Navin Fluorine Intl.

Operator: Ladies and gentlemen, good day, and welcome to the Navin Fluorine International Ltd. conference call hosted by Cygnus Partners. As a reminder, all participant lines will be in 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 star, then zero on your touchtone phone.

Today on the call, we have with us Mr. Vishad Mafatlal - Chairman, Mr. Nitin Kulkarni - Managing Director, and Mr. Anish Ganatra - Chief Financial Officer. This call will contain forward-looking statements about the company, which are completely based on the beliefs, opinions, and expectations of today's call. Actual results may differ materially. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page 2 of the company's investor presentation, which is uploaded on the stock exchange and on the company's website. With this, I now hand the conference over to Mr. Vishad Mafatlal for his opening remarks. Thank you, and over to you, sir.

Vishad Mafatlal - Chairman: Navin Fluorine's Q2 and H1 FY27 earnings conference call. Joining me today are our Managing Director, Mr. Nitin Kulkarni; our Chief Financial Officer, Mr. Anish Ganatra; and Ms. Payal Dave from Cygnus Partners, our Investor Relations advisors.

Before we proceed, I would like to take this opportunity to thank the MUFG InTime team for supporting us in managing our investor relations activities during the last 5 years. We appreciate their contribution and assistance extended to us during this period. We have appointed Cygnus Partners as our investor relations consultant. We look forward to working with them as we continue to strengthen our engagement with the investor community.

Coming to our performance, in the first half of FY27, our PAT crossed 500 crores with an EPS of Rs.100. This result reflects our continued focus on strengthening our business, building capabilities for the future, and advancing our strategic priorities through disciplined execution. As we navigate the evolving business environment, our priority remains to strengthen our business fundamentals and deliver sustainable growth across all verticals.

At the same time, the safety, health, and well-being of our employees remains paramount, and we continue to uphold high standards of safety and operational excellence across our facilities.

I am also pleased to share that the Board has declared an interim dividend of Rs.8 per equity share with a face value of Rs.2 per share.

In our HPP business, we continue to strengthen long-term customer relationships and commercial partnerships. In this context, I would like to highlight an important development announced recently. The tenure of our existing HFO supply contract with Solstice Advanced Materials has been extended by 4 years until December 2032 and will have an additional revenue potential of approximately $180 million. I thank the management at Solstice for their continued trust in our capabilities and look forward to deepening our relationships with them.

We are also making steady progress in developing advanced materials as a potential growth platform over the longer term, focusing on specialized applications across areas such as data

Report is AI-generated and may contain inaccuracies.

centers, electronics, semiconductors, and defense, leveraging our expertise in fluorination chemistry and R&D capabilities. We are confident this business will create additional growth opportunities for us.

Let me now provide a brief update on our ongoing capex program.

During the quarter, we commissioned the debottlenecking of our MPP capacity at Dahej.

Our HFC capacity expansion is progressing as planned and remains on track for commissioning shortly.

The Chemours project, which will enable us to participate in the emerging advanced cooling market, is also progressing towards commissioning in Q3 FY27.

Our investment in advanced material adoption capacity is progressing as per schedule and is expected to be commissioned by Q2 FY28.

In our CDMO business, Phase 2 of the cGMP4 facility, involving a capex of approximately 125 crores, is progressing as planned and is expected to become operational by the end of Q4 FY27.

The TDAS project to develop indigenous specialty materials with DRDO is progressing well as per schedule.

While we deliver sustainable results and continue to invest in growth projects, the leadership and I are actively looking at meaningful investments in cutting-edge technologies that drive value for all our customers and ourselves. This includes enhancing the integration of digital technologies across our businesses, leveraging AI to strengthen our research capabilities and optimize our processes. We are also investing in renewable energy across plants, which will meet more than 60% of our energy requirement through renewable resources.

As we progress to the next phase of growth, we recognize the importance of continuously strengthening our organizational capabilities and investing in our people. We remain committed to developing our existing talent, enhancing critical skill sets, and building the capabilities required to support our evolving business needs and long-term growth ambitions.

I would also like to thank our customers, employees, partners, and all stakeholders for their continued trust and support, and we look forward to building on this foundation in the years ahead.

With that, I wish you and your families a very happy Diwali and a prosperous New Year in advance.

I will now hand over to Nitin to take us through our business and operating performance.

Nitin Kulkarni – Managing Director: Thank you, Vishad, and good evening, everyone. Thank you for attending the call today.

We have delivered a strong set of results in what is otherwise a very volatile geopolitical environment. In this regard, I would like to recognize the efforts of our leadership and their teams for their commitment, agility, and effectiveness in navigating these challenging times.

Report is AI-generated and may contain inaccuracies.

All our business verticals witnessed strong performance during the quarter, supported by healthy growth momentum.

In our HPP business, we continue to deliver healthy revenue growth during the quarter, supported by higher volumes and improved realization. The pricing environment for HFCs remains firm, with realization improving on a sequential basis. We are also witnessing encouraging customer interest in our upcoming capacities, providing good visibility for the business going forward.

Our new AHF facility has witnessed an improvement in utilization, contributing to our growth momentum, and R32 capex is progressing as planned and remains on track for commissioning shortly.

The extension of the contract from Solstice Advanced Materials provides potential visibility beyond FY28, and I would like to extend my appreciation to the partners and teams involved.

With our established customer relationships, growing portfolio of products, and expanding geographical footprint, we are well-positioned to secure the opportunities in this business vertical.

In the specialty chemical business, we continue to see healthy growth momentum, supported by strong order visibility for the second half of FY27 and beyond. Our product pipeline continues to expand across both existing and new molecules, strengthening our portfolio of differentiated chemistries and supporting our growth prospects.

During the quarter, we commissioned the debottlenecking of our MPP capacity at Dahej in September 2026, further enhancing our production capabilities.

Moving on to the CDMO business, we continue to see strong momentum, with our FY27 target well within reach, supported by encouraging business developments and a healthy product pipeline.

I am pleased to mention that a few of our existing molecules have seen positive developments in their end use, with favorable trial results.

Our engagement with a leading European CDMO major continues to deepen, driven by increasing demand for an existing molecule and an expanding role in the customer's supply chain.

From a strategic perspective in this vertical, we continue to focus on building a balanced portfolio of late-stage and commercial molecules, complemented by early-stage programs.

We are also expanding our presence across promising therapeutic areas, including oncology, cardiovascular, neurology, and animal health through engagements with global innovators.

With this, I hand over the call to Anish for sharing the financial highlights.

Anish Ganatra – Chief Financial Officer: Thank you, Nitin. Good evening, everyone, and a warm welcome to the earnings conference call.

Moving on to the financial performance for Q2 and the first half of FY27, let me begin with the key highlights for the quarter.

Report is AI-generated and may contain inaccuracies.

On a consolidated basis, operating revenue for the quarter stood at 1,191 crore, registering year-on-year growth of 57%. Operating EBITDA grew by 66% year-on-year to 407 crore, with margins expanding to 34.2%. Operating PBT increased

Management: grew by 87% to 336 crore, while profit after tax rose by 81% to 269 crore, reflecting the strong growth in both revenue and profitability.

Turning to the half-year performance, operating revenue for the first half of FY27 increased by 51% to 2,236 crore, supported by broad-based momentum across the HPP, specialty chemicals, and CDMO businesses. Operating EBITDA grew by 69% to 765 crore, with margins expanding by 367 basis points to 34.2%.

Operating PBT grew by 93% year-on-year to 619 crore compared with 320 crore in the first half of FY26. Profit after tax also increased to 513 crore, a growth of 93% year-over-year. Our EPS stood at 100, and our net operating working capital days stood at 72 days, which is within our financial framework.

With that, we can now open the floor for questions and answers.

Operator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Sanjesh Jain with ICICI Securities. Please go ahead.

Sanjesh Jain – ICICI Securities: Good evening. Thanks for taking my questions. My first question is on the revenue bridge. All three segments have grown impressively sequentially. Can you help us understand what has led to this sequential growth, because prices in refrigerant gases have largely been stable in HPP, and in specialty I thought that, except {? Corteva ?}, most of the plants were running at full capacity. In CDMO, I think there is more offtake in the European Union. How much more can we do there? Can you help us understand what is driving the growth in all three segments? From here on, what are the growth drivers from the Q2 base?

Management: All right, thanks, Sanjesh. Good evening to you. I mean—

Sanjesh Jain – ICICI Securities: Good evening, sir.

Management: Good evening, good evening. If you look at Q1 to Q2, right? That is what you are referring to, quarter-on-quarter, right?

Sanjesh Jain – ICICI Securities: Correct, correct.

Management: If you look at it, the HPP business has largely grown both from the benefit of pricing advantage in the refrigerant business. There has been movement in prices. This is the danger of relying on averages, right? Averages do not tell you how our teams managed to place the product at better pricing. We have also had good volumes, because, as we have said before, our HF plant

Report is AI-generated and may contain inaccuracies.

has come into play, so volumes on HF are quite good. That is helping. Also, quarter-on-quarter, we have had growth in the Honeywell business, the HFO business of Solstice, so that has also helped.

Specialty, again, I refer back to my commentary, probably from the last 2 or 3 quarters, where we have consistently said that this business will become more like a 350-crore business. Our philosophy in this business, given the global dynamics, is to extract more and more from the current assets. Our MPP plants and the operational efficiency initiatives that we are undertaking allow us to run more campaigns in the same plants because of the way we are mapping the products and minimizing the steps. Our teams in R&D and innovation are also helping us do that. So that is helping. In fact, if you see specialty, MPP 1 and MPP 2, we will have far exceeded the target by the end of this year. In this environment, our teams are able to deliver that.

CDMO has growth both from the base business from Fermion as well as from some encouraging new qualification campaigns that we have run. So that is helping the CDMO business. Essentially, that explains the sequential growth from quarter to quarter.

Going forward, the growth will come from the fact that we recently commissioned the debottlenecking at the end of September. You should start to see growth coming in from that in specialty, even beyond where we are today, because that has not been factored into the numbers. You will also see growth coming in HPP from the new {? R-32 ?} commissioned plant that is being commissioned shortly. Of course, it will ramp up towards the end of this quarter, and we will start to see some incremental growth coming in this quarter, followed by a full ramp-up possibly in the next quarter.

Sanjesh Jain – ICICI Securities: Correct, correct.

Management: In CDMO, as we have said, and as Rishabh and Nitin have both mentioned, we are within striking distance of our $100 million target in terms of order book visibility. So there will be growth for that business too by the end of this year. Beyond that, we have already announced the Phase 2 capex. That will also start delivering growth in that vertical.

Sanjesh Jain – ICICI Securities: That is great, Anish. Superb explanation. I think what has impressed me most in this quarter is that we were able to maintain the gross profit despite a very inflationary environment. What is helping us hold on to gross profit while all our peers have struggled there?

Management: Again, if you look at our EBITDA bridges, in terms of the percentage bridges, and I am telling you this from both a year-on-year and a quarter-on-quarter perspective, [hesitates] we are able to largely offset the sourcing impacts through the forex tailwind and the pricing actions we are taking. Also, what is happening for us is that operating leverage is playing in, and a lot of effort is being made on operating efficiency, which is also helping us capture and protect the EBITDA.

Sanjesh Jain – ICICI Securities: Okay.

Management: As we go forward, this is something—and that is exactly the reason why Nitin brought out in his speech the fact that even in this environment, the commitment and agility of the teams are helping us navigate, and that is something that is going to [trails off] Sorry, there is some disturbance there.

Report is AI-generated and may contain inaccuracies.

Sanjesh Jain – ICICI Securities: No, no, sir. I am here. Sorry.

Management: Okay. So, exactly. We will all have to remain committed and agile to respond to the geopolitical challenges, because I do not think we are out of the woods yet in terms of geopolitics.

Sanjesh Jain – ICICI Securities: Got it. One last question before I join back in the queue. On the contract extension, I thought we had higher headroom for the volume, but the implied contract for the next 4 years implies an annual run rate of $45 million versus the $58 million run rate we had earlier. What are we missing in this?

Management: The way you should look at this is that there are 2 things happening here. One is the fact that the extension gives us longer visibility and adds close to $180 million of potential revenue over the next 4 years with the same asset. That is definitely going to add leverage in terms of where we are.

Second, the pricing mechanism is always a pass-through mechanism in these contracts, right? That is something to bear in mind as we go forward and consider how the pricing mechanism works. If you have recovered your capex, there will be a different answer to it. There is a lot involved in the commercial contracts and the way they are structured, so you cannot make a simplistic assumption based on the average rate. In fact, if anything, this contract is going to guarantee us larger volumes than what we had before.

Sanjesh Jain – ICICI Securities: Got it, Anish. I think these are my questions. Thanks for answering all the questions, and best of luck for the coming quarter. Happy Diwali in advance to the entire Navin team.

Management: Same to you, Sanjesh, and thanks.

Operator: Thank you. Our next question comes from the line of Rohit Nagraj with 360 ONE Capital. Please go ahead.

Rohit Nagraj – 360 ONE Capital: Thanks for the opportunity, and congratulations again on a good set of numbers. My first question is a clarification on the HFO contract. If we look at the last 7 years, the average run rate has been about $60 million. However, for the next 4 years, it indicates $45 million. I wanted clarification on whether the revenue run rate will moderate going beyond FY29.

The second question related to that is regarding our own HFO commercialization. Will that get delayed because we will now be supplying to Honeywell beyond 2030? Thank you.

Management: I will take the second one first. If you think of this, Rohit, at the end of the day, we will not get into the same application. But you and I both know there are 40 different varieties of HFOs. As long as we are not in conflict with the contract, there is nothing to stop us from doing that. Therefore, I do not think that means anything for whatever else we are doing with the other HFOs. We have also said before that as we develop the other HFOs, we will be looking at both partnership models and product models, depending on whatever suits us best.

In terms of your question on the contract and the average rate, as I was telling Sanjesh, you cannot look at this in a very simplistic way by dividing by the number of years. If you had a certain pricing in

Report is AI-generated and may contain inaccuracies.

mind, which you referred to even in 2022 for the current contract—or 2020, actually, for the current contract—that pricing environment is different from what it is today and what it will be in 2028.

The way to look at this is that, on the same asset base, you are going to extend the volumes, the revenues, and also the period. This was a 7-year contract, and it now becomes an 11-year contract. In other words, whenever we talk about our growth from now to FY30, and there was a question about what happens to the Honeywell contract after 2028, this particular development addresses that. The base is protected.

Rohit Nagraj – 360 ONE Capital: Right. Perfect. My second question is on Chemours. There has been some delay, and obviously there have been challenges in terms of geopolitical and other factors. One clarification here is whether, because of this delay in commercial commissioning of the project, the qualification cycle will also get delayed, or whether, since we have been supplying the material in the interim, that qualification cycle will not be materially impacted because of the commissioning of this project. Thank you.

Management: Again, we have said this before, Rohit. When you look at this project, we have been working with Chemours to co-develop it. The project itself started from a technical package and development in the laboratory, then moved to the pilot scale, and we are currently supplying them for the initial capacity. The process routes are different.

The delay is more attributable to identifying the right process to move into the initial capacity, which then allows us to accelerate the larger capacity should there be demand. In fact, the delay is a conscious choice between the partners rather than anything else. This is evidenced by the fact that as we come to commission that asset, we already have orders in place for future quarters.

Rohit Nagraj – 360 ONE Capital: Perfect. Thanks a lot, and all the best. Diwali wishes to the entire team. Thank you.

Management: Thanks, same to you.

Operator: Thank you. Our next question comes from the line of Ankur Periwal with Axis Capital. Please go ahead.

Ankur Periwal – Axis Capital: Hi, sir. Thanks for the opportunity, and congratulations on a strong set of numbers. My first question is on the CDMO side. With Phase 2 of cGMP4 coming in, will it be largely used or consumed for the Fermion contract itself, or could there also be newer molecules driving growth here?

Management: The cGMP4 Phase 1 and Phase 2 facilities, Ankur, are both dedicated plants for Fermion. This is going to be a completely dedicated facility.

Ankur Periwal – Axis Capital: Sure. Since you mentioned that there are 3 molecules we are working on, and we are at an advanced stage for 1 of them, if I understood that correctly, what timelines should one look at for the next phase of expansion here for the newer molecules?

Management: Again, you have to look at this in the context that when we started developing the Phase 2 cGMP4 plant, we were already developing the warehouse all the way up to, say, Phase 6.

Report is AI-generated and may contain inaccuracies.

We are developing the ETP all the way up to Phase 5, right? So we can actually move to cGMP5 quite quickly with the infrastructure already in place, in terms of utilities and so on.

The developments you are referring to are actually positive for 2 molecules, if you picked that up. One of the molecules has already received approval in China, and it is on the fast track for FDA approval in the US market, so that will probably come in. Again, the other molecule is more about the potential {? expanse ?} [cut off]

Anish: and label expansion of darolutamide itself, and that again has promising concepts on the anvil. We are moving very quickly. The moment we see and sense utilization of our cGMP plants coming to 70-80%, we will trigger Phase 5. There is absolutely no doubt in our mind about that. I have said this before as well: once we reach the $100 million number, we will be starting to knock on that door very soon. We have done that.

Ankur Periwal - Axis Capital: Sure, Anish. That is really helpful. My second point is on the specialty chemical side. With Nectar likely to be ramped up within this financial year, at full utilization in terms of peak revenue, how do you see that revenue component building up? Chemours is one project that will ramp up, but apart from Chemours and the MPP debottlenecking, are there any other projects we are working on that will require separate dedicated capex?

Anish: As I said in my last commentary, Ankur, we have 5 new molecules that we are working on. Some of the growth that you see, which Shailesh was asking about, is actually coming from those molecules as well. There are campaign orders for those molecules extending until the end of this year and beyond. So there will be growth coming from there.

For Nectar, we had always clarified that in FY27 we would be at approximately 60-65% of the power, and the balance power would come into FY28. That is the ramp-up in the specialty business. The 350-crore run rate that we discussed over the last 3 quarters is also playing out, as you can see. It will go up because of the reasons we discussed earlier as well.

Ankur Periwal - Axis Capital: Sure. Great, sir. That is all from my side. Thank you, and I wish you all a very happy Diwali.

Anish: Thanks, same to you, Ankur.

Operator: Thank you. Our next question comes from the line of Archit Joshi with Nuvama Wealth Management. Please go ahead.

Archit Joshi - Nuvama Wealth Management: Hi, good evening, everybody. Thanks a lot for the opportunity. I have just one question. Is there any development on the DRDO contract, any ramp-up or economics that we have been seeing and that you can share on that account?

Anish: Hi, Archit. On DRDO, we are again working according to the schedule prescribed with the defense authorities. That is proceeding on track with them. As we have shared, this molecule has dual use. As and when the product is developed, we will accelerate the application in the pharmaceutical phase sooner than the defense timeline, because the defense side will take time in terms of qualification and when they become comfortable.

Report is AI-generated and may contain inaccuracies.

The potential market there is significant. Even at 50%, the Indian market alone is roughly about 400 crores on the pharmaceutical side.

Archit Joshi – Nuvama Wealth Management: Sure, sir. Just one small point regarding HF prices. They have firmed up quite significantly during the overall turmoil in the world. Have we been able to benefit from that since we have also commissioned the capacity?

Anish: Again, pricing, as we know, is an equation of cost. When you look at how HF prices have increased, you should also look at how prices for sulfur, gas, and a lot of raw materials have increased. Close cars are also going up. Frankly, in this sort of environment, a 34% EBITDA is a really solid EBITDA that cannot come only from pricing. It has to continuously come from the efficiencies and improvements we drive within the organization. That is going to be our mantra.

Archit Joshi – Nuvama Wealth Management: Right, sir. Of course. I understand that point. That should be all from me. Wishing you a very happy Diwali. Thank you.

Anish: Thanks, same to you.

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

[pause] Sorry, I am so sorry, sir. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Anyone who wishes to ask a question may press star and one. Our next question comes from the line of Arun Prasath with Avendus Spark. Please go ahead.

Arun Prasath – Avendus Spark: Good evening, everyone. Thanks for the opportunity. Anish, my first question is that, first of all, it is impressive that we have reached the target of $100 million on a run-rate basis much earlier than we initially said. Following up on that, am I right if I assume that, including Phase 2, the new target will be somewhere close to 1,200 to 1,300 crores?

Anish: Arun, we have always been saying that we will do $100 million by FY27. So it is not early; it is actually on time. We have been saying this for some time now. We have also said that cGMP4 Phase 1 and Phase 2 put together have peak annual revenue potential close to 3 times the capital, or about 900 to 1,000 crores by FY28.2 or FY29, if I am not mistaken. That is also on track.

The molecules that we discussed, the label expansion for darolutamide, and the approval for the other molecule in the Chinese jurisdiction, which then gives greater confidence of approval in other jurisdictions, are all positive developments. Envisaging growth beyond FY27 at the levels you discussed is therefore not unimaginable.

Arun Prasath – Avendus Spark: Understood, sir. My second question is that, given the growth we are seeing in all 3 segments, inevitably we are going to have post-tax OCF of more than 1,200-1,300 crores at steady state. So far, we have not announced anything, although obviously something will be in the plans. How should we view our capex? Will capex continue at the current rate, or will we have a lot of surplus free cash flow that we will distribute to shareholders? How should we think about this from a capital allocation perspective?

Report is AI-generated and may contain inaccuracies.

Anish: As I have said before, our capex range will be 700 to 1,000 crore every year. We are looking at 700 crore this year, given where we are. I think the first half captures something in the range of 300–310 crores. We are therefore on track for what we are saying we would do this year, at the lower end of that range.

We are working on several projects, and as these projects mature through our stage gates, you will see capex being announced. We are very conscious of the fact that, with the capex we have in place, our growth through FY28 is pretty much baked in. Some part of it, of course, goes into FY29, like the cGMP4 project I was discussing. However, there will be other projects that will come in to capture the growth before then, and our portfolio is looking quite healthy, with a strong pipeline.

Arun Prasath – Avendus Spark: Understood, sir. One more clarification on the HFO contract extension. It is very clear from what you said that we will have some reduction in gross margin at the portfolio level. However, should the incremental volume also result in a margin accretion at the EBITDA level?

Anish: When we are growing at the rate of 20–25% annually, our costs are not going to grow at that rate. The question is what the EBITDA will be in the future. We are not going to change the guidance from 30%. Frankly, I will be the first one to say that, in the long term, we are not going to change the guidance from 30%. I am not talking about the year; I am talking about the long term.

The reason for that is that I will not sit here and let you believe that I have full knowledge of the future. Our cognitive ability does not allow us to predict the numbers for 5 or 6 years on EBITDA margins. Geopolitics are massively volatile, as you all know. We will figure that out.

For this year itself, for FY27, just to be clear, we are going to be working on the margins that you see for the first half, in the same sort of range for the year. That is what we will be working towards.

Arun Prasath – Avendus Spark: Understood, sir. I also heard you speak about HF placement, if I heard it correctly. Does that mean we are also selling it in the domestic market, the HF from the HF plant?

Anish: Sorry, I missed that. What did you say?

Arun Prasath – Avendus Spark: I heard you say something about HF placement in the market. Can you clarify that point, please?

Anish: I was saying that, from a refrigerant gas point of view, everybody talks about averages, and the danger of averages is that they do not recognize the superior ability of teams to place the product at the right prices in the market. We are doing better than the average. Therefore, to look at the average and say that we have not had any upside from the refrigerant gas environment would not be a fair statement. That is what I was trying to say.

On the HF side, we had always said that our merchant sales would be an X number. Today, we are seeing that it is actually far larger than that, and we are able to place more product. Some of the material that we are placing is also going into international markets and is serving the high-purity HF market.

Report is AI-generated and may contain inaccuracies.

Arun Prasath – Avendus Spark: Okay. Can you clarify what our HF utilization rate is at this point?

Anish: We would not want to discuss utilization rates. Rest assured that we have said it is being ramped up, so it has not reached full capacity. It is being ramped up, and it is a large plant, so it will take more time to reach full capacity.

Arun Prasath – Avendus Spark: Understood, sir. Thanks for answering all the questions. All the best.

Anish: Thanks, Arun.

Operator: Thank you so much. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Aditya Iyer with HDFC Securities. Please go ahead.

Aditya Iyer – HDFC Securities: Hi, am I audible?

Anish: Yes, you are.

Aditya Iyer – HDFC Securities: Congratulations on a great set of numbers. I have 2 questions. On the Chemours project, what early indicators are we observing regarding OEM engagement, and under what conditions would the proposed next scale-up be triggered?

Anish: We have talked about this, Aditya. First, this is more of a Chemours conversation than a Navin conversation. However, I will help you as much as I can. I cannot talk about specific numbers on the project because we are under an NDA.

If you look at what is available in the public domain, you will see that Chemours earlier this year qualified its product with a French company called 2CRSi, and they are one of the OEM manufacturers of high-compute kits. They develop 1U architecture. There has actually been a joint development agreement with them, which then accelerates adoption in hyper-computing because, as you know, anybody establishing hyper-computing environments is likely to use OEMs to qualify their materials.

It is very encouraging. The fact that, as we commission the project, we have visibility on purchase orders in hand from Chemours signals that there is demand for the adoption that is coming through. We had always said that it would take about 15 months once the project is commissioned to know what the adoption rate is in the market and what the size of that market is, and hence what the capex will be. Therefore, it is a bit premature to talk about the final eventual capex that will result at the end of all this.

Aditya Iyer – HDFC Securities: Okay, that is all from my end. All the best to the team, and wishing you a happy Diwali.

Anish: Same to you, Aditya. Thank you.

Operator: Thank you. Our next question comes from the line of Sanjay Satpathy with Ampersand Capital Investment Advisors. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Sanjay Satpathy – Ampersand Capital Investment Advisors: Hi, sir. I just wanted to confirm that your annual capex will stay at around 700–750 crore this year as well as next year. Is that correct?

Anish: I said a capex range. What I mean by that is that we have built a very strong balance sheet and a very strong capital framework that allows us to hold working capital at 70 to 75 days. All of that means that we are able to generate EBITDA conversion of 60%, or 60–65% on a more sustainable basis, and that then translates into the ability to spend.

We have the ability to spend 700 to 1,000 crores every year within our capex framework. This is sufficient both from the point of view of the project pipeline that we have in sight and the growth that we are targeting over the next 5 years.

In some years, you will find capex at the lower end of the range, and in some years at the higher end. It will end somewhere in the middle every year. This year, I said that we are looking at 700 crore. Next year, as we come towards the end of this year, there are several projects in the pipeline. Depending on what comes in and gets approved through our stage-gate processes, we will announce those capex projects, and it will then be clearer in terms of what we will spend. Does that help?

Sanjay Satpathy – Ampersand Capital Investment Advisors: Yes, this is very helpful. My last question is: can you articulate whether, among the 3 segments that you have, over the next 3 years there will be a significant shift away from the HFC business in our overall revenue mix or investment mix?

Management: I think we are going to build on the businesses we have. As we have also said, we are incubating a new business vertical called advanced materials. We had explained on the last call that if you think of Navin from now to 2030 and look at 20% to 25% growth, advanced materials will be roughly 10% to 15% of the expanded pie by 2030. However, that is a milestone; it is not the end of the journey. This is a growth business that we are developing for the next decade.

Sanjay Satpathy – Ampersand Capital Investment Advisors: Understood. Thanks a lot, sir, and it is wonderful to see your success story panning out the way it is. Thank you, sir.

Management: Thank you, Sanjay.

Operator: Thank you. Our next question comes from the line of Jason Soans with IDBI Capital. Please go ahead.

Jason Soans – IDBI Capital: Thanks for taking my question, and congratulations on a very strong set of numbers. I just wanted to know, if I remember correctly, utilization for the HFO plant at the end of FY26 was around 80%. Now that we have an extension, when you look at average utilization over the years, are you expecting it to be around 80–90% going ahead, even beyond 2029?

Management: The utilization will improve. As you know, this product goes into 2 types of end applications. As the global market scenario improves over time, you will see demand going up in the construction sector. This product is also used in chillers for cooling, and demand is expected to grow in that sector as well. Therefore, we will see the volumes go up.

Report is AI-generated and may contain inaccuracies.

What we have indicated are the potential numbers based on the minimum quantities, or expected minimum quantities, from the customer.

Jason Soans – IDBI Capital: Sure, sir. Earlier, you also spoke about working on 5 molecules in the second phase, and said there are good campaign orders for these molecules. Do we see visibility for any dedicated plants or other capacity going forward for any of the molecules?

Management: We have always said that, in the agro market, we remain constructive on the long-term fundamentals of demand for agro products. Our approach to navigating and accessing that growth is going to be to utilize the current assets and increase their output more and more. That is why we confidently said that, by the end of FY27, you will see that the capacity of MPP1 and MPP2 will have been far exceeded.

We have done a lot of work to ensure that more products can be mapped into those plants. These molecules will not only be mapped into those plants but also into the debottlenecking capacity. All in all, will we see a new MPP? I think it is a hypothetical question at this stage. Our approach will remain to extract more and more from the current assets.

If there is a business opportunity that requires dedicated capacity, of course we will openly look at the commercials. If it passes through our stage gates, we will proceed with the approval and announce it to the market.

Jason Soans – IDBI Capital: Sure. Lastly, on the previous call you said that, in the CDMO space, you were working on 10 molecules, with 3 molecules expected to have a readout in the next 8 to 12 months. There is clearly a healthy pipeline. I wanted to know whether there is any update or anything new you would like to share on that front. How is that pipeline looking ahead?

Management: In fact, I just said earlier in the call that we have 2 of those molecules where the progress is very encouraging. In the near term, that is the update I can share. I am happy to repeat it unless you missed the earlier comment.

Jason Soans – IDBI Capital: No, sir, that is fine. One clarification that I missed: you mentioned that certain CDMO plants are essentially dedicated to darolutamide or the Fermion contract. Could you repeat exactly what is dedicated to darolutamide under the Fermion contract?

Management: Dedicated means that the plant has been customized to run and optimize the molecule that we require for that particular product. Dedicated means that we would not make batch or campaign product changes. It would run that product daily. I do not know another word for dedicated, but that is possibly the best way I can explain it.

Jason Soans – IDBI Capital: Yes, that clarifies it. That is all from my side. Thank you very much.

Operator: Thank you. Our next question comes from the line of Ranjeet with IIFL Capital Service Limited. Please go ahead.

Ranjeet – IIFL Capital Service Limited: Hi, sir. Thank you for taking my question, and congratulations on a very strong set of numbers. My question is on the HFO pricing environment. How do you see [cut off]

Report is AI-generated and may contain inaccuracies.

Operator: Ranjeet, I am really sorry, but could you please speak a little louder? Thank you.

Ranjeet – IIFL Capital Service Limited: Is this better?

Management: Yes. As loud as you can. It is still faint.

Ranjeet – IIFL Capital Service Limited: Let me use the handset. Just a second.

Is this good?

Management: Let us try. Go on.

Ranjeet – IIFL Capital Service Limited: Yes. I was saying, thank you for the opportunity, and congratulations on a great set of numbers. My question is on the HFO pricing environment. How do you see the global HFO pricing environment evolving over the next few years, particularly as the patent expires and competition increases, specifically if you look at [cut off]

Management: If you are referring to—sorry, I did not mean to cut your question, but you will have to be a little louder, so the last part was very faint.

Ranjeet – IIFL Capital Service Limited: My question was largely on the global HFO pricing environment. How do you see it evolving after the patent expiry? In relation to that, does the extension that we have seen offer some comfort on realizations?

Management: The way you have to understand these markets is, first, that each HFO has a different application, and largely the patent owner will also cover a qualification route for the use of the product. We have always said that, in our discussions with Solstice, they have indicated that this product is an evergreen product in terms of the end-use application they are targeting.

In fact, as I have said before, the extension is not just a time extension; there is also an expectation that the volumes will be larger.

Ranjeet – IIFL Capital Service Limited: Is there any comfort on the realization that you have from them?

Management: Comfort on the realization? Yes, of course. In what way do you mean? We have already provided the potential revenue numbers, and that should be good enough, Ranjeet.

Ranjeet – IIFL Capital Service Limited: Yes, right, sir. My question was largely that there is a large difference between HFO and the other refrigerants. Eventually, when the patent expires, the expectation is that there will be competition and price erosion.

Management: I think you are looking at the refrigerant market and HFO in the refrigerant market. This product is slightly different, even though it is an HFO. Similarly, the Chemours product is also a different HFO. The Chemours product serves a different application, and Solstice serves a different application. You have to look at it from the perspective of the end applications.

If you are looking at the refrigerant market, global HFO capacity is 10% of global refrigerant demand in tonnage terms. There is not enough volume there to play in the market on pricing. Whichever

Report is AI-generated and may contain inaccuracies.

way you look at it, HFO is a product at the higher end of pricing in the end market for the applications it serves, because it is a greener and cleaner product. It will therefore come at some sort of premium.

Ranjeet – IIFL Capital Service Limited: Yes, thank you. That was all from my side.

Operator: Thank you so much. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Management: Thank you all for taking the time today and being with us on behalf of the Navin team and Cygnus Partners. We wish you all a very happy Diwali and a happy New Year in advance. Thanks again.

Operator: Thank you so much. Ladies and gentlemen, on behalf of Navin Fluorine International Ltd., that concludes today's call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.