May 12, 2023

Ref. No.: **AIL/SE/20/2023-24**

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001, MH.

Scrip Code: **543534**

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai-400051, MH.

Symbol: **AETHER**

Dear Madam / Sir,

Subject: Transcript of the Earning Conference Call

In accordance with Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Transcript of the Earning Conference Call scheduled on Monday, May 8, 2023, on the financial performance of the Company for the Fourth Quarter and Financial Year ended on March 31, 2023, is enclosed herewith.

We request you to kindly take the information on your records.

Thank you.

For Aether Industries Limited

AETHER INDUSTRIES LIMITED SURAT

Chitrarth Rajan Parghi
Company Secretary & Compliance Officer
Mem. No.: F12563

Encl.: As attached

CHITRARTH RAJAN PARGHI
Digitally signed by CHITRARTH RAJAN PARGHI
Date: 2023.05.12 15:13:53 +05'30'

Aether Industries Limited
Registered Office: Plot No. 8203, GIDC Sachin, Surat-394230, Gujarat, India.
Phone: +91-261-6603000 || **Email:** info@aether.co.in || **Web:** www.aether.co.in II **CIN:** L24100GJ2013PLC073434
Factory: Plot No. 8203, Beside Shakti Distillery, Near Rajkamal Chokdi, Road No. 8, Sachin GIDC, Sachin, Surat-394230, Gujarat, India.

“Aether Industries Limited

Q4 FY ’23 Earnings Conference Call”

May 08, 2023

MANAGEMENT: **DR. AMAN DESAI – PROMOTER AND WHOLE TIME DIRECTOR – AETHER INDUSTRIES LIMITED**
MR. ROHAN DESAI – PROMOTER AND WHOLE TIME DIRECTOR – AETHER INDUSTRIES LIMITED
MR. FAIZ NAGARIYA – CHIEF FINANCIAL OFFICER – AETHER INDUSTRIES LIMITED
MS. SHUBHANGI DESAI – EXECUTIVE INVESTOR RELATIONS – AETHER INDUSTRIES LIMITED

MODERATOR: **MR. NILESH GHUGE – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '23 Earnings Conference Call of Aether Industries Limited, hosted by HDFC Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilesh Ghuge from HDFC Securities. Thank you and over to you.

Nilesh Ghuge: Thank you, Yashsvi. Good afternoon all. On behalf of HDFC Securities, I welcome everyone to this Aether Industries conference call to discuss the result for the quarter and financial year 2022-'23. From Aether Industries, we have with us today Dr. Aman Desai, Promoter and Whole Time Director, Mr. Rohan Desai, Promoter and Whole Time Director, Mr. Faiz Nagariya, Chief Financial Officer and Ms. Shubhangi Desai, Executive IR.

Without further ado, I will now hand over the floor to Ms. Shubhangi Desai to begin with the earnings call for Q4 and FY '23. Over to you Shubhangi.

Shubhangi Desai: Good evening everyone and thank you Nilesh for the brief introduction. Last Saturday on May 6, 2023, our board has approved the results for the fourth quarter of fiscal year '23 and year ended on March 31, 2023. And we have released the same to the stock exchanges as well as updated the same on our website. Please note that this conference call is being recorded and a transcript of the same will be made available on the website of Aether and exchanges. Please also note that the audio of the conference call is the copyright material of Aether Industries Limited and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements which are predictions, projections or other estimates about future events. These estimates reflect management's current expectations on future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Aether Industries or its officials do not undertake any obligation to publicly update any forward-looking statements, whether as a result of future events or otherwise.

Dr. Aman Desai will begin by sharing the ongoing expansions and strategies of the company going forward. Then Mr. Faiz Nagariya will cover the financial highlights for the period under review and Mr. Rohan Desai will talk on a high-level overview of Aether's business.

Now, I hand over the call to Dr. Aman Desai to share the updates. Over to you, Dr. Aman.

Aman Desai: Thank you, Shubhangi. Good afternoon, everybody. In spite of it being a Monday, I do hope that everybody is doing well and I'm happy to connect with you all to discuss the performance of our company for the quarter 4 and the full year of fiscal year '22- '23. We have in January 2023 launched our site 3 for the production, which is a greenfield production site for our new products. Trial runs had started in January 2023 and commercial production has also begun since January

2023 end of month. We will stepwise start-up production of five new advanced pharmaceutical intermediates in this new site 3. All five products will be manufactured for the first time in India by Aether.

We have also recently got the possession of the sites 3+ and sites 3++, which are land plots adjacent to site 3, where we will be beginning -- where we will be launching three new products for agrochemicals. This will expand our site 3 to essentially double its original size and these three new products for agrochemicals, which will be in addition to the five new products, which are advanced pharma intermediates that we are manufacturing at site 3.

The land parcel for the next greenfield manufacturing site, which is site 4, has also been increased from 8,000 square meters to 18,000 square meters in the recent months. Documentation for the possession of all the plots and the amalgamation into a large extended site 4 is already going on. Our plans towards the next two greenfield manufacturing sites, namely the aforementioned site 4 in Surat and the site 5, the large production site in site 5 in Panoli, are all advancing well and various activities are going on for these sites 4 and site 5 towards the planning, including initial civil construction, product selection, regulatory approval and overall design of these two new sites.

The reason for the large capex is primarily on the backing of robust inquiries and outsourcing opportunities which we have been receiving and which we remain confident in our abilities to grab these opportunities and work with world class multinational innovators across the sectors in the chemical industry.

The growth in our CRAMS business model is continuously on the rise in the current fiscal year and the demand for the products in contract manufacturing is also increasing quarter-on-quarter. We have also recently made a few public announcements in this regard, which reflect this continuous growth, which include partnerships with Polaroid in Germany, Otsuka in Japan and Saudi Aramco in Saudi Arabia, the last one which I'll speak shortly about as well.

We remain upbeat and positive on this business model for future outlook. As in the last quarter, we continue to see a significant upwards trend in inquiries, customer additions, previous contract renewals and actual business being translated into revenues in both the business models of CRAMS and contracts / exclusive manufacturing.

The biggest announcement in this quarter which came from our end was the letter of intent signed with Saudi Aramco Technologies Company. The letter of intent captures the preliminary terms between Saudi Aramco and Aether of a detailed licensing agreement towards the manufacturing and commercialization at Aether of the Converge polyols technology and product series. The manufacturing process for which has been previously jointly developed and validated at pre-commercial scale by Saudi Aramco and Aether.

New customers added during this quarter are 13 in number, which all are added in the large-scale manufacturing business model. We have two returning customers with whom we have done business previously before two years in the CRAMS business model and they have come up with new molecules to be developed under the same CRAMS business model. This shows that the trust that we have built with these customers across all the business model returns for repeated business.

R&D expenditure for the 12 months of fiscal '23 stood at 7.5% of the total revenues. This includes revenue-plus capital expenditures. The strength of the R&D team has increased from 164 in March '22 to 233 in March '23. Our three business models continue to be robust and we are seeing growth in all business models, large-scale manufacturing business model, which was seen contributing less in the first three quarters of fiscal '23 due to the pharma sector being down overall has contributed well in the last quarter of fiscal '23 as new products are launched in site 3 in the large-scale manufacturing business model which are of high value and have significant demand in the market. The pipeline in R&D as always is backed for future molecules with plans to launch these molecules in the upcoming years in the site 3+, site 3++, site 4 and site 5 greenfield manufacturing sites.

With that, I request our CFO, Faiz Nagariya, to share the financial highlights of Q4 of fiscal '23. Faiz, over to you.

Faiz Nagariya: Thank you, Dr. Aman and good evening all of you. The total revenue of the company was INR6,676 million in the financial year '23, which has led to an increase of 12% in the total revenue financial-year-on-financial-year-wise. The EBITDA has grown at 16% on FY-o-FY basis from INR1751 million to in -- in financial year '22 to INR2,028 million in financial year 23, thereby resulting in EBITDA margins of 30.4% in financial year '23. That increased from INR1,089 million in financial year '22, which was 18.2%, to INR1,304 million in financial year '23, which is 19.5%, being 19.7% more compared to the last financial year.

The company's planning for capex of INR 7,500 million over FY '24 and FY '25 for site 3+, site 3++, site 4 and site 5, along with R&D and pilot plant expansions. We have taken an enabling resolution for raising additional equity in our board meeting for taking care of the capex plan over financial year '24 and financial year '25, for which the approval of the shareholders is awaited.

Now I will request Mr. Rohan Desai to talk on high level overview of Aether's business. Over to you, Rohan.

Rohan Desai: Thank you Faiz for the financial highlights. In terms of the demands, we have continued to see good growth in quarter 4, which has started in quarter 3, compared to the first half of the financial year. We are seeing strong demand for our products and expect the demand growth to continue and are not seeing any signs of slowdown for our customers in the west. For our products, the end product price have been fairly stable across the board. Average selling price of our product which was INR1,450 per kilo in financial year 2022 have gone up to INR1,766 per kilo in financial year 2023.

On the raw materials front, we are seeing the prices getting stabilized, which will aid to our margins going forward. As mentioned by Aman, we are seeing great traction from the customers based out of Europe and US respectively for the CRAMS business. With the utility crisis in Europe, we have seen significant increase in opportunities for the CRAMS business. This to a certain extent has been demonstrated by our recent announcements with respect to our partnerships with Polaroid and an increase in business with our existing agrochemical customers.

Coming to the three independent business models in financial year 2023, we have seen 52% of our total top line coming from large-scale manufacturing business model, where we anticipate good growth in the future due to the launch of new products in the greenfield manufacturing site 3. 13% of our total top line comes out of contract research and manufacturing services business model and our third business model that is contract / exclusive manufacturing contributed to 34% of our total top line.

We have achieved a good balance between large-scale manufacturing business model, CRAMS and contract / exclusive manufacturing, which does not make us dependent on any single business model. Our sales mix stands at pharma 42%, agrochemical 35%, material science 5%, high performance photography 6%, coating 3% and others including oil and gas at 9%. Our export stands at 69%, which includes exports to SEZ and new units in India and domestic sales stands at 31%. Export outside the geography of India accounts for 41% of our total revenue from operations. We believe that with the launch of new products, building up the new capacities, seeing the increasing demand from marquee clients across the sectors and geographies and renewal of existing contracts, we are certain to deliver good growth going forward.

We are also excited about the growth at Aether and with the commencement of the capex for site 3++, site 4, site 5 and we are confident of our new products launches, which are in our pipeline.

Thank you and back to you Shubhangi.

Shubhangi Desai: Thank you, Mr. Rohan. We would now request the moderator to open line for question-and-answer.

Moderator: Thank you very much. Move on to the next question from the line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Thanks. Congratulations for a good set of numbers. So I just wanted to know what is your current order book as of now?

Management: The order book stands at INR 312 crores as of quarter 4 ending.

Jainam Ghelani: And can we divide it segment wise? Like, how much would be CRAMS? How much would be manufacturing?

Management: We have not done that but we can share that information with you.

Jainam Ghelani: Okay sir. And so what are the utilization levels for this quarter and for FY '23?

Management: So total utilization is around 71% for the FY '23.

Jainam Ghelani: Thank you. That's it from me.

Moderator: Thank you. We have a question from the line of Noel Vaz from Union Asset Management. Please go ahead.

Noel Vaz: Yes, so I just had one question about the equity raise that we are planning for about INR 750-odd crores. Could we have some kind of color as to what exactly the capex will be going towards and which particular segments? I presume this would be for site 4 and site 5, is that correct and some more details on that front?

Management: So we are planning the capex in three sites, site 3++, which is recently acquired which doubles the capacity of site 3, site 4 and site 5. This will be in the tune of approximately INR 200 crores to INR 250 crores per site. We are talking about three sites at this moment and it is a mix of contracts with exclusive manufacturing and large-scale manufacturing. As we are working on the multi-purpose plant, we do not differentiate between the large scale and the contract manufacturing and so it is hard to differentiate this whole investment in two terms. So we will be investing in multi-purpose plants in all these three sites and as we see which products will be fitting into which site is what we are planning right now. And we will be designing and we will be updating you in the upcoming quarters.

Noel Vaz: Okay, thank you. So just to confirm one more thing, just a follow-up. So the margin profile, asset turns should be roughly very similar to what we are doing right now…

Management: Absolutely.

Management: On maturity.

Noel Vaz: Yes, thank you for that. One other question I had was regarding working capital. So working capital has still remained a bit on the stress side at the end of FY '23. Could we have some more color on this?

Management: Yes, so you are right that the debtors' days have gone up a bit and that is because of the few customers, huge, very big multinationals, they have delayed some payments, which they had done in the past also but then they released the payments. Again, the payments which were pending in the March have come in the April month and May month also. And we are hoping that the data cycle will subside and it will be within the range of 120 days, 122 days by this fiscal year end. There are no there are no provisions or no bad debts provisioning is required because all the customers are good with us and the payments are flowing properly.

Noel Vaz: Okay, so if we have received some payments in April May, do we have some kind of rough indication as to how much is it reduced?

Management: It is reduced by at least 10 days or so recently. Because some customers also do not pay on 31, March that is the strategy maybe and so the payments then flow in month of April that has been the strategy we have seen since last two, three years also.

Noel Vaz: Okay, thank you. And lastly just one specific question on fourth quarter numbers. So OpEx for other expenses in fourth quarter has decreased potentially by a little bit. I mean is there any particular reason for this?

Management: No, there is no specific reason for that but only thing is because the revenue if you see in the fourth quarter was the highest of all the four quarters. Based on that only and the expenditures have been remained the same. There are no major, it will be very less deduction that is because of the electricity because our solar power plant started giving us full optimization in the last quarter, which started in from July but then it was coming up and it started giving more outputs in the third quarter and the fourth quarter it was fully giving us the output. So that is helped us reduce the electricity cost and also steam prices we were able to bring them down considerably in the last quarter.

Noel Vaz: Okay, thank you. That's all from my side.

Moderator: Thank you. We have a next question from the line of Niraj Thacker from Profit Tantra Financial Services. Please go ahead.

Niraj Thacker: Yes, thanks for taking my question. Sir, in previous calls we have mentioned like, we want to balance out all the three business models basically. So my specific question is with respect to CRAMS, where it is now 13% and has the highest margin. So sir any idea like, how much time it will take to scale CRAMS to around 33% of the portfolio? And second question was with respect to like, do we need any additional investment for CRAMS to scale-up or investment in site 3+ or and expansion in site 4 and site 5 will also aid in CRAMS business scaling up?

Management: So Niraj, can you repeat the last part of the question, please? Sorry.

Niraj Thacker: So since we are planning to scale it to 33% of the portfolio from currently 13%, so current investments what we are doing in site 3+ and in site 4 and site 5. Will that investment also will aid in scaling up the CRAMS model or how or it will need any additional investment separately?

Management: Okay, understood. Thanks Niraj for the question. Let me clarify that a little bit. The CRAMS business model comes -- the revenues come from the revenues of the projects done in the R&D and the pilot plant and when the molecules and the products and projects from the CRAMS business model go into the manufacturing assets, these transfer into the contract manufacturing/exclusive manufacturing business model bucket.

And, so as a whole you can consider the CRAMS and the contact manufacturing business models as one for example. Because in the crams they are in the R&D and the pilot plant and the contract manufacturing they go into the manufacturing assets and so since the revenues were coming from different sites, site 1 which is the R&D and pilot plant, we have bundled that into the crams business model and the site other sites for production sites into the exclusive manufacturing umbrella we have bundled that into the exclusive manufacturing business model so in terms of diversification of the pie you should essentially consider large-scale manufacturing as one business model and the combined crams and contract manufacturing as the second business model business model in which case we have already achieved the 50-50 split that we want because right now today if you look at our numbers 52% is the large-scale manufacturing business model and 35 plus 13 which is 48%, 49% are the combination of the crams and exclusive manufacturing business model, so that is one aspect of looking at it.

And the second aspect of looking at it is that since the crams comes from the R&D and the pilot plant to which are typically smaller projects higher value and higher EBITDA margins as you have pointed out correctly, but the top line revenues the larger revenues come always from the per kilo large-scale manufacturing. And so the crams business model will never be able to compete with the contract manufacturing and large-scale manufacturing business models in terms of the top line.

And so our ultimate goal is to have a 40-40-20 split of the large-scale manufacturing business model contract manufacturing business model and the crams business model. So in essence we want to take the 13% gradually up over the next few years to 15% 17% and 20% and for which to address the second part of your question we will be looking at maintaining the R&D spend as a percentage of the overall revenues as the revenues go up to be consistent at the 7% to 8% level typically and we'll be investing into the R&D and the pilot plant assets which will help to grow the crams business model from the 13% today to 15% to 17% to 20% in the future. So hopefully I answered your question Neeraj.

Moderator: Thank you. We have our next question from the line of Pratik Oza from Systematix. Please go ahead.

Pratik Oza: Yes. Thank you for the opportunity. So, I just had one question any of the products between manufacture does it does it have its application in the oncology segment in pharma?

Management: No, currently not the previous advance intermediates that we make have no application in the onco market. We do have a packed pipeline, which I would like to divulge at this point. But the current manufacturing assets do not have any application in oncology.

Moderator: We have a next question from the line of Ridhima Goyal from Acquaint Bee Ventures. Please go ahead.

Ridhima Goyal: Hi. Thank you for giving me this opportunity. I just have one question. As I'm looking at your past performances we were we were growing our top line like more than 30%, 35% as we were very at the nascent stage, so that was it was easier for us to grow at a faster pace. But now looking into FY '23 we have grown just 10%. So I just wanted to know like why is this happening? And what would be the growing growth rate for us both top line and bottom line?

Management: Yes so thank you for this question. What we have we have grown over the period of time since last three four years is because of the assets which are already on the ground. The second we were using capacities close to 80% previously and we have de-bottlenecked and currently using the sets at 70%. The site 3 came online in December January period, so we only had three months to deliver out of that product and we had to stabilize the site also. Going forward you will see site 3 in full action and it will give its attain its mature state in 18 months period from now.

So we were not able to grow in essence because we did not have assets on the ground and that is the reason why we are going for a capex plan as we speak. Also looking towards the business segments, pharma was not performing well so we lost quite a few top line in the pharma intermediates also in this current year and which has also again regained shape as we speak. And so pharma was globally down and hence this result was also affected in a way. So our targets were slightly ambitious this year but we were not able to perform as per our internal expectation.

Ridhima Goyal: Okay. And one more question I wanted to ask, sorry continuing with the existing question what is the growth we are expecting for next two years then?

Management: So next two years we will be looking at interesting growth. So we have invested on site 3+ close to INR200 crores which will attain 60% efficiencies during this period of time and also the pharma is already showing sense. So I believe you can just guess estimate this number by yourself and figure it out. I mean, I'm sorry I would not like to put the number on this. But the results for the next year would be far more better than this this year.

And in terms of the EBITDA and PAT we have already shown a nice PAT number in terms of the percentage and in terms of the EBITDA percentage and we would like to build it up from there from here.

Ridhima Goyal: Okay and the second question which I wanted to ask was just a clarification you said INR 200 cores to INR 250 crores of capex per site right to total three sites. So we can assume around INR 600 crores of capex in how much time?

Management: Yes. So we have put up an enabling resolution of INR7,500 million and we are looking at this capex to be deployed in two financial years this financial year and the next financial year.

Ridhima Goyal: Okay and what would be the asset turn we can assume for this capex?

Management: We have been able to deliver asset turn of 1.8x to 2x and we'll look to build up from this and we'll target minimum of 2x and we'll like to build it up from here.

Ridhima Goyal: Okay and this capex will take like how much time to reach to its optimum utilization level, like after two years, when will it reach to the utilization level?

Management: 18 months.

Moderator: Thank you. We have our next question from the line of Prabhjakar Venkataraman an Individual Investor. Please go ahead.

Prabhjakar V.: Congratulations for the good numbers my question is the capex which you are planning for the next 18 months, now will it be in the short-term create a dent on your profit and how do you propose to overcome that? Because you already the current year growth rate is come down, really three four years? Thanks.

Management: Sir, sorry we were not able to clearly listen to you sir. Can you please repeat the question?

Prabhjakar V.: No the current capex you're planning INR 70 crores of capital rising in various main mode that is towards the capex and that capex, it's going to take 18 months…

Moderator: We have our next question from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Yes. Hi sir, I wanted to clarify the INR750 crores capex that you said can you split it up between site + site 4 and 5 would it be INR200 crores each?

Management: Yes. So in the range of INR200 crores to INR250 crores each, that is what the plans are. Site 3++ is in the range of INR200 crores as of today site 4 and site 5 are being designed and being formalized as we speak and so it would be in the ballpark of INR 200 crores to INR 250 crores and that would be the first phases of site 4 and site 5. However, site 3++ would be completely closed for further capex after investing INR 200 crores.

Prabhjakar V.: Right so now we have gone online with site 3, right? So there was a site 3+ also right?

Management: Yes site 3+ and ++ both are right now being expanded further which is the which will double the capacity of site 3.

Prabhjakar V.: Got it. So we have spent INR200 crores in site 3+ and we are spending another INR200 crores in site 3++. I hope and my understanding is correct?

Management: No Priyank let me just correct you. We have invested INR 200 crores odd on site 3 only and site 3+ and ++. So site 3 is equal to INR200 crores of investment, which you have already completed site 3++ and site 3+ which is -- which will enable this capacity is on the land space to be doubled up will entail a further investment of INR200 crores and site 4 and 5 are being currently planned and worked on but the approximate first phase of investment in site 4 and site 5 will be in the tune of INR200 crores so INR250 crores each.

Prabhjakar V.: Got it, that was clear. And so we added 3,500 tons in site 3, so with site + and ++ coming up we would add another INR3,500 crores.

Management: Yes. Typically yes.

Moderator: Mr. Priyank Chedda are you through with your question. Mr. Chedda we will move on to our next question from the line of Satadru Chakraborty an individual investor. Please go ahead.

Satadru Chakraborty: Yes. Hello good evening. Okay one question on the bookkeeping the inventory numbers for fiscal year '23 are roughly up by 50% any flavor on why this is and how can we clear this and do you plan to take an inventory right down next year or how should we look into this?

Management: Yes the inventory has increased because we have continuously launched new products throughout the year in financial year '23. And for the new products we always also for the all products we keep inventory of critical raw materials in our inventory for at least five months plus and so new products have been also we are putting more inventories on. And that is the only reason and the we will bring down the inventories gradually once the products are properly you know launched in the market. And we will stabilize that them to at least four and a half to five months down the line.

Satadru Chakraborty: Okay thanks. Another question on the five new molecules you guys launched in Q4 can you throw a bit of flavor on what kind of molecules what kind of APIs these are if they are APIs and how should we the markets for these molecules?

Management: So these molecules were written down in the RHP also they were carbamazepine oxcarbazepine dolutegravir intermediate, ambroxol intermediate and another one the fifth one was at the agrochemical intermediate called bifenthrin alcohol. So these are the five intermediates which we have five chemicals for which we have launched the intermediates for the APIs and agro and product, which we have launched the intermediate for.

Satadru Chakraborty: Okay and then the last question that I had is the relationship with Otsuka Pharmaceuticals, which has been mentioned in the presentation as well. If I read it correctly, you guys have mentioned roughly INR51 crores of revenue per year around 300 metric tons so that's around INR 1,700 per ton and then what I also read it this is a 10 year supply agreement any flavor on what kind of chemicals is this is this amongst the ones that you just mentioned and whatever you can mention about this agreement will be helpful?

Management: Yes so if you read the RHP again there's a hint over there we have formed the association where we were competing with each other and now we have formed the association on that product and the other product was an identical product of the same, on the same line, on the same chemistry and that was also given to us so this agreement is for the period of 10 years and then will be automatically renewed every one year after 10 years of completion and the revenues who are INR 51 crores to start with per annum and which will which will enable us to grow beyond that as the demand grows of the second molecule also.

Moderator: Thank you. We have our next question from the line of Inderjeet Singh from HDFC securities. Please go ahead.

Inderjeet Singh: Hi Rohan, Aman, Faiz thanks a lot congratulations on good set of numbers and a couple of questions I have one on site 3 can you just tell us what was the kind of utilization in site 3 quarter four and by a FY ‘24 and what we think would be the stable state utilization rate in this in the site?

Management: But currently we are in the quarter one with where we started in January, middle of January and we stabilized we have reached us capacity utilization on the on the total streams as 30% only as you see and by the end of this financial year we look at 60%, 65% percent would be our target to utilize the whole all the streams at 60%, 65% level.

Inderjeet Singh: So was there a meaningful contribution in top line in quarter four from site 3 and can we quantify it?

Management: We can quantify it, but we have not quantified it at the moment. But it was approximately INR 30 crores, INR 35 crores.

Management: INR 30 crores let's assume that.

Inderjeet Singh: Got it third is that the realization on site 3 is this similar to what we are kind of making on a on a full year basis of around 1,700 odd levels or this is higher than our average numbers?

Management: This will be higher in number for sure.

Inderjeet Singh: Got it and coming to your expansion plans, is it safe to assume that site 3+ and ++ would start to kind of contribute to revenues from early FY '24?

Management: Yes that is that will be the target to start towards the end of '24. So that we can have some benefit in terms of the top line contribution for the FY '24.

Inderjeet Singh: Got it and we have a product already kind of in the pipeline for that?

Management: Yes.

Inderjeet Singh: Last question from my side is if I look at our R&D expenditure as a percentage of sales we are already one of the highest in the Spec-Chem industry that's 7.5% would this continue to increase or now it will stabilize at these kind of levels given that our revenue is also likely to come back on a very strong growth over the next couple of years. So in absolute terms even at stable seven and a half percent that would entail a fairly significant rise in R&D.

Management: Yes interesting question we have already budgeted seven percent this year also in terms of the 7% of our total revenue. So that's going to increase also

Moderator: Thank you. We have our next question from the line of Yash Shah from Investec. Please go ahead.

Yash Shah: Hi sir, my first question was regarding our realization just to clarify the did you see that our realization for FY '23 was 1,766 yes.

Management: **Yes**

Yash Shah: Okay. Sir last quarter we had mentioned that for nine months our realization was around more than INR 1,900, so this quarter have you witnessed a significant fall in our selling price?

Management: Just a minute. No the last quarter the realization was around INR 1,600 not INR 1,900 rupees

Yash Shah: It was 1,600. Got it, sorry my bad. So but this quarter have we basically taken price decrease have you like passed on the lower prices to the customer?

Management: The correction of the prices has all already started so as the raw materials have decreased. You will be seeing the original levels of before which were prevailing before one year. I mean so that will happen but also the margins will remain intact and in fact the margins will start growing because of that. So you will see a certain correction, but it will not affect the overall business of Aether because we had not shown a great increase in terms of the margin in the last one year also, in terms of the pricing. So it will only come to the original level it will not dip beyond the original level.

Yash Shah: So it is safe to assume that even if the price is increases in the future we should be able to maintain more than 30% of the margins?

Management: Yes

Yash Shah: Right got it. Sir my second question was regarding the three big contracts, we've gotten in the last financial year from Aramco from Otsuka and from Polaroid. So are we going to have dedicated plants for all of them. My understanding is that we'll have multi-purpose plant but then for a bigger contract like Aramco, are we going to have a dedicated plant?

Management: Yes, so interesting question. So Polaroid is more towards the Crams which is the R&D and the pilot plant segment the Otsuka is more towards existing products in our portfolio and the Saudi Aramco is towards commercialization of the new technology and so the Polaroid will most likely come from a mixture of the current assets in the pilot plant and new assets that we have already planned for so in essence from the multi-purpose new pilot plant coming in. The Otsuka will be from the existing assets and the Saudi Aramco as it progresses forward will be dedicated production assets built for the Saudi Aramco technology but anything that we do take up in the manufacturing assets is focused on our core competencies and so across the core competencies all plants are fungible and multi-purpose in nature and so even the Saudi Aramco plants that we do build it will be a multi-purpose plant across the core competencies involved in that technology

Yash Shah: Got it. Sir so another question which I had was last quarter we announced that we are going to basically make three agro intermediate products. What will be the realization of those products blended realization will it be in the same range as the 5 pharma intermediates which we had announced?

Management: North of INR 2,000 for sure so it would be an interesting set of numbers in terms of per kilo, but we would only like to deluge right now that it would be about INR 2,000 a kilo.

Yash Shah: Okay about INR 2,000 a kilo. Got it, last question sir for FY24 how do we see our business mix changing I mean this year we had 42% coming from pharma and 35% coming from agro do we expect it to remain the same for the next financial year as well

Management: No pharma will slightly increase for sure yes because we are launching five products in it out of that four products are in the pharma side. So hence the pharma will take a lead again but however in the long term it will again balance out with three new products in the agro side also.

Yash Shah: Got it. Got it sir thank you for answering all my questions and all the best.

Moderator: Thank you. We have our next question from the line of Noel Vaz from Union Asset Management. Please go ahead.

Noel Vaz: Yes, actually just one small follow-up three has there been any expectation as to what kind of form the equity rates will be taking?

Management: You are not audible can you please repeat?

Noel Vaz: Yes, regarding the equity rates do we have any ideas to how we are I mean what exactly is the instrument under which we are planning to raise the issue or what is the case?

Management: So we have to reach the minimum level of 75% in terms of the dilution we have only diluted 13% as of today. So 12% is still due which has to be done in next two years period approximately and so we'll be looking for this dilution and as per the SEBI guidelines by going for a primary raise only we do not want to go into any OFS at this moment because we are seeing a lot of expansion plans and we are a bit of the of the opportunities out here and so we will only release dilution in the company.

Noel Vaz: Okay thank you

Moderator: Thank you we have our next question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Hi, good afternoon all and thanks for taking my question. I got few of them first on the capex guidance and the revenue opportunity which we say we have already spent INR200 crores on the site 3 we plan to spend another INR 650 crores in 3++ 4 and 5 so all put together what we are looking at is the close to capex of INR 900 crores to in INR 1,000 crores and if I put the 2x kind of an asset turn at the peak of it which you said we will achieve to 18 months once this plant are up so two years for the plant and 18 months so what we are basically looking at is FY27 we could potentially be able to generate a revenue which is in excess of INR 2,500 crores to INR 2,600 crores is that the right understanding.

Management: Yes, that would be I think the right calculation.

Sanjesh Jain: Got it. Just to understand this because this is quite a steep jump can you help us understand. Which all the segment in terms of application we are looking at I know it's very difficult and it's way too far but just what is at least our intent in terms of mix between the pharma agro material science including photography and everything how would you intend to have this mix say three four years down the line.

Management: Yes, thank you Mr. Jain, excellent question. So the mix which we try to dream of, or we want to achieve is 40% pharma, 40% agro and 20% material science. 20% material science would include oil and gas high performance photography, electronic chemicals and so on so forth. That is a part of it. Yes so Mr. Jain so you would prefer a three equal distribution on this three-business model. However 40-40 and 20 would be the right target for at this moment.

Sanjesh Jain: Got it. You were telling that material is slightly difficult can you elaborate on that? I think that's where we dropped off.

Management: No material science is not difficult material science would we would prefer that material science also grows at equal pace. But that segment it is quite a interesting segment and it takes slightly more gestation time as compared to pharma and agro.

Sanjesh Jain: Got it. On the pharma and agro side do we intend to remain at say intermediate stage or we are also intending to say move in the value chain in terms of producing API and AI which have a much larger realization when you compare to the intermediate do we intend or are we working to move up in the value chain until that stage?

Management: No so our focus is specialty chemicals and its intermediate only, so we do not want to go into the AI or API segment or formations in the near future.

Sanjesh Jain: Got it, fair enough. Just dwelling a little bit more there on the agro and pharma, have we really identified the number of product and how many products are in the pipeline, say for the next two to three years? And at what stages are we in these products? And how does it look like in terms of portfolio versus what we have today? Will it be higher realization, lower realization? And particularly in the pharma side, what are the key areas of focus in terms of diagnosis or the therapeutic area?

Management: So in the way our pipeline of the products in R&D is 29, they are into scale-ups and into on bottom class that is in R&D. So that is a pipeline. It is a mix of agrochemicals and material science and pharmaceutical intermediates only. We are looking at this pipeline in the terms of next two years of commercialization, two to three years of commercialization. So we will be commercializing these products if they are successful in scale-up in the large-scale manufacturing business under the large-scale business model in the next two to three years. What was the second part of the question, sir?

Sanjesh Jain: So these 29 products what will be the addressable market size today what will be these 29 products in terms of market today to understand the scale of this product?

Management: We do not have that number on hand at the moment but it's northward of INR 3,000 crores, INR 4,000 crores the market size.

Sanjesh Jain: Got it. Fair enough, last question from my side for you i'm stretching a little bit here. On the near term we said that we anticipate to run this the plant three at 60% utilization in FY24 and we also anticipate some growth in the pharma side as well which normalizing from the low base of FY23. If I back work it if we are looking at the top line in FY '24 anywhere in the range of INR 950 crores to INR 1,000 crores. Will it be a fair assumption?

Management: I would not like to comment on that but, I'm sure.

Sanjesh Jain: Arithmetically that's how it comes I hope arithmetically I am right right?

Management: We'll try our level best to come to that number.

Sanjesh Jain: Got it. Fair enough and nice hearing you best of luck.

Management: Thank you Mr Jain.

Moderator: Thank you. We have our next question from the line of Rohit Ohri from Progressive Shares Please go ahead.

Rohit Ohri: Hi Aman, Rohan, and Faiz few questions from my side. Post this expansion of site 3, site 3++ and site 4, you will still be having quite a lot of ample amount of free land. So, is it that this is just the phase one of expansion of around INR 800 crores or something and should we be looking at another round of expansion maybe in the same numbers or so?

Management: Yes, you are right now.

Rohit Ohri: With the same kind of asset turn on that we should in FY27-28?

Management: Yes, we are envisaging the same asset turn on all the products.

Rohit Ohri: Okay in that case what would be the debt profile like because you are almost debt free today so will you be looking at some sort of fundraising or will it be you know consistently maintaining the debt free status.

Management: Rohit, we have to achieve minimum shareholding pattern of 75% so we have to further dilute by 12% we have put up an enabling resolution of INR 7,500 million only at this moment so we still have a chance to further dilute in the next two years' time and so to reach the 75% holding levels and we prefer to put all this 12% as a primary in Aether so we have a good opportunity over here to invest all this amount whatever you get into this length parcels which we are we are owning and build up from there.

Rohit Ohri: So any thoughts on the board with the dividend distribution policy as a reward for the shareholders any thoughts on that?

Management: Currently we are in the growing mode we are in the investing mode so we would not prefer to give dividend at the moment.

Rohit Ohri: Okay last questions it's a pair for the new products that is related to Otsuka and Enison with the two products so will you be maintaining the blended margins of 29-30 kind of a range that we have, or you will be aiming at something higher than that with the new product profiles.

Management: Absolutely we'll be maintaining the margins, or we'll try to grow up how about this March on the same the production.

Rohit Ohri: Okay. And last question on the Saudi Aramco, the converge and the case or for the polyols. If you can just elaborate a little bit on what exactly Aether will be doing and what will be our contribution as to what sort of products are these or what sort of processing is required for the case products or for the polyols? If you can just elaborate just two, three lines related to that.

Management: Yes, so this is a joint partnership, joint development effort that has been going on for quite a few years now. And also, we had consent from them to publish their names as a customer. And this is a joint technology development that we have done for the process to manufacture these converge polyols. And going forward, this will involve the manufacturing at Aether and commercialization of the converge polyols technology and the applications would be differentiated and applied polyols for the case industry. And so not going after the base polyols that form the fundamentals of the case industry, but going after the applied and differentiated polyols, which as a function of the polyols that we are making from this technology, will provide potentially enhanced properties, as well as up to 40% carbon dioxide by weight. And so potentially it could be very interesting from a sustainability perspective and also give differentiated and applied properties in the case industry.

Rohit Ohri: And have we identified some more clients or customers to whom we intend to sell these products to?

Management: Absolutely. If you look at the letter of intent that we have made, there's a potential another joint press release coming up in the next few months with another multinational company partner who is going to potentially launch a new product based on this technology. And so it would be a three-way joint press release between Saudi Aramco, Aether, and this multinational customer X on the launch of this new technology, a new product launch involving this technology.

Rohit Ohri: So this target, which the previous participant was talking about, of around 2,000 probably seems to be slightly more conservative and you can grow more aggressively if all the things fall in place for you, probably reach at 4,000 crores or something by 28 or so?

Management: Sir, I'll send a box of sweets to your office. Jokes apart, we have, as we've always said, the fundamentals of the company are very sound. We are expanding in the right manner and approach in the R&D pilot plant and production with a practical, pragmatic approach and the pieces have been set quite well. And so we are quite upbeat and positive in our outlook for the quarters and the years to come. The years to come will be much more interesting.

Rohit Ohri: Okay, that makes a lot of sense. Thank you, sir. Thanks for answering the question. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you.

Management: Thank you, everyone, for joining the call. We hope that we have covered most of your questions. If you still have any further questions, please feel free to reach us. Stay safe and have a great day ahead. Thank you.

Moderator: On behalf of HDFC Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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