



Astec LifeSciences Ltd.

Date: 8th May, 2022

To,
BSE Limited
P. J. Towers, Dalal Street, Fort,
Mumbai – 400 001.

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai-400 051.

Ref.: BSE Scrip Code No. "533138"

Ref: "ASTEC"

Subject: Transcript of Conference Call with Investors & Analysts held on Tuesday, May 3, 2022 at 3.30 p.m.

Dear Sir / Madam,

Please find enclosed herewith transcript of Conference call of Astec LifeSciences Limited with the Investors and Analysts held on **Tuesday, May 3, 2022 at 3.30 p.m.**

This aforementioned information is also made available on the website of the Company i.e., www.astecls.com

Kindly take note of the above.

Thanking you,

Yours faithfully,

For Astec LifeSciences Limited

Tejashree Pradhan
Company Secretary & Compliance Officer
(FCS 7167)



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“Astec LifeSciences Limited
Q4 FY2022 Earnings Conference Call”

May 3, 2022



ANALYST: MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED

MANAGEMENT: MR. NADIR B GODREJ – CHAIRMAN – GODREJ AGROVET LIMITED & ASTEC LIFE SCIENCES LIMITED
MR. BALRAM YADAV – MANAGING DIRECTOR – GODREJ AGROVET LIMITED
MR. S. VARADARAJ – CHIEF FINANCIAL OFFICER – GODREJ AGROVET LIMITED
MR. ANURAG ROY – WHOLE – TIME DIRECTOR & CHIEF EXECUTIVE OFFICER – ASTEC LIFE SCIENCES LIMITED
MR. SAURAV BHALA – CHIEF FINANCIAL OFFICER – ASTEC LIFE SCIENCES LIMITED
MR. ADITYA DESAI – HEAD – INVESTOR RELATIONS - GODREJ AGROVET LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Astec LifeSciences Limited Q4 FY2022 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you and over to you Mr. Joshi!

Aniruddha Joshi: Thanks, Nirav. On behalf of ICICI Securities, we welcome you all to Q4 FY2022 results conference call of Astec LifeSciences Limited, a subsidiary of Godrej Agrovvet Limited. Now I hand over the call to Mr. Aditya Desai, Head of Investor Relations from Godrej Agrovvet Limited as well as Astec. Thanks, and over to you Sir.

Aditya Desai: Thanks, Aniruddha. Good afternoon, everyone and thank you for joining us on the earnings call of Astec LifeSciences Limited for Q4 FY2022 and full year ended FY2022. We have with us today, Mr. Nadir Godrej, Chairman of Godrej Agrovvet Limited and Astec LifeSciences Limited. From Godrej Agrovvet Limited, we have with us, Mr. Balram Yadav, Managing Director and Mr. S. Varadaraj, Chief Financial Officer. From Astec LifeSciences Limited, we have, Mr. Anurag Roy, Whole – Time Director & Chief Executive Officer and Mr. Saurav Bhala, Chief Financial Officer. We would like to begin the call with brief opening remarks from the Management, following which, we will have the forum open for an interactive question and answer session. Before we start, I would like to point out that some statements made in today’s call may be forward looking in nature and actual results may differ from those expressed or implied. I would now like to invite Mr. Nadir Godrej to make the initial remarks. Over to you, Sir.

Nadir B Godrej: Good day, everyone. I welcome you all to the earnings call of Astec LifeSciences. I hope you are doing well. The Financial Year FY2021-22 was the year of revival for the Indian economy from the COVID induced disruption. The country made rapid progress in vaccination and closed the year with a majority of the adult population vaccinated with both the doses. India’s GDP growth rebounded to an estimated 8.9% in fiscal year FY2021-22 from the contraction in the previous year. India’s merchandise exports reached a record high of \$418 billion in fiscal year FY2021-22 of 40% growth over the previous year. The agriculture and allied sectors have remained resilient throughout the COVID lead disruption and it is estimated to grow by 3.9% in fiscal year FY2021-22 as per the latest estimates by the Central Statistical Office. At the same time, the international prices of multiple agricultural commodities, NHEL, agrochemical inputs have risen sharply during fiscal year FY2021-22. The significant increase in cost is being driven by supply chain disruption, a rebound in global demand and most recently uncertainties surrounding the Russian Ukraine conflict. The end product prices for most of our products have also increased significantly during the year while demand from the export market continues to remain strong.

Now I will take through the financial performance and key developments of the Company during the Q4 and the full year ended March 2022. Astec delivered its best ever quarterly as well as annual performance till date. The growth in total income was phenomenal at 60.7% in Q4 and 22.1% in

the full year 2022 over the corresponding previous period. The topline growth was strongly supported by margin improvement. The consolidated profit after tax grew 79.7% year-on-year in Q4 fiscal year FY2022 and 38.1% for the full year 2022 over the corresponding previous period. Robust topline performance in Q4 fiscal year FY2022 was driven by higher realization to the export market and good volume growth in contracting and manufacturing business. Exports more than doubled in Q4 fiscal year FY2022 growing by 127.3% year-on-year. The share of domestic business declined during the Quarter as we allotted more of the available capacity to fulfill our export commitment. For the full year 2022, the export business grew by 44.4% driven by both realizations as well as volume growth. Domestic sales were marginally up by 0.5% over the previous year. The gross profit margin improved to 40% in Q4 fiscal year FY2022 from 39% in Q4 fiscal year FY2021. For the full year FY2022, the gross profit improvement was substantial at 447 basis points. This was driven by a combination of factors including product mix, higher sales price realization in some key products and backward integration benefits. EBITDA margin for Q4 fiscal year FY2022 was 26.6% compared to 23.1% in Q4 fiscal year FY2021. For the full year, EBITDA margin was at 24.3% as compared to 21.5% in the previous year. Improvement in EBITDA margin was slightly constrained due to increase in other expenses on commencement of our new herbicide plant. During the year, Astec commissioned a new herbicide plant and started patch production of CMO products with satisfactory results. The construction of a new state of the art R&D Centre is on track and is expected to be completed this year. Astec launched two new CMO products and a new production process for an enterprise product during the year. For the next year, we will continue to work towards expanding the contract manufacturing business and also focus on diversification into other chemistries. We plan to launch two new contract manufacturing products. We are closely monitoring the fallout from the Russia Ukraine conflict and do not see any significant impact on our performance at this stage. While input raw material prices remain volatile, we expect our margins to sustain in the coming quarters and we believe that we will be able to successfully execute our fiscal year FY2023 profitability target. The agrochemical industry in India is expected to maintain double digit growth in the coming year as well largely driven by export. The macro environment for the sector remains conducive for rapid expansion of the sector. At Astec, we believe that we are well placed to capitalize on this opportunity. This concludes our business and financial performance updates for the Quarter and for the Year. With this, I end my opening remarks and we will be happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the Question and Answer session. The first question is from the line of Aman Vora from Premier Capital Services Limited. Please go ahead.

Aman Vora: Thanks for the opportunity and many congratulations to the Management on a great performance. I like to let you know like we have been investors in the Company for the last five years and when we first invested, the total profit for the full year was about Rs.14 Crores to Rs.15 Crores and this Quarter, the Company has done a profit of Rs.40 Crores to Rs.45 Crores, so extremely proud of the Management and the work that you guys have done. I would also like to welcome Roy to the team. So, I had basically three to four basic questions. One was on the herbicide plant and the capex we had done. We had expected that it will take us almost 12 to 18 months for the full functioning of the plant to come through, so I just wanted any updates on that and how is the plant functioning now?

Anurag Roy: This is Anurag Roy. A very good afternoon to you and thank you for your kind words. So, your question on herbicide plant, as you are aware, we commercialized our herbicide plant last year in June and July and as we move forward, for the herbicide plant in the first year we are expecting that we will be reaching almost 30% of the utilization. We have a very healthy pipeline of products coming into the herbicide plant and we expect to take it to almost 90% to 100% utilization in year three so as we get on to FY2023 we are expecting to take the utilization rates to almost 70%.

Aman Vora: Right and as we get close to commissioning the R&D centre, I think it is planned in Q3 this year so like now could you brief us more on the strategy and what capabilities you are looking to build from the R&D centre and how the Management looks at that?

Anurag Roy: Sure. Astec LifeSciences had come a long way as you also appreciated earlier. Over the last five to six years there was huge amount of work done in consolidating their existing product portfolio and as we stand today, the next 5 to 10 years for Astec LifeSciences, we are getting into the growth phase so in line with that growth phase our step one would be to put together the new R&D facility which the Management and the team had planned for the last 2 to 3 years so that is one of our priorities and focus area to have that facility up and running by end of this financial year or as early as September or October this year. So once that R&D centre is up and running, we will be able to establish our specific key technology platform. We will be able to put in lot more pipeline products into it which eventually we could commercialize and can give a big boost to our CDMO business as well as the existing triazole and enterprise business, so going forward R&D is a critical piece in our entire growth strategy and we are very excited to have that commissioned and come on board by the end of this year.

Moderator: Thank you. The next question is from the line of Abhijit Akella from Kotak Securities Limited. Please go ahead.

Abhijit Akella: Good afternoon, gentlemen. Congratulations on a great Quarter and thanks so much for taking my questions. I just had a couple of clarifications to seek. The first one was on a couple of numbers in the results. The other income seems a bit on the higher side this Quarter so just wondering what might have led to? Is there any one-off element in that? And also the capex for the full year was a bit on the lower side compared to my expectations. I was expecting it to be closer to between Rs.150 Crores and Rs.200 Crores so is project execution completely on track or are we lagging behind in any of the projects?

Anurag Roy: I will ask Saurav to answer these two questions for you.

Saurav Bhala: Thanks for the questions. On the question number one, regarding the other income for the current Quarter, you are right. There were some exceptional items in the current Quarter. First thing, our insurance claim for the loss of profit due to the March flood that got accounted in the current Quarter and also our foreign exchange gain. Since our hedging policy was much better in the current Quarter, so those two were the primary reasons of other income looking higher in the current quarter. To reply to your second question, capex, we are exactly as going ahead as per the internal plan. There is some slight delay in the R&D because of the change in the scope and other stuff, but overall capex remains as per the plan.

Abhijit Akella: Thank you. Before I ask the second one, just to clarify if you could just quantify the one-off items in the other income that would be helpful.

Saurav Bhala: Insurance claim was about Rs.2 Crores and FX gain was about Rs.3 Crores.

Abhijit Akella: Thank you and the second question I just had was as we look ahead into the FY2023, what are the key growth drivers that we envisage here? Obviously, the CRAMS projects go from say nearly 30% utilization to be 70% next year, but besides that what other growth drivers to be seen for the business overall and what is the full revenue potential of the herbicide plant that you are envisaging at full year utilization? Thank you so much.

Anurag Roy: Yes, I will take that question, Abhijit. So, as we get into FY2023, one as you rightly talked about CMO or our CDMO business will be one of the key growth drivers, so we are expecting to get three or four more projects commercialized as we get into FY2023 so that definitely will be one of the growth drivers both on the topline as well as profitability. The second important growth driver would be our herbicide plant so as all of you are aware, we commissioned it last year and we are seeing a very good pipeline products getting into the herbicide plant. We also are one of the very few companies in India to have these high potent herbicide facilities which are really making our pipeline healthy as we look forward, so we are expecting the products at good profitability and good margins coming from our herbicide plant as we stabilize our existing chemistry and the plant which has been recently commercialized so that will definitely be part of our growth strategy, thick and pillar of the growth strategy as we get into FY2023 and then third key portion would be looking for the forward, so as we get into this year there will be huge amount of focus in building the institutional capability to deliver on the future strategies growth strategies of Astec so we will be preparing for that. We will be laying the capex and ground work so that we look forward for the future growth of Astec, so these will be two to three key initiatives which we are expecting in FY2023. The growth will be led by herbicide plant utilization, the CMO product and lastly, but not the least, we will also continue to work on strategic sourcing, efficiencies in the plant so that we try to maintain our margins on the existing enterprise business as well, despite the volatility and macro factors in the market. So those will be the three to four points I would like to highlight to your question.

Abhijit Akella: Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Ishmohit Arora from SOIC Ventures LLP. Please go ahead.

Ishmohit Arora: Congratulations for a great set of numbers, Sir. My question was, what is our percentage dependent on China for raw materials, because I think we have done a lot of backward integration projects in the last one or two years?

Anurag Roy: So if you look at our total revenues and amount of spend on raw materials and key starting materials coming in from China, we roughly stand at 65% to 67% and for some of the key starting materials or some of the key intermediates; for our AIs, we are more or less 80% to 90% backward integrated so we continuously evaluate the make versus buy decision as we deal with the supply chain disruptions and some of the shifts in the macro and hence have the overall control on the product lifecycle as well as the value chain. To answer your question, yes, we have around 65% reliance on import from the China products, but we have de-risked that by developing some of the vendors in India and other parts of the world, that is number one and also by systematically backward integrating so that we can do the make versus buy decision as and when required.

Ishmohit Arora: Right, and Sir, the next question was a bit medium term in nature so when we look at your peers like PI Industries or something like Deccan Life Sciences, both these companies are really large when it comes to the topping almost Rs.1000 Crores CRAMs are made to? What are our aspirations when it comes to the next three to five years and what is our capex outlook to accelerate the growth aspirations?

Anurag Roy: So, I and the entire team at Astec feel that we are very well positioned right now to guide the future growth. Lot of macro, as most of you are aware, are also supporting the growth for the chemical as well as Pharma industry so we really want embark on that journey. In terms of three or four things which we will be heavily focusing on - number one would be the R&D. We really want to build future of Astec which is defined and based on our research technology and developmental solutions to our clients. That would be the key pillar, which we are putting in place by the end of this year. Then second important piece would be our ability to tech transfer what we built in the R&D and how well we can commercialise it for our partners and that will be the key other three pillar which we are establishing within the organization and that will be our strategy for the next two to three years. For that we would also not hesitate to go heavy on the capex phase. For example, in the coming year FY2023, we have committed almost Rs.350 Crores to Rs.400 Crores capex and depending on how we proceed over the next two to three years, we will continue to invest depending on the pipeline generation and the R&D capability which we will be building in the near short term. So, in the medium term, our strategy would be to scale up CMO business, heavily invest on building the pipeline, drive growth through R&D and build relationships with some of the innovator partners of the world.

Ishmohit Arora: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Saurabh from Asian Markets Securities Private Limited. Please go ahead.

Saurabh: Thank you for the opportunity. Sir, if you can give more details about the FY2023 capex. You mentioned about Rs.350 Crores to Rs.400 Crores so where it will be spent and more details on the fungicide plants which we highlighted in the Q2 call?

Anurag Roy: To answer your first question on the capex of Rs.350 Crores to Rs.400 Crores, I believe, Saurabh, earlier mentioned that the R&D capex was expected to fully realize last year. Some of it is getting into this year, so in that Rs.350 Crores to Rs.400 Crores, we estimate roughly Rs.110

Crores to Rs.120 Crores as against the R&D centre capex. Then as I was mentioning earlier, we are also expecting very good pipeline products for our existing herbicide plant so as our goal would be to fully utilize the existing herbicide plant we will also concurrently start investing for further expansion of the facility for which we have committed Rs.35 Crores to Rs.50 Crores. Then the balance Rs.70 Crores to Rs.80 Crores we have kept it for lot of improvement and safety compliances activities at our Mahad locations. Just to give you two examples. We are planning to further digitize our facilities, manufacturing facilities at Mahad to bring them to the innovator or the global standard levels. We are also kicking off one of the safety initiatives with DuPont sustainable solutions so that we become best in class on the process safety side so we are also investing heavily to further take our competencies to the global levels and for that we are committing almost Rs.70 Crores to Rs.80 Crores capex and finally as part of our growth strategy we have earmarked almost Rs.150 Crores for Greenfield multipurpose plant, which will obviously take three to four years to commercialize but we will start laying the foundation in FY2023 from the capex perspective so that is the broad breakup of the capex what you were asking. The second question, I missed out on the second question. Can you repeat that again please?

Saurabh: In the quarter Q2 call there was a mention of the fungicide plant so if you can provide more details? Is fungicide plant and MTB plant the same?

Anurag Roy: No, I think I answered that, that we have earmarked roughly Rs.150 Crores for the multipurpose plant and there we would have the mix of fungicide products and some of the other intermediates.

Saurabh: Sir, my second question, if you can now provide the breakup of revenue of CMO and enterprise for FY2022 and Q4 and also your gross margin guidance? The earlier guidance was 40%? Now with the CMO mix going up, should we see it going for 40% plus?

Anurag Roy: So, for Q4, our revenues from the CMO business were roughly 23%. For the full financial year, our contribution in revenues from the CMO business were close to 13%. so that is for the existing financial year. As we move forward and as the share of CMO business grows in the overall revenue, clearly there will be some basis points increases in the margin. Roughly as a rule of thumb, enterprise plus 5% to 7% is what we see as the CMO increase in margins so as and when we see the percentage share of the CMO business going up, accordingly, in the range of 5% to 7% the margin keeps going up.

Saurabh: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss Financial Services Limited. Please go ahead.

Rohan Gupta: Good evening and congratulations on good set of numbers. Sir I was asking for a couple of clarifications. First is on our herbicide plant on full utilization what can be the revenue potential from that plant if you can give some numbers on that?

Anurag Roy: Yes, so as I was mentioning two to three years' time frame is when we are seeing full utilization of that particular plant and we are looking at asset turnover of 1.5 to 1.7 from that particular plant so anywhere from Rs.230 Crores to Rs.270 Crores is the revenue which we are targeting to come at

full utilization.

- Rohan Gupta:** Sir, you just mentioned that in the current year in FY2023, you are planning to put another capex on this plant only of Rs.50 Crores to Rs.70 Crores so that will also drive the incremental revenue in the same ratio of 1.3 to 1.5 x or one can expect because of the better utilization and operating leverage the revenue potentially can be higher?
- Anurag Roy:** So, I mentioned Rs.35 Crores to Rs.50 Crores commitment for the plant capacity expansion and again, you could take two to three years for full utilization for the new capacities and accordingly, obviously there will be some uptick in the revenues from this new herbicide investment as well.
- Rohan Gupta:** Sir, coming on CDMO, where this Quarter run rate was close to 22% to 23% of revenue is full year was close to 13% to 14%. Given the current product pipeline CDMO business, where you see that the revenue contributions from CDMO in the next two to three years in terms of overall topline?
- Anurag Roy:** Over the next two to three years, one of the bottleneck was obviously for the expansion in the R&D capabilities. So now with new R&D facilities coming up, we could do lot more development which means we could take a lot more pipeline products for our CDMO business and what we expect is, we want to initially in the near short term, take revenues to at least 25% level, 25% to 30% level for the CDMO business and then beyond that it all depends on how well we handle the customer relationships, how we see the pipeline flow coming from the R&D, the complexity of the molecules of the products and there are a lot of variables, but our goal would be to at least take those numbers to 25% to 30% over the next two to three years.
- Rohan Gupta:** Sir, on our existing capacity, definitely we see the current year herbicide business utilization go from 30%-35% to 70%? Where are the other plants standing in terms of capacity utilization in FY2022?
- Anurag Roy:** So, I think in the previous calls also there has been some guidance given on the capacity utilizations and we are almost at capacities for our plants. So, every year the delta capacities are built up either through manufacturing efficiencies or debottlenecking and most of our plants as usual appreciate are multipurpose plants so getting to firm utilization rates is not at all possible, because there are complexities of numbers of steps which you put in those plants with the new products coming in. There are other variables of scale up. The complexity around the chemistry so getting to the utilization numbers numerically becomes very challenging, but what we keep doing year-on-year is we keep taking initiatives to debottleneck. We keep taking initiatives to reduce the number of steps, treat our effluents properly and less usage of solvents so that we can continue to increase our capacities and hence the revenues from the existing plant.
- Rohan Gupta:** Fine, I get that. Would it be fair to put asset turn of 1.3 to 1.5 as on your entire FY2023 capex plan of Rs.350 Crores around?
- Anurag Roy:** Yes, that would be fair.

- Rohan Gupta:** Over the next two to three years?
- Anurag Roy:** Over the next two to three years.
- Rohan Gupta:** On full utilization very interesting? Sir, just last from my side? In your opening remarks you also mentioned that apart from agrochemicals you are also looking to some other industries and getting queries and probably working on that? Can you talk a little bit more on that, where we are in and what industry we are getting into and user industries and where do you see the revenues going from non-agrochemical in the next three to five years' timeline?
- Anurag Roy:** I do not recall saying other industries. Obviously, we are seeing lot of good opportunities in other industries but as we feel internally that we have not even reached our potential in our core which is agrochemical so in near to short term we will be heavily focusing on working on our existing chemistries and platforms catering to the agro business and then opportunistically we will look for expansion into some of the other sector. It could be speciality, Pharma, intermediate, so on and so forth, but as of now we are building strategies on building capabilities and platforms around agrochemicals.
- Rohan Gupta:** Sir, thank you very much for the clarification. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Veena Patel from Narotam Sekhsaria Family Office. Please go ahead.
- Veena Patel:** Good evening. Can you please quantify the revenue that was contributed from the new herbicide plant in the last financial year FY2022?
- Anurag Roy:** So, the revenue from the new herbicide plant since it was running only for five months or so, it was close to Rs.25 Crores.
- Moderator:** Thank you. The next question is from the line of Pankit Shah from Dinero Wealth Private Limited. Please go ahead.
- Pankit Shah:** Good afternoon, everyone. So my question is basically on Triazole fungicide, what is our current contribution from Triazole fungicide coming and what is the diversification plan there, so we are about to launch a few products in the same category and I guess few Quarters ago there was some over capacity coming in from China, so we are facing some price issues over there, so what is the current situation?
- Anurag Roy:** First and foremost, we operate in multipurpose plant multiple products. Obviously Triazole chemistry is what we deal for the most part, but we normally do not give out any individual molecules or platform-based margin indications so that is one. On the overall Triazole chemistry space at an overall level actually what we are seeing over the next five to 10 years we are still seeing 3% to 4% growth rate in this particular segment and last year for some of the molecules, we had actually also seen some of the supply shortages because of the supply chain disruptions in China and some of the input cost increases and the energy crisis so from that perspective, the

Triazole chemistry continue to offer us opportunities and the best part about Astec LifeSciences is over the years and over the last decade or so we have got a firm grasp on the technology aspects on this particular platform and hence we are globally extremely competitive and we maintain our strong position despite the challenges from oversupply and any kind of supply demand balances in the market.

Pankit Shah: The second question, will be is there any plan for merger with Godrej Agrovvet?

Balram Yadav: I will take that. So, we were planning a merger a few years ago because when we acquired this Company, we realized that it can really grow big, but it would require big capex and at that time the balance sheet was very small and we thought the capex will not be able to support the capex it needs and you have heard numbers we are talking about and now we believe that the balance sheet is strong. The performance of the Company is very good and the kind of capex appetite we have for the next few years can be managed on the balance sheet of Astec LifeSciences. So as of now we do not have any plans to merge unless and until there is a big acquisition or M&A opportunity which can really change the game. So I think as far as the current plan is concerned and the capex which is planned in the next three to five years, I do not think it needs any support from Godrej Agrovvet Limited or merger into the Godrej Agrovvet Limited.

Pankit Shah: Sure, thank you and the last clarification I wanted. You were saying that the percentage increase in CMO business will help improve our gross margins by say 5% to 7%, am I correct?

Anurag Roy: Yes, that is the broad level guidance which we see and obviously it could go up, but it could be lower but that is what we are typically seen 5% to 7% more than established or the enterprise products.

Pankit Shah: Great. Thank you so much.

Moderator: Thank you. The next question is from the line of Mithun Aswath from Kivah Advisors LLP. Please go ahead.

Mithun Aswath: The question was what will be the capex in FY2022 and I wanted to understand with the growth that you are getting in the last quarter and in Q3, was this driven primarily because of price increases, because of the disruption in China and do you see FY2023 as China normalizes even your pricing will normalize and margins will come back down or do you see this sustaining at the Q4 levels in FY2023?

Anurag Roy: So Q3 and Q4 results were clearly impacted by the disruption in the supply chain and the crisis in China which obviously led to escalation of prices on the finished product. But couple of things from the business decision perspective which went really well were some of the strategic sourcing which we did at the right time which gave us fair differentiation over the competitors in terms of preserving our margins despite the volatility in the market and second thing which I was talking about earlier, continuous improvement manufacturing efficiencies also helped us. So those were the two business side inputs that came in for good profitability. Obviously, we were also successful in passing on the price increases to our customers based on our existing relations in the global

markets as well as the domestic market. That is how we go Q3 and Q4. To answer your question, how things will pan out in the future, as the volatility subsides obviously some of the input raw material prices are likely to come down which will also mean that the prices on the finished products may come down. But overall, our goal and the way we want to drive the business is we want to maintain almost similar margins as we move forward. There are some fundamental changes which might come as we get into FY2023, which could have negative impacts on our margins. For example, one of the products in European markets may go off this year. If that announcement goes through there will be oversupply situation and hence the pressure on prices so we are constantly monitoring those macro situations. But overall, we expect to maintain more or less similar margins as we get into FY2023.

Mithun Aswath: Right and just one last question. I wanted to understand because of political situations and Company is trying to move away their supply chain from China I just wanted to understand how much of that are you seeing as a benefit which is structured in nature and which could actually grow significantly from now?

Anurag Roy: The China plus one strategy and our Government is promoting more of in-house building of capabilities for the country. All these are drivers for our industry. We want to continue to leverage on that. A lot of growth for our CMO business will come from this particular trend and we are seeing that coming from our customers as well, wherein they are looking for the second source of supply and that is how we are also building a future pipeline.

Mithun Aswath: Great thanks.

Moderator: Thank you. The next question is from the line of Pritesh Cheddha from Lucky Investment Managers Private Limited. Please go ahead.

Pritesh Cheddha: Sir, my question is with respect to the 500 basis point gross margin expansion that we see this year so if I recall a year back we had a pricing pressure on the Triazole so is it that pricing pressure eased and we are seeing the margin expansions going through and how much would be the CMO mixage that you would have experienced in FY2022?

Anurag Roy: So clearly those growth margins or profitability increase as the pricing has a huge contribution there, but as all of you would appreciate that there is a huge amount of volatility in this product portfolio which we currently have and that is why it becomes increasingly imperative or important for us to continue to derisk, expand our portfolio products and get into the CMO business and that is what we are precisely doing it. There will be some Quarters wherein you would see less margins. There will be some Quarters like the last two wherein the margins will be on the higher side. From driving the business perspective, I think what we need to focus on and which I mentioned earlier it would be on strategic sourcing. It would be to continue to work on manufacturing efficiencies, vertical integrations or backward integration, so those are the thing from business side we are working on and the rest we play the volatility in the market to the best of business decision.

Pritesh Cheddha: How much will be the mix change the CMO which you said is 13% of business in 2022 how much it would be last year?

- Anurag Roy:** So last year we were at roughly 17% and we have gone a little bit down. We are close to 13% but as I was highlighting earlier over the next three years or so we expect it to get to 25% or 30% level.
- Pritesh Cheddha:** So, is it fair to comprehend that bulk of the margin expansion is because of the enterprise exports and because of the Triazole price? Is it a fair assumption?
- Anurag Roy:** Yes, you could say that at least for the current financial year, right.
- Pritesh Cheddha:** When we are saying that the CMO will rise in mix is that the herbicide plant utilization which brings the CMO improvement because that is where the products on CMO will come or is that interpretation correct?
- Anurag Roy:** So, herbicide we are seeing a good pipeline of CMO projects coming in, so that is clearly one of the drivers and then we also have other fungicide CMO products which we typically put in our multipurpose plants so there also we are seeing a lot of good opportunities come in so I would say it is a mix of both herbicide and fungicide projects will drive the growth.
- Pritesh Cheddha:** So, the asset available to you in the near term where you have to take up the utilization that same 23 is basically the herbicide plant and then the asset available to you which will bring in further growth will be the Greenfield multipurpose plant of Rs.150 Crores whenever it comes up, is that correct, Sir?
- Anurag Roy:** Right and plus I was talking about the herbicide expansion which have been talking about and then obviously the debottlenecking on the existing multipurpose plants.
- Pritesh Cheddha:** Can you tell the years when the herbicide incremental expansion will flow from operational and when will the debottlenecking become operational?
- Anurag Roy:** It is an ongoing exercise. We have already taken up the debottlenecking projects as we get into FY2023 so that will be kicked off for the current Financial Year. For the herbicide expansion over the next couple of Quarters, we will start the investment to expand further so that should also likely to kick off over the next year or so. I will say over the year and that will go through the similar cycle as I was mentioning 30%, 70%, 100% utilization over the next few years.
- Pritesh Cheddha:** Thank you very much, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Vora from Premier Capital Services Limited. Please go ahead.
- Aman Vora:** Thanks for the opportunity again. Couple of questions. One was like you said to the last participant that enterprise business was large contributor to the share of performance, so I understand that the market dynamics beside the pricing for the molecules but do we have any pricing power in those, because it is very difficult to predict how this thing of those molecules will move so anything on the pricing power, if we have any?

Anurag Roy: I keep going back to the points which I was mentioning. One is obviously the relationships you have with some of the key customers so there also we have the deep relationship with the customer wherein this volatile markets there are times when we support customers and vice versa so that is one thing but two critical key which are very important to drive for this kind of volatile business is taking the right business decisions around strategic sourcing and continuously working on life cycle of the product as well as manufacturing efficiencies so there will be Quarters wherein we might be taking 8 out of 10 calls right on strategic sourcing and we will have good profitability. There could be a scenario wherein the calls do not go as we expect and that will impact the margin so I think that is the only way to drive this particular business. So I keep giving the guidance to my teams and business that you should continue to focus on our fundamentals for working on manufacturing efficiencies, strategic sourcing and the third thing is continuous improvement.

Aman Vora: Just one last question, so if I am not wrong, we spent about Rs.250 Crores to Rs.270 Crores on the R&D facility in all including the one that we will be doing this year so I just want to understand from you what kind of stabilities we are building there in comparison to what industry already has and some colour on what we are building there after this capex that we have done and that what we have been doing now?

Anurag Roy: First of all, a little bit of check on the numbers which you have. For R&D we have invested or we are investing around Rs.120 Crores and historically we would have invested roughly Rs.20 Crores to Rs.30 Crores in the past for the R&D capability for Astec which we have so roughly you are looking at Rs.120 Crores to Rs.150 Crores. This Rs.100 Crores plus investment is a new R&D came with a vision that we want to build Astec for the future and as I was mentioning earlier the technology and the research will be at the forefront of growth and with that premise or with that fundamentals we are taking this huge investment in R&D and I can proudly say that we would be among the few companies in India heavily investing on R&D at least in this particular sector and we want to provide full service, technical, scale up solutions, process safety, kilo labs, the innovator as well as enterprise companies of the world so with that goal we have committed on this particular R&D investment.

Aman Vora: Thanks a lot.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Asset Management Co. Limited. Please go ahead.

Dhruv Muchhal: Thank you so much. In the previous call you have mentioned that the capex for the CMO plant was about Rs.100 Crores to Rs.110 Crores and the turn is about 1.5 to 1.7, which gave us a revenue of about Rs.170 Crores at full potential but this time you mentioned about Rs.230 Crores to Rs.270 Crores at full potential so what I am missing here?

Anurag Roy: Yes, one obviously for our capex and earlier projection was Rs.110 Crores to Rs.120 Crores. Those projections went up because of the input price increases on steel and other raw materials for the capex so that is one. But having said that, as I was mentioning earlier, we are seeing a healthy pipeline of herbicide products coming into this particular plant. We are the only company who also has a set up for high potent facility which is also being of a good interest to some of the innovators

and CMO players and with that we could tie the business to some extent and choose some of the molecules who want to pick in those herbicide plants and we can now confidently say that we could get 1.5 to 1.7 asset turn from that facility which is equivalent to the Rs.230 Crores to Rs.270 Crores and obviously when I say 1.5 to 1.7, it is on the final year and not on the first year the asset turn which we aim to get from this herbicide plant.

Dhruv Muchhal: Sir, just to reconfirm when we say Rs.230 Crores to Rs.270 Crores and 1.5 to 1.7x and the full potential of Rs.230 Crores to Rs.270 Crores, does it include the Rs.35 Crores to Rs.50 Crores of expansion that you are planning in the herbicide plant or this is before that?

Anurag Roy: No, that does not include that. The decision to further expand obviously is coming from the good outlook of the pipeline and the good asset turn which we are getting from the existing herbicide and that is what is the motivation we set up the new herbicide plant.

Dhruv Muchhal: Got it. So versus your earlier expectation of asset potential, it is much better because of the improvement in the product profile that we are seeing now?

Anurag Roy: Yes.

Dhruv Muchhal: Got it. Thank you so much, Sir.

Moderator: Thank you. The next question is from the line of Rahul Paliwal from Shefa Family Office. Please go ahead.

Rahul Paliwal: Thanks for giving clarity on the merger decisions with Astec with Agrovvet and the thought process behind it. This is really appreciative, Sir and I am sure this will prove value accretive for all stakeholders going forward. Sir, another suggestion we have is like why not rebrand Astec of the lead focus CDMO/CMO entity named as Godrej Green Chemical or Godrej Advance Science or likewise that is one suggestion and we need your inputs on that and question number two is any plan to get into biochemical or biological formation?

Balram Yadav: Thank you very much for your appreciation. I think the purpose of the merger as I said was to give this business an opportunity to grow exponentially and I think we have demonstrated that without doing that and the balance sheet can support further expansion in the plans Astec LifeSciences has. I think those suggestions for rebranding is under consideration because I think Astec LifeSciences more than 65% business is exports and registration, etc., in the name of Astec LifeSciences so we have been receiving your suggestions and we are studying that and very soon we will take a decision either way on that. On the biological, etc., I think I must tell you one thing is that the field of chemicals is huge and we just have to choose where we play because we want to be very focused and we have a plan not just for next three years but the next five years where substantial capex has been budgeted. We would like to chase that plan to perfection. As Mr. Anurag has already said that we will focus on the agrochemical opportunity for the next three to five years because there is a huge scope and we have demonstrated that we can capitalize some of that opportunity very well. Regarding biological, yes, this is an opportunity. It is under discussion, but we have not decided as yet on when to embark on this.

Rahul Paliwal: Thank you so much, Sir and welcome onboard Mr. Anurag.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Mr. Nadir Godrej for closing comments.

Nadir B. Godrej: Thank you. I hope we have been able to answer all your questions. If you have any further questions or would like to know more about the Company, we will be happy to be of assistance. Stay safe and stay healthy. Thank you once again for taking the time to join us on this call.

Moderator: Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.
