



ANUPAM RASAYAN INDIA LTD.

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Date: May 27, 2024

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
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Dear Sir/ Madam,

Subject: Submission of transcript of Earnings Call on the Audited Standalone and Consolidated Financial Results of Anupam Rasayan India Limited (the "Company") for the quarter and year ended March 31, 2024.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the Earnings Call on the Audited Standalone and Consolidated Financial Results for the quarter and year ended March 31, 2024 held by the Company on Tuesday, May 21, 2024.

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

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

Thanking you,

Yours Faithfully,

For, Anupam Rasayan India Limited

Ashish Gupta
Company Secretary & Compliance Officer

Encl.: As above



ANUPAM RASAYAN INDIA LTD.

“Anupam Rasayan India Limited
Q4 FY’24 Earnings Conference Call”

May 21, 2024



ANUPAM RASAYAN INDIA LTD.



MANAGEMENT: **MR. ANAND DESAI – MANAGING DIRECTOR –**
MR. GOPAL AGRAWAL – CHIEF EXECUTIVE OFFICER
MR. AMIT KHURANA – CHIEF FINANCIAL OFFICER –
MR. VISHAL THAKKAR – DEPUTY CHIEF FINANCIAL
OFFICER

MODERATOR: **MS. KRISHNA PATEL – ERNST & YOUNG**



Moderator: Ladies and gentlemen, good day, and welcome to Anupam Rasayan India Limited Q4 FY'24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Krishna Patel from EY. Thank you, and over to you, Ms. Patel.

Krishna Patel: Thank you, Manav, and good afternoon, everyone. Welcome to Anupam Rasayan India Limited's Q4 and FY'24 earnings call. Please note that a copy of our disclosure is available on the investors section of our website as well as on the stock exchange. Please do note that anything said on this call, which reflects our outlook towards the future or which can be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces.

Please note that the audio of the earnings call is the copyright material of Anupam Rasayan India and cannot be copied, rebroadcasted, attributed in 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, Chief Financial Officer; and Mr. Vishal Thakkar, the Deputy Chief Financial Officer.

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

Anand Desai:

Thank you, Krishna. Good afternoon, everyone and a warm welcome to our Q4 & FY24 earnings call. Hope you all are doing good. Let me take you through updates for the quarter and year gone by and how we are placed for the upcoming year.

Despite short-term challenges faced by the industry, the macroeconomic landscape over the medium term looks positive. Inflation and supply chain disruptions, such as the red sea crisis and fluctuating raw material prices due to market dynamics have caused temporary challenges. However, declining inflation, steady growth rate, and India being a preferred economic partner provides a more robust economic environment over medium to long term.

On the industry front, the agrochemical and pharmaceutical industry has been facing certain headwinds pertaining to subdued demand. Our agro business faced certain challenges in the year, and we anticipate that it will continue its current trend in H1 FY25 after which we expect the demand to strengthen. Our past sustained efforts in expanding our pharma and polymer portfolio have started yielding results. Despite the challenges in the pharma industry, our pharma segment has shown robust growth, increasing from 4% in FY23 to 9% in FY24. We expect the contribution of the pharma segment to be in double-digits in FY25. Currently, the Polymer space contributes in single digits of total revenue which is expected to be in double-digits in the upcoming fiscal year. This shift towards a more balanced portfolio, with higher contributions from the pharma and polymer sectors, will enhance our revenue stability and growth prospects. I feel 2025 will be a year of growth for us with our major focus on Polymer and Pharmaceutical space.

Now, let me highlight our financial performance before moving on to the business highlights. Our consolidated operating revenue for the quarter stood at Rs.401 cr with a YoY de-growth of 16% whereas for the year our consolidated operating revenue stood at Rs. 1,475 cr posting YoY



degrowth of 7%. The degrowth pertains to the challenging demand conditions in agrochemicals and a drop in raw material prices. The margins for the year and the quarter have been strong and we were able to maintain the same. The EBITDA margin stood at 27% which is equivalent to last year. For the quarter, the EBITDA margin stood at 25% on a consolidated basis.

At Anupam Rasayan, we are committed to building a sustainable business. Over the years, we have invested in various initiatives, and we have initiated an investment of Rs. 59 crore in building a hybrid power plant combining solar and wind power with a 9.2 MW capacity. This initiative is expected to save approximately Rs. 15 crore per year in energy costs. Coupled with our earlier initiatives, this will ensure that 65% of the company's electricity consumption comes from green energy in the coming years.

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

Gopal Agrawal:

Thank you, Anand bhai. Hello and good afternoon, everyone. Welcome to our Q4 & FY24 earnings call. Let me discuss business highlights in brief post which I let Amit bhai to takeover to discuss financial highlights with you.

Anupam Rasayan has been continuously focused on expanding its product offerings. During the quarter, we have added 6 new products to our basket, summing it up to 17 new products in the fiscal year 24. All these products are a combination of our fluorination series, and the LOIs and contracts signed during the year. The earlier launched products have already begun ramping up and the remaining ones scale up gradually in upcoming quarters impacting our numbers positively.

We have also added 2 new customers, totalling 4 new customers in this fiscal year, including 2 from Japan which has helped strengthen our polymer pipeline. Going ahead, we expect significant growth in the polymer business, achieving double-digit growth in the next fiscal year, as stated by Anand bhai. Japan will become one of our major geographies of business in the next two years.

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

Amit Khurana:

Thank you, Gopal Bhai. Good afternoon, everyone. Let me take you through the financial highlights for the quarter. After which I will let Vishal bhai to discuss the same further.

Before getting to the financials, let me share an update related to preferential allotment. The amount collected from the fund-raise was used to repay the long-term debt of Rs. 249 crores during the quarter.

Coming to the Capex incurred as of 31st March 2024, we have utilised Rs. 482cr out of the Rs. 670cr capex announced. The balance Capex will be incurred during the coming quarters, with the plants expected to be commercialized by 1st half of FY2025.



Our working capital remained stable in absolute terms, and we expect it to stabilize further by the end of FY25, with improvements anticipated in FY26. The new products launched will have relatively low working capital requirements.

We are also focused on cost optimization and operational efficiency. Our strategic focus, coupled with our expansion plan, position us well for long-term growth.

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

Vishal Thakkar:

Thank you, Amit Bhai. Hello and good afternoon, everyone. Thank you for joining us here today. I would like to share some key performance highlights for the quarter and year ended 31st March 2024, and then we will open the floor for question-and-answer session. Before I proceed, I hope you all have had the chance to go through the detailed presentation and the results submitted to the exchanges and uploaded on our website.

Kindly note, our numbers for the quarter are on a consolidated basis and they also include Tanfac numbers.

Let me first discuss the consolidated financial highlights for quarter ended March 31st, 2024:

- Operating revenue for Q4FY24 was at ₹401 crores as compared to ₹480 crores in Q4FY23; down 16% YoY.
- EBITDA (incl. other income) was at ₹105 crores in Q4FY24 as compared to ₹142 crores in Q4FY23; down 26% YoY, this would translate into 25% EBITDA margin in this quarter.
- Profit After Tax was at ₹40 crores in Q4FY24 as compared to ₹73 crores in Q4FY23 - degrowth of 44% YoY.

Coming to the full year performance:

- Operating revenue for FY24 was at ₹1,475 crores as compared to ₹1,602 Crores in FY23; down 8.0% YoY.
- EBITDA (incl. other income) was at ₹411 crores as compared to ₹440 crores in FY23; down 7.0% YoY, this would translate into 27% EBITDA margin.
- Profit After Tax was at ₹167 crores as compared to ₹217 crores in FY23; down 23% YoY.

Our top 10 customers contributed about 77% of the total revenue, and there is a total of 25 products that we provide to them.

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

Moderator:

Thank you very much. We will now begin with the question-and-answer session. We have our first question from the line of Ankur Periwal from Axis Capital.



Ankur Periwal: First question is on the margins for Q4FY24, and I'm referring to the stand-alone numbers here. So we have been maintaining that our margins will remain healthy. But any specific reason why both gross margin and EBITDA margin have contracted here?

Vishal Thakkar: Ankur, this is Vishal. Let me take this question. So, Ankur, yes, our margins have been in the range of 27%. If you look at it on a stand-alone basis, the margins have moved a bit only because of the product allocation but nothing really anything different than we would have seen. So, if you look at our margins have been consistently healthy.

Yes, it has been a little lower than what we expected last year, which was 25.4% this year on a consolidated and 26.6% on a stand-alone. So, if you look at on a stand-alone basis, we corrected by 1 percentage, 1.5 percentage points, which is normal that we would have expected when we see the kind of product mix that are there. But nothing otherwise or directionally that can see over there.

Ankur Periwal: Sure. On a volumetric basis, where will we be in terms of growth or de-growth and by what magnitude in this financial year?

Vishal Thakkar: So, we are talking about the past year or we are talking about the future year?

Ankur Periwal: FY'24. We have around 24% decline in revenues. So how much of that is volume and how much is pricing?

Vishal Thakkar: So largely, the revenue volume is the large contributor to that. And as you can imagine that has been the reason where our customers have taken in two cases, the minimum volume uptake only rather than the expected volume that we would have expected them to pick. And that's one volumetric reason.

Ankur Periwal: Okay. Sure. So from a utilizing perspective, we will be sub 80%, 85%-odd levels from the aggregate capacity?

Vishal Thakkar: So Ankur, I would say that if you look at from a revenue point of view, we should be able to do around INR1,600 crores to INR1,700 crores of revenue, but if you look at from a volumetric point of view, because that's under execution, around 70%, 75% is the kind of volume that we would have been using up our capacity.

But as I've told in the past also, this is only a volumetric, but when my plants, the plants are really multipurpose plants, and I can do multiple products. So if I look at my ideal product portfolio, eventually, I can do anything between INR1,600 crores to INR1,700 crores of revenue from here.

Ankur Periwal: Okay. And on the working capital side, we were earlier guiding for a reduction in working capital for the full financial year. I understand the revenue de-growth and the macro behind there, but the sharp jump here in working capital, if you can put some light there across inventory?



Vishal Thakkar:

Sure. You're right that the working capital has not gone to the levels that we had expected assets to grow. And I would put it into three buckets for that. One, if you look at it, my debtors have expanded, and that debtor has expanded because of the sluggish growth. We had to offer our customers a longer payment cycle and that has led to increase in the debt level, which we expect to get corrected over the next year, 12 to 18 months' time and bring it back to more normal numbers, one.

Two, if you look at it, we had expected that we were to grow reasonably. We started the year, we had expected a double-digit decent growth that we are expecting. And at that point in time, we expected the inventories to be unwound and being utilized well enough to do that.

However, because of the de-growth, you have two specific challenges that you come to. One is that my inventory velocity goes lower and the unwinding was slower. And two, if you look at, it was also because of the numerator-denominator situation where my numerator has shrunk and denominator has shrunk and that has also led to a higher number of days.

And the third is, I have launched 17 new molecules and there's a portion of the inventory that's going back into the inventory. And that's a significant number, and it's also additive because when you're starting new molecules, you're going to have higher inventories, and your inventories cycle as it moves, and you're smoothing that number out. So, I think it's a combination of these four things, debtors, slower unwinding of inventories to lower revenue, which is making it the payers and the four is these new molecules, which were showing that my inventory levels a little higher on that point. But going forward, our expectation is twofold.

One, we would be able to focus we are highly focused on this, and we should be able to try and bring this to a more reasonable number over next 12 to 24 months. This year, we will see a decent correction. But our targeted numbers we should be looking at it by the FY'26 because by that time, the sufficient number or sufficient revenue or volume would have come in and my new products would have also stabilized.

And I don't need at that point in time, I would not need to give actual credits, which also resolve. So, if you look at all put together, I think 12 to 24 months is where you will see the improvement at the final number, probably by FY'24, FY'26, we should be able to see the target.

Ankur Periwal:

Vishal Bhai, I have two follow-ups. Firstly, you mentioned that due to the receivables, we started extending credit to customers, which hopefully should be in the opposite direction. Secondly, on the inventory front, is there a slow-moving product that got stuck here and caused the overall inventory to look bloated? I look at the absolute numbers. In FY22, we had an inventory of INR.860 crores, and now in FY24, it is INR.990 crores. Even if absolute numbers are taken, the inventory number does not match the revenue number. .

Vishal Thakkar:

You're right. I'm not going to say that it is not, it is other way around. The only thing I'm saying is that is there any slow-moving or dead-moving inventory, the answer is no. Slow moving in a sense is just that what I had expected them to move, they have not moved at the speed that we had expected. But is there any risk on those inventories? The answer is no. We do not see any



risk because these are contracted volumes for the inventory, so which I'm not worried on that. I'm worried more from the velocity of this movement and the management of the organization is really focused on in terms of absolute risk.

I'm not too worried. And looking that you saw the inventory was also because of the launches that 17 products would also lead to a decent size of inventory that's been coming on. So I think together and that's where we are, but happy to explain further if you need.

Moderator: We have our next question line of S. Ramesh: from Nirmal Bang Equities.

S. Ramesh: Sir, two main thoughts in your business. One is on this working capital, you responded to some questions earlier. But structurally, when do you think can bring down your overall blended number of days net working capital to maybe something comparable to a peer group company, so 90, 100 because you are way higher than that?

And when you say the new products are going to be having lower net working capital, so what is the kind of net working capital we have for the newer products? And when do you see the current portfolio giving you some reduction in net working capital in terms of the structural direction? If you can respond to that, then I'll go to the next question.

Vishal Thakkar: Sure. So see, if you ask me for when we can see a more levelized kind of numbers, are you saying that my peers or we are talking about a target of 90 days kind of a working capital? I don't see that to be happening anytime sooner. But if you're talking about, 180, 200 days of that kind of a time frame, which is where we feel that we will have a more sustainable numbers in terms of our return ratios and otherwise.

I think that that is where we are targeting for that in the next 18, 24 months, we should be able to reach. I'm saying it a little on the longer side is also because if you look at it the next six months are looking not very very favourable. And hence, your room for manoeuvrability on this side will be limited. And hence, I'm saying so.

And we have newer ones will have a little lower intensity in terms of inventory. But also, we'll have to see how the data cycle plays in the Indian market because some part of our revenue will start coming from the Indian market, a little higher because of the pharmaceutical and that's where we would try to be more optimal. And hence, I would say that let's take an 18 to 24 months kind of a time for us to achieve that.

S. Ramesh: Okay. Sir, can you talk about the Indian business and pharma increasing share, what is the current split between domestic and exports in fourth quarter and FY24? And where do you see these domestic exports split moving, say, in the FY25, FY26?

Vishal Thakkar: See, FY25, FY26, if I look at it historically, we have been around 65%, 70% is my revenue from the exports and the balance from a domestic. And I believe that it will remain in that range. The only thing is pharma's contribution is going to increase. So, my domestic from Agro to Pharma will be a move, because we are moving with a little bit of demand. We can see the demand for Indian Agro to move to Indian pharma side. So that's where I'm trying to say that my receivables



are there. pharma next year is looking like around about 50%-plus coming revenue contribution coming from pharma. And that's where it would be. But mix, I would put it at 60-40 plus or minus high percentage point depending upon how each segment how quickly each segment responds over the year.

S. Ramesh: Okay. So, on the segment, Pharma specialty, so can you just give us the details of the split between exports and domestic for Q4 and FY'24?

Vishal Thakkar: In FY'24 exports is around about 60%+and Q4 will be in the range of 50%-55%.

S. Ramesh: That is fine. So, we're just trying to see how the overall portfolio is moving. How the domestic business is moving and then because of that, you are saying receivables are going up? I'm just trying to understand that. So, within this portfolio, if you can share some thoughts, like your overall, your Agro is more than 90%, you have given some data on how the Pharma and specialties will increase, right? So, what is the current share of Pharma and specialties in Q4 and F'24? And how do you see that Pharma and specialties moving, say, in FY'25, and '26?

Vishal Thakkar: Sure. So, Agro is 65%, Personal Care 17%, Pharma 9% and Other Speciality 9% So that's where it is for the FY'24. And I think what will happen is that the Pharma will add to around about 15-odd-percent and other specialty, including polymer will go to double digit. That will have a reflective on the Agro and personal care, which will be in that range, right? The remaining will be in that.

S. Ramesh: You're saying Agro will be 75%.

Vishal Thakkar: No, Agro will not be 75%, Agro is 65% this year, and it should get a little lower because Pharma growth will be higher than the Agro's growth. And so would the polymers growth be higher than the Agro's growth, and that is where I'm saying that Pharma and Agro will be 15%, Pharma will be 15% and Agro will be -- sorry, other specialty polymer will be a little on the double-digit side. So, you may see that the personal care may go down by a couple of percentage points and Agro will give up on a couple -- a few percentage points. In my portfolio, but on an absolute side, I don't think too much will be changing in terms of Agro and personal care.

S. Ramesh: Okay. So Personal care is 17%, Pharma is 9% and specialty is 9%. Okay. But when you see the Pharma and specialty is growing faster. Understood. And if you see this kind of growth and when you see this kind of growth and you are talking about the share of fluorination increases. So, what is the share of fluorination in FY'24? And how does the share of fluorination move in the next two years, FY25, FY26?

Vishal Thakkar: So, fluorination is around 20% in FY'24 and that would grow further. I don't want to guide today in terms of absolute number, but it will grow by at least 5 percentage to 10 percentage points is where I'm looking at.

S. Ramesh: And this will be mostly in Pharma, right?



Vishal Thakkar: No, no. It will be across polymers, across Pharma and also Agrochem because fluorination is used. See, I'll tell you we try to look at it from a segment-to-segment point of view, Ramesh, but if you really look at it, what am I doing? I'm doing a very simple deal. I have a value chain, I work on that value chain with my chemistries. And then it goes into the end markets like Agro, largely, it has been historically Agro. But now I am now moving into -- if I do a couple of more steps I get into Pharma.

If I do a couple of more steps on the slide, I get to polymer. And the fluorination coming in, my raptor has expanded, and that is where it is coming to. So it is a single differential that we are talking. But if you really look at it, it is purely a whole value chain that is playing out. And then that's where we would have to see for ourselves because my fluorination goes in all the three applications.

S. Ramesh: Okay. So just to round up the discussion.

Moderator: Sorry to interrupt, sir, may I request you to re-join the queue as there are several participants?

Vishal Thakkar: No, no, it's okay. Let him ask this question and then we can move. So please go ahead, Ramesh.

S. Ramesh: In terms of your operating cash flows and growth from the new products, and the movement in debt, how do you see the net debt for the company in the next two years, which could possibly offset this relatively higher working capital we're going to have? So, can you shed some light in terms of your thought process on how your operating cash flow will help to reduce debt and manage your overall balance sheet to a reasonable size, even with the high working capital, so that your ROCE can improve?

Vishal Thakkar: Sure. Ramesh, it's a fair question, and I think I don't want to guide to a specific number because that may not be the right way of doing it but let me give you directionally and the thought that the management has in terms of it. One, whatever working capital we have today, we should be able to do at least a reasonably higher number of revenues from the same working capital. And in fact, on the receivable side, we may be able to improve better here.

So, if you look at it, the simple thing that can happen is that do I need any more working capital? See, capex I'm practically done, right? So, I don't need any investment in capex for next two years. So that is one thing which is solved for. Second, if you look at, I have invested a significant amount in working capital, which will be utilized for my next two years growth. So, if you look at, it next two years revenue or the EBITDA and should be practically getting free cash flow in that sense.

And that EBITDA less the tax and interest would be a free cash flow for me. And that will be used to just reduce the balance sheet size in that sense by reducing the debt. And also, please be mindful that I have the pref and warrants money, which will come in, in next 12 to 18 months' time, which will be also used to pay out the debt, especially long-term debt.

Moderator: We have our next question from line of Krishan Parwani from JM Financial.



- Krishan Parwani:** A couple of questions from my side. First is a clarification on the capex. Sir, did you mention INR190 crores of incremental capex you would incur during FY'25?
- Vishal Thakkar:** So, I'm saying that no incremental capex in terms of anything new that we are going to do. I'm saying that whatever was submitted, which was INR670 crores of capex, part of that, which is left out for the completion is going to be used to pay out -- to be executed. That's all. Nothing like any additional new capex we are announcing.
- Krishan Parwani:** Yes. I mean, I meant incremental?
- Vishal Thakkar:** Yes. It's INR 180 crores then which is sitting in my cash today.
- Krishan Parwani:** Okay. So you would be utilizing that cash towards the capital?
- Vishal Thakkar:** Exactly. So if the question is, do I need any external financing? For that, the answer is no.
- Krishan Parwani:** Okay. Secondly, the INR1,600 crores, INR1,700 revenue guidance, that is on the stand-alone capacities, correct? And that's not in FY'25, but in totality, it can give you the INR1,600 crores, INR1,700 crores revenue. Is that correct or no?
- Vishal Thakkar:** Yes, you're right. That's exactly what I was saying. My capacity that I have today can support a revenue of INR1,600 crores to INR1,700 crores. Not that I'm guiding you for that. Absolutely, right. Thank you for helping me clarify that.
- Krishan Parwani:** Otherwise, I think it would have looked more like in FY'25.
- Vishal Thakkar:** I would love to have that number, but I would not guide for that now.
- Krishan Parwani:** But do you want to give any guide for FY'25 in terms of range, particularly as in on a consolidated basis?
- Vishal Thakkar:** Okay. Let me answer it in this manner. Will this be a year of growth, I believe the answer is yes. But what is that number? Give me a quarter or so to do that because we believe that the first two quarters are looking tepid. And the third and the fourth quarter is where we shall see a decent growth, especially if you look at it, Agrochem is one that is the headwinds coming in.
- My polymer and Pharma will contribute, and that will contribute to the growth. But the net effect is something that I want to see for a quarter or two before I guide that. I hope you will be patient with me on that.
- Krishan Parwani:** Sure, sure, sir. No worries on that. And one, two small clarifications, if I may. On this working capital front, so if ideally, we should be looking at the stand-alone inventories, I think, which has gone up to INR990 crores or in days of sales 321 days. So just can you please give a breakup of that raw material, WIP and finished goods inventories for stand-alone business for this financial year?
- Vishal Thakkar:** Sure. So raw material is around about 30% of my product. My WIP and FG will be the balance.



Krishan Parwani: Sure. And lastly, if I look at the stand-alone receivables, which has increased by almost INR170 crores. So while our stand-alone sales have declined, so if that wasn't for the higher receivables, the actual top line would have declined by a much higher number. Is that understanding, correct?

Vishal Thakkar: See, my customer also have some obligations to take offtake after a particular level of volume from, right? Now I have a choice to charge higher or lower to them? Because they are also in a difficult situation as of now, right? So, one way is to say that I don't want this volume and, in this terms, only that we have agreed upon. Or to say, okay, fine, I also take a bit of a pain for you as you are also taking a pain and that's where we have a compromise, we are saying that yes, we will take the volume.

They will take the volume pain and I'll take the fuel pain. So it's a business decision. But -- is it a one-to-one relationship or not? I don't think so it is about one to one relationship. It is purely and probably how you work with your customers, especially high-quality customers who are really working with you for so many years, you would tend to that for them, and that's what we have done.

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

Rohit Nagraj: Sir, first question is on the stand-alone. So sequentially, we have done pretty well. There could be a seasonality impact as well. But given that it's the start of calendar year for most of our export customers and they will be starting the year off is given that last year, we had inventory issues, etcetera. What is the kind of dialogue that we are having? So whether they are relatively confident in terms of lifting up the volumes given that last year, those volumes were impacted because of inventory drawdown.

And they were taking only minimum quantity. So what has been the dialogue, particularly from the Agro perspective, given that the other segments we have already mentioned that there is a strong growth expected going ahead?

Vishal Thakkar: So, Rohit, let me answer this. You are right that the Q4 has a reflection of the seasonality also. And a bit of a little strengthening than the last quarter. Yes, there is a bit, but are you saying that we are out of food, then Agrochem cycle has now started picking up. I would put it, I would be having a very cautious view on that, that the first two quarters, yes, it looks little not very, very buoyant.

I would be far more comfortable and confident to say that their CY and my FY'25. So their CY'25 looks more -- I'm more confident on that than the CY'24 of the international players. However, it's a little early in the day for me to really comment on the full year there. But I would say that as we're cautious for the first two quarters before I really say that the demand has come back strongly. Is there a strength? Maybe a bit of a strengthening, but I would wait for two quarters, honestly.

Rohit Nagraj: Fair enough. Second question is in terms of the LOIs. Sir, out of that INR9,000 crores of LOI, how much is the contribution in FY'24? And if I'm not wrong, earlier for FY'25, we expected close to about INR400 crores, INR300 crores, So, does that guidance remain?



- Vishal Thakkar:** Perfect. So let me divide this LOI piece into two different packs and then we can talk about it, and I'll answer that fully for you. LOIs to get commercialized, we would take at least 18 to 24 months time period. And two is, typically, after they commercialize, it takes you another 18 to 24 months time period for a full ramp-up in that sense because the volume takes time to ramp up fully.
- So, if you look at the LOIs and contracts that we signed in 2022, they have started yielding revenue. This year, we should have done a little less than INR200 crore from the LOIs and the contracts. And next year, it should do reasonably well. Will it be in the range of INR350 crore plus or minus crores is what I would look at for those numbers.
- Rohit Nagraj:** Sure. And just one last clarification. So when I understand you don't want to give a guidance on the top line front as of now. But given that the raw material prices have stabilized, so would our margins be in the range of 26% to 28% as we have guided earlier from stand-alone basis?
- Vishal Thakkar:** Yes, margins, I think we should be looking at around 26% plus.
- Rohit Nagraj:** Any guidance on FY'25 and working capital days that we want to put up assets now?
- Vishal Thakkar:** Give me two quarters. I am a bit cautious. We need two quarters to answer that. So that is the quarter or two to see how it is moving, because I think why I am saying though, because my revenue mix is changing significantly. And the velocity that I am expecting from the cycle to come back with something that I want to see before I really comment on that.
- Moderator:** We have our next question from the line of S. Ramesh: from Nirmal Bang Equities.
- S. Ramesh:** Yes. Just a couple of follow-up questions. One is in terms of the number of shares you reported in the filing, does that include the number of shares equivalent to the warrants or for dilution, should we take the entire conversion of warrant, that 39 million?
- Vishal Thakkar:** So, number of shares does not include the warrant share and so you should count for the dilution of that.
- S. Ramesh:** Okay. Second thing is now somebody asked this question on the share of revenue from the LOI. So how do we look at the impact of the bunching of some of these orders getting so maybe three years down the line, say '27 to '30 to take a 3-year view beyond '26, what would be the kind of run rate in terms of revenue addition from the order book you have as of date?
- Vishal Thakkar:** So, Ramesh, let me put it this way. Let's say, we have INR9,000 crores of or a little less than INR9,000 crores of order book, right? So if I just divide it by even 6 years as an average because there are some at seven years and some at the five years, 9,000 divided by six will be in the range of INR1,300 crores to INR1,400 crores of number.
- And that's the kind of a number that you should see, but also you are to be mindful that there are some, which would have started in 2023, 2024, and they would be tapering it off at that funding



then. But as of now, I would say that that should have contributed INR1,300 crores to INR1,400 crores of revenue from there.

S. Ramesh: Okay. That's a delta from the new orders, right?

Vishal Thakkar: From the day it started. So, you would say that some of it has been reflected in this year's number also. And I'm talking about total like that.

S. Ramesh: Yes. Plus what you will get the revenue from the current portfolio, which will continue to run and then they've dealt whatever...

Vishal Thakkar: Exactly. True. Yes. So current portfolio will expand. Their LOIs which will expand. And then also my Pharma and polymers will also have their contribution. So yes, true, this is not the only delta. This is not only delta revenue that we were expecting.

S. Ramesh: So, but Pharma and polymer will be part of the LOIs, right?

Vishal Thakkar: Some of them, not all of them.

S. Ramesh: Okay. That means there will be will be sales outside the LOIs? It's an annual business.

Vishal Thakkar: Yes, it would.

Moderator: We have our next question from the line of Madhav from Fidelity.

Madhav: I just had one question on the working capital side. So, I remember the last couple of years, we've been highlighting that we want to change the pricing contracts for many of our customers. I think it's usually a yearly contract or six months or lower. Could you help us understand like from the IPO time three years back to now, what percent of our customers or revenues have shifted to a lower sort of pricing duration, if you can help us with that?

And also just curious, if we have 320 days odd inventory in the stand-alone and 70% is finished goods, so we're carrying like 200 days of finished goods inventory on the balance sheet. Just wanted to understand, why are we carrying more than six, seven months of inventory of finished goods in the balance sheet. Just trying to understand the sort of...?

Vishal Thakkar: Okay. So Madhav, around 60-odd percent is coming from the six months kind of contract, six months pricing kind of. And when I say the 60%, 70% of it, which is not the finished goods, but it is finished goods and WIP. I was talking about 30% from the raw material and balance is WIP and finished goods and that's put together, it is there.

And just to give a little flavour on that, there are products where we have multiple steps that we do around but anything between eight to 12 steps or more. And there, each of the steps, you will have a particular level of inventory within the WIP that can be counted. So that is the reason it is there. The exact details I can share is I don't have it handy but I can share, which is what I promise.



Madhav: Sorry, the 60% revenue, which is from the 6-month pricing contract, how much was this like during the IPO time like three years back, what is this number then?

Vishal Thakkar: At IPO time, if I remember is the number was 15% to 20%, which we have now gone up to 60%. But, what has happened is that another thing is that because of the kind of volatility that has been there, they have been interesting on holding higher and that is what I'm saying. But as we grow, we want to go back to the numbers that we have agreed with them, which is where we hold lesser inventory and lesser working capital.

And all the new contracts that we are signing, we are conscious of keeping it at about six months kind of a pricing rather than 12 months kind of pricing. Please go ahead. So, I was just saying that.

Madhav: So, my question was that, given that the customers have been destocking globally, we see like a phenomenon across the Agro value chain, given the customers are destocking, why do we need to keep higher inventory on our balance sheet?

Vishal Thakkar: See Madhav, the only thing I can say is two, three points and let me put it in this way. One is earlier, we all were keeping it on the whole value chain. Now they have started destocking, but we have been keeping it and we expect that this destocking for us will also happen in next few days because, see, the customers will drive the first leg of the destocking and second will come from us.

So, we are insisting or we are keen on doing it. So only that two things are happening: A, the slower growth means that lower destocking happening. And two is when your customer is destocking, your leverage to destock will be that much limited. But as we go, that number, we'll have a better line of sight on that, a better ability to do that.

Madhav: Okay. And sir, the Pharma business, which is expected to go up. What is the working capital cycle there for that part of the sort of revenue?

Vishal Thakkar: So there, the inventory levels will be lower, but there will be a little bit of a higher receivable cycle because that revenue will come from India and the India working capital is a little longer than what we see in the international market. So you will see a little bias, higher bias towards debtor, but on the inventory side, you will have a correction. So net-net, I think we should be on the positive side rather than on the negative side.

Madhav: How different is it, sir, broadly Agro, let's say, our target is to be 200 days by FY'26, Pharma is at what level?

Vishal Thakkar: So the Pharma, I would put it, let's say, there is a 120 days of receivables, let's say, no, they may be the right 90, but they may end up in doing, let's say 120 and I will have our 60 to 70 days or 60 to 90 or 60 to 75 days in terms of payables. So the inventory will be, let's say, 90 to 120 days. So I should end up around 150 or a little less than 150 that I would target. For now, initially, when I'm starting my business a little bit of aggression and then you will try and work on that.



- Madhav:** Okay. And margin profile is probably similar for Pharma versus Agro revenue for?
- Vishal Thakkar:** See typically, margins will be in the range of 25%, 26% kind of a thing, that's what we are looking at. It will be slightly a percentage point a little lower. But today, we are on the KSM side. So KSM we have a decent strength there. In terms of Pharma, maybe a percentage point, you may want to take it lower than the Agro side. The only thing I want to add is polymer may have an interesting play, but I don't want to find on that from now.
- Moderator:** We have our next question from the line of Yash Shah from Investec.
- Yash Shah:** Sir, my first question was regarding the current LOI, which we have, the LOI which we have of nearly INR9,000 crores. Have we basically witnessed any kind of dialogues with the customer wherein the customer has asked to wherein there has been pricing renegotiations due to the overall decrease in the prices throughout the value chain?
- Vishal Thakkar:** So, Yash, our model on pricing is very simple. We build it from a raw material to all inputs and then say I want a particular level of margins. So that's where it is. So it's a very fluid, very transparent pass-through kind of an approach. So for me, the key important number is EBITDA rather than my revenue in terms of a contract, I'm saying right? So volume is assured, margins are assured. Now the volume – price, revenue is a pass-through in that sense to me.
- So if the raw materials increase, my revenue may increase the fair bit and to that extent, the percentage of my revenue will be equal to my EBITDA and same, other way around. But for me, we don't have that conversation of what is going to be the price. Do we re-negotiate the price because that's we adjusted every six months going forward.
- Yash Shah:** Okay, sir. Got it. Sir, my second question was regarding, again, you actually guided that the revenue from LOIs for FY'20 should be in the range of somewhere between INR320 crores, INR370 crores. So far, as of FY'24, these commercialized contracts were INR2,700 crores. And for FY'25, we had guided to basically, except for the INR2,200 crores contracts from Japanese customers.
- So we'll be basically commercializing INR4,200 worth of contracts in FY'25. Will you be able to provide a broad breakup as of the contracts, which have been commercialized before this year and the ones which are going to commercialize in FY'25 of how are we basically expecting INR350 crores?
- Vishal Thakkar:** So I'll tell you, so you can take that the FY'22 contracts have been commercialized. And the latest one that we have signed is what we have commercialized. So these two are the ones that we have commercialized. And now next year, we may commercialize the other few of them, which are coming other three, which are the ones that we've signed in FY'23 or later half of the FY'24. Sorry, later half of the early part of the '24.
- Moderator:** We have our next question from the line of Siddharth Gadekar from Equirus.



- Siddharth Gadekar:** I just have one basic question. When we look at our contracts, which are annual, given that in CY'23 if a customer had indicated, they would be picking up x quantity by year-end, how much lower was that uptake from those customers? If you would give a fair sense in any way?
- Vishal Thakkar:** See so if you look at it, typically, there is an MGO and there is a forecasted volume. So typically, forecasted is, let's say, 100, then the MGO will be in the range of roughly around about 70% to 80% of that number is a MGO. And typically, that's why we are talking about.
- Siddharth Gadekar:** Okay. So basically, it would be fair that the offtake was 20% lower than what the customers have indicated in CY'23. Would that be a fair understanding?
- Vishal Thakkar:** Yes, you can say around 20-odd percent. Yes, you can say that.
- Siddharth Gadekar:** And for CY'24, how has that number shaping up like in terms of the customers, how have they indicated for CY'24? Is it to worry to give any indications so even there put that on hold?
- Vishal Thakkar:** See, that's what I'm saying, what I had mentioned, and I don't want to get deeper onto this because there are a lot of moving parts here. But as I said, first two quarters look a little tepid and the next two quarters will be here and there. And overall, we expect that there should be growth. So I think that would really indicate to you the kind of conversations that we have had with customers.
- Siddharth Gadekar:** Okay. And sir, for CY'25 also, have we received any indicative orders from the customers or that will happen once we are closer to the end of CY'24 or CY'25 looks a year, where we will see a very healthy growth.
- Vishal Thakkar:** That I can tell you that, yes, that's where people have been. So our customers have been saying that CY'25 looks far better than CY'24 for sure. For sure. And CY'24 looks better than CY'23, also is a statement I can say. And yes, the buoyancy on '25 is far more than the buoyancy on '24 compared to the previous year.
- Siddharth Gadekar:** Just one last thing on this. So if CY'25 volumes higher than CY'23 or it will be in that same ballpark range. On the existing orders, not on the new orders? Just to get a fair sense of way as to how our customers are thinking?
- Vishal Thakkar:** It should. It should. No, it should be better. It should be better. We should have caught up. We should have caught up if that is the question.
- Siddharth Gadekar:** Okay. Sir, secondly, in terms of margin.
- Vishal Thakkar:** Please see because I'm recorded, and I want to make it clear that these are our estimates and expectations. Please be mindful of that.
- Siddharth Gadekar:** Yes, it is. Secondly, like in the previous comment, you had mentioned that we work on a percentage margins. So do we work on a per KG margins or a percentage margin because we have in?



- Vishal Thakkar:** Percentage.
- Siddharth Gadekar:** In an environment where raw material prices are moving up, our absolute EBITDA is technically much higher than what it should have been. Is that a fair understanding?
- Vishal Thakkar:** You're right. But see, you would always understand that if you look at my raw material cost is what, 30% to 40% of my revenue, right? So that proportion is limited and you will see over a period of long term, over five to seven years' time period that everything levels out. So yes, quarter-to-quarter, you may see a bit of an up and down, but on a long-term basis, you will see that everything levels out for that.
- Moderator:** We have in from the line of Rohan Gupta from Nuvama.
- Rohan Gupta:** Sir, a couple of questions. First is on is if a Tanfac and other fluorination businesses, if you can give some what is the current capacity utilization? And in FY'25, FY'26 looking at the current product pipeline, what kind of utilization level you are looking at?
- Vishal Thakkar:** So one, in fact, if you see it had a capacity on the asset side, which was 70% to 80% utilized, but they've gone up and expand -- they are under the expansion phase right now and the HF capacity will be doubled by -- in the next year. And hence, if you see there is enough and more capacity available for us and also for Tanfac to supply to the market. So to that extent, the availability of HF would be -- would not be a challenge to name.
- Rohan Gupta:** No, sir, my question was other way around that in HF, we still have some surplus availability and are we able to sell in the market, what are the capacity utilization we win for HF we have seen at Tanfac? I mean is there a market in HF right now because earlier, the Tanfac used to sell significant amount of HF to outside? How is the market now? And once we are moving up in the value chain, then what are the expected utilization level for Tanfac next year?
- Vishal Thakkar:** So I think for Tanfac, if you see the volumes as per the plan has been achieved in terms of volume if you were to talk about. Yes, there has been a little bit of size movement here. But typically, the volume side, they have been able to do need some enough there. Do we see that there is overcapacity and today doesn't look like because this year, as we have started that the numbers look decent for now. But let's see how the demand pans out later in the year. Of course, today, also the capacity is limited for HF in the country and the utilization is only increasing.
- Rohan Gupta:** And sir, second question on about agrochemicals. 60%, 65% of our business is still coming from agrochemicals there. We have been seeing that very poor visibility as of now, whichever you are also agreeing that maybe first half may be slightly uncertain and things should pick up in the second half. That is an expectation across the industry right now. Sir, with that, keeping in the mind though, do we have been signing multiple LOIs and a lot of LOIs were supposed to go on stream from the first half also.
- Do you see that from the client interaction right now, which you are seeing, there can be further push of, further delays, how the contracts have been chalked out that in case of any significant delays are we covered because the capacities have been invested? So are we covered in terms of



client compensation, any of such thing because our business over the next two years is a lot of dependent on LOIs? I'm just worrying and I'm trying to understand the risk associated with that? If any delays, how it will be panned out in terms of the compensation to our profitability?

Vishal Thakkar:

So, Rohan, let me answer it in two or three parts. First part is that if you look at it, I don't have any dedicated plant for any product or any customer, okay? Each plant has multiple usage and in their multipurpose. And if you look at the product portfolio, I have a decently large state of portfolio. So to that extent, any one product really impacting my utilization of my revenue is limited to that extent that impact of that is limited. If you look at this year itself, I've launched 17 new products.

Next year, I'm looking at another 6-odd-plus -- 6- to 8-odd-plus products. So if you look at its total portfolio, if you look at it, I'm talking about 70 to 80 products that is there now. Yes, there may be some plus or minuses on any one or two products that could happen. That may happen. I'm not saying it could not happen. But that is also budgeted in and planned out.

And two is also that the ability to impact my total capacity utilization or my revenue or my numbers, that's much more limited. That is all I'm trying to say. A quarter or two really doesn't swing into the gain. If you look at from a complete -- a broader perspective. And that's where I would put it, Rohan.

Rohan Gupta:

Sir, I was trying to understand more from the contractual perspective from the customers. I mean, if there are further delays customers don't give the material, maybe for another six months, one year. Are we protected? Is there a take-or-pay kind of contract? That's what I wanted to understand how the contracts are laid or retained.

Vishal Thakkar:

The Contracts are take-or-pay. Contract has a minimum offtake, right? So that anyway now, that always kicks in, but how you solve it is you have multiple ways of solving it, right? I can ask for compensation. I can ask for a bit of a price adjustment. I can ask for a different product. I can ask for a higher volume to compensate for it in the next quarter. So there are various ways to solve it because these are all long-term customers, who are saying I'll honour what I've said, but let's find a win-win solution.

And that's what we will always do that. But the question is, if you're asking is, am I getting compensated, yes, one or the other way, I'll get compensated. And contractually, as a compensation clause that is there and that I use it to get what I wanted. In fact, when I give one, I get too many a times.

Moderator:

We have our next question from the line Meet Vora from Emkay Global.

Meet Vora:

We mentioned that the peak revenue potential from current gross block will be around INR1,600 crores, INR1,700 crores. Now including the fluorination block that we are putting in, what would be the total peak revenue potential that we are envisaging?

Vishal Thakkar:

Yes. So all put together, I think we should be in the range of plus 3,000 plus sorry. Sorry, I didn't get your question. Can you ask me again, sorry?



- Meet Vora:** So I was saying that currently, we mentioned that the revenue potential from current gross block will be somewhere around INR1,600 crores, INR1,700 crores. Now including the fluorination block that we are putting either INR670 crores capex, what would be the peak revenue potential from the combined gross block?
- Vishal Thakkar:** Okay. So first, let me clarify on one thing and that's the reason I asked you a thing is that the new capex I'm putting you is not only fluorination, it is fluorination plus other products also. So put together, INR670 crores is three plants of which two are more supporting the fluorination and one is supporting the LOIs and other products.
- So when you add all put together, the revenue potential that I can generate from data, I'm not guiding for the revenue, but I'm guiding for the capacity that it can generate revenue, we should be looking at around about INR3,000 crores of revenue assumed with the current kind of a revenue mix that are seeing.
- Meet Vora:** And this would include the LOIs, all the LOIs that we have signed?
- Vishal Thakkar:** Yes. So I'm saying that all the products that I have today that I'm thinking about the one will be catered from these plants.
- Meet Vora:** Correct. So at peak, we read somewhere around INR3,000 crores, around, say, INR1,300 crores to INR1,500 crores would also be from LOIs.
- Vishal Thakkar:** Yes, you're right. Correct.
- Meet Vora:** Sure. And also in terms of the LOIs that we have signed, do we need to incur any new capex or largely everything is done with this capex?
- Vishal Thakkar:** No. So with this capex, we have practically done with this plan.
- Meet Vora:** Sure. And also just one last bit. What would be our capex guidance for FY'25 will be the balance capex that we have guided around INR180 crores. And like FY'26...
- Vishal Thakkar:** Plus a maintenance capex.
- Meet Vora:** Plus a maintenance capex. And what would be that number for FY'26?
- Vishal Thakkar:** It should be more on the maintenance side, I would put it at that number, because I have right now no plan on the capex.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Vishal Thakkar for closing comments.
- Vishal Thakkar:** Thank you everyone for your active participation and for your questions, we hope we have been able to answer most of your queries. In case we have missed addressing any of your queries kindly reach out to our IR Partner Ernst and Young and they will connect with you offline.



ANUPAM RASAYAN INDIA LTD.

Anupam Rasayan India Limited
May 21, 2024

Thank you.

Moderator:

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