



Astec LifeSciences Ltd.

Date: 13th August, 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”

Dear Sir / Madam,

Subject: Transcript of Conference call with Investors & Analysts held on Friday, 30th July, 2021

Please find enclosed herewith, transcript of Conference call of Astec LifeSciences Limited with Investors and Analysts held on Friday, 30th July, 2021.

The aforesaid information, along with the audio recording of the aforesaid Conference call, are also hosted on the website of the Company, viz., www.astecls.com at the weblink <http://www.astecls.com/listing-compliance.aspx>

Please take the above on your records.

Thanking you,

Yours sincerely,
For Astec LifeSciences Limited

Tejashree Pradhan
Company Secretary & Compliance Officer
(FCS 7167)

Encl.: As above



Regd. Office :
“Godrej One”, 3rd Floor,
Pirojshanagar, Eastern Express Highway,
Vikhroli (East), Mumbai-400079,
Maharashtra, India
Telephone No.: 022- 25188010
Fax No.: 022-22618289
Email id: astecinfo@godrejastec.com
Website: www.astecls.com
CIN : L99999MH1994PLC076236



“Astec LifeSciences Q1 FY22 Results Conference Call”

July 30, 2021



MANAGEMENT: **MR. NADIR GODREJ – CHAIRMAN OF GODREJ AGROVET AND ASTEC LIFESCIENCES**
MR. BALRAM SINGH YADAV – MANAGING DIRECTOR, GODREJ AGROVET
S. VARADARAJ – CHIEF FINANCIAL OFFICER, GODREJ AGROVET
MR. ASHOK V. HIREMATH – MANAGING DIRECTOR, ASTEC LIFESCIENCES
MR. ARIJIT MUKHERJEE – CHIEF OPERATING OFFICER, ASTEC LIFESCIENCES
MR. ANURAG ROY – CEO, ASTEC LIFESCIENCES

MODERATOR: **MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Astec LifeSciences Q1 FY22 earnings conference call hosted by Axis Capital. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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. Ankur Periwal from Axis Capital. Thank you and over to you, sir.

Ankur Periwal: Good afternoon everyone and thank you for joining us on the Earnings Call of Astec LifeSciences for Q1 FY22. We have with us today Mr. Nadir Godrej - Chairman of Godrej Agrovet and Astec LifeSciences. From Godrej Agrovet, we have Mr. Balam S Yadav - Managing Director and Mr. S Varadaraj - Chief Financial Officer. And from Astec LifeSciences, we have with us Mr. Ashok Hiremath - Managing Director and Mr. Arijit Mukherjee - Chief Operating Officer of the Company.

We would like to begin the call with brief opening remarks on the management following which we will have to forum open for an interactive Q&A session. But before we start, I 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 for his initial remarks. Over to you Mr. Godrej.

Nadir Godrej: Good day everyone. I welcome you all to the quarter 1 fiscal year 22 earnings call of Astec LifeSciences. I hope you are safe and healthy. The second wave of Covid-19 was much more severe than the first wave especially for rural India. Economic activities were significantly impacted in the second half of April and May though the situation improved from June onwards. Pro-economic indicators such as GST collections, export, power consumption also marked an increase in June from low levels seen in the earlier 2 months. The business environment is expected to further improve as the vaccination drive gathers traction thereby limiting the Covid-19 spread. We expect the situation to be much better in the second half of the year. The agricultural sector is again expected perform better than last year as many good and services are essential in nature and the macro indicators look promising for the sector. This will benefit the farmers and companies operating in this segment.

For our products, the demand remains strong, both in the domestic and in the international markets. Though the end-product prices have softened in quarter 1, a gradual price increase is expected in the near term.

In terms of the performance during the 1st quarter of the financial year 21-22, the key highlights are as follows. Astec reported a consolidated total income of 129 crores in quarter 1 compared to 113 crores in the same period last year. EBITDA and profit before tax were 25 crores and 17 crores respectively compared to 29 crores and 22 crores in the same period of the previous year. The volume growth was high in quarter 1 but the sales growth was restricted to 14.9% due to lower price of one of the key products. Geographically sales growth was mainly driven by the

domestic business. In quarter 1, domestic sales have grown by 27% whereas export sales have declined by 13.6%. Also, the 1st quarter is not a strong quarter for the contract manufacturing business as a large part of the orders are executed in quarter 2 to quarter 4 of every year. Therefore, the revenue in quarter 1 mainly comprises of the enterprise sales business.

Gross profit margin of the quarter was 39.4% compared to 45.2% in the same period last year. In quarter 1, we consumed higher-cost raw material inventories which impacted gross margins. Raw material prices have started declining which should improve the gross profit in the coming quarters. Further, quarter 1 of the previous year was an exceptional quarter both in terms of significantly higher product prices and lower raw material prices resulting in a high base.

The EBITDA margin for the quarter was at 19.7% compared to 26.1% in the previous year. Other expenses such as power cost, freight cost, and other costs have increased due to the normalization of business activities compared to the previous year.

Commercial production at our herbicide plant could not start in quarter 1 due to the COVID-induced lockdown. However, trial production has started in quarter 2. Construction at our new state-of-the-art research & development facility was also delayed due to the lockdown as well as some procedural changes. We expect the R&D facility to be completed by the 3rd quarter of the next financial year. In the meantime, we will increase our R&D capacity by leasing that spaces to cater to our increased developmental requirements. For the remaining 9 months, we expect demand for our key products to remain strong which will drive volume growth. We are in the process of launching 4 new contract manufacturing products and 1 product in enterprise sales. We believe that we will be able to successfully achieve our fiscal year 22 profitability target.

Now, I would like to welcome our new CEO for Astec, Anurag Roy who has recently joined the company. Anurag has 21 years of rich experience and has worked in leading pharmaceutical and chemical companies.

With this, I end my opening remarks, and we will be happy to take your questions.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles. Our first question is from the line of Saurabh from Asian Market Securities. Please go ahead.

Saurabh: Sir, my first question is on the revenue growth. Can you give more details in terms of which molecule has contributed to the growth and also how has been the pricing for key molecules?

Ashok Hiremath: We don't actually give out individual molecule names and prices that we do because that's frankly commercially classified information, but I can just tell you that in general, one of the key products' prices declined in the range of 35% compared to the previous year. That was because some production lines which were out of circulation in China because of COVID came back on line and then suddenly there was a little bit of overcapacity in the market and therefore

the prices came down. Now that the supply-demand situation is more or less regularized, we expect the prices to kind of gradually recover. At the same time, another molecule of ours which is very key to us, the prices are very very strong. There is a shortage in the market and the price is on a rising trend.

When it comes to our CMO products, the price is predetermined with our customers. So, there is no question of any ups and downs. They are determined before the year and there is a cost plus kind of a formula. That's the way the pricing went.

Saurabh: Sir, any color on whether the prices of propiconazole have seen a good uptick. Can it remain at this level for longer or again it will be for a particular phase or what has led to this kind of strong uptick in the prices for propiconazole?

Ashok Hiremath: Out of 4 producers in China, three have closed down for various reasons. There is only 1 producer left. Hence there is a major shortage, and therefore, we don't see that the situation will improve for the whole of the year, and therefore, as far as we are concerned we fully sold out and the shortage will ride prices up further and further. That is the situation.

Saurabh: Sir, are our capacities tangible in terms of mainly from tebuconazole to propiconazole manufacturing?

Ashok Hiremath: We have dedicated lines for propiconazole and dedicated lines for tebuconazole. So, we don't interchange them. Having said that, we have ability to debottleneck our plants and get more output from each one of them which is what we are trying to do. And since both the products have a good demand, we are not trying to kind of move the production from one line to the other.

Saurabh: Sir, in terms of the contract manufacturing, last year it was impacted because of inventory level at the customer end. How is the inventory situation right now? How do we see the CMO business going ahead?

Ashok Hiremath: That problem with one of our key products where the problem continues, it will continue for another year. So, any growth that is coming out of our CMO business is coming out of new products that we are developing and introducing. This year, we expect the CMO business to grow by about 7% to 8% compared to the previous year.

Saurabh: And this is excluding the contribution from the new herbicide plant, right?

Ashok Hiremath: No, this includes the contribution from the new herbicide plant. When you ask all CMO will grow by about that level in this year, and that of course, we expect the growth to accelerate in the coming years, which is why we are saying that a proportion of CMO to total sales will improve in the coming years. This year, we see a moderate growth of about 7% to 8% but then that product which where we talked about the high inventory comes back into the system and the demand for that comes and some new projects come in, then the CMO business growth will be accelerated further.

- Saurabh:** What kind of growth you expect in the enterprise business, at least on the volume terms?
- Arijit Mukherjee:** Volume should grow anywhere between 20% to 25% for enterprise businesses, year-on-year volumes.
- Moderator:** The next question is from the line of Viraj from Securities Investment Management. Please go ahead.
- Viraj:** I just have a couple of questions. First is on the triazole market which we cater to. If we look at the global size, it is around \$3 billion and our share is less than 5%. One of the key differentiations we always talk about is having a higher purity level which is offered by Astec and it is not matched by many players globally, which also drives a bit of position on the cost-wise. Despite such a healthy competitive position in the global space, we are still not able to make a sizable dent. Any perspective you can share why is that?
- Ashok Hiremath:** Actually when you look at the \$3.3 billion market, it is distributed over a whole range of triazole fungicides, and we make about 6 or 7 of them. At the moment, our major revenues come from about 3 or 4 triazole fungicides. The whole point is that we are going to be introducing 3 major new triazole fungicides in the next few years and those will obviously increase our market share, contribute very much to increasing our market share. The other thing is that China is also there and they take a significant part of the market. So, it's a question of getting the market share from them because in the generic space, you are getting market share due to competitive position and over time it will increase.
- Viraj:** Three molecules which we are looking to cater to, what kind of an addressable market opportunity those account for when we say this \$3 billion?
- Ashok Hiremath:** After triazole fungicide market, these three will account for about – between them – almost 40% to 45% of the total triazole fungicide market, these 3 products.
- Viraj:** Ex-these 3 products, do we still have any avenues to increase our share? What kind of a demand/supply trends we are seeing broadly? Are we seeing any major capacity expansions or any indication you can share?
- Ashok Hiremath:** Obviously the shift from China is one factor. There is a shift from the originator also. They have reduced their own production because they want to bring in their new molecules into their plants and they don't invest in new capital expenditure. So, the only way to bring in a new molecule is to remove an old product out and bring the new one in. That is the opportunity we are already seeing that the innovators are coming to us and saying they'll make this for us and that's a significant uptick. There is a factor of market share moving from China to India. That is how the growth is happening with the existing molecules and then obviously the growth in introducing new molecules is very obvious.
- Moderator:** The next question is from the line of Madhav Marda from Fidelity International. Please go ahead.

- Madhav Marda:** I just wanted to understand in our total revenue, what would be the mix broadly between our enterprise sales and the CMO business?
- Ashok Hiremath:** It is typically 80:20 at the moment – 20% is CMO, last year it was 17%, purely because of the overstocking of that 1 product which saw a little downturn. Let's say 20% of sales is CMO, 80% is enterprise, and our endeavor is to up the ratio of this 20% as much as possible in the coming years.
- Madhav Marda:** How do the contracts vary between the enterprise and the CMO business especially in terms of the pricing and the volume sort of offtake?
- Ashok Hiremath:** The CMO business is cost-plus model and the volumes are forecasted say 3 years rolling and that's how it works. When it comes to enterprise sales, it's based on registrations. You are the registered source. Therefore, there is a certain amount of stickiness in the business. Customers are obliged to buy from their registered sources. At the beginning of the year, we tend to agree on an indicative price but in certain situations where the market is changing very frequently, we do it on a quarterly basis. But we usually have a fairly good idea about what the annual off-take of these people is.
- Madhav Marda:** In our total revenue, what will be the share of the listed top 5 molecules' contribution to the overall revenue of our Astec currently?
- Arijit Mukherjee:** I will have to work it out. I don't have ready numbers. I can just share the details later.
- Ashok Hiremath:** Just be in touch with our people. We will try to look and give it you.
- Madhav Marda:** The last question from my side would be, on the new product or new molecule pipeline that we have, could you help us with how many new launches are we expecting in the next couple of years and are they all in the triazole side or are we entering into any new chemistries as well?
- Ashok Hiremath:** On CMO, we are introducing 4 new products this year which are not triazole fungicides, they are non-triazole fungicides. Some are herbicides, some are herbicide intermediates. We are in a very wide range of chemistries. The enterprise sales molecule that we are introducing this year is a triazole fungicide.
- Moderator:** The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.
- Alisha Mahawla:** Sir, first what is your current capacity utilization?
- Ashok Hiremath:** We have different lines of production. Therefore, to give you a capacity utilization as a broadbase thing is difficult to tell. Some lines of production are working at 90%. As I said, the one which is very short, the Chinese producers have gone out of production. That line is running at 90%. There are other lines where there is scope for upping the capacity utilization in the multipurpose plants. So, it varies across the different lines of production.

- Alisha Mahawla:** For the herbicide plant while I understand that it has been delayed and you are currently doing trial production. Can we expect the commercial launch by Q3 or in H2 and for it to start contributing in H2 or is that expected more towards the end of the year?
- Ashok Hiremath:** We will see in H2 the invoicing of the material. Trial production is started. It will get converted into commercial production quite soon and then the invoicing will start. Certainly, Q2 onwards we will be seeing some invoicing, Q3 will be more, and H2 will be the maximum.
- Alisha Mahawla:** Any target utilization level for year 1?
- Ashok Hiremath:** For the year, we expect the utilization to be about 25% to 30% for the new herbicide plant. So, by year 3, we expect it to be fully utilized.
- Alisha Mahawla:** If you can give the split between domestic and export revenue for the current quarter?
- Ashok Hiremath:** Current quarter was 78% domestic and 22% export.
- Moderator:** The next question is from the line of Sravan Vora, an investor. Please go ahead.
- Sravan Vora:** Sir, you have been talking and other competitors have also been talking about the China + 1 where a lot of supply chains would come to companies like us. I just wanted to get some color if there is actually some materialized client that we are talking to or are we moving ahead on this in any way?
- Ashok Hiremath:** Yeah, of course. We are seeing it very much on the ground. Last few years, we are seeing a lot of enquires and a lot of projects are at various stages of implementation. It's very much a phenomenon which is not a prospective phenomenon because it is already on the ground, and we expect it to increase with time. And we are finding that Chinese costs are going up so significantly that we were very surprised recently when we heard that comparative Chinese cost of a corresponding molecule which is so much higher than what we can sell it for. It's really a trend which is already happening.
- Sravan Vora:** If you could just give me the breakup of the margins between our enterprise sales business and the CMO business? Going ahead as you want to increase our CMO share, our blended margins – earlier guidance was I think 20% – that should also improve to say 50bps year on year something like that?
- Ashok Hiremath:** We have always said that our CMO business margins are about 5% better than our enterprise sales margins. On an EBITDA level, yes, last year, we had ended up with an EBITDA margin of about 22%. We are well on track of at least improving on that. Yes, as our proportion of CMO increases, it will keep increasing – that EBITDA margin will increase by 0.5% and 1% with time.
- Moderator:** The next question is from the line of Dikshit Mittal from LIC Mutual Fund. Please go ahead.

- Dikshit Mittal:** Sir, my question is on this new herbicide plant. You mentioned you will be utilizing 25% to 30% anyhow. That means that plant alone can give 15-20 crores kind of incremental revenues on a conservative side. Why are you projecting only 7% to 8% growth in the CMO? Maybe the base will decline this year?
- Ashok Hiremath:** No, that is an incremental business.
- Arijit Mukherjee:** That is the one molecule which the customer is having from stock. So, that won't be there in this year. It will take at least 2 years to start that production. So, there will be a dip in the existing one but it will be covered up with the new CMO businesses. One particular molecule which we have mentioned earlier, that is the dip which is happening this year.
- Dikshit Mittal:** But sir, similar molecule like last year also, it was relatively weak as compared to....
- Arijit Mukherjee:** That is the same molecule. We did some quantity last year, which was a pending quantity. From this year, it will be taking at least 1 year to have a re-registration and start the production.
- Dikshit Mittal:** Sir, on enterprise business, you are saying 20% to 25% growth. That will be driven by new product introductions or basically the existing products will only drive the volume growth?
- Ashok Hiremath:** That will be partly by the existing molecules and the new molecules as well.
- Dikshit Mittal:** Sir, just a clarification. The 3 new molecules that you will be introducing, that global market size is more than \$1 billion, right?
- Ashok Hiremath:** Yeah.
- Dikshit Mittal:** Sir, lastly, any other CAPEX spends we have apart from this herbicide plant and R&D center? Any further investment spends are we contemplating at this point in time?
- Ashok Hiremath:** Yeah, this year we have a total capital expenditure plan of 150 crores. And in the next 3 years, we are planning to invest 300 to 350 crores that includes the current investment where some part of the new R&D center's work will start. There will be a start of the work on the new triazole fungicide plant for the new molecules we talked about. There will be other miscellaneous projects that will be about 150 crores this year. In the coming years, we have other projects in the pipeline.
- Dikshit Mittal:** Sir, on the CMO side, any investment plan apart from this herbicide plant?
- Ashok Hiremath:** Yeah, as and when the molecules come up, we will do it because we have spare capacity in the herbicide plant which we will fill up first and then we will undertake additional CAPEX.
- Moderator:** The next question is from the line of Dhruvam from HDFC Fund. Please go ahead.

- Dhruvam:** Sir, on the enterprise, you mentioned that 20% to 25% volume growth. Probably from your earlier interactions, I understand that the plant was largely fully utilized, at least going in 3Q and 4Q. What drives this 20% to 25% volume growth, then?
- Ashok Hiremath:** We want some debottlenecking exercises that gives us a fair amount of volume growth plus whatever is coming out in the herbicide plant. It's a combination of so many things.
- Dhruvam:** The herbicide plant probably, I thought, will be part of the CMO business, but that is not the case it seems.
- Ashok Hiremath:** Oh yeah. So, you are talking about enterprise sales growth?
- Dhruvam:** Yeah.
- Ashok Hiremath:** Enterprise sales growth of 25% will come out of debottlenecking and basically debottlenecking.
- Dhruvam:** And without any significant investment?
- Ashok Hiremath:** Yeah, not much CAPEX now.
- Dhruvam:** Sir, what is the kind of growth that we can further add to these capacities change? After this 20% to 25%, what kind of debottlenecking further that can be done or is it a gradual process you can keep adding a lot of capacity over a period of time?
- Ashok Hiremath:** Yeah, it's a very dynamic process in a chemical plant. When you have multipurpose plants, you can find ways and means of utilizing the idle capacities wherever they are. And of course, when the new plant comes, then that will not run at full capacity from day 1. There will be a ramping up of those capacities. It's a cycle. Your investment and the asset turnover ratio of 1.5, 1.6, 1.7. That is a continuous process in the chemical industry.
- Dhruvam:** Second question was related to the 3 products that you mentioned in the triazole category. Is the CAPEX for that already started and how long will be the CAPEX duration? I believe that these 3 products, if I am not wrong, would be coming in the new plant that you mentioned. And any sense on the registrations? Have you already started with your registrations? Some further color on that, please.
- Ashok Hiremath:** We are going to start the construction. Design work is at an advanced stage. The construction work will start after the monsoons. May be we typically take about a year to do our complete project. In the meantime, the registration activities have started. Yes, we have submitted the data to the regulatory authorities and the applications have been put into the various registration regulatory bodies. By the time we are in production, not only will the registrations kind of start coming in but various patent issues and all that also wherever patents are involved, that expiries will take place. It is all being synchronized.

- Dhruvam:** So, 1 to 1-1/2 years, probably from FY24 early or end of FY23, we should start seeing the benefits?
- Ashok Hiremath:** Correct.
- Dhruvam:** Sir, when you say we have already started the registration activity – I just wanted to understand this better – the plant is yet not commissioned, how do you get the registration then? Do you start supplying these molecules from a pilot.... I am not sure. How will that would be?
- Ashok Hiremath:** Yeah, it is based on pilot batches. What you do is you supply get the batch done from your pilot plant and then when you are on commercial production, the regulatory authority will ask you for production data to make sure that your production is coming out consistent with what you submitted from your pilot plant. That's the process that takes a few years to regularize. But your initial registrations can be based on your pilot plant.
- Dhruvam:** The pilot to commercial is 1 to 2 years' phase?
- Ashok Hiremath:** In terms of regulatory or you are talking about in terms of plant commissioning?
- Dhruvam:** Regulatory.
- Ashok Hiremath:** We can be producing but it is just that you have to submit the data as well while you are producing. They don't stop you from producing. Once you have got your registration, you can be in production.
- Moderator:** Our next question is from Dhaval Shah from Girik Capital. Please go ahead.
- Dhaval Shah:** Just want some clarification on this CSM and enterprise growth. We roughly do 6% to 7% growth this year in CSM and next year once the herbicide plant is going live and the molecule also starts contributing, should we see roughly 100 crores getting added to the revenue in CSM?
- Ashok Hiremath:** That's what our guidance is that since we are going to do the utilization and ramp-up over 3 years, you can assume about 70 to 80 crores of additional sales turnover coming out of that plant in year 2.
- Dhaval Shah:** The 4 molecules which you mentioned will be added in CMO. So, those 4 molecules, for the large part, will be coming in FY22 – in terms of the revenue. Am I right?
- Ashok Hiremath:** No, the 4 new molecules, a certain portion will come in this year and obviously it will be ramped up over the years. They are just introduced in this year, right?
- Dhaval Shah:** So, two will be from the herbicide plant and the rest two will be from the existing infrastructure. Is it correct?

- Ashok Hiremath:** No, actually we can make all of them from the herbicide plant and some part of the existing plants will be used.
- Dhaval Shah:** In the enterprise, the growth which you guided, even that.... nothing is coming from the new plant. So, nothing is from the herbicide plant in the enterprise business, right?
- Ashok Hiremath:** Nothing is coming from the herbicide plant, correct. There is 1 product which is coming out of the herbicide plant. Arijit, how much sales is that coming to?
- Arijit Mukherjee:** That will come to around 30 to 35 for this year. There is one enterprise product which will come from herbicide.
- Dhaval Shah:** Okay, 30 to 35 crores from the non-herbicide?
- Ashok Hiremath:** From the herbicide plant but which is non-CMO.
- Dhaval Shah:** Coming back to CSM 80 crores FY22 and then a similar revenue can get added in 23 also as the ramp-up happens in the year 3?
- Ashok Hiremath:** Yeah.
- Moderator:** The next question is a follow-up from the line of Viraj from Securities Investment Management. Please go ahead.
- Viraj:** I was asking on the existing molecules in triazole. If you look at the last 2-3 years, there was a phase where even propiconazole also faced with severe inventory and overcapacity in the market. Even this year, we have seen some of the products facing overcapacity and pricing issues. If we were to understand for existing molecules our cost position – how would have that changed or how would have the yield changed for? Any color you can give on that?
- Second question is on the R&D and the pace of new molecule launches. Is it right to think that once we commission the new R&D center, say by the end of 23, it may take further couple of years for us to capitalize and look at a much more wider scope and number of new product launches?
- Ashok Hiremath:** We find that our cost of production now is pretty much, in certain products, lower than the Chinese. It will be more backwardly integrated than the Chinese. So, certainly, without naming the molecule, we are very much ahead of the Chinese with respect to one of the molecules. The other one where we are similar to the Chinese but with their rising costs, I think now we are reaching a point where our cost of production will be a little lower than the Chinese. The new molecules that we are introducing, again, we are pretty confident that we are more backwardly integrated than the Chinese manufacturers are, and therefore, we will be at a great advantage against the Chinese. The 3 ones that I talked about which constitute a very large proportion of the global triazole market, we are absolutely backward integrated into those.

Viraj: Once we commercialize these, any aspiration in terms of target? Where will we be looking to cater to, say over the next 3 to 5 years?

Ashok Hiremath: I don't think we have an aspiration of market share but I think we want to grow the business at a healthy pace. I think it is very difficult to tell because new opportunities keep coming up and we are forging new partnerships all the time which give us ability to get more and more market share. One of the ways is to really collaborate with the innovate and we are working on that. But in terms of market share, Arijit, would you have a view on that?

Arijit Mukherjee: It is difficult to say market share because the present triazoles which we are doing, our market share will be as low as 5% to as high as 8%. We are still in a single digit market share. But more than the market share, I think it will be more in terms of which are the markets we are targeting. That will be more important than looking into the overall market share because the production varies – it is so diverse – and that is the cyclical nature of all of these products' demand. So, it is very difficult to pinpoint and say about the market size what we capture or what we target at.

Ashok Hiremath: But nevertheless we know that there is a huge upside in terms of the ability to grow the volumes.

Viraj: And on the R&D front?

Ashok Hiremath: Even with the existing R&D infrastructure, we are launching 3 to 4 new molecules every year. So, when the new R&D setup comes in, that capacity will be increased multifold. Having said that, it's not only a question of how many molecules but the complexity of the molecules – how many stages are involved. One molecule could be of 3 stages but another could be of 10 stages. That's equivalent of 3 times amount of work involved. So, the new R&D setup will improve the bandwidth, but I think that once it is commissioned, obviously the lag between the products coming out of that R&D facility will be about a year or two after it is set up.

Moderator: The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Just 2 questions, sir. One is on the new product launches. As you mentioned that we are looking at 4 new product launches in the CMO space, just want to understand what product selection criteria do we follow? You said that complexity of production in terms of number of steps and all, but what all parameters you focus on? Even in triazole, as we see, we have been there in the market for quite long and when we say we are close to 5% to 8% market share and initially in the call you said that our pricing is much better now versus Chinese, do you see that the market share acceleration in these molecules will happen and probably in the newer molecules also the market acceleration would be much faster?

Ashok Hiremath: Yeah, we think so. We believe that that should be happening as a general trend. We will see how it goes. That should be what should be going on. The thing is that in this business, there are also, as I said, registration issues. There might be some Chinese producers who have already registered. Right now, it is a China-plus-1 policy. It could afterwards become an India-plus-1 policy with the Chinese. If a Chinese producer is registered and they are getting 75% of their

production from an Indian producer, they might say, to hedge our risk, we will buy 25% from a Chinese producer. That will go on. So, we would never expect to get the entire rebound but yes, it will be accelerated over time.

Nikhil: On the product selection, what product do we look at in terms of the product's market in terms of selection, what product we will launch, and there is also this enterprise product launch between enterprise and CMO. I would believe that there would be 2 different lenses for our enterprises and CMO kind of a product. How do we decide which should go in which basket and what products we want to launch? If you can just help me understand the thought process?

Ashok Hiremath: When it comes to enterprise sales, obviously the first thing we look at is it is to be in the triazole fungicide segment because that's where we have the specialization and the knowledge and the expertise. We look at obviously market size, what is the size of the market, our ability to crack the technology, market access, the customers, market partnership.... Obviously, everything has to start with somebody wanting your product. So, we first talk to our customers and say this is the product that you would like to work with us and when we have gathered enough interest in the molecule and we find that the size of the market is interesting for us, then we work on it. These molecules have fulfilled all these criteria. Our customers want us as a source. There are very large volume markets, diversified markets in South America. They are used in major crops and are very critical for fungal control. We look at all these dimensions; our ability to be competitive. Once we are convinced about all these things, then we start developing it. And in general, we have found that it has worked for us.

When it comes to CMO, then it's a matter of pitching ourselves. The customers know what kind of technologies we are capable of. They have a history with us in many cases. They know what we have been delivering in the past, what kind of things we practice. Based on their understanding of what our strengths are, they come to us with proposals on molecules that they like us to produce and then we take it up from there and we develop it and then the project goes to commercialization.

Nikhil: One last thing. On the 3 triazole molecules, you said on the global level, our market share is 5% to 8% but for our customers, what would be our share? And generally, would there be 2 to 3 suppliers for each molecule for an innovator or for a branded player?

Ashok Hiremath: Yes, there would be 2 to 3. Historically, what's happened is that these are molecules which were registered in the days before the China costs went up and when China was at a very dominant position. They have already established a couple of sources in China. And then India came along as a powerhouse in agrochemicals. Of course, in a couple of molecules, we have gotten early on, but the view in those days was India would be second source. Now, that is changing to India being the first source and China being the second source in the new molecules. So, yes, the answer to your question is there would typically be 2 to 3 suppliers for each of these guys, but based on your competitiveness and your kind of relationship, your delivery performance, your

quality, that market share will change. That's why, because we are very good on delivery, performance, and quality, we are getting more and more market share.

Moderator: The next question is from the line of Amar More from Alfa Accurate. Please go ahead.

Amar More: Sir, I have a question on or rather a clarification on the new product pipeline. You said that 4 new molecules – two in CMO and two in enterprise – that will be produced from the new herbicide plant, right?

Ashok Hiremath: No, I said 4 new CMO products, 1 enterprise sales product. The enterprise sales product will be made in the other plant and the 4 CMO products will be made in the herbicide plant.

Amar More: Because last call if I remember, sir, we have talked that 4 new molecules – 2 CMO and 2 enterprise products – which were likely to be produced from the new herbicide plant. Now followed by that, we are saying 3 new molecules in triazole fungicide where the market size is around 1 billion plus, that we will be introducing with a new CAPEX and followed by that again we are saying that 4 new molecules in the CMO, right? So, basically 4 + 3 + 4.

Ashok Hiremath: No, we had those two which we had already got the commitments for, two more we got commitments for now in this quarter. So, those we will have to produce now. So that two goes to four. The one enterprise molecule in any case we had in the pipeline. The 3 molecules are going to come on stream the following year because it is going to take us a year to build the plant. We (*Inaudible*) 51:28 in Q2 of this year. So, that's going to be in the next year.

Amar More: So, basically total 7 products. Is my understanding correct?

Ashok Hiremath: I will just clarify. One of the enterprise sales molecules that we are introducing this year will also be a part of the new plant because we will be producing it in our existing plant where the capacity will be relatively limited, but when the new plant comes up, that molecule will be produced in a much large scale. So, that will be overlapping, interchangeable with that one.

Amar More: Sir, this new triazole fungicide where the plant is going to come next year and as you said that \$1 billion kind of opportunity, so roundabout 40% would be these 3 products. So, addressable size would be something around 3000 crores. So, what we would be targeting? You will be targeting like just 10% market share in that. In that context, the CAPEX would be something around 150 to 170 crores even for these 3 new molecules?

Ashok Hiremath: Yeah, it's greater than 100 crores. We are finalizing the exact project cost but our initial estimate says it's more than 100 crores.

Moderator: The next question is a follow-up from the line of Dhruvam from HDFC Fund. Please go ahead.

Dhruvam: Sir, actually again some clarification. In the CMO plant, the CAPEX that you have done is about 100 to 110 crores and the asset turn that we had earlier probably mentioned was about 1.8 to 2X.



Now this CAPEX is split into two which is the CMO and the herbicide plant as the herbicide plant probably was in the enterprise business. So, when you talk about the 20% to 25% growth in the enterprise business, that includes the herbicide portion of the CMO project and the CMO part.... the growth that you have guided is 6% to 7%. Is that broad context right?

Ashok Hiremath: Yeah. When we say herbicide plant, it is a plant which can produce herbicide. Therefore, it can't produce fungicides. So, in that plant, we can produce a CMO product or we can produce a non-CMO product but it should be compatible with the herbicides.

Dhruvam: Sir, is there a broader target – how much will be in the CMO category and how much will be in the enterprise category? Or you can shift it whenever you get a contract?

Ashok Hiremath: Yeah, we can shift it.

Moderator: Ladies and gentlemen, that was our last question for today. I now hand the conference over to the management for closing comments. Over to you.

Nadir Godrej: 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.

Moderator: Ladies and gentlemen, on behalf of Axis Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
