May 17, 2024

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

Scrip Code: 543349

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

NSE Symbol: AMIORG

Dear Sir/Madam,

Subject: Transcript of Earnings Call for Q4 FY24 financial results held on May 13, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on May 13, 2024 post announcement of financial results for the fourth quarter and year ended on March 31, 2024.

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

This is for your information and records.

Yours faithfully,
For, AMI ORGANICS LIMITED

EKTA KUMARI SRIVASTAVA

Digitally signed by EKTA KUMARI SRIVASTAVA
Date: 2024.05.17 11:09:37 +05'30'

AMI ORGANICS LTD. ★ SACHIN ★

CS Ekta Kumari Srivastava
Company Secretary & Compliance Officer

Encl: As Above

“AMI Organics Limited

4QFY24 Earnings Conference Call”

May 13, 2024

MANAGEMENT:	**MR. NARESH PATEL – CHAIRMAN AND MANAGING DIRECTOR – AMI ORGANICS LIMITED**
	MR. BHAVIN SHAH – CHIEF FINANCIAL OFFICER – AMI ORGANICS LIMITED
	MR. ABHISHEK PATEL – VICE PRESIDENT STRATEGY
MODERATOR:	**MR. PRASHANT NAIR - AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Ami Organics Limited 4QFY24 Earnings Conference Call, hosted by AMBIT Capital. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prashant Nair from Ambit Capital. Thank you, and over to you, sir.

Prashant Nair: Yes. Thank you, Sejal. Good morning, and thank you, everyone, for joining the Ami Organics 4QFY24 Earnings Call. From the management, we have today Mr. Naresh Patel, CMD; Mr. Bhavin Shah, CFO; and Mr. Abhishek Patel, Vice President, Strategy.

I'll now hand over the call to Mr. Naresh Patel for opening remarks, and then, we can take it from there. Over to you, sir.

Naresh Patel: Thank you, Prashantji. Thank you very much, everyone. I'm very happy to welcome you all on this earnings call. I'd like Bhavin to start.

Bhavin Shah: Yes. Thank you, Naresh, sir. Good morning, everyone. We are pleased to welcome you all to our earnings conference call to discuss Q4 FY '24 financials. Please note that a copy of our disclosure is available on the Investors section of our website as well as on the stock exchanges.

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

Please also note that the audio of the conference call is the copyright material of Ami Organics and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company. Today, on call, along with me, we have Mr. Naresh Patel, Chairman and Managing Director; Mr. Abhishek Patel, Vice President, Strategy.

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

Naresh Patel: Thank you, Bhavin. Good morning, everyone. I hope you all are doing well. A warm welcome to our Q4 FY '24 earnings conference call.

Before diving into Ami Organics performance for the quarter and year, I will discuss current global economic landscape and prevailing industry trends. Globally, trade is anticipated to rebound in 2024 as interest rates stabilize with hopes for downward shift this year. While inflation remains persistent, it is expected to trend downwards as we progress through the year. Overall, improved global trend is poised to stimulate economies worldwide, fostering a positive global economic environment. Turning to our industry, export demand is gradually recovering with expectations for a robust uptick in the second half of this fiscal year. Raw material prices have stabilized, indicating stability in final product prices with an upward bias expected in the second half of the year.

Coming to Ami Organics performance for the quarter and full year, I'm delighted to share that we've been successful in navigating through the tough industry scenario to deliver quarterly all-time high revenue from operations of INR225 crores, which is 21% growth year-on-year and exceptional 35% growth sequentially. As guided in previous call, our EBITDA margins continue to grow strongly on sequential basis to deliver strong EBITDA margins of 19.2% for the quarter. I will let Bhavin discuss the financials in detail.

Let me move on to business highlights. Starting with the Advanced Pharmaceutical Intermediates business for the quarter, the business grew strongly by 18% year-on-year and 47% quarter-on-quarter to INR190 crores. We have been significantly growing this business segment with introduction of large CDMO contracts to balance the business model. We are working aggressively on this front.

Our extensive track record and longstanding relationships with the major customers, dating back over a decade, is helping us making new strides in this arena. So even on CDMO side, we will be targeting NCE market, innovator market as well as life cycle management market. I would like to highlight that our existing CDMO project is expected to ramp up from second half of FY '25 onwards with a confirmed order in hand.

Moving on to the Speciality business. Overall business grew by 36% during the quarter. The addition of Baba Fine Chem surely helped in this robust growth, but excluding Baba Fine Chemicals business, our organic business, specifically chemical business grew strongly by 18% in quarter four of FY '24.

We have been adding various levers to our specialty chemical business, such as battery chemical as well as semiconductor chemicals. I will spend a couple of minutes on each of these niche businesses that we are building. Starting with Baba Fine Chemicals, which is focused on semiconductor chemicals, integration process has been started, and it will take its own time.

However, I would like to highlight that the business will see steady organic growth. This business, by nature, is kind of CDMO business. Therefore, in future as we onboard a new client for existing products or new products, we will see a step-up jump in numbers. Therefore, you might see steady growth some quarters, but I hope you now understand the rationale behind it.

Moving on to the battery chemical business, I will start with electrolyte additives. Our commercial operations have started during the quarter. We have a firm order in our hand, and supplies are expected to slowly start it from Q2FY '25 onwards. The ramp-up will be slow in FY '25, but we expect to grow this business by 100% in FY '26 on FY '25 base with capacity expansion of electrolyte additives business.

Another leg of this business, which is electrolyte solution, is still in nascent stage. We have collaborated with global MNC player for this business. We will disclose more detail as things move ahead.

Moving on, I would like to highlight that our relentless pursuit of innovation in manufacturing complex intermediates using cost-effective technologies, while maintaining superior quality, continue to set us apart in the advanced pharmaceutical intermediates industry. Filing patents for our innovative processes are critical to safeguard our intellectual property. And I'm thrilled to inform you that we have received grants of 3 process patents during the quarter. 2 of these 3 products are very niche and complex, and we have been able to develop an indigenous process, which is not only better in terms of cost, efficiency and yield, but also environmental friendly.

To conclude, I believe we have navigated industry challenges adeptly in FY '24. And as we progress with improved overall prospects for the industry, I firmly believe we will sustain our growth trajectory target, targeting for a revenue growth of 25% for the year FY '25.

With that, I request our CFO, Mr. Bhavin Shah to discuss the financials with you. Over to you, Bhavin. Thank you.

Bhavin Shah: Thank you, sir. I would like to briefly touch upon the key performance highlights for the quarter and year-ended 31st March 2024. And then I will hand over the floor to Abhishek for his remarks.

I will begin with quarterly update. Revenue from operations for the quarter was at INR224.9 crores, up 20.7% Y-o-Y basis and up 35.2% on a sequential basis. The growth was driven by strong volume growth. The gross profit for the quarter was at INR89.9 crores, which was up 10.6% when compared to the same period last year and 25.9% on a sequential basis. The gross margins for the quarter was at 40% compared to 43.6% in Q4 FY '23. The lower gross margin is on account of unfavorable product mix.

Moving on to EBITDA for the quarter, it was at INR43.2 crores, up 5.9% Y-o-Y basis and 62.8% on a sequential basis. As guided in previous conference call, EBITDA margin continued strong sequential growth trend, coming in at 19.2% for the quarter, which is down by 269 basis points on Y-o-Y basis and expansion of 326 basis points on a sequential basis. EBITDA margin was driven by operating leverage, lower freight and other costs. PAT for the quarter was at INR25.7 crores compared to INR27.1 crores in Q4 FY '23. PAT margins for the quarter were at 11.4%. Lower PAT margins for the quarter were driven by higher depreciation and finance costs.

Moving on to FY '24 updates. Revenue from operations for FY '24 was at INR717 crores, up 16.3% as compared to INR617 crores in FY '23. Gross profit for FY '24 was at INR305.8 crores, up 7% on a Y-o-Y basis. The gross margin for FY '24 was at 42.6%. EBITDA for FY '24 was at INR128.5 crores, up 4.8% as compared to INR122.6 crores in FY '23. EBITDA margin for FY '24 was at 17.9%. Adjusted PAT for FY '24 was at INR80.8 crores with adjusted PAT margins of 11.3%. Adjusted PAT figures exclude one-time full impairment of investment in JV, Ami Oncotheranostics LLC.

With that, I request our Vice Present, Mr. Abhishek Patel, to discuss the financials with you. Over to you, Abhishek.

Abhishek Patel: Thank you, Bhavin bhai. Good morning, everyone. I will briefly touch upon the key financial highlights and other business updates. Exports for the year was 56%, whereas the domestic business was at 44%. On a cash flow and balance sheet side, even during this difficult year, we have been able to keep tight control on our working capital cycle, leading to a strong generation of cash from operations, which is INR125.2 crores. This was driven by a sharp improvement in the debtor cycle.

Coming to capex. Total capex for FY '24 was INR280 crores. Out of those INR280 crores, INR230 crores was towards Unit 2 Ankleshwar capex and remaining was regular maintenance and other capex. Out of INR310 crores capex planned for Unit 2 Ankleshwar, we have spent around INR240 crores till end of FY '24.

For the year FY '25, we are expecting capex to be around INR250 crores. Split of the current capex will be, around INR70 crores is the pending capex of Ankleshwar Unit 2; around INR100 crores capex related to electrolyte additive and related infrastructure; and INR50 crores capex towards the captive solar power plant; remaining around INR40-50 crores maintenance capex will be for the FY '25.

On the borrowing side, total long-term borrowing for the year ended FY '24 was INR114 crores. Cash and cash equivalent at the end of year was at INR53 crores as of 31st March '24.

On the ESG side, I'm also delighted to announce that we have achieved Gold Medal accreditation by EcoVadis. We extend our sincere thanks and congratulations to entire Ami Organics team for their remarkable feat in obtaining the gold certification within just 3 years of initial audit by EcoVadis. Despite being in the chemical manufacturing industry, we remain committed on the ESG goal, propelled by an intensified focus on green chemistry and green initiatives. This commitment underscores our proactive approach to environmental responsibility and sustainability.

Before I conclude, I'd like to highlight that, as our MD also highlighted, we are hoping for a strong growth of around 25% in FY '25 in revenue. But kindly understand that in past, also, our H1 and H2 revenue ratio was around 45:55. Now, given we are expecting CDMO contract commercializing in H2 FY '25, the split will readjust to 40:60 ratio. In short, we will see growth in H2 of FY '25, which will overall drive the growth for the year.

With this, I request the moderator to open the floor for question-and-answer session. Thank you.

Moderator: The first question is from the line of Sudarshan Padmanabhan from JM Financial - PMS.

Sudarshan Padmanabhan: Sir, my question is to understand what would be the utilization across your specialty chemicals under pharma intermediates firms?

Abhishek Patel: Yes. On pharma intermediates side, let me tell you that the Unit 1 capacity utilisation is at 72% of the total capacity by FY '24. And for specialty chemicals, where the overall utilization level is 50%. Unit 2 just has started, so we are not commenting on unit 2 capacity utilisation here. The capacity utilization of unit 2 will start in FY '25 onwards.

Sudarshan Padmanabhan: Sir, my second question is to understand the operating leverage and the margin because in the fourth quarter, we have basically seen 19% margin despite of gross margins being lower. So while we are talking about 25% -- I mean I would understand that the growth in EBITDA and profitability should be much higher, given that -- as this 70% utilization goes up and as the Unit 2 increases, the margins will also kind of improve substantially. So can you give some color on what is expected in margin expansion?

Abhishek Patel: Sudarshan, we have seen a progressive growth on improvement in margin. So last quarter, we have achieved a 19.2% margin with better utilization. See, even if our gross margin is little suppressed, as we have already explained in past conference call, due to this pricing environment, with improved utilization and other things, we will see a steady-state growth improvements in -- from here -- now onwards.

Sudarshan Padmanabhan: Any number that you have on mind, sir, in terms of margins? I mean, would it be upwards of 20% because that is what we had, I mean, a couple of years ago?

Abhishek Patel: So as we say that we are on the growth trajectory and improving our utilization, so we'll see a better number from here onwards on a margin front.

Naresh Patel: See the initial intention is to go back to the -- our historical margin year, and from there, it will go up.

Sudarshan Padmanabhan: Sure, sir. One final question before I join back the queue is it was heartening to see several process patents being filed. If you can give some color with respect to what is the commercial value. I mean, what is it that we can derive in terms of monetizing some of these patents? What is the uniqueness of some of these patents that we have developed?

Naresh Patel: The main intention is to avoid the competition as well as give the leverage to generic manufacturer to have a process which is non-infringing. So there are 2 main concerns for which we are filing this kind of patent. And this is also helping us become a preferred supplier to being generic player for doing the DMF filing. So this is how we normally do that.

In the past, we were not doing that, and then we observed that after 2, 3 years, we start facing the competition from local as well as the world market. So then we decided the strategy to protect ourselves right from the beginning so that when the product gets matured and when it becomes generic, we will be having a larger pie of the cake. So this is why we're filing this kind of patents. And value-wise, this patent can be helping us to get the better portion. That is the main aim in the product pipeline.

Moderator: The next question is from the line of Rikin Shah from The Boring AMC.

Rikin Shah: Naresh bhai, congratulations on a very good quarter. So my question was more on strategy side. So now we have 4 different verticals; Advanced Intermediate, Gujarat Organics, Electrolyte Additives and Baba Fine Chem. So apart from the Advanced Intermediates segment, we don't have that deep of a history in the other segments, and they are sort of new for us. So naturally, there will be differences in customers and regulations. So considering that these verticals we have ambition plans to grow, what kind of team-related changes and hiring are we doing here?

Naresh Patel: First of all, thank you, Rikin bhai. See each and every vertical has a unique potential to grow. And like advanced pharmaceutical intermediate business is highly matured and having full strength with the manpower and everything, whereas the other 3 segments are, right now, becoming more in trajectory of growth and as well as establishment.

So Gujarat Organics point of view, we had done all the integration as per our systems. And our manpower, marketing, sourcing, everything is established, so now from here onwards, it will be helping us to get more business. And you can see also in this quarter, we have an incremental growth in sales trajectory as well.

Whereas the Baba Fine Chem is a very niche area where we have a very specific established manpower is there, which is under integration process, and then -- we already started marketing promotion of that product to other geography. But that products are not the same products, which we are selling to our core partner in U.S. But that also, slowly, slowly when we merge it, we will start recruiting the people in that area as well.

Rikin Shah: All right. Got it. So with respect to Baba, you already explained. So are we sort of, we can say, in an order book formation mode, like with these initiatives over time, we will sort of see that product book being built for us?

Naresh Patel: Yes. Yes, definitely. And that is the purpose of splitting or acquiring or growing the portfolio. See, all these are niche areas and particularly the electrolytes additives as well as the semiconductor is a very new area, not only for us as well as for India as well. So there, we are growing very cautiously and firmly. So we assess the opportunity. We try to make sure that, that opportunity is for the long term, and then, we make our strategy so that it will be sustained for the longer time with our technology advancement as well as our niche capability and a lot of things involved in that.

Rikin Shah: All right. Got it. And just trying to understand the capital structure better for the future. So we have intimated the exchange about a potential QIP and also taken preferential investment. So can we get a little bit elaborated version of what we are trying to focus here on?

Naresh Patel: I think Abhishek can take this question?

Abhishek Patel: So as I already mentioned, we have very good growth plan in place with a strong expectation of revenue around 25%. And I also shared the capex figure with you on this. So to fund this capex partly, we need to raise the fund as well as we want to deleverage our balance sheet, and we'll make prepayment of some of that existing loan. This will help us to grab any opportunity in future in terms of organic or inorganic business. So this is how we want to structure our all-capital structure to get aligned to our growth and investment plans.

Moderator: The next question is from the line of Sudhanshu from Marcellus Investment Managers.

Sudhanshu: All right. Okay. A few questions from my end. One is continuing on the same question as previous participant. In the exchange filings, we have notified of both equity raise as well as debt ceiling increase. So can you help us understand what is the rationale since Abhishek mentioned that some of the debt would be prepaid? So why we have increased the ceiling on debt?

Abhishek Patel: So on the exchange filing, we mentioned that we want to increase the debt ceiling. This is to comply with the statutory requirement of the Companies Act, wherein because we have taken up some of the debt for the purpose of expansion at Ankleshwar unit, and because of that compliance, we wanted this resolution from shareholders' side. And for the equity side, as I mentioned, to align with our growth and investment plan.

Sudhanshu: Okay. So sir, would it be safe to assume that we don't intend to actually utilize the debt ceiling to that extent which is allowed now, we would be primarily using the equity raise through QIP and preferential allotment for the capex that you outlined.

Abhishek Patel: Yes, we will be raising equity fund, but we do not intend to hit that limit of debt as of now, at least going forward for 2 years.

Sudhanshu: Okay. And you outlined a capex of INR250 crores for FY '25, and you already did a capex of INR280 crores, so leaving aside the maintenance capex, we would be incurring close to INR450 crores, INR500 crores of capex between FY '24 and FY '25 on the new projects. Sir, can you help us understand what is the peak asset turns for each of these capex plans that we have because this is a substantial investment that you made in the last 2 years and planning to make in the next year as well.

Abhishek Patel: So last year, if you see our revenue to net asset block is around 2.8x asset turn. And in current year also, if we exclude the CWIP when they are at last leg of capitalization of Unit 2 Ankleshwar, our asset turn again is at 2.8x. Going forward, from next year onwards, it will get suppressed a little bit because of all the asset gets capitalized. But in next 2 years' time, 2 to 2.5 years' time, we are again expecting it in the territory of 2.5 to 3x the asset turn on a net block basis because we have some good contracts in hand for all of the business wherein we are doing capex.

Sudhanshu: Okay. This is useful. Now, one final question on the business side. Any update on the commercial supplies for Apixaban? And secondly, on Baba Fine Chem, we understand that integration and some other aspects are going on, but we see a significant decline in the sales Y-o-Y for Baba Fine. So can you help us understand why is that happening?

Naresh Patel: So coming to Apixaban, Apixaban is a strong product for us, and it will be definitely growing starting from H2 FY '25, and it will be going to peak on FY '26-'27, at the time of launching for the generics. We had an advantage in FY '23 because of the pre-launching by some of our generic manufacturer. But because of the lawsuit lost by them in a few territories, it was a little bit on the decline side. But there is a firm demand, and we are in part of more than 26 DMFs of the customers. So it is a good visibility for us for Apixaban.

Coming to -- what was it? Baba Fine Chem. So Baba Fine Chem, this is a very niche area, and documentation process is happening, and we're changing all the licensing, all the papers at the customer end. It just took a little bit longer time because we are creating a JV between Baba and Ami Organics. And that will be -- I think in this quarter 1 or quarter 2, it will be fully converted, and then, we will start releasing for all their products. So there are -- we are making products for several applications. Some applications are faster. Some applications are at the later stages. So that will be a little bit on a slower side. So that will be -- we are expecting to complete integration during this -- first half of this FY '25.

Sudhanshu: Just one follow-up question on that. Baba Fine Chem, you're saying, we are transferring the business from the stand-alone partnership business to this new JV that is being getting created, and hence, there is a documentation timeline. Is that understanding correct or I'm missing something?

Naresh Patel: So you were -- so there are 2 exercises parallel going on, one, at the customer end; and second is India as an operational and legal end. So they both are -- India operation is not hampering it. The hampering is the customer has to qualify us for all their applications and vendor qualification systems. So is it not that, that similar kind of vendor qualification system like in pharma or specialty? It is a very different kind of qualification system over there -- it's a lengthy process, let me tell you like that other than -- and one-on-one, if you want, I can explain you also later on.

Sudhanshu: Okay, sir. This is helpful. And we expect it to start normalizing from H2 even in this segment. Is that correct?

Naresh Patel: Yes, this is how -- whatever the commitments are happening from the customer as well. So this Q1 and Q2 will be the timeline within that we might be closing all the approvals.

Moderator: The next question is from the line of Dhara from ValueQuest.

Dhara: I would like to, one, understand the highlights or the updates on the progress that we are making with the MoU that we had signed with the Gujarat government for the electrolyte project. At what stage are we? And what is the process on the project?

Abhishek Patel: Let me take this. On the MoU announced with Gujarat government, let me -- as Naresh already mentioned that, we have tied up with one of the largest manufacturer of the electrolyte solutions in the world. But at presently, we are working on both the fronts to finalizing the capex for this project as well as the governing structure of this joint venture. And we will be soon announcing something on this -- very soon on this. But as of now, we cannot share much on this.

Dhara: Sure, sir. My second question is on your gross margins. So we have seen gross margins in the last 6 quarters consistently going down from 46% to now at 40% in Q4. While you have mentioned that it is because of unfavorable product mix, can you explain us more specifically, which are these products that are causing pressure?

Bhavin Shah: So Dhara, in last few quarters, we have already explained that there is some price pressure, we are discussing with our customers and we have taken a hit on the topline also on this. Even in recent time also, we have converted a few of our contracts from CIF to FOB basis. So when there is -- on a CIF basis, you will get a freight in your topline and expense will sit in the other expense. So 1% we -- see 1% hit is there on this account.

And again, there is on -- quarter-on-quarter, there is a change in the product mix. We have some validation done for our CDMO business in this Q4. So putting all this together, this lower gross margin of 40% is coming up for this quarter. But going forward, we'll see a steady-state recovery again in this as the inflationary and other pressure is stabilizing. So in the future, we'll see better number on the gross margin front.

Moderator: The next question is from the line of Jason from IDBI Capital.

Jason: So sir, I'm saying that the goodwill, which was in FY '23, around INR23 crores -- INR20 crores has gone to INR57 crores in FY '24. So just wanted to know the reason for this? Is it acquisition of Baba Fine Chemicals the reason for this goodwill?

Bhavin Shah: Yes. So, Jason, there is 2 -- there is 2 things in this. In past year, goodwill was on account of Ami -- our JV, Ami Oncotheranostics LLC, which we have fully provided during the current year. Now the amount which is appearing in the books is on account of investment in Baba Fine Chemicals.

Jason: Okay. So that's because of investment in Baba Fine, right? And the other, the Oncotheranostics' goodwill is completely gone, right?

Bhavin Shah: Yes.

Jason: Okay. Okay. And sir, just in this quarter, you've seen good sequential recovery. And I understand that it's been a difficult year. And just wanted to know what has changed. Of course, you had gone back to the spot business on seeing competitive pressures outside. Now I just wanted to know that what has changed? The quarter end margins have increased to 19%. So overall, your margins stand around 18% for the full year. Now just talking about going like what we can take as concession in the margin as a business...

Bhavin Shah: So, Jason, as we have explained earlier also, our first target is to go back to our previous base margin of 21%. So that is our first target. And from there onwards, we will see, again, a good growth journey, but we'll see a steady-state growth in the margin from here onwards now. So I believe the current year is the base formation, and we will see an improved and better number from here onwards.

Jason: Okay. Sure, sir. Sir, my next question, just wanted to know -- in terms of the electrolyte additives business -- so VC prices, they have fallen very, very sharply going back. So I just wanted to know, in this business, of course, when you have started to invest, there must be a certain thing. But now as the prices have corrected very sharply, how do you see the plan going ahead for this business?

Naresh Patel: It's a really good question, I can say. But as always, I'm saying, we have yet not done any capex because considering all these approvals as well as strong demand in ahead. And our existing capacity can be sustained on that. But now we have -- some agreements are already in place, which we cannot disclose as per the customers requirement.

And with that also, there is -- and mainly these agreements are for IRA application, which is giving us a leverage of $1 or $2 against China. So that's helping us. And our process and technologies are so strong, so we can be able to sustain our margin with this prices as well.

Jason: Okay. Sure, sir. So in terms of the next question, sir, I just want to understand I mean, sir how much of exposure we have to darolutamide? And of course then, it becomes like a permanent contract. So in terms of revenue, so how do you see the ramp-up going ahead? Are we too much exposed on darolutamide? And what steps are we going to take into diversify it?

Naresh Patel: No. We are -- FY '24, we are not that much dependent on darolutamide even though we had done good growth in that. And FY '25 is a year of qualification, and it will be ramped up here. And from FY '26, it will be go for the full -- for total for us. And darolutamide is not a part of our systems in -- from FY '23, but it is part of our system since FY '10 -- '11, so we are very old supplier of this raw material to the firm. Yes.

Jason: Okay. And how do you see the pipeline going ahead, sir, in terms of various intermediates?

Naresh Patel: We have a strong pipeline. We have long-term projects -- products, which are having long visibility for every year expiry as well as some new CDMO entering into the market. And then NCE program as we stated several times in call. Every year, we are getting 5 to 6 new NCE programs. So they're also giving us a good result. So it's -- they are also moving from Phase 1 to Phase 2, Phase 3, like that.

So it's a mix of product mix where we have long sustainable products, we have high volume, some are high volume, and then, these NCEs and CDMOs. So the basket is mixed, and that's how we survive with this. You can see consistently on our top line, we are working -- we are consistently improving ourselves. If this top line was the compromise figure, it will be a regular share for us. So it's -- this is all because of the 10, 15 years, what we had done in our product identification, qualifications, development, so credit goes to all these areas.

Jason: Sir, would it be possible to give a number in terms of darolutamide, how much does it contribute to the API business?

Naresh Patel: No, this is -- it's not possible to give the exact number on that, but...

Jason: Ballpark, ballpark also basically.

Naresh Patel: See darolutamide originator has announced that they will go to $3 billion. So if they are from current base, so 3x they're expecting the growth. So similarly, we can able to get this kind of growth. And importantly, we have all 5 intermediates of that product, so we have a larger expectation from darolutamide from the originator.

Jason: Okay. Sure, sir. Sure. And sir, just lastly, just wanted to understand, sir, when you reset the capex plan, utilization of Unit 1, Unit 2 line wasn't very clear. So if possible could you repeat those numbers, those capex plans for '25 and '26 on the utilization of Unit 1 and Unit 2 as well?

Naresh Patel: Abhishek, can you take up these?

Abhishek Patel: Unit 1, in terms of capacity utilization, it will be a kind of normal growth because at Unit 1, we do not see much of the opportunities available to expand the capacity further. So slowly, slowly, it will increase capacity, and that will hit the ceiling. It is already operating at 72%.

Jason: At 72%?

Abhishek Patel: Yes. At Unit 2, we already inaugurated and commercialized one production block for the particular customer. And going forward in next 3 years, we are expecting other 2 blocks also get filled up with new products, product with a new -- other innovator as well as the additional capacity utilization coming in from the existing products, which are not being catered at the Unit 1 because of the capacities concern at Unit 1. So in 3 years' time, we are, again, targeting that capacity utilization, should reach at an optimum level of more than 60%, 65% in next 3 years' time.

And for Unit 3 also, it is at underutilization of around 50% for FY '25 -- FY '24, which is, again, we are growing at more than 20%, 25%. And next 2, 3 years' time, we're expecting that this capacity utilization should also ramp up in the same -- similar fashion as we are expecting in Unit 2 and 1 also.

Jason: Okay. Sir, this Fermion block is at Unit 2, is that right? This is the one which you have commercialized, the one production block which you mentioned, right?

Abhishek Patel: Yes.

Jason: Yes. Okay. And sir, finally, just capex number for defining total what you're estimating?

Bhavin Shah: For which year? FY '25?

Jason: For '25 and '26.

Abhishek Patel: Capex, so as I mentioned during my opening remarks that we are expecting capex of around INR250 crores for FY '25, out of which INR70 crores is the balance capex at Ankleshwar unit, INR100 crores capex is expected at Unit 3 for electrolyte additive business and INR50 crores capex for captive solar power plant. And the remaining INR30 crores, INR40 crores will be in the range of -- will be for the normal maintenance capex. And similarly the -- similar capex is expected for FY '26 also for maintenance. For any additional project capex, we have not yet decided or announced any capex as of now.

Jason: Okay. Sure, sir. And just finally, sir, just on the Unit 3 that we've mentioned, is that basically to cater specifically to the battery chemicals business only?

Bhavin Shah: Yes. So it will include, one part will be there in maintenance capex for this. And there is a specific capex also for electrolyte additive.

Jason: Okay. No, sir, my question was the Unit 3 is only catering to battery chemicals? Or is it catering to the API business as well?

Abhishek Patel: Unit 3 is completely dedicated to our specialty chemical business, excluding semiconductor business, which is at Baba Fine Chem. So Unit 3 caters our business related to paraben, salicylic acid and electrolyte additive business. No pharma intermediates at Unit 3.

Moderator: The next question is from the line of Ridhima Goyal from Acquaint Bee Ventures

Ridhima Goyal: I think most of my questions have been answered. It is just one question I am left with is, I just wanted to know the volume growth which we have across all our segments, like the API and the sector? And what are the EBITDA margins and the EBITDA figure, which we have reached basically?

Naresh Patel: Bhavin, can you take up the call, please?

Bhavin Shah: Yes. Ridhima, can you come again?

Ridhima Goyal: Sir, my question is, what is our volume growth in both our segments, both API and Chemicals? And also the EBITDA levels -- EBITDA margin levels, which we have achieved in these segments?

Bhavin Shah: Yes. So we have 100% volume growth for both these segments in the current year. And EBITDA margin for the specialty (BFC) is at 68%, and for Advanced Pharma Intermediates, it's at 19.53%.

Ridhima Goyal: Okay. Okay. I just wanted to understand one thing is, so we have seen the drop in the margin. So is it because of the increase in the second business on an overall revenue basis? Or there are the increase in the revenue from some of the low-margin APIs only?

Bhavin Shah: So, Ridhima, it has both the things. There is a definite growth in volume of low-margin speciality also. And last year, as we have mentioned in the past 3 quarters, it was a difficult year for entire industry, so we have seen some pricing pressure also from our customer end in other segments also.

Ridhima Goyal: Okay. So what is the price growth which we have seen in this quarter?

Bhavin Shah: Pardon?

Ridhima Goyal: What is the price growth which we have seen in this quarter, Q4?

Bhavin Shah: For -- see, that's what I'm explaining you that for Q4 growth is coming from volume only.

Ridhima Goyal: Volume only. The price has been, is it stable? Or is that stabilized?

Bhavin Shah: Price is stabilized.

Ridhima Goyal: On our year-on-year basis, right?

Bhavin Shah: Yes.

Ridhima Goyal: Q4 FY '23 versus Q4 FY '24?

Bhavin Shah: Yes.

Ridhima Goyal: Understood. Understood. And one last question I just wanted to understand is, what exactly are we manufacturing in the electrolyte business? So is it the solution or the salt or the solvents? What are exactly the solutions are we planning to produce?

Naresh Patel: So in electrolyte, we have 2 segments. One is additive. So in the past, we have only 2 additives, 2, 3 quarters back, commercialized, additives. But in last 1 year, we developed another around 8 additives -- different additives required for different formulation. So these are the key additives, the VC additives, and there are so many other additives, which are used by the different formulators that we mentioned based on their formulation. So there was around 6 to 8 in that segment, so now we have more than 10 additives in electrolyte additives segment, which is mature enough now and for that only we are targeting to do some capex as well.

And another segment came up in the last -- this year, and that is for CDMO work for one of the solution manufacturer. So that is a different segment. So this is the second segment where we are working in making the final formulation based on this recipe of the CDMO player. And that will be second segment in electrolytes.

Ridhima Goyal: And we will be manufacturing additives only in those CDMO part?

Naresh Patel: No. CDMO is going to consume the additives as well as other salts and solvents and make the formulation. So it's 2 different segments.

Moderator: The next question is from the line of Krishan Parwani from JM Financial.

Krishan Parwani: Yes. Is it better?

Moderator: Yes, sir. Please go ahead.

Krishan Parwani: Congrats on a good set of numbers. Just one clarification. So of the 25% sales growth that you've guided for FY '25, how much would be from the firm orders in places that you have? Because I think you highlighted that you have firm orders for electrolyte additives as well. So can you just throw some light on that?

Naresh Patel: See, the visibility depends on -- because we have a mix of product mix, it's very big compared to other players like us, we have more than 500 products out of that commercially active, in pharma is around 80 to 100 and then this is also in specialty as well as in semiconductor. So it's a big market.

In that, we have firm commitments as well as firm orders coming from the contract as well as from the regular customers. So the strong visibility we have that if there is no any, like in last year there is a topline pressure, and that has reduced our topline. But if everything goes well, we are very strong from here that we will be definitely making 25% and maybe up if everything gets normalized.

Krishan Parwani: Yes. I mean, because I think your prices have normalized. So I think the volume growth should translate directly to the sales growth. So I mean there is a possibility that you could probably outperform it. Is that correct understanding?

Naresh Patel: Yes. Yes, correct. For that we can state also this because see in these all 4 partners the important highlight is that every quarter we had to increase in our volume. So if we are -- our volume is intact, then only question is the price, which is offered by the customer. So that -- if your volume is losing, then definitely, you can have -- whatever you do, but that will not be able to sustain because volume is declining. But our important message is that our volume will increase every quarter so that will also be as a booster of confidence that definitely, we will make these numbers.

Krishan Parwani: That's great, sir. Yes. I mean, the -- would agree on the volume growth part. And wish you all the best for future.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking Limited.

Rohit Nagraj: Congrats on good set of numbers. Sir, my first question is, again, on electrolyte additives. So on Slide number 35, you have mentioned that electrolyte additive sample approved at plant scale for 6 customers. So have we started the commercial supplies? And what could be the potential for us in terms of the opportunity side?

Naresh Patel: See, basically, commercial supply has not yet started. We've already starting manufacturing of the electrolyte additives. We got some firm orders. And based on that, we've already started manufacturing of that. Now, we are in the process of final product because these all depends on the formulations, final quantities demanded by the customer. So customers will signal. Based on the different specifications, we will do the final packaging for them, and we will see that. That's why we say that by Q2, we will start commercial supply to the customer.

Rohit Nagraj: Right. And what could be the opportunity size for us?

Naresh Patel: For the time being, we had discussed several times on this subject since long. And when we started, it was $42, now it got down to $7-$8. But still, we have a huge potential. And yes, that's why we've also now started because we have -- demands are incremental, and that's why we also now started. After 2.5 years, we started deciding to put up a larger capacity plant for both the additives.

Rohit Nagraj: Right. And sir, second question is, again, there we have also mentioned that 7 new products are at various stages of qualification. So what are the timelines that we are looking at in terms of, again, getting approval from the customers? And are we targeting the domestic customers as well apart from the global customer?

Naresh Patel: See, additive we will use for anyone. So it's not that only made for export, it is also domestic. If somebody comes for the formulation in domestic, definitely, we will be supplying them as well. So it's -- there is no bar. And importantly, if we do this, our CDMO JV will be forming these and moving ahead, and then, they will be also our customer as well in India. So we have a --

additives point of view, we are securing ourselves, not only the export, but also indigenously, our own JV might be one of the customers for us as well.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Congratulations, sir, on a good set of numbers. I wanted to understand on our new Ankleshwar facility, what is the breakeven sales that we need to achieve? I mean, sir, what is the sales that we need to achieve to reach breakeven margins?

Vignesh Iyer: As in percentage of utilization also would do, I mean.

Abhishek Patel: So let me bring it to you, Vignesh, that Ankleshwar, we have already commercialized one production block at Ankleshwar Unit 2. And the rest of the unit are still -- are not operational. So capacity utilization and the breakeven point will depend on those commercializations of each and every block on a sequential basis. So we are expecting around 30% to 35% of the utilization at which we should be able to hit the breakeven for particular block and not for overall the Unit 2 level.

Vignesh Iyer: Sir, if I understood right, the block that has been commercialized now can hit breakeven at 30%, 35% utilization and any subsequent blocks would depend on the product or say for that specific block the utilization -- the breakeven would be different, right?

Abhishek Patel: Yes, yes.

Vignesh Iyer: Okay, sir. Got it. Got it. Sir, one more question from my side would be, sir, I was looking to balance -- the P&L and our net tax paid for this year is 41%. I understand we might have taken some mat credits. Are we moving to a 25% tax bracket for the coming financial year?

Bhavin Shah: So when you see this number, basically, for stand-alone, Ami Organics Limited rate is 25.16%. There is an exceptional item in the P&L., which is not allowed in income tax. So that is one of the difference. And there is a different tax rate for Baba Fine Chemical. So mix of this is showing you this number. So one has to understand that we are at 25.16% only.

Vignesh Iyer: Okay. Got it. Got it. Sir, what is the tax rate that come -- that is applicable to Baba Fine Chem or Baba Chem?

Bhavin Shah: Okay. It's a partnership firm, so tax rate is at 35%.

Vignesh Iyer: 35%. Okay. Right. Got it. Got it.

Moderator: The next question is from the line of Rikin Shah from The Boring AMC.

Rikin Shah: So in terms of the process pattern that we have achieved in lumateperone, so my understanding is that this drug is sort of a combination for 3 particular diseases, which is schizophrenia; bipolar 1, 2; and MDD. So with this, the estimate sales of the innovator is very large. However, I believe that this could be an entry for us when the global patent would expire. So in that particular year, what sort of addressable size is possible from this product?

Naresh Patel: Thank you, Rikin bhai. Yes, you are right that you can see the antidepressant segment is growing worldwide, but that segment is having lot of subdivision as well. And our -- most of the products, which is -- we are working in that, we are in a key position in this segment as well. And lumateperone is definitely a very good drug.

And few of our generic manufacturers also filed First to File in the U.S. as well. So we are expecting a lot of traction in these areas. And it's a very high value low dose molecule. So -- and it's also our backup of trazodone as well. So this is how we had poised this end product. And we started working there since very long. And that's why we also get this patent protection as well. So that help us to sort of get a bigger market. And as you rightly said, the market is -- originator is growing very fast. And that will also help us to -- encourage us to get the bigger portfolio in 2029, it will be a larger volume product for us.

Rikin Shah: So just expanding on this. So I just read into the patent, and I sort of discovered that our process of making this is perhaps helping with a better yield and also compared to the catalyst used by the competitors. They use sort Xanthophores and PDPA. Our catalyst is green, and -- so all these things do they help in -- eventually with costing and becoming a preferred source of supplier?

Naresh Patel: Yes, yes. That is the reason why. See, when product becomes generic, the biggest problem is the price pressure. And in that, if you want to sustain in that area, you should be cost-effective for the generic API manufacturer. So that is where Ami Organics is always focusing on all of our products, which we are working for the generic development is likely so that when these products are coming into the market, we will be -- not be kicked out by the generic API manufacturer because our cost is not competitive. So that is one of the reasons. And we -- it's a very unique chemistry we have developed, and to protect ourselves in this chemistry, that's how we get into the filing.

Rikin Shah: All right. Got it. Lastly, sorry for asking the same question in a different way. An earlier participant sort of asked how the ramp-up in Ankleshwar would be happening. So we understand that the one CDMO, NCE contract is dedicated to the innovator. But with the other 2 blocks, we may be in contract negotiations with other CDMO players or -- that will take its own time. So for the time being, once Surat is sort of at its peak utilization, do we have the basket of products to manufacture from the other 2 blocks?

Naresh Patel: Yes, yes, definitely. That expansion is basically when we started is to back up the Surat Unit 1 only because Unit 1 is going to be mature, and we are -- because of the -- thanks to our Flow Chemistry introduction, we are reducing some capacity, and we are focusing in Unit 1. But basically, Unit 2 Ankleshwar was a backup for that forward support to the Unit 1 product pipeline only. And that is why we have put up one unit.

Luckily, we got one block with the CDMO contract. And that helped us to move faster in this area. But we are in very active negotiation and discussion and approval with some other CDMO originator and the sampling and these are happening. But that -- you know that process is a little bit longer. So that's how we will get a few more products from CDMO Unit 2 as well as our future products, which are coming and launching in '25, '26, '27. That will help us to producing.

And normally, we have 2, 3x asset turn in all our capex, and that will be also possible in this Unit 2 as well.

Moderator: The next question is from the line of Pratik Oza from Share India Securities.

Pratik Oza: So sir, my question is on the CDMO part. Sir, basically, CDMO remains a very lumpy business. So I just wanted to know what is the expected growth we can achieve in FY '25. And also wanted to understand whether we are in early-stage molecules or we are in the late-stage molecules.

Naresh Patel: So it's a mix of that. We have -- we are doing CDMO since long with big or in today's in Europe for their -- after expiry molecule sustainability, so that is the one segment, whereas we have several products which are in NCE program also, which is going forward into the launching area whereas we do some CDMO as well. And then all of a sudden some originator capacity concern started. And like this, we have one of the biggest CDMO right now working for us. So that also -- so it's a mix of that. And we want to do incremental CDMO segment in our portfolio, and that is where we are working in that. So from going onward, CDMO portfolio is a very sizable portion in our total basket.

Pratik Oza: Okay. Sir, just one thing on that. So I just wanted to understand, so on early stage molecules typically the margins are higher as compared to late stage molecules. Is my understand right?

Naresh Patel: See, margin, obviously, CDMO has a little bit compromise in that because it's a completely toll manufacturing for the player. But in that also you -- if you have your own process or something newer technology, you can have a leverage in that. But because we have a mix of products where we have NCE programs where we have -- margin is very good, products which are going for the regulated market is a 2%, 3% up or side margin than the generic portfolio.

So that is why we had -- and then importantly, one could understand that we are not in API or we are not in formulation, where we have a regulatory compensation -- stronger compensation duration. We are in the bottom chain of the supply. So that will not give us more leverage in that. So that's how we are now starting putting ourselves in patent and as well as -- so there we can get a little bit advantage of that as well.

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

Naresh Patel: Thank you, AMBIT team for hosting our conference call. Thank you, everyone, for your questions, and we hope we have been able to answer most of your queries. If we have missed out on any of your questions, kindly reach out to our Investor Relations team, and we will get back to you. Once again, thank you very much, and have a nice day and nice week.

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

Transcript has been edited for reading purpose.