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February 13, 2023

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Mumbai 400001
Scrip Code: 532504

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai 400051
Symbol: NAVINFLUOR EQ

Dear Sir / Madam,

Sub.: Transcript of Earnings Call of Q3 FY 2022-23

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Company's Earnings Call held on February 8, 2023 regarding discussion on operational and financial performance for the quarter ended December 31, 2022 (Q3 of FY 2022-23) is enclosed.

This intimation is also being made available on the Company's website at www.nfil.in.

Request you to take this intimation on record.

Thanking You,

Yours faithfully,
For **NAVIN FLUORINE INTERNATIONAL LIMITED**

NIRAJ MANKAD
Digitally signed by NIRAJ MANKAD
Date: 2023.02.13 17:02:53 +05'30'

Niraj B. Mankad
President – Legal and Company Secretary

Encl.: a/a

"Navin Fluorine International Limited Q3 FY '23 Earnings Conference Call"

February 8, 2023

MANAGEMENT: **MR. RADHESH WELLING – MANAGING DIRECTOR**
MR. PARTHA ROYCHOWDHURY – INTERIM CFO, CEO - HPP BUSINESS

MODERATOR: **MS. RASIKA SAWANT – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Navin Fluorine International Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Rasika Sawant from Orient Capital. Thank you, and over to you.

Rasika Sawant: Thank you, and welcome to the Q3 and 9 months FY '23 Earnings Conference Call. Today on this call, we have Mr. Radhesh Welling, Managing Director of Navin Fluorine International Limited, along with the senior management team.

This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations as of today. Actual results may differ materially. The statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbour statement is given on page number 2 of investor presentation of Company, which has been uploaded on the stock exchange and Company's website as well.

With this, I now hand over the call to Mr. Radhesh Welling for his opening remarks. Over to you, Sir.

Radhesh Welling: Good morning, and a warm welcome to all the participants. On this call today, I'm joined by Mr. Partha Roychowdhury, CEO of our High Performance Product business, and our Investor Relations partner, Orient Capital. I hope all of you got an opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchange as well as on the Company's website.

Before I start with my comments on the business performance, I would like to brief you on a few developments at Navin Fluorine. To start with, we wish to inform that based on the recommendations of Nomination and Remuneration Committee, and consideration of the Board of Directors of the Company, Mr. Anish Ganatra has been appointed as Chief Financial Officer of the Company with effect from February 9, 2023; Mr. Partha Roychowdhury, who has been managing dual responsibilities and has been our interim CFO, will continue as CEO of our HPP business post February 9, 2023.

Mr. Ganatra will be joining Navin Fluorine as CFO with effect from February 9, 2023. He's a Senior Finance and Business Leader and a qualified Chartered Accountant having almost 30 years of rich international experience with demonstrated track record of creating value through strategy, risk management, planning, performance management, audit, internal controls, transformation and accounting. He has worked in India as well as internationally in senior positions with leading organizations like Reliance Industries, British Petroleum and Castrol India Limited. We welcome Mr. Ganatra to the Navin Fluorine family and wish him all the success in his new role. Let me now start with key highlights for the quarter and for 9 months ending FY '23 followed by business segment-wise updates, and then we will take you through financial highlights for the period under review.

I'm delighted to share that our quarterly performance for Q3 FY '23 crossed number of new milestones. Our quarterly consolidated revenue surpassed INR 500 crores, and operating PBT has, for the first time, surpassed INR 100 crores. EBITDA margin improved significantly due to ramp-up in capacities and product mix. I'm happy to report that in the first 9 months of the year, our revenues were almost same as what we delivered in the full year FY '22.

Commercial production at 3 of our new plants, HPP, MPP and the Agrochemical Intermediate plant has commenced successfully. This is significant since a lot of this work was done amidst COVID. The capitalization of new plants led to higher depreciation impacting the profit before tax. This demonstrates ability of the Navin Fluorine team to not only identify and develop new projects, but also execute them successfully and on time. Now I would like to discuss the operating performance of each business unit.

As many of our new projects will now being undertaken in our subsidiary, NFASL, going forward, we request you to evaluate our performance and especially performances of each of the BUs on a consolidated basis. Segment financials for this quarter reported on a consolidated basis, and as such, includes NFASL. All our business units, Specialty, HPP and CDMO delivered highest ever quarterly revenue in this quarter.

Our Specialty Chemicals business continues to deliver strong performance, driven by strong partnerships and great technology platforms. We reported revenue growth of 22% on a Y-o-Y basis at INR 186 crores for Q3 FY '23. In this quarter, we successfully completed plant audits done by 4 multinational customers, MPP and the dedicated plant for Agrochemical Intermediate started in this quarter -- started in the quarter under review, and we started supplies of commercial products post successful commissioning and qualification.

Our HPP business generated revenue of INR 253 crores, growth of 64% in Q3 FY '23 as compared to the same period last year. New plant in Dahej achieved close to its design capacity in December, helping us achieve operational efficiencies. The new project in Surat is slated to commence production in the second quarter of FY '24, marking a significant milestone in our growth and expansion plans. Our CDMO business has reported highest ever quarterly revenue of INR 125 crores reflecting a remarkable Y-o-Y growth of 73% as compared to the same period last year.

This impressive performance is the mark of confidence, our international partners continue to place upon us. Work on the c-GMP-3 expansion -- capacity expansion is on track. Our CDMO business, we believe, is now on strong footing and ready for further capacity expansion, a plan of which is currently under preparation. Now I would like to share highlights of our financial performance, following which we'll be happy to respond to your queries.

For 9 months FY '23, on a consolidated basis, the Company's reported revenue from the operations of INR 1,380 crores as against INR 1,044 crores in 9 months FY '22, growth of 32%. Operating EBITDA stood at INR 349 crores as against INR 271 crores in 9 month FY '22, up by 34%. Operating EBITDA margin stood at 25.3%. Operating PBT was up 25%, stood at INR 280 crores for 9 months FY '23, as against INR 223 crores last year.

Operating PBT margin was at 20.3% in 9 months FY '23. Profit after tax stood at INR 239 crores for 9 months FY '23, and PAT margin was at about 17.3%. Now coming to the quarterly performance for Q3 FY '23. Company reported growth of 49% in net revenue from operations to INR 564 crores against INR 379 crores in Q3 FY '22.

Operating EBITDA grew by about 58% to INR 156 crores as against INR 99 crores in Q3 FY '22. EBITDA margin stood at 27.6% for Q3 FY '23, an increase of 159 basis points. Operating PBT stood at INR 121 crores, growth of 41% as compared to last year. PAT stood at INR 107 crores for Q3 FY '23 as against INR 69 crores in Q2 FY '22 with a growth of 55%.

So that is from my side. We'll now open the floor for Q&A. Thank you very much.

Moderator: Our first question is from the line of Sanjesh from ICICI Securities.

Sanjesh Jain: Thanks, Radhesh, and I would wish to congratulate Navin Fluorine team for 3 well-executed projects. I got a few questions. First, on the HFO side, now that we have reached the peak utilization, I wanted to understand more on the underlying product. So what will be the contribution of this particular 1233 series within the HFO family? And can this intermediate be also used for manufacturing the more popular 1234yf? And between the Honeywell and DuPont, they were to hold the patent in this product, what is the market share of Honeywell? And what is the growth at which this cash is growing as an industry? This will be my first question. I know it's a bunch of it, but whatever you could help us understand, will be great.

Radhesh Welling: Yes, thanks for that question. So if you actually look at this particular molecule which we are manufacturing, this actually has a very wide range of applications. DuPont, which is I think you're talking about Chemours, they don't have -- they are not in this particular molecule. Also, this molecule is not used for manufacturing of yf. This is an independent molecule. This has independent set of applications. It's not currently being used as one of the molecules for air conditioning. It has got multiple other applications.

And we are currently working on, along with Honeywell as well as independently to identify some opportunities where this can be used as an intermediate. But this has nothing to do with refrigerant gas, etcetera. That is a completely different set of opportunities. There is R&D work going on at this point in time. As I had indicated earlier, this particular molecule is at a very early stage of its life cycle and a lot of growth basically like ahead of itself right now. So we feel that in the years to come, this molecule will grow significantly. And this molecule will also, for some of the applications, continue to take market share from other HFCs as well as some other molecules.

Sanjesh Jain: Fair enough, Sir. My second question is on the two new plants commenced. You have mentioned that we have reached peak capacity in the HPP segment. What is the utilization rate in this quarter for the dedicated plant and for the MPP plant?

Radhesh Welling: Yes. So MPP, if you remember, it was earlier designed for 4 to 5 molecules. Currently, we have commissioned our first line and started the production of the first molecule. In this quarter, which is Q4, we will start 2 more molecules. And so we will basically start -- we will have production of 3 molecules in Q4. We will ramp up the capacity gradually. As far as the dedicated plant is concerned, we actually commissioned the plant 1 month prior to the target date. And hence, we got the month of December to produce this particular product.

So initially, obviously, we had to commission the plant, start the production, get some trial quantity out for successful qualification, et cetera. We completed all the process. And from January onwards, we expect that we will have full production -- we would have reached full capacity utilization for this dedicated plant. In the month of December, which is the first full month we got for this particular plant, the plant was run at a slightly below full utilization.

Sanjesh Jain: One last question. It's more of a bookkeeping, is on the CDMO. The CDMO number looks fabulous INR 125 crores. Is it fair to assume that it has some of the spillover coming from the last quarter? Or we should assume that now this will be a more quarterly steady-state run rate? How should we look at this revenue in the CDMO business?

Radhesh Welling: No. So I think as I have mentioned before as well, two things: a, unfortunately, I mean, that's not our desire or intent. But this business from quarter-to-quarter, it continues to remain quite lumpy. So what we have said before is that you should look at this business on an annual basis, and then that should become a benchmark for seeing the growth that we are achieving on a Y-on-Y basis rather than looking at it on a quarter-to-quarter basis. The second point, which we had indicated earlier is that if you look at the calendar year '22, we had actually said that we are seeing a relatively soft demand whereas calendar year '23, we are actually seeing relatively stronger demand and which you will actually start seeing from our performance for quarter 3, which is what we have actually seen now.

So we expect that the quarter 4 performance will be in line of what we have done in Q3 or it will be better than what we have done in Q3. But for you to basically -- look at the overall CDMO performance, I would continue to request you to look at it on an annualized basis rather than on a quarter-to-quarter basis.

Sanjesh Jain: Fair enough. Just one bit...

Moderator: Sanjesh, I'm sorry to interrupt. There are several participants in the question queue. May we request you to return to the question queue, please.

Sanjesh Jain: Fair enough.

Moderator: Our next question is from the line of Sudarshan Padmanabhan from JM Financial PMS.

Sudarshan Padmanabhan: Sir, my question is on the Agrochemical Intermediate plant. I mean we are quite delighted to see the kind of ramp-up that we have seen in the HFO contract which is almost an up to 100% of maximum utilization in December. How do we see the traction here? I mean do we see this traction also being similar to what we have seen in the Honeywell contract or do we see this being a little bit more gradual?

Radhesh Welling: So in both, Honeywell contract, which is the HFO as well as the Agrochemical piece. These -- both these are dedicated clients. So we've actually achieved close to full capacity in December. And we expect that this quarter, we should basically be running at almost close to full capacity. And what we have actually tried to do here is that establish, a, that we can run the plant at the designed capacity.

So we requested the customer that let us run it to the full capacity, customers are willing to take everything that we manufactured in these three months. This will also help us to really focus on achieving the norms and the yields that we have targeted. So all the work that is required to be done, we are actually trying to do upfront. And hence, we are trying to see that if we can actually run both these plants, which is both of them are dedicated plants to full capacity, rated capacity and achieve the desired norms and yields. So that's the plan for this particular quarter for both the plants - for HFO as well as the dedicated plant.

Sudarshan Padmanabhan: And now that we have more or less achieved the rated capacity and running at almost full capacity in the fourth quarter, what are the chances of expansion of these contracts because I'm sure that as the usage increases, as you mentioned that this HFO is a lot more versatile, they would obviously look at expansion in their volumes, which will basically be a benefit for us.

Radhesh Welling: Yes. So I assume you're specifically asking about HFO, right?

Sudarshan Padmanabhan: Yes Sir, the Honeywell contract.

Radhesh Welling: Yes. So I think our immediate priority, if you remember previously, I had talked about 3 sets of priorities. Priority number 1, to ensure we run the plant at designed capacity, achieve the desired norms, yields, et cetera. Now if you are able to do that in 1 quarter, which is the Q4. Our efforts will then be to ensure that we at least do that for a year so that we also gain appropriate confidence, our customer also gains appropriate confidence.

While we do that, we already have started working on priority number 2, which is the debottlenecking piece, which I had actually talked about before. That particular piece will give us about 20% additional capacity. It requires very small capex. We are currently in discussion with the customer to complete that particular set of activity. And we believe that in the next quarter or so, we should be able to do that.

That will be our priority number 2. As we get that done, that the next one would be to engage with the customer for further expansion, which is basically kind of double the capacity for HFO. That would probably take at least about a year or so. Meanwhile, we want to complete this priority number 1 and priority number 2.

Sudarshan Padmanabhan: One final question from my side before I rejoin is on the Specialty side. I mean, looking at the growth -- I mean, we've seen a very strong growth and demand coming in from the agro side mean we also talked about revival and a lot of inquiries happening on the pharma side. How do we see CY '23 from that side? Do we see the proportion of pharma increasing? And how does this mix probably change in the next couple of years or so?

Radhesh Welling: No. So in fact, one of the things I have mentioned previously, and we continue to do that, we have significantly reduced our dependence on pharmaceutical within the Specialty business. I'm sure you know that in Specialty, we typically deal with the generic business on the pharma side and work mostly with the customers in India. We are actually trying to reduce that dependence.

The comment that you made, where we are talking about improved confidence that we are seeing from the pharma customer, that commentary is primarily meant for the innovator pharma companies where we work on patented molecules, a lot of these opportunities are pre-commercialization and then just immediately after commercialization and all of that is actually exported. So these are 2 completely different businesses. Generic pharma happens in a Specialty BU. Innovator pharma, that's a business which happens in this -- on the CDMO side.

So to your question, today, if you look at the percentage of the sales coming from agro has significantly gone up compared to three years back. And going forward, we -- as we had indicated before, we have also started seeing now good traction coming in from the performance materials side. So we are consciously now trying to identify and develop partnerships and projects on the performance materials side. So going forward, what we want to do is by FY '25, FY '26, reduce our dependence from where we are today on the agro side. That will not be by reducing the business on the agro side, but actually increasing the business significantly more on the performance materials side.

Moderator: Our next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: First, on the expense items, Sir, for this quarter. So I believe the employee cost line includes a INR 7.5 crore charge for the ESOP expense. Just wanted to get your thoughts on how many more quarters we should expect this to continue? And is this going to be a straight line kind of expense throughout that period? And we've seen significant increases in the operating expense lines as well as depreciation and finance cost. I presume it's because of the new commissioning of the plant. Are we already at peak levels, more or less, at least with relation to these three products. Have they been commissioned or are there further increases which we should expect in the upcoming quarters?

Partha Roychowdhury: So I am Partha Roychowdhury. On your first question, the INR 7 crore charge is for this quarter, and this charge will continue and it will keep on reducing as we go forward quarter-by-quarter until the entire vesting happens, yes. And with regard to the questions on the revenue expenditure side, if you're looking at the consol numbers and given the fact that three plants have been capitalized, and we are getting products out of them, those have come and now resided in the P&L.

So on account of the consolidation, there is an increase. Besides that, there has been an increase in the energy costs, as you may be aware of. Beyond that, there are some increases in the freight, labor and other expenditures. The overall increase on a 9-month basis is approximately INR 60 crores. Out of that, the energy itself accounts for INR 40 crores, yes. Depreciation, as you said, is, of course, higher because of the capitalization.

So it's mainly on account of our NFSAL, which is the 100% subsidiary. Now with regard to these 3 products or 3 plants which have been capitalized. By and large, they are at full revenue expenditure level. When the fourth plant comes up, of course, the revenue expenditure will go up, yes.

Abhijit Akella: That's clear and helpful. And the second question I had was on the HPP and MPP as well as Agro Intermediate growth projects. When I -- if I'm doing my math right, it appears that the domestic sales of the HPP business units seem to be down sequentially, quite significantly. So just to understand whether that's seasonality or there is any other reason to that?

Also, we had last quarter alluded to the likelihood of some price hikes in the HPP product, the HFO product in the month of January, 15%, 20% perhaps. So if you could please just update us on that and whether we should see an increase in HFO revenues starting the March quarter because of that? And finally, on the MPP and Agro Intermediate side, there's a comment in the presentation that we have done 4 plant audits by MNC customers.

Are these for potentially new opportunities within Specialty chemicals? And where do we see capacity utilization for the MPP product in fiscal '24 and '25?

Radhesh Welling: Yes. So I think there are 3 questions that you had asked. Let me take the second question because that's the easiest one to answer. On the pricing front, when we did the agreement at that point in time, we had actually said year 1 will be a fixed price and then year 2 onwards, there will be a true-up. So there will be a cost-plus mechanism.

Year 1 was obviously the calendar year 2022. Now what happened was, since we signed the contract, the world has completely changed. The raw material pricing has completely changed, et cetera, et cetera. So we went back to the customers and basically said that, that fixed price that we had agreed to, it will be extremely difficult for us to stick with that. Now on the basis of our fixed pricing, our customer, which is Honeywell had actually gone and done some agreements, etcetera.

Now given the relationship of our partnership, they agreed with what we were talking about, and we actually took a significant increase in the price from the start of the supply itself so that our margins otherwise would have got significantly depressed if we had stuck to the originally agreed pricing.

Now we are actually seeing some softening of the raw material, et cetera. If you look at -- and this pricing actually walks on a calendar year basis, not on a financial year basis, the pricing for FY '23 -- sorry, calendar year '23 is going to be almost similar to the one that we have agreed to for calendar year '22. On the third question that you asked in terms of capacity utilization for MPP. Through the calendar year, we will actually start commissioning more lines. As I said, we have commissioned the first line, the first product manufacturing has started.

This quarter, we will start manufacturing of 2 more products. In the second half of next year, we will actually start production of the fourth molecule, we expect that we will reach optimum capacity utilization towards the end of next financial year. While we are working on achieving optimum capacity for MPP, we have also identified some opportunities to immediately do some debottlenecking within that MPP wherein we can actually map some other new molecules that we are discussing with the customers on.

By doing that, we should be able to get the total revenue out of this MPP significantly higher to what we had earlier committed. But that's the project that we are currently working on. But as it stands today, we expect that it will actually start reaching its optimal capacity towards end of next financial year, which is FY '24. Now to -- what was your first question, sorry?

Abhijit Akella: I think the only one that was left probably is with regard to the plant audits by the MNC customers. So are these for new opportunities? Or are these for the same debottlenecking opportunity that you just spoke about?

Radhesh Welling: No. So out of these 4 customers, one is the existing customer. So that's an ongoing audit that happens every year. 3 are new customers. With them, we have some small business, but they are now looking to significantly ramp up the relationship. So that will actually impact into some of the new business opportunities that we are looking at. And out of these 4 customers, 2 are on the performance materials side.

Moderator: Our next question is from the line of Vivek Rajamani from Morgan Stanley.

Vivek Rajamani: Congratulations on a very, very strong set of results. Sir, on the first question on the Specialty chemicals side. Obviously, it was a very, very strong quarter. Would it be possible to give some colour on what was the biggest driver of this performance? Was it a combination of a better product mix? Was it higher margins? Or were you able to just run the plant better? Some colour there would be very helpful. That's the first question.

Radhesh Welling: The question that you are asking is specific to Specialty, right?

Vivek Rajamani: That is correct, Sir.

Radhesh Welling: Yes. So it was primarily driven by volumes. As we said, there are two new plants which just got commissioned, and we actually manufactured and sold material out of those two plants in the month of December. So it's primarily driven by that particular piece. And out of our existing plants in Surat, there was some slight impact of the product mix thing, but it was primarily driven by volumes. Pricing had no role to play in that.

If you look at the margin, there is a slight impact of the product mix, but it's primarily driven by the volumes. Volumes as in new products, which we actually did from the 2 new plants that just started the production. So it's not higher volume of the existing molecules. It's the new molecules, which we produced out of MPP and the dedicated plant.

Vivek Rajamani: Sure Sir. So if I could understand this correctly, would it be fair to say that as you continue to run these new plants on a more consistent basis over the next couple of quarters, that should also provide you more operational efficiencies going forward. Would that be a fair statement?

Radhesh Welling: That's the intent, yes.

Vivek Rajamani: Got it, Sir. And the second question that I had was, obviously, everything is looking really upbeat. You've obviously had new peaks in terms of your earnings for all your segments. And you obviously still have a very strong pipeline. If I could just ask you, are there any particular risks that you're currently monitoring at the moment that you think could maybe cause a bit of a headwind for any of your segments? Just some colour on that thought process would also be really helpful.

Radhesh Welling: So directionally, as well as on a mid to mid-term basis, when I talk about mid-term, I'm talking about 3 to 4 years, ee continue to feel very positive and optimistic about the performance of all the 3 of our businesses. In the short-term, and by short-term, I'm specifically talking about calendar year 2023, I'm not even talking about financial year '23, primarily calendar year '23.

I mean I'm not talking about financial year FY '24, but calendar year '23. In the second half of the calendar year, which is basically July to December of the calendar year, we might see some softness because of the recession impact, et cetera. So that is something that we are trying to understand through our conversations with our customers. Typically, what we have seen is because we play upstream in the value chain, we don't typically get severely impacted by a deep recession.

We get severely impacted by long recession. So there are some markets which have already started seeing impact of recession. You don't see that in our results for Q3. And I don't think you will see that in our results in Q4. But if it continues to remain for a longer period of time, there could be some impact in the second half of the calendar year '23.

So that is something that we are trying to get better understanding on through our conversations with our customers, and that is what we will actually then -- that will get reflected in our annual business plan, which we are in the process of finalizing. But overall, directionally, we feel extremely positive, which is driven by the demand for the molecules that we have selected to work on, all these molecules are performing extremely well. They have currently been used for newer applications, agro products are being used for newer formulations as well. They seem to be performing quite well.

Also, given our successful execution on some of these projects, the customers seem to be very delighted and wanting to increase their relationship with us. So overall, we feel quite positive. But in the short-term, specifically with respect to H2 calendar year '23, there might be some headwinds, but that is something that we are just trying to ascertain at this point in time.

Vivek Rajamani: Got it, Sir. Just one clarification before I rejoin the queue. This slowdown or this recessionary trend is that focused on agrochemicals or is it some other segment?

Radhesh Welling: So there are 2 things. One, it will actually impact our HFO business, possibly, if at all. Agro, there are a few molecules which might get impacted, but that is not so much because of the recession. As you know, there was drought last year in Brazil. So for some of the molecules, there is a certain inventory build-up in the pipeline. Currently, we are not really seeing any impact of that on our immediate sales.

But we are trying to understand from our customers, how are they looking at their overall inventory position, which might impact our sales in the H2. So there are 2 pieces. Recession, which might possibly impact HFO, and that is, again, a short-term phenomenon and possibly a drought impact on the agro. Again, we are not seeing that right now in Q3. We don't expect that in Q4, but again, it could be for the rest of the calendar year.

Moderator: Our next question is from the line of Amar Maurya from AlfAccurate Advisors.

Amar Maurya: Majority of questions had been answered. One bit of this HPP, I mean if we do the basically consol minus standalone, there has been a significant improvement in your profitability. So does this profitability look sustainable going forward?

Radhesh Welling: Yes.

Amar Maurya: Okay. Okay. And secondly, Sir, this debottlenecking of HF capacity, which we were likely to commission in Q3 is done?

Radhesh Welling: We have 2 plants. We have 2 lines in HF. One of them is just getting done. The second one, which was supposed to be done by March. We have actually moved that to April because we would have had to take a shutdown of almost two to three weeks. And given the strong demand that we are seeing across the business in Q4, we decided to move that from March to April. While that is being done, we are currently working on a completely new capex right now for setting up a new HF capacity, which we will be taking to the Board of NFSAL very shortly. So that's for setting up a completely new HF plant.

Moderator: Our next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Congrats on a good set of numbers. Sir, post commissioning of the current projects, what will be our peak debt in FY -- or rather debt by end of FY '24.

Partha Chowdhury: FY '24 debt should be of the order of about, say, on a consol basis, INR 1,300-odd crores, yes, which includes working capital and term debt and everything.

Rohit Nagraj: Right, right. And in terms of commissioning of projects during 2023. So just now, you mentioned about the HF plant, then Q2, there will be HPP debottlenecking, and by December, there is one more HPP, which we had indicated. Beyond this, are there any other projects which will get commissioned?

Radhesh Welling: No. Are you talking about commissioning? Or are you talking about new projects that we will be taking to the board?

Rohit Nagraj: No. One is in terms of commissioning of the ongoing projects where we have already taken the approvals. And the newer projects, which you had indicated probably we will discuss after the financial year '23 ends?

Radhesh Welling: No. So as far as the commissioning is concerned, there are only 3 projects, 1 partially and 2 fully. Partially is basically MPP, we will actually keep commissioning newer lines there, which we have already started, and we will actually ramp that up. The second is the project in HPP, which we had announced last year, which is basically for the capacity that we are setting up in Surat. So that's the second one.

And third, that's a completely new plant that we are building in Dahej in Specialty. So that one, as we have said, will be ready by end of calendar year '23. So those are the three projects, which we'll get -- two of them are completely new plants that will get commissioned. And the third is this MPP, which will -- which is the commissioning has already started, some newer lines will be commissioned as we go along.

Rohit Nagraj: Right. And the ones which we will be taking up to the Board is just now you talked about HF and beyond that, whatever new opportunities that come by, right?

Radhesh Welling: Yes. So I think as far as new projects are concerned, it will be very difficult for me to commit to anything because it will all depend on where we are in terms of getting our homework done. But our expectation is that in this calendar year or let's say, till the end of FY '24, we hope to take 3 big projects to the Board for approval. And when I say big, I'm talking about requiring investment of INR 200 crore plus. The debottlenecking of HPP doesn't fall in that category because that's a relatively smaller project in terms of investment cost.

These three projects will be -- 1 will be HF. Another will be the CDMO, cGMP4. And third will be -- another one is Specialty. So we expect that there will be 3 new projects that we'll be taking to the Board. But will that happen or not will completely depend on our readiness in terms of our comfort level in having a strong enough business case to be able to present to the Board. But that's our intent, where we are hoping to take 3 large investment projects to the Board.

Rohit Nagraj: Right. Just one clarification, INR 200 crores plus for each project?

Radhesh Welling: That's correct.

Moderator: Our next question is from the line of Anubhav Sahu from NC Research.

Anubhav Sahu: Yes. A couple of questions -- our relative Specialty chemicals. One, if I do understand that we're deliberately trying to reduce our pharma exposure in the Specialty domain and trying to inch up on the performance materials. So if -- would it be possible to give you a mix of what is our current end market exposure as far as agro versus pharma versus performance materials in this segment?

Radhesh Welling: So about 3 to 4 years, till about 3 to 4 years back, it was 40% pharma, 40% agro and 20% industrial. Currently, it's almost 60% agro, 20% pharma and 20% industrial. Performance Material is very, very small because currently, there's just products being developed. We are supplying product out of pilot plant, et cetera, et cetera. Our expectation is that we will move this back to approximately 1/3 coming from agro, 1/3 coming from performance material and 1/3 between pharma and industrial. That is what we expect to get to by FY '26. But currently, it 60%, 20%, 20% between agro, pharma and industrial.

Anubhav Sahu: Okay. Great. So just for clarification. So as far as our engagement with innovator pharma is concerned, that will continue to be mostly through CDMO business, right?

Radhesh Welling: That's correct. So that's all in CDMO because Specialty does not have cGMP facility. That facility and those capabilities to engage with the innovators and develop early-stage opportunities or late-stage opportunities, those capabilities which include people capabilities as well as infrastructure, all resides in the CDMO business.

Anubhav Sahu: Okay. Okay. Got it. And on the capacity expansion front as far as Specialty is concerned, I understand that dedicated plant is already optimally utilized and MPP would be utilized by the end of fiscal year '24. And you also mentioned there is one plant probably by the end of calendar year '23, you would have for Dahej. Could you elaborate a little more on the investment on this side? And what is the fixed asset turnover we are looking at?

Radhesh Welling: No, no. But this plan that I'm talking about by end of calendar year '23, it is not probably. It's already there in the public domain because we have already gone to the Board, got the approval from the Board. And so if you look at the asset turns, you're asking about asset turns for each of these investments, right?

Anubhav Sahu: Yes, exactly.

Radhesh Welling: Yes. So those are -- we have already announced those asset turns when we announced the capex for our MPP -- basically for all three of them, it's going to be in the range of 1.3% to 1.6% of investment, the asset terms.

Anubhav Sahu: Okay, okay. And what is -- particularly for Dahej, what is the investment? Can you, sir, please remind me the investment there? And the ...

Radhesh Welling: The investment, if you look at the dedicated agro plant, it's I think, about INR 130 crores, plus/minus. I don't remember the exact number of that. For this large plant, which we will get ready by December is about INR 540 crores. And the MPP, it's, I think, about INR 235 crores, if I'm not mistaken. So that's -- plus/minus.

Anubhav Sahu: Okay. And this Dahej one is of the nature of MPP or it's ...

Radhesh Welling: Sorry.

Anubhav Sahu: The Dahej plant, which would be commissioned by the end of calendar year. This is of the nature of MPP, a multipurpose plant?

Radhesh Welling: No, no. That's a dedicated plan for a molecule, which will be supplied to multiple customers.

Moderator: Our next question is from the line of Ranjit from IIFL Securities.

Ranjit: Congratulations for the commissioning of all the full capacities. The first question, a bit of clarification. You highlighted in the earlier call that we faced a little bit of challenges with respect to the raw material for the HPP thing. So just wanted a bit of insight on that has been resolved and that is on track. And one other thing related to that is that you have mentioned that we have got a revised pricing from the calendar year. So I believe this is from January 2023 and those benefits are just to be reflected into the numbers. So this is my first question.

Radhesh Welling: Can you please elaborate on which business unit you are specifically referring to?

Ranjit: HPP.

Radhesh Welling: No, no, no. So HPP, I said the price revision happened for calendar year '22, wherein we earlier had an agreement for a fixed price thing. So when we started the supply in the calendar year '22, we revised the prices from what was agreed before. And the pricing for calendar year '23 is almost similar to the price for calendar year '22.

And on the raw material, I mean we always have these issues on the raw material side, but there is no major challenge on the raw material side, neither from the availability perspective, nor on the cost perspective. Whenever we actually see that there is a significant cost escalation, et cetera, which we had seen in the last two years.

We have been pretty successful in terms of passing on that to our customers even in the middle of a contract. Our customers have been fully -- they are very understanding of the situation and have been very supportive of that. So we don't really see any major challenge on the raw material side.

Ranjit: Thanks for clarifying on that front. Second, on the HF plant -- the HF plant, given that we are seeing a significant ramp-up in the production of HPP and both Specialty chemicals. So would we be able to secure this HF in the time we go ahead and set up these capacities, I believe that would take another 12 to 18 months' time. So -- and over the next 12 to 18 months, we do see a significant ramp-up in the production. So how are we using the raw materials on the HF front?

Radhesh Welling: Yes. So are we given our expansion plans for the immediate future, are we completely secured from the point of view of HF? The answer is, yes. After fulfilling our captive requirement, we will have volume available for merchant sales. But given the fact that our requirement is going up significantly and will continue to go up significantly, and we would ideally need a lot more HF for merchant sales. And hence, we have actually put the plan together for a completely new plant, for a new capex for HF, and there, the capacity that we are looking at for the new plant is almost double of what our total capacity currently is. And that basically also is -- basically can be a signal of the kind of demand that we are actually seeing over the next few years given the projects in the pipeline.

So that gives us the confidence that we will require significantly larger volume of HF than what we consume today. And that is why we're actually currently in the process of finalizing the capex plan for increasing the capacity, overall increasing the capacity of HF by 3x.

Ranjit: And by merchant sales, you mean it to sell it to the NFASL or also the third party?

Radhesh Welling: No, no, no. Merchant sale as in external sales. NFASL is also counted as a captive consumption in our internal definition.

Moderator: Our next question is from the line of Archit Joshi from B&K Securities.

Archit Joshi: Congrats on commissioning all the projects and on a good set of numbers. Sir, my question was on CDMO. Sir, it has been our constant endeavour to kind of improve the mix that we have within CDMO towards Phase 1 and Phase 2, we have indicated in the past that, that's where more inquiries come in and we are able to gather critical mass.

Have you been able to successfully do that in the past, which is why the reflection of that can be seen in the current quarter, CDMO sales? And just an addendum to this one, Sir, in the past con calls, you have kind of been looking at a $10 million to $12 million sort of our quarterly sales in CDMO eventually taking it to almost $48 million, $50 million of sales in -- on a yearly basis. With the current sales that we have done in CDMO, is it safe to assume that we'll surpass that milestone that you are looking at? So any clarification on this would be helpful.

Radhesh Welling: So if you look at -- let me take the second question first. If you look at for the calendar year FY '23, the number that I had indicated, which is a quarterly run rate of $10 million to $12 million, we should be able to get very close to that should be able to achieve that. The only problem is we will be able to achieve that on an annualized basis. I mean you know that Q1 and Q2 were soft. So quarter-to-quarter, though it remains lumpy.

But if you take the annualized number for FY '23, we will be able to achieve the quarterly run rate Q1, Q2, Q3 plus Q4. On the first question that you've had, are we seeing more number of early-stage opportunities, which is Phase 1 because that is where typically the engagement starts? The answer is clear, yes. We have increased the number of new customers who we do business with. Also, clearly, the number has gone up.

Typically, we would prefer to have a 50-50 mix, which is basically Phase 1, Phase 2, 50%, Phase 3 and commercial 50%. Currently, we are not there yet, but we believe that in the next 2 to 3 years, we should be able to get to that.

Moderator: Our next question is from the line of Siddharth Gadekar from Equirus.

Siddharth Gadekar: Sir, my first question is on the MPP. When we had announced the project, we had highlighted that 3 products would be for the export market and 2 would be for the domestic market. So in terms of the 4 products that we are commercializing in the next 12 months, out of which that 3 products would be for the export and 1 would be for the domestic. Is that a fair understanding?

Radhesh Welling: No. So if you remember, we had basically talked about potentially 5 molecules, 4 for agro, 1 for Pharma. The 1 for pharma was domestic. Within the 4 for Agro, all the 4 were eventually for international markets, but 3, we were supposed to export. One, we were supposed to sell it to a local converter who was then going to export. But we really don't have that control over that fourth, this one because the customer might decide to use Indian converter or might decide to use an international converter. But eventually, all the 4 are going to get exported.

Siddharth Gadekar: Okay. Got it. Sir, secondly, on the pharma side, so when do we expect that pharma molecule to start coming in?

Radhesh Welling: Which one, you're talking about Specialty?

Siddharth Gadekar: Yes, yes. Specialties in the MPP.

Radhesh Welling: We are not really sure on that. If we want to do that, et cetera, because for 2 reasons: a, we are seeing good traction on the other segments. And given our experience on the pharma, I'm primarily talking about generic pharma. Where we sell to the domestic pharma companies, the business just doesn't tend to be very sticky.

We might do a business in a year and then next year, if they get INR 2 lower price, they generally go to China, et cetera. And that's not a business we generally -- that's not a kind of relationship we like to get into. So we're basically consciously now trying to just get out of pharma, where the business tends to be a lot more transactional than strategic.

So we are not yet sure about that fifth molecule if we want to do it because, a, doing business at a transactional year-to-year basis just takes too much out of the team. And on the other side, we are actually seeing pretty good opportunities on the agro and performance material side. So we might as well map the assets for those molecules.

Siddharth Gadekar: Sir, and one final last question. So now how should we look at the quarterly numbers for HFO given that we have finalized our CY '23 contracts?

Radhesh Welling: No. So if you actually look at the quarter Q4, you will clearly see ramp-up from quarter 3 because we've just started achieving the full capacity. We actually in the month of January, achieved full capacity, which was slightly higher than December. As I said, for calendar year '23, they have given us indicative volume in terms of how much they will take.

But that for H2 -- I'm talking about calendar year H2, because of the issues with respect to some of these tailwinds, et cetera, et cetera, we decided that end of March, we will again have a conversation to relook at the numbers for the rest of the year. But currently, I have full visibility into Q4. Though they have indicated the volume for calendar year '23. That's a number for the rest of the year, we will be revisiting by end of March.

Moderator: Our next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: On the CRAMS CDMO business, we had talked about a $16 million contract. Has that begun to reflect from this quarter onwards...?

Radhesh Welling: Yes.

Nitin Agarwal: And Sir, this is what you mentioned, if I remember correctly, it will go on for 2, 3 quarters?

Radhesh Welling: That's correct. So it has just started from December, you'll also see that in this month -- sorry, in this quarter.

Nitin Agarwal: So is it fair and a chunk of the bump up which came in the CDMO business came on account of this contract that we were ...

Radhesh Welling: In Q3, you're talking about?

Nitin Agarwal: Yes Sir.

Radhesh Welling: No, no, it just started the supply. I mean it did contribute to it, but that was not the main reason.

Nitin Agarwal: And Sir, an earlier comment that you mentioned, so we'll do about between INR 120 crores of revenues in CDMO this quarter, will do a similar to a larger number next quarter. But still -- still we can't take these as a quarterly run rate from an annualized basis, Sir, from a going forward basis?

Radhesh Welling: No. As I said, if you see, we have indicated that our intent would be for FY '23. Our intent would be to get to $10 billion to $12 billion -- $10 million to $12 million quarterly run rate, okay? And ideally, I would have preferred to actually do it quarter-by-quarter. Unfortunately, we have not been able to do that. But if you add all of that up, we will do that in FY '23. Now you can derive your numbers for FY -- Q4 from that.

Nitin Agarwal: Sure, Sir. But I was more interested in how we should look at FY' 24 and thereabouts given the visibility that you have in the business right now?

Radhesh Welling: Yes. So I think we are -- given the conversations going on, with the customers, et cetera. And the fact that I mentioned before on today's call as well as before, that gives us the confidence to even plan for cGMP4, which is going to be a significantly larger investment than the cGMP3 that tells you that we are actually seeing a lot of growth in this particular business in the years to come. But again, unfortunately, it's very difficult to put it on a quarter-to-quarter basis.

So on FY '24, we are trying to get -- trying to understand exactly what that number is going to look like. Fair to say that FY '24 is going to be -- given the fact that we've just completed the debottlenecking also, we will have the capacity to supply as well. So it's definitely going to be a higher number than FY '23 on an aggregate basis. Quarter-to-quarter, we will have to just look at that.

Nitin Agarwal: That's helpful. And Sir, the last one. Sir, when we look at Q4, based upon the various comments you made across various segments, we will have a reasonably strong sort of quarter for HPP business as well as for the CDMO business. And with the Specialty business with the new MPP contracts scaling up reasonably well. Sir, when you look through the whole -- the balance of FY '24 and '25, the big delta, which is remaining are the scale up of the 2 other pending contracts. Is that a fair way to look at it? Or is it ...

Radhesh Welling: Which 2 other contracts you're talking about?

Nitin Agarwal: So one, the agrochem specialty contract and the one that you will commercialize with the multipurpose contract and the specialty chemical contract that you said -- the segment, which will -- for which you are spending INR 540 crores, for a Specialty molecule.

Radhesh Welling: Yes, absolutely. So I think let me go through the order. The first one, obviously, will be the larger contract that we have for that INR 540 crores plant, where nothing has come in this year, nothing will come till end of calendar year '23, we'll actually start seeing a major bump up from calendar year '24 onwards.

So you'll actually see in Q4 or FY '24 and then thereafter. The second would be your -- the dedicated agro plant because we will hardly get a quarter this year, whereas next year, we will get a full annualized run rate. And then on the MPP, that will be a relatively gradual ramp up because, as I said, we have actually started the supply of the first molecule. We will start supply of the other two molecules in this particular quarter.

It will not be still full capacity, but we will ramp it up. And we expect that by end of, again, calendar year '23, we should be able to get to optimum capacity in MPP. So MPP -- so the dedicated agrochem, you'll actually see almost drive the full capacity in FY '24, but the MPP and the other project, you will actually see running to full capacity from FY '25 onwards.

We will actually ramp it up within this particular year. And before end of this year, we would have actually reached the peak capacity. But on the annualized basis, you'll actually see it from FY '25. If you remember earlier, we had actually indicated when we announced the capex that we should be able to achieve the peak annual revenue in year two to year three. The dedicated agro, we will actually see it in Q2 itself. Similarly, for the larger other client, INR 500 crores investment we're talking about, there also you'll be able to start seeing it from the year 2 itself. But for MPP, it will be year 3. So year 1 being FY '23, year 2 being FY '24, year 3 being FY '25.

Nitin Agarwal: Very helpful. And Sir, during the -- those two years -- next two years, are there any more newer contracts which can start to contribute or whatever that you will announce now will start to have an impact only FY '26 onwards?

Radhesh Welling: No, no. You will see, as I mentioned to you, we're currently looking at some further debottlenecking of our MPP in Dahej. We also are working on another project where we are actually doing complete asset reassessment for Surat to see if there is investment we can actually do in Surat. So those 2 definitely will come in, and those will be a relatively quick turnaround. So they are not going to be larger capexes. But if you -- the announcement that we made of, let's say, INR 540 crores last year, but the plant is going to be ready by December of this year. That kind of a quantum will probably come into play only from FY '26 on annualized basis.

Moderator: Our next question is from the line of Dhvaneet, an individual investor.

Dhvaneet: First of all, congratulations on a wonderful set of numbers. I had a couple of questions. First is with regards to -- there was a budget announcement on reduction of custom duty and Fluorspar prices. Is that going to have any material impact on our business? Or is it going to be under some kind of increment in our profitability? And apart from that, is there anything special from this current budget which is actually good for our business? And my second question was with regards to our profitability. The current margin run rate, which we have, do you think we will be able to sustain or improve on this current rate in the next couple of years or the 24 months' time?

Radhesh Welling: Yes. so let me go on the margin thing first. So I think given all the points that I just talked about on the HPP side, specialty side, on the CDMO side, et cetera., in Q4, we believe our margins will be similar or better, okay? Then what you will have to look at is -- you'll have to basically look at it on an annualized basis, what we do in FY '23, okay? That's the margin we will continue to deliver on and improve on as these newer projects in Dahej start getting reflected on an annualized basis. As I have mentioned before, our aim is to ensure that the baseline, the base business continues to deliver 25% plus/minus EBITDA and the newer projects could actually help us start getting closer to 30%. So that's been our continuous goal.

And as these newer projects start constituting a larger percentage of our overall sales, you will actually see the overall margin profile of the Company getting close to -- so from 25% plus/minus, it will get to 30% plus/minus. So directionally, that commentary still remains valid. On the Fluorspar duty, you know that most of the Fluorspar that we use is basically used for converting into molecules, which are exported. So the duty doesn't really play any role in that. But yes, for whatever gets consumed locally, domestically, there the duty plays a role, but that's not a significant portion of that. We've actually seen the maximum impact on an annualized basis, it's going to be about INR 4 crores to INR 5 crores, not much.

Moderator: Ladies and gentlemen, we take that as the last question. I now hand the conference over to Mr. Radhesh Welling for closing comments.

Radhesh Welling: Thank you. So I would like to thank everyone for taking time out and joining on the call. I hope we have been able to respond to your queries adequately. If you have any further queries, you may reach out to our Investor Relations partner, Orient Capital. Thank you very much and have a good day.

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