



HERANBA
INDUSTRIES LIMITED
A Govt. Recognised * Export House

H.O. : 101 / 102, Kanchanganga, Factory Lane, Borivali (W), Mumbai - 400 092. INDIA. **Tel.** : +91-22-2898 7912 / 2898 7914, 2898 2133 / 44, 5070 5050, 5070 5101 **Web** : www.heranba.com **CIN NO** : L24231GJ1992PLC017315

Branch Off. : 301, 3rd Floor, Soni Shopping Center, L. T. Road, Opp - Dwarka Hotel, Borivali (W), Mumbai-400 092. INDIA
Email : sales@heranba.com / intl_mktg@heranba.com

Date:- August 21, 2021

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001, Scrip Code: 543266	National Stock Exchange of India Limited Exchange Plaza, 5 th Floor Plot no. C/1, G Block, Bandra - Kurla Complex, Bandra(E), Mumbai - 400 051. Symbol: HERANBA
---	---

Dear Sir/Madam,

Sub: Transcript of Earning Conference Call held on August 11, 2021 at 11.00 A.M. on the Financial Result For the Quarter ended June 30, 2021.

Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (Regulations)

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Transcript of Earnings Conference Call held on August 11, 2021 at 11.00 A.M on the Financial Result for the Quarter ended June 30, 2021.

We request you to kindly take the above information on record.

Thanking You,

Yours faithfully,

For Heranba Industries Limited



Abdul Latif
Company Secretary and Compliance Officer
ICSI Membership No.: A17009

Encl. as above



“Heranba Industries Limited Q1 FY ’22 Earnings Conference Call”

August 11, 2021

**MANAGEMENT: MR. R. K. SHETTY – MANAGING DIRECTOR, HERANBA
INDUSTRIES LIMITED
MR. RAUNAK SHETTY – EXECUTIVE DIRECTOR,
HERANBA INDUSTRIES LIMITED
MR. RAJ KUMAR BAFNA – CHIEF FINANCIAL OFFICER,
HERANBA INDUSTRIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q1 FY22 Earnings Conference Call for Heranba Industries 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 presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil M. Morye. Thank you and over to you, sir.

Nikhil Morye: Thank you Yashika and welcome everyone and thank you for joining the Q1 FY22 Earnings Call of Heranba Industries Limited. The Results and the Investor Presentation have been email to you and are also available on the stock exchanges In case 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.

To take us through this results of the quarter and answer your question, we have with us the from the top Management of Heranba, Mr. R. K. Shetty – Managing Director; Mr. Raunak Shetty – Executive Director; and Mr. Raj Kumar Bafna – Chief Financial Officer.

We will be starting the call with a brief overview of the quarter gone by from Mr. R. K. Shetty followed by the financial performance by Mr. Bafna which will be followed by the Q&A session.

I would like to remind you all that everything said in this call reflecting any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and the risks that the Company faces. These risks are included, but not limited to what we have mentioned in the prospectus filed with the SEBI and our subsequent annual reports which you will find on our website.

With that said, I will now hand over call to Mr. R. K. Shetty for his remarks, over to you, Sir.

R. K. Shetty: Thank you Mr. Nikhil. Hello to all and Welcome to Heranba Q1 FY '20-22 Results call. As you all are aware the second wave of COVID-19 pandemic wreaked havoc across industries early this year and its effects are still being felt as the second wave continues in some states. Even in such difficult circumstances Heranba has showed remarkable resilience and good overall performance. We have always adhered to the strictest hygiene standard in all of our facility. Employees will be and are important to us and we will continue to exercise extreme caution and social distancing in the workplace.

I am pleased to report that we have maintained our momentum from Q4 FY21 and have started the first fiscal quarter of FY22 the strong set of numbers. The business has shown perseverance in the face of adversity while focusing on growth and success. Even during one of the most challenging years in modern history when the COVID-19 pandemic affected the majority of global companies Heranba maintains its growth trajectory and achieved one of its best financial results in history. The Company was able to accomplish this through its unwavering commitment to innovation and excellence.

With a diverse product range, a strong technical emphasis on product quality and integrated production facilities Heranba is well positioned for sustainable growth in years to come. Throughout the quarter the Company maintained a strong emphasis on business continuity to ensure that production activity and supply chains are uninterrupted while also trying to enhance the same on a continuous basis.

We have a sharp uptick in our domestic revenues this quarter our domestic revenues formed 62.1% of total revenue from operations. In absolute terms our domestic revenue grew by 56.92% in Q1 FY22 on year on year basis and our exports grew by 6.96% in Q1 FY22 respectively. Export growth was marginal due to scarcity of containers and backlog exports. In terms of business mix, our technical grew our revenue this quarter contributing 72.75% of revenue from operations. There has been a growth of 44.56% in technical revenue as compared to Q1 FY21 while our formulations grew by 10.4% this quarter compared to Q1 FY21 last year. Public health has doubled in absolute terms this quarter as compared to Q1 FY21 as we see the reason of government contracts.

This quarter we have received EC for our Sarigam expansion and the construction work is in progress and we will soon reap the benefits of the same. We intend to capitalize on opportunities generated by various technicals going off patent in the coming years by manufacturing and supplying generic variants of the technicals, in the highest regulated markets of the United States of America and Europe. In the international formulation market, we aim to grow our presence in established countries such as United States of America, Europe and Latin America by strengthening our partnership and introducing optimized products with a competitive edge. On the research and development front, five new compounds are being evaluated two of which are fungicides, two of which are herbicides and one of which is an insecticide for exclusive sale in Europe and United States of America.

The Company is well-poised to build on the strong operational competencies developed over the last few years. I am hopeful the Company will continue to grow and surpass new milestones in the years to come. We continue to see FY22 as a critical year in Heranba's trajectory and are optimistic of the future. This concludes my planned remark and I will now handover to Mr. Bafna our new CFO to take you through the financials.

Raj Kumar Bafna:

Thank you, sir. Good morning everyone. I would like to briefly touch upon the key performance highlights for the first quarter ended June 2021 and then we will open the floor for question and answer.

On the revenue side,

- Q1FY22 Revenue at INR 3,556.79 million v/s INR 2,692.79 million in Q1FY21, a growth of 32.09% on YoY basis and growth of 30.20% on QoQ basis

Looking at the EBITDA,

- Q1FY22 EBITDA at INR 690.91 million v/s INR 435.66 million in Q1FY21, growth of 58.59% on YoY basis and growth of 9.59% on QoQ basis
- Q1FY22 EBIDTA (incl. other income) margin at 19.66% v/s 16.19% in Q1FY21 and 23.54% in Q4FY21

Despite the challenging environment, the margins of the company have been stable as a result of our strong product mix and presence across geography.

Coming to the profit after tax,

- Q1FY22 PAT at INR 473.87 million v/s INR 285.83 million in Q1FY21, a growth of 65.79% on YoY basis and growth of 9.69% on QoQ basis

This resulted in the earnings per share being at

- INR 11.84 during Q1FY22 versus INR 7.32 in Q1FY21, 61.75% increase y-o-y.

That concludes the update on financials, and we will now open the discussion for Q&A.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Varshit Shah from Veto Capital. Please go ahead.

Varshit Shah: So, my question is firstly on the export front the growth on export is slightly lower in terms of single digits and domestic have actually signed at almost 90% growth, so is there some structural shift in demand or is this more related to logistic issue and second follow up on that is how could you get such large chunk of growth in the domestic business given that you are more export focused Company, so is there some extra tailwind in the domestic market if you could highlight that?

Raunak Shetty : So, basically regarding the exports so this year as it is already known in the market that there is acute shortage in getting containers for export, so there were some logistical difficulties that is why we had to focus more on domestic and as for your second question in the past also we have already mentioned that our product is saleable across the globe, we have registrations in India as well as in the export market. This quarter because of some logistical issues we could not sell in the export market more. So, we have focused more on the domestic market.

Varshit Shah: So, the demand is not lost?

Raunak Shetty : The demand is not lost we do have orders, but the movement is slow.

Varshit Shah: So, it is more of a booking issue rather than a demand issue?

Raunak Shetty: Correct.

- Varshit Shah:** And my second question is on the new product which I think R.K sir commented so could you please repeat that comment and second is how do you see the new products pipeline planning over next two years if you could just split the launch date in terms of years may be two products which could come in FY22 how many will come in FY23 a tentative sort of timeline for a new product which you are planning to launch?
- Raunak Shetty:** For your second question we would launch around 4 to 5 products next year and in the FY24 we would have similar plans.
- Varshit Shah:** And secondly if I see your margin growth in terms of the gross margin front we have done almost 290 bps jump in gross margins if I see your EBITDA margin largely it is driven by gross margin jump, so what is the key reason for this improvement in gross margin on YoY basis and secondly we had cost pressures especially on the freight and the raw material side, but there is no significant rise in other expenses, so have you been able to pass on all of these cost related inflation to the customers?
- Raunak Shetty:** We have been able to pass on the freight and all logistical related expenses to the customers and this quarter our domestic sales have been more. So, that way there is no such reflection in our expenses also.
- Varshit Shah:** On the improvement in gross margins so improvement is in the product mix? because you do not have any significant new product launches, was it a product mix?
- Raunak Shetty:** Yes we had two product launches, So we increase our volumes in the existing product and launch two products in the technical side and we also had few launches in the formulation side also in our branded segment.
- Varshit Shah:** So, largely it is new launches which are higher in margin and product mix?
- Raunak Shetty:** Yes.
- Varshit Shah:** And one last question if I could squeeze in. Your employee expenses percentage of sales is lower although it has increased on absolute basis, so is it just a COVID related saving and it will normalize going ahead or is it going to be sustainable?
- Raunak Shetty:** Which expenses?
- Varshit Shah:** Employee expense as a percentage of sales has come down to 3.9% from 4.5%?
- Raunak Shetty:** That would be in the range of 4.3 - 4.5%
- Varshit Shah:** On an annual basis.

- Raunak Shetty:** Yes, on annual basis.
- Moderator:** Thank you. The next question is from the line of Sourav Shah who is an Individual Investor. Please go ahead.
- Sourav Shah:** So, I wanted the comment of management on DRHP filing where it states that there are some 500 criminal proceedings underway and the Company has been classified as wilful defaulters on a 49 crores Co-operative bank loan which was avail by a group company, so this would be my first question and the second would be what will the proportion of technical and formulations going forward and how will the proportion vary from quarter-to-quarter?
- Raunak Shetty:** So, your first question was related to the associate company wilful defaulter, that is completely paid it is not an issue anymore and what was your second question?
- Sourav Shah:** On technicals and formulations.
- Raunak Shetty:** That will be in the range of around 65% to 70% technicals to formulations even going forward.
- Moderator:** Thank you. We will take our next question from the line of Alisha Mahavla from Envision Capital. Please go ahead.
- Alisha Mahavla:** Sir, I just wanted to understand the growth that we are seeing this quarter it is volume growth or value growth, can you break that up for us?
- Raunak Shetty:** It will be a mix of both, mainly volume growth.
- Alisha Mahavla:** And sir is there any seasonality in a business because we talk about doing an 18%, 20% growth on full year basis and we have done much stronger growth than that, so are we expecting a softer Q2, Q3 or are we expecting the whole year to be stronger than what you all anticipated?
- Raunak Shetty:** Agrochemicals as a segment is definitely seasonal so there is seasonality, but we are spread across the globe. So, if you say Q2 and Q3 would be good in India where Q2 would be the strongest, but when it becomes softer in India we export in foreign countries. So, that way we have been able to fairly maintain our growth YoY even quarter wise if you see there is not big difference in our quarters as compared to rest of the industry players.
- Alisha Mahavla:** Exactly I understand because you have a healthy share of export so we do see a lot more consistency so considering the result that we have seen in Q1 we are expecting on full year basis to have a strong year?
- Raunak Shetty:** Yes we would be able to maintain 18% to 20% growth.

Alisha Mahavla: Sir while you did touch upon the increase in gross margins on YoY basis largely because of new product introduction and product mix, what is the reason for the dip in gross margins on Q-on-Q basis from Q4 to Q1?

Raunak Shetty: So, again product mix on this. In Q1 you can say now we are selling more in the domestic market. So, the product mix changes. When last Q4 we were selling in the export market there was a different product mix. So, Yes it is majorly the product mix which has changed in B2B segment export to domestic and quarter-to-quarter the products are also different.

Alisha Mahavla: But if I had to look at it from technicals to formulations technicals is where most of our revenue come from also is a relatively higher margin business that business have seen a very strong growth, so then why we are seeing this dip?

Raunak Shetty: The reason is the same only product mix. There are lot of technicals that we make so depending on the market that we cater the production quantities also switch our production facility is fungible and we sold more or some different products in Q4 and different products in Q1 now.

Alisha Mahavla: So, what would be the sustainable gross margins for our business on full year basis?

Raunak Shetty: So around on 35% - 36% we have said it could be higher, it could be lower. So, it means it will be standard, but this should be an average that we would say. So, if you see last year also we have been able to maintain this 35% - 36% where quarter-to-quarter it may go higher, but we have been able to fairly manage this range even on the lower side we have been able to manage around 35% gross margins.

Alisha Mahavla: But this quarter we have done close to 32% we are saying in an abbreviation on full year basis we should come back closely?

Raunak Shetty: 34% - 34.5% we have achieved this year this quarter.

Alisha Mahavla: And sir what is your current capacity utilization levels?

Raunak Shetty: Majorly in our technical facilities it is around 90%. So, with every debottlenecking it again goes back to 90% and the formulation capacities we have around 55 percentage which with the new registrations that we get this also capacity utilization would go up. In future we have already put up in the board that we would have one more unit coming up in Q3 by September end, October beginning or so it would be ready. So, that would be a new site again that would be partly that would be a technical site only. So, that would also add to our volume growth as well as our total turnover.

Alisha Mahavla: Sir just for the clarification this site that you are talking about will be available from Q3 of this financial year and the expansion you are doing Sarigam is a Greenfield site that will come almost after two and half years?

Raunak Shetty: Currently Sarigam is a formulation facility where our capacity utilization is around 55% so there is lot of scope where we can increase formulation business which we will be able to see in this Q2 as well as if the logistical difficulties that we are facing in the export market if it is solved then maybe in the future quarters also we will be able to see and technicals by next year we have said Q4FY22, but maybe there would be some delays because of COVID there were initial one quarter there was some issues so little plus minus would be there. So, instead of Q4 maybe next year Q1 or so the work has already been started.

Alisha Mahavla: And this is the plant for which you have received EC?

Raunak Shetty: Yes we have received EC in both Sarigam as well as Sykha. So, we can start our activity in both the places currently we have started our activity in Sarigam, in Sykha we have received last month only that is July. So, our activity would start maybe in Quarter 3.

Alisha Mahavla: So, sir what is the total capacity that we are adding in technicals so one site that is coming in Q3 and this other site that you said probably by end of your early next year, so what is the total capacity that we are looking to add or what is the total CAPEX that we are looking to do between of these sites for technicals?

Raunak Shetty: phase wise we will add so we cannot say we will not be able to clearly tell you how much maybe somewhere 5,000 to 10,000 tons we would be able to add as phase one.

Alisha Mahavla: So, while I understand you will add your phase one what is the total CAPEX you are looking at doing at this facility?

Raunak Shetty: We had told in the earlier concall also that we will planned over the three years around 250 crores in two to three years.

Moderator: Thank you. The next question is from the line of Tanishq Singhal from SSL. Please go ahead.

Tanishq Singhal: My question was regarding the overall annual margins the business is producing, so before 2020 I can see the margins at 12%, 13%, 14%, so what give that in 21 we have produced margins of 18% which is a very substantial jump so what have been the reasons behind this increasing operating profit margins?

Raunak Shetty: So, I think it has been year-on-year we have been able to increase gradually could be few major reasons we have got lot of registrations in India as well as in the export market. Secondly, we had a very low base in our branded business which is grown over the last few years. Third operational efficiency and fourth is a product mix because of the registrations that we received.

Tanishq Singhal: The question was going forward can we maintain these margins?

Raunak Shetty: Yes, we will be able to maintain this kind of EBITDA margins.

Moderator: Thank you. The next question is from the line of Pranati Trivedi from Electrum Capital. Please go ahead.

Pranati Trivedi: Sir, in your DRHP you had mentioned you're your market share is around 19.5% have you gained any market share in the last two years between 2020 and 2021?

Raunak Shetty: Basically, the industry has been in this range. We will say we have maintained it, so we have not tracked what our current market share is. So, we have been able to grow our business. There is no addition in the players in India or in China. We heard of some additions, but they are for different products we have not yet even started business in those molecule. So, I think we have been able to maintain it.

Pranati Trivedi: Sir could you also give some colour on how the industry is going to pan out especially in the Indian pyrethroids market if you could give some industry perspective to us that is going to be my last question?

Raunak Shetty: Basically, we will say we should not consider pyrethroids from only an Indian market perspective because we have a very good export market also for pyrethroids and this quarter itself we have proved that even if we have not sold much in the export market we have been sufficiently able to manage by selling in the Indian market so that's a boost that if the export market is there if there are no issues we will be able to sell in the export market also. Secondly, we have expanded our product range. We started with some pyrethroids, but we are not confined to pyrethroids today, we have other molecules also and that with time we will be adding new molecules which would be in the other than pyrethroids segment also.

Pranati Trivedi: Could you give some colour on what kind of these new molecules would be like what kind of chemistry would that be could you give us some colour on that?

Raunak Shetty: Yes we have said that there are two herbicides, two fungicides, one insecticide we have planned. There are others also which we have actively developed or we are working in our R&D facility, but some registration activities for these molecules we have started. So, this would not be from the pyrethroids segment we definitely want to add more in the pyrethroids range also from our existing one which we are not counting, but the five molecules which we are talking of is from other than the pyrethroids segment.

Moderator: Thank you. The next question is from the line of Vijay Chauhan from Right Horizon. Please go ahead.

Vijay Chauhan: So, I just wanted to know from the long-term perspective like on the three to five years perspective, what kind of revenue growth like we are looking for as our capacities are coming and if we look from the decade long perspective, so how are we looking in that direction as well from very long term perspective in this business?

Raunak Shetty: First question I will answer as we have said 18% to 20% we will grow YoY over the years. Second question we didn't get you.

Vijay Chauhan: So, from beyond five years the business will keep on growing in post five years as well, so are there any plan or where we want to go ahead like a long-term vision, our business prospect that after a decade we should be like somewhere around this in terms of like the portfolio of our products or something like that?

Raunak Shetty: We should be one of the top companies in our industry.

Moderator: Thank you. The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: Sir you said what percentage of your revenues is currently from pyrethroids?

Raunak Shetty: Percentage around 60% - 62%.

Prateek Chaudhary: And what was this one or two years back what was this percentage?

Raunak Shetty: Well it was around 65 before that I think if we see it is basically we were into only pyrethroids, but 2015 onwards we started applying new registrations and entered new products. So, we can say from 100 we have come down to 60 because our base has also gone up. So, now we have touched 1,200 crores this year so in that way we have not reduced our exposure but we have maintained it, but because of new additions that portion has gone down.

Prateek Chaudhary: And right now you are saying it is about 40% is non pyrethroids?

Raunak Shetty: Yes.

Prateek Chaudhary: And do you see this mix changing over the next few years?

Raunak Shetty: Pyrethroid as a group is very good it is one of the best insecticide group if we say and it has done fairly well also over the period and we feel it will grow also well in the insecticide space, but yet we have planned into other segments also seeing the growth and seeing the niche in each markets or the scope in the markets and we have planned to introduce new molecules in the other segments also because there are lot of herbicides and fungicides which show good potential and with the entire China plus one policy definitely there will be a lot of countries that are shifting their thoughts from China to other countries like India. So, that gives us an added advantage.

Prateek Chaudhary: Are we looking at like fixed offtake or contract manufacturing kind of opportunities as well?

Raunak Shetty: Currently we do have such inquiries from multinationals, but the margins that they are pitched is low which we felt from our existing business or in the segment that we want in the CRAMS

segment also we could get a better business by not doing CRAMS, but as and when we get good opportunity we will take it up. We have got land parcels, we have good relationship, we supply to multinational, but we are not very comfortable with giving at lower price.

Prateek Chaudhary: And of the expansion that we are doing over the next three years how much of it is for capacity expansion in our existing products and how much of it would be for newer products?

Raunak Shetty: To say 30-70.

Prateek Chaudhary: So, 30 is for expansion into existing products?

Raunak Shetty: Yes.

Prateek Chaudhary: And so bulk of it around 70% of the 250 crores CAPEX that we are spending on over the next three years you are saying would be for new products that we do not make currently?

Raunak Shetty: We do not make or we make in a very small quantity to that.

Prateek Chaudhary: And this 18% to 20% you see growing for the next three to five years CAGR?

Raunak Shetty: Yes.

Moderator: Thank you. The next question is from the line of Anupam Agarwal from Lucky Investments. Please go ahead.

Anupam Agarwal: I actually wanted to understand from the export point of view I understand this quarter was an aberration in terms of mix over the longer term what sort of export and domestic mix one should assume?

Raunak Shetty: Over the period we want to touch around 60% export, 40% domestic.

Anupam Agarwal: If you could just elaborate a little more about the opportunity and the prospects we have in those markets let us say the markets that we want to enter in the next three years I understand US, Europe and LATAM are big opportunities for us, what sort of registrations how many registrations, what are the size of those products registrations that we are doing are there any big players in those molecules that we might have to face and if you could just give some colour there?

Raunak Shetty: Exact number for future registrations we do not have now, but we have applied a lot off registrations. So, some of the registrations we have already received last year we received five registrations in Europe, few registration we have received this year and US also. One we are expecting by the end of year in here. There were lot of registrations we have applied in Asian

countries. In India also we have applied a lot of registration which we will be getting maybe by next year end.

Anupam Agarwal: So, basically new markets for us is US and Europe, so how many products we will be registering in the next three years in those two markets?

Raunak Shetty: Applied registrations in LATAM also, time requirement in the LATAM countries are more. This way about US, Europe because we have applied earlier and we have received it, LATAM maybe over the next two, three years we will receive more in LATAM where we definitely selling today in LATAM also, but the product profile would be bigger over the period.

Anupam Agarwal: By product profile you mean the opportunity size of those products?

Raunak Shetty: Siz plus the existing also.

Anupam Agarwal: Can you give some details some ballpark figure as to what the opportunity size can be in these molecules that we intend to either receive approvals or launch in the next three to five years?

Raunak Shetty: Opportunity in the new products you mean?

Anupam Agarwal: Yes new products specifically for the export markets from US, Europe and LATAM?

Raunak Shetty: Yes as a whole the product scope should be around \$600-\$700 million.

Anupam Agarwal: Any bigger player who is already in these markets that we are catering to for these products that we intend to launch in the \$700 million dollar market?

Raunak Shetty: In India we will not say there are any large players, but multinationals definitely are doing some business in these.

Anupam Agarwal: So, we will be in top 5 as of now?

Raunak Shetty: In the 5 yes I think you are asking the 5 molecules you mean to say?

Anupam Agarwal: Yes.

Raunak Shetty: Yes in the 5 registrations.

Moderator: Thank you. The next question is from the line of Rajiv Desai from Motilal Oswal. Please go ahead.

Rajiv Desai: Just you said 250 crore CAPEX for the next two to three years what is basically revenue potential we can generate from that capacity and how much we can utilize the current ramp up capacity from the current levels as we are seeing?

- Raunak Shetty:** From the new products you could say over the period of course because they are new products we will be able to sell the quantity, but over the period we could say 3.5x from the investment that we have planned better asset turns because we are into both technical as well as formulations.
- Rajiv Desai:** What is basically current capacity utilization technical you said 65 technical currently somewhere formulation is 55 and technical what is that basically?
- Raunak Shetty:** Technical is around 90%, formulation is around 55%.
- Rajiv Desai:** Can you mention any size in tonnage?
- Raunak Shetty:** Tonnage currently it is around 15,000 metric tons per annum. So, we must have added some you could say current we will be able to touch around 16000 -15500 tons for now this is both formulation and technical enclosure.
- Rajiv Desai:** So, at least we can expect a 1,000 revenue additional after this CAPEX addition to what we have currently of 1,200 crore am I thinking is correct in next four years and with margins at the same level or can we expect the improvement in the margins?
- Raunak Shetty:** Margins we would say we will maintain this of course we always strive to sell at a better price, but we will see we will maintain this kind of margins and we will be able to add another 1,000 crores from this. Quarter 4 you saw a better margin this quarter we have seen slightly lower, but in this range around 18.5%, 19% we have been able to maintain this quarter also. So, we strive that we will always have a better margin profile in this case also we tried to maintain 18%.
- Rajiv Desai:** So, all will be done through internal accruals CAPEX?
- Raunak Shetty:** Mostly today we have good internal accrual so Yes currently entirely internal accruals.
- Rajiv Desai:** Any value added products which can improve our margins or anything apart from the growth from this CAPEX, so I just wanted to see how our earnings can grow for the next five years down the line?
- Raunak Shetty:** There is a good possibility the new products would have better margins.
- Moderator:** Thank you. The next question is from the line of Deepak Kolhe from B&K. Please go ahead.
- Deepak Kolhe:** Sir do you think the growth in the domestic business continues to remain strong and which are the specific molecules you see a strong demand in the domestic market and do you think that this kind of growth is sustainable in the domestic market?

- Raunak Shetty:** It would be very tough for us to tell currently whether this kind of growth will be sustainable once the export market opens up definitely if we get a better margins profile in the export market we would push more in the export market and not domestic, but definitely we have a lot of registrations in pipeline so there would be lot of new products that we launch over the next one year and that would add to our future growth in the domestic market also.
- Deepak Kolhe:** Sir you have also mentioned that the revenue growth of 18% to 20%, but if you can like provide sir any specific to the export and domestic that will be great sir?
- Raunak Shetty:** So, currently it is 50-50 our focus has been and we have been always told that we will focus more on exports with a bigger base as our turnover grows that domestic and export that turnover also looks big.
- Deepak Kolhe:** And sir as you have mentioned that there are new product already launched sir can you please talk about this and have we get any product registration in the US and Europe recently?
- Raunak Shetty:** In US we have received one registration this year. Europe we have received four registrations and this year we feel we will receive one more.
- Deepak Kolhe:** Sir can you please just talk about this product specific for example in US what is the product molecule which you have launched and in Europe which are these molecule specific if you can give?
- Raunak Shetty:** Yes mainly from the pyrethroids range in Europe one herbicide we have applied which we are to receive registration maybe in this quarter.
- Deepak Kolhe:** And sir my last question is we have seen other expenditure is very high for this quarter, so what are the factor today and do you see that other expenditure coming down in next quarter?
- Raunak Shetty:** No, I do not think our other expenditure are very big
- Rajkumar Bafna:** If compared to sales is almost around 11% to 12% for this quarter.
- Deepak Kolhe:** Yes if you look at YoY there is some jump in more than 40% jump in other expenditure?
- Rajkumar Bafna:** The sales has grew around 32% whereas other expenditures grew about around 38% in same range. They are mostly expenditure in the variable in nature.
- Deepak Kolhe:** I just wanted to is there any factor because freight cost have gone up, so is there any cost that has gone up as compared to last year which included in that other expenditure?
- Rajkumar Bafna:** You rightly said the freight and other distribution cost has gone up and we already passed on to customer.

Moderator: Thank you. The next question is from the line of Hemant Shah from Edha Wealth. Please go ahead.

Hemant Shah: I just have one question how much registration we have sir you said total as of today and how many we have applied for if you can just give me approximate numbers?

Raunak Shetty: We have around 375 registrations so how many we have applied that figure we do not have currently because we continuously apply registrations based on what our marketing demand where we have our dedicated registration team that keeps applying registrations.

Hemant Shah: How many registrations we received approval last year in FY2021?

Raunak Shetty: We will have to check exact figure I do not have currently.

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

Varshit Shah: Sir my question is on the broader capital allocation over the next two to three years if I just do a back of the envelope calculation you will generate anywhere between 600, 650 crores of cumulative operating cash flow with the next over FY22 to FY24 and CAPEX plans which you have outlined is somewhere in the range of 250 to 270 crores, so despite such almost 3x expansion in capacity we were still left with surplus cash maybe definitely in FY24 end, so any thoughts on the utilization of this extra cash which probably you will end up generating by end of FY24 and any thoughts on the capital allocation front?

Raunak Shetty: It is a very good figure that has 600 crores, 650 crores so whatever the figure maybe around 500 or so if we see we will be over the three year we have anyways as on date we have committed around 250 crores and with every passing year definitely we will have new thoughts, new investments, new tie ups, new relationship where we will accordingly plan our investments maybe in registrations, new geographies, new products as I said in R&D also we have been talking of five products, but there are lot of other products which are also we are working on, but we have not started any registration kind of activity to tell you that we will be able to sell immediately maybe from the next year or so maybe we may start some registration activity this year and where sales may come maybe two years from now or so. So, vis-a-vis any additional the capital that we have would go into newer investment opportunities that we get over the period.

Varshit Shah: Is the management also open to any inorganic acquisitions or any thoughts on that?

Raunak Shetty: We will not shy from it if we get a good opportunity definitely, we can look into it. We have good capital accruals that way and any good synergistic opportunity that we get and we would like to take it.

- Varshit Shah:** Sir my second question is on this new product development so I think you mentioned 4 to 5 new product coming in year FY23 and 24 each are these products ready at your R&D? especially the ones you are launching next year so that is my first question?
- Raunak Shetty:** Yes it is ready.
- Varshit Shah:** So, probably you would be at least a fairly cost competitive on these new molecules and hence the right to win the business?
- Raunak Shetty:** Three of them yes some we are not fully backward integrated, but there is good scope. So, we would like to increase our turnover and then plan a backward integration so that would reduce our capital expenditures also. Once the product is set we can go back also. So, we have been ready in our R&D level at least for backward integration, but we are not planning for complete backward integration.
- Varshit Shah:** So, the CAPEX would be for backward integration would be slightly in a phase manner sort of one or two molecules the rest you are ready?
- Raunak Shetty:** Yes.
- Varshit Shah:** And sir one last question on the overall outlook so given that in the domestic market the Kharif season had slight hiccups in terms of rainfall, but now there seems to be a pickup so any general observation and commentary especially from a Q2 prospect in a domestic brand business?
- Raunak Shetty:** Generally Q2 for Indian Company is good so initially you are right that this quarter started dull that is June went well, July was a little dull, but now things are picking up and we see there is a good uptake and by September we would be able to see a good result also.
- Varshit Shah:** And the domestic brand business you have been able to take the price hike as well to pass on the higher technical cost as well as your packaging cost?
- Raunak Shetty:** That way we have been able to pass on. So, the technical is always a base and then the calculation starts from there. So, wherever possible we have increased, we have not faced any such issue in pricing and we have launched few new molecules also which are higher margins molecules. So, that way we would be able to see good margins in our branded segment also.
- Moderator:** Thank you. The next question is from the line of Kartik Bhat Individual Investor. Please go ahead.
- Kartik Bhat:** So, I understand from the previous call that we have a presence across the range of pyrethroids whereas few of our peers have presence in one or two pyrethroids only, so I wanted to understand if you can throw some colour on how does the cross sales and all work in this industry, so let us

say if we are selling one pyrethroids to a customer, so are there opportunities to cross sales others to the same customer or how does that work?

Raunak Shetty: Yes we are able to sell across the customers so now we have all the pyrethroids in our brands similarly other companies have in the same fashion some pyrethroids means we are not across all pyrethroids as a group pyrethroids is a group of around 10 to 14 products in that we are active in 5 and we would like to add more also because we are strong unit we like to strengthen our position in the pyrethroids segment also. So, cross selling is also possible so most of the companies who have for example permetherin and also alphacypermethrin. We sell one customer; we sell the entire pyrethroids products.

Kartik Bhat: Sir in terms of client concentration am I right in understanding that about 19% to 20% of revenues comes from top 10 customers?

Raunak Shetty: We have a very vast customer base.

Kartik Bhat: Are you looking to maintain this range going forward also or are you looking to increase this slightly?

Raunak Shetty: Because we are not into any contract business that is why we have a very diversified customer base maybe in future if the new opportunity the better opportunity comes it may sync but should not impact a lot.

Kartik Bhat: And on working capital days sir can we expect the same here on it likely to change over the next one or two years?

Rajkumar Bafna: Right now working capital days is around 90 days to 95 days and it will be in the same range going forward .

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.

Bhavya Gandhi: Sir as I understand largely the market is through organophosphates only. We are focusing more on pyrethroids, can you just explain the difference between them? and do we sell organophosphate along with pyrethroids?

Raunak Shetty: I do not think largely the market is organophosphorus. So, if you see the top 15 products globally 5 of them are pyrethroids, pyrethroids as a product group are safer as compare to organophosphorus product and if you see few of the organophosphorus products are already banned in Europe and there is very active discussion in US also when it comes to some of the organophosphorus products, like there is active talks that chlorpyrifos and acephate will be banned in US market. Chlorpyrifos is banned in 2019 in the Vietnam market also. So, the share

will go directly to the pyrethroids segments because that is the next biggest insecticide segment in the crop protection market.

Bhavya Gandhi: Sir but if you compare on the price front and the productivity front are organophosphates more effective as compared to pyrethroids or are pyrethroids more productive as compare to organophosphates?

Raunak Shetty: They are both contact insecticides. So, the moment either organophosphorus or pyrethroids come in contact to the pest it is a knockdown effect that is why you have seen a very good growth over the years even though organophosphorus is an older compound, but pyrethroids over the period has grown in a very good pace because of its mode of action and we feel that is one of the major USPs that any switch from the organophosphorus would be directly to pyrethroids. In fact we have today our pyrethroids range we have been selling to government also for vector control. So, whether it is Malaria, Dengue control, that itself shows that it is safe to humans also in the dose that is recommended by the government.

Bhavya Gandhi: Sir how long will it take to switch from organophosphorus to pyrethroids like any timelines four years, five years will the entire market shift or will the organophosphorus compete in the longer run with pyrethroids although it is banned I understand, but still?

Raunak Shetty: If we would have some good government link in US also we will be very happy.

Bhavya Gandhi: And on the pricing front which one is more cheaper as compared to organophosphorus and pyrethroids?

Raunak Shetty: Generally we should not see price as a point because if you see there is product which is Rs. 300 there will be pyrethroids which are Rs. 5,000 also, but the dosage is important. per acre what is the dosage of CPP versus what is the dosage for alpha-cypermethrin is important. So, that also is one of the reason why we say pyrethroids are environmentally safe because the dose is less. So, instead of putting 300 ml you need to put only 100 ml or you need to put only 50 ml. So, less chemicals applied across the field and gives almost the same results.

Moderator: Thank you. As no further questions from the participants, I would like to hand the conference over to the management for their closing comments.

R.K Shetty: Thank you very much for your extensive participation and question. I hope we have answered well. Any questions there may not be a perfect answer, but to best of knowledge we have answered. If there is any follow-on questions we will be happy to answer in future also or through mail. Thank you very much for your active participation and questions.

Moderator: Thank you very much members of the management. Ladies and Gentlemen, on behalf of Heranba Industries, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.