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The Manager

Listing Compliance Department BSE Limited (Through BSE Listing Centre) Scrip Code: 532851	Listing Compliance Department National Stock Exchange of India Limited (Through NEAPS) Symbol: INSECTICID
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Dear Sir/Madam,

Sub: Transcript of the Earnings Call for the Second Quarter and half year ended September 30, 2023

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 – Q2 & FY 2024 held in connection with the Unaudited Standalone and Consolidated Financial Results of the Company for the second quarter and half year ended September 30, 2023 held on November 03, 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/wp-content/uploads/2023/11/EP_transc_03112023_web.pdf

This is for information & record.

Thanking You,
Yours Truly,
For Insecticides (India) Limited

(Sandeep Kumar)
Company Secretary & CCO

Encl: As above



“Insecticides India Limited Q2 FY-24 Earnings Conference Call”

November 03, 2023



Choice



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

MODERATOR: MR. VATSAL VINCHHI – CHOICE EQUITY BROKING



*Insecticides India Limited
November 03, 2023*

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY24 Earnings Conference Call of Insecticides India Limited hosted by Choice Equity Broking Private Limited.

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

I now hand the conference over to Mr. Vatsal Vinchhi from Choice Equity Broking Private Limited. Thank you and over to you.

Vatsal Vinchhi: Thank you Yashashri. Good afternoon, everyone.

On behalf of Choice Equity Broking welcome to the Q2 FY24 Post-Results Conference Call of Insecticides India Limited.

I also take this opportunity to welcome the senior management team. On today's call we have with us Mr. Rajesh Aggarwal – the Managing Director, and Mr. Sandeep Aggarwal – the CFO. Kindly refer to the Safe Harbor Statement on the last slide of the earnings presentation.

I will now invite Mr. Rajesh Aggarwal for the opening remarks to be followed by Q&A session. Thank you and over to you sir.

Rajesh Aggarwal: Thanks a lot. A very warm welcome from me, Rajesh Aggarwal – MD of the company to all the participants to today's Investors Call.

I can happily say that IIL has emerged as a leading technology lead agrochemical company. And we have announced the very good, very strong impressive financial numbers in this quarter. The revenue growth is led by our strategy, the strategy is very, very clear which we have been discussing for quite some time, that we are working on the focus products, and we are targeting the focus products. So, what are these focus products, these are Focused Maharatnas and Maharatnas, which include about 30 odd products, which we are focusing and we are looking to bring the new products into this segment actually, and at the same time, we are doing the tail cutting of the old generics, where we see a lot of competition because the recent price fluctuations which were seen post COVID.

So, I felt that these are the products which, with the slightest movement of the market, they become unprofitable for the company. So, we targeted that we would stop being technical manufacturing of these products, we might continue with the brands, but will not manufacture the technicals of these products. And we will shift to the new generation of products and that strategy is working out well because we are able to take all these technologies to the market in

a beautiful manner. And all our moves have been very well appreciated by the market and the products are very well accepted by the market and got a good response.

So, first of all, I would like to talk about our Japanese collaboration particularly with Nissan. With whom we have launched several products like Pulsor, Hakama, they were the beginning from Pulsor we made Izuki a new mixture, again a patenting mixture here I would say, and from Hakama, we made Hachiman again a patented mixture, which included one of our technical and one technical from Nissan. But we could back the IP out of this and two another patented products are Shinwa and Kunoichi. So, all these products are moving pretty well, Izuki though I would say is a partial success in this year because the season was very, very short, but I have very strong hopes, and we believe that all these products are going to be the big hit. And particularly here I would like to talk about Shinwa which is going to touch 100 crores of gross sales in this month actually, it is going to gross 100 crores of gross sales. So, very good response coming out to these products and Shinwa is going to become our number one product that was the strategy also, though we have just touched the halfway but still it is going to be become a very big product.

Along with this, I would also like to thank our R&D team, because their moves of backward integration, new formulation development, new product development, all are doing very well. We are able to back many 9(3) registrations and bring these products to the market and most of the things are very successful. The beautiful part is, by doing this, when we are making the new formulations, particularly the mixtures. So, in these mixtures we are bagging the IPs. So, these IPs are helping us in providing the solution to the farmer and providing the monopolies to the retailers and distributors. So, which is giving the edge in the market and I can say clearly that these are all value-added products.

Along with this, we are also doing a lot of backward integration. And in recent years we have brought various molecules like Green Label has been very, very successful product from our stable by doing the backward integration, Dominant is very successful. This year we launched Torry and Torry last year it was not, but Torry itself is doing very well actually. And this year, we are able to multiply its sales. The same way the Mission was launched into earlier this year. So, Mission is granule and SE formulation, we have two formulations and at a very good response if I add these two, then I also believe that we will be crossing 100 crores of gross sales again by the brand alone and apart from this whatever institution sales we are deriving that is extra. So, I mean to say that our strategy of establishing the new products is helping us a lot and there is a lineup of products because, now we are going to start our new technical plants actually, immediately after the Diwali shutdown as you know that Chopanki expansion is already completed and Dahej expansion is almost completed now, and immediately after Diwali shutdown we are waiting for the approval. So, the new plant will also be started and there will many new AI, which we are going to manufacture from this plant which will lead to the launch of many new products. And we are not stopping now, whenever we get the registration, and the product is with even the slightest of season we try to launch the product in time. So, that the

product enters into the market, we can collect the initial feedbacks and based on that we can make the improvement into the season when there is a peak season and before that, people have start the filling of these products. So, we launched a product called Green Expert in the past. So, it could only touch the South market but got a very good response. Similarly, a product like Supremo SP was launched into the market, just two months back in the last quarter. Very good response, Opaque and Nakshatra were launched and receive a very good response out of this even now for wheat crop we have launched Million, so Opaque is also going into Wheat crop, Nakshatra is going into basically meant for sugarcane. So, some sowing happens for sugarcane now.

So, it is going into the market, so I mean to say, that we have established ourselves as a player who can launch these products, who's bringing choicest products for the farmer, and bringing the new technology product at the affordable prices. And this strategy is playing on very well. And I believe that our focus to work for Maharatna, we are able to attain a reasonably good success in these difficult times, which was a year of El Nino. And most of the competition, they are not able to meet our number, we have shown a growth of 20% into this quarter. And I would thank here, the new products only basically which are supporting or the products which were launched into the recent past. So, these are majorly Maharatna and Focused Maharatna products, all value-added products with which we are able to grow our sales.

So, we are continuously going to focus on our innovation because I always believe that it is the solution which attracts the customer, not the product. So, we need to continue this innovation regularly. So, that we can increase the pipeline of such value-added products, which are value for money for the customer, and they give the effective solution to the customer. Here, I would also like to talk about the team because once you establish the products, you need the team to market these products. So, we have been regularly enhancing our team. Today, if I talk about the sales team, then our total team strength in sales has crossed 700. So, these are the techno commercial people who are into sales and marketing. And there is more than 900 CA who are actively working for us in the market. So, it's a very big strength in the market of more than 1600 people in the fields. And at the same time, if I talk about the distributor, distributor regular working distributor number has also crossed 8000 actually. So, I can say that we have a very good penetration into the market. And at the same time to establish the last mile connectivity it's not only ERP where we are focusing but also focusing on the CRM, which we have started with Salesforce, and the Salesforce was also launched into the market during the Navaratri, we have taken it to our staff, the staff at the moment is connecting with the distributors and retailers. But the idea is that we wish to establish our last mile connectivity with the retailers, with the CA and also with the farmers who were not part of my ERP program. So, they will be covered by CRM. The idea is that we should establish a two-way communication with the company, with the people who are not directly connected like retailers and farmers. So, we can increase our reach and our bandwidth, and we can have the understanding of the requirement of the farmer and the retailer directly from the market. So, that which can help us in enhancing the brand value and enhancing the sales of these products.

At the same time we are also enhancing our manufacturing facilities, as I told you that Rajasthan expansion has already rolled out in full and we are going to add some more technical share in Gujarat plant also, I believe that will be fully active by month of December and we should roll out more products from this plant also. There will be new AIs, there will also be certain backward integration for certain technicals, which will be the insecticide technicals in particular. So, that will also help us to be more cost effective in this market. So, there will be about a half a dozen addition of new AI by virtue of these two plants.

So, at the same time, we are also strengthening our formulation facilities by rationalizing the products and we have a very clear-cut mission that we have to like cross the industry growth targets, like the industry is growing, showing a single digit growth. But I definitely wish to outgrow this actually for this complete decade for which I'm establishing my manufacturing facilities also and continuously investing in this and like the Sotanala investment which is going to come now. So, we have already acquired land, shortly we will be finalizing the plants and then we will start the construction here. And I believe that this plant should also be active in early 2025 with its full strength and this will be doing both technical manufacturing and formulation activities, again strengthening the company for next five to five years for growing at a good CAGR.

At the same time here, I would also like to talk about the JV, the JV also is making new applications for the patents and we are receiving some patents also. And I view the first product coming out in next two years because we have generated a lot of data, the Japanese have generated a lot of data, we have done the pilot scale trials, very successful trials of the product and most part of data is already generated. Now, we are waiting for the bio frequency official trials for the Indian market and once the trial results are out and we will be ready for making this application, we will apply for the registration of this product which means that the new discovery of India will come from IIL through this JV. So, that also is playing out well. Along with this, we are also focusing on the biological segment, because I believe that biologicals are the upcoming segments and a lot of work has not happened into this direction, but it has got a lot of potential. So, we will be targeting this also.

Now, I'd like to talk about the results. Particularly we have shown a growth of about 20% in this quarter. And if I see the half year, then complete half year shows about 17% growth, which is 1336 crores of sales, it is not only the sales growth, but the good part is along with the sales growth, we are able to do the sales growth in the focus product segment. If we look at Maharatna, the Maharatna from 56%, we are able to grow it to 64% in the half year, I believe this is a big achievement. And while growing ourselves we have maintained our finances very well, we are able to work cut down our working capital days, we are able to cut down our borrowing strongly like the borrowing has come down by almost 100 crores, working capital days from 169 has come down to 112 and we are also able to cut down the inventory for more than 250 crores from 850 odd crores it has come below 600 crores, so more than 260 crores of advantage in the inventory also. So, I believe that our strategy of 90, 90, 90 days, which means that we don't want

to buy the inventory for more than 90 days, and we wish to exhaust everything within 90 days, and keep our finances also under control within 90 days, it is playing out well. So, we have been focusing on this strategy and also the strategy of working around these new value-added products. So, both these strategies are playing out very well. And also here I would like to talk about our brand ambassador Ajay Devgn, the campaign has been very, very successful into the market. Particularly the new launches with the photographs of Ajay Devgn have been very well appreciated particularly the product Mission. So, it has helped us in establishing the reach and the credibility and the image of the company. And here I can say again, it has helped us in establishing the last mile connectivity. Again, I would like to reiterate that we were very, very clear that we'll be focusing on the focus Maharatna, which is 11 products, but out of the 11 products the main focus was around seven, eight products Shinwa, Mission, Torry, Hachiman, Green Label, Izuki, Dominant. So, at least the first five have been very, very successful. And I can see Izuki and Dominant are partially successful, but our lineup is very, very strong. As I told before, Green Expert, Nakshatra, Opaque, Pulsor are already launched, Million is launch, even two more biological products Mycoraja, which is our biggest selling product we are going to launch Mycoraja Plus, Nirog a new bio fungicide is also on its way to the market. So, I can say that we have got a very strong pipeline of products and a good opportunity in the country.

At the same time, there is another good news, which is about the stability of the raw metal prices, because there was a very high fluctuation in the market that lead to a lot of confusions. But we see the prices settling down now. And I believe that almost the bottom is touched. Though there may be light fluctuations because nobody can predict the exact bottom, I believe that the market will rationalize now. And it will start either it will stabilize at the current level or start moving up in a short way from here. But overall, I see a very good opportunity and with our focus around our distribution network, innovation and growth, farmer engagement, retailer engagement, crop advisor engagement and training. So, I'm very, very confident that we will keep on receiving a very good response and today if I talk about the gross sales of the company, which is 1000 crore plus, that day is not far when we'll be touching 2000 crores+ of Maharatna product sales. So, we wish to work in very focused manners and I'm very confident to receive a very good response.

Here, I would like to talk about two more points which I have not touched. So, this is the Dahej fire incident, there was a small fire in Dahej which we had announced in the previous meetings. So, that repair work is completed we had estimated a loss of about 4 crores, we've completed with three and a half crores and will be filed with the insurance company soon. So, the plant will be up and functioning immediately after Diwali, because at this moment this is under routine maintenance also. So, once the routine maintenance is complete, on 17th of November, the target is to restart the plant. Here, I would also like to talk about the new building which I just told, that the new project is also ready at Dahej site. So, new project, we are waiting for the final approval, I believe that we should be able to start it in early part of December. So, this will be also up and functional, which means that with a very strong range of products and very strong

backup of the technical manufacturing and formulations, we are going to touch the new season. And we should be able to get the full advantage of the new products in the year 24-25 itself.

Along with this, I would also like to talk about the export, this year has been very, very difficult for export because the El Nino had a very bad impact. Apart from elnino, there were various challenges, because the demand visibility was poor, the finance conditions of different markets was very, very tight. But there is a huge potential because China Plus One policy, Europe Plus One policy is playing out well. And there's a huge potential, we see a huge recovery in demand. And I believe that our target of 150 crores what we have, the revised target was kept for this year, we should be able to reach very near to that target, because most of the exports happen in the second half of the year. So, now the time has come when we will be able to gear up our exports also. But in future, I believe that we should be able to register a good growth in the export number also along with the domestic numbers.

So, with this, I would like to thank everybody for listening to me and I would request the CFO to give the exact numbers and the details about our performance in Q2. Thank you.

Sandeep Aggarwal:

Thank you MD sir and welcome all the participants, though the major highlights of the result has already been discussed, but one after the good performance of the company for the shareholders or you can say the partners of the company, the company has declared an interim dividend of Rs.3 per share or you can say 30% of the face value of the share of Rs.10 each. So, that recorded will be 10th November. So, this is the interim dividend declared by the company.

So, the main highlights have already been discussed. So, I will tell you the key performance where the company has shown growth. So, category wise sales breakup is insecticide, herbicide, fungicide and biological. Q2 FY23 versus Q2 FY24, the insecticides contribution has come down from 51% to 49%. The herbicides contribution has increased from 29% to 34% and the fungicides from 16% to 13%, and biological and PGR are at the same level of around 4%. If you'll see the sales segment wise B2B, B2C and exports. That B2C sales contribution is around 71% of the total sales, 26% is contribution from the B2B part and 3% is the contribution from exports. If you'll see the major strategy on which the company is working, the Maharatna product sales in B2C segment versus other products. So, in FY23 the Maharatna contribution was around 59% and others are around 41%. As in, in Q2 FY24 the Maharatna contribution is around 65% and the other is 35%.

So, and the growth has already been discussed. So, there is a 20% growth, that revenue has increased during the quarter from 583 crores to 696 crores. There is a growth of around 20% in EBITDA also. The EBITDA has grown from 68 crore to around 82 crores. If we will see the quarterly comparisons, the sales has grown from 582 to 696 crores, the EBITDA has grown from 68 crore to 82 crores and PAT has grown from 45 crores to 53 crores. If you'll see the working capital days, though already discussed by the MD sir. So, in FY23 the total working capital days were 169 days, and in H1 FY24 it is around 112 days so, we'll hope that we'll maintain this or

improve this in coming time also, the inventory days has come down from 227 to 105 days in FY24. And you will see the return ratio though it has been annualized for the half year, the ROCE ratio has improved from 6.9% to 16.4%. And the ROE ratio has improved from 10.2% to 21.6%. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Bharat Gupta from Fairvalue Capital. Please go ahead.

Bharat Gupta: First of all, many, many congratulations to the Rajeshji and Sandeepji for a fabulous performance, it is really heartening to see company's performance after our tough time which we have seen after Q4. So, a couple of questions from my side. So, as you have said that we have been outpacing our peers in over the quarterly performance. So, any colors like particularly which you want to share, whether it is probably distribution led or particularly like the products which we are working upon. So, there is a mismatch, because they are in the market where peers do not have a similar set of products and how are we incentivizing our channels, so can you throw some light over it?

Rajesh Aggarwal: Yes, thanks Bharat your question is very, very relevant. Yes, the entire focus is around the 9(3) products because whatever products we are bringing in now, most of these are 9(3) products itself. So, which gives you some type of monopoly into the market. Though when you are making a new AI, anybody can do a 9(4) and bring it we know that but we try to take the first mover advantage in case of AI. And then in case of formulations, we are trying to make the mixture out of these formulations, where we can back the IP, so that gives the strength to enter the market because ultimately, you are able to beat the competition by bringing in these technologies. Along with our R&D, our collaboration is also helping the Japanese collaboration particularly Nissan and OAT in bringing the new products. So, with Nissan we have a very strong pipeline of products which are going to come in future, we have more than half a dozen products already into the market with Nissan which are doing very well and we are expecting to launch one product in the new year again, which will be a monopolistic Paddy herbicide. So, these are all patented technologies, which are coming from Nissan also now, so that gives the edge.

As regards incentivizing the network, we have to keep a reasonable incentive for the network. And now for the key distributors we have formed the two clubs, the Maharatna club and the Ratna club for our distributor. And definitely in these clubs, they will have a personal meeting with me and they will have some incentive better than the other distributors. And regarding, I believe in today's day and today's time, connectivity is the major support and we are trying to connect these distributors through SFDC because they will not only have their accounts information and working information, but through our SFDC program they will be also able to watch their retailer demand and they can fulfill their retailer demand on our SFDC platform itself. By receiving the order, they can make the dispatches. So, that type of convenience also we are trying to bring in. And we are also trying to connect with the farmer. So, when the farmer gets connected, he connects the retailer to the distributor, and the distributor will be able to see

what is happening below him. So, this type of connectivity and training programs also we are conducting. The idea is, that we should help the distributor to grow, and there should be mutual growth into the market. So, that's the basic agenda.

Bharat Gupta: Thank you, sir. Sir secondly if we look at the outlook of the Rabi season, so do we expect the momentum to remain over the H2 as well, because currently the reservoir levels across the Southern plateau region, so that has remained on a shortfall. And so particularly if we talk about the second half of the year, how do you see a company growing in the coming quarters as such?

Rajesh Aggarwal: The growth which we have shown across the B2C segment, it's across the country. And I'm happy to tell you that South has achieved their target 105% so far. So, the time has been tough for South in particular from the very beginning, but they are above their targets, Y-o-Y if I say that they are growing by almost 15% to 20% actually state-to-state. Yes, you are correct that reservoir situation particularly is bad, but you have to see, you have to look for the opportunities and see the bad part. So, it is bad particularly into two areas of Nullore and Rayalaseema. In other places it looks reasonable, there will be some loss of paddy crop, it depends because the rains are expected to touch South area particularly the states of Andhra, Telangana and also Karnataka during this month. Tamil Nadu so far has been raining regularly actually, so no issues of rains in Tamil Nadu. But these three states particularly Andhra and Karnataka are the biggest sufferers, Telangana is a reasonable sufferer so far. So, I think that we should be able to achieve the target, we have been so far doing fine actually in this area. So, I'm not much disturbed. But yes, there might be a loss of paddy crop by two and a half to three lakh acres actually, which is not very huge actually if you see by state as a whole.

Bharat Gupta: But sir post H1 any kind of revision we are assuming, like earlier we were talking about reaching a 12% kind of have grown with the 9% to 10% kind of a margin. So, is there any kind of revision which we want to make post the results?

Rajesh Aggarwal: I don't want to make any revisions actually, and I don't want to give any target, but I believe that we have been working around the targets and we are definitely going to cross the market performance. So, whatever competition is going to do, we will be much above the competition. That is the only commitment I can give. My performance is visible actually and you can see it quarter-on-quarter also.

Bharat Gupta: Sir, my next question pertains to, like you have mentioned in your opening remarks that the RM prices have started to stabilize. So, already we are sitting on 600 crores of higher cost of inventory so, do we expect that the positive traction in the margins can particularly happen once the RM prices remain on a stable draft going forward?

Rajesh Aggarwal: Yes, we can expect that actually, because most of the high price inventory is already taken care actually in the second quarters. So, it will be very small old inventories lying with us now. So,

the load which have come on account of the new high price inventory will not be there anymore I believe.

Moderator: Thank you. We have our next question from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Sir first question is on our new product or freshness index. It's very enlightening to see that the product launched in the last two years, especially in your presentation the green and orange have done very well in FY24 so far in the first half. So, just wanted to understand that this product despite this very heavy contribution in terms of revenue, at least in the first half the margins have not been as which would have expected otherwise with such a large contribution coming from the new launch product. So, any particular reason or it is impacted because of we have to take some write off on our high-cost inventory in first half and we may see a significant margin expansion in second half?

Rajesh Aggarwal: One you have answered correctly actually, there is a problem because in Q2, we have to start with our old baggage actually, because you have seen that I started taking the hits from quarter four of last year, Q1 also was showing the stagnation in the profitability and that was all on account of the old inventories. By selling these products in a better fashion, we are able to cover the losses, what would have been otherwise visible on the balance sheet. So, now I'm happy that our quarter two results are quite positive, we are able to surpass the profitability of the last year. But I can at the same time say that we have come out the pressure of old inventories what was there on the company. So, now we are on a level playing field where we can make, we can show the performance and some of the products like Torry, Mission, Shinwa they still have the market in the Rabi season. And apart from this we have launched two more products actually which are doing very well, as wheat herbicide one is Million, one is Opaque. So, these already have hit the market and as I told you Nakshatra, Nakshatra is also herbicide for sugarcane. So, all these products are for the Rabi season, and they are going to see the market in the Rabi season again. So, good fortune for these products also. So, I'm very, very confident that these new launches and some other products which were launched they are also going to support us in this season. So, we should be able to register the growth in the second half of the year also.

Rohan Gupta: Okay. Sir, can you quantify any numbers the kind of write down we had to take in a first half or in the Q2 because of the high-cost inventory liquidation?

Rajesh Aggarwal: Very difficult to because that way the calculations are not made, but definitely there is a hit if you want then I can make a request to the CFO to work out because we have not worked that out.

Rohan Gupta: Okay. Sir second is once again on the new product launches only. So, with the roughly (+20%) revenue contribution is right now coming from just product launched in just last two years itself. So, any margin difference you would like to guide that what kind of margin difference do we

have in this newly launched product in last couple of years and also for next year or even the rest part of the year, what kind of product launches we have in plan?

Rajesh Aggarwal:

Generally, when we are launching new products, they are in the Maharatna range and Maharatna range products already have higher margins relating to the other products. So, we have a two-point strategy that we are cutting out the old generics, where the interest is not much, interest of the market or the profitability is lower and they are losing the market share. So, we are cutting down those products and where there is stiff competition. Those products also like I announced six technicals I'll be curtailing. So, this is a very strong statement in my opinion, because these six were very, very big products number one products which I used to manufacture actually in the past and the stopping the technical manufacture of six products in one go is very difficult announcement for anybody I believe in my industry in particular. So, since we have got the pipeline of new products which we will start manufacturing and replace these six products with the six new products, I'm not worried much actually, and I can announce it openly that we have used this as a strategy. So, definitely these new age products will have better margins than the older generics.

Rohan Gupta:

Okay. Sir next is, we are also in a B2B technical manufacturing business selling in a domestic market. Recently, we have seen that China has been dumping many products and the prices have been under pressure, which would have impacted our B2B business as well. Can you give some highlight that how was the utilization of our plant in B2B. How is the scenario now, and do we expect any near-term improvement given the kind of situation still remain under pressure, alarming or remain bad from product coming from China?

Rajesh Aggarwal:

This competition is always going to adjust, it was always there and it is always going to remain because till there is a correction in our rational policy that we encourage the domestic manufacturing and discourage the imports, because we are encouraging domestic manufacturing, but we are not discouraging the imports, because in many other countries, when a domestic company is manufacturing something people are not allowed to do the import registrations, whereas in our country the government sometimes is giving the preference to the import restrictions even if something is being made here. So, they are giving data, given data relaxation many a times to make the product which is made in India. So, this competition is going to remain, and we have to live within this competition and find out our way forward within this competition. So, here, the branding strategy is always going to play, the first mover advantage is always going to play. Whenever we are bringing these generic products in that case the only solution in B2B segment is number one solution is first we give only 10 products, second is we start giving the formulation, third is we start making the technicals but the new strategy which is coming in patenting the new formulations. So, if I can make the patents and we can strongly establish those products into the market, then we can give our mixtures in B2B that is our new strategy which is working out and this year we are going to share many mixture products into the market into B2B segments so, that we are able to maintain into this segment also.

Moderator: Thank you. We have our next question from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir firstly on behalf of all the shareholders, I want to congratulate you and your team for all time high quarterly revenue and operating profit and for also our net worth has touched 1000 crores for the first time, sir so many congratulations to you, especially considering the industry environment. Sir, and also our inventory has gone down like you mentioned, but our receivables have doubled from March till now to 611 crores, sir are these receivables again expected to come down at around 300 crores levels going forward.

Rajesh Aggarwal: It's our routine actually, whenever you will see our September numbers, the debtors will be roughly because July, August, September, July and August particularly are the main selling months and October, November, December are the collection months. So, in this quarter, my collection will beat my sales. So, I cannot discuss the number but the collections can be about 20% to 30%, not even 30, up to 50% higher than the sales number.

Keshav Garg: Okay, sir. Sir also now that our stock price is still at where it was in 2017 whereas our net worth has doubled. So, any thoughts on a share buyback considering our growth prospects. And sir secondly you had given a guidance of 2000 crore revenue for FY24. Whereas sir even on trailing 12 months we have reached almost 2000 crore. So, for this the second half are we expecting any growth year-on-year in our top line and sir if so, then what kind of top line you think is achievable in the current financial year and what kind of margins you think we can reach?

Rajesh Aggarwal: I will not share the exact numbers. But here, I would say that we are going to grow in quarter three and quarter four. In my previous replies also, I mentioned the new introductions and our very focused approach. So, with this focused approach, I am very, very confident that both these quarters will be the quarters of growth. And it won't be the growth in the top line, but bottom line also and we will beat the state, or we will beat the industry I can say. So, I can just say that we will be beating the industry. So, now I don't want to give any aggressive targets. I want to be reasonable; I want to show the performance and the share prices and all actually like it's very difficult, market has to trust us. So, once the market starts trusting, once my performance will show definitely why not, I'll get the value.

Keshav Garg: No, sir I am trying to say so that we can do a share buyback and so that our earnings per share will increase faster than our profits going forward. So, all shareholders will benefit and sir you already did a buyback two years back at 575 and today the share price is more.

Rajesh Aggarwal: You can give the suggestion, if our CFO can work out actually something, there will be something then we can put it in front of the Board.

Keshav Garg: Sure sir. And sir lastly just one more thing like you mentioned that six technical which have become commoditized we have stopped them. So, in this business, we keep on coming out with

new products, whereas the old products keep on getting basically low margin so any thoughts on licensing our old products to other so that we can earn at least some royalty for the hard work that we have done in the past to build the reputation and those brands?

Rajesh Aggarwal: I've called about discontinuing the technical have not said that I'll be discontinuing all the brands. So, 90% of the brands will continue because they were all big brands. But I'm stopping the technical manufacturing because there is tough competition from China and there is high price fluctuation which is not helping. So, many of my competitor friends are manufacturing these AIs, we will continue to buy from them or from the importers. So, I'm stopping the technical manufacture because I see that there is not much value addition. So, the people who like to do that type of business can continue with that business and we will continue buying from them. So, whenever the leasing opportunity comes, we'll definitely lease our brands also to people, but I believe that product goes the brand never goes. So, we believe in the strategy of multiplying the brand, multiplying I mean to say by increasing the usage of the leading brands. So, we try to make more brands from the same brand because of the image of that product, if I talk about my leading brand of lethal, so, I have more than half a dozen variants of lethal today, Victor about three, four variants for Victor. So, I do that strategy. So, the brand will always remain actually, brand will never die the product may come and go.

Moderator: Thank you. We have our next question from the line of Neel Mehta from Axis Securities. Please go ahead.

Neel Mehta: We are increasing our new age products under Maharatna brands and B2C contribution of sales from year-on-year has increased. So, how would you say for the next down the line lets say around FY27 versus what's the breakup?

Rajesh Aggarwal: About B2B in particular, Q3 generally is dull quarter for B2B sales, but B2B sales starts picking up again from quarter four, because January onwards, we can sell a lot of product to the other companies. So, Q3 will be literally duller, but Q4 will be very strong for B2B sales. So, B2B sales have priced almost 25, 26 this quarter in the first half of the year 26%. I believe that percentage is visible to me into this fiscal actually, and in the next year also I believe we should be able to maintain this percentage.

Neel Mehta: And also on our B2C, the Maharatna brand at 65% of sales on the B2C and we are increasing production under that brand so, what will be the breakup be for that Maharatna and other brand?

Rajesh Aggarwal: It is almost similar actually in the B2C segment also the Maharatnas are contributing roughly 65% and B2B also they are contributing 65%. So, it is our focus sale, we are targeting the same focus product into B2B segment and B2C segment also. As I said that I've discontinued six product technical manufacturing, this means I have stopped selling six products into this segments already. So, I'm introducing the new products and coming out of the generics.

- Moderator:** Thank you. We have our next question from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.
- Shikhar Mundra:** Just wanted to understand, how much have we invested total in the Dahej plant and in the Chopanki plant?
- Rajesh Aggarwal:** Sandeep we will be able to give the exact numbers, but roughly we have made an investment of about 300 crores in last three, four years, which has gone into the two plants. So, exact numbers can be given later or maybe now I'm not sure. And we have a proposal of investing 150 odd crores in Sotanala project which is going to start in the next calendar year.
- Shikhar Mundra:** Right. And what would you say the capacity utilization of the existing assets, apart from the Dahej, Chopanki plant?
- Rajesh Aggarwal:** If we look at the existing assets, then we use these assets to a level of about 70% odd. Again, we generally calculated formulations on the basis of eight to 10 hours of working and technicals on 10 months of working. So, since the product mix is changing the new generation technicals the quantity which is coming out of that technical plant is much, much lesser, but the value is much, much higher. So, we are made an assessment because before the annual maintenance, because in the annual maintenance we also need to set up the target for the new technical manufacturing, new product lines and everything is set. So, I had one round of discussion so far. So, in that round we understood that we have used the capacity to about +75% levels actually in this last fiscal.
- Shikhar Mundra:** Alright. So, the future growth will come from these new plants?
- Rajesh Aggarwal:** Definitely, new plants will be very much instrumental actually and the product mix change is also going to be instrumental and since we are making the new formulations again, we are focusing on sustainability. To make the thing sustainable, we are focused on the new formulations which are water based formulations, WDE formulations, WP formulations like we are cutting down the solvents to water and also along with this we are trying to make new products so yes, we have to strengthen our formulation base also, and that we have been doing regularly.
- Shikhar Mundra:** And what would you say will be like the fixed asset return from these new plant Dahej and Chopanki?
- Rajesh Aggarwal:** Again, the number is not calculated yet. It's not but, generally 5x plus is the type of return.
- Shikhar Mundra:** And, roughly what are we targeting to make, is it more a technical or formulation for these new plant?
- Rajesh Aggarwal:** When I say 5x, 5x is for the technical. Just to add formulation is much higher actually.

Moderator: Thank you, sir. We'll move on to the next question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: I just wanted to understand the asset return for the technical is 5x that's for the new one, I guess. And what was its earlier for the old ones which you are phasing out?

Rajesh Aggarwal: Generally, the industry average is about 3x. But we have always been successful in crossing those overages because we keep on swapping the molecules, the molecules which are in high demand, which are large value-added products we try to bring those products. So, I believe in the past also we are able to maintain such numbers. The exact things can be submitted by the CFO maybe later but, we are somewhere always between I believe 3x to 5x, actually and we are near to 5x rather I would say.

Pallavi Deshpande: Right. So, the old ones that we had the old technical, they were also doing 5x return?

Rajesh Aggarwal: Some plant maybe doing 5x, some plant maybe a little lower than that but old plants were doing fine actually, there was no problem in continuing those products, the quantities I was doing were very, very big. But the problem was of the margin because of the market fluctuations, we are not able to deliver the results as per the expectation of the state. So, strategically we targeted that we will stop those molecules and we will target to do the new things.

Pallavi Deshpande: And sir that new technicals are with the JV with Nissan. So, just wanted to understand how the arrangement works in terms of sharing of?

Rajesh Aggarwal: I would clarify, I'm not making any technicals in the JV, we are marketing some of the Nissans products, half a dozen products are there which I am marketing already, and there will be a new addition, but in these cases, Nissan's supplies of the product we either make a formulation or packet. So, this is done by us. Yes, the technicals which we are going to make all these technicals will be work of backward integration by our technical R&D team. So, this all-in-house R&D team will be responsible for making these technicals and we in the past whatever we have introduced we have made many technicals for the first time in the country very successfully. And I believe we are going to; we should be able to repeat the same success for this new technical also.

Pallavi Deshpande: Right sir understood that. Now in terms of the understanding with the JV partner Nissan in terms of the pricing of these technicals, which will make in house.

Rajesh Aggarwal: With Nissan I have my JV to market its products, I have a JV with OAT to invite new products and for their discovery. To sell products like or first product of OAT will hit the Indian market in two years, so in our territory we have our own price for it, and they will have a separate price of it in their territory. So, in their territory I will make the product for them, and I will take a reasonable margin on it and will give them the product but in our territory we will have our price.

- Pallavi Deshpande:** So, when we supply them with your margin in it will that be lower than our company average as we will supply them but where we will direct market it our margin will be higher?
- Rajesh Aggarwal:** Japanese company give a higher margin so I don't think it will be lower than my company average, but it will be higher.
- Pallavi Deshpande:** Right. Sir, second question was on the new products, you said about the 100 crore and how many are there which are hitting above 50 crores like Torry, Shinwa?
- Rajesh Aggarwal:** All the products are above 50 crores. If I see there are around 11, 12 brands which have crossed 50 crores in half a year. and three, four products which will cross 100 crores. Shinwa will be above 100 crores; we will touch that number in November around Diwali that it's of gross sales and it's net sales should be around 150 crores.
- Pallavi Deshpande:** 150 crores in nine months?
- Rajesh Aggarwal:** No, for the whole year 150 crore net sales, I told you about gross sale but now I am saying my Shinwa target is 150 crores of net sales this year. So, gross sales would be GST and credit notes.
- Pallavi Deshpande:** Which will be the second and third largest products?
- Rajesh Aggarwal:** We have some competition there Hachiman, Mission and Torry so there will be some competition between these, but I believe Torry should be number two and if its not Torry then it will be Hachiman, but they will reach near 100 crore Hachiman, Torry and Mission. So, Mission can cross Torry or Torry can go ahead it so it will depend on the rain condition and demand supply pattern. All these products have crossed 70 crores.
- Pallavi Deshpande:** On net sales?
- Rajesh Aggarwal:** Gross sales level.
- Moderator:** Thank you. We have our next question from the line of Rohan Advant from Prad Capital. Please go ahead.
- Rohan Advant:** My question was on your gross margin, in your current gross margins are around 25% raw material cost with 75%. And our higher margin products are growing faster. So, over the next, say, two years or so, where do you see these gross margins headed, because relative to the industry, we have had lower gross margins for some time now. So, I'm sure you are thinking about taking your gross margins higher. So, where should those be headed say FY25, 26?
- Rajesh Aggarwal:** We are on a path of continuous development. I don't want to give any margin figures but here I would like to tell you that we have improved the Maharatna sales a lot this year, we are going to

further improve it to say next two year. You can see the margin growth should be visible actually in both these years, but we will keep on growing our margins.

Rohan Advant: And sir secondly, this year you have launched products, and you have grown really well relative to the industry. But maybe all products have not enjoyed a full season. So, for FY25 and FY26, do you foresee this momentum of significantly higher revenue growth than industry to continue and if you could, give us some number will it be like 20% growth or what are you looking at?

Rajesh Aggarwal: Again, I don't want to quote, though I have told in the past that we are working with a mission of a CAGR in the past year also we have grown by 20% this year also we are growing almost at the same pace with little difference. So, we'll keep on growing and we keep on performing. And our numbers will be visible continuously by virtue of the products, the product mix improvement you should be able to see those progress continuously. So, many of our products have not shown so far, because they did not get the season, but the response is very interesting from the market. People have very well appreciated all our new launches actually which have gone to the market. So, we expect that many products have already been shown, and other products will also be showing. So, the response is wonderful.

Moderator: Thank you. We'll take our next question from the line of Bharat Gupta from Fairvalue Capital, we request you to restrict to one question please.

Bharat Gupta: Sir just wanted to check like, since we are there in the B2B space. So, are we in active discussion with any Japanese player with respect to contract manufacturing for any technical and how do you read the CDMO opportunity given out the China Plus One trend which is there in the market?

Rajesh Aggarwal: Opportunities are always there, and we are always in discussions actually. So, I don't see anything visible immediately. So, once we are near to something, we make an announcement, but yes, always we are in talks and there are many things in process, and we expect a positive response.

Moderator: Thank you. We'll take our next question from the line of Pallavi Deshpande from Sameeksha Capital. Request you to restrict to one question.

Pallavi Deshpande: In terms of the margins for technicals, they would be lower than the formulation?

Rajesh Aggarwal: Ma'am it depends on the product. If it is a Maharatna product, it will have always a good margin even if it has a technical or a formulation or an apply to B2B. So, our industry is very, very different, in the generic product nobody is going to pay the margin. But for the specialty products everybody agrees to pay.

Pallavi Deshpande: And the six patented products, for the new technical that you are doing they are all patented, they are not the generic right the technicals you are working now?

Rajesh Aggarwal: Again, not necessarily because when we make the technicals so these technicals are not be patented technicals. Why, because we make them for the first time in the country, but very rarely we bring the totally new product to the country for the first time. So, we are able to bring such technologies through Nissan only. With Nissan, I brought some technicals, which were patented or which are still patented like if I talk about Shinwa, I talk about Kunoichi, they are new product which I'll be launching with Nissan next, it is going to be patented. Patent we are able to claim more in terms of formulations, than the technicals but yes, when we are making new generation technicals, we are the first company after the inventor who bring this technical to the country, or sometimes we are the second company. So, being less competition area, and more margins, we are able to focus around these brands and establish these brands very well into the market, which gives us the edge into the market.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments. Over to you sir.

Rajesh Aggarwal: So, thank you very much to all the participants. You have asked very, very relevant questions. And, I would thank you again for sparing your valuable time and your suggestion, which always come to me, and I would assure you that with our outlook on the new technologies, innovations, we should be able to continue with our strategy very well into the market and will continuously outperform the market. Thank you very much.

Moderator: Thank you, sir. On behalf of Choice Equity Broking Private Limited, that concludes this conference. Thank you for joining us and you may not disconnect your lines.