

Conference Call Transcript

Gujarat Fluorochemicals Limited
Q3FY15 Results
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Corporate Participants

Mr. Vivek Jain
Managing Director

Mr. Deepak Asher
Director And Group Head – Corporate Finance

Mr. Devansh Jain
Director, Wind Business

Questions and Answers

Moderator: Ladies and gentlemen, good afternoon and welcome to the Q3 FY 2015 Financial Results of Gujarat Fluorochemicals Limited. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. I would now like to hand the conference over to Mr. Niraj Mansingka Associate Director, IE Research of Edelweiss Financial Services Limited. Thank you and over to you Sir!

Niraj Mansingka: Thank you Karuna. Good afternoon to you all for joining us today. We would like to welcome Mr. Vivek Jain – Managing Director; Mr. Deepak Asher – Director & Group Head, Corporate Finance, and Mr. Devesh Jain – Director (Wind Business) from Gujarat Fluorochemicals Limited. Thanking them for giving us time and an opportunity to host this call. Today, they will be sharing with us their company's Q3 FY 2015 results and business updates. Over to you all!

Deepak Asher: Thank you very much Niraj. A very good afternoon to all of you, this is Deepak Asher here, Director and Group Head Corporate Finance of the Inox Group of Companies. On behalf of the Board and the management of Gujarat Fluorochemicals Limited, I wish you a very Happy New Year and I am pleased to extend to you a very warm welcome to this earnings call organized by Edelweiss.

I am extremely grateful to all of you for your time and the interest that you have shown in tracking the performance of this company. I am joined this afternoon by our Managing Director Mr. Vivek Jain and Mr. Devesh Jain who spearheads our Wind Energy business.

The Board of Gujarat Fluorochemicals Limited approved the financial results for the quarter and nine months ended December 2014 at its meeting held on Saturday. The financial results and an earnings presentation have been uploaded on the company website and has also been sent to the Stock Exchanges. In addition to the financial results, as requireds have been published in Newspapers. I would like to take you through some of the key financial and operational highlights as regards the performance of the company.

I would like to start by giving an overview of the financial performance of the company at a consolidated level. The numbers for Q3 of the financial year 2014-2015 are compared with the numbers of Q3 of the financial year 2013-2014 for a YoY comparison and then with the numbers of Q2 of Financial Year 2014-2015 for a QoQ comparison. To complete the picture, I shall also give you a comparison for cumulative nine months figure in relation to the corresponding nine months of the last year.

First the big picture. At a consolidated level, total income from operations

increased from INR 8.58bn in Q3 of FY 2014 to INR 16.21bn in Q3 of FY 2015, a jump of 89%. In relation to Q2 of FY 2015 the increase was from INR 12.76bn to INR.16.21bn, an increase of 27%. The nine months figures were INR 22.58bn for FY 2014, which increased to INR 37.88bn - an increase of 68% in the nine month ended December FY 2015.

EBITDA, which is earnings before interest tax and depreciation increased from INR 1.47bn, which is what it was in Q3 of FY 2014 to INR 3.08bn in Q3 of FY 2015, an increase of 109%. For the nine month period EBITDA increase from INR 4.86bn from FY 2014 nine months to INR 7.95bn, for nine months of FY 2015, an increase of 64%. Profit after tax but before minority interest increased from INR 360mn in Q3 of FY 2014 to INR 1.37bn in Q3 of FY 2015 an increase of 280%. The QoQ comparison shows the profit after tax before minority interest increased from INR 1.22bn in Q2 of FY 2015 to INR 1.37bn in Q3 of FY 2015, an increase of 12%. For the nine month period the profit after tax before minority interest increased from INR 1.66bn for the nine months of FY 2014 to INR 3.11bn for the nine month of FY 2015 an increase of 87%.

This of course is the overall consolidated picture of GFL's financial performance. As you are aware GFL owns several businesses. It owns 100% of the chemical business which is housed directly within GFL. It also owns 75% of the Wind Turbine manufacturing business, which is carried out by INOX Wind Limited 100% of the wind farming business, which is carried out by INOX Renewable Limited and around 49% of the Cinema Exhibition Business, which is carried out by INOX Leisure Limited. INOX Wind Limited and INOX Renewable Limited are unlisted subsidiaries whereas INOX Leisure Limited is a listed subsidiary. I would like to share with you the business wise key numbers in order to enable you to appreciate how each of these businesses had performed individually.

On the Chemical business side, total income from operations increased from INR 3.15bn in Q3 of FY 2014 to around INR 3.32bn in Q3 of FY 2015 an increase of 5%. Nine month figures increased from INR 8.32bn in FY 2014 to INR 9.75bn in FY 2015, an increase of about 17%. EBITDA increased from INR 640mn in Q3 of FY 2014 to INR 840mn in Q3 of FY 2015 an increase of about 31%. EBITDA for the nine months period increased from INR 1.97bn in FY 2014 to INR 2.56bn in FY 2015 an increase of 30%. PAT increased from INR 150mn in Q3 of FY 2014 to INR 270mn in Q3 of FY 2015 an increase of 80%. For the nine month period the PAT increased from INR 650mn in FY 2014 to INR 820mn in FY 2015 which is an increase of 26%.

On the Wind Turbine Manufacturing business, the total income from operations increased from INR 2.84bn in Q3 of FY 2014 to INR 9.32bn in Q3 of FY 2015 an increase of 228%. Even on a QoQ basis the total income of operations increased from INR 5.43bn in Q2 of FY 2015 to INR 9.32bn in Q3 of FY 2015 an increase of 72%. For the nine month period, total income of operation increased from INR 8.77bn in FY 2014 to INR 17.79bn in FY 2015, an increase of 102%.

EBITDA increased from INR 350mn in Q3 FY 2014 to INR 1.56bn in Q3 FY 2015 an increase of 345%. For the nine months period the EBITDA increased from INR 1.30bn in FY 2014 to INR 2.98bn in FY 2015, an increase of 129%. Profit

after tax in the Wind Turbine Manufacturing business increased from INR 190mn in FY 2014 Q3 to INR 1.01bn in FY 2015 Q3, an increase of 431%. Even on a QOQ basis the profit after tax in the Wind Turbine Manufacturing business increased from INR 550mn in Q2 of FY 2015 to INR 1.01bn in Q3 of FY 2015, an increase of 83%. For a nine months period the profit after tax increased from INR 870mn in FY 2014 to INR 1.79bn in FY 2015, an increase of 105%.

In the Wind Farming business essentially because of the seasonality, total income of operations reduced from INR 330mn in Q3 of FY 2014 to INR 270mn in Q3 of FY 2015, a drop of 19%; however, on a nine month basis the total income of operation increased from INR 1.37bn to INR 1.55bn, which is a 13% increase. Similarly while EBITDA also showed a drop of 20% from INR 290mn in Q3 of FY 2014 to INR 230mn in Q3 of FY 2015 on a nine month basis, the increase in EBITDA is about 15% which is INR 1.26bn in FY 2014 to INR 1.45bn in FY 2015. PAT similarly increased by about 73% for the nine month period from INR 150mn in FY 2014 to INR 260mn in FY 2015 for the Wind Farming business.

Lastly, on the Cinema Exhibition business total income from operation increased from INR 2.14bn in Q3 of FY 2014 to INR 3.01bn in Q3 of FY 2015, an increase of 40%. For the nine month period total income from operation increased from INR 6.80bn in FY 2014 to INR 7.99bn in FY 2015, which is an increase of 18%. Earnings before interest tax and depreciation increased from INR 280mn in Q3 of FY 2014 to INR 500mn in Q3 of FY 2015, an increase of 80%. on a QoQ basis the earnings before interest tax and depreciation increased from INR 370mn in Q2 of FY 2015 to INR 500mn in Q3 of FY 2015, an increase of 35%. On a nine monthly basis EBITDA increased by 8% from INR 1.08bn in FY 2014 to INR 1.17bn in FY 2015.

PAT increased on a YoY basis from INR 60mn in Q3 of FY 2014 to INR 140mn in Q3 of FY 2015. On a QoQ basis the increase is 180% from INR 50mn in Q2 of FY 2015 to INR 140mn in Q3 of FY 2015.

These are the financial numbers. Beyond the numbers a few words on the outlook for each of the businesses.

On the Chemical business we have been maintaining for the last couple of quarters that going forward we expect to see an increase in topline and a more than proportionate improvement in the bottomline due to a combination of several factors including higher capacity utilization in the PTFE facility, improved PTFE realization as we churn the product mix to higher value added grades, and, after reaching full capacity utilization, shed the lower value added grades, several cost reductions and revenue enhancement schemes that we are currently implementing, and our entry into the Fluoro Speciality segment.

To some extent these improvements have taken longer than what we had planned at the beginning of this year. However, the directional trend remains the same and we expect a full fructification of these benefits over the next few quarters.

On the Wind Turbine manufacturing business the regulatory environment is

positive reflected by stable attractive wind policies across the four states in which we have a strong presence in the current year, reintroduction of accelerated depreciation and the continuation of 80IA benefits, SAD exemption on components imported for manufacturing wind turbines and the financial release of the promised GBI incentives, and all these regulatory developments augur well for the sector. We presently have an order book in excess of 1250 MW for wind farm projects in Gujarat, Maharashtra, Rajasthan and Madhya Pradesh. Our aggregate land bank today is in excess of 4000MW. As some of you may be aware INOX Wind has filed a DRHP with SEBI which has been cleared, and hence, respecting regulatory guidelines, our ability to share with you, information that is not avail in the public domain will be restricted and we request you to kindly respect this limitation.

In the Wind Farming business we should see some modest capacity additions this year, and going forward, from the equity provided by the cash generated by the business and the debt that can be raised by leveraging that equity. We do not expect to make any incremental cash investments in this business.

In the Multiplex business, we expect to maintain the momentum of growth and profitability backed by a steady property pipeline, which we are currently implementing, the robust flow of content and several measures we are implementing to improve our margins in the food, advertising and other operational segments. We continue to pursue both organic and inorganic growth opportunities in this business and we believe that there are several opportunities for consolidation in this space going forward.

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

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Sir, it is regarding that INOX Wind you said 1250 MW order book how much is in-house and how much is outside?

Deepak Asher: If your question is how much of it is to group companies itself and how much of it is to third parties, I think less than 5% of the order book would be is to group companies. Majority would be to third parties.

Devansh Jain Less than 3% would be in-house, 97% would be external.

Ketan Gandhi: Excellent. Thank you. I will join back in queue if I have any question.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.

Rahul Agarwal: Good afternoon. I had the first question on the chemical business if Mr. Asher can throw some more light on the volume for PTFE for the quarter as well as realization?

Deepak Asher: PTFE sales have been 2221 tonne in Q3 of FY 2015. This compares to 2072 tonnes in Q3 of FY 2014. So that is an increase of roughly about 10%.

Rahul Agarwal: What was the realization? Was there any growth?

Deepak Asher: PTFE realizations are about INR 558000 in Q3 of FY 2014, a marginal improvement over INR 550000 in Q2 and INR 538000 in Q1.

Rahul Agarwal: Any reason like the realization is not panning out as per what we expected I guess what we were doing is to get up to the value ad of 10-11\$ per kg right?

Vivek Jain : On the incremental quantity yes, not on the total volume. We expect the incremental volumes to largely come from the new grades which we are developing so that should help in picking up the weighted average contribution in the next few quarters.

Rahul Agarwal: Any reason quarter on quarter the volume for PTFE going down?

Vivek Jain : Last quarter was bit of an aberration because two things happened. One was there was sluggishness in the European economy and also because of the year end necessity for reducing inventories that pushed down sales beyond what we expected but we see this quarter coming back to our level of expectation.

Rahul Agarwal: The second question was on the Wind Farm business I think it is seasonal but could you just help me understand how this seasonal as in why there is drop in terms of revenue as well as EBIT margins as well?

Devansh Jain How the wind farming business works typically in Q2 of financial year, which is typically July to September the wind velocities pick up and PLFs are about 40% to 50% across sites whereas in the Q3 which is October to December wind velocities drop about 15% or 20%. So on a year-on-year basis we are doing far better than last year because all the wind farms has been an operational for over a year so we see a jump of about 10% to 15% but this is the nature of the beast, you know on a typical year if wind gives about 25% PLF Q1 is about 30%, Q2 is about 40% and then Q3 and Q4 are the lean wind seasons where generation is the lowest.

Rahul Agarwal: Ok got it. That is it. Thank you Sir.

Moderator: Thank you. We have next question from the line of Parin Gala from Gandhi Securities. Please go ahead.

Parin Gala: I just wanted to ask, I think I missed something in the wind business when Mr. Asher said 4000 MW of something along with 1250 MW of order book 4000 MW was what?

Deepak Asher: It is the land bank.

Parin Gala: Thank you.

Moderator: Thank you. We have next question from the line of Sanjukta Mazumdar from SKS Capital and Research. Please go ahead.

Sanjukta Mazumdar: Good afternoon Sir. My question is regarding the growth you are expecting in topline in EBITDA if we could get a view on segmental basis on that?

Deepak Asher: Obviously we cannot we will not give you forward-looking statements in quantified terms. I mean we expect the businesses to pan out quite well, the momentum of growth that we have shown in these businesses has been fairly robust and we expect to maintain that robust momentum of growth in all the businesses that we operate in. Again these are listed companies, I am sure you will appreciate we cannot give you quantified financial projections for the future.

Sanjukta Mazumdar: Sir what could be the current debt position in your consolidated books?

Deepak Asher: This would be, on a net debt basis, net of the cash that we own, roughly in the region of about INR 20bn across all businesses including short term borrowings of working capital.

Sanjukta Mazumdar: This is on the consolidated basis?

Deepak Asher: This is on a consolidated basis, yes.

Sanjukta Mazumdar: Thank you.

Moderator: Thank you. We have a follow up question from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: This is a question on value addition of the PTFE business are we on track as far as Fluorospeciality business is concerned and even Fluoropolymer business?

Vivek Jain: So you have two different points, one is the PTFE business. I suppose you are referring to the PTFE business?

Ketan Gandhi: Yes PTFE in I mean FEP and all that, Fluoropolymer?

Vivek Jain: We are not into FEP. What we are getting into is Fluoro Rubbers and as of this point of time I think we are on track may be about a quarter behind because of the sluggishness in the European economy but general trend is what we have been mentioning, that we know in the next couple of quarters we should be able to get to full capacity utilization in the business. Our grade development for the value added grades is going ahead as planned, most of the grades have been developed, customer approval processes are on, only because of the sluggishness in the European economy approvals from customers have taken longer than what we have expected, but we do not see any cause of concern there at all.

Ketan Gandhi: Sir if possible can you throw some light on the expansion at Madhya Pradesh of this INOX Wind?

Vivek Jain: Deepak I don't know whether we can?

Deepak Asher: I think, we will be restricted Ketan because of the impending IPO so we request to skip that.

Ketan Gandhi: Thank you Sir.

Moderator: Thank you. We have a next question from the line of Paras N from Enam Holding. Please go ahead.

Paras N: Congratulations on a good set of numbers. Sir my first question is on the standalone Gujarat Fluorochemical, the other income has sequentially dropped from INR 140mn to INR 70mn is there anything to look on it?

Deepak Asher: Well I do not have the detail in front of me, I need to get back to you Paras on that, if you do not mind?

Paras N: Okay and Sir what is the kind of capacity utilizations for PTFE business do we expect in two quarters from now?

Vivek Jain: We expect to reach about 75% to 80% capacity utilization and in the next one or two quarters thereafter close to 100% capacity utilization.

Paras N: So by December of 2015 we should get 100% capacity utilization?

Vivek Jain: That is how it looks like at this point of time.

Paras N: Okay and Sir lastly if you could I do not know whether you permissible, can you share the MW that you did for the quarter for INOX Wind?

Deepak Asher: You mean in the Wind Turbine Manufacturing business?

Paras N: Yes Sir.

Deepak Asher: Yes, we will break this into two parts, in terms of Megawatt which we have sold - we did 200 MW in Q3 of FY 2015 and in terms of commissioning we commissioned about 158 MW.

Paras N: Sir what is the lag in commissioning in there a particular Megawatt which has not yet commissioned?

Devansh Jain: Yes, we have done about the total volume which we have done there is been a mismatch between the commissioning and the supplies. The way the Wind business typically works is Q4 sees maximum amount of commissioning. That is how orders are placed and that is how we build substations. Substations are typically back ended in any financial year, so Q4 will probably be the biggest year in terms of commissioning and as we move forward there is typically the lag of about a quarter or so - what we supply in one quarter gets commissioned in the next quarter. Typically but they may not be the rule book because depends when people give orders and when they really want the project to be really commissioned.

Paras N: Got it, so this 200 minus 150 you think will get commissioned by next quarter correct?

Devansh Jain : I cannot give forward looking statement but like I said there typically a lag of one quarter but again I think in terms of our contractual obligation we are bang on target.

Paras N: Thank you Sir.

Deepak Asher: I think Paras in terms of the broad thumb rule one can assume that the supplies of Q1 would get commissioned and Q2 and so forth.

Paras N: Thank you Sir.

Moderator: Thank you. We have the next question from the line of Sameer Raj from Reliance Mutual Fund. Please go ahead.

Sameer Raj: Good afternoon Sir. Just a quick question related to a theatrical exhibition business. If you can just elaborate more on our two three year plan there kind of, currently there is a significant gap between our margin and margins of our core competitors? What exactly is the game plan in terms of bridging that gap?

Deepak Asher: Two different questions in terms of plans, again the plans could be bifurcated into organic as well as inorganic. Organically we have a pipeline of more than 150 screens that we are working on. We would expect to grow at about 50 to 60 screens in a year. So that is how our property pipeline is expected to be implemented in the coming years. In terms of the gap on margins, we do realize that depending on whom you compare with, there is a scope for the improvement in our margins. We currently are at about 16% to 17% EBITDA margin and we believe that we can take this up to around 18% to 19% and we are doing several things in order to secure that. One is, if you attended the earnings call on INOX Leisure, which was held on Friday and there is an earnings presentation on that as well, you would see that our F&B revenues are improving, in fact F&B revenues have grown by about 10% on a per patron basis and F&B costs are going down and therefore F&B contributions are improving by about 13% to 14% on a per patron basis so considering the fact that the number of patrons will also increase and the amount per patron also goes up we expect a significant improvement in the F&B contributions. Secondly on the advertising and other operating income also there is significant headroom for improvement. In fact our advertising and others operating income on a per screen basis has grown this quarter by about 23% compared to what it was in Q2 and here again we believe that there is scope for improving so we believe this would lead to a margin expansion going forward.

Sameer Raj: My second question is the chemical business. Sir you know chemical business will be benefited in any significant manner because of fall in crude price?

Vivek Jain: Well, we use methanol as a raw material in manufacturing chloromethane and we have seen a significant reduction in methanol prices that should help us in the next few quarters in terms of bringing down cost to manufacture chloromethanes.

Sameer Raj: Since you are moving more into specialities and all, it is not necessarily will have to pass on all those?

Vivek Jain: Yes but chloromethane really does not get into specialty chemicals so specialty chemicals will not get impacted.

Sameer Raj: Fair enough. Fine sir, thank you that's all from my side.

Moderator: Thank you. We have a next question from the line of Rajendra Mishra from IDFC Mutual Fund. Please go ahead.

Rajendra Mishra: Hello Sir. Sir can you just throw some light on the Capex plans at an aggregate level and also at a segments level, any outlook for next year?

Deepak Asher: For Gujarat Fluorochemicals I believe most of the capexs' have already done and there isn't any incremental capex planned. There is some cash outflow that will happen over the next two or three months in respect of capex, which is already being implemented currently – this should be in the region of about INR 250mn to INR 300mn. So that is on the chemical side. On the Cinema Exhibition business side as I mentioned organically we expected to add about 50 to 60 screens per annum, on an average the capex per screen is about INR 20mn so you would expect to see a capex of about INR 1 to INR 1.20bn on the Cinema Exhibition business. On the Wind Farming business assuming that we add about 30 MW in the next year, this would entail a the capex of roughly about INR 1.80bn which would be funded 25% equity from the cash flow of generated from that business and 75% debt. On the Wind Turbine manufacturing business unfortunately we would not be able to say anything at this point of time because of the restrictions in view of the fact that it may soon be under transaction mode.

Rajendra Mishra: Ok great. Thank you Sir.

Moderator: Thank you. We have next question from the line of Rangit Cirumalla from B&K Securities. Please go ahead.

Rangit Cirumalla: Congratulations for good set of numbers. My question is related to the chemical business. We have seen a fall in gross margins on a QoQ level. Is it seasonal or is there something to it?

Vivek Jain: Is there any particular product which you are referring to?

Rangit Cirumalla: On the standalone level. The gross margins have fallen sequentially so I just wanted to understand is there any seasonality effect or is it to do with only one particular product?

Vivek Jain: Well, I do not have the data in front of me but all I can say is in the quarter which has gone by, there has been a drop in caustic soda prices but those prices declined because of the fact there was a demand supply mismatch one of the major consuming industry which is H-acid industry in Gujarat went through a recession and they are coming back now. So we expect caustic soda prices to get back to where they normally are from this quarter onwards. So that was one area where the prices went down. As far as chloromethane is concerned in MDC in the second quarter of last year there was again an aberration prices of which had gone up substantially because of again demand supply mismatch, some of the plants in Europe had taken outages and you know momentary spike in MDC prices and we see that now coming back to sort of a normal level, but given the fact that methanol prices have substantially gone down we do not expect there to be any adverse impact on contribution in the chloromethane business. PTFE prices have remained stable now. They have marginally gone up and we expect that with the incremental quantities coming in from value added grades there should be a marginal increase in overall PTFE price going forward.

Rangit Cirumalla: So was there any inventory hit this particular quarter, if you can you quantify that?

Deepak Asher: Sorry I barely hear if you could just speak little bit louder?

Rangit Cirumalla: Sir was there any inventory hit in this particular quarter due to the fall in prices of caustic?

Vivek Jain: No because you know we hardly hold, this is liquid product so we have got limited capacities to hold the liquid products so the inventory would be hardly about 4-5 days that's typically the norm.

Rangit Cirumalla: Sir then would it be fair to assume that the margins could again fall back to the 2Q levels?

Vivek Jain: In caustic?

Rangit Cirumalla: Overall margins?

Vivek Jain: Well, caustic certainly they will improve in this quarter. In this quarter again as I said MDC prices would see correction but then they are more than offset by the methanol price decline so we do not expect any adverse impact in the margin in chloromethane. Caustic of course they will improve because prices are slated to improve.

Rangit Cirumalla: Thank you. That is all from my side .

Moderator: Thank you. We have next question from the line of Kamal Gada from UTI. Please go ahead.

Kamala Gada: Hello Sir. Sir at the start of the call, you said there was some delay in the energy saving or recovery schemes that we were implementing. If you can just throw some more light when do we expect that to be completed and what kind of margin improvement we could see in the chemical business?

Vivek Jain: Well there is no delay. These were all expected to be completed by the end of this quarter. We are fairly on track so we would see an impact of that happening in the first quarter of the next financial year where especially our PTFE cost will go down.

Kamala Gada: If you can quantify what kind of benefit you could have on the margins?

Deepak Asher: Well, I think our guidance that we gave in the earnings call last year was that we started the financial year with an EBITDA margin of about 20% and we expected that once we hit full capacity on PTFE as well as implemented all the cost reduction and revenue enhancement schemes including the benefit of the improved PTFE realizations that we expected, we had said that we expect the EBITDA margins to go up to about 30%. We were at about 28% in Q2 and about 26% in Q3 and we expect to be able to maintain our trajectory of growth and hit our targets some time during the coming quarters.

Kamala Gada: I think we were also doing some capacity expansion from 16000 to 20000 tones that has been done or that is still?

Vivek Jain: Sorry I did not get that question.

Kamala Gada: The capacity expansion we were going for some debottlenecking

for our PTFE plants?

Vivek Jain: No not at this point of time. We are planning to do that over a period of time perhaps next year when we are able to get into a situation where we are already running the plant at full capacity but that debottlenecking is not a very lengthy exercise. It probably takes us a couple of months to do that and we would trigger that when we feel that you know we are getting closer to capacity utilization.

Kamala Gada: So currently our PTFE capacity 16000 tonnes right?

Vivek Jain: On an annualized basis.

Kamala Gada: So that we have think that we should touch 75% to 80% may be in Q4?

Vivek Jain: Q4 of this calendar year?

Kamala Gada: Yes this Q4 FY 2015 and probably maybe one or two quarters hence we should touch the full capacity?

Vivek Jain: No as we just mentioned you know by December 2015, we expect to be full capacity utilization, there is a lag of about a quarter from what we expected earlier but by December 2015 I think we should reach that number of full capacity utilization.

Kamala Gada: The incremental capacity should be mainly of the value added polymers, which would help us in getting better realization?

Vivek Jain: We have flexibility. We could partially increase our value added products and partially increase our granular, commodity kind of a products. We will see how the market emerges in the next one two three quarters and decide about what kind of product we go in for.

Kamala Gada: Okay and we are not seeing any pressures on the PTFE prices, am I correct in that?

Vivek Jain: I think at this point of time PTFE prices are at a fairly low and going down from here is very inconceivable, just to be conservative I think these prices are likely to maintained for the next one year.

Kamala Gada: Okay and lastly how is the fluorspar prices behaved in last three four months?

Vivek Jain: Fluorspar prices have gone down. We have already contracted for this coming year at a lower price and so I think we will see benefits of that also coming in the next calendar year.

Kamala Gada: Could you tell what are the current fluorspar prices?

Vivek Jain: Well, we are currently contracted for buying it at about \$300 CIF.

Kamala Gada: So we are taking some benefits downwards with regard to that?

Vivek Jain: Yes, we would see that you know as our inventory gets depleted you know the whole inventory gets depleted in the next few months we will see benefits of the lower prices of fluorspar coming in.

Kamala Gada: That was helpful. Thank you Sir.

Moderator: Thank you. We have next question from the line of Rangit Cirumalla from B&K Securities. Please go ahead.

Rangit Cirumalla: Follow up from my side. Just wanted to understand how the realization for R22 Refrigerant has behaved in this particular quarter and what do expect for the next financial year?

Vivek Jain: As you know as Gujarat Fluorochemicals was the largest producer of R22 in the country and this has now come under a quota regime because of the Montreal Protocol so we had the largest production and sale of HCFC-22 of the Refrigerant. Last quarter prices have picked up and there has been in a sharp quota restriction imposed in China both in production as well as export. We think that that will help in R22 prices remaining at this level going forward and perhaps also strengthening. Last year of course we were constrained in our export of HCFC-22 because much of it was used up internally in the manufacturing of PTFE now that capacities has got released because our captive facility for the HCFC-22 for a PTFE has been commissioned last year so that will enable us to increase our volumes of exports of R22.

Rangit Cirumalla: So what were the current realizations for R22?

Vivek Jain: Current realizations would be in the region of about around \$2000 per tonne.

Rangit Cirumalla: Thank you Sir.

Moderator: Thank you. Mr. Niraj Mansingka you may go ahead with your question Sir?

Niraj Mansingka: Sir one broad question, there was a climate change discussion that happened between China and the U.S. in the month of November, can you get some thought process on top down how you see this evolving and impacting the Fluorochemical market?

Vivek Jain: Well, I do not see that impacting our business at least. We are only in HCFC-22 as far as the refrigerants are concerned and the time table for its phase out as a refrigerant is already mapped out so the discussions between China and U.S., will not have any impact on HCFC-22 at least.

Niraj Mansingka: Sorry Sir, can you give more details when you said that the time table has been mapped out?

Vivek Jain: Under the Montreal protocol HCFC-22 as a refrigerant has to be phased out by about 2040 or may be about between 2030 and 2040. So a 10% cut has already been implemented from this year and by 2020, it is going to be about 30%, 30% or 35-odd%. So you know that time table has already been made out so whatever discussions which have taken place between U.S. and China will not have any impact whatsoever on the HCFC-22 business as usual.

Niraj Mansingka: But Sir the point was that China and U.S. were not discussing on the Montreal, they were discussion on separately how to phase down fluorocarbon and other carbon emissions etc., and so would not they have

an impact?

Vivek Jain: For instance the 134A which is a refrigerant also, which is not controlled by the Montreal protocol because it does not have an ODP, which is was on Ozone Depleting Potential. It is a greenhouse gas because it has a GWP so those are the kind of gases which are going to be governed by the climate change discussions, globally as well as between U.S. and China.

Niraj Mansingka: So is it right to say that something like YF1234A can scale up at the cost of R134 if this climate change discussions have any impact?

Vivek Jain: Certainly I think R1234 will certainly be there in the medium to long term and given the fact that it has a zero ODP as well as a very low GWP eventually 1234YF will start getting used in the European and U.S. markets specially.

Niraj Mansingka: Right Sir, and last to get update on what is happening on the 1234, there was one plant which have started as there may be some scale up there or its just a pilot plant which is there?

Vivek Jain: That I do not know the latest but there is work going on now and 1234YF but as I said it is more medium to long term, nothing is going to happen in the short term, because the capexs' are fairly high, its complex technology and it is going to take a while for large scale manufacturing of 1234YF to emerge.

Niraj Mansingka: Thank you Sir.

Moderator: Thank you. We have a follow up question from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: You said that there is some capacity constraint or this has been banned for producing HCFC-22. Still HCFC-22 is the feedstock for manufacturing PTFE. Do you foresee firming up of price of PTFE in the near future?

Vivek Jain: No you see HCFC-22 used as a feedstock for PTFE is not controlled by the Montreal Protocol. So that in itself perhaps will not have any impact on the PTFE prices. What is controlled under the Montreal Protocol is HCFC-22 used as a refrigerant and because of the production restrictions, which have been imposed and will be there in the future also we expect HCFC-22 prices to remain firm and perhaps also increase in the future, how much at what point of time is difficult to say.

Ketan Gandhi: Thank you.

Moderator: As there are no further questions from the participants, I would now like to hand over the conference back to Mr. Niraj Mansingka for his closing remarks.

Niraj Mansingka: Thank you everyone and Gujarat Fluorochemicals management for participating in this call. Over to you, Mr. Asher would you have any closing comments?

Deepak Asher: Just like to thank once again all investors, all analysts and all the participants on the call for taking interest in the performance of the

company and to Edelweiss for hosting this call. Thank you very much.

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

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