

July 24, 2024

Ref. No.: **AIL/SE/31/2024-25**

To,

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001, MH.

Scrip Code: **543534**

National Stock Exchange of India Limited

Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai-400051, MH.

Symbol: **AETHER**

Dear Madam / Sir,

Subject: Transcript of the Earning Conference Call

In accordance with Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Transcript of the Earning Conference Call scheduled on Friday, July 19, 2024, on the financial performance of the Company for the First Quarter ended on June 30, 2024, is enclosed herewith.

We request you to kindly take the information on your records.

Thank you.

For Aether Industries Limited



Chittrarth Rajan Parghi

Company Secretary & Compliance Officer

Mem. No.: F12563



Encl.: As attached



“Aether Industries Limited
Post Results Conference Call”

July 19, 2024



MANAGEMENT: **DR. AMAN DESAI – PROMOTER AND WHOLE TIME DIRECTOR – AETHER INDUSTRIES LIMITED**
MR. ROHAN DESAI – PROMOTER AND WHOLE TIME DIRECTOR – AETHER INDUSTRIES LIMITED
MR. FAIZ NAGARIYA – CHIEF FINANCIAL OFFICER – AETHER INDUSTRIES LIMITED
MS. SHUBHANGI DESAI – EXECUTIVE INVESTOR RELATIONS – AETHER INDUSTRIES LIMITED

MODERATOR: **MR. NILESH GHUGE – HDFC SECURITIES**



Moderator: Ladies and gentlemen, good day, and welcome to Aether Industries Post Results Conference Call hosted by HDFC Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilesh Ghuge. Thank you, and over to you, sir.

Nilesh Ghuge: Good afternoon, all. On behalf of HDFC Securities, I welcome everyone to this Aether Industries conference call to discuss the results for the quarter ended June 2024. From Aether Industries, we have with us today Dr. Aman Desai, Promoter and Whole Time Director; Mr. Rohan Desai, Promoter and Whole Time Director; Mr. Faiz Nagariya, Chief Financial Officer; and Ms. Shubhangi Desai, Executive, IR.

Without further ado, I will now hand over the floor to Ms. Shubhangi Desai to begin with the Earnings Call for Q1 FY '25. Over to you, Shubhangi.

Shubhangi Desai: Thank you, a warm welcome to everyone. Today, on July 19, 2024, our Board has approved the financial results for the first quarter of the fiscal year 2025 and the same has been filed with the exchanges as well as updated over our website. Please note that this conference call is being recorded and the transcript of the same...

Moderator: Sorry to interrupt, ma'am, your audio is not clear. Can you please speak up a little bit?

Shubhangi Desai: Okay. Please note that this conference call is being recorded and the transcript of the same will be made available on the website of Aether Industries Limited and exchanges. Please also note that the audio of the conference call is the copyright material of Aether Industries Limited and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management's current expectations on future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Aether Industries Limited or its officials do not undertake any obligation to publicly update any forward-looking statements, whether as a result of future events or otherwise.

Now Mr. Rohan Desai will begin by sharing Aether's business outlook. Then Mr. Faiz Nagariya will cover the financial highlights for the period under review, and Dr. Aman Desai will share the ongoing expansions and strategy of the company going forward.

Now I shall hand over the call to Mr. Rohan Desai for his opening remarks. Over to you, sir.

Rohan Desai: Good evening, everyone. I hope everybody is doing well, and I'm glad to connect with you all to discuss the performance of our company for quarter one. During the quarter under review, we witnessed growth in overall volumes, but the prices have been impacted due to China's dumping.

We feel the prices have already bottomed out and we are optimistic for an upswing in the business scenario with numerous inquiries pouring in, in all the three business models of Aether. The accident affected Site 2 is being revamped and is expected to be up and running 100% by August 2024 in a highly compliant and safe manner.

Our greenfield capex expansion are on track. Site 4 will see a ramp up in production from Q2 of FY '24-'25 onwards with a strategic supply agreement for six products that we will manufacture for Baker Hughes.

Out of the total 15 megawatt solar power plant order, initial commissioning of 5 megawatt solar power plant was successfully completed in quarter one, which is set to improve the bottom line of the company. The remaining 10 megawatts power plant will be commissioned in quarter two. This is a major investment which will be crucial in saving of electricity costs and further aids in improving operating margins of the company.

With respect to Aether's business model, we have seen 66% contribution of the total top line coming from large scale manufacturing, 18% coming from contract/exclusive manufacturing, and 14% coming from contract research and manufacturing services business model during the quarter one.

We have witnessed volume growth in all the three business models. Contract plus exclusive manufacturing is set to show a good growth from quarter two onwards, where the commercial orders towards the SSA signed with Baker Hughes will start to be manufactured and to be dispatched. Our export revenues stood at 42% of the total revenue and domestic sales stood at 58%.

Today we are excited to announce that we are introducing a new business segment focused on sustainability and renewables. Aether Industries is likely the first company in the chemical industry, especially in India to launch such a segment. This segment includes a notable initiative and partnerships. Number one, Converge polyols, the product which has up to 40% carbon dioxide by weight. This is a joint development and scale up of novel technologies for manufacture of sustainable polyol with Saudi Aramco Technologies.

First commercialization and product launch has been done with H.B. Fuller and many more are in the pipeline. Technology to transform post-consumer plastic waste to high-quality virgin monomer and polymers, an active collaboration with Novolooop for pilot validations and commercialization of this technology is on the path.

Our contribution towards sustainable and greener transportation, the first-time manufacturer in all in India for organic electrolyte additives backed with supply agreement with a major global lithium-ion battery producer. This is very exciting segment for us. We are working on numerous projects in this overall platform and anticipate several positive developments in the near future.

Furthermore, as we need to meet the minimum shareholding pattern, we have taken an enabling resolution to raise funds, which we will propose to our shareholders in the upcoming AGM. This will further aid us for the expansion of our visionary greenfield manufacturing Site 5 and also for expansion of our R&D and pilot plant facilities.

With this, I would conclude speaking and I would request our CFO, Faiz Nagariya to touch upon the financial highlights for the period under review. Over to you, Faiz.

Faiz Nagariya:

Thank you Rohan and good evening, everybody. I'm glad to present the financial results of Aether Industries Limited for Q1 of financial year '25. I'll touch base upon the consolidated numbers. The total consolidated revenue of the company stood at INR1,920 million in the quarter one of financial year '25 as against INR1,291 million in quarter four of financial year '24, resulting in EBITDA of INR521 million in Q1 of financial year '25 as against INR144 million in quarter four of financial year '24, a significant increase in the comparing periods.

EBITDA margin stood at 27% in Q1 of FY '25 as against 11% in Q4 of FY '24. The PAT amounted to INR299 million in Q1 of financial year '25 as against a loss of INR14 million in Q4 of financial year '24. The PAT margin stood at 16% in Q1 of financial year '25 as against loss in quarter four of financial year '25.

During the quarter, we have received INR210 million from the insurance company as an on-account payment towards the insurance claim that we have submitted of total INR1,000 million. This on-account payment also envisages that the insurance company has admitted our claim. The revamping of the affected site is progressing as per the plan with certain delays from our regulators. Still, we anticipate 100% operations at the fire-affected site by end of September '24.

Though the debtor cycle is at around 140 days, our inventory days have reduced to 160 days by end of quarter one of financial year '25, which had increased to 210 days as on the 31st March, 2024. With the commercialization of the SSA with Baker Hughes, we anticipate to have the better debtor cycle in future.

Now I would request Dr. Aman Desai to share updates on Aether's ongoing expansion plans and strategies going forward.

Aman Desai:

Thank you, Faiz, for the financial highlights. Good evening, everybody. I'm pleased to connect with you all again. To begin with, we have been working diligently in augmenting our capabilities with our ongoing capex, integrated with the incremental additions in chemical reaction capabilities, beginning from R&D all the way to commercial scale, which is aiding us in enabling and developing innovative technologies.

With our efforts to broaden our range of end use industry applications, we have successfully proved our mettle by entering again into the oilfield services area of the oil and gas sector with the execution of the strategic partnership in contract manufacturing for the first time with Baker Hughes in India. We have signed a multi-year extendable contract to manufacture six new products for Baker Hughes globally.

We will be the first ones in India manufacturing these products and the supply will be to the global Baker Hughes locations with a focus on India's oil and gas sector as well. This Make in India project will be primarily executed by India's -- Aether's subsidiary, Aether Specialty Chemicals Limited. It also further strengthens our partnership with Baker Hughes and lays the groundwork for significant future collaborations, all of which have started in a preliminary manner as well.

During this quarter, we showcased at the most significant specialty chemical exhibitions, including Chemspec Europe, Chemicals America in the USA, CPPI in China and all of these gave us great insights into the prospects of the current dynamic business landscapes and helped us position our capabilities globally.

We have been witnessing a significant influx of business inquiries in our CRAMS business model. The CRAMS business model has grown quarter-on-quarter. The huge influx of inquiries is on the backdrop of our expanded state-of-the-art infrastructure, cutting edge technology innovations, and core chemistry practices.

Also, as the world innovators are resorted to diversify their supply chain in India, the focus of all global innovators is in India. We are very favorably positioned today to harness that potential with our capabilities and offerings. Capex at our Site 3+ and 3++ is underway as per schedule, with ongoing civil work and initiation of procurement of machinery, equipment shortly.

The commissioning of Site 3++ is expected by the end of quarter four of fiscal year '25. The phase 1 expansion of the greenfield manufacturing Site 5 at Panoli is progressing well, with phase 1 development ongoing with the civil work and procurement of equipment, machineries with longer lead times.

All the statutory and regulatory approvals are in place for the same as well for the Site 5. Phase 1 of Site 5 is expected to be commissioned by the end of fiscal year '26 and expansion of phase 2 is set to begin from quarter four of fiscal year '25 onwards.

We have been working relentlessly to leverage the learnings from the upheaval that we faced because of the fire accident in the past year, with continuous improvements and enhancements to implement stringent safety measures, which are also progressively being vouched via numerous audits, led by our various regulatory bodies, as well as our innovators -- innovator customers across the globe.

Several of them have audited our HSE practices since then in this quarter and we have successfully passed all these audits and have reinvigorated our collaborations with these innovators.

Our R&D expenses for the quarter one of fiscal year '25, which is the current quarter -- past, stood at INR143 million, i.e., 7.5% of our total revenues was R&D spending. We have successfully expanded and commissioned our pilot plant, which is now set to aid us in enhancing chemical development and scale up of our in-house molecules, as well as further expanding our CRAMS portfolio.

Thank you, everybody. Looking forward to the questions and Shubhangi, back to you.

Shubhangi Desai:

Thank you, Dr. Aman. We shall now request the moderator to open the forum for question and answers.

Moderator:

Thank you very much. The first question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

- Priyank Chheda:** Hi Aman, hi team. My question is on – what was the revenue contribution from Otsuka Japan project, which was expected to start in FY '25 from Site 2? I know we are running at 75% utilization, so any contribution coming up from that project? That is question number one.
- Rohan Desai:** Yes. Hi, this is Rohan here. I'll take this question. For the quarter 1 we had zero revenue from Otsuka Chemical. We are renegotiating the pricing because of the Japanese currency is being devalued quite a lot. So we're reworking on the pricing and the business will start onwards from quarter 2 and we are seeing the projections the same as before. So it will be a good number by the end of the year.
- Priyank Chheda:** So a renegotiation of the prices is just particularly for this project or is it for many other projects which you would like to highlight for us? And I believe that this was a 300 metric ton projects for INR1,700 per kilo as a ASP. Anything that you would like to highlight for all the -- any other projects which -- where we are facing such kind of a renegotiation?
- Rohan Desai:** All the contracts which are perennial or five year contract every year the pricing have to be renegotiated based on various parameters which are put in under the contract. So every year the prices are renegotiated based on the current scenarios as the prices are crashing or the -- whenever the prices are going up the prices have to be renegotiated by the customers and us. So it's a general phenomenon. There is no problems at all.
- Priyank Chheda:** Cool. Got it. Coming to the Site 3, if you can allude what is the utilization levels that we are working on right now? We were expecting to inch up the utilization from this plant with the launch of five molecules on the pharma side at the ASP of around INR2,000 per kilo. And anything that you would like to highlight on this project where we have spent around INR200 crores and we were expecting a potential revenue of around INR400 crores with additional launch of new products? Anything that has also changed over here which you would like to highlight for us?
- Faiz Nagariya:** So the capacity utilization at Site 3 currently stands at 49% and the total revenue we have earned is around INR48 crores in the first quarter. Regarding the realizations I think so Rohan will give the details.
- Rohan Desai:** The prices have corrected up to 30%, 35% on this product, so -- on an average. So the realizations are less at the moment, but the pricings have bottomed out already. So in the near quarters or the upcoming quarters we will see the uptrend happening on in terms of the pricing which will help us to increase the revenue share of this site.
- Priyank Chheda:** No, we understand the prices have corrected Rohan. So the point is since long time now we are stuck at utilizations which we would not like to operate at which is suboptimal below 50. Any corrective action plan for us over here to make sure that -- even if the prices were to sustain at this level, what could be the action plan to inch up the utilizations from this plant?
- Rohan Desai:** We are already trying to resolve this issue by adding new products into this plant and already approvals are ongoing on with several customers on the new products which we are going to launch in this plant. So we can launch the product earlier in this plant. That is the plan as of

today. As soon as we get the approvals we'll launch the products in the existing assets and this will change the revenue model of this plant, that is Site 3.

Priyank Chheda: Perfect. Coming to Site 4 anything -- did this Site 4 did contribute anything in terms of revenue in Q1 and if you can again highlight the way you highlighted for Otsuka. There are three projects which are large projects. One is of US oilfield, the second one is Aramco and the third one is Baker Hughes which we would be supplying it from Site 4. So anything changes in terms of expectations with respect to the realizations from these projects which we had thought earlier and the current status on this would be helpful?

Rohan Desai: Yes. So Site 4 we have not seen any revenues coming in quarter one, because the SSA took slightly longer time because of the fire accident which happened. So the re-audit happened in the quarter 4 of the financial -- last financial year and then we had to complete the SSA agreement which took some time which was natural because of this accident. What will -- from Q2 the Site 4 will ramp up into production and dispatch and you will see the sales coming on from Site 4 from Q2 onwards and Q3 and Q4 will be on the optimum level. We are seeing top line revenues of INR200 crores, INR250 crores approximately from the Site 4 as of today, which was supposed to be approximately at the optimum level at INR400 crores.

Priyank Chheda: So this means that US oilfield project which was USD3, USD4 would have also corrected. Saudi Aramco which was at say USD8 to USD10 would have also corrected when you are guiding for a revised potential revenue of INR250 crores from Site 4 versus earlier potential of INR400 crores. Is that -- what I've got correct?

Rohan Desai: The pricing have not been revised in both the companies.

Priyank Chheda: No. Sorry. So what I -- what I'm -- what I fail to understand is we had a potential revenue of INR400 crores from all the projects put together. Now we have a additional project of say Baker Hughes. With all this put together you are guiding for a potential revenue of INR250 crores versus the earlier -- yes. Sorry.

Rohan Desai: Yes. From Site 4, we are guiding INR250 crores revenue.

Priyank Chheda: Got it. So I'm just trying to understand what is the correction on this side? Is it on the realization side or is it on any of the project side or is it on the volume side?

Rohan Desai: We already lost. So we were supposed to start in quarter 4 of the last financial year. We are now starting in quarter 2 of this financial year. So we have almost lost six months because of the fire accident which took place and which triggered the QEHS audit at that site also which we have successfully completed. And so we have lost time basically over there. And thereby we have lost the top line also over there because of time.

Priyank Chheda: So which project did we lose out? Is it US oilfield?

Rohan Desai: We lost two quarters of manufacturing and sales in quarter in Site 4 which is Baker Hughes.

- Priyank Chheda:** No, I get it. So we have lost the timeline, but we have not lost the projects. So what I'm again trying to correlate is the potential -- total potential revenue remains intact?
- Rohan Desai:** Yes absolutely Priyank. We signed in Q4 of the last financial year, we signed the SSA agreement -- sorry in Q1 of this financial year that is June we signed the SSA agreement which we LODR also.
- Priyank Chheda:** Okay. Perfect. So anyways the potential revenue of -- from this site which is the total potential revenue of say around INR400 crores remains intact. There is a delay in the execution of the project.
- Rohan Desai:** Yes.
- Faiz Nagariya:** Yes.
- Priyank Chheda:** Okay. Thank you for answering all the questions. Sir, sorry, just if you can -- just some feedback. The new segments which we have started we used to report revenue contributions from these sectors which is pharma, agro being large ones. And so we have stopped reporting those segment revenues. It would be great if we continue -- a certain data points if we have been sharing in the past if we continue over there on those same data points as a good disclosure practice would be great. Thank you.
- Rohan Desai:** Sure. We'll do that.
- Moderator:** Thank you. The next question is from the line of Sachin Jain from Individual Investor. Please go ahead.
- Sachin Jain:** Rohan and Aman, first of all, congratulations for quickly ramping up Unit 2 after the fire incidents. And I see a lot of traction on innovative side and you're working with -- but I fail to understand, if I see last three, four years -- three years' financials, you're not generating operating cash flow, and one of the reason is the level of working capital which is also significantly increasing with the increase in the operation. So how do you see this working capital evolving, say, next couple of years when everything normalized? So how should we -- how should I read working capital in context of a scale up operation, say, 2027? That's my question.
- Faiz Nagariya:** Yes. Faiz here, I will take this question. So Mr. Sachin, we already, as in the earnings call transcript also, as I spoke that our inventory levels were high on the 31st March, which we already reduced to 160 days. Even the debtor cycle is constant at 140 days. And the new projects coming up in contract manufacturing with the Baker Hughes is already announced and the ramping up is starting in this quarter. And more contract manufacturing are expected to start, and we see that debtor cycles also go down. So by '27, you can always expect the positive cash flows and working capital cycles being narrowed down more and more.
- Sachin Jain:** Okay. [inaudible 0:26:10] days -- 140 days are going to be the normalized debtor days or you see meaningful reduction on that side?

- Faiz Nagariya:** Yes. Debtor side, we see a reduction by which we should come around 120 days by end of financial year '25, and by '26 we should be coming up. So 100, 110 would be normal in this current scenario of chemical industry. Going forward.
- Sachin Jain:** Okay. And second, this 81%, you have to bring down to 75%. What are the timelines? Is it May '26?
- Faiz Nagariya:** May '25.
- Sachin Jain:** May '25? Okay. That's all from my side. Thank you.
- Moderator:** Thank you. Our next question is from Priyank Chheda from Vallum Capital. Please go ahead, sir.
- Priyank Chheda:** Yes. Hi, sorry. Thanks for the opportunity again. The SSA agreement that we have signed with Baker Hughes, if you can highlight what is the kind of capacity, volumes and the realizations from this agreement?
- Rohan Desai:** Aman, would you like to take it up?
- Aman Desai:** Yes, I can take this. Hopefully, I'm audible. With the -- I'm audible, right?
- Priyank Chheda:** Yes. Clear.
- Aman Desai:** Yes. So with the SSA that we have signed, it's on six products. And in terms of the volumes of the SSA, they are range -- that has been put in the SSA is between 15,000 tons to 19,500 tons over the six products potential annual basis. And the price points range from between \$2.5 to about \$5 to \$6 a kilo. And so, the realization off of that, by simple calculations, is tremendous. Now these are potential volumes over the years, but these have been put down in black and white in the SSA, and the goal is to reach these volumes within a reasonable, short period of time. And these products will be made by Aether for the first time in India. These are all advanced products; in many cases, finished goods of Baker Hughes, which we will sell on their behalf to their global locations, including to several Indian locations.
- And Baker Hughes is one of the top three oilfield services companies globally and their operations extend from the US, Canada, Middle East, Africa -- a lot in Africa, Southeast Asia, India. And so it's going to be very promising and they're the initial products. And over the last few months, since the SSA has been signed, we have been already discussing several new products and several new exciting opportunities. This places us in a position to be a strategic contract manufacturing partner for Baker Hughes, their first one in fact. And so, we are in the driver's seat in terms of all the new product discussions that happen. So it should be very interesting. Hopefully, that answers your question.
- Priyank Chheda:** Yes, it does. And does it have any product overlap with the first US oilfield products, the four strategic products for contract manufacturing of 16,000 metric ton that we had signed? Does it have a similarity or any synergies between these two products?

Aman Desai: That was the letter of intent for signing this SSA. This SSA -- this strategic supply agreement is the actual contract -- actual strategic supply agreement. The first one that we had signed was the letter of intent. In that letter of intent, we had not disclosed the name of Baker Hughes, because we were not give permission, but in the SSA, we have been.

Priyank Chheda: Okay. So this is the same US oilfield company, which is now Baker Hughes, which you have disclosed after the -- after entering into a SSA.

Aman Desai: Yes. Correct.

Priyank Chheda: Got it. Perfect. Now on Site 3+ and 3++, where we are undergoing a capex, given the agro intermediate and the agrochemical prices where they are today, do we need to change our thought process around spending INR200 crores over there? Would it really change the ROI that we would have thought of making these two molecules, plus one another material science molecules on this site? Anything that changes for us on the capex front -- on the capex side of INR200 crores and the expected sales of INR400 crores from this site?

Rohan Desai: I will take it up, Priyank. There is no change. The plan is the same, three and -- three, plus one product, which we are going to launch over there. So in spite of it falling into agro and material science segments of chemical industry, we are still confident that this product, which we will be manufacturing for the first time in India as compared -- and in competition with the companies in -- located in China and Japan, we think that we will have a good edge and good margins over there and we firmly believe that we are going to crack this product and make it successful.

Priyank Chheda: Perfect. And the follow-on question is on the project Saudi Aramco, which is polyol platform. For FY '25, we were targeting around 500 metric ton, and this 500 metric ton going towards 2,000 metric ton eventually in two years. Now anything that changes on this side with respect to whatever we have lost in terms of the production days, if you highlight on this? And also, if you can touch upon the realizations, which is \$8 to \$10 remains same or does it -- or are there any renegotiations that have happened on this side?

Rohan Desai: As you are migrating from a traditional polyol to a sustainable polyol, this migration is taking time with 80 - 100 companies where the samples have been signed and the qualification contents have been sent. So that's the only problem as of today, Priyank, on this side of the business, is that the qualifications are not happening as per our expected timelines and they are going back by two quarters or three quarters for each companies.

Now each of these companies are big, multinational companies operating, like H.B. Fuller. And so, they are taking their own time to qualify. And this also requires lot of testings at their end, because the product is going to the consumer market, which should not have any problems at their end. So we are -- this year, we will see 200 tons, 300 tons of uptick. And now, on the next year, we are saying that we'll breach the 500 metric tons mark.

Priyank Chheda: And on a very larger...

Moderator: Sorry to interrupt, Mr. Chheda, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn? So our next question is from Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Yes. Hi sir, congrats on a good set of numbers. Just couple of clarifications from my side. Firstly, on Site 4, I think you mentioned INR200 crores to INR250 crores additional revenue in '25. And in F '26, it could probably go to INR400 crores odd. Is that correct?

Rohan Desai: Yes.

Krishan Parwani: Okay. And on the -- secondly, I think on -- in Site 3++, you have certain, I think, agrochemicals and electrolyte additives. Is there any other product that we are missing or -- could you clarify on that?

Rohan Desai: We have agrochemicals and material science products.

Krishan Parwani: Okay. And the electrolyte additives is in Site 3++ or is it somewhere else?

Rohan Desai: In Site 2 only.

Krishan Parwani: In Site 2? Okay.

Rohan Desai: Yes.

Krishan Parwani: So the peak revenue potential from 3++ is, again, I think you mentioned INR400 crores, correct?

Rohan Desai: INR350 crores.

Krishan Parwani: INR350 crores? Noted. So that is actually coming on stream in FY '25 beside 3++ and all the work is in progress, correct?

Rohan Desai: Yes.

Krishan Parwani: Got it. And finally, the -- with all the capex that we have planned, so I think what would your capex, like, run rate in '25 and '26? Would it be around INR300 crores?

Faiz Nagariya: Yes, it should be around INR300 crores to INR350 crores in both the years.

Krishan Parwani: In both the years? Noted. And I think you also mentioned about working capital cycle. So what's our target for '25 and '26? Is it like 200 days?

Faiz Nagariya: So '25 -- yes, we should be reaching around 200 days the end of '26 so that we can ramp up and make it more better by '27.

Krishan Parwani: Perfect. So '27, probably you could come down to more like 4.5 months, 5 months. Is that correct?

Faiz Nagariya: Yes, correct.

Krishan Parwani: Understood. No, this is very helpful, sir. I wish you all the best for the future quarters. Thank you.

Rohan Desai: Thank you.

Moderator: Our next question is from the line of Atishray Malhan. Please go ahead.

Atishray Malhan: Hi, good...

Moderator: Atishray has dropped from the queue. Our next question is from Krishan Parwani. Please go ahead.

Krishan Parwani: Yes. Hi sir, sorry, just a follow-up, I missed out. So, in terms of the margin trajectory, we have seen a great improvement and PAT to 24%. So you think with the higher utilization, the margin trajectory should come back to, let's say, 29% kind of a level by FY '26, or is that achievable in '25?

Faiz Nagariya: So, we see that by '26, we should be able to come back to 29%, 30% levels, for sure.

Krishan Parwani: Understood. And in terms of quarterly run rate, that INR180 crores, I think Rohan sir mentioned that the prices have bottomed out. So is that fair to say -- apart from, let's say, this Baker Hughes, our base portfolio should also grow on a quarterly basis over the next couple of quarters. Is that correct?

Rohan Desai: Yes.

Krishan Parwani: Understood. So is it like a INR190 crores or a INR200 crores run rate seems fair on a quarterly basis?

Rohan Desai: Yes.

Krishan Parwani: Apart from the Baker Hughes.

Rohan Desai: Yes.

Krishan Parwani: Understood. Yes. No, this is very helpful. Thank you, and all the best.

Rohan Desai: Thank you.

Moderator: The next question is from the line of Atishray Malhan, Fortress Group. Please go ahead.

Atishray Malhan: Yes. Hi, am I audible?

Rohan Desai: Yes.

Atishray Malhan: Yes. Hi, sorry about that earlier. Good evening to the team. Just a quick clarification from my end. From this Site 4, are you manufacturing anything else except for the Baker Hughes products?

Rohan Desai: No.

Atishray Malhan: So that's just Baker Hughes, right? So, then I think you mentioned INR250 crores top line from Site 4 in FY '25. So that's essentially the four products from Baker Hughes, right?

Rohan Desai: Six products.

Atishray Malhan: Sorry? Six? Six products? Okay.

Rohan Desai: Six products.

Atishray Malhan: Six products, okay. And can you maybe provide an update on the Novoloop contract? When do you expect that to be commercialized by?

Rohan Desai: Aman?

Aman Desai: Yes. I'll take this. We are currently doing the pilot plant validation of the Novoloop technology, and that is successfully completed in terms of the first few phases. And now, we are going to do the extended integrated pilot plant validation of the Novoloop technology and that's under discussion right now.

And then the -- if it all works out, if it all goes forward, we'll be looking at commercializing and doing the first demo plant in the range of 2026. And as a initial market development demo plant, it could be a 3,000 KTA -- 3,000 tons per year. And then looking at '28, '29 as a full scale commercialization, if all things go forward.

Atishray Malhan: Okay. That's calendar year 2026, right?

Aman Desai: Correct. Yes.

Atishray Malhan: Okay. Fair enough. Thank you. And that's all from my end.

Aman Desai: That's the current estimated timeline.

Atishray Malhan: Okay. Fair enough. Thank you, and good luck for the forthcoming quarters.

Aman Desai: Yes. Thanks a lot.

Moderator: Thank you. The next question is from Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Sir, what was the realization per kilo overall for Q1 and Q4, previous quarter?

Rohan Desai: Yes. The Q1, the average realization is 1,307, which was 1,303 last quarter.

Priyank Chheda: Okay. And Aman did mention about Novoloop project, which is right now from -- which is at the pilot scale right now. So, I guess, we are manufacturing it from Site 1, right? And if it has to commercialize at 3,000 tons, what can be the realization per kilo that we should think of in case this has to go to a commercial scale?

Rohan Desai: Aman?

Aman Desai: Can you repeat the last part of the question? If it goes to commercialization -- what is the question?

Priyank Chheda: So once if this product goes on a commercial scale of 3,000 tons, what can be the realization per kilo that we should think of?

Aman Desai: It depends in terms of what kind of polyols and what kind of monomers we make it from it. But you could look at, say, a mid-single dollar digit value per kilo. So we're talking about \$3 to \$6 to \$7 per kilo kind of a range. Because we're going into the polyols industry again, and that would be in the CASE industry, which is the coatings, additives, sealants, and elastomers. And so, that's what the kind of realization we'd be looking at. Again, this is the estimation.

Priyank Chheda: And just on the overall -- the CRAMS business and our strategy to break this molecule from the kilo lab scale to a large scale manufacturing, we haven't heard much in last 6 months which were the products among the R&D lab, which has migrated to a large scale manufacturing or exclusive manufacturing. Anything that we are looking very soon to be announced from this migration strategy that we have?

Aman Desai: Yes. That strategy is still alive. The strategy is still the core focus of all the activities that we do in CRAMS. So we do not do any single discovery research work. All our research work is based on process research and taking molecules to commercialization. And several of these die out in the way, of course, because that's a big learning curve for the innovators.

But when you work with innovators, which are global, top, leading innovators in the respective fields, HSE addition and HSE focus is a tremendous one and top priority for all these innovator customers. And so, as you can imagine, the accident had put a pause on numerous activities, numerous discussions that were going on at very advanced stages with all these innovators.

And they all put up on it, they all give us time, they all come back and audit, which has happened in many innovators' cases already and which we have successfully passed already. And so, basically, everything on these terms was put on pause for almost 2 quarters, 6 months now, which are the 2 quarters we are looking at.

And that's why there's basically no activity there. But now, we had two major audits last month itself. We have three major audits coming up now in the next few weeks. And we are looking at re-initiating and reengaging across all countries, and all of those discussions are happening in very positive manner and in positive way only.

And we should be looking at re-initiating a lot of discussions now in this quarter and the next quarter and, I believe, good things to come, which is the focus of the consensus. And if you see the consensus and what we have announced this quarter as compared to last quarter or the last 2 quarters or the last 3 quarters, it has grown quarter-on-quarter for this quarter. And so, that's a very promising sign. And that should continue to grow.

- Priyank Chheda:** No, perfect. So should we expect Site 3, say, in H2 of FY'25 should reach around 65%, 70% kind of utilization, which was our earlier expectations, too, and FY'24 at 65%? While whatever the delay that has happened because of the fire, should we expect Site 3, with all the new product launches, trials, audits, Site 3, what should be the utilization that we should look forward in H2 of FY'25?
- Aman Desai:** Rohan?
- Rohan Desai:** 65%.
- Priyank Chheda:** So H2 should be 65%?
- Rohan Desai:** Yes.
- Priyank Chheda:** Got it. Thank you.
- Moderator:** Thank you. Our next question is from Nitin Aggarwal. Please go ahead.
- Nitin Aggarwal:** Hi sir, thanks for taking the question. Aman, on the, just taking off from the point that you made last time that you're expecting some more valid -- customer validations and audits to quantify going forward. So having largely in the newer vertical that you've mentioned or they are spread across -- they still you're still having conversations in pharma, agrochem verticals also?
- Aman Desai:** These are basically -- I don't know if I heard your question right, but these are across the industry sectors and not in the oil and gas, renewables, sustainability, but also in the pharma and agro. Typically, we don't do very much CRAMS research in pharma. So primarily agro, material sciences, and oil and gas. And we -- these engagements are happening across the board across the sector, and they're all moving positively forward.
- Nitin Aggarwal:** And in the kind of conversation that you've been having, size of potential contracts that you're looking to sign, are they increasing in scope [inaudible 47:07] kind of conversation you're getting off late?
- Aman Desai:** I didn't get the last part of your question. You're cutting off.
- Nitin Aggarwal:** I mean, in the sense of the quantum of the size and quantum of the some of the potential transactions that you're discussing with the various partners, are we looking at much larger size contracts versus what you've done in the past, both from a complexity perspective as well as the size of the contract perspective?
- Aman Desai:** Both, yes, because that's the aim of having these partnerships with partners, basically test the other smaller projects -- a smaller value for the smaller complexity projects. And then as the partnership develops and blooms, they trust you with more and more of the complex things and the high-value things, which is what we are currently doing. And so, yes, the size and the scope and the value should be increased progressively. And that's what, hopefully, we'll be showcasing to our shareholders in the quarters to come.



- Nitin Aggarwal:** And if we take a last one, on the -- if I assume the most of your conversations around some of these transactions will be happening around when the projects are in the pilot stages. So is there a sense for us to for instance, which you can share in terms of how many products that you're working on currently are in late stage of this pilot phase scale up?
- Aman Desai:** That's a number we'll have to go and compute and we'll have to get back to you on that. But typically, we don't share that information, because it's -- the number doesn't matter, but it's all confidential information with customers and so, but we can compute and there are multiple -- so at any give time, we have I think, 20, 25 -- overall, 50 on a very high level, overall, 50 projects going on in R&D.
- Typically, half of them are in-house and half of them are external, customer-driven, and you're looking about 24, 25 customer-driven projects. And at any given time, more than half of these projects are towards late stage, final validations and final supply campaigns and tox batches, and market development quantities towards launch.
- Nitin Aggarwal:** Got it. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Shubhangi Desai:** Thank you, everyone, for participating in the call. We hope that we have addressed majority of your questions. If you still have any further questions, please feel free to reach out to us. Thank you.
- Moderator:** On behalf of HDFC Securities, that concludes the conference. Thank you for joining us, you may now disconnect your lines.