

INDIA PESTICIDES LIMITED

An ISO 9001:2015, 14001:2015, 45001:2018 and 10002:2018 Company
CIN No. L24112 UP1984PLC006894



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To

The Manager, Listing Department BSE Limited P. J. Towers, Dalal Street, Mumbai-400001 Scrip Code: 543311 ISIN: INE0D6701023	The Manager, Listing & Compliance Department National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra- Kurla Complex, Mumbai-400051 Symbol: IPL
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Dear Sir/ Ma'am,

Sub: Transcript of the Earnings Call for the quarter and nine months ended December 31, 2022.

In continuation to our letter dated February 02, 2023 and pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of the transcript of the Analyst/Investors Call on the Unaudited Standalone and Consolidated Financial Results of the Company for the Third quarter and nine months ended 31st December, 2022, held on Monday, February 06, 2023.

The transcript of the earnings call is also available on the Company's website at <https://www.indiapesticideslimited.com/InvestorRelations.php>

Kindly take the above on record.

Thanking you

Yours faithfully,
For India Pesticides Limited



(AJEET PANDEY)
Company Secretary and Compliance Officer
Membership No.: A42500



“India Pesticides Limited
Q3 & 9M FY2023 Earnings Conference Call
February 06, 2023



ANALYST: MR. TEJAS SONAWANE – DOLAT CAPITAL

**MANAGEMENT: MR. D.K. JAIN – CHIEF EXECUTIVE OFFICER - INDIA
PESTICIDES LIMITED
MR. S.P. GUPTA – CHIEF FINANCIAL OFFICER - INDIA
PESTICIDES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q3 & 9M FY2023 earnings Conference Call of India Pesticides Limited hosted by Dolat Capital. 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. Tejas Sonawane from Dolat Capital. Thank you and over to you Sir!

Tejas Sonawane: Thank you Aman. Good afternoon everyone. On behalf of Dolat Capital I would like to thank the management of India Pesticides Limited for giving us the opportunity to host their Q3 FY2023 earnings call. From the management team we have with us today Mr. D K Jain, Chief Executive Officer and Mr. S P Gupta Chief Financial Officer. Without further ado I would like to hand over the call to the management for their opening remarks post which we will open the forum for a Q&A session. Thank you and over to you Sir!

D K Jain: Thank you TejasJi. Good afternoon ladies and gentlemen. I hope you and your family are staying safe and healthy. I take the pleasure of welcoming you all for the Q3 FY2023 earnings conference call of India Pesticides Limited. I hope you all had a chance to look at the financial statements and earning presentations uploaded on the exchanges and our website. Despite the inflationary pressure our margins saw an improvement on Q-O-Q basis due to improved operational efficiency and cost pass through. The company performed well with a 16.1% Y-o-Y revenue growth driven by higher demand for existing products and new molecules. High-cost raw material inventory and high fuel prices have been a challenge during this period also. Our R&D capabilities including the ability to create substitute chemicals and decreased reliance on imports are critical components of our strategy. All our recently launched products were well received by market and we expect their demand to grow going forward. Further to this our planned 70 Crores capex for expansion at Sandila plant in FY2023 is on schedule. We are happy to announce that the Ministry of Environment and Forests has granted us environmental clearance for our Hamirpur project under our wholly owned subsidiary Shalvis Specialties. We anticipate starting operations during the fiscal year 2023-2024. Our export component increased to 68% from 49% in Q2 FY2023. The increase has been driven by the company’s focus on expanding the global reach and building strong relationship with international customers and expanding customer base. The company’s strengthening of R&D has also played a crucial role in its export growth. India Pesticides Limited has been consistently developing new products that cater to the ever-evolving demands of the global market and its innovative products have been well received by international customers.

As informed to stock exchanges last month we have recently commissioned a plant for herbicide with good export potential. During the quarter our long-term credit facilities were reconfirmed by CARE Ratings Limited at A+ which highlights our ability to manage capital efficiently. IPL continues to overcome challenges and emerge stronger despite uncertainty in the business environment. We are eager to rollout new products in the coming quarters to improve product mix and reach consumers. We assured our shareholders that we are committed to working

towards our vision of supporting chemical business and farmers across the globe by producing superior value chemicals through quality and efficiency. India is now relatively stable economic heaven with strong domestic demand and growing competitiveness in exporting quality goods and services. IPL is poised for success with its skilled manufacturing and competitive edge. With this I would like to pass on to Mr. S P Gupta to walk us through our Q3 FY2023 financial highlights. Mr Gupta!

S P Gupta: Thank you Sir. Good afternoon ladies and gentlemen and thank you for joining the India Pesticides conference call to discuss Q3 FY2023 results. I will quickly go through our financial performance. Taking you through the financial highlights the total revenue stood at 222 Crores as against 191 Crores in Q3 FY2022 that is a YoY growth of 16%. The growth has been driven by the growth in international market. EBITDA in Q3 FY2023 stands at 51 Crores with EBITDA margin of around 22%. The PAT stood at 35 Crores in this quarter as compared to 43 Crores in Q3 FY2022. PAT margin is 15.7% in Q3 FY2023. The revenue from export stood at 148 Crores as compared to 109 Crores in Q3 FY2022 and domestic revenue stood at 69 Crores as compared to 81 Crores in Q3 last year. Revenue from technicals and formulations stood at 184 Crores and 34 Crores respectively during this quarter. India Pesticides Limited has a strong balance sheet with ability to generate good free cash flow. The company is planning to fuel its capex plan with internal accruals. We remain confident of continuing our growth trajectory while extending full support to our customers, suppliers, and other valued stakeholders. With this we would 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 Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. Sir in the previous two, three quarters we had issues with regards to logistics, cost of raw material going up, in the previous quarter also you had mentioned about gross margins going down because of high cost inventory and increasing fuel cost and also logistics cost at the same time you had also mentioned that this high cost inventory will be completely utilized in this particular quarter so first question with regards to margins yes we have shown some improvement in gross margins from about 43% to around 45% in the current quarter, quarter-on-quarter so how soon do we expect the gross margins to reach our 50% mark which we were doing some quarters back given that high cost inventory must have run down that is my question number one?

D K Jain: Inventories completely we have not yet consumed the total high cost inventory, but we feel that by this quarter we will be utilizing the high cost inventory and for the next quarter our margins should improve.

Rahul Jain: It will take another couple of quarters to reach back around 50-51% gross margin?

D K Jain: 50-51% it will be very difficult to say but we will try our maximum whatever is possible.

- Rahul Jain:** Sure and Sir with regards to capex we had completed roughly about 35 Crores in the first half and the balance 35 Crores to be done in the second half so till date how much capex is completed out of this 70 Crores for the current year?
- S P Gupta:** We have done capex of 54 Crores in 9 months.
- Rahul Jain:** The balance will be completed before March?
- S P Gupta:** Before March sure.
- Rahul Jain:** This 70 plus the earlier 70, this is that 140 Crores of Brownfield capex which you have done at the existing plant will contribute roughly about two and half times asset turnover?
- D K Jain:** Yes Sir.
- Rahul Jain:** How much time Sir it will take to ramp up this capacity, to reach this full utilization to the extent of two and half times?
- D K Jain:** I think it should be by end of this year that is FY2024.
- Rahul Jain:** So FY2024 with the existing plants we can surely reach about 1100 Crores of topline 1000 to 1100?
- D K Jain:** Yes easily Sir no doubt about it.
- Rahul Jain:** What kind of contribution we will see from the new products which we have added in the current quarter and also in last previous two quarters till date what is the contribution from the new products and what is the expected contribution from new products in the next year?
- S P Gupta:** Contribution from new product is around 25 Crores during this quarter and we are expecting around say 250 Crores of incremental turnover during next year from new capacities.
- Rahul Jain:** Sure and Sir you had mentioned in your earlier calls that all the new products which you were trying to launch or will launch typically they will have 50% plus gross margin?
- S P Gupta:** That is our yardstick but considering this inflationary pressure, I think the gross profit range will be say around 46 to 47%.
- Rahul Jain:** One last question with regards to the new site so how much capex do we expect we had earlier indicated to spend about 20 Crores in the current year in the new site so typically what is the amount expected to be done in this new site by year end and you mentioned that we expect the new site to start commercial production in the next year somewhere around Q2, Q3 so next year what kind of contribution to sales can be seen from the new Greenfield capex?

- D K Jain:** Sir actually the new site is going as per our expectation. We were waiting for the environmental clearance to happen in November which did happen and we got the clearance in the first go and we are now starting our activities at the new site and with the capex what we have planned for the next year would be about 100 Crores and we expect the first two units to be operation by say December, January onwards and the contribution from that site would be nominal probably because the plant would be still under stabilization but from next year that is FY2025 onwards it will contribute significantly.
- Rahul Jain:** Thank you so much Sir. I have some more questions. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.
- Ayush Mittal:** Good afternoon everyone. First of all congratulations on a good performance considering the times that agrochem industry is facing. So Sir two, three questions first we are seeing very big demand supply mismatch in the agrochem industry and many of the players are facing very weak demand or inventory correction or we are facing pressure on margins so on the demand side are we facing issues, are we broadly in line with what we were planning to grow and we also had some new product launches for this coming quarter so can you share more about this aspect?
- D K Jain:** Sir demand wise we are not facing any major problems the products what we are regularly producing we are able to sell and the quantities are reasonably okay. I think if we see the total volume what we have done this quarter is slightly more than what we did in the previous quarter. Previous quarter we did technical turnover of about 3900 tonnes and this quarter we are doing more than 4000 tonnes so demand wise it is okay but the cost pressure is only because the energy cost has increased a lot as informed in the last conference call as well as in TV interview our fuel cost has gone up significantly especially the rice husk, if we were to buy around Rs.300 a quintal now the price has increased almost to 1100 and now it is ranging around 850 to 900 so the cost of energy has gone up and because of lot of uncertainties in the initial period we have imported lot of inventories to avoid any risk of production stock so that inventories we are still carrying and this we hope that by this quarter we will be able to consume the high cost inventories.
- Ayush Mittal:** Great and Sir there was some new herbicide that we were planning to launch in Q4 and we had done lot of stocking for that I think the inventory buildup was due to that?
- D K Jain:** The herbicide major usage comes in the first quarter of every year because normally in April, May, June the demand would be high on this, there also we are storing the product now and the major sales will happen in the next quarter.
- Ayush Mittal:** In Q1 or Q4?
- D K Jain:** It is last of Q4 and Q1. Major sales would be in Q1 but we have to build the stock because that is very short time sales so that is why we have to build the stock.

- Ayush Mittal:** Sir the new expansion that we are doing at Hamirpur we are just got the ECL and you are saying that within a year we will be able to build two units that is a very short time so have you already been doing some construction activity or how will it happen because usually it takes two years for a plant to get up and running and then it takes time for approval so how will we be managing so fast?
- D K Jain:** Sir actually what happens that after getting the environmental clearance simultaneously we are also working on other clearances because we require lot of clearances from the government so I will just explain you after environmental clearance we also got the ground water abstraction clearance also we got the permission from them, similarly fire NOC we already received then we have made arrangement with this landfill system company Ramky we are already in agreement with them and then we already applied for the consent to establish to the Pollution Control Board so these activities are parallely going on and we are planning initial stages few intermediates so for intermediates we do not have many regulatory requirements in terms of registration at Central Insecticide Board, etc., so we have already shortlisted few intermediates that we will be starting first so we feel that we should be able to produce something by the third quarter or fourth quarter of this year and this is also a must for us because of the benefit that the government has given that the plant has to be commissioned in FY2024 only then we can avail a concessional income tax of 15% this will also push us to act a little faster.
- Ayush Mittal:** That is great to hear Sir and Sir another 4,000 tonnes we were planning to add at Sandila any update on that?
- D K Jain:** That is going on as on today as we inform last month we have already added one more herbicide with a very good export potential but the capacity of that plant would be about 300 tonnes and then few more intermediates are under construction which we will be commissioning maybe in March or maximum by April.
- Ayush Mittal:** Thank you Sir. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Nagesh Jain from NB Investments. Please go ahead.
- Nagesh Jain:** During the quarter there is an increase in the export compared to the domestic sales first question is what are the reasons for this?
- S P Gupta:** There has been very good demand for our herbicide as well as recently launched herbicide.
- Nagesh Jain:** Is it specifically for herbicide only this increase in sales has happened?
- S P Gupta:** But existing herbicide we have got good export order and few quarters back we have launched one more herbicide exclusively for export that has got very good export demand.
- Nagesh Jain:** Sir just continuation of this. See we have our top three products where we have more than 20% market share where our competitors are these MNCs and these MNCs must be having their

manufacturing plant at either China or maybe some place in Europe and if it is in Europe with the current increase in power cost so any information you have got whether they have reduced their production and they are diverting their requirement to India something like that?

D K Jain: Our major competitors they are not based in Europe. The major competitor is based in Israel and they have their products going on because we have long term arrangements with our customers we are able to continue supply the required quantities to them and from China we have not so much of competition at all because the manufacturers of these compounds in China are relatively very small.

Nagesh Jain: Is there any increasing demand for these three products from Europe market?

D K Jain: In one point yes because that product we have launched only last year so we are getting good demand for that one herbicide from Europe itself. Europe and the adjoining countries from the main European union and the adjoining countries we are getting good demand for that and for the other herbicide we are getting good demand in other countries also.

Nagesh Jain: Sir now since our IPO how many products we have launched till date?

D K Jain: Sir at the time of IPO we had promised eight molecules to be in pipeline and out of this eight we have already launched seven products with this new herbicide what we commissioned this month including that this will be the seventh molecule what we have launched. This includes six active ingredients and one intermediate and one more is already under construction which we are planning to launch soon.

Nagesh Jain: Now you said out of these seven launches six are technicals and only one is intermediate right?

D K Jain: Yes Sir. This intermediate is largely being imported so it will be an import substitute in line with our government's initiative of Atmanirbhar Bharat so from that point of view now we are able to manufacture in India.

Nagesh Jain: Sir before this IPO I think we had only six products five fungicides and one herbicide is that correct?

S P Gupta: We had seven to eight products we were having two herbicide and six fungicides.

Nagesh Jain: Six fungicides so total eight products. Why I was asking that question is of these eight products that you had before IPO are we completely backward integrated in those products?

D K Jain: In those products Sir majority we are backward integrated except some critical general purpose intermediates which are available in the market that we were sourcing from the market but otherwise we are backward integrated because one or two intermediates we had to import because we are readily available in the market those we were buying from the local market as well as importing but otherwise majority it was backward integrated and Indian sources.

- Nagesh Jain:** The new six technicals that you have launched so there we are not backward integrated right?
- D K Jain:** There also we are backward integrated Sir. As I told you that recently we started intermediate which is being imported majority was being imported so that we started manufacturing so we are getting backward integration in that and other two molecules also we are getting backward integration. Our strategy is that way only Sir that we would like to be backward integrated company. We do very few products N minus one strategy.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Congratulations for decent set of numbers in tough times. Sir if you can talk about how has been the realization trend over the past three, four years for some of our key products like Captan, Folpet and Cymoxanil let us say what was their prices pre-COVID and how much they did move up in the past one year and how has the been price trend over the past six, nine months?
- S P Gupta:** Earlier the price was very stable as compared to last quarter of this financial year 2022 the price has increased by around 8% now for these molecules, earlier prices were very stable before COVID.
- Ankit Gupta:** There was not any significant increase in prices post COVID let us say in FY2021-2022. In fact in the six, nine months they have increased by 8%?
- S P Gupta:** Yes, but correspondingly raw material cost has also been increased by this similar amount, slightly more.
- Ankit Gupta:** Sure and one figure that you mentioned from the newly launched seven molecules we are expecting to generate 250 Crores of revenue in FY2024 is that right?
- S P Gupta:** Yes.
- Ankit Gupta:** How much are this molecules contributing to our sales in nine months?
- S P Gupta:** Nine months they have contributed around 12%.
- Ankit Gupta:** How many molecules are we planning to launch in FY2024?
- D K Jain:** FY2024, Sir we would be launching at least four products.
- Ankit Gupta:** These four products will also be targeting exports markets largely?
- D K Jain:** These four products would be at least two in our subsidiary and two products in our existing plant.

- Ankit Gupta:** Sure and Sir the new Greenfield capex for which we have got the EC approval will that be largely focusing on your existing set of molecules or will we be introducing new molecules which will be contributing to the revenue from the new plant?
- D K Jain:** We would be aiming at new molecules Sir. Existing molecules we have got reasonable capacity here and we would be there aiming for the new molecules and the new chemistries with bromine and fluorine and other process chemistries.
- Ankit Gupta:** Sure and Sir Sandila plant post this 70 Crores capex will there be any space left for further capex or we can just reach around 1100 Crores kind of revenue from the Sandila plant and now the growth will largely come from the new Greenfield capex that we are doing?
- D K Jain:** With this expansion the Sandila plant will be almost full maybe very small space for one or two small products but not very much for any big capacity addition there and the further expansion will come largely from our new site.
- Moderator:** Thank you. The next question is from the line of Chintan Mehta from Prudent Broking. Please go ahead.
- Chintan Mehta:** Thank you Sir so much for opportunity. Sir how much top three products contributed in 9 month FY2023 ended?
- S P Gupta:** They contributed around 45% of our turnover.
- Chintan Mehta:** Is it possible to give a breakup of **(inaudible) 29:50** and how much percentage in total revenue?
- S P Gupta:** Out of top three two are fungicides, fungicide turnover will be around 25% and herbicide turnover will be 20%.
- Chintan Mehta:** These are all 9 month ended correct?
- S P Gupta:** Nine month ended.
- Chintan Mehta:** Sure Sir and what is the volume and value growth for this quarter compared to last year same quarter?
- S P Gupta:** Volume has increased by 8% and price has increased by 8% total increase is 16%.
- Chintan Mehta:** Utilization at the end of 9 months Sir for both technicals and formulations?
- S P Gupta:** For technicals it has been around 72% but formulations has been quite low maybe around 40% since there is lot of channel inventory in local markets and it was off season also so utilization formulation was low.

- Chintan Mehta:** Since the IPO we have launched healthy seven molecules Sir any rough number that how much the market size in terms of molecule we have increased?
- S P Gupta:** Market size one or two are very large molecules they have very good market size in India but to quantify say they may be having around market size of around 1000 Crores.
- Moderator:** Thank you. The next question is from the line of Senthilkumar from Joindre Capital Services. Please go ahead.
- Senthilkumar:** My first question on revenue mix actually in your opening remark you said like the export revenue share increased to 68% from 49% on sequential basis if I do math on this I could find that there is 45% drop in domestic sales and 20% increase in exports revenue even now you have committed like there was a strong demand for both existing and newly launched products I could not understand what is the reason for this 45% drop in domestic revenue?
- D K Jain:** Sir actually in domestic revenue what happens this is a slightly lean season what happens the major consumption is in Q2 so Q1 and Q2 sales are little higher and Q3 slightly it is flat number one so that is why the local sales are slightly less. We are building the inventories for the local sales which we would be selling during the last period of this quarter as well as next quarter.
- Senthilkumar:** My second question you just commented revenue from new launched products is 25 Crores so what I have done is if I reduce the 25 Crores from the revenue of 217 Crores reported in this Q3 FY2023 I can find that there is only 1% growth in the overall revenue I just want to know do we see any slowdown for the existing product demand?
- S P Gupta:** Even in our Q3 FY2022 sales our new products have contributed 10 to 12 Crores sales also since we have launched some products in Q2 FY2022 only so there was contribution from new product in last Q3 of FY2022 also.
- Senthilkumar:** What is the contribution of newly launched product in Q3 FY2022 Sir?
- S P Gupta:** It was around 12 to 13 Crores last year and now it has increased to 25 Crores.
- Senthilkumar:** Okay Sir. Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Yes Sir you mentioned volume growth of 8% and price growth of 8% was this for first 9 months of FY2023?
- S P Gupta:** No it was for this quarter as compared to Q3 of FY2022.
- Bhavin Chheda:** In absolute term what was the volume number you said somewhere 3900 tonnes?

- S P Gupta:** 3900 tonnes is sales, production is slightly higher.
- Bhavin Chheda:** How much is the production Sir if you have the number?
- S P Gupta:** It will be around I think 4100 tonnes.
- Bhavin Chheda:** Do you have 9 months number for production and sales volume and how much was the growth?
- S P Gupta:** Sir right now we do not have this 9 months production number. We can send you by mail.
- Bhavin Chheda:** You said new products in first 9 months contributed 12% sales this would be roughly 80 odd Crores?
- S P Gupta:** Yes.
- Bhavin Chheda:** Hamirpur plant Sir what was the capex number you have spent till date?
- S P Gupta:** We have spent around 10 Crores in Hamirpur project and we are further expecting to spend 7 to 10 Crores in next two months.
- Bhavin Chheda:** So next year by Q4 you will start this plant?
- S P Gupta:** We will start in Q4 FY2024.
- Bhavin Chheda:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.
- Rahul Jain:** Thanks for the followup. Thanks for the opportunity. Sir you mentioned the new products and also the new products to be added which is the number of products next year would be four and this will come at the new site?
- D K Jain:** No not all four will not come in the new site, two will come at least at the new site and two will be in the existing site. Existing our capex is still continuing that capex will result in two more products so instead of eight we would be giving nine products from our existing site.
- Rahul Jain:** Sir with regards to customer additions how has been the customer additions, how are we trying to add the customers, any new customers added already or you are quite confident that those will come in specifically the large MNCs across the globe?
- D K Jain:** Yes We are already working in that direction and we are adding new customers. We are having discussions with few US companies and few Australian companies so the discussion is already going on and for the new products we have some arrangements with the new customers even with Japanese.

- Rahul Jain:** How about the registration of this product in the various territories?
- D K Jain:** We are already working on those lines wherever they require registration we are giving them the data required to register and where we need to register we are getting the data generated because we require five batch reports, we require physical chemical properties, we require toxicological studies so the studies are already going on and we would be submitting these for the registration in various countries.
- Rahul Jain:** Sure and with regard to this 1100 Crores of topline from the existing site next year two parts to it one given that most of it will come from the existing the old products as well as the new products which we have launched in last 6 months to 9 months post IPO and typically what we understand from your interaction most of this products have been doing well and are expected to do well and the capex is also almost completed with regards to the existing plant so as we speak today given that the raw material costs are coming down given that the logistics cost are now much more favorable the fuel cost should come down gradually do we see any risk to touch the topline which we are projecting what can that risk be number one and number two what kind of EBITDA margins do you visualize for this kind of topline which is around 1000 to 1100 Crores?
- S P Gupta:** EBITDA margin we are projecting next year is between 23 to 25% and since our product has very stable pricing environment the presence of China is very less so we do not see much downward risk due to price reduction but even our buyers they are not able to increase price very much so stable kind of environment we are projecting as far as pricing is concerned.
- Moderator:** Thank you. We have the next question from the line of Sharadh Ratnakumar from Eila Consulting. Please go ahead.
- Sharadh Ratnakumar:** Hello thanks for taking my question. Good evening. Sir my question was regarding the Hamirpur capacity so if I understand correctly we are projecting 100 Crores in capex over the next four years and from the environment report what I see is technicals is around 36000 tonnes per annum and formulations around 29,200 tonnes per annum now are we looking to commission this entire facility in the four year period?
- D K Jain:** Sir this is the clearance what we have got from the Ministry of Environment. What we have applied for slightly higher capacity so that we do not have to go to them again and again that is number one and as told earlier we would be building that in blocks and we can go up to this capacity that is the reasonable estimate but we will see over the years how we add the capacities. We are projecting about 100 Crores per annum for the coming four years and whatever capacity we can buildup we will try to build as much as possible but to be on the safer side we have taken safe capacity permission from Ministry of Environment.
- Sharadh Ratnakumar:** Understood Sir. With this 100 Crores over the next four years each year what is the kind of capacity that we are looking to implement?

- D K Jain:** It is difficult to tell because what happens in some products they are slightly higher in value so the capacity would be slightly limited and some products are slightly low value products there the capacity could be little higher so exactly telling the capacity what we would be building is slightly difficult at this stage maybe down one year or one-and-a-half years we will be more definite on this.
- Sharadh Ratnakumar:** Understood Sir. We will wait for it. Thank you so much. I will fall back in the queue.
- Moderator:** Thank you. The next question is from the line of Pratik Singhanian from Sage One Investments. Please go ahead.
- Pratik Singhanian:** Sir I want to know the realization for Folpet and Cartap for FY2021 and 2022 and what is the price as of now for 9 months as well as Q3?
- D K Jain:** This is slightly confidential Sir. It will be difficult for me to tell the exact numbers on this and we are not producing Cartap we are producing Folpet.
- Pratik Singhanian:** But Sir has there been a substantial drop in the realization because is that affecting our overall gross margin?
- D K Jain:** There is no reduction in the realization of Folpet that much I can tell.
- Pratik Singhanian:** So the realization stays status quo as compared to?
- D K Jain:** That stays yes Sir.
- Pratik Singhanian:** With respect to large players like UPL, Corteva the commentaries have been very positive so why are we not been able to pass on the cost if the demand from those guys are much strong?
- D K Jain:** Sir actually the ultimate usage price in the market that does not get absorbed probably that is why we are not able to pass on the complete cost increase, though we have an arrangements with the companies and the raw material cost we are able to pass on but the overall manufacturing cost and the energy cost that becomes difficult for us to pass on that is why there is some effect on us.
- Pratik Singhanian:** With respect to our current location like coal availability is a challenging situation for us then why not shift or set up new plant at a much better location which are much more friendly and access to coals are much easier?
- D K Jain:** For your information I would like to say that we are not using coal at all even in our existing plant. We are using much greener energy source that is rice husk which is slightly cheaper than coal and the rice husk is available plenty in this area because UP is producing lot of rice so rice husk is available in plenty, though the price of rice husk has increased over a period now but the availability is there and it is a green initiative by the company, not to use any fossil fuel so we do not use any coal at all.

- Pratik Singhania:** So 100% of our requirement is met through rice husk in terms of power generation?
- D K Jain:** Not power generation it is for the other energy requirement for example steam generation, hot water generation, hot oil generation all those things. Power of course we buy from the electricity board.
- Pratik Singhania:** Okay Sir thank you.
- Moderator:** Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.
- Yogansh Jeswani:** Hi Sir thanks for the opportunity and congratulations on a decent set of results. Most of the questions have been answered. Just a couple of followups I have so inventory you mentioned that the high cost inventory will go down in coming Q4 and Q1 but could you just share the December inventory closing value what was it Sir?
- S P Gupta:** In absolute number it is around the same as in Q2 current September, it was around 225 Crores.
- Yogansh Jeswani:** This we expect to bring down to what level Sir by year end the reason I am asking is because our inventory overall has gone up not just the absolute amount so overall what is the trajectory that we want to bring down by year end?
- S P Gupta:** By year end it will be reduced by at least 25 Crores.
- Yogansh Jeswani:** Okay so major changes should come in next financial year then the normalization basically?
- S P Gupta:** The normalization to earlier inventory level will not be there since now we are producing some products which has very seasonal demand. Earlier our products they were being sold 10 to 11 months of entire year but few of our new products they are specifically for Kharif season they are being moleculed so we have to build up a lot of inventory in anticipation of next season so inventory level will not go down to earlier levels but it will rationalize from here.
- Yogansh Jeswani:** Okay so now going forward with the new product Sir our Q4 and Q1 will be the quarters that is heavier in sales?
- S P Gupta:** Yes these quarters have heavier sales.
- Yogansh Jeswani:** Got it and Sir the new product that we mentioned the contribution from which we are expecting 300 tonnes so what is the kind of price point for this product if you could share?
- D K Jain:** Are you asking for the new herbicide what we have introduced or our overall product range?
- Yogansh Jeswani:** Sir one product that you mentioned that we have launched for 300 tonnes in Q3.
- D K Jain:** That is slightly high value products ranging from almost about Rs.3,500 a kg.

Moderator: Thank you. Ladies and gentlemen due to time constraint that would be our last question for today. I now hand the conference over to Mr. D K Jain, CEO for closing comments. Thank you and over to you Sir.

D K Jain: We thank you very much for taking out your time to attend this call and wish you all the best and have a good evening.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Dolat Capital that concludes this conference. Thank you all for joining us. You may now disconnect your lines.