ANUPAM RASAYAN INDIA LTD.

Date: May 17, 2022

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To, **BSE Limited,** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400001, India **SCRIP CODE: 543275**	To, **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**

Dear Sir/Madam,

Subject: Submission of transcript of Earnings Call on the Audited Financial Results (Standalone and Consolidated) for the quarter and year ended March 31, 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 forward herewith the transcript of the 'Earnings Call' conference held by the Company on Friday, May 13, 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

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

Registered Office :
8110, GIDC Industrial Estate,
Sachin, SURAT-394 230
Gujarat, India.

Tel. : +91-261-2398991-95
Fax : +91-261-2398996
E-mail : office@anupamrasayan.com
Website : www.anupamrasayan.com
CIN - L24231GJ2003PLC042988

"Anupam Rasayan India Limited Q4 FY22 Earnings Conference Call"

May 13, 2022

MANAGEMENT: MR. ANAND DESAI – MANAGING DIRECTOR
MR. AMIT KHURANA – CFO
MR. VISHAL THAKKAR – DEPUTY CFO & HEAD OF IR

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY22 Earnings Conference Call of Anupam Rasayan India Limited. 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 for an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kanav Khanna from EY Investor Relations. Thank you and over to you, sir.

Kanav Khanna: Good evening to all the participants on this call. Before we can proceed to the call, let me remind you that the discussions may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business risks that could cause future result, performance, or achievements to differ significantly from what is expressed or implied by such forward-looking statements. Please note that we have mailed the result and presentation and the same are also available on BSE and NSE websites. In case you have not received them, you can write to us. We will be happy to send it over.

To take us through the result and answer all your questions today, we have the top management of Anupam Rasayan India Limited represented by Mr. Anand Desai – Managing Director, Mr. Amit Khurana – CFO, Mr. Vishal Thakkar – Deputy CFO & Head of IR . Dr. Kiran Patel also had to join the call, but unfortunately, due to some personal exigency, he could not be here. We will start the call with a brief overview of the quarter gone past and then conduct a Q&A session.

With that said, I would like to hand over the call to Mr. Anand Desai. Over to you, sir.

Anand Desai: Welcome everyone to the Q4 Financial Year '22 Earnings Call. I hope you all are doing well.

This year gone past has been a good one wherein we achieved a lot of our strategic goals. Resting on the 3 solid pillars of innovation, financial prudence, and environmental sustainability, Our consistent growth and profitability has resulted from our strong focus on the execution of our current strategies while keeping our eye on the future.

On a full year basis, we have witnessed a total revenue growth of 29% versus financial year '21. We have seen our PAT more than doubling this year vis-a-vis financial year '21 which has culminated into a PAT margin expansion of almost 600 basis points. We continue to deliver value to our stakeholders by the means of increased top line and bottom line which is driven by volume ramp-up, which was a result of enhanced trust of our existing customers and continued financial and operational prudence. We specialize in the synthesis and manufacturing of life science related and other specialty chemicals that need multi-step synthesis and sophisticated technologies for the broad base of Indian and global clients.

Our expansion of fluorination chemistry will drive our next phase of growth, which has been strengthened by our successful acquisition of Tanfac's 26% stake from Aditya Birla Group and public open offer on a combined basis. And by the means of this acquisition, we look forward to backward integrate our supply chain in this vertical and further focus on producing high-value high-margin volumes that have application in varied industries which should enhance our margin profile. Initially, we will be focusing on 3 key fluorination segments, especially fluoropolymer. The potential topline addition from this will be at $100-200 million per annum in the medium to long term. We will continue to invest in R&D to enhance our product profile and margins. I want to state that in this last March, we have commissioned the expansion of our existing R&D center which can house 100 more professionals. Currently, we have a strong team of 77 scientists; there were 66 in the last quarter, i.e., quarter ending 31st December 2021, and this number will further expand going forward. This innovation-driven philosophy has further added value to our customer expectations, which will ensure growth in the long term with a sustainable business model.

Further, Anupam continues to be in a different path. Further, in this volatile environment, we have been able to provide consistent and timely supplies to our customers. This is largely due to our inventory holding strategy. Most of our products are strategic and an integral part of the customers' supply chain. Also, as all the products are supplied as per contractual agreements with pass-through price mechanism, which ensures clear visibility of consistent offtake with sustainable margins.

I want to conclude that in the past 2 years of all-round investment in different capacities has powered our growth and shall further enhance our financial metrics of which all our stakeholders, i.e., customers, shareholders, employees, and society as a whole are going to reap benefits of.

Now, I would like to hand over to Amit Bhai – our CFO.

Amit Khurana: As Anand Bhai talked about FY22, now I want to draw your attention towards some of our growth metrics in perspective of last 5 years.

Our number of customers have grown from 53 in FY18 to 68 in FY22 out of which 5 were domestic and 10 were MNCs. Our product offerings have grown from 25 in FY18 to 48 in FY22, a growth of 92% out of which 17 were related to life sciences and 6 related to other specialty products. Our installed capacities have grown from about 12,000 metric tons in FY18 to 27,000 metric tons in FY22, a growth of more than 100%. Our R&D people strength has grown from 19 in FY18 to 77 in FY22.

Now, talking about our financial growth in these 5 years; our revenue has grown by 212% from Rs. 3,414 million in FY18 to Rs. 10,660 million in FY22 recording a CAGR of 26%. Our gross and EBITDA margins have grown from 54% and 23% respectively in FY18 to 65% and 29% respectively. Our ROCE has grown from 9% in FY18 to 12% in FY22. Our front-ended CAPEX of more than Rs. 800 crores has resulted in significant growth by leading to 10% to 12% return on capital employed ratio during the expansion phase. As Anand Bhai mentioned about our Tanfac deal and as you all know, we have successfully acquired 25% stake from Aditya Birla group for Rs. 148 crores, and apart from that, we have additionally acquired 1% from the public via open offer which closed on 6th May 2022. We are in the process of integration with Tanfac for which we have on-boarded a top global consultancy firm for smooth integration. Until now, we have already integrated key functional areas like IT and HR. We have been continuously informing in the past few calls about our focus on sustainability of business and environment alike. I am happy to announce that we are investing Rs. 27 crores for 7.5 megawatt solar power plant in addition to 12.5 megawatt we had commissioned in earlier part of the year. Through these investments, we have ensured a saving of Rs. 3 crores in the year gone by which is expected to increase to around Rs. 11.5 crores in FY23.

Now, I would like to request Vishal Bhai to walk us through our financial performance for the quarter and year ending March 2022.

Vishal Thakkar: Hello everyone and thank you for joining us here today. I would like to briefly touch upon the key performance highlights for the quarter and year ended March 31st, 2022, and then we will open the floor for questions and 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 March 31st, 2022, are as follows. Total revenues were Rs. 3,169 million in Q4 FY22 as compared to Rs. 2,743 million in Q4 FY21 registering a growth of 16% on YOY basis. EBITDA including other revenues was at Rs. 969 million in Q4 FY22 as compared to Rs. 655 million in Q4 FY21, a growth of 48% YOY. This would translate into EBITDA margins of 31% for this quarter. Profit after tax was at Rs. 461 million in Q4 FY22 as compared to Rs. 221 million in quarter 4 FY21, a growth of 108% YOY.

Now, we move on to the financial highlights for the year ended March 31st, 2022. Total revenues were at Rs. 10,811 million in FY22 as compared to Rs. 8,373 million in the same period last year, a growth of 29% YOY. EBITDA in FY22 was at Rs. 3,112 million as compared to Rs. 2,202 million in the same period last year, a growth of 42% YOY. In percentage terms, we have our EBITDA margins of 29% in FY22 against 26% last year. Profit after tax was at Rs. 1,522 million as compared to Rs. 703 million in FY21 registering a growth of Rs. 116% YOY. In percentage terms, we have our PAT margins at 14% in FY22 as against 8 percentage points in the same period last year.

Now, moving on to the segment-wise performance for FY22; our life sciences segment contributed Rs. 9,543 million compared to Rs. 7,429 million in FY21. While other specialty chemicals segment contributed around Rs. 1,086 million compared to Rs. 680 million last year. In percentage terms, life sciences segment contributed 90% of the total revenue and balance 10% came from our specialty chemicals.

As far as revenue breakup is concerned in terms of geography, in FY22, the contribution of India was 44%, Europe 26%, Japan 12%, Singapore 11%, China 4%, North America 1%, and 1% came from the rest of the world. Our top 10 customers contributed to 80% of the total revenue and there are total 24 products that we provide to them. With that being said, let us open the floor for Q&A.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Kumar Saumya from Ambit Capital. Please go ahead.

Kumar Saumya Singh: Sir, my question is on the balance sheet side. If you could highlight what is the strategy going forward, because our inventory has further gone up by 90 days and going forward like 1 or 2 years down the line, how do you see it panning out?

Vishal Thakkar: Yes, we recognize that our inventories have gone up and you would appreciate that the current environment required us to be at this level. Due to the volatility that we have seen in the market and in terms of supply chain disruptions, this inventory has been at this level. As we go forward, once the environment stabilizes and the supply chain comes back to normalcy, we would expect this number to go down significantly, maybe in the next few quarters going forward.

Kumar Saumya Singh: In the last quarter, we had highlighted that we are undergoing some contract negotiations with our customers out of which 50% had been done and 50% would be done by the next year. How are we progressing on that front?

Vishal Thakkar: That has been progressing well. Customers have appreciated our request for changing the contract terms in terms of making the pricing at 6 months rather than yearly. However, this fluid environment and volatile environment, that's the reason that the unwinding of this positions and what you see would take 1 or 2 quarters beyond what we would have anticipated as we go.

Kumar Saumya Singh: On the debt side; because the inventory is consuming so much capital currently and we are using the debt to fund it again, how do we see the debts going forward from here? We have seen a significant rise isn't it year on year?

Vishal Thakkar: You are correct here as well; however, what I can answer here is that, as we go, our inventory days would drop and our profitability would continue. So, there will be release of capital from the operations which would ensure our further growth and we do not expect any significant movement in terms of any debt requirement for my working capital growth.

Kumar Saumya Singh: So, what is our current year CAPEX guidance?

Vishal Thakkar: Our current year CAPEX, we are expecting the CAPEX as we had guided in the last quarter as well that it would be Rs. 250 crores. This will be primarily for the LOIs and contracts that we have signed and this we anticipate that we would be able to generate an asset turn of 1.75 times and an ROCE of 20% on this CAPEX.

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

Ankur Periwal: Continuing with the earlier one, Rs. 250 crores CAPEX and you mentioned 1.75 asset turn, my presumption is large part of the revenue visibility here will be contractual in nature. Over what time frame should one expect the peak revenue to be visible in the numbers?

Vishal Thakkar: Again, I would put it that the peak revenue we would expect in FY25-26 primarily because 1 year we will take in terms of capital asset creation and then 2 years to ramp up fully.

Ankur Periwal: So, it will start ticking in let us say FY24 onwards and FY26 will be the peak year in terms of utilization, right?

Vishal Thakkar: Yes. Ankur, just to inform that the commercialization of these 3 molecules would happen a little early because we will have small quantities which will start flowing from our current existing capacity as well. However, as you have rightly identified, the bulk and the significant revenue would come from the latter half.

Ankur Periwal: Secondly, just continuing on the working capital side as well, while I take your point in terms of high inventory given the supply-chain shock globally and this inventory, my presumption is, will be at a relatively higher cost given the macro that we are in. Any commentary that you could share in terms of the pass-through of these elevated prices and the customers understanding there?

Vishal Thakkar: Ankur, good that you have raised it and I would also want to clarify here that as you know that our contracts are pass-through and all the costs that we incur is passed on to my customer. This inventory that we have stocked up is also in consonance with our customers and they are aware of the inventory that we are carrying in terms of volume and also price and they are comfortable with this because if you see in this whole business and you know it better as we speak going that our business is about being part of the supply chain, and today the customer is very keen on ensuring that this supply chain is not disrupted and we are one of the parts of this supply chain, and hence they are more concerned and focused on that would we be able to deliver on time and in terms of volume that we have discussed and agreed upon. So, the customer is fully aware, the customer is fairly comfortable with these numbers and cost & volume as well, both.

Ankur Periwal: Will it be right to understand that in the last quarter, we were saying that almost 50% of the customers have agreed for a 6 months pricing versus 12 months. Any update on that number henceforth or we are still at around 50% here?

Vishal Thakkar: Right now, we are around 50%. The discussion with other customers is progressing, but in the current backdrop of the environment that we are in, it was prudent to be more focusing right now on delivery and supply chain logistics rather than get into this for now. Our customers have also requested us that we appreciate and we would want to do that; however, just let us wait for this volatility to just taper down a bit and then we start rolling out those changes. But we are reasonably comfortable that we would be able to get it over the next few quarters.

Ankur Periwal: Just a clarification. If I got you right, while the customers have agreed for 6 months pricing, it will take probably some time for it to be effective in terms of numbers and elevated inventory is because of the RM volatility there. Is that right understanding?

Vishal Thakkar: The inventory is because of this volatility, yes. And yes, whatever are the pricing mechanisms and all but we would have to unwind it as we go, right? We would have an inventory which will unwind over a period of next 2 to 3 quarters or 4 quarters and we will get to the stabilized numbers as we go. So, you will start seeing changes in a quarter or two, but you will see a chunk by the second half of this year.

Ankur Periwal: And whenever we see that change, let us say 6 months out, will it be a sharper one or we will be back to those 200 days only given that we had earlier guided for around 150-160 days on the inventory front earlier?

Vishal Thakkar: Ankur, I don't want to peg a number as of now.

Ankur Periwal: I don't want to peg you to a number, but directionally, will it be more closer to 200 or even lesser than that?

Vishal Thakkar: Right now, let us look at a number which is what you are speaking and then we will strive to the next level. So, let us take 1 step for the first and then the second step for the other one. Let us take it that way I would say. And once we get more visibility…. Today, the problem is that whatever I say, where the world moves, none of us really know well and hence I don't want to guide or even allude or indicate to anything which tomorrow we will have a conversation on that again. So, just wait for a quarter or two, let the things settle down and then we can have a more longer-term visibility on these numbers.

Anand Desai: I want to add one point to what Vishal Bhai has mentioned. As these products are under contract and all the contracts have a pass-through mechanism, every customer knows what prices they have agreed in the past year when we agreed on the price. In the meantime, there is a tolerance level for each price or each raw material price, and once that raw material tolerance is breached, we immediately inform the customer that this raw material price has breached now from the agreed ones and we would like to bring it to your notice, which is the mechanism built in within the contract. So, the moment we do this, the customer is aware as to what we are doing and he understands this and he gives his concurrence as mentioned by Vishal Bhai earlier that okay fine go ahead, and on the contrary, when Ukraine war started in February itself, all the customers started telling us that we have got a huge amount of refining capacities, so please start building up your stocks on your group derivatives. Based on that information also because most of the customers and our larger exports are to Europe. They gave us this guidance that please collect material now because there will be a shortage or there will be a price increase. I will just give you a small example. Propylene oxide, which is a basic product, today it is Rs. 240 and very limited stock.. That is what the customers guided us and we have done based on that.

We have gone through this in the past. We have faced these issues many times, then in China the air pollution war, N number of times in different levels. So, this policy has been ensured by the customer and by us together, which also ensures that we keep track of our margins and it has helped us a lot. I know from your perspective that the inventory is increasing, but as mentioned by Vishal Bhai, let 2 quarters or 1 quarter go down and I am sure we will be able to pass through this high-priced inventory back to the customers as per the contractual agreement and we will be back to normal as in the past, and going forward, we would like to bring the days of the inventory as what mentioned by you.

Ankur Periwal: Just one last question if I may. What is the typical let us say average RM inflation that we are seeing? I know it will vary from product to product but a broad range will be helpful.

Anand Desai: Again, on the crude side, I would say between 100% also in some cases to around 40%. On the soda ash, you know what has happened. You would know on the caustic soda also what has happened over there. So, I think 30% to 40% is what we anticipate but I think prices are getting cooled now. Give 1 more quarter and things should go down. The only problem is that people in India use natural gas, they will be using the natural gas for 6 months next and the prices are set by the government from April to October and October to April every year. That is something which we have to take concurrence of. Otherwise, I think there should be a cooling down going ahead because demand will be reduced at this time.

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

Vidit Shah: Some clarification on this Rs. 220-260 million growth revenue accretion, top line possibility that you have spoken about, is this like the total revenue that all the LOI contracts can generate or is it what you expect annually out of these contracts?

Vishal Thakkar: Vidit, what it will be is Rs. 2,600 crores that we have talked about, this is the total value of the contract and LOI over 5 years. At the peak when all the contracts and the LOIs are in play, and at their optimal values, we should have around Rs. 500 odd crores of revenue from these ones. Basically, whatever is Rs. 2,600 crores divided by 5 is the number that you should look at.

Vidit Shah: Secondly, this debt that is being added in FY22 that you mentioned earlier was largely to fund the working capital and that is expected to unwind over the next 2-3 years. What is the ideal debt position that the company is looking at? Is it back to FY21 levels or even lower than that?

Vishal Thakkar: The debt you should divide it into 3 parts primarily. One is my working capital debt. Two is the debt which I have taken for the acquisition of Tanfac shares. The third is my shareholder debt which is from the KPI LLC. My working capital debt will be around Rs. 200 crores at the year-end and that even with the increase in the growth, this number should stabilize as my working capital days reduces because that will take care of the elevated level of business.

Vidit Shah: And the rest of the 2 debts are paid over how much time?

Vishal Thakkar: The average tenure is around 5 years. So, you should unwind it over 5 years now. And promoter debt in the next 3 years we will pay it off because it was a historical debt. So, you should unwind it over 3 years; and the balance debt, you should unwind it over 5 years.

Vidit Shah: One last question was regarding any revenue guidance and margin guidance that you could give for FY23? How is Tanfac accounted? Is it being accounted as a subsidiary and thus revenues being added there or is it an associate where we add the profit of Rs. 70 lakhs?

Vishal Thakkar: First point I would want to answer about the guidance. I would prefer to just suggest that historically we have grown if you look at what even Amit Bhai said that in the last 5 years, our revenues have grown by 26% odd, and we expect that over the next time period also, we should continue the growth journey there. In terms of margin, we have been historically at the margin levels and we expect that historical margins of the last 2-3 years on an average should continue.

Vidit Shah: Lastly, on Tanfac?

Vishal Thakkar: On Tanfac, today we have taken it as an associate only, but as we go forward, we will have a conversation with the auditor and we may be able to do it on a line by line consolidation. However, we will come back to you in the next call on that.

Moderator: The next question is from the line of Madhav Marda from FIL. Please go ahead.

Madhav Marda: I think some of my questions were answered but just wanted to understand what is our average cost of debt across the working capital, Tanfac, and the one from KPI LLC? Could you just help us understand the blended cost as well?

Vishal Thakkar: Madhav, if you look at my KPI LLC, that is at 3% on a USD number. My working capital debt is primarily PCFC discounting number which will be L plus 0.75 to 1.5. So, on an average, you can take it at L plus 1.2 odd average should be the number there. And my term debt if you were to look at it will be hovering around 7.5% to 8% number because it has also acquisition debt included in it.

Madhav Marda: And the KPI LLC, the 3% US dollar debt that we would have a natural hedge from some of the exports that we do, right? So, we don't need any….

Vishal Thakkar: Yes, you're right. We have a natural hedge. In fact, if you look at it, we are surplus on dollar income. So, we tend to hedge dollars on the income side rather than on the expense side.

Madhav Marda: In terms of the top line guidance, I think you already mentioned it, but basically last 5-year average you said is 26%. So, the next couple of years, we are expecting to grow at 25% to 30% CAGR, right?

Vishal Thakkar: I would agree to that.

Madhav Marda: I think this question has been asked earlier, but on the inventory days, do we expect it to normalize by September or by next March we expect this number to come down to 200 days again? Any sort of thought process that we can have?

Vishal Thakkar: Madhav, I wanted to just put a big caveat here that how the world evolves…. because if tomorrow China-Taiwan happens, then I don't know where we will be and what our customers will drive us to in terms of our business requirements, but ceteris paribus and assuming that the volatility reduces in the next 1 or 2 quarters, then in the second half, you should start seeing the improvements that I would say.

Madhav Marda: Any update on the telecom related molecule that you all had spoken about? There was a new molecule there, and is there any other potential M&A that you all are looking for technology or market access anything like that?

Anand Desai: The 2 products which you mentioned earlier, the valuation is still going on. We anticipate the valuation to still continue for another 9 months, i.e., until next March or maybe February. That is the plan given to us by the customers. So, every month, we are sending them a few kilos of material which is being validated every month because you would know that the semiconductor which is going to be made out of this product has to have a very good stability at high temperature. Those tests are going on. We are continuing to do the pilot runs only on these 2 products. At the same time, we have added 1 more product in similar chemistry from a different customer which is again going to be used in electronic application. Again, all these 3 products are non-fluorinated products. Going forward, we are working with a new customer in the US with whom we are working on around 4 products which are again electronic usage chemicals but not in semiconductors. So, this is the idea. Those 4 new products we will again inform you in the next bit, but as of now, we are happy to inform that 2 products validation is going on; customers are happy. One new product has been added. All of these 3 are going to be used to manufacture semiconductors which are used for 5G applications. And we have got 4 new inquiries also which are fluorinated for the applications electronic chemical usage.

Madhav Marda: On the M&A side, is there anything that is there?

Anand Desai: We are looking at it, we are looking at it very seriously evaluating the right mix. We have been serious about it, and as of now, we would not want to comment on it.

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

S. Ramesh: My thoughts are, one is, when you talk about the EBITDA and the ROCE for the CAPEX you are talking about for the year gone by, it seems to me that you are billing in lower margins because 1.75 that is ROCE of 20%. That means you are assuming an EBIT margin of just about 11%. So, are these lower margin contracts…. how does it work?

Vishal Thakkar: Mr. Ramesh, the asset turn is 1.75 and here ROCE when we have calculated, we have also included the working capital that will be required additionally on this turnover and hence this is 20. Our EBITDA margins will be similar to what we have been historically achieving.

S. Ramesh: Second thing is, in your order details, you have mentioned Rs. 1,800 crores is still LOI. When do you expect those LOIs to get converted to firm orders?

Vishal Thakkar: These LOIs are under negotiation and discussions and probably in another 6 to 12 months' time, we should be able to conclude it, but nonetheless, what happens here is that the development process and the validation process and others are continuing, and in few, we are doing the pilot activities as of now and we are reasonably comfortable with this timelines that we have been believing that we should be able to get monetization of these contracts and LOIs.

S. Ramesh: So, this Rs. 250 crores CAPEX is for the entire Rs. 2,600 crores of combined value of LOI. You don't need any additional CAPEX once these LOIs are converted?

Vishal Thakkar: Yes, you are right here.

S. Ramesh: Finally, on this fluorination chemistry; you have given some target addressable markets. What are the broad timelines you want to share in terms of the visible progress and what is the kind of additional investments you will have to make? What are your thoughts on that?

Vishal Thakkar: This is the potential and as we had also mentioned that this is the timeline we are looking at a medium to long term. Right now, these are opportunities where we are working on the molecules, working with the customers, and building it in our lab as of now. As we firm up and as we finalize these molecules, we will then size the contract capacities and the CAPEX plan from then on. So, today, I would not be able to offer any guidance on the CAPEX side; however, these are all very high-value high-margin products. So, it should be more value accretive than what we have today.

S. Ramesh: Similarly, on the CAPEX required for Tanfac, both in terms of producing potassium chloride and downstream except derivatives, what is the progress you have made in terms of business line for Tanfac and the derivatives?

Vishal Thakkar: On the Tanfac side, we have been working with the Tanfac management as well and we have at least identified a few CAPEX programs and capacity expansion which will be in the tune of around Rs. 50 odd crores which would be undertaken next year and that should significantly ramp up the capacity.

S. Ramesh: 50 crores CAPEX will be within Tanfac?

Vishal Thakkar: Yes.

Moderator: The next question is from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

Chetan Thacker: Sir, the question is on the LOI. While the LOIs are for 5 years, is it fair to assume that they will even continue after that and there will be a renewal of these contracts or is it just a 5-year term? Just wanted to get a sense, I understand it is first a 5-year contract but do you see that recurring again going forward or it falls off the cliff after 5 years?

Vishal Thakkar: Chetan, if you see our history and if you see how our product revenues have gone up on each of our products and over the period. It will be a reasonable assumption from our side to expect this to continue further because these are the products which my customer is going to use for a longer period of time and hence we believe that it would continue here.

Chetan Thacker: The Rs. 1,600 crores potential which was there from our existing capacities, these LOIs are over and above that or they will help us reach that Rs. 1,600 crores.

Vishal Thakkar: You want to look at it together because what will happen is there will be overlap of both the processes. One is, my current capacity ramp-up will continue, and on the other side, my LOI CAPEX will also come into play. Yes, the numbers that we are expecting in terms of revenue and growth, we would be able to suffice from these CAPEX that we have identified until now.

Chetan Thacker: Sir, just 1 book-keeping question. On your cash flow, I see an increase in receivables but that similar increase is not there in the balance sheet. Just wanted to understand why are those 2 numbers different. We see somewhere around Rs. 250 odd crores of increase in receivables on the cash flow statement and close to about Rs. 80 odd crores on the balance sheet.

Vishal Thakkar: No, that's a wrong reclassification that has happened. If you look at it on the consolidated basis as well and the newer balance sheet that has been uploaded, this has been corrected. And the same number of receivables versus your balance sheet versus cash flow you would be able to see. And even if you see consolidated, you will see that. The number will be around 70 there.

Chetan Thacker: I will just take a look at that, and if there is anything, I will come back to you.

Moderator: The next question is from the line of Reshab Sisodiya from Concept Investwell. Please go ahead.

Reshab Sisodiya: Just a few questions on the new product that you have mentioned in your slide about the fluorination chemistry. We have mentioned a topline potential of close to $200-260 million, and if I remember in the previous calls, management said it would take around 2 to 3 years for us to build capacity. It would be decided whether it would be in Tanfac or in the Anupam's own facility for this new fluoro-based chemical. Is it the right estimation that we should have a 2- to 3-year time frame before this revenue starts flowing up? How many molecules are we looking at getting commercialized post we have our capacities every year?

Vishal Thakkar: Just to first quickly say this one that currently also we are doing fluorination. It is not that as if we are not doing any fluorination products. Today also if you look at my revenue, around 15% to 16% of my revenue would come from molecules which have fluorination as one of the processes at least. The key thing that is happening is that by the acquisition of Tanfac what has happened is that I have now got access to HF which is a very good fluorinating agent in addition KF which is where we have been using it until now. That's one part of it. You are right that the HF-based products would take a little time to ramp up. There may be 1 or 2 products which we will be able to manufacture in our current capacity and in our current fluorination processes, but yes you are right, largely it will start building up over 2 to 3 years forward.

Reshab Sisodiya: Just a small follow-up on this. This Rs. 220-260 million is over and above the current LOI contracts that you have mentioned, right?

Vishal Thakkar: That assumption is correct.

Reshab Sisodiya: My second question is, if you look at the revenue split on the India and export business, we see the India business has grown marginally over the last 1 year and that has also impacted our margin. So, is it that in the exports we are seeing any logistic issue or is there a higher demand for the domestic or is it that there is a margin differential between the domestic and the international business that you do?

Vishal Thakkar: One, I would not want to link margin and geography because typically margin and geography have not much of a correlation in our case. Typically, we work on a product basis rather than geography basis. This margin increase is just an event. On the geography distribution side, in any given year, the number may move around a bit in terms of domestic and international; even in international, Europe versus Japan and Japan versus Singapore. That may happen but overall you can see that this trend of 40% to 45% India and the balance international. We expect it to be in the similar range.

Reshab Sisodiya: The margin that we are doing in the current quarter should be sustainable going ahead, right?

Vishal Thakkar: Not the current quarter. I would tend to go with my current year or last couple of years' average. That's where I would keep it at. Yes, we have but I would not want to be aggressive on my commitment here.

Reshab Sisodiya: Just one last question. Are we looking at increasing our stake in Tanfac maybe through open market operations or from the government itself?

Vishal Thakkar: The answer is that in the agreement that we have with the Government of Tamil Nadu and TIDCO, they have an option to offer us and if they offer, we will be happy to accept that offer.

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

S. Ramesh: Going back to this Rs. 50 crores CAPEX planning for Tanfac, can you give us some details in terms of what is the capacity and what is the product profile?

Vishal Thakkar: The products are the existing products which is KF and HF where we will have a capacity enhancement and largely this will be more of a debottlenecking process rather than a hard large CAPEX that you would see.

S. Ramesh: The second thought is, can you give us what is the likely increase in capacity in Anupam once you complete your Rs. 250 crores CAPEX because right now it's 27,000. What is the kind of additional tonnage you will make based on this Rs. 250 crores CAPEX?

Vishal Thakkar: I would not want you to look at it more from a tonnage perspective, but I would want you to look at it more from the revenue that we would be able to accumulate and that's where we would be looking at around about Rs. 450-475 crores of revenue from these assets.

S. Ramesh: This Rs. 250 crores CAPEX, where are these facilities likely to be located?

Vishal Thakkar: There will be an expansion in our Sachin plant as well and also in the Jhagadia plant as well. It will be at both the locations.

S. Ramesh: This will be mostly for the producing part of the plants, mostly in terms of the gross block required for production? Any infrastructure also required in this regard?

Vishal Thakkar: Significantly not much infrastructure requirement will be there. There will be some bit of construction that will happen, but largely, yes, it will be more for the equipments and the reactors and others.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Vishal Thakkar for closing comments. Over to you, sir.

Vishal Thakkar: With the successful completion of our first year after listing, I want to thank all our shareholders and partners who have given us full support in this journey. We hope that we have covered most of your questions. If you still have any further questions, please feel free to reach out to our IR agency EY. Stay safe and have a great weekend. Thank you.

Moderator: Ladies and gentlemen, on behalf of Anupam Rasayan India Limited, that concludes this conference. We thank you all for joining us, and you may now disconnect your lines.