

AIMCO PESTICIDES LIMITED

(AN ISO 9001 : 2015, 14001 : 2015, 45001 : 2018 CERTIFIED)

H. O.: "AIMCO HOUSE", 8th Road, P.B. NO. 6822, Santacruz (E), Mumbai - 400 055. (India)

Tel : +91-22-6760 4000 • Fax : +91-22-6760 4060 / 70

E-mail : aimco@aimcopesticides.com • Web Site : www.aimcopesticides.com

CIN NO. L 24210MH1987PLC044362



Ref: APL/CO/BSE/30/2021-22

November 23, 2021

To
The Department of Corporate Services
BSE Limited
P.J. Towers, First Floor,
Dalal Street, Mumbai - 400001

Subject: Transcript of Conference Call held on November 15, 2021

Reference: Aimco Pesticides Limited (Scrip Code: 524588)

Dear Sir / Madam,

With reference to our letter dated November 13, 2021, intimating you about the Conference Call with Analysts/ Investors held on November 15, 2021 and pursuant to the applicable provisions of the SEBI (LODR) Regulations, 2015, please find enclosed herewith the Transcript of aforesaid Conference Call.

This is for your information and record.

Thanking You.

For Aimco Pesticides Limited

Anuradha Matkar
Company Secretary and Compliance Officer
ACS No. 57570



AIMCO PESTICIDES LIMITED
Regd. Office : B1/1, 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 LTD.

AIMCO Pesticides Limited
Q2FY22 Earnings Call
15th November, 2021

Management Participants

Mr. Sameer Dave – Executive Director
Mr. Ashit Dave – Executive Directors and Chief Financial Officer
Mr. Hiren Shah – Purchase Manager



Analyst – Mr. Sayam Pokharna

Moderator: Ladies and gentlemen, Good day and welcome to the Q2 FY22 Earnings Conference Call of Aimco Pesticides Ltd. hosted by The Investment Lab. 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. Sayam Pokharna. from The Investment Lab. Thank you and over to you, sir.

Sayam Pokharna: Good afternoon, everyone. I hope you all are well. Welcome to the Q2 FY22 earnings conference call of the Aimco Pesticides Ltd. From the management team, we have with us today, Mr. Samir Dave, Executive Director and Mr. Ashit Dave Executive Director and Chief Financial Officer. The presentation for Q2 has already been uploaded on the stock exchange and has been emailed to you. In case anyone does not have a copy, please do write to us. Before we begin this call, I would like to remind you all that everything said on this call that reflects any outlook for the future, which can be construed as a forward looking statement must be viewed in conjunction with the uncertainties and risks that we face. These uncertainties and risks have been mentioned in our annual reports. With that said, I would now like to hand over the call to Mr. Ashit Dave for opening remarks post which we can open the floor for Q&A. Over to you, sir.

Ashit Dave: Good afternoon, ladies and gentlemen and welcome to the conference call. I would quickly take you through the Q2 results, which we have announced. The company has achieved revenue of 80.51 crores in Q2 and the profit after tax is 2.70 crores as compared to 1.88 crores in Q1 and sales top line of 49.18 of Q2 of corresponding quarter last year. We have been able to achieve higher number of sales mainly on account of our contract manufacturing agreement which we have in place for three years starting April 1, 2021. We have been able to achieve 100% capacity utilization from the month of August this year and that has propelled this sales to a figure of 80.51 crores in the second quarter. We are not yet there as far as the profitability is concerned. The EBITDA margins have improved, but as compared to the first quarter, but we are still improving on the margins because as explained in the earlier conversations, chemical industries specially agrochemical industry has suffered with a lot of cost increases as far as raw materials are concerned and as far as logistics costs are concerned. We have been consistently working on passing these costs to the customers and since our business is heavily dependent on B2B business, where we have contractual obligations for a number of months going forward, at times it becomes difficult to revise the prices with the customers and that has caused the margins which are not yet to the mark and we have addressed these issues with most of our customers and Q3 onwards we expect our margins to come back to normalcy and have consistent profitability going forward, but again, we have experienced price increase of raw materials even in the month of September and October, which we have handled and we have passed on some of the cost to the customers but going forward it is still a

subject which is very difficult to manage with very high volatility. If it was a gradual volatility, we could have made plans for that, but we are working on that and contract manufacturing business is going well. We are working on increasing our capacity further beyond the current capacity and work for that will begin shortly in December and we expect to have the additional capacity in place by June next year, so that we can even achieve higher numbers and volumes in our contract manufacturing business. With that, I feel I will prefer to answer more questions, if anybody has questions on the going forward business and we will discuss. Thank you very much.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may please press * then 1 on their touchtone telephone. If you wish to remove yourself from the question queue you may press * then 2. Participants are requested to use handsets while asking a question. Anyone who wishes to ask questions, please press * then 1. The first question is from the line of Navid Virani from Bastion Capital, please go ahead.

Navid Virani:

Hello, good afternoon sir and thank you for the opportunity. I have three questions. So, first one is sir, can you throw some light on what sort of approach are we taking as far as combating raw material inflation is concerned, so just wanted to understand our modus operandi if this inflation were to let's say stay for a coming few quarters or even a year, just wanted to understand that.

Ashit Dave:

So, what we are doing is what you know, we have experienced these wild swings in raw material prices and we suffered because of that in Q4, last financial year and Q1 current year, this part of the Q2, we were not able to pass on fully the cost of increase of raw material. So, what we have done now is instead of contracting sale prices for three months or six months, we have brought it down to only one month contract pricing. We are now doing contracts for only quantities and price is fixed only for immediate next four weeks of supplies. So that you know we are able to protect ourselves of these raw material prices going up. As far as rate cost is concerned, logistics cost is concerned we also have worked on mechanism by which we will be able to pass on the additional freight cost or logistics cost to the customer by agreeing to price of the product and freight costs separately and if the freight costs increases beyond 10% of the indicated freight costs, we are able to claim additional revenue from the customer for that. So, both the you know the factors of cost, we have been able to address now, and you know, your question would be that why it was not done earlier because what happens is the acceptability of such kind of you know, different understanding also is important with the customers. Now, since the cost rise, logistics cost increase, problem is there all over the world; customers also are more receptive to such kind of an arrangement which they now understand. So, we have been able to address it this way.

Navid Virani:

Right, right. Thank you. So, that was helpful. Sir, the next one is on the contract manufacturing. Sir, I just wanted to get a number what kind of contract manufacturing sales have we done this quarter and if you can provide the last quarter numbers as well.

Ashit Dave: The last quarter the amount they figured the top line was about 12 to 13 crore rupees for contract manufacturing and this quarter Q2 was about 20 crore rupees. Q1 April last may we had not achieved full capacity production. So, it was a gradual increase to full capacity production. So, Q2 is about 20 crores and I think it will Q3 onwards it will stabilize to somewhere around 22 to 23 crores every quarter like that.

Navid Virani: And sir, just wanted to understand from the customer point of view, so, are our customers in the contract manufacturing businesses is looking to increase quantity further?

Ashit Dave: Yes, we have had discussion and we are looking at increased quantity for the product, which we are manufacturing and we have decided to start working on additional capacity generation and we have started to put a plan in place, we will start work on that in December, and we expect to finish by June or July next year and have the increased capacity, which will be almost additional 50% capacity.

Navid Virani: Last one, just wanted to understand, are there any notable updates on the product pipeline front?

Ashit Dave: Unfortunately, I don't have any concrete update to give. We are still awaiting lot of registrations, which should have come out by now, but we are still getting the same feedback from the authorities, especially from countries like Brazil, where the registrations are under evaluation and we still, we expect, we hope that we will be able to have something within this financial year, at least one product registration coming out that's about it. This year, I don't think we will receive more than one registration.

Navid Virani: Thank you, sir. Thank you for answering all my questions. All the best sir.

Moderator: Thank you. Participants who would like to ask questions, please press *, then 1. The next question is from the line of Ravi Sundaram from Sundaram Family, please go ahead.

Ravi Sundaram: Good afternoon sir, first of congratulations to the excellent set of numbers, I just have two questions. First question is, are there any one-off in Q2 that we have to be aware about because I see a good spike in revenue or is it because the contract manufacturing has scaled up nicely to contributing on a recurring basis in Q3 and Q4?

Ashit Dave: One significant one off is there in Q2 as far as profitability is concerned, we took a write-off of about 94 something lakhs for the revenue which we had already booked as export incentive against MEIS scheme. I will explain you what has happened. MEIS scheme was there for exporters and we were enjoying the benefit of the scheme, which was about two to 3% of our export revenues and we were booking that as an export incentive income from January 2021 till July 2021. In July 2021, Government of India came up with a new scheme, RoDTEP, for export incentive, in which our agro chemical export

incentive was brought down to 0.8%. So, the difference which was from January to July, which we had to write-off was about 94 lakh something that has been appropriated in this quarter. So, to that extent the profit has been reduced.

Ravi Sundaram: Okay. So, that is more on the other income side. So, more on the revenue side which is heading there right now about 80 crores for Q2. Is that pattern expected to continue?

Ashit Dave: It is expected to continue and there may be some reduction in top line because of seasonal changes apart from that no major expected reduction or increase in top line for next few quarters.

Ravi Sundaram: I agree with the seasonality but generally what I have seen from your numbers in the last two, three years, was December is not a big quarter. I mean, it continues to do better compared to Q2 is that a fair understanding, sir.

Ashit Dave: You know, if you compare the earlier years of top line, the one difference in this year is the contract manufacturing sale which is contributing from quarter one. So, that will, you know, have some consistency on our sales performance now, quarter on quarter and another difference between past years and current year is that our trading business and formulation, bulk export business has come down and we are focusing more on B2B business now. So, that also has some stability in contracts and sales. So, I don't think Q3 will be even significantly or anything weaker than Q2 and similarly, for Q4.

Ravi Sundaram: One last question sir, question is on margin profile, I know this is one question that we have been having the info for last two-three years now. So, should we consider Q2 as sort of, I know most of the Agro companies in this quarter had a tough time with margin. Should we consider Q2 as date somewhere we would continue to improve or considering we have volatility, raw material prices even in October to be anticipating challenges, there?

Ashit Dave: Challenges will be there, but now since we are more aware of these challenges, and we have understood how to deal with the challenges, and moreover, the customer all over the world, also customers have now been more receptive to such kind of price increases often because everybody is now aware of the situation and so, I am confident that going forward, we will be able to do much better in terms of profitability, Q3 onwards.

Ravi Sundaram: So one question I mean, when can expect maybe reach double digit operating margin. I think right now we are at anywhere between 5-6.

Ashit Dave: That is the target, right. The double digit operating margins, we have a quarter in which we don't have these kind of price rises, sudden price increases. We will be able to achieve that and that is our target and very soon, I think you will be able to see that in our results.

Ravi Sundaram: Thank you very much sir. Best wishes.

Moderator: Thank you, participants to ask a question, please press *, then 1. The next question is from the line of Parth Agarwal, an individual investor, please go ahead.

Parth Agarwal: Thank you for the opportunity. So sir any update on the pledge I'm asking since you're almost paid of long term borrowings and short term borrowings must be secured against your inventory plus you have decent cash position. So

Ashit Dave: I am working on that and I'm very hopeful that by the end of this financial year, we will be able to remove the same. As far as debt is concerned we are consistently reducing our debt and we have been able to reduce our debt substantially and we have a plan by which we will be able to remove this pledge by end of the financial year.

Parth Agarwal: Okay, second question was on if there was an increase in receivables in September balance sheets. So is it due to contract manufacturing business or something else?

Ashit Dave: I think partly it's because the sales volume has gone up. So the receivables in by percentage or by volume also would go up. No significant change in our policy, but it just you know, end of the quarter some you know payments must have got delayed or something. Otherwise, there is no significant change in our receivable policy or anything.

Parth Agarwal: So, your current receivable policy is isn't that a receivable policy for contract manufacturing and your current policy are same or different.

Ashit Dave: Same, the same. Nothing changes.

Parth Agarwal: Okay. Secondly, can you guide us on to what is the current monthly production run rate of the plant and what are the plans of FY23 in terms of increasing production run rate.

Ashit Dave: Currently, we are operating at about 350 tons per month and, we are now planning to which is almost at full capacity and we are now planning to increase our production capacity to 500 tons per month and that we will be able to achieve by June or July next year till that time we will operate at this capacity.

Parth Agarwal: Just a last question from my side. So, can you throw some light on what would be the realization of a key product of chlorpyrifos and triclopyr - any change in last one or two quarters.

Ashit Dave: Both products are doing well. The one product 21.08 has seen some price increase recently. Again it's raw material pricing driven price increase but as far as demand is concerned both the products are having very strong demand within India and in the rest of the world also.

Parth Agarwal: Okay. That's all from my side and best of luck for the future quarters.

Ashit Dave: Thank you.

Moderator: Thank you. Participants to ask a question, please press *, then 1. The next question is from the line of Vidya Verma, an individual investor, please go ahead.

Vidya Verma: Good afternoon sir. I have a couple of questions. I'd like to begin by asking that would it be safe to assume that the current product realization our quarter revenue run rate will be around 80 crores and hence annually the turnover will be close to 350 crores. Can we say that?

Ashit Dave: That is the plan and we are looking at, you know, the current order book volume is concerned and confident that quarter three would be very close to this number and quarter four onwards also that is the plan, but again we are in a business which is again dependent on seasonal ups and downs and again depends on monsoon all over the world. So, if there is no significant external change or environmental issues, we should be expecting the similar numbers going forward.

Vidya Verma: Okay, sir. Sir, also can you throw some light on how a B2C branded formulation business is doing currently. Any plans we have to ramp it up for its growth?

Ashit Dave: B2C branded formulation business has been an important aspect of our business and we are increasing our focus on that segment also, but at the same time, we are being very cautious in growing very fast in that segment, because it involves a lot of higher working capital and Indian agro chemical industry is very vulnerable to monsoon conditions and this year Q2 was a difficult quarter for most of the companies selling products branded formulation products in India, but still we have been able to since we are not very aggressively growing in that segment, we have been able to achieve higher numbers as compared to last year's even in that segment. But I would tell you that we will grow in that segment but very slowly. We will not have double digit growth in that segment. Because our focus is not there in that segment. Our focus at the moment is on manufacturing, agrochemicals, technicals and increasing our B2B business.

Vidya Verma: Okay. So sir are you planning to completely shut up the B2B formulations business then?

Ashit Dave: Formulation business, yes, we are planning to reduce it significantly and we will continue certain markets in which the margins, gross margins and net margins are acceptable levels are there, we will continue with those markets, but large volume business with very low margins we are definitely getting out.

Vidya Verma: Okay, sir. Sir, my next question is that if you can give us an update on the earlier bottleneaking of the plant. Has that been completed yet. Where are we with that?

Ashit Dave: Yes, we have been able to complete the debottlenecking of the plant and we are almost at full capacity production from last two months and we expect the same to continue right up to March-April next year and then we will have to take some shutdowns in the month of May or June depending on how the progress of additional capacity building is going on and then June or July onwards we will have a higher capacity available to us.

Vidya Verma: Okay, sir. Sir, my last question is more on the long-term side. So, if you can just take a step back, if you can take a look at the three year or five-year picture, where do you think we are headed and like will it be more niche products to improve on the margins or will it be somewhat similar to today and also what are the plans to achieve? How are you going to achieve that?

Ashit Dave: See, In next five years, we will add at least two new molecules in our manufacturing capability and for that our plan to achieve that is that you know in our business it is the product registration comes first before manufacturing. So, we have already initiated the work on registering these products in the markets, which we feel are more important for these new molecules which we want to manufacture. So, along with process development work, registration work also has been initiated and we are going to receive those registration in next three to four or five years. So, they are lined up like that. So, we will be able to then have new molecules in our basket in as far as manufacturing is concerned and we want to grow almost you know about 20% every year till then by adding our current capacity with the existing products and then look at you know further growth from new molecules.

Vidya Verma: Okay, sir, got it. Thank you very much sir and all the very best for the coming quarters. Thank you very much.

Ashit Dave: Thank you.

Moderator: Thank you. Participants who would like to ask questions, please press *, then 1. The next question is from the line of Nitin Gandhi from KIFS Trade Capital, please go ahead.

Nitin Gandhi: Yeah, thanks for taking question. This is expansion of capacity, how much CAPEX we are likely to do.

Ashit Dave: As we working on the numbers we will finish that working by end of the month, but on a broad basis, it will be something around 10 crore rupees we plan to spend on a new capacity and because that is going to be not only on the manufacturing part, it will also include certain utilities which we will have to increase. So, those numbers are yet to be finished, but it's about 10 crore rupees even spent.

Nitin Gandhi: And what is the turnover expected out of this?

Ashit Dave: It will be almost in a year about 100-150 crore rupees it should add to the turnover with the additional capacity.

Nitin Gandhi: Now, you have almost 50% Land surplus at this point of time.

Ashit Dave: Correct.

Nitin Gandhi: So, how much you're likely to put to use by in this expansion out of that.

Ashit Dave: I think once we finish this expansion, we will be able to have after this we will be able to have one more expansion of one another new molecule which we plan to produce in future and going beyond we will have to look for a new site.

Nitin Gandhi: So that will be coming up after two or two and a half years from now, right?

Ashit Dave: Yes, yes.

Nitin Gandhi: And next module which you are planning to register, what is normally the benchmark size? Or what are the parameters on which those two products are ? Can you share some more light on that?

Ashit Dave: Both are very niche products which have active markets in the countries in which we are already present with our other products. So, we already have customer base in those countries and that's how we have selected. These products with either niche products having very high margin and but going forward at the time of commercialization, the numbers may be completely different than what are the existing numbers, but we are very confident we will be able to get the market share because we have existing customer base in those countries.

Nitin Gandhi: Are they around 200-300 crores product growing at 10 15%?

Ashit Dave: One of them is and the second product is relatively about smaller product about 100 crores product.

Nitin Gandhi: And what is the growth rate for that?

Ashit Dave: The growth it is currently growing at about 15% every year. Okay to both the products have 15% plus growth opportunity. Yes, yes, they're relatively new molecules. So, they are a growth stage right now.

Nitin Gandhi: Right, and you don't see much competition coming because of the size at which you are opted.

Ashit Dave: Yes, yes, there will be competition I don't say that there will not be competition but we are ahead of time as far as competition is concerned. So, as far as you know higher margins are concerned if you are first you know or second in the market, the margins are much better and then slowly it tapers down.

Nitin Gandhi: It's the registration formalities and paperwork or any threat for somebody else to pick up idea.

Ashit Dave: We have initiated the registration for both the molecules and but the time line is different as the molecules profiles are different, so the registration has been initiated already.

Nitin Gandhi: So you are ahead by at least two to two and a half, two to three years.

Ashit Dave: About I would say about two years.

Nitin Gandhi: Thank you, at the time things let's see how when it can happen but all the best.

Ashit Dave: Thank you.

Moderator: Participants who would like to ask questions, please press *, then 1. The next question is from the line of Milan Shah from Urmil Research Consultancy, please go ahead.

Milan Shah: I want to know what is the percentage of export in current turnover and when we are going to introduce new molecules is going to increase the expert percentage turnover?

Ashit Dave: Current percentage of export is about 50% because the contract manufacturing business right now is the product we are supplying locally. So that again but eventually it is exported, but otherwise the export business is about 50% but going forward with the new molecule introduction both the new molecules are going to be export oriented products. So whatever increased sale which we will achieve will be from export business.

Milan Shah: So new molecule is for export or it is for domestic also.

Ashit Dave: There is domestic demand also for these molecules but larger volume from export.

Milan Shah: And what is the debt on balance sheet sir?

Ashit Dave: the total debt is about seven crore which we plan to bring it down significantly by March.

Milan Shah: Okay, okay and for the expansion, are you going to for internal accruals or it is for?

Ashit Dave: At the moment we are going to do the expansion with internal accruals, no further borrowing.

Milan Shah: Okay. Thank you.

Ashit Dave: Thank you.

Moderator: Participants to ask a question please press * then 1. Sir, no further questions from the participants. I would now like to hand the conference over to Mr. Ashit Dave for closing comments.

Ashit Dave: Thank you very much for everyone for attending the conference. I am looking forward to your support and participation in the coming quarters also. Thank you very much once again.

Moderator: Thank you very much, sir. Ladies and gentleman, on behalf of Aimco pesticides Ltd., that concludes this conference. We thank you for joining us and you may now disconnect your lines.