“Gujarat Fluorochemicals Limited
Q1 FY 23 Earnings Conference Call”

July 27, 2022

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MR. MANOJ AGRAWAL - CHIEF FINANCIAL OFFICER,
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MODERATOR: **MR. NITIN AGARWAL –**
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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY23 Gujarat Fluorochemicals Limited Earnings Conference Call hosted by DAM Capital Advisors 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors Limited. Thank you, and over to you sir.

Nitin Agarwal: Thanks, Michelle. Good afternoon, everyone in a very warm welcome to Gujarat Fluorochemicals Q1 FY23 post results earnings call, hosted by DAM Capital Advisors Limited. I thank the Gujarat Fluorochemicals management for giving us the opportunity for hosting the call. I will just announce the names of the Gujarat Fluorochemicals management team and we'll handle the call for them to make the opening comments from there on.

Representing the Gujarat Fluorochemicals management, on the call today we have Mr. Vivek Jain, Managing Director; Dr. Bir Kapoor, Chief Executive Officer; Mr. V.K. Soni, Head Projects and New Initiatives; Mr. Manoj Agrawal, Chief Financial Officer and Mr. Vibhu Agarwal, Head, Investor Relations.

I hand over the call now to the Gujarat Fluorochemicals' team to take it forward from here. Please go ahead.

Manoj Agrawal: Thank you very much, Nitin. On behalf of Gujarat Fluorochemicals Limited, I would like to extend a very warm welcome to all of you. We are happy to inform that board of Directors of Gujarat Fluorochemicals Limited at its Board meeting, approved the financial results of the company for Q1 FY23. The financial results, as well as the earnings presentations are uploaded on the website of the stock exchanges, as well as on the website of the company.

I will take you through this presentation initially, then we can open the call for any questions that you all might have. Starting with the financial highlights at the consolidated level for the quarter ended 30th June 2022, consolidated revenue for the Q1 FY23 was at INR1334 crore, up by 46% on year-on-year basis. Consolidated EBITDA for Q1 FY23 was at INR459 crore, up by 80% on year-on-year basis. The EBITDA margin for Q1 FY23 were at 34%, up 6 basis point from 28%. Consolidated PAT for Q1 FY23 was at INR303 crore, up 101% on year-on-year basis.

So, this was consolidated performance at the company level. Now we'd like to take you through the detailed overview of the financial performance during the quarter for each business vertical. Caustic soda revenue for Q1 FY23 stood at INR189 crore, as compared to INR88 crore in Q1 FY22, up 115% The chloromethanes revenue for Q1 FY23 stood at INR102 crore as compared to INR94 crore in Q1 FY22, up 9%. Refrigerants revenue for Q1 FY23 stood at INR196 crore, which

was INR93 crore in Q1 FY22, thus having a growth of 111%. The PTFE sales for Q1 FY23 were at INR379 crore, as compared to INR320 crore in Q1 FY22, up 18%. The New Fluoropolymer sales were at INR331 crore, up 124% as compared to INR148 crore same quarter previous year, Q1 FY22. Specialty Chemical sales was up 38% from INR86 crore to INR119 crore when compared to the same quarter of the previous year to Q1 FY22. So this was the segmental performance of all the business verticals.

As regards to RoCE and ROE, RoCE has significantly improved from 24.46% to 35.3%, and ROE is improved from 20.1% to 27.70% as compared to FY22. On the debt front, the company is virtually debt free, and the net debt equity ratio stands at 0.29. On working capital cycle, our continuous efforts have resulted in further reduction of the working capital cycle from 120 days as on 31st March 2022, to 109 days as on 30th June 2022.

As regards to our expansions and CapEx, we continue to expand and commercialize additional capacities for new fluoropolymers. And all our new projects and additional capacities, as announced earlier are progressing as per schedule. So, all these initiatives will offer a sustained business growth with higher margins and will lead to further improvement in the financial performance as seen in the last few quarters and will continue in the future also.

So, that ladies and gentlemen is the walk through the presentation. I would like to open this up for any questions that you might have and then we as the management team will try to answer all your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is on the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: First of all, congratulations on a very strong set of numbers. I got a few questions. The first one the PTFE side. PTFE revenue has declined 16% sequentially. Now, I know that you have mentioned in the presentation that there was a lower availability of TFE, why was this issue with TFE availability? I thought we were also adding another TFE plant, that is TFE 3. What has caused the disruption in the TFE, if you can explain that?

Vivek Jain: Yes. So as you know, as we have mentioned that there was, --- you know we have started the 125 production also in the last quarter. And while yes, we had planned to start up the third TFE line also, but that is

something which has now come up. So, there was some amount of disruption on availability of TFE during that period. But from July onwards, that plant is also in full production now.

Sanjesh Jain: So, our TFE 3 is now up and running?

Vivek Jain: Sorry?

Sanjesh Jain: That TFE plant 3 is running now?

Dr. Bir Kapoor: Yes.

Sanjesh Jain: It's operational?

Dr. Bir Kapoor: Yes. It's running all right. So the TFE availability is there now.

Sanjesh Jain: So, the second on the New fluoropolymer. Now, let me first complete this R125. What was the sales of R125 in terms of volume for the Q1 and for the full year, what is the volume we are looking at?

Manoj Agrawal: So, we don't provide all the quantitative breakup of our segment revenues. We will not be able in the position to provide you this information.

Sanjesh Jain: But will it be fair to assume that incremental revenue, the rough guess whatever has come in is largely the benefit of our R125 or there is also normalization of our R22 which was lower in last quarter?

Dr. Bir Kapoor: I think your assumption is right.

Sanjesh Jain: Got it. Got it. On the new fluoropolymers, that looks like going all up. Can you help us explain what is driving the strong growth in new fluoropolymer, almost 90% sequential increase? Two things here. One, which are the new capacities in the new fluoropolymer have we added? That's number one. Number two, what is the volume growth, or which are the products which is driving the growth? I know you don't give the volume, but some qualitative assumption which are the products within the new fluoropolymer which is driving? And how are the pricings in the new fluoropolymer? So, this is on the new fluoropolymer.

Vivek Jain: So yes, Sanjesh. So new fluoropolymers, actually, there has been all round increase in whether it's an FKM, PVDF, PFA and to some extent micro powders also. So, there has been all around Increase in all the new fluoropolymers. There has also been a price improvement, which has taken place in the last quarter. That also has contributed to the

overall numbers going up. So, both volumes and prices have contributed to this increase in revenue.

Sanjesh Jain: And what are the facilities have they added for the new fluoropolymer in the last, say a quarter or so?

Vivek Jain: So, in the last quarter, as we mentioned, we were adding about, 400 odd tons of new fluoropolymers. And as we have mentioned that we expect to keep on adding more capacities during this financial year.

Sanjesh Jain: And what is the capacity utilization are we running the new fluoropolymer?

Vivek Jain: So, capacity utilization would almost be about 75%. And we are --- and since we are adding more capacity by the end of this financial year, we would expect that on the enhanced capacity, we will be at about 75%, 80%. And the balanced production will be made up during the next two quarters in the next financial year.

Sanjesh Jain: Got it. Got it. And what is the kind of capacity addition we expect to add beyond this 400 metric ton for this year in new fluoropolymer?

Vivek Jain: So that's an addition of about 400 additional tons.

Sanjesh Jain: So, basically, this year beyond this 400 tons, we will add another 400 tons to 500 tons. Is that understanding right?

Vivek Jain i: That is right. That is right.

Sanjesh Jain: So basically, we will add this 12,000 metric ton of capacity on the base of 8,000 odd metric tons we had last year, right? So, we will reach 20,000 metric tons of capacity by the end of FY23.

Vivek Jain: Yes, by and large, that is right.

Sanjesh Jain: And we expect to have a 75% utilization, ballpark there in this capacity? What we're talking is only for the capacity, which was dated last year?

Vivek Jain: No, by the time this new capacity, it's added by the end of this financial year at that point of time, with the added capacity, we will add about 75% capacity utilization.

Sanjesh Jain: Got it. Sir got it. One last question on the cost side. Power cost has gone up significantly. Now, is this expected to come down? Are we

seeing the coal prices coming down? How should we think about? Are we doing anything to control the power cost? Are there any measures we have taken to see that we can normalize the power costs?

Vivek Jain: Sanjesh, at this point of time, I don't think there's anything much that we can do, because as you know, coal still remains at a fairly high price almost about USD125 per metric ton. That is not going down. And of course, grid pricing is also high. That also is not going to go down. So, I think for the time being, at least for the next one --- till the end of 2023, '22-'23, '23-'24, we don't expect much reduction in power costs. Beyond that, we are looking at the possibility and this is something which is, I cannot share with you the details at this point of time. But we are working on a possibility which can help us in reducing power cost fairly significantly from the year 2023-24, in the year '23-'24 in fact.

Sanjesh Jain: Got it, sir. Got it. Very helpful and best of luck for coming future.

Vivek Jain: Sorry, not '23-'24, it is '24- '25.

Sanjesh Jain: So, you're telling, the new benefit which we are looking at power cost will start showing up from FY25?

Vivek Jain: Yes. '24- '25 actually. Yes.

Sanjesh Jain: Fair enough.

Dr. Bir Kapoor: '25 actually.

Moderator: The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Sir, with regards to our R142b, last time, last presentation, we have said we are selling from this quarter. So, this refrigerator gas has any component of our R142b or are we are using it for making PVDF?

Vivek Jain: Well, by and large we are using it for making PVDF and FKM. From this quarter onwards, we will start the exports of R142b to some select customers.

Ketan Gandhi: Sir, can you quantify, I mean how many tons per month or…?

Vivek Jain: No, at this point of time, Ketan, it will be difficult for us to quantify, but we will be exporting that, exporting R142b as per our business plan and the excess availability over and above are own requirements of

R142b, which as you know will keep on expanding because of our expanding production of FKM and PVDF.

Ketan Gandhi: Sir, so, it is safe to assume that whatever capacity of PVDF we have, we will be consuming R142b for the captive use and balance quantity we will be selling to the export market?

Vivek Jain: Yes. Right. That is right.

Ketan Gandhi: That's a helpful, sir. And sir, regarding new energy business, regarding what is our --- I mean, how we are geared up for LiPF6 and other products?

V K Soni: So, for LiPF6, the battery salt, we will be completing the project by end of this year and early next year in January, I mean calendar year January, we will be pushing out samples and it takes about three months for validation. So, we will start commercializing LiPF6 thereafter. So, maybe in the first quarter next year.

Ketan Gandhi: Sir, we are planning for a domestic or export purpose or both purpose?

V K Soni: At the moment, as you know, domestic is bit slow. So, we'll start with export and followed with the sales in the domestic area.

Ketan Gandhi: Mr. Soni?

Vivek Jain: The idea that we will get the plant commercialized, the quality approved for battery purposes and after that, I think in the second half of 24, in the second half of calendar year '24, the demand from the domestic battery manufacturers will also come up, as well as demand from European battery manufacturers.

Ketan Gandhi: Sir, with regards to LiFSI, are we planning to manufacture ourselves because, last research report has been saying that if you add higher portion of the LiFSI in the electrolyte, it gives very good quality and it handles the density of the energy?

V K Soni: Yes, you're right. Actually, at the moment the battery chemistry is predominantly LiPS6, but there are move towards adding LiFSI and we are also gearing towards it by evaluating the technology etc. And apart from that, there are other additives also, which also we are evaluating. As we mentioned last time, we have a very integrated approach for the entire electrolyte arena.

Ketan Gandhi: Sure, sir. Sir, in solar backpanel PVDF, how much capacity we are looking at in terms of square meter?

V K Soni: See, we are looking at metric tons, because square meter depends on the thickness, the microns. So, if the micron is less, the square meter is more and vice versa. So, we will start with about 700 metric tons in a year.

Ketan Gandhi: Great. And sir, Adani building a new, in ANIL, that is Adani New Industries Limited, 20 Gigawatts of hybrid wind and solar, and if we look at it, then there is ample opportunity for us to tie up with them or supplying with them regarding this solar back panel PVDF and even they are looking at the membrane, means a production of using the electrolyte with either alkaline method or the PEM model. So, what is your view on that sir?

V K Soni: So, actually, we have these two projects in New Age. One is lithium salt, which we discussed. The second is the PEM, the Proton Exchange Membrane, which goes predominantly in the fuel cells and also into the electrolyzers. So, regarding your question of alkaline versus PEM, both will remain in force and for like for example, for transport sector, the fuel cells it is a predominantly PEM, whereas, for the non-fuel cell sector, for non-transport sector like for making ammonia etc., it will be mostly alkaline cell. But the disadvantage or the advantage of PEM is that it can start very rapidly compared to longer term required to start alkaline.

Ketan Gandhi: I mean are we geared up to supply to Adani, if need arises?

Vivek Jain: For….

Ketan Gandhi: For PVDF?

Vivek Jain: Yes. The PVDF films, we are talking to them, and we have initiated the exercise. So, we will certainly be supplying to them or any whosoever else which needs it in the domestic market. So, that is one thing of sure. And as far as PEM is concerned, the project is still about one and a half years away. We are in the process of developing the technology, and we have the starting raw material for making those PEM. So, there is a full-scale R&D effort, which is going on also in conjunction with some of the CSIR labs. And we hope that in about a year's time, we should be able to develop the membrane and then thereafter we will commercialize it. But the demand for PEM membrane is really going to start from about two years from now,

when electrolyzers and fuel cells, the production of those start increasing.

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

Rohit Nagraj: Yes. Thanks for the opportunity, and congrats on a very strong set of numbers. Sir, just first question given that the numbers have been phenomenal during the quarter, can we expect that this is the base level at which we will be able to operate incrementally, given that there are multiple capacity expansions which are happening and ongoing and from a sequential basis on a quarter-to-quarter basis, our performance overall should be improving from Q2, Q3, Q4 onwards? Is that the base assumption that we can make? Thank you.

Vivek Jain: Wait. You are asking too many questions about the future. Future as you know, is not always very predictable. But yes, basically, since we are making additional investments on various fronts, we certainly expect the revenues and profitability to keep on improving.

Rohit Nagraj: Right. Got it, sir. Sir, second question is particularly on the Spec Chem. So, what has changed during the quarter and why there has been a serious increase in the performance on a sequential basis? Are there order backlogs which have been executed during the quarter and do we expect that this particular kind of performance is sustainable? Or there is any kind of seasonality which may affect incrementally? Thank you.

Vivek Jain: So, your question was related to Specialty Chemicals.

Rohit Nagraj: Specialty Chemicals, sir.

Dr. Bir Kapoor: I think you're partly right, because the growth is seen because the last quarter was subdued because of some reasons, because of the incidents. So, there were some orders and also, the new plants, the capacity that we had planned are at the various stages of commissioning, those are yielding results now. So, we expect this to continue.

Rohit Nagraj: Right. Sir, just one last clarification on the wind power project. So last quarter, we had indicated that 20 Megawatt is likely to be commissioned in July. If you can tell us what is the status for the same?

Vivek Jain: So, Rohit, that will be commissioned during this quarter. There has been a delay of about a month, month, and a half but the

commissioning activities are going on. And we are very hopeful that by the end of this quarter, those will be commissioned.

Rohit Nagraj: So, some effect from the benefit from this wind power project will start trickling from Q3 onwards. Is that right assumption?

Vivek Jain: Yes. That's right.

Moderator: The next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: Thank you, sir, and congrats on a good set of numbers. Sir, my first question is on PTFE. If you can broadly highlight the structure of the industry at this point in time. If you're seeing any imbalances in the supply-demand equilibrium, given that, you know, PTFE spreads continue to be quite strong. Any comments on that would be helpful. Thank you.

Vivek Jain: See, the PTFE demand continues to be strong as far as we are concerned because as you know, over a period of time, we have spent a lot of time, energy, and efforts to develop large number of grades, which are required in different applications, across different applications. And as you know, we export almost about 75% of our PTFE is exported to Europe and U.S., where these applications are required. And there is a continued growth in these applications. Demand is coming in and sufficient amount of capacity doesn't exist as our supplies are not coming in from the established legacy suppliers, as a result of which we have been able to fill our capacities and we have moved more and more towards these grades, which are now required in Europe and U.S. in different demanding applications. And this has also given us a certain amount of, sort of I would say pricing power, because there we have been able to step in to meet the demand shortage --- the shortage between demand and supply.

Archit Joshi: Sir, what I was trying to understand is, how sustainable is this, the supply shortage situation that we are seeing? What is exactly happening on that front, because we understand that, a few months back, we had a whole lot of shutdowns in China from the dual energy control norms. Is that what is managing into supply shortage? And how long would you think that this can go on, given the fact that China is known to have the highest PTFE capacity? So, what's your read through on that, sir?

Vivek Jain: See, not really, because, as I mentioned, we have spent time, energy, and effort to develop a huge number of grades, which will go into

different application. The Chinese are not present in most of the grades, at least in the Western markets. So, we don't see their presence there at all, even despite whatever, supply disruptions which might be happening, or production disruption might have been happening in China over these last two, three years. But even prior to that, we have not seen Chinese participating in those kinds of applications. And the demand for those applications, and the demand from those applications is only growing.

Archit Joshi: Understood, sir. Sir, another question on the integrated approach that we spoke of a bit earlier, on the LiPF6 front, we understand that we are making great progress on manufacturing the solute, the salt, that is LiPF6. You also mentioned that there could be certain additives, but in your interactions with some of your customers, have you understood anything on this front? That they are looking for a more packaged solution of an entire electrolytes, which also involves the solution? How is the supply chain placed on that front? Are customers only looking for a particular chemical or the entire pack, so that they can integrate their operations efficiently?

Vivek Jain: Well, yes, customers would prefer if you can supply them everything. But that is unlikely to happen. I don't think any company will be in a position to supply all the various ingredients which are going to be required. So, we have picked and chosen those which we think will give us where we will have an advantage and where the requirements are going to be sufficiently large for us to participate in that market.

The second thing is that till now, most of this production is centered in China. And I think, as we all know, there is a very, very strong room for a China plus one strategy. So, with all these battery plants, which are slated to come up in U.S. and Europe, they would certainly, and from interactions which we've had with customers now, and which are ongoing, there is a very strong interest for those potential customers to enter into some kind of a supply arrangement with us. So, we are seeing very strong market developing once the initial, our products qualified fully, and the battery capacity starts coming up, both in Europe, U.S., and India. It's probably going to happen almost at the same time, from middle of calendar year 2024 onwards.

Moderator: Thank you. The next question is from the line of Krunal Shah from ENAM Investment. Please go ahead.

Krunal Shah: Congratulations on a very great set of numbers. Two questions. One is, what are the key applications that are driving the demand for FKM currently.

Vivek Jain: So, you see, as you might know, FKM is largely used in the auto industry and there is of course, a very strong industrial segment also. We are seeing demand growth in both those two segments, and across geographies, whether it's U.S., Europe, China, even China, Japan, and of course, in India. So, we have, so, there is a strong demand growth and of course, the automobiles are also becoming more compact, and they have to be more environmental-friendly in the sense that emissions have to be controlled more stringently. This is also requiring a larger component of FKM in the cars. So, as a result of all this, we are seeing a huge growth in demand.

The other thing also, which has happened, of course, is that you know, we have developed, again in FKM, we have developed maybe about 20, 25 grades over the last few years, which are suitable for just about every application again in FKM. And that is the reason why we have been able to now diversify our customer base across geographies.

Another element of course, which has come to our advantage is the fact that we are now vertically integrated and we have our own raw material, which is the starting raw material, R142b, which again, up now largely has been available from China, where there are disruptions in supplies and availability and all these three factors are combined to give us a very, very strong, healthy offtake from the consumer side.

Krunal Shah: Are we exporting FKM to China also?

Vivek Jain: Yes. Some grades which they don't make. There are some grades which are required in batteries, and these are new grades which have been developed in order to make the batteries safer in use. So, for the sealing requirements in those batteries, we have started now supplying certain high-end grades of FKM to China also, and we hope, we are hoping that that application will keep on growing because China has a huge battery production capability.

Krunal Shah: Great. And one last question, you said that in PTFE, the legacy suppliers are currently short on supply, or they are supplying lesser volumes. What are the key reasons for that, sir?

Vivek Jain: Well, the key reasons are, they are not adding capacity, because they have not added capacity, because for a couple of reasons. One is the environment. Because of very, very strict environment control, the costs, the CapEx which are required for putting up capacities is very, very large. Second raw material availability is also a major issue there.

So, for these reasons, they have practically not increased any capacity in the last few years.

Moderator: The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Yes. Hi, sir. Good evening and congratulations on such a solid set of numbers. A couple of questions of purchase on our TFE limitation to meet our PTFE requirements. So, you mentioned that our PTFE revenues in the current quarter has been lower than the Q4 and it is primarily because of the limited availability of TFE, which I understand that TFE has been moved to the value-added PTFE and other grades of PTFE. Is that right, sir?

Vivek Jain: And also, we have started production of R125, which in our technology is on the TFE route.

Rohan Gupta: Okay. So, we are we are utilizing this TFE to R125 and other grades of PTFE, I mean PVDF and obviously, FKM and all those products?

Vivek Jain: No, no. FKM and PVDF doesn't require TFE. That is made from VDF, another static monomer which is made from R142b.

Rohan Gupta: Okay. So, it is in going in micro powders and other ways of PTFE, right?

Vivek Jain: Micro powder, it goes into PFA.

Rohan Gupta: Okay. So, sir, this TFE will be, that will remain the limitation unless we increase the capacity of the TFE, and we'll keep on moving to R125 and PTFE?

Vivek Jain: So, we just mentioned we have taken our third TFE in line, third TFE plant in line and from this quarter onwards, we should not face a problem of unavailability of TFE for the requirements in different product categories, including PTFE.

Rohan Gupta: Okay. And sir, second question is on the solid realization which we have seen in the refrigeration gases. How do you see that the realization, because what we hear, that the realization has started softening in current quarter onwards and from the current month onwards? So, how do you see that realization across other gases?

Vivek Jain: I don't think there is going to be any impact on realization even in the next two quarters.

Rohan Gupta: Okay. So, they will remain solid?

Vivek Jain: Yes.

Rohan Gupta: And sir, just third and after that, I will come back in queue. Sir, you have seen that the solid demand coming from the FKM and the higher acceptability of the product. You have already mentioned that by end of the year you will be almost making up more than 75% utilization in across the chain of PTFE-value-added. Do we have any already plans in place to meet the growing requirement of this FKM and other PTFE fluoropolymer, sir?

Vivek Jain: See, we are continuously expanding capacities. We are adding new capacity, additional capacities in FKM which will keep on coming, which will keep on getting into production in the next few quarters.

Rohan Gupta: Sir, in terms of CapEx plans, if you can just mention that what we think that can be the investment of an entire fluoropolymer chain, including FKM and PVDF, given the solid demand scenario right now, how much you think that these investment capabilities is there and how much investment in this segment can absorb over the next 12 months.

Vivek Jain: So actually, we had given those numbers in the last presentation, but maybe we'll just amplify on that further as we see for just now.

V K Soni: So, the year ended March '22, our gross capital was about INR4,300 crore and every quarter this year we plan to add about INR300 crore. So, about INR1,150 crore in the whole year. In the last quarter, up to June, we added INR300 crore and this INR1,200 crore, the breakup is about broad breakup is about INR400 crore for new fluoropolymers, about INR300 crore in Specialty including battery chemicals and in special chemicals like VDC, refrigerant gases, INR300 crore and wind energy and miscellaneous infrastructure about INR150 crore. So, this totals about INR1,150 crore.

Rohan Gupta: Okay. That is for the current year FY'23, you planned to invest, right?

V K Soni: Yes please. And for next year, we have projected about INR1,000 crore.

Rohan Gupta: Debt remains what it was earlier?

Vivek Jain: So, it could possibly go up by another INR200 crore to INR250 crore.

Rohan Gupta: And sir, on the battery requirements from the EV side, you mentioned that definitely we are on a --- we may expect some approval coming in like from the customer by the end of this year. If you can just mention that which are the players with whom we are competing in the international market, in the global market, because we mentioned that the domestic demand from the EV batteries remains muted and your focus is more on the export. So, sir, when we are giving the trail runs and when we are giving the product sampling to those customers, so which are the suppliers we are completing with?

Vivek Jain: We are not we are not in a position to disclose the customers' name names, but these will be customers in China, Korea, Japan, and some in Europe. We will also be sending sample quantities to the potential Indian battery manufacturers who will have the capability of testing and analyzing our quality and comparing it, what is their specified quality.

Moderator: The next question is from the line of Tejas Sheth from Nippon India Mutual Fund. Please go ahead.

Tejas Sheth: Good evening, sir. Sir, on the New Age polymers, fluoropolymers, you mentioned that there's a price uptick. So, if you can just tell us that on quarter-on-quarter what will the price range increase across these products?

Vivek Jain: That's very, very difficult to estimate. That will all depend upon the demand supply situation which is…

Tejas Sheth: For Q1 over Q4.

Vivek Jain: Q1 over Q4. It is it is in double digit numbers, but I wouldn't be able to give you an exact number at this moment.

Tejas Sheth: Okay. So, sir in this new age fluoropolymers, we mainly compete with European players, right, unlike in PTFE, rarely compete with China. So, if the cost increase in the Europe for the energy is significant, we would continue to benefit on these higher realizations going ahead.

Vivek Jain: Well, we hope to. As I mentioned, it's more not from the point of view, it is cost push in Europe, but it will also from the point of view that availability of material is not there. And given the fact that we have now developed large number of grades for various applications within FKM usage also, it's difficult for any, is difficult for more supplies coming in, to displace us. So, from that point of view, we feel that we

have a fairly good position in the market, as a result of which we hope that we will be able to sustain our prices.

Tejas Sheth: It would be what, 6%, 7% of the market share on volume terms?

Vivek Jain: FKM?

Tejas Sheth: Yes.

Vivek Jain: By the time our new capacities come up, maybe by the end of the year, it could well be about 10% of the world market.

Tejas Sheth: 10%. Okay. Sir, on the battery chemicals, how is the product approval cycle? I mean, can we, is it something which is very long or with the plant commissioning, the sales can be made?

Vivek Jain: So, in the chemicals, it could take three to four months after we start supplying commercial samples, and in polymers, it could well take about six to eight months.

Moderator: The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Yes sir. Thank you so much. Sir, R125 capacity is around 5000 tons, is that right?

Vivek Jain: That's what I have mentioned last time.

Dhruv Muchhal: Okay. And sir, with this TFE expansion, line three, is it fair to say the PTFE expansion plus the R125 can run at decent capacities then?

Vivek Jain: Yes, absolutely. And of course, there are some other polymers also which are made from TFE, like PFA, and micro powders, which, as and when the demand for that increases, we should be able to cater to that requirement too.

Dhruv Muchhal: Alright. So, the TFE expansion handles our upcoming expansion in PTFE plus the R125, plus probably some of the other fluoropolymers?

Vivek Jain: Right.

Dhruv Muchhal: Okay. Sir, this quarter, is it fair to assume for PVDF and FKM, we have fairly integrated for our R142? I mean, the numbers reflect the R142 benefit, the backward integration benefit?

Vivek Jain: Yes because we have stopped importing any further R142b.

Dhruv Muchhal: So, this is R142b. Got it. And sir, lastly, can you give the capacity utilization for a PTFE for this quarter?

Vivek Jain: It is almost 85%. 85%.

Dhruv Muchhal: Sir, I thought this quarter would be a bit lower because you had diverted some volumes.

Vivek Jain: So, that's the reason why 85%, otherwise we have been running our PTFE capacity and close to about the full capacity utilization, about 100%, 90%, 95%.

Dhruv Muchhal: Sure, sire. And sir, one small request is, you have a lot of capacity addition happening across portfolio. So, if it is possible, if you can give in your presentation, what are the capacities, when are they likely to come, it will help us in our understanding and also in our modeling purpose.

Vivek Jain: We'll try and do it, but you know, we are circumspect of you know, putting in too much information in the public level.

Dhruv Muchhal: For example, the PTFE category the fluoropolymers category, overall number, how much is the quantum is probably getting added. It will help us.

Vivek Jain: We just informed that you know in the new fluoropolymers our capacity is by the end of this financial year, all combined would be somewhere around 1,500 tons, which is up from about 700 tons which was there the last year. So, you know, we are adding almost about 800 tons in various new fluoropolymers.

PTFE. Of course, you know, we are running as we have said that we have been running it or close to 90%, 95%. We are using full capacity and we are now in we are working on debottlenecking our PTFE capacities by maybe about 20% to 25% in the next six months, by the end of this financial year.

Moderator: The next question is on the line of Viral Shah from ENAM Holdings. Please go ahead.

Viral Shah: Yes. Thank you for the opportunity, and congratulations on a very strong set of numbers. Sir, my first question was, just a clarification,

you said that you've expanded your TFE capacity. So, what would the capacity now be after this expansion?

Vivek Jain: I'm not going to disclose it, the capacity numbers but yes, this capacity, I mean, there is a significant increase in TFE capacity.

Viral Shah: Okay. Secondly, on the numbers for your subsidiary and I did derive these numbers from subtracting the consolidated numbers minus the standalone numbers. It seems that the subsidiary profitability has meaningfully improved during the quarter. So, is there something to read into it or what was the reason behind this?

Manoj Agrawal: So, there's nothing much to read in this, into this, because whenever you sale through subsidiaries, there is a huge transit gap. The goods when it's ships from India and ultimately reach there, so always there is some inventories which we keep for the demand for the serving to the customer there. So, whenever there is a price increase or movement price, a favorable price movement that gets reflected into the sales from LLC and GMBH, but otherwise, they will have a normal trading margin, which will be there.

Viral Shah: Okay. Okay. sir, my third question was on Caustic. You mentioned in the presentation that there was some price uptick that you saw during the quarter compared to the quarter four. So, would it be possible to share what was your realization for Caustic in Q1 and how are you looking at that number in going in the coming quarters?

Vivek Jain: So, April, May June, there has been a marginal increase in caustic soda prices.

Viral Shah: So, would that be around INR50, INR55 realization or even higher?

Vivek Jain: No, it is around, if you look at a consolidated issue, it's about INR50, INR51.

Viral Shah: Okay. Okay. Okay. And finally, the last question is on wind power. Sir, you guided that 20 Megawatt would likely be installed by Q2 end. Sir, is there any status on the remaining 100 Megawatt which was to be installed?

Vivek Jain: As of now, the policy has not been announced by the state government and so far as captive wind is concerned, so, we will have to wait till such time that announcement is made, and that the policy is defined. But as we mentioned earlier, by the end of this year, to the extent that

there is unfulfilled obligation, Inox Wind will return back the money to GFL.

Viral Shah: And is there any timeline to when the money will be refunded?

Vivek Jain: By the end of this financial year.

Viral Shah: Okay. And the same would hold true for corporate guarantees as well?

Vivek Jain: Largely. They will also slip off as we are raising funds also in Inox Wind. That will enable them to reduce substantially the external debt which will then result into fall off of corporate guarantees.

Moderator: The next question is from the line of Anant, an individual investor. Please go ahead.

Anant: Thanks for the opportunity, sir, and congratulations for a great set of numbers. If I were to look at Gujarat Fluoro for the last 10 years of business, which used to be commodity, has now project

Moderator: We'll take the next participant whose name is Vishal Biraia from Max Life Insurance. Please go ahead.

Vishal Biraia: Sir, the battery chemical plant, was this to commissioned end of this calendar year, somewhere near November '22, was your earlier guidance and now it is delayed by about six months to eight months?

Vivek Jain: No, no. It's not been delayed by six, eight months. We never said that. That is going to be commissioned by the end of this calendar year maybe give or take one or two months, which can always happen in large chemical plants of this sort. So, it's only that commercial production it you will could well take about five, six months thereafter because it takes a month or two for the plant or even after the plant is commissioned for stabilization and then the process which has to be followed to get those samples approved from different customers, which could take about three odd months, three, four months.

Vishal Biraia: Right. Okay. What are the primary products that this battery chemical plants will make? One of them will be LiPF6. Apart from that, what will be the other products?

V K Soni: Basically, as I said it is an integrated complex. We start with the lithium fluoride, PF5, LiPF6 and also go on to make the electrolyte. So, these are the products.

Vishal Biraia: Okay. Okay. And so, once you commission the plant, you will send the products to the customers where you would already be in touch with commercial orders?

Vivek Jain: Yes, absolutely.

Vishal Biraia: And the last question is, what would be the capacity of this plant? How many times?

Vivek Jain: Starting with the prototype capacity and as the capacity of EV vehicles grow in India and abroad, we will be augmenting the capacity. So, to start off with will have a capacity of almost about 2000 tons, which will perhaps be utilized in the next two years and after that as the as the battery capacities come up in all the geographies, then we intend to substantially augment the capacity.

Moderator: The next question is from the line of Anant, an individual investor. Please go ahead.

Anant: Congratulations on a great set of numbers, sir, and thanks for the opportunity. My question is that, if I were to look at the company last 10 years, we will meet basically into commodities at some point of time with caustic and chloromethane contributing to the largest amount, then we moved to PTFE. And going ahead, and then of course fluoropolymers and fluoro specialty chemicals came in. Going ahead, in next two years or three years, what do you think would be our key growth drivers? And how do you see a company's business in next two, three years in terms of products or…

Vivek Jain: The key growth drivers will both be chemicals and fluoropolymers. Chemicals, the various kinds of chemicals which are going to be utilized in batteries as we say, and this we see is going to be a huge growth driver for the company, both in terms of revenues, in terms of CapEx, in terms of profitability, and of course, the polymer which go into batteries into hydrogen fuel cells. So those will be the drivers of future growth.

Anant: Like just two, three down the line, just this year, looking at what our projections are for Specialty Fluoropolymers, I think Specialty Chemicals can be a INR2,000 crore business by the end of this year. Do we see similar kinds of opportunity in a LiPF6 let's say, two years from now?

Vivek Jain: Yes, certainly. I think is, if not larger, certainly similar kinds of opportunities. I think it'll probably be larger over the next five years in development to a fairly significant business.

Anant: Oh, that's absolutely amazing. The second question that I have is that how has the sampling for PVDF used in battery going on? Have we started supplying for that? And last question on PVDF, what's the status of PVDF backfilling for solar project?

Vivek Jain: So, the grade as we mentioned last year, and the grades were into development. Some grades have been developed, which have now been sent to potential customers for us to get full feedback on the approval could take maybe about two, three, four months, and in case there is any gap, which still remains, that will then we will work towards filling that gap. And hopefully, we should be able to then start commercial supplies of PVDF for the battery plates. It could take a process of about four months, four to five months before we start commercial supply. But as of now, we have received favorable response. Grades, which are similar grade, we have been able to develop grades which are similar to what is available in the market. And we are very, very confident that in the next few months, we should have our first few approvals, and which will allow us to start commercial supplies.

Anant: And on solar backfilms?

Vivek Jain: Sorry?

V K Soni: The PVDF film which goes to the solar battery, the project is under commissioning and should be commercialized in the first quarter next financial year.

Moderator: The next question is from the line of Hansal Thacker from Lalkar Securities. Please go ahead.

Hansal Thacker: Yes. Hi, sir. Congratulations on a great set of numbers. Just a follow up on a previous question. So, I'm assuming that I mean, if the state policy is favorable to us, is there a possibility that we might absorb the entire wind energy capacity?

Vivek Jain: There is a possibility, but we like to watch and see, wait, and see. Let's see how in what form the policy comes. And if it is something which is definitely going to yield very strong results, then we will certainly look at maybe enhancing, adding more capacities over and above what we

are currently adding, but I think we will have to wait and see what is the final shape of the policy.

Hansal Thacker: Okay. The reason why I was asking is given the current state of the power and fuel costs that may actually be advantageous, which is why I was inquiring.

Vivek Jain: That is very, very clear. That is very, very clear. There is a huge delta between renewable energy, power, and fossil fuel-based power. That is quite clear, but we have to see what form the policy actually comes.

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

Manoj Agrawal: We'd like to thank you for your interest in the company. We look forward to your continued participation on the earning update call. Thank you very much once again.

Moderator: Thank you. On behalf of DAM Capital Advisors limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.