



# “Insecticides (India) Limited Q2 FY23 Earnings Conference Call”

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**Moderator:** Ladies and Gentlemen, Good day and welcome to Insecticides (India) Limited Q2 FY23 Earnings Conference Call.

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 '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Atul Daga from Captive IR Strategic Advisors Private Limited. Thank you and over to you, Sir.

**Atul Daga:** Thank you. Good evening everyone. On behalf of Captive IR Strategic Advisors, I would like to welcome you all for the Q2 FY23 Earnings Conference Call of Insecticides (India) Limited. From the management we have with us Mr. Rajesh Aggarwal – the Managing Director and Mr. Sandeep Aggarwal – the Chief Financial Officer of the Company.

Before we begin, I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the earnings presentation shared on the exchange today. We shall start the call with the opening remarks and then we will move to the 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. On behalf of IIL I, Rajesh Aggarwal – Managing Director, extend a heartiest welcome to all the attendees of today's Earning Call. I hope you all enjoyed the rebounding festivities and on that note I am extremely pleased to present before you the quarterly and the half yearly results of the company. I am joined with my CFO – Mr. Sandeep Aggarwal and he will be supporting me in talking about the results, but I would like to begin with the industry outlook and the industry overview.

The agrochemical industry is expected to grow at a rate of about 8.6% from 2021 to 2026 and it is expected to touch about \$7.4 billion by 2026. The Indian government recognizes the agro chemical industry as the top 12 top industries to achieve the global leadership and is expected to grow from 8% to 10% through 2025 this is the report of SECI.

So, Indian agrochemical market is the significant contributor particularly there is a good growth of the industry in the agro pacific zone because this zone or this area is growing at a very fast rate and there is a huge demand for food and if we look at the international scenario people look at India as the alternate supplier. So, there is a huge opportunity for our country to manufacture and to supply to divide and with the China plus One policy of many company across the world the opportunity overall is multiplied. Today, India is the net exporter of agro chemicals and the 13th largest export of pesticide and disinfectant in the world. There are various reasons no manufacturing cost, availability of technically trained manpower, seasonal domestic demand.

So, over capacities are also there. We can offer very good competitive prices and yes there is a very strong presence of the Indian companies in the generic market this also gives the edge and nowadays the companies are also entering into the new generation generics which is giving a different like huge opportunity for the Indian company in the international market as well as the Indian market. So, our country has a large population and the income both the rural as well as the urban income is growing at a big speed and there is a growth in the demand for agricultural products. There are various government policies like Paramparagat Krishi Vikas Yojana, Pradhan Mantri Krishi Sinchai Yojana, Saansad Adarsh Gram Yojana.

So, there are various schemes where the government is trying to promote agriculture and which is giving a big boost to the agrochemical industry. The latest initiative of our Prime Minister about the Krishi drones is also catching up. All the companies are putting in lot of efforts. Most of the company to develop the products as per the requirements of drones and they are in the data generation stages and lot of trials are happening across the country and here I would like to say that IIL is also not far, we are working a lot on these drones and we are registering various products specifically the new generation products for the drones and the government itself has given the permission for all generic insecticides and fungicides in particular which can be used on the risk of the company.

So, companies are trying to do that, but I believe that with this new technology lot of sales is going to happen for the new generation molecules where the companies are going to use this advanced technology for the fast sprays, for touch free sprays. So, this technology is catching up, but yes still under development and lot of effort is happening because lot of new drone companies are also coming up or they are entering into the Krishi drones and lot of agro chemical companies they also are putting a lot of pressure. At the same time when we look at the world about 15% to 25% crops are lost due to the pest and weed attacks and also the diseases. So, we need to save this crops so the demand for agro chemical is going to go up and if we look at the international scenario again then yes world is talking about food shortages which means the urge to protect every morsel of food is important actually and definitely the demand for agro chemical is going to go up.

Q2 was little challenging because of the adverse monsoon pattern because we have observed that there were heavy, untimely and un-required rains in many areas and then some of the areas were very dry. If we look at the rain even in the Southern part of the country even now it is raining actually in many areas. So, the monsoon has been excess in many parts of the country particularly Central India, South India and there are short monsoons in many parts like Eastern India and some parts of North India. So, the monsoon has been quite erratic which has disturbed the cropping pattern actually because many of the crops like sowing of various crops like rice, the pulses, oil seeds, coarse cereals everything got affected even cotton got affected and at the time of harvest because this is the harvest season.

The harvest also got delayed actually and there was loss to the farmer in the yield actually which has come due to the delay in harvest and the rains the thunderstorms they have hit the crop, but if you look at the opportunity the opportunity in the Rabi season is looking good why because there is huge water storage, water levels in the reservoirs are very high. The soil has good moisture. So, the opportunity during the Rabi season is huge and since the crop prices are going up even if you look at the vegetables prices and if you look at the other crop prices they are all up. So, the demand for agro chemical is there and it is recently good demand actually and I hope that they should get a good season in the winter or the Rabi season also.

I see a lot of opportunities because along with the chemicals, the biological thing are also coming up actually and a lot of innovative products have also started entering into the sector. Previously, when we talk about the generic it was majorly the single product used for selling, but now the trend of claiming the IP for the mixture and launching these mixtures because industry has started believing that these consumers are looking at the solutions and it is not looking at the products. So, everybody is trying to make scientific mixtures and put them into the market and this has opened a new era of new products into the market and when people are able to claim the IP so it gives them edge into the market and along with this the biological things are also coming up and biological products though are in the teething stages, but they are catching up into new market.

Now, before talking about the results I would like to talk about the company scenario. In this quarter in particular there are some notable development which I would like to discuss with all the attendees. Number one is the GLP certification yes IIL has received the good laboratory practice certification from the government of India and we are the 52nd company to receive it across all sectors. When I say across all sectors I mean to say any sector. We are the 52nd company to receive the GLP which is a big feather in the cap. Actually, very important because the data becomes acceptable worldwide when you have a GLP accreditation. So, this your company achieved.

Here I would also like to talk about IIL biological limited which is a new arm of Insecticides India and is a wholly owned subsidiary of Insecticides India which we are going to set up now and good news that we have also decided and finalized a new site for this because now we are coming up with a new project and a new factory in the midway of Delhi-Jaipur highway where we are going to setup the plan for IIL biological and we are also going to setup the plan for IIL.

Here we are going to consolidate our formulations and we will have the advantage of the location and also we are going to set up a technical plant in phase 2 and we will have our R&D centers both for the biological as well as chemicals separate R&D centers which will be setup in this location actually and I hope this will give a good edge to the company. So, two new products were launched during this quarter particularly namely Izuki and Stunner. So, Izuki is a product of I would say it is a mixture which is extension by Nissan. So, it is a product from Nissan portfolio a very good response we have got in the first year itself. We believe that it should be

contributing good numbers and it should be becoming a 50 crore plus product in the next year itself in the second year itself and then our R&D front also launched one product called its Stunner.

So, first time manufacture in the country. So, this is the new product which we have made for the first time. So, the demand is limited, but we got a very good response actually because this was a fungicide which is good for grapes and also tomatoes and some other crops are expensive fungicide. So, we got a decent response for this product also. So, the ideology of the company is that we wish to bring in the new generation molecules new products. So, new generation for molecules include some of the off patented product and some of the patented technologies with our Japanese partner. So, there are lot of products underway from here to next 6 to 8 months I see about 1 dozen products coming out of our R&D and also with the Japanese partner.

So, lot of new products are underway actually which we will be making for the first time in the country, there will be certain technical formulations and all these launches as I get the registrations we will be launching these products and the plans are going to get ready so we will launch. So, now I would like to also update about the CAPEX. First, I would like to discuss about Dahej because Dahej is a big project where we are investing on about 70 odd reactors. So, we believe that we should be able to bring the plan in operation from January and we should be able to complete this expansion in full by the time. So, here we are setting up the new utilities, we would set up when everything is on and this plant is expected to give us the advantage from the next Kharif season itself and we will start making in advance and the things we are going to do the backward integration also because we will make some new molecules and new technical which we have already started doing partially here from this expansion, but we are going to utilize it in full and make the new technical out of this and this will give us help in two ways.

Number one it will help us in launching new products. Number two, since it is a reverse engineering exercise where we will be making certain raw material chemical synthesis actually. So, this will help us in reducing the imports. So, this will help us in saving the cost and increasing the margins in the products in some of our leading products. Along with this we have also setup a one megawatt solar power plant in the Dahej unit actually so which I would like to discuss. There has been some delays actually which happened majorly due to COVID and now we are in the verge of completion of this plant. So, some to do issues which are delaying it by some days because the rains were huge again at Dahej actually and when rains comes the road is not there you cannot work so it becomes difficult. So, the expansion got little delayed and there is some price increase also.

So, two major reasons of price increase. Number is this solar mega plant which was not there in the initial stages and we also made one big storage facility in the plants measuring about 9,000 square meter which was not planned initially and then there was an increase in the price of all building material particularly steel both SS and MS and other metals actually which has impacted the increase in the cost and the cost I think has increased by about 25%, 30% yes there

is a cost escalation of about 30% from our estimates because those estimates were of pre COVID period actually and the situations have changed in this period.

So, here I would like to talk about the new facilities which we are discussing about Rajasthan. So, this is a midway of Delhi-Jaipur we have invested due to the project, project means this is also old factory which we are trying to purchase through NCLT. So, this deal should be through by December and we should get a position by that time and we would start doing the renovation into this plant and we should use this plant to setup our formulation unit cost and then the R&D centers and then these two will enter into the technical and simultaneously we will use the site for the biological because this is a huge site and there is a lot of construction which should help us in doing this.

One more good news here I would like to share that we were also doing an expansion of about 30 odd reactors in Chopanki so that expansion is complete and we have brought the plant into manufacturing just recently from this first week of November. So, production has started coming from this plant and the benefits will be visible shortly out of this plant because here we are almost increasing our capacities by more than 50% plus. So, this advantage will shortly start coming.

Talking about the product range so the product range was further divided into Maharatna and Focus Maharatna's this year. So, this has given the advantage to us. The advantage is two point advantage number one by dividing our range into Focus Maharatna's we have put about 11 crores into Focus Maharatna's and we have achieved about 30% sales from these Focus Maharatna and 30% of our brand sales has come out of the Maharatna which means these products we are doing more focus and which is increasing the sales and this increase looks like 6% year-on-year, but it is not 6% along with 6% there is a 25% increase in the first half of the total revenue of Insecticide India. So, that 25% is the additional thing which has also come in from the sales as I mentioned that.

So, this will of course we expect that this will support in not only incremental sales, but also in incremental margins and lot of products this was the first year after COVID where we would promote some of the products which were launched during the COVID period this year. Though this year as I mentioned before was having very erratic monsoons because some areas were dry and some areas were extra wet, but despite of that we have shown a robust growth of about 25% into the top line and the major contribution is coming from our key products actually. Though generics are the essential part we are following up a policy of tail cutting where we are trying to cut down the old products because new ones are being launched and many are in pipelines. Our pipeline overall is very strong thanks to our partners and also our R&D activities by virtue of which we are able to launch these products and our development in marketing team is able to carry these products to the market, but just I am very hopeful and very enthusiastic about this year.

So, talking about the future outlook here I would like to mention that we will continue with the growth into this fiscal actually and we should show a very strong double-digit growth in the top

line in this year. EBITDA growth will also be there, but yes there are various reasons which has impacted the EBITDA growth particularly here I would here like to say two major reasons. Number one is the international disturbance due to which the crop prices of the chemicals has changed a lot. There were acute shortages, there were shortages of containers due to which we were forced to buy some products at expensive prices actually and we could not get the same price from that market that was first impact and the second impact was due to the currency because all the currencies across the world have depreciated in front of dollar which has given a very negative impact actually on the margins of the company.

So, both these two things have impacted actually in the half year, but I believe that in future we should be able to make our recovery actually into this cycle and we should come out of this. So, there the working capital cycle got increased a little, but I believe that situation is going to become normal because we are working in a very focused manner around our products and we are trying to achieve good sales number by reducing our purchases, but yes the future is looking very lucrative because China in last 20 days has started showing very good opportunities because the prices of many of the raw materials becoming very cheap. So, the reduction in price is giving the opportunity and we are again rethinking to start our purchases so that will be there, but it will take time. So, we should be able to reduce our total stocks in a big way in this quarter by increasing our sales further and reducing our purchases in this quarter at least. So, I believe that this impact is not going to be improved. So, the new products are contributing, contributing well in the margins and sales of the company. The key products we are working in a very focused manner and I already explained that Focus Maharatna and Maharatna are the product about 30 crore output into this range where we are working hard definitely these products have better margins and better future growth we expect and we are trying to launch the new generation products into these ranges which should be able to fit in themselves in one to two years' time into Focus Maharatna and Maharatna range so that we are able to come out of the old generics and the markets either the patented, generic technologies which are going to become when I say patented I mean to say they will be the mixture product, they will be 2 crore mixture, 3 crore mixture and also there would be technologies from our Japanese apartments particularly Nissan which will be the patented technologies. So, these are going to help us in a big way in our future program and along with this IIL biological is also going to support us in a big way because now we are going to open our second R&D center in form of biological R&D center I would in the IIL biological which should be able to give us big advantage because there are certain technologies on which we have been working in my recent international tour also all the companies are showing big interest on the biological in particular because people believe that it can be a good future strategy though in the initial stages, but these biological parallelly are going to get a good market size and the expectation from the Rabi season is quite good because of the availability of water and with our strategy of import substitution and backward integration and with our marketing strategy I believe we are going to do pretty well during this year and also in the future years a very good growth target in mind because all these extensions which are going to get completed now they are going to support us in increasing the markets in the future years also.

So, I can say at least two years are taken care and with our additional investment the new investment in Rajasthan which is going to come for the new land and the plant will be available for the formulation in this Kharif season also that is also going to give us a big boost and big help in increasing our market share both in the domestic as well as international market. So, I would like to talk something about the international market. International market the response has been mixed this year why because in India we are not finding the dollar I would say shortages, but in many parts of Africa the demand is good, but the currency deterioration is very high in many ancient countries, American countries, many countries the currency depreciation is high and at the same time there is dollar shortage also due to which many orders are there, but they are struck but still we have started I think the situation has started normalizing and lot of opportunities are there which are going to support us in a big way. We had initially kept the target of 2,000 million means 200 crores of export sales, which I have revised 250 crores. I believe that I will still keep that target in mind and we will be working our international team will be working for this target though we have to work pretty hard because many companies are shortening their orders, they are delaying their orders, but still the discussions are on I am very hopeful that we should be able to make a good recovery in the international markets also and this year we will stabilize and next year we will grow in our exports in a big way.

Updating on the in-house R&D program. Here I would like to mention that we do different type of R&Ds everybody is aware. So, JV R&D, the new product R&D is doing well actually and they are following their new patterns and one of the products which is freeze between the two companies IIT and IIM. So, that also is into the final stages of the registration. It takes time, but still I am very hopeful that since the product is made and well designed and we are on the scaling of process. So, the enthusiasm goes up and definitely this product is going to help us in a big way to enter into the domestic as well as international markets. This GNP accreditation which has come to company has given it a good edge into the market actually and the edge particularly I would say the image of the company both in the international as well as domestic market and our program of reverse engineering is definitely going to support us in a big way.

You will find that new announcement about the drones and the spraying of different agrochemicals and fertilizer products is going to come from IIL because we are also working in this direction actually in a reasonably better session and I look at the opportunity of bagging the big orders from the international companies actually in form of CRAMS for both formulations as well as technical. So, there is a good opportunity we have been working on registering our products in the international markets in a big way and we are expecting that these registrations should click into the advanced markets of America and Europe actually already we have started exporting our one of the key products lambda-cyhalothrin two various European countries because we have backed one registration Europe which is valued in 17 countries. So, these countries are registering the product and we have started begging some small orders and small and big I would say.



So, my expectation is that we should our products which the quality is very well established in many countries where we have applied and in many advanced countries I am not selling it directly, but through the exporters these products are going. So, the quality is very well established and with our backward integration program and our capacity expansion program and registration program all these programs are going to support us in a big way in increasing our presence in the international market also. Last, but not least I would also like to talk about the fraud which had happened in the past actually in the state of Chhattisgarh with us we had filed the case and the case is still on in court. There has been some partial recovery, but about 10 crore plus is still in the market and we are trying to recover it through legal proceedings. Legal proceedings are on 1% is still behind bars and there are several cases which our team is attending actually and we are very I would say efficiently trying to work around this and make this recovery.

And at the same time we have also made a lot of improvement in our system so that there is no repeat of such instance in future actually and we are working I would say in a big way in changing the product mix and launching the new products and whatever launches have happened in the recent years have been very much appreciated and if we look at the new products I would say the performance so there we will find that the trust of the market whenever new ports is increasing and we are very successfully able to take these products to the market and we have achieved very good sales for particularly Hachiman, Shinwa, Torry which are our big launches in this year and there are many amazing products which are lined up. So, with this I thank you very much and I would like to hang over the call to Mr. Sandeep Aggarwal CFO to take about the financial results.

**Sandeep Aggarwal:**

Good afternoon everyone. So, lot of things has already been discussed. So, let me have a small look on the financials. If you see the second quarter results the revenue from operations has increased from 444 crore to 582 crores showing a jump of around 31%. If you will see the EBITDA the EBITDA has improved from 64 crore to 69 crores the jump of around 6.68% and the PAT has increased from 42 crores to 45 crores so increase of around 6.35%. So, the major reason for increase in the revenue is through the new product launches. The products which we have launched during the year has contributed approximately around 80 crores during this first half. The products which we have launched last year they had also made a good contribution. So, the first half the contribution from the products launched last year is around 95 crores and the in licensing products contribution is around 53 crores in the first half and the pretended product contribution is around 93 crores in the first half. So, basically we can say the major growth is a volume growth, but yes there is a 5%, 6% price rise growth also. So, the basic reason is the good growth in the new launches and the product launched last year. So, this is from my side.

**Rajesh Aggarwal:**

I also like to add something like particularly if you see the growth in the H1 the major growth you will find that it has happened in insecticide and herbicides range. Incidentally we have happened launch all like herbicide, insecticide and fungicide, but in the insecticide Shinwa I

would like to still talk about Shinwa because Shinwa is a big launch for this year actually and we see Shinwa as our number one product in the next year actually which should cross 100 crore sales I can mention next year. I will talk about herbicides. There are two herbicides I would like to mention though both of them were launched in the previous cycles previous year, but Torry was launched in I think March or April I am not sure about the month. Torry was launched this year. Hachiman got launched last year so we got very little sales last year, but these products are doing very fine and they will be our top three products actually you can write down Shinwa, Hachiman and Torry they will be our top three products actually in the new cycle and my vision will be to cross 100 crores with each produced individually, but I can say at least all these three products put together will be crossing 300 crores for sure in the next fiscal itself. So, I mean to say some of our products got obsolete or banned actually in the past we would like MONOCIL and AVONE we lost our sales of about 250 crores when these products moved out. So, we have made a 100% recovery and next year we will find that these products in particular they will be our top new products actually. So, here I would like to mention Hachiman is patented by us it is a mixture of Nissan, but we hold a patent for this product. Shinwa is a patent product of Nissan again and Torry is first time manufactured by us in the country the brand was very well accepted in the market we made some partners also I am not talking about the partner sales, but our brand sales itself were quite good quite actually and next year I wish to see all these products multiplying their sales and the new fungicide which we have launches which I talked recently both Izuki and Stunner they are both fungicide and I see their sales also multiplying next year and contributing in a big way in our portfolio. Thank you very much. Now I open the house for the question and answers please.

- Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. Our first question is from the line of Bharat Gupta from India Insight Value Fund. Please go ahead.
- Bharat Gupta:** Couple of questions from my side so first in regard with our totally performance, so could you just elaborate like what has been the volume growth and what has been the value growth for us during the quarter?
- Rajesh Aggarwal:** I give it to the CFO to give the exact numbers, but here I would like to mention actually as a strategy we are trying to work for the new generation molecules. New generations will not give that much volume, but they will give value. So, the value will be both in the top line and as well as the bottom line, but since he has the numbers in hand so he will share the number.
- Sandeep Aggarwal:** The price growth is around 6% to 7% hence their balance is volume growth and volume growth is also majorly due to the new launches and the launches made last year.
- Bharat Gupta:** Sir, if I look at the margins so definitely while our price realization has been on a strong side, so just wanted to understand what kind of inventory impact we would be having in terms of like we have already highlighted that there has been couple of impacts. One is regards the volatility which you have seen in the RM prices along with the currency headwinds, so I just want a

quantification on the same like what can be the inventory impact on the margin and secondly what has been the currency impact related to the profitability?

**Rajesh Aggarwal:** Talking about the currency I can say like we have got a hit about 13 crores due to currency. So, since that number was ready I have mentioned. Inventory impact I do see any impact on the inventory because the sales is on and we are very aggressive on the sale side. So, we should be able to liquidate the thing, but yes there will be some impact because when the market is fluctuating because previously the market was continuously going up and now it is showing the signals of little weakening, but we do not know like this weakness is going to remain for quite some time or it is temporarily because this is super off season and very low demand across the world. So, maybe this has impacted into some fall in the prices, but yes the correction in the Indian market has not started in a big way as yet. So, I do not think that at the moment or at least for this quarter there will be an impact of the inventories.

**Bharat Gupta:** Generally speaking, how is the inventory level out there in the market like how has been the general inventory position?

**Rajesh Aggarwal:** General inventory means what happens is like this is the end of Kharif seasons. So, when the season ends actually nobody keeps the inventory and whatever is there they will try to return it to the company and if the companies do not take it then your payment get stuck. So, as a strategy we do not leave anything in the market. So, our inventories will not be there actually in the market so whatever are to be lifted back they are either lifted back or there will be something is remaining that will get lifted by the end of this season. So, in most part of the country apart from South India the Kharif season will be over by November actually and the new sowing has already started. So, with the new season the type of products which are required are different and then it goes to regular insecticides and other things. So, I do not see any bad inventory situation in the market because the season is ending and companies will be lifting as a strategy I believe that.

**Bharat Gupta:** Sir, even if I look at the receivables is a balance sheet is a balance sheet right so that has been on a very higher side, so has there been any kind of issue in terms of collecting cash from the distributors or anything like that?

**Rajesh Aggarwal:** The collections are coming fine since there has been the increase in sales that has impacted and now since it is the harvest period. So, generally Quarter 3 is a collection period. So, our collections generally match the sales numbers or this even surpass the sales number in this quarter. So, this quarter is very important for collections and I believe the collections in the previous month have been fine and this month target are also good actually. So, the things will improve we will find the things improving by December balance sheet I would say.

**Bharat Gupta:** Like you have highlighted on the biological space so just wanted to understand what would be our roughly market size for this in India and who are the peers who are also you can say who have also introduced or who have an early edge in this kind of a market and also what kind of a

CAPEX requirement we would be having with regard to setting up the biological facility out there?

**Rajesh Aggarwal:**

So, I would answer one by one. When you say about the market size the market size is pretty small it is less than 5% of the size of the agrochemical market less than that at the moment across the world it has not touched two digits. So, it is very small and it is in the nascent stages, but lot of developments are happening actually and now companies are focusing around this because of the international pressures number one. To answer your second question in the past the agrochemicals were not taking much interest actually and they were concentrating majorly on chemicals, but now some of the companies have started focusing like all the multinational companies they are thinking of doing something Japanese companies are taking lot of interest. Some of the Indian companies are also investing either through different companies or in the same companies. So, people have started acting for biological. So, I would say like we had entered into biological about 5 years, 6 years back actually, but at that time we have only maintained our R&D center and our team you are doing the manufacturing as a lease facility, but now I think that there is a need to set up our own company so that facility will continue there also we have done one expansion like we are making a new trial phase and there will be setting up our R&D for doing the developments of these products. At Shamli we have done some expansion or it is underway and in Rajasthan we are going to open this biological I would say activity. So, here again the expenses will be divided we have not budgeted. In total I am thinking that Rajasthan project might be a project of about 150 crores the new project, but we have not allocated. Here again biological will not take much budget because there is one pre constructed building which I wish to allocate to this IIL Biologicals. So, the expense will be majorly renovation and there is an investment in plant and machinery which we have not estimated, but if the total budget is 150 then biologically it is not going to eat more than 20 odd crores just for the initial numbers actually, but we will be coming up with the detailed numbers in later stages it is too early we have just given a token advance and cleared it just yesterday in a work board meeting.

**Bharat Gupta:**

Also like in the opening remarks you have eluded that China plus One strategy remains key thing in this particular domain, so how are we placed like in terms of CRAMS opportunity if I look and what steps we are taking because one of our peer is already in the manufacturing the technical particularly synthetic pyrethroids so he is setting up a manufacturing facility out there, so where are we in terms of being on that particular front where we can ultimately take advantage of this ongoing thing?

**Rajesh Aggarwal:**

So, we have been manufacturing synthetic we manufacture two synthetic pyrethroids namely lambda-cyhalothrin and bifenthrin which are the relatively new generation products. Lambda-cyhalothrin worldwide is in huge demand even bifenthrin is in good demand and then I have another synthetic pyrethroids which is called **Dynathofram** which is relatively and very new generation products the newest of I can say the synthetic pyrethroids. So, all these products are doing fine and we have invested on the data generation and now we will be backward integrating

and making some of the basic chemicals which are required to manufacture these products that will be the import substitution and also we can say the dependence on us for the world is going to go up because we will be a very reliable supplier because when the raw material is also build in the company it will give us the edge into the market. So, I think that we are very well placed for some of our products actually where we are already manufacturing technical and investing all the registrations. So, that is going to help us in a big way in the international markets.

**Bharat Gupta:**

Like we have a tie up with Japanese and frankly speaking going forward can CRAMS be a good place for it in terms of like is there any kind of a specific CAPEX we would be doing or incurring or later half probably two years?

**Rajesh Aggarwal:**

Our entire expenses which we are doing like on the technical plant the basic thing we have in mind was CRAMPS actually we our investment is like that whenever the opportunity comes or whenever we crack a deal we can convert into the CRAMS business easily number one. Number two the type of plants which we are going to manufacture now to establish now at the new one so that will be the ideas to establish the world class formulation facility and at the same time to establish the world class for technical plant also which I do not know today we have not planned the size and number of reactors, but yes that will be a world class thing which will be majorly being done with the view the multinational companies, the largest companies in the world are going to approve it. So, that will be made with that idea. So, the future investment will be with that idea in mind. Our many products are very interesting to the world because we are coming up with many new technologies when I say new technologies of course they are off patented technologies, but when we develop these products in India there are two focus is in mind. Number one that I have to better the technology, number two I have to get good AI, number three also the impurity profile exit because my impurities have to be lesser or better than what the original manufacturer had. So, I have to work in all these directions. Our R&D teams works in all these directions and develop the products accordingly so that the same is suitable even for the inventor of the molecule. So, not necessarily that only the inventor is interested, but other large international companies are also interested in various molecules. So, we are seeing a lot of opportunities, we have signed contracts and we have also started doing our registration, but till the practical business happens I do not want to make any announcement. We are working with various Japanese companies also, we have a multinational companies also. So, people have interest in us, people have interest in our molecules. We are developing the products, but yes there is more significant thing which I want to announce today, but yes in future we would see that.

**Bharat Gupta:**

Just a last bit from my side in terms of margins hence you eluded that three products which you have highlighted that can cross a revenue potential of near about 300 odd crores, sir going forward the kind of margins we want to sustain, so what kind of a sustainable level frankly do you look at like I think I have a product mix changing so our margin trajectory should be near about 16% odd, so what is your take on it?

**Rajesh Aggarwal:** I would say like we have been working around the markets. The products like the economies of scale is going to help, the product mix is going to help because this is not only three products I have made announcements of three products because I was finding them on the sheet, but there are all the new products which we are going to launch there will be around good margin strategy products and we are going to come out of the old generics where the margins are not there or which the product size is becoming smaller. So, the idea is that we wish to provide the large good products to the customers and we will come out of the technologies which are getting obsolete so that will also improve the margin cycle. So, I was expecting a good margin increase in this fiscal only, but the two things have impacted, but you will find that we should be able to make a good recovery in the next fiscal because not only we have to make the recovery for the next fiscal, but also I am not going to make any announcements today, but I would like to tell that you will see that recovery happening from Q1 of the next year itself and in the H2 of this current fiscal also we are very bullish on our top line and the EBITDA also will improve from here the EBITDA percentage.

**Bharat Gupta:** When our product mix is improving, can we just for modeling purpose also we can take EBITDA margin profile to be greater than 15 odd percent in the coming years?

**Rajesh Aggarwal:** Definitely.

**Bharat Gupta:** Is there a good amount of difference between the formulations as well as in terms of the export margins like if I look because if I look at 250 odd crores revenue retention from the export which should be coming in, so what kind of a margin, is there a significant amount of difference in the margin profile between the domestic or in the export business?

**Rajesh Aggarwal:** Yes and no because if we are doing the generic sales of the export then you are working on just high single digit margin or two digit margin our 10% is the maximum margin which you plan, but yes if you are able to export new generation molecules, if you are able to sign the CRAMS agreement with the big, large companies and you can save some cost then you have additional margins and then there are low expenses for marketing so that gives the energy. So, if you are able to set your patented technologies, if you are able to set new generation technologies yeah definitely the margins in the international markets also goes up and people are successfully displayed that and there is a good chance and I also think that it is going to help us in a big way in future.

**Moderator:** Thank you. We have a question from the line of Anurag of Roha Asset Managers. Please go ahead.

**Anurag:** Sir, out of our ongoing CAPEX how much is attributable to technical plants and how much to formulation?

**Rajesh Aggarwal:** If we talk about the ongoing expansion the expansion formulation is bare minimum because we have done some expansion in Chopanki and little improvement in Dahej. So, I think I do not

have the exact numbers in hand, but that will not be more than 5 crores I believe. So, apart from the godown we made because godown was about 10 crore investment and this solar thing was again 6 crores, 7 crore investment which has happened actually. I forgot to mention that we also have put 200-megawatt solar plant at 200 kilowatt plant in Dahej SEZ also. So, that has also happened. So, Dahej SEZ was closed previously so no big investment this year. We can say about if I talk about SEZ also maybe 10 crores so far in the formulation not big, but yes it is the new site we will be spending.

**Anurag:** What will be the revenue potential of this ongoing CAPEX post completion?

**Rajesh Aggarwal:** We will share it. So, I do not have it handy, but yes we will share these numbers.

**Moderator:** Thank you. We will take our next question from the line of S A Narayan from Capricorn Research. Please go ahead.

**S A Narayan:** Rajesh I must compliment you the way you have been steering the company. I have been with the company for two decades and I must register my appreciation and admiration the way you do it. I have two small questions one would in terms of percentage terms if you could tell me how would H2 second half would be a better than you have done well in both the quarters June and September the first half year-on-year, how would the second half the better than year-on-year and half year on half year that is my first question?

**Rajesh Aggarwal:** I will be very specific since we have been very specific. So, H2 generally is smaller than H1 so it is going to be smaller than H1 only, but yes I believe that we should be able to continue with a good number in this quarter and we should register a good increase. So, if you are very specific I can say we can grow by 20% plus, but the exact percentage mentioned will be a little difficult.

**S A Narayan:** Second thing minor accounting one you have been moving towards sales without offering credit in the last two odd years and now I find the receivables have jumped up, is there a change in policy are we now on to receivables instead of cash and carry you had done this after the mishap in Chhattisgarh, so there was change in policy?

**Rajesh Aggarwal:** I will not say change in policy, but actually to implement just cash and carry model is little difficult. So, we are very successfully implementing that model in totality in South India in the five South Indian states I am trying to do cash and carry, but in other states I have to pass on credits and since this year we were very bullish and this all the new products were there. So, I had to instant credit, but these credits are not long credit we should be able to make the good recovery in this quarter itself and by the end of the year the thing should look very clean. So, yes some credit is extended because market was adverse and there were new products which had to be sold. So, there has been some great extension that is true.

**Moderator:** Thank you. As there are no further questions from the participants I would now like to hand the floor back to Mr. Rajesh Aggarwal for closing comments. Over to you, Sir.

**Rajesh Aggarwal:**

We thank all the participants for attending the virtual session. We believe that we have been satisfactorily running our company and business model and addressed every aspiring question here on put upon the floor by the participants. We continue to see growth in our broad product portfolio and witnessed a strong momentum across our business supported by R&D and backward integration initiatives. We remain focused on bringing new products, exploring new markets and creating value for all our stakeholders. Please follow up with the investor relation team Vinayak and Naman of Captive IR. If you have any following questions which one has covered up in this session and hope you have a great day ahead. Thank you once again. Thank you very much.

**Moderator:**

Thank you. Ladies and gentlemen, on behalf of Insecticides (India) Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.