

Regd. & Corporate Office : 401-402, Lusa Tower  
Azadpur Commercial Complex, Delhi -110 033  
Telefax : + 91 1127679700-05 (6 Lines)  
e mail : info@insecticidesindia.com  
www.insecticidesindia.com  
CIN : L65991DL1996PLC083909



Ref: IIL/SE/2023/1702  
Dated: February 17, 2023

### The Manager

<b>Listing Compliance Department</b> BSE Limited (Through BSE Listing Centre)  <b>Scrip Code: 532851</b>	<b>Listing Compliance Department</b> National Stock Exchange of India Limited (Through NEAPS)  <b>Symbol: INSECTICID</b>
----------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------

Dear Sir/Madam,

### Sub: Transcript of the Earnings Call for the Quarter and Nine Months ended December 31, 2022

Pursuant to Regulation 30 read with Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the transcript of the Earnings Conference Call – Q3 & 9M FY 2023 held in connection with the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2022, held on 14<sup>th</sup> February, 2023, is enclosed and is also available on the website of the Company and can be accessed on the following link:

<https://www.insecticidesindia.com/investors-desk/>

This is for information and record.

Thanking you,  
**For Insecticides (India) Limited**

Sandeep Kumar  
Company Secretary & CCO  
*Encl: As above*



“Insecticides India Limited  
Q3 and 9M FY 2023 Earnings Conference Call”  
February 14, 2023



**MANAGEMENT: MR. RAJESH AGGARWAL – MANAGING DIRECTOR –  
INSECTICIDES INDIA LIMITED  
MR. SANDEEP AGGARWAL – CHIEF FINANCIAL  
OFFICER – INSECTICIDES INDIA LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Insecticides India Limited conference call for Q3 and 9 months FY '23. 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 star then zero on your touchtone telephone. Please note that this conference is being recorded.

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 the conference over to Mr. Rajesh Aggarwal for the opening remarks. Thank you, and over to you, sir.

**Rajesh Aggarwal:**

Thank you, and a very warm welcome to all the attendees of this conference call. On behalf of Insecticides India, I Rajesh Aggarwal, Managing Director extend heartiest welcome to all the attendees of today's earnings call. I'm extremely pleased to present before you the quarterly and 9 monthly financial results of the company, ending on 31st December 2022. Let's begin today's discussion with a brief outlook of the agrochemical industry followed by asset losses of the company's financial performance for Q3 and 9 months '23.

Looking at the current international trends, post COVID and the Russian attack on Ukraine, the international scenario looks in favor of our country, and I believe that it's a huge opportunity for our country to produce and make it for the domestic market as well as the world because I believe that this more than 70 crores people in the working age today.

And if you look at 2050, India will be one of the economies where the number of workers are going to go up from 70 crores to 90 crores, which means that there is a huge opportunity of working in India, there will be a lot of domestic demand. And of course, lot of stomachs to feed. So if we look at the broad data, it talks about that the agrochemical sector is going to grow from 2021 to 2026 to INR 7.4 billion, so which means a huge scope.

And this sector has been recognized as one of the champion sectors in the industry with 12 industries which are going to take global leadership by FICCI and 8% to 10% growth till to 2025 is projected by FICCI also.

If you look at the agrochemical region, India, yes, there is increase in the domestic consumption. And if you look at Asia Pacific also, this zone is also the demand for agrochemical is going up for various reasons because the food production is high, the food demand is high. And if you look at the modernization which is handed into agriculture, so somewhere it is going to go at par with the Western world. And hence, there is an increase in the demand for agrochemicals in this area in particular. Today, as I was saying, India is the next exporter of pesticides in the world. So there are various advantages to our country.

Number one, like China Plus One policy, which is very, very important because India is one country which can act as the natural supplier of agrochemicals and the chemicals at large because it's a low-cost manufacturing goods. There is availability of technical manpower at aggressive pricing. Seasonal domestic demand is one of the reasons because there is overcapacity due to the cyclic nature of business. And of course, in the better international market, sometimes you can take fetch better prices and seems to be a very, very strong into the generic products.

So there's a huge opportunity. In the recent time in '22, government has launched the Kisan Drones for the crop assessment, and it has been eased out which means that there is a good opportunity to spray the fungicides and insecticides, which the government has allowed and the companies that are starting deriving better.

And we are also working in a big way that how we can take the growth to the market when we are working with various drone companies as we are working with our farmer, and other network to take this technology and make it more commercial and practical for our farmers at large. Today, the potential of agrochemical issues because despite of whatever usage is happening in India, though I believe that the usage is still very low because when we look at world market, India consumption of agrochemical is just about 5%.

So 5% I can say, of agrochemical, is feeding the 18% population of the world because our food production is not only good for our country, which is about 18%, but we are also exporting many food products, which means that there is a huge scope of agrochemicals to go up. And even if you look today, 15% to 25% of the potential crops are wasted due to the attack of pests, weeds, and diseases.

So that is available in our government data. We're talking about the first half of this year. The monsoons were very, very erratic. So very challenging times because in certain areas it was excessive rainfall, whereas a few areas normal, but deficit in many areas. So this erratic nature has led to the loss of spread in many parts of the country.

And then there was delayed monsoons, which again delayed some of the crop sowings like rice this year got impacted by 4%, pulses by 6%, oilseed by 2%, coarse cereals increased by 5% quarterly, soybeans increased by 6%, but then there was huge pest infestation with black stripes something, which is not getting the proper control. So there are issues. But overall, it has been a decent year basically.

Because if you talk about the rabi season, rabi season showed a good recovery and particularly the southern part of the country has shown a good recovery in the rabi season why because there had been good rains. These good rains has led to the good water level in the reservoirs and the soils are wet, which means that there has been a good opportunity.

And if I talk about the current Q4, even in Q3, we see that B2C sales, the maximum sale has come from south. More than 50% of our business in this B2C segment or brand segment has come from the southern region only, and rest of the zones have been just [inaudible 0:06:47] another 50%. So there is a good opportunity for the products. Good in demand.

Like if I talk about this 9 months actually in particular this year, we saw that the product which we have launched recently in this year and the products which were launched in the previous year also, we have seen a good jump because they were the part of our focused product range. And particularly, if I name Shinwa or like Hachiman, product like Izuki which was not this year, so all these products have shown a significant jump year-on-year, and they have been responsible behind getting a better market share for Insecticides India into the market.

So talking about the company's performance in particular. This quarter was a modest quarter in terms of the financial performance, then the market acceptability of the new molecules because the kharif season was at the present and it was the beginning of the rabi season, which was delayed due to the impact of the monsoons.

But I believe that it is going to wake up in the fourth quarter. Though this has been a positive quarter for us because if you talk about the top line, INR 356 crores has been the total sales and EBITDA has been INR 23.2 crores. If you talk about sales, which is 13.6% higher than last year and EBITDA 25% higher than the previous year.

So if you talk about Q3, it is 60 basis points of jump in the EBITDA. And if we talk about 9 months, then roughly in 9 months, we have received around INR 1,500 crores of sales and about to INR 150 crores of EBITDA margin, which is 107 basis points increase in 9 months. So in Maharatna also, we have got a good contribution actually. Though in this quarter, it was INR 133 crores.

And if you look at the year as a whole, it is INR 596 crores, roughly 55% was the contribution from the Maharatna. And I was saying Shinwa and Torry, and also Hachiman were the main ingredients for the main products, which lead to the jump. If you look at the insecticides, herbicides, fungicides distribution, insecticides are the highest with almost 44%; herbicides 41.6%; and 10% of fungicides in 9 months.

If I talk about the 3 months also, more or less figures are similar just the fungicides are rating lower at 8% in the pre-launch segment. And I was telling if I talk about the distribution area wise, more than 50% has come from South. And East, West and North zone has little bit, I would say, some, and they have contributed another 50% angle.

And the Hachiman and Shinwa in particular had contributed in a big way year-on-year in terms they have contributed about INR 100 crores jump in the turnover, these two products in particular. As I was discussing about Torry and Izuki, these projects have also given a good jump to the company, about INR 60 crores has come out of Torry and Izuki put together the jump year-on-year.

If I talk about the 9 months sales, roughly INR 70 crores have come from Torry. And Izuki, we got a very small window to market this product, about INR 12 crores has come out of it. And we are expecting further little more sale, but all these products are going to rise in the near future in a big way. So this year, company has given the bonus in the ratio of 1:2 and we have a very stable credit rating. The credit rating has remained same.

And in this quarter, Q3, we had launched a product called Stunner, a decent beginning. And I would say that this quarter is again going to multiply into next year. We have recently sold some quantities, small sales, roughly about INR 4-odd crores. But we made a beginning into the grade segment with this product, and it is going to contribute in a big way for us in the near future in FY '24. Talking about capex. So first of all, I will discuss about Dahej, the L&T project. So here, the capex was planned at about INR 1,110 crores. It is against the budget expenditure; it has gone up to INR 160 crores for various reasons.

Number one is delay and number two is the increase in the cost of steel and some other materials actually, which has led to the increase in the project cost. And we have also planned to introduce 2 more boilers actually to have a solid fuel here, so which has also led to the increase in the project cost for this Dahej site. So this project is expected to commence by March '23.

So this means that all our capital expenses or the projects will be completed by March '23 running projects. So for the cost savings, we have put out 1 megawatt solar panels at the Dahej site and also 200-kilowatt solar panels at the SEZ site. And also, as I was discussing, the solid fuel being using instead of gas, which will be a big saving because with the increased plant, the consumption of gas or the consumption of steam for the company will double.

So the only way how to keep the expenses under control is solid fuel, which runs at almost half or less than half cost of gas actually. So that is the reason actually we should be able to introduce these new boilers by the end of March. So the project will complete at this time, and the new boilers will also start, so which means that keeping the same expense ratio, we'll be able to maintain and do more production, which will be to savings for the company. I would like to talk about Rajasthan. In Rajasthan, we have completed our projects.

And now we are coming up with the new sites in Rajasthan. We have bought one plant in Rajasthan again because we believe that proximity to Delhi and on the highway, it is going to help us in a big way in consolidating our formulation facilities.

And not only the formulation, there will be scope of setting up the new R&D centers because we have started the loop of IIL Biologicals. So the R&D center for the IIL Biologicals will be made here -- the plant for the IIL Biologicals will be made here and also the plant for Insecticides India will be made at the same site. It's a large site of more than 15 acres of land, and this will come into the position of the company in the month of March.

And we propose to start the phase 1 of the site very soon because it's a constructed site, and we are going to start with the formulations and some biological activities. And later on in half 2 or Phase 2, we'll come up with the technical synthesis plant here, which will be a 2 year project again, but that will start after some time actually in the later half of 2023.

So first, we'll complete our both the projects and start taking the advantages out of the Dahej site and Chopanki site, then we start with the Dharod site, which is a new site for the company. Talking about the Maharatna and Focused Maharatna. So as we know that we have 11 products into Focused Maharatna segment, and these products have contributed well.

And if you put together Focused Maharatna and Maharatna, more than 555% of the business so far has come out of this segment. And I believe in the last quarter, we are going to put more emphasis on Maharatna products, particularly both on B2C segment as well as B2B also and expect a good jump into the sales of Maharatna segment and also a good bottom line due to the, I would say, increased sales in the B2B segment out of these products.

So we are getting very good response and very good order books for some of these products, and this is going to support our quarter 4. Talking about the future outlook. So overall, if I sum up the year, FY '23, I would like to say that the top line will be the double-digit growth and similar will be the bottom line.

We should see a better result in Q4. The EBITDA growth, which we have achieved in Q3, we'll try to maintain that EBITDA growth. And there will be some decline in the export target because export target was keeping always at INR 150 crores, but there have been various reasons, which are seen in the export markets.

Number one is the depreciation in the various currency and nonavailability of dollars, which has impacted many countries who are our customers in Africa, Middle East and LatAm countries. And also SEZ we are finding paucity of dollars and due to nonavailability of dollars, we are not able to supply it to them.

Some people are maintaining the balance sheet in their banks, but the banks are not able to allow the LC after the payments in advance what they are supposed to do. So we have somewhat a little on this export front, but I believe that we should be able to make it up soon. And this year, we may close the export sales around INR 110 crores and INR 115 crores, giving a hit of about 30%.

But I can assure you that next year, we should cross INR 200 crores plus in the international market because of various reasons actually, not only the registrations of some of the products which we are getting into these markets. But we'll have some restrictions of technical also in the advanced markets of LatAm, Europe, American, some countries. So this is also going to give the push to our export sales.

And we're also looking at the opportunity of cramps coming into us in the export market, which will again strengthen our business into the international market and give a good boost to the export business also. So for the next coming year, we see the strength in our B2B business because the introduction of new plants. And with these new plants, we are also going to introduce new molecules.

So these molecules will also go into B2B segment, further into B2C. So I see the growth coming from B2B, B2C and export front, all the sectors in the next year, and like again with the expansions coming in, I would like to keep the target of 25% growth for the next year also. So here, the new products which are introduced in the recent 2 years.

And the new introductions, which are going to come now because still we have the plan to introduce 4 more products into this month itself -- in the month of March, which is Mission Sargent Xpress, Tornado -- [Bouncer La 0:17:28] Sargent Xpress, it will be read as Supremo

SP. So these are the 4 major launches with Mission and granule for CTPR. We may also come up with the lucrative formulation of this product mission, which is the number one insecticide in the country selling today. So we are coming up with the technical manufacture of this product, and we'll bring the formulation to the market.

It is going to be the part of our top 6 products, and we expect a big jump with this product sales also. So at present, Shinwa in '23 will be our largest product, which is a Japanese patented molecule, and we are expecting to go close with good numbers in this product. In the next year, again, it is expected to multiply along with some other products like Torry, Hachiman and some others like we have selected 6 products, which are going to go do good in future. So I have a very good expectation from Q1 itself of the next year '24.

And I'm very, very confident that with our focus on the Maharatna products and Focused Maharatna products, we shall be able to deliver the good numbers as per the expectation of the state. So IIL Biologicals is, will be doing good, and we'll be introducing various products under this segment. And along with this in the rabi season also with some of the products like Shinwa, Torry, we will be getting some sales and some gold products also will be doing good to see them and there will be launches as I was discussing on these 4 products.

So there is some contribute of these particularly Mission, Tornado, Bouncer, some quantities of these will also be moved to the market and will help us in building up the sales of quarter 4. So we are also working for import substitution if I talk about the Dahej expansion. There, we are backward integrated, particularly for our two technicals, mainly [inaudible 0:19:15].

So we are going to make the intermediates for this product, which will strengthen our technicals in the international market. We have already increased our capacity, almost doubled our capacity for manufacturing these technicals at Chopanki plant. And now once we start manufacturing the raw materials for this product, which will strengthen our capacities and capabilities into the market and will give the confidence to the international market of our consistent supply, quality supplies, and this is going to help the company in a big way because we are generated a lot of data for these molecules and the patent being registered in all the advanced markets for the world.

So our export gets boosted when the new technicals like we are investing a lot on registrations, not only into Africa and Middle East, but also in Europe, Brazil, NAFTA countries, LatAm countries, Canada, etcetera. So a lot of these markets are going to become our new markets, actually. And we are going to go to further away from Africa and Middle East, like Europe, Brazil, LatAm countries, all these companies are going to support us in the midway.

So the export revenue for this year is from INR 1,500 million, it has come down to 115 million projection, but we are going to make up in a big way for the future. Meanwhile, we are going to continue our focus around the R&D because in the R&D, we are doing various types of activities. One is the biological R&D, second is the chemical R&D. In the biological R&D.

We are going to exhibit some more products which are going to come in the biologicals. So there will be 3 or 4 expectations within the products launch expectation we can do in the biological



segment. And similarly in the chemical segment, there are certain listed, which are getting the registration.

And all these new mixtures and of our new products will be coming soon, where we are going to make certain new technicals and where we are going to launch certain formulations. So all these are going to give a good edge into the market, and these launches are expected in last 3 to 4 months actually. So this is going to happen. And with growth also, we are going to enter into this kharif season for using our insecticide, fungicide and also the insecticide. And these new products also are going to support with the big deal.

So with this, I thank all the participants, and we are open for questions.

**Moderator:** We have the first question from the line of Jatin Padalia an individual investor.

**Jatin Padalia:** Actually, I am an investor and I got sense from my relatives [inaudible 0:22:28] a lot of sense to understand about their company. So if I ask a lot, so you may just tell me. So first is, as a percentage of balance sheet, our resumables are very high. So what is the reason behind that? Is that because our business nature? Or you can throw some light on that?

**Rajesh Aggarwal:** I think resumables are very much under control as it happens in regular years. And even with the increase in the sales, our collections are quite good. And by the March end, the things will be very good, actually. I don't see any big threat over there. So our collection so far are doing very well.

**Jatin Padalia:** And what kind of market share we are having currently in this business amongst our various competitors?

**Rajesh Aggarwal:** Actually, it's a difficult number to tell, but we believe somewhere between 4% to 5% of the market share.

**Jatin Padalia:** So I see that you are launching new products every year. So are they just extension of your old products or they are giving something new? You can explain that by some example. I'll hold the call if you try to explain by using -- so that I would like to understand some more detail?

**Rajesh Aggarwal:** We, as structured brand pesticides, who is providing the company's solution to the farmer in the beginning when this company was launched in '21. So at that time, I picked up everything, whatever was there in the market, and we launch everything into the market and we kept on increasing our range. Then I realized that we have a bundle of GLP products, which are leading their charm and the new generation solutions are coming.

Then we started adopting new generation solutions, a decade back. So almost since then, we are trying that how we can balance our risk because the number of products are growing, added up. And we are -- it's become very difficult to reduce the molecules. So now we pointed out that all the molecules which are below a certain size, we pointed out the molecules, and we are trying to take out about 30, 40 -- more than 40 formulations or 40 brands out of our total range. The idea is the genes which are not getting big share, they should grow.

But our stance is that we provide the company's solution to the farmers, so we are working regularly to provide the new generation solutions. Now there are 3, 4 ways in which I provide the new generation solutions to farmer. Number one, we work with the Japanese partners and we bring the patented technologies through the Japanese, particularly Nissan. So number two, we work in our R&D center, and we backward integrate for the new generation genes. Then when I say new generation genes, they are not pretending molecules, which are a monopoly in the country. So we make the AI, and we bring them at competitive price for the farmer and establish the brand there.

Number three, we made new generation formulations, the massive formulations, which means a mixture of 2 or more products or a new formulation, which is different than the past which gives better results to a consumer. Simple example is crocin versus, what do you call that, combiflam, which is a mixture of two medicines. So we try to bring a ready mixture for the consumer so that one medicine can give better results and spray costs come down.

The medicine is a scientific mixture, we can bear the IP on this and this give the edge into the market. So it's a win-win situation for all. So we bring this type of products also. And apart from that, we are doing the biological solutions also to the farmer. So these are the four ways which we are bringing the molecule. So when I bring the molecules, for some of the molecules have to make new technical AI also. So we backward integrate and we make the new AIs also. And in some of the AIs, we are doing the backward integration so that we can reduce the dependence on China.

So these are various ways -- products, we are trying to build the new solutions to the farmer, and we are continuously working on bringing the new solution because we want to change the product because now I believe that we have come to a point where there is no use of selling all these generic products or only smaller products. So generics, which are moving their channel, we are trying to cut them by ourselves and bring the new solutions, which have more value edge. Thank you.

**Jatin Padalia:**

Excellent. Now the question is regarding capex. So whatever capex we are doing, that is I think some capex we are doing to have some record integration and performance is capacity expansion like that. So I mean margins, we will be back -- I mean incremental margins and incremental revenue?

**Rajesh Aggarwal:**

There will be -- like we have given a projection of 25% growth in this year. We are already 20% plus. We have given the projection for 25% growth in the next year also. And I believe for a few years, I'll be able to maintain this. So we are trying to -- by continuous expanding, by launching new products and by doing the backward integration and making the new AIs, we continue this type of growth.

So I don't want to give a very good number, but we should continue to grow by 25% for next 2 to 3 years by the virtue of investments we have made. And we'll continuously keep on introducing the new technology, which we have developed over a period of time and definitely says this will be value-added technology, so they will support us in increasing our bottom line or bettering our bottom line more than the top line. So that will be the reason.

- Jatin Padalia:** And the patents that we have are valid only in India, right?
- Rajesh Aggarwal:** I would suggest like patents are majorly in India, but some of the patterns are also internationally valid. But yes, at the moment, we are focusing majorly on Indian patents. We have also had a JV, which discovered the molecules for the world. So in that case, we are looking for international patents also. So major contribution is done via the Japan and minor with us. So I would suggest that a lot of questions, I will reply to you. You can come back in the queue, please.
- Moderator:** We have the next question from the line of Bharat Gupta from Fair Value Capital.
- Bharat Gupta:** Couple of questions from my side. While we look at the overall revenue contribution coming out from the B2C space, margins in this quarter has also remained on the muted side. So I just want to understand more on this. Can you throw some light like what has been the family region for muted margins in this quarter?
- Rajesh Aggarwal:** There has been a very like big impact on the prices in the market because of the market fluctuations. The prices in the beginning were very, very high, then they became a little modest and still the currency -- a lot of issues are there prevailing already. The currencies have gone up. The crude was high, then crude is reasonable at the moment. So the international markets are highly fluctuating. So due to these fluctuations, we have to give the impact of those fluctuations actually on the inventories and everything.
- So it has impacted. And otherwise also, like if you look at the second half of the year, it is a small business for us, and it was very difficult to make good margins into big business. But still, I believe that Q4 is going to outperform Q3 for us because we are expecting a lot of good sales of the new generation molecule, which is going to support. And this trend is going to continue throughout the next year, which will support us in building up the bottom line. At the moment, yes, it has got impacted. So I've already explained the international market trend, the pricing pressure, the currency pressure both has impacted it.
- Bharat Gupta:** Rajeshji, just on the number side. So what would be the rough impact on the currency side, like currency fluctuation? Have you taken any forexes?
- Rajesh Aggarwal:** Forexes are regular thing, initially because the way we like the process **[inaudible 0:30:37]**, if you do the hedging also, you have to put it in the cost of the currency hit. So our currency was about INR 13 crores is the currency hit of this year actually. We have already made up import of more than INR 500 crores. So we are being ahead of our INR 13 crores on the total cost of headwind, you can see plus including the loss in currency is INR 13 crores. We are already hedged in the market.
- Bharat Gupta:** Any colors on the volume growth for this quarter?
- Rajesh Aggarwal:** Volume, yes, for some products, we'll be increasing the volumes. For some other products, there will be the fall in the values actually. So volume is not very important because it will be value, which is very, very important. When it comes to new generation, in the new generation, the volume is continuously coming down and the value is coming going up actually.

So I think that in times to come or if I look at the 20 years of agrochemical industry, continuously, the volumes are coming down, but the value year-on-year is going up. It gives you a small comparison by 2005, this industry was about just 2 billion, which has not even 2 billion, about INR 2,500 crores. Today, it is -- Indian market is more than 3 billion. And the quantity over this period has declined actually. So continuously, the volumes of the generic products were very, very high, the prices were low.

The new generation products value is high and the volume is low actually. So slowly, we are going to low volume products. And as we keep on tail cutting the generic molecules, the volume will continuously keep on falling.

**Bharat Gupta:** In the current quarter, like the pricing hikes across Maharatna. So what would be the figure?

**Rajesh Aggarwal:** There was no price hike in this quarter. There was an impact. I told you already that the international market was highly fluctuating. So there was some decline. There was no increase in prices actually. A little decline in certain products as per international adjustments.

**Bharat Gupta:** Sir, in terms of the inventory situation, which is there, so like how is the situation in regard to the challenge in inventory pricing?

**Rajesh Aggarwal:** I don't see a challenge actually because some products here, the inventory prices have fallen but that impact has already happened actually. And we are expecting a good season, good start for the new year because a lot of new molecules. So we have to rebuild the inventory. So for the new year, we'll have to rebuild the inventory and that process is on.

**Bharat Gupta:** And so, Rajeshji, in terms of the guidance, like you've given a more than 20% kind of a growth for the contributing year. But in terms of like if I look at the margins, so any particular internal target which we have in mind like in order to maintain a particular level of margin?

**Rajesh Aggarwal:** Like I don't want to give any exaggerated results, but I will tell you that if I grow by 20%, the margins will be growing better than that, and that will be evident from the first quarter performance itself. And this Q4 also, we should be positive, actually year-on-year, we should be positive in terms of percentage.

**Bharat Gupta:** So our focus is towards improving on the margin tail cutting the lower-margin products, right?

**Rajesh Aggarwal:** Yes, we are tail cutting the lower margin products. And whatever we are introducing a new generation solution with better margins.

**Bharat Gupta:** Also in the presentation, there has been a reference regarding a 9(3) registration for, I think, glyphosate-potassium sold in. So just wanted to understand the market size for these products in the applications across the crops?

**Rajesh Aggarwal:** These are all new products actually for the country. So glyphosate-potassium salt will be a new formulation for India. Internationally, it is very, very popular. But yes, we have recently noted. We got the registration in hand just yesterday. So we are going to introduce this product. This

will be one of the 4 molecules, which are going to come in. Again, there is another product called [inaudible 0:34:32], which we are going to manufacture in the month of March.

So we are going to introduce Supremo SP, which is again manufactured in the country for the first time. So glyphosate-potassium salt is called Bouncer. The again, there is Tornado, which is a mixture of 2 formulations. You have tested us, we make already. So it will be launched at Tornado then the mission. Mission is CTPR, which is the largest selling insecticide in the country. So we have already made the technique, and now we are in work for the formation. This also will be launched in the month of March. So there will be various launches in March. And even after March, there will be a few launches [inaudible 0:35:05].

**Bharat Gupta:** So we are looking to target more than 5 products in the coming year?

**Rajesh Aggarwal:** Yes, there are maybe about 4 including the biological and another 4, 5 products actually, maybe launched further. And these 4 products have been launching, which are going to happen in the month of March itself.

**Bharat Gupta:** Just last question from my side in regard to the backward integration. So you specified that the work has been progressing like it has been completed by March '23, right? Like what kind of a capital consumption we'll be incurring from mid in terms of margins? So will there be a good amount of impact for it, like in terms of our overall margins for?

**Rajesh Aggarwal:** When I talk about the consumption, like we should be able to make the 100% usage of the backward integrated things by ourselves, and then there will be some products will be sold also. So I'll not be able to declare the loans of all the things. But yes, the idea is like some products will consume 100% by ourselves and some quantities we sell into the market. Number 2 is the question about the increase in the margin.

So that is very, very subjective because it depends on the market conditions when the prices go up, at that time, the contribution is more when the prices are dipping. At that time, the contribution is lower, but still that will be positive and will be very, very helpful in building up a stable supply at a stable price. So it will be very helpful.

**Bharat Gupta:** It will be curtailing the exposure which you'll be having towards China, I think.

**Rajesh Aggarwal:** Definitely, it will be a big help. But at the same time, imports of China is growing because of the introduction of new volumes, a lot of things have to come from China. So I don't see the total overall imports coming down. But yes, this will be helpful quite helpful.

**Moderator:** We have the next question from the line of Dhruv Muchhal from HDFC Mutual Fund.

**Dhruv Muchhal:** Sir, my question is that some of our new products have done reasonably well. If I look at the presentation that you have uploaded, the 2 products, which were launched in FY '22, I mean the products which you launched in FY '22 and '23 are driving initial part of our growth. But coming back to the earlier point that the margins have not improved. So sir, just wanted to -- and probably that the reason is because of the high technical prices in the generic as you mentioned earlier.

So if I probably have to dissect in two, your new products that you have launched and the legacy products, is there a trend that your new products are delivering significantly better on contribution margin versus your legacy products? Can that be a difference? And once the [inaudible 0:37:58] high prices situation normalizes, you can see that reflecting in your overall numbers also then? Any...

**Rajesh Aggarwal:**

I will respond one by one. It's not easy to establish a new product to the market. Because it cannot go by price, you have to work with the farmer and establish it. So whatever is happening, it has happened by the strategy, number one. Number two, is we talk about our classic products, actually, which are a hit in the market. They are always a hit, and their number is also going up. Their sales is not coming down.

In terms of number, if you're talking about the volumes, the volumes of all the classic products, which are more than a dozen, it is going up year-on-year. It's not coming down actually, and it's only us that we are not increasing the sale of certainty when it is under control. Otherwise, there is still -- not killing those products. We are killing the other range of products which are, number one, not delivering quantity; number two, not delivering in margins; number three, they are not benefited from the market. So only those products are being cut.

So this change in market has already started coming for last 3, 4 months actually. And the change in inventory because M2M adjustment you have to make is already happening into the market, and that impact is already happened mostly, I believe, in our inventories. So due to this, the overall margins look a little impacted. So there is no risk which I see because already the low-cost inventory as we started entering into the system. And since it is there, so the prices have rationalized, and we believe that the new season has to be a good season.

So it is by strategy and by choice. It's not automatic. It's with the new product alone cannot go until you put a full pressure. So since you have worked so hard, you have to spend 5 years to 10 years on bringing a molecule. And after investing so much money and if it is a good model and if you don't work for that, then you are not doing justice with that. So this comes with very hard work and very big efforts actually of years of scientists. The teams and marketing team, development team, sales team, all the teams have to work hard, then only the molecule gets established in the market.

So nobody can say that you have the product, the products are gone, now that's the situation. Now new molecule is coming in, the new molecule is taking this year. So these are sheer something which competitors talk about actually and nothing more than that.

**Dhruv Muchhal:**

Sure. But I was also trying to just understand. So your new products probably will be delivering better on margins because they are...

**Rajesh Aggarwal:**

Definitely. But you cannot cut down the small products if you are maintaining a Grocery shop. You can't say that I will stop selling sugar, I'll not sell salt. You have to sell. For the large selling items, you have to like specialize in the large selling item, like Lethal. Lethal is a key brand actually. So I'll continue selling Lethal and keeping the -- making the variance of Lethal, and I'll continue doing it even at a smaller market.

But the new generation things which comes, it comes at a margin, actually. So I'll do with those molecules also. So we'll work at generics with the generics at one range and specialty at another range, and we'll keep on increasing both. Yes, please.

**Dhruv Muchhal:**

I think my question got a bit misunderstood. So what I'm trying to say is that you're launching a lot of new products. Some of these products are patented also, so they will deliver higher on margins. But benefit is not probably reflected in the current quarter or last 9 months number. It's because of the impact of higher technical prices and some of the generics products, which was there because of the inventory issues and all those things.

I'm just trying a better way to understand this will be probably, is, if I can probably get some sense on what your contribution margin will be on some of the newly-launched products and the ex-newly-launched products? Because next year when the technical prices or everything normal from China technical...

**Rajesh Aggarwal:**

We talk about -- generally, generics are Focused Maharatna products. The margins are in the terms of -- like gross margin, I'm talking about 35% plus. In the generics, sometimes, we sell at 5% margins. So these are the gross margins actually. So that difference is very much there.

**Moderator:**

We have the next question from the line of Rohan Gupta from Nuvama.

**Rohan Gupta:**

In the line of margin and margin profile. I think that your presentation says roughly 9 months, almost INR 400 crores kind of turnover on INR 1,500 crores turnover would have come from the new product launch. That roughly good 30% kind of numbers are. I think that this probably will be the best mix in the industry in terms of the revenue contributed from the new products. Despite that, sir, once again, I'm harping on the same issue, despite that this is not getting reflected on the EBITDA margins.

So just want to understand that do our strategies are like in terms of in the launching of new products, the generic and compete with the many other products already in the market and where the pricing is not higher or significantly higher and then the existing products in the market? Or we have to just only compete in the market and keeping the prices low that that's where even the new products also, the margins are more or less in line what we get in our existing product basket? Give me something, sir.

**Rajesh Aggarwal:**

Last year, what has happened like the new generation products, we have a lot of products that are very expensive priced because that was the situation. These are the situations at last moment, very small market very small window. And we were forced to do that actually, which is kept on like -- which led to a very high cost of some of the products. Some other generic products, also the prices in the market were very, very high, and we were supposed to buy at those prices.

So last year, my purchase cost was relatively higher. And this year, we are trying to keep it under control, and this is going to help us in building up the margins for the new year actually. So this year, buying has been at much better prices than we think this year. So this is going to support the building of the markets.

- Rohan Gupta:** So basically, you're saying that the raw material costs have been pretty high and that has been very...
- Rajesh Aggarwal:** In last year, December, January, February, the cost of raw mats was very, very high, and we were forced to purchase at higher price. And now this year, purchase is whatever happened after Diwali, they are at very aggressive prices. So this is going to help us.
- Rohan Gupta:** So that is one, and second is in general trend also, we have seen that the revenue contribution from the new products. So just clarifying your presentation. So should we assume like that the INR 400 crores revenue, which has been coming in which has come in 9 months. Is it all the products which we have launched since FY '13? Or it is only like in the last 5 years? Or how you track it? Like what we see that the products are in the blue shade that FY '19, the revenues from the...
- Rajesh Aggarwal:** I don't have the collection, like this sheet shows weak years. We are very, very clear in the year. So this shows the first from FY '19. If you look at the FY '19 products, there is hardly an increase year-to-year, it is a decline. If you look at FY '20 products, again, last year it was INR 55 crores. This year, it is INR 48 crores. The increase comes from FY '21, '22 and '23 products only. So these colors are very, very evident actually. So...
- Rohan Gupta:** So what we should see that the blue color, I mean that probably the product launch in FY '19 that they are flatten now and there is no evidence of growth coming from those.
- Rajesh Aggarwal:** Yes, this shows that not the color actually. So the major increase in green and orange color, which are on the top. So orange is this year launches. INR 103 crores has come from this year launches. INR 117 crores has come from last year launches. Last year, the sales from this product was **INR 24 0:46:04** crores. This year, it is INR 117 crores so far.
- Rohan Gupta:** But what I want to understand that when say in FY '20 when we have launched the product within FY '20, revenue was INR 30 crores. The growth in the next year should have been exponential growth or should go on at least next 3 to 4 years. But it just letting you that INR 30 crores and INR 43 crores and INR 55 crores and INR 47 crores.
- Rajesh Aggarwal:** So Rohan, we cannot generalize anything. It depends on the product, what the product, what the response, how they're doing. So I don't have the product in handy. You can discern about specifically. But now like, if I talk about this year, so last year, we had launched two products. Both are big products actually, they are going to increase further into the next fiscal again, they are going to go up thereafter, they might stabilize. And two products which are launched in this year, they are going to go up to for at least two years again, and then they might stabilize. So can't say because now...
- Rohan Gupta:** So like this year has been fantastic in terms of the ramp-up of the revenue like in both in green and orange. There has been significant ramp-up of almost INR 270 crores -- INR 220 crores kind of revenue has come from this new product launch.
- Rajesh Aggarwal:** If I talk about this because these prices are low. So I see the increase in the revenue coming in the next fiscal also for both these colors.



- Rohan Gupta:** And then the raw material costs have now normalized. So we should get a...
- Rajesh Aggarwal:** The normalization of what it has led to because I have to mark M2M because when I'm purchasing the cheaper raw material and if I get the stocks of higher price, then I have to make that adjustment. So that adjustment has already happened in the balance sheet, and it gives the opportunity for making money in the future, yes, because it is all M2M losses, they are not real losses.
- Rohan Gupta:** So one is that higher raw material costs. And second, you mentioned that INR 19 crores is the forex loss, right?
- Rajesh Aggarwal:** Forex is INR 15 crores, not INR 19 crores -- INR 14 crores, sorry.
- Rohan Gupta:** Sorry. So INR 14 crores is a forex loss and high raw material costs that has also impacted our current year profitability, which shouldn't be the case going forward in FY '24. Am I right, sir?
- Rajesh Aggarwal:** Yes.
- Rohan Gupta:** And the 25% revenue growth which you are targeting, I believe that is coming from the further new product launches or we are still seeing that on the existing product itself being here available and also in the export market? So all...
- Rajesh Aggarwal:** All the products which were launched in the last year and the products which are launched in the new year, there are certain euro products. We have selected six products for the next year. So out of the six products, there will be a one launch only, which is going to come. **[inaudible 0:48:43]** are already launched into the market in the 2 years duration.
- So all these six products will be the focused forex for us in the next year. These are going to contribute in a big way for us in future. So at least for the next year, we have very high targets on these six products. So six we'll take as a champion's products.
- Rohan Gupta:** Sir, a broad idea in terms of the margin difference in the new products like you mentioned six products newer product in FY '23. What could have been the cost margin?
- Rajesh Aggarwal:** When it's a Focused Maharatna product, the gross margin at 35% plus. And when it is a generic product, the margin are 10% minus or 10% plus minus, I can say, because in everything and at every stage, it can't be the same. It, in terms, vary.
- Rohan Gupta:** So we're seeing that beyond these top products -- top Maharatna, our gross margins are roughly below 10% on the generic product.
- Rajesh Aggarwal:** Maharatna, no. Focused Maharatnas and Maharatnas are on 35% range, and the gold range and below our 10% is minus range.
- Rohan Gupta:** What could have been the contribution of the revenues on the products which contribute below 10% gross now, Rajesh sir?
- Rajesh Aggarwal:** About 40%, 40-odd percent, 45%.

- Rohan Gupta:** So we still have a 45% revenue, which actually probably is pulling our margins down. So...
- Rajesh Aggarwal:** Actually, we are trying to bring it down to 35% in the next fiscal.
- Rohan Gupta:** So the reason for doing the business of this product is basically to keep the SKUs alive or basically at the bottom line, it does add something at an absolute EBITDA? I understand you can maybe...
- Rajesh Aggarwal:** There is contributing the market, it is not easy to cut down a product often because there are inventories they are inventories in trade, they're inventories in factories there are inventories of particular material. So you have to plan the things and do it in the next 2 years or 1.5 years. So we are only -- we are looking at about 40 products. I wish to take up more than 40 actually at this moment. So we started that last year. So I think I should be successful in cutting down for 40 more this year.
- Rohan Gupta:** So what can be our target over the next 2 to 3 years on this product, sir, the revenue contribution.
- Rajesh Aggarwal:** Which products?
- Rohan Gupta:** I mean on the products, which are contributing below 10%, which you are targeting 35% next year. I'm asking over the 2 to 3 years, what is the target?
- Rajesh Aggarwal:** We'll go slow actually. So next year will be 35%, then we target 30%. Hello?
- Rohan Gupta:** Yes, sir. I'm there.
- Rajesh Aggarwal:** We'll target 35%, 25% is the target, 30%.
- Rohan Gupta:** Sir, second is on our new product launches like our CTPR and all, which are the completely new product and are seeing a huge demand within the market. So we have already got the registration and we will be launching this product and we'll also be the doing the B2B sales for these products, sir?
- Rajesh Aggarwal:** Yes. We are planning to do that actually. So in February, we launched our brand. And of course, we are working with some partners. So we'll decide and close the partner successfully.
- Rohan Gupta:** So we have got the registration, sir?
- Rajesh Aggarwal:** The launch is going to happen in February.
- Rohan Gupta:** So until the CTPR product registration is improve...
- Rajesh Aggarwal:** Prior the registration, I cannot do launch, there have been restrictions 6 months back. I was sitting on it, I was working with the company, I was trying to decide that how we have to proceed. So now we have decided we are going to make the technical by ourselves.
- Rohan Gupta:** So sir, if I understand rightly, as of now, there are only 3 to 4 players like Natco and Best Agro and GSP Crop, who has got the product registration. If you have also got the product registration

almost 6 months back. So there are already 4 to 5 players who have got this products registration, and maybe the market is going to be pretty crowded. Do you see that in next year? And what kind of market share you think that or revenues we can garner on the CTPR in next couple of years sir?

**Rajesh Aggarwal:** We have -- difficult to talk about a couple of years. But this year, I would like to establish it as one of the key products. I kept this in the top 6 products of our list. So definitely, we'll be targeting a big number out of this product.

**Rohan Gupta:** Where we will be in our competitive intensity on these CTPRs, so we are completely fully backward integrated or we are still buying some raw material from outside for CTPR?

**Rajesh Aggarwal:** Raw material definitely are going to come from China for everybody. So it hardly matters. So we are competitive with everybody and anybody. So it should be a good contributor to us because we are making our own AIs and our own formulations. So we should be aggressive in trend.

**Rohan Gupta:** Sir, in our business of B2B, what is the revenue share right now? If you can just give that number?

**Rajesh Aggarwal:** B2B, exact number, I'll just share.

**Rohan Gupta:** Not number, I am not looking for numbers.

**Rajesh Aggarwal:** Roughly about INR 400 crores is something we have achieved so far, so net of GST. So another roughly INR 70 crores, INR 80 crores -- we do roughly INR 500 crores minus in totality this year.

**Rohan Gupta:** So for now, INR 400 crores is B2B and roughly INR 100 crores is from the exports. So roughly INR 500 crores is...

**Rajesh Aggarwal:** I'm not talking about 9 months, I'm talking about 10 months now, almost 12 months. It's not a 9 months product.

**Rohan Gupta:** So roughly, on an annual basis, it will be roughly -- we can safely say that 35% revenue from B2B and exports and 2/3 is B2C.

**Rajesh Aggarwal:** Yes, yes.

**Rohan Gupta:** We are also on the verge of commissioning the new facility, and you have in your opening remarks mentioned that a strong opportunity and import replacement in B2B market. So where we see that our B2B business panning out and with the [inaudible 0:54:54] investment? Where do you see that our B2B business can go? What kind of molecule can pick up?

**Rajesh Aggarwal:** If I talk about this year, current year, we are targeting roughly about INR 500 crores B2B. Here, we can see a INR 200 crores jump in B2B segment actually. So B2B and B2C, both are target INR 200 crores, INR 200 crores jump actually. And there will be a small jump in the export segment, which will be INR 100-odd crores this year. Next year, we'll be targeting INR 200.

So the target will be of roughly about INR 500 crores, then to INR 200 crores, INR 200 crores and INR 100 crores roughly. So in totality, how it turns out INR 400 crores or whatever, I'll declare in total. But roughly, the broad target will be like that.

**Rohan Gupta:**

And sir, margin profile will be similar in B2B, what we see in B2C or I mean, at EBITDA level?

**Rajesh Aggarwal:**

EBITDA Level, this is more or less similar because when you start selling the new generational molecules, the margins in the new generation molecules are better than the older generic products, actually. So since the sales is going to grow from the specialty side only. So I believe that it will be more or less similar.

**Moderator:**

As there are no further questions from participants, I would like to hand the floor back to the management for closing comments. Please go ahead, sir.

**Rajesh Aggarwal:**

Yes. So I would like to thank all the attendees for attending this virtual session. We believe that we have satisfactory run you through our company and business model and addressed every arriving questions there 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 Investor Relations team, Vinayak and Naman from Captive IR, if you have any questions, which weren't covered up in the session, and hope you have a great day ahead. Thank you once again. Thank you very much.

**Moderator:**

Thank you, members of the management. 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. Thank you.