

Tel.: +91 265 61 98111  
Fax: +91 265 23 10312



**GUJARAT  
FLUORO-CHEMICALS  
LIMITED**



ABS Towers, 2nd Floor, Old Padra Road, Vadodara - 390 007, Gujarat, India  
CIN : L24110 GJ1987 PLC009362 • Email : [contact@gfl.co.in](mailto:contact@gfl.co.in) • Web: [www.gfl.co.in](http://www.gfl.co.in)

GFL:BRD:14:2016

17<sup>th</sup> September, 2016

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

**Scrip Code: 500173**

Dear Sir / Madam,

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

The Company had organized a conference call with the Investors/Analysts on 8<sup>th</sup> September 2016 post declaration of its Unaudited Standalone and Consolidated Financial Results for the quarter ended on 30<sup>th</sup> June, 2016. 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 Q1 FY-17 Earnings Conference Call”

**September 08, 2016**

**MANAGEMENT: MR. VIVEK JAIN – MANAGING DIRECTOR, GUJARAT FLUORO CHEMICALS LIMITED  
MR. DEEPAK ASHER – DIRECTOR & GROUP HEAD (CORPORATE FINANCE), INOX GROUP OF  
COMPANIES  
MR. V. K. SONI – HEAD PROJECTS AND NEW INITIATIVES, GUJARAT FLUORO CHEMICALS  
LIMITED**

**MODERATOR: MR. PRASHANT TARWADI – RESEARCH ANALYST, AXIS CAPITAL**

**Moderator:** Ladies and gentlemen good day and welcome to the Gujarat Fluorochemicals Limited Q1 FY'17 Earnings 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. Prashant Tarwadi from Axis Capital. Thank you and over to you sir.

**Prashant Tarwadi:** Thank you. Good afternoon to you all, on behalf of Axis Capital I welcome all participants to the conference call of Gujarat Fluorochemicals Limited (GFL). Today, we have with us Mr. Vivek Jain – Managing Director, Gujarat Fluorochemicals Limited, Mr. Deepak Asher – Director and Group Head Corporate Finance, Inox Group of Companies, and Mr. V. K. Soni – Head, Projects and New Initiatives, Gujarat Fluorochemicals Limited. They will start with the overview of this quarter and then later we can switch to question-and-answer session. Thank you and over to you, Jain sir.

**Deepak Asher:** This is Deepak Asher here, On behalf of the Management and the Board of Gujarat Fluorochemicals Limited,. I would like to wish you a very good afternoon and extend to you a very warm welcome for attending this conference call.

The Board of Directors has approved the results for Gujarat Fluorochemicals for the first quarter based on IndAS. About a couple of hours ago we have uploaded the results on the website of the stock exchanges as well as of the Company and we have also uploaded along with the earnings results, an earnings presentation that will give you the key operating highlights. What I would like to do now is walk you through that presentation in order to give you a snapshot of the operational performance of the company after which we will open it for a Q&A session.

Talking of Q1 FY17 numbers and this we are comparing with Q1 of FY16 so in that sense it's a Y-on-Y comparison. Total revenues fell from Rs 1363.2 crores to Rs 1093.4 crores that's a fall of about 20%. EBITDA fell from Rs 275.4crores to Rs 230.80 crores that's a fall of 16%, EBITDA margins therefore improved from 20.2% to 21.1%. PAT fell from Rs 82.6 crores to Rs 47.5 crores that's a fall of about 43% as a result of which PAT margins shrunk from 6.1% to 4.3%. Now this is a snapshot of our consolidated results.

As you might know our consolidated results actually comprise of four different verticals; the Chemicals business which is housed within Gujarat Fluorochemicals Limited, the Wind Turbine manufacturing business which is carried on by Inox Wind Limited a 63.09% subsidiary but a separate listed company, the Wind Farming business which is carried out to by Inox Renewables Limited which is a 100% unlisted subsidiary and the Film Exhibition business which is carried out by Inox Leisure Limited which is a 48.09% subsidiary plus separately listed and hence the consolidated numbers that I mentioned was actually an aggregate of all four of these verticals.

Giving you the vertical wise breakup, the revenues from the Chemical business grew by 6% from Rs 352.7 crores to Rs 373 crores. Revenues from the Wind Turbine manufacturing business fell by 32% from Rs 643.9 crores to Rs 435 crores. Revenues from the Wind Farming business went up by 34% from Rs 45.8 crores to Rs 61.5 crores and revenues from the Film Exhibition business went up by 11% from Rs 302.5 crores to Rs 336.9 crores as a result of which total revenues stood at about Rs 1093 crores for this quarter.

The breakup as far as EBITDA is concerned is EBITDA from the Chemicals business went up by 2% from Rs 78.3 crores to Rs 79.5 crores, EBITDA from the Wind Turbine manufacturing business went down from Rs 93.7 crores to Rs 45.7 crores that's a drop of 51%. EBITDA from Wind Farming business went up by 37% from Rs 38.5 crores to Rs 52.6 crores and EBITDA from the Film Exhibition business went down by 4% from Rs 64.5 crores to Rs 62.1 crores as a result of which as I mentioned aggregate EBITDA stood at about Rs 230.8 crores.

The breakup for the PAT numbers is PAT from the Chemical business went up by 19% from Rs 27.8 crores to Rs 33.2 crores, PAT from the Wind Turbine manufacturing business went down from Rs 60.4 crores to Rs 11.8 crores, PAT from Wind Farming business was virtually flat - Rs 3.5 crores remained at about Rs 3.2 crores and PAT from the Film Exhibition business again was virtually flat Rs 25.3 crores last year vs Rs 25.0 crores this year as a result of which the aggregate PAT stood at about Rs 47.5 crores.

So as you will see a large part of the fall in the revenues and the profitability at a consolidated level has been because of shrinkage of values in the Wind Turbine manufacturing business. If you would have attended the call for that business we had clarified that, it was essentially because in the last quarter as well as in this quarter as well our focus is going to be on consolidation and correction essentially to improve working capital cycle by correcting the mismatches between the inventory of nacelles and hubs on the one side and blades and towers on the other. However, for the year as a whole our guidance on volumes as well as values in that business remains intact and therefore you will certainly see a plough back in terms of performance in the coming quarters.

Coming back now to the Chemicals business, our standalone results; revenues have gone up as I mentioned from Rs 352.7 crores to Rs 373 crores that's a growth of about 6%, EBITDA has gone up by about 2% from Rs 78.3 crores to Rs 79.5 crores, EBITDA margin therefore has remained at about 21.3%. It was about 22.2% last year this quarter. PAT margin has improved from 7.9% to 8.9%, PAT has improved by 19% from Rs 27.8 crores last year to Rs 33.2 crores this year.

Again as you might know, our Chemical business actually comprises of about five product categories such as Caustic Soda, Chloromethane, Refrigerants, PTFE and other products. So giving you the breakup of the revenues in the standalone results for the Chemical business, Caustic Soda revenues have gone up by 22% from Rs 66.8 crores to Rs 81.3 crores, Chloromethane revenues have gone down by 5% from Rs 58.2 crores down to Rs 55.3%. Refrigerant revenues have gone

down by about 20% from Rs 97.6 crores to Rs 78.1 crores. PTFE revenues have grown by 35% from Rs 96.7 crores to Rs 130.8 crores and other products have fallen by about 17% from Rs 33.3 crores to Rs 27.6 crores as a result of which overall revenues in the Chemical segment has grown by 6% from Rs 352.7 crores to Rs 373 crores.

Giving you a breakup of volumes as well as prices for each of these product categories; Caustic Soda volumes have gone up by 18% from 25,252 tonnes last year to 29,787 tonnes this year. Caustic Soda prices have gone up by 3%, the average realization last year was Rs. 26,447 per tonne which is now Rs. 27,289 per tonne. On Chloromethane volumes have gone up by 14%, 13,846 tonnes up to 15,721 tonnes. On the other hand, Chloromethane prices have gone down by 16% from Rs. 42,048 per tonne last year to about Rs. 35,152 per tonne this year. On Refrigerants the volumes have gone down by 11%, 5,134 tonnes gone down to 4,546 tonnes, prices have gone down by about 10%. So the weighted average price last year was Rs. 1,90,160 currently it is about Rs. 1,71,841. On PTFE volumes as I mentioned have gone up by 46%, we sold about 1,823 tons in the first quarter of last year, this has gone up to about 2,659 tonnes in the Quarter 1 of this year. Product mix from 55-45 has moved to 62-38. Weighted average prices for the regular grade of PTFE has gone down by about 11%, Rs. 4,54,362 per tonne to Rs. 4,04,340 per tonne. On the other hand, value-added grade has gone up by about 2%, Rs. 6,23,430 last year versus Rs. 6,34,161 this year as a result of which and also as a result of the product mix changing the weighted average pricing has gone down by 7% from Rs. 5,30,884 to Rs. 4,92,054 in this quarter.

As against these revenue numbers the raw material price trends have also been downward, so salt price which was Rs. 1290 per tonne has gone down by 24% which was Rs. 974 per tonne. Methanol prices gone down by 16% from Rs. 19,901 per tonne to Rs. 16,692 per tonne. Fluorspar prices have gone down by 19% from Rs. 21,865 to Rs. 17,607 and coal prices have gone down by 14% from Rs. 3,652 to Rs. 3,133, gas prices down by 27% from Rs. 799 per MMBTU to about Rs. 580. So that's a snapshot of the cost structure of the Chemical business.

Because the results also include the results of the other three verticals, I will just take you through the headline numbers. On the Wind Turbine manufacturing business revenues were down by 32%, Rs 643.9 crores to Rs 435 crores, EBITDA down by 51%, Rs 93.7 crores to Rs 45.7 crores and PAT down by 80%, Rs 60.4 crores to Rs 11.8 crores. On the Wind Farming business revenues have gone up by 34%, Rs 45.8 crores to Rs 61.5 crores, EBITDA has gone up by 37%, Rs 38.5 crores up to Rs 52.6 crores and PAT has gone down by about 9%, Rs 3.5 crores to Rs 3.2 crores. Lastly on the Film Exhibition business, revenues have gone up by 11%, Rs 302.5 crores to Rs 336.9 crores, EBITDA has fallen by 4%, Rs 64.5 crores to Rs 62.1 crores and PAT has fallen by 1%, Rs 25.3 crores to Rs 25 crores as a result of which PAT margin is at around 7.4%. That's a snapshot of our operating performance.

In terms of the shareholding structure, the promoter and promoter group continue to hold 68.33%, the institutions holds 9.31% which is broadly split into 4.01% in favor of FIIs and about 5.3% in favor of domestic institutions and the public/others owns about 22.36%. The share price was about Rs. 590 when this presentation was made which is about four days ago, giving with the company market cap of roughly about Rs 6500 crores.

So that ladies and gentlemen is the broad overview of the Company performance. I would now like to open it for any questions that you might have.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask question may press \* and 1. We have the first question from Chetan Gandhi from Gandhi Securities. Please go ahead.

**Chetan Gandhi:** Sir in your standalone result, other expenses is gone from around Rs 57 crores to Rs 71 crores, is it one-off or is it normal?

**Deepak Asher:** I think it is a one-off thing. There was shutdown maintenance in the first quarter which led to that increase in expense.

**Chetan Gandhi:** Can you throw some light on the new initiatives like Fluoro-Specialty chemical business and other business?

**Deepak Asher:** Sure, I'll request Mr. Jain to take that question please.

**Vivek Jain:** As we mentioned in the last conference call also, we are now taking initiatives to develop further product lines and to diversify the portfolio of products. So we are in the process of developing certain Fluoro-Specialty polymers like FKM, PFA, FEP and micro powders. Essentially this will be made in the same investments which have already been deployed. Most of the products have been developed, trials are taking place with customers and we are hoping that by January next year commercial supplies of all these products will start, for FKM we've already started but for PFA, FEP, micro powder we expect to start commercial sales from January next. We are hoping that these will add up to significant turnover and profitability in the coming two years.

**Chetan Gandhi:** Any guidance on whenever capacity utilization will be fully met?

**Vivek Jain:** For PTFE, this year we are hoping to be at about 65% to 70%, next year will be at about 80%-85% and the year after which is in the year FY19 we will probably be at about 90%-95%.

- Moderator:** Thank you very much. Anyone who wishes to ask question may press \* and 1. We have the next question from Ranjeet Chirumalla from B&K Securities. Please go ahead.
- Ranjeet Chirumalla:** I would like to know the trend in the pricing scenario as far as Refrigerants are concerned. Though we have seen there is the volume drop of 11% YOY but if you see the prices they are also down 10% YOY but on a sequential basis there has been some uptick, so if you can just share in your outlook on the Refrigerant prices and if possible also the mix with the exports and domestic.
- Vivek Jain:** Refrigerants prices we think will be static, we don't see any dramatic movement in the Refrigerant prices in the next 2-3 quarters.
- Ranjeet Chirumalla:** Any color on the mix?
- Vivek Jain:** Mix is going to remain the same, as we have presently.
- Ranjeet Chirumalla:** What is that if you can share the number?
- Deepak Asher:** It's about 20-80, so 20% domestic about 80% exports in volume terms.
- Ranjeet Chirumalla:** And is there any difference between the export prices and the domestic prices?
- Deepak Asher:** There would be, again prices differ from market to market.
- Ranjeet Chirumalla:** Can I get any sense means it would be how much lower?
- Deepak Asher:** Frankly, we don't have this number offhand.
- Ranjeet Chirumalla:** Lastly on the Chloromethane prices, we know there is an anti-dumping duty in place and the prices have seen some uptick. How long would it take to get to the previous price?



- Vivek Jain:** It is difficult to predict. It all depends upon the demand supply situation. We are expecting that current prices will be maintained perhaps there is a possibility of some improvement in the next 1 to 2 quarters. But these present level of prices will be maintained.
- Ranjeet Chirumalla:** Lastly on the caustic soda prices, there is some decline on a sequential basis. So is that a seasonality at play or you expect the current prices to stabilize?
- Vivek Jain:** They will stabilize, it's a seasonal dip. They have already started stabilizing.
- Moderator:** Thank you. Anyone who wishes to ask question may press \* and 1. The next question is from Tejas Sheth from Reliance Mutual Fund. Please go ahead.
- Tejas Sheth:** If you can elaborate more on the volume decline in the Refrigerant gases for this quarter?
- Vivek Jain:** For seasonal variation, you know all this actually depends upon weather condition and to some extent the phase-out which is already kicking in, in some of the developing countries also. This is largely HCFC-22 so the phase-out of HCFC-22 has begun and we see some decline in some of the developing countries also plus also because of seasonal variation. So it's difficult to predict why sales this quarter would have been lower when compared to last quarter.
- Tejas Sheth:** Okay, so this decline now will be more like structural in nature rather than seasonality because of the phasing out?
- Deepak Asher:** Going forward, yes.
- Tejas Sheth:** Is it the demand side which has impacted substantially and that's why impacted the pricing also?
- Vivek Jain:** Yes absolutely. So the supplies have still maintained and demand certainly has gone down because of the requirement from the Montreal Protocol and so that probably explains the reason why there has been some pressure on the pricing.
- Tejas Sheth:** Secondly has the pricing in PTFE has also come down by 11% YOY so is there a pressure on that also because of some Yuan depreciation or something?
- Vivek Jain:** To some extent this has happened also because of the raw material cost going down and since there is a competition from China so if the Chinese costs have also gone down part of all that has also been passed on to the market.

- Tejas Sheth:** Lastly, if you can just quantify how much of there was one time expense in the other expenses for this quarter?
- Deepak Asher:** It is about Rs 6 crores.
- Moderator:** Thank you. We have the next question from Kuntal Shah from SageOne Investment Advisors. Please go ahead.
- Kuntal Shah:** My question is on Inox Renewables Limited, what is the road map we have for our subsidiary in the sense that many of the Wind Farms are now stable, is there a plan to monetize them at some point of time in near future? Second would be, we have a stake issue in the Inox Wind Limited also where we have to bring it down to a SEBI mandatory limits, any thoughts on how we propose to do that?
- Deepak Asher:** First of all, as far as Inox Renewable Limited is concerned, we have about 250 MW operational in that business with the capital employed of roughly Rs 1600 crores, about Rs 600 crores of equity and Rs 1000 crores of debt. And yes, we are looking at possibilities of monetizing that. We own 100% of that company so there is a possibility of dilution, there is a possibility of liquidating some of the assets and monetizing them. So we are already in discussions with an investment bank to see what is a best value creation possibility in that business. So that's something that we are already working on.
- As far as Inox Wind Limited is concerned, we as a group including the promoter family owned about 86% of that company and we are required to bring it down to 75% by April 2018 so we have about 1.5 years to go as far as that is concerned. So at the appropriate time we will take a decision. I don't think that business requires any more cash and therefore the stake that we bring down will be more through a secondary offer for sale rather than primary issue. But as I said maybe at the right time we will take the decision.
- Kuntal Shah:** Deepak is a distribution to shareholders on card or is it ruled out?
- Deepak Asher:** Distribution to shareholders of Gujarat Fluorochemicals Limited?
- Kuntal Shah:** Inox Wind Limited to the shareholders of Gujarat Fluorochemicals Limited is ruled out?
- Deepak Asher:** No, we are not looking at that at this point of time. I think the focus is going to be on consolidating all the businesses. On the Chemical business there is a potential of creating significant value through improved capacity utilization as well as cost reduction. On the Wind Turbine manufacturing business, we want

to kind of streamline our working capital deployment and make sure that we hit our annual targets in terms of sales and profitability. Our goal for the next one or two years is going to be on consolidating these businesses rather than do what you suggested.

**Kuntal Shah:** So what you're suggesting is either the promoter entity or the listed Gujarat Fluorochemicals Limited will make a secondary offer for sale at appropriate point of time.

**Deepak Asher:** That seems to be the possibility at this point of time.

**Moderator:** Thank you. Anyone who wishes to ask question may press \* and 1. We will take the next question from Viral Shah from Enam Holdings. Please go ahead.

**Viral Shah:** My question was on the consolidated revenue breakup, we have shown Rs 113 crores as the revenues from subsidiaries and inter-segmental, is that due to supplies to Inox Renewables Limited?

**Deepak Asher:** That's right, they were about 26 MW which was billed by Inox Wind Limited to Inox Renewables Limited so that is intra-segment getting removed in consolidated results.

**Viral Shah:** Did we make EBITDA loss of Rs 9 crores in that supplies, is that understanding correct, in the next slide we have shown EBITDA from inter-segmental is 9 crores?

**Deepak Asher:** No, that is not correct. Frankly what happens is there would be other intra-segment transaction as well and in the PAT numbers though not in EBITDA numbers there will be minority interest also being removed. So I don't think you can draw that one-to one correlation.

**Viral Shah:** Okay, thanks. My second question was on PTFE, we have seen some good volume growth during the quarter, any particular reason why this volume growth?

**Vivek Jain:** There is a continuous effort to increase sales and volumes and some of that we have seen culminating into additional tonnages and I suppose this is something which will happen quarter to quarter because we are trying to improve on the numbers there. We are also adding new grades, even the PTFE, opening up new customers so I think you would see that continuously happening in the next 4 to 6 quarters till we reach capacity utilization.

**Moderator:** Thank you. That was the last question. I now hand the conference over to the management for closing comments.

**Deepak Asher:** Once again on behalf of the management of GFL and the Board of Directors I would like to thank all of you for your interest and the time you have taken to attend this call and we look forward to your continued support going forward as well.

**Moderator:** Thank you. On behalf of Axis Capital Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.