

AIMCO PESTICIDES LIMITED

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

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CIN NO. L 24210MH1987PLC044362



November 28, 2022

To,
Dept. of Corporate Services,
BSE Limited
P.J. Towers, 1st floor,
Dalal Street, Mumbai – 400 001

Dear Sir/ Madam,

Sub: Transcript of the Conference Call held on Thursday, November 24, 2022

Ref: Aimco Pesticides Limited (Scrip Code- 524288)

Further to our letter dated November 14, 2022, November 17, 2022 and November 24, 2022, we enclose herewith a copy of the Transcripts of Conference Call held with Analysts / Investors on Thursday, November 24, 2022, pertaining to the Un-audited Financial Results of the Company for the Second Quarter and Half Year ended on September 30, 2022, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

You are requested to take it on your record and acknowledge the same.

Thanking you,

Yours faithfully,

For AIMCO PESTICIDES LIMITED

Anuradha Matkar
Company Secretary
(ACS No. 57570)

Encl: as above



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Aimco Pesticides Limited
Earnings Conference Call
Nov 24, 2022

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY23 Earnings Conference Call of Aimco Pesticides Limited hosted by TIL Advisors Private Limited. As a reminder, all participant lines will be in 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 touch tone phone. Please note that this conference is being recorded. I now have the conference over to Mr. Sayam Pokharna from TIL advisors. Thank you and over to you Mr. Pokharna.

Sayam Pokharna: Thank you, Michelle. Good afternoon everyone. I hope all of you are well, welcome to the Q2 FY23 earnings Conference Call of Aimco Pesticides Limited from the management team we have with us today Mr. Samir Dave, Executive Director Mr. Ashit Dave, Executive Director and Chief Financial Officer. The presentation for the quarter has already been uploaded on the Stock Exchange and on the company website. In case someone does not have a copy, please feel free to reach out to us. Before we begin this call I would like to remind you all that anything and 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 risk and uncertainties that we face, these risks and uncertainties have been mentioned in our annual reports. With that said, I would now like to hand over the call to Mr. Dave for opening remarks post which we can open the floor for questions over to you Ashit Sir.

Ashit Dave:

Good afternoon ladies and gentlemen. Welcome to the Q2 FY23 earnings conference call of the company. I'll quickly take you through the quarterly performance and recent development post, which we can take your questions. As we have already seen from the financial performance, Q2 has been a challenging quarter where a variety of factors have contributed to risk such as Destocking of the supply chain at customer end. Be it developed markets or developing markets. This debottlenecking is either in anticipation of lower prices or country specific issues like current currency depreciations, current account deficit, etc. Overall we have witnessed and are witnessing in Q3 a subdued demand environment and customer sentiment. We expect this to continue till Q3. Another company specific reason for this lower top line in Q2 is a deferral of some of the deliveries from Q2 to coming quarters. This has led to an inventory buildup in our books, but nonetheless we have assured purchase orders from our customers for these inventories, and we expect this situation to normalize in coming quarters. Due to these reasons, we witnessed a drop in top line to the extent of about 31% year on year and 8% quarter on quarter. Coupled with lower EBITDA margins of 5.5% compared to 7.1% in the previous quarter. On the expansion project front, we are slightly delayed on their debottlenecking at the expansion project, which is now expected to conclude in January'23 post which we would have expanded to a monthly production capacity of 500 metric tonnage. Given the current industry scenario, our outlook for H2 and overall FY23 has been tapered down. We see business operations picking up along utilization of new capacity from the new financial year onwards. This is supported by our expectation of receiving certain product registrations of our existing products in new markets coupled with early projections received from certain customers and the additional capacity coming on-stream in Q4. With that I open the floor for questions.

Moderator: Thank you very much, Sir. We will now begin the question and answer session. We have the first question from the line of Samarth Singh from TPF Capital. Please go ahead. We are not able to hear you clearly. Please rejoin the queue. We have the next question from the line of Ramakrishna Neti from Zen Wealth Management services. Please go ahead.

Ramakrishna Neti: So I have a couple of questions in fact. The first thing in terms of the headwinds you have suggested in your opening comments in terms of export package is it the industry specific problem or a problem which is specific to Aimco pesticides. Because for the quarter, I think the other players have reported the numbers. I think we have not seen this kind of scenario panning out, so if you can share your thoughts that will be helpful. Second thing is what is the progress in terms on the contract manufacturing. I mean you are mentioning around 120 to 125 crore of revenue is coming in from this segment. So any further thoughts are guidance from the contract manufacturing segment.

Ashit Dave: I got both your questions. Now to your first question this is to an extent related to industry scenario also because we are rightly phase of prices correcting and during the COVID period we have experienced all prices going up of raw materials, freight logistics and finished product is all prices were going up. Now the prices which are correcting very rapidly, there are certain customers who have deferred their purchase decisions till the time there is some stability. We have been affected to a large extent due to a one of this reason and our another large market which is Australia is also got affected during this quarter because certain purchase decisions of our customers have been deferred due to the free trade agreement coming in line from January, which will remove 5% import in Indian exports to Australia. Both coupled together we have witnessed this lack of demand. But yes, it is more sometimes

product specific also and some companies may not have got equally affected due to this. As far as your second question of contract manufacturing is concerned, the contract is still going on at the same pace we have advanced the projections from our customers and they are very encouraging for the coming years, some deliveries have been deferred due to the seasonal nature of the product and apart from that we expect the same volumes to continue and once we have the additional capacity and we will increase the quantity.

Ramakrishna Neti: Sure this helps. So the other one is with respect to outlook for the Bifenthrin, if you can share your thoughts. The second one is on the product approval from Brazil, are you going to launch this in the financial year. That is the second question I have and the last one is like the last time we had guided actually turnover around 450 crores for this fiscal and around 550 odd FY24. Given the way it has happened H1 so far, I mean, are you indicating any guidance change in these numbers or you are speaking with this guidance? If you can help on these three questions also

Ashit Dave: As far as H2 is concerned we have tapered down our projections and we expect similar numbers like last year if not better, but we don't expect a significant growth this year, because of the current scenario. However, if the scenario improves substantially in January, we may change our opinion. And as FY 24 is concerned. We are very optimistic about the demand projections we have received and with the additional capacity available with us, we will be able to achieve our projected target as earlier. And as far as Brazil registration is concerned I think I had shared in the last call that our registration which we were expecting in this year, the product registration, went for phase two and we had to submit additional data for phase two registration and which is going on. And we expect it to be cleared by March'23. On Bifenthrin,

registration will be cleared in '23. I don't expect any problem of evaluation in Bifenthrin and that should also be clear by '23.

Moderator: Thank you. We have the next question from the line of Krisha Kansara from Molecule Ventures PMS. Please go ahead.

Krisha Kansara: My first question is regarding the revenue deferral in Q2 that you talked about in the management opening remarks. So can you please quantify the amount of revenue spillover from Q2 or an approximation also would be?

Ashit Dave: I don't have the exact number of spillover deferred deliveries, but it is not a very huge amount, there are few deliveries which got spilled over to Q3 and but I don't have the exact number. Any other information.

Krisha Kansara: OK. So my follow up question on this only, so given that you're carrying inventory on our books. Because of this particular delay in purchase orders. So my question is are we also carrying the risk or price volatility or those terms have already been fixed with our customer?

Ashit Dave: I didn't get your question clearly because some sound disturbance was there about inventory you were asking. But what exactly?

Krisha Kansara: So we are carrying inventory on our books because we had delayed purchase orders from the client. So are we also carrying the risk of price volatility or the terms have already been fixed with our customers?

Ashit Dave: For some of these supplies terms are already fixed, as far as some of the customers are concerned and for some of the customers we are still waiting to finalize the orders, which will happen only in January.

Krisha Kansara: So my second question is on the product registration site. One of our existing products is being registered. In a new market. So it's being

expected to conclude within this financial year, like just a rough idea on the expected timeline for doing this.

Ashit Dave: Earlier our expected registration date was March 22 but since it went for phase two evaluation we had to generate few modes and submit fresh data. Which is going on right now. The expected submission date is in December, next coming month and after that the timeline which I've been told to us by our consultant is 3 months. So we are expecting it to be finished by March next year.

Krishha Kansara: OK, and what kind of business are we looking at from this registration in let's say I mean in FY24.

Ashit Dave: To begin with, we will have at least 50 to 60 metric ton per month business we can expect from that market, but I think the exact numbers and projections we will have only by March next year. When we are looking at the registration coming through and we discuss with our potential customers in that market.

Krishha Kansara: I have one other question, so have there been any developments in commercialization of new molecules like completion of data generation you mentioned in earlier interactions that you have completed the data generation for one of two complex molecules. So just idea that any developments on the same?

Ashit Dave: So the registration is applied for new molecule, for one of the new molecule is already applied data is over and for another molecule data generation is still going on another four months we will finish the data generation and then apply for registration and then we have to wait. So it is going on. It's an ongoing activity.

Krishna Kansara: I have one last question, can you share some updates on Bifenthrin demand and its market scenario? How has the pricing been in, let's say last quarter or so? And some idea on the thread.

Ashit Dave: Prices have reduced from the earlier phase, some reduction in price at the same time, the cost of production also has gone down due to reduction in raw material pricing of the product and as far as demand is concerned, it is still remains very strong, but at the same time as I had mentioned in my opening remarks, a lot of customers are differing their decisions to product earlier before this reason due to falling prices and in one of the specific one of the market customers awaiting implementation of the free trade agreement. And that's the reason there are some delays in purchases. But as far as demand for the field is concerned, it is very strong.

Krishna Kansara: OK, and so one related question. So what is the price parity of this Triclopyr versus its substitute product Glyphosate? It is that price parity is still in that is still cheaper.

Ashit Dave: It is still cheaper than Glyphosate so they will continue again.

Krishna Kansara: OK. OK, OK so further just the last question.

Moderator: Thank you. We have the next question from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: So my question was on Triclopyr. I think we will, I mean this is a molecule supposedly going at 20% a year. 20,000 tonne global molecules. So you know is that I'm surprised that, and given that it's our major molecule, I'm surprised we've seen such a revenue decline. Could you explain that a little bit more? I mean, it seems like there's a major shift in the demand, even though you're saying that is not the case as of now.

- Ashit Dave:** No, I think the ground level remains very strong. We can make out that from the early projections we have received for the coming year. Which have significantly higher than the current year in the current year, this we drop in hours the top line. It's mainly due to deferment of purchases from some customers and nothing beyond that. Yes, at the same time, price is also softening a bit then the earlier quarters.
- Samarth Singh:** And I think we were doing 100-125 tons on the contract business. So are we still running at all, or have her come up on.
- Ashit Dave:** Yes, we are still at the same level. We still don't have the higher production pay available from production which we were expecting to start in Q3, but there are certain delays in implementation and we expect it to start from January'23. Once the production comes in line and stabilize this, we will have higher numbers.
- Samarth Singh:** OK, then we were hoping to ramp back up to 300 tons a month then right?
- Ashit Dave:** Yes.
- Samarth Singh:** By January'23 you expect that.
- Ashit Dave:** It'll start from January 23, will achieve 300 tons in January. It's a slow process which will take about a couple of months for the plan to stabilize and achieve their capacity.
- Samarth Singh:** So if there was subdued demand in this quarter for a tracking bill, why could we not move that and supply to our contract customer
- Ashit Dave:** See this is a seasonal product, so the demand is basically six months in a year. So the rest of the six month supply continues and it has to be stocked. So that is why we cannot randomly increase supply under the

contract unless it is planned. So if you look at next year we plan numbers are different.

Samarth Singh: OK and last question on my side you talked about price parity between Triclopyr & Glyphosate, but is that that as you mentioned before that that is really not a concern at it is used for other purposes as well and not necessarily just a substitute for glyphosate, so could you just talk about that?

Ashit Dave: So triclopyr basically in pastures also and it is basically it's a selective herbicide, so it's used for broadly weed control and it's mainly used as mixtures with other herbicides. So as far as glyphosate is used like individually, there's. There are hardly few mixtures of glyphosate in formulations. So basically they are not exactly the same products doing the same thing. There are different market segments for both the products, but they are both the same sides.

Samarth Singh: Well, does this mean a significant reduction in glyphosate pricing? Will that affect the demand?

Ashit Dave: Not too much yes, if the glyphosate prices still further go down by another 50%, it may affect some demand, but glyphosate itself is under a lot of pressure from many countries and to the contrary, we expect a lot of glyphosate, market to get converted to Triclopyr and other Herbicides.

Moderator: Yeah, thank you. We have the next question from the line of Sushil Bhojwani from Greenedge Capital. Please go ahead.

Sushil Bhojwani: I just wanted to understand, if my understanding is correct, there is some kind of increase in the employee cost in the first half. So what is this attributable to, because it's been 4% around in the past, but I think it's closer to 6% now.

- Ashit Dave:** So I think since the hiring is continuously on, we have hired new talent this year also and that may be one of the reasons why you see some of the employee costs going up, but it's not significantly high.
- Sushil Bhojwani:** But Sir, there is almost a 2% kind of a difference, which I can see now. So and that I think is also impacting the overall operating margins because you were closer to around 7%, thing that has fallen to, maybe around.
- Ashit Dave:** I think one of the reasons for the falling EBITDA margin is reduction in top line. We've not achieved the sales figures what we had achieved last year. Depreciation has almost doubled because of higher CapEx and as far as other costs are concerned, we are very much in line with the comparison of last year.
- Sushil Bhojwani:** And Sir, as a trend, do you see the raw material cost also decreasing at a similar level to what are probably product cost is decreasing. Do you see a similar trend or do you see the raw material cost is there?
- Ashit Dave:** No, it is decreasing rapidly. It is decreasing faster than the finished product price because yes, obvious products take some time to further reduce in prices. But raw material prices are reducing significantly.
- Sushil Bhojwani:** Alright Sir, just one more question on the contract manufacturing sides or what is the value of the contract defined? My understanding is correct, it's around 60 crores a quarter or something like that.
- Ashit Dave:** Almost.
- Sushil Bhojwani:** But that is something which is likely to increase, right? That's what our guidance has been from.
- Ashit Dave:** It is likely to increase once we have the higher capacity production available, it is likely to increase and we have now planned it January

onwards. Once the higher capacity production starts to stabilize, we will change the numbers.

Sushil Bhojwani: So then what can be the value then, maybe 90 crores or something like that?

Ashit Dave: Can go up to about 80 crore. We have received early projections from our contractor manufacturing customer and they look very strong. So it depends how much we are able to produce and supply, but I'm confident that we will be able to achieve 80 crore.

Sushil Bhojwani: And sir on the technical front. Any new product where you see probably an opportunity like we have probably in the existing technical products you have any large product in the pipeline.

Ashit Dave: We have two new ones which we will start manufacturing very soon, but I don't have the exact date because we will take a decision on setting up the manufacturing facility. Once we have the registration coming forward from certain markets. And so two new products, one insecticide and one herbicides is in pipeline.

Moderator: Thank you. We have the next question from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: So just one quick question from my end. So in last year the annual report we had mentioned that we phased out chlorpyrifos so has that continued in this year as well, or do we think that we can still do some business from chlorpyrifos?

Ashit Dave: We are doing chlorpyrifos at the moment. We are continuing our chlorpyrifos business, but at the same time we keep this in mind that chlorpyrifos has a limited amount of time. Some similar to glyphosate so many it is facing evaluation in many countries. The US has banned

chlorpyrifos and due to this a lot of countries supplying finished product food grains to US also have started banning chlorpyrifos but still, at the same time, demand is still strong and we are continuing chlorpyrifos products. We are not increasing any capacity. We're not investing money, but we are continuing production.

Yogansh Jeswani: So Sir, in H1 so far, how much will be the quality of this product?

Ashit Dave: Chlorpyrifos would be about 40-45 crores.

Yogansh Jeswani: And what was it in FY22?

Ashit Dave: FY22 I'm not getting those numbers at the moment, but it was higher than this.

Yogansh Jeswani: And then other than this, the other two, your bifenthrin and Triclopyr the other two big contributors like.

Ashit Dave: The two molecules yes.

Yogansh Jeswani: What would be their contribution in next one so far? So if you could say.

Ashit Dave: Bifenthrin was very negligible because it's mainly a normally in H2 molecule. And Triclopyr, are. Similar in number. Maybe little less than last year.

Yogansh Jeswani: And is it like this that when Chlorpyrifos is lowered bifenthrin then picks up in H2 and the capacity fungible between the two.

Ashit Dave: No, they have one is an insecticide, one is an herbicide so completely different product.

Moderator: Thank you. We have our next follow up question from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: I just had a one clarification we mentioned we're doing 20 crores of contract business book quarter and you said that will scale up to the 80 crores. Is that right?

Ashit Dave: Yes, it will go up to 80 crores.

Samarth Singh: So, how is that, we're going from 100 tons even if you go to 300 tons, and if realizations are coming down, how will the business scale up four times?

Ashit Dave: Sorry I didn't get your question what you're saying.

Samarth Singh: So we are currently doing 100-125 tons a month right? Basically we plan to scale that up to 300 tons and you are saying that we're doing 20 crores a quarter as of now. So if we scale up three times, but realizations are coming down for track and field, how will our contract business go from 20 to 80?

Ashit Dave: No, we are eventually planning for a 500 ton capacity. So right now we are initiating production of 300 tons from January and later on during the year it will be increased to 500 tons.

Samarth Singh: OK. So but 300 tonnes will start in January and you still take a couple of months.

Ashit Dave: Yes, it's just delayed. It could have started from October, but there are some delays we are facing. It'll start from January now.

Samarth Singh: OK, and assuming this subdued demand from the other customers continues, there are current capacity to supply to a contract customer starting that.

Ashit Dave: So currently we are supplying under contract. We are supplying the same quantity only there are few deferment in deliveries but

production is going on in the same capacity. Other customers, yes orders were late and deliveries have been different but production continues so our projection of supply we have aligned it accordingly once we have the original product available.

Samarth Singh: So we were running at close to 90%-95% utilization. So in the second quarter we continued running at that different utilization.

Ashit Dave: No production is going on at the same capacity we have not reduced any production.

Samarth Singh: So that's why we're getting the inventory buildup, but in Q3 also mentioned that demand is going to be slow. So we'll continue to build up inventory.

Ashit Dave: Yes, we will build up because we have very strong projections for the coming year and we have been in touch with most of our customers and we expect the demand to bounce back.

Moderator: Thank you. We have a follow up question from the line of Sushil Bhojwani from Greenedge Capital. Please go ahead.

Sushil Bhojwani: So just wanted to understand what would be the steady state margins, which we can probably achieve, once we are probably back to seeing demand coming back and probably next fiscal, what can be the steady state margin?

Ashit Dave: See our target margin EBITDA margin we wanted to maintain was between 7% to 9%. We have achieved that up to 7.1% also and we wanted to continuously improve upon that. Just these two quarters we have, because of lack of slow purchases. So from our customers and the market and situation, we are not able to achieve our target is to achieve from 7% to 9% in winter.

- Sushil Bhojwani:** But Sir, essentially I see, think that requires operating leverage kind of two plane for your business. Because unless you see a steady state demand. I think if this achieving this 7% because if I see in the last whatever many quarters, maybe it has been achieved maybe twice or thrice, but otherwise you have always based on this number, Sir then on a company level how do we actually decide on maintaining it that on state level.
- Ashit Dave:** I think you will have to give us two three more quarters, 2-3 quarters and then you will see these numbers stabilizing because as far as our main product is concerned, triclopyr, we started with a 40 ton per month capacity and then now we are increasing so there are continuously has been an increase. So a few quarters in the past we had issues due to raw material prices jumping up and everything, but see once the situation stabilizes we will have steady numbers.
- Sushil Bhojwani:** How much is the contribution from exports to domestic now.
- Ashit Dave:** is still about 60% is from export.
- Sushil Bhojwani:** And so, how much of that is probably from European countries?
- Ashit Dave:** Europe is negligible. We are not exporting any significant quantities to Europe. It's mainly from South America, Australia, Southeast Asia, US.
- Sushil Bhojwani:** Like you said, the larger impact is actually coming in from Australia.
- Ashit Dave:** Yes, for this quarter. Yes we are facing an impact this quarter from Australia reduction in purchases.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sayam Pokharna for closing comments.

Sayam Pokharna: Thanks a lot for joining in, if there are any further queries, please feel free to reach out to us our e-mail addresses are there at the back of the investor presentation. Thanks a lot.

Moderator: Thank you. On behalf of TIL Advisors Private Limited. That concludes this conference. Thank you for joining us and you may now disconnect your lines.