Acutaas Chemicals

Operator: Ladies and gentlemen, good day, and welcome to Acutaas Chemicals Ltd. Q2 FY27 earnings conference call hosted by Equirus Securities Private Limited. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Gadekar from Equirus Securities Private Limited. Thank you, and over to you, sir.

Siddharth Gadekar – Equirus Securities: Good evening, everyone, and thank you for joining us on Acutaas Chemicals Ltd. Q2 FY27 earnings conference call. Today, we have with us Acutaas Chemicals Ltd. management, represented by Mr. Ashwin Patel, Chairman and Managing Director; Mr. Abhishek Patel, Vice President Strategy; and Mr. Bhavin Shah, Chief Financial Officer. I would now like to invite Mr. Bhavin Shah to initiate the proceedings. Over to you, sir. Thank you.

Bhavin Shah – CFO: Thank you, Siddharth. Good evening, everyone. We are pleased to welcome you all to our earnings conference call to discuss Q2 and H1 FY27 financials. Please note that a copy of our disclosures is available in 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 statements, must be reviewed in conjunction with the risks that the company faces. The conference call is being recorded, and the transcript along with the audio of the same will be made available on the company's website and the stock exchanges. Please also note that the audio of the conference call is the copyrighted material of Acutaas Chemicals and cannot be copied, rebroadcast, or attributed in the press or media without the specific written consent of the company. Now, I would like to hand over the floor to our CMD, Mr. Ashwin Patel, for his opening statement. Over to you, sir.

Ashwin Patel – Chairman and Managing Director: Thank you, Bhavin. Good evening, everyone. I hope you are all doing well. With Diwali just around the corner, I would like to extend warm wishes from the Acutaas family to you and your loved ones. May this festive season bring joy, prosperity, good health, and success to everyone. Wishing you and your family a very happy Diwali.

I will start my remarks with the pharmaceutical intermediate business. The demand environment remains robust, and whatever cost pressures we face due to geopolitical issues, we have been able to pass them on successfully. On the generics side, several large products are going off-patent. We developed intermediates for those products long ago. Therefore, we are benefiting from our strategy of developing products ahead of the market.

Coming to CDMO, during our Q3 FY25 earnings call in January 2025, we shared our ambition of achieving 1,000 crore in CDMO revenue by FY28. Based on the current orders from existing as well as new CDMO contracts, we now believe we will achieve this target one year ahead of schedule. This means that in FY27, we will achieve 1,000 crore.

Here, I would like to highlight that we continue to add very exciting products to our CDMO pipeline. A couple of these products have the potential to become billion-dollar products for our innovator customers. Here, I would like to say that the CDMO business will double in the next 3 financial years.

Report is AI-generated and may contain inaccuracies.

This means that from 1,000 crore, our new target is 2,000 crore by FY30.

Now, let me move to specialty chemicals. Starting with battery chemicals, from an industry point of view, demand continues to exceed supply. I am happy to share that this was our first quarter of commercial revenue from the battery chemicals business. Initial commercial shipments of our third product were dispatched during the last quarter. We will see a scale-up of the third product in the coming quarters. We have also sent pilot-scale validation batches of the fourth product to customers. Overall, the start is very encouraging, and I believe we will see a very strong ramp-up as we already have orders in hand.

Coming to semiconductor chemicals, I am happy to share that we inaugurated our plant in South Korea ahead of schedule. This state-of-the-art facility will manufacture chemicals that go into photoresists, packaging material, etching materials, and other semiconductor applications. We have been submitting multiple qualification batches to customers in South Korea, which has shown strong customer traction. I believe FY28 will be the year of ramp-up for the initial products, while we will continue to add more products to the basket.

Moving to BF3, BF3 is seeing strong order demand from its US customers, and we have also started receiving orders from Korean and Japanese customers. During the last quarter, our US customer was acquired by another US-based company. This caused a temporary pause in shipments. Supplies have now resumed, and operations are back to normal.

For commodity chemicals, the phasing out of old products is going on as planned, and that is visible in our numbers as well.

Turning to our performance for the quarter, we delivered strong revenue of 4,369 million Indian rupees, which is growth of 42.7% year-on-year. This was driven by strong performance in our pharmaceutical intermediate business, whereas the specialty chemicals business was muted during the quarter.

Since we are on track to achieve our CDMO target ahead of time, we would now like to set our [trails off]

Before I conclude, I would also like to revise our revenue growth guidance for the current year from 25% to around 30%. We are also raising our EBITDA margin guidance to a range of 38% to 40% for FY27.

With that, I would now like to hand over to our Vice President of Strategy, Abhishek Patel, who will walk you through the detailed business update.

Abhishek Patel – Vice President Strategy: Thank you, Ashwin. Good evening, everyone. Let me share some additional insights into our business performance for the quarter.

Starting with the advanced pharmaceutical intermediate segment, this segment delivered robust performance with revenue of 4,020 million in Q2 FY27, reflecting strong year-on-year growth of 53.1%. The CDMO business continued its strong growth trajectory, supported by robust growth in the core pharmaceutical business. We are happy to share that we delivered more than 25% year-on-year growth in our core business this quarter, driven by the ramp-up of new products as

Report is AI-generated and may contain inaccuracies.

well as strong growth in top products. We are happy to share that we have received orders for new CDMO contracts, which are expected to start contributing revenue from H2 FY27.

Moving on to the specialty chemicals segment, revenue for the quarter was 349 million, or Rs 349 million, which is down 20% year-on-year, driven by the phasing out of old commodity products as well as a temporary pause in shipments in the BF3 business due to the ownership change of the US customer, as highlighted by Ashwin. I am happy to share that shipments have started, and we are very much on target to deliver growth in the BF3 business.

Now turning to capex, capex for H1 FY27 was Rs 1,239 million. It is spread across the electrolyte additive project, pilot plant, R&D tech site, and maintenance capex. Furthermore, for the full year, we believe our total capex will be around Rs 3,000 million.

In H2 FY27, we plan to undertake additional capex of Rs 1,650 million, which will include around Rs 1,000 million for electronic-grade chemicals, Rs 450 million for the second phase of electrolyte additive capex, and the remaining amount for maintenance capex. Please note that this calculation does not include planned R&D capex or land acquisition.

With that, I will now hand over the floor to our Chief Financial Officer, Bhavin Shah, who will walk you through the details related to financials. Over to you, Bhavin.

Bhavin Shah - CFO: Thank you, Abhishek. I would like to briefly highlight the key performance metrics for the quarter and half year before we open the floor for questions.

Let me start with quarterly performance. Revenue from operations for the quarter reached 4,369 million, representing 42.7% growth year-on-year. Gross profit for the quarter was 2,715 million, reflecting a 59% increase compared to the same period last year. Gross margin expanded by 637 basis points year-on-year to 62.1%. Gross margin was driven by a higher contribution from the pharmaceutical intermediate business compared to the same period last year.

EBITDA for the quarter was 1,760 million, up 84.6% year-on-year. EBITDA margins were at 40.3%, up 914 basis points year-on-year. EBITDA margin was driven by expansion in gross margin as well as operating leverage. PAT for the quarter was 1,231 million, up 71.4% year-on-year. PAT margins for the quarter were at 28.2%, which represents an expansion of 472 basis points year-on-year.

Moving on to the half-yearly numbers, revenue from operations for H1 FY27 was 7,666 million, representing 49.3% growth year-on-year. EBITDA for H1 FY27 was 2,890 million, up 97.7% year-on-year. EBITDA margins were at 37.7%, up 922 basis points year-on-year. PAT for H1 FY27 was 1,981 million, up 71% year-on-year. PAT margins for H1 FY27 were at 25.8%, which represents an expansion of 328 basis points year-on-year.

Moving to the balance sheet items, net cash and cash equivalents were around 3,009 million as of September 30, 2026. Our working capital for the quarter stood at 115 days, versus 99 days in Q1 FY27. This was driven by higher debtor days.

With that, I request the moderator to open the floor for questions. Thank you.

Report is AI-generated and may contain inaccuracies.

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

The first question comes from the line of Abhijit from KIE. Please go ahead.

Abhijit – KIE: Good afternoon, thank you very much, and congratulations on the very strong results. On the new CDMO products that you mentioned, which will begin contributing in H2, could you give us some sense of the revenues that we should expect in this financial year itself? Also, when we are speaking about this target of doubling CDMO revenues in the next 3 years, how much would be the contribution of these newer products within that target?

Abhishek Patel – Vice President Strategy: I am afraid that I will not be able to share product-wise revenue guidance. That is the reason we are saying that we are very confident of closing this year with 1,000 crore revenue in the CDMO segment, because we have already received some good orders for some of the products that were validated a few quarters ago, and we are now receiving orders. We see very good new business opportunities in this new CDMO as well as in some of the CDMO pipeline, which we expect to generate good revenue in the coming quarters and the year. That is the reason we are giving this 1,000-2,000 crore kind of guidance for the next 3 years. However, I am afraid I will not be able to share any product-wise revenue bifurcation.

Abhijit – KIE: Okay, understood. Perhaps you could discuss the number of products that are getting commercialized this year?

Abhishek Patel – Vice President Strategy: There are multiple products. As we said, [cut off]

Abhishek Patel – Vice President Strategy: The 4 products were already validated a few quarters ago, and there are additional products that are getting commercialized this year. There are 8-9 products in total that will be entering the revenue stream over the next 1-1.5 years.

Abhijit – KIE: Understood. The other question I had was on the specialty chemicals side. Of the key growth projects you have there—battery chemicals, semiconductor chemicals, and now electronic-grade chemicals—could you help us with the timeline for commencement of revenues from each of these and the kind of trajectory we should expect from each of them?

Management: As we said last time, we are now phasing out some of our older legacy products related to parabens and MS. Those are being replaced with some better-margin and futuristic products. In that context, we announced capex related to bulk electronic-grade chemical manufacturing. As we have just announced the capex, it will take 1.5 years for the capex to be completed. So, by H1 FY29, we should be starting production. Meanwhile, the battery products have already started contributing to the revenue mix, and that is an encouraging signal for our pharmaceutical and specialty chemical businesses.

Abhijit – KIE: Okay, understood. Thank you very much, and I will get back in the queue for any more questions.

Report is AI-generated and may contain inaccuracies.

Management: Thank you.

Operator: Thank you. Participants who wish to ask a question may press star and one on the touchtone telephone. The next question comes from the line of Aditya Iyer from HDFC Securities. Please go ahead.

Aditya Iyer – HDFC Securities: Hi, am I audible?

Operator: Yes, sir.

Management: Yes.

Aditya Iyer – HDFC Securities: Congratulations on a great set of numbers. For the existing CDMO business, what kind of traction are we seeing for darolutamide in terms of direct adoption? What kind of revenue potential do we expect from this molecule in the near future?

Management: For darolutamide, we are not in a position to comment on anything about that product because it is not our product. It is an innovator-driven product, and it is very well covered in the market. So, it would be better for you to refer to all the publicly available marketing information. What we are seeing is that, based on the customer requirement for that particular product as well as for other customers, we are guiding that our CDMO revenue should double in the next 3 years.

Aditya Iyer – HDFC Securities: For our Ankleshwar unit, what is the total amount that we invested, and what is the utilization as of H1 FY27?

Management: For the Ankleshwar unit, we have invested 330 crore. The utilization level for Q2 FY27 was 30%.

Aditya Iyer – HDFC Securities: By FY28, are we expecting utilization to increase further?

Management: Yes. It should largely be filled up by FY28.

Aditya Iyer – HDFC Securities: In electronic-grade chemicals, when we say electronic-grade, do we mean battery-grade or semiconductor-grade chemicals?

Management: Both. The trajectory will move forward for various grades.

Aditya Iyer – HDFC Securities: Is it a 50-50 mix, or is it something else?

Management: Sorry?

Aditya Iyer – HDFC Securities: I mean, is it a 50-50 battery-grade and semiconductor-grade mix, or what is the proportion?

Management: As of now, we are going ahead with electronic-grade chemicals. Going forward, we will have an additional plan, but we will be starting with electronic-grade chemicals only.

Aditya Iyer – HDFC Securities: Thank you, sir. That is all from my end.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. The next question comes from the line of Mr. Siddharth Gadekar from Equirus Securities Private Limited. Please go ahead.

Siddharth Gadekar – Equirus Securities: Hi, sir. The first question was on the electrolyte business. When we historically discussed this business, realizations for these products were closer to $10–$12. But in the last 6–7 months, if we look at the prices, they have moved up to $30–$35 and above. How should we think about this business going forward in terms of realization and margin?

Management: Right from the beginning, we have been saying that we already have a long-term supply contract signed and in place. Based on that contract, we receive revised pricing based on the movement in some of the key raw material prices as well as exchange-rate fluctuations. We are not riding on waves of price fluctuations where we want to benefit from price fluctuations when prices go up or suffer when prices go down. It is more about how we manage our business and generate a good profit, wherein we get timely payback on our investment and then look for a newer project. This is the policy and philosophy that we are following.

Siddharth Gadekar – Equirus Securities: From a modeling perspective, when we look at the revenue potential from these projects, should we assume asset turnover, or would they be closer to spot prices, given that raw material prices could also be volatile?

Management: For your understanding, the current value is near a double-digit dollar value, so there will be some additional realization because of price movement, but it will not be pricing of $30–$35. It can be an early-teens pricing scenario.

Siddharth Gadekar – Equirus Securities: The second question is on the electronic chemical business. Given that it seems like a 2x asset turnover, where realizations are closer to $1–$1.5, can you give us some sense of what kind of product this is, what the major end applications would be, and whether it would be more like a commodity chemical or a niche molecule in this space?

Management: First, we are not saying that it is a 2x asset turnover. We expect it to be at least 3x asset turnover. We have not commented on the realization side, but what we are saying is that it will be a bulk electronic chemical and solvent product.

Siddharth Gadekar – Equirus Securities: Understood. Does the timeline for this still remain FY29?

Management: Yes, the first half of FY29. It will take around 1.5 years for the capex to be completed.

Siddharth Gadekar – Equirus Securities: The last question is on the CDMO business. When do we expect the next round of capex, given that we have now given guidance of 2,000 crore by FY30?

Management: The next round of capex, as we just discussed, will be required because the plant utilization at Ankleshwar may be filled up by 2028. That is the reason we are already starting our future plan, which is for land acquisition. Then we will plan for the next round of capex. The size and scale will be decided based on that.

Siddharth Gadekar – Equirus Securities: Thank you, sir.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. The next question comes from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor – Antifragile Thinking: Thank you, and congratulations on sustaining strong execution yet again, Naresh. My first question is: as the Korea semiconductor facility moves from qualification into commercial ramp-up in the next fiscal year, should we expect the initial economics to be somewhat lower at the company level, given utilization and start-up costs, before improving as volumes scale up? What would need to happen for the business to reach its targeted steady-state economics? That is my first question. Thank you.

Management: The plant was inaugurated only last quarter, and now it is time to begin the customer qualification process. That is the reason we are not giving any firm commitment for this financial year. Only from the next financial year will it have some revenue coming in. Obviously, it will not be a huge revenue or profitability contribution. It will ramp up slowly. The encouraging thing is that we are receiving very good customer inquiries. We have already started submitting samples as well as pilot-scale dispatches, and that gives us confidence in the newer geography where we are operating.

Sajal Kapoor – Antifragile Thinking: Helpful. My second question is: as CDMO programs move from launch into commercial scale, as you just highlighted, there can sometimes be an initial inventory build followed by normalization. Given the revised 2,000 crore CDMO target by FY30, how confident are you that this growth will increasingly be diversified across multiple customers and multiple molecules rather than being concentrated in 1 or 2 molecules? If you could broadly mention how many programs you expect to become material contributors in FY28, that would be helpful.

Management: As we have already discussed, we have multiple products for which validation batches were submitted a few quarters ago. They have now started contributing commercial revenue, and there are 8-10 products already in the pipeline. That is the reason we are very confident that we will again be able to achieve this second milestone of 2,000 crore revenue by FY30, despite industry cycles moving up and down. We are confident that we will achieve those revenue targets.

Sajal Kapoor – Antifragile Thinking: To clarify, we will achieve the first 1,000 crore this fiscal year. The second 1,000 crore will be much more diversified and broad-based in terms of molecules and customers, correct?

Management: Yes, absolutely right.

Sajal Kapoor – Antifragile Thinking: Thank you. That is all.

Operator: Thank you. The next question comes from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.

Nilesh Ghuge – HDFC Securities: Thanks for the opportunity. I have just one question. When we are saying 1,000 crore of revenue in FY27, what will be the utilization of our CDMO unit at Ankleshwar? As you mentioned, there is no further capex required until 2,000 crore of CDMO revenue, what will be the utilization in FY30 when we achieve CDMO revenue of 2,000 crore?

Report is AI-generated and may contain inaccuracies.

Management: For the last quarter, as we said, utilization was 30%. When we reach the end of this financial year, it should not be more than, let us say, 40% of total utilization at Unit 2, Ankleshwar. For the future, it is difficult to say as of now because it is a function of multiple things: the volume, the realization, and the type of processes.

Nilesh Ghuge – HDFC Securities: Thank you very much.

Operator: Thank you. The next question comes from the line of Parth Dalia from Union AMC. Please go ahead.

Parth Dalia – Union AMC: Thank you for the opportunity. I have one question specifically on darolutamide. Bayer's recent trial showed a reduction in the risk of metastasis or death by 58% in high-risk localized prostate cancer. If this goes into approval, without going into product specifics, how should we think about the volume opportunity if that indication expansion comes through? Directionally, do you have the capacity and contractual framework in place to support that meaningful step-up in volumes over the next 2-3 years?

Management: As you know, we are an intermediate supplier for the API called darolutamide. You are talking about the formulation market and its indication. At least, being at the bottom of the pyramid, we are not able to comment on those programs. However, it is useful for you and the market to understand how the products are performing. For us, what we track is what we receive from the customer, and we should be a beneficiary of whatever our customer is gaining in the market. We see good traction in this product as well as for the next 3 years. That is why we are also giving good guidance.

Parth Dalia – Union AMC: Understood. Extending the question, if Bayer's formulation opportunity develops, do you see any upside estimates?

Management: Sorry? Your voice is breaking.

Parth Dalia – Union AMC: Is it better now?

Management: Yes.

Parth Dalia – Union AMC: I was just following up on that question. In relation to the innovator's sales, does this trial lead to a meaningful upgrade in their formulation sales numbers?

Management: We are not well placed to comment on how much their formulation market is or how much they are doing. I do not think we will be able to comment on this.

Parth Dalia – Union AMC: Okay, no problem. Thank you very much.

Operator: Thank you. A reminder for all participants: participants who wish to ask questions may press star and one on the touchtone telephone. The next question comes from the line of Rohit Nagraj from 361 Capital. Please go ahead.

Rohit Nagraj – 361 Capital: Thank you for the opportunity, and congratulations on a very strong set of numbers. My first question is on the CDMO front. For the 2,000 crore guidance for FY30, in terms of EBITDA margins, would it track the current margins on 1,000 crore, or should we anticipate

Report is AI-generated and may contain inaccuracies.

some dilution? Thank you.

Management: Largely, it should be in the same range that we are getting for the CDMO business as of today.

Rohit Nagraj – 361 Capital: My second question is on semiconductor chemicals. Given that our plant is operational and we are probably sending validation batches to South Korean players, are we also engaged with any Indian counterparts for validation? If not, are there any immediate plans to serve them? Thank you.

Management: When you say Indian, do you mean the Indian semiconductor industry?

Rohit Nagraj – 361 Capital: Yes, the ecosystem that is being developed now and will probably be operational over the next couple of years.

Management: As of now, the capacity we have planned for Indichem is for the Korean ecosystem and then, outside Korea, geographies like Japan and Taiwan. From India, Baba Finechem again, because this ecosystem is not yet mature and we already have a market available in the export market. That is the reason we are targeting the Korea, Japan, and US markets more. That is where we are also getting very good traction. In the future, when this ecosystem develops, we would be happy to be part of it, but as of now, all our capacity as well as our business development is largely focused on the export market only.

Rohit Nagraj – 361 Capital: Just one clarification. In terms of products, once they are validated by our international customers, would it be relatively easier and take a shorter period of time to validate them for Indian counterparts?

Naresh: Let me answer this. Customer validation is their internal process. It is not that once one customer has approved a product, that product can immediately be used by someone else. Their processes and requirements are different. Therefore, the validation process is robust, long-term, and time-consuming, and it is a long-term process. However, the advantage is that Acutaas Chemicals and Indichem have the capability to produce very high-end chemicals, our process is validated, and our manufacturing site is validated. That will help us approach Indian customers based on the experience we have. This will give us an advantage over our competitors.

Rohit Nagraj – 361 Capital: Perfect, sir. Thank you very much for answering all the questions, and all the best.

Naresh: Thank you.

Operator: Thank you. The next question comes from the line of Bharat Shah from Bharat Shah Capital Ideas Private Limited. Please go ahead.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Naresh, hearty congratulations to you and the Acutaas Chemicals team.

Naresh: Thank you, sir. Thank you, Bharat.

Report is AI-generated and may contain inaccuracies.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: I wanted to hear your views on 2 important matters. Over the last 3-4 years, we have made considerable progress in transforming our company from commodity chemicals to specialty chemicals, and from limited relationships to more customers and sticky, long-term relationships. Our margins, topline, and capital efficiency all reflect the painstaking work of the past. Now that we will be scaling up, and a good part of the capex for the future is already under our belt, when you look at the next 5 years, what are your key aspirations? What are the milestones with which you would like to define Acutaas Chemicals' journey ahead? Secondly, as you stand at this important juncture, where we have made considerable progress but many more important milestones lie ahead, what are your key apprehensions or challenges?

Naresh: Bharat, thank you, first of all, for observing our journey from when we started our IPO in 2021 until today. You have always inspired and motivated us. It is a journey that is now giving us the fruits of what we did over the last decade, transforming a family company into a structured and professional company, and focusing on every area, starting with securing raw materials, strengthening processes, improving operational efficiency, upgrading manpower, implementing technology, improving processes, automating plants, and, at the end of the day, achieving customer satisfaction. This is the cumulative result of our work over the last decade, and it is bearing fruit now.

Regarding the aspiration for the next 5 years, I have visibility in generics. As I have said many times, we have developed many molecules with patent expiry dates extending up to 2045. This is how we are working in our research department to strengthen our generic portfolio. For the regulated market, we have long-term agreements with several customers. That is also helping us plan for the next 3 years. We revised our CDMO target from 1,000 crore to 2,000 crore based on this new CDMO pipeline as well as the old CDMO pipeline.

Considering the transformation of the company from pharmaceuticals to specialty chemicals and multiple applications of chemistry, when we met previously, the battery chemical business was at a very early stage. Now it is almost mature and has very strong traction from customers. Long-term orders are expanding with us, and commercial supply has also started. Slowly, it will ramp up, and it is now self-sustaining.

The second stage is the semiconductor segment, which is very important for us. The advantage of the semiconductor business is that everybody cannot start today and enter the market immediately because it involves highly technical, high-purity chemical production and is a very customer-sticky business. Acquiring Baba Finechem opened our door from the first day into the {? photoresist ?} ecosystem. This ecosystem taught us how to produce purer materials, and that is how we established Indichem in South Korea. This is a business in which we learned very quickly and are also implementing things very quickly.

This experience will also help us when an ecosystem develops in India. At present, there is no demand for semiconductor chemicals in India because no fab has started. However, once a fab starts, we will be one of the very few companies with experience in high-purity chemical production, and that will help us immediately serve the Indian market as well. Our aim is that, in 5 years, this should not be known as a chemical and pharmaceutical company, but as a chemical

Report is AI-generated and may contain inaccuracies.

company with multiple avenues through which we can supply chemicals to different sectors.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: In your opinion, what tangible and qualitative aspirations do you believe Acutaas Chemicals is likely to fulfill over the next 5 years? What possible apprehensions or concerns about potential challenges do you carry in your mind?

Management: Let me provide some internal metrics from our end. As Naresh shared, we want to create an organization that is not focused only on pharmaceutical chemicals, but is entering multiple areas of chemistry related to batteries, semiconductors, electronics, and several other areas where we are already working.

Internally, for tangible measures, we work on various parameters related to capital deployment and ROE. Ultimately, the business has to be self-sustaining, stand on its own feet, generate long-term cash flow, and deliver sustainable growth in the future.

For battery chemicals, we started with 2 products and then continued adding more. The third and fourth products are already commercialized. They should generate good cash flow every year. Then comes sustainability. In terms of sustainability, we are building healthy customer relationships. As we discussed in the last question, we are not riding on $30-$35 pricing. Rather, we are focusing more on customer relationships. This is how we want to convert this business into a long-term, sustainable, cash-generating business. That is what we are focusing on for each business that we have.

It is not that we start a business today, run it for 3 years, and then allow it to decline. It has to be a sustainable, long-term business. That is what we are focusing on in each of these businesses.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: And what concerns do you have, if any?

Naresh: Concerns are always there, Bharat, and we have to find a way out of them. [laughs] We have to find a way out of our concerns. There are geopolitical issues, supply chain and logistics issues, operational issues, and issues related to electricity and water. Many concerns keep arising, and we have to find a way out of them. That is what we do in our day-to-day operations.

For example, if the semiconductor ecosystem develops in India, and its implementation in India is delayed, the opportunity will also be delayed. This is a huge opportunity for Indian chemical manufacturers in India as well as abroad. The current China+1 strategy is helping Indian chemical manufacturers build their own capacity and capture the available opportunity.

Sometimes you capture many opportunities, but you cannot grow all of them because of competition as well. All these factors have to be considered. Whenever we enter a segment, we first analyze everything—whether it is good for us, whether it is sustainable for us, what the long-term market situation will be, and so on—and then we enter that segment. We try our utmost to address all the concerns, but if something unexpected arises, we will have to face it.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: We have come a long way over the last few decades, from Acutaas to Acutaas Chemicals, and we have built tremendous strengths. Even as we remain relatively modest in terms of turnover and profits, to repeat this progression, would you say, Naresh, that the coming decade will be the most defining and probably the most momentous

Report is AI-generated and may contain inaccuracies.

decade in the future that you visualize, given the opportunity in this space?

Naresh: Absolutely, sir. As I said, the last decade was our foundation decade, during which we did a lot of seeding. This seeding is now bearing fruit one by one. The next decade will therefore be more important for us in terms of obtaining the fruits of whatever we seeded during the last decade.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Thank you, Naresh. All the very best to you and the entire Acutaas Chemicals team for achieving this transformation of the company.

Naresh: Thank you, Bharat. Thank you very much. Happy Diwali.

Operator: Thank you. The next question comes from the line of Pratik Dharamshi from Union Mutual Fund. Please go ahead.

Pratik Dharamshi – Union Mutual Fund: Thank you for the opportunity. Many congratulations, Naresh and Abhishek, on a splendid set of numbers. My question is on the new CDMO projects that you are working on. Initially, you used to mention around 4 new CDMO projects that you were working on, and now the number has gone up to 7–8. Some details on the therapy would be appreciated. You used to mention around 50 crore for each molecule. Is the...

Pratik Dharamshi – Union Mutual Fund: ...run rate similar, or are you expecting some change to it? Is it accelerating now that commercial supplies are starting? Some additional details would be helpful. Thank you.

Management: For CDMO projects, because these are all innovator-driven projects, we are not able to share details related to their products, therapeutic segments, or potential. However, as we generally say, for a non-blockbuster product, 50–100 crore is the kind of range because that is the kind of revenue we can generate as an intermediate player. As Naresh mentioned, some very exciting projects are already underway and have better revenue potential. That gives us confidence that newer CDMO projects will also be a good growth engine in the future.

Pratik Dharamshi – Union Mutual Fund: Understood. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Meet Vora from JM Financial. Please go ahead.

Meet Vora – JM Financial: Thank you for the opportunity. What gives us the confidence to increase our EBITDA margin guidance to 38%–40% beyond FY27 on a sustainable basis? Earlier, you mentioned in your presentation that higher margins are led by gross margin and operating leverage. Will this operating leverage continue into FY28 as well? Or is this upgrade more related to a higher contribution mix from CDMO?

Management: First, at the material or gross level, margins are always a function of the product mix. As you can see, our battery chemical business has just started in this quarter. That is the reason a large portion of revenue is coming from the pharmaceutical intermediate business, and growth is being driven by the CDMO segment. That is where the high margin is coming from.

Report is AI-generated and may contain inaccuracies.

With the order book we already have in place for H2 FY27, we are confident of achieving the 1,000 crore mark, which converts into good margins for FY27. That is the reason we have raised our margin guidance.

Regarding operating leverage, as and when revenue continues to increase within the same premises or facility, operating leverage has to kick in. As we just mentioned, with the 30% utilization level at Unit 2 and the very low utilization level in our battery chemical business, operating leverage will continue to add as production levels scale up.

Meet Vora – JM Financial: Is this 38%–40% EBITDA margin guidance for FY27, or does it continue for FY28 as well?

Management: FY27.

Meet Vora – JM Financial: Okay.

Meet Vora – JM Financial: That is all from my side. Thank you very much, and best of luck for the upcoming quarters.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Siddharth Negandhi from CWC. Please go ahead.

Siddharth Negandhi – CWC: {? Hi, congratulations ?} on a great set of numbers. I have 3 questions. On the pharmaceutical intermediates business, you mentioned that CDMO could achieve 1,000 crore in FY27. Could you help us understand how much of that is already in the bag in H1, within the pharmaceutical intermediates business, and the innovator and generic split? That was question 1.

The second question was on Daro, D-A-R-O. Can you potentially double the supply from the same facility over the next 2 years, or will you need to undertake capex? What is your current utilization and wallet share in this business?

The third question was on the base business in specialty chemicals. How many more quarters will it take for the commodity chemicals to completely go out of this business, so that most of it will be battery chemicals and other specialty chemicals? These were my 3 questions.

Management: Regarding CDMO, first, we are not doing any generic work. We are doing all the CDMO projects with the originators only. These are all originator businesses, with no generic component.

Regarding what is in our bag, as Naresh already mentioned, the guidance for the 1,000 crore mark for this financial year is based on customer visibility and contracts in place. That is a very achievable target for us.

Regarding your second question on the split in the business or the market share, we are not able to comment on this because we only see what the originator gives us as business, and that is what we are guiding. We are not concerned about who is getting what.

Report is AI-generated and may contain inaccuracies.

Regarding your third question on the specialty chemical business, we have already started scaling down the old legacy products related to parabens and MS. It takes some time because we cannot immediately say no to the customer; they also need to develop an alternative vendor and supply line. That is the reason it may take around 1-1.5 years to scale down this business. We may continue the MS business for some time because there are some good customers already in place. Therefore, it may take some time beyond 1.5 years to scale down the MS business as well.

Siddharth Negandhi – CWC: Sorry, just a clarification on the first question. I did not mean that CDMO is generic. What I meant is that, if I look at the advanced pharmaceutical intermediate segment, part of that is the CDMO business and part of that is the base business. Could you help us with that split?

Management: We are sorry, but we are also not giving that split within the sub-segments of the pharmaceutical intermediate business. We see it completely as a pharmaceutical intermediate business. However, it will definitely cross the 1,000 crore mark as we have already committed.

Siddharth Negandhi – CWC: When you say that the business will cross 1,000 crore, you mean only the CDMO business within that segment, outside the base business, correct?

Management: Yes, yes, yes.

Siddharth Negandhi – CWC: Understood. On Daro, while it is clear that you are not looking at wallet share, could you give us some details on whether potentially doubling Daro supply would need more capex? Where are you in terms of utilization of the facility, and how should one look at that?

Management: As we said, capacity utilization is only 30%, so there is some room available. However, we are not disclosing whether that is sufficient for the production requirement or not.

Siddharth Negandhi – CWC: Okay, clear. The last question is on the South Korea facility. What markets will you target for supply from this facility? Would it primarily be Korea and Japan? Are you looking at cell manufacturers in India or Southeast Asia as well? How should one think about that business?

Management: For Korea, this is a semiconductor business. Our target customers are in the photoresist and fab industries and the semiconductor consumption industry. It is not a cell manufacturing business. These potential customer markets are largely based in Korea and Japan.

Siddharth Negandhi – CWC: Understood. Sorry, got it. Okay. Thank you very much, and I wish you all the best.

Operator: Thank you. The next question comes from the line of Juhi Kumari from Narnolia Financial Services Limited. Please go ahead.

Juhi Kumari – Narnolia Financial Services: Thank you for the opportunity, and congratulations on the strong set of numbers. My first question is regarding the battery electrolyte additives production, which was expected to start in Q2 FY27. Have commercial supplies begun, and what was the revenue contribution during the current quarter?

Report is AI-generated and may contain inaccuracies.

Management: We have already started commercial supply for VC and FEC, as well as for the third product, ahead of schedule. For the fourth product, validation batches are already being supplied at a pilot scale. We are not disclosing the revenue contribution. It is just a start, and ramp-up is expected over the next 2-3 quarters.

Juhi Kumari – Narnolia Financial Services: My second question is regarding what portion of the remaining 349 million specialty chemical revenue is still comprised of commodity chemicals scheduled for exit. Once this phasing-out is complete and the base normalizes, what is the expected steady-state quarterly revenue from specialty chemicals?

Management: For specialty chemicals, we are not giving any split between the old traditional specialty chemical products and the battery chemicals. However, it will remain in this range, and with a ramp-up in the battery chemical business, there will be overall growth compared with the number we reported in the last financial year.

Juhi Kumari – Narnolia Financial Services: So, should we expect this to remain at the level seen in the first half of FY27?

Management: Yes.

Juhi Kumari – Narnolia Financial Services: One last question about gross margin expansion, which expanded significantly to 62.1% this quarter. How much of this expansion came from softening raw material prices versus a structural shift in the product mix toward higher margin?

Management: Gross margin expansion is a function of both product mix and raw material prices. In total, we cannot bifurcate between raw material price de-escalation and product mix. It is a function of both.

Juhi Kumari – Narnolia Financial Services: Is there any leverage that we have received from raw material price softening this quarter?

Management: No, we are not saying that raw material prices softened in this quarter. In fact, that is definitely not the case.

Juhi Kumari – Narnolia Financial Services: Thank you for the answer, and all the best for the coming quarters.

Operator: The next question comes from the line of Basant Bansal from {? NBQ ?} Investments. Please go ahead.

Basant Bansal – {? NBQ ?} Investments: Good evening, Ankit. My question to you is that in the first half, our pharmaceutical revenue is 695 crore. Can you tell me, out of 695 crore, how much is CDMO?

Management: 95 crore? I did not understand.

Basant Bansal – {? NBQ ?} Investments: No, 695 crore.

Report is AI-generated and may contain inaccuracies.

Basant Bansal – {? NBQ ?} Investments: 695 crore is our first-half revenue in terms of pharmaceutical intermediates...

Management: [off-mic discussion] {? Pharma number... ?}

Management: Sir, sorry, your voice is echoing slightly. You are saying 695 crore?

Basant Bansal – {? NBQ ?} Investments: No, I am looking at slide number 6, where the revenue from the pharmaceutical intermediate vertical is shown as 695 crore. I want to know how much of this is CDMO.

Management: We are not disclosing that split within the sub-segments of the pharmaceutical intermediate business.

Basant Bansal – {? NBQ ?} Investments: Can you tell me in percentage terms? Is that possible?

Management: No, again, it is the same thing, sir.

Basant Bansal – {? NBQ ?} Investments: The same thing, okay.

Basant Bansal – {? NBQ ?} Investments: Okay, no problem.

Basant Bansal – {? NBQ ?} Investments: Thank you.

Operator: Thank you. Ladies and gentlemen, we will take this as the last question for today. I now hand over to the management for closing comments. Over to you, sir.

Management: Thank you, Equirus team, for hosting our conference call. We appreciate everyone's questions and hope we have addressed most of your queries. If we missed any of your questions, please reach out to our investor relations team, and we will get back to you promptly. Once again, thank you very much, and happy festivals.

Operator: Thank you. On behalf of Equirus Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.