



***“Astec LifeSciences Update to Investors on the
Company’s Performance in the Financial Year 12-13”***

June 14, 2013



MANAGEMENT: **MR. ASHOK V. HIEMATH – CHAIRMAN & MANAGING DIRECTOR**
 MR. LAXMIKANT KABRA – NON-EXECUTIVE, NON-INDEPENDENT
 DIRECTOR
 MR. RAVINDRA INANI – CFO
 MR. KIRUBASEKARAN CHANDRASEKARAN – VICE PRESIDENT
 MARKETING

MODERATOR: **MR. DAVID FRANKLIN – DIRECTOR, KIRIN ADVISORS**



Astec Lifesciences Limited
June 14, 2013

Moderator Ladies and Gentlemen Good day and welcome to the Astec LifeSciences Conference Call. As a reminder, for the duration of the conference all participants' lines will be in the listen only mode. And then there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, you may signal for an operator by pressing "*" and then "0" on their touch tone telephone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. David Franklin, Director at Kirin Advisors. Thank you and over to you sir.

David Franklin Thanks Lavina. Thank you to all the participants who spent time logging in here. From the company that is Astec LifeSciences I have with me Mr. Hiremath who is the Chairman and Managing Director of the company. Mr. Kabra who is the Non-executive, Non-independent Director and we also have Mr. Inani who is the CFO of the company and at the same time from the marketing side, we have Mr. Kirubasekaran, who is the Vice President Marketing. Without taking too much time I hand over to Mr. Hiremath, sir can you take over now?

Ashok Hiremath Good evening ladies and gentlemen. This conference call has been organized to update our investors on the company's performance in the financial year '13 and also to share with you the outlook of our company. We do hope that you had chance to look through our earnings in the release and the results with have also been uploaded on our website which is www.astecls.com. We will start with a brief statement about the company and on the FY-'12-'13 performance and then open the discussion for questions and answers. I would like to remind everybody that anything that we say during this call refers to our outlook for the future is a forward looking statement and must be taken in the context of the risk that we face. We would also like to add that this call is purely for analysts and investors only. Just so that we can go back to the beginning and talk a little bit about what our company does: We manufacture crop protection products in pharmaceutical intermediates. We were established in 1994 and we manufacture a range of active ingredients and pharmaceutical intermediates, we have considerable experience in the manufacture of these products and we have a niche position in the area of this business called Triazole fungicides and we are the leading producer of this range of products and we can say that we have an edge, comparative edge in this market. Astec is proud of its rich experience over two decades in the chemical industry. The



Astec Lifesciences Limited
June 14, 2013

company has a track record of being responsive, reliable and quick to implement projects at the same time ensure high levels of confidentiality in implementing new projects there by providing an excellent customized manufacturing service options to our clients at extremely competitive cost. This strategy has been paying dividends and we have successfully entered the contract manufacturing space and we have established a couple of partnerships already and we can talk more about that as we go along. Strong R&D focus enabled the company to introduce a number of unique products as the operations are highly integrated both vertically and horizontally; Astec has a very efficient low cost structure in the market place. Strong emphasis on quality backed by a highly competent technical team has enabled Astec to establish a successful track record in nurturing stable and long term relationships with highly reputed companies in USA, Japan and Europe. We are dedicated to offering products of superior quality that are customized to satisfy the expectation of our customers. Further we strive to comply with all specifications and standards for all different applications. We have three manufacturing facilities and one R&D center. R&D center is at Dombivali and we manufacture some intermediates there. We have two manufacturing sites one of which was established in 2005 in Mahad and one of which we commissioned last year. One of the plants manufactures the fungicides and the other site manufactures herbicides. We have multipurpose manufacturing facilities, which are ideally suited for contract manufacturing and we offer whole range of facilities and capabilities for our customers. We have certifications; we have ISO 9000 14000 and 18000 certifications. We are also signatories to responsible care and we pride ourselves in terms of the EHS standards that we maintain. Before we proceed to the question and answer session I would like to brief you about the financial highlights of the last year. During the year the company achieved gross sales of Rs. 195 crores approximately and Rs. 185 crores on a stand alone basis compared to Rs. 112 crores consolidated and Rs. 110 crores stand alone in the previous year thus the company sales increased by 72% and 67%, respectively, on year-on-year basis. Stand alone PAT of the company was at Rs. 5.9 crores in this year compared to Rs. 2.4 crores in the previous year thereby showing a growth of 147%. Consolidated PAT of the company was at Rs. 5.9 crores as compared to Rs. 1.27 crores, in the corresponding previous year thereby showing a growth of 364%. Ladies and Gentlemen, now I request you to please proceed with the questions.



*Astec Lifesciences Limited
June 14, 2013*

Moderator Thank you very much sir. Participants we will begin the question and answer session. We have our first question from the line of Mr. Raunak Sharma from Ratnabali Capital Markets. Please go ahead.

Raunak Sharma Good Evening sir and I congratulate you on a very good set of numbers. Sir my question is slightly offbeat, it is not directly related to the numbers though there is a the great jump in the sales this year from 112 crores in FY-'12 to 174 crores. Sir my first question is what is the exact reason for such a phenomenal performance, like what new pesticides or what new formulations is the company venturing into?

Ashok Hiremath Yes thank you. Essentially we have been working at a number of initiatives in the last few years and some of them bore fruit last year. We commissioned a new site for our contract manufacturing business, which we had been working on for some time resulted in two contracts, one on which came online last year. We commissioned a new site, a larger site much bigger than our existing site which is actually a platform for future growth for our company but we invested in one portion of it and as the contract that we have in place for an Australian company, Nufarm which is a 10-year contract whereby we have got the technology from them and we started supplying products. The production was stabilized last year and we have seen the effect of that, not to the full extend, because it is only 6-months of operations but we have seen some of the top line growth in account of the commissioning of that business. Our existing business that is what we call catalogue product business also grew organically and because of the de-bottle necking and investing in capacity enhancement that we have done earlier so the contract manufacturing combined with the growth in our existing business and the large factor is the retail business that we have. We have launched the retail business last year so that gave us some top line, so the three initiatives together in the current year. Now we still are to see the effect of the full year of operation of this new business combined with maybe the second contract that we have which will be coming into effect in this financial year so really the growth is coming out of our new contract manufacturing combined with capacity increase of our existing products.

Raunak Sharma This contract manufacturing is with the help of Nufarm the Australian company with which you have a 10-year contract?



Astec Lifesciences Limited
June 14, 2013

- Ashok Hiremath** Yes that is one of the contracts. The other is a Japanese company and that is coming online in this year. We have actually commissioned the plant last month and the revenues from that will start from the month of July.
- Raunak Sharma** Okay and sir the next question is regarding new launches like I think in the pesticide business getting registrations for newer molecules is I guess the key to success so are there any new molecules in the pipe line that you are planning to launch or getting registered?
- Ashok Hiremath** Yes. It is again we have some new products, which are in the trials of fungicide segment where we have developed some unique technologies. There are couple of molecules that we have in mind are really the products of the future. The new generation molecules, which already are largest selling molecules in certain parts of the world but the registration process takes time and the technology is quite complex and we have developed technologies, which we believe are unique and competitive vis-à-vis other people who potentially can manufacture in the world and yes we have stuff in the pipe line and we will see the effect of that in this year and the next year too.
- Raunak Sharma** Sir what would be these molecules, another fungicide segment? Like could you name the formulation of the molecule?
- Ashok Hiremath** Those are confidential but the Triazol fungicide but the new generation Triazol fungicide that come off patent recently.
- Raunak Sharma** Sir Triazol fungicide, sir the one that has come off patent is one by Bayer. Tebuconazole is your company looking towards manufacturing it?
- Ashok Hiremath** Yes that we only manufacture, that came off patent some time back so we have been making it for the last so many years and we have a contract with, again, a company in Europe and we supply into Europe and we have supplied into the US market and South America so it is a substantial molecule for us.
- Raunak Sharma** All right. Sir what are the margins from this particular molecule and like what is the high margin business?



Astec Lifesciences Limited
June 14, 2013

- Ashok Hiremath** I can tell you generally I cannot tell you specifically product wise but I can tell you that is in our catalogue product manufacturing business. Our EBITDA margins are about 18% and so that is roughly the profitability of these ranges of products.
- Raunak Sharma** And you would not be able to share the margins on Tebuconazole as of now?
- Ashok Hiremath** No that would be a confidential piece of information.
- Raunak Sharma** No problem I respect that. Sir what do you think is the size of this market like if you look at India these are used for seed treatment as well as you know as fungicide. What would you consider is the market size in terms of value like say Rs. 500 crores?
- Ashok Hiremath** In India?
- Raunak Sharma** Yes.
- Ashok Hiremath** For Triazol fungicides?
- Raunak Sharma** Yes sir.
- Ashok Hiremath** About Rs. 600 crores I can say.
- Moderator** Thank you. We have our next question from the line of Mr. Mahantesh Maralinga from Finquest Securities. Please go ahead.
- Mahantesh Maralinga** Actually you mentioned about the two contracts one from Australian firm and one from the Japanese firm, can you just throw some light on the how big is the contract and what is the contract for which molecule or for which herbicide that you are supplying it for.
- Ashok Hiremath** Yes again since these are all crams model we do not disclose the names of the products.
- Mahantesh Maralinga** Is it a fungicide?
- Ashok Hiremath** No one is herbicide and other is a fungicide.
- Mahantesh Maralinga** Which is the herbicide sir, the Australian firm that you are supplying for?



Astec Lifesciences Limited
June 14, 2013

Ashok Hiremath One is herbicide and we are expecting in these second or third year of operation of about 75 crores from that business.

Mahantesh Maralinga Okay from the Australian this thing?

Ashok Hiremath Yes and from the Japanese business we are expecting about 30-35 crores of business.

Mahantesh Maralinga In the initial year itself or from the second year or third year onwards?

Ashok Hiremath By the third year.

Mahantesh Maralinga Both of them?

Ashok Hiremath Yes.

Mahantesh Maralinga But the Australian business we can say already has set up operations in FY-'12-'13 right?

Ashok Hiremath Right Yes.

Mahantesh Maralinga Six months are done sir?

Ashok Hiremath Yes, yes.

Mahantesh Maralinga And Japanese are starting now?

Ashok Hiremath Yes.

Mahantesh Maralinga Sir and what about just now in the previous question somebody asked about the Tebucon drug that you are supplying for Bayer, so what is the size of that, can I just have an idea about?

Ashok Hiremath In our business?

Mahantesh Maralinga Yes, Yes for you.

Ashok Hiremath For us it is about 20-25 crores.



Astec Lifesciences Limited
June 14, 2013

Mahantesh Maralinga Annually right?

Ashok Hiremath Yes.

Mahantesh Maralinga Sir and can you just throw some light on the broader outlook for FY-'14 and one or two years ahead apart from these two contracts?

Ashok Hiremath Yes. Well we are looking at compounded growth rate of about 30% per year. The growth will come from, to some extent, equally, from contract manufacturing from growth in our catalogue product business and the retail business. These are three platforms that we have right now. So we see that each of these divisions is growing at about the same rate so that is how we intent to get the growth because first of all we are going to see these two contracts coming into full operation and in the mean time we also have dialogue with some of the multinationals for additional projects so there is a pipe line of things that are coming in, in terms of contract manufacturing and as I explained to the other gentleman, we have these new Trazol fungicides which are part of our catalogue product businesses which will also come on line this year and next year. So we have got the pipeline to really show the growth going forward.

Mahantesh Maralinga Sir also there is some export component in your sale side I mean in the current scenario when the rupee had depreciated is there any benefit that you will be getting on them?

Ashok Hiremath On exports we definitely benefit because the import component goes out for export component, you benefit, you get a high realization but the differential is your benefit. So if you import half your raw materials, so that costs you more but your value of export has a hell of a lot more. You get a net benefit from the depreciation of the rupee basically.

Mahantesh Maralinga Okay but in the current scenario I mean you can just quantify the benefit that you might gain?

Ashok Hiremath It is hard to say we have been in fact in the process of working it out I cannot give you number to be honest.



Astec Lifesciences Limited
June 14, 2013

Mahantesh Maralinga Sir and in the latest quarter, your top line has shot up by 125% I mean was it because of the commissioning of the new Japanese contract or anything else?

Ashok Hiremath That is going to coming in the second quarter of this year impact. So that jump was because of the new herbicide plant running substantially plus the export season was there.

Mahantesh Maralinga Okay export season. Sir just tell me the name of the Japanese company.

Ashok Hiremath It is the Sumitomo.

Mahantesh Maralinga Sumitomo I mean the Australian one sir?

Management Nufarm.

Mahantesh Maralinga Okay sir you mention about the growth that is top 30% is from the top line or even the same will be visible even in the bottom line as well?

Ashok Hiremath In the bottom line too. Yes of course.

Mahantesh Maralinga So as far as the margins we are flat?

Ashok Hiremath We expect our EBITDA margins to be more or less in that range but as we increase our sales we see our PBT to the same extent.

Mahantesh Maralinga Okay it is in the same range in what range sir?

Ashok Hiremath Well at the moment our PBT margin is only about 3.5% but we expect that to go to about 5 to 6%.

Mahantesh Maralinga Okay in the next couple of years?

Ashok Hiremath Yes.

Moderator Thank you. We have our next question from the line of Mr. Manav Vijay an investor. Please go ahead.

Manav Vijay Hello sir I just have a couple of question to understand. During say from FY-'09 to FY-'13 over a 4-year period, our fixed assets have grown by around 4X from around



*Astec Lifesciences Limited
June 14, 2013*

I think around 40 crores to around 160 crores. But sales have grown by only 2X. Now I understand that we have invested money for Nufarm as well as Sumitomo, so with this kind of a fixed asset base what kind of sales potential do we have?

Ashok Hiremath

Yes first of all thank you for asking that question because I think it requires an explanation for the investors. A lot of the Capex that we did in the last 2-years and you did not see the corresponding increase in the sales in the last 2-years as we also invested in backward integration as well. So some of the production that we have been doing has been going to captive use so therefore you do not see it as a top line growth, although it is more production and you are not seeing it as a top line increase. And so it improves the margins but then you might say why does the profit come down? The reason why the profit also came down is because of the sales values came because there was period when there was excessive sales price came down and we therefore in spite of the backward integration managed to maintain a reasonable level of profitability although it was less than before. Now the point is that we have these investments that have already kind of established themselves. So with this same fixed asset base to answer your question specifically you can look at the 2:1 ratio turnover is what we can realize without any additional investment.

Manav Vijay

Okay that mean on a asset base of around 160 crores maybe 300 to 320 crores kind of a number is possible if not in '14 maybe in '15. Would that be a right assumption to make?

Ashok Hiremath

Approximately yes.

Manav Vijay

Okay perfect now sir now we have invested substantial money last 4-years, what is the plan for '14 and for '15 in terms of Capex?

Ashok Hiremath

See we do not have any Capex planned in terms of our catalogue products because that is already on the ground. I am talking about the investments on the ground so with the same investment we can add additional catalogue products. In terms of contract manufacturing opportunities and when they come, we will have Capex to produce those products but they will be specifically against assured contracts. So any additional Capex will be based only for the contract manufacturing segment against specific contracts.



*Astec Lifesciences Limited
June 14, 2013*

- Manav Vijay** Okay this is helpful. Now sir as you mentioned that because of the depreciation of currency you tend to gain now in FY-'12 and in FY-'13 in the both the years we had foreign exchange losses, and since going forward the share of Nufarm as well as of Sumitomo both of them will become higher and higher, do we have any plans to put any hedging policy in place
- Ashok Hiremath** Yes. So the first question to answer is why did we incur those losses in the previous years? One of the main reasons was that we were availing a buyers credit and imports was an extended period of time in the range of 6 to 9-months and the rupees actually depreciated and we were left with an open position and therefore for few quarters we incurred losses. Subsequently, we realized that this was a potential problem and we started a kind of case to case hedging policy on our imports and so we noticed in the last couple of quarters that we actually gained and we stemmed the losses at least in terms of Forex loses. Going forward we have actually appointed a Forex consulting firm company that we are working with to come out with the hedging policy which will help secured position. Our policy is not make money out of Forex but not to loose money out of Forex. So we are currently working with them and we hope to have a policy kind of firmed up in the next month or so. But to put it briefly it is going to be a conservative policy we are going to have very conservative outlook and so we been looking to minimize our risk on the Forex fund.
- Moderator** Thank you. We have our next question from the line of Mr. K.S Batra, an investor, please go ahead.
- K.S. Batra** I have just one question wanted to know how much export contributed last year to our total sales sir.
- Ashok Hiremath** I believe it was 45% I am just going to ask recheck with my CFO – Ravindra Inani. Just give me a sec.
- Ravindra Inani** And in terms of rupees it was there 75 crores.
- Ashok Hiremath** So 43 % is the correct.
- K.S. Batra** Whether we are going to get benefit from weakness of rupee?



Astec Lifesciences Limited
June 14, 2013

- Ashok Hiremath** Overall see as long as we manage to hedge our exposure on the imports we would stand to gain yes because our margins will improve. We might loose on imports is when we book an invoice at the particular date and when we retire that the rupees depreciated that they have to book a loss. But if we can cover that position then we do not loose money on our imports that overall we stand to gain because of the improved realization on exports.
- K.S. Batra** Another question was I was seeing last 4 quarters numbers and seeing there is lot of fluctuation in the earnings so is it a seasonal effect or what do you throw some light on that?
- Ashok Hiremath** Yes I think if you look at our profits or the basic bottom line, net of the Forex losses you might see as more consistency because in one quarter you have got a lot of gain one quarter you have got a lot of loss so that is skewing the results and making it look very volatile actually. So once you remove the aspect of Forex losses and gains it becomes more stable kind of earning situation.
- K.S. Batra** So have we taken any corrective actions on that so that we can have stable line of profits?
- Ashok Hiremath** Yes actually we are now having a more conservative approach in our imports and we have as I told the previous questioner that we have already appointed our Forex company to work with and we are in the process of drafting a Forex policy and that should be ready by the end of this month and by next month we should implement it and basically the bottom line is that we will be having a policy which will minimize the risk of any losses.
- K.S. Batra** Okay. Our equity has gone up last year and promoter holding has also gone up, have we issued some equity shares or?
- Ashok Hiremath** Yes some warrants were issued to the promoters.
- K.S. Batra** Has it been converted or when is the conversion sir?
- Ashok Hiremath** 75% of the warrants were converted last year and the remaining 25% will be converted this year.



Astec Lifesciences Limited
June 14, 2013

- K.S. Batra** Okay we have same good quarter for the fourth quarter was quite good should we assume that the trend is continue in the first quarter also?
- Ashok Hiremath** Well I think we should not look at it just quarter to quarter but half yearly to half yearly I think you will see the trend on the half yearly basis. Because there is a bit of seasonality in this whole business right so you got to look it on a half yearly basis. But you will see the trend on that basis, yes.
- K.S. Batra** Sir beside manufacturing I have one query on our stock, because BSE and SEBI has introduced call an options which is very worrying to the investors for this, there should be good trading volume in the stock because and our stock falls if you see the category our stock falls in the illiquid category because there should be minimum 50 transactions every day. So now a days investors first look at the stock because whether it falls under that category or not so are we taking any actions on that sir?
- Ashok Hiremath** Can I just hand this over to Mr. Lakshmikant Kabra to answer that question please?
- Lakshmikant Kabra** Good evening. See basically this con call with the investors is one step towards that only that we want to create the awareness about our company among the share holders as well as the investors community. This will definitely help us with more and more participation from the investors as well as the shareholders as well as the public and investor community overall. So we feel that we would be able to meet that criteria since what you have suggested that it is 50 number of trades per day as well as 10,000 to 15,000 some odd number of average turnover of shares. Hopefully I think we will be able to meet this criteria with the help of more and more initiatives from our side and better performance as our MD has already said that we are expecting 30% kind of growth both in terms of top line as well as in bottom line. So this kind of initiative as well as positive outlook about the company will have better involvement from investor's community and we have to overcome this kind of this SEBI's auction this
- K.S. Batra** call and auctions Yes because it is very important for investor point of view before studying any company nowadays we have to study whether the stock falls in under the illiquid category because our volumes are quite low, I have seen volumes of last 4-5-months, volumes are quite low so I was little worried that what to do on this.



Astec Lifesciences Limited
June 14, 2013

- Laxmikant Kabra** No, because we are aware of this investors concerns and we from management point of view we are aware of it and we can definitely we will take care of means we will definitely have a investor's concern in mind and we will try to do whatever best we can do.
- Moderator** We have our next question from the line of Mr. Ayush Mittal from Mittal & Company. Please go ahead.
- Ayush Mittal** Basically I wanted to understand that since 2010 the company was doing pretty well there was a consistant growth and profitability but after that we had pretty weak performance for the next two to three years, what was the reason behind the same?
- Ashok Hiremath** Actually there was downturn in the market at that time. There was what you might call overproduction that took place in 2009 and then there was climatic problems in certain parts of the world destocking and various factors which resulted in decrease in demand and decrease in pricing. So both reasons affected the top line and the bottom line but since then the market is revised and we are seeing some improvement in the pricing and the margins and everything else and combined with the fact that all these initiatives we have done in terms of cost reduction, in backward integrations, contract manufacturing all these initiatives have now resulted in improved sales and performance.
- Ayush Mittal** So till 2010 can you give me a breakup about the turnover in terms of your catalogue products and the contract manufacturing at that time last year?
- Ashok Hiremath** Contract manufacturing in 2010 was quite negligible. I am talking about contract manufacturing was quite negligible.
- Laxmikant Kabra** For which financial year you said 2012-13 you said?
- Ayush Mittal** Till 2012 also if I can get a breakup because the turnover was constant in 2012?
- Ashok Hiremath** Actually the contracting manufacturing was negligible until 2012 which is only come in to the picture in 2013.
- Ayush Mittal** So all the turnover was majorly through your catalogue products?
- Ashok Hiremath** Yes, the previous year yes.



Astec Lifesciences Limited
June 14, 2013

- Ayush Mittal** So what basically are these products can you detail more on it on this part of business?
- Ashok Hiremath** Yes, this segment called the Triazole fungicide segment and in that if you want the names of the product Tebuconazole or somebody mentioned Propiconazole, Difenconazole, Hexaconazole they are all Triazole fungicide segment of the industry in the fungicidal segment which is specialized in niche area where we operate where we have a core competence we have competitive situation because of backward integrations, lateral integrations. So that is basically the area.
- Ayush Mittal** So is it also right to say that that part of the business is highly competitive and low margin and low ROE business?
- Ashok Hiremath** I would not say that I mean it is the same levels of margins we are talking about 17%, 18% EBITDA margins. So it is I would say it is a competitive market but we are competitive and therefore we can sustain our margins. And because we are a niche player and we are competitive we are specialized in this area we have an edge over our competitors.
- Ayush Mittal** And this year the debtors have just doubled in the balance sheets from Rs. 30 crores to Rs. 60 crores these are looking fasters in your sales growth, what is the reason behind the same?
- Ashok Hiremath** Now this is I may be allow my CFO to answer to this question. It is actually technical.
- Ravindra Inani** See technically the status are as on date if you look at our last product sale the growth sales was Rs. 68.94 crores and we normally sell our products on a 90 days average credit basis to our customers so that is the reason I mean this as of 31st March, 2013, our status are looking little bit on the higher side with respect to the previous year.
- Ashok Hiremath** But I would say that overall I mean barring this factor there is a the rate debtors are calculated the outstanding as of the particular day divided by the sales shown on if most of your sales are made in the last quarter it appears to be high but as a correction is that are receivable position is improved in the year actually in terms of the way we are collecting our receivables.



*Astec Lifesciences Limited
June 14, 2013*

- Ayush Mittal** Okay, that is a nice thing. Going forward as we are going to focus on the contracting manufacturing space and going to work with some of the big names in the industry, will that give a betterment to our operating margins going forwards?
- Ashok Hiremath** The weighted average EBITDA margin we will see as being about 17% to 18%. So the EBITDA margin in the contract manufacturing business is a little lower but if you take the average between catalogue and the contract manufacturing business we are looking at about 17% to 18%, Yes.
- Ayush Mittal** Great sir. And just want to understand the risk side what would be the risk going forward like as we have put up so much capacities what are the significant milestones we need to do so that we are able to utilize our capacities or what can go wrong from here?
- Ashok Hiremath** Both our contracts are buy or pay contracts they are specifically contracted out. If they do not purchase that much they pay us so there is no risk. The companies that we are working with our multibillion dollar multinationals there is no risk in the contract manufacturing business. That is the whole charm of it and as far as the catalogue product manufacturing business is concerned there is always a risk of bad climate. We are in the agrochemical business bad weather can cause a problem bad monsoon or whatever but the way we hedge that is that since we are selling all over the world the weather cannot be bad everywhere at the same time. If it is bad in Europe it will be good in the US, it will be good in South America. It cannot be bad everywhere. So at the end of the day that is a de-risking system that we have to be present in all the global market so that somewhere or the other we are able to sell our products and maintain our sales. I will just add to that is that last year it was a bad monsoon so our sales went up that is because we sold in other geographic regions and all that so this is the way we manage the business.
- Moderator** Thank you. We have our next question from the line of Sonal Srivastava from Phillip Capital. Please go ahead.
- Sonal Srivastava** Sir, I had a couple of queries. One I wanted to understand what is the total value of import content in the raw materials that we are bringing in?
- Ashok Hiremath** I do not know the answer to that right away.
- Sonal Srivastava** Approximately as a percentage if you can let us know that would also be helpful.



*Astec Lifesciences Limited
June 14, 2013*

Ashok Hiremath Purchases as imports?

Sonal Srivastava Yes imports.

Laxmikant Kabra 50% of total RMC cost.

Ashok Hiremath Yes, 50% of all our purchases approximately would be imports.

Sonal Srivastava Secondly with regard, broadly, you gave some understanding but in term of new product launches if you were to try and understand how many products are there in pipeline you definitely said that in the fungicide segments there would be some launches but how many variants could come in and what could be the potential so if you can just give some flavour of that?

Ashok Hiremath In terms of number of products we have of course the new products coming in the contract manufacturing segment that is one line. In terms of catalogue products we are looking at launching another three products in the next year. And the sales of that will pickup over three years but they have a very large potential globally and so the markets are large enough to be able to give us a sales growth of 30% per year. That kind of volumes you can expect from that.

Sonal Srivastava And some flavour of the retail business that we have started just couple of years back what size we have accrued and what is the strategy and going forward how do you see this business panning out for us? How many products we have launched until now in retail business?

Ashok Hiremath To begin with we started off and our last year was the first year of full operation. We operated in three states that is Karnataka, Gujarat, and Maharashtra. Unfortunately all three states were drought states. The monsoon was not good in all three states. Nevertheless, we cropped up sales of about Rs. 10 crores and we managed to breakeven in that business but the potential for this business is huge. This year we already rolling it out in Punjab, Haryana and Madhya Pradesh but to give you a flavor, the market is growing at the rate of 15% per year. Today the market is \$2 billion market, Rs. 10,000 crores market we think that by 2015 it will be Rs. 25,000 crores market. If Not 2015 may be in the 5 years and it is a fast growing market and it is very essential. Our strategies specifically to succeed in this market is first of all forward integration of our co-products which we manufacture. But apart from that we will not be a me-too player. We intend to be people who introduced new



*Astec Lifesciences Limited
June 14, 2013*

products and we have a number of new products that we are working on, we expect to get those registered in this year in which year those products will be introduced and we may be that the first players to come in to the market so you can imagine the benefit of that which is higher margins the first mover advantage and so and so forth. So that is the strategy we have. We are very bullish about this business.

Sonal Srivastava Until now how much we have invested in the retail business and as you are saying Punjab, Haryana, and MP roll out will happen so what kind of investments layout you have and what is the number of products until now we have launched?

Ashok Hiremath Our portfolio is about 20 products. But in terms of investment there is no physical CAPEX in this business it is all in terms of inventories and debtors. So it is a normal norm for the industry I mean all depend on the season and all that stuff. So it is a working capital intensive business and that is basically where the investment is.

Sonal Srivastava What would be your gross debt on the books for the current year?

Laxmikant Kabra You mean long term debt?

Sonal Srivastava Yes.

Ashok Hiremath Long term debt is Rs. 22 crores. So if we look at our debt-equity ratio it is pretty decent. The debt-equity ratio is 0.2.

Sonal Srivastava Any more products in the contract manufacturing in the pipeline that apart from these two contracts that you have signed, any more in the pipeline which you see materializing in six to seven months or something like that if you can just give some flavour?

Ashok Hiremath Well, we are already in dialogue with some companies. How long it will take and exactly when it will come on line I cannot tell you right now. But that is the beauty of the contract manufacturing businesses once you have established that track record in this business there is follow on business and we are already talking to various people and we are pretty confident that something will come through quite soon and so there is a pipeline of growth that we expect from this business.

Sonal Srivastava But if I understand clearly, you mentioned that if there will be anymore new long term contracts you may have to do CAPEX so does it mean that every new product



Astec Lifesciences Limited
June 14, 2013

that you would be launching in the CRM basically you will have to incur CAPEX and these two contracts that you have dedicated facilities as of now?

Ashok Hiremath Yes, the one which we are doing the second one which we are doing is not specifically dedicated. We will be able to produce the requirement of these customers within four months of the year and for eight months of the year that investment capacity is available for our catalogue products so we will be able to generate. But yes, when we for additional contracts we would need to incur additional CAPEX but for that it will be packed specific with contract is absolutely safe to make those investments.

Sonal Srivastava Is the CAPEX for the contract manufacturing facilities how much we have committed until now?

Ashok Hiremath We have committed about Rs. 50 crores.

Sonal Srivastava Specifically for the new facility that we set up for contract manufacturing?

Ashok Hiremath That is correct, Yes.

Moderator Thank you sir. We have our next question from the line of Mr. Satish Bhatt from Anvil Shares & Stock Brokers. Please go ahead.

Satish Bhatt Sir I just wanted to know something like you told that you see lot of scope in to the next generation Triazole fungicides, can you just throw some light on the market which can be happened in India and even globally and how we are going to address that? Whether we are going to tie up with the innovator or able to go on our own and what is the marketing strategy on that and what is the market size for such products current year how much you can garner at a reduced prices, if you can throw some light on that?

Ashok Hiremath Okay, that is a bit of a complicated question because if we look at it globally and in India but let me address the question globally. The market size for this is enormous I mean I cannot give you a fixed figure but it will be somewhere in the range of \$1.5 billion to \$2 billion is the total market for Triazole fungicides. Now in terms of the potential of the new ones the big growth is in mixtures going forward because there are resistance problem with various fungicides. Now the Triazole in combination with certain what you call is the preferred way of treating fungal diseases now a

days. So there are some new generation Triazole fungicides which I cannot give you the names right now which are already the largest selling fungicides all over the world. So in terms of just to give you a flavour in Brazil alone the size of the market for these specific products are \$300 million. So it gives you an idea about what is the size and we have got a unique position in terms of our technology. So our strategies to obtain registrations in all these countries and once you have got the registrations we have market access and then we will be able to exploit the market but it will take about three years for the whole thing to open up.

Satish Bhatt

And sir, the market for India?

Ashok Hiremath

Markets for India this product is not registered in India at the moment but it might be registered at some point. So I cannot give you a forecast for India to be honest.

Satish Bhatt

And sir, regarding your retail business which are just initially started last year it would have Rs. 10 crores and you have told the market size will be 5 years down the line for the Indian agrochem sector would be around Rs. 25,000 crores. So what type of vision in the management as that you want to become \$50 million company in retail or something like that, long terms I am not talking about whether what type of backward integration products you have currently where you can see visibility may be 3 or 4 years down the line you could reach a turnover of Rs. 150 crores to Rs. 200 crores in the retail space because that is where I think the margins of the companies are going to flourish?

Ashok Hiremath

I do not want to give you very ambitious numbers on that one because it is a business that you need to grow systematically although it has got a huge amount of potential. It is got to be grown organically and systematically but I think the target of 30% compounded growth is a good one. So one can do the numbers and see where that gets you to in five years' time. But I think more than the just a top line we are looking at the quality of growth, we are looking at margins to sell, we are looking at sustainability. So these are the forms that we would like to focus on and see that we get a sustainable business in the segment. So we are focusing on brands and we are focusing on quality, we are focusing on new products, and we are focusing on differentiation.

Satish Bhatt

Sir, when we are talking of such niche things which are while differentiating new products, new generation formulations where you have some.....then in three years



Astec Lifesciences Limited
June 14, 2013

you should have a target of reaching a billion rupees? That should be I think way I think we can grow in that business because here you have to just crack the surface I think the market is quite big?

Ashok Hiremath That is true. It is possible to be pretty aggressive and even do more on that I mean but it has to be something which you can manage and something you should be able to be on top of it. So we like to control the growth rather the growth controlling us.

Satish Bhatt So what type of backend infrastructure you may require for the retail business?

Ashok Hiremath Basically it involves investments in registrations and there will be some normal investment in terms of CAPEX we would typically manufacture most of the products in our existing facilities so I do not see a lot of CAPEX involved in that. It is mainly to do with the investments in registrations.

Satish Bhatt When you plan to be a national player in this segment? How many years it will take for you to become a national player currently we have three states where we may have require at least 12 to 13 states to be a national player?

Ashok Hiremath I think we are looking at rolling out about three states every year. You have got about 25 states; it will take another 5 years I think will be an all India player. And I think it is better to roll the business out in phases. So five years from now we should be present all over India.

Moderator Thank you. Our next question is from the line of Avinash Dulani from Thornton Investment Advisors. Please go ahead.

Avinash Dulani I just have two questions. First question is future plans of CRAMS, do you have any deals in pipeline currently?

Ashok Hiremath We are in negotiations with few customers and we are pretty confident that something will be finalized in the near future but unfortunately since these are all confidential discussions and very confidential matters I cannot disclose details to you.

Avinash Dulani Okay not a problem. And second is CRAMS contract agreement or terms with these Japanese or Australian firms what is the sales space agreement on is it fixed price or fixed margin?



Astec Lifesciences Limited
June 14, 2013

- Ashok Hiremath** It is cost plus model, so it is indexed to the cost of raw materials. So as the raw materials go up or down the selling price goes up and down so your margins are protected. So it is what you might call a margin protected business.
- Moderator** We have our next question from the line of Mr. K. S. Batra an investor. Please go ahead.
- K S Batra** Who are our competitors in the field?
- Ashok Hiremath** In India I would say you can say different people for different parts of our business. So there will be Rallies, no there is no United Phosphorus in any area, now there is Meghmani, BSP, Nagarjuna.
- K S Batra** Second question is what will be our dividend policy sir in the future, Dividend payout?
- Ashok Hiremath** See if you look at this year what we paid up was about 20% of our PAT. We think that we should try and be in this ball park area going forward.
- K S Batra** One more query was what is the area of our total manufacturing plant? We had two manufacturing unit I feel?
- Ashok Hiremath** Yes, so the one the fungicide one is about 4.5 acres and the herbicide one is 10 acres.
- Moderator** We have our next question from the line of Mr. Milind Shah from Urmil Research Consultancy. Please go ahead.
- Milind Shah** I preferably speak to Ravindra Inani and congratulate him to join the company. But I want to know from where he is joined from our company?
- Ravindra Inani** I have worked earlier --
- Milind Shah** I want to know experience sir.
- Ravindra Inani** See I am having post qualification experience of 14 years almost now. Prior to this company I have worked with companies like Dunlop Tyres, prior to that I was with Otis Elevator that is one US MNC and before that I spent have spent time with Reliance Infocom. So these are my past companies where I have worked earlier.



Astec Lifesciences Limited
June 14, 2013

- Milind Shah** And congratulations because I understand when you joined the conference call is going to happen in this company, right? So this is a good initiative because in small companies these kind of initiatives never happen in India and Hiremath sir is an excellent person in industry but somehow it is not happened in past. My question is we are participating in exhibitions in India or abroad for our product display?
- Ashok Hiremath** Yes, we normally attend two or three major exhibitions that is the major exhibitions nowadays are what you call CAC and Chemspec. So we normally participate in these which take place about three or four times a year.
- Milind Shah** When we are going to exhibit in this participation then you can display them matter in our website, so it is more inform to investors?
- Ashok Hiremath** Sure, we will do that.
- Milind Shah** And I request to also display conference call transcript on our website this is a good initiative and so we can read the transcript.
- Ashok Hiremath** Certainly we will do that. Thank you for that suggestion.
- Moderator** Thank you. We have our next question from the line of Mr. Mahantesh Maralinga from Finquest Securities. Please go ahead.
- Mahantesh Maralinga** Just wanted to know the contribution of different business in FY13 and possible contribution from them in FY14 contextual catalogue and retail here?
- Ashok Hiremath** Yes we are looking at about 30% from contract manufacturing next year going up to about 40% in the following years and we are looking at about 10% of our business coming from retail and the balance coming from catalogue products.
- Mahantesh Maralinga** This is the breakup in FY13-FY14?
- Ashok Hiremath** And going forward. I think all the segments are going to grow at about the same rate. So you have seen the same proportions, 35% to 40% for contract and sort of 10% retail and the balance in catalogues.
- Mahantesh Maralinga** And in case if the talks that happening with the couple of companies goes through then the growth might be much better in FY14 which you told it might happen?



Astec Lifesciences Limited
June 14, 2013

- Ashok Hiremath** The other things which are going to be happening but will not necessarily it will be effect in 2014 because it takes time to put up the capacity. So we would probably see the effect in 2015.
- Mahantesh Maralinga** But I think the plan that you have set up for Japanese operations is fungible right, it can be with further production as such and that is only for catalogue you mean?
- Ashok Hiremath** That is right Yes. Catalogue that is still additional contract manufacturing.
- Mahantesh Maralinga** So in case it will passed in the category then the same facilities can be used without any much increase in CAPEX, right?
- Ashok Hiremath** That is correct, Yes.
- Mahantesh Maralinga** And what was the breakup in FY13 I mean this year?
- Ashok Hiremath** Contract manufacturing in this about 13% is contract manufacturing.
- Mahantesh Maralinga** Sir, is it possible for you to give out the numbers publicly these numbers contract details in terms of segments or?
- Ashok Hiremath** As a segment wise details it is not a problem giving it to you but Yes actually –
- Laxmikant Kabra** Only one segment of our business– first of all the different modules of business is concerned --
- Mahantesh Maralinga** Yes, I mean in terms of modules and things.
- Laxmikant Kabra** Yes, so as per the requirement of accounting standards we have only one segment. Our entire business fall under single segment that is agrochemicals. 18% was from the contract manufacturing in the financial year 2013.
- Mahantesh Maralinga** Retail and catalogue?
- Laxmikant Kabra** Retail was Rs. 10 crores in terms of amount. So it is about 6% to 7%.
- Mahantesh Maralinga** And related to the margin sir higher in contract only?
- Ashok Hiremath** No, not necessarily this.....
- Mahantesh Maralinga** Okay, depends up on the case-to-case basis, how we will....



*Astec Lifesciences Limited
June 14, 2013*

Ashok Hiremath Exactly.

Moderator Thank you sir. As there are no further questions I would now like to hand the conference over to Mr. David Franklin of Kirin Advisors for closing comments.

David Franklin Thank you very much Lovina and thanks to all participants who spent time and asked some interesting questions and gave suggestions and any further information that you need you can call on the number that is there in your email or you could give me a call on 9833202016. Thanks once again. Bye.

Moderator Thank you sir. On behalf of Astec Lifesciences Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Contact for any other information:

Contact Person: David Franklin (Director)

Mobile: +91 9833202016

Office: +912265330392

Email: david@kirinadvisors.com

Kirin Advisors Pvt Ltd

Office no.5, Siddharth Darshan

Dada Patil Wadi, Near Platform no.1

Thane West-400602