

“Gujarat Fluorochemicals Limited Q4 FY 2019  
Earnings Conference Call”

**May 27, 2019**

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**MODERATOR:** **MR. ANKUR PERIWAL -- AXIS CAPITAL LIMITED**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Gujarat Fluorochemicals Limited Q4 FY 2019 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you and over to you, sir!

**Ankur Periwal:** Good Evening, everyone and welcome to Gujarat Fluorochemicals Limited Q4 FY 2019 earnings call. From the management, we have with us Mr. Vivek Jain -- Managing Director, Gujarat Fluorochemicals Limited; Mr. Deepak Asher -- Director & Group Head (Corporate Finance), Inox Group of Companies; and Mr. V. K. Soni -- Head (Projects and New Initiatives) at Gujarat Fluorochemicals Limited.

I will hand over to Mr. Deepak Asher first for his initial comments. And then we can open the floor for Q&A. Mr. Asher, please.

**Deepak Asher:** Yes, thank you very much, Ankur and very warm welcome to all participants on this call. Happy to inform you that the Board of Directors of Gujarat Fluorochemicals Limited have concluded their meeting this afternoon, which amongst other things was to approve the audited financial results for GFL standalone as well as consolidated for the Financial Year ended 2019, which is March 2019.

We have uploaded these financial results on the website of the Company as well as the website of both the BSE as well as the NSE. And along with the results, in order to help you better appreciate the financial numbers, we have also uploaded an earnings presentation as we normally do.

What I intend to do on this call is take you through some of the highlights of the earnings presentation. And then of course, we will open it up for Q&A.

At a very high level, the key highlights of each of the businesses is as follows:

In the chemical business, there has been a continued momentum, which has been led by higher volumes, price improvements, and a continued emphasis on higher value-added products for the Financial Year 2019 has compared to Financial Year 2018, which is Y-on-Y Revenues have been up 31%; EBITA up 37%; and PAT after adjusting for certain exceptional items, impairment losses and IT refunds which pertain to earlier years is also up by 37%.

In the Wind Turbine manufacturing business, the business is now gradually stabilizing after two years of a slowdown, due to the transition from the feed-in-tariff regime to an auction-based tariff regime.

Revenues in this business for the Financial Year 2019 as compared to the Financial Year 2018, were up to 200%; EBITDA was up to 293%; and PAT was up 79%. In addition, in this business, we are in the advanced stage of launching the next generation Multi Megawatt Wind Turbine.

The Wind Farming business does not warrant significant mention except for the fact that as you all know we have substantially existed from the existing capacities by selling off about 238 megawatts of the 269 megawatts that we had operational there then of course, developing some capacity there now to further create value. The intention being to set up their capacity, and once it is commissioned to flip that asset over to get the value.

In the Film Exhibition business, we are now present in 67 cities with 141 properties, 583 screens, and about 137,365 seats. Revenues in this business FY 2019 as compared to FY 2018 Y-on-Y were up 26%. EBITDA was up 50% and PAT after exceptional item adjustments was up about 86%. In this business, we witness improved performance due to good content performance and sustained focus on non-box office Revenues.

So, that is a brief snapshot of each of the businesses. I will now take you through the numbers.

And as far as taking you through numbers is concerned, we will first talk about the quarterly numbers which is Q4 FY 2019, as compared to Q4 of FY 2018 and then, the annual numbers which is the full Financial Year FY 2019 as compared to the full Financial Year FY 2018.

Revenues went up from Rs. 992 crores to Rs 1,369 crores for the quarter that is a growth of 38%. EBITDA went up from Rs. 169 crores to Rs. 282 crores, that is a growth of 67%, EBITDA margin improved from 17% to 21%.

PAT went up from Rs. 62 crores to Rs. 578 crores that is a growth of 829%. PAT margin improved from 6% to 42%. But this was the PAT has reported which means it also included certain one-off items. And after adjusting for those exceptional items, PAT improved from Rs. 18 crores in Q4 FY 2018 to Rs. 108 crores in Q4 2019, that is growth of 487%. The PAT margin improved from 2% to 8%. Those are the quarterly numbers.

For the full Financial Year, Revenues went up by 45% from Rs 3,921 crores to Rs. 5,698 crores. EBITDA improved from Rs. 757 crores to Rs. 1,296 crores. EBITDA margin improved from 19% to 23%. PAT improved from Rs. 240 crores to Rs. 1,349 crores, that is a growth of 462%. PAT margin improved from 6% to 24%. And after adjusting for exceptional items, PAT improves Rs. 199 crores to Rs. 530 crores that is a growth of 167%. PAT margin improved from 5% to 9%. So, that again is a snapshot of the numbers.

Now, if you look at the breakup of the Revenues across different businesses, as you know the consolidated results comprised of the Chemical business, the Wind Turbine manufacturing business and the Film Exhibition business primarily there are certain smaller companies as well which we will ignore for the purpose of this discussion.

The Chemical business Revenues went up by 14% for the quarter, which is Rs. 597 crores up to Rs. 682 crores. A Wind Turbine manufacturing business went down from Rs. 203 crores to Rs. 180 crores that is a dip of 12%. The Film Exhibition business improved from Rs. 324 crores to Rs. 479 crores, that is a growth of 48%.

As a result of which total Revenues for the quarter increase from Rs. 992 crores to Rs. 1,369 crores that is a growth of 38%.

For the full year:

- Chemical Revenues went up from Rs. 2084 crores to Rs. 2,731 crores, that is a growth of 31%.
- The Wind Turbine manufacturing business Revenues went up from Rs. 480 crores to Rs. 1,437 crores, that is a growth of 200%.
- The Film Exhibition business grew from Rs. 1,348 crores to Rs. 1,692 crores that is a growth of 26%.

As a result of which total Revenues went up, for the full year from Rs. 3921 crores to Rs. 5698 crores, that is a growth of 45%.

As far as EBITDA is concerned, Chemical business EBITDA went up for the quarter from Rs. 184 crores to Rs. 199 crores, that is a growth of 6%.

The Wind Turbine manufacturing business was at about minus Rs. 30 crores in Q4 FY 2018 remainder about minus Rs. 28 crores in Q4 2019. The Film Exhibition business EBITDA went up from Rs. 44 crores to Rs. 102 crores, that is a growth of 133%. As a result of which, overall EBITDA improved from Rs. 169 crores to Rs. 282 crores, that's a growth of 67% for the quarter.

For the full year the numbers were in the Chemical business Rs. 596 crores, going up to Rs. 816 crores, that is a growth of 37%. The Wind Turbine manufacturing business EBITDA was minus Rs. 81 crores last year, it converted into plus Rs. 157 crores this year. In the Film Exhibition business, the EBITDA increased from Rs. 210 crores to Rs. 315 crores, that is a growth of 50%.

As a result of which total EBITDA increased from Rs. 757 crores to Rs. 1,296 crores that is a growth of 71%.

The next slide is on PAT but I will take you to the slide after that, which is a PAT after adjusting for one off items. The PAT which is essentially the operational PAT from the Chemical business from Rs. 87 crores increased by 36% and went upto Rs. 118 crores. In the Wind Turbine manufacturing business it remained at minus Rs. 56 crores in Q4 FY 2018 minus Rs. 54 crores in Q4 FY 2019.

In the Film Exhibition business, the quarterly PAT improved from Rs. 14 crores to Rs. 49 crores, that is a growth of 244% as a result of which overall PAT, after adjusting for one off items increased from Rs. 18 crores to Rs. 108 crores.

For the full year the PAT for the Chemical business, which was Rs. 333 crores last year increased to Rs. 457 crores that is a growth of 37%.

In the Wind Turbine manufacturing business, the PAT which was minus Rs. 188 crores last year came down to minus Rs. 40 crores.

In the Film Exhibition business Rs. 73 crores increased Rs. 135 crores that is a growth of 86%. And hence, overall PAT improved from Rs. 199 crores to Rs. 530 crores.

So, that is a snapshot of the consolidated numbers.

And now we will drill down to the Chemical business which is depicted in the standalone results. Again, the same pattern first quarterly numbers and then the full annual numbers.

For the fourth quarter Revenues went up by 14% from Rs. 597 crores to Rs. 682 crores, EBITDA improved from Rs. 184 crores to Rs. 199 crores, that is an 8% increase. EBITDA margin which was 31% went down to 29%. The PAT after adjustment of one-off items increased from Rs. 87 crores to Rs. 118 crores that is a 36% growth. PAT margin improved from 15% to 17%.

Revenues for the full year increased by 31% from Rs. 2,084 crores to Rs. 2,731 crores. EBITDA increased from Rs. 596 crores to Rs. 816 crores, that is a growth of 37%. EBITDA margin improved from 29% to 30%. PAT after adjustment of one-off items increased from Rs. 333 crores to Rs. 457 crores that is a growth of 37%. PAT margin improved from 16% to 17%.

Now, standalone Revenues. As you all know comprise of five or six revenue streams. There is Caustic Soda, there is Chloromethane, there is Refrigerant Gases, there is PTFE, there is value-added product, and there are By-products as well.

So, if I were to give you the broad break up in revenue terms for the quarter Caustic Soda, which was Rs. 133 crores in Q4 FY 2018 came down Rs. 112 crores in Q4 FY 2019. Chloromethanes increased by 11% from Rs. 76 crores to Rs. 84 crores. Refrigerant Gases remained virtually flat Rs. 96 crores and Rs. 98 crores, that is a growth of about 2%. PTFE increased Rs. 189 crores to Rs. 269 crores, that is a growth of 42%. value-added products increased from Rs. 74 crores to Rs. 98 crores that is a growth of 34%. And the others, the By-products from Rs. 29 crores to Rs. 19 crores.

So, overall Revenues for the quarter improved from Rs. 597 crores to Rs. 682 crores that is a growth of 14%.

As you will see now PTFE and value-added product comprised of more than 50% of our total Revenues.

For the full year, Caustic Soda sales was virtually flat Rs. 460 crores financial FY 2018 Rs. 462 crores in FY 2019. Chloromethane sales increased by 33% from Rs. 265 crores to Rs. 351 crores. Refrigerant Gas sales increased by 15% from Rs. 313 crores to Rs. 362 crores. PTFE sales increased by 55% from Rs. 723 crores to Rs. 1,118 crores. Value-added products increased by 76% from Rs. 206 crores to Rs. 362 crores. The other By-products were virtually flat Rs. 89 crores and Rs. 75 crores, as a result of which the sum total of Revenues for the full year in the Chemical business increased from Rs. 2,084 crores Rs. 2,731 crores that is a growth of 31%. So, that is a broad breakup of the how the revenue piled up in the chemical business.

As far as VAP sales, the value-added product sales are concerned the breakups were: R410 Rs. 33 crores came down to Rs. 16 crores. FKM Rs. 11 crores went up to Rs. 16 crores. Fluoropolymers increased from Rs. 6 crores to Rs. 15 crores. AHCL increased from Rs. 9 crores to 11 crores and others from Rs. 14 crores to Rs. 39 crores. Hence, total VAP sales for the quarter increased from Rs. 74 crores to Rs. 98 crores. That is a growth of 34%.

For the full year, R410 was Rs 92 crores in FY 18 went upto Rs 108 Crores in FY 19 That's a growth of 18%. FKM increased from Rs. 27 crores to Rs. 70 crores that is a growth of 159%. Fluoropolymers increased from Rs. 13 crores to Rs. 62 crores, that is a growth of 361%. AHCL increased from Rs. 32 crores to Rs. 40 crores, that is a growth of 24% and others, increased from Rs. 42 crores to Rs. 82 crores, that is a growth of 97%. As a result of which, total VAP sales or value-added product sales increased from Rs. 206 crores to Rs. 362 crores, that is a growth of 76%.

I would not take you to the details of the wind turbine manufacturing business and the entertainment business we will move these are separate listed companies. We have then also given you on slide #19, a snapshot of the balance sheet as it stands as of 31<sup>st</sup> March, 19. Again, I would not drill into the details unless you have any specific questions we can take them up.

As far as the shareholding structure is concerned, our market cap as of end of last week was Rs. 11,311 crores at a price of Rs. 1,029 per share, they are about Rs. 10.99 crores share outstanding of a face value of Re. 1 each. The 52-week high-low range has been Rs 722 to Rs 1,117.

As far as the key investors are concerned, HDFC Small Cap Fund and HDFC Mid Cap Opportunities Fund both have increased their stake as Aditya Birla Sunlife Mid Cap Fund and Vanguard Emerging Securities. The rest are more or less constant what they were last quarter. As a result of which, the Promoter and Promoter group continue to own 68.33%. Domestic Institutional Investors who held 3.53% last quarter has gone up to 4.50%. FII's which held 4.21% last quarter has gone up to 4.71%. And therefore, Public and others have gone down from 23.93% to 22.46%.

So, that, Ladies and Gentlemen is an overall snapshot of our financial performance. I would like to open this up now for any questions that you might have.

**Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

**Ketan Gandhi:** Any update on the plant in the Ranjitnagar?

**Deepak Asher:** Could you specify exactly what you mean to ask?

**Ketan Gandhi:** I mean there was expansion in Ranjitnagar, right? So, status of that? Construction is completed and ramp up has started?

**Vivek Jain:** As we have informed earlier, three products are already commercialized, July to December another six products will be commercialized and by March 2020 an additional three production we will be commercialized. So, a total of about 12 products will be commercialized by March 2020.

**Ketan Gandhi:** And any ball park figure for total revenue from these new products, which can be achieved?

**Deepak Asher:** I do not think we have those numbers handy. And as you know, we are a bit hesitant in giving forward looking financial numbers. So, except for the fact we are extremely hopeful that these investments will have a very good return on capital employed. I do not think we will be able to share specific financial numbers with you.

**Ketan Gandhi:** Okay. And regarding PTFE capacity utilization for the coming year, what will be the final capacity and capacity utilization as well as the value-added product?

**Deepak Asher:** Yeah, just one second.

**V. K. Soni:** Yeah. V. K. Soni here, as we mentioned earlier the capacities 1750 metric tonnes per month including Micropowders. At the moment, we are running at 1350 tons per month. And for the calendar year 2019, we will go to 1450 tonnes per month and we expect by calendar year 2020 we will go to 1650 tonnes per month and this includes Micropowders.

**Ketan Gandhi:** Okay. And sir, what is the current, as of today price of the PTFE realization?

**Deepak Asher:** You know, this time we have not compiled the pricing details. So, we do not have them handy to be able to share.

**Moderator:** Thank you. The next question is from the line of Parthiv Shah from Tracom Stock Brokers. Please go ahead.

**Parthiv Shah:** Thank you for taking our question. Sir, in terms of the value-added products, I was keen to know, what is the status of approval for our product PVDF?

- V K Soni:** As you know, PVDF plant was started only recently and we had planned to come up with five grades. At the moment couple of grades have already been prepared and commercialized, the other grades are yet to be done and would be done in the balance part of this year.
- Parthiv Shah:** So, just to get a sense that the other grades that you are taking of and assuming that we get success in terms of the approval of almost all the grade of PVDF, how does it change the scope for our Company, in terms of what additional top line that can add and I have heard that is coming with very-very lucrative margins. So, if you can throw some light on that and what timeframe it will take for the other approvals?
- VK Soni:** No, actually, first of all, we have only one reactor, a limited capacity of PVDF. So, we will try to focus on the two grades we have made because those demands the maximum market share. And the prices are good, you are right. But it will take us some time to reach that maybe by middle of next year.
- Parthiv Shah:** Middle of next year, okay. And sir, also for all the other products in terms of the VAP that you talked about and even in the last conference call. So, by when we can assume, should we take another year, year and half for you after all the R&D work that you have put in so many years to get the approvals from these companies who could be your potential buyers. So, that you could also be competing likes of Daikin and other big players. So, I just want to get a sense that what share of value-added products can be considered over the next one year or two years in your revenue stream?
- Vivek Jain:** So, we expect that whatever capacities we have created by the third quarter of next calendar year we should be running those capacities at near about full capacity.
- Moderator:** Thank you. The next question is from the line of Viral Shah from Enam Holdings. Please go ahead.
- Viral Shah:** Thank you for the opportunity. So, firstly, would it be possible to share the tonnage data for PTFE for the quarter? And what would be the breakup between regular and value-added?
- Deepak Asher:** I think, the break up is broadly in the range of 50 - 50, maybe 53 - 47 but around that range. I can share the total value volumes for the year. So, its about 12,200 tons financial FY 2018 going up to about 14900 tons in FY 2019.
- Viral Shah:** Okay. So, sir my second question was on Chloromethane, we have seen some downtick there during this quarter. So, any particular reason for that?
- VK Soni:** See, in the early part of this year, in February, to be specific, we had a shutdown in CMS plant and that is a regular shutdown, to change the catalyst. And along with that, we also plan the shutdown of Caustic Soda plant to change the membranes, which are also required to be changed after a few years.

- Viral Shah:** Okay. And sir, on Caustic, just a question, how are the current prices? And how do you look at the sustainability of those prices?
- Vivek Jain:** The prices have marginally gone down and expect that for the next six months at least is reasonable hope, that the price level will continue. But beyond that, actually, it is difficult to say.
- Viral Shah:** Sure. And just one observation on the presentation, sir, Slide #13, where you have given the breakup of the value-added sales, so on the above part, you have said that the others part of the value-added is Rs. 39 crores for the quarter, whereas if you just look down the breakup is only having Rs. 19 crores. So, what would be the remaining Rs. 20 crores, sir?
- Deepak Asher:** Just to clarify, this is one of accounting housekeeping issue, that Rs. 39 crores is not to do with Rs. 19 crores down there. So, you know, the total Revenues are broken up into Caustic Soda, Chloromethane, Refrigerant Gases, PTFE, VAP, and others. VAP itself is broken up into one, two, three, four, five components so that others are the VAP. And the other revenue is something which is entirely different
- Viral Shah:** So, then what would be Rs. 39 crores largely comprised of what products would these be?
- Deepak Asher:** Just a moment, I will just see if I can give you, you know if I have that handy. Otherwise, I will get back to you with the number.
- Viral Shah:** Sure.
- Deepak Asher:** We will get back to you on that. If you want to finish question, I will get back to you on that.
- Viral Shah:** Sir, that is fine, if I do not get that but these would largely be PVDF and other products or this would be something else?
- Deepak Asher:** No, I am sorry, Viral. Let me just get back to you.
- Viral Shah:** And so just one last question from my side, what would be the standalone as well as the consolidated net debt at the end of the quarter?
- Deepak Asher:** The standalone net debt is virtually zero. I think there is a marginal positive. So, if you look at our net debt to equity ratio given on slide #17, is it? The balance sheet update given the net debt to equity is minus 0.08 which means it is actually cash positive net debt is less than zero. On a consolidated basis it is 0.20.
- Moderator:** Thank you. The next question is from the line of Chetan Thakkar from ASK Investment Managers. Please go ahead.
- Chetan Thakkar:** Sir, if we can just share the volume data for Caustic Chloromethane Refrigerant PTFE for this quarter...

- Deepak Asher:** As I mentioned, we do not have the volume and pricing data handy. So, we will unfortunately not be able to share it right now.
- Moderator:** Thank you. The next question is from the line of Chirag Dagli from HDFC Asset Management. Please go ahead.
- Chirag Dagli:** Thank you for opportunity. So, this Q4 run rate of others Rs. 39 crores other value-added products are this sustainable as we go into a FY 2020? Or is this something where we, you know, put out some launch quantities? What is going on here? If you can just
- Deepak Asher:** Let me just pull out the break up because I think it might not be fair to answer the question without having to break up in front of me. So, again, if I can just skip this and get back to you once we have that breakup.
- Chirag Dagli:** fair point, sir. And sir, it seems that the R410 sales on a quarterly basis is now stabilized at this run rate Rs. 15 crores Rs. 20 crores per quarter that is a fair assessment.
- Vivek Jain:** See, R410 is something which is unpredictable. Of course, it depends upon on weather conditions. And secondly, of course, what is happening in China. If the Chinese supplies are overabundant then pricing in R410 could be under pressure and going forward in our projections, we have assumed R410 will remain at a lower level than what had been there in the past one year.
- Chirag Dagli:** So, our plant it is still I mean, we are making money on this?
- Vivek Jain:** At this point of time yes, because you know, just now I think for the next three months - four months in any case, they will be because of the season you know, an exports are also fairly robust at this point of time, to the U. S. Middle East, and the domestic market is picking up now though of course, we still have to watch and see what kind of growth comes in there. There is a certain amount of uncertainty there basically because of excessive production from China.
- Chirag Dagli:** But we are gross margin positive on this product even at these lower prices.
- Vivek Jain:** Yes, of course, that is right.
- Chirag Dagli:** Okay, sir. And sir, on the you know, when you look at the full year margins, is there something that you want to call out which is, you know, unusual about these margins? or do you think these will sustain and as we keep growing in the value-added products, probably these margins will improve?
- Vivek Jain:** I would tend to agree with that. Those, of course, as we had earlier stated also that, you know, there could be some downward pressure movement of both Caustic and Chloromethanes going forward. But I think, for the next six months, prices are likely to sustain. And after that there could be some reduction in pricing. But you are right you know, during that time period, we

expect our value-added products to gain momentum. And any dip because of those prices going down, probably going to be more than made up with the momentum in the new Fluoropolymer as well as the Specialty Chemicals as they build up.

- Chirag Dagli:** And sir, what will be the CAPEX for FY 2020?
- Deepak Asher:** About Rs. 150 crores.
- Chirag Dagli:** This includes whatever balance we have not spent as yet on the approved part. Or is there anything incremental that we have.
- Deepak Asher:** No, it is exactly that what we yet need to spend on the projects that we are currently implementing.
- Chirag Dagli:** And sir, what would be the maintenance CAPEX? You know, once we have we have sort of done this full blown you know asset build out?
- Vivek Jain:** Maintenance expenditure is normally about 2% to 3%.
- Chirag Dagli:** And that is expensed out.
- Deepak Asher:** Yeah, that is expensed out. That is correct.
- Chirag Dagli:** Okay, and then the last bit, sir on the restructuring post all the steps that you have taken, would there be three different operating companies or would they still be four companies?
- Deepak Asher:** Okay. So, the way they structure is as you know Gujarat Fluorochemicals currently owns the Chemical business, it owns 57% stake in the Wind business, it owns 51% stake in the Entertainment business, and it owns 100% stake in the Wind Farming business. The Chemical business is what is going to be demerged into what we are calling GFL 2 to which will be a mirror image of GFL 1 in other words, all shareholders of GFL currently will get one fully paid up share of GFL 2 as well. So, the GFL 2 will then hold only the Chemical business, which is of course include the subsidiaries of the Chemical business, which is you know, the Moroccan Mine and Singapore and Germany and U. S. operations because they are all relating to the Chemical business. And the GFL 1 then will become only a holding company, which will own 57% stake in the Wind Turbine manufacturing business and 51% stake in the Entertainment business.
- Chirag Dagli:** Okay. And that is where the restructuring will end?
- Deepak Asher:** And that is where the restructuring will end as it is currently envisaged, you know, may be once this is done, we might consider and this is still open on whether we want to restructure the Wind business as well in order to demerge that as well from the current structure. The long-term goal would be to demerge the Wind business as well and then to collapse GFL 1 into the Entertainment business. So, we have all three entities separate and listed and no inter

linkages between all of them. But at this point of time, we are implementing only phase I, which is the demerging the Chemical business.

**Chirag Dagli:** And when do you envisage this Wind business being demerged?

**Deepak Asher:** Well that is again is something for the Board to decide as of now the board approvals that we have only for demerging the Chemical business. But I think, the intent was that once this is done, we need to go back to our Board and consider whether and when we need to demerge the Wind business .

**Moderator:** Thank you. The next question is from the line of Ankit Gaur from Systematix Shares. Please go ahead.

**Ankit Gaur:** My question with regards to more on gross margins, Y-o-Y Q-on-Q on both sides we have seen some drop in gross margin, which is an upward of 300 bps. What was it largely because which prices have actually kind of impacted this? Thank you.

**Deepak Asher:** Well, first of all, that is no 300-bps drop. I mean, the margins have remained at around 30%. I have been you know, assuming that 1% plus or minus is not significant enough. Because you know, there are price fluctuations in various products that we sell. So, it was 31 versus 29. For the full year, it has 29 verses 30. So, I think, we have been able to maintain around a 30% EBITDA margin consistently for the last two years.

**Ankit Gaur:** Right. I am talking about gross margin. So, gross margins was 68.2 in this quarter. I am just talking about standalone 68.2 vis-à-vis 71.7 in Q4 2018. So, that is precisely drop of...

**Deepak Asher:** Yes, but I think they were in the last quarter. First of all, as I mentioned that there was a shutdown in the last quarter as a result of which obviously, you know, sales volumes were lower than what they were earlier. There were certain shutdown related expenses. I think there were some one-off for example, we had a CSR expense of about Rs. 6 crores to Rs. 7 crores in the last quarter which is FY 2019...

**Ankit Gaur:** Sorry to interrupt you, I am talking about gross margin, which is RM cost, revenue minus RM cost.

**Deepak Asher:** Okay, I am sorry, I do not have that number in front of me, so I would not be able to respond to that.

**Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Harshad Securities. Please go ahead.

**Jayesh Gandhi:** So, what value of PTFE and value-added sales must be from export?

**Deepak Asher:** Just a sec. I think we are 25 - 75, domestic to exports.

- Jayesh Gandhi:** That is 25 exports and 75 is domestic.
- Deepak Asher:** 25 domestic, 75 exports.
- Jayesh Gandhi:** Okay. And so in that context, what would we have a market share globally in PTFE and value add then? I mean, if you can respond?
- Deepak Asher:** No, I do not think you know, it is too difficult to say what the market share in the host of value-added products would be?
- Jayesh Gandhi:** Mainly I was just trying to gauge opportunity size of PTFE and value-added that is why.
- Vivek Jain:** There is still scope for us to increase our value-added product in which we are in the next three quarter - four quarters, that is what our attempt is, because we realize, I think we have mentioned in the earlier calls also that we have developed almost the entire spectrum of value-added grades and of course, the qualification cycle, we just have to wait for the qualification cycle to be over and then the commercial ramp up to begin. So, there is good scope for our value-added products to grow in the next three to four quarter.
- Moderator:** Thank you. The next question is from the line of Parthiv Shah from Tracom Stock Brokers. Please go ahead.
- Parthiv Shah:** Sir, my question is regarding your raw material Fluoride Fluorspar prices. Sir, how they panned out and I saw a note that you mentioned that the Moroccan line has started. So, I understand as per the last concall, you mentioned that you do not plan to import that Moroccan Fluorspar rather you plan to sell it in the European market and try and hedge your material? So, I am just trying to get a sense how will that change the dynamics of your gross margin going ahead?
- Vivek Jain:** Cannot immediately say what is going to impact on the gross margin going ahead, but yes, Fluorspar prices have remained fairly firm internationally. The expectation is that that will continue at least for the next one year. Thirdly, given the fact that you know the quality of our Fluorspar has very little impurities, we are actually able to sell the Fluorspar at a higher price in Europe. And the intention is to continue to do that. The way we gain both because of the pricing difference as well as the freight difference. Maybe because of freight the Europe is less in the freight from Morocco to India.
- Parthiv Shah:** And sir for the Indian operations, you are importing the Fluorspar from China? You are sourcing it from the GMDC joint venture?
- Vivek Jain:** No, the GMDC joint venture is yet to go on stream. That is still on paper. It is not yet fortified. We are currently importing from other countries such as Thailand, Vietnam, China, and South Africa.
- Parthiv Shah:** Okay. Not from Mexican?

- Vivek Jain:** No.
- Parthiv Shah:** Okay. And sir, one more question I have not like regarding your company Inox Air Products, Linde and Prodair got merged. So, I am just wondering, what is your current market share in the industry gases why the Inox Air Products?
- Deepak Asher:** No, I do not think, we can respond to that. It is not a listed company. And you know, we do not have access to that information here.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Deepak Asher:** So, once again, on behalf of the Board of GFL, I would like to thank all the participants on this call for your interest in the company. And we will look forward to your continued interest in support as well. Thank you very much.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Axis Capital Limited, that concludes this conference.