"Annual FY2018 Earning Conference Call of NOCIL Limited"

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MANAGEMENT: **MR. S.R. DEO - MANAGING DIRECTOR - NOCIL LIMITED**
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Moderator: Ladies and gentlemen good day and welcome to the annual FY2018 conference call of NOCIL Limited. The conference call may contain forward-looking statements about the company, which are based on belief opinions and expectations of the company as and the date of this call. These statements do not guarantee the future performance of the company and involve risks and uncertainties that are difficult to predict. 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 the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. S.R. Deo - Managing Director of NOCIL Limited. Thank you and over to you, Sir!

S.R. Deo: Thank you very much. Good afternoon and a very warm welcome to everybody present in this annual call. Along with me I have, Mr. P. Srinivasan our CFO and SGA team, our Investor Relation Advisors. I hope you have received our investor presentation and those who have not received it, you can look at the stock exchange or on company's website.

The financial year 2017-18 was a very good year for the Company with consistent growth on a quarterly basis. We have seen favorable market conditions with an improvement in demand for our products. We could achieve this due to customer centric approach, product development and in-house process development with cost advantages and sustainability. As you are aware, the Board of Directors has approved various capital expenditure (Capex) projects in F.Y. 2017-18. The phase I was announced in March 2017 for Rs.170 Crore and it, had two parts. The first part of expansion at Navi Mumbai site is getting commissioned during Qtr I of FY18-19, the second part of expansion at Dahej, which is expected to be commissioned during Qtr III of FY18-19. Phase II & III which was announced in December 2017/ January 2018 for Rs. 255 Crores. Both the phases are in the field of rubber chemicals and intermediates at the Dahej and Navi Mumbai. The capex is expected to be completed during first half of F.Y.19-20.

All the three phases aggregating to Rs.425 Crores shall be largely funded through internal accruals. This expansion is likely to give an asset turnover of 2x. The expansion is aimed at participation in both domestic and global market. Over and above the announcement of the capex, our R&D team continues to work for the future of the company particularly towards developing new products as well as new processes in the existing business with a very focused attention on cost improvement and environmental issues.

Our research Centre is recognized by Ministry of Science and Technology, Government of India. During F.Y. 2017-18, I am happy to inform you that the company has received Responsible Care Award from Indian Chemical Council for 3 years. Responsible Care is a global chemical industry initiative to improve health, environment and safety performance and to communicate with stakeholders about our products and processes. We are amongst the few Indian chemical companies to receive this award. Before going to the updates of the industries and financials, we are happy to inform you that the Board of Directors have recommended a dividend of Rs.2.5 per equity share of Rs.10 for F.Y. 2017-18.

Now I would like to handover to Mr. P. Srinivasan who will give the updates on industries and financials. Thank you very much.

P. Srinivasan: Thank you Mr. Deo. Good afternoon everyone. Firstly, I would like to give an update on the industry and then run through the financials of the Company. Most of you are aware that we are in the business of manufacturing of rubber chemicals (RC) and we are in this business for more than four decades. Rubber chemicals as a product are dependent on rubber usage. Generally, as a thumb rule rubber chemical constitutes about 3.5% to 4% of the total rubber consumption. Rubber consumption includes both natural and synthetic. The rubber chemicals form a very critical component in the application of rubber products.

NOCIL produces more than 20 products thus enabling us to serve as a one-stop shop for customers. Practically, it services the entire product range barring one or two. Having a range of 20 products, itself manages the risk element of dependency on one or two products for revenues. The rubber chemicals have application in both tire as well as non-tire industry. Tire industry by structure consumes 60% to 65% of the total rubber consumption. Accordingly the supply of rubber chemicals to tire industry constitutes 60% to 65% of total sales volumes.

So far as the non-tire industry is concerned RC finds its products applied in cycle tire, cycle tubes, MEG, auto components, latex, footwear, conveyer belts etc. There are about 8 to 9 industries which accounts for 30% to 35% of the business.

The quality and strength of the tire depends on the lot on the chemicals used in the process to convert the rubber into tire. Typically for approval from any global tire customers, it takes 18 to 24 months for commercial supplies proposed to be undertaken by any new manufacturer.

In recent times, a lot of capex/ expansion plans have been announced by both international as well as domestic tire companies. Most of these companies are our existing customers and have tested our products and we enjoy their confidence. We believe that our expansions in these field of rubber chemicals will benefit them, and we are hopeful to serve them well to consolidate our business relationship. The last two decades the rubber chemicals have seen a shift from the western world to the Southeast Asia and China. So, lot of automobile and tire industries have set up plants in around Southeast Asia, China and India particular. As a result, rubber chemicals too follow the similar trend.

Some of the capacities set up by the Chinese manufacturers, have experienced suspension of operations/ relocation to other provinces/ partial closures in respect of some of their operating plants. These happened from September 2017 on tightening of environmental/ pollution norms at their manufacturing sites. This resulted in customers of chemical industries to review their supply chain strategy which gave a favorable impact to all the non-Chinese players in the Chemical/ Other manufacturing sectors.

Now we touch upon the financial performance of the company.

This is the first year of Ind-AS financials for the Company so there has been a recasting of the financial statements in compare with I-GAAP.

The net revenue for the operations for FY 2017-18 is Rs. 968 Crores a growth of 30% as compared to Rs. 742 Crores in the F.Y.2016-17. Growth in revenue is attributed to the combination of volume mix as well as better realization cum product mix.

Value addition for F.Y.2017-18 is about Rs. 527 Crores a growth of 37.5%. The value addition is calculated as revenue minus cost of materials consumed minus cost of traded goods as well as change in inventories.

The operating EBITDA for the year stood at Rs. 263 Crores as compared to Rs.158 Crores for the previous year, a growth of 65% ++. The EBITDA margin stands at 27% ++. This improvement is on the back of better efficiency, better product mix, better pricing for the product as well as cost optimization benefits. The profit after tax for the year stood at Rs.169 Crores as compared to Rs.97 Crores for the previous year, a growth of 74% as compared to the previous year. The net profit margin for F.Y. 2017-18 is at 17.4% as against 13% in the previous year.

The debt equity as of March 2018 stands at zero as the company has a net cash surplus of 245 Crores. With a strong balance sheet and cash generation the company is well positioned to execute all the above-mentioned capex of Rs.425 Crores. The dividend to the shareholders in commensurate with the growth in profits. During the last 4 to 5 years, the dividend declared increased from 6% to 25%. We believe as and when the company generates good profits the board proposes to reward the shareholders quite well.

The return on capital employed is 24.5% as compared to 16% last year and return on equity is about 16.3% as against 10.7% last year. The Ind-AS also involves some recasting of some few items, which has been given in the notes to this SEBI results namely the fixed assets at deemed cost as well as investments at fair value as April 1, 2016. These are the two main adjustments, which has been reflected in the audited financial statements.

With this I would like to open the floor for question and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

Nisarg Vakharia: Congratulations gentlemen for a very good set of numbers. My question is twofold. The first part is that can you give an approximate indication of the growth that we have made in this quarter in terms of better product profile, higher pricing and volume. We need a small breakup and Mr. Srinivasan for the benefit all participants since you said that we are a very well diversified company can you give the maximum dependence of revenue and profitability coming from a single profile of products? These are my questions.

P. Srinivasan: Thanks. First of all, in terms of the volume growth for F.Y.2017-18 it is about 12.5%. So far as the dependency on a product profile, the business has four product groups namely antioxidant, accelerator, Pre-Vulcanization Inhibitor, Post Vulcanization Inhibitor which is disclosed in the investor presentation. So far pre and post-vulcanized inhibitor we are about roughly 10% to 13% of revenue. Antioxidants and Accelerators are concerned the remaining you can split 50%-50%. So, I will repeat if you are looking at 13% as Pre-Post Vulcanization products, the Accelerators and Antioxidants will be about 44-45% each.

Nisarg Vakharia: Sir what is the incremental topline we have generated from selling better value-added products volume growth you mentioned is 13%, our growth is obviously much higher for the year so can you give a small breakup of that as well?

P. Srinivasan: Product mix I do not wish to disclose here. As far as volume growth I have already announced it.

Nisarg Vakharia: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Abhijeet Dey from BNP Paribas. Please go ahead.

Abhijeet Dey: Good evening Sir. What was the volume growth for the Q4 Sir on a Y-o-Y basis?

P. Srinivasan: Double digit. It is 12-13% for the year as well as for Q4.

Abhijeet Dey: Okay. And your first phase of capital expenditure is scheduled to come by when?

P. Srinivasan: Mr. Deo announced it earlier. The first part of the Navi Mumbai capex is expected in Q1 FY18-19. In fact some pre-commissioning trials are already going. As far as Dahej capex expansion is concerned, we already announced in the investor presentation it is coming in Q3 of 2018-2019.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Thank you very much. Congratulations for very good numbers Sir. Sir I have two questions. One is what is our current capacity in terms of tonnage and what type of capacity utilization we are at currently, because we will be adding new capacity I think by September end and by year end. So for current year growth in terms of volume say may be 12%-14% will we be able to fulfill further that demand?

P. Srinivasan: The current manufacturing capacity is about 55,000 tones we are operating at almost 100%.

Sunil Kothari: Right, so if required by say 12%-14% volume additional demand in current year?

P. Srinivasan: I think the question has been addressed earlier in the sense that we are setting up new manufacturing capacities at Navi Mumbai and Dahej. If one considers the expansion plans and its commissioning dates, I think most demand issues will be sorted out.

Sunil Kothari: Sir, my second question is how prices are determined because our customer seems to be big players, the tire industry's dominant player so it is decided cost plus, or international price or there are some long-term contracts, how it is decided?

P. Srinivasan: The prices are a factor of competition, the international CIF price plus duties and exchange rate, the contracts are on quarterly basis with the tire industry and there is nothing called monopoly or price dictate terminology in a competitive business. RC business is a matured competitive market.

Sunil Kothari: Thank you very much.

Moderator: Thank you. The next question is from the line of Jasdeep Walia from Infina Finance. Please go ahead.

Jasdeep Walia: Sir thanks for taking my question. Sir your gross margins for the year higher by 300 basis points so what is the contribution of price increase to this increase in gross margins?

P. Srinivasan: I think we explained it earlier. In the current financials the value addition is exceeding 50%. In a rising trend scenario, where the value addition is more than 50% and other aspects of costs being around 10%, the effect on gross margins is bound to increase as compared to previous year.

Jasdeep Walia: Sir but this gain in gross margin how much of it is driven by a price increase alone on a like-to-like basis?

P. Srinivasan: It cannot be identified very specifically because you must look at a combination of 20 products different segments international and domestic, so it is a weighted average of several factors. One cannot attribute one single item for a growth in gross margins. As I said it is a combination of 3 to 4 factors; one is a volume growth, the product mix, the price realization improvement and the value addition over the cost increase it is the combination of three four items and the cost optimization because when you are producing a larger volume base, benefits accrue on account of cost optimization.

Jasdeep Walia: Sir could you make some comments on the situation you have seen in China as of now? Are things stabilizing, are capacities coming back or what is the strategy?

P. Srinivasan: They have started coming back. I think you must give them some more time because the real news from China is always a question mark. It will take some more time before we ascertain the real facts of China.

Jasdeep Walia: Got it. Thanks a lot Sir, that is all from my side.

Moderator: Thank you. The next question is from the line of Anuj Jain from Value Quest Capital. Please go ahead.

Anuj Jain: Thanks for the opportunity. Sir can you help us with the percentage of revenues coming from the products, which are under antidumping duty?

P. Srinivasan: It is about 50-50.

Anuj Jain: So, 50% of our revenues are coming from those products, right?

P. Srinivasan: Yes.

Anuj Jain: Secondly, can you help us how the raw material prices for us have moved in FY2018 vis-à-vis FY2017?

P. Srinivasan: It has moved significantly because the crude prices also went up, the benzene prices went up, our inputs are basically benzene derivatives, so it has seen a growth of 20% on a lower scale and it has grown up as high as 50%.

Anuj Jain: Thanks a lot.

Moderator: Thank you. The next question is from the line of Manan Patel from Equirus Portfolio Management Services. Please go ahead.

Manan Patel: Thank you for the opportunity and congratulations for great set of results. Sir my question is in continuation with the previous one, so you said 50% of the products are under the antidumping duty regime so do you have any views on continuation of antidumping duties and if they are not continued how will it affect our margins?

P. Srinivasan: I think that has been already announced in the Dahej game changer slide in the investor presentation. The current antidumping duties are applicable till July 2019. In this slide it is stated that the contribution increase in FY 2014-15 was largely on account of imposition of Anti-dumping duties which favorably impacted EBIDTA by 4%. So if at all if you are looking at a worst case scenario where the antidumping duty is reduced or suspended or gets removed, you can see a worst case of 4% but internationally from experience we have observed that as and when the antidumping duty gets suspended the CIF prices from the exporting country goes up. Even in some of our inputs, where ADD is in place or modified or revised downwards, the CIF prices gets adjusted suitably. Further considering the expansion plans, on a larger volume base, we are of the view that these impacts will be insignificant.

Manan Patel: Understood Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Srinath Sridhar from ICICI Securities. Please go ahead.

Srinath Sridhar: Thanks for taking my question. Sir as you said that 3.5% of the overall rubber production is your rubber chemicals so that is a market size of about 10 lakhs tones, right?

P. Srinivasan: May be around 10 lakhs MT you can say.

Srinath Sridhar: Okay and what will be the India market size out of that?

P. Srinivasan: India market size will be about 70000 – 75000 MT.

Srinath Sridhar: 70,000, so we cannot take 55,000 as our actual capacity right, because it is intermediates and final products?

P. Srinivasan: Yes.

Srinath Sridhar: Okay we would enjoy a market share of at least 50% in India?

P. Srinivasan: May be in the current situation yes, more than 50%, may be six months ago I was saying 45% thereabouts and it depends on product-to-product because you are looking at a global number when I am looking at a specific product-to-product this number also goes up very significantly, it changes a wide range. In some product it may be as low as 10% to 20% and in product it may be as high as 80% also.

Srinath Sridhar: Sir who are the biggest suppliers apart from us?

P. Srinivasan: In India or global?

Srinath Sridhar: India and global.

P. Srinivasan: In India, NOCIL is No.1 as far as domestic manufacturer is concerned. In India there is a manufacturer called LANXESS India and PMC Rubber who is relatively small as compared to NOCIL. There is a fourth company called Merchem but they are closed for almost two and half years.

Srinath Sridhar: Sir LANXESS is a global company as, well right?

P. Srinivasan: Yes, it is a global company.

Srinath Sridhar: Sir, in China, do China Sunshine, Sinorgchem and Kumho Petrochemicals might not be producing their highest capacities right now?

P. Srinivasan: That is a question mark. As it stands today, what the information is that they are not producing at 100%. They are operating at little lower percent. You must understand it could be about 50%-55% in some cases and in some other players it could be 90%++.

Srinath Sridhar: Okay. Given that the margins are like all time high what can we assume as a sustainable level?

P. Srinivasan: Given the current conditions and the current outlook, we do not see much of a challenge as far as the immediate six months or thereabouts thereafter we will have to see as how it unfolds out of China correction post environmental and basically what is happening there is that there are no new major capacity announcements or expansions announced by competition and given that information we believe we are in the right space to encash this opportunity. Let us review the situation in the coming financial year and we will revert for any major changes.

Srinath Sridhar: Thank you.

Moderator: Thank you. The next question is from the line of Pawan Kumar from Unified Capital. Please go ahead.

Pawan Kumar: Sir, I just wanted to understand the proportion of exports in this year sales and No.2 when we are saying 50% of our portfolio benefits the antidumping duty it should be the domestic portfolio right obviously?

P. Srinivasan: Yes.

Pawan Kumar: Then what should be the proportion of exports that we have today in the revenues?

P. Srinivasan: 27%.

Pawan Kumar: So effectively 35% is the proportion of revenues that is getting impacted by antidumping?

P. Srinivasan: Yes. It is actually around 50% of revenues.

Pawan Kumar: Fine. About the margins what is your commentary Sir? It has crossed 30% so the EBITDA margins what will be say what will be the sustainable kind of levels?

P. Srinivasan: I just answered to the previous question so please do not ask me to repeat it.

Pawan Kumar: I will come back.

Moderator: Thank you. The next question is from the line of Nishit Jalan from Kotak Securities. Please go ahead.

Nishit Jalan: My question is on the volume or revenue growth that we are expecting. If I you look you are incurring a capex of about 425 Crores and the 2X assets turns means 850 Crore topline on your base of about 1000 Crores so when do you expect your plants to fully utilize and basically what kind of growth are you basically expecting from the domestic market in the next two to three years?

P. Srinivasan: I think to answer it little differently, this capacity will be set up as Mr. Deo announced by September 2019 or thereabout and thereafter once we setup any chemical plant takes 3 years to stabilize and run at full capacity although it would be our endeavor to utilize the capacity much earlier depending on the market conditions, market forces as well as our optimization capabilities so a large part of this capex will be coming at Dahej. In our opinion some of the Dahej set up especially in the field of accelerators, we have already received enquiries we are in the discussions with the customers, we believe that the utilization will be much faster than 3 years given the current market conditions.

Nishit Jalan: So basically in 4 to 5 years' time you would be like a fully utilizing your plants from now on, which means about a double-digit kind of a volume CAGR?

P. Srinivasan: Just repeat your question please?

Nishit Jalan: Sir you said three years, so which means from now if I look at from plant commissioning and then 3 years' time so in 4 to 5 years you would look to utilize your plant the new capacity?

P. Srinivasan: That is a conservative outlook given the current market conditions.

Nishit Jalan: That means basically a healthy double-digit kind of a volume growth you are expecting?

P. Srinivasan: Yes.

Nishit Jalan: Sir will it be driven by market growth or you are expecting some further market share gains over here?

P. Srinivasan: We may be gaining some market share out of imports because in certain products where there are no domestic manufacturers, we are going to set up and we are hopeful that our domestic customers will source the same from us.

Nishit Jalan: Sir one final question, like you mentioned in the domestic market 50% of your products benefit from your antidumping duty do you have any data in terms of?

P. Srinivasan: 50% of turnover not product.

Nishit Jalan: Correct, sorry.

P. Srinivasan: We only benefit six out of 20 products.

Nishit Jalan: Sir any timeline as to when is the revision of antidumping duty due on those six products?

P. Srinivasan: July 2019.

Nishit Jalan: And there will not be in interim review till July 2019?

P. Srinivasan: No. Till July 2019 the duty is in force thereafter we will make an application depending on how the case comes out as per the antidumping rules and directorate, so we will take a call at that point of time. The principle point here is I think in a rollover of antidumping duty the first question, which is generally asked is a likelihood of an injury. We have announced in the past that in a market where 70% of their world capacity is manufactured in one country but their domestic consumption is only 33% or 35% it is automatically creating an export surplus, which is called as likelihood of an injury. So, under that ground we believe we have a good case. It remains to be seen on other parameters whether we fit into the issues with the antidumping directorate.

Nishit Jalan: Sir what kind of antidumping duties are on as a percentage of antidumping duties on those six products?

P. Srinivasan: I think if you look at the antidumping directorate site you will have a matrix consisting of 6 products and multiple exporters and destinations. Hence to fix a uniform percentage not feasible.

Nishit Jalan: Thanks a lot.

Moderator: Thank you. The next question is from the line of Alok Ranjan from L&T Mutual Fund. Please go ahead.

Alok Ranjan: Thank you Sir for taking my question. Sir I would like to understand more on the China side. Before this environmental compliance started to come prior to that the capacity that was there in China and now the capacity that they have, how much delta is there and when you say that now you are seeing some capacity expansion may be some might be coming so what is the percentage that we can see right now?

P. Srinivasan: Each of the competitors in their announcements have admitted that some of the operating unit's plants have closed for environmental reasons for 15 days, one month whatever it is, they have publicly announced and admitted to it. Now we cannot arrive at the actual gap at which they suffered but what one can gather is that there was some supply chain disruption from September '17 to December '17. Thereafter situation have started slightly improving but the surplus, which was there in the market place that has to a large extent gone. It is equilibrium.

Alok Ranjan: My second question is related to the raw material pricing so we are witnessed that the crude prices have started to soar uptrend so what is the sensitivity of a raw material the cost of goods compared to the one dollar increase in the crude oil price?

P. Srinivasan: See again, I think crude is one part. We have naphtha another intermediate in between and then next comes benzene and from there our inputs come in. We are procuring amines and solvents. It is difficult to arrive at a standard equation, because there is always a time lag depending on the regional imbalance, supplies demand situation. So far as a costing is concerned, I think what we do is we generally are covered for one quarter as a policy or you can see the inventory schedule whatever we have, generally it covers for one quarter production or one quarter sales volumes, so looking into that at least if there is sudden spurt in cost increase at least for one quarter we are not affected, what remains if you see the second quarter whether we are able to pass on or whether the competition is able to pass on. By and large what we have seen in the last three and half four years is we have been we are moving in tandem with how the competition is behaving, and we have seen the cost increases as well as cost decreases on both the occasions we are able to manage or maintain our EBITDA margins.

Alok Ranjan: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Rahul Veera from Elara Capital. Please go ahead.

Rahul Veera: Sir a small question I think currently the procure MOR is facing some resistant from the because of suppression from TBBS so what kind of revenues you generate from Procure MOR?

P. Srinivasan: It is about MOR and TBBS can be seen together but MOR as a product we do not have such a big issue to be worried about, it does not even form 6% of our revenues. We continue to supply MOR as per market demand.

Rahul Veera: Okay so are we moving on the TBBS side Sir?

P. Srinivasan: Yes.

Rahul Veera: Okay so our capacity expansion will include TBBS going forward?

P. Srinivasan: Yes.

Rahul Veera: Okay and in terms of Sir EBITDA margin that you mentioned earlier so for six months we have the visibility in terms of the competitive pressure and the input cost where do you see like three-year five-year EBITDA margins to be; however, we as a company would like to stabilize the margins irrespective of input cost or the competition?

P. Srinivasan: You need to move in tandem with the way market process function and I do not think so it is right on any company or any one's part to predict about future margins, though they have an internal target on some percentage but we would not like to commit here because there are so many external factors, which can alter the whole targets and like all of us cannot predict what is the oil price, in which direction it goes. Same way in a business to predict an EBITDA margin is very difficult, but given the outlook the way things are going in this year the coming 6 months or 9 months we do not see much of a challenge. We are reasonably confident that we can maintain this unless some sudden external factors in China or other competition can come in where it can cause complete disruption that is a different issue altogether.

Rahul Veera: Sir last question, whenever there is a new plant that has been commissioned there will be some margin erosion right Sir, for at least one and half year? I believe to maintain these kinds of margins at 27% to 30% seems a little bit of a challenge is it not Sir?

P. Srinivasan: I mean it is on the basic assumption premise that there are two issues one is a new technology it has some stability related problems that is a reason why we are not banking on first year capacity utilization. We are looking at a three-year horizon for utilizing 100%. Second a new establishment cost but fortunately we already have Dahej site at in place and it is a Brownfield sort of thing so, so far as the new site is concerned or new green site you can expect some additional establishment expenses, in this case it is not there. Challenge here is to optimize the plant at the earliest and to ensure that offload the market or the additional capacity of the market at the earliest.

Rahul Veera: Sure. Sir in this new capex is going to be within the top 6 products that we have, or it is going to be like from 7 to 14 products?

P. Srinivasan: It includes some of the 20 products. It may include some of the new products. I do not wish to reveal all the names now.

Rahul Veera: Sir you mentioned that between accelerators and antioxidants, your margin profile is largely similar is that correct?

P. Srinivasan: Yes.

Rahul Veera: So, Sir then how does product mix change the help us in getting additional EBTIDA margin?

P. Srinivasan: Accelerator as a group, antioxidants as a group and within that group there are about 10 products each. So, each product behaves depending on the production cycle, demand cycle, supply cycle as well as the specific raw material cycle. If there is a sudden spurt in one of the inputs, it has to leeway an improvement in margins automatically if the competition is also behaving or competitor is also increasing the prices in tandem with the way the cost increases are happening so if you recollect sometime back I had said 20% is the minimum raw material price increase some cases it has gone up to 50% so if that is a range then even the market grows, you can have such wide ranges. Within the group, I am not talking about overall group.

Rahul Veera: Fair point. Thank you so much Sir. I will come back in the queue Sir.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity Sir. Just you partially answered the question already the new capacity Sir with the product mix will be significantly different, you said, you are adding all 20 products?

P. Srinivasan: I am saying it includes some of the 20 products, I never said all 20. I will clarify some of the 20 products.

Agastya Dave: Okay but product mix will change dramatically Sir when the new capacities come in?

P. Srinivasan: No, not really it includes accelerator as well as antioxidants and some specialty as well.

Agastya Dave: Sir at current prices, assuming constant prices you expect similar ROEs? I mean, my question is more to do with asset price inflation will the capex result in slightly lower asset turnover in all the plants?

P. Srinivasan: No not that we can foresee right now. We still maintain 2:1.

Agastya Dave: Okay so overall the product economies remain the same when the entire thing is all done?

P. Srinivasan: Yes, 2:1 is we are quite confident of maintaining that.

Agastya Dave: Perfect Sir. Thank you very much. Good luck.

Moderator: Thank you. The next question is from the line of Nav Bharadwaj from Anand Rathi. Please go ahead.

Nav Bharadwaj: Good evening Sir. Congratulation on great set of numbers. While everything appears to be great only one number appears to be there that is the shareholding pattern shows the 1% decrease in the promoter shareholding any clarity as to why the promoter decreasing its shareholding?

P. Srinivasan: I think it has been announced in the disclosure to the stock exchange, Navin Fluorine International were holding about 2% and 1% they have sold in the market place and that disclosure have already come in the market.

Nav Bharadwaj: Thank you Sir.

Moderator: Thank you. The next question is from the line of Jigar Jani from Edelweiss. Please go ahead.

Jigar Jani: Thank you for taking my question. Just wanted to know as per our new capex plan how much of these products are the fixed products which we have anti-dumping I mean in terms of amount if that would be given that would be helpful.

P. Srinivasan: It is a mix of ADD and non-ADD products. Further, in respect of ADD products, it includes an incremental share in the export market.

Jigar Jani: There is some restatement of our fixed assets upwards so is that in line with Ind-AS?

P. Srinivasan: Yes. I think I will repeat the Ind-AS issue and especially there are two issues. One is about 140-odd Crores investments at fair value and another 180 Crores fixed assets at deemed cost, which is permitted as per Ind-AS as on April 1, 2016 and that is the reason why the asset has been restated.

Jigar Jani: Right. Sir just I think you answered this earlier, but our mix will remain like what it is right now in terms of the antioxidant, accelerators and the pre and post inhibitors after all three capex's right?

P. Srinivasan: So far the pre-vulcanize inhibitors we are not expanding now so to that extent in a percentage term it will go down. Rest everything is similar.

Jigar Jani: Thank you very much. Thanks.

Moderator: Thank you. The next question is from the line of Ankur Jain an individual investor. Please go ahead.

Ankur Jain: Thank you Sir for taking my question. This is with regards to the depreciation figure which has seen a slight increase, so you have answered in couple of questions earlier that the fixed assets there has been a restatement and the asset prices are inflated so I just wanted to know that going forward the depreciation figure of 11 Crores that we see this quarter, is it going to be the normal depreciation figure for the assets which we have right now?

P. Srinivasan: I think what we have to see in the 2017-2018 annual depreciation of 21 Crores or thereabout, you can expect some additional depreciation this year on account of the 170 Crores capitalization that will come in so overall the number at the end of the year may go to 25-27 thereabout depending on the month in which we capitalize.

Ankur Jain: But for the existing assets 21 to 22 Crores is the depreciation figures that will remain?

P. Srinivasan: You can take around 20.

Ankur Jain: Thanks a lot. That is, it.

Moderator: Thank you. The next question is from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

Anand Bhavnani: Congratulation for the wonderful set of numbers. Thank you for the opportunity. Sir when I looking at an overall antidumping duty benefits and the products that we have antidumping duty benefits for I saw that the rupee was around 50 to 53 when we got the antidumping duty benefit and it is around 67 now so it is likely that a lot of our margin, expansion happened because the rupee had depreciated so do you see that antidumping duties would be revised lower next year they come up for renewal because of the rupee depreciation?

P. Srinivasan: No. I do not think so that is the way. Generally what they do is they compare the CIF price at which he is exporting the competition is exporting and the fair, so called the fair reasonable CIF price what is supposed to be counted in their local market and say assume that the delta is ‘X’, ‘X’ dollars will be levied. Exchange rate is a conversion because that is impacting every trade transaction. It has got nothing to do what is the actual benefit because now when rupee has gone from 53 to 67 it cuts both ways even by domestic input pricing also goes up. You understood my point, so that raw material cost I am going to pay Rs.67 exchange rate the same benefit I will get in a finished goods price you cannot have a different exchange as yardstick and extend the dumping also depend on the dumping margin, injury margin as per the dumping rules.

Moderator: Thank you. The next question is from the line of Dhirel Shah from Asit C Mehta. Please go ahead.

Dhirel Shah: Good afternoon Sir. Congratulations for the good set of numbers. Sir my question is regarding, your value addition contribution to the overall revenue as now reached 54% so let us say within next two years how much do you feel it can contribute more?

P. Srinivasan: I think we have given you guidance for 6 to 9 months beyond that I think it is too premature for us to give guidance on that.

Dhirel Shah: Sir how are the margins in value addition as compared to plain vanilla business?

P. Srinivasan: Some margin improvement will obviously be there in a specialty chemical, but we do not wish to disclose that.

Dhirel Shah: Sir currently your capacity is around 55,000 metric tonne and how much incremental capacity you are adding in next two year?

P. Srinivasan: I think we have already announced that 2:1 asset turnover ratio. That is the implied answer to you.

Dhirel Shah: Thank you Sir. That is, it from my side.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Thanks for the call. Sir just one small clarification, you mentioned that the margins at the current level will sustain for next 6 to 9 months so are we talking about the quarter exit run rate of 30% or the full year run rate of 27%-28%?

P. Srinivasan: You are very specific. I think we must look at an average of Fy17-18 numbers and that is what we are looking at maintaining a trend.

Shashank Kanodia: Thank you Sir. That is all.

Moderator: Thank you. The next question is from the line of Sanjay Ladha from Perfect Research. Please go ahead.

Sanjay Ladha: Thank you for the opportunity Sir. My first question how are we better placed vis-à-vis our competitors and what is the addressable size of opportunity for us?

P. Srinivasan: I think two things, in terms of competition, I think most of the competition are announcing a similar result in terms of their performance, you can refer China Sunshine results, it speaks for itself the EBITDA margin range etc., here and there have been like NOCIL. So far the expansion is concerned, we have not seen any major announcement by our competition in terms of expansion plans. Accordingly, we have already announced because we have funds and we have the capability to execute and we believe there is an opportunity which we should encash so that is a reason we announced all this expansion in this period from March 2017 to January 2018.

Sanjay Ladha: The second question will be could you throw some light on your ambition over 5 to 10 years going forward or where do you see ourselves in the next 5 to 10 years?

P. Srinivasan: I think we have opportunities coming in the way and we would like to encash, but we do not want to commit in terms of numbers or sizes or turnovers etc., that we would like to keep it confidential at this point of time.

Sanjay Ladha: Sir I do not need the numbers but throw some lights on our strategy going forward?

P. Srinivasan: We are 4.5% or 5% global market share. We would like to increase it to double at least or more than that. We will see as and when the opportunity arises. Let us see how the market unfolds over the next three years thereafter we can take a call. As and when any announcements are there we are going to announce it in the public domain.

Sanjay Ladha: The last question from my side is could you throw more light on partnership initiative on new products being developed by you or with customers?

P. Srinivasan: We have some understanding with the customers, but these are all confidential matters we do not like to disclose it in the public domain.

Sanjay Ladha: Thank you so much Sir. I appreciate it.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question I now hand the conference over to the management for their closing comments.

P. Srinivasan: Dear all, we take this opportunity to thank everyone for joining the call. We hope that we have been able to address most of your queries. For any further information kindly get in touch with us or SGA Advisors, our investor relation advisors. Thank you once again. All the best to everyone.

Moderator: Thank you. Ladies and gentlemen with that we conclude today’s conference. Thank you for joining us. You may now disconnect your lines. Thank you.