GFL LIMITED

(Earlier known as Gujarat Fluorochemicals Limited)

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23rd August ,2019

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

Scrip code: 500173

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai 400 051

Scrip Code: GFLLIMITED

Sub: Transcript of Conference Call with Investors / Analysts held on Tuesday, 13th August,2019

Dear Sir/Madam,

Please find enclosed herewith transcript of the Conference Call held for GFL Limited and Gujarat Fluorochemicals Limited with Investors / Analysts of the Company on 13th August,2019 post declaration of the Unaudited Financial Results for the quarter ended on 30th June,2019. The same is also available on the Company's website at www.gfllimited.co.in and www.gfl.co.in.

We request you to kindly take the above information on record.

Thanking You

Yours faithfully,

For **GFL Limited**

Earlier known as Gujarat Fluorochemicals Limited

Dhruv Shah
Company Secretary

Encl.: As above

"GFL Limited Earnings Conference Call"

August 13, 2019

ANALYST: **MR. MANIKANTHA GARRE - AXIS CAPITAL LIMITED**

MANAGEMENT: **MR. VIVEK JAIN – MANAGING DIRECTOR - GUJARAT FLUOROCHEMICALS LIMITED**
MR. DEEPAK ASHER - DIRECTOR & GROUP HEAD – (CORPORATE FINANCE) – INOX GROUP
MR. V.K. SONI - HEAD - PROJECTS & NEW INITIATIVES - GUJARAT FLUOROCHEMICALS LIMITED

Moderator: Ladies and gentlemen good day and welcome to the GFL Limited Q1FY20 Results Conference Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manikantha Garre from Axis Capital Limited. Thank you and over to you Sir!

Manikantha Garre: Thank you Stanford. Good evening to everyone. On behalf of Axis Capital I welcome all participants to the conference call. Today we have with us Mr. Vivek Jain - Managing Director - Gujarat Fluorochemicals, Mr. Deepak Asher – Director & Group Head of Corporate Finance, INOX Group and Mr. VK Soni - Head of Projects & New Initiatives - Gujarat Fluorochemicals. They will start with brief overview of GFL Limited Q1FY20 performance and then we can switch over to Q&A session. Thank you and over to you Sir!

Deepak Asher: Thanks very much and a very good evening to all participants on this call. In terms of background, I would like to start by saying that we are now talking about two different companies GFL Limited which was earlier known as Gujarat Fluorochemicals Limited, that is the call that we are doing currently from 4:30 to 5 o'clock and from 5 o'clock onwards we will move to Gujarat Fluorochemicals Limited the new entity which has been created as a result of the demerger of the chemical business from GFL to Gujarat Fluoro. That we will do from 5:00 to 5:30.

Again, just to give you a background as you probably are aware the earlier entity what was called Gujarat Fluorochemicals Limited was engaged in the business of chemicals which was caustic soda, chlorine, and chloromethane, refrigerants essentially HCFC 22, fluoropolymers essentially PTFE as well as certain other fluorospecialty chemicals. In addition to this business, GFL was also carrying on two other businesses through its listed entities, which were subsidiaries. GFL owns 51% stake in INOX Leisure Limited, which was engaged in the operation of national chain of multiplex cinema theaters and 57% stake in Inox Wind Limited, which was engaged in the business of providing end-to-end turnkey wind energy solutions to customers who are primarily IPPs. The Board of Directors had approved subject of course to shareholder approval, etc., and the approvals of all other regulatory authorities including the Stock Exchanges, SEBI and NCLT, a scheme for demerging the chemical business into another company that would eventually be a mirror image company of GFL and post demerger, the demerger scheme also envisage that the erstwhile company Gujarat Fluorochemicals, which was the holding company would be renamed GFL Limited and the new company that was created to host the chemical business would be renamed to Gujarat Fluorochemicals Limited. So currently, we are talking about the results of GFL Limited.

Now again just to give you a brief overview of the structure, GFL Limited earlier before the scheme implementation was owned 68% by the Promoters, 32% by the Public. GFL owned the chemical business that included the Ranjitnagar plant, Dahej plant, some captive wind power plants, 100% stake in GFL Singapore, 100% stake in GFL USA, 100% stake in GFL Germany and 74% GFL Morocco and all these were constituting the chemical business of GFL. In addition, it owned 51% of the cinema business, 57% of the wind energy business and certain other businesses like 100% stake in Inox Renewables which was an IPP and 100% stake in INOX Infrastructure, which again was engaged in real estate development.

The objectives of this demerger scheme as you might be aware was four or five fold. Firstly, obviously the intention was to separately and independently list the chemical business because the chemical business was not independently listed unlike the wind energy and the entertainment business and therefore, there was a difficulty in valuing the chemical business, one typically had to do some of the parts. Whereas now with a separate listing of the chemical business, it would be possible to impute a precise value to the chemical business. Secondly, of course, it would provide opportunity to investors who wish to invest only in the chemical business. Earlier because the chemical business was housed in GFL, anybody who was interested in investing in a pure chemical play had to perforce by certain implicit stakes in the wind energy business and the entertainment business for which they may not have had an appetite. Now this demerger would give such investors an opportunity to buy stakes in a chemical only business unlike earlier. Thirdly, of course, it is expected to unlock shareholder value because the chemical business was suffering what is typically known in the market as a holding company discount because it was held in a structure which was a holding company whereas now it being separately listed, would not suffer that holding company discount. This will of course also entail certain other operational advantages like segregation of business with different risks and return profiles, better growth strategy with focused capital allocation for each businesses and economy in business operations.

The scheme envisage as I mentioned demerging the chemical business including the investments in its overseas subsidiaries which were related to the chemical business into a separate company called, for the sake of the abbreviation, GFL2 by way of an arrangement scheme approved by the NCLT. The appointed date for this demerger was April 1, 2019, the share entitlement ratio was that every shareholder of GFL for every share of Rs.1 each fully paid up would be allotted one share of Rs.1 each fully paid in GFL2 and therefore all shareholders of GFL1 will also automatically become shareholders of GFL2 in the same proportion that they held shares in GFL1 and as a I mentioned this would ensure that GFL2 would be a mirror image company of GFL1 and then of course the scheme also provided for a change in name of GFL1 to GFL Limited and GFL2 to Gujarat Fluorochemicals Limited and all assets and liabilities were recorded in GFL2 at book values and both these companies are intended to eventually be separated and listed on both, BSE and NSE GFL

Limited of course continues to be listed, and Gujarat Fluorochemicals Limited which is GFL2 will also be listed on both the stock exchanges.

Broadly speaking in terms of bifurcation of assets and liabilities from the earlier consolidated GFL to GFL1 and GFL2, about fixed assets of 2700 Crores got split up into GFL1 about 300 Crores and GFL2 about 2400 Crores. Some strategic investments which were not related to the chemical business remain in GFL1, this was roughly about 900 Crores and strategic investments which were related to chemical business went to GFL2. Net cash of roughly about 158 Crores went to GFL2, working capital of roughly about 850 Crores also went to GFL2 because it pertains to the chemical business and as a result of which the net worth of the company which was 4700 Crores got split into GFL1 1200 Crores and GFL2 about 3500 Crores. In terms of book value of share, what was Rs.428 per share in GFL consolidated got split into Rs.109 for GFL1 and Rs.319 for GFL2.

As a result of the demerger of the chemical operations from GFL, it now does not hold any operations and therefore the only revenue it has is as a result of certain interest on the investments which are still continuing in GFL and hence there is really not anything significant to report as far as standalone financial results are concerned. Also as far as consolidated financial results are concerned, because the consolidation is happening of two listed companies Inox Wind and Inox Leisure, both of these are listed I would assume that those who are interested in this businesses would have followed the earnings calls for those companies as well.

So that ladies and gentleman is a brief overview of GFL Limited which as I mentioned does not have any operations now, but is a holding company for INOX Leisure and INOX Wind and also own some other investments of roughly about 900 Crores in related businesses. If you have any questions pertaining to GFL Limited or this holding company I would like to take them now and then once that is done, we could get into the call for Gujarat Fluorochemicals Limited, which the company that houses the chemical business.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. First question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Thank you for the opportunity. Sir how is this 922 Crores investments split between INOX Wind, Leisure, and you mentioned there are two other entities also, Renewable and Infrastructure. So if you can just give us the book value of the four pieces and may be anything else?

Deepak Asher: Yeah, roughly about 250 Crores in INOX Leisure Limited, about 50 Crores in INOX Infrastructure Limited, which is actually a real estate development, about 250 Crores in

INOX Leisure, INOX Wind would be roughly about 130 Crores. INOX Wind Infrastructure about 100 Crores, and INOX Renewable would be roughly about 400 Crores.

Chirag Dagli: Okay. There is one more entity. There have been total five entities?

Deepak Asher: Yeah, that is correct.

Chirag Dagli: There was one more wind what was that actually?

Deepak Asher: INOX Wind Infrastructure which is 100% subsidiary of INOX Wind. As you know INOX Wind is engaged in turbine manufacturing and INOX Wind Infrastructure is engaged in the EPC and O&M services. It is 100% sub of INOX Wind so you might consider it could be a part of INOX Wind itself.

Chirag Dagli: So INOX Wind 130 Crores is over and above the INOX Wind Infrastructure investment, what is the value Sir of INOX Wind Infrastructure?

Deepak Asher: You mean what is invested?

Chirag Dagli: Yes.

Deepak Asher: About 150 Crores.

Chirag Dagli: 150, okay. What is the nature of fixed assets that are there Sir in this balance sheet now?

Deepak Asher: That is the capital advance given for building an IPP from a pure short-term tactical perspective. There is a wind asset that we are building currently, which may intent to flip over the next 12 to 18 months to a third party investor.

Chirag Dagli: Okay. The way we should think this capital advance will come back?

Deepak Asher: That's correct. What I mentioned which is invested also some of those are in the forms of short-term loans or ICDs which also eventually should come back.

Chirag Dagli: This is not to one of our invested companies?

Deepak Asher: No it would be to our invested company.

Chirag Dagli: In some sense over the next 12 months this entity we have about 271 may be 300 Crores of cash on books?

Deepak Asher: But I would expect it be more because I mentioned even out of 922 part of that is ICDs, which should come back.

Chirag Dagli: Oh, okay. Perfect. There was a proposal to sort of collapse from four companies on to three because the operating businesses are three so what happens from here on as far as that plan is concerned?

Deepak Asher: So we are just waiting for this get to over and in terms of timeline, as you know we have got the NCLT approval, we have filed the approval with the MCA, the Ministry of Corporate Affairs so the scheme became effective, the scheme of demerger of the chemical business they just held the record date, so we have issued the shares of GFL2 to all the shareholders of GFL1. We are applying to the stock exchanges for listing those shares may be in a day or two and we were just waiting for today's board meeting to get over and once that happens, the stock exchanges typically take about 3 to 4 weeks for the shares to get listed. So this entire scheme would be fully operational including the listing of the shares of GFL2 by middle of September, the worse case of third week of September. Once that is done then I will need to go back to my Board for presenting different option in terms of how we could structure the potential demerger of the other two businesses from GFL and once the board approves a certain decision in term of what structure to adopt depending on the pros and cons of each of structure, we will be in a position to announce any decision which is taken then.

Chirag Dagli: Perfect. Okay Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashok Mehti from AKM Financial. Please go ahead.

Ashok Mehti: The question is after the demerger GFL Company is having cinema business or wind energy business?

Deepak Asher: Well not in GFL itself but a whole stake in those businesses the whole 57% stake in the wind energy business and 51% stake in the entertainment business.

Ashok Mehti: My question is will these companies be demerging in near future?

Deepak Asher: As I just mentioned to Chirag in response to the earlier question once this current demerger of the chemical business is complete, we will evaluate the options that we have for demerging the other businesses as well. We will present it to the board and then the board will decide as to what to do forward in terms of what structure to adopt what not to and once that decision is taken we will be able to give you a more concrete announcement of what the plan is for that.

Ashok Mehti: Okay Sir.

Moderator: Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Thank you for the followup. There is no net debt in GFL now because I understand in the past we were running some debt in the INOX Renewable entity right?

Deepak Asher: That is correct. This place that I mentioned was split of GFL on a standalone basis not on a consol basis. So on a standalone basis I can confirm that there is no debt in GFL1 which is the holding company and there is also no debt in GFL2 of course we will deal with that in the second call, but there is a net cash in GFL2. So we are talking of these two companies on a standalone basis.

Chirag Dagli: Okay, but this INOX Renewable is a 100% subsidiary of GFL1.

Deepak Asher: Yeah, that is correct, but again just to clarify when we split the balance sheet for the demerger perspective; it was a standalone balance sheet that we split not the consol balance sheet. The split that I mentioned to you was on the standalone balance sheet, but what I would also like to add again purely from a valuation perspective if that is where you are getting, we own 51% of INOX Leisure. The INOX Leisure market cap is currently about 3000 Crores so in a sense the market value of that investment in GFL1 is about 1500 Crores. We own about 57% of INOX Wind, the market cap of that is roughly about 1100 Crores and therefore this investment is worth about 600 Crores, and there is about as I mentioned 900 Crores worth of other assets, which hopefully, over the few quarters or may be even a couple of years would come back as cash. So if you just add up this values of 1500 plus 600 plus 900 and that is up to about 3000 Crores and on a capital of about 11 Crores translates to roughly about Rs.275 per share. Now obviously I understand that there would be a holding company discount, but just wanted to mention from a split of the balance sheet perspective that is the market value of the shares that continue to reside in GFL1.

Chirag Dagli: I understand Sir. So how different would the consolidated balance sheet look versus the standalone?

Deepak Asher: Unfortunately, I do not have those numbers in front of me, but I will need to pull them. Again as you know in June results we do not really prepare balance sheet.

Chirag Dagli: I understand Sir. Is there a significant amount of debt on the renewable balance sheet?

Deepak Asher: No the only debt on the renewable balance sheet would be inter-corporate deposit granted by GFL1 so in that sense in consolation that will cancel out each other.

Chirag Dagli: Okay Sir. Thank you.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Axis Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.

"Gujarat Fluorochemicals Limited Q1 FY 2020 Earnings Conference Call"

August 13, 2019

MANAGEMENT: **MR. VIVEK JAIN -- MANAGING DIRECTOR, GUJARAT FLUOROCHEMICALS LIMITED**
MR. DEEPAK ASHER -- DIRECTOR AND GROUP HEAD (CORPORATE FINANCE GROUP), GUJARAT FLUOROCHEMICALS LIMITED
MR. V. K. SONI -- HEAD (PROJECTS AND NEW INITIATIVES), GUJARAT FLUOROCHEMICALS LIMITED

MODERATOR: **MR. MANIKANTHA GARRE -- AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Fluorochemicals Limited Q1 FY 2020 Results Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manikantha Garre from Axis Capital Limited. Thank you and over to you, Sir!

Manikantha Garre: Thank you, Stanford. On behalf of Axis Capital, I welcome all the participants to the conference call.

Today, we have with us Mr. Vivek Jain -- Managing Director, Gujarat Fluorochemicals; Mr. Deepak Asher -- Director and Group Head of Corporate Finance Inox Group; and Mr. V. K. Soni -- Head of Projects and New Initiatives, Gujarat Fluorochemicals.

They will start with brief overview of Gujarat Fluorochemicals performance for Q1 FY 2020 and then we can switch to Q&A Session. Thank you and over to you, sir.

Deepak Asher: Thank you very much and a very warm welcome to all the participants to this call. As I mentioned on the earlier call, we are on this call going to discuss the performance of the de-merged company which was earlier known as INOX Fluorochemicals Limited now renamed as Gujarat Fluorochemicals Limited or what we in brief call GFL2, which houses the chemical business and nothing else. So, there is no consolidation here in respect of the other business and just the chemical business.

Now, again as I mentioned to you, the scheme is effective, the appointed date is the 1st of April, 2019. And therefore, all assets, liabilities, revenues, and costs of the chemical business get transferred to this company Gujarat Fluorochemicals Limited or GFL2 with effect from 1st April.

The shares have been allotted. Over the last two or three days, the application to the stock exchange for listing those shares is being made between today and tomorrow. And typically, it takes, we are told about three to four weeks for the shares to get listed. So, hopefully, if all goes well, this company also would be listed by around the middle or worst case, third week of September.

Now, because we are in this peculiar transitory stage, there were certain specific problems that we had to grapple with. First of all, technically, it is not yet a listed company and therefore, we could not get a limited review done by auditors because the requirement is only for listed companies. Nonetheless, we have taken the liberty of publishing the unaudited quarterly results of the GFL2 on a voluntary basis.

Similarly, an investor presentation or call may not have been warranted because it is not listed. But nonetheless, in order to ensure that investors are fully informed and have a continuity information on the chemical business, we decided to host this call. Thirdly, as far as a GFL2 is concerned, technically, there are no preceding quarter numbers, because the business got transferred only with effect from 1st April and hence, there is no earlier quarter. I mean, there was an earlier quarter, but that reside in GFL1 and not in GFL2.

However, in order to enable you to appreciate the comparative numbers, in the presentation, what we are done is compared the numbers of the chemical business of Q1 FY 2019 with Q1 FY 2020 even though the Q1 FY 2019 numbers were not in GFL2 but only GFL1, but this we thought would be the best way to give you a comparative performance of how we have performed in this quarter.

So, with this caveat, I would like to start with our consolidated financial results and here consolidation means consolidation of with the subsidiaries of the chemical business and not the wind and the entertainment businesses.

So, revenues from the chemical business went up by 8% from Rs. 687 crores in Q1 FY 2019 to Rs. 740 crores in Q1 FY 2020. EBITDA fell by about 7% from Rs. 205 crores to Rs. 190 crores and therefore, EBITDA margins fell from 29.8% to 25.7%.

PAT went up from Rs. 102 crores to Rs. 112 crores,that is an increase of about 10%, PAT margins therefore improved by 14.8% to 15.2%. But again, there is a slight caveat here, the PAT for the current quarter includes Rs. 32 crores write back of tax for earlier years. So, without the write back, PAT was at about Rs. 80 crores for this quarter as compared to Rs. 102 crores in the quarter of last year, in Q1 of last year.

Now as far as the breakup of the consolidated revenues are concerned comprising of the various product lines, caustic soda was virtually flat Rs. 114 crores in Q1 FY 2019, Rs. 113 crores in Q1 FY 2020. Chloromethane’s went up by 18% from Rs. 70 crores in Q1 FY 2019 to Rs. 82 crores in Q1 FY 2020. Refrigerants fell by about 3% from Rs. 111 crores in Q1 FY 2019 to Rs. 108 crores in Q1 FY 2020. PTFE remained virtually flat Rs. 280 crores in Q1 FY 2019 to Rs. 283 crores in Q1 FY 2020. Value added products increased by 30% from Rs. 93 crores in Q1 FY 2019 to Rs. 120 crores in Q1 FY 2020. And the others went up by 4% from Rs. 26 crores to Rs. 28 crores. And therefore, total revenues went up from Rs. 687 crores to Rs. 740 crores.

Now, as far as the break-up of the VAP is concerned and the other revenues are concerned VAP comprises essentially of three segments, new refrigerants which fell by 39% from Rs. 59 crores to Rs. 36 crores, new fluoro-polymers and fluoro-monomers went up from Rs. 31 crores to Rs. 47 crores that is a growth of 54% and the specialty for fluoro-intermediates went up from Rs. 3 crores to Rs. 37 crores. And therefore, total VAP sales went up from Rs. 93 crores to Rs. 120 crores.

As far as other revenues are concerned, hydrogen went up by 8% from Rs. 7 crores to Rs. 8 crores, AHCL fell by 2% remained virtually at Rs. 9 crores. PTFE waste, fines and samples fell from Rs. 9 crores to Rs. 4 crores, and others went up from Rs. 3 crores to Rs. 8 crores and therefore, other avenues remained at about Rs. 28 crores to Rs. 29 crores.

So, that is a brief overview of the performance of the chemical business. A detail P&L account is also provided in the investor presentation, which has been uploaded on the Company website as well as the Stock Exchanges.

With that brief overview and I now like to open this for any questions that you might have.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Thank you for opportunity. How much of other income has shifted from this chemicals business which was earlier in the standalone business to be to GFL1 which is listed, to the old co basically?

Deepak Asher: Other income?

Chirag Dagli: Yes, correct.

Deepak Asher: You mean the interest income, is it? I mean, the financial income?

Chirag Dagli: Yes, sir.

Deepak Asher: Okay. So, roughly about Rs. 450 crores of interest bearing ICDs is remaining in GFL1 that would entail an interest income of roughly about Rs. 48 cores per annum. So, if you look at my GFL1, standalone results, the quarterly income is about Rs. 12 crores.

Chirag Dagli: Okay. So, that is moved…

Deepak Asher: Not moved really, that has remained in GFL1 because that was not related to the chemical business.

Chirag Dagli: Correct. And these Rs. 3 crores, which you have done in the quarter, this is very to be sustainable?

Deepak Asher: Yes, I think the other revenues of Rs. 28 crores to Rs. 30 crores would be sustainable. All the by-products and hydrogen and PTFE.

Chirag Dagli: No, I meant other income, sir, which is Rs. 3 crores, roughly.

Deepak Asher: But that Rs. 3 crores of others is scrap and by product sales of the chemical business.

Chirag Dagli: It is the same, okay. Fair point. And the other bit was on the gross margin, sir. This quarter raw material costs is 38% of sales, we have not seen this number for a very, very long time. So, what is going on, if you want to call out something specific that is happening?

Deepak Asher I think essentially, and I will just give you a very kind maybe a broad response. And Mr.Jain can elaborate. But yeah, I mean, gross margins would have contracted essentially because of the final product prices having contracted during the last quarter. And some increase in some raw material prices.

Chirag Dagli: Sir, but this large number I mean, I have not seen this number for just like I said at least 12 - 16 quarters, we have not seen raw materials being 38% of sales. Is there like a mismatch, you would eventually take price hikes, how should we think about sustainability of these margins versus what you have done in the past?

Deepak Asher Yes, but as I said, it is a result of both these things happening together. The final product prices tapering down and the raw material costs going up.

Chirag Dagli: Okay. And sir, can you also share the volume numbers that you in the past been giving? Caustic soda?

Deepak Asher No, I do not have the volume numbers right now in front of me. We have not been sharing those numbers now for at least three or four quarters. But I will see if I can pull them up from somewhere, we will share them separately.

Vivek Jain Only one thing we can add that we are expecting in the next two to three quarters,somereduction in raw material prices, raw material prices had gone up quite sharply during the last one year both for chloroform and Fluorspar which we expect will start coming down in the next two, three quarters.

Chirag Dagli: So, Q4 our Average Sales Price for PTFE was Rs. 760 per kg. Is it dramatically down in the first quarter of FY 2020?

Vivek Jain: So, the prices, the weighted average price would be down to about Rs. 690 per kg. So, there is not a reduction of about 6% to 7% weighted average.

Chirag Dagli: And this is the only business which has seen product pricing coming down?

Vivek Jain: Caustic soda also, the prices have gone down. This is something which we have been mentioning earlier also that caustic soda prices have also gone down and so have MDC prices gone down compared to last year.

Moderator: Thank you. The next question is from the line of Mithun Soni from GeeCee Investments. Please go ahead.

Mithun Soni: Could you share what would be the volume or the mix between for the PTFE category like the commodity and the value-added product?

Deepak Asher: So, I think this quarter Q1 FY 2020 is roughly 50-50. Earlier, it was like 53-47. But we have been able to add it to the higher value-added grades of PTFE and it is now broadly 50-50.

Mithun Soni: And how much of the volume we would have done the quarter, would we have that?

Vivek Jain: Well, off the top of my head about 4,000 tonnes.

Mithun Soni: About 4,000 tonnes, okay. And how are we seeing the demand over there for the coming quarters?

Vivek Jain: See, demand there has been a certain sluggishness in demand. Basically, because of the slowdown in the automobile sector in Europe. And so we were expecting that monthly sales of PTFE to go up to about 1,400 tonnes but they are at this point of time about 1300 tonnes. So, there has been short fall in demand is basically come in from Europe. Europe because of the automobile sector.

Mithun Soni: Okay. And just one verification, you said in the taxes is lower because there is a tax write back, right?

Deepak Asher: That is correct.

Mithun Soni: How much is the amount you said, sir?

Deepak Asher: In this quarter Rs. 32 crores.

Mithun Soni: Rs. 32 crores, okay.

Moderator: Thank you. The next question is from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.

Ranjit Cirumalla: The run rate for this particular quarter in this slide you mentioned Rs. 47 odd crores for the new fluoropolymer, just needed the figure for the 4Q FY 2020?

Deepak Asher: Okay, let me see if I have. Q4 of FY 2019 you mean?

Ranjit Cirumalla: Yes, sir.

Deepak Asher: Okay, give me a moment. I mean, if you want to move on to the next question, if you have anything. I need to see if I can pull that out.

Ranjit Cirumalla: Sure, sir. The same figure for the specialty fluoro intermediates. Has there be any addition of the molecules into two segments which have ramped up the quarterly run rate?

Vivek Jain: Yes, in the Specialty chemicals, we have added two more molecules. And as you mentioned last time that by the end of the year, we would probably have about 11 to 12 molecules in total, which would be an increase by about 9 to 10 molecules in the course of this year.

Ranjit Cirumalla: And this Rs. 37 crores per quarter run rate is sustainable and should increase going forward?

Vivek Jain: Yes.

Ranjit Cirumalla: And the same would be with the fluoro-polymers?

Vivek Jain: Yes. And in fact, these are slated to go up as we move along. And so these would continuously keep on going up.

Ranjit Cirumalla: And lastly, on the new refrigerants, I believe with the 410A, that has seen a decline of 39%. Y-o-Y any specific reason?

Vivek Jain: One is market demand; the demand was quite poor this year. And secondly, is also because prices have drastically fallen in the U. S., last year the prices in U. S. wereat a fairly high level. This year, the prices have dropped in U. S. also, basically because of over production from China.

Ranjit Cirumalla: But the U. S. would have imposed an anti-dumping duty on this refrigerant?

Vivek Jain: That is that is not there on 410, refrigerants which we were exporting to U. S..

Ranjit Cirumalla: Okay. And a couple of bookkeeping things, CAPEX for GFL2 for FY 2020 would be?

Deepak Asher: In terms of cash flow, it will be about Rs. 125 crores yet to be incurred.

Ranjit Cirumalla: What has been incurred the 1Q?

Deepak Asher: Q1 would be roughly about Rs. 25 crores.

Ranjit Cirumalla: Okay. And lastly for the net cash position for the GFL2?

Deepak Asher: I have the number as of 1st April because the demerger was effective from that date. The net cash would be roughly about Rs. 150 crores.

Ranjit Cirumalla: Rs. 150 crores, okay.

Deepak Asher: Yes, it is Rs. 158 crores to be precise, net cash.

Ranjit Cirumalla: Yes, net cash. And lastly, the way to look at the numbers would be the GFL2 consolidated, not the standalone, if one has to evaluate the chemical business.

Deepak Asher: That is correct, though I think is a very insignificant difference between standalone consolidated. But yes, it will be consolidated GFL2 that one needs to look at.

Ranjit Cirumalla: So, even the restricted consolidated numbers, there is some difference, though it is not that significant.

Deepak Asher: I know that is what because that consolidates are Morocco mine operations and GFL Germany and GFL U. S., but all these are pertaining to the chemical business. And hence, the consolidated numbers would be a true representation of how the chemical business is performing.

Ranjit Cirumalla: So, even the consolidated numbers, if I compare it with the one what we use to report earlier as GFL, Gujarat Fluorochemicals Limited. There is some realignment in those numbers as well, even though that is minor. So, just wanted to know the reason behind that?

Deepak Asher: Well, the earlier GFL console numbers would be significantly different because it is consolidated wind and leisure as well.

Ranjit Cirumalla: The standalone numbers, the earlier standalone numbers.

Deepak Asher: Yes, but those standalone would not include any consolidation.

Ranjit Cirumalla: Yes, but now GFL to consolidate is a pure chemical business.

Deepak Asher: Correct. So, up to March when I say GFL standalone, it would be pure standalone, there would be no consolidation and when we talk about GFL consolidated, that means consolidated not just the chemical subsidiaries but even the other subsidiaries. So, in that sense, it is not apple to apple.

Moderator: Thank you. The next question is from the line of Levin Shah from ValuQuest Research. Please go ahead.

Levin Shah: Sir like you mentioned that during this quarter, we had pressure from the raw material side and prices of both fluorspar as well as chloroform had gone up. So, if you can quantify what was the increase in the prices?

Deepak Asher: Again, not we do not have raw material pricing data in front of us, but I mean that will lead to the contraction in a gross margin.

Levin Shah: But any sense on how much the prices would have gone up?

Vivek Jain: By about 20% - 25%

Levin Shah: Okay, 20% - 25%.

Vivek Jain: Yes, compared to last year.

Levin Shah: And where are they right now suppose the end of Q1, are at the higher end or have the prices come down?

Vivek Jain: We are expecting the price of chloroform to go down in the next two, three quarters, fluorspar is something which is still a question mark. I will probably get to know only by October, November this year, what is going to be the impact on fluorspar prices for the next year?

Levin Shah: Okay. And currently I think the prices are around for $470 - $480, if I am not wrong?

Vivek Jain: Yes $470 to $480, you are right.

Levin Shah: Right. Sir, on the refrigerants side like you said R410 the prices that are actually corrected in the U. S. market. So, what are the refrigerants that we are selling in the new refrigerant categories? Which are the other ones that we are selling along with 410?

Vivek Jain: We were basically selling 125 also in the new refrigerant category and refrigerant 410.

Levin Shah: Okay. And in our existing the old refrigerant or the refrigerant segment, what are the products in that segment?

Vivek Jain: Basically, HCFC 22

Levin Shah: Okay, HCFC 22**?**

Vivek Jain: Right.

Levin Shah: Right. And sir, one last thing on the balance sheet, so net cash you said would be Rs. 158 crores, what would be the gross debt and the cash?

Deepak Asher Just give me a moment. Roughly about Rs. 1100 crores would be the cash and about Rs. 950 crores would be the debt.

Levin Shah: Okay. And Rs 950 crores would be debt. So, average cost of debt would be around, what would be the average cost of debt? Because if you look at the FY 2019 numbers, our finance cost is only Rs. 56 crores?

Deepak Asher: Yes, so my average cost of debt is about 4%. Because large a part of it due to foreign exchange borrowings because of the fact that we have FOREX earnings. So, essentially working capital debt we are borrowing foreign currency.

Levin Shah: Okay. So, roughly the cost of debt would be around 4%?

Deepak Asher: That is correct.

Levin Shah: Sir, and going forward, like you said that the CAPEX plan for this year for whole year is around Rs. 150 crores, Rs. 25 crores out of that you have already spent and you will generate a lot of cash. So, is there any plan on repaying the debt?

Deepak Asher: Well, yes, again, it depends on the marginal utility of those funds. The returns that I could expect on those funds versus the cost of the debt, so we will obviously do a sense making comparison and decide whether it makes sense to repay the debt or whether it makes sense to invest those funds in security that deal better risk return in the cost of debt.

Levin Shah: Okay. But then even on the other income side, so if we see, how much will be the interest income on this cash of Rs. 1100 crores? So, FY 2019, the interest income would not be more than Rs. 50 crores, right?

Deepak Asher: Yes, but not necessarily it is all interest. Some of them would be in the equity fund, some of them be in fixed form, so they will be invested in different kind of forms of and this Rs. 1100 crores as of 31st March, a large part of that accrued in the last three months.

Levin Shah: Okay. But, so, right now, we do not have any plan to pay off the debt or any portion of it?

Deepak Asher: No, I am not saying we do not have a plan. Obviously, the intention of the Promoters would be to try and reduce debt and make those businesses debt free. But as I said, if my debt cost is about 4% and if I am able to invest those funds at a risk return of better than that then maybe that is the option. But we will decide that when the cash accrues.

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

Paras Nagda: So, I wanted to understand this interest cost line of Rs. 18 crores - Rs. 19 crores, which we are reported, what in the sense, what explains this, if you our gross debt is Rs. 950 crores with a 4% interest. So, what is this Rs. 18 crores interest line item? And what are the components of it, sir?

Deepak Asher: Essentially, it is interest on working capital, there would be cash credits, there would be foreign currency loans, there would be short-term loans for the PCFC loans, rupee term loans for working capital. So, I mean, I do not know what exactly you are asking, but it is a combination of all that.

Paras Nagda: Okay. So, my thought process was that if you have an gross debt of Rs 950 crores with a 4% interest rate, it amounts to a Rs. 40 crores per annum, which means around Rs. 10 crores per annum per quarter of interest expenditure. We have reported close to Rs. 18 crores - Rs. 19 crores of interest expense.

Deepak Asher: Yes, but if you look at the accounting treatment, the interest will be booked at a gross level and then we will have to net it off with the FOREX gain reported in the accounts. So, if I remember right, the FOREX gain is Rs. 8 crores. So, the net interest costs will still be Rs. 10 crores.

Paras Nagda: Got it. FOREX gain is Rs. 8 crores. And sir, is there any one-off in the other expenditure side for the de-merger related stuff and also in and?

Deepak Asher: Not on this P&L, the de-merger expenses, whatever they were born by GFL1.

Moderator: Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Sir, the way to compare financial is whatever historically you have been reporting at standalone versus the consolidated GFL2 numbers that you have put out, that understanding is right, sir?

Deepak Asher: Well, not entirely correct. As I clarified, earlier, GFL standalone was of GFL chemical business alone without the consolidation even of the chemical subsidiaries because by definition, standalone means without any consolidation. So, now, GFL consolidation includes the consolidation of a subsidiary. So, the delta between GFL standalone earlier and GFL console chemical business now is the subsidiary operations, which are not significant. But I mean, that is the difference, theoretically. Earlier when I did consol I consoled not only the chemical subsidiaries but even Inox wind, Inox leisure. So, in that sense, we really have an apple-to-apple comparison of GFL console purely of the chemical business earlier.

Chirag Dagli: That I understand, sir. And sir, if I adjust Rs. 32 crores tax write back and effective tax at the console level for GFL2 comes to 37%? What is going on there and…

Deepak Asher: I think, there will be some disallowances, investment income will be taxed at full, there will be some disallowances pertaining to interest costs to the expenditure apportioned artificially by the tax authorities to investment income. So, I think from a long-term perspective, you could assume a 35% tax rate from a tax perspective. From a cash flow perspective, it will be much lower, because we have a significant match credit that we intend to utilize over the next two years.

Chirag Dagli: So, what is the cash tax rate then?

Deepak Asher: It would probably be about 22%.

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

Deepak Asher: Well, we like to thank all investors and analysts for following this Company closely. As I mentioned to you, in another three to four weeks' time, this company also would be listed and thereafter, of course, we will be engaging with you on a more formal basis with statutorily required published results, as well as investor calls, which will be much more elaborate than this. Thank you very much.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.