

AIMCO PESTICIDES LIMITED

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

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CIN NO. L 24210MH1987PLC044362



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June 05, 2024

To,
The Department of Corporate Services
BSE Limited
P. J. Towers, 1st Floor,
Dalal Street, Mumbai - 400 001

Dear Sir / Madam,

Subject: Transcript of Conference Call held on Monday, June 03, 2024

Reference: Aimco Pesticides Limited (Scrip Code - 524288)

Further to our previous communication dated June 03, 2024 in regards to the communication of web link of the Investor/ Analyst call for the Audited Financial Results for the Fourth Quarter and Financial Year ended March 31, 2024 held on Monday, June 03, 2024 at 03:00 P.M. IST, we enclose herewith the copy of the transcript of the said call pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is for your information and record.

Thanking You.

For Aimco Pesticides Limited

Reema Manoj Vara
Company Secretary and Compliance Officer
ACS No. 71824

Encl.: As above



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“Aimco Pesticides Limited
Q4 & FY’24 Earnings Conference Call”
June 03, 2024



MANAGEMENT:

DR. SAMIR DAVE
MANAGING DIRECTOR
AIMCO PESTICIDES LIMITED

MR. ASHIT DAVE
EXECUTIVE DIRECTOR & CFO
AIMCO PESTICIDES LIMITED

Aimco Pesticides Limited
Q4 & FY24 Earnings Conference Call
June 03, 2024

Moderator: Ladies and gentlemen, good day and welcome to Q4 & FY24 Earnings Conference Call of Aimco Pesticides Limited hosted by TIL Advisors Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sayam Pokharna from TIL Advisors. Thank you and over to you, Mr. Pokharna.

Sayam Pokharna: Good afternoon and welcome to the Q4 & FY24 Earnings Conference Call of Aimco Pesticides Limited. The "Investor Updates" have been e-mailed to you and have been uploaded on the stock exchange and the company website. In case anyone was not added to our mailing list, please feel free to reach out to us.

To take us through today's results, we have with us from the management team, Mr. Samir Dave, Executive Director & Mr. Ashit Dave – Executive Director and Chief Financial Officer.

We'll be starting the call with a Brief Overview of the Business and Financial Performance in Q4 & FY24, which will be followed by a Q&A Session. I would like to remind you all that everything said on this call reflecting any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties have been outlined in our annual report.

With that, I would now like to hand over the call to Mr. Ashit Dave. Over to you, Sir.

Ashit Dave: Good afternoon, everyone, and thank you for joining us for Aimco's Pesticides Q4 & FY24 Earnings Conference Call. I'm pleased to have this opportunity to discuss our performance and provide insight into our strategic direction during the challenging environment.

The past year has been a challenging period for the agrochemical industry and overall export scenario still appears bleak. While earlier, there has been some selective recovery in the markets like South America, it is difficult to predict a turnaround right now. While there has been some price improvements in few agrochemical molecules recently, mainly in Synthetic Pyrethroids portfolio, some of our key products are yet to witness material change.

Key export markets such as North America, Brazil, Australia continue to be slow for Indian manufacturers due to excessive price competition originating from Chinese industry. Quite a few products are being offered by Chinese industry at price points near the cost of production of Indian agrochemical industry, making it difficult to maintain profitability margins in such an environment. This intense competition has put significant pressure on export business and we are actively exploring strategies to mitigate these challenges.

On a positive note, the demand situation is much better than the supply side situation currently in almost all markets. The silver lining continues to be our domestic agrochemical brand business, where Aimco has reported decent growth in FY24 and it is further expecting improvement in FY25. This segment has shown resilience and has been relatively better margin business for us. In line with our focus on this segment, company has launched dozen new products and expanded its marketing in Kerala and Rajasthan. These efforts are expected to bolster our domestic market presence and drive future growth.

New product commercialization efforts are again an area where company has performed well. We have three new products for commercialization in pipeline where the desired purity yields have been achieved, the ramp up remains subject to market condition and progress on product registration efforts among these other aspects. We foresee some business on this front; however, material scale up can only be achieved in coming financial year that is FY26. Brands for these newly commercialized molecules have also been launched for sale in domestic market, which we believe will contribute positively to our revenue streams.

Looking ahead, we are hopeful for a better demand environment on the export front while continuing our trust on the domestic front. We anticipate better performance from coming quarters as we are leveraging our strengths and navigate the challenges in global markets. Our focus will remain on enhancing our product portfolio, expanding our market reach and improving operational efficiencies to drive sustainable growth.

Thank you. And now I would like to open the floor for questions.

Moderator: We'll now begin the question-and-answer session. The first question is from the line of Shreya Jain from Niveshaay Investment Advisory. Please go ahead.

Shreya Jain: Thank you for the opportunity. My first question is on the new product commercialization front. Sir, can you please share some details on the application of this product, and are these products India-focused or will they have export market applications only?

Ashit Dave: So, we have started manufacturing three new molecules. One of the molecules is Growth Promoter and has potential of market in India and there are two insecticides, out of which one insecticide is India-focused and one insecticide is export-focused, for which we have already initiated registrations a couple of years back in focus areas, mainly South America and Australia, and we expect our registrations to come through in next couple of years, Australia

would be first. We also have brand launched for these molecules in India so that initially we will take advantage of these molecules being sold in India first.

Shreya Jain: Sir, when can we see the revenue coming in from these three new products?

Ashit Dave: From Q2 this year onwards, we will see revenue starting from our brand sale business, and once we ramp up production Q2 onwards, the full impact of these three new molecules will be in the coming financial year.

Shreya Jain: So the material scale up will possibly happen in the next year or do you expect it in this year itself?

Ashit Dave: Scale up will happen during the current year, but the complete scale up production and full commercialization impact will be next year.

Shreya Jain: Another question that I had regarding this was, given that these are relatively newer products, so can you give some color on their margin profile, what could we expect?

Ashit Dave: We expect about 30% gross margin on these products as these products are again generic products, these are not new products in the sense, but they are relatively new, they've just out of patent in last couple of years, so we expect gross margins to be maintained for next few more years.

Moderator: Next question is from the line of Harsh Sethia, individual investor. Please go ahead.

Harsh Sethia: Recently, price trends for many molecules have increased by 10% to 15%. Have we witnessed the same trend in our molecules as well?

Ashit Dave: Yes, we have witnessed some price revision in some of the molecules. It has been mainly restricted to Synthetic Pyrethroids, but some of the OP compounds and one of them is Chlorpyrifos, which we are manufacturing. We have witnessed about 15% to 20% price increase in that molecule, mainly because one of the raw materials is in short supply and some of the Chinese import prices of these raw materials has increased and because of that the prices have shown uptrend.

Harsh Sethia: Next question was, is there any update on the Brazil product registration for our existing products? We were expecting some development on this front?

Ashit Dave: As far as Brazil is concerned, two of our registrations are in the final process of evaluation. We expect both the registrations to be received in this financial year. But the advantage of these registrations will be reflecting in increased business volume only in next financial year, because after we receive the registration, there is a process of including us as a source in the clients registration, it's a process which takes about eight to 10 months. So we will expect business increase only in next financial year from these registrations.

- Moderator:** Next follow-up question is from the line of Shreya Jain from Niveshaay Investment Advisory. Please go ahead.
- Shreya Jain:** Sir, I wanted to ask do we have any CAPEX plans for the new product and how much would be the unutilized capacity in the existing plant currently?
- Ashit Dave:** So we have planned the CAPEX for setting up manufacturing facility for these three new molecules which we are planning to scale up this year. At the moment, we are not spending on CAPEX for these three molecules. We are utilizing our current capacity as it is not fully utilized at the moment. And as far as percentage wise, I can say we are operating at about 70% capacity at the moment, which we expect to continue for next one more quarter and then by near diwali time, we will start looking at initiating CAPEX for the new products.
- Shreya Jain:** And sir, we had some plans of acquiring some land near our existing plant, if I'm not wrong. So -
- Ashit Dave:** We have taken possession of both the plots which we were allocated and now we are in the process of signing the lease agreement with MIDC and everything. So it's almost complete.
- Shreya Jain:** So do we have any plans on what would we be setting up over there, what kind of facility for what products?
- Ashit Dave:** So there are two plots. On one of the plots we are planning to set up a new formulation facility to ramp up our production for brand sale business in India, which we would be initiating that capital expenditure in next financial year. And the second plot which we have obtained, on that, we will be setting up a technical manufacturing facility for our future production of new molecules which are in pipeline.
- Shreya Jain:** Lastly, you mentioned about a positive outlook in domestic brand sales. So sir, can you highlight how much is the brand sales target for FY25 and overall, will we see any sales growth in FY25?
- Ashit Dave:** In FY25, we are targeting 25% increase in our brand sale business and to complement that, we have already launched several new molecules in our brand and there are additional few molecules which are already under registration process which we are going to launch within the next few months, and we have added two new states for marketing for our brand sale business and we expect this minimum 25% increase in our brand sale business in this financial year.
- Shreya Jain:** And what margins can we maintain for that, any estimate level?
- Ashit Dave:** At the moment, brand sale business does maintain 30% to 35% gross margin and we expect the same to continue for this year also.

- Shreya Jain:** Sir, on an EBITDA level, can you throw some light what could be the realizations for this year FY25?
- Ashit Dave:** So our brand sale business will increase to about 75 crores this year and we expect a gross margin of about 20 to 22 crores from brand sale business this year.
- Moderator:** The next question is from the line of Anand Shenoy from Yes Capital. Please go ahead.
- Anand Shenoy:** The first question is on the Triclopyr side. So like, can you throw some color what volumes we did in the contract manufacturing side and like what plans we have for the current and the next year on the contract manufacturing?
- Ashit Dave:** So contract manufacturing volumes have increased almost by 40% over the previous year. But the issue is that the selling price of Triclopyr has substantially come down as compared to the previous year and that's why there was no significant improvement in top line. So, the prices have come down almost by 40%, 45%.
- Anand Shenoy:** And what is the outlook, sir, for the current and the next year on the Triclopyr contract manufacturing?
- Ashit Dave:** Current outlook seems to be good. The forecast we have received also is in the similar volumes as compared to last year and forecast which we have received from our other markets where we have direct customers also is very strong in volumes. But the pricing of the product is in a difficult situation in competition with China and it's going to be a challenge for Triclopyr this year as well I would presume.
- Anand Shenoy:** Even considering that there has been decent price increase, do you think it will be a challenge for margins in Triclopyr?
- Ashit Dave:** Not in this molecule. In other molecules, yes, like Chlorpyrifos, we have seen price going up by 15% to 20%, but not in this molecule.
- Anand Shenoy:** Is there any plan for newer products for contract manufacturing with the customers?
- Ashit Dave:** We are working on a few new products which we will commercialize very soon. So that process is going on. I still don't have a definite date or a quarter which I can confirm so that we will add these products, but we are certainly working on two new molecules.
- Anand Shenoy:** Then the possibility of commercialization this year only?
- Ashit Dave:** Sorry, can you repeat?
- Anand Shenoy:** Is there a possibility of commercialization this year?

- Ashit Dave:** At least one of them I'm positive we will be able to commercialize this year.
- Anand Shenoy:** And what could be the volume and market size?
- Ashit Dave:** I think it's a little early to put a number on the commercialization volume on the contract manufacturing side, right? I presume we are talking about contract manufacturing. I think maybe in the next few months we will have more clarity on that.
- Anand Shenoy:** And on the Chlorpyrifos side, given that there was some US EPA in the change of stance, are we expecting better margin in this particular quarter this year?
- Ashit Dave:** At the moment, yes, Chlorpyrifos margins have improved than what it was last year and I see a continuous trend of improvement in volumes as well as margin in Chlorpyrifos business and because of US EPA decision, lot of other markets also have started showing interest in the molecule and the volumes are picking up.
- Anand Shenoy:** What volume did we do in FY24 for Chlorpyrifos?
- Ashit Dave:** We did about 1,800 tons last year and we expect these volumes to substantially improve this year.
- Anand Shenoy:** By around 25%, do you think we can do?
- Ashit Dave:** Yes, around 25%.
- Anand Shenoy:** On the Bifenthrin, what is the demand scenario like?
- Ashit Dave:** Demand, as most of the molecules are showing very strong return of strong demand and volumes, but again, Bifenthrin margins are not attractive at the moment like Tricopyr. We are getting a lot of positive feedback from our customers for volumes on Bifenthrin, but I still believe that we have a few more quarters to go before we see a decent improvement in margins in Bifenthrin.
- Anand Shenoy:** So overall, considering that in Chlorpyrifos, there is good demand and even on the formulation side, we are doing well, so what kind of top line growth do you think you can?
- Ashit Dave:** We are targeting 25% improvement over the last year sales, and as the season progresses, we will change our target to even higher number, but minimum 25% growth we are expecting this year.
- Anand Shenoy:** What kind of margins do you think because even Chlorpyrifos you are giving higher margins and even the formulations side the margins are better.

Ashit Dave: So that's what I was mentioning, that Chlorpyrifos business also is showing decent margins at the moment. Brand sale formulation also is returning in decent margins and we are trying to maximize both these volumes. So, for example, Chlorpyrifos plant is running on full capacity at the moment and brand sale businesses also we are adding new products, new markets. So, we have at least 25% growth in that segment. But, as far as Triclopyr is concerned, price scenario is still challenging. We expect that scenario to change, but I think we'll wait till next quarter which is the maximum demand quarter for Triclopyr and see what happens.

Anand Shenoy: So on the margin side, any comments?

Ashit Dave: I think we should wait for a few more months to see how the pricing trend goes for Triclopyr because that again is part of our large product portfolio and that would also drive the total margin for our company, but it will be certainly better than the last year and we are trying to stay profitable quarter-on-quarter.

Anand Shenoy: Sir, in the earlier calls you had mentioned about two product launches. I think one herbicide plant with 14 steps or something. Have we dropped the idea?

Ashit Dave: No, we have not dropped the idea. So the process development is already over. The registration process is going on. There are patents related to the process on the molecule which are expiring next year so we are working on the product at the moment and actual ramp up production of those molecules will be in FY26.

Anand Shenoy: So this is other than the three products you had mentioned earlier, no, this is the fourth product?

Ashit Dave: Yes. The three products, two insecticides and one growth promoter we have already started.

Moderator: Next follow up question is from the line of Harsh Sethia, individual investor. Please go ahead.

Harsh Sethia: What is the number of technicals we are actively manufacturing currently, and what will be the new product after the addition what will be the number of technicals?

Ashit Dave: So currently we are manufacturing three molecules and after adding these three new molecules we will be manufacturing six molecules.

Harsh Sethia: So like the new products that will be commercialized, that will be done in our own manufacturing sites?

Ashit Dave: No, at the moment since we are not operating our all the plants at full capacity, we are using the current capacities to manufacture these three new molecules, and as the current year season progresses after the second quarter we will start spending on a dedicated plant for these three molecules. So it's a process of acquiring new markets, acquiring customers, once

the volume starts showing improvement and some definitive businesses get established, we will start spending on dedicated facilities for these molecules.

Harsh Sethia: Do we have any new molecule in contract manufacturing pipeline?

Ashit Dave: So as I said earlier, we are discussing two new molecules in contract manufacturing. I still don't have the exact timeline on when we will start manufacturing these molecules as yet, but they are definitely under discussion.

Harsh Sethia: Do we have any new customer apart from UPL which we would be looking to do contract manufacturing, do we have added any other?

Ashit Dave: We are discussing at the moment, but I don't have a definite answer so that we can say anything with certainty, we are discussing.

Moderator: As there are no further questions, I will now hand the conference over to the management for closing comments.

Ashit Dave: Thank you, everyone, for attending the conference call. I hope I've been able to answer most of your questions. And if there are any specific questions, you can always send e-mail to us and we will be glad to answer them. Hope to see you in our next conference.

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