ANUPAM RASAYAN INDIA LTD.

ARILSLDSTX20230508021 Date: May 08, 2023

To, **BSE Limited**, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400001, India **SCRIP CODE: 543275**	To, **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) of Anupam Rasayan India Limited (the "Company") for the quarter and year ended March 31, 2023

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' on the Audited Financial Results (Standalone and Consolidated) for the quarter and year ended March 31, 2023, held by the Company on Wednesday, May 03, 2023.

This information is also being 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

ASHISH GUPTA

Digitally signed by ASHISH GUPTA
Date: 2023.05.08 16:28:32 +05'30'

Ashish Gupta
Deputy Company Secretary and Compliance Officer
M.N. A46274

Encl.: As above

ANUPAM RASAYAN INDIA LIMITED

"Anupam Rasayan India Limited Q4 FY '23 Earnings Conference Call"

May 03, 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:	**MS. KRISHNA PATEL – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day, and welcome to the Anupam Rasayan India Limited Q4 FY '23 Earnings Conference Call. 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 Ms. Krishna Patel from EY Investor Relations. Thank you, and over to you, ma'am.

Krishna Patel: Thank you, Tanvi. I'm pleased to welcome you all to Anupam Rasayan's earnings call to discuss Q4 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 risk that our company faces.

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

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

Kiran Patel: Thank you. Good evening, and a warm welcome to our Q4 FY '23 Earnings Call. I hope you all are doing well. The year 2023 continues to unfold additional challenges for the world, starting with the banking crises unraveling in the United States, also having some impact in Europe and the rest of the world, continued inflation and higher interest rates, along with the ongoing Ukrainian conflict all contributing to the uncertainty on the economic front. The true test of leadership is measured by the ability to navigate through these turbulent times safely. Anupam is fortunate to have a great team under the able leadership of Anand Desai, who is driving our long-term goals of becoming one of India's largest players in the specialty chemicals space.

Anupam has been strategically investing in technology and infrastructure, human capital, research and development to achieve this goal. To elaborate further on the technology front, our manufacturing infrastructure is class apart. We were probably one of the first few companies to have started using the continuous flow processes in early part of 2013, helping us win and sustain the confidence of global clients and which aids in further new client acquisitions.

Moving on to our investment in human capital. We have expanded our business development team; the testament of this expansion is our recent wins in Japan and United States with this new development. On the green initiative side, we have installed 17.9 megawatts solar power plant, which will provide us with savings of INR14 crores per annum. On the strategic front, the recent acquisition of Tanfac has allowed us to further build upon the existing fluorination portfolio.

On the R&D team, this robust team has allowed us to build complex chemistries at competitive costs, which allowed to demonstrate our capability to the customer. The recent LOIs signed are a result of this strategy. And I will let Anand discuss this in greater detail later.

As part of our long-term growth strategy, we also continue to evaluate multiple strategic inorganic growth opportunities across geographies to further consolidate and accelerate our growth trajectory and offer our customers with a complete solution for their requirements. I can assure all of our shareholders that we will continue to be cautious and selective in evaluation of these opportunities. And like the acquisition of Tanfac, we will acquire companies only if they are strategic and value accretive to Anupam.

Before I conclude, let me congratulate our Anupam team on our FY 2023 performance. We have delivered a robust revenue growth of 20% plus in FY '23 driven by various contracts which we signed during FY '22 and '23. Stepping back to what I had alluded earlier, all the levels which we have been working on for years are now converging and the results are a byproduct of the same. I will let our CFO, Amit and Vishal, discuss financial numbers in detail later.

On a closing note, amidst the weak global economic backdrop and headwinds, Anupam is shining well due to our planned long-term strategy. With this, I hand over the call to Anand for his opening remarks. And I would like to thank you all once again for joining us here. Over to you, Anand.

Anand Desai: Thank you, Dr. Patel. Hello, and good evening, everyone. Welcome to our Q4 FY '23 earnings call. It gives me great pleasure in sharing that we have continued our robust growth momentum with a consolidated top line growth of 49% on a Y-o-Y basis to INR1,601 crores. And standalone top line growth of 20% on a Y-o-Y basis to INR1,284 crores.

This growth was driven by 3 important factors. The first factor was commercialization of 5 new products during the year; second thing is steady growth of our organic product portfolio and third was strong performance by Tanfac. This growth augers well in the backdrop of a trending year in terms of supply chain issues, raw material pricing volatility, sticky inflation and other major economic events that have impacted the world at large. Despite these challenges, not only have we been able to deliver strong growth but also have been able to strengthen our margins. This resonates to our business model and long-term strategy.

On the operations side, we continue to focus on adding more value-added products in our basket as well as bringing financial efficiencies. We have already started discussing the results of the same, which is visible in our stable margins and improved working capital, resulting in a strong cash generation of INR244 crores from operations. Dr. Patel mentioned about our investments in infrastructure, talent and technology and how this has helped Anupam in achieving this robust growth till date.

We shall continue to capitalize on this platform so created and further invest in strengthening and expanding this period of growth. Let me expand on some of this. On Infrastructure, during the last 5 years, we have incurred almost INR1,000 crores of capex, which has created manufacturing capacity, and which has resulted in growth of over 26% CAGR over the last 5 years. Further, this capex would also support similar growth for the next couple of years.

Further on, the LOI contracts signed has strong demand along with the enquiry from global customers for fluorination-based molecules and due to which we have announced capex of

INR670 crores for the 3 new brownfield projects to service this requirement. And this new capacity will ensure growth for the next 3 to 5 years.

Coming to the point of talent, we remain focused on investing in talent acquisition across functional areas, specifically in R&D. Our team size grew by 11 scientists to total 88 professionals as of FY '23. Looking at the project in pipeline, we have planned to develop our R&D team in FY '24 to 175 scientists. Further, we have added 12 experts in business development team across U.S., Japan, Europe and India. All these existing and new talent pool will help us strengthen our product development and customer relationships.

On technology, we have launched 5 products during FY '23, most of which are manufactured in India for the first time. I wish to applaud our R&D and business development team for their exceptional work in synthesizing these molecules in record short time, with our distinctive processes as well as carrying them out to a commercial level. We shall continue this momentum, and we target to launch over 10 products in FY '24 in various segments, including niche, pharma and electronic chemicals. And again, these are for the first time in India.

With the backdrop of recent geopolitical events the world is changing significantly in terms of supply chain management and vendor consolidation in favor of reliable, long-term, supply chain partners, especially from India. Thereby presenting us with many opportunities which are value accretive and sustainable. I'm happy to share that with the recent LOIs and contracts signed, our cumulative value of LOIs and contracts has reached a total of INR5,500 crores, which are to be supplied over a period of 5 to 7 years, and which significantly improves our growth and revenue visibility.

At the same time, we further remain in advanced stage of discussions with customers across geographies for many niche and high value molecules. I'm more confident than ever of also delivering robust growth in FY '24.

With that, I would like to hand over the floor to our CFO, Amit bhai. Amit bhai, please.

Amit Khurana: Thank you, Anand, sir. Good evening, everyone. I will discuss some important financial updates before handing over to Vishal bhai for his remarks. Let me begin with an update on the capex. Throughout the year, capex was around INR177 crores, which was largely spent on building new capacity, solar project, R&D and general capex. In FY '24, we expect capex to be around INR350 crores to INR400 crores, our asset turns for FY '23 crossed 1x. And further, we expect it to grow significantly in FY '24. I would like to reiterate that new capex will have an asset turnover of over 1.75x. In total, we have budgeted to do capex of INR670 crores for 3 brownfield projects, which will support the signed LOI contracts and demand for fluorinated molecules.

On the working capital side, we have been able to bring down our inventory days from 291 in FY '22 to 250 days in FY '23. We have been able to achieve this improvement on account of high focus on working capital intensity as promised last year. We continue to focus on working capital intensity and expect it to reduce further to a more comfortable number by next year. Strong revenue growth, stable margins and better working capital cycle has helped us deliver strong cash flow from operations of around INR244 crores. I am confident that we will continue to generate robust cash flow in coming years, which will make us self-sufficient in the future.

Cash on the books as of 31st March 2023 was INR551 crores. This coupled with expected cash flow from operations in the coming quarters will be sufficient for the planned capex.

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

Vishal Thakkar: Thank you, Amit bhai. Hello, and good evening, everyone. Thank you for joining us here today. I would like to briefly touch upon key performance highlights for the quarter and the year ended 31st March 2023. And then we will 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 exchange and at our website.

Kindly note, our numbers for the quarter and year on a consolidated basis include Tanfac numbers.

I will first discuss the consolidated highlights for the quarter ended March 31, 2023. Operating revenue for Q4 FY '23 was at INR4,800 million as compared to INR3,249 million in Q4 FY '22, up 48% Y-o-Y. EBITDA was at INR1,416 million in Q4 FY '23 as compared to INR969 million in Q4 FY '22. Growth of 46% Y-o-Y, this would translate into a 28% EBITDA margin. Profit after tax, was at INR726 million in Q4 FY '23 as compared to INR461 million in Q4 FY '22, a growth of 58% Y-o-Y.

On a full-year basis, the operating revenue for FY '23 was at INR16,019 million as compared to INR10,738 million in FY '22, up 49% Y-o-Y. EBITDA, including the other revenue, was at INR4,399 million in FY '23 as compared to INR3,100 in FY '22. A growth of 41% Y-o-Y. This would translate to 27% EBITDA margin for the year. Profit after tax was at INR2,168 million in FY '23 as compared to INR1,522 million in FY '22, a growth of 42% year-on-year.

Please note, consolidated numbers of FY '22 does not include Tanfac industry's numbers.

As far as revenue breakup is concerned for the year, in terms of geographies in FY '23, the contribution from Europe was 30%; India, 36%; Japan 16%, Singapore 11%, China, 4%; and remaining 2% was from U.S. Exports for the year was around 64% and continues to be a major contributor to the revenue. Our top 10 customers contributed 82% of the total revenue, and there is total 24 products that we provide to them. As we continue to add more customers for the various value-added products, having better margin, we will continue to see contribution from top 10 customers moderate in coming years.

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

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Vidit from IIFL Securities.

Vidit: Hi good afternoon and thanks for taking my question. Just if you could share some further color on the 3 new LOIs that have been won in the last couple of months. Just in terms of, what was the edge that Anupam had, that the customer selected Anupam as the first-time manufacturer in India and also in terms of when revenue from these LOIs is likely to kick in?

Vishal Thakkar: . Let me try and address it, and Anand bhai will add if I have missed on something. First, if I were to add and say where we are coming from here is If you see, these are all the molecules that we have been working for a long time. And these customers are the customers where they have seen our relations with our other customers and the kind of quality of services. And most importantly, the technical capabilities that we have demonstrated for them in terms of synthesis, in terms of speed at which we have been able to deliver, the quality that we develop for them.

And most importantly, the supply chain solutions that we can provide because as you can appreciate in custom synthesis manufacturing business. The key thing is, as we are part of their supply chain, can we also demonstrate to them that our supply chain is robust enough to provide them a consistent supply over a period of time. Because these are all contracts with them ranging from 5 to 7 years in terms of the initial relationship that they start with. So that's one part of it. And as we talked about fluorination, basically, if you see, this was the work which we had started 6 years back or more. And that now is coming to fruitification because of the supply chain that we have created here. And that's what is coming into play. Of the LOIs that we have signed this year, we will be able to commercialize at least a couple of products in this year and balance others should be in the next financial year.

Vidit: So anything at the beginning of the year, all of this would probably bring in revenue on a full scale only in FY '25? Is that right? Or is that a correct way to understand it?

Vishal Thakkar: Yes, you can say that way because the large part of the volume will come in the next year and the year after. So, if you look at it, typically, there is always a ramp up. And that ramp-up will take a couple of years. So that's what we are saying.

Vidit: And these customers, are they existing customers? Or are all 3 of them new customers that we've got. Because I think the presentation says you've won one new MNC. So, is it fair to assume that the other 2 are existing customers giving us new molecules?

Vishal Thakkar: No. So, when we say customer is when we initiate a sale with them. In this case, this is only an LOI, where the sales are not initiated. So, all these 3 LOIs are with the new customers, actually. So probably next year, you will see a few more addition to our customers.

Vidit: And this capex guidance of INR350 crores, INR400 crores that you've given out, when do we see it start commercializing?

Vishal Thakkar: Probably at the end of the year or a quarter after. So, let's say, end of this financial year stroke first quarter next financial year.

Vidit: All of this is largely the fluorination capex?

Vishal Thakkar: Both. As we have said that there is one capex which will go for the LOIs and contracts that we have signed and earlier LOI/contracts that we signed and 2 for the fluorination block.

Vidit: So roughly around INR250 crores for LOIs and the rest for fluorination?

Vishal Thakkar: Yes, you're right.

Vidit: . On the margins for the fourth quarter, particularly the stand-alone business has seen a little bit of a dip. If you could just explain what has gone into that and why margins have taken a bit of a dip?

Vishal Thakkar: So, if you look at it, largely, you should look at us more from an EBITDA perspective rather than only gross margin perspective. Because typically, we will be looking at negotiating with our customers mainly on the PBT/ EBITDA levels of margins. And this aberration that you saw in terms of this quarter is largely coming from the product mix change and a couple of products where the gross margins were a little on the lower side.

But at the EBITDA level, they were at the same levels. Because typically, my EBITDA levels are where we look at the profitability. And if you look at the year number, that year number will look more reasonable, those gross margins will be in the similar range than what we would have expected. And EBITDA margins also at the same level that we have expected. So, I would not read much on the quarter number, and I would probably read the annual number as a representative of the business.

Vidit: I meant the EBITDA margins, excluding the other income. They have sort of declined by roughly 400 basis points for the quarter.

Vishal Thakkar: That's probably quarter entering quarter exiting numbers that would have moved around. But largely, it will be back to the numbers that we have been seeing.

Vidit: But the trend in improving product mix and higher margin or the share of higher-margin products remain, and we could probably see these normalized in the next year?

Vishal Thakkar: Absolutely. It's just the scheduling and the product mix that we would see.

Vidit: Thanks for this, I'll get back in queue.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Congratulations on good set of numbers. A few questions from my side. Sir, first is on the LOIs, you have mentioned that in the last few months, we have signed more LOIs for INR2,800 crores. I think if I remember that one was announced in the niche fluorinated molecule recently which you have now INR380 crores molecule, with a INR76 crores revenue potential. I just wanted to get more on this INR2,860 crores kind of number which we're talking about, to get some more details on this.

Vishal Thakkar: There is only limited that we can share as of now as long as the confidentiality is also there. But what we are saying is, yes, these are all fluorinated products going into API and engineering fluid applications. So, this is where we are, the INR380 crores number that we had said. And the other one that we are talking about is, again, in the fluorination side, which is what we had talked about of the INR1,500 crores worth of which one will be into fluorinated but more on the polymer side of the application. And the first one that we signed around INR1,000 crores number. That is one which is mainly going into a fungicide. It's an AI.

Rohan Gupta: So, the third one for INR1,000 crores is 6 years contract?

Vishal Thakkar: Yes.

Rohan Gupta: The INR1,500 crores you said for how many years?

Vishal Thakkar: INR1,500 crores will be for 7 years.

Rohan Gupta: Both of these 2 molecules, INR1,500 crores and INR1,000 crores, both of them are in the fluorination side?

Vishal Thakkar: All are into fluorination.

Rohan Gupta: Okay. So, all of them are in fluorination. And when we talk about fluorination, so these are the enhanced molecules in HF categories and HF-based chemistries or they are in earlier chemistries which we are using, KF based chemistries, so which part of the chemistries are involved in this?

Vishal Thakkar: So, these are all the contracts which have been LOIs that we have been signing after the acquisition of Tanfac so you can appreciate where they are coming from and what chemistries they are in. But largely they are the chemistries, which are more from the HF side than the KF side.

Rohan Gupta: Okay that's great. The expected timeline for these molecules will be once again, I mean, we can expect the commissioning of these products in next 2 years or they will be longer or shorter.

Vishal Thakkar: So, as I had mentioned earlier, these LOIs, of which at least 2 molecules we should expect in this year and the balance you should expect in the FY '25. And the full ramp-up we should see it in FY '26 or 2 years, basically from there.

Rohan Gupta: Sir, as far as the customers are concerned, one is a Japanese, another is an American MNC in a niche product, are these the ones that are new customers, or they are the existing set of customers whom we have given the contract.

Vishal Thakkar: These are the new customers that we have.

Rohan Gupta: So, all the fluorination customers are new?...

Vishal Thakkar: All the 3 LOIs that we have signed are new customers that we are going to add. In this year's presentation, if you see, we would have only added one MNC customer. That was for the sales of the product that we have done. These are the LOIs, which will translate into sales this year and next year. And so, they will become revenue paying customer in FY '24 and FY '25. So all 3 are new customers.

Rohan Gupta: These customers are looking at the fluorinated solution. I believe that there are a couple of players who are already there in the industry. So, I'm sure that these customers have come to us, and they must have seen something in partnering with us. I am just asking that for most of these molecules you have mentioned that they are the main molecules as far as India is concerned. I just want a little bit clarity, these molecules which you have got, they are the new feature product development, or they are existing, I mean, there are the existing players who are replacing some other country or suppliers like China or Europe.

Vishal Thakkar: So naturally, if you see, these are all the products which are typically manufactured by customer existing today or maybe sourcing from Europe and other geographies. These are the products which are not being manufactured or sourced from India. And that is what we are saying that we would have done it first time in India. And one of them is a new product. A couple of them are also new, which are launched by my customer also. So, they are first time moving out of the manufacturing facility to us.

Rohan Gupta: And they are all intermediate, mainly for end products. None of them are AI or final product.

Vishal Thakkar: There is an AI in it as well.

Rohan Gupta: No, I am saying that all these players are intermediates, there is no final technical or final ingredient, right?

Vishal Thakkar: That's what I'm saying. One of them is an AI. Others are intermediates to polymers or intermediates to API.

Moderator: The next question is from the line of Vishal Biraia from Max Life. Please go ahead.

Vishal Biraia: Just to take forward Rohan's line of questions. What is the contribution from fluorine based intermediates, fluorine based business in FY '24 and in FY '25 as these molecules scale up?

Vishal Thakkar: I will tell you today, it is about 15% in my portfolio. And we expect that contribution to expand. I would be preferring not to speak a specific number in terms of it, but it should become 20% to 25% of my contribution in next 2 to 3 years' time.

Vishal Thakkar: So, it should be 20% by FY '24 and 30% by FY '27.

Vishal Thakkar: Give me an allowance of a couple of percentage points.

Vishal Biraia: Obviously. That is broad direction. We need a direction over the numbers, numbers will fluctuate.

Vishal Thakkar: Yes.

Vishal Thakkar: But it will also depend upon my other business also growing and other molecules growing. But yes, largely, you can see directionally, here what we are trying to say is directionally where we will go.

Vishal Biraia: And how will you be getting HF and KF to Gujarat?

Vishal Thakkar: First is that Tanfac is my subsidiary. And the second is, we would have an arm's lenght transaction with them because they are also listed, we would be also listed, so we'll do an arm'slenght transaction with them. And one more thing is, we will try and source the one step forward or from HF we'll make it into a step, which is more amenable to transport and move to the Anupam sites.

Vishal Biraia: So, you will do one step at Tanfac and then get the stuff?

Amit Khurana: Exactly. And Tanfac will have its own growth. I would not be able to discuss now. We can separately do it. But yes, that will continue in that side.

Vishal Biraia: And on the Slide 23 of the presentation, you've written that the Anupam Rasayan is the only manufacturer of niche molecules in fluorination. So, what exactly are the niche molecules that you're referring to in which you are the only one?

Vishal Thakkar: So, what we mean here is not that we are the only manufacturers of fluorinated products. But the product that we will manufacture, those products will be new to India. We will be the only one manufacturing today or we would be the first one to manufacture in the country. So that's what we are saying. There are my peers in the industry who have been doing fluorinated products and for a long time. Here, what we mean to read is the products that we do will be the niche ones which are not produced in India, and we have our own niche in which we'll be operating. Like what we talked about fluoridated polymers and this, again, in polymers, my peers are there who do a different polymer range, and we will be doing a different polymer range.

Vishal Biraia: What will be the extent of backward integration for you for this particular polymer?

Vishal Thakkar: Extent of backward integration, so we'll start from HF to start right from the starting material, we will be able to bring it up. Over the period of time for sure because we'll have to build the whole supply chain. But yes, that's the kind of integration, we'll start from HF.

Vishal Biraia: What is your HF utilization, how many tons of HF do you utilize currently? And how much would you require in FY '24, FY '25?

Vishal Thakkar: Okay. So, see, this will all depend upon my ramp-up of the business, and I would rather say that today, my HF utilization will be very limited, which is more on the sample side because now we are going to commercialize the HF products. And as we start doing it today, large portfolio of ours is based on the KF portfolio.

Moderator: Thank you. The next question is from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Congratulations on the order wins and good set of numbers. So, 4 questions from my side. I'll limit it to 3 actually. So first is, what is the kind of inventory levels you are envisaging going forward? I mean, also these new order wins are priced on 6 months or annually. So that's the first question?

Vishal Thakkar: So first is the inventory, as we have been focusing on, we will try and bring it to the lower numbers that we have been indicating. We should be going back or below what we have been in FY '21.

Krishan Parwani: So, I mean if I just put in the number to it, FY '21 inventory levels were at around 222 days.

Vishal Thakkar: We should be doing better than that. Our target will be to do better than that.

Krishan Parwani: So, even better than FY '20?

Vishal Thakkar: Give me a quarter or 2 to answer that.

Krishan Parwani: So, these new order wins, how are the price 6 months or annual?

Vishal Thakkar: They are a combination of annual and 6 months. One of the customers will be more on the annual, but largely they are on the 6-month side. Most of them are on the 6 months, but we have an option to price it on a 6-monthly basis.

Krishan Parwani: So, my second question is, would our margins be initially lower than the company-level EBITDA, especially in the beginning, since these are new products for us?

Vishal Thakkar: See, typically, you can say, but it's does not significantly move up because the volumes are also pretty low at that point in time. But the moment the volumes increase, we go back to the margin that we have been. So, I don't see any impact of these into my margins.

Krishan Parwani: So, you expect, let's say, whatever stand-alone margins that you did 28.6% in this fiscal, you think these are sustainable in nature? Or you would rather guide for more like 25%, 26%?

Vishal Thakkar: I have always been trying to guide at 26% to 28%, but if its higher it's always great. But not because the molecule is low margin, typically we believe we are robust at 26% to 28% EBITDA margin, there is a possibility for higher margin. But typically, 28% is where we would be. And also mind you that these are molecules which are of high-value products that we are talking about, my ASP increases significantly in this case if you really see that. So the room for margins will also be higher. So there is a 2-way play that plays out here. And I would not want to say otherwise, but I would guide with 26% to 28% and leave it there for now.

Krishan Parwani: And 2 small clarifications. So, I'm not sure if you've already given this, but is there a breakup of, let's say, capex for FY '24 in terms of fluorination products and the non-fluorination and similar for FY '25? If possible, if it's there?

Vishal Thakkar: So, let us have a block number because this is all projects that are happening, and they are all in the brownfield expansions. So, what we are saying is large part will happen by this. But on the fluorination side, basically, the LOI is INR250 crores, and the balance is fluorination, out of INR670 crores. So INR420-odd crores will be coming from fluorination and INR250 crores will be LOI.

Krishan Parwani: So INR670 crores is what we are envisaging for FY '24-'25 inclusive or there could be more in FY '25?

Vishal Thakkar: Right now, this is the capex that we have guided for and announced. So, we would leave it there. If there are any more, we'll come and update you on that as well.

Krishan Parwani: Just small little clarification. Since you mentioned about you will be doing one step at Tanfac. So, do you have the capabilities there? I mean, have you changed anything? Or will you be just diluting HF?

Vishal Thakkar: So, it will be a combination, in few cases, dilution will be good enough or in few cases, there will be one more step that we may do. The capacities are there, and there is a small bit of amendment that has to be done, which will be done.

Vishal Thakkar: And Anupam will support in helping them do the steps that are required. So, it should be a combination of both, that would be there.

Krishan Parwani: Thank you so much Vishal bhai, for patiently answering my question and wish you all the best.

Vishal Thakkar: No problem, welcome and thank for the wishes.

Moderator: We will move to the next question from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: Good evening and thank you very much. So, if you look at the capex numbers you just shared, this INR420 crores for fluorination and INR250 crores for LOIs. So together, this represents whatever is the additional capacity required or the new LOIs, which you have signed in March and April. Am I correct?

Vishal Thakkar: So, what we have said, if you see the announcement of the capex was done during the August-September time period, which is when we had INR2,600 crores of LOIs that we had signed. And INR250 crores was to service those LOIs plus INR420 crores of capex for fluorination. So that's the total capex that we are looking at for now. If you look at this, this should practically be at 1.75 times asset turn as well, and give us a revenue of INR1,100 crores to INR1,200 crores. And that's what it is. And in the fluorination, there are a few LOIs which we have signed from here, also will be serviced from the fluorination blocks that we are establishing.

S. Ramesh: So, to put it in perspective, for the new LOI INR1,500 crores, INR980 crores and INR380 crores, you don't need any further capex, right?

Vishal Thakkar: Largely, we should not need that for now. We don't see that, this fluorination block should be able to service that.

S. Ramesh: So, if you put all these numbers together and look at, say, FY '26, FY '27, your existing revenue on a stand-alone basis, INR1,280 crores plus this INR1,100 crores, you are saying that you will reach about INR2,500 crores without assuming any growth in the existing revenue, right? So, what is the growth? So, in terms of the estimate, if you look at FY '26, FY '27, assuming the revenue of close to INR1,000 crores on the new LOIs what is the kind of growth one should expect in the current base revenue, which you reported in FY '23?

Vishal Thakkar: So, Mr. Ramesh, it would be not ideal thing for me to give you a specific number for a specific time. But what I can suggest and say is that the kind of revenue growth that we have seen historically, we should be able to see that on a stand-alone basis. And that's what we would say for next 3 to 5 years, we should be able to see that. That's what I would leave it at.

S. Ramesh: So, the question here is some part of that is coming from existing contracts. And these contracts still have a certain life, right? So, can we attribute any Y-o-Y growth in those contract revenue? And then what is the chance that they'll get renewed? That is the angle from which I'm asking that question?

Vishal Thakkar: So fine that I can answer and say that if you look at my contract, if you see typically when you see any of these contracts, it is not that these contracts are having a sunset clause in that sense that they would stop buying from us. Because if you look at historically what has happened, the demand that we had for a product, let's say, in 2006, it continues even till today. So, if you look at it from that perspective, what demand comes to you, typically stays with you unless we make a big error or a mistake and we don't deliver on promises that we have given on a gross level basis.

And so, when the contract, let's say 5-year contract ends, it is not as if that they move to another party. Because see, what happens in our business, as you are aware of the customer centeric business, there is a lot of optimizations that happens over a period of time. A lot of knowledge transfer happens, knowledge gain that we have. One is initially, there is a knowledge transfer or a knowledge discussion, and an agreement. And then as we work over a period of time, that knowledge is only expanded, and the processes are optimized. So, the moment you do that process optimization that is where our customers will keep staying with us.

And also, you would appreciate that there is always a supply chain that gets created around that. So, for me, when I'm doing let's –say a 5-step process or a 10-step process, that at each step, there are a lot of raw materials and inputs which come in. So, the kind of process optimization, capacity and supply chain that we create and the value engineering and enhancement that we do. Typically, you don't see customers moving out. And also, for customer, there is no reason for them to move out and go to somebody else because that's so much of an effort to change any vendor from one to another. Unless you make a big mistake, you will not lose that. In our history, we have not lost a client on that count.

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

Madhav: I just thought if you could just share a bit more of an updated view on the kind of opportunities compared to what other players in the sort of crams or CDMO space in India are seeing just in terms of Europe plus one, China plus one. I know this is something which is discussed quite often, but just your updated thoughts on what's happening there? Are we still seeing strong traction of business moving out and how companies like us can sort of scale up in the next 5, 7 years?

Vishal Thakkar: So, a fair one, Madhav and rightly you have used the word updated as well because there is a kind of a view that gets updated time to time. As you rightly said, there is a Europe plus one China plus one approach. Yes, there was a time when the energy prices and other costs have gone up significantly for the European manufacturers and China was off the grid. However, the prices are now coming back to more reasonable levels or more rational levels in Europe as well, but they are not as low as what they were pre that event. So, the new normal is not the old normal, but yes, it is not so high as well.

But what has happened with this experience, and everybody has a memory and especially supply chain managers have a very high aversion to any disruption or a spike on either side in terms of the supply disruptions or the price disruptions. And that is the reason that you will see that there is a consistent flow of inquiries to the players like us and in India. And that is for 2 reasons. One is they want to diversify their supply sources irrespective of what they would do in Europe. So, I'm not saying that everything from Europe will move to Asia, but now allocation is increasing.

And they are introducing Asian players early in the life cycle than only in the later part of the life cycle. So, both is happening together. And we see that trend continuing because of the structural reasons that I was mentioning that once they have seen that shockwave, they really believe that they have to finally alternate and they have to do, as there are various words for that like BCP and other, but they would do that. So, in summary, what we are saying is Indian players like ours and our peers should see a good quality of inquiries. And that's what we are also seeing here, and our LOIs and the current conversations are a reflection of that as well.

Madhav: And I just wanted to understand, like some of our contract wins which you'll have announced, like especially the ones still announced more recently, there were some engineering fluids, fluoropolymers, electronic chemicals, etcetera, which are coming in. So how do you see the mix of revenues between agro, pharma, electronic chemicals and other sort of end markets after next 3 years? Like how should the mix look, I'm assuming like the mix of agro will kind of come down. Is that the right understanding?

Vishal Thakkar: You're right, the agro mix would come down a bit for sure. And the contribution from pharma and the polymers would go up. But mind you that my agro business is also growing. So, there will be a fair bit of churn, not churn, I would say, but that addition will be gradual, though the growth of these 2 segments will be high, but the share in my revenue will take a little bit, a gradual flow for that. And that's all I would say. But yes, they will be higher in my revenue as we go further.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Congrats for the recent wins. The first question is on the capex, the INR670 crores that you mentioned over FY '24, FY '25. Does it also include the Tanfac capex?

Vishal Thakkar: No. Tanfac will do their independent capex from their own balance sheet. This is the capex that we are doing for our own capacity and requirements.

Dhruv Muchhal: And the second is a bit conceptual. So, you have announced LOIs and contracts. So, conceptually what's the difference between an LOI and contract?

Vishal Thakkar: So LOI is the initial level at which we shape the relationship. And then we tend to convert into contracts. Or there are a few customers who may start the purchase right from the LOI stage itself. And it will depend upon the relationship that we have and the comfort that we have with each other, either we end up converting into a contract or we do the business continuing from an LOI phase as well.

Dhruv Muchhal: So, for all practical purposes, for us, the LOI and a contract is the same.

Vishal Thakkar: I don't want to stamp it that way, but you're right that once you have an LOI, there is a very, very high level of visibility in terms of revenue. It will be only if we make a big error otherwise, yes, it's the same. And that is the same when we are even the supplier also.

Dhruv Muchhal: Because earlier, the understanding was the LOI gets converted into a contract and then probably start recognizing revenue. But that is not the case. LOI also can directly start reflecting in revenues and broadly an LOI will be effectively revenue generating?

Vishal Thakkar: Yes. See, what is an LOI is also basically spelling out the contractual expectations of each other. And that you make it into a contract and sign it or you continue doing it. It's a matter of, buyer and a seller just being comfortable with what is the level at which they want that comfort and the clarity.

Dhruv Muchhal: At the time of IPO inventory days were about 200-odd. And since then, with the addition of these LOIs and contracts, revenue will scale up significantly. But I'm just a bit curious about your inventory days guidance. It's still about 200 or sub around that. But given that most of these contracts are new and probably you would have signed at better terms. Just doing a rough math all new contracts coming at better inventory days terms would probably take your inventory days once the full revenue run rate is achieved below 150 or below even probably 130-ish levels. So, I just wanted to get, is that directionally correct? Or is there something which I'm probably missing?

Vishal Thakkar: So, if you look at it, the LOIs will start contributing significantly to FY '25-'26. And so, FY '24 is what I was mentioning that. And hence, I'm saying this number. And as we go, yes, that numbers will improve. Will it go to the numbers that you are speaking, let us discuss in a few quarters from here on. But for FY '24, that's the number that we are trying to suggest.

Dhruv Muchhal: Yes. Because I understand in your earlier conversations also, you were mentioning even your existing business, I mean, the FY '22 level businesses, you are renegotiating those contracts as well. So, the inventory days should improve there itself plus the incremental contracts that you have won will come at better inventory days, I believe. And hence, the overall numbers will look meaningfully different to the inventory days or overall working capital will look meaningfully different versus what it is in FY '23-'24, once you achieve the full run rate in FY '26, probably FY '27.

Vishal Thakkar: Yes, it should. I will just share a word of caution that when we are also a primary or a single supplier to our customers. They will also expect the part of the finished goods to be also held as a buffer inventory for them also in terms of their supply. So, to that extent, you are to give an allowance for that, but directionally you are right in terms of the extent, it will evolve as we go.

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

Chetan Thacker: Sir, just wanted to check out of the LOIs and contracts which are signed between Q1 FY '22 till Q4 FY '22, which is an annual peak run rate of INR530 crores. Are those contracts already at peak? Or is there scope for them to hit peak in FY '24?

Vishal Thakkar: So, as we have mentioned earlier. We have commercialized 4 of the molecules and around INR100 crores of revenue is coming from there. And that will expand in FY '24 and also in FY '25 because there are a few which will ramp up in FY '25 period as well.

Chetan Thacker: So, your FY '24 revenue breakdown will be some of these molecules hitting peak in FY '24, contribution starting from the 3 LOIs that you just won, out of that 2 will start to contribute. And whatever is the organic growth in the base portfolio, that should be a fair understanding.

Vishal Thakkar: You're right.

Chetan Thacker: And sir, any indication from customers, particularly on the agro side in terms of the slowdown that they've been guiding, so a few of them have come out and said that there is inventory in the channel. So, is there any word that you heard from them around the same?

Vishal Thakkar: Okay, let me give a first shot at it and then Anand bhai can also add on to this. But at least in terms of the revenue projections of comfort, we are not seeing that happening. In fact, in a few cases, it has also increased in terms of their expectation from the volumes that they want to offtake. But Anand bhai, please if you want to add on to this.

Anand Desai: I think you have covered well Vishal.

Chetan Thacker: So nothing as of now from their end?

Vishal Thakkar: No.

Moderator: Thank you. Due to time constraint, this was the last question for today. I now hand the conference over to management for closing remarks.

Vishal Thakkar: Okay. Thank you, everyone, for joining this call. We hope we have been able to answer all or most of your questions. If you have any further questions, please feel free to reach out to our IR agency EY, and we will get back to you. If you need, we are happy to answer any more questions through EY or otherwise. Thank you for joining us and being part of our journey. I hope that we make this journey of ours meaningfully to each other. 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.

(This document was edited for readability purpose)