



# Ami Organics Limited

CIN No. : L24100GJ2007PLC051093

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

May 24, 2022

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

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

**Scrip Code : 543349**

**NSE Symbol : AMIORG**

Dear Sir/Madam,

**Subject: Transcript of Earnings Call for Q4 FY22 financial results held on May 17, 2022**

Pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on May 17, 2022 post announcement of financial results for the quarter and year ended March 31, 2022.

The same will also be available at the website of Company at [www.amiorganics.com](http://www.amiorganics.com)

This is for your information and records.

Yours faithfully,

**For, AMI ORGANICS LIMITED**

**CS Ekta K. Srivastava**  
**Company Secretary & Compliance Officer**



Encl : As Above



[Info@amiorganics.com](mailto:Info@amiorganics.com)



[www.amiorganics.com](http://www.amiorganics.com)



+91 72279 77744 / 75730 15366



## **AMI ORGANICS LIMITED**

### **“AMI Organics Limited Q4 FY2022 Earnings Conference Call”**

**May 17, 2022**

**MANAGEMENT: MR. NARESH PATEL - CHAIRMAN AND MANAGING  
DIRECTOR – AMI ORGANICS LIMITED**

**MR. ABHISHEK PATEL – CHIEF FINANCIAL OFFICER -  
AMI ORGANICS LIMITED**

**MR. BHAVIN SHAH - DEPUTY CHIEF FINANCIAL  
OFFICER - AMI ORGANICS LIMITED**

**ANALYST: MR. AMEY CHALKE - PHARMA ANALYST - HAITONG  
SECURITIES**



**AMI ORGANICS LIMITED**

*AMI Organics Limited*  
*May 17, 2022*

**Moderator:** Ladies and gentlemen, good day and welcome to the AMI Organics Limited Q4 FY2022 earnings conference call hosted by Haitong Securities India. As a reminder, all participants' 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 "\*" then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Amey Chalke, Pharma Analyst at Haitong Securities. Thank you and over to you Mr. Chalke!

**Amey Chalke:** Thank you. Welcome all to AMI Organics Q4 FY2022 earnings call hosted by Haitong Securities. From AMI Organics management side, we have Mr. Naresh Patel, Chairman and Managing Director, Mr. Abhishek Patel, CFO, Mr. Bhavin Shah, Deputy CFO for introductory comments and presentation I will hand over the call to Mr. Abhishek. Over to you Mr. Abhishek!

**Abhishek Patel:** First, I will start with the cautionary statement, so thank you Amey. Good evening, everyone we are pleased to welcome you all to our earning call for Q4 and FY2022. Please note that copy of our disclosure is available on the investor section of our website as well as stock exchanges. Please do note that anything said on this call which reflects our outlook towards future, or which could be construed as forward-looking statement must be reviewed in conjunction with that the company faces.

With that I would like to hand over our floor to our CMD Mr. Naresh Patel for his opening statement.

**Naresh Patel:** Thanks Abhishek. Good evening, everyone I am Naresh Patel, Chairman and Managing Director of AMI Organics Limited. Welcome you all to our Q4 and FY2022 earnings conference call. The financial year 2022 has been a year of milestones for us – to start with, we became a public company this year with our IPO then on the financial side, we crossed the milestone of Rs.500 Crores sales along with Rs.100 Crores EBITDA mark. On the technology front, we continue to evolve and become one of the first few companies to commercialize not one but two products using continuous flow technology. We also developed an electrolyte which is used in the manufacturing of cells that are using energy storage devices. Our overall financial year 2022 has been an eventful year.

Let me discuss each of these events in detail, along with other business updates, and then I will hand over the floor to Abhishek to discuss the financials. Our core business of advanced intermediates continues to grow at the industry-leading rate of 32%. Our current

capacity at the Sachin unit, where we manufacture the majority of the pharma intermediate, is 65% and we believe that we have enough capacity to satisfy the demand for the next 12 months. I continue to see strong demand in coming years for the pharma intermediate business. To satisfy the incremental demand, we have decided to set up another plant at Ankleshwar which is estimated to have a CAPEX of Rs.190 Crores. As informed during the last conference call, we have already transferred all the production from Ankleshwar unit to the Jhagadia unit without any revenue loss. Currently, we have demolished Ankleshwar unit and work has already started to set up a new plant for pharma intermediates. On the raw material front, all of our export contracts are long-term contracts with built in clauses of escalations to account for movement in KSM price as well as currency. This has helped us to successfully pass on the incremental cost with our customers whereas domestic business happens on a spot basis therefore most of the incremental cost is easily transferred to the domestic customer but I would like to bring your attention to the price rise in commodity chemicals which cannot be stocked for a longer time due to safety concerns. This has put pressure on our margins in Q4. Please note that we are able to pass on this cost to the customer albeit with quarter lag. AMI organic is known for continuously updating and upgrading itself to remain sustainable in a profitable way. One of the result of this initiative during FY2022, we have been able to transfer a couple of our existing products from traditional process to the continuous flow processes. We are the one of the few companies in India that has commercialized not the one but two products using continuous flow reactor. In FY2023 we are targeting to transfer three more existing products to flow reactors – this proves our technical capability not in only synthetic organic chemistry but also in process technology.

I am proud to inform you that AMI Organics have successfully developed capability in plug flow, catalytic fixed-bed flow reactors as well as tubular flow kind of reactors. These are all different kinds of continuous flow reactors.

Last but not least, I am proud to announce that AMI Organic has forayed into electrolytes for cells used in energy storage devices. We are the first Indian and global company outside China to successfully develop this electrolyte. Our sample products are currently with customers across the world and in the best-case scenario, we expect the commercialization of the product by end of this financial year. This is a very big product for a company of our size. As per the available market research reports on the product the current market size of the product is around a billion dollar, and it is expected to double in the upcoming three to four years.



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

Overall, I am optimistic that global supply chain issues and elevated input prices will get rationalized during FY2023 and we will witness healthy growth across the business vertical of AMI organics. We will continue to grow at historical rate of around 25% in the coming year. Please note that we have not included expected revenue from the new product - electrolyte in this growth estimate.

Now I request our CFO Mr. Abhishek Patel to discuss the financial. Over to you Abhishek!  
Thank you very much.

**Abhishek Patel:**

Thank you Naresh Bhai. Good evening, everyone. I would like to briefly touch upon the key performance highlights for the quarter and full year ended March 2022 and then we will open the floor for question and answer.

I will start with the quarterly updates. Revenue for the quarter was Rs.143.5 Crores, up 54.5% as compared to Rs.93 Crores in Q4 FY2021. The gross margin for the quarter was 44.2%. For most part of the quarter input price continued to rise due to global supply chain issues and container shortages which put some pressure on our margin in Q4. As Naresh bhai mentioned in his opening remarks, we have strong focus on technology upgradation and process improvement and one of such initiative is that we have now two products commercialized using continuous flow technology. I believe this will help us bring back our margins to sustainable level as we commercialize more products using continuous flow going forward. Over the coming quarters, we will also improve the margin as RM cost rationalizes. EBITDA for the quarter was Rs.25.8 Crores up 11% on Y-o-Y basis. PAT for the quarter was Rs.21.3 Crores, up 38.2% on Y-o-Y basis.

Coming to full year numbers, our revenue grew by impressive 52.7% to Rs.520 Crores as compared to 341 Crores in FY2021. As you all know, raw material prices have been elevated throughout the year and we were able to hold our gross margin with the better cost optimization and process improvement, with the only exception in Q4. Therefore on year-on-year basis, we are able to maintain our gross margin which came at 47.5% slightly above the gross margin for the last financial year. We have now completed the integration of two facilities acquired from Gujarat Organic Limited and our team has shown operational fineness by improving EBITDA margin from these facilities from merely 5% to 11% in the last four quarters. Our EBITDA margin during the year remains suppressed due to an integration process which came at 20.2%. I believe that we will witness EBITDA margin improvement from GOL facilities as well and core business in FY2023. Absolute EBITDA for the year first time crossed 100 Crores. Our EBITDA for the year was 105.2 Crores up



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

31.2% on Y-o-Y basis. PAT for FY2022 was Rs.72 Crores up 32.2% as compared to the same period last year. PAT margin for the full year came at 13.8%.

Now coming to the balance sheet, we have brought down the debt from Rs.136.6 Crores as of March 31, 2021, to only 0.84 Crores as of March 31, 2022. Cash and cash equivalents stood at the end of March at Rs.99 Crores. Please note that high inventory for the year is because of stocking up of raw material to secure supply at a better pricing so the majority portion of the inventory increase is because of the higher raw material inventory.

Before I conclude my remarks, I would also like to highlight that FY2021 number does not include revenue from two facilities acquired recently as it was slump sale transaction. As Naresh bhai mentioned we remain optimistic and believe that we will continue to grow at historical growth rate of 25%. Any revenue from new product which is electrolyte for cells will be an additional over and above these estimates. I will now conclude my remarks and ask the moderator to open the floor for question and answer. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sudarshan Padmanabhan from GM Portfolio Management Service. Please go ahead.

**Sudarshan P:**

Thank you for taking my question. Sir, my question is going a little deeper on the pass-through's and the gross margin, on a quarter-on-quarter basis, the margin fall has been quite sharp – if you can give some color with respect to what is the kind of price increase that we have seen in the raw material as a portfolio and whether we have completely been able to pass through the cost. There seems to be, because of this Russia and China issues, other costs also higher for most of the other players so does our contract also allow pass through for outside the raw materials as well?

**Abhishek Patel:**

As Naresh Bhai mentioned during his opening remark that our export contracts have passed through mechanism through KSM and exchange rate fluctuation. We have been able to pass through those cost escalations in KSM as well as the exchange rate fluctuation but some of the materials like commodity material including Toluene or caustic or solvent those are the low value products which have seen a good amount of price hike during last few months and because those are large quantity material, we cannot store them because of the safety issue and the regulatory issue, so those cost do impact our total input cost and this is the reason we see some of the pressure on margin during this financial year.

**Sudarshan P:**

What were the cost increases of the baskets you can give some color?



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Abhishek Patel:** Overall basis, gross margin largely remains intact. In FY2022, in fact, it was marginally improved by 0.36% at a gross level in total year of FY2022.
- Sudarshan P:** No, I am talking about the cost inflation in the fourth quarter specifically?
- Abhishek Patel:** Fourth quarter it was around 5%.
- Sudarshan Padmanabhan:** No that is the gross margin fall but I am talking about cost escalation in terms of raw material how much was the raw material jump in within the fourth quarter?
- Abhishek Patel:** That is what exactly the raw material price escalation that is around 5% compared to Q4FY21 in Q4 FY22.
- Sudarshan P:** And Sir the other question from my side is to understand on the growth excluding the acquisition our growth has been quite good at 35%-36% if you can give some color with respect to how much of the growth is driven by volumes and how much of it is given by value?
- Abhishek Patel:** So large portion of our growth is coming in form of volume only it is more than 23% is the volume growth and the rest is the value growth.
- Sudarshan P:** One final question from my side, if I am looking at majority of the year our utilization is about 65% and as you have alluded that we are going to see a 25% plus growth next year which implies that our utilization goes up plus the margins also kind of expand if I look at the margin percent normalizes, two things – one is gross margins normalizing as you would said that more or less the cost has been kind of passed on. Second is on operating leverage as you move from say 65% to 80%, what is the kind of margin expansion on a year-on-year basis that one should look after?
- Abhishek Patel:** At present, as you mentioned, from 65% to we can go to let us say utilization of more than 80% so at a gross level we are estimate margin to reach up to 50% on a gross level and on the operational leverage side, we have a room of around 1.25% to further improvement.
- Sudarshan P:** Sure, thanks a lot. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Hardik Shah from Taurus Mutual Fund. Please go ahead.



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Hardik Shah:** Sir, thank you for the opportunity and congratulations for achieving Rs.500 Crores benchmark. My question is with respect to the new product which we have developed, so you said the market size is close to a billion dollars and it is expected to double in a couple of years. just want to understand that there are only seven to eight players in this product and all are from China and if assuming the market size will be say one and a half to two billion dollars and even if we get a 5% market share, so we will be looking at a topline which is larger than our entire company as of today so is my understanding correct, can this product be so big for us?
- Naresh Patel:** Yes, Hardik, you have done a good research let me tell you First of all, yes, this product has a more potential and the possibility of the growing this segment is very high because nowadays energy saving and energy storage, regeneration of energy is one of the key growth area for electronic industries and potential growth of this industry is every year around 50% to 70% growth looking by the research reports and all. Particularly for our product, the market research report what we have with some professional is showing that every two years the volume demand will double and if we expect to get what you say 5% to 7%, definitely it will be a large volume product for us and that is the reason why we had prepared ourselves initially from our existing capacity as well as for the future; we are planning for capex for that as well.
- Hardik Shah:** Sir this capex which you mentioned right now will be only specific to this particular product is that right?
- Naresh Patel:** No, the current capex is only for the backup of that is for the incremental growth of our Pharma intermediate, we have recently acquired separate land for these electrolyte molecules and that is going to be in future if there is incremental demand, then we will be ready for ourselves with all regulatory approvals for that product.
- Hardik Shah:** Understood and Sir based on our capacities as on today, what kind of revenue can we generate from this product?
- Naresh Patel:** It is a very monopoly product and we do not want to give more information on this that is the reason why while developing we never mentioned about this product in our last one to two years because we are very confidentially moving in this product and once it will be matured we will let you know further about that as well but overall market size we have already disclosed in our speech.





**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

**Hardik Shah:** Understood Sir. Sir my second question is with respect to Gujarat Organic so can we expect that the margin of Gujarat organics will be in line with our core business, maybe in a couple of quarters from now?

**Naresh Patel:** You see that by every quarter we are improving our margin by 2% to 3% and it is continuous improvement going on so in three quarters we bring it from 5% to 11% and it is a continuous operation, so in next three to four quarters we will bring it to the normalized level of as we commented on several commentaries that it will be 2% or 3% less than the pharma margin.

**Hardik Shah:** Understood Sir. Thank you so much Sir that is all from my side.

**Moderator:** Thank you. The next question is from the line of Nirali Gopani from Unique Asset Management. Please go ahead.

**Nirali Gopani:** Thank you for the opportunity, Sir. Congratulations on good results Sir my first question is on capex that we are doing at Ankleshwar of Rs.190 Crores – what kind of revenue can we generate from this facility from this new capex?

**Abhishek Patel:** See this capex is for pharma intermediate business and generally, we have the track record and the experience that generally we get around three times asset turnover so similar expectation we have from this capex also in next three years post is facility is commercialized.

**Nirali Gopani:** When we are guiding that the pharma intermediate will grow at 25%, can we assume that with this capex over the next five years we can grow at 25% CAGR without any additional capex at least from the pharma intermediate side?

**Abhishek Patel:** Yes, that is what we are planning so that it should cover our capacity requirement for our next five years.

**Nirali Gopani:** And you have also guided on this EBITDA margin that 1.5% improvement is possible in FY2023, so this is from FY2022 number right like not the Q4 number that we have seen so annual number you are guiding right from 20% to 21.5% roughly?

**Abhishek Patel:** Right.

**Nirali Gopani:** Just my last question is on electrolyte that we are developing. Sir, I just wanted to know that how different or similar is this product from what Tatva Chintan is making so they also



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

make this electrolyte salt which are used for super capacitor battery which are used to store power so now how different is our product?

**Naresh Patel:** To be honest with you, we had not looked into that because what we do is what our research and it is our own product but where we are working on that we have an update that this molecule is none of the company in India and also in globally outside china is producing this for the time being so that is the only comment I can give you.

**Nirali Gopani:** Are we backward integrated for this product?

**Naresh Patel:** Yes, we are in process of backward integrating that product as well.

**Nirali Gopani:** Okay fine thank you.

**Moderator:** Thank you. The next question is from the line of Padmaraju from SBI Life Insurance. Please go ahead.

**Padmaraju:** Just wanted to get more clarity on this RM front where you classified it under both KSM as well as commodity path so just wanted to understand out of the total RM portion how much portion is this commodity chemicals that whatever you mentioned be Toulene, Caustic solvents?

**Naresh Patel:** It is a very good question and I appreciate that you are bringing this to notice. Basically, in chemical synthesis, all the chemical reactions require a key starting material used in a few Kgs but it is made in a medium. That medium is either a solvent or water or some other media like Toulene or any other solvent, which are required 10 or 20 times more than the main key raw material. So, the incremental cost in this media of Rs.2 will be also impacting in the ten times of the product cost. That is how these commodities are largely impacting on a larger scale with a larger volume. Similarly, caustic and acids and all are also used in chemicalization and isolations and all so these are also basic raw material but it is in the quantum usage also it is used in treatment, and also used in scrubbing systems and all so these have multiple uses in the factory of chemical manufacturing. Only 2%-5%-10% incremental also is a sizable increment on the final cost of the raw material and the main portion of the KSM will be contributing somewhere around 60%-70% of the total raw material cost whereas these kinds of commodities are contributing at 30%-40% and depends on the process to process, in some processes KSM may only contribute 80% whereas these are only 20%.



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Padmaraju:** Okay so the KSM part where you mentioned we are able to pass it on for the commodity one to pass it on, do you think there should be some sort of stabilization of prices, or we have already initiated some price hikes there and should be deflected from next quarter onwards?
- Naresh Patel:** See, that is also very good question. I already briefed in my initial statement that in export of every quarter lagging, we are transferring these incremental cost of commodity as well to the customers so that is how we are securing ourselves every quarter whatever the incremental cost of commodity that has impacting on the margin. Whereas, for domestic, it is a sport basis so every time when we get an inquiry, we transfer some price, include the contribution of commodity price, and that is how we can easily transfer in the domestic.
- Padmaraju:** After the Q1, I mean currently in this particular quarter how they have been largely stabilized or they are still moving up?
- Naresh Patel:** It is still moving up and it is a difference of the Q4 and Q1 will be the impact on that cost whereas the Q4 for incremental is already passed with the customer for Q1.
- Padmaraju:** Okay and secondly just wanted to check on this GOL facility I believe we were making some close to 14% margins in Q3 so has there been any impact in Q4 from this facility and also if you can give some full number on what is the kind of revenue that we have made in this particular year from GOL?
- Abhishek Patel:** From GOL, because of the commodity raw material prices we have again slightly higher input cost in facility despite the fact that our operational costs have come down in Q4. Operationally, we have improved in Q4 but because of the commodity raw material, it looks somewhat on a higher side. On the total revenue side, it is around 86 Crores for full year from this newly acquired business.
- Padmaraju:** And what is the exit utilization rate that we are working there?
- Abhishek Patel:** Around 40%.
- Padmaraju:** Okay and lastly just wanted to get some clarity on the tax part in this particular quarter, I mean there has been lower tax offtake but what should be the one the tax rate that we should be working on going ahead?
- Abhishek Patel:** Tax rate would be 25%. 22% plus surcharges. What has happened in this quarter is that we had IPO expenses in this financial year and we have benefits available too on working



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

capital fundraise for deduction and capex under section 35d. We were in process to get the advice from our advisors to avail those benefits during last quarter, so once we were confident that we can avail the benefits, we took that impact in Q4. But by that time, in Q3, we had done a provision based on the normal processes so that was the reason we had a lower tax rate in Q4 particularly in FY2022. Going forward it will be normal tax rate of 22% plus surcharges that is effectively 25%.

- Padmaraju:** That is helpful thank you I will join back the queue.
- Moderator:** Thank you. The next question is from the Ravtej Singh from Malabar Investments. Please go ahead.
- Ravtej Singh:** Congratulations on a great set of numbers. Just wanted to understand,, as far as the electrolyte solvent goes, I am assuming that we already have the capabilities for that given that we are good with carboxylic reactions and carboxylic acid solvents, so apart from the solvent would we also be working on the salt and anything along that salt and additive or whatever would be making in the electrolyte?
- Naresh Patel:** No, we are not working in a salt like lithium salts and all because it is organic chemistry and we do not do any organic chemistry and this electrolyte is a specific electrolyte which is used as one of the ingredient for making the complete electrolyte.
- Ravtej Singh:** I see and the usage for the end user for this electrolyte would also be electric vehicles and solar and other whatever lithium battery or would it be a separate usage?
- Naresh Patel:** No it is all storage devices including your mobile.
- Ravtej Singh:** I see so literally all batteries that, is a much larger market. Got it and just want to rehash the numbers again if this is getting repeated but just to rehash another question that came up, if the industry report say one and a half million 2 million, in the next three or four years that is good 15000 Crores on that and 15% market share close to 1000 Crores do you think that is the revenue that we are gunning for or we are targeting?
- Naresh Patel:** The market size you just mentioned is in line with our research report that we got from the market but the revenue expectation definitely is outcome of so many functions because as we mentioned have provided the sample to the customer from our pilot plant so once let us wait for one to it to get approved and then we can comment on the expected revenue size of this business.



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Ravtej Singh:** Understood and would the margins be better than what they are at present for the company?
- Naresh Patel:** We will disclose it when time comes, we have always been conservative and whenever it is materialized only then will we give more inputs on that so then we got the first commercial order for in that quantity we will let you know we will do the information available for everyone in the market.
- Ravtej Singh:** Understood Sir sounds good. Thank you Sir and congratulations again for this new foray.
- Moderator:** Thank you. The next question is from the line of Tarun Shetty from Haitong Securities. Please go ahead.
- Tarun Shetty:** I just wanted to know a bit deeper about your pharma intermediate business you seem to have decent or in some cases leading market share in some of the molecules so just wanted to understand what sets you apart from your competitors and can you replicate this into the new molecules that you can enter into?
- Abhishek Patel:** See, the reason for holding such a high market share in the pharma intermediate molecules, not one or two but more than ten of such our top products, is that we have an advantage of early mover. We develop the product and some of the products are not even launched by the originator, we develop our product we give those samples to the API manufacturer worldwide, they do their studies, stabilities, they prepare their API, they file their DMF and they wait for it to be generic or thereafter filing. Because of this early mover, we sit quite early into the customers DMF and whenever that gets going into the market. we will be that preferred supplier and also being a regulatory document, it creates the entry-barrier. This is the reason we hold a good amount of market share for our products and going forward because we are quite cost focused company and review our cost on regular basis and pass those benefits to the customer whenever it looks like in the market so even post after getting into the product early we maintain our market share because of timely supply and cost efficient production.
- Naresh Patel:** In addition, that pharma industry is the entry barrier industry where once you are in the system it is a very costly affair for changing you forbid other competitors.
- Abhishek Patel:** To the second part of your question, we can replicate that success going forward. We have a long tail of products, more than for 450 products – pharma intermediates commercialized to the customers and those have expiry quite long beyond 2030-2035. That gives the confidence that going forward also we have a pipeline of product which will fetch us a good amount of revenue, having early mover advantage.



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Tarun Shetty:** Okay understood. The second question is regarding the sales contribution from Darulutamide, Nintedanib, Apaxiban and dolutegravir have they remained your top product or have you seen a change in your portfolio?
- Abhishek Patel:** No, actually they are not top product as of now but those combined revenue from this three products is around 11% of the total revenue.
- Tarun Shetty:** Even including Dolutegravir?
- Abhishek Patel:** Dolutegravir is only 6.8% of total revenue.
- Tarun Shetty:** Okay the next question I wanted to ask is the percentage contribution from export can you give it for your pharma and specialty chemical?
- Abhishek Patel:** For specialty chemical, it is around 60% of total revenue coming from exports the precise number and I need to get but on a total blended basis it is 58% percent is the exports.
- Tarun Shetty:** Okay this is the last question regarding the electrolyte product, are you waiting only for customer approvals or is there any regulatory process also?
- Naresh Patel:** No, we are simultaneously processing both the things so regulatory is already in almost in the final shape whereas for the customer approval is the main thing where we are waiting for them because it is a long procedure for approval and now we are on the verge of getting the final results from them.
- Tarun Shetty:** Okay thank you for answering my question.
- Moderator:** Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers Private Limited. Please go ahead.
- Gagan Thareja:** Thank you for taking my question Sir first question is on this capex of 190 Crores – how much will be debt funded out of this?
- Abhishek Patel:** We are planning to raise Rs.50 Crores of debt over two years out of this total Rs.190 Crores of capex.
- Gagan Thareja:** Okay and Sir you indicated that in your press release the new capacity will be coming in effective only from the fourth quarter of FY2024. You are currently at 65% utilization for your intermediates if you grow by 25% this year you will be at probably peak utilization by



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

end of FY2023, so how will you address the growth requirements for FY2024 because your capacity would have peaked by end of FY2023?

**Naresh Patel:** We are releasing our capacity putting flow reactors so that we transfer some capacity of large product from batch to the flow continuous reactors so these are we are maintaining our demand of the capacity.

**Gagan Thareja:** So how much capacity will you know be released by shifting five products to continuous flow?

**Naresh Patel:** With these two products we had already released 3% of our utilizations, 3% to 5% utilizations currently and with five products it may go up to 6% to 7% or maybe 10% depends on the demand of the product.

**Gagan Thareja:** Right so my question is even if you manage to release 7% to 10% of your capacity from movement to continuous flow reactors, you would still be short of capacity for FY2024 unless of course you are talking of a lower growth in FY2024 then what you are guiding for in FY2023?

**Naresh Patel:** That will be compensated because we have a fungible kind of facility in Jhagadia, so if needed we can utilize Jhagadia facility for supporting our pharma as well because Jhagadia is already running at 40%.

**Gagan Thareja:** Okay and can you give the current capacity of pharma intermediates in kilo liters per day and I think your press note mentioned addition of more than 400 – I do not remember the exact figure but what is the current base on which this is being added?

**Naresh Patel:** 436 kl is added and currently we have 156 kl capacity.

**Gagan Thareja:** You have 156?

**Naresh Patel:** Is the Installed capacity but the production capacity is 6000 metric tonne annually.

**Gagan Thareja:** No, I get that so I am simply trying to understand in the same metrics the current capacity is 156 and it will be taken up to 436 or will 436 will be added to 156?

**Naresh Patel:** Added to increment.

**Gagan Thareja:** Okay so 156 will go up to almost 600?



**AMI ORGANICS LIMITED**

*AMI Organics Limited*  
*May 17, 2022*

- Abhishek Patel:** Yes.
- Gagan Thareja:** Okay all right and you also indicated that you can get a 3x fixed asset turn, so if you go at that rate you could add 570 and obviously your current base is closer to 400 which will grow by another 100 next year so 500 and then should we assume that FY2024 could also grow in similar sort of range as FY2023 or you are talking of a different number there?
- Abhishek Patel:** We have a visibility of 25% CAGR for the time being.
- Gagan Thareja:** And this capacity comes on streams either Q4 FY2024 or early FY2025 and you are talking of being able to meet your requirements up to FY2028 from this so you are essentially saying that in three years you will be able to optimally utilize this capacity is it a correct understanding?
- Abhishek Patel:** Yes, it will suffice our requirement for total 5 years.
- Gagan Thareja:** Okay Sir I understand that and also if you could when you report your numbers in your presentation you split into intermediates, specialty chem which is the Gujarat organics piece, and then there is a third line item, can you explain what the third line item is and also can you give the EBITDA numbers for intermediate, specialty chem, and the third line?
- Abhishek Patel:** See the third line of the revenue includes some of the scrap sales, some of the raw material sales incurred during the year so those are the again part of operational revenue but not coming out of the major product businesses. On margin split, for the full year EBITDA for the specialty business is 11.19% and for pharma business it is 22.1%.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Carnelian Asset Management LLP. Please go ahead.
- Kunal Shah:** Thank you for the opportunity so most of the questions have been answered. I just wanted to understand how does our R&D spending goes and if you could understand what was our R&D spending in the current year?
- Abhishek Patel:** It is 7 Crores in this FY2022 and going forward also we are expecting around 1.25% to 1.5% of total revenue as an expenditure in R&D.
- Kunal Shah:** Okay and this one question I do not know whether I understand it right or not when we acquired this unit this turnover was 106 Crores. In the current year if I understood correctly,





**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

we have done some 86 Crores, so there is a drop in the revenue so how should one look at that?

**Abhishek Patel:** See, for the first three months of this financial year, when it was supposed to be the part of, integration was going so we almost lost the production during this Q1 of FY2022. We were hopeful that we can make up for the Q1 of FY2022 but that did not happen at the end of the year. Going forward, we are hopeful that since the production is streamlined already so we will be able to achieve that next year FY2023 targets.

**Kunal Shah:** Okay and just again harping on the capacity utilization so if I understand correctly from the existing all the capacities that we are very much capable enough of doing about 750 to 800 Crores kind of topline, is that understanding correct?

**Abhishek Patel:** That is difficult to say because our capacity utilization depends upon the product mix and the volume of those new products but as Naresh mentioned that we can definitely cater to a requirement of 25% growth rate in pharma for FY2024; if something looks difficult to achieve, we can get it done from unit 3 also.

**Kunal Shah:** Okay and on this raw material front if you could help understand how much we are dependent on china for our raw materials and the overall scheme of things putting together both the pharma business and the chemical business put together?

**Abhishek Patel:** For this financial year, 32% is from import purchase earlier it was around 27% before integration of Gujarat organics business but since that business has some higher amount of purchases from imports, the percentage slightly moved up but again we are in on it and with the new process and technologies. We are in process of further contributing it down.

**Kunal Shah:** Okay so presently it is 32% if I understand it correctly, right?

**Abhishek Patel:** In terms of total raw material purchase basically so if you say Rs.100 raw material purchase 32 is basically import.

**Kunal Shah:** And just basically one last question on the capex so we have announced the capex of 190 odd Crores so just wanting to understand I mean customers for this are already lined up they are existing customers or they are new customers how should one look at that particular aspect and also just clubbing that question with our concentration of products; so FY2021 Trazadone, Dolutegravir a few important products so I understand now that Dolutegravir proportion in overall sales has kind of come down so other important products which have inched up how should one look at that as well if you could help understand?



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Abhishek Patel:** Historically, our product basket has always been a mix of the product and demand for every product is changing annually which is the reason that if some product is on a top of FY2017 will not be the same in 2018, because the new products which are getting launched will take the position of the old product and that is how our basket every year in a positioning of the top 10 product is changing. Top 5 products contribute the 39.36% of the total revenue and top 10 contribute 53% of total revenue.
- Kunal Shah:** Okay that is helpful and as far as the capex goes, existing clients, new clients how does that work out?
- Abhishek Patel:** So because as we mentioned we have long tail of product which are commercializing next few years and we are expecting good amount of revenue from that business also this is the existing business only which is getting scaled up further with a new capacity. It will be mix of existing as well as a new customer wherein we get new customer for a new product.
- Kunal Shah:** Okay and this one last question if I am squeezing is on this new electrolyte product right so just asking at the helicopter view I mean if the market says is so interesting right any thoughts as to what gives you some distinct advantages what others probably have still not got and what is the kind of amount that we have been spending on building this product just help understand what differentiates us in this product I am not seeking much details but from a common man understanding perspective?
- Naresh Patel:** See basically, this is a very competitive market and information leaking will make competition stronger, so we are very conservative in sharing the information for this product. It has a big potential and we already addressed that about the total volume of the product and geographically, which is the country where the major production is happening. From technology point of view, we spent one and a half year for developing this product and we have successfully made it scaled up to pilot so now we are confident that we can easily scale up to the plant scale as well. We want to remain conservative in giving more information about this product but once we come in the product in a full way, we want to be a market leader in this product outside China.
- Kunal Shah:** Fair enough sir thank you Naresh bhai. Thank you very much for helping with the questions.
- Moderator:** Thank you. The next question is from the line of Neha Raichura from Taurus Mutual Fund. Please go ahead.



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Neha Raichura:** Sir, congratulations on a good set of numbers. I wanted to understand the dynamics of our business with respect to the China substitute products so I presume that there will be some basic parameters in terms of volumes or the price stability or profitability which we can achieve before entering into the product so your comments on the same would be helpful?
- Naresh Patel:** Thanks Neha. As we had already mentioned, we already have two successful products, the another three products are in the process of a scale up right now because pilot is already successfully done so now we are moving in this product in this quarter for validations in the plant and from next quarter we will start commercializing this product to the market but this product are currently also still competitive against China because the raw material is not dependent for the time being from China.
- Neha Raichura:** Okay and also can you throw some light on the timeline and the process of these approvals?
- Naresh Patel:** To be honest with you these products are not a part of our projections of this growth and because we want to be compete against China we are very cautiously moving towards the commercialization because once we launch in the market we do not want to pull back our product so that is why we are very slowly moving in this product way without with all precautionary steps to be considered before we launch the product in the market.
- Neha Raichura:** Okay and also how many of the China substitute products are commercialized as of today?
- Naresh Patel:** Two.
- Neha Raichura:** Okay that was helpful Sir thank you.
- Moderator:** Thank you. The next question is from the line of Padmaraju from SBI Life Insurance. Please go ahead.
- Padmaraju:** Thanks for the follow-up so just one question seasonally Q4 is the strongest quarter for us so I mean if I see Q-on-Q we have grown close to the tune of 2% so just wanted to check whether we have lost any I mean any of the orders got default to Q1 from Q4?
- Naresh Patel:** Thank you I was expecting this question and waiting for question. Great! In history of AMI organics, we have seen that Q1 is lower than Q2, Q2 is lower than Q3 and Q3 is lower than Q4. This is the first time this is not true, not because we do not have an order or not because we could not produce the product but because this period is a very difficult period for entire industry. Not only for us but our final user is also facing problems in getting all the materials in time to their workshop so what happened that all ten ingredients of those nine is



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

they received but one is not received they could not perform the production so that is the reason why some of our buyer has delaying in their production schedule that is why we were not able to materialize treatment of some finished goods of that that is a reason why, it is a only 2% growth there.

**Padmaraju:** So that eventually means some of this gets deferred to the subsequent quarters or so we expect that?

**Naresh Patel:** It could be but the current situation is also similar kind of that going on here right now is also there is a very situation is day by day becoming worst and we are expecting that this could normalize in this quarter. if this could be normalizing this quarter we could be able to get an advantage of differ of material to addition of the our projection whereas our history will repeat every year and it will remain like this Q1, Q2, Q3, Q4 incremental only.

**Padmaraju:** Thank you.

**Moderator:** Thank you. The next question is from the line of Amar Mourya from AlfAccurate Advisors. Please go ahead.

**Amar Mourya:** Thanks a lot for the opportunity first of all just continuing with the last question as we indicated that because of the china supply chain issue a few products were not able to deliver at your customer end and because of that you also got impacted so I mean situation is still the same in china right and so how do you see I mean what is the feedback from your customer in terms of your deliveries because your is the intermediate right?

**Naresh Patel:** I will continue my answer in the same manner that if you look at the positioning in FY2022, Q3 has started impacting these kind of things and Q4 was the worst for everyone in the market and that is the reason why all the industry in either in a pharma APIs or in the fine chemicals, I am not talking about the basic chemical producer in India because they got the biggest advantage of this but apart from that all KSM and starting material manufacturers have the impact on that. If China situation continues like that but after a point of time, it will normalize and we expect that it will be normalized very soon. If not, there are alternatives already in the form of companies like AMI who started working on the dependency where the raw materials are not coming then we are continuously improving with our dependency avoidance. We are also developing several raw material in-house and give to the toll manufacturer ourselves so that tomorrow if the situation will normalize, it will be beneficial for us as well as the industry if not the company like us who continuously improving dependency avoidance and that will be also helpful us too in upcoming months.



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Amar Mourya:** So basically Sir I agree that your dependency on china would not be much but as far as your customers or client goes they would be dependent right so I am just saying that going into the Q1 already one month had gone by so are you seeing the situation improving from this perspective?
- Naresh Patel:** No but the current time there is no improvement as I told you already this last one month was like everybody has that still situation is remaining in the same manner but sooner or later it will improve.
- Amar Mourya:** So in this light still you are confident that your pharma I mean the revenue growth would be there even in the Q1?
- Naresh Patel:** Normally, I always claim that AMI organics perspective was our annual growth is 25% CAGR that is where we are always claiming and it is historically also you can see and normally our Q1, Q2, Q3 is incremental always so it is immaterial for us that whether our Q1 or Q2 has a lower or higher but it our overall average will be 25% CAGR and it will be in last 10 years it is a history like that.
- Amar Mourya:** Okay and secondly for like in last quarter if I remember like we were pretty confident about maintaining or even somewhat recovery in the margin so basically from the last call in this three months what has gone against in terms of the gross margin contraction?
- Naresh Patel:** Not against AMI but against all industry about this basic chemical incremental cost; this is an unexpected increment in terms of basic chemical which is normally not that much using almost two times or three times cost of the chemicals which is never seen in the history.
- Amar Mourya:** So given that now it is at a plateau and somewhat also moderating should we see that some solace coming into the Q1?
- Naresh Patel:** We will be transferring in Q1 all this cost to the both the export as well as domestic lagging whatever the lagging is there in Q1 will be impact on the margin otherwise Q4 for incremental already transferred.
- Amar Mourya:** Okay but in Q1 again the cost has gone up I mean the prices have gone up that is the same?
- Naresh Patel:** Differential margin impact on that.
- Amar Mourya:** Okay so basically even Q1 also there would be some impact on the margin?



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

- Naresh Patel:** No I cannot say like this for the time being because Q1 is going on right now.
- Amar Mourya:** Okay perfect Sir.
- Moderator:** Thank you very much. The next question is from the line of Aman Vij from Astute Investment Management Private Limited. Please go ahead.
- Aman Vij:** My questions are on the pharma intermediate business if you can talk about what was the contribution of the top product and top three products this year?
- Abhishek Patel:** Top one product contributed 11% of total revenue and top three contributed 27% of total revenue.
- Aman Vij:** Sure, Sir so just to understand this a bit little more so last year if I remember correctly the top product contribution to the overall revenue was much higher right, so what overall revenue has grown but has the top product also remained same or has it grown well for us?
- Abhishek Patel:** One of the top products which was there last year is still our top product in this financial year also but second third position has changed a little bit and plus the base has also grown wider in this financial year so that is the impact overall percentage goes down.
- Aman Vij:** Sir we had talked about these four new products which will be the growth driver for us and you have mentioned the contribution was around 10%-11% what do you think can be the contribution of these four products say next year and maybe in two years time?
- Abhishek Patel:** It can go beyond 20%-25% in next three financial year so maybe in next year it can double from this existing contribution level.
- Aman Vij:** Sure Sir, if you can talk about what was the contribution of say model one, model two, model three and model four towards overall revenue?
- Abhishek Patel:** At present, we have not precisely worked out that revenue segmentation for all those models but the general idea we have given earlier so it is expected to remain in that line only but precise figures are yet to be arrived at.
- Aman Vij:** Sure Sir, maybe get it later for me. Final question on the pharma before I move on to the other segments. Which products do you think in FY2022 and maybe a FY2023 will be growth drivers for the company if you can talk about the same apart from the four products any of the older products which are doing well and which you think will be the growth



**AMI ORGANICS LIMITED**

*AMI Organics Limited*

*May 17, 2022*

drivers? Additionally, if you can update on Dolutegravir, in FY2023, have the issues gone away, and you see demand coming back strongly?

**Abhishek Patel:** Dolutegravir is once again reviving, and it will be slowly once again growing in its pace, but will remain at the same quantum of the 2021. It will not go beyond that in financial year whereas the other growth will be coming from the new products which are coming into the expiry in this year and next year and that will be the launching quantity for us so these are all, Nintedanib, Rivaroxaban, Apixaban, these are the products which will drive 2023.

**Moderator:** I now hand over the conference over to Mr. Amey Chalke for closing comments.

**Amey Chalke:** Thank you Neerav. From Haitong team, I would like to express our thanks to Mr. Naresh Patel and AMI Organics management team for answering all the questions and also giving this opportunity to host this call. For closing comments, I will hand over the call to Mr. Naresh Patel Sir.

**Naresh Patel:** Thank you very much, Amey Ji. Thank you Haitong team for hosting our conference call. Thank you everyone for your questions and we hope you have been able to answer most of your queries. If we have missed out on any of your questions kindly reach out to our IR Advisor – EY and we will get back to you offline. Thank you very much, good evening and have a safe day for you. Thank you.

**Moderator:** Thank you very much. On behalf of AMI Organics and Haitong Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

---

The transcript is edited for the reading purpose