



# Ami Organics Limited

CIN No. : L24100GJ2007PLC051093

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February 14, 2022

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

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

**Scrip Code : 543349**

**NSE Symbol : AMIORG**

Dear Sir/Madam,

**Subject: Transcript of Earnings Call for Q3 FY22 financial results held on February 8, 2022**

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 8, 2022 post announcement of financial results for the quarter and nine months ended December 31, 2021.

The same will also be available at the website of Company at [www.amiorganics.com](http://www.amiorganics.com)

This is for your information and records.

Yours faithfully,

**For, AMI ORGANICS LIMITED**

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



Encl : As Above



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**“Ami Organics Limited  
Q3 FY2022 Earnings Conference Call”**

**February 08, 2022**

**ANALYST: MR. MEHUL SHETH - AXIS CAPITAL LIMITED**

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

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

**Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY2022 Earnings Conference Call of Ami Organics hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand over the call to Mr. Mehul Sheth. Thank you and over to you Sir!

**Mehul Sheth:** Thanks moderator and good afternoon everyone. On behalf of Axis Capital, I welcome you all for the Ami Organics Q3 and nine months FY2022 earnings call. Today from the management team we have Mr. Nareshkumar Patel - Managing Director and Mr. Abhishek Patel – Chief Financial Officer of Ami Organics. I now hand over the call to Mr. Abhishek for his opening remarks. Thank you Sir!

**Abhishek Patel:** Thank you Mehul. Good afternoon everyone. We are pleased to welcome you all to our earnings call for Q3 FY2022. Please note that the copy of our disclosure is available on the investor section on our website as well as the stock exchanges. Please do note that anything said on this call, which reflects our outlook towards the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risk that the company faces. With that I would like to hand over the floor to our Chairman and Managing Director, Mr. Naresh Patel for his opening statement.

**Nareshkumar Patel:** Thank you Abhishek. Good afternoon everyone. I am Naresh Patel, Chairman and Managing Director of Ami Organics heartily welcome you to our Q3 FY2022 Earnings Conference Call. I hope you and your family are safe and sound as COVID continue to cast shadow on day-to-day lives. We continue to maintain the highest level of safety measures at our plants and offices to keep our most important stakeholders, employees safe.

Coming to the results update, our business grew by strong 52% on year-on-year basis in 9 months to Rs.3776 million. The growth was driven by continued robust growth in core Pharma Intermediates business as well as strong growth in Specialty Chemical business. I will let Abhishek discuss financials in detail.

On the business side our core business continues to grow on sequential basis with robust growth in year-on-year basis. Coming to Specialty Chemical business, our process improvement and cost optimization exercise is running in full swing and we have already started to see the results of the same. Our EBITDA for facilities acquired by the Gujarat Organics has improved sharply but it has not yet achieved its full potential. One of the

strategies to improve the efficiency was to transfer the production of chemical business at one site rather than having the same product at both the sites. In line with the strategy, we have transferred the chemicals manufacturing from Ankleshwar site to Jhagadia site and now all the specialty chemicals productions will happen at Jhagadia site. This strategy will help us improve the utilization level and in turn improve our operating leverage, which will lead to margin expansion in coming quarters for this facility. We have already shifted productions from Ankleshwar facility to Jhagadia facility during the quarter and I do not expect any revenue loss for the year. We plan to build brand new state-of-art facility at Ankleshwar site for expansion of our core business of pharma intermediates. We are working out detailed engineering and designing for the same and we will discuss the capex plan in detail once it is ready.

On the product side our two new import substitute products launched recently are seeing good tractions in the market with very encouraging response from the customers. We believe these products will contribute considerably to our topline from coming year. We have more import substitute products in the pipeline and we will keep you updated on the same as we make new progress. They are all in a pilot stage currently.

Overall, I remain optimistic for the coming quarters on the back of continued strong demand of our products, rationalization in the input prices, successful integration and cost optimization in GOL business and new product launches. Now I request our CFO, Mr. Abhishek Patel to discuss the financials. Over to you Abhishek!

**Abhishek Patel:**

Thank you Nareshbhai. Good afternoon everyone. I would like to briefly touch upon the key performance highlights with the quarter and 9 months ended December 2021 and then we will open the floor for the question and answers. I will start with the quarterly updates; revenue for the quarter was at Rs.142.1 Crores up 53.5% as compared to Rs.92 Crores in Q3 FY2021. The gross margin for the quarter was at 49.4%. For most part of the quarter input prices remain elevated, but our prudent cost measures and ability to safely pass on incremental input cost to the clients helped us not only maintain our margin but improve our gross margin in our core business. Overall, at consolidated level, due to lower margins at Gujarat Organics business our gross margin looks flattish y-o-y basis. EBITDA for the quarter was Rs.29.9 Crores up 37.9% as compared to Rs.21.7 Crores in Q3 FY2021. EBITDA margin was 21.2%. PAT for the quarter was Rs.19.5 Crores up 34.7% as compared to Rs.14.5 Crores in Q3 FY2021. PAT margin was at 13.8%. Last quarter I had mentioned that traditionally we have been growing sequentially with Q1 always the lower performing quarter and Q4 being the best. This time pretty much visible in our performance for the current year with Q3 being better than Q2 and Q2 being better than Q1. We believe

this trend will continue in Q4 also and Q4 will be bigger than Q3. This will lead to H2 contributing more to the topline than H1.

Now coming to the nine months figure, our revenue grew by impressive 52% to Rs.376.6 Crores as compared to Rs.247.7 Crores in nine months FY2021. Our gross margin for the nine months expanded by 290 basis points to 48.8%. EBITDA for the nine months was at 79.4 Crores a growth of 39.5% compared to the same period last year. Even after the impressive growth in EBITDA our EBITDA margin remained suppressed at 21.1%. EBITDA for the core business continued to be robust but the EBITDA for newly acquired facility also improving quarter-by-quarter and surpass two digit mark but the overall EBITDA gets that post effect of integration. On the positive side our business improvement and cost optimization exercise has already shown results. Our EBITDA for GOL facility trending towards double digit from single digit March in last year. We believe this will further improve our incoming quarters as well. Now PAT for the nine months FY2022 was at 50.7 Crores up 31.3% as compared to the same period last year. PAT margin for the nine months came at 13.5%. EPS has also increased from Rs. 12.25 to Rs. 16.8 per share.

Coming to the balance sheet item we have brought down our debt from 136.6 Crores as on March 31, 2021 to only 73 lakhs as of December 31, 2021. Cash and cash equivalence at the end of the December 2021 were at staggering 116.2 Crores. I would like to note that input cost has started decimalizing from December and we believe that this will further boost our margin in future.

Before I conclude my remark, I would also like to highlight that FY2021 number does not include revenue from the two newly acquired facilities because it was a slump sale asset transfer case. I will now conclude my remark and request the moderator to open the floor for the question and answer. Thank you.

**Moderator:** Thank you. We will now begin the question and answer session. The first question comes from Amar Maurya with Alpha Accurate Advisors. Please go ahead.

**Amar Maurya:** Thanks a lot of the opportunity. Firstly if you can give us the breakup between the pharma intermediate and the specialty intermediate for third quarter, second quarter, and first quarter for the revenue and EBITDA?

**Abhishek Patel:** You want quarter-by-quarter?

**Amar Maurya:** Quarter-by-quarter would be great Sir then we can understand that how the margin has improved for the specialty chemical business.

**Abhishek Patel:** On the revenue side Q1 for pharma business was 94.13 Crores, Q2 was 102.14 Crores and Q3 was 118.53 Crores. On the revenue side, Q1, Q2, Q3, specialty chemicals was 19 Crores then it increased 20.17 Crores and then it increased to 22.62 Crores in Q3 FY2022. The EBITDA margin for Q1 was around 5.5% with increase to 13% and further increased 14.1% in Q3 FY2022.

**Amar Maurya:** So basically specialty chemicals margin increased from single digit to double digit in third quarter and what would be the peak margin we can do in the specialty chemical business?

**Abhishek Patel:** Margin wise as we discussed earlier also the margin for the specialty business may remain around 3% to 4% lower than the pharma intermediate business so that is what we are expecting which are at the peak level.

**Amar Maurya:** Let us say if I see your standalone margin of your pharma business in 2021 used to be 23% so basically when you say 3% or 4% lower so you are saying 19% kind of a margin in specialty chemical business would it be possible?

**Abhishek Patel:** Yes that we can expect at a peak level.

**Amar Maurya:** Secondly as you indicated that now the shifting of specialty chemical business completely is done to Jhagadia and because of that the utilization is suffered this quarter so once now the shifting is done how we can see the improvement in the run rate of the specialty chemical business in fourth quarter and going forward what kind of utilization we can expect from the specialty chemical business?

**Nareshkumar Patel:** First of all let me correct there is no revenue loss, it is a successful transfer without any interruption in the production of the specialty chemicals. It is all done properly in a such way that phase wise we have transferred the product to the Jhagadia site so that our orders and production will not be impacted in that and that is also one of the reason that the revenue and unit 2 and unit 3 because of that only. Both the sites cumulatively utilization will be 40%, 40% will be remaining utilization of Jhagadia so we have the possibility of increasing the utilization up to 85% to 90% so it is still very good, improved volume available to make more growth in utilization.

**Amar Maurya:** Sir that was my question sir, basically what I am trying to understand when we acquire the plant it was only 30% to 35% utilization of the specialty chemical business, now going forward in FY2023 what are the levers for you to improve your utilization level do we have some larger contract or some new client win, which will help us to the improve the utilization of specialty chemicals business?

- Nareshkumar Patel:** We are expecting to go up to 85% in the next two financial years.
- Amar Maurya:** So basically by FY2024 you are expecting 80% to 85% utilization level correct?
- Nareshkumar Patel:** Yes Sir.
- Amar Maurya:** Perfect Sir, I will come back in the queue.
- Moderator:** Thank you. The next question comes from Hardik Shah with Taurus Mutual Fund. Please go ahead.
- Hardik Shah:** Thank you for taking my question. My question is a small followup on the previous question. Now the operations are consolidated at the Jhagadia what is the current revenue potential of that site now?
- Nareshkumar Patel:** Current potential in this year as we had already announced that we will be maintaining the same revenue as the Gujarat Organics last year revenue. The reason is that we already lost two months in the takeover process so the same revenue in this financial we are expecting from unit 2 and unit 3.
- Hardik Shah:** Sir my question is revenue potential what is the maximum we can reach in Jhagadia now?
- Abhishek Patel:** I think you wanted to understand the potential revenue post this shift right?
- Hardik Shah:** Correct.
- abhishek Patel:** If you have noticed that we have transferred most of those equipments from Ankleshwar site to the Jhagadia site. Those two units which were separate at two locations now at consolidated one location so overall capacity remains intact as of date also.
- Hardik Shah:** Is it slightly more than 200 Crores is that number right?
- Nareshkumar Patel:** You can assume like that.
- Hardik Shah:** In terms of land bank, at Jhagadia in terms of number of acres how much room is there for further expansion?
- Nareshkumar Patel:** We have 16900 square meter still available for further expansion.

- Hardik Shah:** Perfect and right now at the entire Ankleshwar unit barring a few equipments is left for the core Ami business growth right?
- Nareshkumar Patel:** No, the entire Ankleshwar unit we have completely demolished it and then refurbished and rebuilt it as advanced facilities required for pharma intermediates and that will be good for us for revenue FY2024 and 2025.
- Hardik Shah:** Correct, right now there is zero revenue from that unit, next to zero revenue?
- Nareshkumar Patel:** This quarter yes.
- Hardik Shah:** Perfect, got it. Sir can you please share your export revenue and export EBITDA margins for the current and last four quarter?
- Abhishek Patel:** Export has been 212 Crores for this nine month FY2022.
- Hardik Shah:** Can you give the quarter wise breakup if possible please?
- Abhishek Patel:** This quarter it was 89.43 Crores.
- Hardik Shah:** Sir for the previous Q1 and Q2?
- Abhishek Patel:** It was 64.48 Crores and for first quarter it was 58.83 Crores.
- Hardik Shah:** Perfect Sir, roughly can you give the average ballpark margin number, EBITDA margin number?
- Abhishek Patel:** Average EBITDA generally it has been seen that our export and domestic business has not much of the gap between margin, it is always specific to product and product basis it is not like that which are going into exports is going at a very lower rate in domestic market. even in some of the regular export, customers are buying even lower rate than the domestic customer, so generally margins are not geography specific or export or domestic specific they are more of the product specific which drives the business.
- Hardik Shah:** If possible can you share where the margins are higher export or domestic or is it almost the same?
- Abhishek Patel:** It depends on the product mix, let me give you an example in 2020 we had one of the domestic products where we had a cost improvement and that was going into domestic market so in that year the domestic margins were higher in terms of total value as well as



the percentage term in FY2020, but in FY2021 it was export who drove the margin because of the one of the export product got higher amount of revenue in 2021 so it is always product specific rather than the market specific.

**Hardik Shah:** Perfect got it Sir. I am not asking you for the capex number of something, but on the broader level on the strategy front initially now the first capex will happen at Ankleshwar for the core Ami business is that right and post that if at all we do a capex on Jhagadia but first we will focus on the core pharma intermediate business at Ankleshwar is that correct?

**Nareshkumar Patel:** Because the specialty business has already enough capacity for FY2023-24, so I need first focus on core business at Ankleshwar and then we will focus on Jhagadia.

**Hardik Shah:** Correct Sir. Thank you so much Sir. That is all from my side.

**Moderator:** Thank you. The next question comes from Anubhav Sahu with MC Research. Please go ahead.

**Anubhav Sahu:** Thanks for the opportunity. Couple of questions. One is I understand for Ankleshwar site you want to repurpose it for pharma intermediate so as of now do you have any further details on that what kind of capex you are looking at and would you require fresh EC for the site the new set of products?

**Nareshkumar Patel:** Thank you very much for this question it is very important. We have already initiated EC related activity and we already received the environment clearance two months back only for Ankleshwar site.

**Anubhav Sahu:** Post the shift of specialty to Jhagadia so what is now the net capacity for Jhagadia plant?

**Nareshkumar Patel:** The capacity point of view because all the infrastructure related to equipments also transferred to Jhagadia so the capacity will remain the same in that plant so utilization for both the facilities already is at one single location so now there is instead of 2400 metric tonnes in Jhagadia it will be 3,600 metric tonnes.

**Anubhav Sahu:** One last question is on your molecule and markets. If I remember right 40% of our sales come from the intermediates for two molecules called Trazodone and Dolutegravir are we getting the similar set of sales from this thing also or it has changed since the time of IPO?

**Nareshkumar Patel:** Since IPO also we always say our USP, we are not dependent on any product and we are not dependent on any customer and this is a classical example proving that though in the

last financial year Dolutegravir was second largest product this year it is not performing even in top 9 even though our growth is maintained so that proves that we are not dependent on any single product or any single customer.

**Anubhav Sahu:** Though we understand that the anti-retroviral market has been soft for the last few quarters how do you foresee the demand in the coming quarters, is it picking up? how do you see the order book on this thing?

**Nareshkumar Patel:** From Q4 it has started picking up for Dolutegravir.

**Anubhav Sahu:** As per the anti-retroviral this is the only molecule we are catering to?

**Nareshkumar Patel:** In anti-retroviral we have three molecules, two are still under very early stage of development and it is under patent whereas Dolutegravir is already commercialized so that is only one which is right now is under commercial at a higher level of contribution.

**Anubhav Sahu:** Got it and I suppose mostly for the domestic market as far as this segment is concerned?

**Abhishek Patel:** Dolutegravir is for domestic as well as export but exports are scalable because it is still under patent so the generic player is yet not started manufacturing so they have qualified Ami Organics but they are waiting for the expiry.

**Anubhav Sahu:** Okay, got it, it is helpful, thanks a lot.

**Moderator:** Thank you. The next question comes from Padmaraju Mathi with SBI Life Insurance. Please go ahead.

**Padmaraju Mathi:** Thank you for taking my question. My question is more related to the two new import substitute products that you have commercialized so just wanted to check they exist on the spec chem side or the pharma side?

**Nareshkumar Patel:** Both are in pharma side.

**Padmaraju Mathi:** Can you just throw more colour on that front?

**Nareshkumar Patel:** One is for the anti-diabetic disease.

**Padmaraju Mathi:** The kind of opportunity size that you see in these products?

- Nareshkumar Patel:** Both the products have a sizeable volume in terms of production as well as value point of view it is a multi-crore product so in FY2023 it will be contributing sizeable amount of revenue in our total projections.
- Padmaraju Mathi:** Just wanted to check like regarding what are the facilities that we have acquired from GOL I know that we have operated at lower utilization levels in the past, but how do we plan to scale this business up, do we need to do anything in the product pipeline side or in terms of acquiring customers so if you can help me on that front it would be great?
- Nareshkumar Patel:** Thanks it is a very good question I can say. In Gujarat Organics business is very, very good and we are not working only on a one sector but we are working on cumulatively all the possible way increasing the business of Gujarat Organics not only in increasing the capacity of the product, we are also improving the process improvement so that we can improve the cost of the product as well as because as per F&S report the potential of Gujarat Organics business is much, much higher than what they are doing right now, they are doing only 3% to 10% kind of total contribution in the world market. Huge potential is available for all of the products. We started working on that, we started reviving the customers; we started improvement in terms of quality operation point of view, packaging and also marketing, and that also showed the result that so many new customers already added in the basket, upcoming years it will be giving us a fruit on that because qualification process is going on.
- Padmaraju Mathi:** How does this contract generally work is it like we do have some sort of other visibility or it will be more like catalog sort of a product?
- Nareskumar Patel:** See in a core business we have a long-term contracts in exports and that long contracts between two years to six years kind of contracts with visibility of minimum 1 to 1.5 years of all the requirements and that is backed up with the raw material escalations and monetizing escalation kind of things and so this is how we have a visibility of our contracts.
- Padmaraju Mathi:** I am asking more on the spec chem side.
- Abhishek Patel:** GOL there are not that much big contracts we have. but in future we will start that as well because it is a just acquired facility so some contracts which is already with GOL is waived off so that we have to re-negotiate and we have to make in our system.
- Padmaraju Mathi:** Like this quarter I believe tax rate was higher because it is a different tax rate but what will be the normalized tax rate going ahead?

**Abhishek Patel:** Normal tax rate since we have opted for new regime it will be 25% only but in this quarter let me bring to your notice that in this quarter we had a restatement of our gratuity liability for our acquired business and because of that there were restatement of deferred tax asset as well in this year for which we had availed some of the tax benefit in the last quarter so because of this adjustment of liability we had a higher tax rate in Q3 FY2022 as compared to Q2 FY2022 but the normal rate if you see on a nine month basis it is around 26% only.

**Padmaraju Mathi:** Okay Sir, that is it thanks.

**Moderator:** Thank you. The next question comes from Himan Tyagi with Varanium Cap. Please go ahead.

**Himan Tyagi:** Thank you for the opportunity. This was on the R&D spend that we are planning to do for FY2023 and FY2024 which has roughly been in the ballpark number of 1.5% to 2% of our revenue so would you like to give some number on the R&D spend for FY2023 and FY2024 if possible and that was the first question, the second was on the new product pipeline that we are planning for FY2023 would it be right to assume that we will be launching around four to five new products in FY2023 and probably it will be in what therapy chronic or acute and things like that if you could throw some light over there?

**Nareshkumar Patel:** Thank you. Normally additionally it will be as you rightly said that in the range of 1.5% to 2.5% between that of our total revenue and that will remain in that segment, but recently we had done lot of technology and improvement in our installations and working on flow chemistries as well as, fix that chemistries kind of things as well as, some other cryogenic kind of things which is we have started, and we have successfully implemented flow chemistry for two molecules. so that is incremental investment in R&D which is in the next couple of years, so may be our R&D expenditure may increase from 2% to 3% kind of things or 3.5% but that is all depends on how fast we are working on that. In terms of new molecule as we say that annually we develop more 20, 25 molecules every year and that is in our core segments only. we do not work like acute or chronic kind of things, but we are working on a therapeutical kind of things where we have 50 therapeutic area. In Pharma where we are mostly focusing on in that area whatever the new molecules are coming that we try to develop intermediate for that, so we will be continuously focusing on that. Apart from these core pharma as now we also want to grow our specialty chemical segment as well as so there are few molecules are working in specialty as well and which is in specialty only we are bringing these flow chemistry kind of things which is successfully commercialized and now we are operating at monthly 20, 25 metric tonnes kind of capacity of this kind and that is continuously invested in that and our target to introduce 4, 5 molecules in specialty segments as well annually.

**Himan Tyagi:** If I can squeeze one more question on the specialty side we said that the margins we expect them to move from 14 to 19 over a period of the next two years that would be basically because of the backward integration or we are getting into a product that have got higher margin on the specialty front?

**Nareshkumar Patel:** See currently whatever we are saying is per the product pipeline of Gujarat Organics where we are increasing our margins with greater efficiency, operational improvement, process improvement and apart from that all other process control and these are all things, which is on backward integration. These are all things which are cumulatively planned for one year and that is also showing the improvement in quarter-to-quarter every quarter improvement in the margins of Gujarat Organics.

**Himan Tyagi:** These all are internal factors that make us confident that we will achieve and we are not dependent on the markets or products for margin?

**Abhishek Patel:** You are right.

**Himan Tyagi:** That answers my question. Thank you.

**Moderator:** Thank you. The next question comes from Prashant Nair with Ambit Capital. Please go ahead.

**Prashant Nair:** There are a couple of questions from my side. The first one is a clarification you mentioned utilization number for your Jhagadia plant earlier I missed that can you just give me that number again, what is the current utilization at Jhagadia?

**Nareshkumar Patel:** It is 40% utilization at Jhagadia plant.

**Prashant Nair:** Alright, thank you. The next question is more of just to get a general sense probably without naming any specific product so can you look at your top 5 or top 10 products list now by revenue, do you think you could see some products coming into the top 5 or top 10 over the next two to three years or rather how many new products do you see coming into that list that will give us some sense of the possible growth trajectory?

**Abhishek Patel:** Some of the products like Nintedanib, Apixaban, Rivaroxaban, and Darolutamide, these are the products which are contributing started giving us a good contribution in the revenue totaling to more than 10% of the total revenue and those products are definitely good candidate to be in top 5 products, top 3 products kind of trajectory for us in future. Apart from that Methyl Paraben is one of the products and Para Anisic acid so that the two

products from Gujarat Organics side which has the capacity to be one of the top 5 products in total revenue of the Ami Organics revenue.

**Prashant Nair:** I did not get the second product from GOL side.

**Abhishek Patel:** It is Para Anisic acid.

**Prashant Nair:** Got it. Thanks.

**Moderator:** Thank you. The next question comes from Amar Maurya with Alpha Accurate Advisors. Please go ahead.

**Amar Maurya:** Thanks for the opportunity again. Just wanted to understand like last quarter we were expecting that the pharma margin can improve from quarter-to-quarter so if I see sequentially Pharma intermediate margin has slightly shrunk is it like more to do with the supply chain issue, which like other pharma companies are facing or these are the kind of margin which are going to be kind of a peak margin for pharma?

**Abhishek Patel:** Let me update you that our business is a multiproduct kind of business and every quarter depends on the customer's preference for delivery and customers plan for that annual requirement. sometimes quarter-by-quarter because of change in product basket revenue and EBITDA margin shifts ups and down, but if you see in totality for nine month performance you will realize that we have still been able to maintain margin of more than 23% which we had last year also. so despite of all these turmoil, which we hear in the market you can appreciate that we still have maintained our margin. One of the area which is not being planned earlier is the freight cost which has been increased by almost 1 to 3x as compared to the previous financial year. So, if that has not been there we would have expanded our margin for pharma business also which is right now intact.

**Amar Maurya:** So basically there is a scope when this elevated cost of freight and other things cools off, we can see some improvement in the margin in the pharma business as well?

**Abhishek Patel:** Definitely Sir even you can see the margins are improving if you see on a nine months basis as compared to the previous year.

**Amar Maurya:** Correct that is true Sir that is the reason I asked you. Thank you Sir.

**Moderator:** Thank you. The next question comes from Praneet Agrawal an individual investor. Please go ahead.

**Praneet Agrawal:** So my question was regarding the integration of GOL facility assume we are on track with integration of shifting of infrastructure so could you give us a timeline when we will achieve the complete integration?

**Nareshkumar Patel:** Infrastructure is already transferred and it is installed there and it is continuously production without hampering any production. we have done that successfully, now we are trying to improve operations where we are now trying to integrate all the operations in a such way that the optimizations of each product we will get in this quarter.

**Praneet Agrawal:** In the beginning of the call you mentioned that we are improving our margins from the GOL facility so could you give us timeline when we will achieve the peak margin utilization from GOL facility?

**Abhishek Patel:** See margin improvement is a continuous process now even if we talk about the peak margin that can also be shifted beyond the 19% to 20% trajectory, but if you see we have improved our margin from 5% trajectory to the 13% to 14% level in three quarter time after acquisition in FY2021. So, we have been working ahead of what we have planned to achieve in this FY2022 and going forward in next two years we will definitely be able to reach at the peak margin what we said during the call earlier.

**Praneet Agrawal:** Any other plans to improve the margins like debottlenecking?

**Nareshkumar Patel:** We are working in a multitasking that improvement in the operation, improvement in the process, improvement in the backward integration, improvement in the technology of process as well as removing the conventional process with very updated process kind of things, technology kind of things, this is how we are multilevel we are working on that and that is the reason why it was targeted longer time to reach to the 14% to 15% but we achieve in only three quarters of this.

**Praneet Agrawal:** Alright, thank you.

**Moderator:** Thank you. The next question comes from Bhagwan Chaudhary with Sunidhi Securities. Please go ahead.

**Bhagwan Chaudhary:** Thanks for the opportunity Sir. This question is related to your product that you mentioned that Dolutegravir is now in the 8<sup>th</sup> position which earlier it was on the 2<sup>nd</sup> or in the top 3 so if you just say qualitatively what would have been the contribution for your top two products Trazodone and Dolutegravir in these nine months compared to last year it is

remarkably different the other product has taken over it just some qualitative comment on this?

**Abhishek Patel:** Trazodone still remains at the top of the chart with 20% revenue generated with three molecules contributing to the total Trazodone demand. Dolutegravir product now falls to 5.83% of the total revenue in 9 months, but to take care of this Dolutegravir business we have existing product like Oxcarbazepine and Entacapone, which have contributed 8.83% and 9% respectively to replace this Dolutegravir business, so these are the existing products, which are giving us a good contribution in revenue and as I discussed we have some new products also, which are slowly, slowly becoming larger like Nintedanib, Apixaban, and Darolutamide.

**Bhagwan Chaudhary:** Sir this decrease in revenue is mainly from the industry demand or how the final product is playing out?

**Nareshkumar Patel:** It is industry demand only.

**Bhagwan Chaudhary:** Do you expect it to remain muted?

**Nareshkumar Patel:** Now we have started receiving the orders for Dolutegravir in Q4.

**Bhagwan Chaudhary:** But in the longer term do you see that it will come back on its previous level?

**Nareshkumar Patel:** Yes it is a very important and potential drug for HIV and it will come back to the normal level. Currently focusing on COVID-related issues definitely it will come back to the normal level.

**Bhagwan Chaudhary:** Secondly we have launched two new products already in this nine months is that right?

**Abhishek Patel:** Yes you are talking about those import substitute product.

**Bhagwan Chaudhary:** This is for the innovators or generic?

**Nareshkumar Patel:** Import substitute for generic only for Indian market.

**Bhagwan Chaudhary:** You comment as well that we are about to launch three more products so those will be for innovator category?

**Nareshkumar Patel:** Innovator products are there it is already going on in that space but it is NCE program so we cannot more disclose on that, it is going on a very nice space that was the planning.



- Bhagwan Chaudhary:** Got it. Thank you.
- Moderator:** Thank you. The next question comes from Prateek Chaudhary with Saamarthya Capital. Please go ahead.
- Prateek Chaudhary:** Good afternoon Sir. On the Ankleshwar facility you had mentioned that just about two months back you had got the environmental clearance for unit 2 is the understanding correct?
- Nareshkumar Patel:** Yes.
- Prateek Chaudhary:** What sort of capex are we planning to spend for this in the next 12 to 18 months on this unit 2?
- Nareshkumar Patel:** We are in designing and planning stage of that expansion and as soon as we finalize the capex we will let you know on that.
- Prateek Chaudhary:** These two new products which you have launched would they be coming out from unit 2?
- Nareshkumar Patel:** No, both are coming from unit 1.
- Prateek Chaudhary:** In terms of there are very large number of products that you see in the EC document that has been filed and may be multiple intermediates for APIs so any estimate or rough number that you could give us on what is the opportunity size that you could potentially target with these very large number of molecules that you may launch over the next two or three years?
- Nareshkumar Patel:** This unit 2 which is we are converting in the pharma intermediate segment and that is our growth for FY2024 and 25. so it is a continuation of unit 1 and it is a continuation of our revenue of pharma intermediates, because in two years time unit 1 utilization will be on a full capacity and supporting that we had initiated this action for unit 2 to make FY2023 so that it will be ready for FY2024 and FY2025 and it will be a part of the 25% growth of the pharma intermediate segments.
- Prateek Chaudhary:** What is our internal target for FY2025 revenue?
- Nareshkumar Patel:** Annually we are growing 25% historically you can see so that you can consider this as historical data on that.
- Prateek Chaudhary:** Okay Sir. Thank you.

- Moderator:** Thank you. The next question comes from Neha Agarwal with SageOne. Please go ahead.
- Neha Agarwal:** Thank you so much for taking my question. Sir I have two questions, one is on the line of margins given that yours is a pharma intermediates business how do you ensure sustainability of margins because it is a kind of N minus 2 product in the overall pharma value chain so how would you sustain margins and what is your average margin expectations over the next three to four years?
- Nareshkumar Patel:** See if you go through our business profile you will realize that the USP for our business, Ami Organics business Pharma intermediate has been to really enter into the market quite early, even for the generic product we entered into the market at the launch only and way before the product ID or product launching through para IV filing or any other way, so because of that USP of entering into product very early, we have been able to drive the margins for our business, but early entry into the market is the one part but to sustain that business is again a part of operational efficiency and product efficiency. so we have a separate team of costing wherein they look for all the product on a monthly basis for any threat arising out of any raw material price increase or any threat competition or any other supply chain issue or any kind of issue so they take various actions like supply chain improvement, yield improvement in production or even if those things does not work they trigger for backward integration and raw material development at our end and this has resulted as a very good result in the last three financial year and this is the reason why we have not even able to increase or maintain our margin, but to increase our margins year-by-year.
- Neha Agarwal:** On the same line because you mentioned how early entry has been important but if I talk about the nature of your business and the nature of products can we assume that a significant portion of revenues are coming from long-term contracts while for exports you did mention it but on the domestic front also?
- Nareshkumar Patel:** Domestic business is on a spot basis because domestic we have a two to three months of order always on hand because the domestic is mainly for generics and that it is always on the spot basis.
- Neha Agarwal:** On a product like Dolutegravir that you did mention recently we all know that there has been an impact on the demand side and as a result the volumes were impacted adversely and you being one of the producers you had little control you could say on the overall demand but yet were impacted in terms of revenue and the same could be the case for many of your products because frankly speaking demand is not really in your control so how do

you manage that because volatility at the front end could be something which could be detrimental for your revenue consistently?

**Nareshkumar Patel:** In revenue consistency in the last 10 years, our revenue is growing at 25% so this has automatically proved that we are not dependent on single product and this is also in last nine months the revenue from Dolutegravir is only 5% compared to the revenue of FY2021 of 21.5%, so you can understand that the impact of 15% even though the growth is continuously growing so the reason for that is the USP of Ami Organics and that is very unique in sense that we have more than 450 products and annually we are introducing around 5 to 10 products in our basket and this goes for the floor for the production as well so this is the reason why any product which is not performing well will be automatically taken care by the other products and that is why we are conservatively always saying that our growth is at 25%.

**Neha Agarwal:** Understood and that was very helpful. One last question on the working capital side. I just took a note that between last three years your working capital requirements have increased and so is your receivable days so could you throw some light there and is it something that we can expect in a sustainable basis to be on the higher side the receivables?

**Abhishek Patel:** Receivable days are in the range of around 90 days when you see our financial for FY2021 you may have seen that it is on a higher side, but the fact is that it includes the debtors of our acquired business 14.5 Crores of debtors of acquired business which did not get any revenue on our P&L so if we remove that 14.5 Crores, debtor for FY2021 where 103 Crores only and that was the gross revenue for us in Q4 FY2021, so debtors are in the range of around 90 days and that continues for us in this financial year as well at the larger sale value as you call. Inventory has been in the range of around 80 days on a sales basis and similarly the same pace it is doing in FY2022 also.

**Neha Agarwal:** Right Sir, I agree 90 days is something that you can comment going forward but if I compare it to FY2019 and FY2020 I think it was still much less because from FY2022 to FY2021 if we see our overall receivables had doubled, our revenues have not grown at the same pace except the Gujarat business?

**Abhishek Patel:** I just mentioned about FY2021 revenue when we see FY2020 figures, when we compare actually Q4 FY2020 revenue was around 60 Crores only because there was shifting of our productions from old unit to new unit and because of that our production suffered and that was the only quarter in last 10 years where Q4 was not the biggest revenue generator for us because of this shifting of the production. as well as in last week of the year there was a

COVID situation, the revenue was 60 Crores only and that was the kind of debtors we carry to the balance sheet in that year.

**Neha Agarwal:** Understood. Thank you.

**Moderator:** Thank you. The next question comes from Hardik Bora with Union Mutual Funds. Please go ahead.

**Hardik Bora:** Thank you for the opportunity. First most of my questions were answered, one question on the fungibility of the capacity so across the let us say the specialty chemical or the pharma intermediates how fungible is the capacity if we want to shift from one facility to another?

**Nareshkumar Patel:** Yes these facility is fungible we can utilize this facility for pharma and specialty chemical business for the domestic market, for regulated market there are of course some regulations and chain controls are required before any kind of production shifting.

**Nareshkumar Patel:** But that can be also possible to do that.

**Hardik Bora:** My question is typically when we had contracted for these new products by customers you said, our new customer let us say for Trazodone or Entacapone how long contracts we give how many future contracts do we get typically?

**Nareshkumar Patel:** Major customers we have a four year contract and Entacapone we have a similar four years contract.

**Hardik Bora:** So hence you are able to plan the capacity well in advance?

**Nareshkumar Patel:** Yes.

**Hardik Bora:** Okay, that is all I wanted to check.

**Moderator:** Thank you. The next question comes from Prashant Nair with Ambit Capital. Please go ahead.

**Prashant Nair:** Thanks for followup opportunity. Just one question so when you talk about China substitution initiatives outside of the two products that you have already launched can you just give us a sense of how many more you are working on and any potential timeline on scale up for this?

**Nareshkumar Patel:** Apart from this two three are in pilot right now and we are targeting to be commercializing Q1 FY2023 is the time for the sampling and Q2, Q3 is the commercial. So in the next financial year we are endorsing three more whereas under our R&D there are another four products are right now under development, so this is how our current China substitute portfolio is working.

**Prashant Nair:** Yes, great, thanks a lot. That is it from me.

**Moderator:** Thank you. Due to time constraint that was the last question. I now hand the conference over to Mr. Naresh Patel for closing comments. Thank you. Please go ahead.

**Nareshkumar Patel:** Thank you very much. Thank you everyone for your questions and we hope we have been able to answer most of your queries. If we have missed out on any of your questions kindly reach out to our IR advisor, Christensen and we will get back to you offline. Thank you very much. Have a wonderful day.

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