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**GUJARAT  
FLUOROCHEMICALS  
LIMITED**



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GFL:BRD:14:2016

18<sup>th</sup> February, 2016

To,  
The Secretary  
**BSE Limited**  
P J Towers,  
Dalal Street,  
Mumbai – 400 001

The Manager  
**National Stock Exchange of India Limited**  
Exchange Plaza, 5<sup>th</sup> Floor, Plot No C/1,  
G Block, Bandra – Kurla Complex,  
Bandra (East), Mumbai – 400 051

**Scrip Code: 500173**

**Scrip Code: GUJFLUORO**

Dear Sir / Madam,

**Sub: Transcript of Conference Call with the Investors/Analysts**

The Company had organized a conference call with the Investors/Analysts on 9<sup>th</sup> February 2016 post declaration of its Unaudited Standalone and Consolidated Financial Results for the quarter and nine months ended on 31<sup>st</sup> December, 2015. A copy of Transcript of conference call held with the Investors / Analysts is enclosed herewith and the same has also been put up on the Company's Website at <https://www.gfl.co.in>

We request you to kindly take the same on record.

Thanking you.

Yours faithfully,  
For Gujarat Fluorochemicals Limited

Bhavin Desai  
Company Secretary

Encl.: As above

## “Gujarat Fluorochemicals Limited Q3 FY16 Earnings Conference Call”

February 9, 2016



**ANALYST: MR. ANKUR PERIWAL – AXIS CAPITAL**

**MANAGEMENT: MR. VIVEK JAIN – MANAGING DIRECTOR - GUJARAT  
FLUOROCEMICALS LIMITED  
MR. DEEPAK ASHER -DIRECTOR AND GROUP HEAD -  
CORPORATE FINANCE - INOX GROUP OF COMPANIES  
MR. V.K. SONI – HEAD PROJECTS AND NEW INITIATIVES -  
GUJARAT FLUOROCEMICALS LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Gujarat Fluorochemicals Limited Q3 FY'16 earnings conference call hosted by Axis Capital. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '\*' then '0' on your touchtonnes phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Periwal from Axis Capital. Thank you and over to you Sir!

**Ankur Periwal:** Thank you Margareth. At the outset I would like to thank all of you for dialing into Gujarat Fluorochemicals Limited Q3 FY'16 earnings call. The call will be initiated with a brief management discussion on the earnings performance followed by an interactive Q&A session. The management team will be represented by Mr. Vivek Jain – Managing Director, Gujarat Fluorochemicals, and Mr. Deepak Asher – Director and Group Head - Corporate Finance, Inox Group of Companies and Mr. V.K. Soni – Head Projects and New Initiatives GFL. Over to you Sir!

**Deepak Asher:** Thanks very much Ankur. On behalf of Board of Directors of Gujarat Fluorochemicals Limited I like to extend a very warm welcome to all investors, analysts and other participants on this call. We thank you for your time and the interest that you have shown in tracking the performance of this company.

I like to start by giving you a brief overview of the financial performance of the company for the quarter and the nine months ended December 2015 which we will call Q3 FY'16 and we will compare the quarterly numbers with Q3 of FY'15 as well as the nine months FY'16 numbers with the nine months of FY'15.

First of all, talking about the consolidated results, revenues have remained at around the same level that we have in Q3 FY'15, in Q3 FY'16 we clocked gross revenues of Rs.16.21 billion, this fell marginally by around 1% to Rs.16.08 billion in Q3 of FY'16. EBITDA also fell marginally from Rs.3 billion by about 3% to Rs.2.89 billion in Q3 FY'16 as a result of which EBITDA margin fell from 18.5% to around 18%.

PAT which was Rs.1.07 billion in Q3 FY'15 was at about Rs.683 million in Q3 of FY'16. PAT margins contracted from 6.6% to 4.3%. These were the quarterly numbers.

As far as the nine months numbers are concerned at a consolidated level revenues went up by 27% from Rs.37.87 billion in FY'15 nine months to Rs.48.16 billion in FY'16 nine months as I said, an increase of 27%. EBITDA also expanded by about 19% from Rs.7.5 billion in FY'15 nine months to Rs.8.9 billion nine months FY'16. EBITDA margin fell marginally from 19.9% to 18.6% on a comparative nine months basis and PAT was around the same levels as we had in the earlier nine months Rs.2.57 billion to Rs.2.46 billion in nine months FY'16. PAT margin from 6.8% came to 5.1% in the nine months.

So this as I mentioned was a consolidated numbers. Now as you might be aware GFL consolidated results comprise essentially of four different businesses, the chemical business which is housed in GFL itself, the wind turbine manufacturing business which is conducted by Inox Wind Limited., of which GFL owns around 63%, the wind farming business which is conducted by Inox Renewables Ltd., of which GFL owns around 100% and the film exhibition business which is carried out by Inox Leisure Limited of which GFL owns around 48%. All these three companies are subsidiaries of GFL and Inox Wind Limited and Inox Leisure Limited as you might know are also listed entities.

If you look at the breakup of total turn-over consolidated revenues business wise, on the chemical side there was 8% drop in the quarterly numbers from Rs.3.3 billion to Rs.3.0 billion and on the wind turbine manufacturing side there was an increase of 1% from Rs.9.3 billion to Rs.9.4 billion, wind farming revenues increased by 20% from Rs.265 million to Rs.320 million and the film exhibition business increased by 14% from Rs.3 billion to Rs.3.4 billion. These are the quarterly numbers.

As far as the nine monthly numbers are concerned on consolidated revenues the chemical business witnessed an increase of 1% from Rs.9.7 billion to Rs.9.8 billion, the wind turbine manufacturing business witnessed a growth of 45% from Rs.17.79 billion to Rs.25.85 billion and the wind farming business witnessed drop of 9% from Rs.1.5 billion to Rs.1.3 billion and the film exhibition business saw a growth of 31% in total revenues from Rs.7.99 billion to Rs.10.45 billion as a result of which the aggregate revenues for GFL on the consolidated level increased by 27% from Rs.37.87 billion to Rs.48.16 billion.

Talking of the EBITDA break-up across this business - in the chemical business EBITDA from the chemical business for the quarter stood at Rs.636 million as compared to Rs.766 million in Q3 FY'15. The EBITDA from the wind turbine manufacturing business stood at Rs.1.54 billion as compared to Rs.1.53 billion in the preceding quarter which is Q3 FY'15. Wind farming business the EBITDA stood at Rs.250 million as compared to Rs.229 million in the three months ended 31, December 2015 and on the film exhibition business EBITDA stood at Rs.528 million as compared to Rs. 463 million in the preceding quarter, so total EBITDA actually was at about Rs.2.89 billion in this quarter as compared to Rs.3.00 billion in Q3 of FY'15.

EBITDA number for the nine month period - on the chemical business we witnessed a growth of 2% from Rs.2.1 billion to Rs.2.2 billion, on the wind turbine manufacturing business we saw a growth of 32% from Rs.2.87 billion to Rs.3.78 billion and the wind farming business there was a drop of 17% from Rs.1.43 billion to Rs.1.18 billion and on the cinema exhibition business there was a growth of 56% from Rs.1.12 billion to Rs.1.74 billion.

And lastly coming to the PAT numbers, PAT from the chemical business fell from Rs.272 million to Rs.211 million, from the wind turbine manufacturing business we saw a modest 2% growth from Rs.1.00 billion to Rs.1.03 billion, on the wind farming business again there was a fall from Rs.-63

million to Rs.-190 million and on the film exhibition business there was a growth from Rs.143 million to Rs.156 million as a result of which overall PAT across all companies together for the quarter fell by 36% from Rs.1.07 billion to Rs.683 million.

PAT for nine months the chemical business which was Rs.822 million fell to about Rs.740 million. The wind turbine manufacturing business saw an increase of PAT by 36% from Rs.1.78 billion to Rs.2.42 billion, the wind farming business saw a fall from Rs.264 million to Rs. -138 million and the cinema exhibition business saw a growth from Rs.241 million to Rs.613 million as a result of which consolidated PAT improved from Rs.2.57 billion, well actually remained virtually flat at Rs.2.46 billion.

So those are the broad consolidated number for GFL on revenues, EBITDA as well as PAT. Now if we were to take a deeper dive into the chemical business standalone results. Revenues as I mentioned fell by about 8% for the quarter in Q2 FY'15 revenues about Rs.3.32 billion fell to Rs.3.06 billion thus a fall of 8%, EBITDA fell by about 17% from Rs.766 million in Q3 FY'15 to Rs.636 million in Q3 of FY'16. EBITDA margin contracted from 23.1% to 20.8% and PAT fell from Rs.272 million to Rs.211 million PAT margins contracted from 8.2% to 6.9%. Those are the numbers for the quarter.

As far as the numbers for the nine months ended 31, December, 2015 are concerned there was a 1% growth in the chemical business from Rs.9.73 billion to Rs.9.86 billion. EBITDA also grew by about 2% from Rs.2.14 billion to Rs.2.19 billion, EBITDA margin improved slightly from 22.1% to 22.2%, and PAT fell by about 10% from Rs.822 million to Rs.740 million, PAT margin also contracted from 8.4% to 7.5%.

Now again as you might be aware the chemical business comprises of essentially four products - caustic soda, chloromethane, refrigerants and PTFE and if one were to look at the breakup across all these products for the quarter - caustic soda sales increased by 26% from Rs.544 million in Q3 FY'15 to Rs.685 million in Q3 FY'16. Chloromethane sales fell by about 6% from Rs.685 million to Rs.642 million. Refrigerant sales fell by 30% from Rs.675 million to Rs.465 million. PTFE sales fell by 21% from Rs.1.24 billion to Rs.977 million and other products increased by 65% from Rs.177 million to about Rs.292 million as a result of which overall sales from Rs.3.32 billion were at about Rs.3.06 billion.

These as I mentioned are quarterly numbers, corresponding number for the nine months ended 31, December 2015 caustic soda sales increased by 9% from Rs.1.91 billion to Rs.2.08 billion, chloromethane sales fell by 7% from Rs.2.03 billion to Rs.1.89 billion. Refrigerant sales increased by 46% from Rs.1.3 billion to Rs.2.0 billion, PTFE sales fell by 20% from Rs.3.82 billion to Rs.3.05 billion and other products increased by 40% from Rs.591 million to Rs.829 million as a result of which revenues for the nine month improved by about 1% from Rs.9.73 billion to Rs.9.86 billion.

If you look at the volumetric breakup of each of the products that we sell, caustic soda sales increased by 11% in volume term from 25076 tonnes in Q3 FY'15 to 27942 tonnes in Q3 FY'16. For the nine months period caustic soda sales increased by 6% from 77950 Tons to 82991 tonnes. Chloromethane sales increased by 25% from 14133 tonnes in Q3 FY'15 to 17604 tonnes in Q3 FY'16. For the nine months period chloromethane increased by 7% in volume terms from 45068 tonnes in FY'15 to 48160 tonnes for the nine months in FY'16. Refrigerants fell by about 35% in volume terms from 3976 tonnes in Q3 FY'15 to 2567 tonnes in Q3 FY'16 though for the nine months period refrigerant show a growth of 34% from 8068 tonnes for the nine months FY'15 to 10780 tonnes nine months FY'16. PTFE sales fell by 16% from 2224 tonnes in Q3 of FY'15 to about 1866 tonnes in Q3 of FY'16 for the nine month period the fall is also similar 16% from 6858 tones in nine months ended 31, December 2014 to 5787 tonnes in the nine months ended 31, December 2015.

As far as prices of each of this products are concerned, caustic soda prices improved by 13% from Rs.21706 per tonnes to Rs.24548 per tonnes during the quarter the nine month was about 2% the average price in the nine months of December 2014 was Rs 24530 which improved to about Rs.25044 in the nine months ended FY'16. Chloromethane prices for the quarter were lower than what you witnessed in the preceding year Q3 FY'15 was about Rs.48525, Q3 of this year was about Rs.36492 and therefore for the nine months period the average price recorded a fall of about 13% from Rs.45152 in FY'15 to around Rs.39400 in FY'16. Refrigerant prices witnessed a growth of about 7% during the quarter Q3 FY'15 was Rs.169827, Q3 of FY'16 was about Rs.181425, the corresponding figures for the nine month are Rs.169884 in nine months FY'15 to Rs.185608 in the nine months FY'16 a growth of 9%. PTFE prices fell by around 6% in Q3 FY'15 the prices on an average were about Rs.557000 which fell to about Rs.523000 in the three months ended Q3 FY'16 and again for the nine months the trend is similar Rs.557976 was the average price in the nine months FY'15 which fell to around Rs.527638 in the nine months ended FY'16.

While we are seeing a fall in main product prices we also seen a far most significant fall in raw material prices so our key raw material include salt, methanol, fluorspar, coal and gas and what we witnessed during the quarter was 26% drop in salt prices from Rs.1501 which is what it was in Q3 FY'15 to around Rs.1107 in Q3 of FY'16. The nine month period average salt price was Rs.1464 in FY'15 which fell to about Rs 1199 in the nine months of FY'16 which is a drop of 18%. Methanol prices fell by about 25% average for the quarter in FY'15 was Rs. 24522 the average for the quarter in FY'16 is Rs.18489 again for a nine months period we witnessed a fall of about 18% in methanol prices average for the nine months in FY'15 was Rs.24869 and the average for the nine months in FY'16 was Rs.20321. Fluorspar prices again saw a drop of 18% Rs.23949 in Q3 FY'15 gone down to Rs.19583 in Q3 FY'16. Rs.24488 in the nine months of FY'15 gone done to Rs.20776 in the nine months of FY'16 again a drop of 15%. Coal prices also fell by 3% gas prices by 5% in the quarter for the nine months the coal price drop is about 9% and gas price is about 8%.

So that's a brief snapshot of our chemical business, I will not take you through the wind turbine manufacturing business because it's a separated listed company and I assume those of you would have been interested would have tracked the earnings call of Inox Wind Limited which we had yesterday as well as Inox Leisure Limited which again is a listed company and we had an earnings call for that on the last week on the 4th.

Capping this discussion with a brief description of the strategy and the outlook going forward we expect an improvement in performance, in fact a significant improvement in performance essentially because of four or five reasons. First of all, we expect a very insignificant capex required over the next two to three years. Most of the capex that is required for the current capacity of 16200 tonnes of PTFE and corresponding increases in capacity across the entire value chain has already been incurred and hence we do not expect any capex on the PTFE capacity as well as the back end.

We expect the growth in the profitability will come essentially from improved capacity utilization on our existing plant, improvement in sales realizations and cost reductions that we are currently implementing and none of this would require any significant capex, in fact the capex that we are anticipating on some of the cost reduction schemes that we intend to implement would be less than Rs.50 Crores. We also expect improvement in profitability because of specialty fluoropolymers as well as specialty fluorochemicals that we intend to launch in the forth coming months. There would be some capex required for the multi-purpose plants for these facilities but we don't expect these capex to be in excess of about Rs 100 Crores per year going forward. So much of this profitability growth is going to come with almost insignificant capex over the future.

We expect significant improvements in performance because of cost reduction and process improvements that we are currently implementing. We have already identified and embarked upon these schemes which would include for example caustic soda sales being changed to zero gap technology, recovery of expensive surfactant from PTFE Fine powder and Dispersions this is going to be based on 3M and Chemours technology, recovery of valuable gases from vents in TFE complex and energy saving drives across the complex. So these schemes we expect should help in reducing cost and therefore bumping up the profitability significantly in the coming months.

We also expect a significant improvement in capacity utilization going forward, the reduction in raw material prices as well as the cost reduction initiatives that we have taken would help us in expanding our potential market by being able to enter into lower price markets which so far we were actually staying away from because of the fact that costs were higher historically and this will help in driving up capacity utilization.

And the two new initiatives that we are embarking upon is the focus on the new fluoropolymers, new value added specialty fluoropolymers have being added. These include FEP, FPA, Direct Polymerised Micro Powder and Bi model dispersions, samples of these have already been produced and presently

are under trials by end users. Our capacity and supply would be less than 3% of global demand for this product and hence we do not anticipate any difficulties in being able to achieve this target. And the focus on fluoro intermediates the technology for four value added products has already been commercialized during the last quarter, regular commercial orders are expected in the 2<sup>nd</sup> half of the next financial year, beyond what we have already done the four value added product that we have already commercialized, we are working on another four value added products which are being developed and are expected to add volumes thereafter. R&D teams are in place and the R&D output is expected to be doubled over the next year.

So this ladies and gentlemen is a brief snapshot of the financial performance as well as the outlook. I would now like to open the house for any question that you might have.

**Moderator:** Thank you very much Sir. We will now begin with the question and answer session. Anyone who wishes to ask question may press '\*' and 1 on your touchtonnes phone. If you wish to remove yourself from questions, press '\*' and 2 on your touchtonnes phone. Participants are requested to use handset while asking question. Ladies and Gentlemen, we will wait for a moment. Anyone who wishes to ask question may press '\*' and 1 on your touchtonnes phone. The first question is from the line of Pawan Kumar from Unify Capital. Please go ahead.

**Pawan Kumar:** Sir first of all I wanted to understand the de-growth in refrigerant sales this quarter and I wanted to also understand if there is any substitute for R22 as of now, what could it be and how much price differential would there be between R22 and that particular substitute?

**Deepak Asher:** So let me take the first question first and your first question was pertaining to the de-growth in the volumes of refrigerant gases, well this was actually as a result of two things. First of all of course, as you might be aware the phase out schedule for HCFC22 has commenced and hence production and consumption would need to be phased out, so there is a phase out schedule in place that would have led to some de-growth. And the other reason because this de-growth is actually more significant than the phased out schedule and the other reason was in anticipation of a phase out schedule kicking in Q3 of FY'15 buyers started buying and holding R22 much more than what they actually required and therefore there was a bump up in sales in Q3 FY'15 because of the tendency of the buyers to buy more than what they needed in anticipation of the freeze or in anticipation of the phase out schedule and as I mentioned in calendar 2015 there is been a 10% phase out schedule already implemented.

**Pawan Kumar:** Okay. Just give me an understanding Sir, so is it like from what I understand by 2020-2022 the production has to be cut down by 32.5% so is it like from 2015 10% - 10% each year?

**Deepak Asher:** Well, the way of phased out schedule was since that the base line is defined as the average production during 2009-2010 and then the production in 2013 and 2014 are frozen at 2009-2010 levels, 2015 onwards there is a cut of 10% by 2020 the cut is 35% by 2025 65% and by 2030 100% cut.



- Pawan Kumar:** So I just wanted to effectively ask, so does that mean in 2017 you don't have to cut anymore production from the current level?
- Deepak Asher:** There won't be incremental de-growth, no.
- Pawan Kumar:** Okay the next cut takes place directly only on 2020 itself.
- Deepak Asher:** That's correct.
- Pawan Kumar:** Okay. And my next question Sir, regarding R22 and the substitutes...
- V.K. Soni:** V.K. Soni here. See regarding the sustainable substitute for R22 is R1234YF which is you also asked the price difference like R22 is less than \$1.8 or so per kilogram whereas the substitute R1234YF is reportedly selling at above \$25 per kg.
- Pawan Kumar:** Sir but would not R32 be a close substitute R32 or R134A?
- V.K. Soni:** No R134A was substitute for R11-12 for mobile air conditioning and not for R22, R22 there was a substitute R410 which comprises R32 and R125 but this is also been under lot of attack in EU etc., for global warming and R32 can also be a transient substitute in certain nations but it is not a permanent substitute because of its highly inflammable characteristic. So in very small cases it can be used but not generally so.
- Pawan Kumar:** But R32 how much costlier than R22 would it be?
- V.K. Soni:** R32 would be in the similar cost range.
- Pawan Kumar:** Okay, but you are saying since it is inflammable it cannot be used in air conditioners as such.
- V.K. Soni:** It can be used, I mean some companies are promoting it but I think the more sustainable would be R1234YF for which the plants are already constructed and more are being constructed because it does not have ODP - Ozone Depletion Potential, it has very low global warming potential and it is also not inflammable.
- Pawan Kumar:** So is it are these plants coming up in developed nations as such?
- V.K. Soni:** Yeah, they are coming up in America and one or two for raw materials in China to support that.
- Pawan Kumar:** Okay. One last question Sir, how much time do you envisage that R1234YF would take in actually substituting R22 as such from your strategic point of view?

- V.K. Soni:** See R22 is still under phase out so people who have the equipment will not be encourage to replace those equipment and firstly the cost of substitute is also very high.
- Pawan Kumar:** Okay Sir I will get back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Ranjit Cirumala from B&K Securities. Please go ahead.
- Ranjit Cirumala:** Hi, Sir. Thanks for opportunity. Just wanted to understand the PTFE segment of our business what exactly is happening over there?
- Vivek Jain:** Well, PTFE has been under pressure in the last one year because of sluggish demand both in US and Europe as well as decline in local consumption in China. That was the position last year but as a company we expect the growth to start next quarter onwards we still feel that by the end of this calendar year we should be at about 80%-85% capacity utilization. Lot of the new grades which we have developed and introduced in the market the trial process some of those are now culminating into new customers and we see a growing demand for those grades. Together with that we have also been able to reduce our cost substantially because of lowering in cost of raw material prices like fluorspar, methanol, our power cost has also gone down so this will enable us to take some of the business which we had earlier sort of forsaking because of low prices, so that has opened another opportunity for us to grow our sales and these are customers who are already known to us, its only where we were not adding the sales for the reason of the prices are lower at that time. But we have seen substantial reduction in raw material prices which will enable us to take that business and with higher capacity utilization in TFE and PTFE plants our fixed overheads per tonnes will also decline so that also should make it viable for us to take those marginal business.
- Ranjit Cirumala:** Sir are we targeting 80%-85% capacity utilization by the end of CY'16 or?
- Vivek Jain:** By calendar year 2016.
- Ranjit Cirumala:** So can we remain confident of that.
- Vivek Jain:** Yes, at this point of time we are, in fact we have seen a substantial improvement in January itself, so I feel that this is something which we will be able to sustain in the growing month.
- Ranjit Cirumala:** Just wanted to understand what has been the, why the demand has been sluggish was it more to do with the macro environment of the specific country, has there been increased competition from the other regions?

- Vivek Jain:** No I think it is more because of the sluggish demand itself in US and Europe. That also happened because some of the sectors like auto etc., went through a slowdown so that had an impact on the demand which was emanating from Europe and US.
- Ranjit Cirumala:** So Sir secondly on the competition from the China front, if you see we would be the product mix would be relatively higher side with regards to China as a competition and Chinese has been devaluating the currencies so even though the Rupee has also been depreciating then how do we see this competitive scenario it is more in favour of Chinese or it would still continue to be in the favour of Indian?
- Vivek Jain:** No I think our margins will remain the same, even though the prices have declined to some extent but raw material prices have also gone down so our margins still remain the same and as I informed that going forward as we increase our capacity utilization we will see further reduction in cost, with increase in the sales.
- Ranjit Cirumala:** And Sir my final question is on the R22 can you share the domestic versus export in the mix?
- Deepak Asher:** Sorry Ranjit, but we normally do not provide that information.
- Ranjit Cirumala:** Okay Sir no issues. Thank you.
- Moderator:** Thank you. The next question is follow up from the line of Pawan Kumar from Unify Capital. Please go ahead.
- Pawan Kumar:** Sir I wanted to understand basically your fluorochemicals business in the sense what competitive edge would we have over other competitors regarding your fluorochemical business because I understand your capacity is definitely the higher point at around 53000 tonnes but how much is available post PTFE production from this particular unit and what are your plans for developing?
- Vivek Jain:** You are talking about R22 figures is it?
- Pawan Kumar:** Yes Sir.
- Vivek Jain:** R22 capacity eventually when we are running a TFE plants at full capacity as we go up the curve on PTFE production as well as some of the other specialty fluoropolymers which we are currently developing by the end of calendar year 2017 we expect that we will be running out plants full out. At that point of time we will be consuming about 120 tonnes which is almost about 75% of our production of R22 will go into manufacturing R22 as a feedstock for our PTFE and fluoropolymer requirements the balance 25% will essentially be sold in the refrigerant market as refrigerant. And as we see, as we have discuss with the phase out kicking in as the R22 requirements for the refrigerant business decline that will be taken up for our increasing requirement of R22 for our feedstock purposes.

**Pawan Kumar:** That I understand Sir, but I just wanted to understand in fluorochemical business since we have a higher capacity of R22 and also chloromethane is there any significant competitive advantage that we have as compared to any of our peers?

**Deepak Asher:** Well, one of the competitive advantages we have is the fact that we are backward integrated we make not just, as you know HCFC22 is made essentially as AHF and chloroform, we make our own AHF, we make our own chloroform, chloroform in turn is made of chlorine. We also make our own chlorine and one of the key raw material that go into a caustic soda chlorine plant is power we also have captive power plant so this backward integration three steps makes us perhaps one of the most integrated producers of HCFC22 so that in a sense would be our competitive edge.

**Pawan Kumar:** Okay. So you are saying we produce R22, chloroform and also caustic soda and even internal power right?

**Deepak Asher:** That's correct.

**Pawan Kumar:** Sir what are our ambitions regarding scaling up this fluorochemical business going forward from the current size?

**Vivek Jain:** No we are not scaling up the fluorochemical business, as far as refrigerant business we are not scaling it up because we think we have an adequate capacity to meet the.....

**Pawan Kumar:** No I meant fluorochemical in the sense our specialty chemicals business and rather the pharma and agri application as such?

**Vivek Jain:** So I think for both these two applications we have now in the last couple of months we have developed an R&D team we have got close to about 75 to 80 people in R&D and we've built the facilities also. So we have currently four molecules which have already been developed and by the second half of this calendar year we expect commercial supplies to commence. We have several more molecules under development and these will also be commercialized subsequently in perhaps by the beginning of the next calendar year.

**Pawan Kumar:** Okay. So can I generalize saying the typical development phase of a molecule would be around six months to one year?

**Vivek Jain:** Yes, you are right.

**Pawan Kumar:** Okay. And then it goes to your pilot project and then separately?

**Vivek Jain:** Well, the development cycle would be about five to six months then it goes to pilot and then to scale up, so the whole process would take about 18 months from the time when you start developing the molecule or we get a request for developing a molecule.

**Pawan Kumar:** Okay. Presently how many customers would there be in pharma and agri side Sir?

**Vivek Jain:** No, as I said our commercial supplies are going to commence from the 2<sup>nd</sup> half of this calendar year we have about three four customers who have already been now entering into contract so that is where we start off from. And subsequently as we develop more molecules for which we have received request from the specific customers and we are developing those molecules on their request so as soon as we have them ready and the process cycle is completed hopefully we should be able to get those additional business and this will be an ongoing process actually because we keep on receiving now because this was an area which as a company we are not concentrated upon because we concentrated most of our attention in the fluoropolymer business and this is something which we have recently now started emphasizing in the last one year and many of these overseas customers recognized our capabilities they have in fact were surprised that we had already not entered this segment and so they are looking at us with lot of promise because they recognize that we have got the chemistry capability, we have got the raw material capability and it's a question of getting focused on to this business which I think we have now demonstrated and I think in the coming quarters we will see this business scaling up.

**Pawan Kumar:** And my last question Sir, in the sense any comment on your Middle-East side of export for the refrigerant I mean going forward because I understand there is a bit pressure on that thing?

**Vivek Jain:** I just wanted to add one more point, there is another segment of business which we are growing which is a specialty fluoropolymer business and this is something which though nobody else in the country is doing and this we have been able to do this because of our production of TFE and because of the knowledge which we have acquired in the process of making PTFE so these are high value added fluoropolymers, something akin to flour specialty chemical which we are talking about and for this we do not need any additional capex we will be making these with the investment which have already been made in the polymer complex and some of these products have already been developed and we are now in the process of filing them out, some of these products will be having our common customers with the existing PTFE business so it will probably require a shorter cycle to get these products qualified, approved and commercial supplies to begin. We expect a significant growth in profitability once these fluoropolymers are fully commercialized.

**Pawan Kumar:** Right Sir. And my second part of last part of question actually the R22, any comment on R22 exports to middle-east are they coming back? How is it?

**Vivek Jain:** Yes, they are coming back we export significant percentage of our exports to the middle-east only and R22 prices of course sort of keep on are dependent upon how the Chinese competition is that we get a

premium in the middle-east over the Chinese prices so middle-east will continue to be our major export market.

**Pawan Kumar:** So over the medium term we can expect the prices to be stable R22?

**Vivek Jain:** We hope so but it is difficult to say it depends upon what the Chinese manufacturers do but we will enjoy a benefit on prices compared to the Chinese. We are the preferred suppliers there.

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

**Paras Nagda:** Hi Sir, I had two questions. The first one being could you explain me the size of opportunities when it comes to the specialty polymer and what is the size that we are targeting and some color on what kind of revenues are we targeting from this business?

**Vivek Jain:** Well, there are five products which we were talking about one is a product called FEP, the other one is PFA third is micro powder and fourth is FKM and some bi-model dispersion. So these are the products which three them of are almost been developed the fourth is under development and then the cycle starts so sending samples down and getting approvals, trials etc., which is fairly lengthy which takes as much as about six months. We are expecting it to be shorter this time, six months before the fact that these will be going to our, 80% of this will be going to our existing PTFE customers, so in terms of percentage of the global market which we are targeting because for instance we are at PTFE when we are at full capacity we will be almost about 10% of the world PTFE market. In these products, these four five products we are talking about a relatively smaller percentage which is about 2%-3% and there is a high probability of our achieving those targets.

**Paras Nagda:** And a 2%-3% what revenue it translates to....

**Deepak Asher:** I do not think we will be able to share with you our revenue projections in these product lines over the future but as we can qualitatively say we will probably provide a significant bump upon profitability.

**Paras Nagda:** Surely. And secondly Sir you mentioned that by CY'16 you were expecting significant higher capacity utilizations for the PTFE business. Could you give me some color on what is the thought process behind, how the ramp up from current levels can happen?

**Vivek Jain:** See in January for instance, we are already substantially higher than what we did in October-November-December and this is because of two reasons. One is that lot of the customer acquisition process which we had started during the last year some of this that is coming to play so we are getting some, we have got on board some new customers. Second there is a growth in the market, the market is seemingly bit more buoyant then what it was till December in any case November December are lean months because of the holidays and the second is that people want to deplete inventories and they bring them down to the lowest possible level so for that reason too and we see that in the next six eight months we are

expecting that the level of activity in the PTFE business should improve and we have seen evidence of that in January itself. And of course several other customers who are in the pipeline of development we feel that some of those additional customers will materialize and this is a process which will continue in the next three four quarters. So since most of our grades are already developed we feel that and in some of these would be those higher value added grades where we have a competitive advantage compared to the western suppliers and we offer a very good deal to customers so that is a reason why they encouraged to explore us as a new supplier and starting initial commercial business with us. The Chinese are to a very large extent they are not present in these product lines because these are far more technical and require far more interaction with customers to be able to develop those products they are a bit more customized they are customized products to customers and that is something which I mean Chinese not good at doing, also all our dispersion aqueous grades are PFOA free which now both US Europe have already, the legislation is already sort of kicked in where no PFOA containing PTFE will be allowed to be imported into the countries. No products either PTFE or products containing PTFE which is made of PFOA will be allowed to be imported. I think this restriction will keep on becoming more and more stronger in the next few months, this will again become a hurdle for the Chinese to get their product in the US and Europe. And our technology is actually been sourced from DuPont and 3M, so our products are totally PFOA free so I think that will give us an edge in maintaining and sustaining a higher level of sales in these segments.

**Paras Nagda:**

Sure. And Sir how is the India market shaping for PTFE?

**Vivek Jain:**

Indian market is growing at about 10%, I do not think there is going to be more significant growth than that but we see some pockets which are there for instance, thermal power plant which are now under pressure to put up flue gas desulphurization because environmentally they have to improve the emission levels from these plants so in fact many of these existing thermal power plants will have to implement this technology which is going to require from some of the PTFE which we have high value PTFE which we are talking about. So we are trying to see how this business sort of pans out but this could add another 20%-25% to the Indian market.

**Paras Nagda:**

And Sir last question from our side. What is the status on the fluorspar mines in Morocco Sir?

**V.K.Soni:**

See, in Morocco the project is on schedule all the equipments are in Morocco and the now civil work is under way so we expect the mechanical commissioning by end July and production out by September end.

**Paras Nagda:**

Got it. The last one from my side is Sir, what is the capacity I see in the consolidated results some inter-company sales to Inox Renewables Limited could you tell me what is the kind of mega watt that Inox Renewables Limited has had and what is the current portfolio of the wind farm asset?

**Deepak Asher:**

In Inox renewables Limited the current portfolio is roughly about 230 MW, 233MW to be precise there was an addition of about if I remember right 10 megawatt in the last quarter.

- Moderator:** The next question is from the line of Nitin Darmawad. He is an individual investor. Please go ahead.
- Nitin Darmawad:** Sir the group holding is in the Inox Wind Limited is close to 85% which is higher than 74% prescribed and the listing is just one year and we have two more years to go before it becomes mandatory so any plans to reduce this in the next financial year?
- Deepak Asher:** Well, under SEBI regulations we will need to bring our group holdings from down from what it is currently I think it is around 86% down to 75% we have two years to do that, we will take an appropriate decision at the right time, unfortunately there is nothing that we are considering at this point of time.
- Nitin Darmawad:** Okay. Got it.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor over to the management for closing comments.
- Deepak Asher:** So once again on behalf of the management of GFL I like to thank you all for your interest in tracking this stock and the time that you have taken to attend this call and look forward to your continued support in the future as well.
- Moderator:** Thank you. On behalf of Axis Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.