



Astec LifeSciences Ltd.

Date: 9th February, 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 Wednesday, 27th January, 2021

Dear Sir / Madam,

Please find enclosed herewith transcript of Conference Call of Astec LifeSciences Limited with the Investors and Analysts held on Wednesday, 27th January, 2021.

The aforesaid information is also being hosted on the website of the Company viz., www.astecsl.com.

Please take the same on your records.

Thanking you,

Yours sincerely,
For Astec LifeSciences Limited

Tejashree Pradhan
Company Secretary & Compliance Officer

Encl.: As above



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“Astec LifeSciences Limited
Q3 and 9 Months FY2021 Earnings Conference Call”

January 27, 2021



ANALYST: **MR. ANKUR PERIWAL - AXIS CAPITAL LIMITED**
MS. KRUTI KARANI - AXIS CAPITAL LIMITED

MANAGEMENT: **MR. NADIR GODREJ – CHAIRMAN - GODREJ AGROVET LIMITED AND ASTEC LIFESCIENCES**
MR. BALRAM S. YADAV – MANAGING DIRECTOR - GODREJ AGROVET
MR. ASHOK HIREMATH - MANAGING DIRECTOR - ASTEC LIFESCIENCES
MR. ARIJIT MUKHERJEE – CHIEF OPERATING OFFICER - ASTEC LIFESCIENCES
MR. SAURAV BHALA - ASTEC LIFESCIENCES
MR. AMIT PENDSE - ASTEC LIFESCIENCES
MS. CHHAVI AGARWAL - ASTEC LIFESCIENCES

Moderator: Ladies and gentlemen, good day, and welcome to the Astec LifeSciences Q3 FY2021 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 Ayesha. Good afternoon everyone and thank you for joining us on the earnings call of Astec LifeSciences for Q3 and 9-month financial year 2021. We have with us today, Mr. Nadir Godrej – Chairman - Godrej Agrovvet Limited and Astec LifeSciences. From Godrej Agrovvet, we have with us Mr. Balram S. Yadav – Managing Director of the company. 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 the brief opening remarks from the management following up we will open the forum for an interactive Q&A session.

Before we start, we would like to point out that some statements made in made in today’s call may be forward-looking in nature and actual results may differ from those expressed or implied. we would like to hand it over to Mr. Nadir Godrej now for his initial remarks. Over to you, Sir!

Nadir Godrej: Good afternoon everyone. I welcome you all to the first earnings call of Astec LifeSciences. I hope and wish you are doing well and are staying safe. In the Q3, India has seen a sharp decline in COVID cases, which has led to the gradual opening of the economy and thereby an uptick in the business activity. There has been a V-shape recovery with most sectors in business activity at pre-COVID level. However, unlike other sectors Agrochemicals was not impacted by the lockdown and the companies in the sector have seen reasonable growth both in the domestic and the international market. Astec has also capitalized in this opportunity and our performance in terms of profitability has been excellent in the first 9 months of the year.

Now, I will quickly take you through the financial performance and key developments of the company during the third quarter and the 9 months ended December 2020. In Q3 FY2021, Astec reported consolidated total income of 117 Crores compared to 129 Crores recorded in the same period last year. EBITDA and PBT during quarter were 19 Crores and 11 Crores respectively as compared to 25 Crores and 16 in the same period last year.

For the 9 months FY2021, total income was 387 Crores compared to 349 Crores in 9 months FY2020. EBITDA and PBT were 80 Crores and 57 Crores respectively compared to 49 Crores and 22 Crores in the same period of the previous year. In the current quarter, the total income was impacted by the deferment of a few orders and declined in prices of one of the key products; however, on the 9-month basis, the total income grew at a healthy rate of 11%. We would like to highlight that due to the seasonality involved in our business, full year financials are a better representative of our performance.

Geographically revenue growth in the nine months is driven by the domestic business; however, exports have also been higher than previous year. Also contract manufacturing business has grown faster than the enterprise sales while the current quarters EBITDA is impacted by lower revenues on a nine-month basis EBITDA is up by 62%.

The revenue growth coupled with lower costs has contributed to our robust performance. For the full year also, we believe that our overall revenue and profit growth will be in line with our expectations. In terms of our ongoing projects construction of our new herbicide plant is expected to be completed in the fourth quarter. Further the construction of our new state-of-the-art research and development facility is progressing as per the plan. We believe that this will lead to a quantum jump in our R&D capabilities.

Opportunities for India agrochemical players remain high both in the domestic and the international market. The total agrochemical companies have increased their focus on Indian companies for manufacturing of active ingredients and intermediate agrochemical products thereby increasing these parties in the contract manufacturing system. Also as a large number of molecules in the next three to five years it furthers the process of Indian players. At Astec we believe that our future plans we are well placed to capitalize on the growing opportunity. That concludes our business and financial performance update for the quarter and the first nine months of the year. With this we are 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 Shravan Vohra an Individual Investor. Please go ahead.

Shravan Vohra: Thanks for the opportunity. I just wanted some clarification on two things first was on the stake sale by Mr Hiremath because he has been a promoter investor. So any specific reason for that sale

Ashok Hiremath: The stake sale was purely on an account personal reasons; I cannot elaborate too much on what those personal reasons were. It has no bearing on my confidence in the future prospects of the company. I believe in the future of the company being extremely strong. I

continue to maintain that view and I continue to have some stake in the company. But nevertheless, I sold some stock for my personal reasons.

Shravan Vohra: Perfect, thank you and the second question is, as Mr. Godrej mentioned that there is a lot expected from this industry and the government has also been talking about it, any long-term guidance in terms of revenue and profitability that the management can share?

Ashok Hiremath : Well, we have said all along that we target for CAGR of 20% in terms of bottomline. Our topline growth varies according to selling prices and market conditions, but the bottomline growth of 20% is what we target for. B.ecause we want to maintain our margins in spite of variations in selling prices, so that is the guidance I can give you.

Shravan Vohra: Right, and just one last thing on the herbicide plant, I think that Sir mentioned that the plant will be commissioning in Q4 t- and he had guided in the previous call that our targeted revenue would be between the range of 150 Crores to 200 Crores, so any timeline or will when we can achieve that kind of a revenue?

Ashok Hiremath: Yes, it will take a couple of years to reach full capacity utilization. Now reaching close to completion of the construction of the plants and we want to inaugurate the plant in the third week of February, so the full impact of the revenues will come in 2 years of the commissioning.

Shravan Vohra: Perfect, thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Ashish Thakker from Motilal Oswal Financial Services. Please go ahead.

Ashish Thakker: Thanks for the opportunity. Sir, if you could name, which product suffered most, impact on the realization, what was the quantum of the impact this quarter?

Ashok Hiremath: There was a products called (inaudible) 10.28 Tebuconazole. The price came down by 30% because the main issue was that in a falling market what happens is that you have raw materials, which you have already procured and you have stocked and therefore we have to get through those high cost raw materials and therefore your margins get affected temporarily. Subsequently, the cost of the raw materials have also gone down, therefore the margins will recover in Q4, so that is the product we the selling price went down significantly.

Ashish Thakker: Sir, this will continue to happen impact on Q4 as well, right?

- Ashok Hiremath** No, the Q4, in terms of the sales value is lower than what it was in the previous quarters, but the margins will get restored to the previous levels. This margin hit, which we took in Q3 will improve in Q4 because we have gone through all the high cost raw materials and now we have again realigned ourselves with low cost raw materials and therefore, our margins will be restored in Q4.
- Ashish Thakker:** Sir, as the guidance that given in earlier quarter that 19% to 20% EBITDA margins on a full year basis is sustainable, so that would stay, right?
- Ashok Hiremath** That would stay, definitely.
- Ashish Thakker:** Sir, in terms of your herbicide capacity, which is coming up you said February 3rd week, 2021 is the commissioning, so obviously fourth quarter we also see some booking of revenues from this facility, right?
- Ashok Hiremath :** May not because when we start a plant it take sometime for the finished product to come out, right. So I do not think we will see any revenue impact from the herbicide plant in the fourth quarter.
- Ashish Thakker:** Ok. Sir, you are saying revenues typically get booked with the lag of a quarter, right?
- Ashok Hiremath :** Well, I mean it takes about one to two months for the finished product to come out, for the new plants the products have to be approved by the customers and then after the quality approval is there then you ship the material, so it takes a couple of months for the cycle to start.
- Ashish Thakker:** Ok. Sir, one last question before I get back into the queue. On this herbicide plant itself, what is the kind of capex that you are expecting on this 80 Crores capex?
- Ashok Hiremath:** Capex, well Saurav Bhalra can you help out on this one, what was the capex in that?
- Arijit Mukherjee** We do not have it right now, we will take sometime to find the details and then we can share it offline, individually.
- Ashok Hiremath:** All I can say is that on an incremental basis again, the plant will give us an EBITDA margin of 20% plus, so the cost will be in-line with such EBITDA level.
- Ashish Thakker:** Sir, broadly over the next 2 to 3 years, we were having like aspirations of touching the 25% EBITDA margin mark, so divisionally that trend continues, right?

Ashok Hiremath: That trend is continuing, yes. We are getting a lot of very high quality enquires where the margins are better than previous products. And better our products mix becomes, higher the margin will be on a blended basis in the future.

Moderator: Thank you. The next question is from the line of Sagar Jethwani from PhillipCapital. Please go ahead.

Sagar Jethwani: Sir, thanks for the opportunity. Sir, can you please give us geography wise outlook or trend on how U.S., Europe, India, and rest of the world have performed, this is my first question? Thank you.

Ashok Hiremath: We have seen a lot of strong tractions in the US market. Of course everything varies from product-to-product to be honest, some products are selling very well in Europe, some products are selling very well in North America, and some products are selling very well in Latin America. We are seeing good demand in Australia. Australia is very cyclical market because they have years of drought and some good seasons where these last two seasons have been good in the same and good demand from there. The domestic market has also been rather strong. I am happy to tell you that one of the products, which we had seen a low demand last year is selling so well that we sold out till Q2 of the next financial year. So demand is not a problem for us. Geographically we are seeing good demand from all over the world.

Sagar Jethwani: Sir, my second question is how many molecules we plan to launch in the next 2 to 3 years?

Ashok Hiremath: In Q4, we plan to launch one molecule and in the next financial year about 2 to 3 molecules and every year we want to launch at least 2 molecules.

Sagar Jethwani: Sir, one last question knowledge base basically, if you can help us understand if there any alternative to triazoles based chemistry not sure if it's SDHI. Any comments on that would be helpful, thanks?

Ashok Hiremath: Now SDHIs have the roll in the market. As you know if you look at the history of fungicides you had the thiocarbonates and then you had phenylemines, and then you had the triazoles. Triazoles were introduced in the 80s and people in the 90s the strobilurans came along and then when the strobilurans came along people said the triazoles would be replaced. But what happened was that the strobilurans developed resist the fungus developed resistance to tolerance so they found that they can only be used effectively when they are combined with a triazoles. So the usage of triazoles it is like a bread and butter or fungicidal treatment. When as SDHI come they also work well along with triazoles fungicides so in spite of the fact that these new generation mode of action fungicides are

coming in triazoles fungicides are still growing and always need to be combined with the new generation ones so as to avoid fungal resistance. So we do not see that the market will be affected by the introduction of the new generation fungicides.

Arijit Mukherjee: One more addition to it, triazoles has much wider application, would have application of the crop coverage of triazoles is much wider than strobilurans number one, number two, the amount of combination they can make with other molecules that is also great and there is no any reported case of resistance. So all of this makes to be a good molecule to remain in the market.

Ashok Hiremath: I just will finish that by saying that of all the classes of fungicides, triazole fungicide is the largest market.

Sagar Jethwani: Very helpful, Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Swarnabha Mukherjee from Edelweiss. Please go ahead.

Swarnabha Mukherjee: Thank you for the opportunity. Good afternoon. Sir, 2 to 3 questions from my side, first of all in the opening remarks, mentioned that few orders got deferred in the current quarter, so just wanted to understand what is the quantum of that and that is the visible in the coming quarters that is my first question. Thank you.

Ashok Hiremath: Sorry, can you repeat that, I did not get it?

Swarnabha Mukherjee: So, in the order deferments that have happened, what is the quantum of that and this is visible in the coming quarter?

Ashok Hiremath: Well, that is equivalent to a profit of about 2 Crores. It is not very significant, it happens every quarter, so it is there, but we will makeup in the next quarter.

Swarnabha Mukherjee: That is very helpful, Sir. The second question is on the herbicides plant, so would this be primarily used for catalog products or would there be element of contract manufacturing be part of it?

Ashok Hiremath; The herbicide plant is being used for contract manufacturing, all the products that we have in mind are contract manufacturing products. That would have a good pipeline of products. We introduced one extremely promising herbicide intermediate in the last quarter because it was needed on an urgent basis, we made it in the existing plant, it has a potential to be a very large volume product. It is an intermediate for patented herbicide, but as the volumes

grow, we will be moving it into the new plants and then free up the old plant to make the existing products.

Swarnabha Mukherjee: Sir, if I understand correctly then, in your contract manufacturing business you are not dependent only on the triazole chemistry, right, so you are manufacturing products across different category that be a correct understanding?

Hiremath: Yes, correct.

Swarnabha Mukherjee: Sir, what proportion of this would come from the patented side, and how is your partnership with your customers. For example, are you involved in the early R&D stages or you come at a later stage and your contribution is more on the process side. If you could elaborate on that?

Hiremath: At the moment, we are not really doing early stage research. Our new R&D center, which is going to be commissioned next year will be at a scale where we can start doing the contract research part as well. Currently we are so busy with doing process development and bring products online that we do not have the bandwidth to do basic research. We come at a stage where there is either a product without a technology, we just have to do the process development or there is a tech available and then we take it and take it forward. So those are the two models at the stage, the development of the molecule, we are not involved for the moment, this is the plan for the future.

Moderator: Thank you. The next question is from the line of Amar Maurya from Alfa Accurate Advisors. Please go ahead.

Amar Maurya: Thanks a lot for the opportunity. Sir, my first question is on the margin when you had said that because of the RM basically your profitability gone down, but if I see the gross margin, our gross margin largely remains intact, so just if you can add some colour on?

Hiremath: Well, actually we did this analysis, the gross margin actually went down by about 0.5%. So if you look at it, it went by about 4.5 Crores in terms of absolute value, which flowed down to PBT level and then in terms of PAT level, it went down by about 5 Crores because there was a little bit of extra provision of taxation we had to do. For previous years, so now, 5 Crores of 12 Crores is the higher percentage than 5 Crores of 120 Crores, right, so therefore the percentage seems like a higher number, then in absolute terms that is the number, which is the difference.

Amar Maurya: Secondly, if I see your overall other expenditure that has broadly remained flat on a sequential basis, so wanted to understand what would be the increase in expenditure once

the herbicide plant comes and secondly, how many new employees will be adding in the new herbicide plant?

Ashok : I will answer the first part of the question, the increase in cost again, will be such as to give us a EBITDA margin of 20%, so this is the nature of piece, you put up a new capex, you put up a new plant, you hire more people, the capex is over there and then you have revenues and you have contributions and then you got an EBITDA, so that is going to be inline. But in terms of the number of people that we are hiring, Arijit please comment on that.

Arijit Mukherjee: The first part of cost will be similar to the cost, which we are operating currently, number are people roughly we will be adding up around 100 plus, 110 people in the initial phase and as and when the capacity utilization increase then we will see whether the requirement to increase of manpower.

Amar Maurya: So, peak employee would be how much in this to generate 200 Crores revenue?

Arijit Mukherjee: I think 110 plus another 10% to 15% will be increased. This will all depend later on, first initially it will start with 110, so all the department will be stopped sufficiently to carry on the operations.

Amar Maurya: Got that. Thank you, Sir.

Hiremath: We generally look it about turnover per employee return of about 1.5 Crores.

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

Saurabh Kapadia: Thank you for the opportunity. Sir, if I look at overall triazole portfolio, only I can see tebuconazole is the one molecule where the price has declined significantly compared to the other molecules. Any specific reason or any new supply data has come in last couple of quarter?

Hiremath : Yes, there was a lot, plants in China had got offline because of COVID. They came back online after COVID and that is why the prices went down, so this is like a steady state situation that we see going forward.

Saurabh Kapadia: So, going ahead, this pricing will be maintained or do you see scope for improvement at least on a tebuconazole side?

Hiremath: Well, see China at the moment again, is seeing a research on COVID, so we are seeing a lot of problems that are having restrictions, so we have to wait and watch and see what happens

over there and if some problems these tebuconazole plants are get located get effected then again, the prices may go up, but we will have to wait and watch to be honest.

Saurabh Kapadia: And how do you see the ramping up of the new plant going ahead, the new herbicide plant. So how do we see revenue for next year from this plant and maybe in the second year acquisition?

Hiremath: As I said, it will be a phase thing, it will reach that crew level of asset turnover ration of about 1.7 or so, within 2 years, so you can just look at that stepwise.

Saurabh Kapadia: May be first year at 1x kind of a turnover and then in the second year will 1.7 towards?

Hiremath: That is what we think.

Saurabh Kapadia: Just last thing, your long-term growth visibility definitely over the next 2 years this herbicide plant will get fully utilized and you also putting out the new R&D lab, so definitely there will be more molecules that will come on-steam or get commercialized, so is it fair to assume that every 1 and 1.5 years Astec will have to put a new multipurpose plant so as to cater the new molecules?

Hiremath: Thinks about right,. That is what one has to do, there is enough demand to keep putting up more, more plants, luckily we have a lot of land in Mahad still available to put up another 3 plant., but we also scouting for new land in Gujarat and we will be buying more land over there and then we might put another greenfield project over there in the future.

Moderator: Thank you. The next question is from the line of Abhishek Maheshwari from Sky Ridge Wealth Management. Please go ahead.

A. Maheshwari: Sir, thank you for the opportunity. Sir, my question is regarding your input imports. So what percentage of your total input cost you currently importing as of date?

Hiremath: The number is about 70%,-75% is what we import. We import 70% of our total purchases, of that 75% comes from China.

A. Maheshwari: Sir, have you set any internal targets because you are working on backward integration, so there are any internal targets may be 2022, you want to bring it down to this level or?

Hiremath: Yes, the good news is that we have commissioned one product, 50% of our purchases from China of one particular product and we have commissioned that plant, we have the position to make as much as we need, so depending on the price from China, we are the make or buy from there, so that immediately brings our total purchases from China down from 50% of

our total purchases to 25% if you chose to do that , so we do not have a specific number, but as far as possible we want to minimize the dependence on China and that is ongoing activity.

A. Maheshwari: I think that is my side, thank you. Sir, my second question is regarding the future outlook, so currently you are only focusing on agrochemical divisions, right, so do you see an opportunity for getting into key starting materials for API pharmaceuticals also or only, so you will be focusing on pharmaceuticals also?

Hiremath: Yes, for the moment we are doing non-GMP pharma intermediate as your opportunity arise and may be in the future we might put up a GMP facility somewhere, but at the moment non-GMP pharma intermediate, we have some products developed, it is just that we have been too busy to get the other projects to implement them, but as and when we have the bandwidth to do it we will do those projects.

A. Maheshwari: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Ankur Arora from HSBC Global Asset Management. Please go ahead. As there is no response from the current participant, I have muted the line. The next question is from the line of Nikhil Rungta from Nippon India Asset Management. Please go ahead.

Nikhil Rungta: Sir, thank you for the opportunity. Two questions from my side on the new herbicide plant, first you have mentioned that over the medium term the margin would move to opportunity 25% odd in this plant, what would be the type of gross margin we would be making in the products for this plant?

Hiremath: The gross margin then in that case would be closer to 50%.

Nikhil Rungta: Okay and next is, what is the capacity level are we booked for the new plant, is it 100% right now?

Hiremath: Not right now, but over the next couple of years, they will be. As I said we commissioned this new project, the contract for that will be finalized and the projects will be finalized and then we will have the full booking of that capacity.

Nikhil Rungta: So, in this new herbicide plant, which is starting in this quarter, my question was what type of capacity or order we would have already in that thing?

Hiremath: Well I mean, the orders are occupying 30% of the plant, but under negotiation for products, which will occupy the plants to maybe 80%. Then we have products in the pipeline, which

we are also planning to bring online in the next couple of year, which will take it up to 100%. The large quantity that we have given, so it is not that just something that we are hoping for, we have already supplied the trial quantity successfully, the census and the pattern is being introduced right now, the obviously the volumes will ramp up over a period of time, so it will grow on volume and therefore the opportunity of the plant will increase.

Nikhil Rungta: The followup question on this was, if any incremental new order or new customer is coming in, where do we booking those orders, basically the new plant is already occupied for these trials and all, so incrementally if new order is coming, what are our plans, are we in plans to set up any new in the near term itself?

Hiremath: No, in the new plant we have the ability to put up many more reactors, that is one option. The other option is that there is ways of de-bottlenecking your plants so it will get more throughput from the existing plant and therefore you create spare capacity like that. One of the things that we are going to be doing in our new R&D facility is process intensification, which is a way that you can get a level of more throughput from an existing facility. Now there are various ways of doing it, so there are many ways of freeing up capacity from the existing plants and then you can take on more projects.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good afternoon, Sir. My first question is, could you quantify what was the growth in our CRAMS for the 9 months period?

Hiremath: Arijit, you have that number.

Arijit Mukherjee: CRAMS grew by 14% on a 9 months basis.

Aman Vij: Sir, this was lower than the expectation or this is as per your expectation for the grams business growth?

Arijit Mukherjee: It will be little bit close because there is some deferment in terms of dispatches, so Q4, it will all catchup. In terms of order book, in terms of production only some orders could not be sent because of the shipping line problem.

Hiremath: On a year-on-year basis it will be a significant growth actually.

Aman Vij: Sure Sir, thanks for the clarification. My second and final question is, there was one of the major products, which was suppose to get banding in Europe because of COVID and other reasons, the band had been deferred by almost a year now and we have shifted some of our

customers to the new products. Could you talk about the contribution of that product and what are our plans incase that band is in full safe by FY2021?

Hiremath: See, one product got withdrawn in Europe about an half years ago, and interestingly we does the product where we are running so short of capacity and we literally we have booked till the end of Q2 of next year. so Europe sometimes constitutes 15% of the total market, so it is not the end of the world, in terms of any such eventuality, we have already got a new generation triazole fungicide on the development, which we plan to bring online by 2023. So that is the risk mitigation plan. This product even if there is any product issue in Europe is not going to become zero, it is going to decline a little bit and we are going to make it up with the large volume sales of this other product.

Aman Vij: Thanks for the clarification. Thank you.

Moderator: Thank you. The next question is from the line of Aakash Manghani from BOI AXA Mutual Fund. Please go ahead.

Aakash Manghani: Good afternoon. Couple of questions, couple data related other strategic in nature. The first data related one, so could you quantify the volume growth that you witnessed in 9-month FY2021?

Hiremath: It is on a blended basis, it is a little hard to tell you. It varies from product to product.

Arijit Mukherjee: 15% to 20% will be the roughly volume growth.

Aakash Manghani: What will be the split between domestic and exports, this year and last year?

Arijit Mukherjee: Domestic we consider both domestic as well as the...

Hiremath: We can call it about 50:50 Arijit?

Arijit Mukherjee: But that domestic also includes deemed export.

Aakash Manghani: What would be growth rates for each one of them, domestic and exports for 9 months?

Arijit Mukherjee: Domestic is around 60% year-on-year and export is around 40%.

Aakash Manghani: This is the sales split, right?

Arijit Mukherjee: Yes.

Aakash Manghani: And the growth rate would be how much?

Arijit Mukherjee: It is the growth rate, not the sales rate. This is the value terms.

Hiremath: Overall it has gone up by 11%, so I think the domestic growth was slightly higher than the export growth because the proportion of exports this year has been little less than domestic because we concentrated little bit more on domestic because our realization was better on the domestic markets, so you might say the blended growth is 11% and the domestic growth is little more, so we do not have the exact number.

Aakash Manghani: On the strategic question, I heard on the last conference call you mentioned that this new R&D facility once it comes on, your capabilities would increase many fold and it would be 5x increase capabilities, also earlier during the call you mentioned that enquiries are coming for higher margin products, so you will take 2 to 3 year view after your R&D facility comes on and every year hiring couple of key employees as well over there, what is your chemistries would you be able to look at, what opportunities are you targeting in terms of revenue size any ballpark estimates would do at this stage.? What sort of ROI would you be happy with once you start to manipulate these opportunities?

Hiremath: Okay, there is a lot of questions in one, the bottomline is we want to increase our EBITDA margins from 20% to 25%. We want to grow at the rate of 20% compounded. So we got to roll out molecules at that rate, we got the roll out higher margin products in order to do that, so in order to that we need to develop the capability, which attacks the higher margin products, so what are we doing in the new R&D facility, we are going to be developing capabilities through fluorination as you know Navin Fluorine, SRF have a monopoly on this, we are going to develop the capability for this. Organometallic chemistry, chiral chemistry, high pressure chemistry, flow chemistry, hydrogenation, some biochemistry these are just the short list the kind of things that we will be developing in the new lab, it is just a flavor, chemistry is a vast subject and we will be working on all sort of things. In a chemical plant, the profitability is not only driven by chemistry, it also the engineering as I said there are ways and means of improving the efficiencies so there are sources intensification methodologies, vapour phase reaction, so we will be setting up facilities for all those kind of things, working on where is new age technology. All these initiatives put together combined with the bench strength, we will have that much more people working on all these problems, which will enable us to roll out multiple projects. What happens now is if we are able to roll out two products in a year with that new R&D pipeline, with that new R&D facility, the new teams that we are building for technology transfer, we might be able to do 4 or 5 products a year or 6 products a year, that is how the growth will be accelerated and it will take some time.

- Nadir Godrej:** But that will take sometime
- Aakash Manghani:** About your end market you, will be agri focused or would this be across different end markets?
- Hiremath:** Well, as I said we are technology focused if the same chemistry we made in the application can be in a fine chemical or it can be in the pharma intermediate, we are agnostic to that. There are many opportunities in that area as well, but we do not want to invest separately in a GMP plant because that is a different ball game altogether at the moment, but at the right time we can do it in the future.
- Arijit Mukherjee:** One more addition on the books rate, the domestic was grown by almost 20% and export is by 6% on a year-on-year basis
- Moderator:** Thank you. We take the last question from Umang Shah from Asian Market Securities. Please go ahead.
- Umang Shah:** Sir, thank you for taking my question. So, exports have grown from 90 Crores in 2016 to almost more than 300 Crores in this year, so could you roughly breakdown how much was this export revenues have come from new geography, number two, gaining market share and number three, increasing volumes in the same geography?
- Ashok Hiremath:** To be honest, I have no idea. I do not know the answer of that question. How much has come from new geographies, well, the geographies are frankly the same, the Europe, the North America, the Latin America, Australia and domestic of course recently we have started opened up Japan, I do not know how much that would be perhaps 20 Crores to 30 Crores, what is the other part of your question?
- Umang Shah:** How much have been coming from new products? Can we do this offline afterwards. The numbers are not correct, the export YTD basis is not 300 Crores it is lower, there seems to be some problem in the data as well so probably we can take it offline.
- Umang Shah:** Thank you.
- Moderator:** Thank you. Due to time constraints, that was the last question. I now hand the conference over to the management for 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 happy to be persistence. Be safe and stay healthy. Thank you once again for taking the time to join us on this call.



Astec LifeSciences Limited
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Moderator: Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines you.