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GUJARAT
FLUOROCHEMICALS
LIMITED

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GFL: BRD: 2014

06 June 2014

Bombay Stock Exchange Limited Phiroz Jeejeebhoy Towers Dalal Street Mumbai 400 001 Fax 022 22723121/2037/2039/2041/2061/3719	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 Fax 022- 26598237/38

Dear Sir,

Sub: Transcript of Conference Call with the Investors/Analysts

The Company had organized a conference call with the Investors/Analysts on 30 May 2014. A certified true copy of Transcript of conference call held with the Investors / Analysts is enclosed herewith.

Kindly take the same on record.

Thanking You,

Yours faithfully,

For Gujarat Fluorochemicals Limited

Bhavin Desai
Company Secretary

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GUJARAT FLUOROCHEMICALS LIMITED

"Gujarat Fluorochemicals Limited Q4 FY14 Earnings Conference Call"

May 30, 2014

GUJARAT FLUOROCHEMICALS LIMITED

CHORUSCALL®

MANAGEMENT: **MR. VIVEK JAIN – MANAGING DIRECTOR, GUJARAT FLUOROCHEMICALS LIMITED**
MR. DEEPAK ASHER – DIRECTOR & GROUP HEAD (CORPORATE FINANCE), GUJARAT FLUOROCHEMICALS LIMITED
MR. DEVESH JAIN – DIRECTOR, (WIND BUSINESS)

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

Moderator Ladies and gentlemen good day and welcome to the FY14 financial results of Gujarat Fluorochemicals Limited hosted by Edelweiss Financial Services. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your Touchtone telephone. Please note that this conference is being recorded. 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 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) and Mr. Devesh Jain – Director (Wind Business). We thank them for giving us an opportunity to host this call for them. Today they will be sharing with us the company's FY14 Financial results and business updates. 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. I am extremely grateful to all of you for the time taken and the interest that 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 the director in charge of the wind energy business Mr. Devesh Jain. I would like to start by giving you an overview of the financial performance of the company. The numbers for Q4 of the financial year 2013-14 are compared with the numbers for the immediately preceding quarter which is Q3 for the financial year 2013-14. And the numbers for the full financial year 2013-14 are compared with the numbers for the preceding financial year 2012-13. In doing this you will need to note that the numbers for the financial year 2012-13 included revenues and profitability from the carbon credit or the CDM segment of the company which is no longer exists in 2013-14 and hence we will need to, for an apple-to-apple comparison, account for this fact.

Now for the big picture first:

If you look at the consolidated total income from operations for the quarter it was Rs. 858 crores in Q3 which went up to Rs. 1,194 crores in Q4 registering a growth of 39%. Consolidated EBITDA grew from Rs. 141 crores in Q3 to Rs. 157 crores in Q4 registering a growth of 11%. And consolidated PAT for the quarter grew from Rs. 28 crores in Q3 to Rs. 46 crores in Q4 a growth of 62%. Looking at the figures for the full financial year consolidated total income from operations grew from Rs. 3,166 crores to Rs. 3,451 crores which is a growth of 9%. However, as I said, since the financials for the last year which is 2012-13 included revenues from carbon credits if you adjust for that, the growth is actually 31% from Rs. 2,637 crores to Rs. 3,451 crores.

Consolidated EBITDA for the full financial year after adjusting for carbon credits grew from Rs. 546 crores to Rs. 643 crores a growth of 18%. And consolidated PAT for the full financial year

2012-13 was Rs. 205 crores after adjusting for carbon credits which was Rs. 186 crores in 2013-14 a marginal drop of about 9%.

Now this obviously is a consolidated picture. As you know GFL owns several businesses. It owns 100% of the Chemical business which is directly housed in GFL. In addition it owns 75% of the Wind Turbine manufacturing business which is carried out by a separate entity Inox Wind Limited. It owns 100% of the Wind Farming business which is carried out by Inox Renewables Limited and it owns around 48% of the cinema exhibition business which is carried out by a separate listed entity Inox Leisure Limited.

I would like to also take you through the business wise key numbers in order to enable you to appreciate how each of these businesses performed during the last year.

On the Chemical side of the business caustic soda sales grew by about 8% from 103,000 tons in 2012-13 to 112,000 in 2013-14 and we were at about 84% capacity utilization during the last year. Chloromethane sales were virtually flat at about 72,000 tons last year compared to 71,000 tons in 2013-14 a capacity utilization of roughly about 96%. PTFE sales grew by 34% from 6,000 tons in 2012-13 to around 8,000 tons in 2013-14. 8,000 tons, the full year's production, represents roughly about 50% of the existing capacity utilization.

Those are the quantitative numbers. In terms of financials, again after adjusting for CDM revenues which existed in 2012-13, this turnover without CDM for 2012-13 was Rs. 1067 crores which grew to Rs. 1141 crores a growth of about 7%. Chemicals business EBITDA grew from Rs. 257 crores, well actually it was flat from Rs. 257 crores in 2012-13 to Rs. 255 crores in 2013-14. And chemicals PAT grew by about 25% from Rs. 60 crores in 2012-13 after adjusting for CDM to about Rs. 74 crores in 2013-14.

On the Wind Turbine manufacturing business which has been conducted by IWL the WTGs sold grew by 67% from 99 turbines in 2012-13 to 165 turbines in 2013-14. Topline in the Wind Turbine manufacturing business grew by 48% from Rs. 1049 crores in 2012-13 to Rs. 1549 crores in 2013-14. Wind manufacturing EBITDA from Rs. 201 crores in 2012-13 was Rs. 185 crores in 2013-14. And wind manufacturing PAT from Rs. 150 crores in 2012-13 was Rs. 132 crores in 2013-14.

On the Wind Farming business – we closed the year with about 213 megawatts of operational capacity versus 203 megawatts of operational capacity last year in March 2013. The turnover from the Wind Farming business grew by 87% from Rs. 92 crores in 2012-13 to Rs. 173 crores in 2013-14. EBITDA from the Wind Farming business grew from Rs. 65 crores in 2012-13 to Rs. 157 crores in 2013-14 and Wind Farming PAT from Rs. 26 crores in 2012-13 was Rs. 15 crores in 2013-14.

Lastlyon the cinema business we operated 257 screens by the end of 2012-13 which grew to 290 screens by the end of financial 2013-14. Footfalls grew by about 6% from 381 lakhs in 2012-13

to 402 lakhs in 2013-14. Revenue per patron which is the aggregate of average ticket price and food and beverage revenue was flat Rs. 203 in 2012-13; Rs. 202 in 2013-14.

Multiplex turnover improved by 14% from Rs. 768 crores in 2012-13 to Rs. 877 crores in 2013-14. Multiplex EBITDA grew by 29% from Rs. 101 crores in 2012-13 to Rs. 130 crores 2013-14 and Multiplex PAT improved by 100% from Rs. 18 crores in 2012-13 to Rs. 37 crores in 2013-14.

So that is the brief snapshot of the financial numbers across our different businesses. Beyond the numbers I would like share with you a few words on how we see this businesses panning out in the future - a very brief outlook on each of these businesses.

On the Chemical business we expect to see a very healthy increase in the topline and a more than proportionate improvement in the bottomline due to a combination of several factors including higher capacity utilization in the PTFE facilities, (as I mentioned it ran at about 50% during the financial year of 2013-14 and we expect this to go up significantly in the forthcoming future), improved PTFE realizations as we churn the product mix and move on to higher value added grades, several cost reduction and revenue enhancements schemes that we are currently implementing and expect to fructify during the current financial year, and our planned entry in to the fluoro-specialties business. So these four factors will drive revenues and profitability for the Chemical business in the next few financial years.

On the Wind Turbine manufacturing business with stable wind policies across the four states in which we are active in the current financial year as well as an increased momentum in the equipment supply space we expect to see a significant growth in our sales and commissioning performance during the current financial year and aspire to emerge as one of the top three wind solution providers in the county.

In the Wind Farming business we should see some modest capacity additions for the year from the equity which would be generated by the cash flows from the business. We do not expect to make any incremental cash investments in this business in this financial year.

In the Multiplex business we expect to maintain the momentum of growth and profitability backed by a steady property pipeline as well as a robust flow of quality content.

So with this backdrop I would like to hand this over to Niraj to start the Q&A session. Thank you.

Moderator Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Anirudh Mohta from Ginni Finance. Please go ahead.

Anirudh Mohta I have got two questions. First is the wind energy business has started gaining traction. So could you please update us on the projects to be executed in 2014-15?

Devesh Jain So like Mr. Asher said in the con call we are active in four states. We are active in Gujarat, Rajasthan, Maharashtra, and Madhya Pradesh. We are looking at doing close to 200 megawatts in Rajasthan where we have a common infrastructure built. We are looking at doing about 100 megawatts in Gujarat where we have got our common infrastructure in advanced stages. We are looking at doing about 200 megawatts in Madhya Pradesh which is more on the equipment supply side and we are looking at doing close to 50 megawatts to 100 megawatts in Maharashtra. Of course this presupposes the fact that we are able to tie up contracts well in time to execute these quantities over the course of the year.

Anirudh Mohta So roughly you are targeting about 500 megawatts to 600 megawatts during this fiscal? ?

Devesh Jain We have an order book which is virtually signed and closed which is close to the number we have just spoken about.

Anirudh Mohta So this what you are saying is for IRL – are there third parties as well?

Devesh Jain This is all third party. Like we said in the con call we do not expect to make substantial investments in Inox Renewables in the Wind Farming business in this financial year. The cash flows from that business will probably be able to sustain close to 20 megawatts, 30 megawatts or 40 megawatts. So all the balance will be third party sales. So close to 90% of our sales will be third party sales.

Anirudh Mohta And have we accounted for all the third party sales done for last year or anything coming up in the first quarter this year FY14-15 the sale which has been done last year?

Devesh Jain Well, we have accounted for the sales part. The commissioning and EPC revenue will come in over Q1 and Q2.

Anirudh Mohta And I have got just this last question. On the qualitative basis in 2012 the sundry debtors was Rs. 390 crores which is now standing at Rs. 949 crores in FY14. So could you perhaps please tell us that what is taking these numbers higher and what policy we have to write off our debtors?

Devesh Jain Well, again what happens is a more macro picture what happens is typically a large chunk of the revenues come from the customers post commissioning or once you achieve commissioning. And if you see what we have done this financial year we have sold close to 340 megawatts whereas we commissioned only 150 megawatts. So close to 190 megawatts was un-commissioned a part of that which was close to 60 megawatts could not be commissioned in time and the balance was supposed to be commissioned over Q1 and Q2. So from a sales booking perspective once the turbines are delivered we book revenues but a major part of the receivables come in once you commission the turbines. So over Q1 and Q2 a large chunk of this receivables will be recovered and since we are already May end we have already recovered a substantial part of that.

Deepak Asher Anirudh, just to add some number perspective on that - out of the Rs. 950 crores receivables about Rs. 710 crores pertain to the wind business all of which in terms of age were less than three months old as of 31st March.

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

Paras Mehta Sir, one question from my side is what were the ROCEs of the Chemical business for last year and what is the kind of return ROCE expectations in the Chemical business for next year?

Deepak Asher See very broadly speaking the ROCE on the Chemical business during 2013-14 was in the range of about 7% to 8% from the top of my head. We obviously expect a significant improvement in this in the next year for the variety of reasons that I mentioned. PTFE was running at 50% we are expect to take that up to close to full capacity utilization. We expect improvements in PTFE realizations because of churning of the product mix in favor or higher valued added grades. We expect significant cost reductions and revenue enhancement schemes to fructify during the current financial year. And as a result of this we expect our ROCEs to improve significantly. Obviously I am not going to be in a position to put a finger on the number but I do believe that it will be fairly improved position in the next financial year.

Paras Mehta And sir, if you can give me specifically what is the capital employed only in the PTFE business of ours?

Deepak Asher Well, again we look at Chemical business as a whole because PTFE business as you know is fully integrated back in to HCFC22, AHF, chloromethane, caustic soda and captive power. So if the capital employed in all these put together is about Rs. 2,300 crores to Rs. 2,400 crores on a CAPEX basis and it is about Rs. 300 crores of working capital.

Paras Mehta And sir, in the Inox wind business I wanted to ask you regarding the margins which have come off so what is the kind of steady state margins which we can look for in the next year?

Devesh Jain So I would not be able to put a fixed number to that but 2012-13 was kind of a benchmark here where we had fairly decent margins. 2013-14 was down primarily due to three reasons. One, majority of our business was in the State of Maharashtra where cost of doing business are far higher; infrastructure costs are far higher. Second, we had a huge impact because of the steep depreciation of the Indian Rupee. We had some impact due to 2012-13 carry over open positions as well as the rapid decline in 2013-14. And thirdly, we had a major part of the turbines which were un-commissioned and we also had a large part of working capital blockage because of the fact that policies did not open out over more than seven months of the financial year. So I think if you go back to 2012-13 I think that is something we should expect in the steady state. And may be with the economies of scale may be slightly better than that.

Deepak Asher And just to add to that in 2012-13 we operated with an EBITDA margin of about 20% on sales and a PAT margin of about 14% to 15% on sales.

Paras Mehta So that is what we think. Can we have steady state margins this year being an anomaly because of the three or four factors which you have mentioned?

Deepak Asher That is right that is what we would expect.

Paras Mehta And sir, what is the kind of order book I suppose you mentioned an order book of close to 500 megawatts?

Deepak Asher That is right.

Deepak Asher In excess of that actually.

Deepak Asher We have an order book in excess of that.

Paras Mehta And surely most of it you will be looking at doing the same thing in FY15, correct?

Deepak Asher Well, close to 80% of that in FY15.

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

Ketan Gandhi Sir, what is your thought process on renewable business because few years back you have mentioned that we are planning to generate around 1,000 megawatt so going forward what is your thought process because if I see from the presentation our PLF is around 19% and tariff is around Rs. 5 or something like that. So I want your thought process on the same thing?

Deepak Asher As I mentioned to you in the brief introductory remarks that I gave we do not expect to see a significant capacity enhancements in the Wind Farming business in Inox Renewable Limited. We have roughly about 210 megawatts to 215 megawatts operational. We expect that to generate an EBITDA of roughly about Rs. 170 crores to Rs. 180 crores on a steady state basis. The cash that will be generated from this is what we will invest to setup new capacities. We would seek capacity enhancements of roughly about anywhere between 30 megawatts to 40 megawatts in a year going forward. But we do not, as I mentioned to you, we do not intend to invest incremental cash in this business and therefore growth will be a function of the cash that the business generates.

Ketan Gandhi So it means that whatever cash we generate we might invest in this business?

Deepak Asher Whatever the cash we generate in the Wind Farming business would be reinvested to grow the Wind Farming business.

Ketan Gandhi So no extra capital will be employed in this business?

Deepak Asher That is the intent.

Ketan Gandhi And sir, PTFE I mean what are the current ruling price virgin PTFE and how would you see next three years in the pricing scenario?

Vivek Jain See the weighted average price currently which we are getting PTFE is about close to $9. We would expect in the next three years if you are asking next three years we would probably see an

weighted average price going up to about $11 and this would be a function of two things. One as the sales of higher value grades picks up in the next one to two years and also the fact that currently since we are running below capacity our pricing is under pressure. But by the end of this financial year we expect to be close to our full capacity. At that point of time and beyond that we will further drop some of the low hanging fruits and go in for better pricing with customers.

Ketan Gandhi And sir, for value added products in the PTFE segment what kind of pricing premium we can expect around 20%, 30% or below 20% or higher than that?

Vivek Jain Sorry, could you repeat that question?

Ketan Gandhi Sir, value added products what is the pricing power we can have with respect to the virgin PTFE price?

Vivek Jain Well, the prices could be upwards of 30%, 40%.

Ketan Gandhi So sir, in that how much capacity we are planning to increase in next three years?

Vivek Jain At this point of time the capacity which has already been implemented is going to be utilized for that. We have a capacity of 1,300 tons out of which about 400 tons to 500 tons will be value added PTFE.

Deepak Asher Those are per month numbers so you need to annualize them.

Moderator Thank you. The next question is from the line of Ravi Shenoy from Motilal Oswal. Please go ahead.

Ravi Shenoy On the wind side just wanted to get an idea as to what would your backlog in terms of crores, sir?

Deepak Asher You mean backlog in terms of commissioning?

Ravi Shenoy No, the 500 megawatts that we talked off what would be the value of that?

Deepak Asher Well, the market prices are between Rs. 5.5 crores to Rs. 6 crores per megawatts.

Ravi Shenoy And we have talked about dollar having impacted our margins just wanted to get some sense on hedging policies?

Devansh Jain So last year was an abnormal year in terms of that we saw steep decline we saw the rupee going down from Rs. 54 to close to Rs. 63, Rs. 64 very, very rapidly. What we have now in places hedging policy where we typically hedge 50% of open exposures unless the call is taken that the company has a different perspective to it.

Deepak Asher Let me answer that. I think the policy that we adopted based on the market that prevailed in last year was the fact that we would evaluate our open exposures and hedge 50% at the time of incurring those liabilities and keep 50% open. We may need to reevaluate that based on the current expectations of forex markets and we will take that call in the near future. But last year our policy was to hedge 50% of liabilities.

Ravi Shenoy On your Chemical business I wanted to get some idea about the individual product size if you could give some breakup in terms of crores PTFE and the other product that you sell or in terms of percentages that will be helpful?

Deepak Asher Well, very roughly around 50% to 60% of our turnover last year would have come from what we call the commodity chemicals which is caustic soda and chloromethane and around 40% to 45% would have come from what we call the Specialty Chemicals which is PTFE. Obviously we expect this to change going forward because we expect the PTFE productivity to improve and PTFE prices to improve as well. So this mix will change in the current financial year. But for last year it was roughly as I mentioned.

Ravi Shenoy On the entertainment business sir, just wanted to get some sense on the F&B revenues in the Rs. 202?

Deepak Asher It is roughly 75:25.

Ravi Shenoy 75 would be the ticket pricing and 25 would be the F&B?

Deepak Asher Yeah, that is correct. I would have wished it is going to be the other way around but unfortunately it is 75:25.

Ravi Shenoy And in terms of the property pipeline that we talked off how large would that be, sir?

Deepak Asher Well, we are looking at about 20 properties on which we are working on this year that is about 90 screens in the current financial year. I mean that is the expectation and in many of these we are in possession and we are in an advanced stages of fit outs. So the pipeline is currently about 20 properties on hand in 90 screens.

Ravi Shenoy And in terms of cash flow from that particular business would we still be free cash flow negative in that particular business?

Deepak Asher I would expect that yeah, it will be free cash flow neutral because the cash that will be generated from that business would be invested in the growth that we expect in that business.

Ravi Shenoy So that will be similar to what we are doing in the power side of is the business?

Deepak Asher In the Wind Farming side of the business. And obviously in the Multiplex space we believe that there is scope for consolidation so there could be apart from organic growth, inorganic growth opportunities as well.

Ravi Shenoy Sir, our Inox wind business I think there was a listing possibility that we were looking at?

Deepak Asher Well, we have filed the DRHP with SEBI I mean I do not mind sharing that with you because that is in the public domain and I am told by my merchant bankers that it is in the last leg of approvals. We expect to receive that shortly and depending on how soon they are able to get that cleared and what the markets are we should be able to launch a public offering soon.

Ravi Shenoy So it will be nice to have two, three companies from the Inox group to recommend to our clients.

Deepak Asher Thank you.

Moderator The next question is from the line of Kartik Mehta from Sushil Finance. Please go ahead.

Kartik Mehta Sir, just wanted to understand the user industry profile of our major Chemical except caustic soda?

Deepak Asher I will request Mr. Jain to take that from a PTFE perspective.

Vivek Jain So other than caustic soda we make chloromethanes. These constitute three products; one is chloroform, methylene dichloride and carbon tetrachloride. Chloroform is largely captively used by us. So frankly speaking there is hardly any sales of chloroform. We are the largest producer of methylene dichloride in the country and we make close to about 5,000 tons in a month and this is essentially sold to the Pharma industry. Most of the big Pharma companies are our clients and there are some imports of MDC which also takes place because there is a shortfall in domestic capacity.

Kartik Mehta And for PTFE?

Vivek Jain PTFE - because of its high performance and versatile capabilities it is used in a wide range of industries ranging from Chemical Processing, Mechanical, Food Industry, Automotive, Electronics, Inks and Paints, Aerospace, Wire and Cables, Textile Membranes, and Medical.

Kartik Mehta And sir, what would have been our export number in that total turnover?

Vivek Jain Export number I can tell you in terms of volumes. We will probably be exporting about 80% of our products; 20% is for the domestic market;.

Kartik Mehta And net-net sir, we are beneficiaries of rupee depreciation?

Vivek Jain Well, that has certainly has helped everybody was exporting products.

Deepak Asher Well, in a sense that it helped the Chemical business it harms the Wind Turbine business.

Vivek Jain But in totality I think any appreciation of the rupee actually helps us.

Kartik Mehta Any appreciation of the rupee helps?

Vivek Jain Yeah, will help us because our imports are higher than our exports.

Deepak Asher Even in the Wind Turbine business.

Vivek Jain Yeah, on a consolidated basis.

Kartik Mehta At a company level, right. And sir, on the Specialty Chemicals you said that you are looking at entering in to Specialty Chemicals that is basically in to PTFE, right?

Vivek Jain No, well you know the thing is there are three segments in if you look at it in the Fluorine business. One is the Refrigerants which we already are in though not of course the complete range and we had deliberately decided not to go in for the entire range because there is a lot of volatility and uncertainty in that business. Second is the Fluoropolymer business which is where we have invested in. We are perhaps the only company in the country and certainly the largest and there are a handful of producers globally. And the third is the Fluoro Specialty business which requires molecules to be delivered to the Pharma and the agrochemical industry. So what we have essentially done at this point of time is we have completed our investment in the Fluoropolymer business and it is a very, very integrated complex probably one of the most integrated complexes in the world and we should therefore see the benefits of that coming in the next one to two years as our capacity utilization in the PTFE industry grows. And in this industry there are essentially a handful of western producers who have been in this business for the last 40-50 years which includes DuPont, Daiken and 3M. And we are a relatively new entrant just been in this business for the last four, five years. But I must say that over these four, five years we have basically developed most of the grades which are actually being produced by these developed country producers.

And in terms of offering to the market we are now close to what they are offering. So in a very short span of time we have actually been able to catch up in terms of the range of products which we are offering to the market. The buildup of sales takes more time because the approval process is very lengthy as of the requirements go into stringent applications. So I think hopefully by the end of this financial year we should be close to our capacity utilization.

Kartik Mehta And sir, what would have been the revenue potential of this division?

Vivek Jain The revenue potential of this division would be close to about Rs. 1,200 crores at full capacity.

Kartik Mehta Which is likely to be if properly utilized and accepted by the market then in next year?

Deepak Asher Yeah, that is the full potential.

Kartik Mehta And in the fluoro specialty again it is a separate division within that?

Vivek Jain Yeah.

Kartik Mehta So there again we have just entered in to what?

Vivek Jain That is right. So now that our investment phase in the Fluoropolymer business is over for the time being though of course we will look at further growth in the next two years after we have fully utilized our current capacities. We have now started investing in the fluoro specialty business. We have already setup a R&D team we have got about 25 people which will be expanded to 70 people by the end of this financial year. We are already setting up our first multiproduct plant and given our experience and background in the fluorine business we are now being contacted by several of the multinationals who want us to develop products for them using the fluorine molecule.

We have already developed three, four molecules which are going to be housed in our first multiproduct plant which is going to be commissioned by September this year and we should see the revenues of that coming in during the next calendar year.

Kartik Mehta So you mean sir, just to clarify you mean you will be developing a molecule on behalf of certain innovator companies globally?

Vivek Jain Yes.

Kartik Mehta So it is a kind of contract research?

Vivek Jain Well, contract research in the sense they tell us what product they want we do the R&D, develop the product do the pilot and then set up commercial manufacturing facilities.

Kartik Mehta So as of now kilo or micro?

Vivek Jain Yeah.

Kartik Mehta So this is basically kilo level lab, right?

Vivek Jain Well, kilo level lab then we run it in a pilot plant and then we put up the multiproduct plant for making this on commercial basis.

Kartik Mehta On the ton level?

Vivek Jain Yes, on the ton level.

Kartik Mehta So the whole process is just started that is you say?

Vivek Jain Well, we started it about a year back. We have made some initial investments in putting up the team, developing the first few products and now we are as I said commissioning our first multiproduct plant by September this year.

Kartik Mehta So what would be the potential of that plant again? I know that it is little difficult.

Vivek Jain Well I see from the leads which we have already got from some of the Pharma and Agro companies we see that in the next two financial years we will probably be investing close to about Rs. 200 crores to Rs. 250 crores in setting further facilities for some of these chemicals, subject to market and other conditions.

Kartik Mehta That you will be investing?

Vivek Jain Yeah.

Kartik Mehta So ideally I think if everything goes right and your products will get success and the innovator company use it on a commercial basis then the potential would be 4-5x, right sir going into the investment?

Vivek Jain Yeah, it would be going in to the future.

Kartik Mehta And sir, this just to understand this fluorine based chemicals are basically are basically produced out of hydrofluoric acid, right?

Vivek Jain Well, the starting point is hydrofluoric acid though of course some of these products are also made by some of the other value-added fluorine chemicals which we are making.

Kartik Mehta On a different combination?

Vivek Jain Yeah, that is right.

Kartik Mehta So what is the capacity of hydrofluoric acid as of now?

Vivek Jain Capacity of hydrofluoric would be about 120 tons per day.

Kartik Mehta And it is a optimally utilized or there is scope to?

Vivek Jain No, there is scope to utilize because some of this is will go further in to the enhancement of the PTFE production; some of this will go in to enhancement of the fluoro specialty business.

Kartik Mehta And sir, last question. I understand that we have a fluorspar which is one of the raw material for making these as a captive availability, right?

Vivek Jain Well, not at this point of time but we have a joint venture in Morocco where we own 75% of the company and where we are now currently involved in implementation of the fluorspar beneficiation plant which should commissioned by the second half of next financial year.

Kartik Mehta So then what would be the advantage to the company in terms of cost saving front?

Vivek Jain Well, there are two advantages. One of course it will reduce our cost of procurement of fluorspar which is one of our primary raw materials but also more importantly it will give us security of

supply of fluorspar because at this point of time 80% of the fluorspar is mined in China. China has been making noises in the last few years they might restrict the export of fluorspar because they consider it to be a strategic raw material and they want to conserve it and they want to use it internally for higher value-added fluorine products, and, recognizing that that could happen any time in the near future, we decided to invest in our own fluorspar mines so that we were not dependent upon the uncertain supplies of fluorspar from China.

Kartik Mehta So that mine would be captively sufficient for our requirements?

Vivek Jain Well, that it would be sufficient for almost about 60% to 70% of our requirement of fluorspar. We have also entered in to a joint venture with the Gujarat Mineral Development Corporation because there are some fluorspar reserves in Gujarat and we have formed a joint venture together with another Indian company Navin Fluorine to mine those and together with that I think we will be self sufficient in our requirements in the future.

Kartik Mehta So what is the status of that JV, sir?

Vivek Jain That is in the formation stage. Some initial trials of the fluorspar have already been done, technology has been tied up. So I think that also by the end of next financial year that should be operational hopefully.

Kartik Mehta So what would be the fluorspar pricing right now $350 or what?

Vivek Jain Just now yes, close to that though in the last two years it has been much higher than that and we have in a way suffered because we built up our reserves of fluorspar at a much higher price which is now getting used up.

Kartik Mehta And this would be acid grade, right?

Vivek Jain Acid grade fluorspar.

Moderator Thank you. The next question is a follow up from the line of Paras Mehta from Enam Holdings. Please go ahead.

Paras Mehta Yeah sir, sorry to be bit pushy on this Chemical business return ratios but Vivek Ji, what kind of return ratios will you as a management be happy with on a steady state basis on this Chemical CAPEX that you have done on this?

Deepak Asher If I may answer that question on behalf of Mr. Jain, the higher the happier.

Vivek Jain But okay to answer your question yes, I think it will be several times higher than what we are currently getting.

Paras Mehta Because if I see last year it was close to 5% to 7% kind of ROCEs which have?

Vivek Jain That was on an investment phase. Because lot of the capacities then were under construction. .

Deepak Asher It should be higher I do not think we can just give a number right now but it certainly should be higher as I mentioned for several reasons to improve productivity we were running PTFE of 50% we expect that to go up to full capacity utilization in the future and improved pricing because of better product mix in PTFE as well as cost reduction and revenue enhancement schemes. All these should drive the ROC up significantly.

Paras Mehta And sir, the last question from my side is last year we did close to 330 megawatts in Wind Turbine; this year we are expecting close to (+500) megawatts although we had a bad year with respect to margins and I also understand that it is a very low capital employed business. So the margins of 20% should be more than 20% because of the way operating leverage will kick in in the business?

Deepak Asher See as I mentioned and as Devansh also indicated our EBITDA margin was about 20% in 2012-13 and our PAT margin was around 14% to 15%. 2013-14 was lower than that but we expect because of the various measures that we have taken in terms of negotiating across the supply chain and also the improvements because of operating leverages as we mentioned we should be close to these kind of levels which by the way are probably the highest margins levels in this business globally.

Moderator Thank you. The next question is from the line of Ranjit Cirumalla from Batlivala & Karani Securities. Please go ahead.

Ranjit Cirumalla My question is on the Chemicals business. We have said that Refrigerant we would not be making any further investment and with the capacity ramp up in fluoro probably that particular thing would get internally consumed. So what is your thought process on that Refrigerant business is concerned?

Vivek Jain That is what I said We do not intend to, at this point of time to put in further investments in the Refrigerant business.

Ranjit Cirumalla So probably two years down the line would that be completely means I understand that the products from the Refrigerant would get captively consumed for the fluoro polymer?

Vivek Jain Yes, in our case may be in the next four, five years we will probably be using all of the Refrigerant which we currently make internally in our Fluoropolymer business.

Ranjit Cirumalla So that means we intent to get out of this particular business probably five years down the line?

Vivek Jain Perhaps unless and until we see a clear line of sight for this business in terms of what is going to be universally accepted substitutes for some of the current Refrigerants. Because there is a lot of uncertainty and cannibalization of the Refrigerants market.

Deepak Asher And also to add based on current cost and pricing structures there is much higher value addition in transferring that HCFC22 in to PTFE rather than selling it as a Refrigerant. So obviously that is the smarter thing to do. Now if this kind of cost and price structures remains then that is what we are going to keep on doing in the future as well.

Ranjit Cirumalla Secondly, on the fluoro specialty suddenly the segment or the space seems to be quite active. Is there anything specific happening on the ground which is driving the companies to these particular fluoro specialty business?

Vivek Jain I think it is only because of the fact that there is a capability which has been developed in India and outsourcing is becoming key for some of these major companies as their cost of manufacture would be certainly be far higher than the price at which we can deliver these molecules to them. And then since India has that advantage of being able to do R&D and develop molecules I think this has come in handy. **Ranjit Cirumalla** And this company should be from Pharma and Agro space mainly?

Vivek Jain Yeah, largely Pharma and Agro.

Ranjit Cirumalla And sir, lastly if you could just a bookkeeping question. If you can share with the debt profile and how do you intent to see it over the next two years?

Vivek Jain Debt profile of GFL?

Ranjit Cirumalla Yes sir.

Deepak Asher Well, long term debt in GFL is about Rs. 300 crores at this point of time. This would be liquidated over the next one or two years as the repayments fall due essentially out of internal accruals. Obviously accruals are expected to be much higher than this debt level. In IWL their long term debt is about Rs. 50 crores which is for working capital again it should not be liquidated within the next one year itself. In IRL external debt is about Rs. 950 crores. All this is long term debt this is 8 to 10 years kind of debt for the wind farm projects. This will be liquated from accruals over this life of the debt. And in Inox Leisure there is debt of about Rs. 200 crores but against that there is treasury stock of about Rs. 200 crores as well so net debt is virtually nil.

Moderator Thank you. The next question is a follow up from the line of Kartik Mehta from Sushil Finance. Please go ahead.

Kartik Mehta Sir, in the fluorine base molecule basically just wanted to understand as you said globally there is an acceptance of that compared to other molecules like probably bromine and benzene. And is it like that the molecule acceptance is actually increasing compared to what it was couple of years ago?

Vivek Jain It has, because some of the products which have been developed by the innovators requires the fluorine molecules. That is something which we do not have too much knowledge about, why it

is happening that way. But it is just that some of the spin offs from that sort of move is coming to companies like us.

Kartik Mehta And globally if you have any idea what is the size of the fluorine based molecule globally and who are the key competitor players apart from what we are aimed to India like you and probably Navin?

Vivek Jain Well, I think it will be difficult for me to hazard a guess of what would be the global size of the market but I think that the market is very large for a producer in India . The overall fluorine global market according to some of the reports it is almost about $16 billion per year as of 2006.

Kartik Mehta And is it like growing what would be the growth rate of the market any idea on that front?

Vivek Jain See I think the growth rate would be about 4%, 5% globally but for an individual company in India it could be much higher because we will be taking part of the existing business.

Kartik Mehta So yeah, exactly because you are going to be having sort of captive supply available to you and then you have other chemistry is also with you and extremely high specialization is there and with the experience you may have a better productivity and cost?

Vivek Jain Yeah, because the fluorine molecule is familiar to us for the last 25 years. It is a hazardous product to use and we have over this time period we have sort of in a way mastered that. We have got three building blocks one is anhydrous hydrofluoric acid, we have got TFE and we have got HFP. We make all these three. So that has given us a versatile building block base for these chemicals.

Kartik Mehta And China is also equally competitive to India?

Vivek Jain Well, China should be potentially. But as we have seen in the Indian Pharma industry, Indiahas done far better than the Chinese because of our capability todo R&D and develop molecules plus also the fact that I think the Chinese tend to concentrate their effort in large volume chemicals as opposed to these smaller tonnage fluoro specialties which we are talking about. Which is not to say that they may not be able to get in to it. They eventually will but I do not think they will have any cost advantage as far as we are concerned. And then of course over a period of time you develop relationships with some of these multinational companies and as your dependability and credibility grows this will ensure that there is durability in this business.

Kartik Mehta So right now how many clients or companies with whom your association would have been under that research side?

Vivek Jain We are currently talking to about 5, 6 companies.

Moderator Thank you. Mr. Mansingka, would you like to proceed with your questions?

Niraj Mansingka Yeah, sir I just wanted to again get some more clarity on the fluoro specialty. You said you have invested Rs. 250 crores in the plant?

Vivek Jain No, we have not, we plan to invest that much amount in the next two financial years looking at the leads which we have in front of us. What we have invested just now is in our first multipurpose plant which will get commissioned by September, it will be close to about Rs. 20 crores to Rs. 25 crores.

Niraj Mansingka The multipurpose only will be Rs. 20 crores to Rs. 25 crores and what is the revenue potential or what would be a good ballpark number of revenue to your CAPEX of Fluoro Specialty?

Vivek Jain It would be close to, about, Rs.100 cr from this investment. This may not be replicated in our future investments.

Niraj Mansingka And sir, then any thoughts on how many molecules you are developing and how much potential they have any thoughts if you could share on it?

Vivek Jain Yeah, well I cannot share too much about it at this point of time but what we are working on about half a dozen molecules actively at this point of time another half a dozen molecules are in the study phase for which we are working out the process, etc., and then next step of R&D and kilo lab and pilot will happen. After this multiproduct plant is up, we expect from the leads which we are working on in the next two years which is the calendar year 2015 and 2016 we should be putting up few more multiproduct plants with a total investment of about Rs. 200 crores.

Niraj Mansingka Sir, and the last thing. What is your view on the outcome of the Refrigerant business like what do you see ultimately which type of Refrigerant would come up and scale up in the global market as well as in India any thoughts on that?

Vivek Jain See it is difficult at this point of time because there are a number of options which are available as opposed to the situation when about 10 years back when it was only basically CFCs and HCFC22. At this point of time there is a lot of fragmentation in the market - different countries, different companies are following different approaches. So for me to say that there is a universally acceptable Refrigerant would be incorrect because I do not think at this point of time that is so because see it is further got complicated by the fact that there is other than the ozone depletion potential there is also the global warming potential which has to be taken in to consideration and while ODP gases have been virtually phased out or will be phased out by 2020, the next problem would be is that some of these replacements themselves have a high global warming potential which is under the climate change negotiations these will also come under scrutiny and uncertainty. So for instance there is a product called as 1234yf which has been developed which has now perhaps been universally acceptable as the replacement for mobile air-conditioning. European Union has just given their permission for use of 1234yf in mobile air-conditioning a few plants of 1234yf I understand are currently going to be built by some of the multinationals both in US, Europe and they will also put up plants in China. In a way that helps us because the manufacturing route for 1234yf is HFP/TFE and these plants will over the next four, five years

suck up a lot of TFE which is currently being produced in China which will perhaps looking forward have a favorable impact on PTFE prices too.

Niraj Mansingka Sir, is that one of the reasons that you are positive on the PTFE utilizations also?

Vivek Jain No, not for that. We plant to get in to full capacity utilization of PTFE earlier than that because first of all we have developed all the grades which are required by the customers. They are actively being trialed out. The process of approvals is actively on and we have put a lot of emphasis on marketing both in US and Europe. We have expanded our teams and we are also looking at other markets like Japan and Korea. So with all the work which we have currently done we have no doubt whatsoever on building PTFE sales close to our capacity. So what I was talking about is for the future. So we will have the potential possibility of expanding further in the Fluoropolymer business may be two years from now.

Moderator Thank you. Ladies and gentlemen, on behalf of Edelweiss Financial Services that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Deepak Asher Thank you to all the participants and thanks to Edelweiss for hosting this. Thank you very much.