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

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SCIL/SEC/2021
6th June, 2021

To,

BSE Limited,
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001

The National Stock Exchange of
India Listing Department,
Exchange Plaza,
Bandra Kurla Complex
Bandra East,
Mumbai - 400 051

Sub: Written Transcript of Earnings Call held on 1st June, 2021

Dear Sirs,

This has reference to our letter dated 29th May, 2021, intimating about the earnings call on 1st June, 2021 with Investors / Analysts to discuss financial performance of the Company for the quarter and year ended 31st March, 2021, and weblink for the audio-recording of the call submitted to you on 1st June, 2021.

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

The said transcript will also be available on the Company's website: www.sumichem.co.in.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Sumitomo Chemical India Limited

Pravin D. Desai
Vice President and Company Secretary

Encl: a/a

"Sumitomo Chemical India Limited Q4 and FY '21 Earnings Conference Call"

June 1, 2021

Disclaimer:
This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.

MANAGEMENT: **MR. CHETAN SHAH – MANAGING DIRECTOR, SUMITOMO CHEMICAL INDIA LIMITED**
MR. SUSHIL MARFATIA – EXECUTIVE DIRECTOR, SUMITOMO CHEMICAL INDIA LIMITED
MR. MASANORI UZAWA – NON-EXECUTIVE DIRECTOR, SUMITOMO CHEMICAL INDIA LIMITED
MR. KUNAL MITTAL – SENIOR VP (PLANNING & COORDINATION OFFICE), SUMITOMO CHEMICAL INDIA LIMITED
MR. PRAVIN D. DESAI – COMPANY SECRETARY AND COMPLIANCE OFFICER, SUMITOMO CHEMICAL INDIA LIMITED
MR. ANIL NAWAL – CHIEF FINANCIAL OFFICER, SUMITOMO CHEMICAL INDIA LIMITED
DR. SURESH RAMACHANDRAN – CHIEF COMMERCIAL OFFICER, SUMITOMO CHEMICAL INDIA LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to Sumitomo Chemical India Limited Q4 and FY '21 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 guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participants' 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 '*' and then '0' 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. Sushil Marfatia, Executive Director; Mr. Masanori Uzawa – Non-Executive Director; Mr. Kunal Mittal – Senior VP (Planning & Coordination office); Mr. Pravin D. Desai – Company Secretary and Compliance Officer; Mr. Anil Nawal – Chief Financial Officer; and Dr. Suresh Ramachandran – Chief Commercial Officer; and colleagues from SGA, their Investor Relations Advisors. I now hand the conference over to Mr. Chetan Shah. Thank you and over to you, Mr. Shah.

Chetan Shah: Thank you, Ladies and Gentlemen, a very Good Afternoon to all of you. I hope you and your family members are staying healthy and safe in this unprecedented challenging times.

First of all, let me acknowledge the efforts of our people in midst of COVID-19 pandemic to put their best foot forward, the production team, the sales team, the procurement, IT, finance, each one of them to overcome all the challenges and for achieving a great performance for FY20-21. I sincerely thank each one of them from the bottom of my heart. In addition to all the members who had attended the last investor call in November 2020, we have a new member joining the call today from our side, Dr. Suresh Ramachandran, who has recently joined the company as Chief Commercial Officer leading various sales and marketing functions, and we look forward to a great performance by him, to have a new look at the marketing and to achieve what we have set ourselves out to achieve, so Welcome Suresh and looking forward to a great relationship.

Let me now give you a brief overview on the agri inputs industry in general:

The agrochemical market in India is being driven by rising demand for higher quantity and more importantly better quality of food and is expected to continue growing with the growth in the economy. However, the average per hectare consumption of agrochemicals in India is, as I have said this before as well, is about one-tenth of the USA and UK, further lower as compared to Japan and China. As per various estimates, adequate and proper use of agrochemicals can result in significant yield increase across major crops. Government and especially Honorable Prime Minister's thrust on increasing farmer's income is a very vital part of increasing spend on the inputs, including crop protection products. Shifting food consumption patterns and focus towards PGR's, bio-pesticides, biological control agents, and bio-stimulants have resulted in higher than industry growth rate for this category in recent years and is expected to drive the future growth. Agrochemical industries capacity utilization also has seen improved performance on the back of greater domestic demand and growing export opportunities.

Let me now focus on current trends:

We started the Financial Year 2020-21 with lower inventories level and there were severe supply side disruptions in the months of April, May, and June of 2020. This resulted in disruptions in production, supply chain, and logistics. However, the demand for market was strong due to favorable weather conditions and higher agricultural activities across the country. Overall impact of COVID-19 pandemic on Company's operations was minimal on the full year basis in Financial Year '20-21. The second wave of COVID-19 in India has witnessed wider spread to rural and semi-rural areas and has impacted sales in current quarter, but fortunately not materially so far, as far as we are concerned. Weather conditions and demand factor appears to be favorable so far. We have built a much higher level of inventories in March 2021 as compared to March 2020 to handle any disruptions and remain cautiously optimistic for the upcoming monsoon season.

I would like to highlight that our business is seasonal in nature and we should be comparing the results accordingly. For example, the first quarter cannot be compared with the fourth quarter, the second quarter cannot be compared with the first quarter, and the third quarter cannot be compared with the second quarter and more so fourth quarter cannot be compared with the third quarter. The real comparison is from the current quarter to previous year quarter because it gives the same seasonal variations comparison. So I request everyone to take a note of this. This is my personal opinion and we should look at our sector as a quarter-to-quarter comparison of each year on a yoy basis

Thank you so much, I now request Mr. Anil Nawal – our CFO, to please take you through our consolidated financial performance.

Anil Nawal: Good Afternoon, Consolidated Q4 Financials.. We recorded a 20% year-on-year growth in our total revenue from Rs. 447 crore in Q4 FY '19-20 to Rs. 534 crore in Q4 FY '20-21. EBITDA came in at Rs. 71 crore in Q4 FY '20-21 which is up by 72% as compared to Rs. 41 crore in the same quarter last year. EBITDA margin in the current quarter widened by 407 basis points to 13.4% from 9.3% in Q4 FY '19-20. Profit after tax witnessed a growth of 136% at Rs. 54 crore in Q4 FY '20-21 as against 23 crore in the same quarter last year. PAT margin stood at 10.1% up by 500 basis points vis-à-vis 5.1% in Q4 FY '19-20.

Now, let us talk of consolidated performance for full year FY '20-21. Revenue from operations in FY '20-21 stood at Rs. 2,645 crore - up by 9% as compared to Rs. 2,425 crore in FY '19-20. EBITDA witnessed a growth of 46% from Rs. 333 crore in FY '19-20 to Rs. 487 crore in FY '20-21. Our EBITDA margin expanded by 467 basis points to 18.4% in FY '20-21 from 13.7%

in FY '19-20. PAT for Financial Year '20-21 witnessed a jump of 69% to Rs. 345 crore as against Rs. 205 crore in FY '19-20. Now, I request our Executive Director, Mr. Sushil Marfatia, to provide analysis of our performance.

Sushil Marfatia: Good Afternoon everyone. As mentioned by Shah san, due to favorable weather conditions, we witnessed an increase in volume demand across our all products portfolio, with improved price realization for some of the products.

If we look at segment wise breakup of our total revenues in Financial Year '20-21, insecticides product contributed 45%, herbicide product contributed 19%, PGR and fungicides contributed 11% each. Animal nutrition and environmental health division segment contributed about 7% of the revenue. Herbicides and PGR segments which are high growth and margin contributing segments witnessed higher growth as compared to other segments.

In Financial Year '20-21, we launched seven new products. We have similar robust pipeline of products to be launched during this year. Our team used digital marketing as a parallel and very effective support to traditional marketing system especially for new product launches.

Among export markets, growth in Latin America market was extraordinary due to sales to our affiliates in Latin America market and increased contribution from 2% share in the total revenue for Financial Year '19-20 to 4% share in total revenue in Financial Year '20-21.

Improvement in margin is due to multiple factors such as better price realizations in some of the products, better product and segment mix like higher growth in specialty product segment, improved operational efficiencies, cost optimization and merger synergies resulted in higher margins.

Working capital position: We have improved collection to Rs. 3,139 crores in '20-21 as compared to Rs. 2,776 crores in the same period last year. Overall receivables level in March 2021 was lower by about 11 days as compared to March 2020. The increase in inventory days was partly offset by the higher payable days. So we achieved overall decrease in the working capital cycle to 103 days in Financial Year '20-21 from 115 days in Financial Year '19-20. We have a cash and cash equivalent of Rs. 532 crore as on March 31, 2021.

Now, I would request Mr. Kunal Mittal, our Senior Vice President, Planning and Coordination office, to give you more information on our CAPEX plans for coming years. Over to Kunal.

Kunal Mittal: Thank you Mr. Marfatia. Good afternoon everyone. As you can see in our investor presentation which is publicly available now, we have a very well diversified platform for growth across various segments and we are working on multiple strategies for future growth and margin improvements. This has been a continuous process for us in the past and we plan to carry forward that particular process. Today, we would also like to give you an overview of our CAPEX plans and the CAPEX cycle we plan to enter into for next few years. Historically, if we look at the past trends, we have been spending annual CAPEX budget of about 70 to 75 crore Indian Rupees towards various regular requirements. In addition to the regular CAPEX requirements, we plan to manufacture in India few of the products for our parent company, SCC, and our global affiliates. We have shortlisted and approved five proprietary products from SCC to be made in India in next two years. These five projects will require a CAPEX of about 100 to 110 crore Indian Rupees over next two years and as I said, we are targeting to commercialize these products within next two years. These projects will be set up at our existing facilities and the estimated margins and the financial returns of these products are in line with our current trend. As some of these products are growing globally, we have potential to further enhance capacities for some of these products in medium-to-long term once the initially approved CAPEX cycle is completed in next two to three years. In addition to these, we are also evaluating and discussing several additional molecules and products to be manufactured in India for our parent company, SCC, and our global affiliates, which also includes some of our affiliates in very high growth potential geography such as Latin America. Once any of these projects are shortlisted, these projects will require additional CAPEX from our side.

In addition to these Make in India projects for our global affiliates, our India R&D team is also working on manufacturing several additional off-patent products which will have demand both in Indian domestic market as well as from the exports market including some of the very high growth regions such as Latin America, African market, and Asia-Pacific wherein we have a very robust distribution network. Once shortlisted any of these off patent additional products, these products will also require additional CAPEX from our side to commercialize.

For future expansion, as you all know, land is a very important factor and we have recently signed and registered agreements to buy two additional land parcels. The first is a 20+ acre privately owned land parcel adjoining to our existing Bhavnagar site and the second is a 50+ acre privately owned land parcel at a very prime location at Dahej Industrial Estate within PCPIR zone, which is a specific zone for petroleum, chemicals, and petrochemicals investment companies.

As part of our company's digital transformation journey, we have also implemented advanced, fully-integrated SAP system - SAP SH4 HANA across the entity. This will enable greater integration, efficiencies, and synergies across the organization and is expected to provide long-term benefits to our Company. The system would also enable advanced data analytics, integrated business planning, timely system driven interfaces to our distribution chain in near future. With this, I would like to take a pause and I will request and invite Dr. Suresh Ramachandran, Chief Commercial Officer, to share his thoughts.

Suresh Ramachandran: Thank you Kunal, thanks everybody. Good afternoon everyone and thanks for joining the call today. As introduced by our Managing Director at the beginning of the call, I have recently joined Sumitomo Chemical team. I come from the same industry with an experience of more than 20 years in both multinational companies as well as domestic companies. I see our Company Sumitomo Chemical having significant growth opportunities. As you would have seen in the investor presentation, our wide and varied portfolio of generic and specialty products, different teams managing different sets of products, a significant and robust channel and farmers reach through our sales team, marketing team on the ground, manufacturing footprint that is present in a robust manner, our R&D capabilities, our direct or indirect presence - either we ourselves operate or through our parent company's subsidiaries in many parts of the world, - and our ability to export from Indian manufacturing and support from our headquarters in Japan, puts us in a unique position in the Indian agrochemical industry.

With regard to the near-to-mid term focus for Indian business, I would like to point out couple of areas which we are working on heavily.

Number one - successful launch of the pipeline products. From a sales and marketing side in the domestic market, we are expected to launch about four to five products in different segments in the coming three to 12 months' time period subject to all regulatory approvals. These new launches will aid in our growth apart from the growth of the existing portfolio of products.

Second point - as legacy companies ex-ECCL and ex-Sumitomo Chemical had different systems and processes. We are spending quite a bit of time to integrate the systems and processes, which is expected to improve the efficiency and productivity of the overall organization across different levels. With implementation of SAP HANA 4 recently, this journey has already started.

The third and most important thing is digitalization. We are evaluating, and also some of it has already been implemented, of various digital technologies in all possible areas. For example, reaching out to the distributors, reaching out to the farmers, inventory management. So all of these things we are looking at, wherever it is possible to deploy digital technologies, we are evaluating it and some of the processes we have already started.

Overall, we aim to focus more on high growth, stable and high profitable segments such as herbicides, PGRs, and bio-rational products and have increased the product offerings for both Kharif as well as Rabi crops to reduce the seasonality in the business. Overall, we are on growth path and plan to capitalize on our opportunities based on our strengths to deliver the growth. So, with that I turn it back to Kunal and the organizers. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats on good set of numbers, Sir my first question is in terms of the growth strategy for five new products, so could you give a little more information, are these patented products, how has been the current sourcing for these and who else was competing with us for getting the outsourcing opportunity from our parent?

Chetan Shah: All these products are proprietary products of Sumitomo Chemical, Japan. Nobody else was manufacturing them, the source is being changed from Japan manufacturing to India manufacturing, and also these products can go globally. Suppose if product X out of these five was being exported from Japan to other countries, now it will be manufactured in India and exported. So to what extent we can fulfill the demand of the entire globe, that has to be seen, but I know one product which we are going to manufacture will not meet the demand of the entire globe, so that is where Kunal had said that in this type of products we have opportunity to even further grow by enhancing the capacities and certain products will be limited to what capacities we are planning and that will be manufactured from India and exported to various countries.

Rohit Nagraj: Got that, understood, Sir just a concurrent question to this, in terms of margins you have indicated that margins will be similar and is there any definitive growth plan in terms of product introductions over the next three to five years, so from our parent we have got a mandate that okay we will be doing say two-three products every single year and accordingly, we are also envisaging the growth and we are making the investment in land as well as the infrastructure and are these facilities dedicated for these five products or these can be fungible depending on how the growth of these products pans out over next three-five years?

Chetan Shah: These five products which we have planned now currently, they all will be manufactured at two of our existing sites, so this new land acquisitions are not part of this five products but with this five products getting into our two existing facilities, I think, we would have exhausted our land parcel on these sites and that is the reason why we have acquired new land parcels for the future growth. So for example if we talk about our own R&D products or proprietary products to be manufactured, that is being planned out in the new sites. Similarly, if we want to manufacture some intermediates or we want to backward integrate some of our processes, they all will happen on these new sites, so that is the planning, but five existing products we have fitted it in our existing sites.

Rohit Nagraj: Sir the second question is in terms of R&D, you just touched base upon it, so how are we placed in terms of our current R&D activities, so is it predominantly to introduce your formulations or probably the process improvement for the new products that are going to come from our parent or anything else and in terms of strength, in terms of the infrastructure, how is it currently?

Chetan Shah: Our R&D facilities are one of the best for formulation development without any doubt. We have created many new formulations including one which we will be launching in the month of July this year and also for technical as you very correctly said the efficiencies improvement, the off-patent material to be manufactured economically in our plants, these are the activities which our R&D is very good at and out of this off-patent products, three of the products are already cleared for pilot plants all very, very successfully and we are looking forward to those products going into commercial production.

Moderator: Thank you. The next question is from the line of Manish Gupta from Solidarity. Please go ahead.

Manish Gupta: Thank you for the opportunity. I had three questions Sir, the first question is that these five new products that you are launching and the exciting vision you have laid out for new products that will come in, is there a thumb rule one can use roughly or what revenue one can earn on such products say over every three year period once the product scales, that is the first question? The second question is that given these products are coming on the back of your global R&D investments, would the gross margin on these be higher than what the gross margin on the portfolio is at present, and the third and final question is that last year because of COVID, did we actually see a decline in our marketing expenses over the previous year?

Chetan Shah: These products which are being manufactured or which we have decided to go and set up the plants and manufacture, these are all very good products, we know the chemistry, we have worked very hard to improve the processes and efficiencies and this main product which we are going to manufacture ï clothianidin - we have achieved 99%+ purity. All these products, the revenue in any chemical industry as you would know if it is 1 to 1.5 it is very good, 1 to 2 is very, very good, and anything above 2 is excellent, so our aim is that we would like to have the revenue out of this products in excess of two times the investment. As far as the margins are concerned we will endeavor, there are many things that go in, many thing and please understand that at the end of the day when we sell that product, we have to be competitive and we have to give the product to the customer at a competitive price, so our view is that we will definitely endeavor to maintain our gross margins in all these products to the current levels and of course our aim will be to increase this margin.

Manish Gupta: Sir, it was about expenses, whether the marketing expenses were lower?

Chetan Shah: Yes, your COVID question was related to marketing expenses, of course the marketing and traveling expense were lower in the last year, however, if you see there are some COVID related expenses which have gone up. Now having just to give you few examples, you know our philosophy that we rate safety to our people and to our plant as a very, very important thing and in order to maintain the safety of our people, we had to incur many additional expenditure which we normally would not incur - like transportation of each and every worker from the place of residence to factory, maintaining the social distancing in the vehicle etc. etc., to avoid the crowd or people at one point of time at the lunch hour or dinner hour, we had to create many additional dining facilities in our plants. So we have taken care of our people, COVID medicines, COVID related if somebody gets hospitalized, we have taken care of each and every person. So having said that, yes fundamentally marketing expenditures were at a lower side, however, our digital expenditure or digital marketing expenditure were more as compared to the previous year.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Sir, congrats for a good set of number and thanks for the opportunity, so couple of questions, one on the CAPEX side, now you did mention the normal CAPEX of Rs. 70-75 crore and this the additional CAPEX for the exports opportunity, given that these products are already there