



Astec LifeSciences Ltd.

Date: 10<sup>th</sup> November, 2021

To,  
**BSE Limited**  
P. J. Towers, Dalal Street, Fort,  
Mumbai – 400 001

To,  
**National Stock Exchange of India Limited**  
Exchange Plaza, Bandra - Kurla Complex,  
Bandra (East), Mumbai – 400 051

Ref.: BSE Scrip Code No. “533138”

Ref.: “ASTEC”

**Subject: Transcript of Conference Call with Investors & Analysts held on Thursday, 28<sup>th</sup> October, 2021**

Dear Sir / Madam,

Please find enclosed herewith transcript of Conference call of Astec LifeSciences Limited with the Investors and Analysts held on Thursday, 28<sup>th</sup> October, 2021.

The aforesaid information is also being hosted on the website of the Company viz., [www.astecls.com](http://www.astecls.com).

Please take the same on your records.

Thanking you,

Yours sincerely,  
**For Astec LifeSciences Limited**

**Tejashree Pradhan**  
**Company Secretary & Compliance Officer**  
**(FCS 7167)**

**Enclosure: As above**



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# “Astec LifeSciences Limited Q2 FY2022 Earnings Conference Call”

October 28, 2021



**ANALYST: MR. ANKUR PERIWAL - AXIS CAPITAL LIMITED**

**MANAGEMENT: MR. NADIR GODREJ – CHAIRMAN - GODREJ AGROVET LIMITED AND ASTEC LIFESCIENCES**  
**MR. BALRAM S. YADAV – MANAGING DIRECTOR - GODREJ AGROVET LIMITED**  
**MR. S. VARADARAJ - CHIEF FINANCIAL OFFICER - GODREJ AGROVET LIMITED**  
**MR. ASHOK HIREMATH - MANAGING DIRECTOR - ASTEC LIFESCIENCES LIMITED**  
**MR. ANURAG ROY - WHOLE TIME DIRECTOR & CHIEF EXECUTIVE OFFICER - ASTEC LIFESCIENCES LIMITED**  
**MR. SAURAV BHALA – CHIEF FINANCIAL OFFICER - ASTEC LIFESCIENCES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Astec LifeSciences Q2 FY2022 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you and over to you Sir!

**Ankur Periwal:** Thank you Lizaan. Good afternoon everyone and thank you for joining us on the earnings call of Astec LifeSciences Limited for Q2 and H1 FY2022. We have with us today, Mr. Nadir Godrej – Chairman of Godrej Agrovet Limited and Astec LifeSciences Limited. From Godrej Agrovet, we have with us Mr. Balram S. Yadav – Managing Director and Mr. S. Varadaraj, Chief Financial Officer. From Astec LifeSciences Limited, we have with us, Mr. Ashok Hiremath - Managing Director, Mr. Anurag Roy, Chief Executive Officer and Mr. Saurav Bhala, Chief Financial Officer. We would like to begin the call with the brief opening remarks from the Management following which we will have the forum open for an interactive Q&A session. Before we start we would like to point out that some statements made in today’s call may be forward-looking in nature and actual results may differ from those expressed or implied. I would now like to invite Mr. Nadir Godrej to make the initial remarks. Over to you Sir!

**Nadir Godrej:** Good day everyone. I welcome you all to Q2 and first half fiscal year 2022 earnings call of Astec LifeSciences. I hope you are safe and healthy. COVID-19 cases have declined steadily in Q2 FY2022 after brutal nationwide second wave and the economy is steadily returning to normalcy. Key macroeconomic indicators such as GST collection, the purchasing manufacturing index, the power consumption are signaling a good economic recovery. The business environment is expected to further improve as the vaccination drive gather traction. We expect the situation to be better in the second half of the year. The agricultural sector is again expected to perform well with record output expected. This is expected to benefit the farmers and the companies operating in this segment. The demand for our products remain strong both in the domestic and international markets though the end product prices for the few products have softened in the first half a gradual price increase is expected in the near-term.

Moving to the financial and operating performance for the second quarter and the six months ended September 30, 2021, the key highlights are as follows. Astec reported a consolidated total income of Rs.103 Crore in Q2 of FY2022 as compared to Rs.157 Crore in Q2 of the previous year. The total income for the first half FY2022 was Rs.233 Crore as compared to Rs.270 Crore in the first half of the previous year. In Q2 FY2022 EBITDA and

profit before tax were Rs.22 Crore and Rs.12 Crore respectively compared to Rs.31 Crore and Rs.24 Crore in the same period of the previous year.

For first half FY2022 the EBITDA and profit before tax were Rs.48 Crore and Rs.30 Crore respectively compared to Rs.61 Crore and Rs.46 Crore in the same period of the previous year. The sudden and extensive flooding at Mahad impacted the production of all the chemical companies including ours at MIDC Mahad. Q2 was a challenging quarter in the current year we had sales degrowth of about 34% primarily due to the flood which resulted in our plants being nonoperational for about 15 days also due to the unavailability of power supply from the local state electricity board. After a detailed assessment we are happy to inform you that there was no significant damage to our assets and hence we were able to start production promptly from the day that the power supply was restored by the local authorities. Geographically Q2 sales growth was mainly driven by the export business which grew by 8% in terms of volume, domestic sales were lower by 28% in terms of volume as we allotted limited available stocks to export on a priority basis since for the export business we also face challenges in getting containers due to the global shortage of containers and the freight costs were steadily increasing. In spite of the focused export push there is almost 33% of our Q2 export sales including CRAMS sales are deferred to Q3 due to the nonavailability of shipment on account of the global container shortage which is acute for hazardous containers.

The gross profit margin for the Q2 FY2022 was 50% compared to 36% in Q2 of the previous year and the gross profit margin for the first half FY2022 was 44% as compared to 39.5% in the previous year. The gross profit margin improvement in Q2 FY2022 was due to a mix of factors including product mix, higher sale price realization in some key products and backward integration benefits. Further some exceptional adjustments were done in Q2 of the previous Financial Year where we have provided a sum of Rs.6.5 Crore being of light sound of inventory to its net realizable value due to a significant fall in prices of one of the products. The EBITDA margin for Q2 FY2022 was at 21.4% compared to 20.1% in Q2 of the previous year and their earnings before income tax and the EBITDA margin for first half FY2022 is at 20.5% as compared to 23% of the first half of the previous year. Other expenses such as power costs, freight costs and other fixed costs have increased due to the commencement of our new herbicide plant in Q2. Commercial production at our herbicide plant started in the month of August and the first CRAMS product cycle has been successfully completed. Construction at our new state state-of-the-art R&D facility was delayed due to some procedural changes we expect the R&D facilities to be completed by the next financial year. In the meantime we increased the R&D capacity by using that space to cater to our increased developmental requirements. For the second half we expect demand for our key products to remain strong which will drive volume growth while the input raw material prices are going up significantly due to disruption in supply chains from

China we expect to pass the price increases to our customers in the coming quarters and hence our margins will sustain. We are also in the process of launching four new contract manufacturing products and one product in enterprise sales. We believe that we will be able to successfully achieve our FY2022 profitability targets. With this I end my opening remarks and we will be happy to take your question. Thank you.

**Moderator:** Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.

**Abhijit Akella:** Good afternoon and thank you so much. Just one clarification first of all I just wanted to confirm that I heard you right when you said that about 33% of 2Q export sales including CRAMS sales have been deferred to 3Q so is that correct and so what would the total amount be that has been deferred and that should be recognized in 3Q?

**Ashok Hiremath:** We have got about Rs.21.5 Crore of revenue has been deferred to the next quarter that is the number.

**Saurav Bhala:** Yes 21.5% just to add on Rs.8 Crore also lying because we are not able to get the shipment on time it is about Rs.30 Crore in total.

**Abhijit Akella:** So the total amount is Rs.29.5 Crore or Rs.30 Crore?

**Saurav Bhala:** Rs.29.5 Crore yes.

**Abhijit Akella:** Is this more in the CRAMS segment which is much higher margin or this is more in the enterprise side?

**Saurav Bhala:** It is a mix of both.

**Abhijit Akella:** Got it and also there was a spike to 50% that we see in the gross margins, is there an inventory write back amount of Rs.6.8 Crore did I hear that correctly?

**Ashok Hiremath:** Actually there is an effect over here that is only for the purposes of comparing quarter-on-quarter in terms of this gross margin of 50% which is showing for this quarter there is an actually beneficial effect on account of the stock valuation system because this Rs.40 Crore of inventory which went up in this quarter actually absorbed the fixed costs and therefore the effective margin appears to be higher which is really an abnormal effect of a higher inventory level in this quarter but the normalized margin would be in line with previous quarters in the range of about 40%. This is an abnormal margin on account of this accounting kind of anomaly.

- Abhijit Akella:** Sir you are referring to the cost of raw materials less the stock adjustment that is what you are referring?
- Ashok Hiremath:** Yes.
- Abhijit Akella:** Fair enough and is it just possible to share the export versus domestic revenue breakdown for the quarter?
- Ashok Hiremath:** This month this quarter it was about 55% export.
- Abhijit Akella:** Got it and one last quick thing and I will jump back in the queue, you mentioned that for FY2022 we expect to achieve our profit target I am sorry but if you could please just remind us what the target is and where we expect to get basically this year?
- Ashok Hiremath:** Well we had our guidance usually is 15% to 20% annualized growth, we have been maintaining a generalized kind of a guidance like that so we are doing our best and you might say you did only so much now and how we kind of make it up in the second quarter. One of the things is that the CMO products are skewed very much in the second half; this first half had very little CMO products so the more high margin products will come in the second half. You are also getting kind of pass on the price increases in the RM and also improve our margins in the second half and the volumes and therefore overall we are optimistic and trying our best to achieve our guidance.
- Abhijit Akella:** Great thank you so much. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Sravan Vora, an Investor. Please go ahead.
- Sravan Vora:** Can we from next quarter have a press release that explains our numbers a bit better and whatever like other companies will talk about the success and what has happened in the quarter that gives much more clarity even if we do not do our investor presentation we can just do formal press release that was the first suggestion. My question was regarding the herbicide plant so last when we spoke we expected about 18 months to reach full capacity so are we are on that target?
- Ashok Hiremath:** The good news on the herbicide plant is that it went on stream in August the first campaign of the first product that we were meant to produce has been completed successfully meets all the cost and quality expectations. We have started the production on the second product which is again a new product for us so we continue to have the same expectation that in the first year we will have about 30% to 35% of capacity utilization going to 100% utilization in the third year so we are well on track in achieving that.

**Sravan Vora:** Second question is margin front we are traditionally doing like 21% kind of EBITDA margin so earlier you were mentioning that in the herbicide plant and the key molecules that we are coming up especially CRAMS is it more like 25% on the EBITDA level?

**Ashok Hiremath:** As we always said our CMO business gives us a contribution which is about 5% better than our enterprise sales and as the proportion of CMO business increases our EBITDA margins will incrementally go up but the blended average of the whole thing we expect for it to go up from 22% to 24% or so in the coming years.

**Sravan Vora:** One last question I wanted to ask in the opening remarks Mr. Godrej mentioned that some delays in our R&D facility so we had a lot of plans in chemistry and you mentioned that our bandwidth does not allow us today to take on a lot of chemistries because of having no R&D capabilities so (inaudible) 17:13 or how should we see that?

**Ashok Hiremath:** Well we are still on track to bring it online by the end of fiscal 2023 so in the meantime what we did was we hired some facilities around to increase our bandwidth so at the moment we are coping with all the projects that we have so as we told you we are introducing four new CMO projects products this year and that we have been able to do with the existing R&D infrastructure we have but naturally we are looking forward to the commissioning of the new facility which will increase our bandwidth by multifold.

**Sravan Vora:** My question was on the Mahad facility a lot of other companies have also reported this flooding in Mahad even last year also so is there any permanent solution or anything that the management that we are trying to do at our facility which protects us from these nature driven issues going ahead because Mahad has traditionally seen a lot of rainfall earlier also?

**Ashok Hiremath:** Mahad has seen rainfall in the past but it was mainly affecting the people who were next to the river and also the people in the town, the city used to get flooded, units near the river used to get flooded but where we were located we have never seen such kind of flooding that is occurring in all the 25 years because we have been there 20 years that we have been there. This is definitely a result of climate change and severity of climate that we are seeing now so now that we know that this is the new norm, we have initiated plans to modify some of our facilities to mitigate the effects of a flooding situation in the future.

**Sravan Vora:** Perfect thanks a lot and all the best.

**Moderator:** Thank you. The next question is in the line of Mithun Aswath from Kivah Advisors. Please go ahead.

**Mithun Aswath:** I just wanted to understand because of your shutdown because of the flood how much of revenue lost that was the question I had and number two was would you be able to recover

this production loss in the subsequent two quarters so you would be able to achieve those revenue targets of 20% that you are looking at?

**Ashok Hiremath:** We lost 15 days of production I cannot put a number to it right now 15 days out of three months of production, you are talking about 15 out of 6 so one sixth of the output was lost so now in terms of production that lost is lost forever you cannot make it up so the way we are trying to make it up is through better realizations, better capacity utilization, better product mix, this year most of business that is coming in so there is different ways we are going to make it up but the production that we lost in these 15 days is lost forever.

**Mithun Aswath:** I just wanted to understand that because on a Y-on-Y basis there has been a substantial fall on your topline and how much of that could be attributed to the market being weak and how much of that is attributed to the loss in production so just wanted to get a sense on that, if all things were normal would you have been able to grow Y-on-Y in the September quarter because it was high base so just wanted to get a sense?

**Ashok Hiremath:** We would have grown the answer to that there are actually three factors that have led to the decline one is the drop in the pricing of one key product that we had which now is recovering and therefore in the second half we expect to get better pricing then there was the stoppage of production and loss of production and the third was this deferment of sales that we talked about Rs.30 Crore of revenue that did not come because of nonavailability of containers so there were the three factors that were in play so the answer to your question is if these things were not there we would have seen an increase in sales yes if you see volumetrically we have actually grown in first half.

**Mithun Aswath:** Got it and also just wanted your capex targets for this year because you were looking at significant amount of capex as is that still on track or has that been postponed or anything because of these floods?

**Ashok Hiremath:** No they are still on track, we plan to spend Rs.150 Crore as we have been saying, we are going to be spending on the new R&D center, we have already completed the herbicide facility so some of that capex is completed and there will be some capex on the new fungicide plant we were talking about so we have been on track with our investment plans.

**Mithun Aswath:** Right and this is one last one if I can squeeze that in what was the kind of asset turnover that you expect on say a herbicide facility once it is completely running at full capacity?

**Ashok Hiremath:** That would be depending on the product mix anywhere between 1.7 to 1.9.

**Mithun Aswath:** Okay thanks.



**Moderator:** Thank you. We will move on to the next question that is from the line of Nikhil from SIMPL. Please go ahead.

**Nikhil:** Thanks for the opportunity. Sir my question is as you mentioned the RM prices have seen a lot of volatility, can you just help me understand what is the amount of cost increases we have seen in the absolute that is one part and then continuation in October the things which are happening in China with respect to the power outages and all are you seeing more inflation on a sequential basis so that is one part and secondly as you mentioned in second half we would be able to pass on all the price increases when you are talking to the customers both on the CMO and on the proprietary, how are they looking at this whole sequence of events is it like they are accommodatable to the amount of disruptions which are happening as a result the price pass-through is becoming much easier or is it like still a lot of negotiations are required, just to understand how the whole dynamics are playing out?

**Ashok Hiremath:** So the answer to the first question about whether the prices are going up continuously, the answer to that is that it depends on the product it is the best way to answer it is that they are volatile so some are continue to go up some also come down and go up and so it is a very dynamic situation what we have been doing is we have been stocking up so as to hedge ourselves against shortages and price increases so we have done a pretty good job in terms of covering our raw materials and hedging ourselves against continuous increases. In terms of resistance from our customers to accept the price increases we are finding that they are pretty understanding because they are not the only ones we everybody is in the same position so the market is taking it quite reasonably and interestingly they are able to pass it on to the end consumer.

**Nikhil:** Just last point here like in many industries we see that the pricing is done as a RM plus the operating cost so RM becomes a price pass-through in this environment where there is so much volatility and everyone is prognosing from six months to one year anywhere this can continue do you sense that the whole pricing environment could move from cost plus basis wherein cost increases become a direct pass-through or we will have to continue with the process of going to them and renegotiating or any change on the pricing dynamics with the customers?

**Ashok Hiremath:** The cost plus model will continue except that the frequency of the cost revisions that you can ask for has to be reasonable you cannot go to them every month so customers expect that when they give you an order for something that you will cover yourself for three months, six months and we particularly because we are financially quite sound, we are able to cover and kind of take positions and maintain inventory therefore we can give price stability for a reasonable period of time but on the other hand they are understanding that

every quarter you can go back to them and talk to them about a new price there is a significant change.

**Nikhil:** Lastly which would mean that there would be a pressure on the working capital till the time this scenario sustains for most of the companies and even for us?

**Ashok Hiremath:** Luckily we are borrowing at very fine rates, our borrowing rate is now 4.1% so we are taking advantage of that in fact the way we are using our working capital funds is also changed now I think I will get my CFO to explain to you how we are taking advantage of this to improve our profitability Saurav can you explain?

**Saurav Bhala:** Sure so as Ashok Sir was mentioning our borrowing rate is one of the best in the industry and this year we have been improving on that, what we are doing is factoring the fund crunch of the supplier end and also the raw material availability issues, we have reduced our payment terms with most of the vendors and we are paying them earlier. This has two benefits one we get the best kind of RM pricing and second the raw material availability is ensured we are the preferred customers to them so in both the ways it is quite beneficial to the business and that is helping us a lot.

**Nikhil:** Sure thanks a lot Sir thanks for the explanation.

**Moderator:** Thank you. We will move onto the next question that is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla:** Thank you for taking my question. Sir firstly I would like to know have we taken any price hikes in H1 or in Q2?

**Ashok Hiremath** Yes we have but as I said earlier there is a little bit of a lag between getting a price hike and you are passing it on to your customer but now we feel that in H2 we are kind of synchronized with the price increases whereas in the first half we were not so well prepared for these changes and it was not expected but we have taken price hikes and as I said to the earlier gentlemen our customers have been understanding and H2 as well the same thing is happening.

**Alisha Mahawla:** So is it possible to quantify how much price hike was taken in H1?

**Ashok Hiremath** No that depends on the product, it is very hard to give you a general number but some products have even gone up by 30% and some products are 15% so it is hard to give you a number but some products have gone up very significantly.

**Alisha Mahawla:** In this quarter obviously for the three to four reasons that you highlighted we have definitely had a volume degrowth but I do remember that you mentioned earlier in this call that in H1 we have grown in volume is it possible to quantify what is the volume growth we have seen in H1?

**Ashok Hiremath:** In H1 the volume growth was about 11%.

**Alisha Mahawla:** Also while you give a split of domestic and exports to an earlier participant is it also possible to see what is our current contribution from the CMO business?

**Ashok Hiremath:** As I said it is 5% better than our enterprise sales.

**Alisha Mahawla:** Not margin contribution to revenue.

**Ashok Hiremath:** Contribution to revenue actually in the first half was very negligible that was barely in single digit numbers that is because of two factors one is that the herbicide plant was commissioned but because it is a new plant if we have accumulated all the production it has to be approved by the customer which has happened and therefore will be invoiced in the second half and somehow this year all the orders have been bunched up in the second half and therefore as we said earlier we are going to see on an annualized basis a growth in CMO business of about 7% or 8% but it is all skewed in the second half.

**Alisha Mahawla:** Any reason why the CMO growth is relatively lower it will definitely be lower than overall growth of business and I believe earlier we used to do much higher growth in this segment?

**Ashok Hiremath** Yes.

**Alisha Mahawla:** And this is despite herbicide now going to contribute in H2?

**Ashok Hiremath:** Yes two factors there was one big CMO product which we were doing and the customers holding a lot of inventory so that was we did not sell any of that this year and I think it is only going to come back online by the end of next year and the new herbicide products that we are introducing are the capacity utilization is low and then the process of ramping up so in this year we have got a fairly subdued CMO growth rate but when we look at our projections in the next two years there is going to be a very aggressive very high level of growth in the CMO business, for example in FY2023 we are looking at a 50% growth in CMO business.

**Alisha Mahawla:** Just one last question before I get back in the queue I do believe that there was as you mentioned earlier in the call there is a fungicide plant that also we are looking at can we

have details of what is the total capex by when will it be ready or anything that we are ready?

**Ashok Hiremath:** Not ready to share right now still the detailing is going on; we will be able to tell you at the next investor call.

**Alisha Mahawla:** Thank you Sir and all the best.

**Moderator:** Thank you. The next question is from the line of Saurabh from Asian Market Securities. Please go ahead.

**Saurabh:** Thank you for the opportunity I just wanted to understand what kind of volume growth we can achieve from the existing enterprise business is there any scope there you can do the volume?

**Ashok Hiremath:** This year we are looking at a value growth of about 20%-25% in enterprise sales resulting from about 10%-15% growth in volumes going forward when you see we will be able to achieve single digit growth out of debottlenecking and other kind of efficiency improvements from our existing molecules so our growth in the future will come from new enterprise sales and new CMO products.

**Saurabh:** In terms of this herbicide plant so what portion of capacity right now is under the CMO assignment?

**Ashok Hiremath:** This year we will be utilizing about 30% of the capacity but non-CMO business will be about 30% of that.

**Saurabh:** Next year it should be like CMO should be much higher?

**Ashok Hiremath:** Then the CMO proportion will become higher.

**Saurabh:** About the new fungicide plant so will it be only catering to the enterprise business or there also we will have a mix of CMO business as well as enterprise business?

**Ashok Hiremath:** At the moment it is being designed for the enterprise business but this is an area where inquiries and new projects can come at any time and we are ready to fit that into the new facility which will be quite a large facility actually.

**Saurabh:** H1 this year cash flow from operation was much better than the last year, first half so is it because of the export sales the higher contribution from export sales has led to this better cash flow?

**Saurav Bhala:** It is a mix of both. Our collection efficiency has improved because we have been very focused on selecting our customers post COVID so the collection year-to-year basis as compared to last year has gone up both from domestic as well as from export customers and also some bit is there because we have reduced our sales as because of all the factors so that has also reduced the receivable overall.

**Saurabh:** Thank you that was helpful.

**Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

**Ankur Periwal:** Thank you Sir one question on the global size and the China's presence there if I go back you had earlier mentioned we are around \$2.5 billion and \$3 billion the total market globally and China has a significant share in that market, any thoughts that you would have seen on the ground some pushback from the customers which has been beneficial to us and from a new product perspective, how are we pleased to capture on that opportunity?

**Ashok Hiremath:** Definitely as I said what will happen was if you look at it traditionally China was the powerhouse in agrochemicals and so it was the companies had Chinese sources and they had India as an alternative source and so the first phenomenon that is happening is that if it was 75% China 25% India that 25% is going up to 50%-60% in some cases maybe 75% and 25% China and certainly when it comes to new products and when people are making customers making strategy that looking at having the primary source in India and the secondary source in China. We are seeing that phenomenon on the ground.

**Ankur Periwal:** Sure and the capex that we have planned Rs.150 Crore this year and probably around Rs.300 Crore-Rs.350 Crore what we had suggested over a two-three year window does that take care of the new plants or the new capex for the newer products that we plan or there is still significant room there and there could be a further number going up there?

**Ashok Hiremath:** Actually if you ask me my recent kind of evaluations indicating that investment figure may go up and we are prepared to do that so we are going to be more aggressive on my investment plans in the future.

**Ankur Periwal:** Sure that is helpful and from capability perspective and the new innovation, the new range of products there the R&D center which is coming more like FY2023 and in between will we be technically capable enough to expand that product portfolio or it will be after that R&D center coming up?

**Ashok Hiremath** No as I told you we have developed so many products we are able to introduce four CMO products this year. We are going to be introducing two enterprise sales molecules next year

large scale ones not to mention more CMO products so our pipeline we are able to develop a number of products in the existing setup so it is just that we will be able to do a lot more and more when the new R&D center comes up.

**Ankur Periwal:** Sure and just one followup on the earlier question, you did mention we had been facing a significant pricing pressure for one of our key products your earlier comment suggested that now that pressure is tapering off is there some demand supply mismatch, there some capacity shutdown or this let us say improvement in pricing or let us say stability in pricing is here to stay?

**Ashok Hiremath** It is here to stay for the second half of this year what is going to happen next year we will have to see, but looking at the situation with the electricity supplies, the coal supplies recently there was an explosion in the plant which is in an industrial park where there is a producer of our competitors product so there is a shortage of production there we may see a better realization than we expected.

**Ankur Periwal:** Great that is helpful. Over to you Lizaan!

**Moderator:** Thank you. The next question is from the lion of Abhijit Akella from IIFL Securities. Please go ahead.

**Abhijit Akella:** Thanks so much for taking the followup. Sir on the new product plans that you talked about the four CMO products plus one enterprise product this year and two next year if I heard it correctly so a couple of things one is on these two products next year coming up, are those in that Triazole category that you mentioned previously you were evaluating at three trials and second if you could also please just help us with the timeline for commercial supplies of these products whichever quarter it might be?

**Ashok Hiremath** Triazole fungicides and we expect commercial supplies to start in Q4 FY2023.

**Abhijit Akella:** So these are the two enterprise products next year what about the ones this year when are we starting the four CMO and the one in enterprise?

**Ashok Hiremath** Phase wise as I said one is already done the other one production started and the other two will take place in the Q3 and Q4.

**Abhijit Akella:** Are these all under the herbicide umbrella or are they in other chemistries as well?

**Ashok Hiremath:** Some of them are intermediates with the herbicide intermediate.

- Abhijit Akella:** Got it and then on I believe propiconazole prices have been rising quite sharply in the last two or three months is there a commensurate increase in input costs as well or would we expect this to benefit our bottomline going forward?
- Ashok Hiremath:** No I think it will improve our bottomline going forward.
- Abhijit Akella:** One last thing was just on the senior management side if you could just kind of educate us on any further additions to the senior management ranks or any occasion that could be helpful?
- Ashok Hiremath:** We have got on board a new Chief Executive Officer, a CEO his name is Anurag Roy so he is an addition to the team, the plan is that I will be stepping down at the end of March and he will be taking over my position at the end of March 2022.
- Abhijit Akella:** Thank you so much and wish you all the best for the future.
- Moderator:** Thank you. The next question is from the line of Sravan Vora an Investor. Please go ahead.
- Sravan Vora:** Thanks for taking my question again. I have two more questions one was like we started this backward integration journey much ahead of industry and that is coming to benefit us now I just wanted to give a sense of how much is the current dependence of Astec on Chinese raw materials?
- Ashok Hiremath:** Still 65 of our imports are from China but having said that there are two things to qualify that statement one half of that is a raw material which we have developed and manufactured but at the moment we are manufacturing limited quantities because the Chinese price is so low that we do not find it advantageous to make it ourselves but the moment that they increase the prices we can make it ourselves and reduce our dependence so to that extent we have a make or buy decision and a capacity already lying and kind of ready to get into production whenever required. Over and above that we have another three backward integration projects which will be taken up this year and early next year so that ongoing kind of backward integration program is continuing.
- Sravan Vora:** Great and just I heard you mentioning to some other participants that contribution to CMO for this quarter was a single digit number but if I remember correctly for last year for FY2021 and prior to that it was more like 20%-25% of our total sales am I correct?
- Ashok Hiremath:** Yes.
- Sravan Vora:** We expect to get back to this number gradually as the herbicide plants scaled up and we have those CMO contracts going in the second half?

**Ashok Hiremath:** Yes see CMO is a business where the customers also have campaign wise production. This is going to be something that varies from year-to-year so when the customer is taking a campaign they will say you supply us in Q1 and Q2 or if they are doing it in Q2 then products will supply in Q3 so this is going to vary from year-to-year we have to look at this on an annualized basis.

**Sravan Vora:** As a management team what are our targets for the CMO business as a total percentage say three years from now probably taking it up to 50%, 40% any number to that?

**Ashok Hiremath:** We will give you a number and our aspiration is to go to 40% that is what we were saying earlier but what is happening is that our enterprise sales is also growing quite fast and therefore the proportion it kind of decelerates but in absolute terms our CMO business is when we see the next three years it will be growing at a compounded rate of 50%.

**Sravan Vora:** At the rate of 50%. Perfect thank you so much and all the very best and happy Diwali to the team.

**Moderator:** Thank you. Ladies and gentlemen that was the last question I now have the conference over to the management for the closing comments.

**Nadir Godrej:** Thank you. I hope we have been able to answer all your questions. If you have any further questions or would like to know more about the company we would be happy to be of assistance. Stay safe and stay healthy. Thank you once again for taking the time to join us on this call and Happy Diwali to everybody.

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