



**“Insecticides India Limited  
Q1 FY 23 Earnings Conference Call”**

**August 17, 2022**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY23 Earnings Conference Call of Insecticides India Limited, hosted by Asian Market Securities Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections etcetera, whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Saurabh Kapadia from Asian Market Securities Limited. Thank you, and over to you.

**Saurabh Kapadia:** Thank you. Good evening, everyone. On behalf of Asian Market Securities, I would like to welcome you all for 1Q FY23 Earnings Conference Call of Insecticide India Limited. From the management, we have with us Mr. Rajesh Aggarwal, Managing Director; Mr. Sandeep Aggarwal, Chief Finance Officer of the company. We shall start the call with opening remarks and then we will move to Q&A session.

I now hand over the call to Mr. Rajesh Aggarwal for his opening remarks. Over to you, sir.

**Rajesh Aggarwal:** Thank you very much. Welcome, everyone. On behalf of Insecticides India, I Rajesh Aggarwal, MD, extend a very heartiest welcome to all the attendees of today's investor call. So, today we are going to discuss the quarter 1 results, which ended on 30th of June 2022. First of all, I'll discuss about the industry.

This is a growing industry of agrochemicals worldwide. We look at the world market size, which is about \$60 billion, more than two-thirds rather, I would say about 70% of the market worldwide is generics, which means there's a huge potential for a country like India to grow in the international markets. And if we look at the agrochemical consumption in India, which is about \$3 billion we are also a net exporter of more than this amount, about \$3.5 billion worth of agrochemicals are exported from India.

So, if we look at the current market dynamics, the international geopolitical situation, which is tough, so which has created one good potential for India, which is China plus one policy. Now, all the countries, all the developed countries, all developing countries are looking at partner and that India is suiting in that position where they wish to develop one more supplier apart from China.

And if we look at today's situation, the worldwide there is the situation of drought which we are hearing from various parts of the world, the war situation, overall, it is leading to food shortages. So, I can say that people are realizing that food is very, very important and which is creating a lot of scope for agrochemicals worldwide. And the market is huge, the world market is huge.

In India, we see the domestic consumption which is just \$3 billion. If I take this as \$3 billion, which is less than 5% of total worldwide market. It consumes more than 17% like with 5% consumption of agrochemicals, it is taking care of 17% population and we are also exporting. So, this means that there is a huge potential of growing the agrochemicals market within the country and also in the impression markets. But yes, the type of agrochemicals which are coming now, which we're using in the past are changing. Lot of new generation products are entering into the market.

And we as Insecticides India, we believe in innovation and R&D, and we are also trying to be part of this change and we are bringing new molecules by our R&D centers and by the efforts of our scientist. If you look at the crop production, more than 20% to 25% crop gets lost in the fields or in the storage condition by the insects. So, which means that again, the potential is huge and opportunity is huge.

We at Insecticides India, believe in innovation and we run four R&D centers. Three R&D centers are for agrochemicals with different vision, when I say different vision, means one R&D center is unique, which is a JV and it works for the product discovery. Apart from that we do a lot of work on formulation development and I believe that the consumers need the solution, they don't need the product.

So, we are trying to bring newer solutions by creating the mixtures, by creating new formulations, by mixing two products or three products and developing the synergistic effect, taking the patents wherever we are able to prove our synergies and trying to bring those products to available to the farmer which are the readymade, I would say formulations or readymade mixtures of two or three products which can give wonderful results to the farmer and we are getting a good success in the products which are launched in last four or five years in this segment.

Similarly, we are also working on reverse engineering, all the products which are off patented we are trying to develop their technical make them first time in India and to them, I'm glad to say that most of the registrations, which we are getting and the products we are launching are more in 9/3 range than 9/4 which means they are manufactured first time in the country.

Our laboratories are also doing very well actually, like three of our laboratories are NABL and recently we have bagged a GLP accreditation. GLP is a big thing I believe because across the country we have got the 52nd GLP accreditation and this 52nd GLP accreditation is across sectors. It is not agrochemical or chemical alone. So, in the country today there are only 52 GLP laboratories when we have got this accreditation, so this is a bit further in the camp.

I believe that along with the agrochemicals, biologicals are also gaining a lot of popularity. Looking at the situation because today, we look at the world it has started talking about organic though there are no organic solutions available today in the world, which have become very big. It is a developing industry but I believe that in the times to come a lot of organic solutions are going to come actually and they are going to become an integral part of crop protection, which they are just in the nascent stage now.

So, we can look after the health of the soil. We can look after the health of the plants, through biologicals and along with this also we can fight with some insects and diseases and we can delay the usage of agrochemical I can say or we can reduce the quantity of chemical which is going in certain places by using these biological things. But yes, a lot of development is going to take place here.

We run our R&D center in this, but now we are setting up a new company and this new company will be starting its business in the next fiscal actually, we have targeted, we are still in the initial stages of setting it up. But yes, our scientists are working in the R&D and we are trying to develop certain products. Some of our range is already in the market, which is being outsourced at the moment but we want to do the major activities in house by setting up this 100% fully owned fully, I would say our own subsidiary. So, we are setting up this subsidiary in the name of IIL Biologicals Limited.

I would also like to talk about patents. In this quarter, we have bagged a few patents which has come out of the JV, but along with the JV our all the R&D centers are also filing for patents. As I told you there are three R&D centers which are working for agrochemicals and one R&D center is working for biological so all are filing patents and we have filed more than 32 and at the moment I believe we have received half of them actually, and others are in process.

So, and this patent filing again is a continuous process because as we are developing newer products, newer technologies, we are filing more and more patents regularly and the vision is that slowly we should be coming up with a new range of products, which should be relatively a novelty for the market so, that we can build up good fortune for the investors and a good advantage to the farmer or the consumer can be given and we can bring out the products from a new range of new fields.

In the current year we have launched two big products. One is called Torry which is a herbicide for corn, received a very good success. We could also make two, three partners in this and with the partners we have done a very good sales for this product, make a good beginning actually in

the season. And along with this, we have also launched one patented product through Nissan which is called Shinwa.

Shinwa is our insecticide again, a very unique product, patented product, which is market bias in the country. We got one a small season actually in the month of April and May and again from August and the new season is going to start so from this product also we are quite hopeful, and we believe that it should help us in growing and establishing the brand.

Along with this we also plan to launch two new products, three gather three new products in this quarter, in Q2, which is mainly Izuki, Izuki is again from the house of Nissan. So, it's a mixture product of fungicide, which is very good for various crops particularly rice. And there, we have the -- this product is a mixture of two fungicides which comes from Japan. One is from Nissan and the other one is from Hakko chemicals. So, this is also a unique chemistry.

Apart from this we are going to manufacture two new technical actually in the plants, one is going to manufacture in Dahej and one is going to manufacture in Chopanki. So, we are going to launch two new products namely Supremo and Stunner out of this and we are also very hopeful that these should also become the good big brands for tomorrow.

So, along with this, I would also like to talk about the launches which were made in the COVID period in at least last two, three years. So, the big launches are Hachiman, Kunoichi and Oxim. And I believe these are going to be very good product and big product for us. Hachiman was like it is for soybean, we got very good response in quarter 1 and also in quarter 2 with this product. Kunoichi is doing fine and it will be growing because after the rains the it's a mighty side, the demand is going to come. Oxim demand is also going to come in the second season. So, I mean to say, the new launches which has happened in past two, three years, they are doing very good actually and they are helping us in generating a lot of volumes.

Now, in terms of sales. First I would like to talk about the B2B segment. Here I would like to tell you that the B2C segment is also growing for the company because the new launches, the partners are also taking interest. So, we are partnering with some of the companies and we are sharing some of the products with these companies, the new launches because these are the new chemistries and all the companies are key. So, this is increasing our B2B segment. But the basic target of launching this product is B2C because we wish to bring the new technology directly to our farmer in our product range, in our product scheme.

And this year, we have very clearly divided our product range into Focused Maharatnas and Maharatnas followed by gold and silver range of products. So, Focused Maharatnas, as the name suggests is the main key and followed by Maharatnas because we the number of Maharatnas is increasing, and this year when it crossed 30, than to make it simpler for the team and for the market, we made 11 products as Focused Maharatnas products and about 20 products as Maharatnas products and we wish to target two-third market share from these two range of products actually, and the gold range and silver range will follow.

So, the idea is so that the team and the market is aware that which are the products where we are focused, which are the products which has to be sold first in the market. So, since a lot of new products are coming, so we had to do some tail cutting in the old ranges. So, we have identified and put about 50 products in the silver range and there are about 30, 40 products in the gold range.

So, the idea is silver range is the tail cutting range, which means these products are to go and we are trying to bring the new research and new solutions into the, our range by Focused Maharatnas and Maharatnas. Of course, this will have better margins, they will be the new generation technologies, they will be majorly green -- constituting majorly the green technologies. So ultimately beneficial for all.

If I talk about the seasonal situation, this year, the season is little delayed because the monsoons were a little late and then there were continuous rains. So, some of the crop got destroyed at certain places. Somewhere there were re sowing, some areas are doing well, other areas there is excessive rainfall, but the good part is that everywhere there is water, the water canals are full, the dams are full, which gives a good hope for the new season.

Yes, there is excessive rains at certain places, which is not wanted at the moment. So due to which some sprays get delayed or even I would say some one of the spray is gone from many parts of the country, but still the market is very, very aggressive, very, very good. The growth is very good. There is good demand actually from across in the Q1, we have seen good demand for the herbicides in particular, we've seen good -- like market is asking for good quantity of products, actually.

So, herbicide season is still continuing in certain areas which is extended sale I would say, the insecticide season has just started. So, we are quite hopeful that the Q1 is very, very good like there has been a growth of about 20% in the revenue, 19.5% precisely, we have close Q1 at about INR 560 crore with the EBITDA margins of INR 58 crore, the EBITDA growth is little lesser, which is about 10.5%, it should have been more but this was the season which was basically for herbicides only and the Maharatnas and Focused Maharatnas moment was not to the desired extent. I believe generally the second quarter is very, very good, where we are able to move around our Maharatnas and Focused Maharatnas products and it should be helping us in increasing the profit margins and also increasing the sale numbers actually in this quarter.

So, the target for EBITDA would be to increase by about 100 basis points. If I talk about Q2, in the Q2, the total sales volume we have done the growth of about 20% in Q1, I believe we should be able to beat this Q1 growth in Q2. So, the numbers of Q2 will be still even better, there is growth both in the domestic market as well as the international market wins the good potential, but we accept a target of about INR 200 crore for the international markets, which I have toned down a little to INR 150 crore because there are certain challenges which we are facing.

Today, if we look at the international situation, the prices are discharged and prices of all the commodities have gone up due to which there is lot of instability. Along with this, the currency worldwide has deteriorated too much and the countries do not have the dollars to pay. So, this has slowed down our exports because people are shaking to avoid the -- they're avoiding to place a big order because of the non-consistency of price or the heavy price increase and they are converting these big orders into small, small orders and trying to take a smaller consignments, but we are very, very hopeful that with our tie-ups and the agreements, which we have now because we are investing a lot on data generation particularly for the formulation as well as the technical.

When you have to send these new products to the advanced countries, then you have to generate lot of data, and we have developed the potential of generating the impurity proof -- impurities in house by virtue of our GLP and which is helping us a lot in this data generation. So, we are investing a lot on lot of technical and we are signing up with more and more companies actually, to take our products to the international market. And I'm quite hopeful, though this year, we'll be repeating the last year sales, last year the export business was about roughly about INR 140 crore -- INR 130 crore. So, this year we'll cross that, roughly we'll reach to about INR 150 crore but in the years to come, this will have a very huge potential actually, and it will give a good opportunity. And we'll be exporting both from our chemical segment as well as biological segments. And this is going to give us a good opportunity.

If I talk about the domestic market, this is the year where the people have started moving to the fields, the meetings, conferences, the farmer training programs, all have started in a big way actually, and this year we are very, very aggressive on the advertisement and media front also. We have signed Mr. Ajay Devgan as our brand ambassador, I believe we should be able to take our new products to the farmers actually and should build the credibility of the company to the market and we are very, very aggressive on mass media, both print and electronic and all field activities and we are conducting lot of training programs across the country.

And we are trying to introduce all these new products wherever, because already two, three products are launched, three are in line and three again I'm expecting so, the target is to launch eight, nine products into this year and whenever we back the registrations because you know, that the registration is one of the toughest thing actually, for us, which happens because the delay is continuously happening affiliate due to the delays, the product gets the delay.

So, we'll launch as we get the registrations, we'll launch the products, we'll do the trial test launches, we'll catch the market, we'll fill the market and we'll bring all these products to the

market. So overall, I would say it's a good potential, Q1 is quite good with the 20% growth. If I talk about Q2, Q2 will be surpassing these numbers of top line like the growth should be 20% plus, the bottom-line growth also should improve. The margins are going to definitely improve actually, we target our EBITDA increase of about 100 basis points in this quarter and in the year as a whole. So, with the good, I would say good season, looking ahead. We are very, very positive on this.

Here, I would also like to discuss about the CapEx. Majorly, we have investment into two locations, Rajasthan and Dahej. So, in Dahej, we have completed our SEZ plant, in Dahej, we are working on the major expansion in our technical plant, we are in backward integrate and starts at a new technical. So, two new technical are, one is already started which is mainly Timbor, the another technical for this Stunner product is also going to come from Dahej. But this complete plant we were targeting to complete it by September, but due to heavy rains in Gujrat, the construction activities are little disturbed actually. So, it might extend by about a month so, around Diwali plus minus we should be able to start the operations of this plant. But we are almost ready and we are in the final stages of starting this plant.

Coming to Chopanki, in Chopanki we have completed almost and we are into final phases, we should be able to start our plant fully in this month, partially the activities are started. But again, we are going to start few more technicals and we are going to increase the capacity of certain more products and this everything is going to start in the month of August, mainly. So, we complete our expansions in Rajasthan in August, and we'll complete our expansions in Dahej in October. So, that's the vision.

So, with this vision, we move ahead actually, and I believe that this year should be a very positive here because the team is moving into the market. Our contract with the farmer is to the maximum, contract with the network is to the maximum. We are conducting more and more meetings, meeting the people, trying to train the people physically, doing a lot of trials in the fields. So, I'm very, very confident of our good year ahead. Thank you very much.

**Moderator:** We have our first question from the line of Himanshu Upadhyay from O3 Capital.

**Himanshu:** Congratulations on good set of numbers. And sir, my first question was on the patent received the four products and where the life is pretty long also. On the fungicides and in pesticides, can you tell me the scope and the size of these products? And what crops can they cater to? And which are the markets to which we will like to market and what would be the way we would like to take these products to the market, will we take it individually or we want to take it multi partner, multiple players? So, some thoughts on that on commercialization, time and scope of these products?

**Rajesh Aggarwal:** We are bringing in a lot of products. Some products are coming through the Japanese partnership. So, all the Japanese partnership products are generally patented technologies, where we will be very, very choosy in making the partners. I go slow in making the partners, one or two partner I'll add year on year actually, I'll not go very aggressive in this.

Rather in case of Hachiman we have chosen not to go ahead with the partners and we just made one partner one plus one partner was there, the target is to keep the number of partners little lower, Izuki we have not thought about setting up any partners this year, which is a fungicide, actually. But other products basically which we are bringing, which are genetic technologies actually, which are developed for the first time in India, here we chose to go ahead with some partners actually. So, we started with little number of partners but we'll be adding partners here. But this time, we'll be choosy again, two to three partners or maximum four partners in two years' time, that is the target, that is the vision.

So, for Torry, for Supremo, for Stunner, we'll make partners in this fashion two to three, four partners actually. So, these days, a lot of demand for herbicide is going up, good rains, good demand for herbicides and apart from this also, a lot of I would say the manpower cost is going up. So, good demand for herbicides. Fungicides are also becoming popular and the demand will be higher because of good rains like there will be a lot of disease. So, already we see our diseases instance, we see our insect instance, in various crops actually across the country. So, they have also started picking up so, our target is across all crops. It depends on what type of registrations we are doing.



If I say what we are doing differently, we are becoming more aggressive on maize and sugarcane now. We were very, very aggressive on cotton, paddy, which are the main crops, wheat and some other pulses, vegetable crops. So, vegetable also we are becoming aggressive by virtue of some of our products like Shinhwa, like Kunoichi, which has come now.

So, we are trying to find the gaps in our range. We are trying to fill these gaps and ultimate aim is that we should be present in all important crops. Like if I talk about Hachiman, Hachiman is very good for soyabeans. So, it has filled our soyabean bucket, if I talk about Kunoichi, Kunoichi takes us to all the vegetables and fruits, and other things actually, flowers. If I talk about the Izuki, Izuki will take us to paddy, Torry has taken us to corn at the moment and the future is with the sugarcane also.

So, likewise as we get the products, as we bring the newer technologies, so we are going to become aggressive on one by one different crops actually, wherever we see the segment.

**Himanshu:** Sir, my question was on the patent receipt, the four products which we have got patent received, the novel companies?

**Rajesh Aggarwal:** I didn't get it actually. The question is one on what?

**Himanshu:** No, I am saying we got patents for 20 years on four products, okay. One is fungicide side which is the carbamate compound?

**Rajesh Aggarwal:** Yes. Okay. I'll discuss about these also. So, these are the new patents which has come for the JV. So, whenever you get the patent, you get it for 20 years. So, the registration of the product is going to take time from the JV, I'm not introduce anything, the first product which we had planned is ready, ready for commercialization, but it's still a lot of data generation is pending and it will take two years. So, for all these projects to come, which are through the JV, so, I can say it takes about three, four years gap after the patent. So, four to five years it will need to launch these products after the patent. So, for the JV patents, the new discovery things we are only going to come two to three years down the line, they will start coming. And majority of these products where we are getting the patents they should come by 2030, I believe.

**Himanshu:** Even a product where we got the approval in 2018, two products, one in the fungicide and the pesticide, there also you think it will take another four or five years?

**Rajesh Aggarwal:** I'm talking about new discoveries because I'm not sure because your voice is not very clear. If we are talking about the new discoveries, new discoveries, the new discovery is going to take time, the new discovery we cannot launch without data generation. It takes that type of time. Companies worldwide claim that one new discovery takes more than INR 1000 crore to launch and this type of time, we have set up this JV in 2013 and we are sitting in 2023, already 10 years are gone. I'll be launching my first product by 2025 or '26 and majority of the products, two, three products which are there in line they will come by 2030.

It's going to come, the new discovery India has not discovered anything so far London, Britain has not discovered anything so far. There are many developed countries who have not discovered anything. So, this is a big achievement INR 1000 crore if I can sell a product for INR 1000 crore, I have to take a call, I need to launch it by myself or I can sell it, I have a Japanese partnership, I cannot otherwise that technology can be sold. It's a big thing actually, it takes time.

**Himanshu:** And one more thing on the exposed side, this year we have said that the exports are tough. So, is there any particular geographies where we are facing challenges. So, let's say Europe or?

**Rajesh Aggarwal:** Yes, the challenges are coming from worldwide, particularly if I talk about Africa, Middle East, also from South America, we are facing challenges of collections. So, the collections are not coming, they are getting delayed even LC are not honored the way they should be. The ECGC is cutting down the limits, the bankers are reducing the number of banks, like the bankers they have to give the clearance that yes, you can take the LC from this bank. The bank is fine, they approve the banker but ultimately they are reducing the number of banks so, there are a lot of challenges which are coming actually, due to which we are trying to go relatively slower.

- Himanshu:** So, the challenges are not on the product side and in the raw material side, that much, but the challenges are on the financing side of the supply chain?
- Rajesh Aggarwal:** Yes, the financing side and the second thing is the price, the prices have gone up and their currency has depreciated. So, it has depreciated so much that we are finding it difficult to sell, sometimes they say okay reduce the price, but we don't want to, we cannot, because the cost has gone up for us also. So, Indian currency has depreciated a little but other currencies have depreciated more actually. So, all the developing countries, their currency has developed more than much more than us. So, that is also coming as a challenge.
- Himanshu:** And one last thing, we have tried to focus on few products and grow those products in last few years. Can you give an average size of an SKU since what was five years back and what is it now? And how much benefit does it help in economy, when a product is let's say INR 50 crore versus INR 5 crore or INR 10 crore?
- Rajesh Aggarwal:** Definitely it depends in which position the product is, if it our new product which is a patented product, the price keep on going up and that gives the advantage. If it is off patented technology, the price goes down but again the quantities are going up so, it is giving the advantage. So, most of the off patent if I talk about the off-patent technologies, yes, the market size goes up, but the profitability per liter goes down, but absolute number goes up, actually, so that's the situation for most of these products, but if they are patented product then yes, there is an advantage, but at the moment most of the products we have are off patented, the patented products are just limited to some of our mixture, which was launched three or four years back.
- So, in those case of mixtures again, the quantities are improving. So, some of these are in the Focused Maharatnas range, which are contributing the maximum in terms of topline as well as bottom line. And there are other products which will be diminishing slowly so, it's a mix of things actually, I cannot say that five years back product is doing very good now. So, we have set up a range where which are the focus products, so they still are into Maharatnas, that means they are contributing. So, if something is not contributing, we have removed out of Maharatnas.
- Himanshu:** Sir, I was just trying to understand average size of a molecule, what was five years back and what is currently because of so much effort on consolidation has gone?
- Rajesh Aggarwal:** We do 135 brands, when you say a molecule I don't understand, you want to talk about the technical or our formulation.
- Himanshu:** Formulations, the brands what you are doing what was the average revenue per brand, what you were doing, and how has it changed in now and in last five years?
- Rajesh Aggarwal:** If you look at the average revenue from the brand, if I brought 11 plus 20 years I'm saying, about there are now 35 products in the Focused Maharatnas range, and these 35 products are going to contribute 65% of my total business of brand. So, yes, the sizes on an average are becoming big actually. So, there were certain products in the past, which were INR 100 crore plus brands, but now they are not into existence, but we'll be creating certain INR 100 crore plus brands now, and we are more than half a dozen products which will be crossing INR 50 crore this year.
- So, that way like the products are improving, the products are changing, the product mix is changing. So, there are challenges because there are already 27 products which are into the list, which is proposed for winning, but I'm quite sure that the 27 will not go, there will be five, seven products which are going to go and 20 should exist actually. So, these 27 products almost contribute 40% of Indian market, actually.
- So, if all of these goes yes, the new products are going to come up and they're going to take the shift, but I don't think most of these go. So, there will be some products which we are marketing, which are important products in that but the reason is that we continuously plan to bring the new chemistries, new products and establish them. So, the idea is that whatever big products we introduce, they should be in a market, they should obtain a market size of INR 50 crore to INR 100 crore in one, to two years or three years of time. So that is the vision. So, we are trying to launch the bigger products now and work with these technologies and develop these technologies into the market.



- Himanshu:** One last thing, 12 products, you said your products will be more than INR 50 crore revenue in FY23, for 12 brands, that is what you said?
- Rajesh Aggarwal:** Yes. I'm not getting you clearly, actually, I don't know where is the problem.
- Himanshu:** No, I'm saying that you stated that 12 products the revenue would be more than INR 50 crore in the FY23?
- Rajesh Aggarwal:** Half a dozen. No, I didn't say 12, I said half dozen, about six, seven products or eight products actually, I can look at and can give you the exact number but there can be about seven, eight, 12 is difficult actually.
- Himanshu:** Okay. So, I was just confused, that's why. And last thing, the 35 Maharatna, 30 or 35 Maharatnas, which will contribute 65% of your revenue. Is there any of those drugs which can -- which will also in the list of the 27 products which can move out of, which will not be .?
- Rajesh Aggarwal:** It is a possibility, like these trade products are not there, but there may be certain measurements where one or two products will be -- can be from that segment. So, that goes then yes, there can be chance of again a product change. But you should appreciate that we are continuously bringing the newer technologies and we are ready for any changes which are going to come in the world actually or in the country.
- So, I would say that we are also making the presentations to Government of India, that when the product comes it comes scientifically and it should also -- the plan to move it out of the country, it should also move out scientifically. So, whatever there is a data gap as an industry, we are trying to develop all the data gaps and we have submitted those papers to the government. So, I feel that they should not go but ultimately due to various pressure, the older technologies will move out, the newer technologies will come, but through by virtue of our R&D centers and partnership we are continuously working with these newer technologies and bringing the new products so, most of the new products which we are bringing are from new generation range.
- Moderator:** We have our next question from the line of S.A. Narayan from Capricorn Research.
- S.A. Narayan:** Rajesh, I must compliment you for the progress you and your team have made over the years. I have now two questions. From your anecdotal experience., would you agree that any interest subvention for off agriculture loans, would be favorable for farmer friendly companies such as insecticides?
- Rajesh Aggarwal:** Yes, definitely, whatever advantage comes to the farmer, definitely it is going to like help him in increasing the input cost into the agriculture. So, anything which comes it is always helpful, actually.
- S.A. Narayan:** I'm aware you have an impending board meet to consider a bonus issue of shares. Is face value split also on the table to make this trip affordable for small investors, can it also be on the table?
- Rajesh Aggarwal:** We are going ahead with one thing only so, there is no such plan of splitting the share.
- Moderator:** We have a question from Riju Daloy an individual investor.
- Riju Daloy:** Can you please indicate the volume growth that you did in this quarter?
- Rajesh Aggarwal:** Actually, volume growth is important but it is not actually important because the new products which are coming, the dosage is lower, the prices are higher. So, volumes, if you look at the volumes in the industry, like at the time from our inception our market size was INR 1500 crore in 2001 when we entered into agrochemical insecticide India, and today it has increased to about \$3 billion, actually. So, say about from INR 25,000 crore, INR 30,000 crore. So, the volumes are continuously diminishing. The type of formulations which are going into the market are continuously changing, actually. So, in totality the volume does not matter.

We manufacture three types of major formulations, one is granule formulations and other is powders or WGs and third one is liquids, actually. So, we can -- if you want the numbers, category wise we can share those numbers because generally liquid and powders or WGs are expensive products and granules are cheaper formulations, actually. So that can be given, I don't have the number handy because we don't chase the volumes actually because we have to chase the volume product wise, not in totality because if I dispatch 100 loads from one plant and 20 loads from one plant, the price of 20 loads maybe like it can be higher than the 100 truckloads actually from another plant. So, we don't chase the total number of trucks, but is always handy, but that's not my target.

**Riju Daloy:** But the thing is that I wanted to understand that the 20% growth that we have registered this quarter, so how was the -- like what was the driver for this growth? So, the growth was mainly driven by relation improvement or from the component like will be volume driven growth? So, that we wanted to understand.

**Rajesh Aggarwal:** The idea is like the growth list, we have, there are two reasons. Number one is the new generation formulations we made, particularly like as I told you Hachiman was launched last year but this was the first full year where we could like we got for Hachiman, then another product Torry had come in and some of our other focus products we had targeted, for all these target products, we have made our growth, in some of the other products we are -- there will be growth also, of the focused products.

**Riju Daloy:** But like for our understanding purpose, can we assume that this growth was majorly driven by the price hikes that we have taken?

**Rajesh Aggarwal:** Price hike is not to the extent of 20%, there has been a price hike between 5% to 10% actually in various molecules. In some of the cases it would have plus 15% but on an average, I would say the price hike is less than a single digit. It's not the double-digit price hike, what is in the market on an average.

So, we can say, if I've grown by 19.5% so, 7%, 8% maybe the increase in the price, but majority will be increase in the volume or value or volume rather, volume of different products. So, in some of our products where we are not focused we would have lost the volume also. But wherever we are focused we are getting that share.

**Riju Daloy:** And sir, like even the lower revenue in the export that we have registered in Q1, how we can expect the export growth should be in Q2 or in a full year basis?

**Rajesh Aggarwal:** Generally, the export they move slowly, like the majority of sales of export has been in the territory, geographies we had developed. It used to happen in Q2 only, Q1 was always subtle, because Q1 used to be my domestic market and Q2 used to be my -- not Q2, first half used to be my domestic market and second half used to be our international markets, traditionally also. But now we have orders, we have plannings so, we are confident that we should be able to achieve. So, we have -- we were aggressive initially in our targets and we were confident that we should be able to get it, but as we see those dents in the market so, we have reduced our number by INR 50 crore and we are talking about INR 150 crore and looks like the team has given me the targets and I'm quite confident they are capable of achieving it and they should achieve this.

**Moderator:** We have a next question from the line of Abhijeet Bora from Sharekhan by BNP Paribas.

**Abhijeet Bora:** I have two questions. Firstly, on the -- you mentioned that revenue growth will be better in Q2 as compared to Q1. So, can we expect the full year growth to be in the range of 18% to 20%, revenue growth?

**Rajesh Aggarwal:** That is the target we have kept internally. So, should be 20% yes, we can expect.

**Abhijeet Bora:** And secondly, as we highlighted that, there has been some challenges in the export market. So, you have got the guidance on that part. So, if that comes back, which could be seen in FY24 and there would be ramp up of new products which we are launching continuously. So, again like for FY24, we can expect the similar 18% to 20% growth?

- Rajesh Aggarwal:** Yes, because this year we'll be coming up with the plans and it depends on the registrations also what we are going to bag, so I'm quite like yes, we can assume that next year again should be a good growth here.
- Abhijeet Bora:** And you guided for 100 bps improvement in the margin. So, like, what can be the not peak margins but on a sustained basis with the ramp up of new facilities, traction of the exports where we can see margins over the next two to three years?
- Rajesh Aggarwal:** Actually, it depends on the market situation but we have this target in mind that we have to continuously work from margins. For this we are following the tail cutting policy like wherever the products are losing their shares, we are discontinuing this product actually. And we are working on the new technologies, the idea is definitely the margin improvement. So, it is our continuous goal of increasing the margins by 100 bps year on year. I'll not say that 100 bps will be sustainable year on year.
- However, there may be certain year where it may go up and there may be certain year which maybe little challenging, it may go down. But yes, we will continue with this target actually, in the past also, we have delivered better results in terms of the absolute margins. So, we first wish to cross that and then we wish to move forward. So, as we do our backward integration, bring the newer technologies, entering to biologicals, all the things, let in place, so the margin should improve actually, continuously.
- Abhijeet Bora:** And can I get the full year CapEx guidance because we are nearing completion of our expansion plan?
- Rajesh Aggarwal:** CapEx this year should be to the tune of about 30, 40 about INR 40 crore you can say, approximately.
- Abhijeet Bora:** This will be largely related to the pending CapEx we need to do at Dahej, right?
- Rajesh Aggarwal:** Yes, and of course Chopanki is in final completion. So, some may go to Chopanki also.
- Abhijeet Bora:** And congrats on being good set of numbers. And best of luck for future.
- Moderator:** We have a question from Saurabh Kapadia from Asian Market Securities.
- Saurabh Kapadia:** Sir, my first question is on your JV product. So, you mentioned about a timeline of '25 and maybe in other products by FY30. So, now my understanding of this product will be much larger and we will be the one who will manufacture in India. And for that you will need a larger capacity. So, what are our plans in terms of further capacity expansion or will that capacity expansion will come in the new company or subsidiary which we are setting up? And how large it will be in terms of CapEx requirements?
- Rajesh Aggarwal:** Like all these products will be bigger in terms of revenue but it's smaller in terms of volume, these plants will be like pharmaceutical plants actually, smaller plants. So, we are going to start making our pilot plants already that is in cards. So, small, small plants will be setting up now. So, all these plans will be set up in Dahej mostly and we have started working on it actually because we need some plants of that type to do this. So, everything will go from internal accruals -- I can just tell you initially that the expense will be to the tune of INR 20 crore -- INR 30 crore per annum.
- At the moment there is no bigger plan. So, we have big plans then we'll plan, like even if it is a big plan then it won't be as more than INR 50 crore, INR 60 crore in a year. At the moment we have not worked out in which year we'll start a bigger plan, but the smaller plan of INR 25 crore, INR 30 crore size thing, we will continue, we are looking at these new products which will be coming in, we'll be setting up plants so, at the moment there is the big plan is not set.
- Saurabh Kapadia:** So, are we still investing money in a JV or our JV is self-funded or something?
- Rajesh Aggarwal:** No, JV we have to give the money, JV has the bank balance but still the structure of JV is such that every year both the parent companies have to spend in JV. So, we have to give our share

and Japanese have to give their share. So, the money whatever balance the corpus they gather, they keep it with themselves because the depreciation, the profitability of the JV and other things are to be taken care. So, all that money they save and they keep a corpus.

**Saurabh Kapadia:** So, Q2 overall market situation, so if you can give us some color in terms of liquidation for the quarter to maybe for insecticide and then also generally for the industry and also any challenges in terms of any crop where there's no liquidation or any region where we are not seeing good liquidation?

**Rajesh Aggarwal:** The situation of market is good, if I compare with the last year. Last year it was very bad situation in this period. Generally, the month of August is almost similar to the month of July. But last year it was 50% off July. If I look at August, actually and September was 50% of August. That was the situation last year. This year, I believe that we will be touching July figures actually in the month of August. If we are able to do that then we should be able to beat the last year in two months itself, last year Q2 in two months itself. So, that is something we are keeping in mind. So, let's see how the market goes ahead.

I'm very, very positive that the market should be good this year and this Q2 should be good for industry as a whole and for Insecticide India also, by virtue of the new products which are coming in and lot of new introductions, our focus products so, everything will support actually. And when I say new products, these are not only the products of this year, rather last two, three years actually whatever are learnt, they are new for the market actually, they could not grow in the previous years due to COVID because the market movement was very limited. So, all these products are going to grow actually in the market.

**Saurabh Kapadia:** Secondly, you talked about better growth in Q2 as well as the margin improvement because of the mix of the Maharatna products, so if I look at the last margins of 14.5% in Q2 and if I look back in last four, five years, you did 15% kind of best margin in quarter 2, so should we assume that we should be doing to -- interest margin in Q2, with mix?

**Rajesh Aggarwal:** Already I have given a guidance of 100 basis point increase actually in the margin in this quarter. So, I keep that guideline. Yes, there can be better improvement, there is the possibility. So, let's keep the fingers crossed to this season. How the monsoons are going to behave. So far there are only flash flood, there is no flooding in this entry. But if now there are more floods that are more difficult situation then the situation might differ otherwise, yes, the seasons should be very good. The situation should be very good and we should be able to cross our targets.

**Saurabh Kapadia:** Last thing, if I look at product freshness index, the products which are launched in FY21 have not seen good pickup, so is it you have launched better products in..?

**Rajesh Aggarwal:** The season has just started. So, it was a herbicide market in the beginning is herbicide then the insecticide and fungicide come. So, this index will change in totality in Q2. So, after the end of Q2 yes, the first half ends, we can compare. The comparison is too early if we start comparing in Q1 actually.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management team for closing comments. Over to you, sir.

**Rajesh Aggarwal:** So, I thank all the attendees again with the bottom of my heart for attending this meeting and bearing with us for almost an hour. So, thank you very much for the interest you take in the IL products. Definitely we are going to come up with newer technologies and we are working a lot on technology on the R&D front. And of course, the GLP accreditation is going to add as a big feather on our cap. We are working with those. We are working in terms of cramps and we are trying to do backward integration in a form so, that we can do some import substitution. And we specialize in certain technical so, that we can take them to the world market with great confidence.

So, overall, I can say that with our vision of manufacturing, research, innovation, and also the free development program, I see a good growth for the company. And I thank everybody who are instrumental in bringing all here and who are taking interest with us and also I thank the

Captiva team, particularly Vinayak and Kunal for helping us in this session and always and good wishes to everyone stay safe, stay healthy. Thank you once again, thanks.

**Moderator:**

Thank you. On behalf of Asian Market Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.