ANUPAM RASAYAN INDIA LTD.

ARILSLDSTX20230805050 Date: August 05, 2023

To,	To,
BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400001, India **SCRIP CODE: 543275**	**National Stock Exchange of India Limited** 'Exchange Plaza', C-1, Block-G, Bandra Kurla Complex Bandra (East), Mumbai 400051, India **SYMBOL: ANURAS**

Dear Sir/Madam,

Subject: Submission of transcript of Earnings Call on the Unaudited Financial Results (Standalone and Consolidated) of Anupam Rasayan India Limited ("the Company") for the quarter ended June 30, 2023.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the Earnings Call on the Unaudited Financial Results (Standalone and Consolidated) for the quarter ended June 30, 2023 held by the Company on Tuesday, August 01, 2023.

This information is also being hosted on the Company's website at www.anupamrasayan.com.

We request you to kindly note the same and take into your records.

Thanking You,

Yours faithfully,

For Anupam Rasayan India Limited

ASHISH GUPTA

Digitally signed by ASHISH GUPTA
Date: 2023.08.05 13:37:13 +05'30'

Ashish Gupta
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"Anupam Rasayan India Limited

Q1 FY '24 Earnings Conference Call"

August 01, 2023

MANAGEMENT:	**DR. KIRAN PATEL – CHAIRMAN – ANUPAM RASAYAN INDIA LIMITED** **MR. ANAND DESAI – MANAGING DIRECTOR – ANUPAM RASAYAN INDIA LIMITED** **MR. AMIT KHURANA – CHIEF FINANCIAL OFFICER – ANUPAM RASAYAN INDIA LIMITED** **MR. VISHAL THAKKAR – DEPUTY CHIEF FINANCIAL OFFICER – ANUPAM RASAYAN INDIA LIMITED**
MODERATOR:	**MR. ADVAIT BHADEKAR – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day, and welcome to the Anupam Rasayan Q1 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Advait Bhadekar from EY. Thank you, and over to you, sir.

Advait Bhadekar: Thank you, Lizann, and good afternoon, everyone. Welcome to Anupam Rasayan India Limited Q1 FY '24 Earnings Conference Call. Please note that a copy of our disclosures 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 constituted as a forward-looking statement must be reviewed in conjunction with the risk that the company faces.

Today's 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 Anupam Rasayan India and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company.

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

I would now like to hand over the call to Dr. Kiran Patel for his opening remarks. Thank you, and over to you, sir.

Kiran Patel: Thank you, Advait. Good evening, and welcome everyone, to the Q1 FY '24 Earnings Call. As we enter the new financial year, part of the global economy continues to face headwinds. While we saw some green shoots in select economies with emphasis on de-risking based on certain geographies. Overall, the global situation still remains uncertain. In the agrochemical sector, global demand remains subdued with higher channel inventory, coupled with China coming on stream, which is leading to demand/supply mismatch. This trend is evident in the downward revisions in the guidance by various global agrochemical companies.

Turning our attention to Anupam Rasayan, Q1 FY '24 performance, our consolidated revenues reached around INR398 crores showcasing a strong growth of 19% year-over-year. Our contract-based business model has shielded us from the deflationary pressure in the market, ensuring stable profit margins. As a leading innovator on most of their niche products and minimal exposure to commodity products, this protects us from price fluctuations in the commodity chemicals.

Anand will highlight business performance in his opening remarks. We are strengthening our focus on pharma molecules, and therefore, we have earmarked on technical collaboration with

3xper Innoventure Limited. I am confident that this collaboration will help us build a strong pipeline of new-age pharma molecules, which focus on continuous chemistry. This will be a natural extension of our current business model as well as our strategy of remaining always ahead of the curve when it comes to process engineering.

I would also like to update you all on some of our ESG initiatives, which are very important to us. I had informed in one of our previous calls that we are systematically transitioning to clean energy, and we have achieved a milestone in this regard. In addition to our solar installation of 17.9 megawatts, we are working on multiple initiatives to reduce our environmental footprint. I would like Amit to address the same in his opening remarks.

On that note, I will hand over the call to Anand for his opening remarks. Thank you once again for joining us for the call. Over to you, Anand.

Anand Desai: Thank you, Dr. Patel. Hello and good evening, everyone. Welcome to our Q1 FY '24 earnings call. I'm happy to update you on our business performance for this quarter. Our consolidated revenue grew by 19% Y-o-Y to INR398 crores. The growth for the quarter was driven by the strong performance of Tanfac Industries, whereas we have been able to manage standalone revenue on a similar level on a Y-o-Y basis of growth in the demand shifting to latter half of the year. I would like to highlight that our order book continues to remain strong and there has been a strong growth in this quarter. Despite the deflationary environment, we were able to maintain our EBITDA margins in our long-term margin band at 29% for the quarter largely due to our business model.

Moving on to the business update. As of June 30, 2023, we have signed LOIs and contracts worth INR7,669 crores, giving us a strong revenue visibility for the coming years. During the quarter, we signed LOIs worth INR4,066 crores, solidifying our growth and revenue visibility. Out of this INR4,066 crores, we have signed a contract with a renowned Japanese multinational for INR3,686 crores. We have also signed an LOI with an American multinational for high-value fluorinated products.

This is a major step in expanding our geographic presence in the U.S. and we expect our revenue share from the U.S. to increase significantly in the coming years. Overall, this LOIs has reinforced the increasing confidence of global MNCs in our technical capabilities and brand value as a trusted partner for developing and manufacturing high-end customized molecules.

The new business development team in Japan, U.S.A. and Europe have been instrumental in providing us with enhanced access to key strategic customers leading to 2 niche high-end molecules and have also shortened business development cycle time in these geographies.

On the product side, in FY '24, we have a pipeline of 10-plus new molecules to be commercialized, and we have already launched 2 new fluorinated pharma molecules in Q1 FY '24, taking the total number of products to 55. We are also at a final stage to commercialize the new-age molecule using flow chemistry. Anupam will be the first company globally to launch this molecule using flow chemistry. This will be a harbinger for development of many such niche products using industry-leading technology. On a concluding note, while the external environment remains volatile, our order book remains strong, thereby giving us confidence of delivering robust growth in FY '24 while maintaining margins at current levels.

I would like to hand over the floor to our CFO. Over to you, Amit bhai.

Amit Khurana: Thank you, Anand, Sir. Good evening, everyone. I will discuss some important financials updates before handing over to Vishal bhai for his remarks. Let me begin with an update on the capex. Out of the planned capex of around INR670 crores, INR124.4 crores capex was spent till end of Q1 FY '24, and balance of the capex would be invested in next 12 months. These plants will be majorly used to cater to the demands from the signed LOIs and contracts worth INR7,669 crores. These plants would be multipurpose manufacturing facilities similar to our existing facilities. I reiterate that we expect higher asset turnover and incremental ROCE from this capex.

On ESG initiatives, as Dr. Patel mentioned, we have been able to save around INR12 crores per year on account of installation of 17.9 megawatts solar power plant. Along with solar, in another initiatives, we are at signing stage for an MOU to lease 150 acres land in Surat and Bharuch District for tree plantation to reduced carbon footprint. We will plan toward 1.66 lakh trees on this land. We are happy to share that in this quarter, we have achieved a significant milestone by successfully conducting a trial of using biomass instead of coal to generate steam at one of our Jhagadia plants. This would significantly reduce our dependence on fossil fuels.

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

Vishal Thakkar: Thank you, Amit bhai. Hello and good evening to everyone. Thank you for joining us here today. I would like to briefly touch upon the key performance highlights for the quarter and the year ended 30th June 2023. And then we will open the floor for questions and answers.

Before I proceed, I hope you all have had a chance to go through the detailed presentation submitted to the exchange and uploaded on our website. Kindly note that our numbers for the quarter are on the consolidated basis, and they also include Tanfac numbers.

Financial highlights for the quarter ended June 30, 2023, are: Total revenue for Q1 FY '24 was at INR3,988 million as compared to INR3,343 million in Q1 FY '23 up 19% Y-o-Y. EBITDA including other income was at INR1,138 million in Q1 FY '24 as compared to INR892 million in Q1 FY '23, a growth of 28% Y-o-Y. This would translate into an EBITDA margin of 29% in this quarter. Profit after tax was at INR528 million in Q1 FY '24 as compared to INR420 million in Q1 FY '23, a growth of 25% Y-o-Y before adjustment for the minority interest.

Moving on to the segment-wise performance for Q1 FY '24. Our life sciences segment contributed around INR255 crores compared to INR290 crores in Q1 FY '23, while Other Specialty contributed around INR28 crores compared to INR14 crores in Q1 FY '23. In percentage terms, the Life Sciences segment contributed 90% of the total revenue and the balance came from the Other Specialty Chemicals. Exports for the quarter was around 61% and continues to be a major contributor to the revenue. Our top 10 customers contributed about 90% of the total revenue, and there is total 24 products that we would provide to them.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Piyush Jain from NX Wealth Management.

Piyush Jain: Last quarter, we had the order book of around INR5,500 crores. In the current quarter, we are saying that we have signed some LOI worth around INR4,000 crores. But on slide number six, we are seeing the outstanding order book and LOI is around INR7,700 crores. Can you just throw some light on this? Is there any difference or I am missing something here?

Vishal Thakkar: So, I think what you're missing is that the first order of Japanese was INR1,400 crores, which has been counted differently and that is a delta. If you adjust for that, it will be INR7,700 crores. So, it was signed before the results were announced. So, we had mentioned it in our announcement, and that's the reason. Otherwise, it was signed in Q1.

Piyush Jain: So that has been counted both times. In Q4 also, it has been counted and in Q1 also it has been counted?

Vishal Thakkar: No, it has not been counted in Q4 and Q1 both, but in our results of Q4, when we were announcing, we said that after the quarter ending, in this quarter, this was one of the announcements that was there, and we have counted it in Q1 FY'24 because that is where the announcement will lie. So, if you were to make it simple, INR4,400 crores in this quarter. And before this quarter, the LOIs and contracts signed was INR7,669 crores minus INR4,400 crores, which will give you the number for the LOIs signed as on closing of 31st March 2023.

Piyush Jain: And these all LOIs and contracts are around 5-year to 7-year period, correct?

Vishal Thakkar: Correct.

Piyush Jain: So, what I'm trying to understand is, from last 2 years, we are doing in the quarterly range of around INR270 crores to INR300 crores. Last March quarter, we did something around INR217 crores, in June quarter we did INR288 crores. So, what is the quarterly number? I'm not asking something in medium term. This is long term, let's say, 2025 or 2026. What type of quarterly number we can think of, when all these contracts will start ramping up and the delivery schedule will start because I believe this will take around 18 to 24 months' time.

Vishal Thakkar: So, let me clarify 2 points. One, that it would be difficult for me to give a number because that's something which is not a good practice of giving an exact number of growths. But as historically what we have been mentioning, we will continue our growth journey in the historical range of 25% plus or minus for the numbers that we have been forecasting on a long-term basis, and we'll continue that CAGR growth, at 25% plus or minus as you know.

Coming to the LOIs and contracts, yes, these LOIs and contracts have started giving us revenue. Not that it will take another 2 years to start giving revenue. We have a contribution of over INR100 crores in the FY '23, and we expect these numbers to ramp up, and that number will ramp up fully. If you just do one simple arithmetic of INR7,700 crores and divide it by 5, I'm talking about INR1,700 crores of peak revenue. Now would that be peak because many will ramp up fully in 3 years' time and few will ramp up in 4 years' time. So, if you look at it eventually, it will be that kind of a contribution, but it will be gradually that you will see that growth.

Piyush Jain: So, can I say what you're saying is INR7,000 crores in 5 to 7 years, which gives you a INR1,000 crores annual basis. Can we say this INR1,000 crores would be additional over and above INR1,000 crores type of business we are doing now?

Vishal Thakkar: You're right. So, whatever we have done now, there is INR100 crores of revenue contributed from the LOIs if you take the last year's financials. And then whatever the new ones, it will be added to that.

Piyush Jain: One question is on the gross margin; I'm tracking the company since the last 2 years. Somewhere we were making a gross margin of 65% also. And over a period of time, this gross margin is reducing. I know on the EBITDA front; we are more or less maintaining around 28% to 30%. Is this a permanent change happened to the gross margin because of the nature of molecule, or R&D or something? Or this is a temporary headwind, we will again go back to a gross margin of 60% and above?

Vishal Thakkar: We run our business on an EBITDA number rather than on the gross margins. The gross margin will be a reflection of the product portfolio for the quarter because there'll be some products where the complexity of the molecule is less. And hence, the overhead will be lesser. And hence, you will see a different kind of RM contribution. But if there is a long chain of product or a complex molecule, then the overheads will be higher, and that will have a different gross margin profile.

Now another thing that you will also have to see is that of consol versus standalone because in consol you will have a Tanfac and that will also have a different gross margin profile compared to the standalone. But again, I will say one thing. I would prefer to analyze our company more on the EBITDA level basis rather than gross margin for the same reason as we have mentioned in the past as well.

Piyush Jain: Question on Tanfac. We have bought about 26%, right? And we are consolidating Tanfac number in our number?

Vishal Thakkar: Yes, we are consolidating line by line.

Piyush Jain: What I am trying to say is, because 26% sometimes people don't consolidate. So, in 26% stake, we are consolidating, is there any future thought to acquire maybe 51% or above in Tanfac because I think some state government, Tamil Nadu or somebody is holding a 26%. So, any thought on future because Tanfac will be your HF and KF raw material supplier for fluorination. So, any though to acquire more stake in Tanfac, more than 51% or above?

Vishal Thakkar: The reason for consolidation is basically because we have the management control and that's the reason our auditors have been convinced to do the consolidation basis. Coming to the intent or interest of looking at additional stake, yes, we would be happy to explore that as we had also mentioned in our earlier calls as well that we have a right of first refusal under the joint venture agreement.

If and when TIDCO decides to offer their stake, we would definitely be using it for acquiring those shares that are offered to us. And as you rightly said, yes, the HF and KF will be used for our fluorination strategy, and the supplies have now started, and we would continue to ramp up sourcing of raw materials from Tanfac as we expand our portfolio in fluorination.

Piyush Jain: What is your view on CDMO from China and Europe? How is the flow and inquiries coming to Anupam because what we have seen in last 6 months or maybe a year, we have signed multimillion dollars in multiyear contracts with the Japanese and U.S. MNCs. So, what is your overall view, how you see investing from right now at inflection point? Is it a long-term decadal growth or it's a 2–3-year phenomenon? We have 53 products and 27, 28 customers. So, do we see a lot of scope for Anupam to increase their customer base? Because still currently our top 10 customer contribution is around 80% or 90%. So, I'm talking about 5 years, 7 years what is the growth pathway?

Vishal Thakkar: So, if you look at it, our total customers are 73 customers, of which 29 are multinationals. And we have 55 products that we have commercialized till now. So that's 1 part of it. Second, if you look at it from a geography perspective, around 60% of our revenue comes from export and balance comes from India or a little less than 40% comes from India.

Now coming to the geography and the kind of demand that we are seeing, as you could see from the LOIs and the contracts that we have been signing, the demand looks quite buoyant and robust. As we had mentioned in the earlier part as well that the preference of the innovators to outsource manufacturing on a more custom synthesis basis to India is increasing compared to the other preferred geography that was there in the past.

And that is a very secular trend that we are seeing and more clear preferences that are coming on a relative basis. And so, to that extent, we feel that India as a chemical manufacturing hub, especially the specialty chemical manufacturing hub and more specifically to Anupam, we see that we have been a beneficiary of that. And we feel that this would continue.

Yes, Europe will continue to be a significant player, and they would continue to have projects on the CSM and CDMO basis. But India would be a net beneficiary of the whole game. And that's what we are seeing in our numbers that we have been signing, the order book that we have signed is also a reflection of the same.

Moderator: The next question is from the line of Rohan Gupta from Nuvama.

Rohan Gupta: Many congratulations on continuous winning on the new contracts and signing LOIs. It's very encouraging to see that the current quarter, you have signed almost INR4,000 crores kind of LOI. That's a really remarkable job, sir. So, first of all, congratulations on that.

Sir, second question is on our current quarter performance. So, what we understand that globally, agrochemical environment is weak, and many companies are delaying the orders probably because of the liquidation of inventory across the market. We are actually, in more of a contractual business and where more revenues are flowing from the agrochemicals as of now. So, what kind of risk do you see in the current year that we may have because of the industry where it is going through such a weak environment of inventory liquidation?

Vishal Thakkar: You are right that there has been an inventory liquidation and the supply chain is getting lighter as we go from a heavier to lighter part of the process. But coming back to Anupam and what we have been seeing as you rightly said that because of the contractual nature of the business and the kind of revenue visibility, what is happening is that our demand continues to be robust.

However, the delivery schedules have been pushed, especially the incremental growth demand has been pushed to the quarter 3 and 4 of the year, which is the second half of the year. So, you will see that the first 2 quarters will be more flattish in nature. And the second 2 quarters will compensate for the balance growth of the year. And that's what we are seeing for now. The kind of indication that we've got from the customers and from the demand side is reflective of the statements that I made.

Rohan Gupta: In this kind of pushing back to the second half, do you see that there can be an impact on margins because we also need to carry raw material as well as finished goods on behalf of customers. So that's the kind of business model which we were following. So, do you see that in the first half, we may see some inventory write-down related losses or pressure on margins?

Vishal Thakkar: I don't think that's something which I would agree to. Let's look at our last 3 years, we had both kind of cycle. So, one inflationary cycle that we saw a couple of years back and up to the last year. Then we have been seeing a deflationary trend that is coming back. And if you see both the sides, we have been able to maintain the EBITDA margin.

And that's primarily because of the kind of a pricing structure and the model that we have developed where we are passing on all the costs including the cost of raw materials, overheads, utility and energy and that's the reason if you see we would not have an impact of any inventory pricing or repricing and therefore, translating into any kind of losses thereof. So, if you see our EBITDA margins will be fairly in a consistent band of around 26% to 28%, maybe a little higher probably in a quarter or two, but on an average, you will see that kind of a number. And that's primarily because of the transfer and cost-plus model that we have on this.

Rohan Gupta: The LOIs which we have signed before Q1, that was roughly INR3,600 crores worth kind of contracts, which you have signed in the last 2 years. The contracts which you signed in Q1 FY '22, they were supposed to commission from the current quarter onwards, probably given the 2 years' timeline. So, are these orders on time or we are expecting to see the delays? That is number one.

And second, with the price declining across commodity, so the roughly INR3,600 crores worth of contracts which were signed earlier at those prices, are they going to lose the value in terms of the falling raw material prices? And will they be like 10%, 20%, or 30% lower than what we used to do earlier resulting in lower revenues per year?

Vishal Thakkar: First question is about the scheduling. From the schedule side, I don't think it has dramatically changed from the last few quarters that we have been projecting. I think last year, we did revenue from LOIs and contracts of over INR100 crores. And this year, we should be doing additional INR200 crores roughly. So basically, we will ramp up to about INR300 crores of revenue there.

So that's what I would say for now. So total, if you look at it, that's the kind of scale. I don't see schedule really changing dramatically from here on. For a molecule, maybe a quarter plus or minus can always happen. But on an aggregate basis, we don't see that to be significantly different to what we had planned or what we had also indicated in the past.

Second is on the RM side, you're right that RM prices moving can impact the aggregate top line number. But if you look from the RM number to my revenue number, RM is around 40% of my total revenue. And especially in the new-age molecules, the RM will be even lesser compared to the older molecules. And so, the impact wouldn't be significant is a question that we can answer. This is also a multiyear contract. So today, it may be in the deflationary environment, and hence, we may say that there is a movement of price here.

But there will also be more normalization of the prices. But today, when we go with a going-in assumption, we would typically go by the assumption at which we have signed the target numbers and target cost and prices, and we would go by that. But you're right. During the period, there can be a deflationary and inflationary reflection of those numbers in it.

Rohan Gupta: Third question was on the latest contract which you have signed with 3xper Innoventure that is a subsidiary of local company in pharma molecule. So far now, we were getting the contracts mainly from the MNCs, do we see opportunity in local players also and increasing supplies to the domestic markets also, is there some trend emerging?

Vishal Thakkar: Here if you look at it, 3xper is not going to be my customer. He is my joint venture partner. Mr. Govindarajan is the gentleman who has been the focal point in this whole of the joint venture, who used to be CEO of Aurobindo Pharma as well. So, in Pharma if you look at it, there are 2-pronged strategies that we have here. One is that we will be looking at products which are right now not manufactured in India and imported in reasonable quantity and of high value. We would look at where we have a strong niche, and also, we will have a strong advantage because the key starting raw material would be the same in the agro value chain or in the polymer value chain.

And fluoro will be one of the key flows play there as well. However, also, we will be looking at exporting these products to the world as we have been doing it. It is a little early to say what will be the eventual mix. Would it be the same that is there right now, which is around 60% to 65%

export, 30% to 40% domestic. It is a little too early to give you a view on that. But it's not that it is going to be a single-pronged strategy. It would be both export oriented as well as import substitution. And again, in the same breath, I would like to also add that the business model that we would have on this will be the similar business model as we had for our other parts of the business, including agro, as well as polymers.

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

Ankur Periwal: So, continuing with the pharma strategy that you just outlined. Would it be fair to say that the products which are getting, launched here will be produced in Anupam's facility, and the client relation here will also be managed by Anupam, or it is managed through the JV entity?

Vishal Thakkar: No. So, the business will be primarily run from Anupam with the support and collaboration of Mr. Govindarajan. But yes, it's Anupam really in the game here. And we would leverage our technical capabilities and they have their reach to the market, which will be also used by us to really work that out. But yes, the sales will be directly through the entity, not using the JV as a vehicle to do that. That's the plan.

Ankur Periwal: The 2 pharma molecules that we have launched in this quarter out of 10 that we have planned, are these molecules in a way related to this JV or through this entity?

Vishal Thakkar: These are all in-house, which we have been working on for a long time. And that's now coming into play.

Ankur Periwal: And these molecules will be a part of the fluorinated products that we were talking of earlier? Is that a fair assumption?

Vishal Thakkar: Absolutely. They are fluorinated products and that becomes part of our fluorinated portfolio.

Ankur Periwal: From a growth perspective, when do you expect this JV, the 3xper Innoventure JV to start contributing? Because where I'm coming from is while there will be separate pharma molecules that you will be launching independently, there will be some which will be launched through the JV or the businesses which will come through this JV. When do we expect ramp-up here? That is one. And whether we need a dedicated facility for the pharma products that we are making? Or it can be made in the existing ones?

Vishal Thakkar: Let me just first clarify that this is an MOU and not a JV. So, we are not forming a corporate entity with them. What we are doing is we are sharing our knowledge and collaborating together and bringing our resources and experience together to monetize this opportunity that we are seeing. Our strength on the chemistry side and on the process optimization, including flow and continuous process is going to be levered here. So that's what it is. And in terms of timeline, I think it will take a fair bit of time. We have not yet crystalized the numbers to share with you right now. But right now, it's more in the development stage. And hence, I would refrain from giving a number guidance. And as we crystallize the number, we would share it with you.

Ankur Periwal: And just on the pharma bit, the products, the molecules that we are launching, will they require a separate, dedicated capex there? Or it's only a part of the aggregate numbers?

Vishal Thakkar: Whatever we are saying for now, it's part of the capex that has been incurred. So, we don't need to have any further new capex for that.

Ankur Periwal: The revenue guidance that we had talked earlier of around 25-odd percent plus that includes the fluorination products also that we are launching. Any change in thought there given that there is an RM deflation and probably that could be passed through to the customer. So, any thoughts there?

Vishal Thakkar: As I was saying that I think the guidance that we would be going with and especially with the pushing of couple of quarters of demand from the first half to the second half, I think we should be looking at 20%, 25% of growth rate. More sharper number probably I can give you by the end of the second quarter. But as of now, from there, the vantage we have, I think 20% to 25% growth or 20-plus percent growth rate is what we can talk about today for the year. And forward numbers, I think, remain intact, but this is where I would guide for now and wait for a more quarter to give you a more sharper numbers on the year-end.

Ankur Periwal: Question on the LOIs that we have signed. Now there are LOIs, which we had signed for quarter 1 of FY '22. But if I got the earlier comments right you mentioned FY '23 has only INR100 crores worth revenue from these LOIs. When do we see a bigger ramp-up here? Is there any timing that one should look at?

Vishal Thakkar: So, this year, I think the total number should be around INR300 crores. So INR200 crores addition going to INR300 crores. And next year should be a jump, which is equal to this year's contribution.

Ankur Periwal: And the revenue growth guidance that you gave, 25%, is including these LOIs coming in or it's top-up?

Vishal Thakkar: It will be too much to ask for.

Moderator: The next question is from the line of Drasti Shah from Bluelotus Capital Advisors LLP.

Drasti Shah: I wanted to understand how many LOIs or contracts you must have signed in the last 5 years?

Vishal Thakkar: That number, right now, I don't have it on my hand, I can answer that offline.

Drasti Shah: In case of Tanfac, how much percentage of the Tanfac revenue might be captively used by Anupam?

Vishal Thakkar: As of now, it is not a very significant number, around 8% to 10% of theirs. But going forward, that number would expand further. But I don't think we will be 50% or more than that of them because what will happen is that their existing customers will continue to be supplied from this.

And also, as they are expanding their capacity, so we will pass it from that capacity as well. But today, it will be around 8% to 10%, not more than that.

Drasti Shah: So overall, it might go up to 10%, 20% eventually when the fluorination part of the Anupam's revenue segment starts growing.

Vishal Thakkar: Correct because their capacities are also doubling. So, they've also announced a capex of INR100 crores to double their HF capacity. So we have to look at both to see where we end up on that. On an absolute number, the quantum will increase. But on a percentage basis, how much it would be, it's just a matter of some time that we can do the math.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So, if you look at the mapping of the addition to revenue from your LOIs and contracts here over the next few years because they are long-term contracts. I have a number of around close to INR600 crores in FY '25 and another INR1,400 crores in FY '26 based on the details given in the presentation and the conversation I've had with you. So, if you're looking at INR200 crores addition in FY '24 and '25, what is the kind of run rate you would expect, say, by FY '26 when a lot of the new LOIs will possibly start working in full?

Would it be in that INR500 crores, INR600 crores range or can it cross INR1,000 crores? Because the reason why I am asking is, if you're looking at the entire bunching of the order, at some point, it should be in that range of INR1,400 crores, which is the number I have. So, I just want to get your sense of where we are headed in terms of the visible addition to your top line from all the LOIs being executed in full whenever that happens?

Vishal Thakkar: So, you're right that over a period of time, we will get to that kind of a number. But if I were to look at for the next 3 years, I think we can hit a 4-digit number or we should be shy of hitting the 4-digit number in next 3 years' time, including this year, if I were to count for. So that's the kind of a number. And otherwise, what math you have done is fair. I think we should be in that range.

S. Ramesh: So in terms of the announcements you've made, there are some which are linked to your current capex and expansion of both chemistry as well as capacity income and LOIs you're saying you can use the existing facilities. So, if you were to look at the overall scheme of things on a blended basis, if you're looking at the top line growth, isn't there a case that eventually with operating leverage and the higher asset turn, your margins should go up beyond 30%. So, can you give us a sense in terms of on the incremental revenue from all these LOIs put together, what would be the full potential asset turn once your entire capex is completed by, say, FY'25, FY '26? And then incrementally to continue to execute these orders, what would be the ongoing capex, say, between FY' 25 and FY '30?

Vishal Thakkar: I will do a bit of an effort, a bit of an estimation and all. So please take those numbers in that zest as well. But if you look at the total capital deployment that we have done till date and what we have budgeted for or planned for including the INR670 crores of capex that we have announced last year, I think the revenue potential on that, from the current product mix and the plan that we have, I think we should be around INR3,000 crores of revenue capability. Will we reach on that same year? I'm not saying that. But I'm saying that the revenue capacity will be that much from the plant side. So that's the first question that I'm answering.

Two, if you look at it from a revenue growth perspective, as we had said that the revenue growth will be in the range of the historical numbers that we've been highlighting. So that's the second point. The third question that you were asking in terms of what is the additional capex that we would need. So, what we are saying is the incremental assets and if you look at it, it will be between 1.75 to 2, let's take it even at 1.75. So even if I want a INR400 crores to INR500 crores of revenue growth per annum at that scale, to continue the growth momentum, probably, you are looking at around INR200 crores to INR300 crores of capex on an annual basis.

Vishal Thakkar: Please take it with a bit of a caution here because it's a ballpark number that we are just hypothesizing rather than guiding.

S. Ramesh: Understood. So if we go back to the discussion on the JV with the TI Group Company, if you are going to give the chemistry and also managing the clients and the relationships, can you explain to us what is the value that the TI Group is adding because the press release gave the impression that you are going to build a CDMO business for the TI Group Company and the TI Group Company is also developing a CDMO business.

So now that you are saying it's an MOU, what is the value brought by the TI Group? Because they have also talked about getting into CDMO and making some serious investments, and they also mentioned that Mr. Govindarajan is heading that. So eventually, that is something which is going to be material. If we can get some more clarity in terms of how that will be institutionalized in terms of the framework, and what is the value that you expect the TI Group Company to add and Mr. Govindarajan to add on this.

Vishal Thakkar: So, let's talk about what values they add and what values we add. So, first Mr. Govindarajan has a fantastic insight and access to the pharma market, especially the Indian and the international one. So that's something that will be there. Their ability to pick the right molecule and it's free or a change, that will be helpful to us. Not that we are not doing it today. We are doing it today, but that only enhances our understanding better.

Two, what are our strengths? Manufacturing capabilities, process optimization, process knowledge, continuous process, high end kind of process strength that we have, that is what we will be bringing into the picture. That's the value addition between both of us. Now the question is what will be the exact numbers and when it is. Give us a little bit more time to frame that before we come to you and give you a guidance or a more formal view on this because it's right now an MOU, and that will be converted into a more formal relationship as we go forward. So right now, the work is more on the R&D lab than on the pilot plants rather than on the manufacturing plants. So, let's just wait for some time before we really give you any more concrete numbers or plan on that.

S. Ramesh: In terms of your balance sheet and how you see the debt and working capital moving in the next 2 to 3 years based on the ramp-up in the business from the new orders, that would be helpful.

Vishal Thakkar: So, as we were saying that our asset turns will continue to improve. If you really look at it, our asset turns have continued to improve and that is also reflective of our ROCE, which has gone to 15% in the last year itself and we look at improving that as we go further. So yes, our asset turns will continue to improve. As we have more and more brownfield expansion, the asset turns will be even better as we go. So that's the second point.

Third, as we had mentioned in our past calls and as we anticipate the working capital intensity of the business will drop as we go because of two primary reasons. One, as you rightly said, that scale will help in that; and two is the cautionary working capital that was there at the end of FY '22 is unwinding. So, both should continue to have a downward trajectory. And the numbers that we are seeing is what we have been historically also mentioning, which will be, dropping it from INR290 crores to INR250 crores and then going down to INR220 crores, to INR200 crores and sub-INR200 crores as we go further on the net working capital side over the next few years.

S. Ramesh: And what about the debt? What is the kind of debt you expect to end with over FY '24, '25?

Vishal Thakkar: So, I think debt, if you look at it, it's a function of 2 parameters. And hence, I don't want to pin a number on that. One is the capital that we would want to deploy going further. Today, we have a plan. So, we are not adding any more debt, any more capex, and we are not loading any debt on to this. And the cash flow generation will naturally unwind the debt to that extent. So right now, I think that's what we would like to give you probably. And I would not want to give any more guidance on that. The only thing I'm saying is that there is no new capex as of now. So, if you look at the current thing, INR670 crores, we don't need any further debt to sort of achieve that capex.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Again, harping on the agrochemical's environment. So, we have seen commentary from global players as well as domestic players and that from the Innovator's side also, they are facing the challenge in terms of the inventory destocking. So, was there any impact in Q1 for us in this regard? And based on our conversations with the customers, are there any postponement of orders that we have seen for the next maybe couple of quarters or so?

Vishal Thakkar: As I was saying that typically, the demand buoyancy that we saw is what we have been mentioning also. But what we likely said is that let's say, for the year, we are looking at a number, which is what we have mentioned around 20-plus percent growth rate on an aggregate basis. But the first 2 quarters are looking like flattish in terms of growth, it will be a flattish number. So, to that extent, if you want to say, postponement or if you want to say shifting of the incremental demand to the second half, answer is yes.

Rohit Nagraj: Second question is in terms of the margins. So, I just wanted to clarify, you also mentioned earlier that we pass on all the raw material or any opex increases to our customers. So that is the business model which is there in our legacy business, and it is continuing with the newer LOIs as well? Or is it the new LOIs where we have taken this particular provision?

Vishal Thakkar: This is across our majority of product portfolio, legacy as well as our future one.

Rohit Nagraj: And just one last clarification. When we say that we hold inventories of, say, 250 days, 225 days, do we physically hold a stock in our premises? Or how does the arrangement work with the vendor from whom we are buying those raw materials?

Vishal Thakkar: No. So, vendors historically do not give us a forward contract or forward volume. So, we cannot book a volume and say that I will offtake this over the next 12 months because they will say today's price is today's price, tomorrow's price is tomorrow's price. And hence, we need to have the inventory bought out and that is the inventory that we have bought out and we hold it in our warehouses and in our plants and it will be all three in terms of raw material, work in progress and finished good, because all the three are parameters that our customers would look for.

Because they will also be insisting on a particular level of finished goods inventory as we had mentioned earlier, also that there are significant number of products where we would be primary or a single supplier to them. And hence, they would want to have that supply assurances and supply surety, and that's where the finished good inventory also will be equally important to them over and above the raw material inventory.

Rohit Nagraj: From the newer LOI perspective, what is the ROCE hurdle rate that we work on?

Vishal Thakkar: You know what kind of ROCEs that we should be looking at, right? And I can assure you that we would be doing better than that, for sure. I would not want to put a number to that right now and make it public. But you can imagine the kind of ROCEs that we would be chasing for, and I can assure you that it would be better than that.

Moderator: The next question is from the line of Priyank Chheda from Vallum Capital.

Priyank Chheda: If you can share the revenue recognition of the schedule for the LOIs that you have received in the current quarter. Maybe a ballpark number for FY '25, '26 and beyond, what would be the revenue recognition that we would use?

Vishal Thakkar: There will be some bit of revenue that we would see even in this year as well. But large part of the revenue would come from calendar year '25 and beyond, for the LOIs signed in Q1 FY '24

Priyank Chheda: And in general, for the total LOIs that we have received until now which is around INR7,700 crores received from FY '22 till date. What kind of capex requirement would be there to execute these LOIs?

Vishal Thakkar: So, as I would say that these are part of my revenue projections in the future as well. And so, it's part of the total business plan that I have. But as I mentioned, around INR670 crores of the capex has been undertaken, is underway, and that should give me an additional revenue of around

INR1,200 to INR1,300 crores total to INR3,000 crores. So, if you look at it, large part of my LOIs and contracts could be serviced from this capex itself.

Maybe there's something which will be in FY '28 or FY '29, probably there will be a bit of it, for which I may need to do additional capex. But the LOIs and contracts will be able to start servicing them and as they ramp up the capacity expansion may be required for those kinds of products. As you can appreciate that we have a multipurpose plant and hence, our ability to work with these products and its sizing is always very fungible to that extent.

Priyank Chheda: So, the capacity that we have and the additional capex of INR670 crores planned can execute the LOIs that we have received till date. Is it fair understanding?

Vishal Thakkar: Yes. If you were to just do a simple arithmetic, today, if you look at it last year, it was at INR1,298 crores, and if I were to add INR1,500 crores or INR1,700 crores then it comes to the number that is there. But you would also be mindful that there will be products which I'll be launching from other products also, which are right now not even in the LOIs and contracts. So, to that extent, that will be mixed. That's what I'm trying to say.

Priyank Chheda: Just the last bookkeeping question if you can share what's the inventory on the books as on Q1 FY '24 end?

Vishal Thakkar: I would refrain from making that because we don't announce it on the quarters. I would not say, but the trajectory is the kind of trajectory that we have been highlighting, but I would refrain from making the balance sheet numbers discussion for now.

Priyank Chheda: We have announced a dedicated fluorination capex of around, I think, INR400, which would be executed within LOIs. The strategic question that I want to understand is what's the kind of a unique technology that we have and if you can share what's the right to win within that fluorination chemistry or is it that the MNCs from whom we are executing this LOI, have they shared the technology? Or is the in-house R&D team that has worked on it.

Vishal Thakkar: Let me answer the last question first, and then I'll answer the right to win question as well. The answer is that we don't take tech-packs from a customer and most of our products and technology is in-house and thanks to our RM team that they have been able to deliver these kinds of products. So that's one point.

And if you look at right to win, it will come from, one the capability that you've created over so many years and delivering it day in and day out because you are in a B2B kind of a business where assurance of the price, volume, quality, timelines, schedules is so much important, that's something which we have been able to do. And with the production strategy that we have done, which is a multipurpose plant, has helped us because we can ramp up, ramp down as per the customer's requirements over the quarters and years. So that's one right to win.

Two is the right to win from a technical capability that we have generated over so many years because it's not only fluorination that you need. If you want to develop a product, then you have multiple chemistries that you will require. Fluorination is one strong one that comes in, but then there maybe nitration, hydrolysis or multiple chemistry that is there. So, larger the portfolio of your chemical chemistry strength, helps you strengthen and buttress your position in the market with the customers. So that's the second part of it.

Third is from the supply chain point of view. We are basically a part of supply chain for any innovator and multinational. And hence, the larger, the stronger and the deeper the supply chain it is, better it is for you. So, if you're starting from HF and KF and able to deliver to that, that's something which is strong that is there. So, you start from KSM, and you end up at N-2 and N-1, that's what they would love you for. So that's the third right to it.

Fourth is process optimization and our ability to drive the cost curve because of the expertise, experience and the know-how that we have generated over a period, be it be from solid recovery or from distillation or from other processes, moving from batch to continuous, continuous to flow chemistry, that's something which comes in. I think in the opening remarks of Anand bhai as well, he had mentioned that we've also commercialized one of the fluorinated products in Flow, which is probably the first time in the world, and we will be able to launch it in some time.

So, these are the right to win that we really see. And the most important is, are you the most reliable supplier for the customer and ability to grow with them? If the answer is yes, that's the right to win. And these are the four, five things which will come into play. There will be more, but I'm just highlighting the three, four key that comes to my mind upfront.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Vishal Thakkar: Thank you, everyone, for joining this call. We hope we have been able to answer all or most of your questions. If you have any further questions, please feel free to reach out to our IR agency, EY, and we will get back to you offline. And thank you very much. Have a good day.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Anupam Rasayan, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.

(This document was edited for readability purpose)