



# Ami Organics Limited

(Formerly known as Ami Organics Pvt. Ltd.)  
CIN No. : U24100GJ2007PLC051093

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

October 30, 2021

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

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

Scrip Code : 543349

NSE Symbol : AMIORG

Dear Sir/Madam,

**Subject: Transcript of Earnings Call for Q2 FY22 financial results held on October 25, 2021**

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 October 25, 2021 post announcement of financial results for the quarter and half year ended September 30, 2021.

This is for your information and records.

Yours faithfully,

**For, AMI ORGANICS LIMITED**

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

Encl : As Above





**“AMI Organics Limited  
Q2FY2022 Earnings Conference Call”**

**October 25, 2021**

**ANALYST: MR. PRASHANT NAIR - AMBIT CAPITAL**

**MANAGEMENT: MR. NARESHKUMAR PATEL - EXECUTIVE CHAIRMAN &  
MANAGING DIRECTOR – AMI ORGANICS LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the AMI Organics Limited Q2FY2022 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 "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over Mr. Prashant Nair, from Ambit Capital. Thank you and over to you Sir!

**Prashant Nair:** Thank you Aman. A warm welcome to the AMI Organics Earnings Call. My name is Prashant Nair and I cover healthcare at Ambit. For this call, we have the pleasure to host Mr. Nareshkumar Patel, Executive Chairman & Managing Director, and Mr. Abhishek Patel, CFO of AMI Organics. I will now hand over to Abhishek to take this forward. Over to you, Abhishek.

**Abhishek Patel:** Thank you Prashant. Good afternoon, everyone. We are pleased to welcome you all to our earnings call for Q2FY2022. Please note that the copy of our disclosures is available on our investor section on our website as well as the stock exchanges. Please do note that anything said on this call, which reflects our outlook towards the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risk that the company faces. With that I would like to hand over the floor to our Chairman and Managing Director, Mr. Nareshkumar Patel.

**Nareshkumar Patel:** Thank you Abhishek. Good afternoon, everyone. I am Naresh Patel, Chairman and Managing Director of AMI Organics, heartily welcome you to our maiden earnings conference call. I hope you and your family are safe and sound as COVID continue to cast a shadow on our day-to-day life. We maintain the highest level of safety measures at our plants and offices to keep our most important stakeholders, employees safe.

Before I discuss the results, I would like to thank all the shareholders for their confidence and trust in AMI Organics and its management, which was visible in the successful listing of our shares on bourses. We are overwhelmed by investor's response to our IPO which was visible in the 64x subscription for the IPO. I would once again thank all of you for your vote of confidence in us and we will do our best to create value for our stakeholders.

Now, I would take this opportunity to brief you all about AMI Organics. We are an R&D driven manufacturer of speciality chemicals focused on two business segments, mainly pharmaceuticals advance intermediates also known as pharma intermediates and specialty chemicals. Under pharma intermediates, we manufacture Active Pharmaceutical Ingredients (APIs) and New Chemical Entity. We have developed and commercialized over

450 pharma intermediates for APIs across all 17 therapeutic areas and for New Chemical Entities.

Under our Speciality Chemical segment, we manufacture key starting raw materials for Agrochemicals and Fine Chemicals companies. We have recently acquired two facilities from Gujarat Organics, which helped us foray into preservatives and other specialty chemicals used in manufacturing of cosmetics, dye, polymers and agrochemicals.

Now coming to the financial update. I am happy to inform you that during the H1 FY2022 we grew 51% on year-on-year basis to revenue Rs.2,354 million. Our margins were slightly suppressed in the first half, which was on account of the integration of two new assets acquired from Gujarat Organics. We are confident that our focus on process optimisation, better utilization, and cost controls for these newly acquired facilities will soon bear fruits which will push our margins upward. I will let our CFO, Abhishek Patel discuss this in detail post my remarks.

On the business update, I would just like to announce that, since last four years, we were developing some China substitute products and in the last quarter we started distributing our two products, which we have started producing commercially and these two are China substitute products, and we are one of the largest producers of these products in India.

Also, I am delighted to welcome Mr. Sanjay Vasoya. He is a doctorate and will be joining us as an Assistant Vice President, R&D. He will be spearheading our R&D initiative. I am confident that his addition to the team will help us accelerate and deepen our R&D focus.

Before I conclude my remarks, I would like to mention that the demand environment for our product remains strong even in tough times around the world. I continue to remain bullish on our growth in the coming months. Now I will request our CFO, Mr. Abhishek Patel to discuss the financials. Over to you!

**Abhishek Patel:**

Thank you, Naresh Bhai for your opening statement. Good afternoon everyone. I would like to briefly touch upon the key performance highlights for the quarter and half-year ended September 2021 and then we will open the floor for questions and answers.

First, I will start with the quarterly update. In this quarter, revenue stood at Rs. 122.3 Crores which is up by 34% as compared to 91.3 Crores in Q2 FY2021. The gross margin for the quarter was 54%. During the quarter, we observed that the raw material prices started climbing up due to expected shortage situation as a result of current circumstances in China, but the positive thing is that we have already started passing on this incremental cost to the

customer and there will be some lag related to the passing out extra cost, but we are confident to make it happen in the next two, three months.

EBITDA for the quarter stood at Rs. 27.4 Crores which is up by 25.2% as compared to previous quarter which was Rs. 21.9 Crores in Q2 FY2021. EBITDA margin was 22.4% in the quarter. PAT for the quarter was Rs. 17.5 Crores up 14.8% compared to Rs. 15.2 Crores in Q2 FY2021. PAT margin was 14.3% during the quarter.

Now coming to the half-yearly number, our revenue grew by impressive 51.1% to Rs. 235.4 Crores in H1 FY2021 as compared to Rs. 155.8 Crores in H1 FY2020. I want to mention that traditionally we have been growing sequentially. So, every year our Q1 is the low performing quarter and subsequently Q2, Q3, Q4 starts giving us the better and better results every year. So, Q4 is always expected to be the best for us and in this financial year also. This leads to H2 contributing more in topline compared to H1. You can visualize from our past financials generally our H1 is contributing around 40% to 45% of the total revenue whereas H2 contributes around 55% to 60% of the revenue. We can expect similar trend, which we had in the last five - six financial year, to continue in this financial year as well.

Now on the EBITDA side, EBITDA continued to grow with our half-yearly EBITDA coming at Rs. 49.5 Crores, a staggering growth of 43.2% compared to the same period last year. Even with the impressive growth in EBITDA our EBITDA margin remains little bit suppressed during the first half of the year at 21%. As the EBITDA of the core business continues to improve, in our core business of Unit I located at Sachin, the EBITDA margin has in fact marginally expanded as compared to FY2020 closing financial, but because of EBITDA integration of newly acquired facilities, which has remained almost non-operative in the first two months, that has dragged our overall EBITDA.

Our operations in newly acquired facility was minimal during the first two months leading to the higher single digit EBITDA for us from this facility in H1 FY2022. In his opening remarks, Mr. Naresh Bhai also mentioned that we are looking on various process optimization, better utilization, cost control initiatives in this facility along with these initiatives, the production activities, are improving month-by-month. We are confident that we will improve our margins as the revenue from operations increases in those facilities.

The jump in the employee cost was on account of integration of those two facilities during this H1 FY2022. Now, PAT stood at Rs. 31.2 Crores in H1 FY2022 which is up by 29.2% as compared to the same period last year. PAT margin for the first half came at 13.2%.

Coming to the balance sheet items, we have repaid debt of Rs. 136 Crores during the quarter, which is as per our object of the issue of the IPO and now we would like to

announce that as on date we are net debt free company. The cash and cash equivalent for September ended 2021 stood at Rs. 100.8 Crores. Apart from this we have additional Rs. 40 Crores has been set aside in the cash for our FY2023 working capital requirement as well.

Before I conclude my remarks, I would like to highlight that FY2021 numbers does not include revenue from two newly acquired facilities. So, because it is a slump sale transaction at the year end. For the first time, half-year revenue figures include those revenues coming from those two newly acquired units. The total revenue generated from those two units are Rs. 39.5 Crores in H1 FY2022 and margin is in a high single digit.

I will now conclude my remarks, with a request to the moderator to open the floor for the question and answers.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Dhawal Shah from Svan Investments. Please go ahead.

**Dhawal Shah:** Very happy to see the expansion in the gross margin as we are moving more towards the value added products. Sir, couple of things, I did not understand. First is you mentioned we did 40 Crores revenue in the first half from the Gujarat Organics. Am I correct?

**Abhishek Patel:** Yes Sir.

**Dhawal Shah:** So now last year I think our revenue was 110 Crores from Gujarat Organics for the full year?

**Abhishek Patel :** Actually, your figure is correct, but that was not consolidated on our financials. 109 Crores was the annual revenue.

**Dhawal Shah:** But then that means was the plant non-operational during the first half for some time or is there seasonality in the revenue?

**Abhishek Patel:** As I mentioned, because of post acquisition there were some cleaning up and streamlining activities for us during the Q1 FY2022 wherein first month of April and half of maybe by May 2021 we had very minimal operations going in over there, so because of that the revenue started coming from June, July, August, September months for us from those two facilities. We acquired those new facilities and we envisaged that this is going to be a transition period for them, those new employees as well and these are process of integration. It does take time everywhere. So, we have been in process of integration and

since now it is being integrated completely, now it is showing a good positive sign in terms of revenue as well as the operational efficiency.

**Dhawal Shah:** In AMI Organics, if you look at we did 196 Crores versus 157 Crores. That is like 25% growth. Did we have any loss of revenue in this quarter, in this business as well, anything?

**Abhishek Patel:** There was not kind of loss of revenue, but we witnessed some of the supply chain and logistics issue in the latter part of Q2 and that was a little concern for us.

**Nareshkumar Patel:** Dhaval Bhai, there is material is already finished product is already lying but unfortunately because of the frequent delay because of the logistics issues mainly our customers are situated in Europe and Japan area, so that is why some material has to move in September has not moved so that will be going to be dispatched in October and this quarter. So that is why inventories are a little bit higher because of the finished goods, which has to go from our warehouse as they have not moved during the closing of the quarter.

**Dhawal Shah:** Sir, now for the next two quarters, what sort of revenue visibility do you have?

**Nareshkumar Patel:** We have a very, very good visibility of the revenue and as Abhishek has already given before the start of the call that we are growing at a 25% CAGR and historically also in the last six, seven years our H1 is around 45% and H2 will always be between 55% and 60%. So similar kinds of trends are possible in FY2022.

**Dhawal Shah:** So last time you did 340 Crores in AMI Organics standalone so we should be up 25% growth in this, this is what you mean?

**Nareshkumar Patel:** It is historically like this and the revenue from Gujarat Organics will remain as per last year only because we could not be able to do much effort in that as we lost already one and a half months in the beginning of the quarter gone by.

**Dhawal Shah:** Sir at least you will do 100 Crores, 110 Crores flat?

**Abhishek Patel:** Yes that you can expect.

**Dhawal Shah:** On the margin front, we were like single digit margins, how would that be in Gujarat Organics?

**Abhishek Patel:** You can expect that despite of loss of production during the first one and a half months and then the revenues slowly, slowly picked up, we are still at a higher single digit EBITDA

margin for that business so we are definitely expecting the lower double digit EBITDA margin for that newly acquired business.

**Dhawal Shah:** Last question before I come back in the queue. What led to our gross margin expansion, such sharp gross margin expansion?

**Nareshkumar Patel:** Gross margin expansion is a cumulative effort of several things which include cost effectiveness, and I already briefed during my road show also that AMI Organics is very cautious about the supply chain. We started working in supply chain since 2011 and we, at that time, were around 70% importing our raw material. Currently, we are only importing 27% and out of that 27% only 18% is from China. So the impact of this pandemic or China issues and all will be very well covered by AMI Organics for dependency of their raw material and they are also now giving fruit that our margins are also though there is a big pressure going and everything but our margin is very well maintained because of the dependency of the raw material is not outside India and also in fact our margins are much better than the last quarter and year. Unfortunately, because the investor is always looking at the profit margin but for the long-term results if you see the Gujarat Organics or any acquisitions is always having little bit suppression in the gross margin immediately post acquisition so that is the only impact on our gross margins otherwise our Organic business that is – Unit I, our margin is much better than our last performance.

**Dhawal Shah:** Great. Wish you all the luck and I will come back in the queue. Thank you.

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

**Amar Mourya:** Thank you for the opportunity. Congratulations for a very good set of numbers. Sir couple of questions from my side, number one is in terms of growth of basically the overall and on the standalone business and stripping the GOL growth so this quarter I believe the growth was only 13% so this is largely due to what inventory. I am talking the second quarter growth of AMI Organics standalone business vis-à-vis the September quarter last year?

**Abhishek Patel:** See last year we had a very sharp jump in revenue which was post COVID or opening quarter for us and that revenue suddenly jump from 63 Crores to 89 Crores in Q2 FY2021. So that is being little stabilized Q2 FY2022. So in consolidated even you see it is again 25% growth but the quarter-on-quarter it looks little kind of flattish.

**Amar Mourya:** No I have been asking I mean I got this in terms of you are explaining, basically you were explaining right the earlier participant about which few of the shipments got delayed so is it like if this delays would not have happened to you the revenue at a standalone level would



have been much better and how much would be that quantum Sir obviously that would come in the next quarter, right?

**Nareshkumar Patel:** Yes, but that number it is not possible to get.

**Amar Mourya:** On an average ballpark.

**Abhishek Patel:** See there is an opportunity loss also because of shipment delaying, shipment of raw material, our production level gets little bit staggered but if we strictly go by the number we have at least 7 - 8 Crores inventory increase as compared to the normal level which we can expect so with that we can take up from the financial that deals are the kind of revenue we can expect additionally for those shipments would have been sent and the inventory and the cost of the raw material production not at the cost of the sales.

**Amar Mourya:** Yes, so obviously this 7 Crores now would have been at least obviously much higher than their than the inventory price how about that, and secondly Sir when you say that normally your first half is 45% and second half is remaining. So in the first half your early business standalone business you have done something around 196 Crores kind of a business so basically so this ratio remains is that remain for the whole year like 45% remaining would be coming in the next second half?

**Abhishek Patel:** Yes, of course.

**Amar Mourya:** Given that now you had already seen on our standalone business also there is an improvement in margins of around 160 basis points so do we expect to maintain this 23% kind of a margin in AMI business going forward for the third and the fourth quarter?

**Abhishek Patel:** In fact Sir we expect to expand our margins for standalone business in Q3 and Q4 because the revenue picks up during the same time so we have the 10%, 15% that operational leverage would definitely help us to do slightly better margin for Q3 and Q4.

**Amar Mourya:** So at least we can expect kind of expansion we had seen in the second quarter around 160 basis points would be visible in the third and fourth quarter also?

**Abhishek Patel:** Yes, Sir.

**Amar Mourya:** Fantastic and now coming to the GOL level basically as you had indicated that the revenue is likely to remain same but because now it is run by you and now you have a better integration at plant level so at least can we expect a better efficiency and can we expect a better margin versus the last year?

- Abhishek Patel:** Yes, we have even started witnessing those figures, if you see in last financials our margin slightly improved despite of the muted operations in H1 FY2022 also so with now improved operation we can definitely have even better realization in margins.
- Amar Mourya:** So just Sir one more clarification from my side is at this standalone level so can we expect that the margin would be something around 26% probably at an EBITDA level?
- Abhishek Patel:** Are you talking about full year margin?
- Amar Mourya:** Standalone Q4 margin.
- Abhishek Patel:** Standalone Q4 margin yes it can improve as compared to what it being right now but that is difficult to conclude that it will be at 26% or 25% considering the fact that we have certain unwanted or very dynamic pricing right now going on in terms of the commodity raw materials as commodity raw materials are fluctuating very high during this time. So that depends on the future pricing of those materials also.
- Amar Mourya:** But you expect the improvement in the second half also in the first half?
- Abhishek Patel:** Yes, but as per this ongoing situation we can definitely say these margins are improving.
- Amar Mourya:** Fantastic, Sir. Thank you Sir. Thanks a lot for your time and congratulations.
- Moderator:** Thank you. The next question is from the line of Ashitosh Agarwal from ND India. Please go ahead.
- Ashitosh Agarwal:** Apart from the figure of the amalgamation of the company with GOL are there any other growth plans for the company maybe the Brownfield expansion or any capacity expansion plans in the upcoming one to two years?
- Nareshkumar Patel:** Yes, we are going to put up on expansion plan but that is under review and in the Q3 we will be deciding on that that is for our growth of FY2023 and FY2024.
- Ashitosh Agarwal:** There will be new products or it will be an expansion in existing line of business?
- Nareshkumar Patel:** Your voice is breaking can you repeat the question please.
- Ashitosh Agarwal:** I am saying that whatever the expansion will be existing line of product or there will be new introduction of product?

- Nareshkumar Patel:** It is a cumulative of both, existing as well as new product because we have a very strong pipeline and our China substitute products is now maturing so we already have two product is already we are introducing in this financial year and upcoming years we are also going to introduce three more so that is for that we are going to put up some additional kind of equipment.
- Ashitosh Agarwal:** How much it will be in percentage like for maybe production in terms of metric ton or maybe in terms of revenue how it will jump as a product or capacity like does the secular expansion which is planned for FY2023 and 2024?
- Nareshkumar Patel:** These are all on multi metric tons like 500 and 1000 metric ton kind of products. So, for that we have to put up very advanced manufacturing plant so that we will design.
- Abhishek Patel:** It is still under process so its s difficult to give you a precise number in terms of metric ton and additional capacity.
- Ashitosh Agarwal:** Okay maybe a quantitative idea like 50% or 60% how much bigger that expansion will be if I talk about for a company?
- Nareshkumar Patel:** It is like a percentage kind of thing but that is a dedicated block we are going to put up in Jhagadia so these are all a very dedicated products so we will put a dedicated block for both the products so that will be in a hundreds of metric tons kind of products in facility.
- Ashitosh Agarwal:** So can we safely assume it will increase our product and the company will grow by more than 50% because of that expansion is that the possibility because of this block?
- Nareshkumar Patel:** We will grow 25% to 30% CAGR is our historical and that will be the part of that only.
- Ashitosh Agarwal:** And this merger numbers will be able to reflect from FY2022 right?
- Nareshkumar Patel:** Yes Sir.
- Ashitosh Agarwal:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sajit Lodha from Birla Sunlife. Please go ahead.
- Sajit Lodha:** Thank you for taking my question. Sir my first question would be on your particular molecule, which goes into the API for the antiretroviral and HIV the Dolutegravir one so

what is the market share now currently globally of Dolutegravir and what is the pricing level?

**Nareshkumar Patel:** Markets we are still holding the key position of the market for Dolutegravir in WHO market and still we are holding 70%, 75% market of the total requirement of the intermediate of Dolutegravir and pricing is suppressed but our margin is intact with the pricing because the raw material is also be produced in-house so that helping us to keep our margin in intact.

**Sajit Lodha:** There is no particular pricing pressure that you feel adversely in this quarter. So do you think that there will be pricing pressure as and when the market share increases with the more players etc., do you see pricing pressure on that way.

**Nareshkumar Patel:** We are well prepared for that. We have completely backward integrated of the very basic chemical. So our raw material is starting from chlorine kind of thing so that is chlorine and ammonia so for competitor will be difficult for them to reach to our level which is what we believe.

**Sajit Lodha:** So I am not talking about the competitor. I am talking about API prices going down and resultant our pricing power going down?

**Nareshkumar Patel:** API is already going down to 50% and still we are holding the higher kg in higher margin.

**Sajit Lodha:** What you are trying to say is your pricing pressure will not go down, there will be margin, they are expected to remain intact?

**Nareshkumar Patel:** Yes Sir.

**Sajit Lodha:** Any new portfolio of products which you have added in the portfolio in the first half or anything which looks exciting or which we look forward in the coming quarters?

**Nareshkumar Patel:** We have introduced two new products which is the import substitute and these two products in Q3 will be giving us the revenue. Q2 was the sampling time where we had given some trial quantity to all the customers in India and now Q3 is going to be a main commercial supply starting Q3.

**Sajit Lodha:** These two new products which you are referring to which category it will be catering to?

**Nareshkumar Patel:** It is in cardiovascular.

- Sajit Lodha:** Lastly in GOL, Gujarat Organics Limited the margin guidance, obviously the pre acquisitions would hover around 4%-5%. Now you said it is single digit. Is it in high single digit or is closer to that pre-acquisition kind of EBITDA margin?
- Abhishek Patel:** No it is quite closer to the double digit figure. We are just about to reach double digit figure for this acquired business.
- Sajit Lodha:** That is it from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mehul Sheth from Axis Capital. Please go ahead.
- Mehul Sheth:** Thank you for the opportunity and congratulations on good set of numbers. Sir first question on your gross margin on consolidated level can you break it down what has really contributed to this gross margin expansion from say sequentially 43% to 54% and Y-O-Y increase from 47%-54%. Can you give some break up how the margin has grown over the last year Q on Q which is on the Y-O-Y basis?
- Abhishek Patel:** Yes, Naresh bhai mentioned sometime back we have been continuously working on all the products on quarterly and monthly basis for any kind of improvement in yield or improvement in supply chain and that has been the reason we have been able to improve, or margin last few financial years. One more reason over and above what Naresh bhai just said during his presentation that because we have additional inventory of 8 Crores to 9 Crores in terms of FG and WIP which was not being dispatched during the end of this quarter so those overheads with inventory brings down the impact of total cost of materials consumed, so that is the reason because of which our operational expenses are on higher side but because of the lower dispatches that is sitting on the inventory and ultimately brings down the overall cost of material consumed.
- Mehul Sheth:** Do you have any benefit of let us say price differential pass on that you must have done in Q1 FY2022 that is reflecting in Q2 of FY2022 and that is improving the gross margin?
- Abhishek Patel:** Largely what we can see because we are actively working on our costing and we try to pass on whatever is being carrying input cost passed to the customers. But we can say largely because of our process innovation only and improvement at our operational level gets better gross margin and not because of improved pricing.
- Mehul Sheth:** Also Q2 sales growth of around 34%. Can you break it down into how much was the volume led and how much was the price led growth?

- Abhishek Patel:** Largely, it is coming because of the volume only but precise figure I have to come back on this for precise number but largely it has been because of the volumes.
- Mehul Sheth:** Just last question on your utilization level. Can you give us your utilization level at your standalone at the Surat plant and when we say Gujarat Organic has done 39 Crores, 40 Crores kind of odd sales and the margin is around high single digit level, so what level of utilization you have achieved in those two plants and which has basically helped you to improve the margins say 3%, 4% level to almost a high single digit, so was utilization one of the factor?
- Abhishek Patel:** Around 70% utilization level is for unit 1 and unit 2 and unit 3 is somewhere around 45-50%.
- Mehul Sheth:** So when we say 100 Crores of sales so what level of utilization we are expecting in the Gujarat Organics?
- Nareshkumar Patel:** 40%.
- Mehul Sheth:** Okay Sir. Thank you that is it from my side.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.
- Manish Poddar:** Primarily three questions; first one could you probably call out what is the capex number here Sir, because I think you have done only about 8 Crores, 9 Crores in capex till date?
- Nareshkumar Patel:** This capex is mainly for the maintenance in the Gujarat Organics for some modification before start of the plant and well in our system.
- Manish Poddar:** But what is our capex planned in FY2022 and FY2023?
- Nareshkumar Patel:** For FY23 Somewhere around 20 Crores and FY2024 is somewhere around 50 Crores to 80 Crores.
- Manish Poddar:** This year FY2022?
- Nareshkumar Patel:** It is somewhere around 20 Crores.
- Manish Poddar:** It is 19 Crores.

- Abhishek Patel:** Around 20 Crores but capex just we mentioned Naresh bhai that we are putting up a separate facility for the year 2023 so that is still under working so precise number is difficult to predict right now but around 20 Crores is the capex we are expecting for existing business?
- Manish Poddar:** What sort of cost inflation have you witnessed like say from first half of this quarter and how much price increase you are taking to offset that?
- Abhishek Patel:** Costs maybe increasing for very basic material only and for us you can say that around 7%-8% average cost increase in our materials that we pass on to the customer.
- Manish Poddar:** This is for first half or this is for this quarter?
- Nareshkumar Patel:** This is for H1.
- Manish Poddar:** Okay one last one what is the effective tax rate guidance for this full year. I think in first half you are under 23% ballpark, is 25% the guided rate or should we expect to 22%, 23% accurate for this year?
- Abhishek Patel:** Tax rate we are expecting 25%, because we have moved to the new regime.
- Manish Poddar:** 25%. Thank you.
- Moderator:** Thank you. The next question is from the line of Manoj Bahety from Carnelian Capital. Please go ahead.
- Manoj Bahety:** Sir good afternoon. I have couple of questions. The first question is like if I go through your DRHP there is around 20% kind of raw material dependency on China and around 10% of our sales happen through our Chinese manufacturer. Are you facing some challenges on both on the sales to China as well as raw material which we procure from China?
- Nareshkumar Patel:** Sales to China is already secured. So currently there is no issue in orders from China whereas raw materials received from China, orders are already placed and the only thing is that orders deliveries are little bit delaying by one month or one and half month because of the logistic issue, otherwise there is not any issues in this quarter or in half year, there is not any impact on our cost.
- Manoj Bahety:** Over a medium to long term are you seeing this has a risk. Are you planning to bring down this raw material dependency to China?

- Nareshkumar Patel:** Yes we already while last one decade, we had reduced from 70% to 27% so that is our continuous approach and we continuously are working on focusing on reducing our dependency on imports.
- Manoj Bahety:** The second question is like if I see the raw material prices, which has gone up significantly especially ethanol, toluene and all those so you have already passed on the increase in raw material costs to your end consumer right?
- Nareshkumar Patel:** Yes Sir that is what process is going on and because in domestic, you always have a spot business so every time when the new order comes in then we give them the incremental offer to them so that we can cover our commodity price increment.
- Manoj Bahety:** Right and lastly Sir, I have one more question? If I see your product portfolio most of the products you have like kind of 60% to 70% kind of market share and all these products and many of these products are like going in generic use where the end growth is around 7% to 10% so when I connect like your 60% to 70% market share in most of the products where end products are growing at 7% to 10% so how do we get an exponential kind of when you are saying 25% kind of growth trajectory so how do we match these two things. So, basically from where the growth will come if I see this kind of products profile?
- Nareshkumar Patel:** If you have already studied that and you know much better than me but we have three modules in that. The generic module is contributing somewhere around 50% of the revenue, but our growth is coming from existing product which is sizably growing at between 6% and 10% which is a more dominating product, but apart from that there every year there are five to 10 products which are bringing new opportunities and it is going for launching and also here the margin bit is also higher and the growth is somewhere around 35% to 40% of the final API so that brings us a good opportunity to grow our product profile and the third is the new product and new chemical entity business which is also very high margin and we are also growing that business at 5% so like this with a combination of basket between existing big product, new product coming in every year and then the new chemical developments so this is how our growth is maintained every year.
- Manoj Bahety:** Got it. Thanks for this explanation so basically our higher growth will be contributed by new products introduction as well as on the NCE side right?
- Nareshkumar Patel:** It is cumulatively I can say. Because it is a balancing right because the higher quantity with the old product, new product is a lower quantity but has a higher value and that is why it is a balancing between two baskets and it is giving us the average revenue of CAGR of 25% growth.



- Manoj Bahety:** Got it Sir. Thank you. Thanks for taking question.
- Moderator:** Thank you. The next question is from the line of Dhawal Shah from Svan Investments. Please go ahead.
- Dhawal Shah:** Abhishek in this capacity utilization you mentioned around 70% right for AMI Organics for Sachin unit?
- Nareshkumar Patel:** Yes Sir.
- Dhawal Shah:** Okay Sir and so now what is the maximum we can do?
- Nareshkumar Patel:** 80% to 85%.
- Dhawal Shah:** Then typically this one product so how many batches we run in a year in terms of the different products we do? It is a MPP so will it have like around 30 to 40 products in a single in reactors a year? How does it happen?
- Nareshkumar Patel:** It is a very technical and very good question you had asked. Basically it is a multipurpose facility having 24 reactors and 16 GMP products aligned so we can produce at a time 16 products on a flow. It is a daily basis on an average 12 to 16 products is already going every day and the number of batches all depends on the size of the batch so it can vary from 100 kg bag size to 500 kg bag size or sometimes 1000 kg bag size so it all depends on which product is going on with which combination.
- Dhawal Shah:** Got it and similarly the margins will also defer?
- Abhishek Patel:** Margins always averages out because operating cost is going to be applied for on a kg basis right so 100 kg operating cost a little bit higher but with 1000 kg operating cost will be little lower so it is always a weighted average.
- Dhawal Shah:** Sir when you are doing your pricing of the product you would be seeing your revenue on a like on per number of hours the reactor is running, you will be seeing your margins that way that how much you are making product A takes around say two hours to come out of the reactor versus product B and what sort of money you make? How do you do the selection of the product?
- Nareshkumar Patel:** It is very confidential but we do calculations with raw material cost, operating cost, affluent treatment cost, packaging cost and these are all a consideration at the time of product development and PDR development so we make a dossier of that and that dossier will

include everything about the costing of the utilities and costing of the labor, involvement and everything and with this we will consider and then if there is a variable and anything we just put in that so the new cost will come out every time.

**Abhishek Patel:** So just to give you an answer that Dhaval definitely we consider those operational costs attached to a particular product while arriving at a pricing of any of the product.

**Dhawal Shah:** Because if I understand the reason I am asking is because the higher market share you mentioned the RHP is the result off your process chemistry right? The process, which you have made for a particular product and I think you said all of the processes, which is giving you that cost advantage and then no new company can enter into it?

**Nareshkumar Patel:** Dhaval this is one of the main advantage from AMI Organics compared to all other manufactures that any product can survive with not only with the price or not only with the quality but at what point you are introducing the product in the market. So, AMI Organic is always first introducer to enter in India and that is the reason why we are always holding the higher cake because we have a long experience of handling these products. We enter when it is in regulated or in a field development whereas the other competitors might be entering when it is becoming generic or when they see the potentiality of the product so this is the difference between us and others. That is the reason also we are very confident about our product performance in our pipeline as well because we are registered with all the world big pharma and generic players with the DMF and once we are entered in the DMF, it is a secured business.

**Dhawal Shah:** Got it and Sir last question any updates on the pediatric opportunity in Trazodone?

**Nareshkumar Patel:** Sir it is not with me because the Trazodone is growing very well and this year we are expecting not 10% but beyond 10% growth which is based on the orders we are receiving from the large vendors, customers so it is definitely going well. I do not know that pediatric application performance because it is only in USA so it is not available with us, but in Trazodone business itself is growing very well.

**Dhawal Shah:** Sir great. I will soon come down to meet you. Thank you.

**Moderator:** Thank you. Our next question is from the line of Aman Mourya from AlfaAccurate Advisors. Please go ahead.

**Aman Mourya:** Thanks a lot for the opportunity again. Sir in terms of the depreciation so this GOL depreciation will come when like what will be the yearly depreciation from 2022 in that context?

- Abhishek Patel:** The total depreciation would be around Rs.10 Crores for us in FY2022. Rs.5.5 Crores to Rs.6 Crores will be for Gujarat Organics.
- Aman Mourya:** In Q2 there would be the Gujarat Organics depreciation?
- Abhishek Patel:** Yes it is there Sir. Even for the full half year H1 FY2022 GOL depreciation is there.
- Aman Mourya:** Fantastic. Thank you Sir. Thanks a lot for the opportunity.
- Moderator:** Thank you. The next question is from the line of Tanmay from Mirae Assets. Please go ahead.
- Tanmay:** Thanks for the opportunity Naresh Sir. Just one question on last year's numbers did we have any impact due to lockdown in the last year H1 or Q1 numbers?
- Nareshkumar Patel:** No.
- Tanmay:** There was no impact right? Got it. Thank you. That was the only question.
- Moderator:** Thank you. Ladies and gentlemen that would be our last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you!
- Nareshkumar Patel:** 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 IR Advisors, Christensen and we will get back to you offline. Wish you each and every one of you Happy Diwali and a Prosperous New Year. Thank you Prashant Ji. Thank you Ambit for hosting this call. Thank you very much.
- Moderator:** Thank you very much. Ladies and gentleman, on behalf of Ambit Capital that concludes today's call. Thank you all for joining us. You may now disconnect your lines.