



IOL CHEMICALS AND PHARMACEUTICALS LIMITED

16th August 2022
IOLCP/CGC/2022

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BSE Limited
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Security Symbol: IOLCP

Security Code: 524164

Sub:- Transcript of Q1FY 2023 Earnings Conference Call dated 10th August 2022

Dear Sir,

In continuation to our letter dated 9th August 2022 regarding intimation of Schedule of analyst/ investors conference call – Q1 FY23, please find attached herewith the transcript of Earnings Conference Call organized by the Company on 10th August 2022 post declaration of audited financial results for the quarter ended 30th June2022.

This is for information and record please.

Thanking you,

Yours Faithfully,
For IOL Chemicals and Pharmaceuticals Limited

Abhay Raj Singh
Vice President & Company Secretary



“IOL Chemical and Pharmaceuticals Limited Q1 FY-2023 Earnings Conference Call” August 10, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Earnings Conference Call of IOL Chemicals and Pharmaceuticals Limited. From the management we have Dr. Sanjay Chaturvedi - Executive Director and CEO, Mr. Pardeep Khanna – Chief Financial Officer and Mr. Abhay Raj Singh – VP and Company Secretary. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. I now hand the conference over to Dr. Sanjay Chaturvedi for opening remarks. Thank you and over to you Sir.

Dr. Sanjay Chaturvedi: Thank you very much. Very good afternoon to everyone and thank you for joining today's call wherein we are going to look at our operational and financial performance during the first quarter that ended on June 30, 2022. I trust you have all gone through our financials and investor presentation that has been made available on the exchanges. I would like to share some insight into overall economy performance, and the trend in sectors that we are all a part of and then my colleague, Mr. Pardeep Khanna, our CFO will take you through the financials, and that will be followed up by the Q&A session. So, I would say that, you know, after a subdued last quarter of the previous financial year, the sentiments in global markets have turned a little positive, with overall commodity prices softening. We have seen volatility, and other central banks are taking measures to tackle inflation as well. Crude price too has also seen a correction where the average import price falling by about 25% from the peak value. However, the elevated gas prices continue to be an area of concern with LNG and CNG pricing surging more than 40% over the last couple of months. The domestic economy is witnessing a strong revival in consumption and the recovery has been there in the services sector too. This growth is also likely to be fueled by a lower base last year, as the second wave of COVID had spread across the country, severely impacting the businesses. The domestic economy is witnessing the revival overall

and this has allayed any recession related speculation. Over the next few years, I think our focus as a company will be on diversifying into other specialty chemical products and increase the share of a non-ibuprofen business in pharmaceutical. The investment that we planned in setting up a new plant will aid the company in strengthening our position in both domestic and export markets and this will cater to global customers, thereby helping and improving our market share, both in the domestic segment as well as an export segment. Over the course of the next few quarters, the company plans to explore new geographies and de-risk the business with continuous backward integration model, and this will play out to improve both our top line as well as profitability. The various business challenges of softening demand, rising input costs and volatility in chemical prices are slowly getting normalized as you can see in the improvement in our EBITDA margins. However, we do believe that all these challenges are temporary phenomenon, the robust global demand on the specialty chemicals front along with pharma owing to a shift in market share from China as you have all heard China plus one strategy. We believe that this will overall benefit the segment and the whole sector in the next coming years. Funneling down to the sector, the Indian pharma sector has been leading the battle front in the battle against COVID last two years but there have been supply chain disruptions and this has actually opened doors for Indian API manufacturers. So, at present Indian pharma players rely a lot on the Chinese API imports, and the situation is changing. After the pandemic, the government has been encouraging manufacturing of local APIs domestically to lessen the dependence on the Chinese market and as one of the leading API manufacturers, IOL is strengthening our position by increasing capacity and improving our supply chain position. On the specialty chemical front, the sector is benefited by strong global demand, owing to shift in the market share from China, coupled with the depreciating rupee, which also boosts the margins for the domestic players and for IOL the time is opportune to maximize and leverage the global demand in both segments as we diversify into newer specialty chemical products and also grow our ibuprofen business and the non-ibuprofen API segment as well. Within the pharma division, the non-ibuprofen segment for us is growing gradually and we expect this to be about 50% of the pharma segment within the next year or so. So, to focus on the non-ibuprofen business, the plant the CAPEX of around Rs. 300 crores, this will impact both specialty chemical and some pharma intermediates. We are coming up with a new plant in western India for specialty and pharma intermediates, and this will cater to customers both in the domestic and international market. This project is going to take shape and is expected to be complete within 18 months. We are also additionally increasing our existing ethyl acetate capacity by about 20% and from 100,000 metric tons per annum, we will go to about 120,000 metric tons per annum and this will increase our market share in this product segment and we expect this capacity to be on stream by the end of the financial year. So, in summary, I would say despite strong headwinds and raw material and energy pricing,

IOL have emerged stronger than before. We are confident of growing both our specialty chemical as well as the pharma sector and with this I would like to hand over to my colleague, Mr. Pardeep Khanna our CFO who will share the financial details with you. Over to you, Mr. Pardeep.

Pradeep Khanna: Thank you, Dr. Sanjay. Good afternoon, everyone and thank you for joining us today to discuss our performance for the first quarter ended 30th June 2022. I will take you through financial highlights for the first quarter of financial year 2023. Total income of the company in quarter one stood at Rs. 570 crores as against Rs. 524 crores in the corresponding quarter of financial year 22 and Rs. 579 crore in previous quarter ended March 2022. EBITDA for the quarter was Rs. 61 Crore as against Rs. 116 crore in the corresponding quarter of financial year 2022 and Rs. 50 crore in previous quarter ended March 2022. EBITDA margin for the quarter improved to 10.7% as against 8.6% in the previous quarter. Net profit in quarter one of financial year 2023 was Rs. 34.9 crore as against Rs. 67 crore in the corresponding quarter of financial year 2022 and Rs. 27.8 crore in the previous quarter ended March 2022. With price volatility in the chemicals business normalizing over last few months, the EBIT margin in the segment was much better at 16% compared to 5% in the corresponding period of the last year and negative of 2% in the previous quarter. The EBIT margin for the pharmaceutical segment too improved to 23% from 12% in the corresponding period of the last year, and 30% in Q4FY22. Due to improved price realization the company's margin, gross profit, EBITDA and net profit, all were higher vis-a-vis last quarter. With this, we open the forum for question answer session. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will wait for a moment while the question queue assembles. We have the first question from the line of Shaikh Mohammed Ayaz, an investor. Please go ahead.

Shaikh Mohammed Ayaz: Hello, good evening, sir. Sir, you mentioned that we are we will establish a plant in western India. So, my question is whether the land has been bought or still it is not considered or is not decided. What is the status?

Dr. Sanjay Chaturvedi: So, Mohammed the land has not been bought, we are considering two or three different options and very shortly, we will finalize that and move ahead.

Shaikh Mohammed Ayaz: Okay sir, the next question is, there are lots of regulatory inspections are going on like US FDA and all those things in different areas of India. So, is there any regular inspection pending for IOLCP and/ or any approval coming in next quarter for DMF or anything else?

Dr. Sanjay Chaturvedi: So, we had our last US FDA audit in October of 2019. So, and you know, the CPs are ongoing. We got our Russian approval and the Korean approval last year. So, at this point, nothing is pending, but even if there are audits, we are absolutely geared in terms of infrastructure and documentation to pass these audits.

Shaikh Mohammed Ayaz: Okay any DMF approvals coming in upcoming quarters.

Dr. Sanjay Chaturvedi: So, we have filed three DMFs in the last quarter, and, you know, a couple of DMFs in the quarter previous as well and our plan is to file about five to six DMFs every year. So, as these DMFs gets filed naturally, we will come up for audits and reviews and as and when those DMFs are approved, we will shortly grow and expand our business into the US market based on these approvals that we get.

Shaikh Mohammed Ayaz: Okay, sir, thank you. If I see sector wise profit still there is not much recovery actually no recovery in the pharma business, whatever recovery has come is from the chemical business. What is the future in that pharma means. Is there any recovery coming, you see any recovery coming in pharma business?

Dr. Sanjay Chaturvedi: Yes, we do see recovery coming in the pharma business. See, if you look at the non-ibuprofen portfolio for us, two of the key products - metformin and paracetamol have seen a significant price correction over the last two quarters. Paracetamol that was consistently selling at close to Rs. 800 a kilo corrected to below Rs. 600. So the impact that you see on the P&L is really due to the price erosion in two of our key products. If I look at the other products that we have fenofibrate and clopidogrel, you know, these are all products that continue to do remarkably well. So, I think what we have to look at is a blended portfolio and now that the price has corrected even the raw material prices have started to come down. So, we do believe that going forward, the profitability in the non-ibuprofen segment will actually be more sustainable than it has been in the past.

Shaikh Mohammed Ayaz: Okay, sir. In last three months, we have established two subsidiaries, IOL Life Sciences, and Specialty Chemicals? So, Specialty Chemicals, I have little knowledge, but in the Life Sciences, how is it different from the API and Life Science, and any different products coming from the Life Science Business.

Dr. Sanjay Chaturvedi: So, at this point, these are subsidiaries that have been established for new businesses that will commence in here. Clearly, IOL Specialty Chemicals will have Specialty Chemicals Business and you can put two and two together where now that we have announced the new investment, we essentially want to do investments in ways that are capital efficient. So, in the subsequent quarters, you will hear more about what we plan to do on IOL Life

Sciences as well but clearly, we plan to have API products beyond our current portfolio, and it is more capital efficient to do that in different subsidiaries.

Shaikh Mohammed Ayaz: Okay sir. Sir in earlier conference call, you had projected 15% margins. This quarter it is around 10 or 11%. What margins we are expecting in upcoming quarters.

Dr. Sanjay Chaturvedi: So, you know, it's a game of inches actually where we have gone from about 8.5 to 8.7% to 11% in one quarter. So, we do feel confident that by the end of the year, we will be back to between 15 and 20%.

Shaikh Mohammed Ayaz: Okay sir, thank you very much.

Moderator: Thank you. We have the next question for from the line of Zain Banihali from Odyssey Capital Management. Please go ahead.

Zain Banihali: Hi Sir. My question is on the future on the CAPEX that we are going to spend about 300 crores so how are we going to finance it?

Dr. Sanjay Chaturvedi: So, we have to finance that through a combination of internal accruals and if required we will take a small level of debt as well.

Zain Banihali: So, could you throw some light on the percentage? I mean, what percentage would be finance and what percentage would be internal?

Dr. Sanjay Chaturvedi: Zain that's, hard to do right now, because see this is not the only investment that we plan. I think in future we want to keep from dry gunpowder aside for more investment that we have been wanting to do in other parts of the businesses and so, depending on that scale, we will decide how to fund this but clearly, given you know, the funding mechanisms where debt and equity ratios vary anything from one to one to one is to two, we are fairly confident that we have strong enough balance sheet that we can fund CAPEX and investment, both for our specialty chemicals as well as pharma businesses, without stressing our balance sheet too much.

Zain Banihali: So, these 300 crores, they would be towards chemicals or pharma.

Dr. Sanjay Chaturvedi: This 300 crore goes primarily into a combination of speciality chemicals and some intermediates that go into pharma.

Zain Banihali: Primarily into Specialty Chemicals.

Dr. Sanjay Chaturvedi: And some intermediates that go into Pharma.

Zain Banihali: Okay, sir another question is out of the 130 crores or so that we did in the other APIs, what percentage of it is coming from metformin? I mean, out of the 130, how much is metformin share?

Dr. Sanjay Chaturvedi: I, you know that I do not want to give you a breakup like that, because then it is a very slippery slope. The next person will ask me a question about clopidogrel, the third guy will ask me about pantoprazole. Needless to say, the real message I want to give you is that we are no longer a single product company and we are moving a portfolio of products in a way that ibuprofen in the next year or so will be about 50% of the total API business.

Zain Banihali: No what I want to know what would be our second largest product after Ibuprofen? So, would it be metformin?

Dr. Sanjay Chaturvedi: As of now, yes, it would be metformin. But this is evolving scenario, because please understand that the capacity of metformin that I have is very large, but the price of metformin is very low. So, I have products in my portfolio that range from \$5 a kilo to like \$100 a kilo, or even higher. So, if you want to look at volume based capacity certainly it is the second largest, but if you want to see how a portfolio is going to evolve over time, then I think, yes, metformin will be one of the mainstay products in our portfolio and what is driving this is really not the value of the product; what's driving this really is the customer interest. See, our customers who buy ibuprofen have asked for certain products and metformin happens to fit that criteria. So, if you look at metformin as a product, it is no differentiated than the rest of the suppliers in the market. Everybody buys DCDA from China, everybody converts a DCDA into metformin and sells it and yet our unique advantage is not that we are a Me-Too product, but that we have a list of customers who have been buying APIs from us for over two decades.

Zain Banihali: But we also getting DCDA from China, right?

Dr. Sanjay Chaturvedi: That is exactly what I am saying. All API manufacturers and metformin are importing DCDA from China. So, the real differentiator is the customer relationship which in our case happened to be a list of very premier customers who have been buying ibuprofen for decades.

Zain Banihali: Sure I understand about this. We see that in the pharma business, there has not been a lot of the margins. They are shrinking from past three or four quarters. So, what is the perspective going ahead? We do not really have a pricing power there, right? It is a commodity that we are selling, so we do not have a pricing power. So, what is the demand aspect look like?

Dr. Sanjay Chaturvedi: So, I would say that the demand aspect for the portfolio of products that we are in is stable. If I look at my specialty chemicals portfolio gives me single digit EBITDA margins, whereas my pharma business gives me double digit EBITDA margins and as you can see from competition, there are not too many API businesses today running at double digit EBITDA margins. Also, if I look at the direction and the trend line, I stand by what we committed earlier that we will go back to between 15 and 20% EBITDA margin within the year or so.

Zain Banihali: So, sir in the pharma, do we sell on the long term basis, we do long term contracts with the business owners, and that is how we sell them right.

Dr. Sanjay Chaturvedi: So, in certain products, you do so I think products, where we have the regulatory approvals, and what I call blue chip customers that understand the power of doing long term contracts, because ultimately, customers are also interested in reliability of supply and not just, the lowest price. If price was the only criteria, then I guess we would all be driving Tata Nano. So, you know, there is some value in long term relationships, and we do long term contracts with certain customers, but that is not a very common trend in India, where a lot of the API business happens to be spot business.

Zain Banihali: So, in the long term, are we able to see because the problem is that the market there are price vagaries? So, are we able to sell them at an increased price or the price is already decided, and we take a loss there?

Dr, Sanjay Chaturvedi: We have actually three types of customers. One is customers who do long term contract, they will do an annual contract and fix the price. In those customers, the risk is yours. If the price goes up, if the raw material price goes up, you take a hit if the raw material price goes down, you take a benefit. Yes, then you have got customers who will do long term contracts, but do pricing and review the pricing every quarter and then you have got customers who kind of give you a commitment of volume, but want to negotiate the price order on order. So, we are it is a whole gamut. The whole range is there and we cannot say I have only one business model. It is not a one size fits all approach.

Zain Banihali: And sir my next question is that are there any plans to diversify make two businesses out of the chemical and pharma business. That is to make two different companies out of the existing one down the line.

Dr. Sanjay Chaturvedi: So, at this point, we do not have any such plans.

Zain Banihali: Okay. My final question sir right now lot of companies are delaying their CAPEX because the commodity prices are quite high right now. They have delayed for a year and year &

a half. So is this the right time to put about 300 odd crores into CAPEX and you are saying that we have plans to put further money there?

Dr. Sanjay Chaturvedi: I am going to answer that question in two ways. Number one, if you have decided what your future is, there is no time better than now. Let me explain what I mean by that. I think a CAPEX investment in challenging environment, actually is a testament of our confidence and our ability to create value out of the CAPEX that we put in. So, I will see that in a very positive light. Second, yes, there was a time when the prices of the raw material and the commodity prices like steel was up, but if you look at the last two months, the steel has already fallen by 25%. So, if you look at crude prices. Crude is already down. So, in many areas, the prices have normalized and even if you take the higher prices of CAPEX, if you look at the entire project of say 300 crores; if the steel price goes up by 30% it is not that the cost of CAPEX goes up to 400 crores. It goes in a follow proportion. So, if you look at a payback period that payback period is going to change only by a few months. For us the investment of 300 crores in a new geography is a strategic call. It is not based on bean counting and saying whether this is going to pay back in 26 months or 28 months.

Moderator: Thank you sir. We have the next question from the line of Preeti Sharma from First Investments, please go ahead.

Preeti Sharma: Yes, thank you sir. Just a couple of questions. Sir when you mentioned right now that, your focus is also on the pharma business. Just wanted to get an understanding is how are we looking at the mix going forward in terms of specialty chemicals and Pharma in the next three years? What is our target revenue mix?

Dr. Sanjay Chaturvedi: I would say that today, Pharma is slightly more than chemical and going forward, with the new CAPEX that we planned chemicals will perhaps outstrip Pharma. But if I go, three, four, couple of years out, I think we will all be in the 40 to 60 envelope and what I mean by that is, pharma could be anything between 40 and 60% and I'm not trying to be cagey about an answer. The reason I am hedging my answer is, this mix depends a lot on the pricing of the product and the pricing in Pharma is going to be a lot less volatile than what it is going to be on the chemical side. So, if you look at ethyl acid, which is one of our flagship products, that pricing is already down 15%, within, I would say, less than two quarters. So, your guess is as good as mine, what acetic acid is going to be three years from now.

Preeti Sharma: Right okay.

Dr. Sanjay Chaturvedi: Does that answer your question?

Preeti Sharma: Yes sir. That is fine. Sir another question is in terms of the raw material price volatility that we are seeing, How do we see it impacting our margins and do you see any kind of stabilization in the near future in this?

Dr. Sanjay Chaturvedi: You know, I could give you an answer and I would be wrong the next second. And what I mean by that is, you know, in commodity you ask commodities trader, what is the price of grain? What is the price of crude or what is the price of coal? These commodities are no different. So, in order to maintain a level of profitability, what you need to do is be very smart about your supply chain, de-risk yourself in terms of having multiple sources of raw materials, and multiple sources are not multiple suppliers, but multiple geographies. Multiple geographies not just within India, but multiple geographies across the world and we have done all of these things. So, we have a fairly high level of confidence that, our speciality chemicals business, for example, will continue to deliver between 6 to 8% EBITDA. So, if we are really wrong on some of the bets, it will go to 6% and maybe slightly below 6, but if we are right, it could go to eight, maybe 9% and that's the range in which you operate.

Preeti Sharma: Thank you. Thank you sir and my last question would be in terms of the CAPEX that we have planned around 300 crores. So, right now, on our books, we do not have any long term debt and short term is sitting around 400 crores. So, is this something that we are looking forward to raise any more debt to fund this CAPEX or it will be to internal accruals or something?

Dr. Sanjay Chaturvedi: So, Preeti right now, I would say that internal accruals is a way for us to go. It depends on what additional CAPEX we do in the next couple of quarters because we are very confident that with zero debt and the cash that we have on our books, through a combination of using this as well as the profit that our existing business generates, we may require a very small level of debt in the future.

Preeti Sharma: Okay, got it, thank you so much for that as always.

Moderator: We have the next question from the line of Shanti Patel from Shanti Patel Investments Advisors. Please go ahead.

Shanti Patel: Good afternoon sir. What is our market share in ibuprofen in India?

Dr. Sanjay Chaturvedi: In terms of capacity market share is in the range of 33% to 35% and I would say in terms of sales wise market share it could be in the 30% range.

Shanti Patel: Thank you.

Moderator: We have the next question from the line of Gautam Gosar from Perpetuity Ventures. Please go ahead.

Gautam Gosar: Hi, thank you for taking my question. Sir I have a question on the ibuprofen side. Currently, our market share will be around 33 to 35%. What will be the capacity utilization for the quarter?

Dr. Sanjay Chaturvedi: Our capacity utilization is in the range of 70% to 75% range.

Gautam Gosar: Okay, and what will be the pricing? So, like as the pricing improved.

Dr. Sanjay Chaturvedi: So, the pricing continues to be the \$11 to \$12 range per kilo.

Gautam Gosar: Okay, so like, it was around Rs. 800 to 850 is it that or around Rs. 700 to 750.

Dr. Sanjay Chaturvedi: I like to think in terms of dollars, since we export a fair amount. So, \$11 to \$12, is what I remember, and you can multiply that by whatever the exchange rate is.

Gautam Gosar: Okay, so are we sell it on semi-regulated markets or in the regulated markets as well

Dr. Sanjay Chaturvedi: No we sell it all three markets, which is India, Rest of the World less regulated market, as well as regulated markets of both Europe as well as the US.

Gautam Gosar: Okay and any guidance of the tonnage, almost like how much tons we are doing per month, currently, in ibuprofen.

Dr. Sanjay Chaturvedi: We consistently do in the range of around 800 tons or so per month.

Gautam Gosar: Okay, and what is the trajectory like, currently going on in July, August? In the same range or something higher, I basically want to understand the demand shaping up for ibuprofen.

Dr. Sanjay Chaturvedi: Okay, so, you know, the demand for ibuprofen is fairly stable. This is one of those commodity products where I think the world capacity is around 36,000 to 37,000 tons and the world demand is between 33,000 and 35,000 tons. So, for us to grow this business significantly we would have to go into newer geographies, and we are in the process of getting approvals into regulated market. So, you clearly understand this game Gautam that to get approvals in regulated markets is not a question of months and quarters. It's a question of years and this is a journey we started several years ago. So, as we continue to get approval from various customers, we continue to add to our business. We are actually doing two things here. One is we are expanding the size of the price and also, improving our penetration. So, and what I mean by that is, I can go from 800 tons a month to 900,000 tons a month, and at the same time, shift that business as well and when

approvals happen more and more toward regulated market, because the focus is on improving the volume as well as the quality of the business.

Gautam Gosar: That is one of the things we wanted to understand and secondly sir on the non-ibuprofen side as we mentioned, the portion of the non-ibuprofen side is going to increase in the coming quarters. So, are you confident on that basically, currently, it seems the ibuprofen side is contributing around 60% and non-ibuprofen is contributing around 40%. So, are the share improving, and going forward, how much will be the share by the end of the FY23 and FY24 if you could help me with that?

Dr. Sanjay Chaturvedi: I would actually Gautam take your attention to what this number was maybe two years ago. Two years ago, the non-ibuprofen part was about 15% of our total business. Today, as you rightly pointed out, it is between 35 to 40% and our objective is over the next year, year and a half, it should be about 50% of the total portfolio.

Gautam Gosar: Okay got it. That is it from my side.

Moderator: Thank you. We have the next question from the line of Jinal Fofalia from VJ Financial Services. Please go ahead.

Jinal Fofalia: Yeah. Good evening sir. First is how do we see a revenue share from ibuprofen stabilizing and second is which are the high margin products that we are getting into and when can we see this showing in our blends margin?

Dr. Sanjay Chaturvedi: Okay, so there are two questions that you have asked Jinal first is your question was around how do we see the contribution of ibuprofen stabilizing? I would actually say that going forward you should see the contribution of sales coming from ibuprofen actually going down. Because as the size of our business goes up I will not increase ibuprofen business in the same proportion that I grew the other businesses. Going forward this number go down and then the second question was at what point do I envision the profitability of the non-ibuprofen businesses kicking in? Yeah, two things need to happen there. One is a higher level of asset utilization, where I am manufacturing these products, and a greater percentage of the sales coming from export markets and this is a work in progress. I think it might take us another couple of quarters or so, but that is the journey that we are on.

Jinal Fofalia: Okay, fine sir. Thank you.

Moderator: Thank you. We have the next question from the line of Niharika from Aequitas Investment, please go ahead.

Niharika: Okay, for mine is a follow up question. So, regarding this capacity utilization of 70 to 75% demand the bottleneck for us and is the capacity fungible? Like if I need some other product to be made, so is the capacity fungible?

Dr. Sanjay Chaturvedi: So, let me answer your second question first Niharika the capacity for ibuprofen is not fungible these. We have two ibuprofen plants and they are dedicated for making ibuprofen. The only fungible side here is I can make all different grades of ibuprofen in both plants. But I cannot make some other products in the ibuprofen plant. And the first part of your question was at what point I see asset utilization going beyond 75%. Correct? I see that happening in the coming few quarters itself.

Niharika: Okay, fine and my other question is on the line of ethyl acetate for which you are taking an expansion, so, any new CAPEX coming up in India or otherwise other than yours. I want to understand the peer capacity coming into the industry.

Dr. Sanjay Chaturvedi: So, see, if you look at overall ethyl acetate as a business or at the market, this is roughly around 700,000 ton market in India, out of which our current capacity is 100,000 tons and we are adding only 20,000 tons which is significantly less than the annual growth in this market. Yes, there are other competitors, there are other players, they are also adding capacities, but they happen to operate in different parts of the geography. So, clearly you can understand that as a commodity product, it doesn't make too much sense to ship around the product and add to the shipping costs. So, we are essentially adding this capacity to cater to the growing demand in the region where we are and cater to those customers.

Niharika: Okay. So, we will be utilizing 100% of our capacity once this 120 comes up. Like the market will be able to absorb this.

Dr. Sanjay Chaturvedi: Oh, absolutely.

Niharika: Okay and my other question is how much of cash is sitting on books as of 30th of June cash and cash equivalent.

Dr. Sanjay Chaturvedi: We have approximately 300 crore and then more will come from accruals we grow our regular business.

Niharika: Okay, and last question sir from my side. What is the status of patents? I think there are three patents which are pending, so any update on them?

Dr. Sanjay Chaturvedi: So, no nothing yeah, we do not have the approval for that yet and Niharika, I will be very happy to announce to the world as and when they get approved.

Niharika: Okay, okay. That was it from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Preeti Sharma from First Investments, please go ahead.

Preeti Sharma: Thank you for taking my question again. My last question was the export contributions, right now to our overall sales has gone down from 38-39%, to currently 25%. So, can we expect this contribution to improve going ahead, since we know the China Plus One strategy is currently at play?

Dr. Sanjay Chaturvedi: Yeah, so Preeti there are two segments that contribute to our exports, both pharmaceutical as well as the chemical segment. The drop in exports that you see is primarily on account of the chemical segment where we have a strange situation that the international prices of ethyl acetate are actually lower than the domestic prices. So, at this point, we choose not to export, and we choose to serve the domestic market, there is really no drop in the export for our pharmaceutical business.

Preeti Sharma: Okay, sir and you have mentioned about ethyl acetate, what is the current contribution and you see any kind of improvement going forward?

Dr. Sanjay Chaturvedi: So, ethyl acetate in terms of, you are talking about contribution into your contribution in terms of the profit or are you talking about how much does it contribute to my sale?

Preeti Sharma: Your sales.

Dr. Sanjay Chaturvedi: Okay, overall, the chemical segment is about 50% plus minus a few percentage points and the reason I am adding a few plus minus percentage is if I look at my average price of ethyl acetate in last quarter, let's say Q4 of last year versus Q1 of this year. The difference in price itself is about 15% and at 100,000 ton capacity, that's enough to shift the overall contribution by up to 10 percentage points.

Preeti Sharma: Okay, that is it. Thank you so much.

Moderator: Thank you. We have the next question from the line of from the line of Shaikh Mohammed Ayaz, an investor. Please go ahead.

Shaikh Mohammed Ayaz: Thank you for the opportunity again. Sir my one question is any API is coming in production in upcoming quarters. What you have announced in investor presentation last quarter, like Apixaban or anything?

Dr. Sanjay Chaturvedi: Our focus in the next quarter is really on improving the asset utilization of the products that are already under commercialization, the rest of the products are really under

development. Till those filings are done and batches are taken and the product is qualified with customers it will be premature for me to speculate, because once I tell you what we are doing, then the next question will be what volumes are we going to get? The subsequent will be what price we are going to get. So, that could be speculation at this point. But needless to say, we are very confident in the non-ibuprofen portfolio. In growing both the volume as well as improving the market share in exports. We will keep adding to that portfolio. We have a stated intent of having five to six DMS every year and that itself should tell you our commitment to growing the non-ibuprofen portfolio.

Shaikh Mohammed Ayaz: Okay, sir my last question is how a demand from the countries where we have got regulatory approvals is.

Dr. Sanjay Chaturvedi: So, I would say that demand is now showing, some green shoots in terms of orders picking up for over a year, the demand was very-very soft and that was really a result of overstocking during COVID, but now that demand is coming back and we are back to going at customer visits, conferences, engaging with customers overseas, so all the signs are very positive.

Shaikh Mohammed Ayaz: Okay, sir, thank you very much. All the very best.

Moderator: Thank you. Ladies and gentlemen that was the last question and we will now close the question queue. I would now like to hand the conference to Dr. Sanjay Chaturvedi for closing comments. Please go ahead sir.

Dr. Sanjay Chaturvedi: Once again, thank you all very much for joining us today as sparing your time from your hectic schedules. As we discussed, you know, despite challenges, IOL have come out with a strong set of numbers and these will only improve here on. Our investment in Specialty and Pharma Intermediate by setting up a new plant, in western India will aid the company in building a stronger and sustainable business for us. We feel that with the rupee depreciation, we will also get better contribution from the export markets over the next few quarters. So, once again, thank you all and have a nice day.

Moderator: Thank you Dr. Chaturvedi and the members of the management. Ladies and gentlemen on behalf of IOL Chemicals And Pharmaceuticals Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you