



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

16th May 2023
IOLCP/CGC/2023

National Stock Exchange of India Ltd.

Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051

Security Symbol: IOLCP

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400 001

Security Code: 524164

Subject: Transcript of Earnings Conference Call, post declaration of audited financial results for the quarter and year ended 31st March 2023

Dear Sir,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the transcript of Earnings Conference Call organized by the Company on 9th May 2023 post declaration of audited financial results for the quarter and year ended 31st March 2023.

This is for your information and records.

Thanking You,

Yours faithfully,
For IOL Chemicals and Pharmaceuticals Limited

Abhay Raj Singh
Vice President & Company Secretary

IOL Chemicals and Pharmaceuticals Limited
Earnings Conference Call
May 09, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY23 Earnings Conference Call of IOL Chemicals and Pharmaceuticals Limited.

From the management, we have Mr. Pardeep Khanna – Chief Financial Officer, Mr. Abhay Raj Singh – VP and Company Secretary, and Mr. Rakesh Mahajan – Advisor (Finance & Strategy). We also have an Investor Relations team from Adfactors PR.

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. Darshan Mankad from Adfactors PR for opening remarks. Thank you, and over to you, sir.

Darshan Mankad: Thank you, Michelle. Good afternoon everyone. I welcome you to the fourth quarter and full year ended March 31, 2023, Earnings Call of IOL Chemicals and Pharmaceuticals Limited.

Before we begin the earnings call, I would like to mention that some of the statements made during today's call might be forward-looking in nature, and hence, it may involve risk and uncertainties including those related to the future financial and operating performance. Please bear with us if there is a call drop during the course of the conference call. We would ensure the call is reconnected the soonest.

I now hand over the call to Mr. Rakesh Mahajan for opening remarks. Over to you, sir.

Rakesh Mahajan: Thank you, Darshan. Good afternoon everyone. Hope my voice is audible.

We are pleased to welcome you all to the fourth quarter and full year Earning Call for the financial year '23. Thank you very much for attending this call. Hope you all have gone through our quarterly results and investor presentation, which are available on our website as well as exchanges.

Before we discuss the company's quarterly and full year performance, we would like to share some insights into the emerging trends. My colleague Mr. Pardeep Khanna, who is the CFO, will then take you through the performance post which we will open the forum for the question-and-answer session.

The FY '23 was a rollercoaster ride for the businesses as tightening money policy by major developed and developing economies dictated the investment sentiment globally in addition to the increased energy cost. Despite global pessimism, the Indian economy has shown resilience and strong growth trajectory following robust retail consumption growth and private sector spending.

The focus of the government on infrastructure development post-COVID and the revival of the service sector has put the economy in good shape to withstand global uncertainties. The World Bank has projected FY23-24 GDP growth for India at 6.3%.

The supply chain disruption created by the resurgence of COVID cases in China during quarter two and quarter three of FY '23 has subsided, and this is evident from the correction in the prices of key starting materials that India imports from China.

The API manufacturers in India faced severe margin pressure earlier with significant correction in the raw material prices. The worst seem to be over for the sector as the domestic API manufacturers resumed their investments and increased their capacity gradually to capitalize on the robust domestic demand.

There is a concerted effort by the stakeholders including pharma majors and government through PLI schemes to reduce the API import from China, and the current sentiment around capacity additions by domestic players make us believe that over the next five to seven years, the country is likely to reduce dependence on China to some extent. With the company's focus on expanding the non-Ibuprofen business intensifying and the backward integration process initiated for many drugs, we are confident of improvement in operational efficiencies in the time to come.

In the specialty chemical space, India is a fast-growing consumption market. During our last engagement, we did mention that the chemicals raw material prices have stabilized, and that the margin for this segment has bottomed out. We are happy to have positive EBIT margin for this quarter in the chemical section.

With this update, I now hand over the call to my colleague Mr. Pardeep who will brief you about our financial performance for the quarter. Thank you.

Pardeep Khanna:

Thank you, Mr. Mahajan. Good afternoon everyone and thank you all for joining us today to discuss our performance for the fourth quarter ended 31st March '23.

I will take you through the financial highlights for the fourth quarter:

The total income of the company in quarter four of financial year stood at Rs.596 Cr as against Rs. 579 Cr in the corresponding quarter of the last year and Rs. 530 Cr in the previous quarter ended December '22.

EBITDA for the quarter was Rs. 104.5 Cr as against Rs. 50 Cr in the corresponding quarter of the last year and Rs. 49.7 Cr in the quarter third of financial year '22-'23. The EBITDA margin for the quarter improved to 17.5% as against 9.4% in the previous quarter and 8.6% on year-to-year basis.

Net profit in the last quarter was Rs. 65.3 Cr as against Rs. 27.7 Cr in the corresponding quarter of the last year and Rs. 24.2 Cr in the third quarter of financial year 22-23.

EBIT margin for the specialty chemical segment was at 5% compared to -2.2% in the corresponding period of the last year and -0.5% in the previous quarter. EBIT margin for the pharmaceutical segment too improved to 21.7% from 13.5% in the corresponding period of the last year and 11.5% in quarter three of the financial year '23.

During the last quarter, the exports also improved. The company made exports of Rs. 634 Cr as compared to Rs. 546 Cr in the last year.

With this, we open the forum for a question-answer session. Thank you very much.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Unnati Jadhav from Sharekhan. Please go ahead.

Unnati Jadhav: Good evening. Unnati here from Sharekhan. Just one question I have. What is the major reason for the EBIT in Specialty Chemicals to turn positive to 5% in Q4? And the 22.1% margin that you mentioned about the Pharma segment, what is the driver for the same? And is this sustainable in the medium term?

Abhay Raj Singh: Thank you for asking this question. Basically, you have asked two questions. The one question's for the chemical sector's profit and another is the better performance in the API.

So, let us take the better performance in the API. This better performance has been due to increase in the demand coupled with the better capacity utilization that resulted into the operational efficiency. Raw material costs also reduced to the some extent.

And with respect to sustainability, we assume and we consider that anything in the API business around 15% to 17%, 18% is very much sustainable. The chemical has performed better in this quarter because of the lower raw material cost in the Q3. The raw material cost has started softening from the Q3 onwards. There is an improvement in utilization also. These are major reasons for the better performance of chemical sector this quarter.

Unnati Jadhav: There has been a fluctuation that could be observed in your margins in the last few years. Do you believe with the new Paracetamol capacity, and new DMF filings it will be possible to maintain this kind of EBITDA margin trajectory or it will be fluctuating in nature?

Abhay Raj Singh: We believe that we will be able to maintain EBITDA margin around 15% to 16%. Regarding the volatility, it was not specific to IOL only. It was industry specific., Because our non-Ibuprofen segment is improving DMF filings have increased this year, there is a likelihood that this profitability will be maintained or get better in the next year.

Moderator: Thank you. The next question is from the line of Neelam Punjabi from Perpetuity Ventures. Please go ahead.

Neelam Punjabi: First of all, congratulations for good set of numbers. My first question is on the Ibuprofen business. So, as I see the Ibuprofen revenue has grown significantly during the quarter at about 250 crore. So, I just wanted to understand how much of this growth has been volume driven, and how much of it is value driven?

Rakesh Mahajan: As regard to this Ibuprofen Revenue, the revenue increase has come from the capacity utilization. The capacity utilization, which was 60%-70% around two, three quarters ago, has increased to 85% to 90% now.

Neelam Punjabi: So, the capacity utilization is at 85% to 90% currently.

Rakesh Mahajan: Right.

Neelam Punjabi: And was there any improvement in the Ibuprofen prices during the quarter?

Rakesh Mahajan: It is almost stable from the last you can say two quarters.

Neelam Punjabi: Secondly, my question is on the other APIs, non-Ibuprofen APIs. As I see it the growth has been in high single digit during the quarter Y-o-Y. So, could you just let me know why is the growth slower now and what are we anticipating in terms of other APIs' growth over the next couple of years?

Rakesh Mahajan: In the non-Ibuprofen segment, we have added one product that is Paracetamol. The capacity of which was increased from 1800 TPA to 3600 TPA. That was in the quarter ended March '23. So, the full capacity is not available during current quarter. We hope that from the next quarter its incremental growth will be in double digit and now after getting the European approvals for Paracetamol, we are expecting more revenue from the regulated market maybe after two quarter or three quarters.

Neelam Punjabi: That was my next question. So, that's given that we've got CEP approval for Europe. How much would be the realization difference in the regulated market versus our current domestic market for Paracetamol?

Rakesh Mahajan: It is in the range of 15%-20%.

Abhay Raj Singh : This is not standard and fixed because it differs from product-to-product and customer to customer basis But on an average, we can say around 20% to 25% better realization is always there on exports in the regulated market.

Neelam Punjabi: Lastly, on the gross margin, I see that the gross margin has gone up quite significantly on a quarter-to-quarter basis. Is this gross margin number of 35.7% sustainable now?

Rakesh Mahajan: We expect the gross margin will be sustainable, and we will try our best to maintain it or try to improve it.

Neelam Punjabi: Just one last question. What would be our CAPEX target for FY '24 and '25?

Pardeep Khanna: It is around 150 Cr to 200 Cr.

Neelam Punjabi: Per year or both put together, two years?

Pardeep Khanna: For the year '23-'24.

Neelam Punjabi: And FY '25?

Abhay Raj Singh : In fact, this year we clocked the CAPEX of 220 crore. So, our average is around 150 crore to 200 crore on a year-on-year basis. This is what we have designed and planned.

Neelam Punjabi: And this last year's CAPEX of 220 crore, was it largely for the Paracetamol plant upgradation or did we do some other Investments as well?

Abhay Raj Singh : No, this is for other investment also including the land, warehousing, and boilers, and some other's capital expenditures.

Rakesh Mahajan: ETP also.

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

Dhaval Shah: Two questions from my side. The first question is how much of your revenue currently will be coming from regulatory markets versus the others? And my second question is if you can share some data on the Paracetamol market, like the capacity in India versus the other major markets

globally which compete for market share in your end markets? So, how are you looking at creating a global position in the Paracetamol market the way you have done in Ibuprofen? These are my two questions.

Rakesh Mahajan: Thank you, Dhaval. As regard to exports to our regulated markets, as of now out of total exports, around 40% of our revenue share in export is from the regulated market. And the rest is to South East Asian countries, MENA and Latin American countries.

Dhaval Shah: Latin American, Southeastern Asian, and MENA. Understood, sir.

Rakesh Mahajan: With regard to Paracetamol, we have just started our journey in the Paracetamol with the small capacity of 1800 MTPA and then increased to 3600 MTPA. Our prime focus is backward integration for the Paracetamol. As regard to the competition and other things, it will take some time before we make a meaningful presence felt in the industry. But our focus is to first be fully backward integrated for the Paracetamol. After getting certain efficiencies in place, we may increase the capacity and then we will be able to define the market share of the Paracetamol vis-a-vis Ibuprofen.

Dhaval Shah: So, by backward integration you mean manufacturing PAP, which you have already developed successfully.

Rakesh Mahajan: Yes. We have already developed Para Amino Phenol in-house and consuming for production of Paracetamol regularly.

Dhaval Shah: So, sir, for this 3600 MTPA, how much PAP is required? What is the ratio?

Rakesh Mahajan: Entire production as of now is for internal consumption. You can say. it is fully internal since we are not buying from outside.

Dhaval Shah: And sir, who are the other Paracetamol players in India?

Rakesh Mahajan: Industry has lot of players like Farmson, Meghmani and Granulesto name a few.

Dhaval Shah: And this will be completely export. It will be used for export or it will be sold domestically also.

Rakesh Mahajan: We have just got, started getting the approvals like around two days back we got the approval from Europe. And initially, primarily, we are selling in domestically, but after getting the regulatory approval from other regulated markets, we will be able to export them.

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

Tushar Manudhane: Just again on Paracetamol, how much would be the global requirement in terms of tons?

Abhay Raj Singh: Yes. Correct.

Sanjay Gupta: And your last quarter seems to be very good one. Can we expect that the performance which you have made in the last quarter will be maintained for the coming quarters also?

Abhay Raj Singh: Yes. We hope so, and we will definitely try to maintain this or even improvise the performance of the last quarter in the next quarters also.

Sanjay Gupta: Any headwinds which you like, the challenges which the company may face in the coming financial year?

Abhay Raj Singh: Sanjay ji, we don't foresee any, but, I mean, there can be the geopolitical situations. We don't know, and we can't comment on any emergence of geopolitical situations. But with regards to the product, we are, with regard to the market we are, we don't foresee any specified headwinds.

Sanjay Gupta: I have been following your company for the last 3, 4 years. I remember two years back, there was a plant in Germany which started and the production of that plant affected the performance of our company also, IOL. Can you please highlight now what is the scenario there, whatever that German plant? Is it in operations now or what is its status now?

Rakesh Mahajan: The BASF has announced in 2019 that we are going to set up one plant for Ibuprofen in their plant in Germany. But after 2019 they have not announced anything officially that any plant has been started or operationalized so far. So, we don't know about the exact position because they have not officially announced anything about that plant after 2019.

Sanjay Gupta: Any more capacity or any such capacity which you can foresee to be coming up in China?

Rakesh Mahajan: No, no, China is not coming with any new fresh capacity as per our knowledge because they require the Isobutyl Benzene, for which India is the only supplier. They are not able to produce Isobutyl Benzene there.

Moderator: Thank you. The next question is from the line of Shaikh Muhammad Ayaz, an individual investor. Please go ahead.

Shaikh Muhammad Ayaz: I have a few questions, like we have got the approval, patent approval for Sartan drugs, green type of manufacturing process. Any update on that process, Sartan drugs?

Rakesh Mahajan: Now we have got the patent for that process from Indian Patent, and after getting the approval, we are working internally in the R&D and other systems, and at the appropriate time, we will come out with the decisions when we are going to start or not going to start. But we got the patent approval from Indian Patent.

Shaikh Muhammad Ayaz: Sir, you told you got such margin by better utilization of capacity, but when I see the Chemical segment, there is a less revenue from the last quarter, but the profit is good. So, how can you say that there is better utilization in terms of only margins or in terms of revenue also?

Abhay Raj Singh: So, Shaikh, as we said that we got the better utilizations that was specifically for the API. Relating to the chemical segment, the performance has got better because of softening in the prices of the raw material and the better management of the raw materials. So, that was the major criteria for the Chemical sector to become more profitable.

Pradeep Khanna: Also six months before we have got REACH certificate for export in the European market.

Abhay Raj Singh: Yes. So, our export also increased with the better realizations.

Shaikh Muhammad Ayaz: Sir, you already talked about the export. When I see the investor presentation, there was no data of domestic and export business of Q4 FY '23 quarter. So, can you provide that data particularly for export data of Q4 FY '23?

Rakesh Mahajan: We will try to incorporate that figure in the next presentation also.

Shaikh Muhammad Ayaz: Sir, another question is when I see the result for a year-on-year, I see there is Pharma segment has improved very good, but when I see the chemical business, it is the only business which we have little worried means because previous year FY '22, the profit was Rs.59 crore, and this quarter the profit is only Rs.19 crore. So, what is the future of Chemical segment which is what I am worried about?

Pardeep Khanna: We have done well in fourth quarter in Chemicals. The high cost inventory we had cleared in the third quarter. The prices of both ethyl as well as acetic acid is important in the chemical business. Now prices of acetic acid are stable, and ethyl acetate prices are also stable, and this gives us a comfort and profitability will improve. Also as earlier mentioned we have REACH Certificate for export of ethyl acetate in Europe. So, now we are sending shipment to Europe also. It will also add contribution in the ethyl margin.

Shaikh Muhammad Ayaz: So, we can expect good profit and margin from the chemical segment. Am I right?

Pardeep Khanna: Yes.

Shaikh Muhammad Ayaz: Last question from my side. I heard many times incidents of fire occurring in different companies' plants. So, how are we safe in terms of fire safety?

Rakesh Mahajan: We have done everything related to the safety of our plant, our manpower, our material and everything. Regularly we get inspected by third parties on voluntary basis, and every time we get the good report from the inspecting authorities. We also have ISO approval for that factory.

Our insurance people regularly inspect the materials, the official sites, and we incorporate everything available for the safety of our plant and manpower.

Pradeep Khanna: All the facilities are 100% insured.

Abhay Raj Singh: So, this question can be answered in another way, that the prevention is the only way out to prevent these sort of the situations or emergencies. For that we are having very strict norms, and we are following that.

Pradeep Khanna: We have safety department and Fire Tender in the plant.

Shaikh Muhammad Ayaz: Any regulatory authority coming for inspection in the near term?

Rakesh Mahajan: Around three months back.

Shaikh Muhammad Ayaz: I am asking in future.

Rakesh Mahajan: It's a regular practice, and maybe in June or July, we may again go for the inspection of our plant.

Moderator: Thank you. The next question is from the line of Meet Harishbhai Katrodia from Niveshaay. Please go ahead.

Meet Katrodia: My first question is how is the demand for Ibuprofen, Paracetamol and Metformin?

Abhay Raj Singh : Paracetamol, Metformin, and Ibuprofen demand is good. Our capacity, our assets are being utilized at about 80%, 85% capacity, and the demand is stable and growing gradually also for all these three products.

Meet Katrodia: And my second question is we are seeing good demand. So, is it sustainable or one time demand in the pharma segment?

Abhay Raj Singh: This is normal and sustainable demand.

Moderator: Thank you. There is a follow-up question from the line of Neelam Punjabi from Perpetuity Ventures. Please go ahead.

Neelam Punjabi: Thanks for the follow-up. Sir, could you give an update on the acetic anhydride plant which we were setting up for backward integration?

Abhay Raj Singh: Yes, Neelam ji, we are working on that and I think within this quarter we will commercialize the same.

Neelam Punjabi: Secondly, sir, what was the reason of us not participating in the PLI scheme for PAP? We have set up our PAP facility. Any reason why we didn't participate in the PLI?

Rakesh Mahajan: When this PLI scheme was open, then at that time we had no plan to set up the facility in-house. Now the scheme is closed. We are trying with the Ministry to get it listed in that scheme, but till date we have not got the approval from them.

Neelam Punjabi: My next question is on USFDA inspection on our other API unit. So, when are we expecting the same?

Rakesh Mahajan: We have already filed the DMF for all the non-Ibuprofen products to the US authorities. But we can't fix any date when they will be going to inspect us. Three years have passed in October '22. They can inspect our facility at any time.

Pardeep Khanna: But we don't have any official information in this regard.

Rakesh Mahajan: Because they are inspecting only now those units which have life threatening risk.

Neelam Punjabi: Sir, as I understand correctly, if you are waiting for this USFDA inspection to start exporting our other APIs in terms of Paracetamol, Metformin etc., to the U.S markets, is my understanding correct?

Abhay Raj Singh: See, only for the US and directly exporting the API, but otherwise all these products, we have approval for the Europe and other countries too. And moreover, our API are being used by the formulations company and the formulating doses are being exported to the US also.

Neelam Punjabi: Sir, my next question is a bookkeeping question. I see that the intangible assets under development in our balance sheet has increased from 3 crore last year to 8 crore this year. What is the reason behind it?

Rakesh Mahajan: That is where the company is implementing SAP in the company and that amount is representing investment in SAP. Intangible assets we paid to the licensing and other things.

Neelam Punjabi: And secondly, this, our finance cost for the year was Rs.16 crore. However, our borrowings are very less. It was about Rs.80 crore, Rs. 85 crore, right? So, what is the reason for this high finance cost?

Rakesh Mahajan: That is the use of working capital facilities.

Pardeep Khanna: Also due to a non-fund-raised working capital facility, the charges are included in the financial cost.

Neelam Punjabi: And lastly on receivables. Receivable days have gone up to about 83 days in FY '23, and this used to be at about 50-55 days, you know, during FY 20-'21. So, what's the reason behind it? And are we expecting normalization of this number going forward?

Pardeep Khanna: It is due to our new products which we are going to step by in the market. So, more credit to be given to stabilize these product in the market. Now it is normalized, and I think onward it will remain the same.

Neelam Punjabi: So, it will remain at this 80, 85 days or 50, 55 days is the normal level? What's the normal level for receivables for us?

Pardeep Khanna: I think normal level in our company is 80 days.

Neelam Punjabi: Just one last question on Metformin. So, how is the pricing scenario currently? And what is the pricing trend of DCDA input prices, has the profitability for our Metformin business improved?

Pardeep Khanna: Profitability in case of Metformin has been improved in the fourth quarter. The prices of Metformin in the market is stable and raw material cost is also softening. So, we are doing well in Metformin.

Moderator: Thank you. The next question is from the line of Vijay, an individual investor. Please go ahead.

Vijay: Sir, my question is that we have got the clearance from Brazil and Russia so can we export there?

Rakesh Mahajan: We can do in Russia but we are working on the payment system and in Brazil we already selling our material there so there is no problem.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investment. Please go ahead.

Vignesh Iyer: I have got two questions from my side. First one, can you guide us on a sustainable segmental EBITDA margin or EBITDA per Kg as in case for maybe Paracetamol, if you have any internal working for the year FY '24? And the second question is what all CAPEX are we expecting to commission in FY '24?

Abhay Raj Singh: So, Vignesh, sustainable sector-wise you are talking about the EBITDA margin.

Vignesh Iyer: Yes, segmental EBIT.

Abhay Raj Singh: On a sustainable basis, we understand the range if 12% to 15% for the API segment. 16%-17% is on higher side. Higher single digits is good for the chemical sector. Relating to the CAPEX for the coming year, we have target of around Rs. 200 crore in FY '23 and '24.

Vignesh Iyer: And any of this CAPEX commissioning in, I mean, any CAPEX done earlier would commission in this year? Any facility?

Abhay Raj Singh: So, the acetic anhydride will come up in this financial year which was done in the last year. Mostly CAPEX was incurred during the last year, most of the part of the CAPEX.

Moderator: Thank you. The next question is from the line of Niharika from Aequitas Investment. Please go ahead.

Niharika: I want to understand the demand scenario for ethyl acetate as of now. How is the demand for that?

Rakesh Mahajan: The demand of ethyl acetate is you can say stable from the last two, three quarters, and it is sustainable demand.

Niharika: And how the prices for ethyl acetate and acetic acid?

Rakesh Mahajan: I think it is ranging between the Rs. 80 to Rs. 85.

Pardeep Khanna: For ethyl acetate and around Rs. 40 in acetic acid.

Niharika: And for the backward integration which we talked about Paracetamol, so once we crack that, will be the only company who would be able to achieve that kind of backward integration in India?

Rakesh Mahajan: As of our information, we will be the first company in the world which is backward integrated.

Niharika: And are we planning to sell PAP and all the other backward integrated chemicals to the outside parties also or will it only be for captive consumption?

Abhay Raj Singh: As of now, whatever the PAP is being manufactured by us is fully utilized for captive purposes. But ongoing basis if we will be having any surplus, then definitely we can consider.

Niharika: But why aren't we focusing on increasing the capacity of PAP, if we are able to kind of?

Abhay Raj Singh: We are not focusing on increasing the PAP capacity. The PAP capacity will be increased, will be synchronized with the overall capacity of the Paracetamol.

Moderator: Thank you. There is a follow-up question from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Sir, this you mentioned about raw material price softening for Metformin. So, that will be you referred to DCDA. Am I correct?

Pardeep Khanna: Yes.

Dhaval Shah: And is China still the only source for DCDA?

Pardeep Khanna: Yes.

Abhay Raj Singh: Mostly yes.

Dhaval Shah: So, is anyone in domestically trying to make it or is there is some other geographies from where we can?

Rakesh Mahajan: Aurobindo has, I think, as per our information, Aurobindo has started setting-up the plant for DCDA, which maybe come after two or three years.

Dhaval Shah: So, still we are only depending on China.

Pardeep Khanna: Yes.

Dhaval Shah: What guidance would you give for the key APIs on the volume growth? Because if I understand correctly, FY '23, the entire growth was volume driven for your key APIs. Am I correct?

Rakesh Mahajan: Yes.

Dhaval Shah: And going forward, over the next year, how do you see that market growing for you?

Rakesh Mahajan: Our demand is sustainable, but our focus is now from domestic to export where our revenue and bottom line is expected to be.

Abhay Raj Singh: Moreover, we are also trying to increase our non-Ibuprofen business because in the non-Ibuprofen business we are getting the CEPs in the export also.

Dhaval Shah: This has been our long-term strategy as well to increase the business of non-Ibuprofen.

Abhay Raj Singh: Yes.

Dhaval Shah: Correct. So, on the Ibuprofen, if you recap like in the Ibuprofen and non-Ibuprofen, what sort of volume growth would you see for FY '24?

Abhay Raj Singh: In the Ibuprofen or non-Ibuprofen or cumulatively?

Dhaval Shah: Both the businesses, Ibuprofen and non-Ibuprofen.

Abhay Raj Singh: In the non-Ibuprofen, we are considering around 50% growth for this year.

Dhaval Shah: And Ibuprofen?

Abhay Raj Singh: Ibuprofen, actually, our demand is sustainable, and we are utilizing around 85% to 90% of our capacity.

Moderator: Thank you. The next question is from the line of Rakesh, an individual investor. Please go ahead.

Rakesh: Sir, I have questions in two parts. If I look at our the complete growth over the last decade or so, we have grown about, you know, on an average 16%, 17% every year. Now, you know, going ahead, we are adding more CAPEX. You indicated in the range of 200 crore. Last year we did 200 crore plus. We are also sort of backward integrating more. We are also focusing on selling in developed markets where the realizations are higher. If you look out three to five years, what's the aspiration in terms of would we be able to get closer to the growth we have in the past? That's number one.

And number two, you know, last quarter, our operating margin was about 16%. I am taking out other income. So, if we are backward integrating, we are exporting more. Why do you still think that our normalized margin would only remain in that 15%, 16% range? Would you not expect it to go higher? Those two questions.

Abhay Raj Singh: Thank you, Rakesh, for asking this question. On a being a conservative side, we answered, we given this guidance because this is what our forward-looking statement also. So, we don't want to be very aggressive on this number, but there are many reasons, there is a likelihood that we can perform better than what we are saying, what we are projecting.

Moderator: Thank you. Ladies and gentlemen, this would be the last question for today which is from the line of Riddhi Shah, an individual investor. Please go ahead.

Riddhi Shah: So, my question is regarding the CAPEX, the 200 crore CAPEX. How would you divide that between growth CAPEX or for backward integration or its maintenance CAPEX? So, can you help me with that? And over these two years, like, I think, in FY '23, it has been 200 crore. Previous year it was 100, and then next year you are also stating 200 crore. So, just trying to understand.

Abhay Raj Singh: Most of the part is going towards the growth CAPEX. Maintenance is not very much. So, we don't have any overall the exact breakup as of now, but most of this CAPEX is going towards the growth capacity.

Riddhi Shah: So, the entire is growth CAPEX.

Abhay Raj Singh: There has been a small amount around 50 crore you can consider against the maintenance.

Riddhi Shah: And out of that the rest 150, some of it would be for backward integration also.

Abhay Raj Singh: Backward integration, procuring the land, also improving the ETT, all these things.

Riddhi Shah: And this capital work in progress, which was 80 crore, so what would be the break of that?

Rakesh Mahajan: Primary is acetic anhydride plant.

Riddhi Shah: So, that is the raw material. That is backward integration for our chemical business.

Pardeep Khanna: Paracetamol.

Riddhi Shah: Okay. So, Paracetamol.

Abhay Raj Singh: Paracetamol and acetyl chloride, that ultimately consumed for the Ibuprofen. So, the acetic anhydride is the raw material for Paracetamol as well as Ibuprofen.

Riddhi Shah: So, the pharma side, okay. And 200 crore which you are planning for the CAPEX, that would be for what?

Pardeep Khanna: It's the mix of Chemical and Pharma. Also for backward integration of some non-Ibuprofen products.

Riddhi Shah: Sir, roughly in your industry, how long does it take for the CAPEX to commercialize?

Rakesh Mahajan: In API, it took more than two years, but in chemical after setting-up of the plant, it can start immediately.

Riddhi Shah: And for ethyl acetate, so that's one of the major chunk of your chemical business, right?

Pardeep Khanna: Yes.

Rakesh Mahajan: Primarily ethyl acetate only in the revenue.

Riddhi Shah: So, can we assume that the cycle has now like hit the bottom and now it is going to go up, like considering raw materials?

Rakesh Mahajan: We already bottom out in the last quarter, maybe in December quarter.

Riddhi Shah: So, now you don't see it, don't see any threats in that particular business.

Rakesh Mahajan: We are hoping for that.

Abhay Raj Singh: Yes, you are correct, Riddhi. Your understanding is correct.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to Mr. Abhay Raj Singh – VP and Company Secretary, for closing comments. Over to you, sir.

Abhay Raj Singh: Thank you very much for joining us today and discussing our quarterly and full-year performance. The last financial year was rather turbulent for the world economy as well as for the sectors. However, the underperformance of this sector and the volatility was short lived. With improved domestic demand in both these sectors and better managed raw material prices, we hope that the next financial year will bring more value additions for investors and shareholders alike. Thank you so much once again for attending this call. Have a nice day.

Moderator: Thank you, sir. On behalf of IOL Chemicals and Pharmaceuticals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.