SUMITOMO CHEMICAL INDIA LTD.
Corporate Identity Number (CIN) - L24110MH2000PLC124224

Corporate Office: 13/14, Aradhana IDC,
Near Virwani Industrial Estate, Goregaon (East),
Mumbai - 400 063.
Tel. : +91-22-4252 2200 / Fax : +91-22-4252 2380
URL http://www.sumichem-india.co.in

SCIL/SEC/2024
3rd June, 2024

To,

BSE Limited,	The National Stock Exchange of
Listing Department,	India Listing Department,
Phiroze Jeejeebhoy Towers,	Exchange Plaza,
Dalal Street,	Bandra Kurla Complex
Mumbai-400001	Bandra East,
	Mumbai - 400 051

Sub: Written Transcript of Earnings Call held on 28th May, 2024

Dear Sirs,

This has reference to our letter, intimating about the earnings call on 28th May, 2024 with Investors/Analysts to discuss financial performance of the Company for the quarter and year ended 31st March, 2024, and weblink for the audio-recording of the call submitted to you on 28th May, 2024.

Please find enclosed herewith written transcript of the aforesaid earnings call.

The said transcript will also be available on the Company's website: https://sumichem.co.in/investors-relations.php#Announcements.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Sumitomo Chemical India Limited

Deepika Trivedi
Digitally signed by: Deepika Trivedi
DN: CN = Deepika Trivedi C = IN O = Personal
Date: 2024.06.03 23:16:01 +05'30'

Deepika Trivedi
Company Secretary & Compliance

Encl: a/a

"Sumitomo Chemical India Limited
Q4 and FY24 Earnings Conference Call"
May 28, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 28th May 2024 will prevail.

MANAGEMENT:
MR. CHETAN SHAH – MANAGING DIRECTOR
MR. SUSHIL MARFATIA – EXECUTIVE DIRECTOR
DR. SURESH RAMACHANDRAN – WHOLE TIME DIRECTOR AND CHIEF COMMERCIAL OFFICER
MR. MASANORI UZAWA – NON-EXECUTIVE DIRECTOR
MR. KUNAL MITTAL – SENIOR VICE PRESIDENT, PLANNING AND COORDINATION OFFICER
MR. ANIL NAWAL – CHIEF FINANCIAL OFFICER
MRS. DEEPIKA TRIVEDI – COMPANY SECRETARY AND COMPLIANCE OFFICER

Moderator: Ladies and gentlemen, good day and welcome to Sumitomo Chemical India Limited Q4 and FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

From the management today, we have on the call Mr. Chetan Shah, Managing Director; Mr. Masanori Uzawa, Non-Executive Director; Mr. Sushil Marfatia, Executive Director; Dr. Suresh Ramachandran, Whole Time Director and Chief Commercial Officer; Mr. Kunal Mittal, Senior VP, Planning and Coordination Office; Mr. Anil Nawal, Chief Financial Officer; Mrs. Deepika Trivedi, Company Secretary and Compliance Officer; and colleagues from SGA, their Investor Relations Advisors.

Now I hand over the conference to Mr. Chetan Shah, Managing Director of Sumitomo Chemical India Limited. Thank you and over to you, Mr. Shah.

Chetan Shah: Ladies and gentlemen, a very good afternoon to all of you and welcome to the conference call to discuss Q4 and financial year '23-'24 performance of our company Sumitomo Chemical India Limited. Over the preceding 2 years, that is '21-'22 and '22-'23, we at Sumitomo had experienced favourable business environment. Our primary focus during this period was to maximize performance and exceed expectations. Building on this momentum, we implemented several strategic initiatives aimed at ensuring sustained growth and long-term success.

However, as you all may be aware, financial year '23-'24, the agrochemical sector faced several extraordinary challenges, both globally and in India. This includes adverse weather conditions, poor demand, inventory reductions, downward price trends, supply chain disruptions and above all, compounded all this by various geopolitical situations. Most of these challenges appear to be temporary onetime factors and we expect the situation to normalize in the short term. Despite these headwinds, we remain optimistic about the growth potential of the agrochemical sector.

In Indian market, '23-'24 was marked by erratic weather patterns and lower-than-average rainfall due to the El Nino factors. This impacted demand for agrochemicals in the Kharif season. And lower levels of water in the reservoirs further compounded these challenges in Rabi season as well.

Our strategic focus throughout financial year '23-'24 was on minimizing the adverse impact of all these challenges and derive operational efficiencies. This approach enabled us to deliver resilient performance. We navigated the challenging environment by liquidating high-cost inventory reasonably in good time and historic gross margin levels within a short period. Our gross margin showed improvement on a full year basis, achieved through procurement efficiencies, optimal product pricing strategies and stringent cost control measures for fixed overheads.

Weimplemented strict controls over fixed costs, maintaining these expenses even amid high inflation. This disciplined approach extended to collections, inventory management and overall working capital collectively helping stabilize our financial performance.

Throughout '23-'24, we enhanced the safety standards across our operations and made progress in sustainable initiatives. This includes expanding our product segments in environmentally friendly technologies with the Barrix acquisition and expanding renewable energy sources, further embedding responsible practices in our business operations.

In this challenging year, we demonstrated operational resilience and financial discipline. Our long-term plans remain intact and we continue to make progress on the strategic growth journey. We successfully advanced several key strategic initiatives, further strengthening our competitive position.

The situation in global agrochemical market is expected to be on a recovery part during '24-'25, including in key potential markets such as LatAm. In India as well, IMD forecast predict above normal rainfall this year, it would significantly benefit both the agriculture and agrochemical sector.

Our focus in '24-'25 will be on recovering the revenues lost during '24 through more extensive demand generation and brand-building efforts, especially for recently launched products. We continue to follow a disciplined approach towards margins, fixed costs and working capital, positioning ourselves strongly for future growth in medium to long term.

In conclusion, '23-'24 has been a year of strategic consolidation for us. Despite external challenges, we have demonstrated operational resilience and financial discipline. Our ongoing initiatives in manufacturing expansion, product innovation and sustainability positions, positions us strongly for the future growth.

With that, I will now hand over the call to Mr. Anil Nawal to please take you through our Q4 and financial year '23-'24 consolidated financial performance. Thank you.

Anil Nawal: Thank you, sir. consolidated Q4 FY '23-'24 financial performance.

We recorded revenue of INR674 crores in Q4 FY '23-'24, which is up by 3% as compared to INR652 crores in Q4 FY '22-'23. Sequentially, the revenue was up by 24% from INR544 (to be read as INR542) crores to crores in Q3 FY '23-'24.

Gross margin in Q4 FY '23-'24 are 41.7%, up by 1,042 basis points as compared to 31.3% in Q4 FY '22-'23. Gross margin also witnessed sequential increment of 199 basis points from 39.8% in Q3 FY '23-'24.

EBITDA came at INR140 crores in Q4 FY '23-'24, witnessing a jump of 74% as compared to INR81 crores in the same period last year. Sequentially, EBITDA was up by 113% from

INR66 crores in Q3 FY '23-'24. EBITDA margin in the current quarter stood at 20.8% up by 843 basis points as compared to 12.4% in Q4 FY '22-'23. The increase in EBITDA margin was primarily on account of better cost management, increased operational efficiency and higher gross margins.

Profit after tax stood at INR110 crores in Q4 FY '23-'24 as compared to INR72 crores in the same quarter last year, a jump of 52%. Sequentially, PAT was up by 101% from INR55 crores in Q3 FY '23-'24. Profit after tax margin stood at 16.3%, up by 523 basis points vis-a-vis 11.1% in Q4 FY '22-'23. For FY '23-'24 the operations team showed a strong dedication to strategic cost optimization initiative in response to the challenging industry circumstances.

Okay. So whenever I'm talking of consolidated figures, this would include our subsidiary figure also for Q4 only because we acquired Barrix on 15th of December. So it would be -- last quarter would be with the Barrix. But for Q4 '22-'23, Barrix figures will not be there. So to that extent, our figures will not be strictly comparable.

Now coming to our consolidated performance for FY '23-'24. Revenue from operations in FY '23-'24 stood at INR2,844 crores as compared to INR3,511 crores in FY '22/'23.

In FY '23-'24, domestic agrochemical revenue has contributed about 80% of our overall revenue with export contributing the rest. In FY '23-'24, Insecticides contributed about 41% of total revenue while Herbicide, Plant Growth Regulators (PGR) and Fungicides contributing about 22%, 10% and 8% of total revenue, respectively. The proportion of export earnings as a percent of total revenue has experienced a notable decrease, dropping from approximately 25% in FY '22-'23 to around 20% in FY '23-'24. Due to the substantial pricing pressure, destocking by global manufacturers and elevated inventory level, the exports encountered significant headwinds.

EBITDA stood at INR475 crores in FY '23-'24 as compared to INR667 crores in FY '22-'23. Our EBITDA margin stood at 16.7% in FY '23-'24 as compared to 19% in the same period last year. The profit after tax for the financial year '23-'24 amounted to INR370 crores, reflecting a decrease from previous year's figure of INR502 crores because of complicated and dynamic market circumstances. Now with that, I will now hand over to Mr. Sushil Marfatia.

Sushil Marfatia: Thank you, Anil Bhai and good afternoon all. In terms of overall net working capital base, there has been a deduction of 33 days as on March '24, as to that of March '23, mainly on account of decrease in inventory days and receivable days and increase in payable days. Cash and cash equivalents as on 31st March '24 stood at INR1,207 crores (after payment of interim dividend).

During financial year '23-'24, our collections were INR3,325 crores as compared to collections of INR3,676 crores during financial year '23. As against 19% reduction in revenues, the reduction in collection is just about 9%, which demonstrates company's strong focus on collection discipline, even in a challenging and difficult year. This further demonstrates our team's capacity to generate demand and successfully execute sales, resulting in effective collections. It is crucial to remember that sales in our sector would not be deemed final until the material is consumed, and collections are received. Our teams are committed to maintaining disciplined practices regardless of the circumstances and situations.

In FY 2021, we had unveiled our intention to allocate 1.2 million towards to 2 'Make in India' initiatives for setting up 2 projects. Both these projects have started commercial level production. Some revenue were generated in the current financial year FY '23-'24. Ramp-up in the volume and revenue from these plants is expected from financial year '24-'25.

The management team is currently studying the feasibility of expanding the manufacturing capability and infrastructure for several additional products, including some future pipeline proprietary products of our parent company. Our parent company in its various presentations and investor interactions has emphasized the importance of India as a market and as a manufacturing footprint indicating future growth potential for India and Sumitomo Chemical India Limited. These opportunities are currently being carefully evaluated and have been discussed at various stages of the decision-making process. After receiving approval from our parent company and our Board of Directors, we will furnish you with detailed information regarding our capital expenditure strategies.

Our commitment to sustainability and safety is unwavering. Throughout financial year '23-'24, we implemented various measures to enhance safety standards across our operations. This included timely restoration of a damaged plant and maintaining supplies through alternate arrangements. Our sustainability initiatives have also been progressed further embedding responsible practices in our business operations. We have taken initiatives for the adoption of renewable energy sources. Our acquisition of Barrix further supports our growth and sustainability goals, enhancing our product segment with environmentally friendly solutions.

Our team of researchers is currently focused on developing a wide variety of products and combination mixtures to meet the needs of both the Indian market and potential export opportunities. Our organization sees great potential in these export markets which are located in high-growth regions such as Latin America, Africa and Asia Pacific region.

We would like to echo Mr. Shah's sentiment and express our pride in all our teams who collaborated during these difficult circumstances. With our strong presence in the Indian agrochemicals sector, we are committed to achieving our goal of becoming a leader in Indian agrochemical market.

I now request my colleague, Dr. Suresh Ramachandran to give you more information on our business. Over to Dr. Suresh.

Suresh Ramachandran: Thank you, Marfatia Saab. Good afternoon, everybody. the Indian agrochemical industry experienced tumultuous event in 2024. Unpredictable and extreme weather events, including long dry spell and unseasonal rains impacted the crop conditions. This led to fluctuations in demand of agrochemical products as farmers adjusted their usage based on crop conditions.

To manage cost and align with the market conditions many companies and distributors in the sector undertook significant inventory reductions. This strategic move was aimed to mitigate risks associated with holding high-cost inventory amid uncertain demand and downward pricing trend.

Geopolitical instability, including ongoing conflicts, disrupted supply chains, leading to delays in the availability of raw materials, apart from the cost escalation. These added to the complexity of managing operations and maintaining consistency. Despite the challenges, the domestic demand for agrochemical remain relatively reasonable. The government's continued emphasis on agricultural productivity and initiatives to support farmers contributed to overall normalization of agrochemical consumption during the last 2 quarters.

The decline in prices of key active ingredients has stalled to a large extent but further price trends remain uncertain and depend on how quickly the overall high-cost inventory in the channel is consumed. The decline in domestic revenue was caused by mix of both price and volume reductions.

LatAm market, particularly Brazil, experienced adverse weather conditions that significantly affected agricultural productivity. Unpredictable weather patterns, including droughts and excessive rains, led to reduction of crop yields, thereby decreasing the demand for agrochemical products.

The agrochemical industry in LatAm market also witnessed substantial price decline due to excess supply. The destocking led to price erosion for mainly generic active ingredients squeezing profit margins for companies in the sector.

The industry also saw a push towards adopting new technologies to improve the efficiency and effectiveness of agrochemical products. Innovations in formulations, application methods and precision agriculture played a role in driving growth and addressing some of these challenges.

The industry is expected to recover as market conditions stabilize. Improved weather patterns, better crop yields and a rebound in the demand are anticipated to drive the growth in the coming years.

Over the past 2, 3 years, we have made significant investments in expanding strategic functions such as marketing, demand generation, product development, regulatory affairs, patents and exports. Some of these initiatives have already stabilized and started contributing growth, while others are expected to show results in the near future.

We launched several new proprietary products aimed at diversifying our product portfolio and meeting evolving market demands. We launched 3 herbicides, 1 insecticide and 2 fungicides in FY '24. Our focus will remain to ramp up the sales of the new products in the coming quarters as we have received positive feedback from trade and farmers on these new products.

We have also conducted trials for future pipeline products to ensure steady pipeline of innovative solutions in the coming quarters. To maintain volumes of the older proprietary products facing increasing competition, we implemented robust product defence strategies and brand building initiatives.

In future, our goal is to improve the effectiveness of our marketing and selling tools in order to increase engagement with our trade partners. Our primary objective is to increase sales by implementing effective strategies to generate demand for our products at the grassroot level. We are committed to taking a more proactive approach in our interactions with top distributors with the goal of strengthening the relationship and fostering greater collaboration. Furthermore, we will diligently keep track of the performance of the key product offerings.

So now we'll turn it over to the moderator.

Moderator: The first question is from the line of Swati Hiroo from Ratnabali.

Swati Hiroo: Firstly congratulations to the entire team on a great set of numbers and a significant outperformance. Congratulations Suresh sir also on the new definition. So my first question is what would be your guidance for FY '25? So will we beat our past peak numbers that we have achieved or where will we be?

Chetan Shah: So see, our first objective is not to match the numbers or surpass the numbers. What we are concentrating on is to increase the volumes of our products. Because as you may have noticed in order to compare the last year's numbers, the prices itself have dropped 25% or so, 25%, 30% in some products, even more maybe but -- so comparing the figures, sales figures itself may not be the true justification.

We want to see how much of the volumes of each product we can increase in this coming year because we only can achieve the turnover of last year level if we increase the volumes because we are selling the products not at a comparable price as last year. So I think we are -- we saw that in even the fourth quarter that we have increased the volume because fourth quarter also was at lower prices, it was not as much lower because we did not pass on the entire benefit. But in Kharif in next 2 quarters, we'll have to be like there in the market with realistic prices. And the only answer to your question is to ramp up the volumes.

Swati Hiroo: Okay. My second question is, could you shed some light on the performance of Barrix and this entire pheromones business? And what would be Barrix's numbers in FY '24?

Chetan Shah: Yes. Kunal will answer that.

Kunal Mittal: So I think as far as Barrix is concerned, this was a company based out of Bangalore and we have just taken charge of that company. That company started consolidating in our financials with effect from 15 December 2023. So it has been just 105 days since they are part of Sumitomo. So in the overall numbers, I think the sales is not material right now. And we are expecting this sector and overall the positioning the company has and the very good products, they are expecting very good growth year-on-year basis and in the overall numbers, I think in terms of the sales, it is in the range of about INR10 crores to INR12 crores, which has been consolidated in our books for this 100-day period.

Moderator: The next question is from the line of Prashant Biyani from Elara Securities.

Prashant Biyani: Congrats on a very good set of results. Sir, on -- in Q4, we have seen a very sharp gross margin expansion. Can you elaborate on drivers for the same, whether it was the product mix or geographical mix or something else? Some elaboration on that will be quite helpful.

Chetan Shah: A mixed bag of reasons, I'll cover as many as I can. First of all, I think the product mix, of course, is an important part, which was very good in Q3. Secondly, I think we -- at our company, what we could do very quickly was ramping up of liquidation of high-cost inventory. So I think by the month of August end, we had wiped off our high-cost inventory. And in Q3, we started buying the raw materials at lower prices which gave us a tremendous cost advantage, which in the fourth quarter, when we started selling, we did not -- we thought that we did not pass on that entire cost benefit in the market. So we (*inaudible*) the prices but not to the full extent of our savings in the purchases. And that resulted into a better margin. So our purchasing in the Q4 for the coming quarters also has been at a very, very good level, very good pricing. And we see that whatever we have purchased in Q4 also for the Q1 and Q2 production has also given us tremendous benefit on costing. So we don't see the price erosion and we expect that these margins will remain. So -- but these are the main reasons. I think our decision to liquidate high-cost inventory quickly played a very important role.

Prashant Biyani: Right. And sir, this Q4 purchases would be for the entire first half. So margin should be quite competitive if the season is normal, would it be safe to assume? Or you intend to pass on some more price benefit to the channel or end consumer?

Chetan Shah: As of date, we don't intend to but we'll have to see the competition, as Suresh also mentioned in his address that we have to see that how quickly the other companies are able to liquidate their inventories in the market. Fortunately, we, at Sumitomo products, we don't have a high level of inventory in the market, which is another very good sign for us. So how much the competition will drop, we cannot judge as fully as of today. But what we have seen in Q4 and in the first month of Q1, is that it is not affecting us significantly. So I think it would be safe to presume and we hope that we don't have to reduce any more prices.

Kunal Mittal: And in your question, you mentioned that in the Q4 of '23-'24, we have purchased the inventory for Q1 and Q2. So that may not be the case – for few months we have covered for sure but still some months we are yet to cover, just wanted to clarify this point.

Prashant Biyani: Sure. Sir, internationally, how are you seeing the demand for us?

Chetan Shah: What we have observed Prashant, is that we see a recovery for sure. But whether this recovery is how much percentage is not clear. We are more clear that because of the rain forecast, et cetera, the domestic market will revive very quickly. As it revives, we will revive further. International business revival may take some more time. But I think you're seeing some sort of stability in our order positions.

Prashant Biyani: Okay. And sir, lastly, before I jump back to the queue. Of the total exports for the fourth quarter, how much would be for our own group companies?

Chetan Shah: I don't have that figure but...

Suresh Ramachandran: Probably 60-40, 60 would be. More approximately equal between group companies and outside.

Prashant Biyani: Sir, if someone can share it during the call sometime later, that will also do, the exact number if that can be shared.

Kunal Mittal: So Prashant, we do not disclose these numbers, so it will be difficult for us to disclose the breakup of the sales to group companies versus outsiders because it is multiple sector and it is proprietary segment and some of the products goes to the affiliates all over the world in our off-patent segment. So we won't be comfortable. But as Dr. Suresh mentioned, broadly, you can assume it is equally (*inaudible*). And it's not skewed or I think towards one side of the business. It is towards both sides of the business.

Chetan Shah: And for our own affiliates, I don't think that Q4 was a very good or a big recovery period. I think there were still high-cost inventories and liquidation of inventories was going on. And I think what we supplied to our group companies was only part of their requirements, which they would need for the season, which starts in month of June. So there is not a heavy side of export to our group companies. As a matter of fact, our group companies because of the global situation and as per the directives of SCC Japan, we are actually in the mode of reducing inventories and reducing working capital. So they are not going to buy from us extra quantities or extra supplies just to make our export good.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking Limited.

Rohit Nagraj: Congrats on good Q4. The first question is on the capex and project. So for the 5 molecules we earlier expected that the potential peak revenues probably will come in FY '25. So where are we on that? And in terms of the Bhavnagar, Tarapur and Dahej, the projects which have started commercializing. What is the potential revenue that we are looking in FY '25 or the ramp-up over the next, say, 2 to 3 years?

Chetan Shah: Okay. So as far as our capex on the Bhavnagar plant is concerned, there is full production and we expect that, I think in the last year, we had got -- we sold around 40% or 50% of our capacity we could export but in the current season means current year, we are expecting that 100% of our production capacity will be exported out as far as Bhavnagar plant is concerned.

As far as Tarapur new plant is concerned, it is absolutely ready for commercial production. We have, as a matter of fact, already produced the materials. But because of the global demand situation, we could not convert it into any revenues, but for a small, very small quantity as trial, trial orders or just sampling orders, et cetera. But I think in the current year also, we do not see that we will be able to supply these products to the full extent to our affiliates because of the inventory levels at their end and because of the demand position. We will try our best to at least sell part of the quantity but I think we have to be very clear. I mean, we, unfortunately, have lost out on this revenue in '24-'25 or we will be losing out. But we expect that from '25-'26 there will be a full production will be required for the market. So we have taken a little bit of a sort of a jolt or a little bit of a problematic situation as far as the Tarapur plant is concerned.

As far as Dahej plant is concerned, we are -- our application for environment clearance has already been submitted. We expect that we should get the clearance by end of this calendar year. And we have the pipeline of products or products which we want to manufacture there. This could include potentially we are -- we have already submitted all the data, all the processing drawings, entire package we have submitted to our parent company. It is under study by them. And very soon, they are likely to come back to us, whether it's a go ahead or not. So the new Dahej plant will also potentially have at least 2 brand-new products from SCC Japan.

Rohit Nagraj: All right. Got it, sir. Sir, second question is to Mr. Uzawa-san in terms of SCC Japan, so why has there been a delay in going in for new set of products after the 5 molecules which were offered to us for manufacturing. Given that we have already demonstrated in last 1, 1.5 years that the project has been completed and we have been able to supply those molecules with right quality and specifications. And as sir mentioned just now that for the next set of molecules, obviously, there will be a process of environmental clearances, for that there will be a facility. So it will have a gestation period of at least 2 years before we start supplying the next set of molecules. So why there has been a delay from the parent?

And allied question is that, in the meanwhile, why are we not looking for opportunities from other agrochemical players? I think a couple of years back, we had mentioned that there is no such agreement with our parent that we will manufacture exclusively only for SCC Japan.

Masanori Uzawa: First of all, I would like to say the Sumitomo Chemical Tokyo's commitment to the India manufacturing is unwavering. So we have a strong commitment and that will never change. And then the reason why it takes time to make a final plan for let's say Dahej is - there is a kind of change of landscape in global supply of pesticide, especially after -- I mean, especially post the COVID era. So now the overcapacity pesticide, especially the commodity type of pesticide that impact significantly to overall the pesticide players. So we have to be very careful to choose the right molecule, what kind of products we should manufacture in the very important facility in India.

If we make a mistake and then that molecule is going to be commoditized in such a case cost of competitiveness is why kind of in the tough position, I mean, the competition with the other players, that's huge, downward price pressure, that's huge. So what we're doing is reviewing the products carefully and revisiting that. And then that's the kind of reason behind we're taking time to start the kind of Dahej project.

But again, we are committing strongly in manufacturing here in India. And then we are going to choose the proprietary molecule and that's not going to be commoditized in the mid- to long term. So still, you can expect the high margin and the profit from that project. That's the answer from Tokyo.

Rohit Nagraj: And just kind of allied question I asked regarding any other agrochemical companies with which we are currently engaged for such kind of a partnership?

Masanori Uzawa: Yes. We are always discussing with the other players, agchem players but we cannot disclose what's going on in the discussions with them. So just please stay tuned. And we are open to discusswith any potential project, with anybody.

Moderator: The next question is from the line of Chintan Modi from Haitong Securities India Private Limited.

Chintan Modi: Congratulations on good set of numbers. My first question is with respect to are we kind of looking at now exploring beyond agrochemicals, especially when we look at our parent company is quite strong in the electronic chemical side and in India also, there is this whole ecosystem gradually being set up. That is also likely to get commercialized in the next 2 or 3 years. So I wanted to understand your perspective whether we have those kind of capabilities because I think we have got good cash on book. We have got land, everything you said. So your perspective, please?

Chetan Shah: Yes. As I have said this before also and I also said I have been constantly discussing this particular topic with our parent company. And I think that is after a very serious discussion and thanks to the top management of SCC Japan, their intervention, we are now seeing a bit of scope of doing this. So we have just got the preliminary inquiry from IT department of SCC Japan of what can be done or what -- how it can be done and they have asked us certain questions, very high-level questions on India position as far as IT sector is concern. So I think we are committed to reply to them by first week of June, which we will do. We have got all the data ready. We'll reply to them and I expect the round of meetings will begin from next month onwards. So it's a good start.

I would say it's at least there is an interest shown. And we will take it forward. So if you ask, are we capable of doing it? The answer is no. As of today, in a sense that we don't have a skill set within the organization to look after IT sector, we'll have to create that skill set, which we are very confident of creating and we will take it forward as soon as possible. But having said that, of course, these are at a very preliminary discussion stage. And what will be the final decision or outcome of it, we are unable to say. But for sure, it is beginning. It is starting now.

So are the other some other companies of Sumitomo Tokyo, they have shown keen interest in selling the seeds, some specialized seeds and some irrigation systems, which we are looking at very closely. So I think something if we find it interesting, we can also include those in our product range. So in short what I need to say is that as Uzawa-san said that commitment to India is absolutely unwavering and there are as many possibilities as they can see, they are reaching out to us to explore. So I hope that answers your question.

Chintan Modi: Yes, sure, sir. And sir, when you are referring to IT sector, you mean electronics, right?

Chetan Shah: IT chemicals.

Chintan Modi: Second, sir, with respect to gross margins, again, I got your point on what you clarified with respect to how the outlook looks like. But just some further clarification because fourth quarter gross margin is way ahead of your overall FY'24 gross margins. You think this kind of number, if everything goes well, this kind of fourth quarter gross margin number is sustainable for 1H.

Chetan Shah: If you compare it overall from the fourth quarter of the previous year, the prices had started moving down. And everybody, including us at high cost inventory, which affected our gross margins in the first and second quarter. And as I said that we were very quick in liquidating this high-cost inventory and that is what gave us the opportunity to get into purchasing of raw materials or inputs at lower prices, which gave us a lot of opportunity of selling the products in the third and fourth quarter. So now if you see the fourth quarter pricing and our selling pricing, that has not changed as of today. We are taking the same thing forward in the first quarter and we are seeing that it is accepted in the marketplace.

So unless and until something drastically goes wrong in terms of monsoon or in terms of pricing, again, due to geopolitical reasons, if the entire supply chain is affected. If something of that sort happens, we may see some price volatility but as of today, we feel that it is quite stable. And we don't see any risk of reducing the prices in coming months.

Chintan Modi: Got it. Got it. And last clarification. Your comments on Tarapur plant. I believe that was with respect to the 5, 6 molecules, which are on exclusive basis manufactured for parent. Is that correct understanding?

Chetan Shah: So Tarapur plant is only for the exports to affiliate companies. We don't sell those molecules to any other third party.

Chintan Modi: Yes. So we had -- I think we had commissioned a plant for -- to manufacture 5 to 6 molecules, which was on exclusive basis for the parent. I mean, it was on a contract manufacturing. So I'm just trying to understand what's that comment with respect to that.

Chetan Shah: So that comment I made was that due to the inventory position and the demand position of those molecules in the international market or with the affiliate companies, we are not likely to manufacture full capacity of these products and we'll not be in a position to export the entire production. So we have saylost 1 year, earlier, we thought that in '24-'25, we will have the full advantage of running that plant and we will be able to increase our exports. But unfortunately, because of these external reasons, we will not be in a position to do that. So we'll do some production. We'll sell some products but it will not be 100%.

Like I say that now during this year, we are 100% confident that the Bhavnagar new plant, we will use up 100%. There will be no problem in using that capacity 100% and we will be able to export it out. But the Tarapur plant, we don't see the possibility of that happening. We are seeing that possibility to come through in '25-'26. So we have lost 1 year basically.

Moderator: The next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Congratulations on a strong set of numbers. First question on the comment that we had in the initial ones. The pricing decline of 25% to 30% seen in FY '24 across. Will this pricing decline be across the specialty and the generic portfolio for us for the full year?

Chetan Shah: No. Specialty is not to that extent. I think that will be a very minor variation in maybe around 2%, around 2% decline as far as specialty products are concerned but the major decline is in the generics.

Ankur Periwal: Sure. So on specialty, as a -- from a volume growth perspective, where are we for FY '24 in terms of whether it was a strong degrowth in generic and maybe a low-double-digit degrowth in specialty for the full year?

Suresh Ramachandran: So actually, in speciality we were able to maintain the volume by and large.

Ankur Periwal: Sorry if I heard you right, you said specialty, we have maintained the volumes.

Suresh Ramachandran: No. Sorry, sir. We have degrown by about -- by approximately about 8%, 9% overall. Price drop was very minimal.

Ankur Periwal: Sure. On the volume decline front, if you could highlight whether the decline in generic volumes was largely export? And how did the domestic business perform there?

Suresh Ramachandran: It's both. All the generic molecules, both in export markets as well as in domestic market have seen a price drop.

Ankur Periwal: On the export comment that you had earlier, wherein you highlighted specialty, probably the full ramp-up of those 5 products will be more in FY '26 versus in FY '25 and earlier also, we commented that LatAm or probably global export generic export has not recovered fully, maybe it would be more gradual. So from an overall full year perspective, export full recovery is more back-ended more FY '26 than in FY '25, which is again volume-led. Will that be a right assumption?

Kunal Mittal: So Ankur, see what we -- I think what Shah-san mentioned, let me just clarify because I think there are 2, 3 more questions on this. So as we mentioned, there were 2 projects and in any kind of this kind of project the actual volume going up to 100% takes a few years of scale up. So the first project was already commissioned last year and it has started the commercial revenue not to the extent of 100% but maybe say, you can say between 40% to 60% commercialization we have achieved last year '23-'24 and '24-'25, we should be able to do 100%. This is approximately 50% of the total revenues, which were planned from these 2 projects or even more than that.

And the second project I think some revenues will start coming in current year and some more revenues will come in the next year as Shah-san mentioned. So this is kind of our normal, I think, kind of buildup of the plant. But again, the 50% of the revenues, which are there from the Bhavnagar plant, those will be coming in the full revenues in current year, as Shah-san mentioned.

Ankur Periwal: Thanks, Kunal, for clarifying that. And just lastly, bookkeeping one on the working capital. We have been sort of pretty strict on the receivable side and appreciate the company's efforts there. On the inventory side, we have been seeing the decline but should we take FY24 as a base case for working capital going ahead?

Kunal Mittal: So in terms of number of days, the improvement which we have made, is quite substantial. As we go because I think last year has been extra cautious all across the globe for most of the chemical companies and also distributors. So we believe that in terms of number of days, whatever improvement we have made we will try to maintain but maybe we have to loosen up a little bit in terms of inventories and all and also because of the sheer volumes, the size of the business, the cost of the inventories, which had all come down.

So we believe that whatever cash we have generated, some bit of the cash or large part of that cash will be deployed back in the business once the volume becomes normal. And in terms of number of days also some improvement we can sustain and some improvement, we may need to loosen up a little bit for our future growth.

Suresh Ramachandran: Yes. Further last year was a bad year in terms of weather, whereas this year seems to be okay and monsoon is predicted well for which we need to ensure supply. So there could be -- there will be some capital deployment as working capital.

Ankur Periwal: Sure. And from a demand perspective, we are not seeing any pushback from the market. The inventory situation that was there earlier because of the excess inventory industry was not able to grow. Things look better from a Kharif season perspective?

Suresh Ramachandran: Compared to last year, the sentiments are good. The monsoon forecast is good. So there is not a significant pushback but it's also there is not a significant demand. People are waiting and watching how the monsoon is going to now play, how the situation in terms of pricing and all is going to play out. So I would say it's slightly better than last year for the same period.

Moderator: The next question is from the line of Bhavya Gandhi from the Dalal and Broacha Stock Broking.

Bhavya Gandhi: Congratulations on a good set of numbers. Sir, a couple of questions from my end. I just wanted to know what would be...

Moderator: I request you to keep your handset a little away, sir.

Bhavya Gandhi: Yes. Just wanted to know how much would be the revenue from new molecules that we would have launched in the last 2 to 3 years, if you can just at least as a percentage of revenue? And how much are we expecting going forward and the sizes of the molecules that we've launched, what sort of market size are we looking at?

Suresh Ramachandran: See, we have launched about half a dozen products last year, different brands in different segments. Last year was not the best year, I would say, honestly, because we didn't get the proper season, there were challenges all across in crops, or pests or weather, multiple challenges were there. So I wouldn't take last year as a bench or standard year. Our target is at least not target, I would say our aspiration would be somewhere between 8% to 10%. And last year was the first year we launched many of these products and some products we would launch this year in the upcoming Kharif season. So we should get a sizable number. Having said that, it's very difficult to predict.

Our focus always on the new product is when we go into the market in the first year, instead of having a revenue target, our target is deliver the performance to the mark. What we are committing position the product right, deliver the performance and do the proper demand generation, branding and the actual revenues would start flowing in from the subsequent year. So that's what our focus is. And we hope to deliver about 8% to 10% growth, if the season is normal, in contribution from the new products.

Bhavya Gandhi: Got it. Are they largely patented ones, 9(3) sort of molecules? Or I mean, if you can just quantify on the size of their molecules, at least.

Suresh Ramachandran: Most of them are 9(3) molecules, only Sumitomo Chemical India supplies to the market. So whatever we grow, that's the size of the molecule.

Bhavya Gandhi: Okay. Got it. And with respect to -- I mean, on a longer-term basis, are we expecting -- I mean, do we see any impact on the Japanese yen depreciation? Because largely, if we are going to supply on a longer-term basis, it is going to affect our revenues or is it like a dollar agreement if you can throw some light on it.

Kunal Mittal: So all our transaction with our parent company, none of the transactions are linked to the yen. All our purchase transactions on an INR basis and which we have clarified in the past also in some of the calls and on our export transactions are normally linked to U.S. [*inaudible*].

Bhavya Gandhi: Okay. Got it. And just on the LatAm front, the climatic situation doesn't seem to be good for this year vis-a-vis the domestic markets. So can you throw some light? I mean, are we expecting degrowth or we'll maintain similar levels based on last year's numbers?

Chetan Shah: We don't supply glyphosate to LatAm at all. We supply glyphosate to African markets. We have large exports there. We don't see any problem in those markets because the price needs to be adjusted according to the price of glyphosate globally or not globally, I should say, price of glyphosate in China.

And we have been able to do that year after year after year. So we exported even the same type of volume when the prices are very high and we exported the same kind of volume even when the prices came down drastically. So that business is not affected. And glyphosate, we don't otherwise export to our affiliate companies.

Bhavya Gandhi: No, not for glyphosate, I'm just talking about the LatAm products, tebuconazole if I'm not wrong.

Chetan Shah: Sorry, I heard glyphosate somewhere, so.

Suresh Ramachandran: See, general situation, yes, weather seems to be challenging from whatever we are hearing. But at the same time, the season has not started yet. And whatever the feedback that we are getting from our sources, including the group company, there is optimism. And only in another 30, 45 days, we will come to know how the season is going to progress. As of now, we don't see significant challenges, looks okay based on the projections and feedback that we get from our affiliates.

Bhavya Gandhi: Got it. One last bookkeeping question. With respect to other financial assets that has seen a rise from INR48-odd crores to INR536 crores. If you can throw some light on that?

Anil Nawal: Yes. So actually, this is our investment. This figure, INR491 crores is our investment actually.

Bhavya Gandhi: Okay, that is reflecting?

Kunal Mittal: Already included when we mentioned the cash and cash equivalent, this number is included in that.

Bhavya Gandhi: Got it. Got it. And just one more last thing if I can squeeze in. On the OLED and LED market share of the parent, if you can throw some light, what is their parent market share?

Kunal Mittal: Sorry, did you ask LED?

Bhavya Gandhi: Yes, LED market share in the IT chemicals segment.

Kunal Mittal: So, in the IT chemical sector, there are several technologies and products, which have a very strong I think innovative technologies across the boards in the display devices, whether it is LED, whether it is QLED and there are some very interesting technologies from Sumitomo side in that. And we are monitoring this market in India how the evolution of this entire industry is happening, as Mr. Shah mentioned earlier. And then we will monitor. So we will not be able to comment on the specific market share in those products but some of these technologies in the display devices specially in the chemicals, which goes over display devices, Sumitomo has been in the leading -- one of the leading companies in this segment, both for LCD in the past, LED and also for QLED and those kind of devices.

In addition to that, some of the Sumitomo interesting products in the semiconductor goes also for the 5G mobile tower and mobile stations. So in those applications also Sumitomo products have a lot of application and very strong presence globally.

Moderator: The next question is from the line of Vipul Shah from RW Equity.

Vipul Shah: I just had one question, sir, on Slide 24 of our investor deck, under the tab future expansion plans, we have mentioned that -- hello...

Chetan Shah: Yes, Vipul, go ahead.

Vipul Shah: We have mentioned that we've signed and registered agreements to buy 2 land parcels, 20 acres at Bhavnagar and 50 acres at Dahej. Today, sir, on the call, pardon me if I'm wrong but I heard the management state that there is already an application made for environmental clearances at the Dahej site. So I'm a little confused, sir. Is this land parcel already under our possession and are we sort of building up plans to make -- to drop factories out there or is it that the transfer process is still pending and hence, it is too early to call out on that?

Chetan Shah: No, the land is already in our possession. That is why we could apply for environment clearance. As I mentioned, we have also -- we are ready with the entire process, which we -- the products which we want to manufacture. It is under study by our parent company. And we are very soon likely to get a go ahead on the basis of what Uzawa-san explained that they are fine-tuning the global demand and the global production capacities across and those products which they do not see any threat on you know China say putting up a large capacity, et cetera. Those products are definitely going to come to India and we will be manufacturing that. And we are ready. Basically, we are ready with all those things. We are just waiting. So as soon as the environment clearance comes, as soon as the SCC Japan approves the list of products, we are ready to start the activities at Dahej site.

Vipul Shah: So that -- assuming, sir and I really love the optimism, sir, you have and kudos to your team on working on that. But what I hear is, sir, it is still sort of depending on how fast the approvals come from our parent. We still have probably around 18 months away from any meaningful contribution? Is that understanding correct, sir?

Chetan Shah: Yes, 18 months or more because it will take time to put up the plant. The commercial production registration is not going to take time because it's export registration. So we don't have to worry about that. But yes, putting up the plant, et cetera. I think definitely, after we get the environment clearance 18 months would be -- 18 months to 24 months would be the period.

Vipul Shah: Great. Sir, last question on the same subject, where we also speak about Bhavnagar. So as I understand correctly, there in Bhavnagar, we already have a plant up and running?

Chetan Shah: Not on the new land that -- the new plant which we are talking about, we created a space in the existing land parcel. So 30 acres which we have purchased additionally adjoining our factory that is still vacant. Basically, I mean, I'll be very honest. This plot was taken to expand our tebuconazole facility because as you know, as we already have one plant of tebuconazole at Bhavnagar.

And we thought that the demand of this product is likely to go up and we may have to produce extra 1,000 tons of these products at the maturity of that demand. But that is not coming out as clearly as of today. So we have just kept the land and we put out the facility over there. It is only a replication of our existing plant. So it may not take much time. So whenever we see clarity of this demand, we can use that land.

Vipul Shah: So then as of now, that land will be vacant. And assuming, sir, whatever you mentioned that we have clarity on because we are a very disciplined company and it's really great to be an investor in the company. So there also, it will be like more or less 12 to 18 months before any meaningful contribution will come. Is that understanding correct, sir?

Chetan Shah: You're absolutely right.

Moderator: The next question is from the line of Rohan Gupta from Nuvama.

Rohan Gupta: Congratulations on a strong set of numbers in the current quarter when the industry time is actually poor. Sir, first question is just a bit of clarification on the gross margin expansion in the current quarter, if you can quantify that the low cost inventory or the high price realization which we have achieved in the current quarter, what was the contribution from that in our margin in the current quarter?

Chetan Shah: So if you see over the period of the entire year, our raw material packing material consumption has come down by 3.5%. So that shows that even though we were carrying high cost inventory, which we liquidated by second quarter -- end of second quarter or beginning of the -- by August end, actually. And we -- as I said, we could have an opportunity to purchase low-cost material, which we churned out and converted into our brands and sold the brands in the market, which gave a good contribution.

Now I think coupled with that is also the cost reduction where we saw that the market or the demand is not going right and the conditions are very adverse, we drastically cut back on our marketing budgets, our field assistant budgets. We very quickly controlled that. That also is one of the reasons why the gross margin is looking better. And as I said that going forward, we don't see much of a risk in maintaining these margins.

Rohan Gupta: Sir, when you say maintaining these margins, you are referring to entire annual number of 37.5% kind of gross margin which we have achieved in FY '24 because Q4, I was just trying to seek the clarification on Q4 more importantly, where we have achieved close to 42% gross margin, which are significantly higher, sir. So just wanted to know that what is the contribution from the low-cost inventory and the prices of raw materials still remain very low in the current scenario. So can we expect that this margin of Q4 level can sustain in FY '26, I mean, '25 entire year or some part of -- some quarters in the current year.

Chetan Shah: Some quarters for sure as we will have to, as I mentioned earlier also, we'll have to see how the monsoon pans out, how the competitor's inventory pans out, how the -- as far as the purchases are concerned, we don't see much of a problem in the prices. I don't think that the prices are likely to sharply increase or go up again, vis-a-vis the caveat that geopolitical situation is -- you are aware, is quite dicey and I mean suppose if the Taiwan route closes down, the supply chain will be totally disrupted. And China will have to find a very long way of sort of a sea route to get the materials. So we will have to get the material from a different route. So that will increase the cost of transport as well as the time to receive the materials.

Kunal Mittal: Yes. And so Rohan, just to add one more point. I think you are looking at this 42% gross margins in quarter 4 of '23-'24. And when you compare it with the quarter 4 of financial year '22-'23 then yes, the number looks very high against 31% to 42%. But please look at more historical number because, as Mr. Shah mentioned, even the quarter 4 of '22-'23 we had certain high-cost inventories, which we liquidated.

So margins were low at 31%. But if you look at the year before, on Slide 11 of our investor presentation, you can see the margins of 38%. So I think we believe that these 42% level margins are not abnormal margins. What we believe is this high cost inventory, which negatively impacted that was a one-off the event which negatively impacted us for, say, 1 or 2 quarters, which you can see in this particular slide.

But after that, if you see most of our quarter margins in Q2, Q3, Q4 are more in the normalized level. So we are not saying or we feel that there are no extraordinary onetime positive events but there was one extraordinary negative event, which is past us.

Mr. Shah mentioned and we all see that we feel comfortable that this kind of margin may be sustainable because we are not saying that there is anything onetime extraordinary positive factors in our margins. All of these are normalized business situations, wherein we earned these kind of margins in the past also and we have again recovered to that level.

Rohan Gupta: Fair, sir. Sir, if you can provide us the breakup of this year revenue, which is down by roughly 19%. What would have been the volume and the price led decline?

Kunal Mittal: So we do not give the breakup. But as we already mentioned in the comment in the earlier section, I think Mr. Marfatia mentioned about it. So roughly, it is towards both and it is towards both equally and this was also clarified by Mr. Shah and Dr. Suresh, I think. So if you look at the domestic market and against the generic business, the impact is both in pricing and volume.

If you look at our specialty and the propriety molecules, the impact is less in pricing only 1% or 2% but there is an impact of 8% to 9% in the volumes. In the exports market also the impact is especially in the off-patent segment and that can bear a very, very high impact in both pricing and volumes. And as far as our proprietary product exports is concerned, they are because of this new product exports, there is not so much of the impact in the volumes and price.

Rohan Gupta: That's helpful. Sir, one is another on new launches. You mentioned that some of the unique first-time registrations which you have planned maybe in FY25. So if you can shed some light on that, sir, what are these -- I mean, how many products we are planning to launch in '25 and how many under that will be first time registration or under 9(3).

Suresh Ramachandran: Yes. We already have received 3 registrations in the last couple of months. One is for cotton, one is for rice, one is for vegetables, you know insects as well as mites and also diseases in paddy. So we are doing the back-end operations and all those things. Everything is getting ready. All these 3 products are 9(3) proprietary products, unique combinations, which will be coming into the market in the next few weeks, targeting the Kharif season.

And there are 1 or 2 more products that depends on the regulatory approvals. We have a rice herbicide, if we get the registration, the anticipated registration is in the next couple of months, we may be able to catch up Kharif or at least Rabi we are hoping to catch. These are the FY25 launches that we are planning to do.

Rohan Gupta: Sir, with these new launches and also what we have done historically in the last couple of years, any sense or over next 2 to 3 years, if I will say that in near and medium term, the share of generic versus specialty, how do we see sir moving up in our company?

Suresh Ramachandran: Naturally, now our focus is on specialty molecules, which we wanted to really grow higher than the market growth rate. It's difficult to predict exact size what it will be after 3 years but our endeavour is definitely, we want the specialty molecules to take a significant leap in terms of growth and the overall revenue.

Rohan Gupta: Fine, sir. Just next on our new product, especially under the capex plan, which we have roughly 5 products, you mentioned that you have already got the approval. It seems like that it may take another couple of years to ramp up these capex and these products. I was more concerned about the new product pipeline and especially with Sumitomo parent company, what are the products which one can expect over next 3 to 4 years, I'll say, because these 2 years 5 products that has already been there but it will take some time to achieve a INR200 crores to INR250 crores kind of revenue potential that may take another 3 years to maybe a little bit more. I was more concerned about that how -- what are more products which we are looking at from the parent company?

Kunal Mittal: So we are not in a position to disclose the name or the specifics of the product but I think as Uzawa-san and Mr. Shah also mentioned earlier, we are at advanced level of one, obtaining the environmental approval for this site. And in terms of the technical studies of the entire designing, drawings, all those studies and then the global volume estimate, the strategies, what kind of products are right in terms of privatization, long-term, sustainable volumes and the margins on the products.

So based on all these analysis we feel that we are very close. And in next few quarters, we should be able to arrive at some sort of a decision and whenever it is approved formally, it will surely be announced as we had done for these 5 projects earlier.

And then we will go towards the implementation and this is what the situation is but we'll not be in a position to give a specific name of the products. But very clearly, I think Uzawa-san mentioned that we are not looking at the products which could become off-patent or which could become commodity, where the margins could be under pressure.

So any product which we pick up and choose, ideally, they should be having a very long strong competitive situation for at least next 10 years plus either in terms of patent production or even if not patent production then in terms of our leadership in those products all over the world and our future pipeline of some of the products. So we will be choosing some of the good products and not the products which are becoming commodities.

Rohan Gupta: Sir, any -- I mean any guidance if you can give on the capex number on, especially in this side over next 3 to 4 years cumulative which you plan to invest on product supplying to the...

Kunal Mittal: See, 3 or 4 years is a very long period to give any kind of a capex estimate because, again, the situation will also depend upon the ramp-up of these products because some of these are pipeline products, which have just been launched in 1 or 2 countries and this is being launched in more countries. So we are in the process of monitoring the volumes and everything. So we will not be able to commit what will be the capex requirement for these products in the next 3 to 4 years. But on the immediate basis, I think Mr. Shah has mentioned in some of the earlier calls that we are looking to invest about INR250 crores to INR300 crores to start this new capex cycle.

So we have just completed one capex cycle wherein about INR120 crores we have invested with the revenue potential of INR250 crores to INR300 crores which should be achieved in next 1 or 2 years, partly it is already achieved. And the next capital cycle should be in the range of INR250 crores to INR300 crores but we will at least prefer to start with, but over 3 to 4 years, it is very difficult to estimate at this point of time.

Chetan Shah: Just to add, I may inform that whatever is the capex requirement for this site even as of today, next year or whatever will be required after 3 years or 4 years, we are in a position to make that capex from our internal accruals. We are not going to borrow any money from outside for this capex. So that is a very, very significant plus point with us that we will use our own internal accruals to finance this capex.

Rohan Gupta: Yes, sir, that is very much evident from the solid free cash flow generation, which we are already having, so that is understood. Sir, just last bit from my side if I'm allowed, just one more clarification. You mentioned around IT chemicals and all from the role of Sumitomo Global and the opportunities and the products which we are exploring.

I mean Sumitomo India is exploring to supply to the global company's parent in LED, QLED kind of display monitor systems, the IT chemicals industry which we are serving. Sir, it was not clear that it will all the products which we are developing and all - is the technology is from Sumitomo India or this technology is shared by the Sumitomo Global and it will remain under the same company only or another SPV or the new companies will be created or how the structure will be?

Chetan Shah: Let me clarify a few things. First of all, we are not as of today talking about manufacturing these chemicals in India to supply to SCC. They are already manufacturing this. And our plan is, first of all, to have an entry of this products in India. So only after that entry, we can think whether this can be manufactured in India or not, which is quite a bit of a long-term plan.

But Initially, we want just an entry of Sumitomo IT chemicals into India. And this will not be through anybody, any third company or any outsider or it will be only from Sumitomo Chemical India within this company. So whatever we are exploring on these 2, 3 new fronts, all that is part of Sumitomo Chemical India. So that I hope I have clarified your query.

Moderator: The next question is from the line of Prashant Biyani from Elara Securities.

Prashant Biyani: Yes sir, barring this INR250 crores, INR300 crores capex for the next project, what would be the immediate capex for this year and next for maintenance and other purposes?

Chetan Shah: It's around -- planned to be around INR53 crores.

Prashant Biyani: So this INR53 crores...

Chetan Shah: Improvement in efficiencies or some capex is also there for safety and things, some capex is also there, we want to be 100% green power generation company by the end of this financial year. So we have some capex for that. I think there's -- that itself is around INR25 crores for the green energy, which will take us through 100% of our energy use by our own captive power generation.

Moderator: The next question is from the line of Bhavya Gandhi from Dalal and Broacha Stock Broking.

Bhavya Gandhi: Sir, just wanted some clarification. Usually, in environmental clearance, we have to mention the product names. And on the other hand, we are saying that we are still to receive product approval for the further capex from parent. So I mean, can you help me connect these dots.

Chetan Shah: Yes, sure. See, it's -- I mean whenever any company goes for environment clearance, there is a list of products, as if we are going to manufacture everything and like covering very large spectrum of chemicals. So out of that, what we'll pick up to actually manufacture will be these molecules, which we are awaiting the go-ahead from Japan. And these are the molecules which Japan has just introduced in the global market.

So it is a brand-new molecule, patented molecule, having a long life and these are both the 2 products we are working at, which both are extremely important product for SCC Japan and for the global consumption. So we are talking about those 2 products. In the the overall situation of the global demand of this product, how much Japan will require us to produce, that is what is being studied by Japan just now. And as I said, it is very soon we are likely to get further clearance or go ahead of these products.

Bhavya Gandhi: Got it. And sir, you mentioned on the Bhavnagar plant, 1,000 tons of tebuconazole, that is per month or that is per annum.

Chetan Shah: No, no, per annum.

Bhavya Gandhi: Per annum. Okay. And how much would be the power -- I mean, because of the green power that you're going to put up, how much would be the energy savings or absolute savings in electricity costs?

Chetan Shah: Well, it will be say around 2 crores units.

Bhavya Gandhi: 2 crores?

Chetan Shah: So we are buying just now about 90 lakhs -- 1.5 crores units, which we are buying from outside, we will save at least INR4 per unit.

Bhavya Gandhi: Got it. Got it. Got it. And then just one last thing. Any thoughts -- I mean, we've heard that only Sumitomo Japan and India has got the technical manufacturing capacity when it comes to the entire group. But at the group level, have they thought of adding newer capacities elsewhere?

Chetan Shah: To my knowledge, no. They are -- now I think India is a priority for them. And what I have heard in various conversations with the top management of SCC that India is -- they want India to be as big a manufacturing hub in time to come. Maybe -- so that is a commitment. So we feel that there is no other sites that they are looking at.

Kunal Mittal: On the chemistry side, yes. And in the biorational side, we have some large facilities in U.S.

Bhavya Gandhi: Got it. Valent BioSciences, I'm not wrong. I mean just a question on that as well. Have we introduced it in India?

Kunal Mittal: Yes. Many of the VBC products are already introduced and they have a very good share if you see in our presentation and also I think Anil Bhai covered when he mentioned about the thing, we have achieved about 10% of sales from this PGR segment, plant growth regulators and that is a very high growth segment all over the world and in India. And already 10% of our revenue comes from PGR segment, which includes some of the PVC products wherein we have very strong market share in India in some of the applications.

Moderator: The next question is from the line of Priyank Chheda from Vallum Capital.

Priyank Chheda: So my question is on domestic market. What should be the volume growth that we should think for FY '25? Given that 8% to 10% of the sales would come from the products which we have launched last year and haven't got that traction and a follow-up question, would the number of new product launches and the momentum that we have seen in the new product launches would continue in FY '25 too?

Suresh Ramachandran: Yes. Obviously, as I said, our focus is on the new products because these have to be nurtured in the initial couple of years to make them mega brands in the coming years. Definitely, the team and all the functions are focusing on enabling the supplies in time, the liquidation and billing to the distributors and liquidation in time is one of the key priorities for current year FY25. Having said that, it's important to maintain the brands that we have already established over a number of years. And we will -- we don't need so much of demand generation efforts but more of publicity and advertising efforts is required, which we are marketing budget allocated to some extent for those products.

So the new molecules will continue to grow. And in terms of volume growth, I think that was your specific question, at least we want to compensate whatever is the price (*inaudible*) needs to be compensated through the volume growth of the existing products, plus on top of it, we want to grow the new products, which we just launched last year, which was not a normal season. So overall, I'm looking at somewhere around 12% to 15% volume.

Priyank Chheda: And the second question is again on the clarification. So the Tarapur plant 5 new molecules that we had expected to do a commercial production in FY25 might get delayed to FY26 in terms of the ramping up to the fullest extent. Am I correct?

Chetan Shah: Yes, you are right.

Priyank Chheda: Perfect. And then for the Dahej, once the EC clearance is received and the blueprint is finalized from the parent, how much time would it take for us to get this facility up and running?

Chetan Shah: As I said, 2 years.

Priyank Chheda: Within 2 years.

Chetan Shah: Yes.

Priyank Chheda: Okay, okay. And as far as export market goes for FY-25. We have a Bhavnagar plant where we are yet to ramp up the capacity completely, right? So that would be one of the trigger as a lever for growth in the export market.

Chetan Shah: It is not a very large. We have -- as I said, we have already captured the revenue from that plant, new plant to the extent of 50%, or 40% sorry, not 50% but 40%. And now we'll get -- in this year, we are expecting it to be 100%. So around -- it's not -- I think our major drop of export was because of the global situation and from -- especially from Latin America which I don't think is going to be compensated totally by the 60% of this one product. So it will be an additional product. But what will really help is to get back to normal exports to Latin America.

I said that we are seeing the recovery. We are seeing the positive side. We have shipped out the materials in the fourth quarter also to Latin America. We have good order position in the first quarter, but we still have to have a little bit long-term view as to how this will pan out, whether everything that they are buying from us today, is going to get liquidated and if only if it gets liquidated, we will get the new orders. So a little bit early to say. But I am hopeful that seeing the trend that it will bounce back.

Moderator: Ladies and gentlemen, that was the last question of the question-and-answer session. As there are no further questions, I would now like to hand the conference over to Mr. Kunal Mittal for closing comments.

Kunal Mittal: Thank you. So thank you, everyone. Thank you for asking some very interesting questions and I would like to thank our colleagues for answering these questions in the best possible manner. Financial year '23-'24, as we discussed over the last 90 minutes, it has been a year of lot of challenges. And our company could show a lot of resilience in this particular challenging environment and we believe that even in this challenging year, strategically, we made progress in our growth journey.

Despite facing significant challenges, we have demonstrated our ability to adopt, innovate and also drive growth for some of the strategic initiatives. These initiatives, along with our disciplined financial management, our commitment to the sustainability and also our innovative product solutions put us in a very strong position for the future success. With this, we thank you for taking your time and participating in our conference call and good evening to all of you.

Moderator: Thank you. On behalf of Sumitomo Chemical India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.