



We create chemistry

BASF India Limited, Mumbai - 400 051, India

November 21st, 2023

The Market Operations Department
BSE Limited,
Phiroze Jeejeebhoy Towers Dalal
Street, Mumbai 400 001

Name of the Company : **BASF INDIA LIMITED**
Security Code No. : **500042**

Dear Sir/Madam,

Re: Analyst / Fund Managers Meeting of BASF India Limited.

Further to our letter dated November 18, 2023 with regards to recording, we enclose herewith the transcript of the Analyst / Fund Managers meeting held on November 17, 2023.

Please treat the above information as intimation under Regulation 30 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Thanking You,

Yours faithfully,

For BASF India Limited

Manohar Kamath
Director – Legal, General Counsel (India)
& Company Secretary

Cc: Listing Compliance,
National Stock Exchange of India Limited,
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Bandra Kurla Complex, Bandra –(East).
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Transcript of the Analyst / Fund Managers Meeting of BASF India Limited – November 17, 2023

Mr. Manohar Kamath – Director - Legal, General Counsel (India) & Company Secretary, BASF India Limited

Good afternoon, Everyone,

I welcome all the Analyst & Fund Managers to our 2nd Analyst / Fund Managers Meet for the year 2023. At the outset, let me also this opportunity to wish you & your loved ones “Happy Diwali & Prosperous New Year”.

I welcome Mr. Alexander Gerding, our Managing Director, Mr. Narendranath J. Baliga, our Chief Financial Officer and Mr. Anil Choudhary, our Manufacturing Head & Whole-time Director to this Analyst / Fund Managers Meet.

All the participants are requested to note that this Meeting is being recorded and the audio & video recording of this Meeting together with the presentation and the meeting transcript would be uploaded on our website and also submitted to the stock exchanges. Further, I would also like to brief you about certain important points for smooth conduct of this meeting.

- All of you have been placed on mute mode to avoid any disturbances arising from the background noise.
- During the question & answer session, the names of those who have already registered with us for asking questions, will be called and thereafter, the respective speaker will be unmuted.
- Others who wish to ask questions, may raise their hand, by clicking on “Raise Hand” icon on the Microsoft teams page.

I would request all speaker participants to be brief while asking their questions / queries.

I now request Mr. Alexander Gerding and Mr. Narendranath J. Baliga to give a presentation on Company's performance for the quarter and half year ended 30th September 2023 and other related topics.

Mr. Alexander Gerding – Managing Director, BASF India Limited:

Thank You and a very warm welcome to all the analysts and fund managers on the line this Friday afternoon and also from my side happy Diwali to all of you and your families. I'm very happy this is my second time hosting this analyst and fund manager meeting and I'm very happy to be here with Manohar, Naren and Anil who is joining us on the line so here you see the participants for today I think Manohar has already introduced us we go to the next slide so we start like last time and like every time first for forward-looking statements, as you are all aware we discuss only matters that are in the public domain. We do not provide any forecast about the future business situation, and we do not comment or give guidance on future results or business outlook. We start every meeting with a safety moment so we also want to start here every year we have what we call Global safety weeks and we had it this time in August where at all our sites, we train and increase and raise the awareness on safety so here you see a picture of Mangalore our Mangalore side employees for the global safety week in August and this is this safety awareness is also visible in our safety performance and track record so I'm happy to say that we have not had any High severity incident or any High severity process safety incident this year.

January to September same as last year so a very solid track record on safety and this is also recognized in the industry so I'm very happy to share that in September BASF India Limited received the best

Responsible Care® Company award by the Indian chemical Council so a very nice recognition and big thank you and appreciation to all of our teams at our different sites in India.

Now you've all you are all following the global situation the global developments I would say the global context for the chemical industry compared to what we presented in May at the last analyst conference has not fundamentally changed so the war in Ukraine and Russia is still ongoing um there is still very soft demand globally in Asia but also in Europe in North America so this situation has continued in in the last month um and has put a lot of pressure on the chemical industry now obviously starting October we have a new crisis evolving developing in the Middle East um so that's certainly not necessarily helping yeah to solidify and stabilize the global you know geopolitical and macroeconomic stability but in India I think India is doing quite well and although India is not fully isolated and insulated from all these Global developments and Regional developments I think we have had a very resilient GDP growth around 6%.

I think if you compare that to most of the large countries I think it's very solid and the projections also going into next year is similar inflation around 5% and interest rates about 6.5% have been stabilizing maybe on a little bit of a higher level historically but stabilizing the purchasing manager index which tells us a bit about the confidence of purchasing managers whether an economy will be contracting or continuing to expand it has been consistently about 50 in India which means that there is positive sentiment for continued expansion nevertheless the purchasing manager index has come a little bit down so it was around 58 and I think it went to 57 but it's still about 50 and consumer confidence um is on the higher side and maybe the festive season also helped in that in that aspect so I think macroeconomic for India um some positive signs if you look to the right side of the slide and look into the different Industries. I think we've seen a very robust festive Automotive demand and automotive industry is obviously a very important industry for us that we cater to there have been strong construction activities in the agricultural field. I mean we have had a delayed Monsoon so normally the Monsoon starts in June it started in July and then August was very dry on top yeah so we not only had a delayed Monsoon but also a very dry August which certainly impacted the Agri sector the fast moving consumer goods um industry you know last time we spoke that we had a quite difficult rural demand in that space.

I think now July to September that has picked up a bit has increased a little bit um so we're seeing some developments there and the chemical sector is still experiencing margin pressure so pressure from the pricing side is still there um and on from on the cost side with higher energy prices um is also putting still pressure on the margins yeah so we have we're not seeing that the margin pressure is really fundamentally changing so similar picture there as we as we had in May nonetheless. I think and Naren will now go a little bit more into the details of our performance in BASF India Limited performance in the first and second quarter nonetheless, I have to say the team has done a fantastic job to navigate through these not so easy times with very strong volume development so with that I would I would stop here and hand over to Naren to tell you a little bit more about our financial performance.

Mr. Narendranath J. Baliga, Chief Financial Officer, BASF India Limited:

Thanks Alex and again good afternoon everyone so as usual we'll go to the financial performance first at the segment level yeah always the question comes up what are the six segments we have so on the left you see the six segments and the respective business units involved in each of the segment like agriculture solution is a segment by itself in other cases we have at least two business units which are part of the segment on the right pie chart you see the breakup of the six segments and agriculture solution happens to be at 17% because that I'm sure is one of the questions that somebody will ask later how big is the agriculture business in BASF India so that's 17% however the material segment is the biggest in the company almost 1/3 28% is material segment which is kind of performance materials and monomers and second highest is Nutrition and Care, this is the second and the agriculture solution happens to be the third what I wanted to highlight here is the well Diversified portfolio that BASF India has very similar to the parent company where all the 11 business units are present and representing their business in the country so no matter which product is required for the customer we have the capability to bring it to India and sell it in India.

Coming to the numbers you might have seen this in our press release on the left is quarter on quarter so there a 3% growth in Revenue compared to July September last quarter but at the same time the profitability has improved significantly almost one third Improvement by 50 crores what I want to also highlight is that the January to June quarter was the best ever we had last year and we are comparing with that when we compare the six when we compare the half year numbers with a 5% reduction in uh sales the PBT before exceptional item of course there is no exceptional item this time so the PBT is the PBT before exceptional item is down by 15% so in the first quarter that is June quarter we were down by 100 crores as compared to the same quarter last year and for the September quarter this year we are short we are plus by 50 crore as you can see in the left so net we are 50 crores or 60 crores lower than last year where January to June 2022 was the best ever half year that we had it's similar to Global parent company also and in India also we had the same situation and we are comparing that quarter here of April to June the volume growth was good and here this is what I wanted to highlight the quarterly numbers as comp starting from September 2020 that is 13 quarters you can see here and 13 quarters because September 2020 compared to September 23 you can see how we have grown over the period June and September 2022 then you saw in the previous slide 7,470 crore was the total sales but at the same time we had to compare it with the six months of this quarter instead of going quarter by quarter hence you see that golden rectangle there where the second the first half of this year is 7,000 crores 5% less than last 6 months but quarter on quarter if you take September to September 3% growth December 2022 happened to be one of the worst ever we had in the recent past yeah especially after covid March 2020 and June 2020 when we had couple of shutdowns and everything went down after that you see a significant rise Rising Trend over the period but December happened to be the one of the worst ever in the recent two three years the same is reflected on the right side in the in the PBT also June to September 2022 was 400 crore which we saw in the last slide but then you see December 22 18 crore almost breaking even and good thing is after that it has shown an upward Trend and we'll discuss this more when we discuss the business situation but here it is more of giving you an idea on quarter on quarter how we are developing over the last 13 quarters starting with September 20 one of the things that contributed to this this good profitability is also the net working capital development starting from September 20 we see how the net working capital which was around 880 crores and 1,200 crores is contained at 1,00 crores even for the September 2023 quarters the dark blue is the accounts receivable around 2,400 crores very well managed we have around 60 days of DIV which we see in the later DSO the sales receivable it's around 60 days which we see in the latest slide and the overdues are very well controlled at around at below 10% which means we don't allow any receivable to get into an overdue situation for a longer period yeah we ensure that the money is received before we continue to sell so very disciplined approach there by the business units when it comes to accounts receivable coming to inventory again 1,00 crore around 300 to 400 crores less than the earlier quarters again September is an important quarter for us but managing inventory at that level at around 77 days is again a good achievement based on the global supply chain. We have where the material can be brought into India and sold in a very certain time and that ensures that the business units can still play with the lower inventory and if you say is 77 days on the higher side we have to remember almost 80% of our material we import and it takes two to three months for from door to door to bring the inventory into India so it's not a big inventory it's just required for serving the customer and on the immediate basis the gray area is the accounts payable the one at the bottom and that's shown with a minus 3,000 because that benefits our networking Capital again we ensure that we get the best terms from our customers from our suppliers and at the same time the discipline followed in BASF is we don't delay the payment to the supplier beyond the date agreed with the supplier it's not just for the sake of increasing the accounts receivable or rather accounts payable we don't delay the payment will be done on the due date and we have 3,000 crore negative there working capital so net 1,200 crores net working capital coming to revenue development by segment the one on the left 7470 is last year 6 months and 7082 is this year six months and the bridging shows that agriculture solution did exceptionally well yeah over and above the good performance that it performed last year where it uh recorded 1100 crores this time it was 1,00 crores so 100 crores more than last year exceptionally good performance and we see the profits also in the next slide surface technology is another good story for us it has Coatings and Catalyst and Coatings had turned around and catalyst also did very well uh in this six months adding 100 crores to the Top Line the others the major one that stands out is chemicals almost one third drop you can see at the bottom 32% drop from last time volumes we have maintained almost at the same level uh it's the top line is the prices that have dropped and for us it's a merchandise business so whatever drop we have to take the drop and then sell it in the market so to that extent we are safe there it's a merchandise business but when the Top Line crash you see this kind of a big drop is pretty significant one of the biggest drops I

have seen that's for the chemical segment and Industrial Solutions is down by 177% we have dispersions and performance chemicals so going to the next slide because I mean this is the top line for a commodity business in some cases Top Line itself does not mean much unless you see the bottom line and see what did it mean finally to the result agriculture solution was around 160 crores last year and for this 6 months 300 plus crores so 151 crore higher than the good result that we had last year 6 months so that's exceptionally good performance from agriculture solution followed by surface technology I already talked about the turnaround story that Coatings business has where they were able to increase the prices with some of our products and hence the prices were better and then the resulted in the better end result yeah the bottom line was also positive except for these two in all other cases you see a drop yeah that shows the margin squeeze while we have grown in volumes the prices have dropped significantly yeah for the first 6 months and also for the September quarter there is significant volume growth but at the same time the prices crashed and that has resulted in lower profitability by 60 crores compared to last year some key performance indicators being analyst you will be interested to know how we are doing on different parameters and consistently we show the same pictures we don't pick and choose the good ones and show only the good ones we consistently show the same pictures receivable days like I said is around 60 days inventory 62 days and cash flow from operations has improved significantly around 350 crores of cash generated from operations as compared to last half year and operating expenses which is other than raw material cost and other cost the total operating cost also is very well managed despite the fluctuating Top Line and the volume growth a bit before exceptional item at 5.1% a more important return on Capital employed is a very healthy 12.9 though it's a little lower than previous year still you would agree 13% ROCE is a relatively good performance, return on net assets I mean since we have some good cash on hand we wanted to see how well we have performed if you remove that cash element from the assets and remove the income from the from the cash element and see net operating assets what would be the number that that comes to around 12.3% so again holding it strong EPS before exceptional item and before annualizing is 60 rupees per share in absolute numbers so I'm sure you'll have some questions on this later but as of now I passed on to Alex for the next slides thanks.

Mr. Alexander Gerding – Managing Director, BASF India Limited:

Thank You Naren and so overall given the context I think especially you know the last / second quarter of the fiscal year was quite strong volume wise I mean 16% growth in volume and Topline and also bottom line growth compared to same quarter of the previous year and we see quarter on quarter you know and an improvement which is which is also good so but you know we're still navigating in this overall context yeah and so we we're always cautiously optimistic um but I think uh the team has done very well to maintain a good asset utilization a good volume growth dynamic staying close to customers being able to get as much business as possible to maintain our relevance so I think that that has been done very well and then at the same time as Naren explained keeping a very tight grip on a networking Capital which I think is important especially in times like these so just a few additional insights before we go to the Q&A um we wanted to just show some additional developments in in the recent months after May so one we wanted to bring an example of how we are also progressing on the digit digitalization front our agricultural Solutions team has launched what they call the ACT shop yeah now this is not they didn't launch it this year so this has been active for a few years now I think it was launched in 2020 but what we can say today is that 99% of all the B2C orders are placed through the platform, this eliminates a lot of paperwork it's a real time you know data we're very data driven you know we're not gut feeling driven we're data driven and you can see your order you can see where your order is placed you can we also have a track and trace a concept where when we ship products to our wholesalers and even retailers they can scan they can scan the box yeah and then we can see also where our inventory is placed in the country which is very helpful especially in times when we have erratic monsoons yeah when delayed monsoons or a lot of draw because it doesn't happen across the country everywhere so we know by knowing where our inventory is sitting it every time within the season we can also make sure that we sent the right product to the right place in the country and I think this act shop is allowing us to do that so very successful digital tool that is massively utilized by our customers um in the agricultural solution space obviously we also continue to engage with industry and Academia here's just one picture from July where we were talking on sustainability um with the Department of chemicals and petrochemicals and obviously BASF is always being asked by the chemical industry what are we doing on the sustainability front because we're thought we're seen as a thought leader and an action leader so very active on the sustainability side then we're also happy to share that the sixth year in a row

we have received the award as one of the 100 best companies for women in India diversity and inclusion is a key topic that we continue to drive Diversity and in fact this morning I was at the Somaiya University and together with the Indian chemical Council we actually launched a new CSR initiative where we're inspiring young the females that are Bachelors of Science or Masters of Science in the chemical space and they will undergo in the next four to four months a training uh to bring them closer to the industry and to increase their skill set and their knowledge and eventually allow them also increase the opportunity for them to be placed for an internship in in chemical companies like BASF or others or even permanent employment yeah so we're really trying to make sure that we continuously work on the pipeline of female talent in the chemical industry and we're really leading here with a new initiative and I was able to welcome 40 female talents this morning yeah that will undergo this four month training and I think this is a great initiative and we'll certainly see more of this we've also been awarded here in August by one of our key customers Gabriel which is a Key Automotive customer which supplies a lot of the OEM Automotive customers as the best supplier so strong recognition by multiple stakeholders be the Indian chemical Council when it comes to responsible care be it by a customer a very important customer like Gabriel about best supplier be it in the diversity and inclusion space or be it on the sustainability front and with that I would really like to conclude so first I think we've I'm very happy to and I think the team has done a fantastic job to really deliver a very strong second quarter despite continued margin pressures and we also see a quarter on quarter Improvement we are seen as a as a responsible chemical manufacturer and as a recognized partner of choice by customers and stakeholders and obviously our focus areas moving forward continue to ensure sustained profitable growth by staying close to our customers maintain prudent control over our working capital continue to optimize and sweat our assets Drive sustainability ensure safe and efficient operations and obviously our most important asset is our employees we continue to fortify our talent Pipeline and promote diversity and inclusion so with that I would stop here and really very happy to take to take your questions.

Mr. Manohar Kamath – Director - Legal, General Counsel (India) & Company Secretary, BASF India Limited

Thank you Alex and for this I would go with the first speaker now Mr Varun Bang from Bryanstone Investments.

Mr Varun Bang from Bryanstone Investments.

Hello everyone and thanks for the opportunity and congratulations for strong performance. I have a couple of questions but before that I have a small request to you Alex so in broader terms if I see our parent it has been very proactive as far as investor relations are concerned and that is not just in terms of you know arranging regular meets but also in terms of providing guidance they also share business plan and they also talk about 3 to 5 year road map for the business. I had indicated this to the previous management and they had said they would think on those lines so I would request you to kindly look into this and be little open on investor engagement side because we don't know what are BASF's plan for next 3 to 5 years and what BASF is working on and unless that information is very let's say very sensitive to competition. We should have some road map on those things and share it with investors so and also you know we have been requesting for a physical meeting and it has been almost year since you took charge of the company so I would request you for a normal one to one interaction or a small group interaction

Two quick question questions on agri side what we see is our performance is far better than most of our peers so what is working for us on the agri side and how are we placed in terms of inventories in the channel is there a threat of stock returns going into next one or two quarters.

Mr. Alexander Gerding – Managing Director, BASF India Limited:

Thank you for that question. I think there are multiple elements why obviously I cannot speak about our competitors I can only speak about you know our business and what our team is doing I think first and foremost the team is always ahead of the curve being quite proactive to develop risk mitigation plans and once certain risks materialize because the late Monsoon dry month and an situation is sort of The New Normal right so you basically have to plan with it from the onset and if certain risks materialize I think the

team immediately activates the mitigation plan so that's I think one element what does that mean concretely um if you have a delayed monsoon and a quite dry situation usually disease pressure is lower so what does the team do obviously we look at okay how can we mitigate maybe a lower fungicide situation with more insecticide or even herbicide yeah usually herbicides and fungicides are affected if it's dry um so I think the team very proactively and you know activates these uh these portfolio compensation measures so that's one um second we try to place our products very close to the application timing that allows also to navigate through you know okay in which part of the country is product needed right now in what other part of the country is may be less product needed yeah so I think we don't place our products into the channel too early I think that's a second that's a second element um and I think you know you all know that you know we've launched um Exponus® which is a blockbuster insecticide now has become a blockbuster insecticide in our portfolio we were always strong on herbicide and fungicide but we were quite weak on insecticides and insecticides is actually the biggest Market in India we're very happy that we launched Exponus has had a very strong performance and in fact we received a registration of another insecticide a new mode of action in October so we will be launching a new insecticide going into next season which is also enabling us to balance our portfolio to not only sit on one leg be it fungicide two Fungicide and herbicides but also have a third leg um in our in our portfolio and then to answer your second question which is about Channel inventory so fortunately we don't have you know significant Channel inventory because we do not aggressively push into the channel since we place our products also to application timeline so and as I mentioned before in the digitalization example um we know where our products are sitting in the country at any point in time which is also very helpful because then you can you can have a very effective and efficient Inventory management and send products not based on gut feeling to a certain part of the country but Based on data so I think those are some of the elements um that I think stand out of you know why our team has performed quite well um and I think the team also has very strong plans into the future.

Mr. Varun Bang, Bryanstone Investments

What is our revenue share from top three products on the agri side

Mr. Alexander Gerding – Managing Director, BASF India Limited:

I think we have many products in the agro portfolio that are that are significant and are important I would say that some of the key Blockbusters would be Exponus insecticide Tynzer herbicide pre exor Fungicide and then hopefully the insecticide that we just received registration a month ago will certainly also develop over time to become a significant product in our portfolio so we're not just sitting on one product that dominates our business.

Mr. Varun Bang, Bryanstone Investments

Okay and correct me if I'm wrong but I think some of our key products like Exponus would be completing 3 years of launch over next few years and the end of the marketing exclusivity what are our plans to minimize the impact of competition in those products. Can you share some plans and how is our product pipeline going into next few years

Mr. Alexander Gerding – Managing Director, BASF India Limited:

I mean we always make sure that in our portfolio development when we look at active ingredient development and launches when we look at you know we always go into mixtures uh different type of formulations and applications and label extensions so we always ensure that we extend the life cycle of our of our active ingredients and mixtures over as long as possible period of time but this is also one of the reasons why the R&D Investments that BASF generates globally is the highest so we constantly invest significantly into R&D exactly to bring new modes of actions like the one we just received a registration in October to bring new modes of actions that are not in the market and that's why we are also an R&D company yeah to constantly evolve our portfolio and bring new products um to our customers and our farmers in India and that will enable us to continue on a sustainable growth pattern in this business.

Mr. Varun Bang, Bryanstone Investments

Okay one question on material segment what challenges we are facing in the Materials Division and if we were to see some sustainable Improvement in the margin performance of this division what steps do we need to take and how are we looking at addressing issues in the Materials Division

Mr. Alexander Gerding – Managing Director, BASF India Limited:

I mean the Materials Division if I look at the April to September development, the Materials Division on a volume perspective has done quite well and especially the monomer business has recovered a bit from a volume perspective, the challenge that we're facing is on the pricing side, the prices are still heavily under pressure but volumes are doing well and have improved a bit compared to the first quarter as well in this segment especially on the monomer side performance materials so the material segment is performance materials and monomers was having a very difficult time as we started has improved now over time especially on the volume side still under heavy pressure on the pricing side um performance materials was which also caters to the automotive um industry has done quite well on the volume side but has also been impacted uh price-wise yeah so I think our Focus there has been to make sure that we utilize our assets to the maximum that we maintain prudent cost control um that we capture every volume opportunity possible and then obviously we're waiting for the pricing you know for the pricing pressure to subside over time yeah but it's very difficult to predict then when that will happen I think there was a big expectation that after the Chinese New Year the Chinese demand would pick up again it hasn't I think now slowly there are some light at the end of the tunnel that also in China now demand is slowly picking up which should hopefully reduce a bit the pricing pressure over time but we're not seeing that impacting yet yeah um but that's a bit too so volume wise I think material segment is starting to improve.

Mr. Varun Bang, Bryanstone Investments

Okay one last question, Alex during our last interaction you had mentioned that BASF has good pricing power and we are being able to pass on the price inflation but besides agri we continue to see subdued profitability in most of the remaining segments so be it chemicals surface finishing nutrition and care so what are the key reasons uh and what steps are we taking to improve the overall margin performance and how can we look at you know adding more value to existing products to improve overall financial performance and in which of the segments there is higher scope for value addition.

Mr. Alexander Gerding – Managing Director, BASF India Limited:

Thank you for that question so I think in a global context that is so massively impacted not only by very soft demand but potentially also by overcapacity and inventories that have been built you know over time it's very competitive environment yeah so even though you might have pricing power if the competition is just too vast yeah and it's I think it's a cyclical situation we will come out of this cycle eventually um and I think we see we see at least some indications that in China now the demand is picking up which should reduce also a bit of The Dumping into other countries under very low prices um because of over capacity and over Supply um so I think it's a cyclical situation that will start hopefully will start to uh to improve a bit um so even though you might have pricing power you're still going to be impacted by this massive context yeah that I think the entire industry has been if has been has been facing yeah I think we have been going quite well if you look at our quarter two results you know compared to maybe some other companies I think you will realize that you know BASF has done quite well here to navigate through this um uh situation when it comes to the future I mean it's very difficult to make future predictions but I think we have a very balanced portfolio I think we have upstream we have downstream we have different segments um which also gives us some resilience that if you know one segment is struggling be it Upstream be Downstream we have other segments that can that can balance it out and I think the most important thing we're an R&D driven company so continuing to invest in research and development continuing to bring new products to our customers to stay close to our customers to bring differentiated products is going to be fundamental to sustain our growth moving forward thank you

Mr. Manohar Kamath – Director - Legal, General Counsel (India) & Company Secretary, BASF India Limited

The next speaker is Mr. Sanjesh Jain from ICICI Securities Ltd

Mr. Sanjesh Jain from ICICI Securities Ltd

I'm sorry I didn't unmute myself. Good afternoon the first question on the financial performance particularly on the PBT side we carry an inventory of close to 77 to 80 days and there has been a steep fall in the prizes in last two quarters so can you can you help us understand how much of the impact we had because of the high cost inventory we were carrying which would have optically reduced the PBT margin which otherwise should have been even better can you help us understand that number that will be very useful thanks

Mr. Alexander Gerding – Managing Director, BASF India Limited:

Yes the commodity prices have been pretty volatile and we have been proactive in managing the inventory in a situation where we don't have to take a big hit by the end of the quarter yeah on a quarterly basis we Market to Market and uh ensure that the prices reflect the realistic situation the current market situation and for the September quarter we did not have any major hit to the inventory valuation yeah whatever we higher inventory we had we had already consumed and that is getting reflected in our profitability already does that answer your question so we don't so Q2 is more of a cleaner quarter that it's more representative margin what we are looking at.

Mr. Sanjesh Jain from ICICI Securities Ltd

Yes, my second question is on more competition from the China side and we have alluded on the point that there is an over capacity situation today uh even if I look at BASF Global presentation there we have talked about the production in China going up over by 12% while globally it is declining by 4% so what is the situation for our product in terms of competitive intensity from China and India

Mr. Alexander Gerding – Managing Director, BASF India Limited:

I think I mean and correct me if I'm wrong Naren here as well so we don't only so we supply our products from multiple regions right so it's not we're not only uh you know impacted from the supply perspective from China when it comes to the competitive environment.

I mean the situation in China has been extremely competitive especially since the demand in China had slowed down so much there was this situation, I think what we're seeing now is um that that is starting to improve maybe not in the magnitude that we would like to have it but it's starting to improve yeah which is at least promising signs that that we might come back to a better reality and that the margin pressure that we have been facing and the industry has been facing will hopefully subside a bit although we're not seeing that right now substantially yeah neither on a global level nor locally as you can see also in in in our results but we are by having a prudent cost management networking Capital Management ensuring that our volumes and our assets are well utilized in India that we stay close to our customers that we bring the right products at the right time I think that will give us a good head start if you know the pricing situation will start to subside and improve so I think making sure that we have had a good volume track and growth I think is key in in times like these.

Mr. Sanjesh Jain from ICICI Securities Ltd

Fair enough but can you help us understand from our product portfolio in terms of scale where is the competitive intensity more which are the bright spots where we are seeing early sign of recovery at least from the competitive intensity perspective.

Mr. Alexander Gerding – Managing Director, BASF India Limited:

I think we have competitive intensity in all segments to be honest I mean there is no you cannot say or pick out one segment where we don't have strong competitive intensity even in the ACT segment we have competitive intensity we have strong act players in India and in the region so I think it's just important that we continue to bring differentiated products to our customers that we stay close to our customers that we also are present in all parts of the country and I think that's what the teams are really focusing but it would be difficult for me to say in in this specific segment we have less competitive intensity

Mr. Sanjesh Jain from ICICI Securities Ltd

I think we have strong competitive intensity everywhere got it last two from my side one on what are the Capex plan do we intend to increase more production capacity in India than depending on the Imports that's number one and number two globally BASF has a very strong battery portfolio any plan to bring that into India these are my final questions, thank you.

Mr. Alexander Gerding – Managing Director, BASF India Limited:

So let me we don't disclose any specific capex numbers yeah what I mean what I can tell you and what you also have seen in the during over the last years is we continuously together with the business units and every business units analyzes obviously how the demand situation is developing in the country continuously invest you know to expand our capacities examples are the Dispersions second line that is well utilized now yeah um examples is an expansion in Panoli that we had done to increase our Polyamides capacity there we're also investing in a polyurethane application lab so and in Mangalore and the production for EC for the Coatings business so we are continuously expanding our production and development capabilities um in India and will continue to do so as we continue to utilize our assets very well and the demand increases so I think. Historically we've had a good track record to continue to invest and expand as the business progresses and develops positively our own manufacturing ratio is also at 50% and it mean there is scope to improve it further yes 50% is own manufactured and 50% be merchandised, which means we import and sell so as you can see that there is good opportunity to improve that on the battery question. I mean this is a segment that is definitely developing in India although the electrification let's say you know still developing and I think there's a long way to go I think there's very strong aspirations by the government and there's a lot of companies that are very active in this space um I think there's still some way to go but I can I can assure you that we're very active here talking to key players be it on the two wheeler uh side or on the four-wheeler side so um I think BASF will be participating in this segment not only with battery materials by the way I mean Automotive segment is a key segment for BASF altogether so we have many different business units catering to that segment so I think um the electrification trend is there. I think more acceleration is expected and BASF will certainly participate in that space.

Mr. Sanjesh Jain from ICICI Securities Ltd

Fair enough that answers my questions and best of luck for the coming quarters thank you

Mr. Manohar Kamath – Director - Legal, General Counsel (India) & Company Secretary, BASF India Limited

The next speaker is Rohit Nagaraj from Centrum Broking Limited

Mr. Rohit Nagaraj from Centrum Broking Limited

Good afternoon gentlemen and thanks for the opportunity. Am I audible? Thank you so first question is on the overall General situation in terms of the inventories across our six business segments in domestic market and in Global Market given that you guys track both domestic as well as Global markets and an allied question to that is in terms of dumping from China what is your assessment whether it has dramatically declined or is it continuing and if it is continuing what is the assessment in terms of till when it can continue as per you know your assessment

Mr. Alexander Gerding – Managing Director, BASF India Limited:

Thank you Rohit let me start with the second part of your question the dumping I think if any of us could answer that question I think you know we might not be today it's very difficult to predict because it all really depends also on the demand picking up again to a level that you know will be visible in the market so I think we still see a very heavy competitive pressure uh but there's also some early indications that you know maybe you know the cycle is turning into the the right direction now yeah but it's I think we're cautiously optimistic here you know we don't want to overpromise and under deliver on this on any statements given here so um very difficult to say and I think it also probably depends segment by segment a bit um but uh we still see a heavy competitive situation which is why you see also on the pricing side we we've had still some impact on the first question on the on the inventory I mean I can speak for India I think Naren was showing our inventory development our net you know working capital development I think we've really maintain a very prudent and tight grip on inventories especially in times like these yeah I mentioned a bit of the example of the our agricultural Solutions team on how they also handle not only the inventory we have but also how we Supply the market yeah and our distribution partners and channel Partners um that we're very prudent there um to make sure that we don't overexpose ourselves on the inventory side but we still keep enough inventory to be able to cater to the growth and the demand in the market and to our customers so much I would say on the on the inventory side I don't know I mean if you yeah well in terms of the channel inventory or the market-wide inventory across uh our subs segments are there any particular Subs segments where we are still seeing that the channel inventory is relatively higher our inventor is obviously would be at optimal levels uh but uh in the channel or in the market uh these are still at higher levels in the domestic market thank you difficult for me to answer I mean we have 11 different business units we have 5,000 customers in India you know understanding in detail what the inventory situation is um at each customer each business unit is probably a difficult predict but I would say that given our track record you know we don't necessarily see a big issue here yeah. I think you know we are not usually a company that pushes too much especially the demand in the market is really not fully there yeah so we cater to the demand that is developing so that that's as much as I would say Naren I don't know if you want to complement

Mr. Narendranath J. Baliga, Chief Financial Officer, BASF India Ltd

In addition to what Alex said if the question is specifically on agro even there the inventory is very well controlled we have less than 400 crores of Agro inventory among the 1,00 crores that I talked about so we don't see that as an issue but again talking about Channel inventory of the competition and all we don't have that oversight and even if we have the oversight we may not be able to talk that about that openly so does that answer the question

Mr. Rohit Nagaraj from Centrum Broking Limited

The second question is in terms of our own manufacturing which is 50% as you rightly pointed out earlier what is the approximate capacity utilization across these three or four business segments this is I

mean I'm not talking about you know granular details in terms of exact 60 65% but just to get a perspective that where are incremental investment would be directed if some of those capacities are already operating at fairly high or optimal utilization levels thank you

Mr. Alexander Gerding – Managing Director, BASF India Limited:

Optimum utilization is kind of 80 to 85% is the capacity utilization overall of course we will not be going at the plant level but around 80 85% capacity utilization is already seen and it's consistently held for a couple of quarters so we have a strong we're sweating the assets and obviously where we see the businesses see need to expand you know we do that and we have consistently done that also in the past

Mr. Rohit Nagaraj from Centrum Broking Limited

Just one last financial question what was the capex for the first half

Mr. Narendranath J. Baliga, Chief Financial Officer, BASF India Ltd

For the first half, it's around 50 crores 45 to 50 crores for the first half

Mr. Manohar Kamath – Director - Legal, General Counsel (India) & Company Secretary, BASF India Limited

The next speaker is Aman Shah from Jeetay Investments Private Limited

Aman Shah from Jeetay Investments Private Limited

Good evening team and thank you for taking my question just an extension to the previous participants question on Capital expansion, Capital expenditures so we said we are at optimum utilization levels right now and what will be our thinking on capex plans now will it be more incremental or maybe we'll require a large scale capex like we had done in the age um say couple of quarters from now

Mr. Alexander Gerding – Managing Director, BASF India Limited:

I think we don't disclose any sort of future capex plans. I just repeat that where we see a need to debottleneck to add another line you know that we have consistently done that also in the past the businesses are constantly evaluating this I think India is quite well placed here I think this situation is not necessarily um visible across the world so you know whereas in India we have a good capacity utilization situation it is not the same in other parts uh of the world uh so um so I think there's still opportunity upward opportunity to increase um utilization also in other parts of the world and obviously we can also benefit from that uh because you know we import also materials yeah so nonetheless I think as Naren pointed out our own manufacturing product share in India Our intention and ambition is increase it over time and I think we've also shown that in our history that we're able to do that it's difficult in times when globally when the demand is still soft and when there's a heavy pricing pressure you know we have to maintain a very prudent cost control we have to maintain a very prudent cash control and obviously capex any capex investment plans will heavily be scrutinized on a global level yeah and I think this is not only true for BASF but probably for many others yeah so we just have to have good business cases and if our business cases are strong um you know I'm sure I'm sure you know we will be supported but the situation is certainly a very difficult one for the chemical industry globally right now so every any type of investment especially when you have underutilized Assets in a lot of parts of the world you know will be heavily scrutinized right okay uh second to that is we know we have uh the margins are better in own manufacturing while in trading it will be single digit margins just want to know.

Aman Shah from Jeetay Investments Private Limited

Whenever there is a capex how is the return on net assets look in an own manufacturing product portfolio compared to merchandise portfolio

Mr. Narendranath J. Baliga, Chief Financial Officer, BASF India Ltd

I mean definitely we cannot talk about that topic how we evaluate a u capex in terms of profitability but what I can say is own manufactured goods also has which means setting up the capacity also has the risk of having the fixed cost which you don't have in a merchandise business in in own manufactured business you have set up the plant and if the capacity goes down you still have to take up the idle cost right so from that perspective the metrics are different when we evaluate a capex business and use the opportunity to import and sell under merchandise sure so that was the reason like presence of fixed cost and even the starting phase of underutilization of capacity was the reason to ask like General return on net assets are better in own manufacturing compared to compared to this merchandise.

Mr. Manohar Kamath, Director – Legal, General Counsel (India) & Company Secretary, BASF India Ltd

The next speaker is Mr. Nigotia from Securities investment Management.

Mr. Devansh Nigotia from Securities investment Management.

I wanted to understand for Sovermall what is the content per EV battery and what is the global opportunity size and in India what will be our wallet share currently

Mr. Alexander Gerding, Managing Director – BASF India Ltd

I think no this is in Mangalore. Can you just specify again are you talking about battery chemicals. I don't have that number right now on the top of my head but what I what we can say is that I think we had the launch and it was quite successful the magnitude of that product is probably still smaller you know it's I mean it's a bio biobased product but it's a green sort of a green product and I think we hope that over time it will also continue to increase um but I don't have the exact number right now off the top of my head

Mr. Anil Choudhary, Manufacturing Head & Whole-time Director

Just to add on Alex here that most of the Sovermall Products being produced is for the export markets so as you know the battery ecosystem in India is still evolving the applications are not that many and there are not many customers as of now which uses this kind of products so most of them are actually being produced for the export uh markets

Mr. Devansh Nigotia from Securities investment Management.

okay and in terms of capex you know I mean you have been mentioning over the past couple of years that we want to increase the manufacturing but when we look at our capital expenditure per year are below 100 crores for a company which is doing sales of you know 10 to 13,000 crore so who is the decision maker here in terms of is it the parent which is guiding whether to do capex or not or how independent is BASF India as an entity in terms of you know making this decision to increase the manufacturing mix

Mr. Alexander Gerding, Managing Director – BASF India Ltd

Yeah, let me take so first I mean the markets the chemical Market size of India compared to Global is around 3% the share of our business in India is also around 3% so we are in line with our footprint and our presence in India in terms of business um to also the chemical share of India globally obviously see you know it's we cannot speak about any sort of capex investments or future Investments it is what I can tell you is it is clearly my ambition my intention to bring as much attention as possible in the company to India and I think we are making progress on that India is a strategic country and I think current in the current context also geopolitically microeconomic I think India is has had a very solid track record so I think we can

with confidence really showcase our performance and bring as much attention to our country as possible and I think we're doing that all together as a team um now obviously the ultimate goal is that this all translates then into additional support potentially even additional Investments yeah but that those decisions have not been taken and and we're continuously evaluating opportunities in India. I can assure you of that so we're having that clearly on our radar it's a focus area but obviously we're part of a bigger family as well here as a global multinational company so we just have to have very attractive business cases as well uh that make Financial sense and also technical sense and if we achieve that um I think you know we'll we'll get a lot of support yeah so I I'm confident of that so for me I always say it's not a matter of if it's really a matter of when is the right moment the right time the right investment with the right partner and I think we we're working on.

Mr. Manohar Kamath, Director – Legal, General Counsel (India) & Company Secretary, BASF India Ltd

The next speaker is Tarang Agarwal from Old Bridge Mutual Fund

Tarang Agarwal from Old Bridge Mutual Fund

A couple of questions without wanting to get a timeline on how and when you deploy your capital in India the question really is to understand what are the key considerations that will drive you or Global to drive significant capacity creations. I come from the background that BASF globally has a \$60 billion balance sheet right your investments in India is roughly about 250 to about \$280 million so while the global revenues might be 3% capital allocated is much little so just wanted to you know get a broad brush in terms of when what would drive uh that kind of capacity creation into the country so that's number one and the second question is I also understand that you know India becomes you know it is a nice Market where you can harness your Global manufacturing capacities right you often alluded to lower capacity utilizations globally and therefore given that you have a \$2 billion or \$1.8 billion Market you could use capacities globally uh you know feed into India so some sort of clarification there and the second question is uh you know in in the agricultural business in the crop chemical business is it only crop protection or do you have seeds also in India and are there any specific crops that you are heavy on and crops which you all might want to get heavy on in India

Mr. Alexander Gerding, Managing Director – BASF India Ltd

I mean obviously there's multiple factors that influence our thought process our evaluation process as we consider opportunities I mean first and foremost obviously if you want to make a large scale Global investment there has to be a local demand that is sufficient to justify that. we usually do not invest in a country to export from that country because we're present everywhere in the world so when we make a large investment our driving guidance is that there's a local demand that can sufficiently justify that this investment will be well utilized yeah because if you have a 20 30% capacity utilization of a large scale investment it's not going to be financially viable so I think that's one the local demand is one the willingness to pay also I mean obviously we are a multinational company we you know invest in research and development we bring premium products to the market so obviously there has to be you know a per capita consumption at a certain level also that would justify where our products would usually participate. I think that all these are developing in India well it's going in the right direction it's accelerating the GDP is growing um the per per capita consumption is growing there's a aspiring growing middle class so I think all all of those Trends are clearly moving in the right direction but besides the demand the local demand that has to justify a large investment we also have to look at the feed stocks that are available in the country and there are some feed stocks chemical feed stocks um that you know we don't have there might be there might be captive use um but you know we you know be propine or you know other type of feed stock so we we also there have to evaluate how do we how do we get a sufficient feed Stock Supply and then we you enter into discussions okay what type of Partnerships do you need to have which Partners uh make sense where we complement each other where also the cultural aspects match and so there's a lot of elements that certainly influence these type of discussions um and again I think we're we're on this topic we're having these discussions um but the global context is certainly not helping right now you know because um capacities are not fully utilized elsewhere um and I think we have to have a good vibrant global

economy running um for us also to generate you know as a as a global company you know more cash to do more capex Investments to do more to justify also bigger Investments yeah I think that's the current context the current context is not the current Global context is not necessarily helping um but we're not waiting you know we have to analyze a constantly opportunity yeah um so I hope that answers a bit the first part of your question the second part of your question on aggro we are active in the seed space we have Nunhems' vegetable seeds

Mr. Manohar Kamath, Director – Legal, General Counsel (India) & Company Secretary, BASF India Ltd

Mr. Archit Joshi from B&K Securities

Thanks a lot for the opportunity I just have one question in your proforma numbers I could see a significant drop in the capital employed for the agri Solutions business and it's uh largely led by similar kind of a Quantum of drop in the assets that you have deployed could you explain the uh reason as to why the capital employed has dropped there and just an addendum to this what kind of assets do we have in India for the agri solutions business thank you.

Mr. Narendranath J. Baliga, Chief Financial Officer, BASF India Ltd

So whatever drop you saw is inventory reduction we are currently holding one of the lowest inventory we had I mean I'm talking only about from BASF India perspective the lowest inventory we had for a long time Agro has been very effective in liquidating the inventory and uh that that is what is reflecting we don't have any other capex in India for aggro

Mr. Ranjit, IIFL

Thanks for giving me this of opportunity just one question that I had is that in the opening remarks of Naren has mentioned that also about the BASF Catalysts business just wanted to get a sense I believe that's not part of the listed entity that's again outside the listed entity is that understanding correct the second is just to give a sense about how many companies do we have outside the BASF India listed entity and are there any thoughts to merge them to make one India entity thank you

Mr. Narendranath J. Baliga, Chief Financial Officer, BASF India Ltd

With regard to the Catalyst when I referred to that Ranjit it was process Catalyst that is part of BASF India Limited, the other Catalyst business which is in Chennai is the BASF Catalyst is for automobile that is not part of BASF India limited whereas process catalyst is part of BASF India Ltd and they have been doing very well merchandise and to your second question there are no plans to merge the other BASF group companies in India.

Mr. Manohar Kamath, Director – Legal, General Counsel (India) & Company Secretary, BASF India Ltd

I thank you for your attendance and participation at the analyst meet today and wish you a nice evening and a nice weekend.