ANUPAM RASAYAN INDIA LTD.

ARILSLDSTX20241120060 Date: November 20, 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**

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 half year ended September 30, 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 half year ended September 30, 2024, held by the Company on Friday, November 15, 2024.

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
Digitally signed by ASHISH GUPTA
Date: 2024.11.20 12:54:12 +05'30'

Ashish Gupta
Company Secretary & Compliance Officer

Encl.: As above

"Anupam Rasayan India Limited Q2 & H1 FY25 Earnings Conference Call"

November 15, 2024

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: Ladies and Gentlemen, Good Day and Welcome to Anupam Rasayan India Limited Q2 & H1 FY25 Earnings Conference Call. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kanav Khanna from EY. Thank you and over to you, sir.

Kanav Khanna: Thank you and good afternoon, everyone. Welcome to Anupam Rasayan India Limited Q2 & H1 FY'25 Earnings Call.

Please note that a copy of the disclosure is available on the Investor 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 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 and cannot be copied or 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, 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 S. Desai: Good afternoon, everyone and a warm welcome to the Q2 FY'25 Earnings Call of Anupam Rasayan. I would also like to take a moment to wish you all a very happy Diwali and a New Year.

As we have indicated in our earlier calls, the demand in the agrochemical business has continued to be subdued in Q2 as well. October onwards, we are seeing a good recovery in this segment especially from Europe. Our Pharma segment and Polymer segment that are our new growth drivers have continued to increase its share in our revenue. For the full year, we expect both segments to contribute over 15% to the total revenue. This trend is expected to continue through FY'26. This move towards a more balanced portfolio with increased contributions from the pharma and polymer sectors is expected to provide stability from sectoral impacts.

Now, let me "Highlight our Financial Performance for the Quarter and Half Year Under Review." Our consolidated operating revenue for the quarter stood at Rs.294 crores, which were 16% higher than Q1 FY'25 and around 25% lower than Q2 FY'24. This year-on-year degrowth as you know is on the back of the challenging demand conditions in agrochemicals. The EBITDA margin continues to be at around 28% in Q2 FY'25, and on a yearly basis, we recorded a revenue of Rs.548 crores which translate it to around 30% down vis-à-vis same period last financial year. On the margin front in FY'25, consolidated EBITDA margins stood at 25.5%.

As we are witnessing recovery from October onwards, we expect our numbers to be better from Q3 FY'25 with increased contribution from polymer and pharma business this year, alongside new letters of intents and contracts, we anticipate similar revenue in FY'25 compared to FY'24.

On the back of the momentum, we are seeing on the demand pickup and forecasted offtake from our customers, we believe that FY'26 we should be back to our growth journey that we have seen in past bearing last year and this year.

At Anupam Rasayan, we are committed to building a sustainable business and over the years we've invested in various initiatives including our recent Rs.59 crores investment in a 9.2 MW hybrid power plant that combines solar and wind energy. This project has been commercialized in October 2024.

With the agro demand picking up coupled with high conversion from pharma and polymer, we at Anupam Rasayan are confident to get back to our growth journey.

With this, I would like to hand over the call to "Mr. Gopal Agrawal, the Chief Executive Officer of our company, to discuss the Business Updates." Over to you, Gopal bhai.

Gopal Agrawal: Thank you, Anand bhai. Hello, good afternoon and I wish you a very Happy and prosperous Diwali to all of you.

I will begin by briefly discussing the "Business Highlights" which will be followed by "Financial Highlights by Amit bhai.

As Anand bhai mentioned, we are nearing the end of challenges we faced in the agro segment. While pharma and polymer segments have been experiencing strong growth driven by the recent launch of our 17 molecules in FY'24 and three molecules in H1 FY'25. We anticipate an increased contribution from this segment as these molecules gain traction. Additionally, a launch of three plus new molecules that are planned in coming months shall further accelerate the growth in this segment.

As you know, we are seeing strong momentum in Japan, particularly in our Fluoropolymer segment. Thanks to our dedicated business development team, we are effectively capitalizing on these opportunities and expanding rapidly. Also, we have already stated in our previous call that within next two to three years around 1/3 of Anupam sales will come from Japan with majority of the business secured through long term contracts. Further, we have multiple new polymer products in R&D and pilot aimed for the US market as well.

Our backward integration with Tanfac for hydrogen fluoride, which is HF, has been a key in securing this contract. Keeping the strong demand in mind, we are also glad to inform you that we have recently expanded our Tanfac plant capacity from 14,150 MT to 29,730 MT and the plant has been commissioned from October '24.

As mentioned by Anand bhai in this call, keeping all these activities in mind, we believe that we should start seeing strong performance going forward.

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

Amit Khurana: Thank you, Gopal bhai and good evening, everyone. I'll begin by outlining the financial highlights for the quarter, after which I'll hand over the call to Vishal bhai for a more detailed discussion.

Starting with our CAPEX update, as of September 30, 2024, we have completed CAPEX of Rs.610 crores. The remaining CAPEX will be completed over the next two quarters in FY'25. Our working capital has risen slightly on account of launch of new molecules as well as anticipated growth in the revenue from Q3 FY'25. Further, we anticipate the working capital would stabilize by the year-end and will have significant improvement in FY'26 and going forward.

As mentioned by Anand bhai in his opening remarks, the new hybrid project of 9.2 MW has been commercialized in October 2024. This initiative is projected to save approximately Rs.15 crores annually in energy cost. This combined with our previous investment of Rs.65 crores in 17.9 MW would contribute to aggregate savings of Rs.28 crores. Together with our earlier efforts, this will enable 65% of the company's electricity needs to be met by green energy in the future.

We remain focused on cost optimization and operational efficiency. This strategic focus along with our expansion plans positions us well for sustained growth.

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

Vishal Thakkar: Thank you, Amit bhai. Good afternoon, everyone and wish you a very happy Diwali and a prosperous New year. Thank you for being with us today and thank you especially on a holiday. So, again, we appreciate your participation here.

I would like to share some "Key Performance Highlights for the Quarter and Half Year Ended September 30, 2024 before we open the floor for Q&A Session. I hope you have had the opportunity to review the detailed presentation and the results that were submitted to the exchanges and posted on our website. Kindly note our numbers for the quarter and half year are on a consolidated basis and they also include Tanfac numbers.

Let me first discuss the consolidated financial highlights for the quarter ended September 30, 2024. Operating revenue for Q2 FY'25 was at Rs.294 crores as compared to Rs.392 crores in Q2 FY'24, down 25% YoY. EBITDA including other income was at Rs.82 crores in Q2 FY'25 as compared to Rs.111 crores in Q2 FY'24, down 26% YoY. This would translate to an EBITDA margin of 28% in the quarter. Profit after tax was at 31 crores compared to 49 crores, a degrowth of 37% and would contribute to around about 10% of the top line. Our top 10 customers contributed 91% of our revenue in Q2 FY'25.

Talking about the half yearly financials, our operating revenue was at 548 crores compared to 779 crores. EBITDA was at 142 crores as compared to 225 crores which would translate to an EBITDA margin of 25% for the period. Profit after tax was at 43 crores compared to 101 crores and a degrowth of 58%.

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

Moderator: We will now begin the question-and-answer session. We have a question from Mr. Tushar from Kamaya Wealth Management. Go ahead please.

Tushar: Sir, I'm just new to the company, recently started tracking. I could see that you got some good orders and seeing good growth going forward. So, just wanted to know the inventory levels considering the revenue, if I consider the inventory as a percentage of sales, which was in the range of 50s, if we consider the history, in middle it peaked out, but currently it's near to 70% of your entire revenue. So, just wanted to understand the business prospect why that is so and what are the measures that we're taking in order to keep a check on the working capital?

Vishal Thakkar: So, Tushar, you are right that my inventory levels and the working capital intensity has increased and that has been primarily due to two major reasons that I would say. One is that the revenue that we had anticipated, which we had expected to happen in this half has not materialized in this half and has been pushed out to the next half, which has led to lower liquidation of the inventory. Along with that, there have been new molecules which have been launched which has also added to the inventory which would be further recovered back once we start the ramp up of those products. So, these two have led to the higher level of inventory and with a lower revenue, this number has been accentuated further because if you look at it, a degrowth of 25%, you would see that for the same inventory also my turn days will go up by 25% to 30%. So, that is the two reasons. Once the revenue pickup happens, these numbers will start getting more in the normalization thing and if you look at over the next two years that we have been seeing like in 18 to 24 months time we would see that those numbers are more similar to what we have been seeing in the historical ones around FY'21, FY'23 kind of a timeframe. So, we are actively working to optimize on this and I appreciate your observation on this.

Tushar: Sir, I just wanted to know, like you invested 24%, 25% in the Tanfac. So, how do you see the growth prospect going forward in terms of your product in the fluorine chemistry, like there are players in the market who are into fluorine chemistry, so our product is different from those or like how do you see the competition in India?

Vishal Thakkar: See, fluorination-based products have a vast majority. If you look at the last 20-years, the number of new molecules that have been launched across polymer, pharma and agrochem. In all three sectors, 40% of those new molecules have chlorine as a molarity. So, there is a market which is a very, very large growing market of fluorination-based products. Two, when we say fluorination, we don't meant to say I'm only going to do only fluorination process. I have multiple chemistries that I'm doing and I have my value chain. In that value chain, if I add fluorination as one of the processes, my target market expands significantly. I'll just give you an example like fluoropolymer market today would be around about $8 billion, of which if I were to look at what my peers are doing, they are largely into the segments which are into PPMP/PBDs and other kind of applications. If I take that off, I would be ending up with around about $3 billion market, which is the fluor elastomer, fluoro surfactants and other kind of play. I'm just talking right now polymer and there if I convert it into the intermediates that we play in like we are not into polymerization, we don't do polymerization, we do only monomers. In that also if I look at it, I'm talking about a $600 million worth of market. Now that is the large market for me to address where I'm not trying to compete with my peers here and the products that we are trying to focus are these products where we have our own niche where I am working on my own value chain. So, there are products that have my value chain in which if I add this chemistry I get into product application which goes into this application. Similarly, if you look at the same approach happens in pharma side and same approach happens in the agro side, where I am leveraging on my current supply chain, current value chain and adding this offering to give this newer product application to my customers. So, we do not see any major competitive intensity on this side. Two, chlorination is something that we have been doing for last five, seven years, it's not that we're doing chlorination now, even before acquisition of Tanfac, around 10%-odd of my revenue had been fluorinated products. Now that Tanfac coming in what happens is that I'm able to demonstrate to my customers that I have a supply chain assurance and my supply chain has been very well taken care of, especially when we come to the HF, which even Gopal bhai had mentioned in his opening remarks, that HF availability is very essential because in the country there are only four manufacturers of HF and Tanfac is one of them. So, having access to that, ensures that I'm able to capitalize on that supply chain and which is the reason you are seeing lot of traction that we have been able to demonstrate in terms of my product enquiries and product conversions and LOIs and if you look at the last five LOIs, four LOIs have fluorination as one of the process in this offering.

Tushar: Sir, I just wanted to know like apart from the contracts, what would be the revenue? Like you have mentioned in your IP, the number of contracts. So, if we consider for next three years, how much would be the contracts and how much would be the other revenues?

Vishal Thakkar: So, are we only talking about LOIs or are we talk about contracted revenues?

Tushar: LOI, sir.

Vishal Thakkar: If you look at my LOI, the total LOI I have spent is around approximately 9,000 crores. If I were to divide it by five or six years on an average, which is the average time of the contract period, we're talking about 1,400 to 1,500 crores of revenue from there. What we anticipate is that typically from LOI to commercialization it takes two years on an average plus/minus six months and then there are another two to three years for a ramp up. So, we believe that over next medium term, we should be able to get 1,200 to 1,400 crores of revenue on an annualized basis from these products.

Tushar: I just wanted to know like for the mid-term, what are our EBITDA margin target and what are our ROCE internal targets, just wanted to know your take on?

Vishal Thakkar: So, see, historically if you see we have been always been in the range of 26% to 28% EBITDA margin and we believe that we should be in the range of that numbers, maybe a percentage point plus or minus maybe the case, but that's the range that we believe that EBITDA we should be able to achieve. So, let's say today in this market I would say 25% to 27% of EBITDA margin that I would be comfortable with guidance. Though we have delivered a little better, but on a consol basis that's kind of a number I would go by. In terms of ROCE historically also if we look at it we have been able to do high-teens to the 20s ROCE. Two major events has led to a lower number, a), higher CAPEX and lower asset utilization which is now ramping up and two is also my working capital intensity which has expanded, which we expect to get more into my normalcy. These two will ensure that with the kind of EBITDA margins that we have, and an asset turn of let's say more than 1.5 times, we should be coming back to the kind of ROCE that are more meaningful to us.

Tushar: Sir, just post this chlorination contract, do you see that adding to your ROCE going forward?

Vishal Thakkar: Absolutely, absolutely. If you look at it, we have done CAPEX where chlorination process will also be included and then the new molecules of chlorination will also be processed and just that this will always add to the performance of the company in terms of revenue and in terms of margins and translating into the return ratios.

Tushar: Sir, you've guided for the good H2 earlier. Just wanted to know your view in terms of volumes going forward.

Vishal Thakkar: So, if you look at the last half, the lower volume has been the reason for the lower revenue and what our understanding with our customers has been and the communication from them has been also is that that the volumes are going to pick up for the next half and hence you would see a decent volume uptick in this next half.

Moderator: We have a question from S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: So, if you were to look at the second quarter numbers and how to read the prospects for the second half, how much was the decline in volume in second quarter? And secondly, was there again additional sales to domestic customers where we have to give them credit like in one of the earlier quarters?

Vishal Thakkar: If you were to ask in terms of volume, so Q1 to Q2, if you see there has been a growth. So, we are seeing that there is an uptick happening. Yes, on YoY basis the numbers have been lower on account of the lower volumes compared to the last year. So, that is there. Yes, there has been some bit of a compensation to the company for the domestic market, especially from the pharmaceutical industry, which has typically a longer working capital cycle both as a geography and as an industry, both is the case. So, there has been an expansion that is happening. However, what we are now seeing is that the agrochem and my international business is expected to pick up in the second half, which will have a better impact in terms of volume, revenue and working capital.

S Ramesh: To put things in perspective, if you look at the statement Anand Bhai made about you will be achieving FY'25 revenue close to FY'24, that means you are talking about a run rate of around 750 crores in the second half, it's about 375 crores. That's a very, very high growth compared to the base of the second half of FY'24. So, what are the levers that will drive this sort of growth in the second half -- is it just the existing business, increasing volumes or are you also seeing some of the new LOIs and new molecules kicking in, in terms of growth with higher realizations, can you explain how you expect this second half growth?

Vishal Thakkar: So, Ramesh ji, one, I will not comment on the deduction that you have made in terms of the number for the H2, but directionally, let me answer the question on the directional point and that is where the fair ask. So, I'll put it in three or four buckets that where we see the traction coming from. If you look at my H2'23 and if you look at the run rate of the H2'23, I would have done a similar kind of a number as what would be there. But let's forget about that and let's talk about the trends from now on. Where are the three or four big trends that are coming from? One, my lower demand from the agro camp cycle is now looking better for us. So, we are seeing now the offtake request coming from my existing customers and my volumes are going to kick from that side. Second, what you rightly identified is that my molecules that we had launched last year are now picking up and it is gaining momentum. So, that is the second part of the demand that we feel that will be there. And along with that if you if you look at it, I don't see too much of a price movement coming in here, I think prices we feel that it will be in the stable range. This is our estimate. As per my understanding that numbers will be in the similar range but volume offtake is where the revenue is going to be coming from. That's my understanding on the projections.

S Ramesh: So, just a couple of thoughts more. One is when you talk about this agrochem customers giving you confidence in terms of buying more volumes from your company in the second half. This is something which is totally different from what international companies are saying and other domestic players are saying in terms of customers actually deferring orders both in agrochem and pharma and they're also laden with excess inventory. So, what is exceptional in terms of your set of customers? Are they not having this inventory situation and are they building up for new launches? So what gives you the kind of confidence that they will actually give you the kind of volume growth you're talking about, because this is totally contrary to what we are hearing from the market, from other companies.

Vishal Thakkar: Ramesh ji, just to draw back, if you look at my last four quarters, my last four quarters has been where I have had a very, I would say that one of the lowest demand from the agrochemical sector, if you look at in the recent time. So, when we look at that and when I contrast it from there, there is volume offtake that we can see from the customers. Now, also please appreciate that, on an annual basis my demand is there of the total volume, right, that let's say it was 100, it has dropped by some number, but these two quarters if you see that number has been even lower than that. So, on an average if you look at it, we see that exactly what we think is the demand is picking up. Are we coming back in the normal growth rate? That's what we are saying it is '26, right? And this is where the MGO also will kick in, right? So, the H2 is where the MGO kicks in and also please appreciate that H2 is a very classic half because Q3 of mine is Q2 of my customer but Q4 of mine is Q1 of theirs where the year changes and the budget changes as well for them. So, they have a very comfortable situation in that sense to accommodate a level of volumes that are meaningful to both of us, right and that's where we are coming and seeing the numbers. Are we saying that are we out of the woods fully? Answer is no. That I think will be in '26 but '25 ending I think should give us a bit of a reason to feel confident about the same is what I'm saying.

Gopal Agrawal: But if I were to just add to what Vishal said, Ramesh, I think as he's narrated, our H2 let's say higher growth is basically based on two, let's say kind of a segment. One is that we are seeing a decent amount of growth in pharma and polymer which roughly would be really like 15%-plus each of my revenue. So, that segment is contributing and is growing at a higher pace. So, that's one leg. The second leg as Vishal bhai said is that on the agrochem side, and I may not be necessarily able to comment on some of my peers in terms of what they are saying, but as he said, we are getting enough and more, I would say, comfort, some of them even in terms of future purchase orders to say that the customer is basically asking for higher volume than what they ask me let's say last two or three quarters. So, I would say H2 assumptions are basically based on these two legs wherein we are seeing some bit of a recovery from my agrochem customers who are basically placing higher volumes and orders with me and second is the increased growth on polymer and pharma side of it.

S Ramesh: Just to get a perspective on '26 and '27 growth, so if we see your order book, some of them have been commercialized and then there are some which are being commercialized in '26. So, if you take these two buckets, LOIs already commercialized, how do you see that ramp up in percentage jump on the value of the order book even if you divide it by say five or six years, it's about 4,800 crores if you see the value of the LOIs already commercialized, if you take it over six years, about 800 crores. How much of that would you expect to book, say over FY'26, FY'27 in terms of actual deliverable and similarly whatever you are talking about commercializing in '26, if you will take a value of about another 2,000 crores, so on that when it starts picking up, how much of that would you be able to actually monetize say from FY'27 and over FY'28, just a ballpark number you can give that would be useful for us to recheck our assumptions on this LOI monetization?

Vishal Thakkar: On the LOIs, I would put it very simply and that's where I would put it for now is that you're right, the large commercialization that has happened is on the FY'22 LOIs that we had signed which were around about 2,600 crores worth of LOIs. Those 2,600 crores would mean that 450 to 500 crores is the revenue coming from that. We believe of that we are we're doing around about 250 kind of a number and that should ramp up and should be peaking out by '26-27. So, that's the number that we can see. So, you have to look at it in three different buckets. The second bucket is the ones that we have signed in '23 principally, which would in the range of, be if I were to add the total, it is the number 1,000-odd crores more. So, 1,000 if I divide it by six you would be doing around about 150 crores a month which should start in '26 and ramp up by '27-

28 and that's how you should look at it and that's where I would put it and then the balance we should be starting to see the commercialization in '26 and '27 and then you see two years of ramp up from then on. So, I would put it very simply, two plus two plus two, two years for getting into LOI, two years from LOI to commercialization, another two years for commercialization to ramp up. Now given allowance of the six months on either side, which happens because of either of the validation, about the environment, all that plays out and maybe six months of average you can give or take on that.

Moderator: We have a question from Pradeep Rawat from Last House. Please go ahead.

Pradeep Rawat: Sir, we are doing CAPEX of close to Rs.600 crores. So, I just wanted to know when this CAPEX is going to complete, and can you also highlight on the ramp up of this particular facility?

Vishal Thakkar: See, we have done a large part of the CAPEX and the balance whatever is left out, we should be able to do it in the next two quarters. So, this year we should be able to finish the CAPEX on it and after that couple of the plants we have started doing the trial runs. So, typically once the plant is constructed, you have your trial runs, then you have a customer identification and then your commercialization happens. So, typically it is anything between six to nine months that you will see that kind of a timeframe on this and that's what I would put it on.

Pradeep Rawat: Six to nine months from the commercialization of the plant?

Vishal Thakkar: From completion to commercialization, because you have your trial runs, you will have your validation and then the plans starts for the large operations.

Pradeep Rawat: What kind of peak revenue can we expect from this facility?

Vishal Thakkar: So, if you look at my total CAPEX that I have done till date and if I look at the whole, I think I should be able to do 1.5 to 1.7 times the asset block which will be around about 3,000-odd crores kind of a number is what I can say. Based on the current product portfolio, the numbers changes because the plant volume remains the same, but the revenue changes on the per ton basis as well. So, that value engineering and the revenue optimization can happen but today when you look at the portfolio of the plant, we can go up to that level is what I would suggest.

Pradeep Rawat: What is the peak revenue of our current facility?

Vishal Thakkar: If you look at it today, it is 1,200 to 1,300 crores of my block and you can add 1.5 times to that because this is where I have lot of other CAPEX also like extra land and my R&D facility and my other utilities. So, the asset turn I would put it at 1.5 and not higher, but for the new ones, the asset turn will be high.

Pradeep Rawat: How much revenue are we envisaging from pharma and polymer segment going forward given our existing commitments?

Vishal Thakkar: So, the pharma and polymers today also if you are saying they are contributing meaningful in the double digit for me in terms of themes, I think pharma and polymer should contribute more than 1/4 to 1/3 of my revenue at least going forward. Probably, pharma will be first, which will contribute in 20s in medium term and polymer should follow on that.

Moderator: Next question we have is from Krishan Parwani from JM Financial. Go ahead please.

Krishan Parwani: If I just look at the standalone numbers, your inventories are somewhere worth 1,185 crores and if I calculate the inventory days in the standalone business, has jumped to more than 500 to 600 days. Can you elaborate please what is going there?

Vishal Thakkar: Simple, I would say you are right, my inventory has expanded, I'm not saying that it has not expanded. You would have done it from a TTM basis and the TTM if you look at these are the four quarters which are my least quarters and if you use that as a base, yes, these numbers will be in that range. Now, we can look at those. But to my mind two things will happen from here on. There is an additional inventory which you are seeing which will get liquidated over next two to four quarters which is the volume that I've manufactured but not sold. So, that will happen. And two is the same, when I sell it out, that converts into revenue and gets into my denominator as well. So, when you do numerator reduction and denominator addition, you will see that the numbers will start getting more representative in terms of what we have seen at the end of FY'25 and FY'26 is where you will start seeing the reduction from the FY'24 numbers further significantly, because I'm expecting a decent growth in FY'26 which will further allow me to liquidate the inventory and also become the base for my base calculation. So, both will happen. But today you are right, it has expanded and there is a very sharp focus from the management side to ensure that gets liquidated sooner.

Krishan Parwani: But if I just look at second half of last year to second half of let's say FY'25, do you expect a growth in top line?

Vishal Thakkar: It would have a growth. Second half of last year was the weak half and from that perspective, yes, I would expect the growth from there.

Krishan Parwani: So, even if we assume a growth of 20% over the second half of FY'24, then also your standalone top line could be anywhere in the range of 950, 960-odd crores. So, let's say you liquidate more like 100, 120-odd crores of inventory, even then the standalone inventory days is going to be much higher than 360 days. So, how do you kind of propose to reduce the net debt, which is kind of a loan to almost like 1,200-odd crores in September '24?

Vishal Thakkar: So, Krishan, let's answer it in two parts. One is the inventory you rightly added it, right? So, what we are doing is we are approximating the lower revenue that I have in Q1, Q2, H1 also into this calculation. But when I'm running the business and if I'm doing let's say 350 as a revenue on a quarter, because the numbers that you're speaking, if I add that as my exit year, I'm not guiding for that, but just for the reason of mathematics I'm saying that number, if you look at it from that perspective itself, that's the kind of an annualized revenue that I'm seeing going forward, right. Because see, unfortunately we take the historicals of the financial and we take the cross section of the balance sheet to do it and that's how we all have been doing and that's how the most scientific way of doing it. But when you look at it from a business point of view, this distortion like I would look at going forward revenue and accordingly I will have my balance sheet. So, that's one part I would want to say. And second when you come back to let's say the net debt part of it, I believe the net debt I would be far more comfortable as we go because the second half, if I were to do whatever number you are saying and if I make a 25% EBITDA margin, let's not even talk about 28% or 29% that I'm doing on a standalone basis also, we are talking about a sizable contribution that is coming from there. That itself is enough and more to take care of it and if I'm saying that, I'm going to reduce the working capital intensity and not increase, then there is no absorption of cash in the working capital, one. Two, my CAPEX are done and CAPEX is perfectly okay. So, that's the second part of it, right. So, there is no cash usage that is there over and above servicing of the debt which is largely and largely working capital and not at the CAPEX flow. So, to that extent I have enough and more comfort there and then Q1 FY'26 is when my preference of preferential shares of 270 also comes in, and that will further ensure that I'm reducing the loan but as such, if I will take that off, I am very comfortable from the half performance itself. So, that's how I can see it and that's how the internal management plan is that we don't need any further external debt to really finance my growth for at least in the near-term.

Krishan Parwani: On your guidance that you mentioned like the long-term guidance of Rs.3,000-odd crores with whatever capacity that you have with your current product profile, so does that include the Tanfac revenues?

Vishal Thakkar: No, I'm talking about standalone. That's the reason I was saying of 1.5 or 1.7 times. You're right. No, this is not including Tanfac. If you add Tanfac whatever their revenue will be over that period will be added on top of it.

Krishan Parwani: This is the guidance you're giving right, is that by '28, '29?

Vishal Thakkar: I could not hear you well. So, if you can just repeat that?

Krishan Parwani: This guidance is it for FY'28 or FY'29 or how is it?

Vishal Thakkar: I would put it in the medium term, which is three to four years and I will leave it there, Krishan. As we get here, I can really comment better on this.

Krishan Parwani: Just a clarification there. So, your current asset base in the standalone basis was 1700 crores, right, and then 1.5 times consist of 2,500 crores odd. So, is that incremental CAPEX that you are envisaging in the standalone business?

Vishal Thakkar: It is 1,900 crores is my block will be once I commercialize everything. So, there will be some bit of CWIP, that's the reason you might not be seeing it, but 190 multiplied by whatever that multiple, you will take it, we will be in the range of 3,000, that's what I was saying.

Moderator: We have a question from Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: So, in our slide #12, we have given the business vertical wise split up; pharma 20% and other specialty 10% during the first half of FY'25. So, other specialty is only polymers or excluding polymers? And allied question to that is from the total LOIs that we have, if you can just quantify how much of that is from agro, how much of that is from pharma, and how much of that is from polymers, I mean out of that 9,000-odd crores?

Vishal Thakkar: So, let's go with the first question that you asked. Others is practically polymers. So, for practical purposes you can use polymer as a reference on the other products. So, that's one clarification. Second, if you look at the first one, two, three, four, five and six, the six LOIs that I signed in 2022, they all are agro-based products. Then the 2023 LOI that is also an agro one. Then the balance if you look at it, the one, two, three and four, four next are polymers and engineering fluids kind of application and one of them has also pharma applications also and then the last but one is the agro and the last one is the polymer again.

Rohit Nagraj: So, maybe next time whenever you are putting up the slide if you add it, it will be more comfortable for us to understand.

Vishal Thakkar: Thank you. Definitely we'll do that. No problem. We will do that because today we report into two segments only, life science and other specialty and hence you're not seeing it. Other specialty whatever are you saying are all polymers. That way we will be able to answer it simply and the life sciences practically are all agro because pharma very limited, have a long term LOI kind of a contract, they are more domestic market where typically you have a long-term relationship but not a contractual relationship to a large extent.

Rohit Nagraj: So, now other question which comes into mind is that so during the first half, whatever growth we have seen in pharma and other specialty, which is nothing but polymers, this is predominantly from the legacy products and non-LOI products, is that assumption right?

Vishal Thakkar: I will say there is some bit on the polymer side you would have seen, but it's not legacy. There are new products which have been launched in pharma. Last year I launched 17 new products, right, that 17 products are giving me the revenue as well, right. So. So, it's a combination of two.

Rohit Nagraj: Legacy in the sense I just wanted to bifurcate between the products, LOI and non-LOI.

Vishal Thakkar: Okay. So, see, I'm saying that this year also my LOI revenue should be in the range of 20%-plus of my revenue. So, quarter-to-quarter when we see there is always a scheduling, there is always lot of other parts too. But if you look at on an annual basis I should be there.

Rohit Nagraj: So, FY'25 will be about 20% plus/minus from the LOI?

Vishal Thakkar: Yes, from LOI.

Rohit Nagraj: Another question is in terms of the outlook or probably visibility from the MNC customers. Given that most of the scheduling for 2025 calendar year is already done, so what is the visibility that currently we have from the legacy portfolio and the ramp up of the new products which are being launched for the LOI purpose?

Vishal Thakkar: If you look at my legacy products in the last four quarters have been pretty low compared to what average should have been even in a different environment. However, so the combination of one is getting a little bit of buoyancy coming up, now that buoyancy is Q3, Q4 or Q1, that we can debate about. And second is there is a bit of a pendency on the demand which is also looking to pick up. So, from that side we see that H2 we have a reasonable confidence in terms of the volume offtake. When I'm saying Q3, you would also appreciate that for us the business is in continuum, we review ourselves on a cross section of a time, but on a continuum basis when I see I can see that there is a buoyancy in the conversation, buoyancy in terms of forecast given by the customer and there is a buoyancy in terms of now the offtake that they are doing.

Rohit Nagraj: Just one last clarification. When we are talking about the LOIs in terms of booking contract, however, given that there has been pricing pressure in most of the products currently. Next year when we are talking about, is there compensation on the pricing part or in terms of volumes to attain that particular contract value over a period of time?

Vishal Thakkar: Please appreciate that as we've said in the past the input raw material cost is the pass-through, right. You're right that the pricing vary across various countries have been up and down. So, you have to also appreciate the pricing of '22 which will be the pricing reference of '21 which were in '22, and there are contracts which are signed in '24 which will be pricing reference of '23 or early part of '24. So, there is a whole cycle in it and also please appreciate this is a five-year contract or a seven-year contract. So, today prices may be lower, tomorrow there will be higher price, right. So, we believe that there is an averaging that happens across the timeframe in terms of revenue per ton. Is that how we do it? Answer is no. The way we do it is very simple that the costs are pass-through but when I say that in seven years or eight years, I will do so much of a revenue from this contract, it is an assumption of an average price that I would have seen over the period of time, right? So, I'm not doing mark-to-market if I want to use the word. Mark-to-market it will be there but every quarter the mark-to-market number will change then, right. And it doesn't help in terms of understanding how the business is going there.

Moderator: We have a follow up question from Mr. Ramesh from Nirmal Bang. go ahead.

Ramesh: So, when you discuss the growth for the existing molecules and the new molecules in the LOI, incrementally, what are the working capital terms in terms of inventory days and reserve days for the new LOIs and the new molecules and to what extent will that help you to reduce your working capital cycle?

Vishal Thakkar: So, see, if you look at it, my current working capital is out of ordinary than my normal business working capital should be. So, the new LOIs where I tend to have a control on the working capital side. On the new demand from pharma side, if you look at, Indian pharma side tends to have a little higher working capital especially on the later side, but maybe on the inventory side, I will have a lower number because I don't need to stock because the pricing is more live in that condition. So, to my mind, the new contracts should be in the range of historical, not the recent one, but the historical working capital cycles of 2020-2021 kind of a timeframe. So, that on a blended basis also will be helping and also when I start liquidating my working capital, I would have a double effect on this.

Ramesh: So, how much of debt can you expect to repay say over the next two years on the current debt level?

Vishal Thakkar: So, first, anyways, I will be repaying around 200 plus of debt in H1 of '26 because I will have my pref and warrants money coming in and I have announced to repay that. So, that anyways I will do. So, largely my term debt will be largely done except or a little bit of what is left out, but then on the net cash basis, it will be practically the zero scenario which I had mentioned earlier also. On the working capital side, basically I don't have going forward any significant CAPEX except maintenance CAPEX and I do not have more absorption of working capital because there is enough and more working capital which will ensure that the current working capital is sufficient to take care of the growth, which if you look at, it had happened in 2022 versus 2023, if you look at it my working capital, even after growth of 25%, my working capital was same and hence my whole growth was funded by the same working capital and I believe that's kind of a similar effect will happen going forward as well. So, one that is there and then there will be free cash flow which comes in like that will help me lower my debt. But from 1,200 the debt would be in the three digits by the middle of the next year.

Ramesh: And then one last thought. On the HF expansion done by Tanfac, what will be your average sourcing of HF from say per annum, the next two to three years based on the expanded capacity?

Vishal Thakkar: Even if you look at it, I'm not the largest consumer of them because my absorption of them is limited, but if you really ask me, I'll be in the top five to six but there will be many other players also who will be consuming this product. So, today, whatever is the demand, that is whatever they're supplying to their customers, they will continue to do, the additional volume I will be able to absorb it. But that's okay.

Moderator: We have a question from Siddharth Gadekar from Equirus. Go ahead please.

Siddharth Gadekar: In slide #14 we have highlighted new chemistry where you highlighted pyridine chemistry. What are we exactly doing in that chemistry?

Vishal Thakkar: I'll go to that slide and then we can talk about it. Yes, so we have highlighted pyridine chemistry. So, we are using this pyridine chemistry for manufacturing of couple of our products which will be going into the pharma application.

Siddharth Gadekar: So, we will be manufacturing pyridine, or we will be sourcing pyridine from outside?

Vishal Thakkar: No, we are not manufacturing pyridine, right. We'll be doing other classes of pyridine.

Siddharth Gadekar: Secondly, in terms of the photochemistry, how many molecules are we doing in that technology as of now?

Vishal Thakkar: So, there are three to four molecules which are in the pipeline where we are doing it in the photochemistry, right now.

Siddharth Gadekar: So, lastly, just on the working capital, if I want to look at it from FY'26 perspective, where should we look at the working capital days given that we have been guiding to lower working capital for the last 2.5, 3 years, but we haven't seen that playing out?

Vishal Thakkar: So, on the working capital side, again, I would say this year will be similar to last year, '26 will be significant improvement, I am not wanting to guess that right now, but I would try and guide that probably in the next coming two quarters because I want to look at the volume offtake and the revenue offtake ramp up before I guide on that.

Moderator: That was the last question for the day. I now hand the conference over to management 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 any questions, or we have not addressed it sufficiently, please reach out to our IR partner, E&Y and we will be happy to get them answered to you. Once again, thank you very much for participating. Thank you for coming on a holiday and wish you a happy Diwali.

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