ANUPAM RASAYAN INDIA LTD.

Date: August 24, 2021

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

Sub.: Submission of transcript of Earnings Call Conference on the Unaudited Financial Results for the quarter ended June 30, 2021 of Anupam Rasayan India Limited ("the Company")

Dear Sir/ Madam,

This has reference to our intimation about the 'Earnings Call' conference to be held by the Company on Monday, August 9, 2021.

In this regard, pursuant to Regulation 30 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we voluntarily forward herewith the transcripts of the said 'Earnings Call' conference for your reference and record.

This information will also be hosted on the Company's website at www.anupamrasayan.com.

Request you to please take the above on record.

Thanking You,

Yours faithfully,

For, Anupam Rasayan India Limited

Suchi Agarwal

Suchi Agarwal
Company Secretary and Compliance Officer
Membership No.: A32822

ANUPAM RASAYAN INDIA LIMITED

"Q1 FY-22 Earnings Conference Call"

August 9, 2021

MANAGEMENT: **DR. KIRAN PATEL - CHAIRMAN AND NON-EXECUTIVE DIRECTOR, ANUPAM RASAYAN INDIA LIMITED**

MR. ANAND DESAI - MANAGING DIRECTOR, ANUPAM RASAYAN INDIA LIMITED

MR. AFZAL MALKANI –CHIEF FINANCIAL OFFICER, ANUPAM RASAYAN INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Anupam Rasayan India Limited Q1 FY22 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 would now like to hand the conference over to Mr. Diwakar Pingle from Christensen Advisory. Thank you and over to you, sir.

Diwakar Pingle: Welcome everyone and thank you for joining this Q1 FY22 earnings call of Anupam Rasayan India Limited. The results and investor presentation have been emailed to you and also available in the stock exchanges. In case anyone does not have a copy of the same, please do write to us and we will be happy to send the same over to you.

To take us through the results of this quarter and answer your questions, we have with us Dr. Kiran Patel - Chairman and Non-Executive Director; Mr. Anand Desai - Managing Director and Mr. Afzal Malkani – The Chief Financial Officer.

We will be starting the call with a brief overview of the quarter gone by from Dr. Kiran Patel and Mr. Anand Desai, followed by the financial performance, which will be given by Mr. Afzal Malkani. We will then open it up over to the Q&A session. I would like to remind you that everything said in this call reflecting any outlook for the future, which can be construed as a forward-looking statement. It must be viewed in conjunction with the uncertainties that we face. These uncertainties and risks are included but not limited to what we mentioned in the prospectus filed with SEBI.

And the annual reports which you will find in our website. With that said, I will now handover the call to Dr. Kiran Patel. Over to you, doctor.

Dr. Kiran Patel: Thank you. Very good evening to our investors in India. And a good morning to all our investors in USA and Europe. I am joined by our Managing Director, Mr. Anand Desai and our Chief Financial Officer, Mr. Afzal Malkani. I welcome you all to our Q1 FY22 earnings calls.

The second wave of the coronavirus pandemic had been harsher and has affected many of us in recent months. Thankfully, many states have seen a dramatic improvement and life is starting to get back to normal. Although the fear of a third wave is looming, already some states are starting to see an upward trend. I hope and pray that you and your loved ones are safe and well. The leadership at Anupam is committed and have taken all possible steps at our manufacturing sites and corporate office.

We are glad to inform you that we have successfully vaccinated 1,250 of our employees which translates to over 75% of the workforce. We have also extended support to the families of our employees facing COVID related challenges. Despite the global pandemic, at Anupam, we are transforming ourselves into a fully sustainable business in every way. While the macro-economic environment is putting our strategy to the test, we continue to grow faster than the industry growth rates.

Anupam exhibits the professionalism of a major Chemical Company while offering the agility and accessibility of a specialized niche supplier to its clients. We continue to focus on our custom synthesis and manufacturing business by developing an in-house innovative process for the new complex chemistries along with focusing on Value Engineering by replacing the lower value products with higher value ones.

Every year we also continue to add new chemistries to our portfolio as well as work on future chemistries like ethylene oxide, Hofmann rearrangements, cyclopropane, chlorination using POC l3 and PC l5, Butyl Lithium and Isobutylene. This will further strengthen our multi step synthesis capability.

We intend to capitalize on the industry's potential for a double-digit growth through organic and inorganic means. We have started installing a solar power plant. We will continue to increase utilization of solar and wind power, ensuring environmental safety and increasing profitability. These strategies acts as a compass to keep us in track even in the face of adversity. We have delivered an excellent quarter on multiple fronts in the terms of both revenue and profitability be it quarterly or year-over-year.

For the quarter ended Q1 FY22 we reported consolidated total income of Rs. 238 crores compared to Rs. 135 crore in the same period last year, a year-over-year growth of 77%. Consolidated EBITDA during the quarter grew by 101%. It went from Rs. 32.25 crores to Rs. 65 crore. EBITDA margins increased from 24% in Q1 2021 to 27.28% in Q1 2022. We continue to build our business with our focus on the core values of quality, innovation, environmental sustainability, human and social responsibility.

Anupam's dedication to a sustainable future has spanned more than three decades. We will continue to make a determined effort to fulfill our environmental, social and governance responsibilities and report our progress transparently to all our stakeholders.

This has concluded my remarks and I will hand over to Mr. Anand Desai, Managing Director.

Anand Desai: Thank you, Dr. Patel. Good afternoon to everyone. To begin, I wish you and your family members safe with these unprecedented times. Further, I am delighted to meet everyone again after what I believe was a very good quarter for our company. And to discuss further the development and results of the quarter gone by.

We are committed to our employees' health and wellbeing. So, we are always putting our effort into building the greatest possible work environment that is safe, diverse, impartial, welcoming and value driven. We have learned a lot about dealing with COVID in the last year, and vaccination is the most effective solution.

As mentioned by Dr. Patel, we at Anupam continue to strictly follow the national and local guidelines and continue to monitor the situation regularly and take any steps required accordingly. We have maintained a prudent and disciplined approach over the years, which has served us well in these difficult conditions.

In Q1 FY22, our cost containment measures and operations contributed to savings reflected in our bottom line with our Profit after Tax at Rs. 22 crores in absolute terms. And a Profit after Tax margin of 14%. This is an increase of 500 basis points over the last quarter of Q4 FY21. These expansion in PAT margins were led by the aggressive de-leveraging undertaken by the company post listing. Our strong financial position enables us to pursue plans and commitments of growth to our stakeholders. We are progressing in line with our guidance. At the macro level, the current pandemic has re-emphasized the critical nature of specialty chemicals, providing abundant growth opportunities for us.

As you know China Plus One strategy continues to realign the global chemical sector and continues to be a tailwind for the Indian chemical industry. Our key goal is to remain focused on specialized niche molecules and continue expanding our product portfolio with the help of our strong R&D team and technical capabilities. Our continued value realigned efforts to provide us and our clients with high quality products, which contribute to our revenue expansion in this quarter. The focused execution of our strategy fueled by our strong capability and track record of commercially manufacturing products, deploying continuous process technology, improving macroeconomic factor and industry sentiment positioned us as a preferred partner of choice for our key clients seeking a long-term reliable partner. These enables us to increase our wallet share with existing clients and grow our market share while maintaining competitive pricing. We are continuously working on various molecules in both Life Sciences and other specialty chemicals in our R&D.

As you would know, we have repaid our outstanding debt of Rs. 563 crores as promised to our shareholders earlier and which was reiterated in our last call. This debt reduction is a major accomplishment for Anupam. We will continue to concentrate on optimizing and enhancing our efforts to create long term value for all our stakeholders in the coming decades.

Now I will hand it over to Mr. Afzal Malkani, our Chief Financial Officer for our financial overview.

Afzal Malkani: YES, thank you Anand Bhai. Good afternoon everyone. Now, I would like to briefly touch upon the key performance highlights for the quarter ended June 21.

For the quarter ended Q1 FY22 we reported consolidated total income of Rs. 238 crores compared to Rs. 135 crores in the same period last year, a YoY growth of 77%. Our profit after tax stood at Rs. 32.10 crores. Our interest cost has reduced from Rs. 17.88 crores in Q1 FY21 to Rs. 6.6 crores in Q1 FY22.

Moving on to the segment wise performance for the quarter ended Q1 FY22. Our Life Science segment contributed Rs. 205 crores compared to Rs. 122 crores in Q1 FY21 registering a growth of 68%. While other specialty chemicals which also grew by 123% contributed Rs. 29 crores compared to Rs. 13 crores during the same period last year. In percentage terms, Life Science segment contributed 88% of the total revenue and 12% from other specialty chemicals. We can say that all our segments have grown equally, whether it is crop protection, personal care, pharma, pigments, and polymer additives.

In Q1 FY22 75% revenue growth came from the recently commercialized units and products and 25% growth came from our conventional products. This growth was primarily driven by better capacity utilization of newly commercialized Unit 5 and 6. Both of these units were commercialized in March 2020. In Q1 FY22, the capacity utilization for both these units was around 70%.

As far as revenue break up in terms of geography is concerned, in Q1 FY22, the contribution of India was 50%, Europe 23%, Japan 10%, Singapore 10%, China 5% and remaining 2% from the rest of the world. For the whole year of FY22, we expect that the proportion of export sales will be 60% and domestic 40%.

So, in FY22 the maximum growth will come from the export market. We commercialized our new molecules in Q1 FY22 and we are planning to commercialize about 10 new molecules in the current financial year which will contribute significantly in the growth in FY22. Our top 10 customers contributed about 84% of the total revenue. However, there are total 24 products in this. For most of the products as you know we are either a sole supplier or one of the two suppliers of the products for these customers. We have incurred a capital expenditure of about Rs. 10 crores in Q1 FY22.

Let us close our opening remarks and now the floor is open for question and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: So, my first question on the gross margin front. If you can help us understand the improvement that we have seen, whether it was largely driven by the product mix there, or we have been able to pass through the price hike the raw material inflationary trend to the consumers?

Afzal Malkani: We can say if we talk about the growth in terms of margin, then we can say that it is due to the favorable product mix during the Q1 FY22 and if we talk about the volume and price growth, then we can say that out of 73% growth 63% is the volume growth and 10% is price growth.

Ankur Periwal: Just a follow up on that. If I compare our gross margins on a quarter-on-quarter basis, there has been a decent jump. Last quarter I do recollect the pressure on margins front because of the pricing trends as well, raw material inflation there. So, if you can share some color where we are in terms of renegotiating the prices with the customers given the raw metal inflation and whether it will be right to look at from a Q-on-Q comparison perspective or there will be a seasonality angle?

Afzal Malkani: Yes, if we see, first if we talk about the margin, then I would say that you can consider a sustainable Gross margin as in the range of 57% to 59% and EBITDA margins, you can consider 24% to 27% as a range. And if we talk about the raw material price, particularly your question is about the customers, what is the status of that.

For that, I would like to say that though the formal discussions with the customers will happen in the month of December when we negotiate the next contract with them. So, by that time, you can consider that this margin is sustainable during the second quarter also.

Ankur Periwal: Where I was coming from was more from a working capital perspective as well, and the related raw material pass through because earlier we were going ahead with the 12-month pricing, but as per our earlier discussion, you mentioned that incrementally we will be negotiating more on a fixed monthly or slightly lower in terms of overall working capital trends and the pricing pass through there. So, where are we in terms of those negotiations with the clients?

Afzal Malkani: As I mentioned that we are going to renegotiate the terms and conditions from the December 2021 onwards as you know, we finalize the price in every December. So, at least for the September or next December, this will continue and from March 22 onwards you can see improvement in working capital cycle. And our formal discussion will start but we have already, informal discussion has been initiated with the customers and we got the positive feedback on that.

Moderator: Thank you. The next question is from the line of Faisal Hawa from HG Hawa & Company. Please go ahead.

Faisal Hawa: Sir, what is the total number of customers that we have as a grand total of all the verticals and how many customers do we have in export and in European markets? That is one question. Secondly, if we have to give one core DNA to our company, then what is that DNA through which the entire business strategy done?

Afzal Malkani: First if we talk about the number of customers and total number of customers is 66. Out of which export customer you can consider about 20 and remaining 46 were in domestic customers. And if we talk about the first core expertise or what is the DNA of Anupam then we can say that our expertise is in our chemistry and the key differentiator for the Anupam is that we have the ability to innovate technologically. Because we develop our own manufacturing process and even when the process is given by customers, then also we do innovation in the process. And when we talk about the innovation, then we talk about two types of innovations. One is the innovation in process and second is innovation in operations.

In operations, you can consider by changing the equipments and all these things, because the customer point of view most important thing is that you should be agile. And you should have a flexibility to add up these changes. And you know that we have a multipurpose plant, and we can manufacture the products in the same manufacturing facilities. So, that is the reason why we have the ability to innovate, and we are the preferred partner for our customers.

Second, we have a wide range of complex chemistries and our all chemistry are developed in house, and we have a capability to perform all the multistep synthesis products, save 15 to 17 steps. Because we have six manufacturing facilities, we have facilities for a multipurpose chlorination, multipurpose nitration, as well as multipurpose diazotization and hydrolysis plants. This you can understand in a way that the customer who is looking to outsource the product, which requires 15 to 17 steps would prefer to deal with the partners who can manufacture the entire products in house. And if they outsource it to those who can do only five to seven steps, then the management of entire supply chain would become very tedious and time consuming for them. So, we are in a better position to prefer to become a preferred partner for such customers.

And third is that that our ability to manufacture the products in a continuous process. And I would like to say that manufacturing these products in a continuous process and in the commodity is quite simple. But manufacturing product with continuous process in our specialty chemicals is quite difficult.

And fourth is our ability to manage our product portfolio and to convert the waste into byproducts. This three to four points you can consider as overall key expertise.

Faisal Hawa: Sir, what is our R&D spend per year and secondly sir, what would be the contribution of new products to our revenue, which have been introduced in the last four years? And what could be the contribution to revenue in this year for those new products?

Afzal Malkani: First question about the R&D. For the R&D, our R&D expenditure will be 2% of the total revenue. And if we talk about the capital expenditure, then in last two years we have incurred a capital expenditure of Rs. 30 crores for setting up of our new R&D and pilot facilities.

Your second question is what is the contribution from the new products? Then I would say that in the current year, if we take the current year for the calculation purpose, then in the current year, out of the total revenue 20% revenue is coming from the new product, which is the new commercialized during the current year, and about 30% revenue coming from the recently commercialized products.

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

Madhav Marda: I just wanted to get a sense from you on the order pipeline. We did announce some good contract wins a couple of months back. Are there any more such discussions that are ongoing with our customers for further such long-term contracts in the pipeline? If you could just give us some sense around that?

Afzal Malkani: Anand Bhai, would you like to address this?

Anand Desai: No, Afzal Bhai, you go ahead.

Afzal Malkani: Okay, fine. So, YES, Madhav Ji, if we talk about the total product in pipeline, then as I mentioned that we are going to commercialize 10 products in the current financial year. And in addition to that, we have more than 70 products in our pipeline for our existing customers as well as from the new customers.

And we have been discussing with the existing customers since last two years because for any new product from the inquiry to commercialization of the product, it will take 18 to 24 months. So, you can see some new product commercialization in coming quarters.

Madhav Marda: My question was in May and June; we had announced some contracts which were like three-year contracts to five-year contracts with customers. Are there any more such contracts in the pipeline which can be like large contract wins which span for like three, five years timeframe?

Afzal Malkani: Yes, we have been discussing with our customers, but we have a constraint in our capacity also because as you know that our unit number five and unit number six, we are going to commercialize, we are utilized about a 75% in the current financial year and the utilization for all these units five and six will be about 90% in the next financial year.

So, we do not have a capacity to accept new order for new products. So, we have been discussing and exploring the option of debottlenecking or value engineering by replacing the low value products with high value products and if we materialize this then we will announce in the next quarter.

Madhav Marda: So, maybe my question would be that given that next fiscal we expect to reach very healthy utilization. Is there any more CAPEX program which is on the drawing board for us already, which we might announce and then sort of start working on from next year onwards given that we are reaching our utilization?

Afzal Malkani: YES, first as we have given an indication about the CAPEX for this LOI which we received in the month of May and April for this Rs. 1,100 crores as well as Rs. 540 crores for which we need a CAPEX of about Rs. 60 crores to Rs. 70 crores, which we will start from the next quarter onwards.

Madhav Marda: And what will be our full total CAPEX requirement for FY22?

Afzal Malkani: For that apart from this Rs. 70 crores, we have been working on the new CAPEX requirements, but going forward we are planning to go for the modular CAPEX. So, it will be in the tranches of Rs. 50 crores to Rs. 60 crores, it is not like that Rs. 300 crores or Rs. 400 crores, but it is in a small transaction. We are going for as a modular CAPEX for that.

Madhav Marda: And the asset turn would be better right on these modular CAPEX because it is more downstream

Afzal Malkani: YES, for all the new CAPEX the fixed asset turn will be more than 1.75.

Madhav Marda: My other question was, are we seeing any good inquiry flow for products outside of pharmaceutical and agrochemical like the other verticals like electronics chemical, or some of the other end markets, are we seeing good inquiries from those markets as well?

Afzal Malkani: YES Anand Bhai, would you like to answer this?

Anand Desai: YES, I will take this Afzal Bhai. So, as we have mentioned earlier in our last call, we are working on some new products, which will be going into some new applications. But these are totally brand-new products in India, or even Asia for that matter. And they will be going into a telecom application. So, there are three products. But these are under confidential agreement, we are not able to share more data. But in the coming quarters, we will be able to inform you more and be able to explain more.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Sir, couple of questions. Sir, first is on our EBITDA margins. So, sir, when we were discussed in last quarter, you mentioned that definitely some of the contracts with some price negotiation by end of the current year and definitely the raw material prices have been continuously rising. But sir, despite that we have seen that on quarter-on-quarter, our EBITDA margins have improved to almost 26% in the current quarter versus 23% in Q4. While I understand that, the raw material prices kept on rising, we could not take the sufficient price increase to pass on that. So, under that, I just wanted to understand how the margin improvement has happened and is it driven by the product mix change and all and when we will take the sufficient price increase then what kind of margins we can get?

Afzal Malkani: YES, if we talk about the EBITDA margin, then yes, we decide the price with our customers in December. But as you know that we keep our inventory immediately at any given point of time five to six months of inventory in the form of raw material, WIP as well as finished products. And we have a back-to-back contract with our suppliers for three months. So, we cover a nine-month's inventory against our total requirements. So, we have not faced any challenges due to this increase in price or any volatility in the raw material price. So, that is why we are able to sustain our margin.

Rohan Gupta: Okay, so you are saying that we definitely have sufficient raw materials inventory. So, even the prices have been going up, we were not be impacted by that?

Afzal Malkani: Yes.

Rohan Gupta: Okay, and sir, when you had mentioned that in the last quarter also, and during the IPO meetings as well, that now your company has become a sizable player and though initial years the focus was more on bidding the contracts and on revenue growth. That is where you have to probably compromise on inventory cycle and higher debtor days and probably pushing the higher inventories, but the focus will be definitely reducing the working capital probably bringing it down in line with the industry average. Sir, have you seen that any those things happening in last three to four months or as you mentioned that the price negotiations will further happen on the month of December so, are we still living with such high kind of inventory environment and that may continue? Just want more clarity on that?

Afzal Malkani: YES, first, because this will continue till December, because we had maintained this type of inventory and that is why we are able to maintain same type of EBITDA and as well as gross margin. So, this practice will continue till December and for the January onwards, you will see some improvement in this because as I mentioned earlier that the formal discussion with the customers will start from December 2021 only.

Rohan Gupta: So, sir, it will be like you know all of a sudden we will enter or we will negotiate with the contract that now we are not going to have annual contract and it will be more on the monthly or shorter-term contract, quarterly contract or we have already started having discussions with the client and they have started accepting our terms and conditions or we have to wait till December end and then understanding where what customers are having to say?

Afzal Malkani: YES, initially, we are going to propose two tier pricing mechanism instead of annually, we are going for a two tier i.e semiannually. Not that we are going to propose a monthly which will be difficult for the customers also. Our first stage is to propose two tier pricing mechanism and after that on a quarterly basis. Then if we do this, then also we will be able to curtail our inventory significantly instead of this one year to two tier mechanism.

Rohan Gupta: Sir, I have a follow up question if I am allowed to ask my second question. So, this is on you mentioned that China Plus One strategy have ultimately started helping us and you are seeing the very positive industry environment. Sir, can you elaborate a little bit more in terms of this, so we are needing a lot of inquiries have been coming in last one year and many global players looking at China Plus One strategy. Have we started really converting into final order or final capacities being put up for China Plus One strategy because ultimately, we have a long gestation projects always more than 18 months to 24 months to build up even sometimes three years as well? So, is it only inquiries you are seeing from the global customers or there is some kind of final win or final deal or some concrete plans, which global players have while they are now sitting with the customers like us?

Afzal Malkani: YES, China Plus One Strategy has definitely increased our number of inquiries from global customers. So, we have not seen a major shift as we are into specialty chemicals and not in the commodity market. Some transfer of cost model with our customers. However, we believe that India will become a second major global supplier for international customers within five years. And this is basically due to the stringent environmental norms in China. And further other factors such as particularly if we talk about the Anupam also then in compared to this China we have a low labor cost, lower operating cost, now competitive infrastructure and as well as the business-friendly policies, particularly PLI scheme type of things will help us to materialize on China Plus One strategy, but however we hope to get the benefit of this China Plus One strategy over a medium to long term.

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

Krishan Parwani: Sir, my question is on the realization front. So, based on the production in this quarter your average realization was at about Rs. 426 a kg, which is lower than Rs. 444 a kg you did in FY21. So, is there any particular reason for the same?

Afzal Malkani: YES, you were talking about this average realization, right? And as you mentioned about is Rs. 426?

Krishan Parwani: Correct.

Afzal Malkani: If I say that in Q1 FY22, our average sell price of the product increased from Rs. 734 kg in Q1 FY21 to Rs. 806. If we talk about for the whole financial year 22 then our average sell price of the product is estimated to be Rs. 900 per kg compared to Rs. 810 per kg in the financial year 21.

Krishan Parwani: Okay, sir, but your production for this quarter was 5,492 tons. Is that correct or not? Based on 80%, 81% utilization?

Afzal Malkani: No, because we have a multi-purpose plant so, you cannot compare this with by multiplying the total capacity by percentage.

Krishan Parwani: So, just wanted to check. So, on the like domestic contribution side you had about 50% revenue from the domestic market. So, is it going to be likely the same scenario in Q2 like one it would be heavy on the domestic side going forward?

Afzal Malkani: If we talk about the whole financial year FY22 then current it is 50:50 between domestic and exports but for the whole financial year FY22 export will be 60% and domestic will be 40%.

Krishan Parwani: Okay, and in FY23 is it going to be the same?

Afzal Malkani: Yes.

Krishan Parwani: 60:40?

Afzal Malkani: Yes, maybe export proportion may increase from 60% to 65%. But yes, minimum 60% we will maintain.

Moderator: Thank you. The next question is from the line of Bharat Gupta from Edelweiss Securities. Please go ahead.

Bharat Gupta: Couple of questions. First is in regard to the 10 new products which we are about to launch in FY22. Can you give us a sense about the growth potential and in what particular segments they will be utilized, the end user industries are likely to be same like agrochemicals 80% contribution or there can be a difference where the contribution may increase for the other specialty segment?

Afzal Malkani: YES, if we talk about this segment wise of these 10 molecules, then we can say that it is in the same proportion. You can consider 70% from the crop protections and 10% from the pharma and remaining 20% from the other segments. And if we talk about the future revenues, and as I already indicated that in the current year, this proportion will be 20% of the total revenue and next year, it will further increase to at least 35% to 40% for these top 10 products. Sorry these 10 commercialized new products.

Bharat Gupta: And sir, my last question pertains to the capacity like we will be having a capacity constraint as we go ahead in FY23. So, beyond FY23 do we have a CAPEX plan in place where we can continue on a similar growth trajectory like is there a vision and what kind of a CAPEX requirement, we would be needing in order to sustain the growth momentum like we have been doing a 34% kind of a growth which we have even highlighted so far? So, what kind of a CAPEX involvement will be there in order to sustain it?

Afzal Malkani: YES, we do not need to go for the CAPEX to take care of the growth till FY23. But to continue the same type of growth trajectory from FY23-24 onwards, we may need to go for the CAPEX. For that one is about the 60% to 70% Rs. 70 crores CAPEX which I spoke which was in connection with this LOI we have received and apart from this, we are also planning for some other CAPEX, but we have been working one that and we will be able to announce in the next quarter on that. But this will be modular CAPEX this will not be a significant CAPEX.

Bharat Gupta: And sir, in order to continue our growth journey, so are we looking at or are we eyeing at the opportunity in terms of the off-patented molecules which be losing out the patent status in FY23? Like have we also that particular thing in mind like we have already done a significant amount of investment in R&D side of it?

Afzal Malkani: YES, if we talk about this. Can you repeat the question?

Bharat Gupta: Yes sir. Sir, I was saying like in terms of meeting out our target like in terms of our target growth so first, what kind of growth levers will be there in place like? And secondly.

Moderator: Sir, we have just lost the line for the current participant. We would proceed to the next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Sir, just two follow up questions. So, one, if I refer our this quarter presentation, we are mentioning the MNC customers at around 22 odd numbers, which was slightly higher than the last quarter numbers. So, this quarter we are around 23 MNC customers as you mentioned, and last quarter this number was lesser while the total number of clients is largely similar, 64 to 66. So, is there some churn in the customers there?

Afzal Malkani: YES, I think five export customers has been added and two, three domestic customers were reduced.

Ankur Periwal: Okay, and sir, any specific reason for the exit of the customers?

Afzal Malkani: So, this export customers, we have started a new relationship, but the volume is on lower side and for the domestic customer, we have multiple customers the customer maybe for Rs. 3 crores or Rs. 5 crores particularly in pharma. The customer-to-customer the volume may be Rs. 1 crores or Rs. 10 crores. So, it may increase or decrease by quarter-by-quarter.

Ankur Periwal: Another thing on the assets churn side, you mentioned, the incremental CAPEX will be garnering an asset churn of around 1.7. So, on an aggregate basis, let us say as a portfolio as an aggregate gross block, what sort of asset turns are we targeting? Let us say two, three years out on full utilization?

Afzal Malkani: YES, the last year, our fixed asset turn was about 0.77 and the current year it will further improve to 1.04. Next year, we are expecting to further improve to 1.3 to 1.35. And from after two years, we are expecting to improve to 1.5.

Moderator: Thank you. We take the next question from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Sir, you mentioned on this incremental CAPEX and asset turn of 1.7x. So, can you give some indicating number that what kind of incremental CAPEX we can put over next two to three years cumulative? On this we will enjoy this benefit of 1.7x CAPEX turnover and after that, we have to further start putting the basic CAPEX and infrastructure-led CAPEX which will further reduce our asset turn between 1.2 to 1.5 or something like that?

Afzal Malkani: Yes, if we talk about the CAPEX then first has the exports, we are planning for Rs. 70 crores CAPEX to execute the LOI. And apart from this we are going for the modular CAPEX. We have 5 to 6 projects from five to six different customers. And the project size is Rs. 50 crores per project, per customers. And this type of five to seven projects is in pipeline. So, we will do capital rationing and we select out of this five to six projects we may select two or four projects based on the convenience. But this we will decide on next quarter.

Rohan Gupta: Current year sir, you mentioned Rs. 70 crores, right?

Afzal Malkani: Yes, Rs. 70 crores.

Rohan Gupta: And out of that we have six to seven projects right now is Rs. 50 crores CAPEX apart from this but we will choose four out of that?

Afzal Malkani: YES, we may select two projects or four projects because now we are going for modular CAPEX only. So, we have our choice to select.

Rohan Gupta: Sir, can you just give a little bit more on this five to six different projects, which you have each offering Rs. 50 crores opportunity? How you have got this customer? What they have given you in offer? What are your terms and why you will be only selecting four out of them and why not all six or seven out of them?

Afzal Malkani: Okay, because as we basic our benchmark is to that we need a minimum 20% EBITDA for any project. This is our first benchmark. And the second is that as I mentioned that we have been working in our R&D and pilot facilities in more than 70 products. So, out of these five to six projects, we have been working on this project since last two years. And this we are now anticipating we are expecting to materialize in next quarter. So, on the basis of this, this R&D trial has been completed, pilot facilities have been completed. And we have already for the couple of products we already took the trials run in our existing manufacturing facilities also. And out of these five to six projects over 70% to 80% project is with the existing customer also. So, that is why we are saying that we have a choice for selection out of this five to six projects.

Rohan Gupta: So, sir, you mentioned that 20% benchmark is a minimum criteria in terms of EBITDA margins for selection or finalization of any project, right?

Afzal Malkani: Yes.

Rohan Gupta: Okay, so it may not that all the five, seven projects we are doing are offering the same margin profile?

Afzal Malkani: This I am saying that this is the first year. At least minimum 20%. So, we have been working on that project. And on the basis of that we will be able to finalize by the next quarter.

Rohan Gupta: But sir, definitely on all these five to seven projects we have been working from almost last two years. And these are all our existing set of customers?

Afzal Malkani: Yes, 70% at this stage.

Rohan Gupta: 70% are existing. So, sir, I was just a bit curious about to know that how these customers behave, and I mean, is it only they are thinking about the margin profile that our two year of work we had to just let it go, because they are not either to, they are not able to raise the margin or there are some technical details because of that we move on that contract because there seem to be pretty good contract of Rs. 50 crores each probably with a long-term revenue potential with the existing set of customers. So, I was just curious to know that when and in what condition we moved out project only because of margin but customer is not able to match our criteria or there are some other reasons as well that sometimes the chemistries or any other reason that also plays when we let go a customer, when we let go any of such projects?

Afzal Malkani: YES, for the technical side we do not see any challenges in this because as I mentioned that this has been approved in the R&D as well as the pilot facilities and couple of products, we already took the plant trials also from our existing manufacturing facilities also. But for this to give the capacity commitment, we need to do the CAPEX. So, we want to do the capital rationing in this project. So, that is why we have been working on that project and we will be able to finalize by next quarter.

Rohan Gupta: Okay. So, it is more to do with the capacity constraint, which we had, because of that we have to maybe select now all the projects, but only maybe two or four projects out of them?

Afzal Malkani: Yes.

Rohan Gupta: If you had enough capacity or if you had enough money in your pocket, that you can further invest in the CAPEX so that probably then you would have been in position to take all the projects, is that so?

Afzal Malkani: Yes, definitely. Absolutely correct.

Rohan Gupta: Sir, how many such projects are in pipeline right now? I mean, you mentioned definitely five to seven, out of that two to four definitely will be finalized over next maybe two to four quarters, but definitely these projects have a long gestation as you rightly mentioned that you have been working on these from last few years, right? So, how many more such projects apart from these five to six projects right now, you have for next two to three years' pipeline or which will get converted into revenues over next two to three years? How many such projects we are working right now?

Afzal Malkani: YES, we have been as I mentioned that we have been working on more than 70 products and we have also increased our R&D and pilot expense in last six months. So, we want to execute two, three new projects every year. Yes, that is our target. Not only for the next year or the current year, but every year, we want to do two to three projects.

Rohan Gupta: Okay so we have a very solid line of almost 70+ projects, we are already working which are somewhere in the pipeline or somewhere in the funnel which ultimately we will see over some period of time, right? And only constraint is our capital according to you, if you have a just in a hypothetical scenario, if you have unlimited money or enough cash in your pocket, you would have probably taken most of these projects which you are working right now, is that understanding correct?

Afzal Malkani: Yes. Every year we are planning to commercialize about five to seven products. And if we talk about the capital expenditure that is not necessarily for all the projects, we may need capital expenditure. Few projects we can do from our internal our existing manufacturing facilities as you know, we have all the manufacturing facilities are multipurpose in nature, and we have an option of Value Engineering by replacing our low value products with high value products. That also we can explore whenever possible.

Rohan Gupta: Sir, once again, because of the curiosity sir, six to seven projects which you have right now, you will only select three or four out of them, but they had been engaged with you, the customer has been engaged with you with almost last two years. What will happen to another three to four which you will not select what options they will have? Are they simultaneously working with other manufacturers or if not, then how their demand is going to be met?

Afzal Malkani: YES so, our customer if we talk about the customer point of view, then in our specialty chemical generally our customers do not select five supplier for a single project. They can select they select one or maximum two. But we have a clarity for that that which project which we are going to get out of this six to seven projects and customer is also know about that which project we are going to do. So, we have a clear clarity about that which projects we are going to select.

Rohan Gupta: Okay so customer is also simultaneously working with some other supplier, and they also have from their back of their mind that they will not be getting this product manifester by Anupam, but they need to finalize someone else for these projects, right?

Afzal Malkani: Not 100% right. Not in every project customer have a second supplier maybe out of the seven maybe one or two projects the customer may have a second supplier.

Moderator: Thank you. We will take the next question from the line of Aniruddh Naha from PGIM India Mutual Fund. Please go ahead.

Aniruddh Naha: A couple of questions. One is what is the present capacity utilization and when do we reach peak capacity utilization on the present set of assets? And secondly is what will drive your asset terms from probably 0.7 to 1.7 over the next three, four years? Is it going to be higher productivity or is it going to be higher end product that you are going to work on which have better realizations or is it just the sweating of the present assets?

Afzal Malkani: YES, if we talk about the capacity utilization for all these manufacturing facilities then we have total six manufacturing facilities out of which you can consider capacity utilization for our unit number 1, 2, 3, 4 as 80%. For unit number five and six average capacity utilization is 70%. In the current year in FY22, this capacity utilization will be 75% for unit number five and six. And the next year the capacity utilization will be 90% for this unit number five and six. And in the last year, the unit number five and number six was commercialized in March 2020. So, FY21 was the first year of commercialization of both these projects, unit number five and six. So, that is why our fixed asset turn was improved from 0.56 to 0.77 in FY21. And for this still better capacity utilization, it is further going to improve from 0.77 to 1.04 in the current financial year, and then we will be able to achieve capacity utilization of 90% in next year, then it will further improve to 1.30 to 1.35. And I was talking about the average fixed asset turn of 1.5 in next two to three years. 1.75 was talking about the new project.

Moderator: Thank you. The next question is from the line of Vidit Shah from IIFL Capital. Please go ahead.

Vidit Shah: Sir, in your opening remarks you mentioned about capitalizing on industry potential by organic and inorganic means. Sir, can you highlight some details on the inorganic means that all the inorganic plants that you have, what sort of assets or targets that you would be looking at and what areas that you would like to add to your existing facility?

Afzal Malkani: So, we have been evaluating potential acquisitions in specialty chemicals. And we will continue to actively evaluate for the inorganic growth of the company and currently we have been considering couple of potential targets. However, we are very meticulous and selective in this process. And the size of the acquisition you can consider in terms of revenue may vary from Rs. 200 crores to Rs. 500 crores and this acquisition should add synergies in terms of both product and customers. It should help us either as a backward integration or forward integration in our existing business. This will not only be for the sake of revenue or profitability, but it should add synergies in our existing business.

Vidit Shah: Okay, but it will be within the same range of chemistries or it will also add to capabilities as well?

Afzal Malkani: YES.

Vidit Shah: And secondly, regarding your debt, is there any other repayment which is due and would the finance costs which is roughly around Rs. 6.5 crores in 1Q, would that be coming down in any low in the next few quarters?

Afzal Malkani: YES, it will be lower, but not significantly because till 31st March 21 we repaid our total Rs. 470 crores loan. till 30th June 21 be repaid Rs. 530 crores loan. And as of today, we repaid entire debt which we propose in the IPO of over Rs. 560 crores we repaid the entire debt of Rs. 560 crores. So, you can see some savings in the finance cost but not significant.

Moderator: Thank you. The next question is from the line of Bharat Gupta from Edelweiss Securities. Please go ahead.

Bharat Gupta: Hi sir, apologies my line got disconnected while asking the last question. So, I was asking on the new molecules trend like we have already stated that there are around 60 - 70 molecules in the pipeline. So, just wanted to understand whether these molecules are in linked with the off handed molecules pertaining to agrochemicals or to API segment? And apparently, like are we also have a vision like to be in the branded front like where like from the current generic one to like getting a contract for the branded molecules for the global innovators? So, are we thinking on the similar lines going ahead?

Afzal Malkani: YES, first, if we talk about the molecules, then you can consider the same proportion for the agro, pharma and other than these licensed specialty chemicals. Means 70% agro, 10% to 15% pipeline in the pharma and 15% in the other specialty chemicals. And if we talk about whether we are looking for the patented or off-patented products, it does not make much difference for Anupam, whether the product is in-patent or off-patent. Because Anupam even when the product is off-patented, then also we do innovation and optimize the cost. So, that is why it does not make much difference for Anupam.

Bharat Gupta: The margin trajectories across both the segments would be on a similar line, or there is a sharp amount of a difference if we go?

Afzal Malkani: No, almost more or less similar.

Bharat Gupta: Then it is 24% to 27% range, I think?

Afzal Malkani: Yes, similar margin.

Bharat Gupta: Right. My question was pertaining to like to have innovative approaches in terms of getting our novel molecules in place and working on the custom engineering brand or the process engineering front, on the branded molecules research?

Afzal Malkani: We have good ideal mix of both in our pipeline.

Moderator: Thank you. We take the next question from the line of Manish Gupta from Solidarity Investment. Please go ahead.

Manish Gupta: Sir, can you share what is your total debt as of 30th June?

Afzal Malkani: As on 30th June, total bank debt was about Rs. 74 crores and the unsecured debt from one of the promoter was about Rs. 225 crores.

Manish Gupta: Okay. So, your total debt is give or take Rs. 300 crores. And out of that, debt from promoter is Rs. 225 crores, right?

Afzal Malkani: Yes.

Manish Gupta: Now, your EBITDA in Q1 was Rs. 60 crores, right? So, let us say, your EBITDA for the full year would be if I just annualize that roughly Rs. 240 odd crores, right? It might obviously be a bit higher. My question is that in response to a participant's question, you said that because of financial constraints, you are not taking on new projects. But your debt to EBITDA seems well under control. So, if we believe that India sitting on the cusp of this big China Plus One opportunity, and there is an opportunity for us to take business and market share and our debt is well under control. I have not been able to reconcile these two statements. Clearly, I am missing something. Sir, can you please help me understand what the disconnect is?

Afzal Malkani: First of all, I spoke that out of this five to seven projects, considering the capital rationing, we may select two projects, four projects or five projects. This is not a case that we are not going to select any project. And if we talk about the capital expenditure, then we would like to inform you that in last four years, we did a front ended capital expenditure of about Rs. 900 crores for which we have a sufficient capacity available to take care of the growth till FY23. So, we have been growing at 34% in last three years, and we can continue the same growth trajectory till FY23 without anchoring any new CAPEX and to take care of the growth from FY23 onwards, we are already considering a CAPEX of Rs. 70 crores, as I mentioned, which we are going to start from next quarter onwards. And for the other than this Rs. 70 crores also, I mentioned that we are going to select maybe three or four projects out of six to seven projects. So, if you consider the value, then it will be significant amount of CAPEX we are planning for that.

Manish Gupta: Okay, this is clear. My second and last question is that, if we look at the business on a steady state basis, what is the steady state return on capital employed of the business?

Afzal Malkani: Maybe in the range of 17% to 20% in the range.

Manish Gupta: Okay. And this is under the assumption of about 1.5 times fixed asset turns?

Afzal Malkani: You can consider the range of 1.3 to 1.5.

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

Afzal Malkani: To summarize the discussion, we expect the economy to recover from the impact of the pandemic in the near future. And the specialty chemical sector is one of the few sectors that will surely do well going forward. We as a company deliver personalized and customer centric service because we look at our customers as our partners. The outlook for the coming quarters remains positive for us, and we are confident that we will be able to maintain momentum as we move forward. Finally, we would like to thank our investor community for their support and faith in us. We hope we have been able to answer all your questions adequately. If you have any further questions or would like to know more about the company, we would be happy to be of assistance. Also, you can contact our IR agency Christensen. Stay safe and stay healthy. Thank you once again for taking time and to join us on this call.

Moderator: Thank you. On behalf of Anupam Rasayan India Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.