ANUPAM RASAYAN INDIA LTD.

ARILSLDSTX20240215121 Date: February 15, 2024

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 and nine months ended December 31, 2023.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the Earnings Call on the Unaudited Financial Results (Standalone and Consolidated) for the quarter and nine months ended December 31, 2023, held by the Company on Monday, February 12, 2024.

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
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Date: 2024-02-15 17:26+05:30

Ashish Gupta
Company Secretary & Compliance Officer

Encl: As above

ANUPAM RASAYAN INDIA LIMITED

"Anupam Rasayan India Limited Q3 and 9M FY '24 Earnings Conference Call"

February 12, 2024

MANAGEMENT: MR. ANAND DESAI – MANAGING DIRECTOR

MR. GOPAL AGRAWAL – CHIEF EXECUTIVE OFFICER

MR. AMIT KHURANA – CHIEF FINANCIAL OFFICER

MR. VISHAL THAKKAR – DEPUTY CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to the Anupam Rasayan India Limited Q3 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 '*' then '0' 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, Viren, and good evening, everyone. Welcome to Anupam Rasayan India Limited Q3 and 9M FY '24 Earnings Conference Call.

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 a 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 the exchanges. Please also note that the audio of the conference call is the copyright material of Anupam Rasayan India and cannot be copied, rebroadcasted, attributed in press or media without specific and written consent of the Company.

Today, from the management side, we have with us Mr. Anand Desai – Managing Director; Mr. Gopal Agrawal – Chief Executive Officer; Mr. Amit Khurana – Chief Financial Officer; and Mr. Vishal Thakkar – Deputy Chief Financial Officer

I would now like to hand over the call to Mr. Anand Desai for his opening remarks. Thank you, and over to you, sir.

Anand Desai: Thank you, Advait. Good evening and welcome everyone to our Q3 and 9M FY '24 Earnings Call. Since we are connecting for the first time since the start of the year, I wish you all a happy New Year.

Let us look at the broader landscape before we dive into industry and Company in particular:

An uncertain global economic environment that we were facing through 2023 is likely spilling over in 2024 as well. Despite the inflation cooling off and a hope of demand recovery, the geopolitical issues are keeping the world on tenterhooks.

On the industry front:

The agrochemical sector continues to witness demand issues across the nations. This coupled with falling raw material prices is having a double impact on the revenue and growth for the industry. It appears that FY '24 remains a year of low growth for the majority of the agrochemical companies. That said, there are green shoots and as we speak, raw material prices are stabilizing, and demand scenario is picking up in some pockets. Strategically for Anupam, the higher growth in polymer and pharma sector is expected to compensate the tepid growth in the agrochemical sector.

On that note, let me shed some light on the "Performance" of the quarter, after which we can move on to the "Business Updates":

Our total revenue stood at Rs 298 crores with a Y-o-Y de-growth of 23% on a consolidated basis, whereas for the nine months, our total revenue stood at Rs 1,092 crores, posting Y-o-Y de-growth of 1%.

The challenging industry landscape has been responsible for this degrowth along with Q3 being the end of the year for some of our customers, which meant these clients were off taking only a minimum as per the contract. As we have passed the model for the pricing, we have been able to maintain our EBITDA margins at 30.1% on a standalone basis and for the quarter, and 27% on a consolidated basis for the same period.

Before I conclude, I would like to draw your attention to one of the most important initiatives at Anupam and which is very close to my heart. As an organization, sustainability has been deep rooted in our operations and thought processes. We have been striving to build long-term sustainability initiatives and integrate it in our business.

On that front, I am pleased to report that Anupam Rasayan will be investing Rs 59 crores towards setting up a hybrid power plant of 9.6 megawatt. When I say hybrid, it is a combination of wind power and solar power. That is 5.6 megawatt of wind power and solar power will be 4 megawatts. This initiative will help us reduce our energy cost of approximately Rs 15 crores per year.

These investments in solar would now translate to electricity consumption for green energy in coming years. I firmly believe the industry will witness a revival from H1 FY '24 based on the LOIs and the contracts we have signed in 2022 and '23, and strong product pipeline, which gives us a reasonable confidence for growth in FY '25.

Before Amit bhai and Vishal bhai discuss the financials in greater detail, I would like to call upon Gopal bhai to share our business updates. Over to you, Gopal bhai.

Gopal Agrawal: Thank you, Anand bhai. Hello and good evening, everyone.

Welcome to our Q3 and 9M FY '24 Earning Call. I will quickly share key "Business Updates" and then handover the call to Amit bhai to discuss the Financials.

Starting with new products launched during the Q3 FY '24:

We commercialized six new molecules, four of which are in fluorination series and the remaining two are from signed LOI and contracts. Till 9M FY '24, we have launched in total 11 new molecules, all of which will ramp up gradually in FY '25 and FY '26, resulting in a positive impact on our revenue in coming years as highlighted by Anand bhai earlier in his opening remarks.

On the contracts and LOI signed, I am pleased to share that during the quarter, we signed a letter of intent worth $61 million, that is INR 507 crores for the next nine years. This is the one which is with the leading Japanese chemical Company to supply a new age polymer intermediate. As per the agreement, the supply will commence from 2024. This product will be manufactured in our existing as well as our new multi-purpose manufacturing facilities and the molecule will be utilized as an intermediate for thermoplastic polymer, which is used in structural materials in aerospace industries, semiconductor process material, electric and electronic devices, and high-performance industrial machineries.

One of the key things to note here is that we are fully backward integrated for this molecule. This is in line with our strategy of expanding our polymer portfolio and deepening our presence in Japan.

We have been able to expand our existing customer wallet as well as onboard a few new clients. With a market such as Japan that is complex and tough to crack, we have successfully made a inroad over the last few years through our relentless R&D effort as well as investing talent.

To ensure better control, we have also incorporated a subsidiary in Japan, which showcases our focus towards these important geographies. I firmly believe that our Japan business will see strong growth in the coming years and will likely to become a major business center for Anupam.

I am also proud to inform you that Anupam Rasayan won CII 3R Award for "Best Industry Practices" for managing our own waste. This award reinforces our belief that sustainability is not just a choice, but a business imperative. It highlights our commitment to environmental sustainability and responsible business practices. Over the past few years, we have worked tirelessly to implement innovative and effective waste management strategies, and the award validates this effort.

With this, to take you through the "Financial Highlights," I would like to hand over the call to our CFO. Over to you, Amit bhai.

Amit Khurana: Thank you, Gopal bhai. Good evening, everyone, and thank you for joining us on the call.

Let me take you through the "Financial Highlights" for the quarter, and then we will hand over the call to Vishal bhai to discuss these in depth.

Before I get into financials, let me share an update on our recent fundraise:

During the quarter, the Company issued shares worth Rs. 180 crores and warrant worth 370 crores to promoter and institutional investors respectively. The Company has already received Rs. 272 crores through equity issuance and fresh transfer of warrants. Of these, we have already utilized Rs. 198 crores towards debt repayment till date. We have a sharp focus on deleveraging the balance sheet with an ambitious target of being a long-term debt-free Company over the next 18 months.

Coming to the “CAPEX” for 9 months:

We have incurred Rs. 381 crores out of the Rs. 670 crores CAPEX announced. The balance CAPEX will be incurred in the next two quarters as per plan. At the end of Q3 FY '24, cash and cash equivalents on the books as of 31st December 2023 stood at Rs. 577 crores, which is sufficient enough for the planned CAPEX.

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

Vishal Thakkar: Thank you, Amit bhai. Hello and good evening, everyone. Thank you for joining us here today. I would like to share some “Key Performance Highlights” for the quarter and 9 months ended 31st December 2023, and then we will open the floor for question-and-answer session.

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

Let me first discuss the consolidated “Financial Highlights” for the quarter ended December 31, 2023:

Operating revenues for Q3 FY '24 were at 296 crores as compared to 392 crores in Q3 FY '23, down 25% Y-o-Y.

EBITDA, including other income, was at Rs. 81 crores in Q3 FY '24 as compared to Rs. 108 crores in Q3 FY '23, again, resulting in a de-growth of 25%. However, this would translate into an EBITDA of 27% EBITDA margin for this quarter, which is similar to the EBITDA margins that we have been seeing in the past as well. Profit after tax was at Rs. 26 crores in Q3 FY '24 as compared to Rs. 554 crores in Q3 FY '23.

Coming to the 9 months performance:

Operating revenue for 9M FY ‘24 was at Rs. 1,074 crores as compared to 1,122 crores, down 4% Y-o-Y.

EBITDA, including other income stood at 306 crores as compared to 298 crores in 9M FY ‘23, growth of 3% Y-o-Y. This would translate into an EBITDA margin of 28%, which has been consistently in the range that we have been reporting in the past as well.

Profit after tax was at Rs. 127 crores as compared to Rs. 144 crores for the 9M FY '23, a de-growth of 12% Y-o-Y. For 9M FY '24, our Life Sciences segment contributed 91% of the total revenue and the balance 9% came from the specialty chemicals. Our top 10 customers contributed 77% of the total revenue and there are a total of 23 products that we provide to them.

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

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

Rohit Nagraj: Sir, my first question is from the LOIs and from customer's perspective, so we have seen that last quarter was an exceptional quarter in terms of the demand scenario. What are we looking at in the current quarter from the order's perspective? And if you could just let us get a bit about the LOIs as well, whether we are on track in terms of the customer engagement, what they had anticipated earlier, the order or volume would be for 2024 or they are slightly taken aback given the current situation and they will be in a wait and watch situation? So, your comments on this. Thank you.

Vishal Thakkar: Rohit, if you look at in terms of the LOIs and contracts and the kind of buoyancy there, I suggest that the LOIs and the kind of engagement that we have been seeing with the customer has been robust, especially when we are talking about a long-term kind of numbers.

So, when we are talking about the LOIs and contracts, see, the engagement on the customer side on the LOIs has been strong and their interest with us has been quite robust. If you look at that, that's also the reflection if you see in terms of this quarter also, the quarter went by, we find one LOI and we believe that there are furthermore interactions that are there. And there are quite positive interest that we have seen from the customers for the longer tenure demand.

Now, coming to the shorter tenure demand, the shorter tenure demand is basically as we have mentioned and as you are also aware the market has been pretty subdued for this quarter, and we see that the next quarter will be also pretty subdued. So, I think the question that if you are asking on the demand side, short term for this quarter, next quarter, we may see a little bit of tepidness, but going forward from H1 2025, we should be able to see that the revenue should start coming up.

Rohit Nagraj: That's helpful. Just an allied question to that. In terms of, so we were earlier guiding FY '25 will have a big business. Addition to that will be LOIs and plus fluorination. So, how are we looking in terms of overall growth for FY '25 and FY '26 if you can just give broadly a sense of that?

Vishal Thakkar: So, first of all, Rohit, I feel that if you look at the demand from the revenue contribution from the LOIs and from the pharma sector, pharma and polymers should start giving a meaningful growth for us in FY '25 and FY '26 and that should add to the growth. And the base volumes which are from the historical products and others should give stability to the demand, stability to the revenue. And so, I would put it that my historical products will give me a stability of my revenue and the pharma and the polymer and the Japanese market should give us additional volumes for the growth in FY '25 and '26. And '26 again, the historical molecule should also give limited, contribute to some bit of growth as well, as we see.

Rohit Nagraj: Given that we have raised the money, and we are repaying the debt, what is the kind of interest saving that we are expecting in FY '24 and possibly in FY '25?

Vishal Thakkar: Interest saving for FY '24 will be limited because if you look at it, it will be practically for a quarter, but FY '25, the number should be around 24 crores of saving on the interest side. This is the estimate that we have for 2025.

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

Krishan Parwani: So, my first question is on the working capital side. Just wanted to understand, has there been any improvement on that front?

Vishal Thakkar: So, Krishan, if you look on an absolute basis, we have seen that there has been an improvement in working capital. Has it been where we wanted to? The answer is no, but is it on the right direction? The answer is yes.

Krishan Parwani: So, would you be able to kind of share the number of days at 9M FY '24 or not possible?

Vishal Thakkar: I would prefer that. We have not reported that. So, I would prefer it if I don't mention that. But in the next quarter, I will definitely share that with you if that helps you.

Krishan Parwani: Yes. So, just going by your target, which you had about 180 to 200 days by end of FY '24, are we still on track?

Vishal Thakkar: I would have to say no, we are not on track on that. But directionally, yes. But in terms of quantum, we don't see that number being achieved, especially in the context of the kind of demand compression that we have seen and tepidness that we have seen. So, because it has double impact, the liquidation of the inventory reduces, and also my base number is also lower to that extent. So, I have a double whammy on that. So, yes, would we be in the range that we have mentioned? Probably not. I would say that.

Krishan Parwani: I think you mentioned about our gross and net debt position at 9M FY '24 in the initial comments. Did I miss that? If yes, could you please reshare?

Vishal Thakkar: We didn't mention, but I can share that. What we said was that we have repaid a loan of 200 crores by as on today, I would say, because the money came in at the end of the quarter. So, as on date, we have repaid 200 crores of long-term debt from the money that we raised, which is from the warrants and the preferential shares.

Today, my long-term debt would be share less than 400. And I think once we do this, the balance amount comes in, we should be going to zero debt in terms of long-term debt. Of that 400 also, the 90 crores is my promoter debt. So, if you look at the external debt is around 300-310 crores only. And from the balance funds that we are raising, we believe that we should be at zero long term debt, especially on the net basis. Because if you look at my cash, today I am sitting on a cash of around 570 crores today, as on 31st December.

Krishan Parwani: So, is there any short-term debt as well, on the books?

Vishal Thakkar: Yes, there is working capital debt.

Krishan Parwani: So, I think, see, firstly, congrats on the LOI that you sign in this quarter. So, just, you know, just one suggestion, probably in Slide #20, whereby you mentioned signing quarter, if you could also mention in revenue contributing quarter for all the LOIs and the contracts whenever. So, you know, it would be easier for us to kind of track that.

Vishal Thakkar: Krishan, the only challenge is that many times, it's a fine line between two things. One is being prudent in terms of forecast and two is also guiding the numbers and forward-looking statement. So, that's the main reason why we have been avoiding this, because it can be tantamount to forward-looking statements and that may not be a very helpful situation to be in.

Krishan Parwani: Yes, I get your point. But directionally, you know, would you be able to kind of share the possible revenue generating quarters for the last four LOIs that we have signed in this fiscal? I mean, just ballpark estimate would do. Not an exact number.

Vishal Thakkar: See, I think one of them, we had said that we would be commercializing it in the same year itself as we also said is the last one. And that would happen. The other one we had also said that it would start from 25 CY, and one will be 25, 26 CY. So, largely in the next two years, you should see commercialization of most of the molecules that we have talked about.

Krishan Parwani: And last question from my side. Just a more fundamental question. So, when you mentioned this LOIs and contracts, is it a must for your customer to purchase a cumulative contracted amount? I mean, if let's say it's a prolonged weakness, like we have seen since last couple of quarters, the cumulative offtake could be lower than the stated amounts. Is that understanding, correct?

Vishal Thakkar: So, say there are two numbers in this. Typically, when you sign a contract, you will have two numbers. One is a minimum offtake guarantee. It's called MGO, minimum guaranteed offtake. And two is an estimated number that they would want to say that this is the plan that we have, and this is the base case scenario on which they are contracting. And then there is always an upside to that.

Now, let's look at it in this manner and let's say this is the five-year contract. So, do we expect that at the end of the fifth year, they will stop buying from us? The answer is no. Typically, we have seen that the contracts roll over or the demands continue because they have moved from

Europe or from a high cost to the low-cost countries like us. After that, do we expect them to move to any other places? I do not see that as a big possibility.

No doubt, there is always a possibility because they are contracted for five and they can, but historically, we have not seen them doing that. And there is a logical reason to it also, because as long as we don't make a big mistake, they will continue to roll over the contracts.

So, the question that you were asking is whether the cumulative demand be the same or not? See, typically, if you see what has happened in the last two quarters, last two quarters has been where the inventory liquidation is happening with the customer side. So, is there a demand disruption? I think demand disruption is not the larger contributor of the tepidness in the demand, but it's more the realignment and reallocation of their inventories and lightening their balance sheet which is the reason. So, in all, to answer your question, we don't see it significantly impacting the overall demand.

Krishan Parwani: Noted. So, I think my question was more to understand, you know, let's say a five-year revenue trajectory rather than anything else. I know that you have been rolling forward a lot of products since the inception of the Company. So, that point is very clear. It was just to understand, let's say, standing here, what is the growth outlook for the next five years? So, that was the reason for understanding. But I think it is very, very clear. Thank you and all the best.

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: So, I just had a few questions on the numbers and then some thoughts on the business. So, can you split the 26% decline in standalone revenue into volume and price?

Vishal Thakkar: So, this is largely driven by the volume rather than the price. Price has been pretty much stable to my mind. So, if there is any contribution, it's not anything significant in terms of price. I think the large part of the thing is on the volume side.

S. Ramesh: And what is the share of exports and contract revenue in 3Q?

Vishal Thakkar: So, exports is around 55 to 56% for the quarter and balance is domestic. Largely, all the demand is, as we said, large part of our demand is more contracted in nature.

S. Ramesh: So, if it's all contract revenue.

Vishal Thakkar: Contract and contract equivalent. So, because there are some ones where we don't have a contract, but we are rolling demand continuing for the last so many years. So, that's also.

S. Ramesh: So, in the context of the customers deferring their purchase because of their issues in terms of repudiating inventory, is there a possibility of you getting these volumes delivered subsequently in FY '25 or is that something which is pretty much lost business? How does it work in your contracts for LOIs equivalent?

Vishal Thakkar: So, that's why we think the minimum, definitely we will get it. And even if you look at it, this quarter also, they did pick up the minimum volumes, right? So, that will happen. The upside and if you are asking for the delta on this, typically, see, our sense is that this is more liquid inventory movement and not too much on the demand side. So, if it is inventory movement, as and when they stock up the inventory back, they can. But if they continue to run with this same level of inventory, then you will see that demand doesn't come to us. Still, that inventory stocks up to the level which they were carrying earlier. But other than that, we don't see too much demand going off the expectations.

S. Ramesh: So, if you were to map your CAPEX and the booking of revenue against your LOIs and contracts, you know, let's say over '24, '25, '26, how much of that, whatever the customers are expected to take delivery of in terms of new contracts, is possible to be delivered from existing assets, not part of the CAPEX? And how much of that has to wait until the CAPEX is completed? And when does CAPEX get completed and do those assets start commercial operations?

Vishal Thakkar: So, the first thing is, if you look at my CAPEX, we had undertaken a plan for 670 crores of CAPEX. We have done CAPEX of 381 crores. We did around 150 crores of CAPEX in this quarter. So, the quarter that went by. And we believe that in the next two quarters, we should be able to do the majority of the CAPEX that has been planned out. So, one plan, we should be able to get operations in this quarter and the other two in subsequent quarters. So, if you look at it, we will have enough capacity for us to grow for the next two to three years. We don't see that capacity being a constraint for our demand, for servicing our demand from here on. So, there is enough and more that we can service for the next 2 years.

S. Ramesh: What we are trying to understand is, you have some, because in some contracts you mentioned, they can be delivered from the existing assets. And some of them are possibly from the new assets. So, how much growth can you get or how much additional revenue in rupees gross can you get from the existing assets here over FY '25 and '26?

Vishal Thakkar: So, as we had said in the past also, we can do a revenue 1,700 crores to 1,800 crores from our current capacities. So, to that extent, we have enough capacities. Two is, if we were to look at some of the LOIs and contracts and we mentioned, even the LOIs and contracts will take time to commercialize, right? And by that time, we should have the plans. And the ones that we are looking at commercializing soon, we have factored in the capacities from our existing plans. So, to that extent, if the question is that, is there any situation where we will have a demand but not the capacity? Probably the answer doesn't look like yes.

S. Ramesh: So, this 1,700, this year you are doing about 1,060, 1,100, right? So, if you are supposing, you are looking at the existing assets, how much of this 1,700, 1,800 can you deliver say in the next two years, assuming normalized demand environment and once the inventory situation is stabilized? And on that, what are the kind of delta we can expect from the new contracts, say over the next two to three years, whatever order of magnitude numbers you can give so that we are able to map the growth to existing assets as well as the CAPEX? And you know, it's related to the order book. That's the angle from which I am asking that.

Vishal Thakkar: I didn't get your question right, but if I were to just put the question in my words, what you are saying is that what is the demand that, what is the revenue that we can subscribe through the capacity that we have created today? And what is it that will happen from the future, right? Future CAPEX. And the two is the question that you are asking is that from the LOIs and contract, how much are we looking at going from now? And is there any constraint because of the current capacities which are not designed for the LOIs and contract that we have signed? Is that the question you are asking?

S. Ramesh: No, I am thinking more from the demand side. Since right now, demand seems to be the issue for contracting business, you have potential. See, over three years you can actually. The point is what can we realistically expect from existing assets and the new asset given a certain stable environment in terms of your reading about the appetite for taking intermediate and final product from your manufacturing facilities, CSM business?

Vishal Thakkar: I will put it in a very simple manner that my demand growth we expect from next year onwards to be reasonably strong and from 2025 onwards, we should be able to see a reasonably strong demand growth and that should continue for the next two to three years looking at the kind of the order pipeline and the product launches that we have. If you look at the orders, the number of products that we have commercialized in this 9 month is 11 products that we have commercialized and these itself have a reasonable market size, reasonable demand size. And if I add to that the products that we are expected to launch in next 12 to 18 months, we see that there is enough that we can look at from the growth. This is one year where you will see that there is an exception in terms of growth, but going forward from 2025 onwards, you will see that the growth will be robust.

S. Ramesh: So, that comes to the final thought process. What is the short-term debt on your books and on the incremental business you can do over the next two to three years, what will be the kind of networking capital days you will aim at because right now that seems to be the challenge for you, right? So, that has a definite impact on the additional cash you need to raise. So, if you can throw some light on your thoughts on what will be the incremental and working capital and what is the current short-term debt on your books?

Vishal Thakkar: So, Ramesh, let me answer it in a very different manner, because this is not the quarter where we have shared, we are releasing the balance sheet. So, I will try and be a bit more cautious on the numbers that I speak up. But let me give you one or two items. Do I need significant external capital for my current growth? The answer is no. In fact, we are repaying the debts. So, that's one part of the question.

Now, the second part of the question is that coming from the working capital side, yes, working capital has been a bit stickier than what we had anticipated and planned for. For the management, this is one of the top-most focused areas for the management to optimize and be more focused on this parameter for us.

However, the moment we see that the cycle starts moving, which is where we see that in the next year, we should be able to see the cycles moving, we should be able to see that the trajectory that we had been envisaging and the trajectory of the working capital that we have been focusing on should be playing out. It has been slower this year, unlike what we had anticipated, but the focus is significantly strong on this parameter of the business.

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

Madhav Marda: A couple of questions. The first one, basically for our Agro portfolio, where are we in the de-stocking cycle? Because as we understand, the impact really varies by the portfolio that each of the companies have. So, from our portfolio perspective, do you expect the de-stocking to end largely by Q4? Or do you think this impact could extend into Q1? That is my first question.

Vishal Thakkar: So, Madhav, the way we are seeing it right now, I think what you rightly said is that Q4 may be the end of the de-stocking period, I would say. We anticipate that the stabilization of demand should start from Q1 FY '25 and it should only consolidate as you go further.

Madhav Marda: And I think you spoke about some newer portfolio coming from the pharma and the polymer side. So, could you give some sense in terms of how big these opportunities can be? And if you could just share how much of a growth can be contributed in FY '25? How many molecules are being absorbed? How many customers? Whatever color you could share would be very helpful. And are the margins better here or are they similar or lower compared to our existing business?

Vishal Thakkar: So, Madhav, I will take it into two or three parts. Pharma and Fluoro will be the segment which should contribute to the significant part of our next year's growth. And the size of that is reasonably large, but I would tend to be cautious on the numbers when I speak in terms of because it's a forward-looking number, so I would try to be avoiding that. But you can say that the pharma should get into double-digit contribution and so polymer be in the 15% to 20% range that they should be contributing to. Polymer and other specialty should contribute around 15% to 20% of my portfolio in the next year. And pharma should also be in the double digit, maybe in the higher teens or above, higher teens that we should be seeing or above. So, that's from the pharma side, if I were to say it.

The second is on the margin side. See, these are all products which we are doing as an import substitution. And two is, we are not into the API side of the play or N-1, N-2 play. We are more on the KSM side of the play in the pharma side. The competition intensity is pretty limited there because these are all imported from other geographies and hence, we have a strong ability to have a reasonable margin that we can expect from them.

Second also, I will say it from a strategy point of view, if you look at it, these are all products which we are largely vertically integrated. One. Two, these are the products where a two-step before it, the product may be also getting into agro side of the business. One step down, it would be also going into the polymer side of the business.

So, if you look at it, that helps us in two, three ways that my backward integration is stronger. And two is my volumes are reasonably larger compared to the typical pharma manufacturing volumes that we see. And based on that, along with my technical capabilities and my process optimization, there is a strong ability to have a similar margin that we are seeing in our agro portfolio. And polymer generally is a segment where because again, we are getting into performance polymers and more value-added polymers, where typically the ability to generate a margin is pretty robust here.

So, if you look at it from a margin point of view, we feel pretty confident. If you look at it from a portfolio contribution side, pharma and polymer should start contributing. So, polymers and other specialty contributes double digits, but it should be in the higher teens, and so should pharma be getting into that kind of a range is what I would say.

Madhav Marda: So, is it fair to say that sir, as we look at the FY '25, we are more positive on the non-agro portfolio, which is pharma and polymers to do the heavy lifting for growth for us for FY '25, and agro will be also growing, but the heavy lifting is done by the other two? Is that the right way to think as we stand today?

Vishal Thakkar: Yes, as of now, that's how we are saying it, as of now. Not that I am saying agro will have a negative, but basically, heavy lifting will come from three parts. One is pharma, polymer and LOIs and contracts that we have signed, which will also ramp up and contribute to the growth.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question on the product launches, the molecule launch. Year-on-year, we are seeing an improvement here in terms of the number of product launches. I just want to understand the timelines of revenue ramp up here. How much time for a typical product approval? And by when we should see a revenue uptick given the inventory situation that we are in?

Vishal Thakkar: So, product launches, yes, that is something which is happening well. And that is leading to a good volume, as I was mentioning to even the previous questions. It has started contributing and we believe that this should add the last part of my growth would come from these products. But Ankur, if there is anything that I have not answered and if you can ask me again?

Ankur Periwal: Sure. So, you are saying these new launches have already started contributing to our revenues. If you can share, maybe on a nine-monthly basis, what is the revenue share from the new launches, maybe the products which we had launched over the last two years, one or two years, what will be the share right now from them?

Vishal Thakkar: So, if you look at last couple of years' launches and their contribution, which will be in the teens of my total revenue and maybe on the higher teen side, and we believe that that number will only increase if I look at the cumulative contribution, let's say two years to next one year. So, the launches that would have done in the last two years plus one year going forward next year, I think it should be in the 20 years that would start contributing in terms of my revenue.

Ankur Periwal: And these launches, these new products are largely maybe a very different segment or a different product, different molecule that we are doing or could be a sort of improvisation of an existing one.

Vishal Thakkar: So, Ankur, if you look at it, typically we have gone by the strategy of the tree as we try to tell, that typically we work on the product tree basis and these are all molecules largely coming from where we have built on the capabilities that we have and the supply chain that we have created, right? And then we go forward side typically where we try to capture more and more opportunities as I was mentioning, even when I was talking about the pharma side also, that they are products where we have been historically having strengths N-2 or N-3 of that product, because that's typically where that product may be going into the agro side also, maybe going into the polymer side also. So, that's where we build that strength from the whole value chain. That's one part of the game.

And second is, fluorination is definitely now coming up and playing well and you will see that the next year the contribution of fluorination will be significant. Even today, it is reasonably strong, but next year you will see it to be in 20s, if not more.

So, what we are doing, if you look at it from a strategy point of view, is building on our capacities rather than trying to do multiple things at one point. You may see that the application is going into pharma, the application is going into polymer, application going into agro. But at the base, the strength that we have of our technical capabilities, our supply chain and the value trees that we create is what really is driving the whole strategy.

Ankur Periwal: And just, you know, from a revenue mixed perspective given that lot many products, if I heard you right, are getting into pharma polymers, while currently our business being slightly more tilted towards agri, how do you look at revenue share over a three-year window or a five-year window coming from Agri, Pharma, Polymer and some other segments?

Vishal Thakkar: So, please take it with a lot of caution and a bit of caveating, but my estimate is that Pharma should be contributing in 20s and so should Polymer and other specialty should be in that range and the balance would be coming from the agro. Agro will continue to be the rock bed in terms of our demand stability and our revenue, and they will grow over the next few years. But Pharma and other specialties including Polymer should contribute a meaningful revenue as we go from here.

Ankur Periwal: That's helpful. Another thing, on the CAPEX side, we had announced around 6.5 billion, 650-670 crores of CAPEX. Will this CAPEX suffice for us to reach the optimum level from an LOI, you know, that we have signed, and the revenue ramp up or probably there could be more surplus left for us to ramp up the revenue here?

Vishal Thakkar: Largely, if you see, we would be fairly done by that. So, today, whatever is our plan in terms of revenue that we want to reach in the next 3-odd years, I think this capacity should be sufficient. Maybe there will be some de-bottlenecking and other, you know, that we typically do because with the change in the product mix or otherwise, we will do that. But if you look at the large CAPEX program, I think we would be fairly comfortable that we would have covered for that.

Ankur Periwal: Just last bit. On the revenue sort of deferrals that we have seen, basis your discussion with the client, any timeline you want to share when we should see uptake? Because as I understand it, it varies a lot across the product, chemistry, maybe even geography and client. So, your sense on that.

Vishal Thakkar: So, Ankur, the thing is that we see that by Q1 '25, we should start seeing the growth coming back and FY25 should be a reasonably good year in terms of our growth. And we see that the momentum should continue. Again, I am adding back saying that my new molecules that we have launched, the LOI is getting commercialized, all that is going to really add to this and that's where it gives us a reasonable amount of comfort that the '25 should be looking good.

Moderator: Thank you. The next question is from the line of Meet Vora from Emkay Global. Please go ahead.

Meet Vora: I just had one question. Vishal bhai, we are seeing a very high uptick in our gross margin in this quarter. So, if you can explain what has led to this jump in gross margin?

Vishal Thakkar: So, Meet, as I have been also in my past, in our past discussions also, we have been always suggesting that the way our business model is structured, that we look at it at the EBITDA levels because, you know, by not only my raw materials, but my overheads and my utility costs, everything is pass-through.

So, typically we would, whenever you see us, you see us at the EBITDA levels because that's a more representative number. Because there are products where you may have a higher gross margin and a higher overhead and there may be products where we have a lower gross margin, but there will be lower overheads. And that compensates with each other, right? Because at the end, the customer is willing to pay a particular margin to us on an EBITDA or a PBT basis. That's how we have been building the business.

So, today, whatever you are seeing in terms of the moment of our gross margin is largely the product mix that there are these products where there is a lower RMC, but a higher number of steps that we would be doing in this product. And that's the reason you would see that the overheads are higher here and that is compensating one to other. So, if you look at it on the EBITDA side, you will see the similar numbers that we have.

Meet Vora: So, that's because of the product mix. So, that was my only question.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Just two questions. One is in terms of our CAPEX guidance. So, how did the CAPEX stack up in '24, '25 and FY '26? So, CAPEX as I said, the large CAPEX will be done, 670 should be completed in the next two quarters. So, let's say by the first half of FY '25, it should be done with the 670 crores of CAPEX. And then it will be more a maintenance CAPEX or a more, you know, that kind of CAPEX that you would see for the year till now. Because we have not planned anything further for me to guide on any CAPEX for now. If there are any, I will come back to you in the subsequent quarters.

Rohit Nagraj: This is helpful. Second question is you just now gave direction on how FY '25 will look like. So, is it that FY '26 should see a quantum jump in terms of our performance given that most of the LOIs and the newer contracts will come into fruition? Along with that, the fluorination piece will also be operational and functional. So, could there be a step jump, which can be expected from FY '26 perspective?

Vishal Thakkar: So, Rohit, first a little lighter, I would love that whatever you say comes true. In terms of, yes, see that's also, if you see all the factors are playing there. The question is that the timing and the stuff. So, right now I would not want to crystal gaze on the '26 in that specific manner. But what you are saying looks to me also the driver for the growth here because there are multiple vectors which are coming together for us on the growth side. So, I see you, but right now I don't want to put a number to it. But yes, I am also very bullish on those parameters.

Moderator: Thank you. Due to time constraint, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you and over to you, sir.

Vishal Thakkar: Thank you all for joining us today on the call. I hope we have been able to answer all your questions. If we have missed out on any questions specifically or if you have any further queries, please reach out to our IR partner, EY and we will be able to get back to you offline. Thank you very much and have a good day. Cheers.

Moderator: On behalf of Anupam Rasayan India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose.)