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

February 10, 2023

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

Scrip Code : 543349

Dear Sir/Madam,

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

Subject: Transcript of Earnings Call for Q3 FY23 financial results held on February 04, 2023

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 February 04, 2023 post announcement of financial results for the third quarter & nine months ended December 31, 2022.

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

KUMARI

Digitally signed by FKTA KÚMÁRI SRIVASTAVA SRIVASTAVA Date: 2023.02.10 11:19:02 +05'30'

CS Ekta Kumari Srivastava Company Secretary & Compliance Officer

Encl: As Above







"Ami Organics Limited Q3 Earnings Conference Call"

February 4, 2023

MANAGEMENT: Mr. NARESH PATEL – CHAIRMAN AND MANAGING

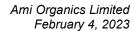
DIRECTOR, AMI ORGANICS LIMITED

MR. BHAVIN SHAH – CHIEF FINANCIAL OFFICER, AMI

ORGANICS LIMITED

MODERATOR: MR. TARUN SHETTY – PHARMA ANALYST, HAITONG

SECURITIES





Moderator:

Ladies and gentlemen, good day and welcome to the Haitong Meet the Company Q3 FY23 Earnings Call of Ami Organics Limited hosted by Haitong Securities. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Tarun Shetty - Pharma Analyst from Haitong Securities. Thank you and over to you.

Tarun Shetty:

Thank you. Good evening, everyone, and welcome to Ami Organics Q3 FY23 Business Conference Call. We, at Haitong, would like to thank the management for giving us the opportunity to host this call.

Today, from the management side, we have Mr. Naresh Patel – Chairman and Managing Director; Mr. Bhavin Shah – CFO of Ami Organics.

I would now hand the call over to Mr. Bhavin Shah for the opening remarks. Thank you, and over to you, sir.

Bhavin Shah:

Thank you, Tarun. Good evening, and Happy New Year everyone. We are pleased to welcome you all to our earnings conference call to discuss Q3 FY23 Financial.

Please note that a copy of our disclosure is available on investor section of our website, as well as on 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 risks that the Company faces. This 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 the press or media without specific and written consent of the Company.

With that, I would like to hand over the floor to our Chairman and Managing Director, Mr. Naresh Patel, for his opening statement. Over to you, sir.

Naresh Patel:

Thank you, Bhavin. Good evening, everyone. Welcome to our Q3 FY23 Earnings Conference Call. I would like to wish you a very Happy New Year.

Before we dive into numbers, let me take a moment to comment on the global market and its implications on the industry in general:

Towards the end of 2022, while global supply chain issues rationalized to some extent, the demand environment was impacted by inflation and resulted in mild slowdown. As we enter 2023, inflation seems to be easing across the world and gas prices have fallen to pre-war levels. The situation in China also appears to be improving with no spurt in COVID cases post the Lunar



holidays. That said, even as these things are improving, we need to keep a close watch on each of them. Coming to the industry, demand for pharmaceutical continue to be soft during the start of Q3 FY23, but peaks in the second half of the quarter. We expect the demand to gradually improve in the current quarter.

On that note, let us move towards the performance highlights of Ami Organics:

The Company continues its growth momentum and margin expansion path. During the quarter, our top line grew by 8% year-on-year. The slower growth was primarily due to the deferred shipments of certain goods. If you adjust them, we would have grown by 15% during the quarter.

Coming to the business segment:

The pharmaceutical intermediate business continues to deliver strong performance during the quarter driven by exports, whereas the Speciality chemicals business was subdued during the quarter due to lower sales of top product.

Moving on to business updates:

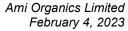
I'm pleased to inform you that during the quarter, we signed a multi-year, multi-ton, multi-million-euro contract with Fermion for one of their patented products. You may recall that during one of the previous calls, there was a lot of chatter on shifting APIs from Europe to India. Even during that time, I had mentioned that shifting of API to India is challenging, but what is happening is that European companies are reducing the stages of production and looking to outsource higher level intermediates from India. This contract is on the similar lines and demonstrates our marketing and technical finesse of capturing and converting the opportunity in a very short span of time.

Coming to the import substitute products:

Our 2 already commercial products continue to show strong traction in the market whereas other two products developed this year have received trial orders. We have one more product to be commercialized in this segment along with a healthy product pipeline for the future.

Lastly, electrolyte additives:

So, far, we have sent our electrolytes additives to nine customers and one of them has already asked for the trial order, which validates our products quality and stability. Let me explain what I mean by product quality and stability. The product quality, purity and stability are imperative and undergo various steps of sampling a validation. As very minute deviation can also affect the overall electrolyte solution and thus impacting the battery performance and may create safety issues, therefore, the gestation period to commercialize this product is fairly long, and I believe





we are at the tail end of this period. I'm confident to receiving commercial orders for these products in FY24. The products are sampling in China, Korea, Europe and India.

Now, let me discuss our efforts on the Speciality chemical business:

On the product side, you might recall I had mentioned during our previous call that our Jhagadia facility acquired from Gujarat Organic was using furnace oil as a fuel and we plan to change it to coal. This project has started and it will help us to boost our margins. Second, we have converted methyl salicylate to the flow technology and have also installed flow reactors during Q3 FY23. This will give us a competitive edge in global markets. Third, we are also striving towards becoming more competitive in paraben and I will update you on the same once we complete the project.

Now on the demand side:

During quarter 4, the overall business we added 39 new customers. Out of these 39, the majority of the customers have been added on the Speciality chemical side of the business. These are all new customers and we expect the volume to ramp up from them in coming quarters. There are many smaller initiatives we have undertaken to ramp up the Speciality chemical business. So, as all these levers starts to align themselves, I'm confident of driving strong growth with sustainable margins in the Speciality chemicals business in the coming financial year.

Before I conclude, I would like to mention that we are working on several new products and projects on pharma as well as Speciality chemical side, and we will update you as we approach certain milestones. Also, we will witness billions of dollars patented products going off patent in this year as well as the coming years. And it will create an immense opportunity for the advanced pharmaceutical intermediate business. We already have many of these products in our product basket and we will see them growing as the patent expiry come closer.

To conclude:

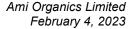
I'm confident of delivering stronger growth in the coming quarter and for the financial year 2023. We are working hard to achieve our target of 25% growth and I'm hopeful of achieving the same.

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

Bhavin Shah:

Thank you, Naresh bhai. Good evening, everyone. I would like to briefly touch upon the key performance highlights for the quarter ended 31st December 2022, and then we will open the floor for question and answers.

I will begin with quarterly updates:





Revenue from operation for the quarter was at Rs. 152 crore, up 7.9% as compared to Rs. 141 crore in Q3 FY22. The gross profit for the quarter was Rs. 70 crore, which was flat on YoY as well as sequential basis. The gross margin for the quarter was 46%. The lower gross margin was due to high cost of inventory and change in product mix.

EBITDA for the quarter was at Rs. 30.8 crore, up 2.9% as compared to Rs. 29.9 crore in Q3 FY22. On a sequential basis, EBITDA for the quarter increased by 9.5%. EBITDA margin for the quarter were at 20.2% compared to 21.2% in Q3 FY22 and 19.1% in Q2 FY23. We continue to improve EBITDA margin on a sequential basis. EBITDA margin in Q1 were at 18.1% and we have been successful in gradually improving our EBITDA margin to 20.2%, an expansion of 210 basis points. I believe we will see the improvement in EBITDA margin in Q4 as well, driven by lower freight utility cost and impact of cost optimization programs.

Now dissecting margins further: I'm happy to report that EBITDA margins for the pharma business has crossed 22% mark in the current quarter, but our margins on the Speciality chemical side were flat at around 10%.

PAT for the quarter was at Rs. 22.3 crore, up 14.4% on a YoY basis and 17% on a sequential basis. The PAT margins for the quarter were at 14.6% as compared to 13.8% in Q3 FY22 and 13% in Q2 FY23.

Export for the quarter was at 66%, whereas domestic business was at 34%.

With this, I conclude my remarks, and request the moderator to open the floor for a questionand answer session. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Padma Raju Mathi from SBI Life Insurance. Please go ahead.

Padma Raju Mathi:

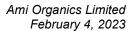
Sir, my first question is related to our segments classification. Till Q1 of this financial year, we used to classify it under 3 segments, pharma, Speciality Chemicals and others. In the last quarter, we started classifying other segments in pharma. Now, when I see, this quarter looks like the other is being classified under Spec Chem. So, from here on we are going to classify other segments in the Spec Chem or the pharma?

Bhavin Shah:

Sir, we have now broadly 2 segments only, Pharma and Spec Chem. So, the product which fall under pharma and supplied to pharma as advanced pharma intermediate will classify it under pharma intermediates and product which is coming as a Speciality will go into Speciality. So, we clearly have 2 segments only.

Padma Raju Mathi:

Sir, the reason why I was asking is when I look at our first half reported number in the presentation and if I add up this segmental number in Q3, it's not matching to the 9 months reported numbers segment wise. So, that's the reason I asked. Anyway, I will take this offline.





So, my second question is related to the deferment order which you mentioned. So, how should I understand this? Is it like whatever the volume offtake that was supposed to happen this quarter that is going to happen in the next quarter, it's because of some logistic issues or can you specify some color on this?

Naresh Patel:

So, what happened that because we are in chemical supplying to the API manufacturers and they are having several intermediates coming from several vendors. So, what happened that some of the intermediates which they have supposed to come from China did not come in time. So, their year ending was there. So, they don't want to keep an inventory on a higher side. So, that's how they ask us to defer the shipment by 10 days, 20 days so that they can be able to get the product in time from China and they can start the production.

Padma Raju Mathi:

Sir, my last question is on our gross margin side. Basically, is it fair to understand large part of the high-cost inventory is liquidated in Q3 and things should get normalized from Q4?

Bhavin Shah:

Yes. So, most probably, high-cost inventory has been consumed. The last leg will be there in Q4. Q1 '24 will be the clean quarter and so the impact in Q4 will be very minimal on this account.

Padma Raju Mathi:

But is it fair to assume that my Spec Chem utilizations have come down sequentially?

Naresh Patel:

Not come down. Actually, as we are transforming ourselves from production from some batch and operational improvement to the continuous as well as some other improvement in the production side, so that happening and then also the Speciality chemical side is highly competitive market. So, there, you have to be very, very precise in terms of costing as well as supply chain and everything. So, that is where we are working all around. And also, that is the reason why we had 39 new customers, which we added in Speciality. We opened a new window for these Speciality chemicals. So, due to these efforts, this quarter and next quarter will be much more advantageous for us to improve our Speciality segment as well.

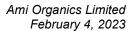
Moderator:

We have a next question from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

Sudarshan Padmanabhan: Sir, my first question is to understand a little bit more about this, fermion contract, a long-term contract. We're really pleased to know that it's for a patented product and it's a multi-year, multiton product. But just to understand from here, I mean, the kind of run rate that we are running at and I'm not talking about say fourth quarter or the next quarter, this contract coming in, I mean, what is the kind of run rate that we should look at say in FY24 and beyond?

Naresh Patel:

This contract, the numbers I can't say because the counterparty is also a listed Company. So, we both are bound with several bindings. So, the thing is that this is a very brand-new launch product and having exclusivity with them for the next 10 years. So, 10 years, they will remain as a sole supplier in the world. And the demand is increasing every gradually very exponentially I can say for 30%, 40%, 50% kind of things, and they want to expand their production capacity as well.





And that is the reason why they signed a contract with Ami Organics for long-term supply. And these will be gradual. So, this year will be the year for validations and qualifications and regulations site master file DMF changing year. So, for them this year is a financial year '23. So, from Q4 2024, it will be for us starting our commercial demand. And then gradually, it will be increased and it will mature by 25 on a top line.

Sudarshan Padmanabhan: And I would assume that because of our scale this should be fairly meaningful, I mean, if I'm

looking at it from a J curve perspective?

Naresh Patel: Yes, it will be a very meaningful association with them.

Sudarshan Padmanabhan: And coming on to the chemical side, I mean, this flow chemistry that is largely done and that

should basically start probably by the fourth quarter, this methyl salicylate, I mean just trying to understand given that there is going to be a huge jump in volume, I mean when do we see the actual numbers kicking in because this year the capacity is underutilized and this high fixed cost

can easily be absorbed by just the scale of this one product for the next few quarters?

Naresh Patel: You rightly said that if it will be scaled up, much more operational viability is there and that is

where we are working. And so to increase the scale up, we did introduce the flow reactors and also that we can enhance our capability, production capacity with the minimal operational expenses. And that is where we are now finishing everything, samples went to every vendors

and we will see that in the next 2 to 3 quarters, it will be ramped up gradually 2% to 3% in terms

of EBITDA and everything.

Sudarshan Padmanabhan: And 1 final question from my side is on the electrolyte part. I mean we have supplied samples

to 9 customers and one person has started. So, I mean how do we see this business because I mean when we look at electrolyte opportunity as such, I mean it is niche but it's growing substantially. And also, on the LIPF side, I mean, I would understand that here again, the demand eventually would be outstripping supply and we should be in a stronger state. So, on the scale up part, I mean, what are the timelines over here? And how do we see in the next 2 to 3 years

this portion of the business scaling up, both in sales and profitably?

Naresh Patel: Thank you, sir. First of all, always I'm saying that our projections and our plannings are

excluding electrolytes. So, electrolyte whenever it is maturing it is added into the our top line and everything. So, we were in a phase of almost ending in the qualification area and as per our

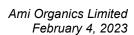
customers comment, it will be commercialized by Q1 or Q2 of FY24.

Sudarshan Padmanabhan: And would it be meaningful or it will be gradual?

Naresh Patel: It will be gradual definitely. Customer will also not immediately transfer all weightage from

China to India. But when it will mature, it for us is a very sizable business in terms of revenue and all and that's why the capacity rampation is also we are planning in such a way that when

the full demand will come, we will be ready for that as well.





Moderator: We have our next question from the line of Chirag Lodaya from Valuequest. Please go ahead.

Chirag Lodaya: Sir, first on overall top line, I just wanted to understand given the deferment we have seen in this

quarter and we are seeing positive momentum in Spec Chem side, what kind of growth one

should expect in FY23 and FY24.

Naresh Patel: See FY23, as we say is that we are expecting and we are trying for the CAGR 25%. And that is

where we are right now in line with that. The only thing is that everything goes well, there is no issues in that because we have a very good order book also in our hand. In FY24, similarly, we will remain in expectation of CAGR of 25%. Because forward contracts what we had done that will be helping us in pharma, will helping us to boost the business and as well as some originators who were not buying from us some of our products, they had also started buying from us. So, that will be adding more revenue in that. So, our budget and everything is planned in such a way

'24 will also remain as CAGR 25.

Chirag Lodaya: Sir, just one more clarification here. For 25% growth the ask rate for Q4 is pretty high. Will you

be able to deliver that kind of growth? It could be almost upwards of 45%.

Naresh Patel: See, the current pharmaceutical situation is sluggish, but the thing is that some contracts which

we signed this year in Q3 will definitely help us to grow in revenue side. The 24%, 25% is what we can see right now because we already got some committed demand from several

intermediates in several APIs for the originators.

Chirag Lodaya: And in terms of profitability, you mentioned 2%, 3% kind of Q-o-Q improvement we can see

on Spec Chem side and pharma intermediate, in this quarter you have already done 22% margins. Coming to FY24, what kind of margins one should expect in API intermediate business, I mean

pharma intermediate business?

Bhavin Shah: So, Chirag, as we have mentioned in earlier call also, that FY21 was best year for us. We have

achieved around 23%, 24% kind of margin in pharma. So, our first endeavor is to reach there. With regard to Spec Chem, we are gradually improving and our effort would be to improve by

1%, 1.5% every quarter. So, this is what we are trying to look at for '23- '24 for pharma.

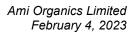
Chirag Lodaya: That's quite encouraging. And just lastly on the overall working capital situation, if you can help

us understand what would be the working capital days at the end of the quarter?

Bhavin Shah: 123 days currently.

Naresh Patel: It is improved by 13 days.

Chirag Lodaya: And what to expect in coming next 3 to 6 months?





Bhavin Shah: So, our aim is to bring it to 100 days. So, that will be the aim. And again, in next 1 year, it should

be between 90 to 100 days. So, the base will be 90. That is our target to bring there.

Moderator: We have our next question from the line of Kumar Saumya from Ambit Capital. Please go ahead.

Kumar Saumya: Sir, my question is on the other expense side. We have seen 9% Q-on-Q in other expense. And

in the notes we found you have mentioned that there is Rs. 27 million one-time shortfall fees for

the insurance gain. Could you please throw some light on that.

Naresh Patel: So, in 2021, we had some small stock fire and that we had claimed in the insurance and that we

received claim on that and shortfall of Rs. 245 lakhs or something like that. So, that will be in

other expenses like that which we have booked as expenses.

Bhavin Shah: This is recognized in the third quarter.

Naresh Patel: Because we received the claim in the third quarter. It happened in February 2021.

Kumar Saumya: Sir, on the financial expenses, the interest costs that we have recorded this quarter, so there is

substantial increase Q-on-Q.

Bhavin Shah: So, here we have arbitrage of getting finance at a lower rate and we have kept investment at a

higher rate. We are getting EPC at a lower rate. So, we have utilized that. And so consequently,

my other income was also on the higher side against that.

Moderator: We have a next question from the line of Kevin Gandhi from CapGrow Capital Advisors. Please

go ahead.

Kevin Gandhi: Sir, I was not able to understand the deferred shipment part. If you can please explain again. So,

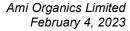
that was my first question. And the second question is that the EBITDA margin on the Spec Chem segment, that is quite reduced based on the Q-o-Q. So, like what is the exact reason for

that? So, yes, 2 questions.

Naresh Patel: Deferred in the sense that the shipment which is planned in December is deferred by 10-15 days.

So, it will be going in January. So, that is how it is a deferred shipment from us. So, that's why the sales is not booked in Q3, which will be happening in Q4. Whereas in Spec Chem margin it is stable and it is flat in Q2 and Q3. In fact, we improved our margin as we announced that quarter-on-quarter we improved our EBITDA margin and that is you can see also from the result, Q1 was 18%, Q2 was 19% and Q3 was 20.2%, And this has continued as I say that every quarter, it will improve 1%, 1.5% in EBITDA margin and will go up to our '21 EBITDA margin. And then onwards we will start because during that period our Spec Chem has also now started

contributing into the margin. And then later on it will go beyond that.





Kevin Gandhi:

And sir, like, how should be the impact of the flow chemistry assessed, like how much yield will be increased? And if each and every molecule of the Spec Chem is transferred to the flow chemistry, what shall be the exact financial impact if you can give some color on that?

Naresh Patel:

See, yield improvement and all is like confidential matter, but definitely continuous production will help you in terms of operational efficiency as well as in terms of better-quality effluent generation, better safety. So, these are all included in that and that will help us to make our margins better because you have to spend all this area for handling this kind of waste or everything. So, that will help in your margin. So, that is how flow chemistry will help you. And in terms of volume, batch to batch you have to have a downtime which can be avoided in flow reactors and that will give you larger production in a shorter time.

Moderator:

We have a next question from the line of Vishal Prasad from VP Capital. Please go ahead.

Vishal Prasad:

Sir, in the past, we have talked about our partnership with a firm who is helping us with opportunities in electrolyte additives. Could you talk about what is the kind of relationship that we have with that firm and what other things are they trying to help us with?

Naresh Patel:

The firm is based in Israel and that called ARZ, and they are our marketing partner worldwide. So, our job is to make it and their job is to sell the product worldwide. And it is on a commission basis and revenue will be direct invoicing by Ami to the customer. So, it is an association between both of us. They will exclusively supply or represent Ami Organics worldwide.

Vishal Prasad:

So, actually, in the area of electrolytes or is there something else that we are working with them?

Naresh Patel:

No, only in electrolytes worldwide, whereas they are our partner since last 14 years in Israel.

Vishal Prasad:

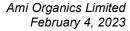
When you say 14 years, it means we have been making these electrolyte additives in the past as well, is it?

Naresh Patel:

No, my answer is confusing for you, and I apologize for that. So, ARZ is based in Israel. They are the commission agent for us for pharmaceutical supply in Israel like Inteva, Taro, Wavelength, and some other small share on medicine and all. So, there they are represent Ami Organics for our pharma sales. And because we have a long-term relation and ARZ has offices in China, in Europe and in Israel, so they figure it out, they find out this opportunity and they came to us, if we can grab it or not. And we grabbed it in time and then we supply to ARZ's network in China and then later on with ARZ network in Europe and in Korea. So, this is how we make a separate agreement for our electrolyte in 2022, where they are our exclusive electrolyte marketing partner worldwide.

Vishal Prasad:

Got it. So, what I find, sir, we have a very strong R&D organization it seems, I mean we've got in pharma and Speciality chemical, and then this opportunity came to us. And we were able to come up with a product. So, if you could help us understand our R&D organization, what kind





of people we have, what kind of incentives they get. And in future, what kind of people we are going to recruit, which will help us grow in other areas, would be great.

Naresh Patel:

See, basically, Ami Organics right from beginning always says that we are a chemistry-driven Company and our foundation was made on R&D only. And we are saying that whatever the chemistry we are strongly holding, the application of that chemistry either in pharmaceutical or in agro or in electrolyte or electronic chemical or in cosmetics or in pigments, so these are the applications of our chemistry. So, we have a very strong R&D base and the R&D center is having 130 people working inside. They are all PhDs, they are master of science, they are bachelor of science, they are BTech, they are people from the process engineering, they are people from the analytical doctorate. So, these are the people who are handling the projects. We are having a team distributed very well. The people working on new chemical entity intermediates, people working on generic products, people working on spot basis demand, people working on Speciality chemicals and also our team working for converting the batch processing and batch chemistries into the flow chemistries. So, these are a bundle of people who are continuously working. We are adding numbers in the R&D as well. And we are recruiting time to time people from big pharma and big chemical companies, people from Teva, people from Glenmark, people from Macloeds, people from Dr. Reddy's, Mylan. So, these are the people who joined us and they are happy with us in terms of liberty and the democracy we have given to them that will help them to think themselves and come up with a non-infringing innovative route of synthesis, which make us to file new patents and new route of synthesis to avoid any conflict in terms of IP and all.

Vishal Prasad:

So, these electrolytes, I mean, in the past, you have mentioned that by 2028, the worldwide market would be closer to \$2 billion, and we would like to capture at least 10% of that. So, if we talk 2023, so right now, I mean, what would be the market size of these 2 electrolytes that we have?

Naresh Patel:

Based on the reports on what we have and the market intel, it will be \$1.2 billion somewhere around.

Vishal Prasad:

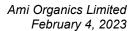
So, from \$1.2 billion to \$2 billion, so additional \$800 million, we would like to capture 25% of that \$200 million.

Naresh Patel:

Yes.

Vishal Prasad:

And last question, sir. I mean there are very few organizations in India who are working on continuous flow reactors and we are one of them. So, I mean, could you help me understand what kind of benefits we as an organization are trying to get out of that continuous flow process. And going forward, I mean, is it very difficult to get in this area or any Company based out of India can get into it if they invest time and money?





Naresh Patel:

It's like a flow reactor is nothing but a small reactor against your big batch reactor. So, you are just making your reaction in such a way that microgram or milligram or a gram level, you are making the same reactions what we are doing at large scale. So, in a batch reactor, you would dump everything and then you wait for complete cooking, whereas here, you just have a pushing the reactant, which is already reactive, push them out from the reactor and continuously new raw material get inside and they cook it and then they go out. So, it's like pushing kind of things where you make the product on a spot and then you go out from the reactor. It is a completely engineering and technology-driven sector, where you need to have a thorough knowledge of the reaction kinetics, chemical reaction kinetics and some other thermodynamics and other parameters. And based on that, you can develop in a lab and then from scaling up from lab to the pilot and pilot to plant.

Vishal Prasad:

And one last question, sir. So, what kind of CAPEX we would be looking at once we decide to ramp up to electrolytes?

Naresh Patel:

That is still yet not finalized because currently, we are good to go with our current capacity, and we are waiting for the green signal from our major buyer. And once they will give us some time for meanwhile, we can get continuously from our existing capacity and then we will put. We already acquired a land for that. Now we are just waiting for the green signal and then we will put up. It's our own technology and our design of the process and all. So, that will be easy for us to scale up and put up a plant as quick as possible.

Moderator:

We have our next question from the line of Hardick Bora from Union Mutual Fund. Please go ahead.

Hardick Bora:

Naresh, congratulations on this deal with Fermion, I wanted to understand that we had given this Rs. 190 crores of capital expenditure guidance for 2 years. Does that take care of our capability to serve in this particular contract? Or will we have to do some more capacity expansion?

Naresh Patel:

No. This will definitely cater this contract. So, this contract is from our new capacity, which we are building in Ankleshwar, but currently, it will be supported by our unit 1 in Surat. Later on, it will be transferred to our Ankleshwar facility.

Hardick Bora:

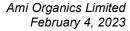
And in terms of not asking on margins for this contract, but we've historically made return on equity, return on capital employed of about 25%. That will not get diluted while in this contract. Those economics will continue for us.

Naresh Patel:

Yes.

Hardick Bora:

Naresh, just one more question on the revenue, how it has come so far in these 9 months, even if I take into account the deferred revenue of 15 days, we would have probably grown in the 9 months at about 16% as opposed to 15% reported. So, I think we've been talking about the possibility of growing by 23%, 25% year-on-year, which would have meant Rs. 620 crore of





revenue for the full year. It seems that we will miss that. So, just in retrospect, can you tell us what has probably not gone right, what needs to be right for us to continue growing at this pace going forward? Just your opinion on that?

Naresh Patel: What done not right is not there. But yes, what we need to do that we had done it. We have done

it in terms of product development, qualification at the end of the customers waiting for the orders, long-term contracts with them, supply contracts with them. Only thing is that because we are in a chemical side and there are several chemical used for the API. If some of the API manufacturer didn't get the other product in time, that will be the differing in the supply. Otherwise, we have a long visibility, long discussions with the customers and that will be helping

us for our projections. And that is what we are reflecting in our numbers also. You can see

similarly; we will continue like that.

Moderator: We have our next question from the line of Reena Shah from Elara Capital. Please go ahead.

Reena Shah: I wanted to know what is your utilization in pharma and Spec Chem for this current quarter?

Naresh Patel: For pharma, it will be somewhere around between 60 to 64 whereas in Speciality it will be 35

to 40 in between that.

Reena Shah: Sir, this utilization seems to have remained similar for quite a long period of time. So, just wanted

to understand what is it restricting your utilization to be in the similar range? And when can we

see a meaningful increase in this?

Naresh Patel: See, if I continue with the batch processes, my utilization will go up, but I had transferred several

processes from batch to continuous. So, this has given us a leverage of releasing 6% to 7% of the utilization. So, that is the reason why you are seeing this flat line, but it is not a flat line. If

we don't have a flow reactor, it will go to 72 in pharma, and it will be 40, 45 in Speciality.

Reena Shah: And sir, you have talked about improvement in paraben margins you are looking at. So, can you

just give us some thought on how this can be done? And what is the road ahead for this?

Naresh Patel: Ma'am, this is slightly confidential because if I disclose this my competitors will also start doing

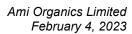
like that.

Reena Shah: And what is your CAPEX done so far? And what is your FY23 target and FY24 target CAPEX?

Naresh Patel: Bhavin will give the answer.

Bhavin Shah: So, CAPEX done so far is Rs. 62 crore. For FY24, we will have another CAPEX of, say, Rs.

200 crore.





Reena Shah: So, how this funding will be, this Rs. 200 crore is on a higher side. Rs. 200 crore, can you give

some bifurcation on this CAPEX?

Naresh Patel: So, '23, '24 cumulatively is Rs. 200 crore. And out of that, each year will be Rs. 100 crore and

that mainly internal accruals as well as from IPO fund and rest will be from the debt if needed.

Reena Shah: Sir, do you have any target debt to equity ratio in your mind?

Naresh Patel: For the time being, we are very conservative on debt. So, we are still not in a process of getting

the debt. But if required, then we can go for it.

Moderator: We have a question from the line of Gagan Thareja from ASK Investment Managers. Please go

ahead.

Gagan Thareja: Sir, the first question is, I mean, it's more a clarification than a question. When you say you

maintain 25% sales growth guidance, are you talking for the full year of FY'23? Or are you

talking about quarter 4 of FY'23?

Naresh Patel: Full year of FY23. Quarter 4, if I do 25%, then it will not be 25% for full year.

Gagan Thareja: So, I mean, as one previous participant asked, to be able to do 25% for the full year, fourth

quarter will have to be very strong at more than 40%.

Naresh Patel: Very strong.

Gagan Thareja: There is some slippage, which will benefit you because you indicated there is a deferment of

sales from Q3 to Q4. But even adjusted for that, you will require north of 35-odd percent sort of

a growth.

Naresh Patel: Sorry to interrupt you here, but if you see in my past commentary also, our business is like Q1

is lower than Q2, Q2 is lower than Q3, and Q3 is lower than Q4. So, that is the reason why our

Q4 is always higher than the Q3 and Q1. And this is what we have in our hands.

Gagan Thareja: But if the quarterly sales growth is going to be so high. It will also lead to operating leverage,

which will mean that margins in Q4 should, therefore, logically also improve and improve substantially simply because you are going to get a lot of operating leverage. Would that be a

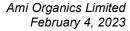
right inference?

Naresh Patel: Yes, theoretically, it's right.

Gagan Thareja: I mean because also you are now in an environment where the raw material or the input prices

or freight prices are also softening. You are carrying some high-cost inventory, but not a lot of

it. Therefore, I mean even if one looks from that perspective, your Q4 purchase cost or input





cost should be lower, which means gross margin itself will be higher plus operating leverage kicks in. So, ideally, I mean, not ideally, even practically, it seems that margin should improve substantially in Q4.

Naresh Patel: Yes, I'm agreeing with you, sir.

Gagan Thareja: And on the Fermion deal, I think you indicated that commercial supplies will start only in Q4 of

FY'24. Is that correct?

Naresh Patel: Yes, some commercial supply we'll do for the validation in this quarter. And then we have to

have a lean period for qualification at their end. And then by Q4 of '24, it will be started regular

supply.

Gagan Thareja: So, would the validation supplies in Q4 for Fermion contribute very meaningfully to your growth

in Q4 of this year?

Naresh Patel: No.

Gagan Thareja: It will be small.

Naresh Patel: Yes, because it's a validation batch. So, only 3 batches will go there.

Gagan Thareja: Right, sir. And when you indicate or guide for FY24 being a year of, again, where you'll be able

to at least as of now, you are guiding for 25% growth and some improvement in margins on both your businesses. Is there a certain amount of order book visibility, which gives you assurance to guide for 25%? And also, have you built some sort of low-cost inventory of input materials will

give you some assurance to guide for margin improvement. Is that the case?

Naresh Patel: It's a combination of everything. We have a long-term contract, long-term rolling forecast from

the customer as well as inventory. Last year, we've done that. But from the bad experience of keeping long inventory, now we have reduced the inventory stocking base because of avoiding any impact on the margin with a higher inventory cost. But we have visibility in terms of rolling

forecast as well as the long-term contract.

Gagan Thareja: All right. And would the margins on Fermion, because it's a patented molecule as you indicated,

10-year exclusivity, consequently pricing will be much higher than generic products. So, would it therefore be logical to presume that margins on the Fermion contract could be sizably more

than what you earn on your generic pharmaceutical intermediates?

Naresh Patel: This is not innovated by us. It's a CMO kind of work where you cannot expect very high margin.

But definitely, operating leverage will come when the volume will be higher at the commercial side. Then it will be the margin which we are working in line, a little bit better than what we are

doing right now.



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Gagan Thareja: And on the electrolyte additive, again, commercial quantities are unlikely to happen before the

Q4 of FY24. Is that what you pointed out? Just trying to confirm.

Naresh Patel: Q4 FY23 is not possible, we got order, but we are not seeking it because we are waiting for some

documentation approval at their end, but in FY '24, definitely it will be commercialized.

Gagan Thareja: When in FY 24, sir, early FY24 or late FY'24 or mid of FY24?

Naresh Patel: Maybe in Q1 or maybe in Q2, I'm not giving the exact timeline because each customer has

different procedure for their approval and different procedure for their demands. So, one customer, the biggest customer, what we have, they had placed one order for qualification. So, we are going in their methodology. Some are small manufacturers; they are faster in placing orders. So, if our samples, which we had floated them in last quarter can be qualified, then it can

be commercialized faster than the normal procedure.

Gagan Thareja: And you indicated that at full scale, the electrolyte business could have a size which is similar

to what Ami is today. Is that correct assessment?

Naresh Patel: Yes. Based on the report, right? Based on the market report and intel, this can be possible. We

can go up to that level.

Gagan Thareja: But that would require how much market share for you to be able to achieve that aspiration?

Naresh Patel: Current market is 1.2 billion, and it will grow to 2 billion to 2.5 billion based on the report we

have and I'm targeting very conservative in that market.

Gagan Thareja: And any timelines over which you feel you have any reasonable clarity as to when this can be

achieved?

Naresh Patel: As I told you, gradually it will be increment. And if everything goes as per the market, till now,

there is not any alarming for us and all the process and qualifications, everything went well, and there is not any dark side of any qualification. So, if everything goes well, then by Q2 year '25,

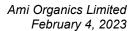
it will be fully commercialized.

Gagan Thareja: And do you have the capacity because if you're saying second quarter FY'25, we would expect

it to scale that sizably, you will require the capacity for that to be there, right?

Naresh Patel: Yes. So, we will start building the capacity in '24, so that it will get full capacity in '24, '25.

Gagan Thareja: How much time will it require for you to build the plant or the capacity?





Naresh Patel: Because it's a dedicated plant with dedicated equipment, it will not take longer time against the

other multipurpose plant. So, that will be within 6 to 9 months or maybe 1 year if something

does not go as per planning. It will be ready.

Gagan Thareja: And what could be the scale or size of the Fermion deal on an annual basis, any approximate

idea?

Naresh Patel: Can't disclose that.

Gagan Thareja: But will it be material compared to what Ami cumulative size today is, I mean as and when it

comes on stream, it can vary materially impact your sales growth?

Naresh Patel: Yes, multi-million euros. So, definitely, it is a sizable contribution in our revenue.

Gagan Thareja: And finally, sir, if you could give us any idea of the pipeline of products in your pharmaceutical

intermediates business that apart from the Fermion deal, you probably are also working on and you indicated that a lot of products will go off-patent in the next 2 years. While it sounds optimistic and nice, it would help if you could maybe flesh that opportunity out a little more for

us in terms of what's the addressable market that you are targeting of products and over the next

2 years, how many more can come in on the current base of products?

Naresh Patel: Sir, we have a sizable amount of product, more than 490 products are there, which is up to 2039-

'40 commercialization. We had stopped disclosing the end use of the product, considering several competition arising of more disclosure of the end use, so 10, 12 years of effort we took to make qualification and all, and that will be impacting on our sales value. So, we are not able

to sell them, but they are quoting it at a lower price and keeping us at pressure. So, to avoid these

kind of things, we decided not to disclose our end-use product. We have more than 480 products,

Gagan Thareja: I get that point, sir. I do not intend to ask you the chemistries or the names of the products. All

which is already invoiced to the customer and having expiry until 2039 to '40.

I'm saying is that whatever 430 products that you have right up to 2040, are they distributed, let's

say, equally every year from here to 2040?

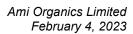
Naresh Patel: Every year, 15 to 20 products are getting into the commercialization. Out of that, because we

volume, but the value of the product is high. And then in anticoagulant and antidepressant where you have a big volume, but the price of the product is not that great. So, we have every year around 10 to 15, sometimes 20 or sometime 8 only. Every year, the product goes in the generic applications. So, our growth is maintained with this new incoming molecules which give us good growth, like 30%, 40%, whereas our very old product give us 7% to 10% of the incremental

have an application from large consumption to the small like anticancer where you have lower

growth annually and then with the normalization of the new product. So, this is how we are more confident about our growth guidance of 24%, 25% CAGR because of this kind of product

pipeline, existing product and old products.





Moderator: Thank you. I now hand over the call to Mr. Tarun Shetty from Haitong Securities for closing

comments. Over to you.

Tarun Shetty: Actually, I had a few more questions if the management permits. Yes, sir, can I go ahead with

questions?

Naresh Patel: Yes, Tarun, you want to ask questions?

Tarun Shetty: Yes.

Naresh Patel: Yes, please go ahead.

Tarun Shetty: Yes. Just a few questions on the volume and price, did you see most of the growth on the volume

side or the price side on the pharmaceuticals?

Naresh Patel: All are from the volume side.

Tarun Shetty: So, do you indicate pricing for each product has been flattish? Or do you see some decline?

Naresh Patel: There are some prices having decline also in the old product and some are flattish.

Tarun Shetty: So, any revenue contribution from your key products, trazodone, entacapone, apixaban, can you

give the percentages?

Naresh Patel: So, the #1 product is contributing 22%, number 2 is 10% and number 3 is 8%, number 4 is 5%,

and number 5 is 3%.

Tarun Shetty: And the products would be number 1 trazodone, second entacapone and third apixaban. That is

right?

Naresh Patel: Tarun, this time, we started a little bit conservative, we want to avoid our competitions basically.

Tarun Shetty: Not an issue. Sir, last question from my side would be, we have heard that big pharma player

would be putting up major capacity on the salicylic acid side. And do you see any kind of

increase in competitive intensity? Or are you firm with your orders?

Naresh Patel: See, salicylic acid is our raw material. So, it is good if someone is making salicylic acid, we can

have more leverage on buying from some 2, 3 more customers.

Tarun Shetty: But they did allude to even selling the intermediate side. So, you're not seeing any kind of

competition from them, sir?

Naresh Patel: No, because we use salicylic acid to make our methyl salicylate and benzyl salicylate. So, if they

will go for forward integration, then there will be the threat for us.



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Moderator: Any closing comments, sir?

Naresh Patel: Thank you Haitong team for hosting our conference call. Thank you, everyone, for your

patience, 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 our IR advisor E&Y and we will get back to you offline. Thank you very much once again for remaining patient on your holiday. Thank you very

much.

Bhavin Shah: Thank you very much, everyone.

Moderator: Thank you. On behalf of Haitong Securities, that concludes this conference. Thank you for

joining us, and you may now disconnect your lines.

(This document has been edited to improve readability)