INDIA PESTICIDES LIMITED

An ISO 9001:2015, 14001:2015, 45001:2018 and 10002:2018 Company
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Date: June 04, 2022

To

The Manager, Listing Department **BSE Limited** P.J. Towers, Dalal Street, Mumbai – 400 001 **Company Code: 543311** **ISIN: - INE0D6701023**	The Manager, Listing & Compliance Department **National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai - 400051 **Company Code: IPL**

Dear Sir/Ma'am,

Sub: Transcript of the Earnings Call for the quarter and year ended 31st March, 2022.

In continuation to our letter dated May 25, 2022 and pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of the transcript of the Analyst/Investors Call on the Audited Standalone and Audited Consolidated Financial Results of the Company for the quarter and Financial Year ended March 31, 2022 held on Monday, May 30, 2022.

The transcript of the earnings call is also available on the Company's website at https://www.indiapesticideslimited.com/InvestorRelations.php .

Kindly take the above information on record.

Thanking you,

Yours faithfully,

For India Pesticides Limited

(AJEET PANDEY)
Company Secretary and Compliance Officer
Membership No.: A42500

"India Pesticides Limited
Q4 FY2022 Earnings Conference Call

May 30, 2022

Dolat Capital

ANALYST: **MR. ARCHIT JOSHI – DOLAT CAPITAL**

MANAGEMENT: **MR. ANAND SWARUP AGARWAL – CHAIRMAN – INDIA PESTICIDES LIMITED**
MR. D. K. JAIN – CHIEF EXECUTIVE OFFICER - INDIA PESTICIDES LIMITED
MR. S.P. GUPTA – CHIEF FINANCIAL OFFICER - INDIA PESTICIDES LIMITED

Moderator: **Ladies and gentlemen, good day and welcome to Q4 FY'22 Earnings Conference Call of India Pesticides Limited, hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone phone. Please note, that this conference is being recorded.**

I now hand the conference over to Mr. Tejas Sonawane from Dolat Capital. Thank you, and over to you sir.

Tejas Sonawane: **Thanks, Margaret, and good afternoon, everyone. On behalf of Dolat Capital, I would like to welcome all the participants to the Q4 FY'22 earnings call of India Pesticides Limited. We would like to thank the management for this opportunity, for giving us this opportunity to host this call. From the management team, we have with us, the Chairman of India Pesticides Limited, Mr. Anand Swarup Agarwal; the CEO-Mr. D. K. Jain and the CFO-Mr. S. P. Gupta.**

Before we start the call, allow me to read out the disclaimer for the safe harbor statement on behalf of the management. During the call, we can make forward-looking statements considering the environment we are in today, which obviously carries a risk in terms of uncertainty due to which the actual results could be a little different, and we do not undertake to update the statements periodically.

Without any further ado, I would like to hand over the floor to Mr. Anand Swarup Agarwal, the Chairman of India Pesticides Limited for his opening remarks. Post that, we will have opening remarks from the CEO and CFO and then, we can have the floor open for the Q&A round. Over to you sir and thank you so much.

Anand Swarup Agarwal: **Okay. Thank you, Tejas ji. Good afternoon, ladies and gentlemen. I hope you and your family are staying safe and healthy. I take the pleasure of welcoming you all for the FY'22 earning conference call of India Pesticides. I hope you all had the chance to look at the financial statements and earnings presentation uploaded on the exchanges and our website.**

As the outset, I'm pleased to state that our Hamirpur plant ground breaking ceremony will be held by the auspicious hands of Honorable PM, Narendra Modiji on 3rd June, 2022. This is a matter of great honour for all of us at IPL. Further, during the quarter our revenue grew by 34.3%, supported by increased demand of new product launches. In spite of the global supply chain disruption, we were able to maintain our gross margin for the quarter at 54.50%. During the quarter, we have recognized non-recurring expenses of approximately INR 6.5 crore, of which INR 4.0 crore is the towards bad debt and INR 2.35 crore to debt interest cost. Our adjusted EBITDA margin for the quarter stood at 26.08% and PAT margin at 19.60%.

During the quarter, we soft launched one new herbicide technical, which has the revenue potential of INR 50 crore. Presently, we have two upcoming products in pipeline, out of which last product will be launched by Q3 of FY'23. During the quarter, we further increased our Sandila plant capacity by 500 metric tons for our existing Fungicide technical and plan to increase it by 1,500 metric ton by the end of next quarter. Our progress of the ongoing expansion project is as per timeline and

as per our expectations. We are R&D driven company and constantly trying to develop and innovate by targeting high niche molecules in the international and domestic market and efficiently producing and marketing them across the globe.

FY'22 have been a year, where Company took significant leap towards the future by becoming public and is inclined towards meeting all expectations of its shareholders. We are constantly working towards our vision of supporting chemical business and farmers across the world by producing superior value chemicals by integrating quality and efficiency.

Now, I will hand over to further the presentation to Mr. D. K. Jain. Thank you. Thank you very much.

D. K. Jain: Thank you, sir. Good afternoon, ladies and gentlemen. I thank you for taking out time to join this earning call of FY'22. Our strong financial year '22 validates the resilience of our product offerings and business model and the continued commitment of our team towards growth. For the year '21-'22, our revenue was up by 11.3% and our EBITDA was up 19.8% on year-on-year basis.

As you know due to multiple challenges across the world, the economies and raw material supply chains have been affected. But as we are sourcing most of our raw material locally, and are backward integrated in most of our products, which has supported our business during such challenging times. Our focused execution of our strategy, supported by improving micro-economic indicator, and market sentiment, positions us, as well as becoming a strategic partner to our customers looking to have a sustainable dependable partner. This is helping us to gain market share and command better pricing.

During this quarter, we have launched one new herbicide molecule as told by Mr. Agarwal and also increased our capacity of our existing Fungicide technical. With this, our total production capacity, the total product launch for the FY'22 is five molecules. During the year, we have increased our capacity by 2,000 metric ton and are targeting further increase of 6,000 metric ton during this year. Further to this, we have already applied for environmental clearance for our Hamirpur facility and we are happy to say that the TOR is already received for our facility at Hamirpur. We remain committed to deliver continuous sustainable long-term growth with R&D at the core, leading to continuous innovations in products, as well as in processes.

With this, I would like to pass on to Mr. S. P. Gupta to walk us through our FY'22 financial highlights. Thank you very much.

S. P. Gupta: Thank you, sir. Good afternoon, ladies and gentlemen, and thank you for joining India Pesticides Limited conference call to discuss financial year '22 results. India Pesticides' margin and profitability continues to remain strong with our efficient asset utilization and efficient raw material procurement.

Taking you through the financial highlight, total revenue stood at INR 729 crore, against INR 655 crore achieved in last year. That is a YoY growth of 11.3%. EBITDA for the financial year '22 stands at INR 227 crore, as compared to INR 189.5 crore in financial year '21, with a growth of 19.8% YoY, and INR 47 crore in Q4 of financial year '22. EBITDA margin was at 31.1% in financial year '22, as compared to 28.9% in financial year '21. The PAT stands at INR 158 crore in financial year '22 as compared to

INR 134.5 crore in financial year '21, a growth of 17.5% YoY and about INR 31 crore in Q4 of financial year '22. PAT margin was at 21.7% in financial year '22 as compared to 20.5% in financial year '21.

The revenue from export stood at INR 330 crore as compared to INR 360 crore in financial year '21, and domestic revenue stood at INR 379 crore as compared to INR 275 crore achieved in last year. Revenue from Technical and Formulations stood at INR 540 crore and INR 170 crore respectively during financial year '22.

Our distinct product offering and ability to develop client specific molecule quickly and efficiently benefits us in targeting and servicing diverse and mixed range of demand internationally, as well as domestically.

During financial year '22, we invested INR 70 crore in CapEx for expansion of Sandila plant and soft launched 2,000 metric ton capacity during financial year '22, increasing overall technical capacity to 21,500 metric tons. Further, we expect to invest INR 70 crore in CapEx during current year, financial year '23. We remain confident of continuing our growth trajectory, while extending full support to our customer, supplier and other valued shareholders.

With this, now I hand over to conference convener for question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Vinayak Mohta from Stallion Asset. Please go ahead.

Vinayak Mohta: Yes. Hi, good evening. I majorly had questions across two dimensions. One is, the revenue of growth from here on, given that you will be expanding, you've already invested INR 70 crore last year and you will be investing INR 70 crore this year. And you're generally guided for an asset turn of 2 to 2.5 for the newer facilities that come on stream. So, is it fair to assume that you are looking at anywhere between INR 1,150 crore to INR 1,250 crore of revenue by FY'24? And just wanted to understand what are the risks to, if the guidance is correct, then what are the risks to the same? This will be a first question.

D. K. Jain:: Your assumption is reasonably right, sir. That is what we also feel, it should be in that range. And the asset turnover of 2 to 2.5 what we have assumed for the new products, that is also in the right size. And risk, of course, there could be some, we don't envisage any such risks, but only some delay or some regulatory problems or any other thing, those could be some risks involved. But otherwise, we feel that we should be able to achieve on this line.

Vinayak Mohta: Okay. And secondly, would be, what are the kinds of EBITDA margins we are looking to maintain going forward? And this time, you came in at 24%? So, what is the trajectory that you think will be sustainable? And thirdly, on the capacity. The newer land that you have bought, what kind of timeline or what kind of plans do you have with regards to CapEx and what kind of products or technology are you planning on bringing it on? It's too early to say but, you would have some plans. So, just some ideas regarding that as well. Thank you.

D. K. Jain: Sir, we think that the margins could be around the same level what we have been telling around, 26% to 29% we feel we should be able to maintain these margins. And for the new products, what we want to add in our new site, we would be working on few intermediates and few Technicals, in fungicides, as well as herbicides and insecticides, and few specialty products. So, like that, we have already planned a list of molecules and on which we are working. And CapEx, as already told by Mr. Gupta, we would be spending INR 70 crore this financial year at our existing Sandila site and the major expansion will come from next year onwards at our new site at Hamirpur.

Vinayak Mohta: No. Just a number on the Hamirpur CapEx? Any idea on that?

D. K. Jain: We have planned, sir, INR 500 crore in total of the CapEx at Hamirpur over a period of around four years, because we will be building in blocks. So, all the CapEx will not be done at a time. We would be doing a CapEx of INR 100 crore to INR 125 crore per year, starting from next year onwards.

Moderator: Thank you. The next question is from the line of Jay Shah from Capital PMS. Please go ahead.

Jay Shah: Hello. Good evening, sir. Congratulations for a great set of numbers. Sir, I had a basic question about, when we say that in the most products, we are backward integrated, so just for example, say if we consider a Pretilachlor or a Captan, so, does it mean that we directly start from aniline or maybe nitrate in terms of Captan and then entire chemistry is taken care by us or we buy intermediates and then just you do the processing of the chemical groups?

D. K. Jain: Sir, we start with chlorine and carbon di-sulphide to start to for the our Captan plant. They are the very basic chemical and number two, for Pretilachlor, we start from aniline.

Jay Shah: Okay. So, basically, we are integrated.

D. K. Jain: We are backward integrated that way. And we are happy to say that our plant for this intermediate, using aniline, the intermediate what is required for Pretilachlor, we have just commissioned. Successfully,we have commissioned only last week. So that is a very good part and that will really save a lot of foreign exchange to our country and dependence on China.

Jay Shah: Great. Sir, another question was, can you give a breakup of what the market, say Europe or even export or domestic is more or less looking like ? Is there more demand for herbicides or insecticides, fungicides? Can you give us a split like that?

D. K. Jain: Sir, normally world over, the herbicides are the largest molecules which are being used. And we are now producing even herbicide, as well as our fungicides. Our fungicides have been well recognized around the world. So, we are exporting a lot of fungicides presently. And for the last two, three years, when we started herbicides, those sales have also been increasing every year. And we have launched more molecules in herbicides also. And demand is also increasing for these products.

Moderator: Thank you. The next question is from the line of Rajesh Jain from NB investments. Please go ahead.

Rajesh Jain: Good afternoon, sir. Congratulations on a good set of numbers. Sir, I have three questions. The first question is, we were to launch around eight new products and out of which it looks like we have already launched six products. So, the remaining two, would it be any fungicide or technical type of product? Or is it the intermediate product?

D. K. Jain: Sir, we had promised eight molecules when we went public. Out of which five we're already launched till the financial year ending March '22. And then this quarter, we have just launched one, just commissioned like I mentioned earlier, we have just commissioned a plant for the intermediate for a Pretilachlor and two more products, one will be intermediate and one will be a herbicide, which will be launched in the coming days. One herbicide would be launched next quarter and the another intermediate for one of the very important insecticide, that will be launched by another four months from now.

Rajesh Jain: Okay. Sir, one fungicide that you launched in February, you said the market potential is around INR 350 crores, correct?

S. P. Gupta: One fungicide that we have launched during Q4, no, what we have said is that we have launched a fungicide capacity of 500 tons and we have soft launched one herbicide which has a potential of INR 50 crore. The fungicide which we have, capacity we have expanded, it is our existing fungicides only.

Rajesh Jain: Okay. So, now whatever the new herbicide that you want to launch in the next four months, so what is the potential for that product?

D. K. Jain: Well, that product also sir, it will be almost about INR 60 crore, about INR 60 crore.

Rajesh Jain: Okay. And there also you would be going for the complete backward integration?

D. K. Jain: Yes. Yes. Yes. Complete backward integration. We will be starting with the very basic chemicals, like again, carbon disulphide and hydrogen hydrate and chlorine, so on.

Rajesh Jain: Okay. So, now my second question is about the Hamirpur project. If you could give us the timeline, since you have already received the Term of Reference, when are you expected to receive the Pollution Board approval? When will you start the work? When will you start the first commercial production? Any data on that, sir?

D. K. Jain: Sir, for that the very first step is that we have to get the environmental clearance and for that, we have already applied for the clearance. And once we apply, then there is a first stage of getting TOR. It is called TOR. That TOR we have already received. And now, our consultant is taking up forward steps for having the environmental impact assessment report prepared. Once this report is prepared and submitted to the authorities, they take about two or three months to have convened a meeting and then accord approval if everything is okay. So, we expect the EC clearance by about September, October. that's what we feel so. October to December period and from then, then we can start the construction at the site. So, we expect the first product to come out maybe in the quarter three of financial year '23-'24. And thereon, it will be continuous.

Rajesh Jain: Okay. And here the products that you're planning is not the same as what we have currently, right?

D. K. Jain: No, sir. We would be adding a few more products there, and some intermediates to start with.

Rajesh Jain: Yes, but not the existing products at all?

D. K. Jain: Not the existing products. No, no. Why duplicate, sir, unnecessary? If at all, there is a very great demand which we are not able to fulfill here, then certainly we can go ahead there.

Rajesh Jain: Okay. Okay. Fair enough, sir. Sir, my third and the last question is about the CapEx or the capacity expansion. Please correct me wherever, if I'm not giving you the right information. See at the Sandila and Deva Road plant, we were to go from 19,500 metric ton or so, capacity to 28,000 metric ton. Is that correct?

D. K. Jain: Yes, sir. In two years, i.e., '22 and '23, now we have been 2,000 metric ton in last year, and another 1,500 we're planning to complete by H1 of this financial year.

Rajesh Jain: So, that means, the remaining capex capacity around 6,000 metric ton is yet to be added?

D. K. Jain: 6,000 metric ton is yet to be added, out of which, as I told you, this is the status on 31st March, '22. So, October, this quarter, now, we have already commissioned one plant of the intermediate which we will be increasing almost 1,500 tons. So, like that, we will be adding another intermediate and we will be expanding the capacity of our existing plant. So, like that we would be expanding approximately 6,000 tons during this year.

Rajesh Jain: So, this 6,000 ton would be in addition to the 1,500 that you have added for the recent intermediate product, correct?

D. K. Jain: No, no. This will be including this. It will be including this. Up till now, we already added about 2,500 tons. So, now our present capacity is about 21,500 tons and we will be adding another approximately 6,000 tons times this year.

Rajesh Jain: So, that that means it will become around 27,500 tons?

D. K. Jain: Yes. 27,500 tons to 28,000 tons depending upon the exact capacity, that will depend upon the equipment sizing, etc. That will be minor deviation but approximate I'm telling you.

Rajesh Jain: Agreed, sir. Sir, this 500 metric ton new capacity that you have added recently, plus, this 6,000 that you're going to add, all these put together, the CapEx is only INR 70 crore?

D. K. Jain: Yes. Because, some of it is already done. Last year, what INR 70 crore we have done, part of it is goes into even these products, because the civil and the construction work is already going on, even for this remaining capacity. So that has already been taken care of.

Rajesh Jain: Right. So that means, is it correct to assume that this INR 140 crore is sufficient for us to reach 28,000 metric ton capacity, correct?

D. K. Jain: Yes, exactly. You are very right. You have very meticulously calculated that.

Rajesh Jain: Thank you, sir. Sir, follow-up to this is, out of this INR 140 crore, the asset turnover expected is 3 to 3.5, is what you've given. So, that means it should give us…?

D. K. Jain: We have given an estimate of 2 to 2.5 for the new products. Our earlier existing products, turnover was around 3.5, but for the new construction, we have estimated, given guidance about 2 to 2.5 times of asset turnover.

Rajesh Jain: Okay. So, that means it is around INR 280 crore to INR 300 crore of turnover?

D. K. Jain: Yes.

Rajesh Jain: So, my question is, you are expected to complete this by the end of the current financial year.

D. K. Jain: Yes. Yes.

Rajesh Jain: So, how much time would it take to ramp up the full capacity, sir?

D. K. Jain: Sir, it will take at least one season. By the time we stabilize the yield, we stabilize the production, normally it takes about four to six months to get the proper output from the plant.

Rajesh Jain: So, that means by next, H1 of FY'24, we should be in a position to run all these capacity at full capacity? Is that understanding, correct?

D. K. Jain: Yes. Yes. Yes.

Rajesh Jain: Sir, one last data point. So, when you run up to full capacity of this 28,000 metric ton per annum, how much revenues we can expect? Any data, any figure you have worked out, sir?

D. K. Jain: Sir, first of all, all this 28,000 metric ton, it will be the installed capacity, but the actual utilization, normally would be around 70%, 72%. It will not be 100% utilization. And number two, the guidance for the finance's revenue, it will be posted on forward-looking statements, but, as earlier questions people have asked, you can assume that asset turnover of about 2 to 2.5, it will be in that range.

Rajesh Jain: Okay. Sir, lastly, to the previous participant, you said that, he had asked you about FY'24 sales of around INR 1,000 crore, INR 1,150 crore with all this expansion. You said it is fairly achievable figure.

D. K. Jain: Yes sir.

Rajesh Jain: So, that gives us around 27% CAGR for the current year and the next year. So, you're confident of achieving around 25% top line growth for next two years?

D. K. Jain: Yes, sir.

Moderator: Thank you. The next question is from the line of Krishan Parwani from JM Financial. Please go ahead.

Krishan Parwani: Yes. Hi. Thanks for the opportunity. Couple of questions. First on this quarter performance. So, if I see, I think last year in the 4Q FY'21, there was a COVID impact, right? Otherwise, you would have clocked a revenue of at least INR 180 crore, INR 190 crore. So, what happened this quarter? I mean, this quarter you have clocked, I think INR 177 crore? So, have you faced any price decline in any of the products?

S.P Gupta: No, no. Quarter four is our softest quarter, in last year also and even it is the same situation in the current year, because of seasonality of export market.

Krishan Parwani: So, you have not faced any price decline in any of the products? Is it what you're saying?

S.P Gupta: No, no, no. Price decline is not there.

Krishan Parwani: Okay. Okay. Fair enough. So, it's more to do with the seasonality? Okay.

S.P Gupta: Yes.

Krishan Parwani: Sure. The second question is on the CapEx, sir. Because I think it was mentioned that you would be receiving the EC by let's say October, December. So, you would have to do some of the CapEx in let's say 4Q of FY'23, right? So, maybe that would be what INR 20 crore, INR 30 crore?

S.P Gupta: Yes. Yes. We will be spending around INR 20 crore to INR 30 crore for our new site. 100% surety also. Besides INR70 crore for this Sandila unit, we will also be investing INR 20 crore to INR 30 crore for our new site.

Krishan Parwani: Okay. So, that basically takes your total CapEx for the year '23 to about INR 100 crore odd. Is that correct?

S.P Gupta: Yes. Yes. INR 90 crore to INR 100 crore. We are planning to plug in both the units. Yes.

D. K. Jain: Whatever will be required there at Hamirpur, because we are not very clear yet because whatever will be required, we have given provision for this, but Sandila, INR 70 crore, yes, there is no doubt about it and whatever will be required at the Hamirpur site, that we would be doing.

Krishan Parwani: Understood. And sir, I think one point, if you could highlight the utilization of Sandila Technicals for '22 and Sandila Formulations for '22?

S.P Gupta: Our capacity utilization during this year was around 62% to 63%. It was slightly lower as compared to financial year '21 because of decline in only one of the products, for which we have received good orders this year.

Krishan Parwani: No. So, correct me if I am wrong. So, you are saying that your utilization for Sandila was 62%?

S.P Gupta: Yes.

Krishan Parwani: Or the overall?

S.P Gupta: No. The other plant is only of 2,000 ton capacity. So, the major, 80% capacity is from Sandila. So, these both units are in the similar range.

Krishan Parwani: Okay. So, even Deva Road was at 62%? Is it what you are saying?

S.P Gupta: Deva Road will be slightly higher, maybe 75%, but the absolute number will be very small incremental.

Krishan Parwani: Okay. So, I think if I count that, then probably the actual production would have been lower in FY'22 compared to FY'21. So, is it fair to say that whatever growth you have shown is because of the price increases?

S.P Gupta: You are correct. There is minor decline in volume terms as compared to financial year '21, because of only one product, for which we have received good orders during current year.

Krishan Parwani: Understood. But that is basically the price lead growth that you have seen in '22?

S.P Gupta: Yes. Yes.

Krishan Parwani: And going forward, do you expect the prices to go up further or how do you see the prices going forward?

S.P Gupta: Depending upon the prices of the raw materials. Now, prices are stabilizing. If something happens in supply chain or some crude is going higher or inflationary pressure is there, then we may see. Otherwise, prices are now stabilizing for all the raw materials.

Krishan Parwani: Okay. Just one last point, sir. I mean, I think you might have answered it previously but, could you just give the upcoming products pipeline and the revenue potential of the same? I think you did mention, but just in a summarized form if you could give?

D. K. Jain: Sir, as told earlier also, we had eight molecules, out of which, five molecules we have already commercialized and one intermediate, we have just commissioned last week only. And two more molecules, one intermediate and one herbicide, we would be launching in the coming quarters.

Krishan Parwani: So, one intermediate you launched last week, what is the revenue potential of that?

D. K. Jain: The revenue potential of that is, I think it should be almost about INR 100 crore.

Krishan Parwani: And the two more products, one is herbicide and one is intermediate, so, what is the potential of that?

D. K. Jain: The herbicide should be around INR 60 crore and the other intermediate would be again around INR 60 crore - INR 70 crore. But part of it, we would be using for our captive consumption. So, the net revenue growth would be slightly less. Then because we would also be using for our own consumption and part, we would be selling in the market.

Krishan Parwani: So, net would be I think, is it fair to say around INR 160 crore, INR 170 crore of the total?

D. K. Jain: Yes sir, easily.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Hi, sir. Thank you for the opportunity and congratulations on a good set of numbers. Sir, couple of questions have been answered. I am saying, most of the questions have been answered, there are just few more from my end. Sir, looking at your year-end balance sheet, if we go into the inventory numbers, the inventory, both on absolute numbers and on the basis of days is comparatively higher. We are closing on INR 140 crore of inventory. So, could you share some more light, why is this sudden jump in closing inventory?

S.P Gupta: Actually, the company has taken a call to keep higher inventory of imported raw materials, so that the production remains uninterrupted. As you are aware there are challenges in terms of logistics for imported material and shipment are getting delayed due to delay in availability of containers and some traffic jams in China. As far as our finished goods inventory is concerned, there has been delay in getting containers for that also. So, this has resulted in high level of inventory for finished, as well as for raw materials.

Yogansh Jeswani: Understood. So, sir, roughly, what would be the breakup of this INR 140 crore between the finished versus the raw material?

S.P Gupta: It will be around I think 40% will be raw material and 45% will be finished and balance would be that of Stores and Spares.

Yogansh Jeswani: 40%, 45% of finished goods was supposed to go out in Q4 you are saying, but because of container issue, the sales have been got pushed to Q1, right?

S.P Gupta: No, no. Full inventory, actually, we have to keep some inventory for our B2C business and branches. So, normal say, suppose the inventory is for 50 days, so 20 days inventory we have accumulated, 30 days inventory we have to keep in our plant and branches also. Some portion of it was remained in the unit due to delay in getting container.

Yogansh Jeswani: Understood, sir. Sir, next, like you mentioned this year, there wasn't a volume growth, there was a volume dip. So, the prices have helped us with this 10% overall topline growth. So, was there any abnormal price increase in any of our key products? And are we seeing those prices correct now? Or how is the pricing scenario for these products playing out? I think somewhere we heard or read that the Captan, there was some disturbances from the China market and hence, there was some increase in the prices in the market. So, is that a bigger factor playing into our growth this year? And do you see any impact of it coming down in the coming quarters?

D. K. Jain: No sir. Actually, there was slight increase in the raw material cost of the Captan. So, we increased the price accordingly, and the total price increase, what has the total revenue increase has come, not only from Captan, but also from the other new molecules, what we have added, the soft launch that we have done. So, we can get revenue from that also.

Yogansh Jeswani: Okay. But in terms of realization sir, for our top two, three products, what would be the increased realization year-on-year?

S.P Gupta: It will be in the range of 5% to 6%.

Yogansh Jeswani: 5% to 6%.

S.P Gupta: Yes.

Yogansh Jeswani: And how is the market now, sir? Are we seeing the prices reduced or are they still maintaining?

S.P Gupta: No, no. Prices are very stable. There is good demand and order book for the products that we have mentioned.

Yogansh Jeswani: Understood. And sir, on the CapEx side, I just need more clarity there. So, we have split the CapEx in two parts, INR 70 crore, each, right? INR 70 crore we spent this year to build 2,000 tons capacity and INR 70 crore for next year is the amount for 6,000 tons capacity, right?

S.P Gupta: Yes.

Yogansh Jeswani: So, sir, why is there such a big gap in terms of tonnage when we are spending INR70 crore?

S.P Gupta: Actually, last year, out of this INR70 crore, say, INR 30 crore to INR 35 crore CapEx was only capitalized and INR 35 crore was under capital work in progress. This WIP will be capitalized in this quarter only. Plant was under erection only.

Yogansh Jeswani: Okay. So, you mean to say this total 8,000 ton per annum capacity is being setup for INR 140 crore. This 2,000 was roughly around INR 35 crore spend, right?

S.P Gupta: Yes.

Yogansh Jeswani: And sir, in totality, you mentioned about the breakup of eight molecules, wherein one intermediate as a potential of INR 100 crore and then, herbicide with INR 60 crore and another intermediate with INR 60 crore, INR 70 crore, with some captive part to it. So, we will reduce that. But overall, with the kind of spend that we have put in, say INR 140 crore, what is the kind of revenue potential in totality that we expect from this?

D. K. Jain: Actually, only asset turnover you can take. Sir, as told earlier, if you assume an asset turnover of 2 to 2.5, the revenue potential will be about INR 280 crore to INR 350 crore and part of it will be consumed for captive consumption. So, we can reduce accordingly, a little amount from that.

Yogansh Jeswani: And that would be sir, 20% or more?

D. K. Jain: It will be slightly more.

Yogansh Jeswani: Okay. Roughly, how much, sir?

D. K. Jain: It must be at least 40%. We will be doing captive consumption of this intermediate, what we would be manufacturing and the rest, we will be selling in the market.

Moderator: Thank you. The next question is from the line of Ananth S from AS Capital. Please go ahead.

Ananth S: Hello, thanks for the opportunity. Firstly, on the initial part, sir explained about one-time expenses. Can you just repeat that? The part of the one-time expenses for this and the other expenses reported?

S.P GuptaD: Actually, one-time expenses include, bad debt of INR 4 crore. Earlier, we were not following the receivable policy, since we were unlisted. Now, we have adopted receivable policy. Earlier, what was happening, if we had filed legal cases in Formulations business, we were not writing it off. But now, as per the policy, even if we have filed the cases, if the receivables have extended to a particular period, we have to write it off. So, we have adopted receivable policy this year and taken one-time hit of INR 4 crore.

And the second one is of interest of more than INR 2 crore on taxes paid of earlier year. This relates to direct as well as indirect taxes. In direct tax, we have paid less amount of tax for last year and we have paid the interest and in indirect cases, we have paid interest on, IGST on imported material, in order to comply with recent notifications of GST.

Ananth S: Okay. And now going ahead, in earlier calls, you were talking about 30% to 32% kind of EBITDA in FY'23, FY'24. Like with the increased raw material and all that, what is the EBITDA that we are targeting, the EBITDA margin in FY'23 and FY'24?

S.P GuptaD: Our CEO has already explained, we are now targeting EBITDA of 26% to 29%.

Ananth S: Okay. Sir, the decline that we are seeing this due to new product launches or like what is the reason for the reduction in the margin?

D. K. Jain: Sir, new product launches is normally because it takes some time to stabilize, that there could be slight dip in the EBITDA.

Ananth S: And next question is about this export, because we have seen export drop this year, like some ,what is the reason for that?

S.P Gupta: Actually, one of our largest customer, which was earlier buying for this European facility, now it has started facility in India. So, now that export is being counted in the revenue of our multinational customer. They are buying in India now, rather than buying in foreign. So, the quantity of the product is going as domestic sales, but eventually, it gets exported.

Ananth S: And next question is, in the investor presentation, you mentioned two new products. One is the Pretilachlor and one is the Diafenthiuron. So, you mentioned Pretilachlor intermediate sales have started, sir and Diafenthiuron also, has the sales started now?

D. K. Jain: Diafenthiuron, product also we have started, sir. Diafenthiuron already we are making.

Ananth S: And in this also we are doing expansion, Diafenthiuron also?

D. K. Jain: Diafenthiuron expansion, presently, we are not doing. We are going with the same capacity, what we have installed. If there is a need, we can certainly go, we can expand it. There is no problem in that count.

Moderator: Thank you. The next question is from the line of Jimesh Sanghvi from Khoj Advisory. Please go ahead.

Jimesh Sanghvi: So, how fast do we see the ramp up of the new capacity? Will it happen immediately or will it take around two to three years timeframe to ramp up to the full utilization rate?

D. K. Jain: Sir, we now have capacity expansion at our Sandila unit, which we feel we should be able to complete this year. And at our new site at Hamirpur, under our wholly owned subsidiary, that will start only from next year. And there of course, we will be spending about INR 100 crore to INR 125 crore every year for coming three, four years at least.

Jimesh Sanghvi: So, at the Hamirpur plant also, will we ramp up in terms of revenue happen gradually, or only post the entire commissioning of the plant, the ramp up in terms of revenue will happen?

D. K. Jain: Sir, there also we will be building in blocks. So, every year, we would be building few more blocks, and there also the revenue will be incrementally increasing every year.

Jimesh Sanghvi: Okay. And the new ramp up that will be happening at the Sandila unit, how will be the margin profile be of those products, vis-à-vis, the current margin profile? Will it be lower, will it be higher? If you can share your thoughts on that?

D. K. Jain: It will be more or less similar sir. It will be slightly up and down but more or less similar range.

Jimesh Sanghvi: Okay. And sir, you guided that probably our margins would be relatively lower compared to our earlier guidance between 29% to 33%. So, any specific raw material which we could track? Any corrections in these prices which would help us kind of see better margins of maybe an upward revision in your guidance? Maybe at a later date, what will be that product or anything if you can share out that for raw material?

D. K. Jain: That will be difficult for us to share. But the only thing is that the raw material prices are fluctuating a lot. So, there could be minor bumps in the margin levels because it immediately needs to be corrected and pass out to the customers. We have quarterly arrangements with our customers. So, there will be slight lag. Positive or negative, there always will be a slight lag always in passing on the overall cost differential.

Jimesh Sanghvi: So, you can share what is the price increase that we have taken till date and what kind of a raw material increase have we seen in the last six to nine months?

D. K. Jain: In the last six to nine months sir, there have been raw material increase. For example, in our basic raw material, carbon-di-sulphide, there has been a steep increase in the raw material. Overall increase will be, raw material increase will be around 10% to 12% and in finished goods, since our raw material cost is around 50%, it will be to the tune of 6% to 7%.

Jimesh Sanghvi: Sir, in that case, the margins should not correct, right? If you have passed on the entire increase in the raw material, then in that case, the margins should not correct, but we are seeing a correction in terms of margin.

S.P Gupta: See, actually from this year, our incremental turnover will be coming from new products, and they will take generally one to two quarters to stabilize the yield. So, blended will be little less because of stabilization of our new products.

Moderator: Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

Giriraj Daga: Hello, team. My just clarification, two clarifications. First on the margins. Again, you mentioned 26%, 29%, we need to be stabilizing new products. So, what should be the margin in let say, FY'24? Will we again go back to the 30%, 31% kind of range in FY'24? Or let's say '25 we will be fully ready with our units and other things?

S.P Gupta: Yes, for financial year '24, margins will improve slightly. It will be maybe 100 basis points, 200 basis points higher to this 26%, 29%.

D. K. Jain: The raw materials should remain constant. These are the bumps. Sir, the problem is that nowadays, the raw materials are changing up and down. So, that uncertainty would always be there.

Giriraj Daga: Okay. Okay. Sir, a related question on the raw material side. So, when we are guiding let's say INR1,100 crore of revenue, we are talking only about the volume growth. Coming from INR 700 crore and going to INR 1,100 crore, coming only from the volume growth. We are not assuming the price growth in this, right?

D. K. Jain: No, no. Volume growth. This number is for FY'24.

Giriraj Daga: Yes, FY'24. One clarification. If we come to Slide number 3, where we have mentioned, on the new product, during the quarter we have soft launched one herbicide technical, which has a revenue potential of INR 50 crore. But, when we mentioned in the call, I heard the number on the product which got soft launched last week was INR 100 crore. Are these two different products or the same products?

D. K. Jain: These are two different products, sir. The one which has been mentioned in the presentation, is the herbicide what we launched in February and March. But the one that we talked about, the intermediate, that is just now, last week, this week only we have commissioned. Last week, we just started commissioning. This week, now we have got First product from that plant. These are different. This is an intermediate.

Moderator: Thank you. The next question is from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.

Karthikeyan VK: Yes. Good afternoon. One question. These two intermediates that you have been making in-house versus buying it outside, what would be the cost savings for you? And how are you able to achieve competitiveness over there, if you are going to sell part of it outside?

D. K. Jain: Sir, these two intermediates, what we have planned to produce, first of all, they are not available in India at all. We need to import them from China. And it is not available. Nobody is selling it here in India at all, and I don't think anybody is making these chemicals in India. Maybe one company, but we are not very sure about it. So, that way, we would not be depending too much on China. Our dependency on China will get slightly reduced, and we would be using part of it for our captive consumption and then, part that we would be offering to our customers in India.

Karthikeyan VK: And what would be the cost savings sir versus buying it, importing it?

D. K. Jain: There would be reasonable cost savings. It will be good enough to give us some advantage.

Karthikeyan VK: Right. Can we assume to say, 30% kind of saving over there? Or say, even 40%?

D. K. Jain: That will be too much of forward-looking statement, sir.

Moderator: Thank you. The next question is from the line of Haresh Hindocha from SVS Securities. Please go ahead.

Haresh Hindocha: Yes sir. Haresh here. Can you just tell me the figure for last three years? I mean bad debt figure for last three years?

D. K. Jain: Bad debt figures.

Haresh Hindocha: Is this INR 4 crore is bigger than the previous three years or it is an average?

S.P Gupta: No, no, it is bigger. Actually, earlier, two years back, we have written off maybe, provision will be of INR 2 crore, last year it will be INR 2 crore. But during current year, including provision, we have taken figure of INR 7 crore. So, INR 3 crore is provision. INR 4 crore is bad debt we have written off due to policy.

Haresh Hindocha: So, basically, every year, it is around, the average is around INR2 crore, bad debt?

S.P Gupta: No, INR 1 crore to INR 1.5 crore.

Haresh Hindocha: Okay. And this last year, that is 31-03-'22, you have seen quantity degrowth. So, for the same product, what is the outlook for the coming year?

S.P Gupta: Actually, the quantity declined because of decline of only one product, herbicide. Due to some excess inventory in Australia, we have received very good orders there for this year, for this product. So, I think quantity should increase around 15% to 20% for existing products also.

Haresh Hindocha: Quantity-wise?

S.P Gupta: Quantity wise.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Good evening, sir. Overall, good set of numbers for fiscal FY'22. Just a couple of questions. The new products which you launched in FY'22, they must have contributed how much to the overall topline in FY'22?

S.P Gupta: It will be around 8% to 9% of our current turnover.

Bhavin Chheda: And total four products were launched, right? Three till first nine months and one in this quarter, right?

S.P Gupta: Yes. Yes. Five.

Bhavin Chheda: And in terms of CapEx, I understand, that INR 70 crore is pending to reach Sandila capacity to 28,000 metric ton and Hamirpur you will start at INR 100 crore, INR 125 crore per annum run rate. So, next year CapEx we should assume around INR 180 crore, INR 190 crore total for FY'23?

S.P Gupta: No, for FY'23, Sandila plant will be INR 70 crore and for our new site, environment clearance we have not received. So, we are projecting a CapEx of INR 20 crore only, since environment clearance is expected in the third quarter of this year only.

Bhavin Chheda: Okay. So, Hamirpur plant you are expecting INR20 crore only.

S.P Gupta INR 20 crore only. For next year, '23, '24, we will be investing INR 100 crore, INR125 crore in Hamirpur, since our Sandila…

Bhavin Chheda: This year, total CapEx you are saying, INR 100 crore only.

S.P Gupta: INR90 crore to INR100 crore, including for our new unit. Yes, this year.

Bhavin Chheda: Right. Right. And sir, one number you indicated, FY'24 sales of INR1,100 crore to INR1,200 crore, right?

S.P Gupta: Yes. Yes.

Bhavin Chheda: So, in that Hamirpur assumption is there or that is excluding Hamirpur?

S.P Gupta: Excluding. Excluding.

Bhavin Chheda: Excluding Hamirpur. Hamirpur, you don't expect, if at all anything has to come, it will come in second half of '24 only, right sir?

S.P Gupta: Maybe third or fourth quarter of financial year '24.

Bhavin Chheda: Right. And FY'23 was kind of topline you are looking at?

S.P Gupta: This year, topline must be slightly higher since our CapEx, what we have done in Sandila has yielded result. 25% compounded you can say for next two years at least.

Bhavin Chheda: 25% growth in FY'23 also and 25% year after that also?

S.P Gupta: Right. Right.

Bhavin Chheda: And OPM range you said is 26% to 29%?

S.P Gupta: Yes. Yes.

Moderator: Thank you. The next question is from the line of Aashish Upganlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Upganlawar: Yes. Just one question. You mentioned, I guess, there was no volume growth this year because of decline in one of the products that you had. So, is it the only reason or there is some other reason also, capacity constraints and stuff that was there this year?

S.P Gupta: The volume decline is only for one of our major herbicide only and for all our other products we have growth this year.

Aashish Upganlawar: Okay. Okay. So, overall basis, you didn't have any volume growth? It is entirely price driven this year or mixed?

S.P Gupta: Yes. Yes. It was price driven.

Aashish Upganlawar: Okay. And the 25% growth that you are mentioning for the next year, it is mostly to do with the volumes or the higher prices will still prevail in the next year? I mean the guidance is mostly towards volume growth, is it next year?

S.P Gupta: Yes, yes. Mostly volume growth.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: Yes sir. So, my first question is on new products that you have launched in FY'22. I think four, five products that you have launched, what are the market opportunities for those four, five products? Sir, the new products that we launched in FY'22, the four, five products that we have launched, what is the market opportunity for those four, five products?

D. K. Jain: Market opportunity for those products, sir, individual product-wise, we have to again check. There would be almost INR 150 crore to INR 200 crore.

Ayush Agarwal: Collectively?

D. K. Jain: Yes.

Ayush Agarwal: So, sir, what I am trying to understand, these new products, that we will launch in FY'23 and the products that we have launched in FY'22, collectively, they have a market opportunity of INR 350 crore, let's say INR 400 crore at tops. So, how do we plan to grow from this base? So, are there new products in the pipeline or what are we trying to do about that?

D. K. Jain: Sir, with this, we will be saturated at our Sandila unit. So, the further CapEx and the further product will be coming up at our next site at Hamirpur.

Ayush Agarwal: That will be all for new products?

D. K. Jain: They will be for different products. They will be not repetitions, but they will be new products there.

Ayush Agarwal: Understood. And from these new products, you did 8% to 9% topline in FY'22?

D. K. Jain: Yes.

Ayush Agarwal: Alright. Also, I think you achieved 60%, 62% utilization at Sandila in FY'22, right and the maximum we can go is 70%, 72%?

D. K. Jain: Yes.

Ayush Agarwal: Is that understanding right?

D. K. Jain: Yes.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. M. K. Jain, CEO for closing comments.

D. K. Jain: So, thank you very much for taking out this time and we got very good feedback from all of you. And if you have any more questions, please feel free to come to us. Absolutely no problem. We would be delighted to clarify all your doubts. Thank you very much once again. Have a nice evening.

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

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