ANUPAM RASAYAN INDIA LTD.

ARILSLDSTX20221101076 Date: November 01, 2022

To, **BSE Limited**, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400001, India **SCRIP CODE: 543275**	To, **National Stock Exchange of India Limited** **Sr. General Manager** 'Exchange Plaza', C-1, Block-G, Bandra Kurla Complex Bandra (East), Mumbai 400051, India **SYMBOL: ANURAS**

Dear Sir/Madam,

Subject: Submission of transcript of Earnings Call on the Unaudited Financial Results (Standalone and Consolidated) for the quarter and half year ended September 30, 2022, of Anupam Rasayan India Limited (the "*Company*")

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the 'Earnings Call' held by the Company on Friday, October 28, 2022.

This information will also be hosted on the Company's website at www.anupamrasayan.com.

We request you to kindly take it on your records.

Thanking you,

Yours Faithfully,
For, Anupam Rasayan India Limited

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“Anupam Rasayan India Limited

Q2 FY ‘23 Earnings Conference Call”

October 28, 2022

MANAGEMENT: **DR. KIRAN PATEL – CHAIRMAN**
MR. ANAND DESAI – MANAGING DIRECTOR
MR. AMIT KHURANA – CHIEF FINANCIAL OFFICER
MR. VISHAL THAKKAR – DEPUTY CFO

Moderator: Ladies and gentlemen, good day, and welcome to the Anupam Rasayan India Limited Q2 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in a listen-only mode. 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 and then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Thakur from E&Y. Thank you, and over to you, sir.

Rahul Thakur: Thank you, Inba. Hello, and good evening, everyone. I'm pleased to welcome you all to Anupam Rasayan Earnings Call to discuss Q2 FY '23 results. Please note, a copy of all our disclosures are available on the Investors section of our website as well as on the stock exchanges. Anything said on this call which reflects our outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. Today, from the management side that we have with us, Dr. Kiran Patel, Chairman, Mr. Anand Desai, Managing Director; Mr. Amit Khurana, our CFO; and Mr. Vishal Thakkar, Deputy CFO.

I now hand over the call to Dr. Kiran Patel for his opening remarks. Over to you, sir.

Kiran Patel: Thank you, Rahul. Thank you all, and welcome to everyone to the Q2 FY '23 earnings call. I hope you all enjoyed the Deepavali festivities. The last 24 months, the world had faced unprecedented human toll and economic challenges. Just as the world found a solution to beat COVID, the Russia-Ukraine conflicts created a second major economic crisis. Crude oil prices skyrocketed, shortages of gas supply to Europe leading to energy crisis in Europe. Inflation in the crude derived chemical prices.

These major trends led to several sub-trends. Higher transportation costs, high inflation across the globe, higher interest rates, higher cost of raw material, disruption of supply chain, Additionally, an important sub-trend for many global companies is the Europe+1 strategy and its impact for India. I will let Anand elaborate on how this has affected Anupam Rasayan.

Trends, a true test for any company and its leadership is how they handle both local and global challenges. At Anupam, the first challenge of COVID was handled very well. All our staff members were vaccinated. During the COVID period, there was uninterrupted production of all chemical materials meeting all our customer needs. Anupam posted a robust growth and met all of the projections and the projected numbers in spite of the COVID challenge.

Now let us focus on Q2 FY ’23. I'm happy and proud to say Anupam Rasayan has continued its robust growth journey and more importantly has also maintained the profit margins. The natural question would be how did Anupam maintain both growth and margins in spite of the overwhelming odds? The answer is that Anupam Rasayan always worked with a long-term view. The robust R&D department allows us to develop niche products with complex chemistry and this ensures that we are strategically placed with our partners and customers.

Most often, Anupam enjoys the open transparent model. Many times, Anupam is the primary or single supplier. This strategy has resulted in Anupam having 27 multinational customers. A good example is that we had no business with multinationals Japanese customer in 2016, but today we work on four products for them. The transparent, cost-plus model, and along with that high-quality, complex molecules results in robust, long-term relationships with our customers.

Our focus on sustainability continues to remain strong. We have engaged the services of major international service providers and we are working very closely with them for designing and implementing the de-carbonization roadmap across all sites. I am pleased to announce that our 5.4 megawatt solar power plant got commissioned in October 2022. We now have a total of 17.9 megawatt capacity, resulting in annual savings of around INR 14 crores from FY '24 onwards

Our voluntary effort of planting trees on the 20,000 square meters of barren land in Jhagadia GIDC, is going on as per our plan. The safety and well-being of our employees is the highest priority for all of us at Anupam Rasayan. I express my gratitude and support to all of our employees and especially those who were affected by the fire accident at our Sachin plant. Steps to ensure the safety of all are being taken and to those who were affected we have taken actions to ensure lifelong support to their families.

I will let Anand discuss this in greater detail. I will now hand over the floor to Mr. Anand Desai, our Managing Director to take over the proceedings and address you all. Anand?

Anand Desai: Thank you, Dr. Patel. Hello, and good evening to everyone. Welcome to our second quarter FY '23 earnings call. I hope all of you had a safe and happy Diwali with your families. Before I throw light on the business performance updates for the quarter, I would like to discuss the fire insurance settlement. On 10 September, a fire broke out in one out of the four units in that is gate no. 6 in Sachin GIDC. Our fire response team along with fire brigade brought the fire under control within an hour. While the cause of the fire is still under investigation, it was a clear accident. A total of six fatalities were reported, and 18 employees were injured, have now been discharged.

From the business perspective, I would like to highlight that unit 6 in Sachin, GIDC has the lowest capacity of all the six manufacturing units in the company. And we are covered for loss of assets and loss of profits. Given all our facilities are multi-purpose units, we do not see any significant impact of the fire and plant closures on our financials.

We have appointed a high-level team to undertake root-cause analysis. Learning from this analysis has helped us in avoiding such accidents in the future. That said, we are continuing our cooperation with all the government authorities. I am confident that we shall soon restart the affected plant. As Dr. Patel mentioned, we continue to deliver a strong revenue growth with steady margins against a very uncertain economic backdrop. Our standalone revenues grew by 25% year-on-year to INR 310 crores. EBITDA margins were consistent, driven by inventory holding strategy. I will let Vishal Bhai discuss this more in detail.

I would now like to highlight our working philosophy of carrying a long-term vision that Dr. Patel alluded to in his opening remarks. Our vision is to be a globally reputed chemical manufacturing company with respect to our research, technologies, quality, safety and care for the environment. One of the main pillars of this vision is the client centricity.

Dr. Patel give you examples of how we brought a new Japanese client onboard and with our formidable client relations, we expanded the leadership to build a solid product portfolio. This has been possible because of our continued efforts and process optimization and expanding chemistry capabilities. Our experience of working with multinational clients for more than two decades, and our transplant cost-plus model has helped us build a trusted long-term partnership with all our clients.

Let me now discuss how this is helping us in what is big term now as zero-plus-one strategy going forward. Our long-standing relations with the clients have made Anupam a go to company for any challenge they face. In Europe, as many of you know, the energy crisis has created a challenging environment, making it difficult to manufacture products at a reasonable cost. This has led to several multinational companies seeking to shift a part of the sourcing requirements from Europe to India, along with China Plus One trend, Anupam now started seeing the benefits of zero-plus-one trend.

With our latest announcement of signing two contracts with one of the major European crop protection company, for supplying of two new life science, especially chemicals. And in this, we were able to deliver these products in a short period on the urgent request of our customer. This contract wins are a testament to our chemical strength, our ability to deliver products based on the requirement of customers.

Moreover, more of these products were being manufactured in Europe and now the customer has decided to source these products exclusively from Anupam going forward. We are working with a few more MNC clients, both in Europe as well as in the US, and expect 20 to 25 niche products to be added in Anupam's product portfolio in the near term as part of Europe-plus-one strategy. This has been in the works since last 1.5 years to 2 years. But with the Europe-plus-one situation, this has got an added urgency from the customer side now.

Coming to the business updates. We have successfully onboarded one of the largest specialty chemical companies based out of North America. And with this addition, we now have 27 multinational customers across the globe. During the quarter, we also commercialized one new product, taking the total products tally to 49. This new product commercialized comes under LOIs and contracts that we signed in FY 2022. Soon, we will commercialize other products as well under the LOIs and contracts.

As mentioned in the previous earnings call, we continue to see strong demand from our clients. Another positive impact of building a trusted partnership with clients is that we continue to see upward bias in all the contracted volumes with major customers. This makes us confident about delivering a strong performance in the coming quarters and for the year.

Before I conclude, I would like to speak about another important highlight of the quarter. I'm delighted to inform you that we have completed a fundraising of INR 500 crores through qualified institutional placement. The response to our QIP was very positive. And we now have long-term marquee investors, along with our earlier marquee investors. The proceeds of these fundraise will accelerate our CapEx plan of INR 670 crores approximately to set up multiple plants, both in Sachin and Jhagadia. I will let our CFO, Amit Khurana discussed this in detail. Over to you, Amit.

Amit Khurana: Thank you, sir. Good evening, everyone. As Anand sir, mentioned, we have completed a fund raise of INR 500 crores, and the funds will be deployed in carrying out brownfield expansions at Sachin and Jhagadia locations.

I will now provide more insight into the planned CapEx. In our previous earnings call, I had highlighted CapEx of INR 250 crores to support the LOIs and contracts signed worth INR 2,620 crores. Now along with this CapEx, we have accelerated our CapEx for fluorination products, which is of INR 420 crores.

This will be divided into two projects, with Project one at Sachin is for INR 190 crores, and Project two at Jhagadia is for INR 230 crores. Given all the CapEx projects mentioned about our brownfield in nature, it is important to understand that it will be majorly plant and machinery CapEx with an incremental asset turnover of 1.75x.

This will also give us an incremental ROCE of 20%+. Our endeavor would be to finish this CapEx in the coming 18 to 24 months. It is also important to note that we have a cash balance of INR 192 crores which will be sufficient to support the incremental fund requirement over the fund raise for the overall CapEx.

As mentioned in the earlier calls, we have now started seeing a reduction in the inventory –days. Our inventory days have reduced from 296 days to 273 days. This is a result of the proactive steps taken by our team by revising the pricing mechanism, clause and contracts to six months and reduction of cautionary inventory. Further, this has led to healthy OCF of INR 97 crores for H1 FY '23, which is higher than PAT for the period. We will continue to see the increase in operating cash flows which will further improve the return ratios.

These cash flows, along with our current cash on balance sheet will ensure any further capital requirements for fulfillment of growth opportunities. I would also like to highlight that India Ratings has assigned a long-term issuer rating of A plus to Anupam Rasayan. With this, I hand over the floor to our Deputy CFO, Vishal bhai, who will take you through the financials.

Vishal Thakkar: Thank you, Amit bhai. Hello, everyone, and thank you for joining us here today. I would like to briefly touch upon the key performance highlights for the quarter ended 30th September 2022 and then we will open the floor for questions and answers. Before I proceed, I would urge you to go through the detailed presentation submitted to the stock exchange and uploaded on our website. Kindly note our numbers for the quarter and half year on a consolidated basis also includes Tanfac numbers, which have been consolidated from 21st May 2022. I'll first discuss the stand-alone financial highlights for the quarter ended September 30, 2022.

Operating revenue for the quarter 2 FY '23 was at INR 3,107 million as compared to INR 2,489 million in Q2 FY '22, up 25% Y-o-Y. EBITDA, including other revenues, was at INR 898 million in Q2 FY '23. -- as compared to INR 697 million in Q2 FY '22, a growth of 29% Y-o-Y. This would also translate to a 29% EBITDA margin for the quarter. Profit after tax was at INR 412 million in Q2 FY '23 as compared to INR 358 million in Q2 FY '22, growth of 15% Y-o-Y.

On a consolidated basis, operating revenue for Q2 FY '23 was at INR 3,862 million as compared to INR 2,489 million in Q2 FY '22, up 55%. EBITDA, including other revenues, was at INR 1,012 million in Q2 FY '23, as compared to INR 702 million in Q2 FY '22, a growth of 44% of Y-o-Y.

Profit after tax was at INR 478 million in Q2 FY '23 and as compared to INR 361 million in Q2 FY '22, growth of 33% Y-o-Y. Please note, consolidated numbers for Q2 FY '22 do not include Tanfac Industries number. So please read accordingly. Now moving on to the segment-wise performance for the Q2 FY '23. Our Life Science segment contributed around INR 277 crores. while other Specialty Chemicals contributed around INR 32 crores.

In percentage terms, the Life Science segment contributed 90% of the total revenue, and the balance came from other specialty chemicals. -- as far as revenue breakup is concerned in terms of geography, Q2 FY '23, the contribution of Europe was 35%, India is 31%; Japan, 15%; Singapore China, 4%; and the remaining 2% came from North America. Exports for the quarter was around 69% of our revenue, and I believe export will continue to be a major contributor to our top line going forward. Our top 10 customers contributed 83% of the total revenue, and there is a total of 24 products that we provide to them. With that being said, we will open the floor for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wish to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue you may press star and two. Participants are requested to use handset while asking a question. Anyone who has a question, may enter star and one. Ladies and gentlemen, we will wait for a moment to the question queue assembles.

We have the first question from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: So to start with, you mentioned the accelerated CapEx and fluorination products and the CapEx of the order of INR 600 crores. So can you give a sense in terms of what is the proportional CapEx that will go into fluorination projects? And what will be the increase in the share of fluorination products compared to your current percentage share? How does your overall revenue on the fluorination products are commissioned?

Anand Desai: Vishal bhai shall I answer this?

Vishal Thakkar: Yes, please Anand.

Anand Desai: Yes. So thank you sir for your question. So basically, all of these plants are going be multipurpose plants and in which fluorination will be one of the chemistries that will be taken into the project. Yes, they will be leaning more on the fluorination side and that is where we have seen a lot of activity from our customer. And again, some new interesting products, which we have mentioned earlier, which we are going to launch in the coming years, will be benefited in this new multiverse brand.

S. Ramesh: Okay. So in terms of the commercial impact of your CapEx, when you see the full impact of the CapEx to be funded by QIP and what are the reasons for the additional CapEx because of the QIP document, CapEx of INR 419 crores. So we added another INR 419 crores. Is it possible to give us the split of the total CapEx, including the year wise number? And when do you see the full impact of the entire CapEx program?

Anand.Desai: Vishal bhai, you can add on the full impact on the time line. But on the product, Mr. Ramesh, what we are seeing is that there is a huge demand from customers coming in for new products that we have been planning for the last two years. And based on those demand that is why we have expanded the CapEx currently, and that is why we have gone forward for the QIP. I think there will be some forward-leading answer, so I would not like to go into that right now. But maybe once the statements are clear, we'll be able to give you more information going forward. So Vishal bhai you can add on this timeline for the project completion.

Vishal Thakkar: So Mr. Ramesh, if you see, when we said INR 670 crores in the opening remarks also, that is INR 250 crores that we had earlier announced then INR 220 crore plus INR 190 crores. These are the total three projects that we are undertaking. And this we are planning to complete in the next 18 to 24 months, as Amit had also mentioned in his opening remarks. And within another 1.5 to 2.5 years from then on is where we are expecting it to reach the fairly full capacity of the plants by then. So that's the timelines that I would suggest.

S Ramesh: So just to give some clarity on the LOIs and contract you have and the CapEx, guided earlier of INR 250 crores. So this additional CapEx and the overall number of about INR 670 crores. Is there an additional capacity you are creating for expanding the order book? Can we get some light on that?

Vishal Thakkar: Can you just repeat again or explain what we are trying to ask here?

S Ramesh: Yeah, so basically you had mentioned that this 250 crores initial CapEx, you had indicated last time was for the LOIs and contracts were INR 2620 crores. So in addition to this you are spending another INR 420 crores. So is there an overlap of capital expenditure required for this LOIs and contracts already announced in this INR 420 crores of additional CapEx or are you planning additional capacity and business capabilities to building your future growth in terms of new contracts and new LOIs you may add in future?

Vishal Thakkar: Yes. So Mr. Ramesh, as we mentioned that, yes, INR 250 crores is what we spent for the LOIs and contracts and others are for the capacities that we are creating as Anand bhai had mentioned, for the new products and the additional demand that we have been seeing from our customers, both on the fluorination and other parts of the business and that's what the balanced capital deployment will go for.

Moderator: Thank you. We will take our next question from the line of Vidit Shah from IIFL Securities. Please go ahead.

Vidit Shah: So just to take this point forward in terms of the additional CapEx that you've announced of roughly INR. 24 crores, INR 30 crores. Is this to do with this expansion and fluorination that you mentioned on slide 15 with the revenue potential of 220 to 260 million? Is this CapEx going to be largely for these six to seven molecules that you mentioned out here?

Vishal Thakkar: Anand bhai should I take…

Anand Desai: No, you go ahead, Vishal bhai.

Vishal Thakkar: Okay. So yes, this will also cater to the 14 new products that we mentioned in the slide as well. On the fluorination, and we will have some more capacity to do other products as well. But largely, yes, it will also cater to the fluorination part of the business, which is presented in slide 15 where we mentioned that there will be 14 new molecules that we have identified.

Vidit Shah: Sure. So just to understand the CapEx needs of this revenue potential. Is it safe to assume a 1.75 asset turn for this 220 to 260 potential? I'm just trying to figure out how much CapEx would be totally needed to reach this revenue potential that you mentioned on slide 15, like with the 1.75 asset turn it comes to roughly INR 1,000 crores of CapEx. So that would be another INR 600 crores to get to full potential. Would that be a fair understanding?

Vishal Thakkar: So this INR 220 to 260 million, what has been mentioned is the full potential going forward over a longer period of time. When we say 14 molecules, we are talking about a subset of this number. And hence, what we are mentioning is 1.75 is the minimum that we would expect from the capital deployment, which will be catering through these 14 molecules, but we plan that we may be able to do a better asset turn than that as well.

But for now, we are only mentioning 1.75 as the multiple but these two are different. So basically, you may want to read the 220 to 260 as a different number than the total 220 to 260 is the total that is around more than 30 molecules that we will be commercializing over a longer period of time. And that's what is mentioned here.

Vidit Shah: Okay. Got that. And in terms of margins of these molecules, will they be similar to the current margins that the company operates at.

Vishal Thakkar: They should be better, but let's look at similar margins for now and then we can see as we go.

Vidit Shah: Okay. Understood. Secondly, my question was around these two new LOIs in the benefits of the Europe plus one that Anand bhai mentioned in the opening remarks. So if I look at slide 14, the number of LOIs and the revenue potential has sort of remained the same. So how much revenue would these delays LOIs bring in addition to these5, 6 LOIs that we've already signed, would this INR 2,600 crores number change materially because of these two LOIs that have come

Vishal Thakkar: So first is that the INR 2,600 crores is a number which was for the quarter ended and the LOIs were signed after that. And that's the reason the number has not been added on to it. However, that number should be around $10-odd million in that context, it will be a limited impact on the LOIs and contract, if you were to see the total size.

Vidit Shah: Okay. So $10 million, is it

Vishal Thakkar: Yes, that's what.

Vidit Shah: Okay, understood. And just one clarification on the change in accounting that you've done I missed the consolidated revenue number that you mentioned, but you happen to say that Tanfac has not been included in the consol revenue. In the results, your 1Q revenue seems to suggest that Tanfac has been consolidated with the minority interest being recorded, could you just explain the accounting that you've done and how it's going to be going forward?

Vishal Thakkar: So basically, what we were saying was that for FY '23, post March to May 21, the consolidation is on a full basis. However, for FY '22, the consolidation number has not been added because that time we have not done an acquisition. And hence, when you're looking at the comparison, we want you to be aware that for FY '22, there is no consolidation of Tanfac numbers, whether an FY '23 post 21st March, the number has been added. 21st May, sorry, I stand corrected on that. 21st May.

Vidit Shah: Okay. Understood. And going forward, it will be done on a full consolidation basis, 25%.

Vishal Thakkar: Yes, it's a full consolidation basis.

Moderator: Thank you. Our next question is from the line of Rohan Gupta from Nuvama.

Rohan Gupta: Yes, good evening, and thanks for the opportunity. So though given some explanation with the regards to new CapEx, some doubts and clarifications. So one is that you are planning to spend another close to INR 500 crores exclusively on fluorination CapEx. That is on top of INR 250 crores for this year and maybe INR 250 crores for next year. I mean that for your initial guidance was that INR 250 crore annual CapEx. So it means that including this 500, we are planning to spend another in INR 1000 crore over next 24 months. First of all, that is that understanding correct?

Vishal Thakkar: No, when we are saying this number, we are saying 250 for the year. So basically INR 670 crores is what we are going to do CapEx from today until next 24 months. That's what we are saying for now. That includes the INR 250 crores of what guidance will be given for the LOIs and contracts and the other ones.

And Second point on this, when we said about the fluorination, it's not only the fluorination it has other products as well, as Anand bhai said it will be a multipurpose plant, not only one product or one chemistry. But yes, there will be leaning towards catering to those 14 molecules which we have identified. But over and above that, there will be enough capacity there.

Rohan Gupta: And sir, So you're guiding roughly 1.75x kind of asset turnover, which is significantly higher than the current level of 1.1x asset turn which we are able to achieve right now. So, with 700 approx. CapEx, you see that how much time -- I mean, 24 months probably is going to take for commissioning of the CapEx? And how much time you think that will take further to achieve that 1.75x, expected?

Vishal Thakkar: Two years from then on, we should be looking at that number Two and a half years, two years plus minus six months is what you should look at where we would be able to ramp it up fully. Because again, why I'm saying this is also because these assets will come on a sequential basis and not on a same day because all assets will be planned out in that phase as well. And that's the reason I'm saying these numbers in the manner.

Rohan Gupta: Even in a staged manner, all the CapEx will be commissioned within 24 months. And beyond that, you are saying that it will take another two years to achieve a 1.75x kind of asset turn.

Vishal Thakkar: Correct. And also, just wanted to note that the current asset turn is also where such capacity should also give us a growth for the next two years. So, we should be reaching a similar asset turn from these assets as well. So, it's not that current assets will only give us 1 to 1.1x, it is today but as we see that for the next 18 to 24 months, the growth will come from the current capital assets.

Rohan Gupta: So, in fluorination. So you have a history of doing this chemistry. But I think that the confidence has increased after the Tanfac acquisition. So, have you got any kind of customer contract or visibility of this CapEx, which we are going to put up INR 450 crores mainly catering into fluorination? What is the confidence level and how much it is backed by the customer's contract right now?

Vishal Thakkar: Anand, would you want to take this?

Anand Desai: No, you go ahead. I'll add later on.

Vishal Thakkar: So, if when we mentioned that 14 products, we have been in discussion with these customers for a long time. We have been developing these products in our R&D and lab. So it is not that we are starting the process now. The process was done for last three to four years and more. And today, with the Tanfac coming in, the supply security coming in is when the customers are now converting into demand.

And that's where we have been able to talk about the ramp-up here because our R&D and pilot samples and all others have been validated and that's where we are coming from. So the confidence that is there is pretty high from this perspective. Because if you understand the product development phase is when there is a product developed, then there is an R&D, then there is a pilot phase and then you get into commercialization to share this 14 molecules, what we have mentioned in the slide 15 is where we are practically at the twilight of the commercialization phase and that's where we are coming from. And hence, that's the confidence that we are seeing.

In terms of interaction with the customers, customers have been pushing us for a lot many more products, the kind of demand and the kind of confidence and the urgency with which the customers are requesting for the products and the supply -- it's quite unprecedented compared to what we have been seeing in the last few years and what Dr. Kiran and Anand bhai in his opening remarks also mentioned about the Europe Plus One and the interest coming in.

We are seeing a very strong interest coming from all major customers, current and also a few potential ones. Anand bhai if you want to add something, yes?

Anand Desai: Yes. So Mr. Gupta, I would like to add on to what Vishal bhai mentioned there. That the Europe Plus One strategy as well as the China Plus One is really playing out very hard. The kind of demand and the inquiries for new products, both into fluorination as well as to the general chemistry is unreliable. For example, the sulphuric acid price in India is one fourth the price what is in Europe. So you can just imagine the cost. I would not say the arbitrage, that would be too rude, but I think the difference is quite high.

So people are desperate in Europe. Of course, they have a long term view. They have seen this in the past. So, they will not take an urgent view, but at least a major movement will start of products which are not high margin or which the security product for them to be shifted out from Europe and it can be India and it can be China also.

But at the same time, what we are seeing as far as Anupam is concerned, a major demand in our existing chemistries, which any would see that most of the products that we are manufacturing go to Europe today. And a major shift is surely happening. And we will be able to give you more information in the coming three to five months. As I would not like to give you any forward-looking statements now, but in the next three to five months, you will see a lot of information coming out from Anupam as to what we have been doing in the last six to nine months. And we have been focusing on long-term projects with customers, which will be deferred in '25 and '26. But on an urgent note, we are seeing huge demand for a lot of products to be shifted into India, from Europe, and that is where we are coming from.

Rohan Gupta: Okay, So you have mentioned that the working capital days has come down and with the safety inventory for the customers, that has also been reduced in terms of the contract size also, from the annual to half yearly. By year end, if you can just guide us that what kind of inventory holding period you are targeting and from the current level, how much we can see the further reduction?

And also on the new contract which you are taking, all this in fluorination, the 14 new products, and I believe that the most of the customer's profile remains same. So, for the new product, or the new contract, are we still following the same mechanism what we have been following earlier? Or it is going to be completely different like for any other agrochemical players where the inventory requirement is not so high. So how is the arrangement on the new product?

Vishal Thakkar: Okay, let me address the first question first and then I'll come to the second one. The first question about looking at the inventory levels as we've mentioned, I think as also suggested in the opening year quarter as well, the first quarter this year as well. But we will endeavour to move back towards the historical level of the year before where we were, and we will look at coming to those kind of numbers by the year end, as well as cautionary inventory drops and our business in terms of the contract structure get amended and implemented.

So that's the number we would like to be focusing on. And that will be a fair bit of release from the working capital cycle in that sense. And second on the newer contracts, you will appreciate that the way we have designed and structured our business is a more in-situ kind of a business where we are more part of a supply chain for our customers

And when we are, we need to, and where we are mostly single or a primary supplier to our customer, there we would need to hold a particular level of inventory. However, if you see the risk of inventory is practically not there for us because the price and volume risk both are passed through and even the carrying cost for the inventory is also borne by the customer in that sense.

So to that extent, we will have a structure similar to what we have in our existing business. However, we will keep on tightening that premise and focusing on a shorter cycle as much as possible. But there need to be a healthy mix of both being a responsible supplier to them and assuring them, especially when we are a single or a primary supplier. So that will be a healthy mix that we will try and focus on.

Moderator: Thank you. The next question is from the line of Rohan Kamat from Finterest Capital. Please go ahead.

Rohan Kamat: My first question is basically on the six months pricing. I just wanted to check whether it is done for all the customers or not. And just to follow up on that, what kind of levels that are expected for this year and the next year?

Vishal Thakkar: Okay, so first is that as we mentioned that around 60% to 70% of our contracted revenues are now on a six-monthly basis. And second, as we mentioned and as we guided in the last question itself, that we will endeavour to be moving back to the older inventory cycle levels that we had in the previous year. And going forward, we will try and focus on compressing that as much as possible. But right now, that's the guidance that we could go with for now.

Rohan Kamat: The second question is on the CapEx guidance. What kind of CapEx guidance do we have for financial '23 and financial '24?

Vishal Thakkar: So again, this year we should be looking at around INR 250 crores of capital deployment and next year should be around INR 350 crores to INR 400 crores of capital deployment. We'll come to that number with more clarity between INR 350 crores and INR 400 crores by the next quarter. But that's the number you should go with for the FYs allocation if we were to look at.

Moderator: Thank you. Next question is from the line of S. Ramesh from Nirmal Bank Equities. Please go ahead.

S. Ramesh: Just to understand the consolidation of Tanfac how you have done the broad consolidation and how you are arriving at the minority interest because if you look at the Tanfac results and the way its consolidated, it can be difficult to understand how the numbers are aligned? So can you explain the consolidation and how you run in the minority interest?

Vishal Thakkar: So if you look at the consolidation, we have done a line-by-line consolidation at 100% basis for the opening ones. And that starts from 21st May to 30th September. And that is the number that has been added because on 21st May is where we are deemed to have a control over the company when the open offer was concluded. And then the minority interest comes post the PAT numbers that I mentioned and that's what is mentioned below, where the minority interest of 74% will be identified.

S. Ramesh: The question is, if you look at the standalone number and consolidated number, Tanfac reported INR 48 crores profit. So you're talking about consolidated profit of 478 million or INR 47.8 million crores compared to about 360 million or INR 36 crores? And the minority interest is not equivalent on that 75% of Tanfac number, which will be closer to about INR 6 crores. So that's where I think the question is…?

Vishal Thakkar: Yes. So Mr. Ramesh, the challenge is there is an elimination of INR 1.8 crores of dividend and intercompany profits, which are there, which has been eliminated. That's the reason it is the number that is not looking like which is 1.4 of dividend and 0.4 of intercompany profit, which has been knocked off, and that's the reason you are seeing these two different numbers. And then the minor interest comes below that.

S. Ramesh: So this INR 1.8 crores of writing off, whereas has been adjusted in the consolidated number

Vishal Thakkar: That's what I'm saying that INR 8.8 crores was the profit for Tanfac, whereas if you see the consolidation is showing only INR 6 crores of that. And this is because of INR 2 crores, a little less than INR 1.8 crores of adjustment, which is a knocking off because INR 1.4 crores was the dividend, which came from Tanfac to Anupam, which has to be knocked off and two, is INR 0.4 crores of profit from the business. So INR 8 crores minus INR 1.4 crores, minus INR 0.4 crores gives you INR 6 crores. And that's the reason consolidations are fixed.

S. Ramesh: I'm sorry, you hold about 26% stake in Tanfac. So you shall be consolidating at the net level, you should be getting only 25% of Tanfac's profit, right? So I'm not sure I could understand how you can get INR 6 crores out of the INR 8 crores?

Vishal Thakkar: So because if you see below that line, there is an adjustment that has shown as a minority interest post PAT and that's where the numbers are existing. Because this is consolidated on a line-by-line basis and not on a 25% shareholding basis. That's the reason these numbers are there. If you go below that, on the CFS, you will see there is an allocation for the minority interest as well.

S. Ramesh: Yes. So No, let me ask you a different way, the minority interest of INR 2 crores or 22 million you're showing. Does it include any other item because technically, it should be equivalent of 75% of Tanfac's profit.. So out of that INR 8 crores, 6 core would have been set out. I'm not able to understand how it?

Vishal Thakkar: So if you're talking about September. September, if you look at it, there is a INR 6.2 crores of non-controlling interest, which is being adjusted on the net profit. If you see below down, there is an explanation given there as well. So INR 47.3 crores is the comprehensive income less Net profit attributable to owners of the company, INR 41.5 crores, and non-controlling interest of INR 6.2 crores has been mentioned in the CFS as we go down post PAT, there's a line which is going further down, so if we open the financials that we have submitted to the stock exchange, we will be able to see that number, Mr. Ramesh.

S. Ramesh: And you're saying, okay. I can correct -- so this INR 47.8 crores before the minority interest for the quarter out of which INR 6.2 crores is a minority. I stand corrected. My apologies.

Vishal Thakkar: No problem, Mr. Ramesh. This is the first time we are also consolidating. So everyone will take time to get to that. So no problems, please feel free.

S. Ramesh: So when you're looking at these 14 molecules and the increased CapEx, how are you positioning us into source your materials? How much of that is going to be captive? How much you have to import? And what is the arrangement for them? And what is the kind of additional impact you could have on your increase in working capital?

Vishal Thakkar: Let me go first and let me answer that for now is that our working capital cycle, as we have said, we will keep on driving it, as we mentioned in the earlier question as well, so this increase in business will not expand the working capital, but we'll try and continue to compress as much as possible is the first statement.

Second, what we are saying in terms of supply chain, if you see with the acquisition of Tanfac, the import dependence is only looking like reducing. Today also less than 20% of our purchase will be imported, and we will endeavor to keep it as low as possible. We are not seeing any significant change in terms of our purchase profile. In fact, it is only going to go more towards the domestic consumption and more vertical integration for us.

S. Ramesh: Sir, if I may just ask a follow-up question? In terms of the increase in core working capital or the kind of CapEx, you also get about 100% additional revenue, given the kind of working capital number of days, it implies about another INR 500 crores of additional working capital requirement. So how will you finance that? Will you need further debt raising or will you be able to fund that through your operating cash flows? What is the company's plans on that?

Vishal Thakkar: So Mr. Ramesh, if you see the kind of operating cash flow that we have generated for the first half and if you look at going forward, because this ramp-up is also looking over the next few years, so operating cash flows will be able to suffice any requirement for the growth in terms of working capital? And also, there is a bit of a compression as we have mentioned that our working capital will compress as we go forward. And that will also ensure that the requirement for the working capital will be to that extent only. So both put together, we don't see any significant external requirement for our growth of our business from now.

S. Ramesh: One last part, so between Europe plus and China Plus strategy in terms of the customer profile for your current and new order book you're getting, are you going to see your margin profile improve as you move towards more of Euro Plus customers? How do you see that going forward?

Anand Desai: So margin profile, we have been always positioning ourselves with the European customers and European suppliers to that extent in terms of our supply to our customers. So we are typically replacing them most of the time. And there, if you really see the margin profile, we don't see it to be significantly different. It will be tad better, but right now, as we have mentioned earlier also, we will keep with the guidance of the same margin profile. If you do it better, it's always good for all of us. But right now, let's go with the numbers that we have been guiding for now.

Moderator: Our next question comes from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: You mentioned about increasing opportunities from Europe and customers looking more for us. So if you can speak a bit more about these opportunities, are they short-term or are they long-term based on the nature of inquiries that you're also getting the kind of sectors exposure that these inquiries are coming from? And also, you mentioned that the intensity is very high now. So does it mean that in the future, there is a scope that the ROCE that we probably used to demand earlier can improve significantly going forward? Or do you think there is enough competition in the market for these kind of sourcing opportunities that the ROCE will remain at the levels that we have been doing, I mean, this 20%? Or do you think given the supply-demand dynamics, the ROCE in future can be even better given your demanding position now?

Vishal Thakkar: Anand, would you want to take the question?

Anand Desai: Do the second part.

Anand Desai: I think in Anupam's case, we tend to prefer to take long-term contract base products only and there has been the modest operandi of the company going in the last so many years. they will see so many products which have been having a long-term perspective, even there are some products which are not in contract. but which we've been manufacturing since 2004 and still today, they are without a contract, but issued to Anupam only and even in some cases, they are on an exclusive basis. So this model, we would not want to change.

We only look at a long-term agreement products only even if there is not a written agreement, but there has to be an understanding between us and the customer and based on our relationship of last for so many years with all the major players it's very clear. And in the future, if Europe situation changes, once the product comes out, there are so many things which are associated with it registrations, internationally, locally, domestically, a lot of things have to be taken into accordance over there.

And so when a customer gives the product to rather plants to take a product out from a certain manufacturer or a country, there are a lot of issues involved. It's not a knee-jerk reaction that today the prices are high in Europe, and so we'll take it to India or China, it's not that. There's a lot of thinking going into that. Yes, Europe plus one situation is giving an impetus to that. Some products which we are planning in '25 will be launched in 23 itself. So yes, some products will be fast-forwarded. But again, coming back to your main point, we at Anupam prefers to take products which are having a long-term agreements or offtake agreement only. That is the plan, and that is how we go about.

And customers like that they understand Anupam's philosophy of a cost-plus basis price transfer, so they are also aware about it. And of all the costs that would be incurred on to that product could be manufactured, So we are very clear on that part. We tend to be a good supplier in that and that we optimize the process. We share the benefits with the customer and ensure that his interests are arranged over long term period. So that would be my answer to your first question. On the second part, on the ROCE part, I'll ask Vishal bhai to take it.

Vishal Thakkar: See, on the ROCE side, as we said, yes, when you have a higher demand, you tend to have a better bargaining power. However, the way we see things is that we look at sustainability, visibility and profitability. And all three are completely important, and we would want to have a long-term sustainable business with them. So we will be looking at a good ROCE. However, it has to be also making sense for our customer and it should be sustainable that they don't look for other suppliers going forward. So the range that we have been suggesting, which is 20-plus percent ROCE, should be there now, how many percentage points we can always discuss as we go. But primarily, that's where we will be looking at.

Dhruv Muchhal: So basically, you would continue to target this 20% ROCE?

Vishal Thakkar: Yes, absolutely. And customers are more than happy to offer that

Anand Desai: Dhruv want to add over here. See, I mean, Anupam has been known to be a fair supplier., we do not take advantage of any manufacturer issues in Europe or anywhere else. We have always tried to see our customer benefits, not our benefit because that is what pays off in the longer term. And that is the hallmark of where Anupam stands. All customers appreciate and understand. And we know for a fact that many of most of the products that we offer are manufactured in Europe.

And in the last 12 months, a lot of things have happened in Europe, but we have never taken an advantage of what's happening over there. We see our benefit, we see our understanding of the business, and we ensure that we come out looking as a rational supplier and not take advantage. People do take advantage of customers in this situation, which we prefer not to and customer appreciate that customers are elephants. They remember for a long time, and we prefer to be a rational supplier and not take advantage of not only a customer, even our supplier for that matter. We are known to be a fair company and a logical company

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.

Vishal Thakkar: Thank you everyone for your questions and we hope we have been able to answer most of your queries. If you have missed out on any of your questions, kindly reach out to our IR Advisers EY and we'll get back to you off-line. Hope you have a good weekend. Look forward to your continued support in our growth journey. Thank you. Happy Diwali once again to everyone of you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Anupam Rasayan India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.