May 19, 2023

To,
The Corporate Relations Department,
BSE LIMITED,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai- 400 001

Scrip Code : 543349

To,
The Listing Department
National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor, Plot no. C-1,
G-Block, Bandra Kurla Complex,
Mumbai -400051

NSE Symbol: AMIORG

Dear Sir/Madam,

Subject: Transcript of Earnings Call for Q4 FY23 financial results held on May 15, 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on May 15, 2023 post announcement of financial results for the fourth quarter & year ended March 31, 2023.

The same will also be available at the website of Company at www.amiorganics.com

This is for your information and records.

Yours faithfully,
For, AMI ORGANICS LIMITED

EKTA KUMARI SRIVASTAVA
Digitally signed by EKTA KUMARI SRIVASTAVA
Date: 2023.05.19 17:45:56 +05'30'

AMI ORGANICS LTD. ★ SACHIN ★

CS Ekta Kumari Srivastava
Company Secretary & Compliance Officer

Encl: As Above

"Ami Organics Limited
Q4 FY '23 Earnings Conference Call"
May 15, 2023

MANAGEMENT: **MR. NARESH PATEL – CHAIRMAN AND MANAGING DIRECTOR – AMI ORGANICS LIMITED**
MR. BHAVIN SHAH – CHIEF FINANCIAL OFFICER – AMI ORGANICS LIMITED

MODERATOR: **MS. REENA SHAH – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY23 Earnings Conference Call of Ami Organics Limited, hosted by Elara Securities. As a reminder, all participant lines will be in the listen-only mode and there is 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. Reena Shah from Elara Securities. Thank you, and over to you.

Reena Shah: Thank you and good afternoon, everyone. Welcome to Ami Organics Q4 and FY '23 Earnings Conference Call. We at Elara Capital would like to thank the management for giving us the opportunity to host this call, and we would like to congratulate the management for the best-ever results. Today, from the management side, we have Mr. Naresh Patel, Chairman and Managing Director; and Mr. Bhavin Shah, CFO of Ami Organics. I would now like to hand over the call to Mr. Bhavin Shah for opening remarks. Thank you, and over to you, sir.

Bhavin Shah: Thank you, Reena. Good afternoon, everyone. We are pleased to welcome you all to our earnings conference call to discuss Q4 FY '23 financials. Please note that a copy of our disclosure is available on the Investors section of our website, as well as on the stock exchanges. Please do note that anything said on this call which reflects our outlook towards the future, or which could be construed as forward-looking statement must be reviewed in conjunction with the risks that the company faces.

This conference call is being recorded and the transcript, along with the audio of the same, will be made available on the website of the company and exchanges. Please also note that the audio of the conference call is the copyright material of Ami Organics and cannot be copied, rebroadcasted, or attributed in press or media without specific and written consent of the company.

With that, I would like to hand over the floor to our CMD, Mr. Naresh Patel, for his opening statement. Over to you, Sir.

Naresh Patel: Thank you, Bhavin. Good afternoon, everyone. I hope you all are doing well. A warm welcome to our Q4 FY '23 earnings conference call. Before we jump to an update on our performance, I would like to take a couple of minutes to reflect on how FY '23 has fared for us. It is no secret that the year began on a very challenging note with the ongoing war in Ukraine, seasonally affected supply side impacting commodity and gas prices, increasing raw material prices, among others.

All these factors have added to significant cost pressure for all the companies. While supply side issues continue to pile up, we also saw muted demand environment across industries. While the start of the year was demanding, the situation has gradually improved as the year progressed, albeit at a slower pace.

Moving to the current scenario, on the industry front, things are on the mend, specifically on pharmaceutical segment. Cost pressures have rationalized to a great extent. An important update closer to home is that the Chinese chemical industry is backed with a strong production and competitive price which has started hurting many industries and players. I believe we will see more of it in coming quarters.

While these factors play out in the industry, at Ami Organics, our business model is designed in such a way that the revival of the Chinese chemical industry has a minimum to no bearing on us. To put things into perspective, we never benefited from the shutting up plants in China due to COVID or supply chain issues. And second most important thing is that we remain a global market leader in our key products, with China and other geographies in the second and third spot. So Chinese industry coming back strongly will not affect us.

On the demand side, we were witnessing gradual upswing in the demand in H2 FY '23. And I believe the revival will continue in H1 FY '24. At Ami Organics, we have used this challenging year to create various growth drivers for the coming year. Let me discuss these growth drivers one by one. I will start with electrolyte additives. I'm happy to inform you, as of today, we have received approval from 6 customers worldwide. We have also received plant-scale trial commercial orders of few metric tons. And we are also expecting a bigger commercial order during the current quarter. We believe the volume will ramp up slowly as we progress through the year.

Looking at progress on the electrolyte additives segment, we have started working on the plans of expanding our capacity for these products. I will provide update on the same once our plans are finalized. One more important update on this front is that we have developed 2 more products in this segment. One of them is liquid electrolyte additive to increase electrocapacity of the Lithium-Ion batteries and one more additive for solid-state battery. The products have been approved at labscale and are in advanced stages of validation.

Moving on the second growth driver. We started working on initiatives to get into long-term contracts with customers, which improves our future revenue visibility. We have successfully signed some long-term LOIs and contracts with some of our big customers on this front. The Fermion deal was on the same line of thought. I'm delighted to say that we have been able to expand the scope of our contract with Fermion, and we have added a couple of high value intermediates for the same. This means we will now be doing 3 advanced intermediates for them which increases the value of our contract manyfold.

The third growth driver for us would be new products. During the year, we had developed several niche specialty chemical products, which are at different stages of validations and approvals as we speak. Some of these products are very big when you look at our current size of business, and I will update you on this product as they reach certain milestones.

Last but not least, we announced the acquisition of 55% stake in Baba Fine Chemicals last month. At Ami Organics, our inorganic growth strategy is based on 2 elements, one, where we are either interested in buying the asset, which we can then use to expand our products; or the other where we are able to gain access to newer products or technology which is difficult to crack organically in short term. The acquisition of Baba Fine Chemicals falls under the second strategy, where we are gaining entry into a very high entry barrier semiconductor industry. They have been in this industry since inception and were looking for an opportune partner who shares their business ethics and chemistry capabilities. I am happy and proud that they chose Ami Organics.

On the financial side, they have strong balance sheet with zero debt. Overall, the acquisition feels perfectly in our strategy and chemistry capabilities. Overall, our organic pharmaceutical business will continue to grow strongly. And now we have some good growth lever lined up which will boost the overall growth of the company.

Moving on to our Q4 and yearly results. Starting with Q4 FY '23, we delivered highest-ever quarterly number in Q4 at INR186 crores. This translates into close to 13% growth on a year-on-year basis. The growth was driven by advanced pharmaceutical intermediates business. On the full year numbers, we continue our strong momentum in FY' 23 achieving total revenue of over INR621 crores, which was higher than 19% when compared to last year.

Our core pharmacy business aided the growth for the whole year with 22% growth year-on-year, whereas specialty chemical business grew slightly by 3%. Our operating margins for the year were flat due to cost pressure which I discussed during the start of my speech, which impacted our margins in H1. However, our margins rebounded strongly in H2, and we ended Q4 at 21.9% operating margin. I will let Bhavin discuss financials in detail.

To conclude, I believe the challenging days are behind us, and I am confident that we will continue the strong growth momentum in FY '24 as well. With that, I request our CFO, Mr. Bhavin Shah, to discuss the financial review. Over to you, Bhavin.

Bhavin Shah: Thank you, Naresh Bhai. Good afternoon, everyone. I would like to briefly touch upon the key performance highlights for the quarter and year-ended 31st March 2023. And then we will open the floor for question and answer. I will begin with quarterly updates. Revenue from operations for the quarter was at INR186 crores, up 29.8% compared to INR143 crores in Q4 FY '22. The gross profit for the quarter was at INR81.3 crores, up 28.3% as compared to INR63.4 crores in Q4 FY '22. The gross margin for the quarter was at 43.6%. Lower gross margin was due to high-cost inventory, which has been completely consumed by Q4 FY '23.

EBITDA for the quarter was at INR40.8 crores, up 58.3% as compared to INR25.8 crores in Q4 FY '22. On a sequential basis, EBITDA for the quarter increased by 32.5%. EBITDA margins for the quarter were at 21.9% compared to 18% in Q4 FY '22 and 20.2% in Q3 FY '23. We continue to improve EBITDA margins on a sequential basis as per our guidance. EBITDA margin in Q1 was 18%, and we have been successful in gradually improving our EBITDA margin to 21.9%, an expansion of 380 basis points.

Now dissecting the margin further. I'm happy to report that EBITDA margin for the pharma business was 23.6% in Q4 FY '23, and our margin on the specialty chemicals side were at around

11.1%, which is an improvement of 100 basis points. PAT for the quarter was at INR22.7 crores, up 27.6% on Y-o-Y basis and 21.9% on a sequential basis. The PAT margins for the quarter were at 14.6% as compared to 14.8% in Q4 FY '22 and flat as compared to Q3 FY '23.

Coming on to full year FY '23 updates. Revenue from operations for FY '23 grew by 18.6% Y-o-Y to INR617 crores compared to INR520 crores in FY '22. This was driven by Advanced Pharma intermediate business, which grew strongly by 22% on Y-o-Y basis.

Gross margin for the year was slightly below at 46.3% when compared to 47.5% in FY '22. EBITDA for the year came at INR123 crores, up 16.6% Y-o-Y compared to INR105 crores in FY '22. EBITDA margin for the year remained flat at 19.9% as compared to 20.2% in FY '22. If you adjust one-off items like loss on insurance claim receivable and loss on sale of assets, our EBITDA margin for the year would be around 20.5%, which is slightly higher than the last year. PAT for the year was at INR83 crores, up 15.8% on Y-o-Y basis. PAT margin for the year was at 13.5%. Export for the year was at 59%, whereas domestic business was at 41%.

Coming to the balance sheet, we have a net debt-free balance sheet with cash and cash equivalent of around INR59 crores. During the year, we have generated strong cash flow from operations of INR65 crores which was driven by better working capital management. I believe we will continue to generate robust cash flow from operation in the coming year as well, which will support our routine opex as well as capex.

With this, I conclude my remarks and request the moderator to open the floor for a question-and-answer session. Thank you.

Moderator: We have our first question from the line of Chirag Lodya from Value Quest.

Chirag Lodya: Congratulations on a good set of numbers. I have a couple of questions. First on segmental margins. If you can help us understand what were the full year margins in specialty chemical and advanced intermediate division?

Bhavin Shah: So Chirag, full year margin for Pharma business is 21.57% and specialty at 10.3%.

Chirag Lodya: Okay. And how do we see margins going ahead segment-wise?

Bhavin Shah: As we are guiding that our first target is to reach to our FY '21 margin for pharma business which we have already achieved in Q4 that is 23%. So, we would like to maintain this margin and would like to go further from here. As far as our specialty business is concerned, we have improved 100 basis points in last quarter. And in the coming quarters, we'll see 50 to 100 basis point improvement quarter-on-quarter basis.

Chirag Lodya: And if you can throw more color on specialty chemical division, what kind of ramp-up we are seeing next year. And you have also talked about a few new products which are under pipeline, and which will help to scale up the business. So some color on specialty chemicals, what to expect and what will drive the growth there?

Naresh Patel: Chirag, this is Naresh Patel. Specialty is our more focused area currently in Ami Organics, and we have a robust plan for growth in specialty chemicals and also to phase out the old products of Gujarat Organics. And in that line, we have developed around 20 molecules in specialty chemical segment in Gujarat Organics and some of our already LOI signed and started qualification at the end of the customer.

And these are all versatile applications, including electronic donor, polymer industry as well as some paint industry additive, UV Absorber, as well as some electronic industry. So, cumulatively once it is all in, it will bring a lot of large volume and large value. We are targeting this year, that the specialty chemicals segment will grow around 25% to 30% against our normal growth of 22% to 25% of our pharma segment.

Chirag Lodya: Coming to this new acquisition, which it is undergoing of Baba Fine Chem. If you can just help us understand what the overall opportunity size for this company is because current revenue is quite small. It is a niche business, it looks like. So, some color there, what kind of scale we can create maybe 3-4 years down the lane.

Naresh Patel: Currently, the size of the company is small because it was being managed by the 3 scientists, and they all are market scientists in the semiconductor industry holding several patents in their name. And now out of the 3 scientists, one passed away in COVID and the other one has aged, so he wants to exit, and we got the opportunity to get the major stake in the Baba Fine Chem.

Baba Fine Chem has a main application in photo resistance chemical in semiconductor industries and they are making very high purity chemicals, Part per trillion kind of purity PPT. Normally, we talk in PPM. So that is a very unique technology and capability of Baba Fine Chem. And going forward the market is more than $2 million in photo resistance chemicals. And so there's a huge potential available. So, with Ami Organics introducing them, we will be able to give them the operational leverages that will help them to grow the business.

Chirag Lodya: But any ballpark number what to expect over, say, 3, 4 years?

Naresh Patel: It will definitely grow more than 3x to 4x in a year.

Chirag Lodya: What would be the capex for FY '24?

Naresh Patel: Currently, the capex for FY '24 is just the capex which is ongoing. Whereas once these electrolyte orders start flooding, we will do some capex plans, some extra capacity for that, and that capex will be in the second half of FY '24. We will announce the value of this capex once we are ready with that.

Chirag Lodya: Ex of electrolyte, overall number would be?

Bhavin Shah: Ex-electrolyte, we have INR35 crores as the maintenance capex. And there will be additional capex for solar, that we are planning. So, when we'll announce that, there will be additional capex for that also. This is the capex plan for the year.

Chirag Lodya: And greenfield facility will have around INR160 crores, INR170 crores balance capex?

Bhavin Shah: **Yes.** The greenfield capacity will have around INR160 crores, INR170 crores capex spending to be done in the year.

Chirag Lodya: So, put together, INR200 crores plus next year, right?

Bhavin Shah: Yes.

Moderator: We have our next question from the line of Mitul Mehta from Lucky Investment Managers.

Mitul Mehta: Congratulations on a very good pharma operating number. Sir, on the day we acquired Gujarat Organics till today, our numbers have not been up to the expectations. So, can you help us to understand what sort of product portfolio are you building there? Do you think you can scale up the specialty chemicals business in the next 2, 3 years? Because the current investment that we did when we acquired Gujarat Organics and working capital, the current ROC looks very, very suboptimal. So just wanted to get some color on that.

My second question is on the Fermion contract. If you can help us to understand when does the delivery commence for Fermion? And can we get some more color on this contract? I mean, this is going to be over, let's say, 10 years or even further on. So can you help us to understand both these questions.

Naresh Patel: Your number one question is related to specialty chemicals portfolio related to Gujarat Organics. Let me tell you one thing, we acquired Gujarat Organics in April 2021. Since then, 2 to 3 years just passed for the takeover process and taking the management and all. Then 3 months, we worked on the areas that needed focus and we made a robust plan for that. And that is how we shifted all the manufacturing sites from Ankleshwar to Jaghadia and we made free land for our pharma expansion, and that is without losing any single kg order.

But the last year was more mainly for the consolidation, in terms of the product sustainability, technology upgradation, we had done a technology upgradation for methyl salicylate, we did the technology upgradation for parabens, as well as we have done 4 or 5 new molecules which will commercialized in FY '24 which are in the application in UV absorbers, an application in agrochemicals as well as an application in petrochemical industry.

So, these are the molecules we developed and will start commercial orders in FY '24. So, our target is to sustain the business without losing the money and volume and then make sure that the this business will be replaced as well as grow with the new product and the operating margin will grow from 0 to 10%, that we sustained for the last 8 quarters. And now we are increasing, last quarter, we increased by 100 basis points, and now we are targeting to increase it to 18% to 19% of margin in specialty chemicals in this year. So, this is what we are doing in specialty chemical segment. And revenue side will be 2.5x in the next 2 to 3 years, which is our target. This is just a projection.

And in terms of Fermion contract, that is a long-term contract, and it will start supplying from Q3 of FY '24. I can't say the value because it's a very big value. The full capacity supply will be starting FY '25. Because it is a pharma business, and it takes some time for registrations in 180 countries worldwide. So, in Q3 and Q4, it will be giving us a sizable revenue. But from FY '25, it will be giving us a full revenue, so this is how we are targeting Fermion. And in that contract only, we have 3 more products, and all 3 products are additional to the contract. So that will also help us to grow more in terms of numbers in the upcoming years.

Mitul Mehta: The 3 products that you mentioned are other than the product that we have with Fermion, right?

Naresh Patel: So basically, we are going to supply very well advanced intermediate, in those 3 raw materials which we were supposed to import from China, but that we made in-house and now we are consuming it in-house. So that is an additional advantage for us, to increase the revenue and profitability.

Mitul Mehta: I was just looking at some of the primary data releasing by Bayer on their presentation. It's a public information. So, their current run rate is about EUR 180 million for the beta series. So, if I annualize that comes to roughly about EUR 800 million. Currently, our supply is, let's say, we were to begin in Q3 and will scale up in FY '25. So, at present, is it possible for you to regain from whom they are currently sourcing the intermediate?

Naresh Patel: This product is growing unexpectedly to 200 or 300x a year. Whatever they expected in 2026, they already closed in 2023. So, it's going very fast. And the basic API manufacturing plant in Fermion is fully utilized and the intermediate which they are trying to source from us, they are currently making it in-house. They don't have any source other than us.

So that is how they are increasing their capacity, and we are going to make their intermediate in Ami Organics and they will make the final API. The growth rate of this product is so high, they want to move faster, and we have all the capacity and all the technology, everything is available with us. So that is adding advantage.

Mitul Mehta: Is there a technology barrier in this particular product? I mean, can they develop an alternative supplier? I mean, is there any alternative supplier?

Naresh Patel: They currently don't have any alternate supplier. And this is a CDMO kind of work, where we do the development and then manufacturing of the product. So, it falls in the CDMO segment of Ami Organics.

Mitul Mehta: The anticoagulant family that we are currently supplying, how is the growth rate there? And do you also foresee that this particular segment can be a very big growth driver for us in the next 2 to 3 years?

Naresh Patel: Yes, definitely. Our anticoagulant is always a key basket for Ami Organics. And that is the reason why we have developed all the anticoagulant basket, which is currently launched or going to be launched, which include apixaban, rivaroxaban, edoxaban, betrixaban, all kind which have expiry upto 2035. Full basket is ready.

Apixaban and rivaroxaban is a growth driver for us for the next 2 years because it's going to be launched. And our generic player worldwide more than 26 customers in apixaban. They are all ready to launch. And also, they won some litigation in U.K. against the originators, so that will help us to start moving very fast.

In rivaroxaban, the originator has qualified us, and they started placing order in Q4 FY '23. So now we are supplying to originator as well the rivaroxaban. So, it's a very good growth driver for us in the anticoagulant segment.

Mitul Mehta: Sir, as far as edoxaban is concerned, that seemed to be a very promising product. It's a new generation anticoagulant which currently is selling very well in Japan. So, are we going to play a significant role there also?

Naresh Patel: We have already 3 customers in Japan who had qualified us.

Mitul Mehta: So, Daiichi has already qualified us?

Naresh Patel: Daiichi has not because they are making all the chemicals themselves there. But rest of all generic player had qualified us.

Sudarshan Padmanabhan: Congrats on great set of numbers. Sir, my question is also taking forward from the previous participant. When I'm looking at the next 18 months, we have multiple triggers, one from the Fermion contract. Then we have a new generation anticoagulant drug that is going to drive growth. And the third one is the alkaline side, which can actually become fairly big for us. In the context of the fact that we are operating the facility at around 65% on the pharma side and volumes obviously will drive operating leverage.

I mean do you think that the 20% to 25% kind of a growth that you have given on the pharma and the 30% guidance, I mean, could basically be a little bit more on the conservative side? And could you also talk a little bit more beyond FY '24, because some of these contracts are going to be more visible in FY '25. So, what is the kind of scale in terms of top line and margins that one can realistically expect?

Naresh Patel: Ami Organics is always proactive in terms of product pipeline as well as the capability and productivity. So, our Ankleshwar facility is upcoming facility which will be ready by December '24 operationally. So that will come with a very huge volume, 4x volume than our unit 1 in Surat. So that will be definitely help us with our FY '24, FY '25 & FY '26 growth of pharma.

And also, not only that, to derisk ourselves if there is any delay in that, we had already started shifting several chemistries like chlorination, nitration, diazotization, and esterification. Currently, we are making in a flow at a very high volume. So that has freed our capacity in Unit

1 as well. So that is how we can have a buffer of at least 1-1.5 quarters to sustain our growth rate in pharmaceutical intermediate segment.

In specialty chemicals, we have Unit 3, which is in Jaghadia, is running currently at 35% to 40% capacity. And it has capability to handle up to 80% in next 2 year. Not only that, in Unit 3 also, we have shifted Ankleshwar unit blocks there, that will help us in another 15% capacity, which is currently under installation, finishing of the installation. So that will also add another 15% capacity in specialty segment.

So ongoing FY '25, FY '26, we have several contracts which are in line, few are in UV absorbers area, few are in petrochemicals area, for which LOIs are already signed. But we are not declaring the LOIs now, once it starts to materialize and starts converting into MOUs then we will disclose about the growth plan and value of this LOI in FY '24 and '25.

Sudarshan Padmanabhan: On the margin side, sir, because we are talking about 150 bps or so, but even if you're not assuming that these contracts doesn't come with high margins, the operating leverage itself should take care of the 100, 150 bps. So, are we looking for a surprise on this side?

Naresh Patel: We are conservative in terms of our comments, and that's why we are saying that 100, 150 basis points. Whereas once all these high value contracts are in place, the margin definitely will go up in that sense as well.

Sudarshan Padmanabhan: And it will basically be 150 bps again for FY '25, right, because you will see again a volume growth as well as better margin. You see margin expansion again and much strong top line in FY '25 as well over FY '24. So, we are looking at multiple years, not this one?

Bhavin Shah: So, margin expansion is a continuous process. So, as we grow our revenue will grow, system process will be more mature. So currently, we are running at 23%, and we are looking at sustained margin improvement quarter-on-quarter and year-on-year basis. It is premature to speak anything about FY '25 currently.

Sudarshan Padmanabhan: On the current quarter's gross margin. I mean we've seen some kind of a dip because of high-cost inventory or just the mix. But on a longer term, the positive side is we've seen a great reduction on the working capital. I mean you have been able to release about INR40 crores to INR45 crores of cash on the inventory side. So, can you talk a little bit more about the kind of work you've done on the working capital end? Should this improvement continue? What's our target in terms of working capital days?

Bhavin Shah: Currently, on an average basis, considering sales as a base, our working capital cycle is 108 days. And I try to bring this at 100 days. So, we are continuously working on it. We have improved our inventory days. We are trying to get more credit from our supplier. And our endeavour will be to reduce our receivable days by another 10 days.

Moderator: We have our next question from the line of Rikin Shah from Omkara Capital.

Rikin Shah: So just expanding on to what's discussed earlier. So, in darolutamide, Nubeqa, which is the FDF, in FY '21, we saw EUR 220 million sales. FY '22, we've seen EUR 466 million. And now we've already reached EUR 180 million target and Bayer's aspiration is around EUR 3 billion in 2 years or 3 years. So, considering that materializes, could that result in an intermediate market which was perhaps INR500 crores, INR600 crores?

Naresh Patel: Based on your calculation, it may be. I'm not claiming on these things because I'm not supposed to, but whatever you calculate, I hope it will be okay for you.

Rikin Shah: And in this, you mentioned there is no other supplier. So, would we be the ones taking majority of the business?

Naresh Patel: This will be 100% with us, Ami and Fermion, only 2 guys will manufacture these intermediates.

Rikin Shah: And in terms of our anticoagulant's portfolio, we've seen genericization of apixaban in many geographies and many API players in India also commenting for better growth on that end. So how would the entire portfolio be managed? Because in India, perhaps the treatment is at rivaroxaban level, right? I mean there could be a shift in treatment as well. So globally and in India, per se, how would our coagulants portfolio be shaping up going forward?

Naresh Patel: Basically, for us anticoagulant segment is completely a bundle of products. And this is the reason why we file patent for both the product in apixaban and rivaroxaban, and we are holding process patent for both the intermediate. And we have sizable customers worldwide. And these all are ready to be launched, some product launches have already started. So, it is immaterial for us if rivaroxaban goes in the market or apixaban goes. For us, it is like is a bundle and we have capability to produce it. In all the products, we are going up to N-1. So, we have a good advantage of selling the product in a large volume.

Rikin Shah: And on the Edoxaban end, you touched upon a few things. So, Daiichi is selling, I think, JPY 97 billion worth of Lixiana, right? So, considering the generic market of Edoxaban in Japan, how big of an opportunity can the intermediate side be here?

Naresh Patel: Basically, anticoagulant is a lifestyle disease and that is like an anti-cardiovascular kind. And day by day, people are having a lot of problem, which we sensed very early during our inception, so that's how we put our portfolio in this segment. So, we are ready with all N-1 in that as well, and we have a very good number of customers worldwide, and these are all big pharma's, including Teva, and there are large manufacturers worldwide. They all are our customers and qualified us as their raw material supplier. So, we are also expecting the revenues coming in as from this segment.

Rikin Shah: On the electrolyte end, you have mentioned developing 2 new molecules. So, you had mentioned in the earlier con calls that you had Vinylene and fluoroethylene. So, would it be possible to give some more color here? What's in the pipeline?

Naresh Patel: These 2 molecules we got it from our customer, and it is under NDA, CDA agreement, exclusive manufacturing kind of things. And these are molecules that is used for high-voltage batteries and for increasing the electro capacity of the battery, lithium battery as well as one is for the solid-state battery. So, this is what we have developed. And both the molecules are outside China. And they are qualified. And now we are in process of large-scale manufacturing compliances with them.

Moderator: We have our next question from the line of Tarun Shetty from Haitong Securities.

Tarun Shetty: Congratulations on the good set of numbers. Sir, on the Baba acquisition, I just wanted one clarification. 45% of your PAT will be booked under minority interest rate. Is that understanding, correct?

Naresh Patel: Yes. The 45% is one of the minority third partner, who is a key partner of the Baba Fine Chem and will remain as a partner.

Tarun Shetty: In one of your recent interviews, you addressed that the revenue would grow around three to fourfold in the near term. Could you give any rationale on this? Because I believe the Baba currently has only 1 customer that it is servicing. Do they have any exclusivity contract there or any kind of restriction on sales, anything that you can give color on?

Naresh Patel: Yes. The product which Baba Fine Chem is currently manufacturing and delivering, is exclusively for one customer. But there are more than 40 products, which are already developed and the samples of which can go to the world. Apart from U.S., other countries like Japan, Korea, etc, we have started promoting this product in those countries also.

Tarun Shetty: So basically, your trajectory of fourfold growth on top line of Baba will still stand?

Naresh Patel: Yes.

Tarun Shetty: And just on the margins, I believe currently is 60% plus and you did give recently, again, in the same interview, that margins would be around 40%. Any good reasons for this?

Naresh Patel: Margins will grow when the number and volume grows When you go from one segment to another segment, there will be some changes on the margin side because of some operational and other involvements, a new core product capacity involvement and all that will increase the energy consumption and everything. So, we are conservative in terms of 10% reduction in the margin, but definitely, it will not be like that. But conservative is better than bullish.

Tarun Shetty: Can you give us an understanding of vinylene carbonates pricing right now, I believe it was trading around $40-odd per kilo. Has it increased or decreased for you?

Naresh Patel: Vinylene Carbonate is now almost $10, $11. And fluoroethylene carbonate is $12. But we have a process where we can do good margins.

Moderator: We have our next question from the line of Dhaval from Girik Capital.

Dhaval: One question on the electrolyte additives. So over next, what time frame should we assume some revenue to start coming for us?

Naresh Patel: We will be expecting it by H1 FY '24, revenues will start by then. So maybe in this quarter or latest by next quarter, the invoicing will start with the customer. We already have some orders in our hands, but we are expecting some big orders from some customers. So, we want to plan to club the production together.

Dhaval: And what will be the size of revenue over 2 years' period look like?

Naresh Patel: Revenue guideline, I can say it's a very huge number, more than $2 billion, $3 billion industry where we are not expecting full. The advantage for Ami Organics or, say, for Indian manufacturer, is that the U.S. and other European countries have stopped buying any battery cells or anything which is generated from China. So that is an added advantage that any manufacturer based outside of China will need to have a raw material from outside China. So that is helping us to push ourselves in a faster mode of getting the orders and all.

Dhaval: And then just a little bit more understanding on these electorates' additives. So, there is this electrolyte salts and then there is additive and then there is electrolyte formulation. You must be aware there are many companies who are working on this product chain. So, we are only into additive and the salt is it a macro indication, we are going to make it, or will we buy it from outside? Just help me understand this.

Naresh Patel: See, normally, Ami Organics never competes with its customer, either in formulation, or in API or in specialty chemicals. And in electrolyte also, we make the additives which is one of the components of the formulation of electrolyte. And so, we will remain making additives or other chemicals which are used in the formulation.

Salts are active part, which is manufactured by a few of the companies claiming in India as well as several companies in the world who are making the salts, but these are all things which is used to make the formulation.

Dhaval: So, you will be selling it to other electrolyte formulation maker, the additives?

Naresh Patel: Yes, the formulation maker is buying salt and additives and solvents, and then they make the formulation. So, Ami Organics is focusing only on additive segment.

Moderator: We have our next question from the line of Amar Mourya from AlfAccurate Advisors.

Amar Mourya: Most of my questions have been answered. Only 2, 3 questions. First, sir, you are guiding for the profitability improvement in the specialty chemical, something around 200 basis point margin improvement, let's say, in the coming year for the specialty part, EBITDA margin.

Naresh Patel: Yes. Definitely, it will improve 200 basis points. It can be more than that, but yes, definitely 200 basis points.

Amar Mourya: And this is led by the flow chemistry which we had done?

Naresh Patel: It's a mixture technology, volume, and the new product.

Amar Mourya: And secondly, sir, you are guiding for 25% plus growth in specialty and 20% to 22% growth in the core pharma business, right?

Naresh Patel: This is based on the current projections we received from our customers.

Amar Mourya: And when you say 150 basis point improvement in the margin, that is also in the pharma as well, right?

Naresh Patel: Pharma we are targeting to reach our FY '21numbers. And from then onwards, it will be a tough job for us. So that will be the second part of our planning.

Amar Mourya: And third is Baba Chemical, if you see the growth rate, it has grown at the rate of 30% kind of growth. So, in FY '24, again will it see the similar kind of trajectory?

Naresh Patel: Based on the current order in hand, yes, it will see a similar kind of trajectory.

Amar Mourya: And sir, you talked about that you have a similarity in the chemistry of the Baba Fine Chem versus your existing chemistry, so if you can give us some understanding on how it is basically related to your existing chemistry in specialty business?

Naresh Patel: I think this is a little bit confidential question. I will not be able to answer.

Moderator: We have our next question from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Just one question. In our presentation on Slide number 24, we have talked about continuous flow reactors. So, I just wanted to understand currently how much of our revenues are we generating from the CFR process? And are these developed by us? Or are we buying it from third-party? And incrementally going forward after, say, 3, 4 years, based on our current reactors and capability, what kind of revenue generation can be done from the CFRs?

Naresh Patel: Basically, we don't make the dedicated product flow reactors. We make the chemistry driven flow reactors. It means that in nitration, diazotization, esterification. These are the fluorine test, where we do n-number of products. In diazotization, we are doing 11 products. In nitration, we do 9 products. In esterification, we do 20 products. So, it's a chemistry-driven flow reactors, designed as a multipurpose flow reactor, which can help us to switch over from one product to another product in an easy manner.

And our single product is containing more than 3, 4, 5 reactions. So, it is difficult to bifurcate how much revenues are coming from flow reactor. It is important that the flow reactor helps us to improve our operating efficiency as well as the effluent generation minimization and energy consumption minimization. So that is achieved by this flow reactor. In upcoming years, we are going to introduce several 2 or 3 reactions like n-butyllithium and grignard in the flow, which is in our pipeline right now.

Moderator: We have our next question from the line of Aman Vij from Astute Investment Management.

Aman Vij: My first question is if you can talk about as a basket how much does anticoagulant contribute to our revenues? And given the strong growth, where can we see this number in the next 2, 3 years?

Naresh Patel: Normally, our product basket is well distributed and none of the basket is more than 15%. So, even if it is antipsychotic, anticoagulant, or anticancer, it is very well distributed, so that if any of the basket does not perform well, it will not impact badly on our performance. So currently, anticoagulant basket is contributing 12% of the total revenue.

Aman Vij: And say, for next FY '24 and FY '25, which basket do you think will be the growth drivers in this segment?

Naresh Patel: All are growing in their space and manner. All the products are performing well that is the reason we were able to give the guidance for the next 2 years.

Aman Vij: And second question is on the electrolyte segment. So, you've talked about one product in the normal batteries and one for solid state. So, I thought we are doing 2, VC and FEC. So, if you can correct my understanding on that part as well as in terms of timeline, you've talked about you're expecting order this year, but this electrolyte business scaling, will it happen in the second half? Or do you think it will happen in next year only? And is it initially driven by domestic customers or international customers? If you can talk about that also?

Naresh Patel: So, we have 4 products now in electrolytes. Two is VCB, and FEC, this two is already matured and now is in the commercializing stage. And 2 more is developed, one is in liquid, and one is in a solid-state battery. So, these are the 2 new ones. So total 4 products now we have. So, I hope this is clarified to you. VCB and FEC, we already have some order in hand.

So, this year only, it will be commercialized and go to the market. And the customers are based outside India. And in India, there are 2 manufacturers who have taken a sample from us. Some have also placed order of few KGs, but they are still under evolution of themselves. So, in India, we don't have currently more than 2 customers. And for the rest of the world, we have 9 customers out there.

Aman Vij: Are there any non-Chinese customers out there or is it mostly Chinese?

Naresh Patel: Yes.

Moderator: We have our next question from the line of Ridhima Goyal from Acquaint Bee Ventures.

Ridhima Goyal: I just wanted to know, what is the bifurcation between volume growth and price growth?

Naresh Patel: This time, I can say only volume growth because price is already suppressed. And this is also one of the reasons that we could not reach our top line. –Our top line was compromised by 2% to 3% because of the price reduction in raw materials. So, this fully is a volume growth.

Ridhima Goyal: I just wanted to know what is the revenue potential we have for the Fermion contract like on a year-on-year basis as it is a longer-term contract.

Naresh Patel: We are not allowed to say that because our other party is also a public company. So top line, we will not announce.

Ridhima Goyal: And just one clarification. You said that the Ankleshwar unit, the new capex, the greenfield capex which you are doing on the Ankleshwar unit, when will it get completed, like what is the timeline?

Naresh Patel: December '23, FY' 24.

Ridhima Goyal: So, December '23. And what is the asset turn we can expect from there?

Naresh Patel: Normally, we have 3x as our asset turn. However, asset turn is high because we have a very high-value products. Our products are ranging from INR2,000 to INR1 lakh. So, it is because of that, that the asset turn is very high.

Moderator: We have our next question from the line of Rikin Shah from Omkara Capital.

Rikin Shah: Just wanted to ask, in this presentation I could observe that we have added Lianhetech as a client. So Lianhetech is a very big player in the global custom synthesis market from China. So anything that has materialized here significantly?

Naresh Patel: So, yes, we are supplying to Lianhetech. Our China export is mainly to Lianhetech.

Moderator: We have our next question from the line of Tarun Shetty from Haitong Securities.

Tarun Shetty: Just a couple of follow-ups. Just to understand the Baba deal structure, again. You will not be raising any debt and you'll be giving up certain number of preferential shares. What will be the number of outstanding shares for this deal?

Naresh Patel: Deal value we already declared INR68 crores. So according to INR68 crores, we will give the preference shares accordingly.

Tarun Shetty: So there will be no cash involved in this deal?

Naresh Patel: There is a very minimum cash.

Tarun Shetty: On the balance sheet, I see there's a sharp improvement in current provisions. So could you help me I understand why this is there?

Bhavin Shah: So current provision is mainly in line with the increase in turnover. And sometimes what happens is that few invoice are pending for bookings, so that will go under provision for expenses.

Tarun Shetty: I just missed the capex guidance for this year. Could you just repeat that?

Bhavin Shah: So, for current year, capex outlay will be ranging between INR200 crores to INR220 crores including the brownfield project for Ankleshwar.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand over the call to management for closing comments. Over to you, sir.

Naresh Patel: Thank you, Elara team, for hosting our conference call. Thank you, everyone, for your patience, and we hope we have been able to answer most of your queries. If we have missed out on any of your questions, kindly reach out to our IR advisor, E&Y, and we will get back to you offline. Thank you very much and have a great day to you. Thank you.

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

(This document was edited for readability purpose)