ANUPAM RASAYAN INDIA LTD.

ARILSLDSTX20250219083 Date: February 19, 2025

To, **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001, India **SCRIP CODE: 543275**	To, **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, 2024.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Call on the Unaudited Financial Results (Standalone and Consolidated) for the quarter and nine months ended December 31, 2024, held by the Company on Friday, February 14, 2025.

This information will also be 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
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Date: 2025.02.19 16:04:37 +05'30'

Ashish Gupta
Company Secretary & Compliance Officer

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"Anupam Rasayan India Limited

Q3 FY '25 Earnings Conference Call"

February 14, 2025

MANAGEMENT:	**MR. ANAND DESAI – MANAGING DIRECTOR – ANUPAM RASAYAN INDIA LIMITED** **MR. GOPAL AGRAWAL – CHIEF EXECUTIVE OFFICER – ANUPAM RASAYAN INDIA LIMITED** **MR. AMIT KHURANA – CHIEF FINANCIAL OFFICER – ANUPAM RASAYAN INDIA LIMITED** **MR. VISHAL THAKKAR – DEPUTY CHIEF FINANCIAL OFFICER – ANUPAM RASAYAN INDIA LIMITED**
MODERATOR:	**MR. KANAV KHANNA – E&Y INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to the Anupam Rasayan India Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kanav Khanna from E&Y Investor Relations. Thank you, and over to you, sir.

Kanav Khanna: Good evening and welcome to Anupam Rasayan India Limited Q3 and 9 month FY '25 earnings call. Please note that a copy of the disclosure is available on the Investors section of the website as well as on the stock exchange. Anything said on this call which reflects the outlook towards the future, or which could be construed as forward-looking statements must be reviewed in conjunction with the risks that the company faces.

Please note that the audio of the earnings call is the copyright material of Anupam Rasayan and cannot be copied or rebroadcasted attributed in the press or media without specific or 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, the Chief Financial Officer; and Mr. Vishal Thakkar, the Deputy Chief Financial Officer.

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

Anand Desai: Thank you, Kanav. Good evening, everyone, and a warm welcome to the Q3 FY '25 earnings call of Anupam Rasayan. Let me begin by providing updates on our business verticals for the quarter.

Our Pharma and Polymer segments, which saw as our new growth drivers have continued to expand their contribution to our revenue. The Pharma segment grew significantly, reaching 23% of sales, while the Polymer segment accounted for 10% of sales in the 9 months of FY '25. For the full year, we anticipate both segments to contribute meaningfully to overall revenue with this growth trend expected to persist through FY '26 also.

As highlighted in our previous calls, the expansion of these verticals will help create a more balanced portfolio, ensuring greater stability against sector-specific fluctuations. Now let me highlight our financial performance for the quarter and half year under review. Our consolidated operating revenue for the quarter stood at INR390 crores, which was 32% higher than the Q3 FY '24 and around 33% higher than Q2 FY '25. This growth is as discussed earlier on the back of continued growth in Pharma and Polymer segments and robust performance by Tanfac.

In the last 9 months, agrochemical sector has faced a weak demand situation, especially from Europe, which is expected to improve in coming quarters. On the margins front, consolidated EBITDA margins for Q3 FY '25 stood at 31% on account of favorable product mix and strong margins posted by Tanfac also.

Given the uptick in the demand momentum and projected offtake from our customers, we anticipate resuming our growth trajectory in the next financial year, targeting a 30% to 35% revenue increase in FY '26. At Anupam Rasayan, we remain committed to building a sustainable business. Over the years, we have invested in various initiatives, including a recent INR59 crores investment in a 9.2-megawatt hybrid power plant combining solar and green energy, which was successfully commissioned in October 2024.

With the agrochemical demand picking up, coupled with higher contribution from pharma and polymer, and our growing strength in fluorination chemistry, we at Anupam Rasaya are confident to get back to our growth path.

With this, I would like to hand over the call to Mr. Gopal Agrawal, the CEO of our company to discuss the business updates. Over to you, Gopal-bhai.

Gopal Agrawal: Thank you, Anand-bhai. Hello. Good evening, all of you. I will begin briefly discussing the business highlights, which will be followed by financial highlights by our CFO, Amit-bhai. As Anand-bhai mentioned, the challenges we faced in Agro segments seem to be fading away, while the Pharma and Polymer segment continued to experience strong growth driven by launch of over 17 molecules in FY '24 and 6-plus molecules that are being launched in FY '25.

It is also noteworthy that we have around 65-plus molecules of pharma and polymer in R&D and pilot stages currently. These 65 molecules can be split between pharma and polymers, say across 30 and 35, respectively. All these molecules are going to be the driver of our growth in coming times.

Apart from polymer and pharma portfolio, let me take this moment to talk about our other growth drivers. Our fluorination chemistry portfolio, which got strengthened with the acquisition of Tanfac by ensuring uninterrupted supply of KF and HF around 3 years back is continuing to see a good traction from our customers.

As discussed in our previous call, we anticipate that Japan, where we have a very strong business development team will contribute approximately 1/3 of Anupam sales over the next 2 to 3 years, with most of the business secured through long-term contracts. Further, I'm happy to share that we have recently signed one contract and another LOI with the U.S. MNC for supply of high-performance specialty chemicals used in critical polymer applications such as defense, electronics and aerospace. With this and our new product pipeline, we expect U.S. as a geography to have substantial contribution in growth of the company, translating to over 15% of sales over the next 2 to 3 years.

The third driver of our growth alongside polymer and pharma expansion and chlorination is our continued capability to secure LOIs and successfully convert them into long-term contracts. At present, our order book stands at approximately INR10,700 crores, spread across on an average 5 to 6 years. Of this INR10,700 crores, INR3,100 crores worth of order book is already commercialized. And of the rest, majority will be commercialized in FY '26.

Keeping all these growth drivers and initiatives in mind, we believe that we should start seeing strong performance going forward. And as Anand bhai already shared with you that we expect to grow at a rate of 30% to 35% in FY '26.

With this, to take you through financial highlights, I would like to hand over the call to our CFO. Over to you Amit-bhai.

Amit Khurana: Thank you, Gopal-bhai, and good evening, everyone. I'll start by highlighting the financial performance for the quarter before handing over the call to Vishal-bhai for in-depth discussion.

Starting with our capex update. As of December 31, 2024, we have completed INR650 crores of the planned INR670 crores capex. As Anand-bhai mentioned, all the plants are on track for commercialization by March 31, 2025.

As noted in Anand-bhai's opening remarks, our new 9.2 hybrid project was commercialized in October 2024. This initiative is expected to generate annual energy cost savings of approximately INR15 crores. Combined with our previous INR68 crores investment in our 17.9-megawatt project, the total savings will amount to INR28 crores annually.

With these efforts, 65% of the company's electricity needs will be met through green energy in the future. We remain committed to cost optimization and operational efficiency. This strategic focus, along with our ongoing expansion, positions us well for sustained growth.

With that, I'll hand it over to our Deputy CFO, Vishal-bhai, for further insights into the financials.

Vishal Thakkar: Thank you, Amit-bhai. Good evening, everyone. I would like to share key performance highlights for the quarter and 9 months ended December 31, 2024. Before we open floor for Q&A session, I hope you have had the opportunity to review the detail presentation and the results that we have submitted to the exchanges and posted on our website. Kindly note, our numbers for the quarter and 9 months are on consolidated basis, and they include Tanfac numbers as well.

Let me first discuss consolidated financial highlights for the quarter ended December 31, 2024. First, operating revenue for Q3 FY '25 was at INR390 crores as compared to INR296 crores in Q3 FY '24, up 32% Y-o-Y. EBITDA, including other income, was at INR121 crores in Q3 FY '25 as compared to INR81 crores in Q3 FY '24, up 48% Y-o-Y. This would translate to 31% EBITDA margin in this quarter, up 389 basis points.

Profit after tax was at INR54 crores in Q3 FY '25 as compared to INR26 crores in Q3 FY '24, up 108% Y-o-Y. Our top 10 customers contributed to 63% of our total revenue in Q3 FY '25. Talking about the 9 months financials. Operating revenue for 9 months FY '25 was at INR938 crores as compared to INR1,074 crores in 9 months FY '24, down 13% Y-o-Y.

EBITDA, including other income, was at INR262 crores in 9 months FY '25 as compared to INR306 crores in 9 months FY '24, down 14% Y-o-Y. This would translate to 28% EBITDA margin in this period. Profit after tax was at INR97 crores in 9 months FY '25, as compared to INR127 crores in 9 months during FY 2024.

With this, we'll open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Meet Vora from Emkay Global.

Meet Vora: **Yeah, thanks for the opportunity.** firstly, while the Pharma and Polymers business is doing well. Agrochem sales have been slow for quite some time now. So is this more customer-specific or market-specific rationalization in terms of overall sales?

Vishal Thakkar: Meet, thank you for that question. Let me answer it in this manner. Definitely, there was a bit of a headwind that we saw in the Agrochem market, and especially in the EU area. However, if you look at it, also, there was one of the large Indian MNC in the agrichem sector, which was contributing around 15% of our revenues in the past historical numbers, which we have decided to withdraw our business from.

And that also has been one of the significant reasons why our Agrochem market has -- Agrochem contribution has been lower. So that's one that I would want to highlight, over and above because -- had this thing not been there, probably we would have been far better off and probably drop in Agrochem would have been significantly lower. And our profitability -- our revenue growth would have been a rather than a degrowth.

Coming to how we see it from here on, we see that we have started seeing the strength as what was mentioned in our opening remarks by Gopal bhai and Anand bhai as well. We see strengthening of the Agrochem demand, especially also from Europe. And we anticipate that by -- Q4, you will see a stronger number from the Agrochem , and in FY '26 as well.

I hope I've been able to answer your question, Meet?

Meet Vora: Yes. Sure, Vishal bhai. And sir, secondly, congrats on continuing the LOI signing and conversion of that into contracts. So again, like yesterday, we have signed a new LOI. And now based on that, what is your overall outlook for the US business?

Vishal Thakkar: Okay. So you've rightly identified, Meet, that these 2 contracts are very meaningful ones And one contract and one LOI are very meaningful revenue drivers for us in the EMEA. Yes, we expect both these contracts to be commercialized in next year itself, which would mean that we would have a significant revenue addition coming from these 2 contracts.

And we expect that US as an end market would be in the high teens for us by the end of next year or -- next year, 12 to 18 months' time, we should be looking at the high teens' contribution from the US. So if you look at it from a geographical diversity point of view, if you really look at it, what has really happened to us is that agro is there, and personal care continues to be 10%, then if you see pharma has become 25% for us and polymer is more than 15% for us as we go.

If you look at it from a geography point of view, Europe, which was the largest market, today now we will have effectively 4 large markets, which is Europe, Japan, U.S. and India. And all 4 will have a meaningful contribution to our revenue in addition to Singapore, which will give us some 12% to 3% as we move.

So if you look at it over the last 3 to 4 years where we have been very consciously working on our diversification strategy, you see that we have been able to diversify across products, across customers, across geography, across end market application and also across the plants today, we have multiple plants that from where we can cater to. So this strategy is just playing out. And as we move in next 12 to 24 months, this would have seen a far better-balanced portfolio.

Meet Vora: Sure, Vishal bhai. And in terms of reaching your peak revenue potential from the LOI pipeline that has been signed, I think we wereearlier envisaging that, that will be achieved broadly by FY '27. So, I think that timeline still remains or is there any change on that?

Vishal Thakkar: So I think there, we would expect that with the new LOIs and contracts coming in, we feel that the peak revenue should be the majority -- the large part of the peak revenue should have come in by FY '28 because if you take -- the commercialization would have happened in '26, '27, but the peak would come in by '28.

And also, please appreciate that earlier we were talking about the numbers, which were delivered in 2022 LOIs, which we were expecting for '24 to '26 to commercialize. Now we have other LOIs, which are coming in '24 also in '25 as well, so which will also take a couple of years to commercialize and then ramp up. So it will be the case, I would -- but to share INR3,100 crores worth of LOIs and contracts have been commercialized. And next year, further a significant part of the balance portfolio should have also been commercialized.

Meet Vora: Understood. And just last question. Are we also looking at any inorganic opportunities in this space, either on pharma, agro or polymers or within the existing verticals that we are having?

Vishal Thakkar: Look, so Meet, honestly, we keep -- see we are -- we keep looking at any value-adding opportunities that we can have. Like what we did for Tanfac, we keep continuing to look at certain companies, which are across geography. I think if it is agrochem or it is pharmaceutical or it is polymer as long as it's a value-adding and strategically advantageous to us, we will be keen to look at it. And we continue to look at it as and when we have something very, very meaningful to share, we would definitely share with the market and with you -- all of you.

Moderator: Next question comes from the line of Harsh Shah from Axis Capital.

Ankur Periwal: Ankur Periwal this side. Congratulations for a good set of numbers. First question on the change in business mix that you highlighted. So good to see personal care, pharma, polymer, et cetera, also improving there. So will it be fair to say that balance here, which is roughly around Agrochem is around 50%, 55% of the revenues in 9 months?

Vishal Thakkar: Yes. I think that's where it should be. And -- yes, Agrochem will be 50%, 55%.

Ankur Periwal: Great. And the margin profile for these segments, Pharma or Polymer, will it be largely the similar way the way we have been pricing Agrochem or these will be margin-accretive?

Vishal Thakkar: So -- typically, how our business models are there, we try and look at the pass-through from the margin side and cost side. But because these are also the forward integration and using our current value chain, our ability to get some extra margin is likely on this case. So both on polymer and pharma, we should have an upward bias on margins. And these are very niche applications, especially in polymer, which will ensure that our ability to ask for and maintain that margin should be there.

However, I would give -- I would be conservative and say that we should look at on a balanced portfolio side kind of EBITDA margin we will seek. But there should be an upward bias. I would always go with.

Ankur Periwal: Sure, Vishal bhai. So where I was coming from was on a 9-month basis, our gross margin has expanded. And this expansion is largely led by this change in business mix. And given that incrementally also the growth horizon for polymer, pharma, et cetera, is pretty healthy given the molecules that we are working on, largely, these gross margin numbers should be maintained. Will that be a fair assumption?

Vishal Thakkar: Yes. Fairly similar. As you know historically also, I've been really suggesting that rather than looking at me from a gross margin, I would prefer to look at myself from an EBITDA perspective because I have a contract, or I have a business model that I'll ask for the pass-through. So when gross margin is one of the factors because if there is a complex product, then the gross margin will be very high, but my overhead will be also higher.

And hence, my EBITDA margins will be there. So seeing it from an EBITDA margin perspective would be a more reflective of the stability of my business. But you are right. Today, it seems to be the case.

Ankur Periwal: Okay. So Vishal bhai, one thing since you mentioned EBITDA margins, are other overheads as well as manpower costs on a 9-month basis have declined both in double-digit numbers. If you can put some more light here, is there a cost reallocation? Or how should one look at it?

Vishal Thakkar: So this is also to do with 2 things. One is because of my lower volumes also has some bit of a contribution to that. And second also is also the product mix because largely, if you look at it, my EBITDA margin has been -- has expensed. And yes, when you look at consol, also, please see that the Tanfac has really, really given a very high margin and which is also getting to the consol numbers moving on a different level, especially with the strong...

Ankur Periwal: Sorry to interrupt, my question was more on the stand-alone side. I'm excluding…

Vishal Thakkar: When you look at the stand-alone basis, I think the broad number that -- what you're saying is largely on account of bit of a ESOP expense which has dropped a bit, bit of a volume part of it, which also means that there is lesser job work that has gone out, and that is also one of the reasons. So 2 broad if you were to see that.

Ankur Periwal: Okay. And just lastly, on the working capital side, any -- since the large domestic MNC is gradually exiting -- sorry, we are gradually exiting the large MNC, should we -- how should we look at the working capital part, both on Agrochem side as well as the new business, which is almost 50% of revenues now? How is the working capital -- how are the working capital terms over there?

Vishal Thakkar: So you are right, see, it had the sectorial tailwinds been there in terms of, let's say, if the market was more buoyant, then my working capital would have very strongly improved with this exit of the customer also and also with the efforts that we have put in. Because of the slowness that we saw for the last say 4 quarters to 5 quarters, one, my debtors had expanded, which are now coming into a more -- into the improving trend.

And my inventory also as my revenue now picks up, that should also start getting liquidated. I believe that the targets that we have kept for ourselves, I think the numbers we should be focusing on that and 18-odd months plus 6 months, we should be there.

Moderator: Next question comes from S. Ramesh from Nirmal Bang Equities.

S. Ramesh: Congratulations on your results. So in terms of your operating cash flows for 9 months and this year, what is the capex you have done for these 9 months? And how are you seeing the operating cash flow? And what is the increase in debt as on date?

Vishal Thakkar: So -- okay, let me come to the first the capex part, and then I'll come back to the other parts. My -- just give me minute here, please. My capex for this year has been INR200 crores, right? And if you look at the increase in my total total debt level around today, my total debt level will be around INR1,100-odd crores.

S. Ramesh: Okay. And in terms of working capital days as of 9 months, where are we in terms of the inventory and debtors on the net working capital cycle?

Vishal Thakkar: So I would say that my working capital has been similar to what I have seen in the 6-month period. I would suggest you to take it at that level. And that's where I would put it.

S. Ramesh: So when you responded to the previous speaker that you expect to achieve a reduction in working capital in 18 months, so what would be the net working capital number of days that you can achieve in the 18-month period?

Vishal Thakkar: I -- that's what we've been saying that 180 to 200 days is the target that we are focusing, and that is the target we want to continue to focus on. So today, when you look at the days, what is happening largely is because of my first half, which was a muted half on a very lower half -- lower numbers that I had, the yields have expanded significantly when you divide it by the sales.

But when you look at, let's say, if I were to even look at a revenue, let's say, INR1,300 crores or INR1,400 crores whatever you want to take at that point in time on a run rate of that number, you will see that my days start stabilizing better. And the ability to liquidate my working capital will be higher from 2 reasons.

When your sales start picking up, your ability to liquidate inventory comes in, and two is also when there is a buoyancy in the demand, your ability to request the customer to pay on time is also higher and which both will ensure that in the next 18 to 24 months, we should be able to achieve that. That's the target, Ramesh, I would focus on going forward as well.

S. Ramesh: So if everything works really in terms of your own business plan, where do you see your debt -- the gross debt figure in the next 2 years?

Vishal Thakkar: So I don't want to give any guidance on those numbers, but give you very simple one anecdotal evidence that there will be probably you are better than math then we to really project it.

But if you look at '22 versus '23, my working capital actually -- when my sales picked up, my working capital days reduced by around about 40 to 50 days from 290 to 240 days, days -- 250 days. And that year, if you look at it, my operating cash flow from operations was around about INR255 crores when I compare to the PAT of INR170 crores.

So I believe that the moment we start achieving the growth and the reduction in the working capital days, there will be a very strong conversion of EBITDA to operating cash flows. Say for the first 1 to 2 years, we will have a stronger benefit from EBITDA to PAT -- EBITDA to cash, and that's what you will see as we go forward. We don't have any capex that has been planned, this cash will only convert into reduction in the debt.

S. Ramesh: Sir, if you look at the warrant issued to promoters, when do you expect the balance money to be paid? How much would that be, say, when everything is paid, sir?

Vishal Thakkar: It's INR270 crores, which is expected in the first quarter of FY '26. And that also will ensure that I have reduction in debt because that primary usage of that is debt to a large extent.

S. Ramesh: Yes. Sir, let me squeeze in just 2 more thoughts. One is capacity has gone up from 27,000 to 30,000 as per the latest presentation. So where has the 3,000-ton expansion happened in Unit 5 and 6 in Sachin? Where exactly has this happened?

Vishal Thakkar: So one in Sachin, one in Jhagadia and another one will come in Jhagadia as we go.

S. Ramesh: Okay. So about 1,000, each or...

Vishal Thakkar: Not -- because it will be 1,000 -- some 1,200-plus the balance will be in the -- in Jhagadia.

S. Ramesh: Okay. And between domestic and exports, can you give us a split what is domestic and how much is exports as of 9 months or 3Q?

Vishal Thakkar: It's broadly 50-50 for now.

S. Ramesh: Okay. So one if you're looking at your margin profile, as you said, you're expecting some improvement based on your product mix and there is an expectation of 35% growth. So what is the base FY '23 revenue you are penciling in for that growth? And in terms of the overall portfolio margin, assuming that you're able to convert the LOIs and the existing business, you'll be able to maintain that current year average trend in terms of margins.

Vishal Thakkar: See, so Ramesh, I don't want to give any specific guidance for the moment. So let me give you a directional one, which probably will help you in terms of estimating where we are looking at. One, I would continue to guide at 26% to 28% EBITDA margin, though I know there is an upward bias, but I would want to do that for 2 reasons. One, there will be a ramp-up of new plants, which has its own implication in terms of overheads, at least in the initial when the ramp-up starts happening, one.

Two, when you have a newer product, it takes you -- there is always a curve that you hit the expected efficiency over 1 or 2 cycles of production. So that is the second point where I would like to keep it at 26% to 28%. And in terms of revenue, as I had also mentioned, that on a consol basis, we should be flattish in terms of standalone, we should be having a mid-teens kind of a degrowth is where I would put it at.

S. Ramesh: Mid-teens degrowth for the full year FY '25, right?

Vishal Thakkar: On a standalone basis, yes.

Moderator: Next question comes from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: A couple of clarifications and a couple of questions. First, in this clarification, you mentioned that total number of -- the total quantum of LOIs that is commercialized is INR3,100 crores. So is that reflected in numbers? Or these are the contracts, which have been commercialized? How should we look at this particular number?

Vishal Thakkar: So you are right. It's not -- you cannot say -- you're right that I cannot say that INR3,100 divided by 500 to 600 is the reflection in the revenue and 500 is the reflection in the revenue. Answer is no, you're right. That's not the case because there is a time to ramp up. But I can only say that this year, we should be looking at around about 20% to 25% of our revenue coming from this LOIs and contracts.

Rohit Nagraj: This year meaning FY '25?

Vishal Thakkar: FY '25. I'm talking about FY '25. FY '26 should be a significantly higher number.

Rohit Nagraj: Right. Got it. Second clarification, again, the growth of 30%, 35% Y-o-Y. Are we basing it on the stand-alone numbers or consolidated numbers for FY '25?

Vishal Thakkar: Standalone.

Rohit Nagraj: Okay. Fair. The -- couple of questions now in terms of the gross margin expansion that we have seen. So historically also, you've been telling that normally, we have a back-to-back arrangement in terms of the raw materials as well as the contracts that are in place. And hence, our gross margins or even EBITDA margins are largely secured.

But quantum jump suddenly in a particular quarter, so are there any other factors which have moved these gross margins significantly given that you're again -- you have just alluded that on a sustainable basis, we still look at, say, 26%, 28%. So is there any one-off, which has moved these gross margins during this quarter?

Vishal Thakkar: Rohit, really now, it's no more to do with the product -- what product has contributed how much to my business. So this quarter has been where there is a product where there are a couple of products, which has the higher gross margin. And that is the reason you would see it on a quarterly because depending upon the schedules, a few products go in a particular quarter versus the other products go in a different quarter.

So on an annual basis, if you look at it, you will see me more stable. And also what I would encourage, and that's what I'm trying to share that look at me more from an EBITDA than a gross margin level because again, when you have a pass-through, I also not only have a pass-through of raw materials and I also have a pass-through of my overheads, my utilities, my -- every other cost. And that's where I try and look at the EBITDA number, which is more reflective of that relationship.

And as I was saying that if there is a product which is a more complex product, then the complex product will have a lower gross margin because there is a -- there are multiple steps and when multiple steps are to be executed, the overheads and the utilities would go higher. And if I keep my EBITDA margin to be constant, that means that I would have to expect a higher gross margin to compensate for the higher overhead that would be there. So I would put it only -- largely to that phenomenon than any other phenomenon.

Rohit Nagraj: So just to summarize, probably, if there is a change in a particular quarter, it will get even out during the course of say 2 quarter in a year?

Vishal Thakkar: Exactly. And that's the reason if you see I have been very conscious of making those numbers -- making that guidance on the numbers. And also in terms of -- if you look at my 9 months, yes, they are more in line with rather than the reflection of the quarter.

Rohit Nagraj: Okay. And you also mentioned about one of the domestic MNCs going out, as in we have terminated the contract, so this is 15% of Agrochem revenues or total revenues?

Vishal Thakkar: Total.

Rohit Nagraj: Okay. And this has happened in FY '25?

Vishal Thakkar: Sorry, I didn't hear you.

Rohit Nagraj: This has been taken effect from FY '25? Is that the right way to look at it?

Vishal Thakkar: There was -- the process started from '24 and '25, you can see the full impact.

Rohit Nagraj: Yes. Fair enough. Just last question on the capex front. You said INR200 crores of capex. However, the INR670 crores probably still sitting at the CWIP level, and hopefully, will get commercialized during this quarter. So how do we look at -- so let's say, 70 plus 200 will be the total capitalization...?

Vishal Thakkar: No. Say 70 will be total capitalization. What I -- what we asked was the cash outflow of capex of the year, and I said 200 is the capex for the year.

Rohit Nagraj: Fair enough.

Vishal Thakkar: So that includes INR650 crores. So totally, you will see that INR670 crores of gross block would be added by the year-end.

Moderator: Next question comes from Ashwini Agarwal from Demeter Advisors LLP.

Ashwini Agarwal: Good set of numbers. Congratulations. Couple of clarifications to questions earlier asked. One is on the debt level; did I hear the figure right that INR1100 crores is your gross debt number as of 31st December '24?

Vishal Thakkar: Yes.

Ashwini Agarwal: So does that mean that it has come down by INR170 crores? Because as of 30th September, this number was INR1,270 crore from what I can see.

Vishal Thakkar: Okay. Just what you're saying? Can I get it again, please?

Ashwini Agarwal: Yes. So basis, what I can see, as of 30th September, your gross debt number was INR1,270 crores. And what you mentioned was at now your gross debt number as of 31st December is INR1,100 crore. That would indicate INR170 crore repayment. Is that right? Or am I missing something?

Vishal Thakkar: Stand corrected. The total number is around INR1,200 crores. You're right. I stand corrected on that.

Ashwini Agarwal: INR1,200 crores. So there's still a marginal decline from INR1,270 crore to INR1,200, crore. Would that be...

Vishal Thakkar: That's more to do with the capex repayment, the term loan repayments largely.

Ashwini Agarwal: Okay. And sir, if you could just clarify that again I think Ankur had asked at the start of the conference call that the decline in operating expenses on a stand-alone basis that we see on Page 8, which is quite substantial, you mentioned that it's mostly due to outsourcing cost of contracts that you give out, or is it that you capitalize some of the cost related to the capex? There is no capitalization. Is that a fair assumption to make?

Vishal Thakkar: Yes, there is no capitalization. See, I'll tell you, it’s very simple. Let's look at my revenue for the 6 months standalone last year, 9 months standalone last year.

Ashwini Agarwal: Yes.

Vishal Thakkar: If you look at the cost in terms of my sales. Now, if you look at that, , let's say, the reduction is lower than that, right? Other expenses also, it is not as low as that. So largely, see not all of the cost is a fixed cost, right? There is variable cost to it, especially the outsourcing of job work cost, right? And so that way, you will see that you will be in the similar number. That's what I was trying to say.

So honestly, there is no -- if I were to put it simply, the variable part of the cost has been reduced because of the volumes that has been produced and sold. And on the employee side, largely, it is the ESOP cost, which has really been the reason for that.

Ashwini Agarwal: Perfect. And sir, would you be able to read out the numbers for inventory and -- essentially, inventory number as of 31st December. This number was INR1,272 crores as of 31st September.

Vishal Thakkar: I would excuse myself from this because, a, we don't list out those numbers for the third quarter. I would -- because then, again, I would have to report out all the other numbers because then only my balance sheet would be fairly looked at. So rather, I would say the similar range is where you can take it for now, please. I hope you appreciate. Apologies if I have not been more helpful than this. But you can put my words on that, that we are fairly stable on those numbers right now and on an absolute term.

Moderator: Next question comes from the line of Rajakumar Vaidyanathan from RK Investments.

Rajakumar Vaidyanathan: Sir, my question is on the inventory, sorry, to labor on that. So if I see your September inventory, it was INR1,270 crores. And if I see your December number, the changes in inventory is almost INR120 crores negative is there, which means you have added further INR120 crores inventory. So it's about INR1,400 crores of inventory roughly you should have as of December.

So -- and I also look at your material cost to sales is about 40% on a consol basis, so which means you are roughly carrying almost inventory to serve almost INR3,400 crores worth of revenue, which is almost like 2 years of revenue. So I just wanted to -- if you could just give some color why we are adding this material. Is it because is there a lot of lead time is involved in locating this material or it's a long production cycle? If you could just enlighten us, it would be really helpful.

Vishal Thakkar: Sure. So I would not speak on the specific numbers that you have derived, and I will leave it to your judgment on that. But let me answer the question and say that why are we having such a high inventory, be it INR1,000 crores or INR1,100 crores or whatever number we derive at.

Let me put it very simply. If you look at a large part of my that inventory will come from finished goods and WIP and not of RM. RM will be 15% to 20% -- 20-plus or minus 5% of my total inventories holding. Now why do we need to hold this inventory on a structural basis, I'll answer first, and then I'll answer why it is higher than the structural basis as well.

So on a structural basis, if you really look at it, I am one of the primary single supplier to my customer. And when I am that I need to hold a particular level of inventory WIP. What is WIP to me is basically a product which is ready to be dispatched, but I would want to keep it not yet finished because then where the aging comes into play, I will keep it one step before, or I will hold the distillation process back so that the age of the product is not starting. So that's the reason you see WIP and finished goods.

And hence, if you have to see me, you have to see me as a percentage of sales -- inventory as a percentage of sales rather than percentage of COGS, which you are seeing me at right now. So that's one that I would say.

Having said that, even after of that numbers, whatever, I would say that my steady state sustainable business model should have been around 180 to 200 days of those numbers. And if you look at me at that number, you will see that my ROCs, my turns, everything will play out.

However, today, I am higher than that. Even if you look at the September numbers, I am significantly higher than that. When I exited '23, I was at a run rate of around -- I was on a turnover of INR1,300 crores and a run rate of INR1,400 crores to INR1,500 crores of revenue on a run rate basis. And I was expecting a revenue growth in the next year as well.

Now when you are planning with that kind of a revenue growth, your production plans are accordingly. And when -- instead of that, we had a degrowth for 18 months. If you really look at it for the 18 months from then on, we have a degrowth that we saw. So I had a double whammy where I had a production and hence, the inventory accumulation, but my sales did not happen. So my numerator has dropped.

Today, you will see me at a TTM of INR900 crores versus what had there been a growth, I would have been a TTM of INR1,500 crores to INR1,600 crores at that point in time because, even if I put a 20% to 25% growth, I would be at INR1,500 crores to INR1,600 crores. And all my numbers would look more reasonable.

And two, also what happens is that when you produce, but you are not able to sell, that accumulates into your inventory. And so inventory expanded on an absolute number also, which is what you would have seen me from '23 to '24 September numbers, which was reported. If you look at it, we have expanded, expanded by around INR200 crores to INR250-odd crores of inventory. So that both put together has really expanded the situation.

Had there not been there, I would have achieved that number. And if you look at the trajectory from '22 to '23, the trajectory was there. So INR290 crores had gone to INR250 crores. And 1 more year of growth where I would have been able to liquidate my working capital and also increase my revenue, I would have been at 220 to 200 days that was what was projected.

So I appreciate this is a matter of concern for each of us. The only thing that I can say is the reflective will be when I get my sales back -- sales growth back because sales is there, but it's not sufficient enough. So when the sales growth is back, we would be able to see the numbers which are more amenable and more sustainable to the business model that we have. I hope I have helped you on that.

Rajakumar Vaidyanathan: Yes. Yes, this is helpful, sir. And any comment on the material cost percentage to sales? It's about 40%. So we are roughly having 2 years for inventory. So if you could...

Vishal Thakkar: That's what I'm saying. It is not the way -- I would not see it that way. For a very simple reason that 80% of my working capital is a finished good to working capital in progress. So then it is not COGS, it is sales. And so you want to see me through sales rather than through COGS.

Because when I sell, it's a 9-month sales number that is around 12 months sales as there. The moment I start selling, it comes to that number. And that's the reason, and look at my numbers because I've declared my working capital work in progress numbers or my finished good and my RM numbers, and you will see those reflections. And that's where I'm coming in saying that look at me from the sales rather than from the COGS.

Rajakumar Vaidyanathan: Okay. That's helpful. Sir, just on the question -- just one more question. So -- I'm sorry. I'm just collecting my thoughts. Sorry. I'm just collecting my...

Vishal Thakkar: No problem. Please take your time.

Rajakumar Vaidyanathan: I'm sorry. I'll just get back, sir. I just...

Vishal Thakkar: No problem. You please join in as and when you want. Happy to answer you.

Moderator: Next question comes from the line of Tushar Raghatate from KamayaKya Wealth Management.

Tushar Raghatate: Congratulations for good set numbers. Again sir, the question is on the working capital. From the last 5 years, I could see like your working cap -- like your inventory as a percentage of sales from 40%, it has been to 72%. Firstly, I would just like to know what would be the average of that? Is it 60% or like just a random number I'm saying? So accordingly -- you take on that first.

Vishal Thakkar: Okay. Sustainably, eventually, my numbers would be 50% plus or minus 5%.

Tushar Raghatate: 58%, you're saying, right?

Vishal Thakkar: 50%.

Tushar Raghatate: Okay. So that means you are carrying about...

Vishal Thakkar: Sustainably 50%, plus or minus 5%, depending upon the business cycle, depending upon a number of molecules that I launched, this is depending upon the contracts that I get into, but you should sustainably see it at that level.

Tushar Raghatate: Got it. So that means like more or less INR2,300 crores of sales considering the inventory you are carrying, right?

Vishal Thakkar: I don't want to -- I would not put the entire number, but it will be two things, please appreciate. I'll put it simply because this number, when I sell it sales completely, right? It is a onetime sale. This is not 2x sales because, let's say, I have INR1,000 crores of inventory, right? If I sell INR200 crores, INR200 crores is reduced, right? Because that is...

Tushar Raghatate: Got it.

Vishal Thakkar: Ready to be sold, and I'll go to 800. Now -- right? So what I'm saying is, please appreciate as simple as that eventually because I said that there are 2 parts to my working capital. One is a sustained working capital, which will be required for my business to sustain, okay? And two is there is an additional working capital, which is there because of the situation that I mentioned in the earlier portion question.

So which is not seems to work. You should see me like, let's say, next year -- so that's what I'm saying that by 18 to 24 months, I should end up with the numbers that we have talked about, which is where I should be achieving 180 to 200 days of my working capital.

Sales is my working capital, and it will be a combination of 2 things. One is liquidation of some part of the working capital; and two is increase in the sales that I would expect. So combination of these 2 will come a more sustainable number rather than only one.

Tushar Raghatate: Got it, sir. Just -- again, one question. Sir, on the trade receivable part. So like a higher CAGR of the business 24%, but the trade receivable is growing at 37%. Just what is your take on that?

Vishal Thakkar: So if you look at 2 years back and if you look at my growth, my CAGR of sales and CAGR of receivables, its fairly 10% only in the last 12 -- 4 to 6 quarters that number of receivables have expanded. And that's largely because of the -- when the markets are slow, you would tend to give an additional credit, which I have given, and that is the reflection.

I can give you one simple example. One of the largest Tech-Chem company in the world, they requested us that we were due to pay you in November. But as my year is ending, and this is a slow -- this is -- I'm reading between the lines that this year has been slow year and my year is ending, why don't I request you to pay you in January, not in December -- in November. And for that, if there is any cost, I'm willing to pay the cost.

Now he is -- that is a customer who has been with us for the last 10 years or more. We are doing multiple products with them. We are doing multiple new projects with them. I don't see any request like that. And mind you, there -- so I appreciate that it has expanded, but you will also to see from the reflection of the market realities where the markets have really, really being pretty weak for my customers, and I have to stand by them, which is what I have done on the receivables side.

Tushar Raghatate: Got it, sir. And sir, your non-Agro part...

Moderator: Sorry, to interrupt, Tushar sir, may we request to return to the question queue for follow-up questions, please?

Vishal Thakkar: It's okay. Let me him ask this question and then he can. It's okay.

Tushar Raghatate: Okay. Sir just wanted to know your non-Agro business, like due to that, do you see any working capital relaxation going forward?

Vishal Thakkar: Yes. You would see. See, every business will have its own dynamics. So in some businesses, you will see that the inventory is higher. In pharma, if you look -- because pharma, a large part of the pharma business is Indian pharma business. The receivable days will be higher because India tends to be longer on the payment cycle side and also they tend to delay from the promised ones.

So when you see my receivable days expanding, you will also have the reflection of that. But on a total basis, on the other side, pharma will have a lesser inventory requirement because, again, I will have that kind of problem. So overall, you will see it will be even, but yes. There will be nuances to each of the segments.

Moderator: Next question comes from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: There are 2. Part one is if you look at the kind of indications you gave on the mid-teens' kind of decline for full year, it suggests that you have to grow your fourth quarter revenue by about 15% because last year, we did about INR300 crores. So what the visibility you have to surpass last year's 4Q revenue as we speak?

And secondly, if you look at the mapping of your growth drivers on, I think, Slide 17, you have given the 3 growth drivers, Polymer, Pharma, LOIs and then fluorination. So can you support any overlaps and say, what percentage of the growth will come in each of these areas? Because there will be some common product across the 3 categories. So if you can split these 3 drivers into independent categories of growth to avoid the overlapping and duplication, that will be very helpful.

Vishal Thakkar: Sure. So let me answer that first question. What you are saying about my -- what you have deduced in terms of the indication, it's fairly the right reflection. And I believe why we believe that we will be able to deliver is a very simple thing that if you look at it, as I said, I have a very high visibility coming from my customers' demand. Two percent is coming back, and I am seeing that the customers have requested for those volumes. And hence, that number will be the number that is there.

And if you see last year, whatever we did was also lower than what we did in '23. So is it that this is the numbers which we have not delivered? The answer is that we have delivered these numbers. We believe that the numbers that we have been seeing in terms of whatever demand that we have seen from the customers, whatever the orders are there, we feel far more comfortable.

And also please appreciate now is the new year for my customers, large part of my customers. And they have more buoyancy in terms of their ability to give me a more -- a firm demand, which we are seeing now. So all in all, pharma, polymer continues to give me the growth and Agrochem coming back will give me this growth.

S. Ramesh: Yes. On the second question on the growth drivers, you can step off the…

Vishal Thakkar: So next time onwards, I'll try and see how we can share that with you. Because see, it is very difficult to do set-res variables on all the 4 -- all the 3 parameters, but we'll try and see how we can present it better for you.

S. Ramesh: Yes. That will be very useful. Wish you all the best.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question for today. I now hand the conference over to Mr. Vishal Thakkar for closing comments.

Vishal Thakkar: Thank you, everyone, for your active participation this time. Definitely, it was very helpful and exciting. We hope that we have been able to answer most of your queries. I also apologize if I have not been able to give more specific answers because of the current constraints that we are as a listed company to -- who could not meet the -- a very specific guidance. So that's it. Any of the questions or there are some questions in this call, please feel free to reach out to our IR partner, E&Y, and we'll be happy to take it off-line. Thank you very much.

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