

AIMCO PESTICIDES LIMITED

H. O.: "AIMCO HOUSE", 8th Road, P.B. NO. 6822, Santacruz (E), Mumbai -400 055.(India)
Tel: +91-22-67604000 •Fax : +91-22-67604060/70
E-mail : aimco@aimcopesticides.com • Web Site : www.aimcopesticides.com
CIN NO. L 24210MH1987PLC044362



August 11, 2020

Ref.: APL/CO/BSE/14/2020-21

To,
The Manager
The Department of Corporate Services
BSE Limited
P. J. Towers, First Floor,
Dalal Street, Mumbai - 400 001

Dear Sir / Madam,

Subject: Transcript of Conference Call held on July 27, 2020

Reference: Aimco Pesticides Limited (Scrip Code - 524288)

Please find enclosed herewith the Transcript of Conference Call conducted by the Company held on July 27, 2020.

This is for your information and record.

Thanking You.

For Aimco Pesticides Limited

Anuradha Matkar
Company Secretary and Compliance Officer
ACS No. 57570

Encl.: a/a

**Regd. Office : 81/1, M.I.D.C. Industrial Area, Lote Parshuram, P.B. No. 9,
Village Awashi, Dist. Ratnagiri - 415 707, Maharashtra
Phone : (02356) 272136 / 272137 / 272138**

AIMCO PESTICIDES



AIMCO PESTICIDES LTD.

AIMCO Pesticides Limited
Introductory and Q4 FY20 Earnings Conference Call
27 July, 2020

Management Participants

Mr. Samir Dave - Executive Director
Mr. Ashit Dave - Executive Director and Chief Financial Officer
Mr. Hiren Shah – Purchase Manager



Analyst – Mr. Sayam Pokharna

Moderator: Ladies and gentlemen, welcome to the introductory conference call and Q4 FY20 performance discussion on AIMCO Pesticides Limited. As a reminder, all participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the opening remarks conclude. Should you need assistance during the conference call, please signal an operator by pressing '0' then '**' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sayam Pokharna from The Investment Lab. Thank you and over to you, Mr. Pokharna.

Sayam Pokharna: Thank you Dipesh. Good afternoon everyone. I hope you all are well and welcome to the management conference call of AIMCO Pesticides Limited. Now we have with us Mr. Samir Dave – Executive Director, Mr. Ashit Dave – who is the Executive Director and Chief Financial Officer and Mr. Hiren Shah – Purchase Manager of the company. The investor presentation has already been uploaded on the Stock Exchange and it has also been emailed to you. In case, if anyone does not have a copy of the same, please do write to us and we will be happy to send it over to you. Before we begin the call, I would like to remind you that everything said on this call that reflects any outlook for the future which can be considered as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that we face. These uncertainties and risks are included but not limited to what has been mentioned in our annual reports filed with the Exchange. With that said, I would now like to hand over the call to Mr. Ashit Dave for opening remarks, over to you Sir.

Ashit Dave: Good afternoon everyone, I am Ashit Dave and thank you everyone for joining the introductory and maiden conference call of AIMCO Pesticides Limited and since this is the first call, I would like to brief about the company and AIMCO Pesticides Limited is a very old company, is incorporated in 1987 and it was started by my father, Mr. Pradeep Dave, who is also a veteran of the industry and also the President of the PMFAI, which is the association for Agrochemical Companies from India. Chlorpyrifos is one of the largest productions of AIMCO Pesticides Limited and the plant was set up in 1993 to manufacture Chlorpyrifos and it is located on Mumbai to Goa highway, near city called Chiplun. From 1993 the production started and the main focus of the company was selling the product in India, selling their brands, formulated brands in India and after first few years which were good profitable ones, the competition increased in Chlorpyrifos, there were lot of other manufacturing plants were set up in India and there was steep competition in India for Chlorpyrifos. India suffered a continuous bad drought condition from 1999 to 2000, 2001, because of all these the company ran into trouble and we tried to reduce the size of our operation, we tried to remain profitable and eventually we started focusing on export market more and started registering our products all over the world, shifting our focus from domestic market to international market where we would have a better stability of impact of bad monsoons and because of that the export business started improving and we settled our outstandings with financial institutions, mainly State Bank Of India and IDBI. And eventually by 2013 we became debt free and the operations also revived by that time,

Chlorpyrifos. We introduced two more products like Triclopyr and Thiamethoxam, Bifenthrin is the recent one and we started focusing more on export market. At the same time, we continued our branded sale products in India and we are slowly growing into that segment as well. So basically, we have three business segments right now; one is the Branded Formulations sales, second is the Export Business in which we do the Formulation Export as well as Technical Grade Product Exports and third is the B2B business where we sell bulk products to other companies. We had many years with sales figures growing maybe, you know at times we were growing 100% and then we slowed down but what has happened is, over a period of time we have now stabilized and we have firm footing on our different market segments where we are focusing now and we expect a consistent growth with new products introduction in next few years. As far as performance is concerned, I would I think leave it to all the investors to, participants to ask their questions and then once I clarify, I think it will become more clear. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question, may press '71' and '*' on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press '70' and '*'. Participants are requested to use handsets while asking a question. First question comes from the line of Mr. Ramit Bhardwaj, he is an individual investor, line is unmuted.

Ramit Bhardwaj: Hello guys, I am an individual investor here. So overall I have been with the company for last four years and I had a pleasure of even attending one of the AGMs where I met Ashit. So overall performance wise, it was very good, you know last till probably 2019 and I am sure you will be doing well but my only concern has come from the pledge that you have created. More than half of your stake is pledged right now, so first question is, why did you created, you have given the reasons of taking working capital loan but then again you were a debt-free company, right, it should not have been a problem? And second, how do you plan to address it, I mean till what time can we see this pledge being revoked?

Ashit Dave: I will tell you, as you said the pledge was created primarily due to raising of working capital fund. We were a debt-free company when we raised this debt but if you remember as I had told you that we had done a settlement with IDBI and SBI in 2013, so raising new debt was always little difficult and we wanted to raise a small amount of debt so that we can have some comfort with working capital as we depend a lot on import of raw material from China and we now from last year wanted to slowly shift some of our raw materials buying from China to India and because of that and we were also spending some amount on capital investment. Last year we spent some money, this year also we are spending some money on capital investment. So not to strain our existing cash flow and to enhance the current cash flow and working capital, we borrowed Rs. 4 crore term loan and Rs. 6 crore working capital and for that the shareholding of promoters has been pledged. We do not plan to carry this for a long

period of time and we are working on alternatives where we can, we will have this pledge removed very soon.

Moderator: Thank you Mr. Bhardwaj. Next question comes from the line of Mr. Yogansh Jeswani from Mittal Analytics, your line is unmuted.

Yogansh Jeswani: My question is more regarding your margin profile, Sir. We understand that the company is into both; Technicals and Formulations and a lot of our products go into export and we also have a significant domestic exposure, so just to understand the margin profile in terms of say, 4%, 5% operating margin percentage. Why is that the case and do we have any plans or do we see a scenario wherein these operating margins are likely to move up, to say 10% + kind of a margin, given the change in product profile that we might have?

Ashit Dave: See, if you get our financial year 2018-2019, the large part of our business was from Formulated product sale which was exports and normally if when your business is of dealing in Formulated bulk sales, the margins are lower. Branded sale, the margins are higher and also Technical sales, the margins are higher. So, we have slowly started focusing more on Technical sales and Branded sales Formulation also. So, from last year to FY19-20, we have moved away from the bulk business to Technical sales more and that is continuing in this year as well where we will have more of Technical sales and Branded Formulation sales rather than Bulk sales, Bulk B2B business where margins are lower. So, we are slowly trying to improve our profit margins and we will see that continuing over the period of years.

Yogansh Jeswani: Fair enough Sir. The reason I wanted to understand about the change in margin profile if that is possible because if I go back say the company's performance, say three, four years back, say in 2016-2017 when we were a Rs. 100 crore odd turnover and today we have almost doubled that turnover, however the profitability is still at those level, say of a Rs. 5 crore, Rs. 7 crore, Rs. 8 crore, Rs. 10 crore odd profit that we are making, so why is that the case when we are doubling the turnover but the result is not going down to the bottom line and if I further dig in, I think the gross margins is very low for us. So, are we into some products which are highly competitive and that is the reason that despite having a higher turnover we are not able to squeeze out the operating margins from those products?

Ashit Dave: It is basically a combination of both I would say; when we moved from Rs. 110 crore to Rs. 200 crore, basically the growth came from export of Formulated Product but the margins were not great, the margins were low. So for us it was an incremental business with lower margin but yes, it would bring in more revenues, at the same time lot of competition from China stepped in and the margins were really pushed below accepted levels, so from 18, 19 levels, we in fact, closed at a lower top line this year, mainly because some of the businesses which were very low profit margin, we avoided getting into those businesses and rather than concentrating on Technical

sales. So, this year onwards, we are also focusing more on Technical sales where we have better gross profit margin. At the same time, the pricing situation, competition situation also has improved and demand in India is also very good this year, so everything put together the margins also have substantially improved now.

Yogansh Jeswani: Right and Sir another question would be on your product basket, if I look at the products that we have, the top few products like Chlorpyrifos, Triclopyr, Bifenthrin, so a lot of these products fall into that category wherein which the government is proposing to ban. So how does one look at it from the risk point of view that how the company will be affected, if in case these products are banned and for say, for example a product like Chlorpyrifos, it is not just Indian government that looking to ban these, there are several other governments worldwide which are looking to ban these products. So how do you see that risk playing out for your company and is there a plan in place wherein we have replacement for these products and if yes, what exactly are those products and how do we plan to proceed with this?

Ashit Dave: Okay, so as far as Technical products manufacturing is concerned, we are manufacturing Chlorpyrifos, Triclopyr and Bifenthrin. Now out of all these three, our main production; Chlorpyrifos yes is a product which is considered old and even Indian government has just recently come out with Gazette notification of banning the product but at the same time, it is a product very hard to replace with newer molecule cost effectively. So Industry Associations and everyone is taking up this issue with the government and whatever all the discussions we have had in the last few months I feel that the ban in India, it will not happen as fast, like in next six months or so, it will take some time but at the same time yes, we are aware that Chlorpyrifos may have certain restrictions going forward and the demand may go down. So that is the reason why we have included Bifenthrin, we started manufacturing Bifenthrin since last year and we plan to increase Bifenthrin sales over a period of time and we have spent substantial amount of money registering Bifenthrin in many parts of the world; South America, The US, Australia, New Zealand, everywhere so that if the volumes of Chlorpyrifos comes down, Bifenthrin volumes will replace and a product in which margins are better than Chlorpyrifos. So that is the plan that we will replace Chlorpyrifos with Bifenthrin.

Yogansh Jeswani: Understood Sir, that is very helpful. Just to get some more sense of the product basket, what portion of our revenue would these three contribute, say for FY20 how much of our percentage revenue would be from these three products, Sir?

Ashit Dave: From these three products would be almost 70% of the revenue would be from these three products.

Yogansh Jeswani: And like you said, Bifenthrin you started last year, so from year on year onwards what portion can we say that say earlier Triclopyr and Chlorpyrifos must have been 70%, 80% of our revenues, now with Bifenthrin how has this mix changed?

Ashit Dave: Bifenthrin at the moment for us is a small molecule because the registration process is still going on, we still do not have these registrations in place but we expect these registrations to start coming from 2021 and then we will get into new markets with Bifenthrin and the potential is very good and we plan to have equal percentage of share of Bifenthrin and Chlorpyrifos by next year but then it depends how Chlorpyrifos moves, the government decisions and other countries' review how the big progress is but Chlorpyrifos still remains to be the most competitive organophosphorus product which is available right now.

Yogansh Jeswani: Understood and Sir in our investor presentation, we had mentioned that in March we, because of the COVID lockdown and all, there was some spill over that, in terms of sale that we could not achieve and that spill over will be resulted in Q1 results, so have we seen that quantity getting lifted up in Q1 or was there some issue still in Q1 and it could not?

Ashit Dave: Yes, in Q1 because of the lockdown our production was affected for few days but after we resumed production there were lot of other logistics issue, worker related issue and because of that the whole month of April was severely affected. May onwards, we saw a very good revival in the normal operation of the company where we could immediately come back to normal sales level, all operating levels were perfect. June onwards, almost we are operating at very high capacity now. So, I can say that out of the first quarter, May and June were okay, April was affected but now everything is as normal as before.

Yogansh Jeswani: And last question from my end Sir; Bifenthrin as a product since we are very bullish on it, can you share what kind of margin profile company can expect from Bifenthrin as a product, once it reaches the desired scale and operability level?

Ashit Dave: Much better than Chlorpyrifos margins and the potential is very high but the scale depends on how fast we get our registrations and in which countries we get it. So Bifenthrin as a product has got a very good potential but it depends how fast we get the registrations. We have already done the work, generated the data, made the applications and now we are waiting for registrations.

Yogansh Jeswani: Right, so safe to assume it could be at least a 10% kind of operating margin product?

Ashit Dave: Better, yes definitely.

Moderator: Thank you Mr. Jeswani. Next question comes from the line of Mr. Keshav Garg from Counter Cyclical investments, your line is unmuted.

Keshav Garg: Sir I wanted to understand whether our capacity is fungible like we can manufacture any product in the same capacity?

Ashit Dave: At the moment, normally in a chemical plant what happens is that the capacity is dedicated for that product but it is possible to switch from one product to another, it depends on the Chemistry but with few changes in the plant and addition, deletion of some reactors and pipeline and everything, all utilities we have to see. It is possible to change from one product to another but it depends, total depends on the Chemistry.

Keshav Garg: And one of our major products that has been Chlorpyrifos, that has been banned. Has it already been banned or is it in the phase and Sir even in the worst-case scenario if it is banned for sale in India, can we still manufacture and export that?

Ashit Dave: Yes. At the moment, I will tell you the current position. In June, government of India came up with a draft notification banning twenty seven molecules in India, so after that they came up with an amendment on the draft mentioning that, that even if this ban, the ban is only restricted for India, that companies can produce and export these products, if they want but at the same time there are lot of discussions and lot of representations from most of the companies in India including multinationals who are not in favor of banning these products and lot of positive response has been received by the industry from the government officials who have assured that they are going to re-look at the decision. We still do not have a clear answer on that but we expect that this ban will not happen soon.

Keshav Garg: Sir, so how much of our domestic sales come from this product, I mean even in worst-case scenario if it is banned, so what kind of impact can there be on the domestic sales?

Ashit Dave: At the moment, almost about 30%, 35% of our domestic sales is from Chlorpyrifos.

Keshav Garg: Okay Sir. So how much would that be in terms of turnover?

Ashit Dave: At the moment, you can say about Rs. 55 crore to Rs. 60 crore.

Keshav Garg: So, if let us say that if the government bans this products, so will we be able to substitute this loss with more export of this product?

Ashit Dave: Sorry, I did not get this question, what you said?

Keshav Garg: Sir I am saying despite your expectation of this product not being banned, if the government still goes ahead and bans this product in India, so that around Rs. 55 crore to Rs. 60 crore of sales that we will lose in domestic market, will we be able to export and it will cover up for the loss in domestic sales?

Ashit Dave: Not exactly by 100% we will be able to replace, we will have some loss of business and at the same time, we will have to step up manufacturing and marketing of our new product also but any such kind of ban, normally it does not happen overnight. They will give us a period of at least four to five months when we know that okay now this is

the date by which we have to exit this product. So, there will be time, it will not happen overnight. Now the process of this draft amendment is that once the draft amendment is published/circulated, then the government receives objections from everyone, then all objections are heard, then appeals are heard after that and once the appeals are disposed off then the final gazette notification is gazette, so it is a long process.

Keshav Garg: Also, Sir this product, the domestic sales is how much of the total global sales. Sir I am not talking about our particular company, I am talking about the total global sales of this product. How much does India contribute to?

Ashit Dave: India manufactures Rs. 22,000 crore value of Chlorpyrifos and it will be almost about 35% to 40% of global sales of Chlorpyrifos.

Keshav Garg: So, in that case, if in case it is banned in India then everybody will try to dump this in export market and basically the margins will collapse, even in the export market for this product.

Ashit Dave: I do not think that once the product is banned in India there will not be many manufacturers who will continue manufacturing this product, they will switch to other products, you know we have lot of companies manufacturing, four to five companies manufacturing Chlorpyrifos, so not all of them will continue manufacturing, if such ban happens. So, the supply situation will auto correct that way.

Moderator: Thank you. Next question comes from the line of Mr. Aman Vij from Astute investment, your line is unmuted.

Aman Vij: Good afternoon Sir. My first question is, if you go back little bit in the history so 2014-2015, we had sales of close to Rs. 150 crore and then there was this big dip in 2016, so what had happened?

Ashit Dave: At that time, we discontinued some of the trading business we were doing, so if you look at 2014-2015, from I think Rs. 145 crore it was, then we came down to about Rs. 95 crore, so we discontinued some of the trading business which we had, you know we were doing at that time which was really contributing very small amount to the profit and involving lot of working capital. So, we consciously decided to get out of some of the trading business and if you see profitability, in fact percentage wise improved with a lower business size.

Aman Vij: The second question is regarding this Technical manufacturing, so for gross margins that business is around 30%, so could you talk about what is the operating margin in this business, on the Technical side?

Ashit Dave: For the last year, you are saying?

Aman Vij: Yes FY20, even a range is okay. So if the gross is 30, will the operating in this business will be like 10% in Technical only.

Ashit Dave: Last year was little less but this year it has improved substantially.

Aman Vij: Okay, the number I should take is, around 10%, Sir?

Ashit Dave: For this year?

Aman Vij: Yes.

Ashit Dave: Yes, this year you can safely take around that.

Aman Vij: Okay and Sir you had talked about that from three products we want to say focus on now eleven products, so currently Technicals last year contributed say Rs. 55 crore to our turnover. So next one to two years where do you think this number will be?

Ashit Dave: It will be higher, substantially higher than the last year's numbers.

Aman Vij: So when can we achieve say Rs. 100 crore in Technicals?

Ashit Dave: Again you know, it depends how this year goes, as far as what we have planned by next year we would be able to achieve that but again it depends how the whole scenario of this review of Technical goes, export market, China competition, so there are lot of variables, so some kind of uncertainty will be there in the product mix because we have to adjust the market conditions.

Aman Vij: Sir is it safe to assume in two years we can definitely achieve that, if not in one year?

Ashit Dave: Yes, two years is a safe period of time where we will be able to achieve.

Aman Vij: And like Bifenthrin any other products which you can think...

Ashit Dave: There are two more products in pipeline which is one insecticide and one herbicide, so we are working on that, we have started working on the data generation, the process development and all those parts, as the time goes but of course with these last 3-4 months, not much work has been done on development part of the project, so it has got little delayed but it is still on the track, we are working on two new products.

Aman Vij: Sure Sir, coming to the Formulation side, on the branded formulation, what is your vision, so currently branded formulation is only say very small, so where do you see this?

Ashit Dave: So, we are consistently growing in that segment but consciously we are not trying to grow very fast because Branded Formulation sale business is something which you

have to very carefully do that business, if you are not very focused on that segment and if you try to grow then you can loose lot of money, so what we are doing is we are being very careful in growing in Branded Formulation sale business where we do not have long credits and bad debts running and large expenses of marketing involved, so that business is suddenly growing for us but we are growing at a very slow pace and very cautiously.

Aman Vij: And last year how much did it contributed to our sales, Branded Formulations?

Ashit Dave: Last year Branded Formulations was about Rs. 35 crore.

Aman Vij: And sir on the Bifenthrin market, could you talk a little bit about how much is it in India as of now and are we focusing more on export or the domestic?

Ashit Dave: We are mainly focusing more on export, in India Bifenthrin is a new product and it is a growing market but what we are focusing is mainly on export markets. In India yes, we do have some brand sale of Bifenthrin at the moment but our growths will come from exports business.

Aman Vij: And how big is the market globally Sir?

Ashit Dave: Globally Bifenthrin as a product is almost about Rs. 4000 crore market.

Aman Vij: Okay and is it growing at what rate?

Ashit Dave: It is growing at a normal rate of about 8-9%.

Moderator: Thank you. Next question comes from the line of Rahul Jain from **Tridal** Wealth, your line is unmuted.

Rahul Jain: So, to my previous participant you mentioned that there are two more products which you are working on apart from the one which you have introduced?

Ashit Dave: Correct.

Rahul Jain: On the Product Development side I think that is there for next 2-3 years, is that correct?

Ashit Dave: Yes, correct.

Rahul Jain: Sir, other is gross margins have been around 25-27% in the last 3 years, so this new product Bifenthrin and plus the other product development, where we do see our gross margin movement in next 2-3 years to come, on an overall company basis?

Ashit Dave: Next, 2-3 years at least one of the new products will be commercialized but at the same time as I had mentioned earlier we are moving our focus from B2B sales of Bulk Formulated product from that to selling more on Technical and Branded Formulations. The gross profit margin will improve going forward.

Rahul Jain: And the incremental products which you are doing, do we have much higher margins?

Ashit Dave: The new products which we are working on yes, they are at very higher margin but at the same time going 2 years, 3 years forward what will happen, it will be a guess work if I give a number to that, so normally when you are about to commercialize the product at that time you have to see what the competition is but yes at the moment it is at very high margins.

Rahul Jain: And sir with regards to our capacity as we speak today, somewhere we have done a turnover up North Rs. 180-190 crore last year, so currently the capacitation comes from volume or the value sales what can be the kind of peak volume that the capacity value sales without much CAPEX added?

Ashit Dave: If you, with the current capacity what we have and current business what we have 25% - 30% growth from this is possible and we are working on that, we still have some CAPEX which we have to do in the existing plant to de bottle neck some of the capacities to increase production which is going on right now. And once that is done, we will have additional incremental production available itself and so there you can fairly say 25% - 30% increase is possible.

Rahul Jain: And what is the amount of CAPEX which we will be doing?

Ashit Dave: We plan to spend about Rs. 2.5 crore on the plant and then another Rs. 1.5 crore on the effluent treatment plant.

Rahul Jain: So, it is about Rs. 4-5 crore of CAPEX, we will have additional about 25% - 30% capacity, is that right?

Ashit Dave: Yes.

Rahul Jain: So, currently we are working at almost optimum capacity?

Ashit Dave: At the moment, yes.

Rahul Jain: And post this Sir what is the next CAPEX we plan at our company?

Ashit Dave: Next CAPEX will be to setup a new plant within the same premises to manufacture these two new products, which we have planned. And the work on that, we will start sometime later next year.

Rahul Jain: And will it be a large CAPEX to the tune of about Rs. 20-25 crore or somewhere less?

Ashit Dave: For one of the companies, it will be a large CAPEX.

Rahul Jain: And to the tune of Rs. 20-25 crore?

Ashit Dave: Yes.

Rahul Jain: And Sir with regards to registration if you could share some details? Sorry I have missed some initial 5-7 minutes of the call, so in case if you answered but I just came, was on another call. I just entered about 5-7 minutes late. So with regards to registration where do we stand and what are we trying to do on the registration part?

Ashit Dave: See what we are doing is, we are trying to register our current products as well as the new products which we are developing in various countries, where we are targeting to sell these products, now each country has a different requirement of registration and each country has a different requirement of data which we need to generate to register our products, so we have initiated registration of these products in all the countries where we are targeting to sell our products. Some countries we expect to receive registration next year, some countries will take some more time, countries like Brazil takes 6-7 years for registration so, and that is also not guaranteed, so we still have to wait and watch but at the same time you have to spend the money upfront to sell your products in future, so we have initiated all these work and by the time we are ready with the plant to manufacture we expect the registrations to be in place then. So, it is an ongoing process, so right now even if we have finished generating data on the two new products we are working on, we are already working on identifying further more products, so registration work starts first for us.

Rahul Jain: And Sir with regards to the exports, last year which are the major countries to whom we are exporting?

Ashit Dave: We are exporting to North America, South America, Australia, New Zealand, South East Asia, most of the countries, except leaving apart some countries like Japan and yes Europe, we are exporting everywhere.

Rahul Jain: Where do we see our company in say next 3-4 years, what is the kind of vision for our company in next 3-5 years to come?

Ashit Dave: What we are planning is that we consistently grow at a very substantial rate of growth and with consistently improving our profit margins and this is how we are planning to consistently grow over a period of 4-5 years and become very substantial, large production based company with new molecules in pipeline and we are emphasizing lot of effort on doing research on manufacturing new molecules, when I say new molecules it is not the invention of new molecules, new generic molecules which are becoming off patent.

Moderator: Thank you Mr. Jain. Next we have Saurabh Kapadia from Asian Market Securities, your line is unmuted.

Saurabh Kapadia: Just one thing I wanted to know like going ahead, the growth will largely be driven by the Technical product sales?

Ashit Dave: Yes, it will be mainly from Technical Production.

Saurabh Kapadia: And if you look at the opportunity, now like global companies are looking at India as alternative source to China, so are we planning a substantial investment over next 3-5 years maybe doubling our capacity and catering to the global innovators or getting any contract manufacturing orders from the global companies?

Ashit Dave: We are looking at those opportunities as well, we are definitely not ignoring any of that. We are also in active discussion with one of the companies for contract manufacturing of one of their molecules but at the same time we are also focusing on our own molecules. So, our immediate future productions will be our own molecules but at the same time we are also working parallelly on opportunities of contract manufacturing, yes. And as you said, because of the current situation with China there is lot of opportunity for Indian manufacturers to manufacture for multinationals.

Saurabh Kapadia: Okay but would it require a large investment for the contract manufacturing or can you accommodate in your existing plant?

Ashit Dave: I do not know, we cannot accommodate in our existing plant because our, whatever capacity right now we have is full and we will have to set up a new facility if we get into any contract manufacturing, so it will be completely a new investment.

Saurabh Kapadia: Okay and the last one, can you talk about your R&D capabilities; the number of people working in R&D and already you mentioned that two products are in pipeline but if we look at four to five years' timeline, so what could be the potential we should look at in terms of new products coming in?

Ashit Dave: Next four to five years, we will have these two new products definitely going in production. The volume what we will achieve in next two to five years, it is little early to put a number to because again it depends on how we get our registrations through and yes because of those restrictions on registrations coming through, it will be difficult to put an exact time on the products going in production.

Moderator: Thank you Mr. Kapadia. Next question comes from the line of Mr. Rohit Nagraj from Sunidhi Securities, your line is unmuted.

Rohit Nagraj: Thanks for the opportunity. Sir, could you give us the revenue bifurcation across the three business segments that you have **depited**, so Branded Formulations, then exports which contains Formulations and Technical and then B2B?

Ashit Dave: Branded Formulations is about 12% of our and B2B right now is at 48% and Technical is at 31%.

Rohit Nagraj: This Technical includes the exports as well or is it the Technical for the entire company?

Ashit Dave: It includes the exports as well.

Rohit Nagraj: Okay, Sir in terms of our major competitor in domestic market and outside India, who are the ones and how are we positioned among those competitors in terms of the capacities?

Ashit Dave: So if you look at Chlorpyrifos, the major competition in Chlorpyrifos would be Gharda Chemicals and then second will be Meghmani Organics, third would be **Dow**, yes **Dow** is the inventor and then we have Bhagiradha Chemicals. So these are the competition for Chlorpyrifos and Gharda being the largest amongst all the manufacturers for Chlorpyrifos, then if you look at Triclopyr, Triclopyr we are the largest manufacturer of Triclopyr in India, second would be Gharda again and third would be Bhagiradha and if you look at Bifenthrin, we have Bharat Rasayan, Meghmani, UPL and AIMCO in Bifenthrin and UPL being the largest in Bifenthrin.

Rohit Nagraj: And in terms of these three products, is there any competitions from China and are we seeing pricing pressure in the last few years on these products?

Ashit Dave: In competition from China, is there mainly in Chlorpyrifos and Bifenthrin and they are very aggressive and competitive in Chlorpyrifos, Chinese production is. Bifenthrin; India and China we are both at par almost and Triclopyr very insignificant competition from China.

Rohit Nagraj: And in terms of toll manufacturing, do we do any toll manufacturing for any of the customers or clients and how is the client base for our B2B businesses lined up, like ten or top ten client, how much they account for overall revenues and all?

Ashit Dave: Right now, we are not doing any toll manufacturing for any clients. B2B business right now is almost at 48% but we are slowly reducing that Bulk Formulations business both in local market and in the export market and concentrating more on Technical sales and Branded Formulations sales. We will see this ratio changing a little bit this year, basically it gives us better margins on the same base.

Rohit Nagraj: Right, Sir just last question; on the exports front, currently what is the contribution of exports and how do you foresee, maybe after three years down the line in terms of the export's opportunity?

Ashit Dave: I think last year we were almost 60% exports, our top line 60% was exports. This year going forward, it will be almost same but you can always have 5% or 7% here and

there depends on how the market conditions are and specially when you have a very good monsoon in India, I would expect Indian business will be bigger and exports percentage will be lower than the last year in the total sales.

Moderator: Thank you. Next question comes from the line of Mr. Ankur Agrawal from R C Web Solutions Private Limited, your line is unmuted.

Ankur Agrawal: Good afternoon Sir. I wanted to know that the raw material that comes from China, how much is ours in this?

Ashit Dave: Now, as per the current situation, under it almost 60% of the raw material comes from China. So previously this percentage was more, we have started buying some of our requirements from the few Indian manufacturer of this raw material since last year and this year we have increased our quantity to be bought from Indian manufacturers. So, this percentage will not decrease immediately but in the coming two to three years the Chinese dependency will almost come to an end.

Ankur Agrawal: So will our raw material cost increase due to that or will it remain the same?

Ashit Dave: Right now, a little impact has come on the raw material cost because in India also the capacity is not that much, the Indian raw material manufacturers' capacity is limited right now, that is why the prices have increased a little but in the long run these prices will stabilized. Going forward, the impact will not be that big.

Ankur Agrawal: The cost that has increased, have you ...?

Ashit Dave: Market has absorbed that increased cost of the raw material. So the finished product price has also increased accordingly. So that did get absorbed but going forward this will get levelled out, this is temporary. This situation also has few issues like many plants are not working on full capacities, so there is a little demand-supply gap also, so due to that the prices and all have increased but this will all get levelled out in some time.

Ankur Agrawal: Now our Technical is 31% of the volume, what timeline has the management decided to increase this, what do you feel, to bring it to 50%, 60%?

Ashit Dave: We will try to bring it to almost 50% this year and the B2B Formulations sale in which the margin is a little less, so we will reduce that and we will increase our Technical sales. So, we would need to increase the capacity a little and hence we have already started working on it.

Ankur Agrawal: How has COVID impacted the quarter just went, the June quarter? Have we come to 100% capacity in June?

Ashit Dave: In the June quarter; the April month's working was impacted, working improved in May and June. So June quarter will be good enough.

Ankur Agrawal: Are you declaring any fixed dividend policy upfront?

Ashit Dave: Dividend we declare only once a year, I think so we will continue the same this year as per last year's but again it depends on the market situation, if it is according to what we have planned then definitely we will continue the same.

Moderator: Thank you. We will take the last question for the day and the question comes from the line of Mr. Ayush Mittal from Mittal Analytics; your line is unmuted.

Ayush Mittal: Good to see conference call happening, good to hear from you about the company. I hope we can do it more regularly. Broadly, I have been following the company for sometime and though the company has grown and we have seen that we have made some investments into fixed assets and all those things and you were telling about more products in pipeline, so what is the optimum turnover target or number that we plan to achieve in say in 2-3 years or from current capacity what is the optimum turnover that we can do?

Ashit Dave: See from the current capacity and some investment in de bottle necking which is being done right now, we expect at least 25-30 % growth with the current capacity keeping in view the market condition, remaining good acceptable we can achieve 25-30% growth but beyond that we have to invest in new manufacturing capacities and for which we are already working on development, right now we are at development phase, so we will invest in the new plant and if everything is as planned and the market condition remains similar, the new product Bifenthrin which we have started now, when that volume starts going up, naturally that will drive the topline once the volumes of Bifenthrin start going up.

Ayush Mittal: And this can be materially scaled up like, if today you at say a 10, then we have capacities to scale it up maybe 3-4 times?

Ashit Dave: For Bifenthrin we have the capacity available but we are awaiting registration support for Bifenthrin, once we start getting the registrations, our volumes will start going up.

Ayush Mittal: And as of now in which countries or which prominent geographies we have got the registration and where are they pending?

Ashit Dave: In America's we are registering, North and South both and once we get those registrations, the volumes will start building up.

Ayush Mittal: And by when do you expect that?

Ashit Dave: We expect one registration to come in next year but again with all these lockdown situations going on, none of the countries registration government departments are working, so very difficult to put a date to the registration at the moment.

Ayush Mittal: And Sir the under tone that we are seeing for the Indian market is very positive from several companies and we have seen the same commentary from you, so as of now this number is very small for us, any number in mind or what are we seeing happening here?

Ashit Dave: Sorry I did not get first part of your question, what was that?

Ayush Mittal: The Indian business, we have seen many of the listed companies have done very well in this area and you also have a presence here, so what are we doing exactly here?

Ashit Dave: See, in Indian business as I had said before that we are growing but we are growing very slowly so whatever little size of Indian business we also have seen substantial growth in Q1 this year because of the current monsoon situation, demand situation which is very **good**. Going ahead, how much improvement we can do in local business is we have to see how the situation goes because we are not really focused on increasing our Branded sale business in India, right now our focus is on manufacturing new products, increasing our capacities, doing our export registrations and exporting these products. So, our companies which are focused in India, for Indian business and perfect example for that is like Dhanuka, they could have a fantastic Q1 because they were focused in Indian markets but our business is little different but at that the same time we have that business segment in which we are consistently growing but we are growing with lot of caution because you can go wrong.

Ayush Mittal: Sir in this latest quarter results we saw a dip in the employee cost a substantial dip, what was the reason for that and is this a one off or something?

Ashit Dave: It is one off dip because I do not know if you are aware or not but we had some issue with this Central Government approval of some pass remuneration which the company had paid to directors and the approval did not come through and then we had to reverse everything, so that is why you will see, it is a one time reduction in employee cost but then it will not continue.

Ayush Mittal: So, Sir the question comes like despite the growth that the company has achieved in last couple of years, our core margins and operating profile is very low when we compare to any of the peers and till the margins cannot go beyond 10-12%, then value creation will not happen for the minority shareholder, so what are your thoughts on plans for value creation for the shareholders going forward because even if this remuneration is to increase and those things are to happen then the bottom line impact, how will that happen for the shareholder benefit?

Ashit Dave: Multiple things we have to do, the first thing what we had to do was to concentrate more on Technical sales where our gross profit margins are better, slowly move our focus from B2B Bulk Formulation business to Technical sales that is number 1. And number 2, we had to bring in some of the new products in the basket so that the margins specially on the products which we manufacture, we have a mix of new products with higher margins, lower volume and old products with large volume and with moderate margins, so these new products like Bifenthrin will balance it out over a period of time and show consistent improvement in our profit margins and obviously the two new other products we are working, once they come into production then we will have a substantial growth in margins.

Moderator: Thank you Mr. Mittal. I now hand the conference over to Mr. Sayam Pokharna, from Investment Lab for closing comments. Over to you Sir.

Sayam Pokharna: Thanks a lot everyone for joining in, I still believe there would be a lot of queries that would have been unanswered in this particular call and although we look forward to interacting with you all on a regular basis, in the meantime you can reach out to me on my email address sayam@theinvestmentlab.in and we will be more than happy to get back to you on all of your queries and requirements. Thanks a lot everyone for joining in. Have a good day.

Moderator: Thank you. On behalf of AIMCO Pesticides Limited, that concludes this conference, thank you for joining us and you may now disconnect your lines. Thank you all.