aether
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May 24, 2024

Ref. No.: **AIL/SE/16/2024-25**

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 Tuesday, May 21, 2024, on the financial performance of the Company for the Fourth Quarter and Financial Year ended on March 31, 2024, is enclosed herewith.

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

Thank you.

For Aether Industries Limited

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

AETHER INDUSTRIES LIMITED SURAT

Encl.: As attached

CHITRARTH RAJAN PARGHI
Digitally signed by CHITRARTH RAJAN PARGHI
Date: 2024.05.24 10:20:09 +05'30'

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"Aether Industries Limited Q4 & FY24 Earnings Conference Call"

May 21, 2024

MANAGEMENT:	**DR. AMAN DESAI – PROMOTER & WHOLE-TIME DIRECTOR, AETHER INDUSTRIES LIMITED** **MR. ROHAN DESAI – PROMOTER & WHOLE-TIME DIRECTOR, AETHER INDUSTRIES LIMITED** **MR. FAIZ NAGARIYA – CHIEF FINANCIAL OFFICER, AETHER INDUSTRIES LIMITED** **MS. SHUBHANGI DESAI – EXECUTIVE IR, AETHER INDUSTRIES LIMITED**
MODERATOR:	**MR. NILESH GHUGE – HDFC SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Aether Industries Limited Q4 FY24 Earnings Conference Call hosted by HDFC Securities Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

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

Nilesh Ghuge: Thank you, Neerav. 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 Ended March 2024.

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 4Q FY24 and Financial Year '24. Over to you, Shubhangi.

Shubhangi Desai: Thank you, Nilesh. Good evening one and all. Today on May 21, 2024, our Board has approved the Financial Results for the 4th Quarter and Financial Year Ended on March 31, 2024, 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 the transcript of the same will be made available on the website of Aether Industries Limited and exchanges. Please also note that the audio of the conference call is the copyright material of Aether Industries Limited and cannot be copied, re-broadcasted 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 Limited or its officials do not undertake any obligation to publicly update any forward-looking statements whether as a result of future events or otherwise.

Mr. Rohan Desai will begin by sharing Aether's business outlook, then Mr. Faiz Nagariya will cover the financial highlights for the period under review and Dr. Aman Desai will share the ongoing expansions and strategy of the company going forward.

Now I shall hand over the call to Mr. Rohan Desai for his opening remarks. Over to you, Sir.

Rohan Desai: Thank you, Shubhangi. Ladies and gentlemen, thank you for joining us today. I want to address our recent Quarterly Performance, which was unfortunately impacted by the significant fire accident. The foremost priority of the company immediately after the accident was towards the injured and for the family members of the deceased and we have done our very best for them and their families.

Coming to the business:

While this event has certainly present challenges, we want to assure you that we are fully committed to addressing the situation and mitigating its effect. Our team is working tirelessly to rebuild what is lost, get the production streams online in phase wise manner after getting necessary statutory approvals and ensure the safety of our employees and facility. During the start of this quarter, we had announced that we had restarted 50% of the facility post this accident. This came online in phased-wise manner and hence the effect is seen in our performance. Our swift response and effective crisis management systems minimize the disruption of our supplies and enable us to meet our commitments to our customers to the best of our abilities. The other half of the affected site 2 is expected to be operational soon with all the safety protocols in place. We are expecting to receive revocations of the closure order of site 2 to resume operations to the extent of 75% and 100% of the environmental clearance capacity shortly. We have taken several one-time hits on our books which has impacted our bottom line. We appreciate your patience and support as we navigate through this challenging time together.

There have been several positive developments in this quarter. We had announced the successful piloting of recycling and upcycling of plastics with our customer **Novoloop**. Also, we had announced the appointment of our new CTO by Aether, Dr. James Ringer, who has taken up this role after already been here with us for 3 plus years. We have also invested in 15 megawatts of solar power plant, which will make us 95% sustainable on renewable electrical energy in three sites. And last but not least, we have commercialized site 4 which starts the production line for oil field drilling services businesses. Dr. Aman will be sharing more information on the above in the short period of time.

Inspite of the pricing pressure and the fire accident at site two, we have been able to sustain the market of our products and we are seeing a good inflow of orders through our existing molecules. Our large-scale manufacturing business model contributed to 59% of the total sales in this quarter, CRAMS contributed to 14% and contract/exclusive manufacturing was at 26%. Robust growth in all these three business segments is expected in the current financial year 2024-25. We will have the site to fully schedule operational by quarter one of 2024-25 wherein we are expecting the revocation order for site 2 to come anytime from the authorities.

Now let us discuss on the growth outlook from here on. We have commissioned our site 4 which is under 100% wholly-owned subsidiary, Aether Specialty Chemicals Limited. This has been created largely for one of the top three biggest oil field services company. We had announced the letter of intent with this company in the recent past, leading to the creation of this site and we expect to be announcing the finalized strategic supply agreement with this customer shortly. Production and the supply of the product from site 4 to these customers will be increasing in phases with the first phase beginning from quarter one of financial year 2024-25 while the coming quarters, we anticipate a very significant revenue contribution from site 4 in this oil field services domain. Site 3, which was commercialized in January 2023, has seen pricing pressures also and we have not been able to get the desired results, but we expect the pricing pressures to ease out soon and we will get the desired results in financial year 2024-25.

Commercialization of site 3++ and launch of 3 to 5 products in site 3++ under the LSM model in quarter four of financial year 2024-25 is on track. Commissioning of the new 15 MW solar power plant will be adding to saving of electricity expenses, which will be done in 3 phases. Phase 1 will come online in the end of May 2024, second phase will start online by July 2024 and the last phase will start in September 2024. Each phase will be of 5 megawatts capacity. We have also successfully expanded and commissioned the pilot plant. This will further lead to enhancement and faster scale up of newly developed products in R&D which are to be launched in the near future. This expanded pilot plant also helps us in expanding our CRAMS business model in a significant footing.

I would now request Faiz to take you through all the financial highlights of the company. Over to you, Faiz.

Faiz Nagariya: Thank you, Rohan. Good evening, everybody. Here we present the Financial Results of Aether Industries Limited for Q4 and Financial Year ‘24.

The total revenue of the company in standalone stood at Rs. 6,399 million in Financial Year ‘24 as against Rs. 6,676 million in financial year 23 resulting in EBITDA of Rs. 1,619 million in Financial Year ‘24 as against Rs. 2,028 million in financial year 23. EBITDA margins stood at 25% in FY24 as against 30% in FY23. The PAT amounted to Rs. 881 million in FY24 as against Rs. 1,304 million in FY23. The PAT margins stood at 14% in FY ‘24 against 20% in FY ‘23.

The consolidated financials are here with the total revenue of the company stood at Rs. 6,373 million in Financial Year '24 as against Rs. 6,676 million in financial year 23 resulting in EBITDA of Rs. 1,577 million in Financial Year '24 as against Rs. 2,028 million in financial year 23. EBITDA margins stood at 25% in FY '24 as against 30% in FY '23. The PAT amounted to Rs. 825 million in FY24 as against Rs. 1,304 million in FY '23. The PAT margins stood at 13% in FY24 as against 20% in FY23. The loss in Q4 is attributed to deferred tax provision in Aether Speciality Chemicals Limited due to the operations started in March '24 and capitalization of various fixed assets that is Rs. 11.03 million. Otherwise, there is a PBT of Rs. 5.6 million and there is a cash profit as well.

The main reason for the reduction in the revenues in Aether Industries is attributable to the fire accident at our site 2 in November 2023, wherein the production at our manufacturing facility 2 was stopped for couple of months. The reduced revenues and other exceptional expenses related to the accident like compensation paid to the families of the deceased, penalty payment to GPCB, medical treatment expenses of the workers who are hospitalized and increased insurance premium of our IAR policy have resulted in the reduction in the EBITDA and PAT margins eventually. The amount of such one-time cost is approximately Rs. 70 million for the quarter. We incurred an incremental impact of approximately Rs. 30 million on account of increase in insurance premium due to the fire accident in this Financial Year '24. Further, we have also incurred a loss of Rs. 138.97 million on account of damage of inventories in process and finished goods which were either in the reactors, in the equipment and on the shopfloor when the fire accident happened. The loss of fixed asset is being assessed as various equipments are being inspected and the outcome are expected to be released by the end of this month.

We have though submitted our first claim of Rs. 1000 million to the insurance company towards stocks, fixed assets, loss of profit etc. and we have applied for an on-account payment of Rs. 210 million to the insurance company, which has been approved and we expect payment in due course in few days. Acceptance of one account payment also entitles that our claim is accepted by the insurance company, which will be settled in the next few months. Due to the fire accident at manufacturing facility two that is plant 2 majorly affected, new production could not be done in the entire December 2023 and January 2024 and hence this also led to the reduction in the finished goods and semi-finished goods inventories resulting in our reduced margins as well. Though when we received the partial revocation orders from authorities, we started building up stocks of RM, manufacturing started resulting in increasing stocks of SFG as the production is going on for various products.

I will stop here and request Dr. Aman Desai to share updates on Aether's expansion plans and strategies going forward.

Dr. Aman Desai: Good evening, everybody. Despite the unfortunate turn of events in this fiscal year impacting our quarterly and overall performance, our team's resilience and dedication have allowed us to navigate through this difficult situation. Our swift response and effective crisis management system have minimized the disruption of our supply chain and enabled us to meet our commitments to our customers. In January, the unaffected plants of our fire impacted site 2 resumed operations after an initial closure by the GPCB. The other half of the affected site 2 is expected to be operational very soon with all the safety protocols in place. We're expecting to receive revocation of the closure order of site 2 to resume operations to the extent of 75% of our capacity in the next coming days.

With that, let me put forth the strategic developments that have been executed and which remain the key drivers during the period under review. We announced the first commercialization of the novel Converge polyol technology which we have developed in collaboration with Saudi Aramco and this first commercialization was led by one of the largest US based adhesives manufacturer H.B. Fuller. This builds on the numerous years of joint work done so far on the Converge platform with Saudi Aramco Technologies Company. As we speak, we are continuously working to widen the array of Converge Polyols application in the case industry, we are upbeat on the fact that this successful product launch by H.B. Fuller is the first of many with an aim to serve the customers by providing sustainable solutions. As these first launches of the Converge polyol technology begin, we are hoping now to see a rapid growth in the commercialization and sales of these novel and sustainable Polyols. We are also proud to partner with Novoloop for a first of its kind Lifecycling process, creating a pathway for circular plastic future. This technology provides an economical and sustainable solution for hard to recycle plastics. This project is a plan to unfold in phases with an initial startup of operations already commenced in the first quarter of the fiscal year 25 at the newly built pilot plant dedicated to the project. Novoloop's novel technology has immense potential, and we are excited to begin preliminary discussions with Novoloop already towards the full scale commercialization at Aether of this technology in the very near future.

In the recent past, we have announced partnerships with Polaroid of Netherlands and Otsuka of Japan. Both these partnerships remain robust. We continue to be the exclusive research development and supply partner for Polaroid, digital and instant photography platforms. This upcoming fiscal year will see substantial revenue contributions coming up for the first time from our partnership with Otsuka, thus transforming the work done over the last several years and building this partnership into a substantial commercial business.

We also recently announced the execution of an agreement with a major global lithium-ion battery producer, thereby giving an announcement for our foray into specialized electrolyte additive products. We have partially commercialized these products already and expect full commercialization in our upcoming sites 3++ and site 5. Additionally, this partnership is developing quite well and we expect additional benefits from this partnership, which we will also announce in due course of time. R&D and pipeline assets, infrastructure and manpower continue to increase quarter-on-quarter even in the accident affected quarters. This reflects on the continued fullness of our R&D pipeline with numerous projects across all business models. Even with the recent setbacks, our CRAMS portfolio has in fact grown year-on-year and we anticipate the upcoming fiscal year will see a significant expansion of this CRAMS portfolio with new projects and new customers being added across the industry spectrum and a few of these products making the golden transition from the CRAMS portfolio to the contract/exclusive manufacturing portfolio.

We had also given guidance on the hierarchical changes that we are planning to bring about, especially in the wake of the accident in line with that, we have announced Dr. James Ringer as our CTO who has already been associated with us since the last 3 years as a Business Development Leader for the Americas. He is a very well recognized R&D professional with the career spanning more than 30 years at the Dow Chemical Company in the USA at an R&D Director level. He will be jointly overseeing the R&D and technology verticals of the company. Under his leadership, we look forward to maneuvering to greater heights in strategic innovation and technical leadership in cementing our place as a premier partner for chemical development, scale up and manufacturing across the industry spectrum.

We have commissioned successfully our site 4 under our 100% wholly-owned subsidiary, Aether Specialty Chemicals. This has been created largely for one of the world's three biggest oil field services company in the US. We had announced a letter of intent with this company in the recent past leading to the creation of this site 4 and we expect to be announcing the finalized strategic supply agreement with this customer in the coming weeks or even days. Production and supply of products from this site 4 to this particular customer will increase in phases with the first phase beginning in this first quarter of fiscal 2025. By the coming quarters, we anticipate very significant revenue contribution from this site 4 in the oil field services domain. CAPEX at our Greenfield manufacturing site 3++ and site 5 is advancing well with all the regulatory approvals in place and the civil work going on as planned and the machinery and equipment also being installed in site 3++. We anticipate the commissioning of site 3++ by the end of this upcoming fiscal year, we are going to launch several exciting new products in this site 3++ for both the large scale manufacturing business model as well as the contract/exclusive manufacturing business models. These products are always made and offered by us for the first time in India, have the genesis in our core chemistry and technology competencies and have been painstakingly developed in R&D labs and mid production ready in our pilot plant. The products and the planning for this site 3++ include some of these new electrolyte additives and two large molecules moving from the CRAMS portfolio to the contract/exclusive manufacturing portfolio and pipeline molecules under our large-scale manufacturing business model made by us for the first time in India. Site 5 is developing quite well from the civil logic perspective. It is a mega production site with 16 production blocks and is shaping up very well to become the true face of production of Aether Industries with world class engineering, technology and safety and sustainable systems.

At the very end, I do want to touch upon the tragic and unfortunate accident in our manufacturing facility in site 2 in the last quarter. As Rohan had mentioned at the start of this call, the topmost priority of the company, our management and our family have been towards the injured and the families of the deceased. We have tried our very best to stand by them and we will continue to do so for the lifetime of these immediate families. This was the major accident, we responded by undertaking comprehensive and systemic changes in the safety protocols and processes of the company. Each and every single operation being conducted in R&D, pilot plant and production for all the sites in the company have been reviewed for safety and only then our operations have been resumed. We have spent several weeks drawing up an elaborate corrective and preventive action plan which focuses equally on the short term, the medium term and the long term. This plan has already been implemented and validated for the short-term actions and is being implemented with utmost seriousness for the medium term and long term actions. Vigorous implementation of this plan remains the company's top most priority and it is also my personal topmost priority as a company, as a family and as the person leading the operations, we are and I am committed to ensuring that such an event will never, ever happen again at Aether Industries.

Finally, I do want to express our deepest gratitude to all our colleagues, our stakeholders and other valued investors in their continued faith and trusting us and I assure you that we are working tirelessly to ensure that we deliver value to you and live up to your promise and potential. Shubhangi, back to you.

Shubhangi Desai: Thank you, Dr Aman. We shall now request the moderator to open the forum for question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: So, first question is in terms of competition from China, we've been hearing across the Board that there has been competition from China, which has cropped up over the last couple of years. So, have we faced any competition? And because of the incident, is there any irreversible market share loss that we are experiencing, that's the first question, thank you.

Rohan Desai: Thank you. On the pricing side, yes, we are seeing a lot of pressure from China because the raw materials have also reduced and obviously they are back to their original state. So, we are facing good competition in terms of pricing. However, we have only lost a certain market share in certain products because of our inability to produce because we have only 50% of our production plant which is online. So, that product is where we have lost some market share. But we are very, very confident that we will regain this market share in Q1 and Q2 respectively, and we will go back to our original state. We have commitments from the customers and their readiness from the customer side and their willingness to buy from Aether so we are not worried on the existing molecules and we are already taking lot of orders with anticipation of restarting of the plant as per our internal timelines.

Rohit Nagraj: Sure, that's helpful. Second question, in terms of your CAPEX, so if you could just give us a timeline as to when commercialization of this project will happen and what kind of revenue that we are expecting over a period of time. So, maybe at peak utilization based on the current CAPEX and how the trajectory would move maybe in FY26-27 in terms of overall revenues?

Rohan Desai: Alright, so we're talking about site 3++. To start with, site 3++ is Rs. 200 crores of investment and it is expected to come online and stabilize in Q4 of this financial year 2024-25. Site 4 is already up and running, and we are seeing the outputs and the sales happening in phase wise manner where it is being ramped up in this current quarter that is Q1 of 2024-25 and it will attain its full potential in Q2 and Q3 respectively of this current Financial Year '24-25. And talking about site 5, we are estimating all getting online in the phase wise manner where the first phase will get online in December of 2025 which will stabilize in the last quarter of 2025-26 and potential will start unlocking in 26-27 for that site. This is expansion of Rs. 500 crores of capital investment. Out of which, Rs. 300 crores will be productive assets and Rs. 200 crores will be non-productive assets. That is the accessories and the infrastructure around which we need to build up for 16 production blocks. Does this answer your question Rohit?

Rohit Nagraj: Sure. Just one small clarification in terms of the usable asset base, what would be the asset terms that we are looking at?

Rohan Desai: At maturity, after a period of 2 years of stabilization of the plant, we are looking at 2x of the investment done in the plant.

Moderator: Thank you. Next question is from the line of Dhruv Shah from Dalal & Broacha Stock Broking. Please go ahead.

Dhruv Shah: So, my first question is with respect to your CRAMS business. If I look at your full year revenue, that has been kind of flattish, can you justify what is the reason behind this flattish growth?

Dr Aman Desai: Yes. So, on the wake of the accident, quite a few of the projects were put on hold and there's almost a period of overall, I believe 2 months where we put a lot of things on hold because as I mentioned in my speech, we have done a thorough safety review of every single operation and every single project and for that matter, we have put quite a few projects on hold and quite a few of the bigger projects were put on hold for a longer time for these safety reviews. And so we are looking at least one quarter where we were delayed by our deliverables and milestones and all of these projects, and so in fact, we were hoping to have a showcase, a significant growth on the CRAMS year-on-year. But in spite of this setback of 2 to 3 months, we've still grown on the CRAMS by a couple of percentages I believe and I think that reflects on how strong the pipeline was.

Dhruv Shah: Thank you. So, my second question was what was your average selling price per Kg for the full year?

Faiz Nagariya: Average selling price per Kg was Rs. 1,509**.**

Dhruv Shah: And, sir, like, what is your outlook on this? Are you seeing any improvement in prices because the prices have been falling only right? So, are there any green shoots that you are observing in terms of prices?

Rohan Desai: Currently for Q1 and Q2, no, we are not expecting any price to be correcting, but we are seeing a good demand at least to start with, which is a very positive note and with the demand we hope that from Q2 onwards, the pricing will go towards the North.

Dhruv Shah: Sure, sir and my last question was with respect to your agrochem sector. So, what is the scenario over there? Are there any improvements over there because I think so earlier you had mentioned that some deals were delayed, not cancelled. So, are they back with us or they still not with us yet?

Rohan Desai: Yes. So, we are not the major agro player as such. We hold approximately 30%-35% of our sales comes out of 4 products which are in agro and we are not seeing demand trouble in these 4 products. However, the pricing pressure is still true for all these 4 products.

Dhruv Shah: Sure, sir. And just one last question, if I could squeeze in, sir, there has been some significant increase in your non-current borrowings. So, can you please mention what that is regarding?

Faiz Nagariya: Non-current borrowings are the working capital limits which we are enjoying with the banks. So, these are towards, CC, PCFC and LC limits, which we're using from the bank.

Moderator: Thank you. Next question is from line of Inderjit Bhatia from HDFC Securities. Please go ahead.

Inderjit Bhatia: First question is would you want to kind of put a number as to how much of revenues we lost in in the previous quarter because of this unfortunate accident? Is there some assessment of that?

Rohan Desai: We lost almost close to Rs. 150 crores to Rs. 200 crores of revenue, which we are assuming in two quarters, I mean 4 months. There are many aspects, we lost one quarter in site 4 also which we were anticipating that as a revenue which was oil field drilling services which was also delayed because we wanted to do the safety reviews and so to check again in the existing site and the site 4 and also we had the QEHS which was kicked in by our customers which we passed with flying colors also.

Inderjit Bhatia: So, this is when you say Rs. 150 crores of revenue loss. Is this revenues delayed which will all expected to come into FY25 or do you think some part of this is actually lost because those orders do not exist any longer with us because customer might have shifted it?

Rohan Desai: No. So, it has been pushed quarters back, so we are not going to recover it in this financial year for sure.

Inderjit Bhatia: Got it. Second is now with you said that we are not large players in agro, but I if I recollect agro was still a fairly substantial portion of our revenues, if you could kind of just let us know as to what percentage do you think would be agro in FY25 or FY26 once all these new capacities come up? That is one and the second is in any of your existing contracts or the new contract that you have kind of got, has there been any change in pricing or any kind of extra cost that is associated either because of this accident or just generally because of say the environment changing?

Rohan Desai: No. So, no additional cost has been put in by Aether or there is no discount which is being given by Aether because of the accident. We are anticipating 30% to 35% of our total topline to be agro for this financial year.

Moderator: Thank you very much. Next question is from the line of Atishray Malhan from Fortress Group. Please go ahead.

Atishray Malhan: I have a few questions regarding the Converge Polyol opportunity. Firstly, so you previously mentioned that the addressable market size for the Converge Polyol opportunity is about 850,000 tons per annum. Can you maybe quantify the stand in dollar terms?

Rohan Desai: So, 850 KTA would be at average selling price of $3 to $5 a kilo.

Atishray Malhan: So, just harping upon that point, I mean, considering that the Converge Polyols are more value-added products compared to the other polyols used in CASE application, are they being priced at a premium compared to the other polyols in the market?

Rohan Desai: Yes, it is priced at a premium and it is approximately 30%-35% depending on the volume which you require. It is at 30% to 35% premium.

Atishray Malhan: Thank you. And just a quick follow up on that. So, for the various CASE applications that you're targeting, what percentage of the end use applications, total COGS would be attributable to polyols? I understand that the exact figure would be difficult to estimate, even a range would be very helpful.

Rohan Desai: So, that would be difficult to estimate, I think.

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

Krishan Parwani: Just two small questions from my side. First is on the volume or revenue growth which you are targeting FY25, given some new plans are coming up and there would be certain impact in site 2 in 1Q FY25 . So, just some thoughts on there?

Rohan Desai: Yes. So, Q1, we are anticipating the site to come online. So, at any time we are expecting a revocation to be circulated and so we can push and move ahead full steam ahead in site 2 and site 4 has come online. So, that will contribute quite a lot In Financial Year 2024-25.

Krishan Parwani: So, at this point you're probably not putting a number to the growth guidance that you have?

Rohan Desai: No, really not.

Krishan Parwani: So, I was actually asking like was there any particular reason for higher working capital days in FY24 and how much of moderation we are expecting in FY25?

Faiz Nagariya: So, the main reason for the increase is attributable to the inventory days wherein the working progress inventory has gone up. So, we had a fire incident and then the site 2 revocation for part was received and we started the production in February. So, there was this production going on. So, this work-in progress inventory has been higher this side and this will moderate and we will again come back to the normal scenario and normal terms by end of this financial year 25 for sure.

Krishan Parwani: Perfect. So, essentially it was because of the fire incident. Understood.

Faiz Nagariya: Yes, various products production was to be started, otherwise the raw material, finished goods, all the inventory days are all in control. There is no such problem.

Krishan Parwani: Perfect. So, we can expect it to be a normal level once again, correct.

Faiz Nagariya: Yes.

Moderator: Thank you. Next follow up question is from the line of Atishray Malhan from Fortress Group, please go ahead.

Atishray Malhan: Just a couple more follow-up questions on the electrolyte additives opportunity. So, the electrolyte additives that you're currently developing, how fungible are they? Can they be used across different electrolyte salts and solutions or are they specific to a specific electrolyte salt such as say a lithium access or a phosphate?

Dr. Aman Desai: Yes. Thanks for the question. Great question. We are focusing only on organic molecules, small organic molecules, electrolyte additives and that's a very specific subset of the electrolyte additives. And so we are not going after the salts. We are not going after the solvents. We are not going after the salt additives. We are going after the organic small molecule electrolyte additives only, which play to our strengths of our core competencies of chemistries and technologies. And so that's the first part of the answer. The second part of the answer is that these are commonly used. So, two out of the three that we're developing are very commonly used electrolyte additives in almost every single formulation of lithium-ion batteries and so they are going to be broadly applicable and marketable to the entire world of the lithium-ion battery formulation partners and the chemistry play and the technology play to our strengths of core competencies and therefore are fungible in our manufacturing assets.

Atishray Malhan: Thank you. So, my understanding is that you plan on sending these first validation batches to the client by the end of this calendar year. Is that correct?

Dr. Aman Desai: That's correct, yes, hopefully before that.

Atishray Malhan: So, I mean, when do you expect the commercialization of the additives by?

Dr. Aman Desai: So, the commercialization will be partially done by the end of this calendar year and the full commercialization will happen in the site 3++, which will be by the end of this fiscal year or the quarter thereafter.

Moderator: Thank you. Next follow up question is from the line of Rohit Nagraj from Centrum Broking Limited. Please go ahead.

Rohit Nagraj: So, we have recently elevated Dr. Ringer for the CTO position. So, what is the structure that we are working with, I mean in terms of the total staff cost, how much is the percentage for the expert and to retain them for a fairly long period of time, what is the incentive structure or probably ESOP structure that we have formulated if can just give some color on this. Thank you.

Dr. Aman Desai: Yes. So, we're very excited to have Jim on the Board. And Jim's personally known to me for the last 20 years now, and with the company for three years already, and he's probably one of the best process scientists in the world that I know. And I know quite a few. And so we are excited to have him when he joined us, obviously for good package and benefits but also because we believe in the story and of the personal connection that we shared, and he's very excited to be working with us. And so I will share the details here, but there are several aspects of the overall package that we put together for him and it includes obviously attractive ESOPs as well. He already had access to ESOPs from the development leader position that he was in, and this gives additional benefits to him as well and so we work very closely. He is at Aether for the full month every quarter and he's working in the Indian time zone partially over there in the US for coordinating with the projects over here and then partially in the US time zone for the business development activities. And so, he's already contributing immensely to all the projects and it's a parallel structure to me, if you will, in terms of the R&D and technology development of the company. And so, it's very, very positive. Hopefully, that answered some of your questions.

Rohit Nagraj: Right. And the similar structure is in place even for the other experts who are working from other geographies?

Dr. Aman Desai: The other business development team has ESOPs and reasonably good package as compared to the Indian standards that's already in place. So, the design of the structure is done in such a way that it is expandable for the near future, if anybody wishes to join.

Rohit Nagraj: And just one clarification in terms of FY25, given that the unfortunate incident has happened and probably will get the revocation order and some time, is it safe to assume we will be able to do at least similar kind of revenue run rate what we did in FY24 barring the new project, which have come in terms of the site 4 and the upcoming project?

Rohan Desai: Obviously. Yes, for sure.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.

Shubhangi Desai: Thank you everyone for participating in the call. We hope that we have addressed majority of your questions. If you still have any further questions, please feel free to reach out to us. Thank you.

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