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# EDITED TRANSCRIPT

NAFL.NS - Navin Fluorine International Limited - Special Call

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## PRESENTATION

### Operator

Ladies and gentlemen, good day, and welcome to Navin Fluorine International Limited CapEx Update Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. (Operator Instructions) Please note this conference is being recorded. (Operator Instructions)

I now hand the conference over to Mr. Radhesh Welling, Managing Director and -- of Navin Fluorine International Limited. Thank you, and over to you, sir.

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### Radhesh R. Welling - Navin Fluorine International Limited - MD & Director

Thank you very much. Good morning, and warm welcome to all the participants. First of all, thank you very much for coming on call at such a short notice. I'm also joined by our CFO, Mr. Ketan Sablok, and SGA, our investor relations adviser for this discussion.

We are pleased to inform you the Board of Directors at the Board meeting held yesterday have approved a CapEx plan for setting up a multipurpose plant at Dahej in the state of Gujarat. The CapEx outlay for this project is INR 195 crores. This CapEx will be undertaken by our wholly owned subsidiary, Navin Fluorine Advanced Sciences Limited. The mode of funding for the project will be a mix of internal accruals and debt. The new capacity is expected to come on stream during H1 of FY '23 and will help commercialize new products in life science and crop science sectors in the Specialty Chemicals business.

This investment that we are very excited about will lay a foundation for the next phase of growth of our Specialty Chemicals business. It will help us enhance our product offerings and strengthen our customer relationships, along with providing building blocks for future growth.

With this, I would now open the floor for Q&A. Thank you.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) We have a first question from the line of Amar Mourya from AlfAccurate Advisors.

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### Amar Mourya

Congratulation for this new CapEx. Sir, I have questions related to CapEx on what would be the fixed asset turnover ratio in this particular asset and the margin profile and the ROC -- return ratio profile in the CapEx?

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### Radhesh R. Welling - Navin Fluorine International Limited - MD & Director

Yes. So if you look at the EBITDA, it is going to be slightly -- I mean you leave aside what we did in last specific quarter. But if you look at, let's say, annualized range of EBITDA that company has been performing at, the EBITDA for this project is going to be slightly above that EBITDA range. In terms of ROC, it's more or less in the range of the overall company ROC, so though the numerator is higher because the denominator is also because this is a new investment. ROC is going to be overall in the similar kind of a range. We expect that the payback will be around 4 years, and we expect the peak annual revenue to be between INR 260 crore to INR 280 crore, which comes to about fixed asset turnover of around 1.35 to 1.45. And we expect this peak annual revenue to be reached in about 2 to 3 years post commissioning of the plant.

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### Amar Mourya

Okay. And sir, this would be -- like, as you indicated, this all would be a new product? Or this would be the extension of also the existing product line because we were in the constraint of capacity?

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### Radhesh R. Welling - Navin Fluorine International Limited - MD & Director

No. So for our existing products, we continue to do smaller debottlenecking projects in Surat. These are completely new products. So this basically opens up a completely new -- portfolio of new products for us that we have been now working on for the last, let's say, 2 years or so. So these are all new products.

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### Operator

We have next question from the line of Sanjesh Jain from ICICI Securities.

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### Sanjesh Jain - ICICI Securities Limited, Research Division - Research Analyst

A couple of questions from my side. First, on the mix which we are anticipating. I understand it's multipurpose, so it's fungible. But still, given the product profile, how will be the mix for this particular project? We today have 40, 40, 20 in terms of life science, crop science and the industrial. How should this incremental project should look like in terms of the revenue mix? That's one. Number two, our last MPP project was probably, if I

remember right, it was 4, 5 years back. So it has taken at least 4, 5 years as to come up with the new MPP plant. Can you give us the thought process in terms of how should we look at MPP? Does it facilitate more dedicated plant in the future? And that's how we should visualize and this is more of a new product launchpad? How should we see the MPP CapEx as a whole?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Yes. So let me answer your second question, and then let me get into the philosophy of MPP and then thereby answer your first question related to mix. You're right, the CapEx that -- the MPP CapEx that we had undertaken previously for our specialty business was long time back. It was more of 7, 8 years back. So this is actually happening after a long time. And we have been actually working on this set of products for over the last 2 years, wherein we identified the products, engaged with the customers, completed the R&D, completed the piloting and now we are ready to scale this up.

The way we look at is that most of the products that we are currently considering here are all relatively new products. So they have just been launched or just launched like last year or so or this year, or they are just getting launched this year or next year, et cetera. So these are all relatively newer products.

And as you rightly said, we are looking at this MPP 2 ways: one, everything that we are trying to do in this MPP is around a few value chains. If you look at the products that we have identified, so if there are, let's say, 8 products, these are not 8 different value chain, these are limited number of value chain. So what that means is that it actually gives us an opportunity for backward integration and forward integration as we move ahead.

So as I have mentioned in my commentary earlier, that our focus would be to invest significantly in the fundamental fluorinated building blocks, then -- which then strengthens our position in the fluorination space. So this MPP gives us that opportunity, to go deep in certain fluorinated building blocks. Also, we expect that at least a few of these products in the next 2 to 3 years will actually -- in about 2 to 3 years after the commercialization of this plant will actually scale up and will require dedicated plants. So we expect -- now we are actually starting with about 5 products which are currently planned for this MPP, but we have a pipeline or backup this one of around 7 products which are ready to come into this MPP as those moves -- as those products move out.

So we're actually looking at a healthy pipeline. As you rightly said, this should actually be looked upon as a kind of a launchpad for larger things to come. But the revenue indication that I had given to you is assuming that they continue at this level and continue to be in this MPP. If any of this opportunity requires a dedicated plant because it's looking like it's going to scale up, that will be a separate CapEx, that will be a separate discussion, and that will be a separate revenue number. So the numbers that I had given to you are assuming these products will remain at this scale. And obviously, we hope that at least half of the products that are currently planned will actually scale up and will require dedicated plant going forward.

As far as the mix is concerned, the initial products that we are going with are all for agrochemicals. But if you look at the pipeline that we have, which also consists of backup products, also, there are some other products that we are working on, which possibly could actually replace this as we move ahead, the split is almost 50%, 50%, 50% pharma and 50% agro. The first set of products that we are going with are all 100% agro.

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**Sanjesh Jain** - ICICI Securities Limited, Research Division - Research Analyst

Just 1 clarification. When we said we have 5 products at the launch, and -- we will add another 7 product or the total product portfolio will be 7?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

No. So what we are doing is that we are initially going with 5 products. So if you see the MPP, that has been designed for this initial set of 5 products. Having said that, because there are always commercial risks because the demand could go up, down, et cetera, if it goes up, obviously, it will require a dedicated plant. But assuming it goes down or the economics changes, it's important that we have a plan B, we have a pipeline of more number of products. So we actually have around 7 products in the pipeline as plan B. So we currently have 5 plus 7, 12 products.

So when we have designed the plant, we have designed the plant for these 5 products. But at the same time, we have kept flexibility in the plant to be able to accommodate the other 7 products as well. From the point of view of the process design, I'm talking about, not in terms of volumetric. So we will not be able to do 5 plus 7. We'll be able to do 5. If some of these products go up or down, it's possible for us to replace from those 7 into this MPP.

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**Sanjesh Jain** - *ICICI Securities Limited, Research Division - Research Analyst*

Got it. Just 1 follow-up question here. How should we see this? Is this new product which we have tested and we see demand in the market? Or we are putting this plant with a certain demand visibility from the customer? How should we see ramp up? Because when you say it is 2- to 3-year 5-product, it looks like it's just a pilot, and we are testing the product now with the customer. That's one. Number two, the turnover on the MPP looks on the lower side, given that we are putting it in the same facility where we are also putting HPP. So utilities, we said that will be same which we use for HPP. In that sense, the asset turnover of 1.3 looks on the lower side. This is more to do with the batch process and all those things? Or how should we see this?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

Yes. So this is actually going to come up in Dahej. So if you look at the overall infrastructure piece, so with respect to our captive power plant, et cetera, so a lot of those utilities or the overall infrastructure was actually taken care of in a separate budget, which we had -- a separate CapEx which we had announced, which was approximately about INR 90 crores. So here, all the infrastructure related to the plant. So the roads leading up to this, the cable trays leading up to this plant, all the tanks, et cetera, required for this plant, along with the plant, will all come in here, into this project.

The asset turn is not 1.3. We are indicating the asset turn of about 1.35 to 1.45. We expect it to be around 1.4. So that's the asset turn we are expecting on this particular thing. As you rightly indicated, it basically has a lot of batch processes. And also, if you look at the way we are actually constructing the plant, so if you look at the civil cost, there's a significant portion of the plant, almost 40% of the plant, we are actually keeping it empty for further expansion. So when we actually require to expand, we could put in new molecules, et cetera, there, we will just need to add the equipment. We don't at that point in time need to construct a new plant for that. So that is how we are actually thinking about this design.

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**Operator**

We have next question from the line of Ankur Periwal from Axis Capital.

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**Ankur Periwal** - *Axis Capital Limited, Research Division - VP of Media and Logistics*

So continuing with the earlier discussion. So this statement that we have announced is in a subsidiary, NFASL. Will it be fair to say that this chemistry that we are working on is broadly on the similar line what it was for the earlier INR 450 crore CapEx? And is there more -- this CapEx is more an extension to the earlier one or it's a dedicated CapEx effect and an opportunity that we are trying to capitalize?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

So when you talk about earlier, are you talking about HPP? Or are you talking about the earlier MPP that we did in Surat a few years back?

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**Ankur Periwal** - *Axis Capital Limited, Research Division - VP of Media and Logistics*

Sorry, the earlier MPP that we did in Surat.

**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Okay. No, so first of all, the products that we are looking at here, the scale of those products is going to be completely different from the scale that we had earlier looked at in MPP in Surat. Okay, one of the questions that was asked earlier is that what is the status of these products. So the initial 5 products that we will be launching this MPP with have all been commercialized. And if you actually look at the literature, which has been put out by the custom -- by our customers, you will see that they are actually banking a lot on success of these 5 molecules. The 5 molecules in which these 5 products go.

So we expect that this -- the scale at which we will be operating the MPP, I'm talking about the volumetric -- on a volumetric basis or on a revenue basis, or if you look at further opportunity for scale up, it's very different from the MPP that we had planned earlier in Surat, which was at a significantly lower scale. That's point #1.

Point #2, in terms of chemistry, the core chemistry that we will be handling here, obviously, is fluorination. But the kind of fluorination that we will be looking to do here will be lot more complex. And also, the number of steps are more than what we had the capability to handle in our MPP in Surat.

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**Ankur Periwal** - Axis Capital Limited, Research Division - VP of Media and Logistics

Okay. And as you mentioned in your earlier remark that basically 40% of the plant is still vacant plant capacity. So this INR 190 crore (sic) [INR 195 crore] CapEx will be more than focusing on these 5 products, so is there further ramp-up where we can expand in the other capacity and that CapEx as well as asset turn could be higher or will be on the similar line what we have now, for this project specifically?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

No, I didn't understand your question correctly. I think it was related to the -- yes, please go ahead. If you can just speak little slowly, then it will help me understand.

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**Ankur Periwal** - Axis Capital Limited, Research Division - VP of Media and Logistics

So in your earlier point, you did mention that...

(technical difficulty)

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**Operator**

Mr. Periwal, I'm sorry to interrupt. (Operator Instructions)

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**Ankur Periwal** - Axis Capital Limited, Research Division - VP of Media and Logistics

Okay. Is it better now?

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**Operator**

Yes, please go ahead.

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**Ankur Periwal** - Axis Capital Limited, Research Division - VP of Media and Logistics

Yes. So sir, earlier, I think you did mention that 40% of the plant is being vacant for further expansion in either these 5 products or the 7 products. So 2 parts of the question. So one is the 7 products that we are looking at is more an alternative thing for you if you're able to ramp up or not ramp up? Or this indicates they are going to come up and we'll be using that 40% of the vacant capacity? And secondly, whenever that CapEx comes up, the asset turn sort of will be similar or they could be slightly lower or higher than what we are having right now?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Yes. So if you look at the initial 5 products that we are going with, are the products which have already been launched in the market. So the customer has already launched. The initial supply happened probably from Western Hemisphere or initial supply at a lower scale actually happened from our Surat plant. But the official launch has actually already happened. And so to that extent, the demand level uncertainty is lower. Also, the technical level uncertainty is lower because we have already completed all the R&D work, all the piloting work, et cetera.

The other 7 products that we are talking about, those are related to products which are being launched by our customers, okay? And where, the R&D work is complete. We are currently doing piloting work, et cetera, et cetera. So those will actually form the backup for this 5. So as these -- some of these 5 products actually scale up and then go into their own dedicated plant, we expect that some of these 7 products will then come into the MPP and the MPP becomes like a launchpad.

Now as far as those 7 products are concerned, when they come in, we will, at that point in time, have a look in terms of what additional incremental CapEx required for that will be, et cetera. But our expectation is, given the fact that it's going to be an incremental, the asset turn should be at least what it is or it should be better than what it is.

But I think there are a lot of variables. So I cannot answer the question in a very simple term because we will have to see if those products are actually coming in as a replacement of any of our existing products because they're actually going out in the form of a dedicated plant, or are they coming in on top of what we already have or what is the circumstances, et cetera. So a lot of those parameters will have to be looked into. But if you look at from the return perspective, I mean, you either talk about ROC or EBITDA, et cetera, it will be at least what we have indicated today or it will be better than what we have indicated today.

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**Operator**

We have next question from the line of Dhaval Shah from Girik Capital.

We have next question from the line of Ankit Gor from Systematix.

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**Ankit Mukesh Gor** - Systematix Shares & Stocks (India) Ltd., Research Division - VP of Midcaps

Sir, in light of this CapEx, in my estimate, it was expected early, do you see -- sorry, do you see the delay in this CapEx announcement? Because it's like 18 to 22 months away from now. This will -- will this derail our overall spec-end growth? Not derail. Derail is not a good word to use. But do you see some slowdown in our CapEx -- sorry, spec-end revenue in F '22 or debottlenecking will take care of that, and it will manage to do 15%, 20% revenue growth?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

So if you look at this particular CapEx, which has now come in, it's very much in line with the commentary that we have been giving earlier. We have basically said that FY '22, the growth in Specialty Chemicals will be relatively muted. We will do the CapEx. In this calendar year, there will be -- a proposal will be taken to the Board and hopefully getting it approved. And accordingly, it has happened. Before end of the calendar year, we've actually done that. And it will basically take us approximately about 15 to 18 months for completion of the CapEx.

So we expect that in the -- in H1 of FY '23. So we expect that probably by June or so, the manufacturing will actually start in this particular plant. So we're basically looking at, at least a period of about 9 months that we should be able to get in FY '23 using this particular -- in these particular assets for our specialty business.

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**Ankit Mukesh Gor** - *Systematix Shares & Stocks (India) Ltd., Research Division - VP of Midcaps*

Okay. That means, sir, it is a time frame of about 20 months. So is it a general phenomena at Navin? Or we are doing some modification or customization within plant, which will be taking some time?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

No, it's not 20 months. As I said, we are basically looking at 15 to 18 months. So the plant is going to get commissioned in 15 months or so. So we expect the plant commissioning to happen in April of calendar year '22 and it typically takes about a month or 2 to actually stabilize the plant. So we expect that from June onwards, the production will actually start by June or so. So that is why we said that we are expecting in that financial year, we should be able to get a runway of about 9 months.

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**Ankit Mukesh Gor** - *Systematix Shares & Stocks (India) Ltd., Research Division - VP of Midcaps*

Okay. And in between this plant getting commercialized and now, will we have any CapEx at the spec-end side announced in the CapEx announcement?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

Between today and commissioning of this plant?

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**Ankit Mukesh Gor** - *Systematix Shares & Stocks (India) Ltd., Research Division - VP of Midcaps*

Yes. Apart from debottlenecking.

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

Yes, yes. I certainly hope there would be more. I mean given the current strength of our pipeline, we clearly expect that there would be more opportunities. And these opportunities could be either, a, in form of more such activities, which could be either a dedicated MPP for agro or dedicated MPP for pharma or a mixed MPP for agro or pharma or there will be dedicated assets which are product-specific, or there could be dedicated assets for the building blocks. But certainly, there will be more CapEx.

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**Operator**

We have next question from the line of Abhijit Akella from IIFL.

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**Abhijit R. Akella** - *IIFL Research - Research Analyst*

Sir, just a couple of clarifications. One is that for this project, do we have like long-term orders in hand? Or will these be given by the customer on an annual basis? That was my first question, actually.



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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Yes. So this initial set of products that we are talking about, there, we clearly have expression of interest. So that is either in form of a long-term agreement or at least is in the form of an LOI, which has been signed by between us and the customer. So it is not on the basis of orders which will come in later. It is clearly on the basis of some kind of agreement which has been signed up, either it's the actual material supply agreement or it is an LOI.

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**Abhijit R. Akella** - IIFL Research - Research Analyst

Great. And since you indicated that these products are very important growth areas for the customers, what kind of scalability would the customers have in mind for these products that have just been launched over a 5-year time frame or so?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Yes. So each of these products, so except -- in these 5 products, one of the products we don't have very clear visibility. But the other 4 products we expect it's going to be -- each of them have potential to be multi-hundred tonnes in the next 4 to 5 years. So we're talking about a scale of about -- at least about 300 to 500 tonnes. And obviously, there are a lot of commercial uncertainties because it also depends on how the customers product performs. But we expect that at least a few of them will get to that level. And hence, in about 2 years or so or 3 years or so, it -- they will actually require a dedicated plant.

On one of the products, we have already spoken to the customer. The discussions that we have had with the customers have been very, very encouraging. And we have actually decided that in the second half of next calendar year is when we will again get together to see what that scale-up opportunity looks like. So as early as second half of next year, we will actually get into that discussion. So even before this plant actually commercializes or commissions, we will start having those discussions.

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**Abhijit R. Akella** - IIFL Research - Research Analyst

Great. And just 1 last clarification. After this -- of the total land we have at Dahej, after the HPP and this MPP commissioning, how much of the land will be occupied and how much will still be available for further expansion? And then in terms of the refrigerant gas plants, should we expect something more that's possible at Dahej itself?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

So as far as the land is concerned, we have enough and more land is still available. So land is not an issue. I mean even if you take the HPP and this MPP, it still occupies about, I would say, 1/3 of the total land available for us. As far as the refrigerant gases are concerned, like a lot of other projects that we are currently evaluating, those are getting evaluated. And I'm sure, at least some of these projects we will be taking to the Board at the right time. And as soon as the Board approves, we would be happy to come and make the appropriate announcements.

As we had indicated, so by end of this financial year or beginning of next financial year is when we will be able to have some, this one on the refrigerant gases. So that's currently under walk. As and when we are ready to go to the Board with the final investment proposal and get approval from the Board, we will make appropriate announcements.

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**Operator**

We have next question from the line of Alok Ranjan from L&T Mutual Fund.

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**Alok Ranjan**

Sir, my question is related to the building blocks and capabilities that you had mentioned earlier in your discussion. Is it the -- when you mentioned that this chemistry will be more complex and the number of steps will be more, is it because of the new capabilities that we have developed? And whether similar capability is there in industry or Navin is only having this kind of capability to do fluorination, which is more complex?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

So let me try to answer this question in a slightly different way. I mean it's very difficult for me to answer the question in terms of capabilities of other companies because I don't know exactly what those capabilities of other companies are. But what I can tell you is that these first 5 projects at least that we are currently working on we did not -- when we actually got these projects from the customers, we realized that we were actually not competing with any of the Indian companies to get these projects. So if we had lost any of these 5 projects, we would not have lost to another Indian company. So there was no Indian company that we were competing with. So that is what I could mention.

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**Operator**

We have next question from the line of Rohit Nagraj from Sunidhi Securities.

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**Rohit R. Nagraj** - Sunidhi Securities & Finance Ltd., Research Division - Senior Research Analyst

Sir, the first question is, where are we in terms of the environmental clearance process now?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

We already have the EC with us. What we are doing is that we have actually gone back for revision of the product list because -- not specifically for this project, but given the other things that we currently have in the pipeline and a lot of things that we are seeing on the horizon, for that, we have actually gone with an application for revision of the product list. But otherwise, for the existing project, we already have the environment clearance. We have the EC.

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**Rohit R. Nagraj** - Sunidhi Securities & Finance Ltd., Research Division - Senior Research Analyst

Yes. Understood. That helps. Sir, just 1 clarification. You mentioned about these products are already commercialized. So when these products were commercialized or launched by the customer, so were they in last 1 year or so? And are we a second vendor for these products?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Yes. So these are all recent commercializations. And for 3 of these products, we are the second vendor. So the first vendor was from the Western Hemisphere. So there's either a European company or American company supplying the initial lot for commercialization. For 2 of the products -- so one of the products actually was purchased at a very small scale earlier from another supplier. Again, not in India. And they are actually taking now this product and putting into a completely new formulation, and that formulation is expected to do extremely well. So it's a new formulation that is getting launched next year. But the product they were buying at a relatively small scale from another vendor outside of India.

And the last, the fifth molecule, again, the same thing. They were buying from another vendor. So that was a vendor in China. And now they're not happy with because of the complexity of the chemistry, et cetera. They don't feel comfortable continuing in that business, given the strategic importance of the project -- products for them. And hence, they basically -- that is how we engage with them.

And just to give you some indication, if you see these 5 products that we are talking about and if you see the customer profile, again, there is a good split between American company, European company and Japanese company.

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**Operator**

(Operator Instructions) We have next question from the line of Rohit Sinha from Emkay Global.

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**Rohit Sinha** - *Emkay Global Financial Services Ltd., Research Division - Research Analyst*

Just 1 question on debt/equity mix. What is the debt/equity mix for the project? And how much CapEx or debt level we should see in total for FY '21 and '22?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

Ketan, you want to take that?

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**Ketan Sablok** - *Navin Fluorine International Limited - CFO & Head of IT*

Yes. Yes. So currently, the way this CapEx is planned out over the next full year and partly going into the next year, so currently, we are expecting that our internal cash flow should suffice in meeting the requirements of this INR 195 crores. So probably a few months down the line, we'll have a relook at how the other CapEx has come in as and when plant that Radhesh talked about. And then probably we will be taking a relook on what kind of debt we should take on the books. So currently, in this CapEx, the way it is spread out, I think we should be able to meet it through our internal accruals.

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**Rohit Sinha** - *Emkay Global Financial Services Ltd., Research Division - Research Analyst*

So for this project, as such, we don't see any debt requirement?

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**Ketan Sablok** - *Navin Fluorine International Limited - CFO & Head of IT*

Currently, we don't foresee, but -- and we'll have a relook going forward.

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**Operator**

We have next question from the line of from Tejas Sheth from Nippon India AMC.

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**Tejas Sheth** - *Nippon Life India Asset Management Limited - Fund Manager*

These 5 products plus the pipeline of 7 products, all have application in agrochemicals or there's some pharma side also?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

Yes. So as I mentioned earlier, the initial set of 5 products are all for agro. But within agro, they have completely different kinds of applications in terms of herbicides and pesticides, et cetera. The 7 backup products are equal split between life science and crop science.

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**Tejas Sheth** - Nippon Life India Asset Management Limited - Fund Manager

Okay, okay. And they are all export-oriented, right?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

No, not really. So if you look at the initial set of 5 products, out of them, 3 are going to be for India, 2 of them are going to be for export market.

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**Tejas Sheth** - Nippon Life India Asset Management Limited - Fund Manager

Okay. Okay. And sir, the process for these products are -- we have developed it in-house or they've been shared by the client?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

For 2 of them, we have actually developed jointly with our customer. And for 3 of them, we have independently developed.

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**Tejas Sheth** - Nippon Life India Asset Management Limited - Fund Manager

Okay. Sir, just last question. The 7 products, the clarity on that we will be getting over the next 12 months. And if they get commercialized, we would have to put up another MPP to meet that requirement?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

I really don't know. So we currently are in the process of development. We are currently in the process of having this engagement with the customer. As I mentioned to you, those 7 are relatively at the front end of the pipeline, which means that we have not completed the piloting. They're about to be launched in the market, et cetera. So even the customer does not have as much clarity. The reason we kept that pipeline and the reason why we selected the products, which are in that particular space is because we expect that in the next 2 to 3 years, we will actually start conversations with the customer to actually set up dedicated plants for at least a few of these 5 molecules. So as they come out of the MPP and go into their dedicated plants, we need to continuously back-shield that MPP.

So that is why we've kept this particular set of molecules. But if the prospect in the next 12 months looks much better than what we anticipate at this point in time, yes, surely, we [expect] possibility of either expanding the scope of this current MPP or altogether a new MPP. But as I mentioned earlier, we have kept flexibility in the current MPP for such an expansion.

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**Operator**

We have next question from the line of Archit Joshi from Dolat Capital.

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**Archit Joshi** - Dolat Capital Market Private Limited, Research Division - Analyst

Sir, I just have 1 question. I was able to recall one of the statements that you have made in the last quarter's con call that you were able to retain chemistry from the joint venture, which was your hexafluoro chemistry. So I just wanted to ask you if we are in a state of harnessing this particular chemistry in the current multipurpose plant? Or would this require a different CapEx altogether? Because I think there were some interesting applications that one could have derived from this chemistry. I think you had mentioned largely that there could be applications in the electric vehicle space, et cetera, et cetera. So any clarity on that?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

Yes. So there is one specific piece of technology which we have access to because of that technology which was partly developed through the joint venture. That has not been used for this current MPP. That will entail a separate project, possibly entail a separate investment. So that is not currently under discussion. But as that project reaches a state which is where it gets converted into specific CapEx, et cetera, and then get approval from the Board, we would be happy to share that. But that technology is not currently in play for this MPP.

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**Operator**

We have next question from the line of Ranjit Cirumalla from B&K Securities.

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**Ranjit R. Cirumalla** - *Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst*

Congratulation on this CapEx announcement. My question is largely on the management bandwidth. Now since we would be embarking upon a huge CapEx, which we haven't done in our history, probably INR 700 crores over the next couple of years, so how do we see the management time line or the time getting utilized? Would we be now more focusing on implementing this CapEx and making sure that it comes on stream? And in that way, we are probably not looking that aggressively on the new business development or it would be -- we will continue to have the same vigor in spotting up for more opportunities?

Simply because you are highlighting there are like 3 to 4 different avenues that are still left that the company would like to explore, be it in the hexafluoride chemistry or the refrigerants or in dedicated plants for one of these products in the MPPs. But do you think that the -- at least for the time being for the next couple of years, the management time line is a bit of tied up because you would be doing the INR 700 crores CapEx, which we haven't done historically. And to that extent, probably we might kind of delay the thinking on these 3 or 4 new opportunities probably 2 years down the line. How should one view these things?

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**Radhesh R. Welling** - *Navin Fluorine International Limited - MD & Director*

Yes. So you are right. Historically, if you see, we have not really done CapExes of this kind of quantum. If you look at over the last 1 year, or I would say, more than 1 year, we have been specifically investing time and effort on developing or building this bandwidth. So a lot of time and effort has actually gone into -- we had actually identified some specific functions, specific areas, which we will need to build if we were to execute these projects successfully. And today, it gives us a lot of confidence that we have enough bandwidth to be able to do this.

As we move forward, when we look at what possibly is to come in the next, let's say, 12 to 14 months, we continue to take a view that the development of the bandwidth has to clearly precede the announcement of the CapEx. And we continue to work on that. So currently -- and that basically entails both commercial assessment as well as technical assessment. But we feel that, as I've indicated earlier, between today and commissioning of these opportunities, I will be surprised if we do not make more announcements. We already have built bandwidth for that.

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**Operator**

We have the last question from the line of Nitin Agarwal from DAM Capital.

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**Nitin Agarwal**

Just following up on one of the earlier answers, you mentioned about 3 of these products being for the domestic market and 2 for export market. But sir, if these products are essentially for MNC, how do you distinguish between this domestically -- so how does the domestic versus exports bifurcation really play out here?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

No. So when I talk about domestic, it's going to get converted into the final formulation domestically and some of that final end use is for India. Obviously, the entire end use is not going to be for India. Basically, what I was talking about was sale of our product, sales of Navin Fluorine product. So 2 of them we will be exporting, whereas 3 of them, we are going to sell to a local person for further conversion into formulation. But as far as the end use is concerned, of all the 5 products, it's predominantly outside of India.

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**Nitin Agarwal**

Got it, sir. And sir, of the 2 that you mentioned, where you said you'll develop the product on your own from a technology platform perspective, were you involved of these 5 products -- in these 2 products specific through the development of the product, or the opportunities came to you post commercialization?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

No. The opportunities actually came to us post commercialization. So what typically happening was, if you look at these products, this is typically not an inquiry-led model, where the inquiry came, the inquiries that floated to 2, 3 potential partners and then we won it. That is not how it happened.

We proactively engaged with some of these partners. And as I'd indicated earlier, we typically try to work with a limited number of companies but go really deep with them. And in our discussions, we have identified a few opportunities given the value chains we want to play in, et cetera, et cetera. And through those conversations, these opportunities got developed. But we were not the first company to actually do any of this.

So out of these 5, there's only 1 product that we were the first company to work with the customer on. The other 4, there are already other companies in other parts of geographies. And we basically were kind of a second supplier. None of them actually has any supplier in India -- any other supplier in India today or it's likely to be in the future.

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**Nitin Agarwal**

Okay. And sir, 7 pipeline products, they have the same characteristics in terms of partnership levels that would be coming to you post commercialization? Or are you working with them during the development phase itself?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

No, some of those projects came to us at a very, very early stage. One of them actually started in Manchester, at Manchester Organics, at a very, very early stage and that has -- we have been working on it for almost 18 months now. So different products have different characteristics. But in some of those, we've basically started working on at a very, very early stage. One of the pharma products that we have there out of the 7, it's a pure import substitution. Currently, there are other manufacturers and we are primarily focusing on import substitution piece.

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**Nitin Agarwal**

And if I can just squeeze in the last question...

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

So all the 7 products have completely different characteristics.

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**Nitin Agarwal**

Got it, sir. Sir, and just to complete that, of these 5 and 7, sir, how many of them would be intermediates and how many would be API, full API or full...

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

None of them is actives. All of them are intermediates or advanced intermediates.

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**Nitin Agarwal**

And sir, as structurally, do you see this changing in terms of we probably with the conversations with clients getting into probably 3, 4 years down the line, conversations where we're starting doing full actives or full APIs versus the intermediates that we're doing?

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Yes. So as I had indicated earlier, we will never become an API or a AI player. That will not happen, okay, because there are ample people -- a number of people who do that. But what will definitely happen is for our strategic partners, if they so wish, we would definitely forward integrate or backward integrate. So for example, as I'd mentioned earlier, some of these 5 products and then some of these 7 products actually have opportunities for forward integration. So we have already started talking on 2 of those 5 molecules on possibility of our doing the AI as well. Actually, the customer themselves came to us and said, "can you actually do the AI?" So we are actually in discussion for registration, et cetera.

So yes, your hypothesis is correct, that in the next, let's say, 3 to 4 years, there is a possibility that we could actually do forward integration and move into actives. But those will only be the actives where we already are a strategic partner to them for supply of the advanced intermediate. So it will be a forward integration.

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**Nitin Agarwal**

Got it. This all sounds very interesting from a next 3- to 5-year perspective from a growth outlook.

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**Operator**

Ladies and gentlemen, that was the last question. I'd now like to hand the conference over to Mr. Radhesh Welling for closing comments. Over to you, sir.

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**Radhesh R. Welling** - Navin Fluorine International Limited - MD & Director

Thank you very much. Thank you very much for taking time out today. Before we close, I wanted to take this opportunity to provide a quick update on our HPP project for which CapEx was approved earlier in the year. Despite several COVID-related challenges, our team has been working diligently on this project, and the progress has been satisfactory. As per our original plan, we expect to commercialize this project in Q4 of FY '22.

We would like to thank everyone for joining on the call. We hope we have been able to respond to your queries adequately. For any further information, I request you to get in touch with SGA, our investor relations advisers. Thank you very much. Have a good day, and stay safe. Thank you.

## Operator

Thank you very much, sir. Ladies and gentlemen, on behalf of Navin Fluorine International Limited, that concludes this conference call. Thank you for joining with us, and you may now disconnect your lines.

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