



# ANUPAM RASAYAN INDIA LTD.

Date: January 30, 2023

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To, <b>BSE Limited</b> , Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400001, India <b>SCRIP CODE: 543275</b>	To, <b>Sr. General Manager</b> <b>National Stock Exchange of India Limited</b> 'Exchange Plaza', C-1, Block-G, Bandra Kurla Complex Bandra (East), Mumbai 400051, India <b>SYMBOL: ANURAS</b>
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Dear Sir/Madam,

**Subject: Submission of transcript of Earnings Call on the Unaudited Financial Results (Standalone and Consolidated) of Anupam Rasayan India Limited ("the Company") for the quarter and nine months ended December 31, 2022**

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the 'Earnings Call' conference on the Unaudited Financial Results (Standalone and Consolidated) for the quarter and nine months ended December 31, 2022 held by the Company on Friday, January 27, 2023, for your reference and record.

This information is also being hosted on the Company's website at [www.anupamrasayan.com](http://www.anupamrasayan.com).

We request you to kindly note the same and take into your records.

Thanking you,

Yours Faithfully,  
**For, Anupam Rasayan India Limited**

**Suchi Agarwal**  
**Company Secretary & Compliance Officer**  
**M.N.: A32822**

**Encl: As above**



**“Anupam Rasayan India Limited  
Q3 FY '23 Earnings Conference Call”**

**January 27, 2023**

**MANAGEMENT: DR. KIRAN PATEL – CHAIRMAN – ANUPAM RASAYAN  
INDIA LIMITED**

**MR. ANAND DESAI – MANAGING DIRECTOR – ANUPAM  
RASAYAN INDIA LIMITED**

**MR. AMIT KHURANA – CHIEF FINANCIAL OFFICER –  
ANUPAM RASAYAN INDIA LIMITED**

**MR. VISHAL THAKKAR – DEPUTY CHIEF FINANCIAL  
OFFICER – ANUPAM RASAYAN INDIA LIMITED**

**MODERATOR: MR. RAHUL THAKUR – ERNST & YOUNG**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Earnings Conference Call of Anupam Rasayan India 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Thakur. Thank you, and over to you, sir.

**Rahul Thakur:** Thank you, Rutuja. Hello, and good evening, everyone. I'm pleased to welcome you all to Anupam Rasayan's Earnings Call to discuss Q3 FY '23 results. Please note, a copy of all our disclosures are available on the Investors section of our website as well as on the stock exchanges. Anything said on this call, which reflects our outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

Today, from the management side, we have with us Dr. Kiran Patel, Chairman; Mr. Anand Desai, Managing Director; Mr. Amit Khurana, CFO; Mr. Vishal Thakkar, Deputy CFO.

Now I hand over the call to Dr. Kiran Patel for his opening remarks. Over to you, sir.

**Kiran Patel:** Thank you, and welcome, everyone, to the Q3 FY '23 Earnings Call. Wishing you all a happy, healthy and a prosperous new year. As we step into 2023, the macroeconomic environment remains fairly uncertain with clouds of recession threatening the global market. As I was mentioning, the economy is in turbulence and the elevated inflation, continued war in Ukraine, coupled with the high risk for leading economies entering into recession.

Despite the global challenges, I'm very pleased to report that Anupam's product portfolio is performing very well.

(Due to unstable line of Dr. Kiran Patel, Moderator handed over the call to Mr. Anand Desai, Managing Director of Anupam Rasayan Limited)

**Moderator:** I now request Mr. Anand Desai to please take over.

**Anand Desai:** Yes. Thank you, Dr. Patel. And sorry, and apologies to the audience for Dr. Patel's problems in his communication. Hello, and good evening, everyone. Welcome to our Q3 FY '23 earnings call. I would like to wish you a very Happy New Year, and I hope that the new calendar year brings with it better opportunities for all of us.

Before I discuss the business performance for the quarter, I would like to highlight that after the fire at our Unit-6 in Sachin, we have been able to get revocation of the closure orders and approval to restart the plant from the regulatory authorities.

Now coming to business updates. During the quarter, our growth was lower than usual, primarily due to shutdown of one of our plants. If you adjust for the same, then our growth would have been around 25% during the quarter. Since the plant has restarted, I'm confident that we'll

witness robust growth in our sales in Q4 FY '23. I'll let Amit bhai and Vishal bhai take you through the financials in detail in their opening remarks.

As we continue to grow and consolidate our position, expansion of our management bandwidth would be a key to this process. I'm delighted to inform you that we will continue to expand our business development team, and we have added 11 people with huge experience in the past of working in different MNC's across our key geographies and target companies.

We continue to build a strong business with our existing customers by gaining wallet share and with a new team in place, I'm confident that this will help our customers, both existing and new in a much better way and further expand the client base.

Our total products tally has now reached to 50 with commercialization of one more product under LOI during the quarter. Until now, we have commercialized a total of four core products under LOI's and contracts, and we will commercialize the remaining products in the coming quarters.

Now coming to the pipeline for the products. We have a strong pipeline of products to be commercialized during Q4. We are further planning to launch five products in Q4, and majority of them will be in the fluorination chemistry.

Before I conclude, I'd like to highlight that customer interactions have been very encouraging. We have specifically seen strong interest from various customers on the fluorination side. We continue to work with our customers and expect more conclusion of LOIs for new products and conversion of LOIs into contracts in these coming quarters, which would further increase our revenue visibility for the coming years.

And to conclude, we see strong growth in coming quarters and years on the back of a robust pipeline of products we launched, restart of Unit-6 during the quarter and expansion in capacity to cater to this demand.

With that, I would like to hand over the floor to our CFO. Over to you, Amit.

**Amit Khurana:**

Thank you, Anand. Good evening, everyone. As Anand sir has mentioned, our capex is going on as per plan. In last nine months, we have invested over INR 100 crores in various capex projects, including brownfield expansions, R&D facility and solar project. We expect this brownfield expansion projects to be completed as per the planned schedule. This would provide enough capacity for the growth in next three to four years.

On the working capital side, during the quarter, we generated cash flow from operations of around INR 57 crores, which is higher than the PAT for the quarter. We have been highlighting this that we will be in a good position to generate strong cash flow as we bring down our working capital requirements. Therefore, I remain confident that we will generate strong cash flow from operations in the coming financial year.

With this, I hand over the floor to our Deputy CFO, Vishal bhai, who will take you through the financials.

**Vishal Thakkar:**

Thank you, Amit bhai. Hello, and Happy New Year to everyone. Thank you for joining us here today. I would like to briefly touch upon key performance highlights for the quarter and nine months ended 31st December 2022 and then we'll open the floor for question and answers. Before I proceed, I hope you all have had the chance to go through the detailed presentation submitted to the exchanges and uploaded on our website. Kindly note, our numbers for the quarter and nine months are consolidated basis also include Tanfac numbers.

I will first start the standard financials for the quarter ended December 31, 2022. Despite unavailability of one of our plants, our operating revenues for Q3 FY '23 was at INR 2,862 million as compared to INR 2,662 million in Q3 FY '22, up 7.5%, driven by volume and price growth. EBITDA, including other revenue was at INR 850 million in Q3 FY '23 as compared to INR 803 million in Q3 FY '22. Growth of 6% y-o-y, this would translate into an EBITDA margins of 29% for the quarter. Profit after tax was at INR 386 million in Q3 FY '23 as compared to INR 379 million in Q3 FY '22.

On a consolidated basis, operating revenue for Q3 FY '23 was at INR 3,827 million, as compared to INR 2,662 million in Q3 FY '22, up 44% Y-o-Y. EBITDA, including other revenue was at INR 1,080 million in Q3 FY '23 as compared to INR 800 million in Q3 FY '22, growth of 35% Y-o-Y. This would translate into 28% EBITDA margin for this quarter. The lower EBITDA margins were because low EBITDA margin of Tanfac Industry compared to Anupam's margin. Profit after tax was at INR 544 million in Q3 FY '23 as compared to INR 379 million in Q3 FY '22, a growth of 44% Y-o-Y. Please note, consolidated numbers for Q3 FY '22 does not include Tanfac Industries number.

Moving on to segment-wise performance for the Q3 FY '23. Our Life Sciences segment contributed around INR 231 crores while other specialty chemicals contributed to INR 52 crores. In percentage terms, Life Sciences segment contributed 82% of the total revenue and the balance came from other specialty chemicals.

As far as revenue breakup is concerned in terms of geographies. In Q3 FY '23, the contribution from Europe was 30%; India, 38%; Japan, 15% Singapore 15% and the remaining 3% came from China. Exports for the quarter was around 62% and continues to be a major contributor to the revenue. Our top 10 customers contributed to 91% of the total revenue, and there are 24 products that we provide to them. As mentioned in our previous call, we plan to moderate the contribution going forward. And as we introduce more and more products, this concentration is going to expand and go further.

With that being said, we will open the floor for Q&A. Thank you.

**Moderator:**

The first question is from the line of S Ramesh from Nirmal Bang Securities Private Limited.

**S. Ramesh:**

So you may start with what Anand mentioned in terms of the new products, the emphasis on fluorination chemistry. If you can indicate to what extent it will help you in terms of the growth

in revenue over the next two years? And what will be the impact on EBITDA margins? That will be useful.

**Anand Desai:**

So Ramesh bhai, I would like to just add a brief note first and then on the specifics Vishal can take the question. On the brief note on the fluorination side, all these products as we've mentioned in the past we have been working on them for last three, four years. The customers have asked us about our supply chain as to how we will be building up supply chain, and they've asked us that they will go forward on to these products only once we were clear with the supply chain. Once the Tanfac was in hand the customers came back to us that yes we can start doing the business now. And so that is how all these products are finding place now.

We understand that there is a time lag to introducing these products, but we have been working on these products since last three, four years. It is only that the customers had asked us to start the business only once the Tanfac acquisition was in place, which is there now, and this is how the business has started.

I would now ask Vishal bhai to go ahead on the remaining part of the question. Vishal, over to you.

**Vishal Thakkar:**

Thank you, Anand bhai. So Mr. Ramesh, what we had mentioned earlier also and based on the consulting firms feedback as well that from pipeline that we have been building up and what Anand has mentioned, we are looking at a revenue of \$220 million to \$260 million over next 3 to 5 years. And we see that revenue starting to build up in next 1 to 2 years and growing further. As we had mentioned earlier also, today, 12% to 15% of our revenue comes from fluorination chemistry. And as we go, we'll keep on introducing these products, which will only contribute to these numbers.

Coming to the margin side. Typically, these are all high-value products, as Anand had also mentioned, and this should have a higher EBITDA margin. However, for the sake of caution, we would tend to guide that our EBITDA margin shall continue in the similar range that we have seen in the past. I hope that clarifies, Mr. Ramesh.

**S. Ramesh:**

So to get some more light on this, in fourth quarter we will see it adding materially to your revenue compared to say, the year-ago level. And if you look FY '24 and '25, if you can just indicate out of the \$220 million to \$250 million over 5 years, how much of that you expect in the next 1, 2 years? Will it be equally spread, will it take time? So that will be very useful in terms of making estimates from this business over the next two years?

**Vishal Thakkar:**

Sure. So Mr. Ramesh as we had also mentioned that and what Anand has also initially indicated as well, that this takes time A, to commercialize and, B, once it is commercialized, it will have its own growth curve to go to the potential. So that's how one should see it. So if you see in the early part, we will have a limited contribution. And as we go further, the contribution shall start increasing significantly. And that's what we can guide for now. At later stage we can get more specific in terms of numbers. But today, we will say that this is how one would want to see this.

**S. Ramesh:**

Clarify, the products Anand mentioned in fluorination which were commercialized.

- Vishal Thakkar:** Sorry, I missed your question.
- S. Ramesh:** Yes. So just to clarify, the number of products which Anand mentioned, you are going to start from fourth quarter. Are they just agreements with your customers? Or are they already commercialized? Because there's a lead time for commercialization, I was just wondering?
- Vishal Thakkar:** So as what Anand bhai said when we say commercialized, which means that we'll be selling them. The question is, it will take its time to come into the volumes that we really like to be. But the numbers will start coming in from these quarters as well.
- S. Ramesh:** We are commercial but the ramp up will take time. I understand. Can I squeeze in one more question? Now in terms of capex, what is your view for the full year, this year? And what is the plan for FY '24?
- Vishal Thakkar:** So on capex, next year, we are looking at around about INR 300 crores of capex that we would be deploying for the next year. And that's the number. And hereafter, we should be looking at around another INR 250-odd crores so that we are able to deploy full capex that we have planned and declared in the next 18 to 24 months.
- S. Ramesh:** So finally, can you give us some guidance on how you expect the Tanfac operations and investments for capex there? Because we're obviously going to have supply chain increases at Tanfac and also adding to our consolidated revenue. So is it possible if you can give us some thoughts on Tanfac please?
- Vishal Thakkar:** So Tanfac is a separately listed company. However, let me give you just a bit of a perspective from our side. Tanfac will have its own growth journey. They have done a good quarter this quarter, and we believe that they should be doing a good set of numbers over the next few years as well. They will deploy their own capital and new capex. From Anupam, we are providing them with technical expertise as well as marketing expertise and product knowledges to help them commercialize products faster and well.
- However, they will have their journey with their own balance sheet financing. And we would be using them for our supply chain, and that's where it would be for each of us.
- Moderator:** The next question is from the line of Ankur Periwal from Axis Capital.
- Ankur Periwal:** Just continuing with the new product launches. The initial comment suggested five more products largely for the fluorination business there. The ramp-up, while there will be a gradual improvement there, from our product approval stance, one, how many more products should one expect here apart from the five that we are planning in this quarter, in Q4? And second, what time frame should we consider in terms of visible delta in terms of our revenue growth?
- Vishal Thakkar:** Anand, would you want to take it? Or shall I take it?
- Anand Desai:** No, Vishal, you go ahead.

**Vishal Thakkar:** Okay. We have around 14 products that are under pipeline, and that's what we are looking at commercial launching it in next 12 to 18 months, of which what Anand has mentioned 3 to 5 we are looking at it in this quarter itself which is Q4. And we believe that we should be able to launch 6 to 8 molecules every year from there on.

**Ankur Periwal:** And from a product approval perspective, any time lines that you are looking at? Because it will be catering to different industries as well, right, agro and other industries?

**Vishal Thakkar:** Yes. So when we are saying commercializing Ankur, we have accounted for the approvals and the validation from the customers as well. And this timeline is inclusive of those permissions and valuations from the customer as well.

**Ankur Periwal:** And your revenue guidance of 25% plus, does that include the benefit of these products as well? Or these products are top up and the core business will do at 25%?

**Vishal Thakkar:** No. So for us, fluorination is also core business and Ankur as you rightly identified we are looking at it on Anupam basis -- Anupam standalone basis, we are looking at these numbers. Tanfac shall be over and above that, but Anupam standalone will be this guidance that we are saying.

**Ankur Periwal:** Sure. Fair enough. And just lastly, from a working capital perspective, will this business will be very different from the current business and your thoughts there from an improvement perspective?

**Vishal Thakkar:** On the working capital side, we would love to have a business which is more a stable business, which is where the business model we will try to keep it same. However, we believe that the working capital shall be more efficient than what it is today. And for our core business also, we will be looking at a downward trajectory as we have been seeing it and also for these products also, we will have a more favorable working capital cycle.

**Moderator:** The next question is from the line of Saurabh Kapadia from Sundaram Mutual Fund.

**Saurabh Kapadia:** Sir, in the presentation, you have mentioned, you signed two contracts with leading European companies in Q3. If you can provide some detail in terms of value and timing?

**Vishal Thakkar:** So thanks Saurabh for this. So Saurabh this is not a very large contract in terms of revenue if you were to look at it, there will be around INR 100 crores of revenue that we would look over next four to five years. However, what this was more important and why we have highlighted this in the presentation as well, is that these are the products where our customers really wanted it fast and they were wanting to move out of Europe, and this is a product, which is coming straight out of Europe to our portfolio, and we could do it in a very short time period.

And that's where we were and Europe+1 movement of strategy or whatever, we want to call it as, that has now started playing out. And our ability to respond with that agility to serve our client was something, which was a testament in this contract. And that's where we just wanted to share this with our stakeholders.



- Saurabh Kapadia:** So is it with one of our existing clients?
- Vishal Thakkar:** Yes. It is with one of our existing clients. Yes, you are right.
- Saurabh Kapadia:** So talking about the overall working capital, you mentioned, you shared trajectory. But in earlier call, you mentioned that inventory cycle, if you look at it will come down to FY '21 level. So should we expect by end of Q4 that should be the way ahead?
- Vishal Thakkar:** Yes. So fairly we have seen the trajectory well. We see that it should be in the range of 230, 240 kind of numbers in terms of days that we have been tracking. And one more indicator that I can share with you is that for the nine months, we have been able to generate our operating cash flow of INR 155 crores. And in this quarter itself we have done INR 57 crores of operating cash flow, which is significantly higher than the profit after tax as well. So this itself is also giving us a bit of a clear indication on where our working capital is moving.
- Saurabh Kapadia:** Okay. And sir, the last one on the gross margin and the other expense. So if I look at gross margin, have come off slightly compared to last quarter while if you look at other expense that have also reduced. So any specific reason for this?
- Vishal Thakkar:** So I think the way we see our business and the way we try and model our business is that -- as we mentioned as well that we tend to work with our customers at PBT levels or at EBITDA levels because that's where the thing is, because there are a few products where the cost of goods sold is less and overheads are higher, whereas in few products there are cost of goods sold is high and the overheads are low.
- However, at PBT or EBITDA level is where we would really discuss and negotiate with our customers. And that's the number that remains consistent. So that's where we would tend to be there. So I would look at it from that. And depending on the product portfolio, you would see that the number of gross margin and overheads would vary from a quarter-to-quarter.
- Saurabh Kapadia:** Was there any one-off cost due to fire?
- Vishal Thakkar:** No, because we are fully insured. So to that extent, there is no cost there.
- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking.
- Rohit Nagraj:** So first question is, during the nine months, what would be the revenue contribution from the LOI's that we signed during FY '22? So as I understand, we signed close to about 2,600 crores of LOI's with a four to five-year tenure. So what will be the contribution during nine months?
- Vishal Thakkar:** LOI's and contracts, these nine months to be around INR 75 crores to INR 80 crores in these nine months. And as we go we should be able to ramp it up to at least 200 plus next year. post that, so FY '25, we should be able to have a full value of the contracts, so which is basically INR 475-odd crores coming from these LOI's and contracts.
- Rohit Nagraj:** And excluding the LOI's and contracts, so for our legacy plant or legacy business, what is the kind of growth rate that we expect? I mean, these will be additional that will be coming in. Apart

from this, obviously, we'll be adding the fluorination products from Q4. So revenues from that also will be ramped up. So on the legacy business, what is the growth rate that we target based on the -- I think we have also done some debottlenecking based on those assumptions?

**Vishal Thakkar:** So the way to look at it is, these are all product portfolio in my business. So if I were to slice it into two and say my legacy business and new business because, every year, our growth will be driven by two or three different factors. One is my existing portfolio, giving me a volume and price escalation. Two is coming from the newer products that we introduced and also the newer chemistry that we introduced.

But if you look at it, that's where we would suggest our numbers would be historically in terms of total growth is where we should be looking at across all the three ones. If you try and slice it out, it may not be accretive because there are products which are last year and last quarter, and they will have their own ramp up so that will be really challenging. But if I were to give you a guidance as we have been giving, we should be able to do a 25%-plus growth rate over the next year and you can take those numbers for the future as well.

**Rohit Nagraj:** Yes, sir. That's helpful. I was just about come on that question in terms of guidance. Just one number which I've missed. FY '23 what would be the capex? I think you said FY '24 will be INR 300 crores and year after that is INR 250 crores, and we have done INR 100 crores during the nine months.

**Vishal Thakkar:** It will be around INR 170- 175 crores kind of a number in terms of capex.

**Rohit Nagraj:** Right. And just one clarification for the next couple of years for the capex, given that our CFO is increasing, do we need any additional debt to fund it?

**Vishal Thakkar:** No. We are fully funded. In fact, I will be generating more cash out of my business because if you look at it, I'm fairly funded on the day one. We will need no debt to grow, do the capex that we have budgeted for now.

**Moderator:** The next question is from the line of Vidit Shah from IIFL Securities.

**Vidit Shah:** My first question was on the working capital front. Just if you could give us a status update on the negotiations that were happening with customers to make billing semiannually? How have they gone? How many -- like what percentage of revenue-generating customers have agreed to this? And how many have pushed back on it?

**Vishal Thakkar:** So, I can say that around 60-odd percent or a little higher than that on contract or revenue, we've been able to move that. Others, we are working with them. And as you know, these are all large corporates with their own internal systems and processes and so many years of their dealings. It will have its own time, but we are moving ahead. And if you see the kind of the operating cash flow that you are seeing, this is also a reflection of one of this as well.

**Vidit Shah:** So 60% of revenue has been moved to six months billing and rest is being negotiated. Is that the way to look at it?

- Vishal Thakkar:** Yes, 60% of contracted revenue, yes, you're right?
- Vidit Shah:** And on the revenue front, we lost roughly INR 45 crores of revenue due to unavailability of capacities. I believe one unit has restarted; one is still pending. So when do you expect that unit to be back and running? And how much loss could we anticipate in 4Q?
- Vishal Thakkar:** So I believe that we should be able to start the other unit also soon. We do not see any significant loss of revenue coming because of the unavailability of these plants. Maybe if at all it will be INR 5 crores to INR 10 crores at max, maybe but I'm not wanting to guide on that number from now. Let's just wait for a little bit of time before we can guide on that. But we don't see significant ones. We are hopeful to get the permission soon.
- Vidit Shah:** And just one last question on the capex schedule. The fluorination capex of INR 420 crores. Any specific dates when parts of this would be commissioned. 18 to 24 months, I think you've said, but when and how much would be commissioned? If you could just delve all into detail into the schedule of commissioning of it?
- Vishal Thakkar:** So we are looking at starting one plant by March '24, but see, it's a little out, right? So we have a plan, but probably a quarter more, and we will be able to give you a better visibility as well. Today, the plan looks like in this timeframe. But please don't hold us with this date until at least one more quarter and then we can give more color on that. I hope that's fair and fine.
- Vidit Shah:** No, that's fine.
- Moderator:** The next question is from the line of Siddharth Gadekar from Equirus.
- Siddharth Gadekar:** So you just spoke about one opportunity from a European customer coming to us because of the energy crisis and other issues. So is it fair to assume that this order might be sticky in nature and it will not -- the customer will not restart the plant once energy prices normalizes in Europe? Or how should we look at that revenues?
- Vishal Thakkar:** Okay. if you really look at it, whenever -- two things. Let me make a statement that our understanding is that the energy prices -- new normals for the energy in Europe will be different than the old normals of the energy in the Europe. And that, I think -- that we believe that should play out. However, having said that, I would also say that typically, what we have seen historically and also is that once the product moves out of Europe to a country like India or China, it doesn't go back. Because these are not like somebody saying, I have a trouble for six months, please do work for me and then they take it back. These are more long term in nature, they are more strategic in nature and that flow happens.
- If you see this flow, it was not as if that products were not moving from Europe to China and India. However, what happens with these kind of events happening, there is a accentuation or the hastening of that process that happens. And the products move earlier in the life cycle than the later in the life cycle. And that's what we have been seeing, and that's what we were also trying to mention by that LOI that we mentioned. And that's the process.

That's a trend that we are trying to just say that there is some bit of a green shoots or validation of that trend that we will be anticipating. And that's what we are saying. So to answer your question, we believe that we have a reasonable comfort that the product that comes here doesn't go back because we will not take products which are for six months or 12 months. We would take products which are for three, five, seven years and lifetime.

**Siddharth Gadekar:** Sir, secondly, you also spoke about some more commercialization coming in the fourth quarter and the next year. Now are these some new opportunities? Or these are also something that is moving out from Europe? How should one look at these kind of opportunities?

**Vishal Thakkar:** So see, if you see, we always have a pipeline. And essentially, we have a product pipeline of 90 odd products that we have mentioned in our presentation as well. And these are the pipeline -- products, which get mature over a period of time. And as we had said in the historical conversations as well that 6 to 8 is the kind of a number that we see we will be able to commercialize. And these products are the result of the efforts of this product pipeline.

**Siddharth Gadekar:** No, I was just getting like if we are looking from Europe+1 opportunity, are we seeing any incremental traction because of that? Or these are the regular businesses which is coming in now incrementally?

**Vishal Thakkar:** No. So you're right. So that we are seeing in two different paths if you were to see. Europe+1, if you were saying then we will talk about that. One is that the new inquiries of newer products is coming in more and more, and our pipeline is getting more and more wider and more fuller in that sense. However, that takes 6, 9, 12, 18, 24 months to really get into a commercialization path, right?

Second thing, what happens is that what we were talking to them earlier, and what they were looking at in, let's say, doing a transfer in '24 or '25 has moved to '24 so the period has got a little pulled up is the one. And two is they have also come and improved the volume projection that they have given. So like in few contracts we are seeing that the committed volumes has gone up. So there are two level of a positive that we can see here.

**Moderator:** The next question is from the line of Ratish Varier from Sundaram Mutual Fund.

**Ratish Varier:** Yes. Just had one question with respect to working capital. There have been earlier a couple of questions, but just to get some clarity, even a couple of calls back, you had mentioned that -- if I'm not wrong, you had mentioned that because of various global supply chain issues, etcetera, we are holding on to higher inventory as per the customer requirement. And second, the earlier participant, one of the questions you had answered now that six months contracts were more upwards of 50%, more than 50%.

So I'm just trying to understand where do we see our working capital settling over the next two, three quarters or next year? And all this 60% of coming in six months, how should we look at it from the working capital perspective? Number one. And second, regarding the earlier question of this normalization of inventory, how much of that would have got normalized? And how much more do you expect? Just kind of give us some thoughts on those.

**Vishal Thakkar:** Sir, on the inventory side, if you look at it, the numbers, as we have mentioned, that these numbers are dropping, and it will continue, the number of days for the inventory will continue to drop. The number we've guided for the full year is around 230, 240 kind of a number. And as we enter the next year, we will see the trajectory continuing. And we should be looking at numbers going further down and around down -- to around 200 and below over a period of next three to six quarters -- three to five quarters.

**Ratish Varier:** So the six months when you are saying, how it is impacting our working capital?

**Vishal Thakkar:** See when we do our annual pricing then you need to stock up accordingly, right? Because you have a one fixed price and you don't typically get the one fixed priced from our suppliers. And even if they give you there for a month or two or three. So we need to hold inventory in that sense. But at the moment, you go to six months, that requirement of the inventory holding to hedge the price reduces to that extent. And that further translates into a lesser working capital intensity on -- in terms of inventory.

**Ratish Varier:** So because of the -- sorry, one clarification again on this. So because of these six months, how much would have our inventory days or working capital reduced? Because now, I think as you mentioned 60% is more towards six months, right? So compared to last year now, what would have been the benefit?

**Vishal Thakkar:** See, there are multiple factors playing out. One is your cost of inventory dropping down. Two is your -- the six-month pricing structure. And three is also the inventory is dropping because of the pure cost of inventory dropping as price of the reinventory dropping as well. So I'm not able to put one point, one finger and said this is the exact number because of this.

However, in total, as we said, we have been able to reduce it, what we mentioned in the last quarter as well, and we believe that the total number will come down to this level, what we have said. So apologies, if I am not able to give you an absolute number, but that will be a little difficult to answer that today.

**Moderator:** The next question is from the line of Pankaj from Affluent Assets.

**Pankaj:** Sir, in answer to one of the participants you mentioned that the total opportunity -- the order book for your fluorination business would be around \$200 million to \$220 million. I suppose this would be over a period of four, five years cumulative. So just wanted to understand, is this -- would this business be repeating again? Or it will be onetime business?

Second question is, we have a pipeline of 6 to 8 molecules launch every year, as you mentioned. Currently, we are having margins of around 28%, 30%. So how sustainable are these margins in wake of these launches?

And third question is given that the top 10 customers of us contribute around 90%, 91% of our revenues, what are we doing to rationalize this?

**Vishal Thakkar:** So first is when we mentioned that it is \$220 million to \$240 million, we are talking about that annual revenue that we are talking about. That is the first thing. And so we believe that, that number continues because if you see historically, the product that we sell today, we continue to sell it for a longer term and longer tenure. So that's the first answer to the question. Second, I missed your question. Can you please repeat the second question, please?

**Pankaj:** Well, the question was our top 10 customers contribute 91% of the revenues. What do we do to rationalize this, rather reduce this dependency?

**Vishal Thakkar:** So if you look at this trajectory has been there, if you see the earlier five to seven – seven, eight years back, our two customers used to contribute 80% to 90% of our revenue. Today, that is 10 customers. And in terms of products, if you look at it, there are 24 products servicing these clients to contribute to 80% to 90% of revenue.

And as we continue to introduce more and more products and also cater to more and more customers, as we have mentioned, as what Anand bhai also said in his opening statement, that number will continuously drop further.

But just to give you one context that if you look at from the agrochemical side, the top 5 agrochemical players would contribute 70% to 80% of the market. And to that extent, there is so much that you can diversify beyond a point in the industry, which is structured in this manner.

Okay. Having said this, we continue to expand our product customer base also. If you look at it today, we have 27 MNC customers with over 70 customers. Today, we have around 50 products. So as we expand the number of customers and number of products, that diversification shall continue to happen.

**Pankaj:** Sir, you mentioned that \$200 million, \$220 million of revenues from fluorination is annual number. So this asset would be maybe five years down the line. So do you mean to say five years down the line fluorination would be as big as what our business currently is?

And one other question is that since you are launching 6 to 8 molecules every year, how sustainable are our margins to the tune of 28%, 30%?

**Vishal Thakkar:** So first, yes. The answer to your first question on fluorination, yes, fluorination will be a sizable business for us. So that's something, which I agree with you. As we launch new and new products that continues. However, if you see historically also, we've been introducing multiple number of products, and we have been able to maintain the margins.

We believe that we will be able to hold this margin and the way we do our business where we have a lot of value addition, we do complex chemistry with multiple steps in terms of processes, which will let us have the margins that we have been asking to our customers. And that's that model where we do a transparent cost plus model where we expect this kind of a margin, and that's how we do our business. So we don't see that number changing anything significantly coming around.

- Moderator:** The next question is from the line of S Ramesh from Nirmal Bang Securities.
- S. Ramesh:** So one of the thoughts I had when you compare the second quarter with third quarter, your sales revenue has declined more than the decline in the cost of goods sold, including the change in inventory. So the sales has declined by INR 28-odd crores. The cost of goods sold has declined by INR 10 crores. So is there a lag in the kind of pricing you're taking? Or is it that some of the products are enjoying lower margins in this quarter? How do you explain this -- on a sequential basis, on a quarter-on-quarter basis?
- Vishal Thakkar:** Yes. Ramesh, it is more to do with product mix because what are the products which we've sold, as I was mentioning earlier also, that as the product mix changes there a few products which have a higher gross margin and lower overheads versus lower gross margin and higher overheads. So it's all to do with the product mix that is there. Nothing really has been changed in terms of ability to pass the prices, otherwise. And that's where if you look at from an EBITDA point of view, our EBITDA percentages will be similar to what we have in Q2 as well, right?
- S. Ramesh:** Okay. So let me just take this discussion further. In the context of this global slowdown, recession, and the commodity deflation, we are seeing prices across chemicals falling, should we assume that in your contracting business, you're not likely to see any inventory losses or the cost of high cost inventory hurting margins, say, maybe for one or two quarters?
- And if you are able to ramp up your volumes and higher margins, that should then translate into higher margins, is that the way to understand? Because in chemicals typically when you have one or two quarters of prices coming down, there is a high cost inventory which hurts your margins. So is that risk less because of your structure in terms of your reliance on the contracting business?
- Vishal Thakkar:** Yes, you are right. That's the case because my customers know what quantity I bought for them and at what price I bought for them. So that is pass-through and that does not lead to any impact or any inventory write-downs or write-ups for us.
- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking.
- Rohit Nagraj:** Just one question in terms of guidance. So in nine months, we have done top line growth of about 21%. And earlier, the last quarter, we were guiding close to about 30% plus. So what is the guidance for FY '23? And I think for FY '24, you had mentioned 25% plus guidance. So just wanted to have what would be the base for FY '23?
- Vishal Thakkar:** So FY '23, see I don't want to really guide an exact number because that would not be a very ideal way of saying that. But if you see that number of 21%, we should be able to go at least 300 to 400 bps more than this number for an annual basis.
- Rohit Nagraj:** All right. And just one more clarification. Again, on the sequential basis, there is an absolute interest cost has reduced by a couple of crores. So is it because of the working capital coming down? And would this be a run rate which we can take it forward?

**Vishal Thakkar:** So yes, you're right, that is an efficiency in the working capital that is reflected in the interest cost. And as we improve that, this should improve as well. But just mind you that we are also doing capital deployment and also growing, but right now, that number should look at in this range.

**Moderator:** The next question is from the line of Siddharth Gadekar from Equirus.

**Siddharth Gadekar:** Sir, one more question in terms of the demand. Are we witnessing any demand slowdown in our existing orders or any indications because we have got a lot of people talking about high inventory buildup across the channel. So any sense on that?

**Vishal Thakkar:** So as we had mentioned in last question as well, few questions back that right now we are not seeing any revising in the demand outlook from our customers. And as we said also, the business normally is such that we will have a long-term visibility of these volumes.

And secondly, if you really look at it, for us, at least, we have seen that the net effect from Europe situation has been beneficial for us. As I also mentioned that on a few of the contracts when we revised, we got a higher volume. So they have upped it and that's something that we are witnessing for now. So for now, I would not say that we have any down revisions or any cautionary indications that we have got from our customers.

**Siddharth Gadekar:** And have you received indicative volumes for FY '24 that is still pending?

**Vishal Thakkar:** As I said right that we have a visibility, the contracts have a business and the volume is practically there and it's about the price that we revise every six and 12 months as the case maybe.

**Siddharth Gadekar:** So in terms of volume, we don't see any major issues going ahead also, at least for the next three to four quarters. Would that be a fair assessment?

**Vishal Thakkar:** That's a fair assessment. That's a fair assessment.

**Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for today. We apologize to the participants who did not get the chance to ask questions due to time limit. I now hand the conference over to the management for closing comments.

**Vishal Thakkar:** Thank you, everyone, for your questions. We hope we have been able to answer most of your queries. If you missed out on any questions or queries, kindly reach out to us through our IR advisers, EY, and we'll be happy to get back to you on an off-line basis. Hope you have a good weekend. Look forward to your continued support in our growth journey. Thank you.

**Moderator:** Thank you. On behalf of Anupam Rasayan India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.