May 17, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
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 held for the quarter and financial year ended March 31, 2023

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 May 13, 2023 regarding discussion on operational and financial performance for the quarter and financial year ended March 31, 2023 (Q4 and FY 2022-23) is enclosed herewith.

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 Bipin Mankad
Digitally signed by Niraj Bipin Mankad
Date: 2023.05.17 15:06:49 +05'30'

Niraj B. Mankad
President Legal and Company Secretary

Encl.: a/a

"Navin Fluorine International Limited
Q4 & FY '23 Earnings Conference Call"
May 13, 2023

MANAGEMENT: **MR. RADHESH WELLING – MANAGING DIRECTOR – NAVIN FLUORINE INTERNATIONAL LIMITED**
MR. ANISH GANATRA – CHIEF FINANCIAL OFFICER – NAVIN FLUORINE INTERNATIONAL LIMITED
INVESTOR RELATIONS PARTNER – ORIENT CAPITAL

MODERATOR: **MR. BHAVYA SHAH – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Navin Fluorine International Limited Q4 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 Mr. Bhavya Shah from Orient Capital. Thank you, and over to you, sir.

Bhavya Shah: Thank you, and welcome to the Q4 and FY '23 Earnings Conference Call. Today on this call, we have Mr. Radhesh Welling, Managing Director; and Mr. Anish Ganatra, Chief Financial Officer of Navin Fluorine International Limited. 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. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Our detailed safe harbor 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: Hello. Thank you very much. Good evening, and a warm welcome to all the participants. I want to take a moment to acknowledge the inconvenience of calling you all on a Saturday evening for earnings call as I had to travel for some business from tomorrow onwards. We understand that this may disrupt your weekend plan and we sincerely appreciate your flexibility and consideration in joining us on short notice. Thank you for your continued support and commitment to Navin Fluorine.

On this call today, I'm joined by Mr. Anish Ganatra, Chief Financial Officer, 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 exchanges as well as on the company's website.

Let me now start with key highlights for the quarter and year ending FY '23, followed by business segment-wise updates, and then we'll take you through financial highlights for the period under review.

I'm pleased to announce that our performance in FY '23 has achieved several new milestones. For full year FY '23, we achieved a key milestone of revenues from the operations exceeding INR2,000 crores. Operating EBITDA crossed INR550 crores and Operating PBT crossed INR460 crores. For Q4 FY '23, we have reported quarterly revenue of INR697 crores. Operating EBITDA has more than doubled at INR202 crores on Y-o-Y basis. EBITDA margin stood at 28.9%, an expansion of 586 basis points.

Commercial production at 3 of our new plants, HPP, MPP and Agro-Intermediate plant has commenced successfully in the last fiscal. We have begun commercial production of two new molecules at our MPP plant in Q4 FY '23 and expect to launch at least 1 new molecule in FY '24. R32 capex of INR80 crores in Surat will be commissioned as per schedule, and the sales should start from Q2 FY '24. This demonstrates the strength of our business model and execution capabilities developed over the years. We improved our performance in uncertain times, captured growth opportunities, executed multiple projects successfully and accelerated our journey towards becoming the company we want to become in the future.

Now some refresh and some additional updates. In line with our growth plan in March 2023, Navin Fluorine Advanced Sciences Limited, our wholly owned subsidiary, announced a capital expenditure of INR450 crores of setting up a new 40,000 metric tons per annum hydrochloric acid plant at Dahej. The new capacity is expected to come onstream in 2 years. The capex is starting to progress well and is expected to be commissioned on schedule. With this capacity, we will be prepared to address rising demand in the pharmaceutical and agrochemical sector as well as in the emerging areas like EV battery chemicals, solar, etcetera.

Apart from the ongoing expansions, which are scheduled to be completed by FY '25, we are in the process of finalizing business plans for two projects to be presented to the Board for approval in calendar year 2023. These two projects are CDMO and cGMP4 and another project we have been working on the specialty sector, the specialty business unit. We have taken our annual plant shutdown for HFO in Dahej, along with annual plant shutdown of 1 of the HF plants in Surat in the month of April.

We are pleased to inform you the Board of Directors have recommended a final dividend of INR7 per equity share of face value of INR2 each, subject to approval of shareholders. With this, the total dividend for the last year will be INR12 for the face value of INR2 each. I would now like to discuss the operating performance of each business units.

Happy to report that all our business units, Specialty, HPP and CDMO delivered highest ever quarterly revenues and profitability. Specialty business continues to deliver strong performance, driven by strong partnerships and new technology platforms. We reported revenue growth of 28% on a Y-o-Y basis at INR204 crores for Q4 FY '23. In the fourth quarter of FY '23, introduction of new products has made impact on our performance. These innovative offerings are designated positively with customers contributing to our overall growth. Agrochemical Intermediate plant achieved optimal capacity utilization in the last quarter.

Our HPP business generated revenue of INR289 crores, growth of 92% in Q4 FY '23 as compared to the same period last year.The recent increase in sales can be attributed primarily on account of increased volume from NFASL, our subsidiary. We are pleased to report that our client is currently operating at optimal capacity resulted in desired units. Furthermore, we are excited to announce that the commissioning of R32 project in Surat is progressing as scheduled, and we anticipate commencing production from beginning of Q2 FY '24. We remain committed to driving profitability, enhancing operational excellence, and seizing opportunities for further success.

Our CDMO business has reported highest ever quarterly revenue of INR203 crores reflecting Y-o-Y growth of 106% as compared to the same period last year. Business is on strong footing and trying for further capacity expansion. Our revenue in Q4 FY '23 has doubled surpassing our stated guidance of approximately $10 million quarterly run rate on an annualized basis. This exceptional performance is testament to the dedication and hard work of our team as well as to our strong partnerships. This places our CDMO business a robust position and in an opportune space to pursue further expansion in the future. We are confident in our ability to capitalize on these market opportunities and are actively exploring options for further capacity expansion to meet the increasing demands.

I'll now hand over the line to our CFO, Mr. Anish Ganatra, to give you a brief on the financial performance of the company. Thank you, very much.

Anish Ganatra: Thank you, Radhesh. Good evening to all the participants. I will share the highlights of our performance for FY '23 and Q4 FY '23, post which we'll be happy to take questions.

For FY '23 on a consolidated basis, the company reported revenue from operations of INR2,077 crores, as against INR1,453 crores in FY '22, a growth of 43% year-on-year. Operating EBITDA stood at INR550 crores as against INR355 crores in FY '22, up by 55%. Operating EBITDA margin stood at 26.5% as against 24.4% in FY '22, an increase of 207 basis points.

Operating PBT was up 51% at INR460 crores for FY '23 as against INR305 crores in FY '22. Operating PBT margin was at 22.2% in FY '23 as against 21% in FY '22, a jump of 116 basis points year-on-year. Profit after tax stood at INR375 crores for FY '23 as against INR263 crores in FY '22, a growth of 43% year-on-year. PAT margin was at 18.1% for FY '23 and remain constant against FY '22.

Now coming to the quarter performance for Q4 FY '23. Company reported a growth of 70% in net revenue from operations to INR697 crores against INR409 crores in Q4 FY '22. Operating EBITDA grew by about 114% year-on-year to INR202 crores as against INR94 crores in Q4 FY '22. EBITDA margin stood at 28.9% for Q4 FY '23, an increase of 586 basis points. Operating PBT stood at INR180 crores, growth of 120% as compared to the same period last year. PAT stood at INR136 crores for Q4 FY '23 as against INR75 crores in Q4 FY '22 with a growth of 81%.

Before we start with the question and answers, I would like to refer to a couple of items in the financials of this quarter and year-end. During the year, the company initiated an exercise to assess the estimated useful life of assets, plant and machinery and buildings with the help of external technical consultants, the exercise covered assets at Dahej, our greenfield development, which started commercial operations during the year and at Dewas, the CDMO assets.

Consequently, the depreciation charge for the quarter and year-end 31st March 2023 is lower by approximately INR20.4 crores on a consolidated basis. In NFASL, the impact is about INR15.1 crores. And in NFIL, it is INR5.3 crores. ESOP charges for the quarter stood at INR9.31 crores and INR16.79 crores for the full year FY '23. Consolidated net cash flow from operations at negative INR63.6 crores primarily reflects initial working capital outlay following the start-up of commercial operations at Dahej. No further infusion of working capital is expected during FY '24. Rather, actions are in play to secure reduction of net working capital. So that is from my side.

We will now open the floor for question and answers. Thank you very much.

Moderator: The first question is from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

Sudarshan Padmanabhan: Yes, thank for taking my question and congrats on great set of numbers. Sir, my question is, you know if I look at the specialty chemicals, you have done fantastically well. And if I look at the last -- a few commentaries from some of our peers, it seems to be a little mixed specifically on this agrochemical side. I mean some of them talking about higher inventory and prices coming down. Just wanted your thoughts on this, even if that we have done extremely well hitherto and what do we expect going forward?

Radhesh Welling: Yes. Thank you very much for that question. I hope you are able to hear me properly. So we are really not seeing any impact on the pricing because as you know, these are all contracted -- most of it is contracted business and we primarily work with the innovators, on the new molecules, molecules which are just about to be launched or have just recently been launched. We don't really have much business on the generic side. Your commentary or your question is very relevant for the generic molecules. Not so much on the innovative side. Having said that, we have seen some impact, and we expect that for the rest of the year, that is calendar year '23, we will see some impact on one of the molecules. But that's not really that significant in our specialty business.

And if you look at on a calendar year '23 basis, the maximum impact was probably -- in the quarter, we just got over, which is Q4 FY '23. That impact will actually keep reducing as we move along. But we have been able to develop new opportunities to compensate for the volume that we lost in the last quarter, and that will continue to happen. So overall, we really don't see a significant impact on the inventory in the specialty business, right, because our business is not so much on the generic side.

Sudarshan Padmanabhan: Sure, sir. And sir, but in the specialty side, I mean, what would be the mix of pharma, agri and non-pharma, non-agri at this point? Has there been any major change seen in the fourth quarter versus what we have done in the past?

Radhesh Welling: No. So the guidance that I gave last quarter continues to remain the same. Our Specialty business is actually tilting a lot more on the agrochemical side. And as you know, within the specialty chemicals, the pharma business was primarily supplying to the Indian generic pharma companies, and we have consciously taken a decision to reduce that particular business. So that quarter-on-quarter actually keeps reducing. And our industrial business and our agrochemical business keeps increasing.

Sudarshan Padmanabhan: Sure, sir. Second question from my side is on the HPP side. I mean, specifically on the HFOs and the Honeywell contract. Given that over a period of time, I mean, you are going to see the newer gases, which are much better from an environment perspective. I mean, it's heartening to know that we have achieved a fair amount of scale here in the short span of time. Number one, is there an option of scalability, say, assuming the third quarter or the fourth quarter the coming year? And is there a possibility of more such molecules getting into the pipeline, I mean from the Honeywell contract or anybody else?

Radhesh Welling: No. So our commentary on this remains same. As we had mentioned, our first priority would be to ensure that we stabilize this plant achieve optimal capacity. And this is what we are currently doing. We'll continue to do that in the calendar year '23. Priority number 2 would be to do the debottlenecking that I had mentioned to you, so we are actually working on that. So that will actually give us additional capacity of at least 20% immediately, that is from the next financial year onwards. And as we speak, we have actually identified a few newer molecules to work with Honeywell on, and that's basically at a very initial stage, that would be our Phase III -- priority number 3.

Sudarshan Padmanabhan: Sure, sir. And one question before I join back the queue is on the CDMO part. I mean we have achieved another highest sales you have done until now. I mean, this sales is driven by newer molecules coming into the fold or scale-up of existing molecule, some of them hitting the commercials. What is the outlook over here, sir? I mean I'm not looking at quarter-on-quarter. But even at some year-- if I'm assuming, say, in the next couple of years, what is the kind of outlook that you are seeing here?

Radhesh Welling: So I think on the CDMO side, we're actually getting very good traction with our key accounts. So there are existing molecules. Molecules that we have been working on for the past few years have been scaling very well. Second, we are actually getting a lot of new opportunities with these key accounts. And I'm happy to tell you that some of these opportunities are now even outside of fluorination because these key accounts have actually started trusting us for manufacturing and delivering products, which even outside our core value proposition. So it's primarily driven by this key account relationship and there is a repeat business and the new opportunities. And new opportunities include fluorinated intermediate as well as non-fluorinated intermediate.

Having said that, we've actually continued to bring on board and qualify new customers. But the contribution to the overall sales of these new customers is relatively on the lower side because as you can imagine, when the relationship starts, it typically starts at a very low -- on a very low volume. But we believe that these relationships will then help us scale up opportunities over a period of time with these customers. So overall, if I look at the pipeline from all these perspectives, gives us a lot of confidence now to start working on the cGMP4, which is going to be a significantly larger plant than 1, 2 or 3.

Sudarshan Padmanabhan: Sure sir, thanks a lot sir.

Moderator: Thank you. The next question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: Yes, good evening and thank you so much for taking my questions. First question is actually on two, three financial aspects of the results. So one is, with regard to the depreciation amount, if there's any indication you could give us on what the normalized depreciation and amortization number should be going forward now that we've sort of taken a fresh look at the useful life of these assets?

Second was just with regard to the sharp increase in other expenses. Are there any one-off items there? Or is this a good run rate to work with going forward? And the third one was with regard to the tax rate, which seems to be a little bit on the higher side, given that NFASL should be on a concessional tax rate. So if you could please just elaborate a bit on these three aspects?

Anish Ganatra: Abhijit, thanks for the question. So on your first question regarding the normalized depreciation, this is kind of -- so you're looking for an annualized number, I suppose. I mean, if I was to give you a guidance, it would be in the range of INR80 crores to INR90 crores. But that would be sort of based on the current capitalization that we have, yes. So it's -- what you see on the financials, those financials are effectively considering the depreciation based on when the assets have been put into use. But I guess your question was more on the forward kind of -- what could be the annualized impact if the new rates were in play, yes?

Abhijit Akella: Sure.

Anish Ganatra: And the other expenses. I mean, if you compare last year to this year, in some sense, it is not a comparable number because last year did not include NFASL. This being the first year of operationalization, right, and startup of commissioning, you're seeing the entire NFASL expenses coming in there. Now some of the expenses that we have there are already a focus area, but those items are being worked. But frankly, like I said, if you're comparing between the two, it's not the right comparison just because it's the first year of operation on a consolidated basis.

Radhesh Welling: Abhijit, I would just like to add to that. On the other expenses in Q4, there were two charges there, which you will actually not see going forward. There was one consulting assignment that we had actually undertaken in Q4. So that's approximately about INR5 crores, which basically has been expensed in Q4 and will not come in again. And there were some issues with respect to some of our OSBL in Dahej because of which there were two line items which actually came in Q4, that's approximately around INR10 crores which will not come in again. So about INR15 crores, I would say, is an expense item, which actually came in Q4, which will not future going forward.

Anish Ganatra: And Abhijit, your final question was on the tax rates. Now again, bear in mind that NFASL does not have a full year of operations. So from a tax point of view, it would not really have a tax impact. Most of the tax number that you see on the consolidated basis is actually from the NFIL point of view, that's why you see a higher number.

Abhijit Akella: Okay. Got it. That's very helpful. And the second question I had was, Radhesh, if you could talk a little bit about the growth outlook for the three business units for the upcoming year? And also specifically, just wanted to check. Number one, whether we should expect any impact on 1Q sales, etcetera, because of the annual shutdown that you spoke about in HFO and, I guess, Specialty.

And second, with the R32 unit getting commissioned within a couple of quarters. And I guess, the competition's capacity also is coming up sometime fairly soon. So how do you expect pricing in that segment to sort of perform in the near term or maybe slightly medium term as well, 3- to 5-year kind of outlook?

Radhesh Welling: Yes. So as far as the outlook for FY '24, currently, we have no reason to believe that there is any change in the overall guidance, qualitative guidance that we have given to you before on each of the three businesses. As I mentioned to you -- as I mentioned earlier, the issue with respect to inventory, etcetera, on the agrochemical side has not been seen by us to that extent. It's more happening on the generic side. There is some impact with respect to one product, but we have actually identified some other opportunities, etcetera, which will help compensate -- more than compensate that downslide.

So we have not really have any reason to change the guidance -- overall guidance that we have given for any of our three businesses. Specifically with respect to Q1, you are absolutely right. On a sequential basis, you will actually see some drop because our HPP plant in Dahej was shut for a month. This is a planned annual shutdown. And what we did was to ensure that it aligns with our HF thing.

We actually took the HF shutdown in Surat also. One of the lines was actually taken down for our planned annual shutdown during the same time. So that was down for about 3 weeks. And our Orchid plant was down for almost a month. So the HF plant has already started and HPP plant will be starting very soon. So -- because of it, you will actually see slightly light Q1, but we expect that from Q2 onwards, again, the sales, etcetera, will again get to a normalized level.

And your third question was related to R32. See, if you actually look at our R32 capacity, it's not that high, that we should actually be worried about the pricing, etcetera. Also, we already have a lot of interest from our existing customers, some of the domestic existing customer as well as some of these partners in the international market to actually buy R32 from us on a long-term basis. So we are trying to understand which of the customers, we should probably tie up with on a long-term basis, which of these we should work on as a spot basis, etcetera.

But as we move forward, we believe that the demand for R32 will continue to increase, not only as a single ingredient, but also as a part of a blend. And I'm not only talking about HFC blend, but also HFC, HFO blend, some of these conversations are already going on with some of our partners. So if you ask me from a, let's say, 2- to 3-year perspective, we believe that the pricing for R32, given the fact that our capacity is relatively limited, we believe that the pricing would remain strong.

Abhijit Akella: Thank you so much sir. All the best.

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

Archit Joshi: Thanks for the opportunity and congrats on a great set of numbers. So my first question, a little curious about the comments made in the investor presentation about the new products that we have added in HPP. So just wanted to check if this is in HFO, in organic fluorides or the ref gas unit?

Radhesh Welling: No, this is basically -- the commentary that you see in the investor presentation is the sale of the new product. That's primarily we are talking about the same molecule from Dahej, the Honeywell product. There are some other new molecules that we have in the pipeline, but that has not really made any material impact to the numbers in Q4. The Q4 numbers are primarily because of the Honeywell product.

Archit Joshi: Got it, sir. Sir, second question, again, on the HFC 32 bit. since competition also is adding, as the previous participant mentioned, one of the reasons could it be that we haven't had a near drop replacement to HFC 32 within the HFO series and a lot of global conversions that are happening from maybe 1, 3, 4 or in R125 are already kind of getting displaced into the HFO segment or the fourth gen ref gases. Would that be a fair assumption that HFC 32 demand will be fairly buoyant and is one of the reasons why as to a lot of companies are adding capacity?

Radhesh Welling: Yes. So first of all, there are not many companies who are adding capacity. I mean first of all, the only country where you can add capacity is India. And that also beyond December, you cannot do that. So even if you see in India, there are not many companies who are adding capacity. There's a limited capacity addition, which is actually coming up. But in terms of demand, you're absolutely right, 134 primarily actually goes into mobile air recommissioning, R32 primarily goes into stationary air conditioning.

And there, in India market, as you know, the penetration is also increasing. And globally, there is a transition happening where we believe at least for quite a few years to go, there will be demand for R32 as a single ingredient as well as a part of a blend initially as HFC, HFC blend and then as HFC, HFO blend. And as I mentioned to you, we are currently in discussion with our partners to develop those specific HFC, HFO's blend wherein we will supply HFC to them for supply to the global market, and we will actually look at supplying those blends in the Indian market.

Archit Joshi: Understood, sir. So basically, sir, there are no new capacity additions globally that are happening for R32 and so that is kind of a benefit to us. And sir, just an addendum to the same thing. For the HFO business that we have currently, it seems that the fourth quarter looks to be like a very strong quarter that you have reported in the subsidiary's performance. And I just remember from the plant's big takeaways that we've had, we had kind of indicated that will most likely clock somewhere between INR500 crores, INR550 crores. And I can already see INR450 crores in FY '23 financials from the subsidiary.

Was there anything particularly exceptional about the fourth quarter that we were able to clock a significantly higher revenue. And going ahead, do things remain the same or they are slightly improved a bit?

Radhesh Welling: No. So there was nothing exceptional per se about Q4. I think the only point I can make there is that we were able to achieve optimal capacity fairly quickly. Typically, what we were expecting to get in year 2, we were able to achieve in year 1 itself. Having said that, in our current plan, there is still capacity headroom available.

So if you look at in Q4, we were not operating the plant to 100% capacity utilization. So there is still capacity headroom available. In the quarters to come, we believe that we should be able to get close to the full capacity utilization. And then this debottlenecking that I was talking about earlier, will also start coming into play from the next year onwards.

Moderator: The next question is from the line of Vivek Rajamani from Morgan Stanley. Please go ahead.

Vivek Rajamani: Congratulations on a very strong result. Sir, last quarter, you'd mentioned that you will see further upside to your volumes as your new projects ramp up to optimal levels. And after that, you should see better margins as you benefit from the operational efficiencies. Would it be fair to say that you started to see that in this quarter and that we should work with these margin that was to be a sort of a new normal for you going forward?

And the second question was more of a clarification from some of the earlier questions that came to you. Would it be possible to give some colour with respect to the one molecule that you mentioned where you're seeing some slowdown. How big is that in your overall portfolio? And secondly, beyond that molecule, is there any area within the overall portfolio, which you're monitoring closely from a risk perspective for F '24 and F '25? Thank you so much.

Radhesh Welling: Yes. So I actually didn't get your question properly. But let me try to answer as much as I understood. The first question that you had on the margin, which specific molecule you were talking about?

Vivek Rajamani: No, sir. It was more related to the specialty business. I think you were saying the last quarter, you should, yes...

Radhesh Welling: Yes. So as you know that the margin that we saw in Q4 its combination is basically because of the performance that we saw across the 3 BUs, right? And the right way to look at that, if you look -- you should look at our annualized margins and as we have said before, this annualized margin on an annualized basis will keep improving as we add on this new capacities, new plants, etcetera. But it will be difficult for me to comment on a quarter-on-quarter basis if you ask me specifically to comment on Q4. And as we move forward, if the margins will increase, etcetera? I think the right way to look at it to look at the annualized margins.

On the second question, as I mentioned to you, there is this one particular molecule in Specialty, which actually saw the impact in Q4. But we believe the maximum impact in the calendar year '23 was actually seen in Q4. So going forward, actually, the impact will actually start going down because we actually sold almost zero of that product in Q4. So that impact already is seen in the results. Going forward, we have actually already started seeing the demand coming back. And it's not -- so whatever the significance of that molecule is, we have already seen the impact of that in the last quarter.

Vivek Rajamani: Got it, sir. Really helpful. You did answer both my questions. Just one small clarification. Beyond this particular molecule, is there any other part of the portfolio that you've been monitoring with respect to any possible slowdown that may come through over the next couple of years? Or this is the only molecule where you see some risk? Thank you.

Radhesh Welling: No, it's very difficult for us to really comment on it. We continue to engage with our customers. One of the molecules, which obviously is of a lot of interest to us is the one that we supply to Honeywell because of two reasons. One, it goes into the housing market. It goes into multiple industries, but housing is one of its end application and also because it has a significant impact on our financial performance.

Currently, the forecast that we have received from our customers basically tells us that H2 continues to be in line with what the earlier forecast they have actually given to us. So currently, we don't have any reason to believe that is going to be significantly impacted in Q2 -- sorry, in H2 of calendar year '23, but we continue to closely monitor that.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: A brief view from my side. First on the stand-alone business, if I see x of the CDMO business is like declined by 20% Y-o-Y. Can you help us understand what are the business erstwhile specialty, ref gas, inorganic, which is a business causing a 20% decline in the revenue on the stand-alone basis excluding NFASL? That's my first question.

Radhesh Welling: No, I'm not able to understand. You're talking about Q4 or FY '23?

Sanjesh Jain: No. I'm talking about Q4, in the stand-alone business, if you look at the revenue, excluding the CDMO business, which again is included in the stand-alone revenue, if I take that off, this is a decline of 20% Y-o-Y in the underlying revenue. These are the non-contracted or the erstwhile before these contracts, these are the revenue from those products and lines, and it appears that, that has declined by 20% Y-o-Y?

Radhesh Welling: I'm not able to see that, but we just completed the board meeting. So -- but I think let me try to answer that question. If you actually look at the three businesses that we supply from NFIL, there is Specialty, there is HPP and HPP is primarily inorganic and ref gas and the third is the CDMO piece. CDMO obviously has increased significantly on a Y-o-Y basis. But I think your question is primarily NFIL on a stand-alone minus CDMO, right?

Sanjesh Jain: Correct. Correct.

Radhesh Welling: So it's -- on the inorganic and ref gas side, we are almost flat. It is -- there is a slight increase there. On the specialty, you are right, there is a reduction. I don't know exactly how much the reduction is, but it's primarily because of two reasons. One, there is a molecule that we have actually taken to NFASL from NFIL. So there is a small impact on that. The second impact -- the second reason why you see that impact is because of that other molecule that I was talking to you about where we have actually seen that inventory issue and most of that was actually seen in Q4, which was actually supplied from Surat.

Sanjesh Jain: Got it. Because that number appears fairly big, it appears almost INR50 crores, because refrigerant gases and inorganic has not fallen, if I attribute everything to that, close to INR60 crores impact?

Radhesh Welling: Yes, I think the right way of looking at that, if you look at the Specialty business specifically, I think you should primarily look at NFIL and NFASL together. You should look at the Specialty business on whole. And I'll tell you why? We, for a lot of these molecules, especially that we are doing with the global agrochemical measures, we have now developed capability to do a lot of these molecules both out of Surat as well as out of Dahej.

And typically, depending on what new opportunities we get because, as you know, the plant that we have in Dahej is a slightly higher capacity, higher scale, whereas the plant that we have in Surat is relatively smaller scale. So suppose if we get enough offer and opportunity to do a new molecule, which we can do only out of Surat, not out of Dahej because of the scale, then we move that molecule to Dahej and then we actually put this new molecule out of Surat.

Also, there is one molecule that we were earlier supplying on a continued basis out of Surat, in Q4, we have actually done downstream of that. So what has happened is that molecule has actually gone from Navin's NFIL, that is Surat to Dahej, and we have done the downstream processing there and sold the customer out of NFASL. But these kind of things are going to happen on a regular basis. So the right way of looking at it would be to look at it on a consolidated basis on a business-to-business basis.

Sanjesh Jain: Right. But just a small clarification from a product moving from Surat to Dahej, I thought NFASL falls under new tax regime of 15% which says that the new facility should have a new product for the eligibility of that. So moving a product from Surat to Dahej, is it possible thing?

Radhesh Welling: Yes, absolutely. The product that we used to sell out of Surat, that's a molecule we continue to sell. And that product is actually going to the other customers as well as to NFASL. Now when we transfer it from NFIL to NFASL, it actually goes at a transfer pricing and the NFASL is not selling that molecule to the customer. There are four, five steps -- additional steps that are actually done in NFASL and the molecules that we are supplying from NFASL are the different ones from the ones that were supplied out of NFIL.

Sanjesh Jain: Now it's very clear. Thanks, Radhesh, for that effort to make us understand. Second, on the CDMO side, phenomenal performance. Did this include the 16 million contract revenue, also have you started supplying that? And for FY '24, what should be the revenue guidance for the segment should we again achieve a 30%-plus kind of growth from the debottlenecking which unlocked another 25% capacity?

Radhesh Welling: What was the first question you asked, Sanjesh?

Sanjesh Jain: So we have announced a 16 million contract in the CDMO business in the Q3. We said that we'll start supplying from the April onwards. Just wanted to understand have we started that? Is there any impact of that in the CDMO business of Q4? And a follow-up question is on the revenue growth guidance for FY '24. Now that we have debottleneck in '23, which adds close to 25% capacity. So 20%-plus growth is doable in FY '24, is that a right assumption?

Radhesh Welling: Yes. So that agreement that I talked to you about or that order that we have talked to you about, we've actually supplied a significant part of that in Q4 and there is still balance quantity, which we will be supplying in FY '24.

On the second question that you have, yes, we are extremely confident of our growth in FY '24 and in the years to come. And we believe that -- and which is what gives us confidence to actually go for cGMP4 because a lot of these molecules that we are actually currently working are, the projections that we have received from the customers look to be very positive and hence its necessary for us to have larger scale plant to do higher volumes of those molecules. So to your question specifically related to FY '24, my answer would be, yes.

Sanjesh Jain: Got it. One last, sorry, for squeezing, just on the margin. We have earlier said that we will gradually move towards 28 and 30. But surprisingly, that gradual was just a quarter. For the full year, do you think this kind of margin is sustainable, which is 29% and do we improve on this?

Radhesh Welling: No. So as I've mentioned earlier to another question, I think the way to look at it, if you look at the annualized margin, annualized basis, what we delivered in FY '23 and as I've mentioned before, because there are a lot of things that happened in quarter-to-quarter, there are some new projects that we undertake, etcetera, which could skew margin in a particular quarter, either upward or downward, so let us -- I think the best way to look at is you look at the annualized margin of FY '23. And you'll actually see that, that margin has actually improved over FY '22, and that is the overall trajectory that we will continue to see on an annualized basis.

Sanjesh Jain: Clear. Thanks for answering all the question and best of luck for the future quarters.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats. Sir, on the HF capacity, so last time, we had indicated that we'll be doubling the capacity and debottlenecking is going on. So effectively, our capacity after two years will get doubled. So are we currently sufficient for the next two years? And based on the new capacity that we are planning, how much time we are expecting that this new 40,000 tons capacity will be utilized after two years once it gets commissioned? Thank you.

Radhesh Welling: Yes. So first of all, as far as the capacity is concerned, we have announced 40,000 metric ton new plant that we are setting up. It's going to take us about 24 months to get that plant ready and with that coming in, our capacity would be -- we are actually significantly -- we will have significantly more than twice capacity that we have today. And to your question, will we be of deficit? We will have adequate capacity of HF for our own requirement. We probably will not have enough HF to be able to sell in the merchant market. We are actually seeing a lot more opportunities to sell in the merchant market and we would have got those opportunities if we had more HF available. But for our own consumption, we have enough HF.

And we believe that we're continuously working on a lot of these other projects. There are some projects which will get commissioned later this year. There are some other opportunities we are working on in our existing three BUs as well as some of the newer opportunities. A lot of them are actually going to need HF. So this 40,000 metric tons capacity that we are adding, it's mainly driven by our own requirement of HF versus selling it into the merchant market.

So we believe that at least half of the capacity, we should be able to use fairly quickly as soon as that plant is ready. And then over a period of time, initially, the rest of it we'll be selling in the merchant market. But we believe that in the next -- the following three to four years, even that capacity would actually get utilized by us for the downstream opportunities.

Rohit Nagraj: Yes. That's fairly clear. Just one clarification on this. In terms of the Fluorspar sourcing, have we gotten into any arrangements with any of those suppliers?

Radhesh Welling: Yes.

Rohit Nagraj: Sure. That's -- second question is on the ESOP plans. So after FY '23, ESOP charge during the year, how much of it is left and will come in FY '24 and if any for FY '25? Thank you.

Anish Ganatra: So, Rohit, thanks for the question. I mean you know how this ESOP works, right? I mean, essentially, you're doing a Black Scholes model and then taking the cost into the books, right. And the ESOP, the way it was structured was over a four-year period. So you will essentially see that the first two years of that, the charges will go up. And then the third and the fourth year, the charges obviously come down because what happens is in year 1, you get the charge for the kind of the first year and the second…... And then the second, again, you get for second, third and fourth. So each progressive year, the charge comes down. So if you had to sort of ask me what charge should we expect for the full year? I mean you should probably take 16.79 was for half year. I would take about 31 for the FY '24 and then it will progressively come down significantly.

Rohit Nagraj: Sure, this is very helpful. Thanks and best of luck, sir.

Anish Ganatra: Yes.

Moderator: Thank you. The next question is from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Yes. Hi, Radhesh ji. Congrats on a good set of numbers. Thanks for taking my question. So I have like two. The first is on the molecule that you said there was almost zero volume in the fourth quarter. So is it the -- I mean, is it the -- is this product the one that where we face the competition from the domestic player?

Radhesh Welling: No. This has got nothing to do with the domestic -- nothing to do with domestic competition. This is basically because the same issue that we are actually seeing everywhere. There was some inventory build-up at the customer then. The demand for this molecule continues to remain extremely strong. This is actually a blockbuster molecule. And as we speak, we are actually looking at opportunities to not only expand the capacity in this particular molecule, but also do the downstream AI for this particular molecule. So the overall demand outlook for this molecule continues to be extremely robust.

It's a blockbuster molecule and it is expected to remain blockbuster for at least quite a few years. It's just that there was a significant inventory build-up in the pipeline. So it is just a question of destocking and restocking, that's about it. And most of that impact, we believe, is behind that now because a lot of that was actually done in the Q1 calendar year, which is Q4 FY '23.

Krishan Parwani: Understood, Radhesh ji. So the second one is on the CDMO front, given we have seen a sharp jump as you already highlighted that some part of the PO is already affected in 4Q. So on a full year basis, more like probably 25%, 30% kind of a growth run rate that is fair, or how do we see it?

Radhesh Welling: No, So I think as we have indicated earlier, you should basically take the FY '23 annualized number. And you should be able to see a 20%-plus growth on that number. But take annualized for FY '23 because unfortunately, and it basically impacts us on a positive as well as negative side. That this business tends to be lumpy, right? I mean you saw that in Q1 and Q2, we are little softer in H2, and I have indicated this right at the beginning of the financial year that we feel -- we believe that H1 will be softer and H2 will be stronger, which is exactly what has happened. So if you look at the numbers on an annualized basis, we should be able to show a growth of 20%-plus in FY '24.

Krishan Parwani: Understood. And if I can squeeze the last small clarification. So on the R&D front, are we like looking at products like, I mean, derivatives or triflic acids or triflic anhydrides or something like that, or where are we with our R&D focus in terms of that?

Radhesh Welling: No. So we actually just invested a significant amount in our R&D for not only expansion but a significant upgradation in our R&D setup in Surat. Now I will not be able to comment on the specific molecule's etcetera. Typically, these molecules or these opportunities typically get developed in our engagement with the customers.

But our focus continues to be in identification and development of new technology platforms, platforms which typically the customers are not able to get from other organizations, either in India or outside of India. So our focus is on identification and development of new technology platforms and once we have those platforms, then those platforms can be used to develop number of molecules based on those platforms. So that is how we typically approach the R&D exercise.

Krishan Parwani: Fair enough, Radhesh ji. Thank you for patiently answering my question. All the best.

Radhesh Welling: Thank you.

Moderator: Thank you. The next question is from the line of Bhaskar Chakraborty from Jefferies. Please go ahead.

Bhaskar Chakraborty: Thank you, Mr. Welling. I just wanted to understand what all items apart from HPP are contributing to the difference in revenues between the consolidated line and the stand-alone line?

Radhesh Welling: No. So very simply, Dahej is under NFASL and Surat and Dewas are under NFIL. But as I mentioned earlier, I would just like to repeat that again. I think the right way to look at our business would be to look at on a consolidated basis.

Bhaskar Chakraborty: So basically, the new agrochem dedicated plant that has come up where you have achieved optimum utilization, where does that figure in these numbers?

Radhesh Welling: No, that's not in HPP. That's in Specialty, and that's in Dahej.

Bhaskar Chakraborty: Understood. Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.

Keyur: First of all, congratulations to the team for great results. Sir, first question is on the HPP side, the Honeywell product, in the past conference call, you have mentioned that there may be possibly some slowdown depending on how the demand is in the Western markets. So just your thoughts on how you see HPP Honeywell product ramping up the trajectory of growth and optimum utilization before you go for debottlenecking? That is the first question.

Radhesh Welling: Yes. I think I already have talked about this while answering some of the earlier questions. As I said, we continue to engage with Honeywell to understand how the demand outlook looks for the rest of the year. Currently, our expectation is that -- if you -- as I mentioned to you, in Q4, also, we were not running the plant to full capacity. There is headroom available. And we believe that for the rest of the year, that is rest of the calendar year, we'll probably run to the similar kind of a capacity. And while we do that, we will also work on the debottlenecking project. So that, that particular capacity comes on stream before end of the current financial year.

Keyur: Okay. Understood. Sir, second question is on the two new plants commissioned, first is dedicated and second is MPP. So just clarification dedicated is now on a quarterly basis, this was fully utilized and the MPP. So we have, as of now, commercialized total three products of total five plants. So how will the journey from here on, to commercialization of fourth and fifth molecules. So when will we see optimum utilization?

Radhesh Welling: No, there is another molecule, as I mentioned to you earlier, but actually, you're talking specifically related to MPP, right?

Keyur: Correct.

Radhesh Welling: Yes. So earlier, if you remember, we had actually talked about five molecules in MPP. Four of them were Agro, one was pharma. We actually had said that pharma is something that we will look at later on. Out of the four, we produced three in Q4, not to the full capacity, but we produced three and supplied these molecules to the customer. We will continue to produce these three and a lot of these are campaign, etcetera. So they're not going to be -- the volumes are not going to be constant quarter-on-quarter.

The fourth molecule, we have actually -- we will be starting later this year. And what we have also done is we have actually identified another opportunity for another molecule to be supplied to another global agrochemical company and we're actually undertaking a very small capex to modify our MPP to actually put that molecule. So that will be a completely new molecule, which we will be doing in the second half of the coming financial year.

So three we have already done. Fourth we will be doing in the coming year. There's another completely new, which we have not indicated earlier, we are going to be doing in the second half of the current financial year. And the final one, Pharma, we currently don't have any immediate plan of doing in MPP.

Keyur: Okay. The clarification that dedicated has seen the full utilization for this quarter on a quarterly basis, correct?

Radhesh Welling: Yes, almost. There is little headroom available, but yes. It's a fairly optimized capacity utilization.

Keyur: Okay. Thanks a lot and all the very best. Thank you.

Radhesh Welling: Thank you.

Moderator: Thank you. The next question is from the line of Bhavesh Jain from Enam AMC. Please go ahead.

Bhavesh Jain: Sir, on working capital, that seems to have gone up in this year end. So anything specific or we have done planning for this maintenance shutdown?

Anish Ganatra: No, Bhavesh, I mean, see, the working capital, if you look at, this is the first year of NFASL operations, right? So you will see a big jump in working capital as the plants get into operations and we engage with customers for selling products as well as having inventories. So it's got nothing to do with shutdown.

Bhavesh Jain: So, that will normalize by second or third year of the operation, how do we see that, or how should we build in enough...

Anish Ganatra: So Bhavesh, see, there's a lot of actions we are already taking in play to look at the working capital. Now that doesn't mean that's kind of ongoing business in some sense. Because obviously, as new assets come up, the working capital starts kind of going up. But then you kind of have actions around focusing on each component of working capital to bring it down.

We are also looking at several vendor financing, supply chain financing programs so that we can optimize the working capital further. All I can say actually is that, at this level, we are not looking to increase the working capital. So it will remain at this or go lower actually. That's what we should expect to see and the benefits won't come as a kind of switch on and off, but they will be progressively seen over the year.

Bhavesh Jain: Okay. And sir, lastly, on the capex side, what should we build in for FY '24 and FY '25?

Anish Ganatra: For FY '24 and FY '25. I mean, we've already -- so there's already nectar in the pipeline as you are so...

Radhesh Welling: No. So I think there are two capexes that we have already announced. One is the agrochemical capex and then there is an AHF capex. So those are the two big capexes that we have announced, as you know. And there are some minor capexes that are going on in Dewas, in Surat as well as in Dahej. Apart from that, we will be able to let you know about any other capex as and when we get approval from the Board. But it will primarily be some on the capexes that I indicated in my opening remarks.

Bhavesh Jain: Okay. And sir, lastly, any interest costs we are capitalizing?

Anish Ganatra: So on pre-operating basis, it does that. So we follow the accounting standard in that regard.

Bhavesh Jain: Okay. But Q4, the majority of the finance costs will cover that, right?

Anish Ganatra: No. Once the plants are operational, we can't capitalize it.

Bhavesh Jain: Okay. Thanks a lot. Thank you. All the best.

Anish Ganatra: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to the management for the closing comments.

Radhesh Welling: Yes. I would like to thank everyone for taking time out on Saturday evening 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 great weekend. Thank you.

Anish Ganatra: Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Navin Fluorine International Limited, that concludes this conference call. We thank you for joining us, and you can now disconnect your lines. Thank you.