairly long process that has been going on for the last one year. Most of the products have been developed; trials have already been conducted with most of our customers and we expect the volumes will start ramping up in the next three quarters because all development work is now over.
- Rajesh Kothari** So if that happens then your margins as well will improve; am I right? One is your operating leverage will start kicking in and second your product mix will also become richer, correct?
- Vivek Jain** Absolutely, this is what we have stated earlier and this is what we maintain will happen in the next three quarters. Plus also the fact that there are several other minor projects which are being implemented in the current year. Their implementation will substantially bring in operational efficiencies and reduce our cost in this business. So two things will happen. Our volumes will go

- up and our cost will go down. So these two factors will come to play, fully by the end of this financial year.
- Rajesh Kothari** Would you like to give any number in terms of how much bps you think improvement in margin in this business?
- Deepak Asher** We do not give quantitative guidance but we do believe as I said qualitatively we would expect several things to happen. One, capacity utilization to improve over the next few quarters which will lead to improved operating leverage. Realizations in the PTFE segment to improve because of churning of product mix towards higher value-added grades and several other revenue enhancement and cost reduction schemes to kick in.
- Rajesh Kothari** And you do not have any high cost inventory which I think there was an issue on high cost inventory which were I think say in couple of quarters back? So whether that high cost inventory issue is sorted out or it is still there?
- Deepak Asher** I think what you are referring to is if you are kind of recollecting from the last earnings call was the fact that we had bought fluorspar at prices which were higher than what current market prices are essentially because we at that point of time believed there might be a shortage of spar now much of that high priced almost all of that high priced spar will be consumed completely by in the next month or so. So that I think is an issue of the past.
- Rajesh Kothari** So probably second quarter also will be little bit impacted because of that inventory issue?
- Deepak Asher** Slightly, yes.
- Vivek Jain** Partially but not substantially.
- Moderator** Our next question is a follow up from Kuntal Shah of Axis Holdings. Please go ahead.
- Kuntal Shah** Just at current prices what can be peak sales of the Specialty Chemical businesses if assumption is 100% capacity utilization in a year's time?
- Vivek Jain** In the first multipurpose plant?
- Kuntal Shah** First and second you are already going to do second also so I am saying over a year, assuming we go at 100% capacity and the prices remain the same what can be the peak sales output from the segment?
- Deepak Asher** On PTFE business?
- Kuntal Shah** Yes.
- Deepak Asher** Very broadly speaking I think at full capacity utilization our total chemical business turnover would be about between Rs. 1,800 crores to Rs. 2,000 crores.

Kuntal Shah No, do not give me chemicals just give me the PTFE business?

Deepak Asher So I am just giving you the big picture and then the pieces of the pie. Rs. 1,800 crores to Rs. 2,000 crores of chemical turnover of which roughly about 50% would be commodity chemicals and around 50% PTFE.

Kuntal Shah And what is the market share in wind turbine group in India?

Devansh Jain In terms of market share so last year we were at about 16% that was for the full year and I think in terms of this year I do not think –

Deepak Asher This year should be yes, it should be better than 16% but last year we closed at 16% market share.

Kuntal Shah And Deepak, just rough cost of debt at blended basis across all the companies all the four businesses?

Deepak Asher Okay, since you are talking of rough I think it will be about 10%.

Kuntal Shah This is what is the mix is the foreign borrowing because you have a huge hedge in the chemical business or it is mostly domestic?

Deepak Asher No, again even if it is foreign I am talking of a fully hedged cost.

Moderator Thank you. We will take the next question from Niraj Mansingka of Edelmetals. Please go ahead.

Niraj Mansingka Sir, I just wanted to know any color on how are the market is change in the refrigerant side in the last one quarter or so?

Vivek Jain Refrigerants market is always seasonal so the last quarter has been much better but that is something which is normally so. But our presence in the refrigerant market is now very, very marginal.

Niraj Mansingka And secondly, any update on the fluorspar mining?

Vivek Jain Yes, that plant in Morocco, as per our current progress, will be commissioned by December 2015.

Niraj Mansingka Any numbers and all that you can share with us on that?

Vivek Jain In terms of investment?

Niraj Mansingka Yes.

Vivek Jain Total investment in that project will be about Rs. 60 crores.

Niraj Mansingka And what will be capex?

Deepak Asher The total capex is about \$ 10 million to \$11 million of about \$8 million of debt already tide up and therefore \$3 million would be the equity investment. This is a joint venture so we will need to put in about 75% of the equity investment. The balance 25% commission on the joint venture partner.

Niraj Mansingka And what capacity we will start at the first?

Deepak Asher About 40,000 tons per annum.

Niraj Mansingka And any scale up plan you have in that how it will scale up?

Deepak Asher At this point of time we are focusing on implementing the project and commissioning it. It is too early to talk about scale up at this stage.

Niraj Mansingka I think we have one more question and then may be Inba, we can.

Moderator Sure sir. Next question is from Dixit Mittal of Subhkam Ventures. Please go ahead.

Dixit Mittal Sir, can you throw some more light on your expected capex of around Rs. 150 crores on the Specialty Chemicals? So sir, what kind of chemicals will these be and what is the like targeted market for this?

Vivek Jain Well, at this point of time I would not be able to share more details except the fact that these specialty chemicals will be targeted to agro chemical and the pharma industry. There are several products which we are currently working on. At times some of them might not go ahead also and more products can get added to the table but since these are going to be multipurpose plants we will have the capability and flexibility to make different chemicals.

Dixit Mittal Sir, in terms of if you can give some idea on like these are R&D focused products or commodity products?

Vivek Jain No, they are R&D focused products.

Dixit Mittal Sir, any indicative margin profile on these chemicals?

Vivek Jain Well, the margin on sales it would be about around 40% to 50%.

Dixit Mittal And sir, any asset turnover in this business?

Vivek Jain Again difficult to say but yes, two to three times.

Moderator Thank you. Our next question is from Nandita Pandit of DSP BlackRock. Please go ahead.

- Nandita Pandit** I was just wondering your contracts for sourcing of flourspar I believe and between June and July 2014 and you are saying that the plant in Morocco is only going to be commissioned in December. So I am just wondering what is the plan for flourspar to be sourced in the interim?
- Vivek Jain** Well, we have current supply sources and at this point of time the prices have softened. So that helps us for the next one-and-half years till such time as our own mines get into operations.
- Moderator** Thank you. Our next question is a follow up from Ketan Gandhi of Gandhi Securities. Please go ahead.
- Ketan Gandhi** Yes sir, in previous question you answered that our total chemical segment revenue can be at the top of the line is around Rs. 1,800 crores to Rs. 2,000 crores and you said that revenue mix will be 50% from the commodity chemicals and 50% from the PTFE?
- Vivek Jain** Approximately.
- Ketan Gandhi** So if I look at the current turnover it is around say Rs. 1,200 crores to Rs. 1,300 crores. So incremental turnover will also come from the commodity chemicals or I am missing that?
- Vivek Jain** The incremental turnover is likely to come largely from PTFE.
- Ketan Gandhi** So the share of the PTFE can go higher to 60% to 70%?
- Vivek Jain** On turnover?
- Ketan Gandhi** Yes.
- Vivek Jain** Well, may be about 55:45; 55% would be PTFE and 45% will be commodity chemicals.
- Ketan Gandhi** In that case your figures are not matching because Rs. 1,200 crores to Rs. 1,300 crores to Rs. 2,000 crores and if we are running at 95% in the commodity chemicals?
- Deepak Asher** Well Ketan, just to clarify we also expect some improvements in the commodity chemical business on a topline basis because of some marginal improvements in pricing over the next few quarters as well as capacity debottlenecking that we have done. So we expect we will be able to sell more of caustic soda and chloromethane going forward.
- Moderator** Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Mr. Niraj Mansingka for closing comments.
- Niraj Mansingka** Thank you, management of Gujarat Fluorochemicals and we had a good session of Q&A and we hope to continue to have a conference call for investors on a regular basis. Thank you very much everybody.
- Vivek Jain** Thank you very much.

Deepak Asher

Thank you Niraj. On behalf of GFL I would like to thank all the investors and analysts who participated in this call and Edelweiss for hosting it so well. Thank you very much.

Moderator

Thank you. On behalf of Edelweiss Financial Services Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.