Ami Organics Limited
CIN No. : L24100GJ2007PLC051093
Registered Office :- Plot No. 440/4, 5 & 6, Road No. 82/A, G.I.D.C. Sachin, Surat - 394230, Dist. Surat, Gujarat, India.

February 16, 2024

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

Scrip Code: 543349

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

NSE Symbol: AMIORG

Dear Sir/Madam,

Subject: Transcript of Earnings Call for Q3 FY24 financial results held on February 12, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on February 12, 2024 post announcement of financial results for the third quarter and nine months ended on December 31, 2023.

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

This is for your information and records.

Yours faithfully,
For, AMI ORGANICS LIMITED

EKTA KUMARI SRIVASTAVA
Digitally signed by EKTA KUMARI SRIVASTAVA
Date: 2024.02.16 12:07:57 +05'30'

AMI ORGANICS LTD. SACHIN

CS Ekta Kumari Srivastava
Company Secretary & Compliance Officer

Encl: As Above

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"Ami Organics Limited Q3FY24 Earnings Conference Call"

February 12, 2024

MANAGEMENT:	**MR. NARESH PATEL – CHAIRMAN & MANAGING DIRECTOR, AMI ORGANICS LIMITED** **MR. BHAVIN SHAH – CHIEF FINANCIAL OFFICER, AMI ORGANICS LIMITED** **MR. ABHISHEK PATEL – VICE PRESIDENT STRATEGY, AMI ORGANICS LIMITED**
MODERATORS:	**MR. PRASHANT NAIR – AMBIT CAPITAL PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3FY24 Earnings Conference Call for Ami Organics Limited hosted by Ambit Capital.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Prashant Nair: Thank you. Good evening, everyone, and welcome to the Q3FY24 Earnings Call of Ami Organics.

Today, we have with us from management, Mr. Naresh Patel - Chairman and Managing Director; Mr. Bhavin Shah - Chief Financial Officer and Mr. Abhishek Patel - Vice President, Strategy.

I would now like to hand over the call to Mr. Bhavin Shah for opening remarks. Over to you, Bhavin.

Bhavin Shah: Thank you, Prashant. Good evening, everyone. We are pleased to welcome you all to our Earnings Conference Call to discuss Q3FY24 Financials.

Please note that a copy of our disclosure is available on the 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 forward-looking statement must be reviewed in conjunction with the risks that the company faces. The conference call is being recorded and the transcript along with audio of the same will be made available on the website of the company and exchanges. Please also note that the audio of the conference call is the copyright material of Ami Organics and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company.

Today, on call along with me, we have Mr. Naresh Patel - Chairman and Managing Director and Mr. Abhishek Patel - Vice President Strategy.

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

Naresh Patel: Thank you, Bhavin. Good evening, everyone. I hope you all are doing well. A warm welcome to our Q3FY24 Earning Conference Call. I would like to wish you all a great and prosperous new year.

Before I discuss the results for the quarter, let me discuss some economic and industry headwinds and tailwinds. This year is expected to be the year of demand recovery following the unforeseen slump in the latter half of 2023. Inflation is steadily retreating towards the comfort zones of Central Bankers across the world, signaling a positive turn. However, ongoing geopolitical crisis continue to cast a shadow of uncertainty. A prime example of this is the Red Sea crisis, which has led to a spike in freight cost.

Addressing the industry, we see the demand picking up steadily; however, a sharp decline in raw material prices has exerted pricing pressure across the Specialty Chemical sector. As we speak, we are witnessing raw material prices stabilizing. Consequently, we anticipate a return to standard pricing level in the coming quarters.

With this, let me turn your attention to our Q3 results:

Our focus through the quarter has been on quality growth and I am happy to say that we have been able to deliver the same. Let me deep dive into this. Our revenue from operations for the quarter was at Rs. 166 crores, which is growth of 9.2% year-on-year. However, if you look at volume growth, our overall business has grown by 25% year-on-year showing strong business traction. As pricing stabilizes, I am confident our growth will be back to the 20% level. When I refer to quality growth, it doesn't only represent strong volume growth, but also strong uptick in margins. If you look at our numbers sequentially, they are slightly lower than previous quarter, but if you look at our EBITDA margin, they have expanded by 150 basis points. I believe this trend will continue in coming quarters. The growth for the quarter was catalyzed by both, the pharmaceutical business as well as specialty chemical business.

I will let Bhavin discuss financial performance in greater detail.

Moving on to business updates:

I am happy to share that we have inaugurated our Ankleshwar plant in December 2023, marking a milestone for us, given that it took us only 12 months for the inauguration since the groundwork commenced. This makes of a great achievement, and I would wholeheartedly like to congratulate our team and highlight the tremendous effort they have put in this. I would also like to highlight that the new plant is testimony to the state-of-the-art technology we are bringing to advanced pharmaceutical intermediate manufacturing in India and is symbolic of Ami Organics' commitment to innovation and its role in revolutionizing India's intermediate landscape.

On the very day of our plant inauguration, we extended our partnership with Fermion by signing agreement for two more advanced intermediate for their API. These advanced pharmaceutical intermediates will be used in captive consumption for the earlier advanced pharmaceutical intermediate signed with them. The agreement is likely to add tremendous value to the final advanced intermediates, which will be supplied by Ami Organics, leading to higher value of the end product. The products are slated to be manufactured at Ankleshwar facility and is expected to start contributing meaningfully to the revenue from FY25 onwards.

On that note, I want to emphasize our ongoing efforts to engage with our customers for such kind of opportunities. I am optimistic about finalizing a few of these in the upcoming year.

Moving to our electrolyte business, I am happy to share that we have signed an MOU with the Global Manufacturer of Electrolytes for manufacturing of electrolytes for battery cells and allied materials. Recently, we have also commenced commercial operations for electrolyte additives, which I believe will start ramping up from FY25 onwards. I would like to highlight that the ramp up would be gradual. In regard to the electrolyte opportunity, we have also signed an MOU with Government of Gujarat for investment amounting up to Rs. 300 crores for setting up of a dedicated manufacturing facility for electrolytes business in Gujarat.

Moving on to the Baba Fine Chemicals, the integration is currently underway. This process usually results in operational issues due to change in ownership and name of the company, which will have temporary impact on sales. This situation is expected to be transient, and we anticipate pickup in sales following the completion of the integration.

Before I conclude, I would like to highlight that in today's digital landscape, safeguarding sensitive information and ensuring data confidentiality, integrity and availability have become paramount in nature. With this in mind, and our endeavor to always follow global standards, I am proud to announce the implementation of Information and Security Management System (ISMS 27001-2022) practice across the organization. ISMS is a comprehensive framework that assist organizations in managing and protecting their information asset. By adopting ISMS practice, our goal is to enhance our overall information security posture and create a secure environment for our employee, clients and stakeholders. I am glad to inform you that we have successfully passed the ISMS 27001-2022 audit and received an ISO 27001-2022 standard certification.

To conclude, despite the industry headwinds, we remain confident of closing the year with healthy growth. I would also like to highlight that the various initiatives we have taken in FY23 and FY24 enhances our revenue visibility for FY25 and beyond, bolstering our confidence in our potential for stronger growth in coming years.

Now, before I hand over the call to Bhavin, I would like to welcome back Abhishek Patel, who has rejoined us as Vice President Strategy. Abhishek will work closely with me on strategic initiatives. Given he has been with company for more than five years in his previous stint at Ami Organics, he knows about the business very well. Therefore, he will also handle investor interactions along with Bhavin. I have worked with Abhishek closely for many years in past and I am confident that he will add immense value to the company.

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

Bhavin Shah: Thank you, Naresh Sir. I would like to briefly touch upon the key performance highlights for the quarter and nine-months ended 31st December 2023 and then we will open the floor for the question and answer.

I will begin with the quarterly updates:

Revenue from operations for the quarter was at Rs. 166.5 crores up 9.2% as compared to Rs. 152.4 crores in Q3 FY23, driven by robust 25% volume growth.

The gross profit for the quarter was at Rs. 71.4 crores which was up 2% when compared to same period last year. The gross margin for the quarter was at 42.9% compared to 46% in Q3 FY23. Lower gross margins were driven by unfavorable product mix.

Moving on, EBITDA for the quarter was at Rs. 26.5 crores down 13.9% as compared to Rs. 30.8 crores in Q3 FY23. EBITDA margins for the quarter were at 15.9% compared to 20.2% in Q3 FY23. EBITDA margins were driven by gross margin and higher employee expense. Higher employee expenses were driven by yearly increment, ESOP cost and hiring of new employees for Ankleshwar unit.

PAT for the quarter was at Rs. 17.8 crores compared to Rs. 22.3 crore in Q3 FY23. PAT margins for the quarter were at 10.7%. Lower PAT margins for the quarter were driven by lower EBITDA margin as well as higher depreciation and finance cost.

Moving on to 9MFY24 updates:

Revenue from operation for 9MFY24 was at Rs. 493 crores, up 14.4% as compared to Rs. 430 crores in 9MFY23.

Gross profit for 9MFY24 was at Rs. 215.8 crores, up 5.5% on year-on-year basis. The gross margin for 9MFY24 was at 43.8%.

EBITDA for 9MFY24 was at Rs. 85.3 crores, up 4.3% as compared to Rs. 82 crores in 9MFY23. EBITDA margin for 9MFY24 was at 17.3%.

Adjusted PAT for 9MFY24 was at Rs. 54.8 crore with adjusted PAT margin of 11.1%. Adjusted PAT figures exclude onetime full impairment of JV with Ami Oncotheranostics LLC.

Export for the quarter was at 61%, whereas domestic business was at 39%.

Coming to Cash Flow and Balance Sheet, our working capital for the quarter was stretched during the quarter, mainly driven by lower payable days. Inventory and debtor days were steady during the quarter. Even though our working capital cycle was stretched during the quarter, we have been able to generate cash from operation of Rs. 35 crores for 9MFY24 leading to cash and cash equivalent of around Rs. 42 crores as of 31st December 2023.

Our Capex outlay for 9MFY24 was Rs. 212 crores. As informed in earlier calls about our strategy to fund CAPEX through mix of internal accruals and debt. In this regard, we have taken Rs. 119 crores debt to fund the capex. I would also like to highlight that total capex outlay for Ankleshwar unit has been revised from Rs. 190 crores to Rs. 310 crores. This was driven by specific requirement of additional machinery for CDMO contract as well as creating allied infrastructure.

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

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Rikin Shah from Omkara Capital. Please go ahead.

Rikin Shah: My question was more to do with Apixaban, so considering Bristol-Myers had successfully removed Apixaban generics in Netherlands while France has also upheld factor Xa inhibitor patent, but Ireland has invalidated the patent and joined UK, so considering these changes in Europe, what is our outlook for Apixaban going forward?

Naresh Patel: Yes, there are some positive moves towards the Apixaban launching in Europe. We have already partnered with two customers in Europe and two in India who have the hold in Europe. So, we have slowly started supplying this molecule. From Q1, it will gradually ramp up and by Q2, it will be in full swing.

Moderator: The next question is from the line of Richa from Equity master. Please go ahead.

Richa: My question is on the revised CAPEX for the Ankleshwar facility, so earlier you were predicting a turnover of around three times. So, with this revised CAPEX, is it only for some kind of value addition or do you expect the turnover also to remain three times. If you could just highlight that opportunity or what is to be expected from this revised CAPEX?

Naresh Patel: It is both basically, we have the existing as well as the new agreement in pipeline. For that we have to upgrade our system according to the requirement and that will bring us the new revenue, so our topline will remain in that line of 3-3.5x.

Richa: For the electrolyte, if you could share some kind of timelines or some kind of estimate if you have, because this seems to be a very fresh opportunity and it is not very clear as to what kind of revenue and over what kind of time duration we could see in this opportunity, so based on the MOU's that you have signed with the client and the government, if you could just throw a little more light on this opportunity?

Naresh Patel: Electrolyte, right from beginning we have always said that it is not a part of our projection, but the reason was we sensed this very early, 2 years, 2-1/2 years back that it will be a slow-moving project because of the several requirements and compliances. Now, we have reached the level where we have started manufacturing from this quarter the electrolyte and two additives. Also, we got several long-term contracts that helped us to supply these molecules in Asia as well as in Europe and some quantity in US as well. So, this is how we started electrolyte additives. In this additive segment, we have developed six more additives, these all are listed on our website and these samples will go to the customer. So now the existing customers have more electrolytes additives from us, and that will help us to grow this business. And not only that, but we had also signed an agreement with one of the solution manufacturers to make their solution in India particularly for them and that is what we announced with the Government of Gujarat.

Richa: But right now, what you are suggesting is that a quantification, is it too early or any kind of estimate that you could share with us on that front?

Naresh Patel: It is not too early. It is gradually ramping up. So, from this quarter, we will manufacture and start supplying the quantities to all three manufacturers who have already started placing order with us and then slowly other customers will ramp up in that. Parallelly, we have also started toll manufacturing for solution in India for the Indian consumption and that is not related to our existing business. This is purely a toll manufacturing kind of JVs which we are making with one of the Asian clients or making in India.

Richa: When you say that electrolyte would have similar margins, is it in line with the Specialty Chemical or the company level margins as a whole?

Naresh Patel: It is in between both, it is above Specialty and below the Pharma part.

Richa: Our presence in the US market seems to be much less as compared to Europe. So, is there a conscious thought process of increasing the market share there and if at all you are doing anything on that front, if you could share with us?

Naresh Patel: So, are you talking about the pharmaceutical presence, or are you talking about the specialty presence?

Richa: Overall exposure when it comes to our geographical diversification, our share from the US market is really low when we look at exports?

Naresh Patel: So pharmaceutical will remain like that because all the API generic manufacturers or maybe some innovative manufacturers they are based in Europe. That is the reason why our pharmaceutical intermediate business is higher in Europe compared to US. In US, we have sales in pharma, but that all goes for the CMO and CRAMS kind of business with companies not based in US. In terms of Specialty Chemicals, we have a very good presence in US selling several molecules from Gujarat Organics and we are also in negotiation of several big contracts for Gujarat Organic product in US. So, in the upcoming years it will be incremental in US space for Specialty Chemicals. Electrolyte definitely has a huge market and that will be also see increase in US supply in upcoming quarters.

Moderator: The next question is from the line of Jason Soans from IDBI Capital. Please go ahead.

Jason Soans: Our 9-month revenue growth stands at 14.4% and last quarter we had guided for a growth of 18 to 22% for FY24, which probably looks tougher with all the intermediate prices being driven down, so now, would you want to probably guide for the next year FY24 and 25 by any chance what can we expect in terms of revenue?

Naresh Patel: If you remember in the last call, we revised our guideline from 18 to 20% to 15 to 18% because of the topline erode and that will be the one of the reasons that we had revised our guideline and considering current order in hand, it looks like we are in the same space where we have to reach.

Jason Soans: So, you are saying FY24 will probably be in the range of 15 to 18%?

Naresh Patel: Yes.

Jason Soans: And any estimates for FY25, by any chance if you would like to share on this?

Naresh Patel: FY25 will be somewhere between 17 to 22%.

Jason Soans: Because I believe that even the Fermion volume will start to pick up in FY25, so that will also be good and that will aid the topline as well?

Bhavin Shah: Yes, and not only that, also some new electrolyte will start contributing and then some other new projects which are in discussion will also come, so conservatively it will be between 17 to 22% and then it may go up. I am saying 17% in case we see some more erosion. Otherwise, we are fully confident about 22%.

Jason Soans: Our margins have been around 20% going back now, of course there is price erosion and host of companies across the Specialty Chemicals are facing pressure, now our margin also moderated around 14, 15, 16%, what kind of margin are you looking at? We had a word before where you spoke about resorting to a spot pricing method basically because to cater to Europe customers and for customer attention. So just wanted to know, what is the update on that? I mean still the spot pricing will continue or how are you looking at margins for FY24-25 going ahead?

Naresh Patel: So basically, what we said in the last call, we are trying to perform accordingly. So last quarter we announced that we will focus on margin. In this quarter, we successfully bought it to 15% and our next quarter overall it has to go to 18-20%. So that will be our spot base in Q1 and from that onwards once again we start our journey towards the 23% which we had announced in the past.

Jason Soans: Just wanted to know your view about Chinese pressure. Raw material prices coming down, realizations coming down, now what is your sense in the market, how do you see, do you think prices have bottomed out after almost 8 to 9 months of correction? What is your sense on how prices will move ahead or is there more pain? Could you give me some color on it like how are you seeing the prices for advanced intermediates chemicals going ahead?

Naresh Patel: What I understand in last one quarter is that I think the pricing from China is almost on the rock bottom. It may have to either stabilize or go upward. And based on the raw material prices, the prices for the final product will be stabilized or it may go up. So, I think this quarter is almost stabilized, from here onwards next one or two quarter, it will reach the normal level and it may go up.

Jason Soans: Any signs of Chinese competitive intensities are decreasing or is it same level or any view on that?

Naresh Patel: For my product, there is no direct impact of the Chinese competition, but for my end users there is some impact due to the Chinese supply. So now because of this spot business theory, we are able to deal with that as well and that is the reason why our volume growth is at 25%.

Jason Soans: That is a very good strategy. I would like to commend you on that and of course, so much competition is there in the market, and we resorted to this part of business to retain your customers with a very commendable strategy. So, just wanted to ask, you have spoken about electrolytes manufacturing, what is the capacity you are looking at setting up for this? What we know is in a lithium-ion battery around 9 to 10% of the cost is electrolytes and lot of customers and I believe it cannot be transported a lot. So a lot of the electrolytes have to be made in-house or domestically, so, one of the listed players already has a big electrolyte building capacity, they have announced CAPEX, they have announced a technological partner also in that. So, just wanted to know from your perspective how are you looking at the electrolytes business? Are you looking to induct some technological partner for this business? Because clearly what happens is this is always a slow process, approvals etc., take lot of time, so could you give me some sense of what capacity you are trying to make or any technological partner you would like to take up to scale up this business faster or what is the potential you are seeing or capacity, could you just give me some details on this?

Naresh Patel: So, are you talking about the electrolyte additives or are you talking about the final electrolyte?

Jason Soans: The final electrolytes?

Naresh Patel: Final electrolyte is CDMO kind of business. So here, I can't speak more on that, but the thing is that whoever the partner is, is very strong. So, they just want to have a base over here. We don't want to go and sell directly. So, it is like a secure business for us in terms of sales because we are doing just a CDMO for them.

Jason Soans: So, it is a plain vanilla or contract manufacturing?

Naresh Patel: Yes.

Jason Soans: So basically, what the client will tell you, you will manufacture for them, that is how it will be?

Naresh Patel: Yes.

Jason Soans: So, do you see lot of volume coming in or this will be a slow-moving project, how do you see it?

Naresh Patel: No, this will be a fast-moving project because they are already in the market and controlling world market at a very high level. So, this is a base for them, additional manufacturing platform for them to cater to Asia and some European market as well as some IRA market. So where they will sell is up to them, our job is to make a final solution and deliver to them.

Jason Soans: So, they will give you the technology and the recipe and you will be making it for them?

Naresh Patel: Exclusively making it for them. It is two different businesses. In Additive it is fully Ami Organics technology, and the solution is fully CDMO where we just give them the production support.

Jason Soans: On electrolyte additives, 2-3 quarters back we had heard some sales coming in, I think we have 500-ton capacity in Jhagadia where we can start up this electrolyte additives, but orders still have to come in or how is it, can you tell me the status on the electrolyte additive please?

Naresh Patel: So, we have signed several long-term supply agreements with the customer and now we have started commercially producing these additives and we have started supplying. We developed the production line, we developed the packaging line, shipment. Now we have started supplying the commercial supply to them and that is what we had announced publicly, that we are now commencing the production for electrolyte additives and ongoing capacity will be incremental and it may go up to 4-5 folds of total existing capacity in upcoming years.

Jason Soans: So, revenue from this will be probably coming in from FY25 only?

Naresh Patel: Yes, maybe in this quarter, if we get an opportunity, otherwise it will be from the next quarter, but firm orders are in hand. So, we have already moved in the production.

Moderator: The next question is from the line of Dhara from Value Quest. Please go ahead.

Dhara: If you can help us with the segmental EBITDA numbers for Pharma Intermediate and Specialty Chemical business?

Bhavin Shah: For both the business, we have EBITDA of 15.9% for the quarter. 15.9% for Pharma and 15.9% for Specialty.

Dhara: So, Specialty also includes Baba Finechem, that is why the margin looks higher?

Bhavin Shah: So now onwards Baba Finechem is part of our Specialty business. So, margin is accordingly.

Dhara: And what will be the revenue number for Baba Finechem this quarter?

Bhavin Shah: Specific number we are not giving on over the call, so I refrain from sharing those number.

Dhara: On the additive business, so we mentioned about several long-term contracts that you have and I think we only have a 500 ton capacity for the additive. So, what is the kind of capacity expansion that you expect to build there?

Naresh Patel: Standard capacity what we have right now is 500 metric ton each and that is our first goal to fulfill and then parallelly, we would be adding more capacity for the upcoming demands of the electrolyte additives.

Dhara: Would you like to share how much capacity you are going to add now?

Naresh Patel: 2,000 metric ton each of the final additives.

Dhara: 2,000 each for two additives that you are going to supply?

Naresh Patel: Each.

Moderator: The next question is from the line of Jishan Singhi from Krijuna Research & Analytics. Please go ahead.

Jishan Singhi: I would like to ask that, as you mentioned that you are doing a plain vanilla type of contract in electrolytes, so I just want to know the differentiation between additives and electrolytes, are these both different?

Naresh Patel: So, additives is used to make electrolyte, electrolytes have lot of components and whereas additive is just a one component of the electrolyte.

Jishan Singhi: As you said that you have these additives in-house. So, is this unique product or does this product have some competitive intent?

Naresh Patel: If I correctly understand, you want to ask that we are making an additive which will give us the competitive advantage to make electrolyte, is it correct?

Jishan Singhi: Yes.

Naresh Patel: This is one of the reasons that we got this CDMO because we have in-house electrolyte additives which can be used for making the solution. But these additives are only 3% to 4% of the solution. So, it is not great impact on the final solution, but the partners have chosen us because of several other parameters in which we fulfill their requirement.

Jishan Singhi: What can be the estimated market size for this electrolyte segment? And what is your addressable size in that?

Naresh Patel: It varies based on the final price, when we entered, it was very big, like around $1 billion and currently the price of the raw material and of the final product is less, down by 20%. So, it all depends on the current market size. So, it is very difficult to give the exact number and then also application in the area of the country or geography that also depends on the market size.

Jishan Singhi: And what is your addressable or your side in this?

Naresh Patel: We are talking about the capacity. So currently we have 500 tons each and we are going to install more 2,000 tons each. So, this is our addressable market for next two years.

Jishan Singhi: You said, 500 tons each, so what does this mean? Can you please clarify more?

Naresh Patel: There are two products VC and FVC which we have already executed and for that our capacity is 500 metric ton each.

Jishan Singhi: And for these two products, you are doing contract manufacturing?

Naresh Patel: That is different thing.

Jishan Singhi: Revenue or turnover size from this new facility that you have started?

Naresh Patel: It will be somewhere around 3x of the Ankleshwar Unit.

Jishan Singhi: That means three times asset turnover ratio, right?

Naresh Patel: Yes.

Jishan Singhi: So, three times then if you consider this Rs. 310 crores as an asset, right, so it will be more or less Rs. 900 crores revenue, right?

Naresh Patel: I don't know, sir. You have to calculate that. I can't speak on numbers.

Jishan Singhi: On Baba Fine Chemicals, which you have acquired, is this for specialty chemical segment or electrolytes?

Naresh Patel: It is a semiconductor. We included it in a specialty, but it is application in a semiconductor industry.

Jishan Singhi: And I would also like to know, like you mentioned 3x for your Ankleshwar facility, then the same applies for the Baba Fine Chemicals as well?

Naresh Patel: No, In Baba Finechem, there is no expansion over there. It is an established business which we are running and there is no capital currently being infused in that company.

Jishan Singhi: Then how much does it contribute to your topline?

Naresh Patel: Currently, it is somewhere around Rs, 40-45 crores and it can be incremental to three times from here.

Moderator: The next question is from the line of Rikin Shah from Omkara Capital. Please go ahead.

Rikin Shah: I just wanted to ask whether in terms of technology, we have mentioned that we have developed 6 more electrolyte additives, so are they new blends for the same salt or are they blends for some other salt?

Naresh Patel: No, these are the new additives, the use depends on the salt and depends on the formulation. So, one maybe bought by someone, second maybe not be bought by the same one. So, it all depends on the formulation recipe. We develop all six which can be either used by one in same application, or by someone in another one. So, this is how it will be.

Moderator: The next question is from the line of Nikhil from Perpetual Capital Advisors. Please go ahead.

Nikhil: Last quarter, you had mentioned that the company was looking to launch a UV absorber product in the Specialty Chemical Business, has that happened and how do we see the ramp up going forward for it?

Naresh Patel: Yes, we had already supplied validation quantity around several metric tons. It will be ramped up from Q1 FY25.

Nikhil: And any other new products in Specialty Chemicals? I think it is almost two years or maybe three years now that the company has acquired the Specialty Chemical plant. I think the potential was to hit close to Rs. 200-Rs. 250 crores odd topline on an annual basis, when do we see that? Or maybe it is slightly lower now due to the correction in prices?

Naresh Patel: Yes, so price is always a factor to revise the timeline, but volume is increasing. So, once we hit the volume, we are not worried because sooner or later when price ramps up, volume will give us the revenue what we desire.

Nikhil: So, let me put it this way, what is the current capacity utilization in this plant and when do you expect to hit optimum capacity utilization?

Naresh Patel: So currently it will move from 45% to 55%, ramp up has happened in last one year and it will be fully utilized by FY26.

Nikhil: And anything on the timeline of ramp up of the Fermion contract, do we see some part of it at the end of the current fiscal year or do we start seeing that from Q1 and it being ramped up to its full capacity in a year's time?

Naresh Patel: So currently we are in process of qualifying some well decent batches which will be in this quarter and then it will be muted quarter for one or one and half quarter for validation at their end and then it will be gradually ramped up to the end of FY25.

Nikhil: For Rs. 300 crore toll manufacturing opportunity that you spoke about, have you given the timeline?

Naresh Patel: The timeline, it has to be in next year only, FY25, but we are in process of finalizing the term seats and everything. So once that will be done then we will announce on that.

Nikhil: And the plant would take close to 12 months to come up?

Naresh Patel: Yes.

Moderator: The next question is from the line of Akshat Vijay from Hem Securities. Please go ahead.

Akshat Vijay: Have you lost any market share because the reason for the subdued performance is only the pricing pressure right, there is no loss of market share?

Naresh Patel: No.

Akshat Vijay: And for the Ankleshwar facility, you mentioned that one-third of the facility will be dedicated towards the Fermion deal and the remaining 66% will be used for your other Pharma business.

So, have you already started getting orders for that 66% facility? Are you in talks with some other customers?

Naresh Patel: Yes, we are actively negotiating discussion with other pharma.

Akshat Vijay: But nothing is finalized right now, right?

Naresh Patel: Yes, it will take time. Need to finalize several issues with cost and everything because it is CMO. CMO will take some time.

Akshat Vijay: On the margins, as you mentioned in your previous Concall that you are focusing a lot on the Specialty Chemical segment and now this electrolyte is also coming in and both of them have lower margin than pharma, right? So obviously currently this China thing is going on, pricing pressure is there, but 3-4 years down the line, do you expect that we can ever reach that FY21 EBITDA margin level of 24%, the operating leverage will also have a role here, so what will be the margin guidance or outlook 3-4 years down the line?

Naresh Patel: 3-4 years down the line definitely it will be between 23% and 26%.

Moderator: The next question is from the line of Vishal Agrawal from Leo Capital. Please go ahead.

Vishal Agrawal: On the electrolyte business, it is clear you said that you have a CDMO contract which is for manufacturing a solution which will use your electrolyte additive and that is only for one client and on top of that the electrolyte additive ability that you have that you are able to sell to multiple clients, is that correct? These are two different businesses, but related to electrolytes?

Naresh Patel: Yes.

Vishal Agrawal: And in terms of revenue potential for the CDMO one, how large is the opportunity for the CDMO one?

Naresh Patel: It is very difficult to say right now because it is confidential. We will announce once we sign the term sheet.

Vishal Agrawal: And that as part of the CDMO, you will not be making the entire electrolyte, it will be making the solution which goes into the electrolyte, so what portion of the electrolyte value is the solution?

Naresh Patel: No solution is an electrolyte.

Vishal Agrawal: The solution is an electrolyte, so as part of the CDMO, you will be making the final electrolyte of which additive is one component, but the rest of the recipes will come from your partner so to say?

Naresh Patel: Yes, they will supply us for themselves.

Vishal Agrawal: And in that kind of a business, what sort of a margin profile would you expect? Would it be in line with your API business?

Naresh Patel: No, it is a CMO. So, there we have to see, how much operating leverage we will get based on that the margin will be decided. So that is yet to be announced because these all depends on the recipes, quantities and energy. So, it is very difficult right now to announce about the margin of CMO and this is a Specialty Chemical CMO, it is not like pharma. So, it is a different way.

Vishal Agrawal: So, you would expect a lower margin than the pharma CMO?

Naresh Patel: Pharma CMO is the top one always. You cannot compare pharma with the Specialty CMO.

Vishal Agrawal: And so that I understand it right, you are saying that this electrolyte solution that will be under CMO and that obviously will be proprietary to that one client, so you cannot sell it to anyone else. I am assuming you cannot use that ability to create electrolytes and market it generally. What can you sell generally is only the additives which you are making yourself?

Naresh Patel: At Ami Organics' we do not compete our customer, so we strictly follow this rule. So, we do CMO for our client, we never sell that product to anybody else.

Vishal Agrawal: But you see enough revenue potential to grow with that client itself, there is a lot of market opportunity just there?

Naresh Patel: Yes.

Vishal Agrawal: And just coming back to your API business in Pharma, there you have two parts, one is with innovators and the other is generics. For both of these, what is the competitive advantage that we have, are we exclusive with our clients or I know you have mentioned earlier also that Chinese players are not competition for us, but then who is competition and how does, what happens in China impact us in terms of long-term margin profile for this business?

Naresh Patel: There are competitors from other generic intermediate manufacturer based in India or maybe Europe or maybe client himself. So, it all depends on where we are selling, say for example, regulated market with the originator, they themselves are one of the approved manufacturers. And for generic business, there are Indian small manufacturers, also some big manufacturers also are competitors, so all depends on the product to product and application and geography.

Vishal Agrawal: And you are saying, there may be other API manufacturers also listed in the DMF other than you yourself and they are competition, they are not Chinese guys necessarily but they are competition?

Naresh Patel: Yes, they are directly competing to our client if they have a DMF themselves with the file in the same application.

Vishal Agrawal: You are saying the Chinese guys essentially compete with your end client because they may be manufacturing the end product which your client is making. So that puts pressure on the pricing for your end clients and indirectly puts pressure on you. Is that correct?

Naresh Patel: Yes, nowadays Chinese EP's and DMF filing is incremental. So that creates a little bit pressure on our client in the final application.

Vishal Agrawal: And just lastly for the electrolyte opportunity, the CDMO one that you spoke about, is that a very CAPEX intensive business or it is more about process efficiency and there is not much CAPEX involved? The reason I ask that is as you scale up that CDMO business, is it like it will have a lot of lead time for you to identify location and do the CAPEX or it can be scaled up very quickly?

Naresh Patel: CAPEX intensive businesses this is, but it is a long-term secure business.

Vishal Agrawal: And it would take several years to ramp up because you would have to do the CAPEX and so on.

Naresh Patel: Yes, it will take a normal timeline to ramp up any business, the standard timeline, the same will be applied to this as well.

Vishal Agrawal: Any sense on the timeline? Like how much time would it take?

Naresh Patel: I can't say on that right now.

Moderator: The next question is from the line of Aayush Rathi from IDBI capital. Please go ahead.

Aayush Rathi: I had only two basic questions. First, on the finance cost, in this quarter, we have a finance cost of Rs. 25 million, so for modeling purposes for the next quarter also, we will have the same finance cost?

Bhavin Shah: Yes. So it will be on the same line, little higher than this because as we are doing additional CAPEX, so there will be borrowing on the books, and it will be little on the higher side.

Aayush Rathi: So as in your opening remarks, you mentioned Rs. 119 crores debt has been taken for the Ankleshwar facility, so what kind of debt to equity are we looking at on an overall basis?

Bhavin Shah: It would be around 37% equity and rest would be debt.

Aayush Rathi: On the strategy side. So, you mentioned that on the electrolyte part of businesses, about one customer who we are making solutions for. So, in the long run, are we planning to also be doing the business of electrolytes or like completely focus our business electrolyte additives, so what remains our focus?

Naresh Patel: No, we completely focus on our electrolyte additive business only. This is an additional opportunity, which is the CDMO. This has nothing to do with our original planning of additives.

Aayush Rathi: So, we plan to stay in the additive business more and focused more over here?

Naresh Patel: Yes.

Moderator: The next question is from the line of Piyush Jain, an Individual Investor. Please go ahead.

Piyush Jain: When will we start booking the sales from electrolyte? or maybe your contract with Fermion?

Naresh Patel: Our contract with Fermion is already in this quarter, we are doing validation batches for them, so that will be commenced from this quarter and for electrolyte additives we got an order, and we started production for that as well. And for electrolyte it is still premature. We are finalizing so many things, then we would put up the plant and it will take longer time for electrolyte CDM.

Piyush Jain: Is the Baba Fine Chemicals number included in this quarter's revenue?

Bhavin Shah: Yes, in consolidation, Baba Finechem is included.

Piyush Jain: So just to understand, earlier Concall we have said Baba Fine is around 40% type of EBITDA margin business, so is our EBITDA able to hold because of the Baba Fine contribution or Baba Fine contribution is not too much that can change the margin profile here?

Bhavin Shah: We need to understand every business has a different growth pattern. So, electrolyte has a different margin, semiconductor and Specialty Chemical has a different margin.

Abhishek Patel: On top of that, the consolidation of Baba business was done in Q2 FY24 also. So, it is not only in this quarter. It has been for full year. So, it was there in last quarter as well.

Piyush Jain: The Rs. 300 crores CAPEX which we have said, so when we will start deploying this CAPEX?

Naresh Patel: So Rs. 300 crores CAPEX for electrolyte will take some time whereas for Ankleshwar is already ongoing which will be finished very soon for this upgradation of the new facility.

Piyush Jain: Any internal target to achieve Rs. 1,000 crore revenue by let us say 2 years, 3 years, not asking for guidance or number, but you might be having some target because you are doing so many contracts, Fermion, electrolytes, so many things going ongoing, any thought process that by when we will be able to achieve Rs. 1,000 crores number?

Naresh Patel: FY2025-26 midway.

Moderator: The next question is from the line of Dinesh from Kriti Creation. Please go ahead.

Dinesh: This electrolyte additive is required in green hydrogen as well, so is there any plan to make that too?

Naresh Patel: No sir, actually electrolyte is a name given in a way, so for every process electrolyte is done. We don't make anything for hydrogen.

Dinesh: So, our work will be only with the additive related to the lithium and battery cell?

Naresh Patel: Yes.

Moderator: The next question is from the line of Krishna Kumar, an Individual Investor. Please go ahead.

Krishna Kumar: Regarding the Baba Fine Chemicals, you said that right now the Rs. 42 crores of annual revenue, so you wanted to take it to Rs.200 crores, so when can we expect that Rs. 200 crores potential revenue in which year?

Naresh Patel: No, it is not like that. See, when we acquired it, it was Rs. 42 – 45 crores last year and then this year is the consolidation year where we are integrating it, changing the name of the company and then approval from the customer end. So, this year will be either muted or a little bit lower because, semiconductor industry is a very different industry than the other industry where approval and qualification from end-to-end customer is needed. So that procedure is going on. And then in 2-3 years it will be ramped up to the topline of what we say.

Krishna Kumar: Recently we saw the announcement of Micron Semiconductor in Gujarat for the new manufacturing facility, are we doing any supplying to this company?

Naresh Patel: Micron might be a consumer of our end supplier. So maybe we cannot say this because it is a very closely held business community in semiconductor. So, we are supplying to someone who might be supplying to them.

Krishna Kumar: Side promoter selling, I think he was a key investor, but recently he sold some of his stake. So, can we expect the remaining selling in 2-3 quarters, or he is going to continue, Mr. Girish Kumar Chovatia?

Naresh Patel: No, he is not a promoter. He was a partner during the inception of the company and then he qualified as a promoter and he is not going to sell anything in next 3 quarters which is what he has said, I cannot stop anyone, I cannot stop you to buy or to sell. So, on behalf of any stakeholder, I cannot commit anything on that.

Krishna Kumar: Because in one of your interview videos, you said that if he intends to sell anything, he will inform you before that. So, do you have any intent to buy some more from him?

Naresh Patel: No. On a good note, he says that if he has to sell, he will inform me if I have to buy first and then he can sell to open market. And last time when he sold this 13%, I purchased 1% from him. So, he offered me in last sale, I myself purchased 1% from him, so it is good, I am believing in my company, and I increase my stake in that way.

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

Naresh Patel: Thank you Ambit 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 to our IR advisory E&Y and we will get back to you offline. Thank you very much and have a nice evening.

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

(This document was edited for readability purpose)