INDIA PESTICIDES LIMITED
An ISO 9001:2015, 14001:2015, 45001:2018 and 10002:2018 Company
CIN No. L24112 UP1984PLC006894

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Date: 16.08.2022

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 ended 30th June, 2022.

In continuation to our letter dated July 21, 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 Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended June 30, 2022 held on Monday, August 08, 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

adpandey.

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

INDIA PESTICIDES LIMITED Aishbagh Lucknow-226004 Water Works Road

"India Pesticides Limited
Q1 FY2023 Earnings Conference Call

August 08, 2022

Dolat Capital

ANALYST: **MR. TEJAS SONAWANE – 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 the Q1 FY23 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: On behalf of Dolat Capital, I would like to thank the management of India. Pesticides Limited for giving us the opportunity to host their Q1 FY23 Earnings Call. From the management team we have with us today, Mr. Anand Swarup Agarwal, Chairman, Mr. D. K. Jain, CEO and Mr. S. P. Gupta, the CFO. Without further ado, I would like to hand over the call to the management for their opening remarks post which we can open the floor for a Q&A session. Thank you and over to you, sir.

Anand Swarup Agarwal: Thank you, Mr. Tejas. 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 Q1 FY23 Earnings Conference Call of India Pesticides. I hope you all had the chance to look at the financial statements and earning presentation uploaded on the exchanges and our website. During the quarter, our revenue grew by 27.4% supported by increased demand of our existing products and new products launches. The ongoing global uncertainties had an impact on raw material prices during the quarter and increased energy costs. We launched first phase of our backward integration of Pretilachlor technical of 2000 tons per annum capacity during Q1 FY23. This will be manufactured in our existing facility at Sandila plant, which will further safeguard us from any supply chain challenge of the intermediate, which is largely imported. We are planning to expand it further in the current fiscal year. The primary application of this chemical is a herbicide for rice plantation. We anticipate a good market potential for this product. The manufacturing process was developed in the industry by our R&D and project engineering teams. This bring our total technical manufacturing capacity at Sandila to 21,400 ton per annum. We are also progressing positively towards Hamirpur facility where EIA report is under completion and is expected to be submitted by August end. At this juncture, I would like to say that we are happy to say that the ground-breaking ceremony of Hamirpur plant was done by honourable Prime Minister, Mr. Modi.

Looking forward, we will continue our journey towards building long term relationship with all our stakeholders by delivering as for everyone's expectations. We are consistently working towards our vision of supporting chemical business and farmers across world by producing superior value chemicals by integrating quality and efficiency. Now I will hand over the further presentation to Mr. Jain, our CEO, thank you very much.

D. K. Jain: Thank you, sir. Good afternoon, ladies and gentlemen. I thank you for taking out time to join the Earnings Call for Q1 FY23. Friends, we continued our growth journey, not only qualitatively, quantitatively, but also through product portfolio and capacity enhancements. As you know, due to present day scenario, commodity prices have been affected a lot. Our team is continuously working on developing chemicals from basic stages and process for the same to reduce the impact of such situation on our ability to produce chemicals going forward.

One of the prime examples is backward integration of our Pretilachlor technical as told by Mr. Agarwal, for which I would like to thank our R&D Team who have worked towards developing efficient manufacturing process and execution by our in-house engineering team. Furthermore, the work for second phase is expected to commence during later part of this year. This is also a testament of our R&D capabilities and our ability to consistently find chemicals which can substitute and demit our dependence on imports. This further enhances our competitiveness in the Indian market, and also one of the many initiatives that aligns to company's vision of Make in India and support domestic growth. Our installed capacity of technical increased to 23,500 metric tons from 19,500 metric ton last year. Now we are targeting to further increase the capacity at our Sandila plant by 4,000 metric ton by addition of two more manufacturing blocks at the existing Sandila facility, which are proposed to be used for herbicide technical and intermediates. Capex outflow of INR 70 crore as planned for FY23 is progressing well.

We remain committed to deliver continuous, sustainable long-term growth with R&D at the core leading to continuous innovations in product as well as processes. For this R&D, I would like to add that we have added two more, very senior scientists of India fame in our team. With this, I would like to pass on to our CFO, Mr. S. P. Gupta to walk us through our financial highlights. Thank you so much.

S.P. Gupta: Thank you, sir. Good afternoon, ladies and gentlemen, and thank you for joining the India Pesticides Conference Call to discuss Q1 financial year 23 results. India Pesticides margin and profitability continued to remain strong with our efficient asset utilization, efficient process and raw material management. Taking you through the financial highlights, the total revenue stood at INR 221 crore as against INR 174 crore in Q1 financial year 22. That is YoY growth of 27.4%. EBITDA in Q1 FY 23 stands at INR 59 crore, EBITDA margin was 26.6% in Q1 FY 23.

The PAT stood at INR 41 crore in Q1 FY 23, as compared to INR 42 crore in Q1 FY22. PAT margin was 18.5% in Q1 FY23. The revenue from export stood at INR 101 crore as compared to INR 64 crore in Q1 FY22, domestic revenue stood at INR 118 crore as compared to INR 106 crore in Q1 FY22. Revenue from technical and formulation stood at INR 170 crore and INR 48 crore respectively during Q1 FY23. 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 the quarter, we launched six molecule in Q1 FY23 and as part of our earlier announced medium-term strategy of launching eight new molecules. We remain confident of continuing our growth trajectory while extending full support to our customers, suppliers and other value stakeholder. With this, we would be happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Noel Fernandes from ULJK Financial Services. Please go ahead.

Noel Fernandes: Yes, thank you for the opportunity. My question was that since you are increasing the capacity of technical, I wanted to understand the demand scenario or if you could guide us with a growth rate of your customers or formulators and innovators, and are they increasing capacity? That is one. Second, as a supplier, where does IPL stand? I mean, are we in the top 5 or 10 to these formulators or we are just among many other suppliers and three would be, since I believe we are already operating at peak capacity so post the expansion of technical capacity can we see any new client addition going ahead? So these three questions from my side.

D.K. Jain: So taking the first question, we are adding the capacities for the new molecules and we see a lot of demand for these and presently these molecules are largely imported, there are very few manufacturers in India, so we have included that as our expansion model and there is very good demand of these products, not only in India, even for exports, and there will be multiple customers for this. So there is no problem on that count. Similarly, for the second question, for each molecule, we have got one big customer and rest of the rest 50%, we are normally distributing among so many other customers also. And, for the capacity expansions we are going continuously as told by Mr. Agarwal, we have bought a new piece of land of about 25 acres near Kanpur and this plant work is going on. The statutory clearance for this have been applied for, and we are waiting for the certificates and as soon as we get the environmental clearance, we will start working on that site.

Noel Fernandes: Also, if you could quantify, I mean, on your customer end, are they building any capacity or any growth rate that you could mention globally, your global customer?

D. K. Jain: Yes, we are always in discussion with our customers. They indicate us their increased requirements and accordingly we increase the capacity of our product in the plant. So we are always in relationship with them and there is a continuous dialogue between both of us.

Noel Fernandes: Got it, sir, and you also mentioned that the energy cost was high. So if you could tell us in percentage terms on quarter on quarter?

D. K. Jain: Normally what has happened because of these shortage of the coal and gas across India, though we use the green fuel rice husk, but the price of rice husk has gone up tremendously when compared to last year, it is almost three times now.

Noel Fernandes: Sir, what is the percentage increase?

D. K. Jain: It is almost 200% increase.

Noel Fernandes: And on quarter on quarter?

S.P. Gupta: Value wise, the amount of increase will be around INR 4.5 crore for this quarter.

Noel Fernandes: Got it, sir and my last the revenue contribution from new molecules for this quarter, how much was it?

D. K. Jain: Revenue contribution from the new products around 10%, sir.

S.P. Gupta: It is around INR 22 crore in value terms.

D. K. Jain: And we are getting stabilized no, so next year it will contribute more.

Noel Fernandes: Got it, thank you.

Moderator: Thank you. Reminder to all the participants to press "*" and "1" to ask a question. The next question is from the line of Rajesh Jain from NV Investments. Please go ahead.

Rajesh Jain: Hello, am I audible?

Moderator: Yes, please proceed.

Rajesh Jain: Sir, good afternoon. Congratulations on good set numbers, kudos and convey our appreciation to the R&D team, having coming out with such a good performance molecule.

D. K. Jain: Thank you.

Rajesh Jain: Sir, my first question is, continuation of what the earlier participant asked about the demand scenario. Sir, you have mentioned about the new molecules where these are all imported products, so you are able to replace them. Now we are hearing lot of news about onset of recession in US and Europe. So for the existing molecules, what you've already tied up, are you seeing any drop in demand or customers coming back and requesting you to reduce the quantity? Something like that?

D. K. Jain: No, sir, we are not getting any such requests from any of our customers across the world. On the other hand, we are getting requests from the customers to increase the capacity, increased requirements are there, we have not received from any customer, any request for reducing the supplies.

Rajesh Jain: That is good to know that. Sir, my second is about the capacity, now again you mentioned that for whatever the new capacities that you are coming up, normally 50% of that would be allotted to a customer and the rest to the other whatever customers you have. So just wanted to know how fast you are able to ramp up the capacity. Let's say we did this commissioning of 2000 metric ton capacity last quarter, that is in Q1 for backward integration of Pretilachlor, how fast you can run at the full capacity?

D. K. Jain: Sir, normally it takes about 6 months to 7 months for us to ramp up the capacity, it is a separate block and in the existing block, it can be little faster and normally our model of working is that we put the manufacturing's in modular way so that we can add one more module to the existing side so that it is executed fast and at a minimum cost.

Rajesh Jain: Sir, since you already have 50% of the capacity blocked, why it is taking so much time, is it the practical challenges when you are commissioning and then running, is that the challenges you have or is there any other issues that it takes six months to ramp up?

D. K. Jain: No, no, I am telling you if you want to add up new capacity for the existing, what I told you was that for any molecule suppose if we are putting up a plant of say 2000 tons capacity, we already tie up with the customer for 50% of the capacity, and remaining 50%, we try to sell to other customers. It is a marketing strategy, not to be dependent entirely on one customer and rightly broad base our distribution, from that point of view, I am telling.

Rajesh Jain: I got it, but why it is taking, let's say you have commissioned a new 2000 metric ton capacity in last quarter, that is Q1.

D. K. Jain: Yes.

Rajesh Jain: In backward integration of Pretilachlor, so how much time it'll take to run that full capacity?

D. K. Jain: It is at full capacity, only, 2000 ton per annum capacity. Now it takes hardly about a month or one and half months to stabilize the plant.

Rajesh Jain: Okay, so it may vary from product to product and you know, what you are saying is for some products, it may take up to 6 months to run at the full capacity, correct?

D. K. Jain: No, sir, I think there is some confusion, to run up to the full capacity we don't require 6 months of time. It is only the stabilization of the plant for a month or 2 months maximum, but if you want to increase the capacity by adding one more block, so to add that block, you have to construct the plan, so that may take 6 months that's what I'm telling.

Rajesh Jain: Okay, so that means whatever new capacity we have added in FY22 plus in last quarter, all of these are running at full capacity.

D. K. Jain: Yes, that is true.

Rajesh Jain: Okay, fair enough. Sir, in the last call you had mentioned that this new 2000 metric ton capacity would be added by this month, that is August, but now I think you're giving some revised time schedules, so could you guide us for this 2000 metric ton plus another 2000, that means you were to commission 4000 metric ton during the current year, what are the revised timelines for that, sir?

D. K. Jain: 2000 for the Pretilachlor we have already commissioned that is already in production and another 2000 we have planned, that is what we will do this financial year we will plan. We will see the market another 3-4months, and then we will start working on that.

Rajesh Jain: So for the remaining 9 months, you'll be adding only 2000 only, not 4,000?

D. K. Jain: No, sir, there is some confusion. For the remaining here we have got two more products apart from Pretilachlor there are two more products which we are adding and the block for these are under construction, which we will be adding, one we will be adding most probably by next month and another one we will be adding say by January.

Rajesh Jain: Okay. Now what would be the capacity of these blocks?

D. K. Jain: It would be 4000 tons.

Rajesh Jain: That's what I was saying. So what you are saying is one 2000 would commission by September and the other would-be January 2023, correct?

D. K. Jain: Yes.

Rajesh Jain: In this also let us hope by FY24 these blocks also will start running at the full capacity.

D. K. Jain: Exactly, that's true.

Rajesh Jain: Okay, sir other than this whatever the capacities you have mentioned now, do we have any plan to come up with multipurpose plant at Sandila itself?

D. K. Jain: We want to have a small multipurpose plant, but we don't recommend very much for this because of the contamination issues we may get later on, whatever in multipurpose plant presently what we have is all dedicated plants.

Rajesh Jain: Okay.

D. K. Jain: We don't produce in one block with the same equipment two products, they're all dedicated, but we have a small multi-purpose, semi-commercial pilot plant that is under construction. There we can have some niche products, which want very small volume, that can be produced in that multipurpose plant.

Rajesh Jain: So what you are trying to inform us is that this.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital, please go ahead.

Deepak Poddar: Okay, sir, I just wanted to understand now you mentioned in your opening remark we were confident to continue our growth trajectory, so what is the trajectory we are looking at, is it 25-30% revenue growth, that's what we are looking at going forward?

D. K. Jain: Yes, sir. That's what we have already indicated, even during our last call that we would like to increase our revenues at the rate of 20- 25%.

Deepak Poddar: Okay, and what margin?

D. K. Jain: For now the present margins will continue more or less, maybe one or two points here and there, but more or less in the same range.

Deepak Poddar: Okay and this growth will largely be driven by these two new products that we are adding, right.

D. K. Jain: Two more products this year at the existing site and as I told earlier that we have got a new site, the work is going on that new site also. So, we would be adding new products at our new site at Hamirpur

Deepak Poddar: Okay, so that's a 100%, right?

D. K. Jain: Yes, that will be a 100% subsidiary by the name Shalvis Specialities Limited.

Deepak Poddar: And by when this news idea is expected to come out?

D. K. Jain: Sir, we have already adopted the land and the environmental clearance application has been made and we expect to get the clearance by October/November so that we can start working, in the meanwhile we are working on the other statutory requirements like groundwater clearance, soil sampling, the contour mapping, all those things are under progress and we have already shortlisted the products which we want to put up at our new site.

Deepak Poddar: Okay, so if we expect, assuming that we get the clearance by this November/December, so what's the time lag from then to the actual commissioning?

D. K. Jain: Sir, it'll be almost about 1 year, so we should expect some revenue from the new site in FY24 third to fourth quarter.

Deepak Poddar: Okay, fair enough, I understood, that's it from my side. All the very best. Thank you.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital, please go ahead.

Alisha Mahawla: Hi sir. Good afternoon. Thank you for taking my question. So I just wanted to understand, in the Sandila Capex that we're doing of INR 70 crore this is the 2000 that has already come on stream and another 4,000 that will come in two phases, is that correct?

D. K. Jain: Yes, correct.

Alisha Mahawla: Okay, and we are expecting all of this to be utilized within this year only.

D. K. Jain: Yes, these capacities will get commissioned, and the full inclination will come within the next year.

Alisha Mahawla: Okay, so this growth of 20-25% that you were talking about, is that for 23, 24, or are we saying over 2-3 years it is the growth we're targeting?

D. K. Jain: No, growth we are targeting madam for the coming 3-4 years, 5 years because this site now is more or less full with this additional capacities are 4,000 tons our Sandila site will be fully occupied. So we already have started as mentioned earlier, we have a new site in Hamirpur and we will be working on that and there we are expecting a Capex of INR 100 to 125 crore per year by the coming 3-4 years.

Alisha Mahawla: And for the Capex we've done at Sandila, what is the kind of asset turn we're expecting over there against the INR 70 crore?

D. K. Jain: Asset turnover normally around 2.25 to 2.5 times.

Alisha Mahawla: Okay, and you mentioned that we're expecting margins to sustain at current level, so obviously Q1 is impacted because of high raw material costs, so are we expecting it to be in this 26-27% range or 30% that we did in 22?

S.P.Gupta: We are projecting margin at 26-27% currently.

Alisha Mahawla: Okay, thank you.

Moderator: Thank you. Anyone who wishes to ask a question may press "*" and "1" now. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Good afternoon, sir, am I audible?

D. K. Jain: Yes, sir.

Ayush Mittal: Sir, first of all, congratulations to the whole management for a great track recording performance. It's great to see the numbers that we have been posting. Sir, I have two questions. Sir, one, as we understand about the company we have done so well because we have few products in which we are the leaders and some of the products we are perhaps just 2-3 players in India, and now we are increasing the product basket. So what I would want to understand is that the new products that we are bringing, what has been our experience given our past of very good margins, profitability growth margins. Now, when you are bringing new products, what has been your experience and how is the uptake taking place in these?

D. K. Jain: Sir, the new products what we have launched in the recent past, some of them are for export only, and some of them are more for domestic market and in domestic market also there are very few manufacturers of these. There are few who are making only from the last stage manufacturing that's called N minus 1, but we are trying to integrate this to a basic stage. So we would be certainly at an advantageous position when compared to others and our R&D team has done that work very successfully and as informed, we have already launched one intermediate which was largely being imported, so we have started manufacturing in India.

Ayush Mittal: Okay, and in these new products, we are able to get similar gross margin of around 50% plus and we can maintain the same profitability as we bring more new products incremental?

D. K. Jain: Though we try to make as much as possible our normal criteria is that the raw material should not be more than 50% and until now we have been able to maintain that and we also try to do that, but in some cases it was slightly reduced depending upon the overall cost scenario.

Ayush Mittal: But broadly it is in line with what we have been doing in past?

D. K. Jain: Yes, until now it is more or less in this line, what we have been doing.

Ayush Mittal: Okay, and sir second question is that the new large Greenfield expansion that we are planning, in that as it is a very large capacity that we will be bringing, how do we plan to utilize it? Will it be a mix of the older products that we have, or we'll have to bring lots of new products to utilize this new capacity. What is the thought plan? Also, if you can highlight, like when we put a new product, new capacity, I think the profitability would be dependent on scalability and as we go forward, but how do you maintain your profitability when you bring new products?

D. K. Jain: No, sir, that's what I'm telling them because when we discuss with our customers and we do the initial costing, we see that the raw material cost invested should not be more than 50%. So it should be around 50%, 55, 45 in that range. If it is in that range, then we are confident that we will be able to maintain our margins and if we don't find the product to be in that range and it is very much out from that point, then we don't take up that product at all and we have already shortlisted few of the products for our Hamirpur site with this criteria and as to your earlier question, we are planning to add some other new molecules and expanding our own molecules because we have enough capacity here now and if there is some more capacity requirement in there, then we will think over, but presently we have thought of new products there.

Ayush Mittal: Okay, very useful. Thank you and wish you all the best.

D. K. Jain: Thank you very much, Ayush ji.

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

Krishan Parwani: Yes, hi sir, thanks for the opportunity. I actually have only one question. So just wanted to check what was the overall capacity in utilization during this quarter, last quarter and 1Q FY22?

S.P.Gupta: The capacity utilization this quarter was around 80%.

Krishan Parwani: And what was the capacity? Because I think there was some confusion earlier in the remarks it was highlighted that it was around 24,000, but then I think it was said 23,500, so what was the overall capacity this quarter?

S.P.Gupta: It was 23,500 ton at the end of the quarter and capacity utilization is around 80%.

Krishan Parwani: Okay and can you give the similar number for the last quarter?

S.P.Gupta: Our volume actually increased by 21% this quarter, so earlier the capacity utilization was around 65%.

Krishan Parwani: So, you're giving the YoY number. So basically 28% YoY sales growth out of which 21% is on account of volume, is it correct?

S.P.Gupta: Yes, it is good.

Krishan Parwani: Okay, perfect, that was the only question I had, thank you so much.

Moderator: Thank you. The next question is from the line of Bhavin Chedda from Enam Holdings Private Limited, please go ahead.

Bhavin Chedda: Yes, good afternoon, sir, overall good set of numbers despite challenging environment and congratulations to the entire team and R&D team for the continuous new product launches. Few questions, first you mentioned, sir, new products contributed INR 22 crore or 10% of sales, so is it that you mean these six molecules? I think overall out of eight molecules now six have been launched. So, when you say new products, which means these six molecules?

D.K. Jain: Yes, six molecules, yes.

Bhavin Chedda: Okay, second question was on the order book, if you can give what's the situation of order book, mainly prosulfocarb and Pretilachlor?

D.K. Jain: We have got very good order books. We are having orders for the next 5 to 6 months.

Bhavin Chedda: Okay, next 5 to 6 months, so basically this fiscal you're seeing good amount of overall growth?

D.K. Jain: In prosulfocarb, we have got and in Pretilachlor we are already in discussion with one of the customers who has given us a forecast for the coming one year and the firm order will come as soon as they finalize it, but they have given as a forecast.

Bhavin Chedda: Sure, and sir your old products likeCaptan and Folpet which used to contribute substantial part of your business and actually did very well in FY22 also, I think FY21 the numbers were low there. So how are that old products doing? Are you seeing growth there or have they achieved a maturity stage?

D.K. Jain: There is also an increased demand for these molecules also, sir.

Bhavin Chedda: Okay. So that products are also overall doing very well?

D.K. Jain: Yes.

Bhavin Chedda: Okay, and what is the current gross debt and cash in the balance sheet as on June 30?

S.P. Gupta: Net cash is around INR 105 crore. We have debt of around INR 20 crore and FD and bank balance of around INR 125 crore so net cash is around INR 105 crore.

Bhavin Chedda: So your net cash has gone up from the March level of INR 93 crore?

S.P. Gupta: Yes, slightly, right.

Bhavin Chedda: Okay, and how much Capex you did in this quarter?

S.P. Gupta: We spent around INR 17 crore this quarter, our total Capex for the year is INR 70 crore, so we spent INR 17 crore.

Bhavin Chedda: And 70 is at Sandila, you will spend something at Hamirpur also, right, sir?

S.P. Gupta: Yes, Hamirpur, in addition to this INR 70 crore we will be spending for Hamirpur also.

Bhavin Chedda: That would be more than INR 10 crore Hamirpur or should be around that number is fine.

S.P. Gupta: We are planning to spend around INR 20 crore.

Bhavin Chedda: In this fiscal or Hamirpur plant?

S.P. Gupta: In this fiscal on Hamirpur plant.

Bhavin Chedda: Thank you, sir and best of luck.

Moderator: Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital Market. Please go ahead.

Yogesh Tiwari: Yes, so my first question is on gross margin. So, we were about 50% in this quarter. So, given the decline in commodity prices, can we expect gross margins to improve from here and are we taking any price increase going forward?

S.P. Gupta: Since the commodity prices are now slightly declined, not much, so we cannot increase the prices since everyone is aware that they are on slightly on declining trend.

Yogesh Tiwari: So, the margins like the gross margins and EBITDA margins would be like 50% and 26-27% also going forward?

S.P. Gupta: Yes, it will be in that range only.

Yogesh Tiwari: Okay, and my second question is on the delayed monsoon. So, did you see any impact of the delayed monsoon and will we pick up in Q2?

S.P. Gupta: Not much, actually, our formulation is contributing only 22% our entire turnover. So we have some inventory built up at the end of this quarter, but since contribution of formulation is low, so we were not impacted much.

Yogesh Tiwari: Okay. So what I understand is like there was no impact of the delayed monsoon in Q1?

S.P. Gupta: It will be, but it will not be material.

Yogesh Tiwari: Okay, got it and lastly on the export demand. So, if you can share some details on it, from where is the demand coming with, which regions is driving the demand for export and how will FY23 growth rate will be in the export business.

D. K. Jain: We are getting some export demand from Europe as well as from Australia and other places and we see very good robust, numbers from them.

Yogesh Tiwari: So, this 20-25% revenue growth which we are targeting, it's like export growth will be more than this 20-25% growth?

D. K. Jain: Export growth also will be commiserated because now we are having a mix of products where some of them are more for domestic use and some of them are for export. So, it is going in a mixed way.

Yogesh Tiwari: Okay, sure, thank you, sir, that's all from my side.

D. K. Jain: Thank you.

Moderator: Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers, please go ahead.

Gagan Thareja: Yes, thank you for taking my questions, the first question is on the other expenses for the quarter, which are up 47% year on year from 1Q of FY22, if you could give us some more details of what has been the cost for that and break it down into cost heads.

S.P. Gupta: Gagan ji, our volume has increased by 21% on YoY basis. So, the variable cost has also increased, and the second main reason was the increase in our fuel cost, as already explained it has gone up by three times so it has contributed around INR 4.5 crore for one quarter and since volume had increased so the other expenses had also increased proportionately.

Gagan Thareja: So that INR 4.5 crore, you know, you are talking about material cost is actually not sitting in the cost of goods sold, but in the other expenses head.

S.P. Gupta: Other expenses, it is under power and fuel, it is clubbed under other expenses.

Gagan Thareja: Okay, any other cost head, you also mentioned that power and utility costs have gone up. If you could give us some idea how much there has been an increase in other expenses because of that.

S.P. Gupta: I already told you the power and fuel cost had gone up by INR 1.5 crore per month, it is INR 4.5 crore and it is included in other expenses, incremental amount is INR 4.5 crore.

Gagan Thareja: So, this is inclusive of the cost of rice husk, which has gone up, but also the cost of electrical utilities and other power and utility consumers all put together?

S.P. Gupta: Our cost actually power cost has not gone up.

Gagan Thareja: Okay.

D.K. Jain: But it is commiserated with the increase in volume, as the volume has increased, the overall power cost has gone up, but for unit the power has not gone up, but the rice husk price has gone up so that is one of the major contributors of the increase in the other expenses.

Gagan Thareja: No, I get your point, sir, what I'm saying is that even if your volume growth is 20%, and I increase my other expenses of one queue last year by 20%, I get an INR 36 crore number from INR 30 crore, right? So over and above that, you know, there have been other increases also, right? So, the increase what I'm simply saying that INR 14.5 crore increase that we see in other expenses is actually in excess of sales growth or volume growth, right? So, volume growth will explain INR 6 crore, INR 4-4.5 crore will be explained by the rice husk cost, so that's around INR 10-10.5 crore and there is INR 4 crore more left, so what has that been due to?

S.P. Gupta: See, we have also recruited more persons. So you will also find our labour charges had also gone up slightly, slightly freight had also gone up as compared to last year, but these are minor items, say 50 lakh to INR 1 crore incremental it has gone up, so there are multiple component of INR 3.5 crore which you are referring.

Gagan Thareja: But labour costs, I mean, would sit in the staff cost and not in other expenses, right?

S.P. Gupta: No, see our employee expenses is a separate head, but the labour and processing charge since we employ lot of contractual labour, their number have gone up significantly due to our production increase, so it is covered under other expenses.

Gagan Thareja: Okay. I get it, sir and if you could give some idea on the net working capital position, inventory, receivables, payables, how do they stand compared to, you know, the same time last year?

S.P. Gupta: As compared to last year our net working capital cycle had gone up slightly, but it is on the same foot as compared to last quarter, as compared to our last quarter of March, our receivable days has gone down by 15 days, but our inventory has gone up by 10 to 11 days and our creditors had also reduced by five days. So, net as compared to March 22 our net working capital cycle is on same level.

Gagan Thareja: Okay, I get it, sir. Also, you know, you have launched eight products and they are yet contributing in a very small measure to your total top line. One, I would like to understand what's the optimal or peak sales potential that you see from these eight products and second would be current capacity that you have at Sandila plus whatever expansion of 4000 tons you're planning be able to take care of the requirements of these products as they scale up?

D.K.Jain: Sir, from the eight molecules, what we have promised during the time of IPO, we have launched up till now six molecules, five technical and one intermediate.

Gagan Thareja: Yes.

D.K.Jain: And two more would be launched during the remaining part of the fiscal year.

Gagan Thareja: No, I get that, sir. My question is as you mentioned their contribution to sales is 10%, that is around INR 20-22 crore for the quarter. My question was one, what is the peak sales potentials of these molecules? You know, you will be signing a contract for Pretilachlor in the coming quarter, or the other molecules will scale up. So, what could be the peak sales potential for these six or eight molecules? When do you see yourself achieving that peak sales potential? And third is your Sandila capacity adequately going to be able to take care of those requirements?

D.K.Jain: Yes, our Sandila facility will take care of these increased capacities and peak sale we expect to be in the range of asset turnover of about 2.5 times, so roughly we have spent INR 70 crore last year and INR 70 crore we would be spending this year. So, we expect the sale volume to be around that.

Gagan Thareja: From the new products?

D.K.Jain: Yes, sir.

Gagan Thareja: And if I go back to your commentary from the previous quarter, Q4 of last year, on margin you had been indicating 26%-29% while it was a broad sort of a band, now you have narrowed it down to 26%-27%. So gradually over the last few quarters that margin guidance has been sort of trimmed initially from 30% to down to 26 to 29 and now 26 to 27, while it's understandable that under the current volatility in input prices it's hard to sort of zero in on a particular number, but presuming in a normal life scenario when you are not faced with this sort of volatility, what is going to be a stable sort of margin for you?

D.K.Jain: That is what we expect. This is 26%-27% what we have said, we expect that this will be maintained and the whole industry has seen a lot of volatility in the raw material prices, in the overall inflation and the manpower cost as well as the fuel cost and so many things, there are so many variables that is why there has been change the overall margins but we expect that once the things stabilize, we should be able to maintain in this range.

Gagan Thareja: You're saying that even after normalization, your margins will now remain at a 26%-27% trajectory rather than

D.K.Jain: Now, because we are adding few more new molecules, the new molecules, there is some certain degree of uncertainty would be there, isn't it? So, we try to get to as much as possible, but we feel that at least we should be able to maintain this range.

Gagan Thareja: Sir, is it a question of you being able to optimize on your yields which will build up efficiencies subsequently and therefore there might be possibly be better margins as you scale up the yields on these products as volumes?

D.K.Jain: As the production goes up, as we start producing the plant gets slowly stabilized and the R&D team still, they keep on working. So, there's always scope of betterment around the yield.

Gagan Thareja: Okay, I understand.

D.K.Jain: Our team is already working on.

Gagan Thareja: And this additional 4000-ton capacity, you will be able to fully utilize by the end of FY 23 and Hamirpur, you're saying becomes operational only towards the last quarter of FY24. So, in the interim nine months would there be a sort of a limitation on growth because of capacity hitting a ceiling and, before the Hamirpur plant comes on board and starts contributing?

D.K.Jain: Sir, this 4000 ton capacity, what we are going to be adding in the remaining part of this year that will get slowly stabilized during the first part of FY24, because fully we will not be able to utilize so that we will be utilizing the effect of that, fully we will be getting in FY24 and in FY24 then there will be a continuity as we would be working on our Hamirpur site and we expect that the Hamirpur site, the second half of FY24, we should start getting some results from there. So, there will be a continuity.

Gagan Thareja: Thanks, sir, I'll get back in the queue. Thanks for taking my questions and all the best to you.

D.K.Jain: Thank you. Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking Limited, please go ahead.

Rohit Nagraj: Thanks for the opportunity, so first question is what are our three key raw materials and how has been the trend in the recent past for them?

D.K.Jain: Sir, key raw materials are the basic raw materials like chlorine, carbon disulphide, sulfuric acid, alkali. These are the basic raw material plus every product has its own specific raw materials, some of them are sourced from India, some of them are sourced from outside India.

Rohit Nagraj: Right, how has been the trend in carbon disulphide prices?

D.K.Jain: Carbon disulphide prices have gone up very severely sir in the last 1 year, almost two and a half times and now they're getting stabilized.

Rohit Nagraj: Right? Sir, out of the formulation business, the entire 100% formulation is domestic, or do we export also?

D.K.Jain: No, we do export a small part of our formulated products that we export, then it will be the technical what we make. So, we made the bulk formulations for these and export, but that is a small part of the total formulation sale.

Rohit Nagraj: Right, and what will be the total number of molecules including the six new molecules now?

D.K.Jain: Pardon?

Rohit Nagraj: What will be the total number of molecules including the six molecules that we have launched in last 1.5 years?

D.K.Jain: Total number of molecules? I think 14, we have to count them, it must be 14.

Rohit Nagraj: Right, and just one last clarification. So, in FY21, we did the top line of about INR 650 crore and FY22-23 we will be investing close to about INR 140 crore as you mentioned and that will be asset turnover of say 2.5X so effectively can we expect from the existing facilities we will be able to generate revenues of almost INR 1000 crore by FY24?

D.K.Jain: Yes, sir. There is no problem, no problem.

Rohit Nagraj: Sure, thank you so much for answering all the questions and best of luck, sir.

D.K.Jain: Thank you, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Senthil Kumar from JoIndre Capital, please go ahead.

Senthil Kumar: In the last two con calls, the managers highlighted that one of the herbicides products has inventory issue in Australia. So, I just want to know what is the status on the product and what is the revenue contribution from the product in Q1 FY23?

D.K.Jain: No, the situation has improved now, and we are getting continuous orders for that product.

Senthil Kumar: Yes, revenue contribution in Q1?

D.K.Jain: In Q1 contribution.

S.P. Gupta: It will be around 15%.

Senthil Kumar: Of total revenue?

S.P. Gupta: Total revenue.

Senthil Kumar: Okay, sir, that's it from my side. Thank you, sir.

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

Yogansh Jaiswani: Thanks for the opportunity, sir. Congratulations on a good set of numbers, sir, could you throw some light on the growth that we are seeing in our old products like Folpet, Captan Prosulfocarb, in terms of globally what is the growth in these products?

D.K.Jain: So globally there is growth in the fungicide market because some of the fungicides are getting banned, especially in Europe. So, these molecules are finding as an alternative to the banned products. So, there is an increased demand from our customers to supply more of these and we see in the coming years also slowly the volume would increase.

Yogansh Jaiswani: Okay, and sir, for example, in prosulfocarb, I think that is one of our key products and we also have a dominant market share in that, so are we also seeing any more competition coming in in these products or do we see that this market is pretty secure and we are increasing our market share and also if you could quantify this, that could be very helpful.

D.K.Jain: Sir, actually, we were the only manufacturer until now, and we understand that one more company has started making this, but it is in a very small way. It did not affect our marketing setup.

Yogansh Jaiswani: Okay, and typically what is the growth rate that we have seen in prosulfocarb in last, say 3 or 4 years and what do we expect in next 2-3 years, sir?

D.K.Jain: Sir, the growth rate exactly is very difficult to tell, but what we can understand that two years back there was good demand, last year there was some overstocking of the material in that country and now this problem is resolved. So, we feel that it'll be a constant business for us.

Yogansh Jaiswani: Got it, sir and in terms of the new six molecules that we mentioned have contributed INR 20-22 crore, so are all the major registrations and approvals in place for all the major markets that we intend to sell it or there are still few registrations, which are yet to come in and probably we'll see a bigger scale up once those registrations come in?

D.K.Jain: Yes. Some registrations we are received, and some registrations are in progress. So, we would feel increased volumes in the coming years.

Yogansh Jaiswani: Okay, so sir, what are the expectation of contribution in FY23 from these new products by year end?

D.K.Jain: By year end, I think it should contribute at least INR 100 crore.

Yogansh Jaiswani: Okay, understood and, sir last question from my end, on the Pyrethroid side, if you could just give us a brief update on how is the demand and the pricing scenario at the moment, in past, I think Pyrethroid stayed did quite well and now I think there is some -- could share some thought from your side that would be really helpful.

D.K.Jain: Sir, we are not in Pyrethroid group of products.

Yogansh Jaiswani: Okay, not even in formulation side, sir?

D.K.Jain: No, formulation we sell very small quantities from bought out chemicals and we make a few brands in that, that is very, very, very small.

Yogansh Jaiswani: Okay, thanks for the clarification, sir. Thank you and all the best.

D.K.Jain: Thank you, sir.

Moderator: Thank you, ladies and gentlemen, that was the last question that the management could take today. I would now like to hand the conference over to Mr. D. K. Jain, Chief Executive Officer for closing comments.

D. K. Jain: Thank you very much for taking out your valuable time and giving us opportunity to explain the situation of our operations and if you have any more questions, you are free to contact us, sir. Thank you very much.

Moderator: Thank you.

D. K. Jain: Thank you once again.

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

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