Ami Organics Limited
CIN. : L24100GJ2007PLC051093
Registered Office :- Plot No. 440/4, 5 & 6, Road No. 82/A, G.I.D.C. Sachin, Surat - 394230, Dist. Surat, Gujarat, India.

August 16, 2024

To,
The Corporate Relations Department,
BSE LIMITED,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai- 400 001

Scrip Code: 543349

To,
The Listing Department
National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor, Plot no. C-1,
G-Block, Bandra Kurla Complex,
Mumbai -400051

NSE Symbol: AMIORG

Dear Sir/Madam,

Subject: Transcript of Earnings Call for Q1 FY25 financial results held on August 12, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on August 12, 2024 post announcement of financial results for the first quarter ended on June 30, 2024.

The same will also be available at the website of Company at www.amiorganics.com

This is for your information and records.

Yours faithfully,
For, AMI ORGANICS LIMITED

EKTA KUMARI SRIVASTAVA
Digitally signed by EKTA KUMARI SRIVASTAVA
Date: 2024.08.16 16:29:51 +05'30'

AMI ORGANICS LTD. ★ SACHIN ★

CS Ekta Kumari Srivastava
Company Secretary & Compliance Officer

Encl: As Above

“AMI Organics Limited Q1 FY25 Earnings Conference Call”

August 12, 2024

MANAGEMENT:	**MR. NARESH PATEL – CHAIRMAN AND MANAGING DIRECTOR, AMI ORGANICS LIMITED**
	MR. ABHISHEK PATEL – VICE PRESIDENT, STRATEGY, AMI ORGANICS LIMITED
	MR. BHAVIN SHAH – CHIEF FINANCIAL OFFICER, AMI ORGANICS LIMITED
MODERATOR:	**MR. KRISHANCHANDRA PARWANI – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to the AMI Organics Limited Q1 FY '25 Earnings Conference Call hosted by JM Financial.

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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krishan Parwani. Thank you, and over to you, sir.

Krishanchandra Parwani: Good evening everyone and thank you for joining us on AMI Organics Q1 FY '25 Earnings Conference Call.

Today, we have with us AMI Organics Management, represented by Mr. Naresh Patel – Chairman and Managing Director; Mr. Abhishek Patel – Vice President (Strategy); and Mr. Bhavin Shah – Chief Financial Officer.

I would now like to invite Mr. Bhavin Shah to initiate the proceedings. Over to you, sir. Thank you.

Bhavin Shah: Thank you, Krishan. Good evening, everyone. We are pleased to welcome you all to our Earnings Conference Call to discuss Q1 FY '25 Financials.

Please note that a copy of our disclosure is available on the Investors Section of our Website as well as on the Stock Exchanges.

Please do note that anything said on this call which reflects our outlook towards the future, or which could be construed as forward-looking statement must be reviewed in conjunction with the risks that the company faces. The Conference Call is being recorded, and the transcript along with the audio of the same will be made available on the website of the company and exchanges.

Please also note that the audio of the Conference Call is the copyright material of AMI Organics and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company.

Today on call, along with me, we have Mr. Naresh Patel – Chairman & Managing Director; and Mr. Abhishek Patel – Vice President (Strategy).

Now I would like to hand over the floor to our CMD, Mr. Naresh Patel for his opening statement. Over to you, sir.

Naresh Patel: Thank you, Bhavin. Good evening, everyone. I hope you all are doing well. A warm welcome to our Q1 FY '25 Earnings Conference Call.

Let me start with an overview of the global Chemical Industry environment.

Geopolitical instability worldwide has led to extended delivery times and higher freight rates over the past quarter, although input prices have stabilized, they remain low, continuing to exert pressure on the pricing of finished goods. The competitive threat from China's manufacturing capability remains significant, and I expect certain segments of the chemical sector to stay under pressure. However, Specialty players, those relying on a technology-driven processes and niche products are less impacted by current market challenges.

Regarding the industries we serve in – The pharmaceutical sector - The advanced pharmaceutical intermediate industry is facing challenges due to oversupply from China. However, while there is some impact on pricing due to lower raw material prices, we are not seeing much impact on our products, given most of our products find application in chronic medication, where technology and process are more critical than scale. Therefore, our core products continue to grow strongly. The CDMO space is experiencing strong growth globally with high inquiry levels for new projects. We are in discussions with many customers with a few contracts nearly finalizations.

In commodity chemicals, while pricing has stabilized, it remains low. We have managed to withstand the pressure through operational improvements and better asset utilization.

In the semiconductor sector, despite the current demand is weak, the discussions with customers suggest that this is a short-term issue and demand is expected to normalize by the end of the year. We are working on integrating operations and expanding our product and customer base in other geographies as well.

The battery chemical sector is evolving rapidly, and we are also building capacity at fast pace to cater the worldwide demand of electrolyte additives and are collaborating with a global player to establish electrolyte solution capacity in India. The IRA policy in the U.S. and the growing battery ecosystem in India presents significant opportunities for us.

For the quarter, I am pleased to report that we continue to navigate the challenging industry landscape successfully to achieve strong 15% growth in revenue from operations. This growth was primarily driven by our Advanced Pharmaceutical business, while the Specialty Chemicals segment saw modest growth due to the subdued performance of Baba Fine Chemicals. Additionally, we successfully conclude the Good Manufacturing Practice inspection by the Pharmaceutical and Medical Device Agency, PMDA in Japan with no critical or major observation. To our knowledge, we may be the only chemical company in India to have successfully completed both US FDA and PMDA inspection in the Advanced Pharmaceutical

Intermediate space. These achievements should open additional opportunity for us in Japan and other regions.

Historically, even as we always see year-on-year growth in Q1, it is important to understand that our Q1 is always lowest quarter in terms of revenue each financial year since inception. And we typically see sequential growth from Q1 to Q4. I anticipate similar strong sequential growth in the coming quarters.

Looking at our current order book, I am confident that we will comfortably meet our 25% growth guidance for the year.

Now, I will hand over the floor to our Vice President of Strategy, Mr. Abhishek Patel for further business updates. Over to you, Abhishek.

Abhishek Patel: Thank you, Naresh bhai. Good evening, everyone.

Continuing with our Business Performance:

Our advanced pharmaceutical intermediate business reported revenue of Rs. 135 crores for the quarter, reflecting strong robust 16.6% Y-o-Y growth. This increase was driven by strong performance in both CDMO as well as the core product business. The Specialty Chemicals business also grew by 10%, reaching Rs. 42 crores. This growth was largely due to strong performance in the commodity chemicals segment, though it was partially offset by the subdued performance of Baba Chemical business.

Elaborating more on Baba Fine Chem business: For the past 2 to 3 quarters, BFC has been operating around Rs. 5 crores revenue per quarter affected by business integration and demand issue from our client side. We expect a recovery to begin in second half of the year. Post acquisition, our team has been actively marketing new products, which were already present in BFC product basket, but were not marketed earlier. Marketing efforts driven through participating in semiconductor conferences engaging with customers in Korea, Japan and Taiwan. This has led to a new customer collaboration with customer in Korea and Japan at the large scale, although this initiative will take some time, we are optimistic about the opportunities in this segment.

Now in Battery Chemicals segment: We have established Enchem AMI Organics Private Limited, a wholly owned subsidiary of AMI Organic Electrolytes Private Limited, which is in terms of wholly owned subsidiary of AMI Organics Limited. This step-down subsidiary will focus on electrolyte for lithium-ion batteries and related material in India.

Regarding CAPEX update: For Ankleshwar project, we are on track to complete the remaining 2 blocks by end of quarter Q2 FY '25. In line with our commitment to combat global warming under the United Nation Global Compact Pledge, we have initiated a 16-megawatt solar CAPEX captive power plant project. This project will meet most of our energy needs, leading to reduce carbon emission and lower energy cost. We anticipate completing this CAPEX by the end of Q2 FY '25, and energy savings expected to start from Q3 FY '25, which will further contribute to our EBITDA improvement. As Naresh ji mentioned, we have also started CAPEX for electrolyte additives, which is on track completion by end of this financial year.

With that, I will hand over the floor to our CFO, Mr. Bhavin Shah, to provide financial update. Over to you, Bhavin bhai.

Bhavin Shah: Thank you, Abhishek bhai.

I would like to briefly highlight the key "Performance Metrics" for the Quarter before we open the floor for questions:

Revenue from operations for the quarter reached Rs. 176.7 crores, representing 16.6% increase on a year-on-year basis. As Naresh ji noted, this growth was primarily driven by strong performance in Advanced Pharma Intermediate segment.

Gross profit for the year was Rs. 74.3 crores, reflecting a 1% increase compared to the same period last year. The gross margin was 42.1%, up from 40% in Q4 FY '24, but down from 47.9% in Q1 FY '24.

As you all know, to support our clients who were facing pricing pressure, we had resorted to supplying products at a spot pricing to our long-term customer to protect the volume at the cost of margin decline in fluctuating market conditions. This had impacted our gross margin from Q2FY24 onwards.

As expected, RM prices have stabilized, and we are slowly moving back to old pricing formula with most of the long-term customer, and therefore, there was a good expansion of around 210 basis points in gross margin in Q1 FY '25 sequentially.

EBITDA for the quarter was Rs. 29.5 crores at 13.2% decrease year-on-year with EBITDA margin at 16.7% down from 22.1% in the same period last year. Several factors impacted the EBITDA margin. First one is the gross margin. This remains a primary driver for EBITDA, while it improved sequentially, it was lower year-on-year basis.

Second is increase in employee costs, higher expenses this quarter resulted from annual increments and new hires for the Ankleshwar Plant. Other reason is the seasonal trend. As Naresh bhai mentioned, Q1 is typically our lowest quarter in terms of revenue. Therefore, Q1 usually has the lowest topline and EBITDA each financial year.

PAT for the quarter was Rs. 19.7 crores compared to Rs. 30.9 crore in Q1 FY '24, leading to a PAT margin of 8.3%. The decline in PAT margin was due to lower EBITDA margins, higher depreciation costs due to capitalization of one of the block at Ankleshwar units and increased finance costs. We anticipate higher depreciation costs in coming quarters as we will capitalize the remaining blocks of the Ankleshwar unit in the coming quarters, however, with a significant debt repayment, finance costs are expected to decline sharply.

Overall, we remain on track to achieve our 25% growth target for the year while maintaining healthy EBITDA margins.

With that, I request moderator to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivek Gupta, who is an Individual Investor. Please go ahead.

Vivek Gupta: So, a couple of points that I wanted to discuss, sir. So, first is, how much did we invoice for electrolytes in this quarter?

Abhishek Patel: So, electrolyte business is still in the working out stage, we are working on both the front in form of corporate governing structure as well as the CAPEX. So, electrolyte segment sales is yet to start for us.

Vivek Gupta: On last concall, did we mention that we would invoice some part of it in Q1, right?

Naresh Patel: So, contrary, there are some small invoices for sampling and qualification, but the large invoices will be started from H2 as we mentioned. We are talking about additives.

Abhishek Patel: There are 2 different set of business. You asked about the electrolyte. So, that is electrolyte business is yet to start. If you asked about the electrolyte additive business, so that is we have some long-term contract already signed, and we expect that revenue to start from H2 FY '25. Right now, it's only small quantity related to sampling and all those things.

Vivek Gupta: The other point is, I see other expenses being greater than part. So, what exactly we have in the part of other expenses?

Abhishek Patel: So, other expenses include expense related to manufacturing as well as the marketing as well as the administrative expenses.

Vivek Gupta: Okay. So, we expect a similar trend down the line as well, because it's huge.

Bhavin Shah: So, in this case, our other expenses should be ranging between 15% to 17% of the total sales. And as we grow quarter-on-quarter, with better topline, we will have a better leverage, and we will have a savings in this area. So, other expenses should remain between the range of 15% to 17% kind of thing.

Vivek Gupta: And I see that we are operating at the lower PAT margins in FY '20. So, is there a reason that we have not been able to improve the PAT margins?

Bhavin Shah: With regard to PAT margin, see, we have improved our gross margin on a sequential basis. However, in current quarter, we have higher depreciation expense, higher finance cost due to our Ankleshwar unit, which has capitalized last year and which has yet to give a full potential of revenue. So, higher depreciation, higher finance costs, and we have also rolled out increment in Q1 this year. So, these 3 factors cumulatively giving a lower PAT margin for the quarter. As we move gradually on a quarter-on-quarter basis, this will improve.

Vivek Gupta: And what is the EBITDA margin guidance you would give for quarter 2?

Abhishek Patel: So, we do not generally provide the guidance, but you can expect that in last quarter also, we had a very good revenue of Rs. 225 crores. And as we progress, we are committed to deliver growth of more than 25% in revenue. And you can expect that first, as Naresh bhai, already mentioned, the Q1 is always a low revenue quarter and sequentially, it goes higher. So, you can expect similar kind of numbers going forward. So, at least when those revenue topline number gets going, you can expect around more than 200 basis point improvement at the operational level also. We are also committed to delivering higher margin in terms of material margin, gross margin level also, but 200 basis point around improvement in EBITDA margin because of operational efficiency. So, that's the kind of EBITDA guidance you can work out at your end.

Vivek Gupta: One last point. So, for the from QIP proceeds we have retired all the debt for the company, right?

Abhishek Patel: Yes.

Vivek Gupta: And what is your net cash in hand currently, on books?

Bhavin Shah: So, as on June, net cash on hand is around Rs. 385 crores.

Moderator: Thank you. The next question is from the line of Rikin Shah from The Boring AMC. Please go ahead.

Rikin Shah: I wanted to understand what the timelines for Enchem AMI Organics would be, how would this pan out? And what the deeper plans for this would be?

Naresh Patel: Enchem AMI Organic is a subsidiary for making toll manufacturing for electrolyte in India, exclusively for the parent company in Korea. And right now, we are in discussion of finalizations of the JV terms and conditions. So, we cannot throw the exact timeline because it's complications between 2 companies, 2 countries and also regulatory requirement and all.

Rikin Shah: And my second question would be on understanding how Block 2 and 3 of the Ankleshwar unit after construction like do we have some sort of order book finalized? Or how would we be utilizing that going forward?

Naresh Patel: We are in an active discussion, I think not active discussion but almost a finalization of signing one more contract as a CDMO with one of big originator based in Europe, samples, everything is done, now validation batches will be planned in next quarter. So, maybe end of this quarter or maybe beginning of next quarter, we will be have these signings. So, we plan very properly and everything is going as per our planning in Unit 2.

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

Krishanchandra Parwani: Just a couple of questions from my side. So, firstly, on the Fermion contract, when we start to see the strong ramp-up from that?

Naresh Patel: We have already sent validation batches for the qualification at customer end. And by starting from Q2, Q3, Q4, it will gradually increasing, and it will fully ramp up in FY26 up to the maximum level. But this year, we are targeting to have all the validation finishing all to 84 countries where they are supplying. So, this is slowly ramping up, but it's a very positive and it's going on as per design and planning by the customer.

Krishanchandra Parwani: Understood. So, basically, with this kind of a ramp-up, I mean, gradual ramp up, your gross margin trajectory should also improve going forward. Is that correct?

Naresh Patel: Yes, definitely.

Krishanchandra Parwani: And on the tax rate, was there any one-off factor in this quarter? Because I think there was tax rate is slightly higher. Is there any one-off?

Bhavin Shah: No. See, tax rate for Baba is different than Ami Organics. So, when we combine it, it will look on a higher side.

Krishanchandra Parwani: Understood. So, for FY '25, should we build a 25% tax rate or slightly higher?

Bhavin Shah: It should be on a slightly higher side.

Krishanchandra Parwani: Understood. Thirdly, on the electrolyte additive project, given, you have also done some arrangement with Enchem recently. So, just wanted to check, I know both the projects are different. But for the electrolyte additive project per se, do you have firm orders in hand?

Naresh Patel: Electrolyte CMO, we don't have firm orders because we have not formed JV. But for Electrolyte additives, yes, we have a long-term contract already signed. And based on this planning only, we are now expanding our capacity for VC and FEC up to 2,000 metric tonnes. Apart from that, we had already developed another 8 new additives, which are also used in the manufacturing of the solution of electrolyte, and these all are also now started qualification stage at different customer level as well as with Enchem as well. So, once these also will be matured, we will start producing that apart from VC, FEC, other additives also in AMI Organics Electrolyte.

Krishanchandra Parwani: Understood. So, basically, these are some of the firm contracts that you have in hand, which is what is driving you to guide for a 25% growth in FY '25. Is that correct?

Naresh Patel: Yes.

Krishanchandra Parwani: Noted. And lastly, if I may. I think you were facing some challenges on Apixaban, but I think recently, there was a court order also confirms the invalidity of Bristol-Myers Squibb. So, are we seeing some uptick there? Or will it take some time?

Naresh Patel: No. Yes, it's already started taking up slowly and in any way, next year is a year of launching, right? So, exclusivity is expiring. So, we have already started getting the orders started in different, different customers slowly.

Moderator: Thank you. The next question is from the line of Sudhanshu from Marcellus Investment Manager. Please go ahead.

Sudhanshu: Sir, first of all, if you can help me understand the volume and value breakup of this 15% Y-o-Y growth and the Q2 decline as well. What was the number in terms of the volume momentum?

Bhavin Shah: So, we have got this 15% hike completely on a volume side that is 18% growth on volume side.

Sudhanshu: So, 18% volume growth and then 3% pricing degrowth? Is that how we arrive at it?

Bhavin Shah: Yes.

Sudhanshu: So, this 20%, 21% degrowth on a quarter-on-quarter basis, if you can split that as well in volume and value terms, was there any quarter-on-quarter depreciation as well in terms of our realization?

Abhishek Patel: So, let me tell you this way. As we already mentioned that generally Q1 has always been the lowest quarter for us. So, largely in both the segments, it was kind of similar kind of degrowth. But it was not kind of things which came to us and surprised us. We have already prepared ourselves for such kind of revenue and because the kind of visibility we got from the customer, we are again committed to achieve more than 25% growth for full year. So, for both the segments, we are expecting kind of similar growth and more than 25% growth and will do more than 25% growth at the end of the year. Under volume and the value side, as Bhavin mentioned, 18% is the volume growth for overall level against the 15% of value growth. But segment-wise, the split, we are not providing.

Sudhanshu: Segment wise, I am not asking. I am asking quarter-on-quarter, sir.

Naresh Patel: It will be incremental similarly for quarter-on-quarter as well. And historically also, we are expecting same kind of history since inception, and we are committed to have 25% growth this year because we have. This is all bought according to the plan, and we know accordingly, it is growing right now.

Sudhanshu: Understood, Naresh bhai. And in terms of the challenges that we mentioned in terms of the integration-related issues for Baba Fine Chemicals, if you can help us understand that piece a little better like what exactly is going, why the sales are down from the levels at which we bought the partnerships stake?

Naresh Patel: See, basically, this is a very highly entry barrier business, semiconductor and it's very difficult to enter in that system when you are doing with chemicals, which is high pure chemical. And when we've done these acquisitions of ownership change from Baba Fine Chem Partners to AMI organics, we need to comply several requirements with the buyer Heraeus. So, last year was all was that. During that period, Heraeus is a headwind in their business, they will survive with the stock, what they have, but now they have a headwind also during these last 2 quarters, they are facing some challenges of their final product. And that's why it is a little bit sluggish at their end, and that is cascading effect to us in Baba Fine Chemicals. But contrary, we are also not sitting on because we were highly dependent on Heraeus on one customer. We had already started promoting other molecules, which we had not committed to Heraeus to the other segment in Korea and Japan. And we already start supplying few kgs of 1 kg to 10 kg level to these customers, and it's also moving very good. So, next 1-1.5 years, it will be improvement for us, not only from Heraeus side as well as from other new customers as well. So, we are working strongly on promoting Baba Fine Chemicals in the next 1-1.5 years.

Sudhanshu: Okay. And sir, if I may just ask a follow-up question on that. The new molecules that we are pitching to Japanese and Korean companies. Would it be in the same realization band and profit margin band? Or would there be a significant difference in terms of what we get from Heraeus versus the Japanese and Korean clients?

Naresh Patel: Yes, it will not be as great as 65%, but it will be to be between 40% to 50%. And because the application is not in the same line, it all depends on the application as well. But it will be much better, much, much better than what our current business is doing.

Sudhanshu: Understood. And one question. Bhavin mentioned long travel times for the cargo and freight cost increase. So, has that had any effect on our sales as well? Have you lost any sales because of these 2 aspects? And the way these containers and long lead times?

Naresh Patel: It is not that great impact on our sales because we have an order in hand for longer period. So, we planned very strategically about the shipment as well. And accordingly, we booked our containers and all. But yes, it has impacted on the cost of the shipment, it is little bit incremental. That is also one of the temporary impact on our margin, but that is not that great. So, that's why we are not narrated impact of that. But for the time being, we don't see any supply or any sales restriction because of this longer segment time as well as longer awaiting time for the container because we are booking very early about that.

Sudhanshu: Understood. If I may ask 2 small questions, one to Naresh bhai, and one to, I think, Bhavin bhai. Sir, in terms of the Apixaban and Rivaroxaban sales, you mentioned something to the last participant as well. But are we saying that gradual shipments have started, but the pickup would happen primarily in Q4 this year and then FY '26 would be the major pickup for these 2 molecules? Is that understanding correct?

Naresh Patel: Apixaban, your understanding is correct. Rivaroxaban is still we have to wait because it has still time. But we are moderately selling Rivaroxaban as well, but not at the peak right now.

Sudhanshu: Alright, sir. And Bhavin bhai, you mentioned that the solar plant would basically help us mitigate a lot of our energy costs. So, if you can quantify what percentage of our energy cost at the current level of operations would come down once this solar plant gets completed in Q2?

Bhavin Shah: So, see, primarily, we will not quantify the number, but the 16 megawatt will suffice our existing electricity cost. So, we will see improvement in that thing.

Naresh Patel: The detailed reason of that is because Unit 2 just commenced. So, that's why it is difficult to quantify.

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

Sudarshan: So, my question is to slightly understand how our strength is going to help us during this situation where a lot of our competitors are facing issues in terms of availability of the freight containers. While I think a few quarters ago, you did mention that we have largely reduced the impact import dependence and started focusing on a little bit more locally. So, one is, with the current scenario, does your plans now are starting to come and ask a little bit more in terms of more product, I mean, from your side? And second is from the overall relationship perspective, I am talking about the Japanese FDA that has come and audited the facility. I mean it is very nice to see that we have been able to ramp up our relationship with some of the other regions. But with this in place, how do we see us taking our relationship into Japan now that we have capabilities into grignard chemistry, building it into continuous flow chemistry etc.

Naresh Patel: So, let's first answer your first question related to the logistics and dependence on the raw material as well as availability of the containers. Definitely, if you are not dependent more on imports that will leverage you and to your customer as a local available raw material will make you more sustainable in terms of supply chain to them. So, that is definitely help us. And that is also one of the reasons that we are getting good project every quarter and every year. This quarter also we have received more than 12 new projects in terms of new supply. In terms of the supply to the customer, the second challenge where every exporter has the same challenge which we have as well. So, in that area, it is a better planning and that helps you to have early orders from the customer and onloading forecast help you to understand that when you required the containers for shipments and all, and that help you. It will help you to plan, but it will not help you to the cost because cost is not in our hand, but definitely, it will help us to on-time deliver to customer. So, I hope this will give you a satisfactory answer for your question. Related to Japan, we were already present in Japan in the last 15 years, we are doing sizable business in Japan. But with this PMDA inspection for chemical opened doors for us for advanced intermediate and N-1 kind of products for the API manufacturer in Japan. So, that help us definitely promoting our pipeline, which is, we are normally also promoting in Europe, U.S. and in India, but that is now open for us as well. So, that will definitely help us to grow our business in Japan.

Sudarshan: Sure, sir. And sir, if you are looking at the number of projects that we are working with, I mean gaining new clients as well as deepening our relationship with clients. I mean, given that we have spent a fair amount of effort and also building capabilities through M&A and directly. Can you qualitatively give some color with respect to more products or the relationships and pipeline something like how Fermion work for us. So, qualitatively say, 2, 3 years ago, how many relationships did we have? And probably now what is the kind of relationship that we are having?

Naresh Patel: As I always say that we started based on the originator business only. And we have a very long relationship with big originators. Fermion is one name, but there are so many other names with whom we are working in Europe. So, I can say name of Boehringer Ingelheim one of them with whom we are working since 20 years. Similarly, we have a lot of other originators with whom we are working. And we are time-tested supplier for them. And time to time, they give us a new molecule, which we develop for them, and then we wait for when it is launching. So, many molecules we have in Phase-I, maybe Phase-II. So, that will be longer period, it will go for launching. And one of the products which you know in Fermion is Darolutamide but apart from Darolutamide, we have other 8 products with the Fermion, which are already either commercialized or in the pipeline. So, this is the reason we have more than 570 molecules, which is already invoiced.

Sudarshan: Sure. Sir, one final question before I join back the queue is at some point of time, we were doing EBITDA margins of excess of 20%. Various combination of several factors that impacted the margins, it has probably led to the margins coming down. I mean leaving just this quarter aside, I mean, negative operating leverage etc. One is, if I am mapping the strength of the business in terms of the R&D capabilities and the clientele, the margin does not reflect the strength of the business. So, one is, in the near term, when do we see one to go back to the 20%? And second is, if you look at the kind of other competitors, I mean, whether it is in India or even globally, with similar kind of work which the companies are doing, their margins are significantly higher, not as a 25%. Second is, as the utilization goes up, when do you see this 25%-plus margins kicking in?

Naresh Patel: It's a really good question. But the issue is that we are not a peer to peer comparing with others because we have basket having not only the originator business or not only the CDMO business, but we have also generic business as well as we have a commodity business like specialty chemical as well where margin is low and volume is very high. So, because of that, there is a bundle of when you do the average, it is impacting a lot. But you rightly said that it should not be that low as what we know. But as we say, our main target is to go to our historical margin level of 23% in pharma. So, we are working on that. And this financial year is definitely is historical for that to reach, this is our aim. And in future also, going forward, new projects are coming, new CDMO will come, which will also be helping us to have a better margin in our profile. So, definitely, it will go to the near level of our historical margin.

Abhishek Patel: And just to add on this, it's not that far also. It is definitely achievable in short time also because as we deliver in Q4 FY '24, when the sales was around Rs. 225 crores, we have delivered 19% EBITDA at a gross margin of 40% only. So, today, we are at a gross margin of 42% with operational efficiency and the large quantity of CDMO business, so more than 25% EBITDA level is definitely doable in this financial year also, hopefully in Q3 and Q4.

Moderator: Thank you. The next question is from the line of Neha Agarwal from SageOne Investor. Please go ahead.

Neha Agarwal: So, I'll just stick to a couple of more. One is currently, if we look at the overall capacity that we have, all the 3 units put together, I am just taking the liberty to add Ankleshwar also. So, I think we will be overall at around if we take full Ankleshwar, then the number would be somewhere around 12,000 tonnes, right?

Naresh Patel: Yes. In quantity, yes. But in, volume-wise, we are now somewhere around 1,100KL. So, right now, in volume because we have, in Ankleshwar, we will do more high-value product at a low volume.

Neha Agarwal: Right. So, my question is on Ankleshwar alone. If we leave aside say, Sachin and Jhagadia for the time being on Ankleshwar alone, what kind of asset turns are we envisaging?

Abhishek Patel: So, asset turn for Ankleshwar unit definitely will be more than 3x. But because of we have some good CDMO contracts already in place, it can go more than 4x also.

Neha Agarwal: Okay. So, given the CAPEX of around Rs. 300 crores in Ankleshwar, which is the revised number. So, we can say around Rs. 1,200 crores plus kind of a topline at full utilization of all the lines in Ankleshwar? Will that be a fair assumption?

Abhishek Patel: Yes, at 100%, we can calculate like this.

Neha Agarwal: Okay. And is there any time line that, again, that you think this could be achievable given the visibility that you have pertained, given current order book as well as the discussions that are ongoing for Ankleshwar?

Abhishek Patel: So, you have to understand that at present, we are only calculating our revenue based on the block 1 of the Ankleshwar facility. Block 2 and block 3 are yet to get commissioned, which is expected in Q2 FY '25. So, expected peak utilization for those 2 blocks are still very premature to propagating the market as of now.

Neha Agarwal: Understood. But typically, please help me understand this better. So, generally, in CDMO, how it works is that, when you have, say, the unit or lines in place, then you already start also talking to clients and probably blocking individuals lines within the overall block for individual clients, right? So, there could be dedicated lines. So, here in Ankleshwar, I think the first one is already done with. But for 2 and 3, I mean is there a visibility in place? Or do we have some firm contracts? Or are we in early stages of discussion?

Naresh Patel: I already announced that in my last answer to someone else that we are on a very final stage of signing some contracts with one of our reputed buyer in Europe. But we will not be able to say right now about that planning considering the confidentiality of the nature of the business.

Neha Agarwal: Understood. And ex of Ankleshwar, if I go back to your existing Sachin and Jhagadia unit, the current utilization there would be in what range?

Naresh Patel: It will be around 50% to 55% between that.

Abhishek Patel: At Jhagadia and more than 70% at the Sachin.

Neha Agarwal: So, what kind of optimum utilization can we achieve in these?

Naresh Patel: We can go up to 85% maximum.

Neha Agarwal: In both our locations you are suggesting?

Naresh Patel: We have a fungible facility everywhere. So, it can be multipurpose plant, not dedicated plant. So, it can be go up to 85%. In dedicated plant, you can go up to 100%, if it is continuous one product. But in multiple fungible plants, you can go up to 85%.

Neha Agarwal: Okay. So, well, if I take last year's full number, basically, just trying to draw an estimate of the overall all 3 facilities put together, if we are at optimum utilization, then what kind of growth up to what level can this capture? So, last year, when we closed at closer to 725 kind of topline. Is it Sachin and Jhagadia operating further more at a higher utilization than probably Rs. 900 crores to Rs. 1,000 crores for that? And then another Rs. 1,200, sir, so maybe Rs. 2,000 to at a broader range, maybe Rs. 2,300 crores to Rs. 2,500 crores level at a broader range is what we can achieve with all of these 3 put together. Will that be a fair number to estimate?

Naresh Patel: I cannot comment on that. You can calculate all that.

Neha Agarwal: I totally understand that there is a timeline, and I mean there are confidentiality with respect to the order discussions that you cannot disclose. But at an overall level, at a company strategy level, what is your thought process or strategy pertaining to utilization of all of these, I think, would a broader 3-year timeframe be good enough to assume a full utilization or closer to optimal utilization of all of these 3? Or could it take longer?

Naresh Patel: So, it all depends on product mix basket, everything. We want to reach to 85% in 1 year, but this is all not possible, right? It's all market changing and also, we are continuously working on our process improvement. So, we are changing a lot of batch processing to continuous. Like in Surat, Unit 1, where we reached to 75%, 78% utilization and then we improved process and then we reduced to 70% by putting some reactions into continuous for reactor. So, this is a continuous process, and it cannot be stopped. So, that is how it's not defined that in 2 years' time, we will reach 85% or something like that. But main purpose is to make high-value product rather than making a commodity product in pharma and making better utilization and better revenue and asset turn. This is the main objective of AMI Organics.

Neha Agarwal: Sure. In terms of product mix, where are we envisaging by next year end? so by FY '26, given that the Fermion contract will be, we will have 1 full year of number there. So, overall, CDMO versus commodity specialized all put together, what kind of product mix can we look at by end of next year, which is FY '26.

Naresh Patel: For the today, I can say that we are at around 50% originator, 50% generic in pharma, whereas 80%, 20% in pharma and commodity. On the future, I can't disclose exact number, but that definitely originator business will be higher beyond above 50%. I am sorry, but due to some confidentiality and avoiding some more competition, we are very restricted in some answers.

Moderator: Thank you. The next question is from the line of Jason from IDBI Capital. Please go ahead.

Jason: Sir, just some more clarity on this capacity utilization, but I know there was a detailed question asked before. So, last quarter, sir, you had said that Sachin was at 72% capacity utilization, okay? And Unit 3, which is Jhagadia, was under 50%. That is for the specialty chemicals and electrolyte additive, right? So, now also the capacity utilization more or less remains the same, right sir at Sachin and Jhagadia?

Naresh Patel: So, in Sachin, we reduced 2%, whereas in Jhagadia, we increased 5%. So, it all depends on product mix, it may vary between plus or minus. And then because of the product mix changes, also the final value of the product is also changing. So, this is how it is. And then also in Jhagadia as well as Sachin, we introduced some new flow chemistry equipment, which help us to also optimize the capacity in a little bit on our utilization side.

Jason: Sure. And sir, this electrolyte additives, and this is going to be housed in Jhagadia. Is that right?

Naresh Patel: Yes. 100% in Jhagadia.

Jason: 100% in Jhagadia so with the spec chem business. And sir, just wanted to understand, so this Ankleshwar unit, again, there's no question there. Now what I understand is there are 3 blocks. And out of that, 1 block has been particularly dedicated to Fermion. So, just on a percentage basis, 33% is active and 67%, you are still looking basically to employ for future opportunities. Is that understanding correct?

Naresh Patel: Yes.

Jason: Yes. So, 67% still is to be utilized for further upcoming opportunities, it could be from any client whom you're talking to?

Naresh Patel: Yes.

Jason: And complete CAPEX is Rs. 300 crores for Ankleshwar, right? So, once everything starts only, then you can look at it from a 3x, 4x kind of thing, right?

Naresh Patel: Yes.

Jason: Right. Just wanted that understanding so that's good, sir. Sir, also wanted to understand, again, now on an EBITDA margin, in terms of exports, sir, I just wanted to know you had resorted to this spot basis, basically supplying to our customers. What is the update on that, sir, in terms of spot contracts because of competition etc. coming in. So, how is that going on?

Abhishek Patel: So, as we mentioned during last call also that to retain our volumes, we had to slightly change our strategy. And we said during last quarter also that in this quarter, the pricing would stabilize and margin will improve. So, slowly as it is evident in our margin improved 200 basis point, so we are getting back to our normal situation. So, this is how it has been in Q1 and going forward, it will be the normal situation expected for Q2 and Q3, Q4 as well.

Jason: Sure. So, that continues, and I understand prices are under pressure. So, sir, also in terms of EBITDA margin, sir, how do you look at it from sort of some guidance what you want to give? Of course, I know the scenario is pretty dynamic but margins have shrunk from those 20%, 21%. So, any guidance you would want to give for the upcoming years, '25, '26?

Bhavin Shah: So, as I mentioned, we have already demonstrated around 19% EBITDA margin in Q4 FY '24, wherein the revenue was Rs. 225 crores. So, a similar kind of revenue topline figures, we will achieve those additional 200 basis point operational leverage. Apart from that, we already improved 200 basis points in terms of gross margin. So, that add-up will definitely reach us more than 20% margin in this financial year only, hopefully, we will achieve in Q3 and Q4. And going forward with additional CDMO business is coming in our product portfolio, those margins are expected to more than that level. That is what we are planning in FY '26.

Jason: Sure, sir. And sir, also, just wanted to know, I mean you just said that 50% of your business is from generics and 50% innovator driven. And of course, as a company would like to move higher up the value chain for CDMO to innovator business. So, just wanted to know certain steps which are taking as a company to move up the value chain if you could just give us a broad color on what we are doing to higher up the value chain, higher up the margin chain as well?

Naresh Patel: This is a long-term process, and we established this several years. And because of that, only now, the qualification from regulatory authority is also one of the crucial part of this kind of new CDMO for the higher value chain. So, now we are FDA, now we are PMDA inspected. So, that help us to go in a higher chain against the other competitor also now. So, this is long term, and we are slowly marching in our strategy.

Jason: Sure. And just lastly, I just want to ask you. CAPEX guidance still stays at around Rs. 2.5 billion for each of the years. That's what roughly what guided last year. So, any changes to that?

Abhishek Patel: So, we have said around Rs. 250 crores CAPEX for this financial FY '25. That remains intact, right.

Moderator: Thank you. The next question is from the line of Dhara from ValueQuest Investment Advisors, Private Limited. Please go ahead.

Dhara: I have a few questions. First one, on the segmental margins if you can provide the margins for advanced intermediate and specialty chemicals?

Bhavin Shah: So, margin for intermediate is at 17.1% and specialty at 15.44%.

Dhara: And my next question would be, as you mentioned that our depreciation cost during the quarter was higher. How much of the capitalization have we done for Ankleshwar?

Bhavin Shah: That is for one-third capacity for 1 block.

Dhara: So, the amount that we have capitalized on the balance sheet?

Bhavin Shah: That is around Rs. 110 crores.

Abhishek Patel: So, actually, it was capitalized towards the end of quarter Q4 FY '24, but it was for a very limited time during the quarter, but full quarter impact was seen in Q1 FY '25. So, that's the reason you see a higher depreciation figure.

Dhara: But the amount is Rs. 110 crores. And how much the WIP would be had on our balance sheet?

Bhavin Shah: Around Rs. 125 crores.

Moderator: Thank you. The next question is from the line of Prashant Nair from Ambit Capital. Please go ahead.

Prashant Nair: I had a question on segmental margins, which you just answered. My second question is about the Apixaban opportunity, by when do you think this will play out completely across all markets, when would peak sales for this product please?

Naresh Patel: FY '26.

Prashant Nair: FY '26. And Rivaroxaban also a similar time frame? Or would that be...

Naresh Patel: Yes. It will be in FY '26 as well.

Moderator: Thank you. We have the next follow-up question from the line of Rikin Shah from The Boring AMC. Please go ahead.

Rikin Shah: So, for Apixaban, I just wanted to understand that the patent expires in most geographies at the end of CY '26. And generally, whenever a drug goes off patent, almost 90% erosion in the finished drug pricing. So, in light of what has happened in the past for most key drugs, should we sort of expect erosion at an intermediate level as well? And have we taken into account of these things?

Naresh Patel: Yes, definitely, this is part of our business policy, and we have develop all the intermediate considering these kind of launching price pressure, and we are very well prepared for this.

Rikin Shah: Okay. And my second question is for follow-up on the earlier question for Baba. So, you mentioned that this is a very strenuous process in this business to get into the system. And there was probably in sort of a process where we are working with Japanese and Korean clients to get into their system. So, how long would this process be, like a ballpark figure for anyone else in this business trying to get into their system?

Naresh Patel: So, we are working with some CDMO in semiconductor segment in Japan and Korea, big conglomerate in a world. And we are working with them for the new applications and new opportunity with them. So, it's a brand-new product with a brand-new application, but that product already developed at Baba Fine Chem, the chemistry was already available to Baba Fine Chem and that chemistry, we are promoting with an application in different areas.

Rikin Shah: Right. But like in timeline terms like how long would approval take?

Naresh Patel: See approval is already in process. It may take 1 year, it may take half year also, it may take 2 years also. It depends on the final product application and approval from the customer. But it is not that like in generic chemical that you just approve the sample and start business.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Naresh Patel: Thank you to the JM Financial team for hosting our conference call. We appreciate everyone's questions and hope we have addressed most of your queries. If we missed any of your questions, please reach out to our Investor Relations team and we will get back to you promptly. Thank you very much, and good evening, everyone.

Moderator: On behalf of JM Financials, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Transcript has been edited for reading purpose.