ANUPAM RASAYAN INDIA LTD.

Date: July 29, 2022

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

Subject: Submission of transcript of Earnings Call on the Unaudited Financial Results (Standalone and Consolidated) for the quarter ended June 30, 2022 of Anupam Rasayan India Limited (the "*Company*")

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the 'Earnings Call' held by the Company on Monday, July 25, 2022, for your reference and record.

This information will also be hosted on the Company's website at 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

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Company Secretary & Compliance Officer
M.N.: A32822

Encl: As above

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ANUPAM RASAYAN INDIA LTD.

"Anupam Rasayan India Limited Q1 FY23 Earnings Conference Call"

July 25, 2022

MANAGEMENT: DR. KIRAN PATEL – CHAIRMAN

MR. ANAND DESAI – MD

MR. AMIT KHURANA – CHIEF FINANCIAL OFFICER

MR. VISHAL THAKKAR – DEPUTY CFO

Moderator: Ladies and gentlemen, good day and welcome to Anupam Rasayan India Limited Q1 FY23 earnings conference call. As a reminder, all the participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note this conference is being recorded.

I now hand the conference over to Mr. Rahul Thakur from Ernst & Young. Thank you and over to you, Mr. Thakur.

Rahul Thakur: Hello and good evening everyone. I am pleased to welcome you all to Anupam Rasayan's earnings call to discuss Q1 FY23 Results. Please note a copy of all our disclosures are available on the investor 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's side, we have with us Dr. Kiran Patel – Chairman, Mr. Anand Desai – Managing Director, Mr. Amit Khurana – CFO and Mr. Vishal Thakkar – Deputy CFO.

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

Dr. Kiran C Patel: Welcome to everyone to the Q1 FY23 Earnings Call. As we entered the FY23, the geopolitical conflict in Europe that began on February 24 continued and the escalation and conclusion of the war was unknown. During this situation, the supply chain challenges, elevated commodity prices, and global recessionary risks were looming. Fortunately, as we exit the quarter, raw material prices have started a downward journey; however, we are still not out of the woods. Despite these external challenges and hyper-inflationary environment, it gives me immense pleasure to inform you that Anupam Rasayan continued its growth and business performance without any severe impact on its overall value chain. This was possible due to the management's proactive measures on the raw material side during FY22 coupled with with a robust value chain created over the years. During the quarter, we continued to grow at our historical run rate with stable margins and I will let Vishal discuss these details during his remarks. We continue our focus on being an environmentally sustainable manufacturer. We have Engaged DuPont Sustainability Services for creating the decarbonization road map. We are also proud signatory to the 10 principles of the UN Global Compact.

Last year, we had commissioned a 12.5-megawatt solar power plant and this significantly reduce our scope 2 emissions. We have planned further expansion of our solar plant capacity by 5.4 megawatts, which is expected to operationalize in September of this year, thus further reducing our scope 2 emissions as well as our energy cost. Further, we have voluntarily procured barren land of about 20,000 square meter in Jhagadia GIDC for tree plantation. Our target is to plant over 1500 trees at this location. As responsible corporate citizens that cares for its community, we will continue to augment our green journey in the coming years.

I am happy to inform you that integration of Tanfac with Anupam is progressing as per plan and I will let Anand discuss these details with you.

Our investment in R&D is to strengthen our product pipeline, improve our processes, and develop existing & new products using green chemistries. In order to fortify this, we are continuously hiring more talent in R&D team. During the quarter, we added 8 more professionals taking the total strength of our R&D team to 85. As we go forward, our growth drivers will be strategic acquisitions, R&D, infrastructure development, quality product development, and we will be a reputable source of raw materials for our partners. I will conclude my remarks by stating that our investment through the years, particularly in the infrastructure, technology, human capital, green initiatives, and commitment to our customers supported by a strong balance sheet and experienced management team will keep us ahead of the curve.

I would now hand over the floor to Mr. Anand Desai, our Managing Director to take over the proceedings and address you all.

Anand S Desai: Hello and good afternoon everyone. Welcome to our Q1 FY23 earnings call. I am happy to update you on the business performance for this quarter. As Dr. Patel mentioned in his opening remarks, we have delivered a robust growth in Q1 FY23 against a backdrop of an uncertain global environment. Our operating revenue grew by 31% on a YoY basis. Our focus on customer satisfaction by ensuring a consistent supply and operational finesse has helped us keep our gross margins and the EBITDA margins steady. We believe 26% to 28% is a sustainable range for the EBITDA margins in the coming quarter. It is very important for us to highlight our strategy which has helped us to keep our margins steady and customers happy. One of the important levers of sticky clientele is supply continuity along with product innovation, process improvement, and cost leadership. To ensure supply continuity, we source and store our raw materials as well as finished goods in adequate quantities. This has helped us enormously during the last year especially with increasing supply chain concerns across the globe. We were able to ensure steady supply to our customers well in time because of this strategy.

As you are aware that our contract is structured on a cost-plus basis. Now, when I say cost plus, all costs including raw materials, freight, energy, commodities, inventory holding cost, and other overheads are on a passthrough basis. I hope this presents a clear picture of our contracts and how our inventory holding strategy has helped us to sustain our margins in such challenging times. We have delivered consistent supplies during volatile environment which ensured consistent production plan for customers, and this has led to our customers revising their volume guidance upwards despite increase in prices of products. With this, we are now very confident of delivering a strong growth in the current financial year on our existing product portfolio.

Our strategic foray into fluorination chemistry continues as per our plan. We have identified 14 products under fluorination chemistry and we plan to launch 6 to 7 products this year. We will launch them using our existing capacity. As you all know, we have acquired Tanfac with an aim of securing the supply chain that could integrate our existing as well as new products in the fluorination lineup. The Tanfac integration is progressing smooth with the successful integration of key areas like finance, IT, and HR. We have already started working with the Tanfac team closely on the operational front. I am happy to share that we have successfully expanded the capacity of certain Tanfac products with process improvement and debottlenecking. During the quarter, we have added a leading Japanese MNC as a customer. I want to highlight here that in 2018, we had just 1% revenue from Japan and we all know how tough Japan market is to crack. I am glad to inform you that as of Q1 FY23, this market contributes 13% to our revenues. We will continue to increase our presence in Japan particularly as well as other geographies by onboarding new clients and increasing the wallet share of existing clients. We continue to make investments in the infrastructure. During the quarter, we strengthened our human capital across the verticals such as R&D, process optimization, flow chemistry, operations, business development, project management, sustainability, and safety.

Anupam has been able to attract senior talent in the industry. One of the examples of this is that we have onboarded senior technical professionals in R&D, especially in fluorination chemistry. On the business development side as well, we have been strengthening our international presence by adding senior resources in Europe, Japan, and USA. We are also in advanced discussions with a couple of clients where the products are under validation and we believe that the contracts should get signed in the coming quarters.

Overall, I believe we have an exciting year ahead of us and we at Anupam are all geared up to deliver strong sustainable growth in FY23. With this, I hand over to Amit bhai.

Amit Khurana: Good afternoon everyone. My pleasure to give you the business outlook. As Dr. Patel mentioned, we have commissioned a 12.5-megawatt solar power plant last year and are progressing to commission another 5.4 megawatt by Q2. Currently, we are saving over Rs. 10cr per annum from 12.5-megawatt solar power plant. This new investment combined with 12.5-megawatt plant would have total savings of Rs. 14 crores per annum from FY24 onwards.

Coming to CAPEX for the year, this year our estimated CAPEX plan stands at around INR 250 crores. The majority of this will be to cater the demand from LOIs worth INR 2,620 crores that we have signed during the year FY22. Please note that we will do this at the Jhagadia facility as a Brownfield expansion. Given that most other common infrastructure such as effluent treatment plant, etc., is already there, the CAPEX will mostly be related to machinery and civil setup. Therefore, we expect higher asset turnover and incremental ROCE. It is important to note here that we have close to Rs. 200 crores of cash on the books which would be sufficient for the CAPEX that is planned for the year.

During the Q4 FY22, there was a worldwide supply disruption, inspite of high prices, select raw material was still not available. Therefore, our MNC customers specifically asked us to be their partner in those tough times to sail through and help them to continue production run. This led to higher working capital which was a strategic call. This extension of support for our customers is helping us now in increasing the wallet share and showcases the strategic partnership of our relations. Further, pricing mechanism clause in the contracts has been revised to 6 months for significant part of the contractual revenue and further we have high focus on optimization. The cautionary inventory which customers requested us to hold is expected to reduce significantly going forward.

Now, I request Vishal bhai to take you over the Q1 financial highlights.

Vishal Thakkar: Hello everyone and thank you for joining us here today. I would like to briefly touch upon the key performance highlights of the quarter ended 30th June 2022 and then we will open the floor for the question & answers.

Before I proceed, I would urge all of you to go through the detailed presentation submitted to the exchanges and uploaded on our website. The financial highlights for the quarter ended June 30, 2022, are as follows.

Operation revenue for the Q1 FY23 was at Rs. 3,066 million as compared to Rs. 2,337 million in Q1 FY22 driven by prices as well as volume growth. Total revenues were at Rs. 2,971 million in Q1 FY23 as compared to Rs. 2,380 million in Q1 FY22, growth of over 25% YoY. The growth in the revenue was impacted due to the negative Other Income. We have certain liabilities in terms of borrowings which are in USD terms and due to the sharp depreciation of INR against USD and we have revalued them leading to the higher Other Expenses. This is a non-cash item as it is purely a valuation of liability exercise. EBITDA including other revenues was at Rs. 845 million in Q1 FY23 as compared to Rs. 650 million in Q1 FY22, a growth of 30% YoY. This would translate into 28% EBITDA margin in this quarter which is an expansion of 112 basis points over the same quarter last year. Profit after tax was at Rs. 397 million in Q1 FY23 as compared to Rs. 321 million in Q1 FY22, a growth of 24% on a YoY basis.

Now, moving on to segment-wise performance for Q1 FY23, our Life Science segment contributed around Rs. 290 crores compared to Rs. 205 crores in Q1 FY22 while Other Specialty Chemicals contributed around Rs. 14 crores compared to Rs. 29 crores during Q1 FY22. In percentage terms, the Life Science segment contributed 95% of the total revenue and the balance came from the Specialty Chemicals.

As far as revenue breakup is concerned in terms of geographies, in Q1 FY23, the contribution from India was 38%, Europe 30%, Japan 13%, Singapore 15%, and the remaining 4% came from China. Export market continues to lead our geographical growth and this trend is expected to continue during the year. Our top 10 customers contributed around 93% of the total revenue and there are a total 24 products that we provide to them. This was mainly due to higher demand from the top clients for the Life Science segment. We believe this will moderate to 80% to 85% level over the course of the year as we introduce new products along with rising demand of our products.

With this being said, let us open the floor for Q&A.

Moderator: The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: My first question on the overall demand outlook globally given the slowdown that we are seeing across Europe or US while in your numbers, there is still a continued growth both in Europe, Singapore as well as Japan as you highlighted. Any updates on your talks with the customers in terms of incremental business order? How should one look at that space?

Vishal Thakkar: If you look at what even Anand bhai in his opening remarks mentioned that because of the last year's performance and support that we have seen, our customers have been revising the volume demand that they have been offering to us and what it means to us is that the demand is robust. We are looking at a high growth from our existing molecules as well as from the new molecule that we are planning to commercialize. This is definitely reassuring to us. As we mentioned in our presentation and also in our media interactions in the morning, we have taken up a 3-pronged growth strategy here, where we are expanding our current product portfolio to increase the volumes and revenue, we are working with a lot of innovators where they are yet to launch a new product which is under patent and we are working to develop intermediate as well as active ingredients for them. That's something very strongly reassuring and we feel very proud of that. On the other side, we are looking at commercializing all our LOIs and contracts that we have signed last year which will further give us growth over the next few years. As we had mentioned in the last call as well that fluorination is also playing a strong growth for us and we had mentioned last time as well that our hypothesis of the demand that we can cater to in fluorination was validated by a very large global consulting firm and they have also come back and said that we would be able to target anything between $220-260 million of revenue in the medium term, all from pharma, agrochem, and polymers. So, Ankur, we are very satisfied and excited to look at this growth journey and continue this growth trajectory that we have had.

Ankur Periwal: Just a clarification here. Earlier, we had been highlighting a 25% to 26% plus revenue CAGR from let us say 3- to 4-year growth perspective. With Tanfac coming in and the revenue potential which you highlighted, $220 odd million worth of revenue, will there be an upward bias to that number or in other words, the core business will continue to grow at maybe 20% to 25% CAGR and Tanfac-led opportunity will be a top-up to it?

Vishal Thakkar: Yes, Ankur. There are 2 things I can say. One is the natural buoyancy that we are seeing in our old molecules and over and above the pharma and the new molecules are also driving it. So, yes, there is a strong upward bias on the growth trajectory that we can see here. I would tend to concur with you on that observation.

Ankur Periwal: Lastly, on the pricing side. We did mention that the 6 months' contracts with most of the customers are in place, and Anand bhai did highlight that this is not only RM inflation but the overall cost inflation which is getting passed through. Until now, the commodity prices were in an upward trajectory and hence the higher inventory helped us out. Theoretically speaking, if there is a sharp correction or let us say a decent correction in the RM prices there, will that be taken care of in terms of our contracts with the customers or there could be a one-time inventory hit? How should one look at it?

Vishal Thakkar: Ankur, I think in the past also we have mentioned, and I want to really share this with you that the way we run our business is where there is a strong contractual relationship with our customers and our customers know what kind of inventory and at what level we have held them, and they are completely aware of it. All the price revisions that we see are in line with that assumption. If you look at it from an inventory side, we do not have a price risk as well as we do not have volume risk. We know that they are going to offtake in this timeframe and we are comfortable and the customers have clearly communicated to us that we would be acknowledging the cost at which we have acquired. So, there is no price or volume risk on this. When I am holding this inventory, my customer is also paying for that inventory holding cost as well. As Anand bhai was mentioning in the carrying cost or the price that we discuss with the customer, the carrying cost of inventory is also part of that calculation. So, to that extent, Ankur, we do not feel any reason for us to have that inventory correction that we see. Yes, the only thing that the inventory cost can do or the RM prices can do is higher inventory holding or a lesser inventory holding in terms of value. That may happen but beyond that, we do not see that happening.

Moderator: The next question is from the line of Vidit from IIFL Securities. Please go ahead.

Vidit Shah: Just a few clarifications on the current capacity utilizations and growth factors. What would be the capacity utilization of the existing plants in the first quarter?

Vishal Thakkar: Our current capacity utilization would be in the range of 80% to 85%. However, I will have to just highlight a couple of things. 1) The business that we are in, what we tend to do is also to see there is enough room for our growth. 2) We are planning to invest in our capacity expansion as we had mentioned. 3) There is a strong room for us to do value engineering, which again gives us a potential to grow from the same capacity.

So, fairly, we are looking at a comfortable situation in terms of manufacturing capacity. Yes, we need to expand and which we are undertaking now for our future growth after a year or two.

Vidit Shah: Currently, your CAPEX is Rs. 250 crores that you mentioned for the LOIs worth Rs. 2,600 crores. In terms of those LOIs, what are the LOIs that have already started contributing to the revenue and how much of LOIs revenue can we expect going forward to value engineering and after the CAPEX is made?

Vishal Thakkar: Two things. If you see, there were 6 molecules that were there of which two we had anyways supplied in the last financial year as well, two we will be commercializing this year, and two more we will commercialize in the next year. Also, when we say we need the capacity, this capacity is required for the full volume ramp-up. Initial part of it can be serviced from my current use of the capacity as well and hence when we are saying that around Rs. 450 to 500 crores of revenue that we are expecting on an annual basis from these contracts, should be ramping up in another 2 to 3 years' time.

Vidit Shah: Would you say the same for the 6-7 fluorination molecules as well? That would also take around the same amount of time to ramp up to the $220-260 million that you mentioned?

Vishal Thakkar: What we mentioned about the fluorination molecules, let me just delve a bit on that. We have identified around 14 new molecules which we are looking at commercializing in the next 2 to 3 years' time period, and this on a potential basis as we had mentioned that we are looking at $220-260 million of revenue on an annual basis when they are fully ramped up. That's the kind of number we are looking at for now, but yes, it will take time in terms of launching and also ramping up. This year, we are looking at commercializing five of them and they will have their own trajectory as we go forward. And when we are suggesting that we will continue the growth journey and growth momentum, we are including this also in our plan.

Vidit Shah: Roughly, would you be able to share what the 5 molecules' potential could be at full ramp-up?

Vishal Thakkar: I would put it as a basket rather than try and identify 5 and say so. But if you see our presentation also, we have said that 14 molecules are what we are commercializing with $220-260 million. So, the five will be in the similar proportion.

Vidit Shah: Just last question on your tax rate. For the last couple of quarters, we have seen a tax rate of around 33% to 34%. The tax rate was roughly 26% to 28% earlier. What has led to this rise in tax rate and what can we assume for FY23 and beyond?

Vishal Thakkar: FY24 onwards, we should be looking at roundabout 25% to 30% which will be depending upon our MAT and other credits that we will take up and that will be the case here. We would want to keep it at that level.

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

Rohan Gupta: Sir, a couple of questions. First is, in your presentation, you have mentioned that almost 7 molecules in FY23 will be in the list of within $10+ million which was close to 4 molecules which were in FY22. If you can just share all these 7 molecules which you have, where you have a growth visibility or the size visibility of $10+ million, they include four of the last year or they are the new molecules which you are expecting? How do you get this kind of visibility that for the year they will be $10+ million? Are they from the same set of customers or they are coming from a new set of customers?

Vishal Thakkar: First, a clarification answer. The 7 molecules include the four as well. Additionally, there are three. That's the way to see it. Basically 4 + 3, total 7 will be there. Yes, these are all molecules from my existing product portfolio itself which is growing and in terms of our confidence that we can see this is basically as you know, every year we have a discussion with our customers on their volume. Based on their volume projections, we are able to say that this is the number that we can see because these are the volume forecast and the price forecast that they have mentioned to us.

Rohan Gupta: Just on a ballpark number, if I assume that each product is $10+ million, then almost close to Rs. 700-800 crores plus revenue should be contributed by these 7 products itself even if I just take that 10 million also as a base case, almost at Rs. 80 crores minimum. So, at least Rs. 600 crores kind of revenue should be coming from these molecules itself. That is the kind of visibility you will have. I am sure that the growth and overall revenue also will be driven by many more such products. So, just wanted to understand that when we are talking about the growth trajectory of the company and the guidance of 25% if you are looking at, does this consider all these kind of developments or this is over and above that all those developments which you are factoring in the numbers when you are guiding?

Vishal Thakkar: When we are guiding, I think the guidance also there is a strong upward bias in terms of our growth numbers. So, what we have done in the last couple of years is the kind of a growth rate that we will be seeing here. When we are suggesting this kind of a growth rate, we are taking into account various factors as we mentioned in terms of what our clients and customers have provided in terms of offtake guidance, in terms of our conversations and our commitments that we have seen from our customers in terms of commercializing the new molecules as well, and that's where we come from when we are guiding these numbers. In that sense, we are having a far more comfort and visibility in terms of our revenue. I will want to just share it again for my benefit that the kind of business that we are in, it's a more contractual-driven business where we have a long-term relationship and long-term demand that we work with our customers, which gives the management in the organization to have a longer term view in our business development activities. We have a strong visibility in terms of revenues – not only visibility, but visibility and stability both put together which really helps us in focusing on developing newer businesses and not worry about repeating the same business because when I start my year, I don't start with a zero revenue. I practically start with 80% to 90% or 100% of my revenue of the last year. Also, my customers are giving me a visibility for the year and that includes a part of the growth as well. So, I am really worrying about only my growth which we have wanted from 2 or 3 years going forward. That's where we really see ourselves in this business. I hope I have answered your question.

Rohan Gupta: Just one more clarification. You mentioned that roughly 93% of the revenues last year came from almost top 10 customers. Just wanted to understand a little bit more in terms of the customer concentration. Would it be possible for you to share top 3 customers? Are we completely dependent on 2 to 3 players for our large part of the revenues? Would it be possible to share revenue from top 3 customers?

Vishal Thakkar: Let me try and see how much I can expand on this. If you see my top 10 customers as we said this is the number, but you have to also look at that 24 molecules are there in it. So, it is not only 1 customer and 1 product. We do 1 product 1 customer, yes, but 1 customer many products. That's one thing. Second is, 93 is more a statistical number in this case because it is only a quarter number. In a quarter, what happens is that if there are delivery schedules which have been preponed or postponed by our customers, that happens. But if you look at from an annual basis, we would be seeing a number around 80% to 85% which we have seen in the history also and I can only confirm that prime concentration of top 3 is also not significantly high. It will be in the proportionate range that we have seen.

Rohan Gupta: Sir, you mentioned that in fluorination, you have the agency which you have hired has given you some $250-260 million kind of addressable opportunities in the product portfolio and basket which you can ramp up. In this $250-260 million opportunity, you have mentioned that close to 14 products you have identified in fluorination chemistry and 7 to 8 you will be launching in this year – these 14 products, this $250-260 million revenue opportunity is for those products or it is the total universe which they have given you and then you will be part of this? And what kind of revenue potential from these 14 products in the fluorination chemistry which you are planning to launch can be?

Vishal Thakkar: I will narrate how we went about estimating this business and also then how we are seeing it. If you see, fluorination is a chemistry which we have been working on for the last 5 to 6 years and here we were working on the fluorination through KF. With Tanfac, we are now able to commercialize the products which we could not commercialize which were based on HF. What we are right now talking about is newer commercialized products. We have done the R&D and the pilot development of all these products largely in our R&D plant and in our facilities and also have conversations with our customers. When we acquired Tanfac and when we launched the plan for commercializing these products, we went to this agency and said that these are the scope of products that we are looking at to commercialize and please validate that for us. We believed this is the kind of an exciting opportunity and potential that we have and we asked them that could you revalidate it for us and that's where they came back and said the addressable market of these 3 segments in the fluorination for this is $5 billion but of which they are saying that what we have been focusing on the molecules and the molecule series that we have been focusing on is $220-260 million. So, for us, we would be expecting to look at these kind of numbers in the near term to longer future. If you see the slide #11 in our presentation also, that's what we are trying to say. That is the revenue potential for Anupam.

Moderator: The next question is from the line of Krishna from JM Financial. Please go ahead.

Krishan Parwani: My first question is basically on the 6 months' pricing. I just wanted to check whether it is done for all the customers or not. And just a follow-up on that, what kind of inventory levels that are expected for this year and the next year?

Vishal Thakkar: One is that a significant contractual revenue has been moved to 6 monthly one. That's what I can say on this. And in terms of inventory, we have seen the downward trajectory of the inventory days and we should be able to see a significant inventory days reduction by the year-end.

Krishan Parwani: Vishal, I didn't catch that answer of 6-month pricing. Whether it is done for all the customers or not?

Vishal Thakkar: It has been done for the significant part of it, not all but significant part of it.

Krishan Parwani: When we say significant, that is 70% to 80% or 50% to 60%?

Vishal Thakkar: Around 60% to 70%.

Krishan Parwani: The second question is on the CAPEX guidance. What kind of a CAPEX guidance do we have for FY23 and FY24?

Vishal Thakkar: FY23, I can give you. FY24, I would wait for a minute. On FY23, we would be looking at around INR 250 crores of CAPEX that we would do.

Krishan Parwani: I understand FY24 is something that you would like to wait, but just to understand, would that be in a similar range or could it be higher?

Vishal Thakkar: Ceteris paribus in the similar range but I would not want to commit for now because as we go, the world is dynamic right now and there are a lot of things happening. So, I don't want to make any commitments or guidance on that for now, if it's okay with you.

Moderator: The next question is from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.

Bhavya Gandhi: Sir, I just wanted to understand what would be our debt levels in FY24 long term and short term.

Vishal Thakkar: That's a bit of a crystal ball gazing to make an answer for that. FY24, I can't say. What I can say is today and what we have said for the last year. Our debt levels are similar to what we had in the year ending FY22. For FY24 we don't have any guidance to give for now. But we would definitely see there would be a reduction in our long-term debt that anyways would happen as we have our cash flows which will service the debt. But right now, we have no guidance for that number.

Bhavya Gandhi: Our margins look very extraordinary, but from an ROCE perspective, we are still struggling. We are somewhere generating 10% to 11% ROCE. Can you just throw some light over there? Maybe I understand high inventory levels and all those things but beyond that because last 3-4 years, I continuously see a drop in our ROCE levels.

Vishal Thakkar: Let me address it in a little broader way. One, when we started our CAPEX plan 5 years back, our revenue was around Rs. 340 odd crores and we did a CAPEX of roundabout Rs. 800 crores. If you look at that kind of a revenue and whatever kind of EBITDA margin that we would see, that would significantly have impacted our ROCEs. Before that, our ROCE was in the range of 30% to 35% plus but that brought the ROCE down. Of that 800 also if you see, there was roundabout Rs. 200 odd crores of CAPEX which was largely into non-revenue generating like additional land, additional infrastructure, and others. That led to our lower ROCE but as we see in the last 3 years, my ROCE and ROE both matrices are seeing an upward trajectory now and we see that as we fully sweat our assets and use our non-revenue generating assets like the civil infrastructure which we have created when we expand and when we see the land being utilized, this number is going to significantly go further up. So, we should be looking at roundabout 14% ROCE this year is what we are targeting.

Bhavya Gandhi: If you could just throw some light about our competitors. Who remains our competitor in the CDMO business?

Vishal Thakkar: I would not want to get into that competitor kind of a conversation, but if you really see that, this business is not where we are competing with each other in the country. This business is a very large potential for India as a total. If I were to see competition, then probably we are competing with Europeans to a large extent because my customers are moving their demand from Europe to India, and that's more coming not because they are switching off from them alone but there is additional volume which comes to India and there is some bit of moving from Europe to India as well, but this is such a large business. If you see India's specialty chemicals market and the segment that we are in, there is a humongous opportunity for each of us. I don't think either of us are competing with each other, be in terms of molecules or be in terms of this. Actually, as an industry, we are growing. I don't see that I need to take business from my peers. I don't think that's happening for either of us.

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

Rohit Nagraj: Sir, first question, again dwelling a little bit on the fluorination part – the 14 molecules that we have identified. Here, where are we currently in terms of the R&D or pilot stage? When can we expect the first commercialization happening? When we are talking about $220-260 million, is it a yearly potential or is it for a period of time?

Vishal Thakkar: The first thing is terms of R&D and others. If you see that 5 molecules we are looking at commercializing this year. That's the kind of readiness that we have. In terms of most of the molecules, we have a large part of R&D done, i.e., a bit of a pilot or validation process happening in few of them. Second question that you had asked was the potential. Yes, it is the annual potential that we are talking about. On an annual basis, we should be looking at this kind of revenue when we fully ramp up these molecules.

Rohit Nagraj: Just one clarification. Here, are we talking only about fluorination chemistry or probably we have something else in terms of our chemistry knowledge that makes us probably a better fit than other competitors?

Vishal Thakkar: The molecules that we are talking about here are all fluorination molecules. This part – when we are talking about this conversation and when we are talking about the slide #11 of our presentation. That we are talking about, only fluorination. But 2 or 3 things I want to add here. One is that we as an organization have been able to demonstrate to our customers – existing and potential customers – that we are partner of choice; we are reliable high-quality technologically driven suppliers to them and we would be preferring to be part of their supply chain rather than their supplier in a more narrower manner, and that has led them to show that kind of a confidence. If you see in terms of these molecules what we are talking about, these are all strategic molecules, very high value niche molecules and which have very high value accretive molecules. That's how we are seeing this in terms of our relationship with our customers.

Rohit Nagraj: Just a couple of bookkeeping questions. First, in terms of Q1 with 25% growth rate, how much was from the volumes and from pricing?

Vishal Thakkar: Our growth rate was fairly divided between volume and price, both.

Rohit Nagraj: And FY23 guidance in terms of revenue and EBITDA margins?

Vishal Thakkar: As we have mentioned about our revenue trajectory which we have seen in the last 2-3 years is what we will be looking at. I think this quarter's number also reflects exactly what kind of a revenue growth. What you mentioned was my consolidated revenue with other income but if you look at my operational revenue, we should be able to see a similar kind of a growth number. 2) In terms of EBITDA margin, yes, we have a good healthy EBITDA margin; however, if I were to guide or if we were to suggest that, we would look at 26% to 28% on a conservative basis. There is an upward bias on that, but I don't want to mention that for now and say that. We would be looking at 26% to 28% at least in terms of EBITDA margin is where I would leave it for now.

Moderator: The next question is from the line of S Ramesh from Nirmal Bang. Please go ahead.

S Ramesh: The first thought is you had taken a board approval for a QIP of Rs. 800 crores. What is the status of that and what is the rationale for such a large fundraising exercise? You already say that you have about Rs. 200 crores of cash. I would like to understand what the thought process behind that.

Vishal Thakkar: This is only an enabling resolution. There is no firm plan as of now in that activity. As and when we have anything firm, we will come back to you, but as of now, it is only an enabling resolution.

S Ramesh: The next question is on Tanfac. You have invested about Rs. 300 crores as we understand for 25.8% stake. In terms of the investment, you have made for the process improvement and capacity augmentation in Tanfac, what is the amount of investment that has gone in and how much of that has gone from the Anupam balance sheet? Secondly, how do you see the JV share of Tanfac Industries moving, say in the next 2 years given your plans to use their products for Anupam as well as expansion within Tanfac?

Vishal Thakkar: Ramesh, just a clarification here. We have used 150 crores – 154 crores to be precise – in acquiring the stake here for reaching to 26%. And expansion that would happen as and when that happens in Tanfac, that would come from their own balance sheet. Today, they also have cash and they have an independent board who would decide, though we are part of them and we are the management shareholders there. But that would not be moving from Anupam's balance sheet. It would go from the Tanfac's balance sheet on their own strength that they will do the CAPEX there. There is not anything much that would go from Anupam's side.

S Ramesh: In terms of the original thought process behind the Tanfac acquisition, you were planning to take 51% stake within Anupam Rasayan, right? And you are trying to invest Rs. 300 crores. What has changed and how does the current stake change your ability to use their production fluoride for Anupam and your own ability to influence their investments in HF derivatives which is a big opportunity you are looking at? So, where do you go from here, from this 25.8% and the value you would derive from that investment? How should we read that?

Vishal Thakkar: Two parts to your question. Part number 1 is about the stake that we have acquired and 2 is our ability to look at the synergies from this acquisition. First is that when we did the acquisition of

25% stake of Birla, that triggered an open offer – I will come to why it triggered and then what we did about it. That triggered an open offer for up to 26% of the stake. When we ran the open offer, we got around 0.8 odd percent of shares of the company and hence we ended up with 25.8% in terms of our share holding of the Tanfac. So, when you remember it is 25 plus 26, it would be in this context and hence if it was the total, then it would have been around 300 odd crores of amount but open offer only offered so much to us.

Now, coming to the synergy and our ability to have that synergy. The reason that we triggered an open offer primarily was because there was a change in management control. This whole relationship originates from a joint venture agreement between TIDCO and Aditya Birla Group and where we are replacing Aditya Birla Group in this joint venture and hence the management control comes to us, which triggered the open offer because if you technically look at it, it was 24 point something only. So, we have gone for an open offer of that size. We went ahead because of the change in management control. And because we have a management control, our ability to synergize and create synergies is intact either we are at 26% or we are at 51%.

S Ramesh: One last thought in terms of your capital expenditure of Rs. 250 crores and your ability to capitalize on the fluorization opportunity. In terms of the benefit from this CAPEX, how much would that be in terms of adding to capacity in tonnage? How much would that improve your process capability? And how much of CAPEX are you planning for monetizing this fluorination opportunity this year?

Vishal Thakkar: This CAPEX is principally for the monetization of the LOIs and that's where we will be and that would help us generate to satisfy the LOIs that we have signed. Because if you look at it, we are looking at an additional revenue of around Rs. 450 to 500 crores and that will be generated through this capacity addition that we would do. Fluorination as of now, we are not requiring the CAPEX right away because these are the molecules we are commercializing from our existing plants where we have a capacity. So, we do not see too much for now.

Moderator: Ladies and gentlemen, due to time constraints, that will be the last question. I now hand the conference over to the management for closing comments.

Vishal Thakkar: I once again thank everyone for joining this conference and we would want to take this opportunity to thank each of you who have shown tremendous confidence in the management and have stood by us in this kind of a volatile environment and for that we thank each of you and hope that we live up to the expectations of each of our stakeholders including customers, employees, and our shareholders. Thank you all of you for coming and hope you have a good evening.

If you have any further questions, please feel free to reach out to E&Y for any followups or any clarifications.

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