GFL Limited

(Earlier known as Gujarat Fluorochemicals Limited)
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18th September, 2020

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 Thursday, 10th September, 2020

Dear Sir/Madam,

Please find enclosed herewith transcript of the Conference Call held with Investors / Analysts of the Company on Thursday 10th September, 2020 post declaration of Unaudited Financial Results for the quarter ended 30th June, 2020. The same is also available on the Company's website at www.gfllimited.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)

Bhavi

Bhavi Shah
Company Secretary

GFL Limited Vadodara

Encl.: As above

"GFL Limited Q1 FY21 Results Conference Call"

September 10, 2020

MANAGEMENT:	**MR. DEEPAK ASHER – DIRECTOR & GROUP HEAD (CORPORATE FINANCE), INOX GROUP OF COMPANIES**
MODERATOR:	**MR. NITIN AGARWAL – IDFC SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the GFL Limited post Q1 FY21 Results Conference call hosted by IDFC Securities 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. Nitin Agarwal from IDFC Securities Limited. Thank you and over to you, sir.

Nitin Agarwal: Thanks Moderator, good afternoon everyone and a very warm welcome to GFL Limited post Q1 Results Earnings Call hosted by IDFC Securities. On the call today we have from Management side, Mr. Deepak Asher – Director and Group Head (Corporate Finance), INOX Group of companies. I hand over the call to Mr. Asher to make some opening comments and then open the floor for questions. Mr. Asher, please go forward, Sir.

Deepak Asher: Thanks very much, Nitin. On behalf of the Board of GFL Limited, I would like to extend a very warm welcome to all participants to this call. The Board Meeting has just concluded, the quarter results for June have been approved by the Board and they have been uploaded on the website of the Company as well as the websites of both; BSE as well as NSE.

With the results, we have also uploaded on the website of the company, a short presentation and, just to set the expectations, this presentation is not as much about earnings or about quarterly performance as it is about what is happening in the Company at the corporate level because as you know after the de-merger of the chemical business, this Company actually does not own any operations so there is no operating income or operating expenses in this Company but it does own significant stakes in three subsidiaries; about 57% stake in INOX Wind Limited, around 100% in INOX Renewables Limited and around 51% stake in INOX Leisure Limited. There is some corporate action that we are currently undergoing and while we have not had this kind of quarterly update calls for the past few quarters, essentially because there were no operations in this Company, we thought it would be a good idea to hold this call this time in order to appraise you as to where we are.

So, with that backdrop, I will just give you a little bit of context in terms of the historical evolution of this Company. As you might know, it belongs to the INOX Group which is a diversified conglomerate engaged in various businesses including Industrial Gases, Fluorochemicals, Multiplex Cinema Theatres, Renewable Energy and Cryogenic Engineering. The Company historically has been called Gujarat Fluorochemicals Limited or GFL and this Company has been engaged in the business of the manufacturing of Chemicals which includes Caustic Soda, Chlorine, Chloromethanes, Refrigerants essentially HCFC 22, Fluoropolymers essentially PTFE and also some other Fluoropolymers and Fluoro-specialty Chemicals.

In addition to this chemical business, GFL is also carrying on some other businesses through its investments in two listed and one unlisted entity. It holds a 51% stake in INOX Leisure Limited which is engaged in operating a national chain of Multiplex Cinema Theatres. It holds 57% stake in INOX Wind Limited which is engaged in the business providing turnkey wind energy solutions to its customers who are primarily IPPs. And it holds 100% stake in INOX Renewable Limited which is engaged in the business of generation of electricity through renewable sources.

Now under the scheme that we implemented last year, the chemicals business undertaking of GFL has been de-merged into another mirror image Company, which we, for the sake of abbreviation, call GFCL or Gujarat Fluorochemicals Limited, under a Scheme which was duly approved by all regulatory and other authorities including the Board of Directors of the Company, its Shareholders, the creditors, BSE, NSE, SEBI, NCLT and the appointed date for this de-merger was 1st April, 2019. Hence with effect from 1st April, 2019 the chemical business is housed in a separate entity called GFCL.

Post de-merger the name of this Company was changed from Gujarat Fluorochemicals Limited to GFL Limited and the name of the mirror image company, to which the chemicals business was transferred, was called Gujarat Fluorochemicals Limited. In consideration of the transfer of the chemical business, all Shareholders of GFL that held one fully paid of equity share of GFL, were given one fully paid of equity share of GFCL and hence GFCL in a sense was a mirror image company. So, essentially if you owned one share in the erstwhile GFL, you would now be holding one share each in GFL the holding company of the renewable energy and the entertainment business and one share in GFCL which was the chemical business and the share of GFCL also was separately listed. So this is what we did last year.

Now in the current Financial Year, we have embarked upon another restructuring. As I mentioned to you, to give you the context of what we are doing currently, GFL does not have any operations of its own but it now it owns 2 major businesses through its subsidiaries. It owns the entertainment business through 51% stake in INOX Leisure Limited and it owns the renewable energy business through 57% stake in INOX Wind Limited and 100% stake in INOX Renewables Limited.

Now the Board of Directors, as a part of the business restructuring program, at the meeting in March approved a Scheme which comprises essentially of two parts. Part A is the amalgamation of the wholly owned subsidiary INOX Renewable Limited into GFL and the appointed date for this is 1st April 2020. And Part B is the de-merger of the entire renewable energy business which essentially comprises of the undertaking of IRL which would be merged in GFL and the equity shares that GFL owns in IWL, into a separate company, again a mirror image company, called INOX Wind Energy Limited, or IWEL, which would be formed essentially for the purpose of vesting the renewable energy business.

Now this Scheme, of course is subject to all regulatory approvals which includes the approvals of the Shareholders and Creditors of this Company and the approvals of the Stock Exchanges, SEBI, NCLT and whatever other permissions would be required. As a consideration of Part B of the Scheme, which envisages vesting the entire renewable energy business from GFL to IWEL, all Shareholders of GFL who own one fully paid equity share or rather who own ten shares of Re. 1 each in GFL will be given one share of Rs. 10 in IWEL. Again IWEL would be a mirror image company of GFL and therefore instead of owning a share in GFL, which owns both the wind business and the leisure business, the Shareholders will end up owning shares of equivalent proportion in GFL which would then own just the entertainment business and IWEL which would own the renewable energy business. And IWEL again would be separately listed.

Now the reasons for undertaking this Scheme, while we have kind of made out a longer list of all the reasons, but essentially each of these two businesses of GFL have different potential for growth and profitability. Each of these have different risks, different competitive landscapes, different challenges, different opportunities and different business methods and hence it was necessary to segregate these two businesses which were essentially quite different from each other into two separate entities.

Currently, a Shareholder of GFL, when he invests into GFL, is actually buying stake in two different businesses which are significantly different from each other, hence we thought it might be advisable in order to enhance Shareholder value to segregate these two businesses to be held by two separate holding companies; GFL and IWEL. So that is the broad rationale behind doing this.

As far as the status is concerned, we have applied to BSE and NSE under Regulation 37 as is required, pursuant to this we have already received an approval which is technically called the no-observation letter, both from BSE and NSE, this is usually granted after SEBI also clears it, so the no-observation letter from BSE and NSE implies a SEBI clearance to the Scheme, in principle at least and pursuant to this no-observation letter from both the stock exchanges, we have recently filed the scheme before the Honorable National Company Law Board Tribunal, the NCLT - Ahmedabad bench, essentially to approve the scheme. We have sought directions to convene the meeting of the equity shareholders of GFL to approve the scheme and to waive the meeting of the Shareholders of IRL and IWEL because both these are currently 100% subsidiary companies of GFL and also to waive the meeting of Creditors of GFL, IRL and IWEL because we have consents of 90% of these creditors in value terms.

Once this scheme, eventually gets approved by NCLT we will obviously take such further action in the matter in accordance with the prescribed regulatory requirements. So that is broadly the picture of where we are on the corporate restructuring.

I will not spend too much time on the financial results because essentially as I said, there are no operations within this Company and therefore the financial results essentially reflect the consolidation of two separate listed entities, which is INOX Leisure Limited and INOX Wind Limited. Both these companies are separately listed, both of these have their own Boards, their own Shareholders and they have both hosted their independent earnings calls and anybody who was interested in following the earnings of these companies, I am sure would have followed those earnings calls as well, so let me not spend too much time on that.

Broadly, the market capitalization of GFL currently stands at about a Rs. 1000 crores at the price of about Rs. 95 which was a recently quoted price, which is slightly lesser than the book value of the shares. The 52 - week high-low has been 58 to 163, we have also given you on the Page 10 of the presentation, a list of the key investors. Broadly, in terms of the shareholding structure, the Promoters own 68.72% of the company, DIIs own 4.6%, FIIs own 4.2% and the public/others owns about 22.48%. So that is a brief snapshot of where we are and what we are doing currently.

I would now like to open this for any questions or any observations that you may have, I will try and respond to them as best as I can.

Moderator: Thank you very much, we will now begin the question and answer session. The first question is from the line of Hansal Thacker from Lalkar Securities, please go ahead.

Hansal Thacker: First of all, congratulations on no-observation letter because I think we must have received it recently as the Annual Report had mentioned that we were still awaiting it. So my question is basically that now directionally I just want to know from the management that once the de-merger occurs and now we are essentially two holding companies, at any point in the future are these holding companies going to collapse into the operating undertakings or what is the management's view on this?

Deepak Asher: I think so, you know while we do not have a formal decision of the Board to that effect, I think that will be the eventual course of action that we would take but as I said that is subject to the Board deciding that. I do not see the point in holding these holding companies separately from the operating companies when all they own is only that operating company. So, it makes eminent sense to collapse them but as I said the Board needs to take a formal decision and I do not wish to pre-judge the decision of the Board.

Hansal Thacker: No of course, I appreciate that. It is just to get some sort of an understanding because like you said logically that would make sense.

Deepak Asher: That is right.

Hansal Thacker: Sir, my second question is, you mentioned that the company is seeking a Type 2 NBFC license, now I assume this is more regulatory with respect to the ICDs, the sector which is why we are doing this, right?

Deepak Asher: That is correct. You know, just to clarify the Company does not wish to engage in any non-banking financial activity, but under the RBI Act, any company that has more than 50% of its assets in financial assets and by the way, not just the liquid assets but even the equity shares that is owned in INOX Leisure and INOX Wind are defined to be financial assets, or if it has more than 50% of its income from financial income, and the Company here has all its income which is interest from the ICDs that is lent, as financial income, it falls within the definition of an NBFC. So even though the intention is not to engage in those activities, by virtue of what is called the 50-50 rule, 50% or more of assets and 50% or more of income being from financial activities, it needs to apply as a formality to RBI for an NBFC registration.

Moderator: Thank you. We will take the next question from the line of Shivang Goel, an individual investor, please go ahead.

Shivang Goel: I just wanted to know that since we are going through Pandemic, so what kind of timelines we are looking at, for this de-merger to happen, like usually it takes nine to twelve months but since we are in front of a big problem, so what are the timelines we are expecting that the de-merger; both the amalgamation and the de-merger would be complete by?

Deepak Asher: Well, as you very rightly said, normally the time taken is roughly about three months in the first stage to get the BSE, NSE and SEBI approvals that has just got concluded and then typically it takes about six months' time for about an NCLT approval which would include in that six months' time, the consent required of Shareholders, Creditors, etc. So we just filed with NCLT, a couple of days ago as the earlier questioner remarked, we received the no-observation letter fairly recently, about 10 days ago, and therefore assuming that the clock starts ticking now, it should take, in normal situations, about six months to complete that process; however as you very rightly pointed out, we are undergoing a Pandemic situation it is very difficult for me to predict how the regulatory authorities work will be affected by the Pandemic and how long the Pandemic will last and what kind of lockdown restrictions will continue for the next six months. So that is a difficult question to answer but assuming that it takes maybe a normal process that would require six months, takes another one or two months more. As an outside date, you might assume eight months from now. But regardless of when it actually happens, the appointed date is already 1st April and 1st July for Part A and Part B. So that does not change even though it may take a month or two more than what you would have wished.

Shivang Goel: Okay, secondly the point on the formal decision has not been taken on collapsing but from the legal part, so does any reverse merger poses any challenge in terms of any company law that since there is no essentially business, we are just holding the shares of our group company. So, does reverse merger poses any challenge in terms of compliance?

Deepak Asher: No, not to my knowledge because this will really be a merger, a merger of the holding company with the subsidiary. There are regulatory constraints in terms of de-mergers, particularly when it does not own a undertaking and therefore you need to make it a **2(19AA)**, which is a tax compliant de-merger, but a merger does not pose any regulatory concerns, to the best of my knowledge.

Moderator: Thank you. The next question from the line of Rajeev Agrawal from DoorDarshi Advisors, please go ahead.

Rajeev Agrawal: I am relatively new to the company, so can you just remind me in terms of the ICD and approximate cash that is on the book of the company, if you just remind me how much that is and when do we expect that to become available to be distributed to the Shareholders?

Deepak Asher: So, okay there are two ICDs; there is one ICD of about Rs. 240 crore which is given to 100% subsidiary INOX Renewables Limited and there is one block of ICDs which is given to INOX Wind Limited and its subsidiary INOX Wind InfrastructureLimited which is about Rs. 195 crores. So put together it is about Rs. 240 crores plus about Rs. 200 crores, so about Rs. 440 crores of ICDs given to these two entities engaged in the Wind business and these will get transferred to IWEL as a part of the de-merger of the Wind business. Now, when they will get paid is a function of what eventually happens once that de-merger has taken place. If for example, the holding company collapses into the Wind business then the ICDs will get cancelled because then all those entities will become one entity. So, that is a difficult question to answer at this stage, we will have to take that call once this demerger is completed.

Rajeev Agrawal: Got it that is very helpful and then the second question is you talked about the operating company and the holding company collapsing, so if I assume sort of a one year timeline from the time Scheme is formulated to then executed, then it is reasonable that somewhere in the Financial Year 2023 is where you would have an end state which is different companies for leisure, for renewable and GFL completely collapsing, is that a reasonable time frame or you think it could be beyond that.

Deepak Asher: Well you know frankly if you start that process yes that would surely be a reasonable time frame but I just want to caveat that by saying that I have not indicated that the decision is a given, I said that would be a reasonable thing to do but that decision is yet to be taken by the Board and the Board will consider that at the appropriate time.

Rajeev Agrawal: Just a follow up here is there a reason that why the Board has not taken that decision? Like is it just because we are making too many assumptions is why the Board has not taken that decision?

Deepak Asher: No it is only because you do not want to launch 3 or 4 schemes together, so the first step was to demerge the chemical business which is what we did last year, the second step was to segregate the holdings in Leisure and Wind which is what we are doing this year and then once this is done we will consider the third step as well, you do not normally take Board decisions for actions which are to be taken over the next 2 or 3 years.

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

Viral Shah: Just two questions from my side. Firstly, we have paid some advances to Inox Wind Limited around Rs. 270 crores for asset purchases, so just wanted to understand the rationale of this, will it come in the standalone GFL entity, is it a 3 MW turbine, could you just throw some light on this?

Deepak Asher: Yes, it is a 3 MW turbine, when the order was placed it was intended to be a 2 MW turbine but now Inox Wind Limited has launched a much more efficient 3 MW turbine which provides significantly superior returns as compared to the 2 MW turbine, so we have actually converted this to a 3 MW turbine but the delivery of that turbine is I think about a year away, so we will have to wait for that to happen before this turbine can actually be installed and commissioned.

Viral Shah: So, sir will this also get transferred to the new entity?

Deepak Asher: Yes, it would because it is a part of the wind business.

Viral Shah: Just for my knowledge with Inox Wind Limited not being 100% subsidiary, does it not require approval of the majority of the minority shareholders?

Deepak Asher: Well, I do not recall but I am sure it would have at that point of time whatever approvals would have been required, would have been taken, this was not have been given now. It was given 2 or 3 years ago.

Viral Shah: And secondly, on the bank guarantee that we have provided against the borrowings of IWL, so when can we expect the reversal of this one?

Deepak Asher: Well again it depends on when Inox Wind Limited, either reduces those limits in which case the guarantees become infructuous or Inox Wind Limited is able to borrow without the support of those kind of guarantees, so it is difficult for me to lay a time frame for that but again those also would, because it pertains to wind business, get transferred to the new entity.

Moderator: Thank you. The next questions a follow up question from the line of Viral Shah from Enam Holdings. Please go ahead.

Viral Shah: I just missed on asking the advance of Rs. 270 crores to IWL how much MW of wind turbine have we ordered?

Deepak Asher: So, roughly it would be about Rs. 7 crore/MW so, I do not have that number in front of me but broadly it should be about 40 MW, I guess.

Viral Shah: So, we have almost fully paid for the turbines.

Deepak Asher: Yes, that is correct the intention was to have the 2 MW turbine to be installed immediately, so we have actually deferred that decision because of the introduction of the 3 MW turbine.

Moderator: Thank you. The next question is a follow up question from the line of Rajeev Agrawal from DoorDarshi Advisors, please go ahead.

Rajeev Agrawal: Apart from the ICD which you said is around Rs. 430 crores, there is this additional advance of Rs. 270 crores, is that correct?

Deepak Asher: Yes, that is correct.

Rajeev Agrawal: Is there any other asset on the GFL side which we should also account for as we look at the Company?

Deepak Asher: No, I mean the other assets as I mentioned is the stake, 57% in Inox Wind Limited, 51% stake in Inox Leisure Limited, 100% stake in Inox Renewables Limited, 100% stake in the company called Inox Infrastructure Limited, which has got a net worth of about Rs. 60 crores, so those are the four equity stakes that it holds, and the non-Equity investments are as you just mentioned the Capital Advance and the Loans.

Rajeev Agrawal: Got it and on the Liability side, anything?

Deepak Asher: Nothing at all.

Moderator: Thank you. The next question is from the line of Kaushal Patel, an Individual Investor. Please go ahead.

Kaushal Patel: Can you throw some light for the valuation of the IWEL?

Deepak Asher: I cannot throw any light on the valuation of IWEL.

Kaushal Patel: What kind of valuation ca we expect for that?

Deepak Asher: I wish I knew; I cannot predict the valuations of the companies; it is for the markets to decide that.

I think if there are no questions, we might as well wind this down, I think we have scheduled this for 5'o clock and as I say the objective was more to appraise Shareholders on the corporate restructuring that we are doing, rather than to focus on any operational issues, because there are not any operations really.

Nitin Agarwal: Sure sir. Any closing comments that you want to make before we just close this.

Deepak Asher: No, I think that is fine just like to thank the Investors for their interest and look forward to their continued support in our endeavors.

Nitin Agarwal: Thank you very much and thanks for participating in the call and thank you sir for taking the time out. Thank you everyone and have a good day.

Moderator: Thank you. On behalf of IDFC Securities Ltd. That concludes this conference. Thank you for joining us and you may now disconnect your lines.