



**“Insecticides (India) Limited  
Q3 FY'24 Earnings Conference Call”**

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**MODERATOR: MR. RANVIR SINGH – NUVAMA WEALTH AND  
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**Moderator:** Ladies and gentlemen, good day, and welcome to the Insecticides (India) Limited Q3 FY'24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ranvir Singh from Nuvama Wealth and Management. Thank you, and over to you, sir.

**Ranvir Singh:** Thank you, Chorus team. I'm Ranvir Singh from research team of Nuvama Wealth and Management. We welcome you all, all participants and management team. We have with us senior management team of Insecticides (India) Limited, Mr. Rajesh Aggarwal, Managing Director, and Mr. Sandeep Aggarwal, Chief Financial Officer of the company.

I now hand over the call to the management team for his opening remarks. And before the Q&A session has starts. Over to you, sir.

**Rajesh Aggarwal:** Thank you. My name is Rajesh Aggarwal. I am joined by the CFO, Mr. Sandeep Aggarwal, who will explain the results later. First of all, I'll discuss about this industry situation and also about ILL strategy and the impact of the current scenario. So, we'll discuss that and the opportunities, of course.

So let me start with the industry. So, during the COVID time, the prices of all the chemicals shot up because of the huge demand, which was visible across the world. And post COVID, the scenario started reversing. The prices started coming down, which we had seen post Diwali in the previous year. And it had a very bad impact on our quarterly performance as well in the fourth quarter in particular.

But today, if you look at today's scenario, we can say that the price has bottomed, and the prices have stabilized at a level which is almost a very low level, and they are bound to bounce up from here. So, this looks like the scenario.

But if you look at the world market, still, there is crisis in U.S.A., in Latin America, also in Europe because of the drought condition and it is said that all the people are holding a lot of inventories because there the distributor side is also large and at the same time the companies also are holding a lot of high-priced inventory, which is creating some trouble in that area.

If we talk about the other geographies of the world, particularly CIS, African countries and the Middle East, a lot of countries are facing trouble of currency because of the non-availability of dollar and the decline of their currency. So that is the type of problem there. But if you look at Asia, Asia is relatively in a better shape because it received good rainfall during the kharif season and so is the condition of India. India also was very reasonably moderate or, I would say, good climatic situation, particularly in the kharif season. But as we are approaching towards the rabi season, there has been more drought type position, which has resulted in the decline in the sales or overall demand of the agrochemicals because there is a crop holiday of paddy in Karnataka, in Telangana also in some parts of Andhra. Chilli crop is not doing good. Some other crops are failing due to lack of monsoons or availability of water. So, this has been the situation.

But overall, we see the majority of business for the industry, particularly Insecticides (India) happens in the kharif season because we do 60% to 65% business in kharif season and about 40% business in the rabi season, which means first half is 60%, second half is 40% and we do more of natural sales where we are not doing aggressive placements in advance and we only move to the market near the season because our strategy is such that we work with the distributor and we try to book the orders from him and by the time he is booking the orders, we start working with the retailer. And when the retailer placement starts, we work with the farmer.

So, we ensure that our material has demand all the time, and there is a pull from the market, which means that the good returns are minimum and the placements are good, and we sell near the season only. We don't do amount business, which sometimes people feel that our Q3 performance is little lower side, but we'll maintain that actually. And we generally only work more on export sales and B2B sales in Q4, but wherever is the demand or whatever advance placements are possible in the advanced areas, we definitely work in Q4. And I see the Q4 also is going to be affected quarter in the coming season.

So, talking about the inventories, the inventories this time are the low price inventories because all the purchases which has happened in the previous 3, 4 months are the low-price purchases. So, this is going to be more profitable for the company in the future. And I believe that the prices have started moving northwards or they have stabilized. So, the market is going to be reasonably okay.

So now if I talk about our strength of IIL, so I would say distribution is the strength of our company where we are focusing around the star products because I have told many times that we have divided our range into Maharatna and focused Maharatna. So Focused Maharatna strategy has turned out very well. Here, we have made some super star products, and we are focusing around these products and these products are becoming big brands. So that has come as a big advantage.

And here, I would also like to talk about our regional distribution because our distributor network now is working with us for 2 to 3 generations, actually, and they are attached with us in a big way, and also we are getting very good response from the retailers and farmers. We do regular introduction of innovative products, that is very, very important because we get good reach, good distribution and the advantage is coming because of launch of new technology products because we are doing regular innovations, and we are trying to launch these products through our R&D centres through our Japanese collaboration. And also, we are looking new mixtures and new formulations, which is helping us as well.

To explain it in detail, I would say that we are focusing around herbicides and today, we are lucky that we could bag our registrations around all the leading crops where you need the herbicides and our products are doing very well.

First of all, to start with soybean. In soybean, our Hachiman, which is a Japanese mixture basically is doing very well. If I talk about corn, we had launched Torry last year, a great success we received in Torry. And now we are launching Super Torry and Taurus, which means the

entire spectrum of corn or maize crop will have with these 2 products. And we will have all the solutions. So, none of the customers will have the chance to move out anywhere.

Similarly, if I talk about paddy, our Green Label is very popular. And also, we have remixed. And last year, we have introduced Green Expert, so we were very late in production only south part of the country had seen it. And this year, I believe that all these products have the inventory, with the wheat crop also going into this million. This was a trial launch, a very successful launch. And similarly, in sugarcane, we had Nakshatra, very decent launch. So, all these products are bound to grow in a big way in this year.

Talking about the Insecticides, where we produce Shinwa with Nissan, last year, we got half Rabi season and we could do about INR70-odd crores of gross sales. And this year, we are already about or touch about INR150 crores of gross sales, and it is happening regularly. So, I believe the net sale of Shinwa would be touching about INR150 crores, making it the biggest product in our portfolio. Similarly, this year, we have brought Mission. In Mission we are given 2 formulations- Mission SC and Mission GR. So, both these formulations were very well accepted by the market and the gross sales we could do in half year is roughly about INR80 crores.

So, a very good success we received from this product also. And similarly, our Hercules brand is also moving in a market in a big way and very, very popular across the country, majorly in central part of the country and South India and it is increasing sales year-by-year. And Dominant, our upcoming insecticides, which was launched 3 years back is also going to increase this year.

Similarly, if I talk about fungicides, this pack is led by Pulsor, re-introduced Izuki. So, look on success in the first year, but I believe that we'll improve our strategy, and we are going to concentrate around Izuki and also Sofia. So, this will give us a big spectrum and big leap. So I'm very, very confident as that by launching these new products and focusing around some of the key products because these key products act as the engines for our growth and since we have these products in all the segments, and we are launching new chemistry, new mixtures also along with some of the new products, therefore, which we'll be manufacturing pesticides because we have done expansions across plants, Chopanki expansion is fully operational.

Dahej, we are going to start partially because some approvals are still awaited. And in this quarter, I'm quite confident that we will be fully operational by Dahej side, we will be fully operating and we have started working on paper on Sotanala, so the final plans are very near to freezing and we'll make a 18-month program to start this plant also. So, once we do the ground breaking ceremony, so this will be also quite fast, and this will help us or support us in consolidating our manufacturing activity between Rajasthan and Gujarat, which are the key areas actually and we will be near to market. So many advantages are going to come.

Here regarding our expansion. I would also like to point out that in Dahej, this expansion is going to give us raw material security because we are going to be not working for integration at one time. And at the same time, we have introduced many new molecules also from Dahej. So, most of the new herbicides, which are we are introducing are going to come from Dahej apart from 1 or 2 insecticides also.

And major insecticides are going to come to Chopanki plant. So, both these technical facilities are going to give good returns, in the coming year. So here, I would like to tell you, friends that we are focusing on team building also, our marketing, our strategy team, manufacturing team, R&D team.

So, wherever we are finding the gaps or wherever that we can strengthen the team we are strengthening the team and it is not only the team, but at the top level also we are strengthening our Board also. So, 2 members, very senior members, seasoned professionals have joined our Board already and we are also looking for further strengthening our Board. So, the idea is to have a very holistic approach, but wherever is the gap, so we should have the best experts from the industry in our team. So, we are focusing around that.

And then we are focusing on the brands too large, and we are doing the good image in the market, which is also helping us in B2B sales as well as international sales because the advantage, which comes from the brand market because of your brand image, you get acceptance in the B2B segment also. So B2B segment also is growing and I see that as the situation settles down, we should be able to bag some more registrations also in the international markets and we should get that advantage also.

So, our all the 3 segments, B2C, B2B and International Business are bound to grow reasonably. And here, I would also highlight one factor, which is digitization of our system internal controls. So, we have made a program named as IL360, which is for the last mile connectivity. Here, we are trying to connect with the retailers, also with the farmers and major movement between the retailer and the farmer is done by the team, which is called CAs or Crop Advisers.

So, these crop advisers are generally on third-party role. So, they don't get covered by our ERP, which is SAP. So, all the retailers and farmers are not covered by my accounting program. So they are out and we are not in regular touch as a company, but this IL360 will make the 2-way communication much faster, much easier and we'll be able to spread the entire information about our new launches, about our schemes, about our products, about the solutions we are going to give because I believe consumer needs good solution and if the company is able to bring the solutions, then definitely these solutions, nobody can stop becoming a big brand.

So, friends, to sum up, I would like to say that India has a good opportunity, and I see a good demand and with our production, which is excelled now, so a good consumption is expected out of this industry. And I see the positive growth which is coming in the next year also. And this year also, we should close with a decent growth. This quarter has been a little subtle. So, we were not able to grow in a big way. But still, I am happy that we could grow the bottom line, and we expect that this growth will continue in both our top line and bottom line in this year and the years to come.

With this, I thank you very much, and I will request the CFO to deliver the results, please.

**Sandeep Aggarwal:**

Thank you, MD sir. So, myself, Sandeep Aggarwal, CFO of Insecticides (India) Limited.

So let me share some key highlights of the results. So, in Q3 FY'24, our net revenue stood at around INR 3,580 million, which are marginally up from INR3,565 million in Q3 last year.

Notably, our premium product line, which is Maharatna and Focused Maharatna which demonstrated robust growth of around 14% in our segment. So, we witnessed a significant improvement in EBITDA also, excluding other income, which increased by around 11.84% during the Q3 FY'24.

The EBITDA reached at around INR260 million as compared to INR232.57 million in last year Q3. Our profitability also showed commendable growth with a remarkable increase of 31.41% in profit after tax during Q3 FY'24 totalling at around INR123.07 million, in contrast to INR93.66 million in Q3 last year.

In the first 9 months of FY'24, our net revenue experienced a healthy growth of around 13%, reaching at INR16,938 million as compared to INR14,994 million in the same period of FY'23. Despite market challenges, we achieved a modest 2.28% growth in EBITDA, totalling at around INR1,535.92 million during the first 9 months of FY'24 as compared to INR1,501.64 million in first 9 months of FY'23.

Our profitability remained resilient with 2.26% growth in profit after tax during first 9 months, amounting to be INR946 million as compared to INR925 million in FY'23. So, our premium product line Maharatna demonstrated a significant growth, making a remarkable 30% increase in constituting 62% of the total net revenue in 9 months of FY'24, up from 54% in 9 months in FY'23.

Let me share some category wise breakup also. For the year-on-year comparison in Q3 FY'24, the share of Insecticides has increased from 45% to 52%. The share of Herbicides has dropped from 43% to 35%, Fungicides has increased from 8% to 9% and Biological and PGR around 4%. For the first 9 months, the share of insecticide was 44% last year, 43% this year. The herbicide 42%, which has come down to 34%, fungicides increased from 10% to 20%.

If you'll see the segment-wise sales, B2C is at the same level around 78%, B2B is from 18% to 16% and exports in the last third quarter is from 4% to 6%. If you will see the 9-month comparison, the B2C sales are 72% last year, 70% this year for the first 9 months; B2B 25% to 26%; and export 3% to 4%. And Maharatna product if you'll see in FY'23 last year, it was 47% and 53% of the other products, in FY'24 in this quarter it is 53% and 47% to other products.

In first 9 months, the Maharatna contribution for the last year was 54% and other products 46%. And in FY'24 first 9 months, the Maharatna contribution is around 62% and rest are 38%. Thank you very much.

**Moderator:** Thank you very much, sir. We take the first question from the line of Deepak Pawar from Vasuki India Fund. Please go ahead with your question. Mr. Deepak can you hear me?

**Deepak Pawar:** My question is that we have achieved a 15% growth in Maharatna products. Can you name the top ones, which we got a good growth into?

**Rajesh Aggarwal:** They are the same products which I've explained because we have growth in Focused Maharatna. Focused Maharatna has given us a big jump. So, all these new products, which we had launched in the previous 3, 4 years, they have supported us a lot. And if I talk about it older product, it is

Green Label. So, the 3 key products, which has given us a jump is Shinwa, Hachiman, Torry and Mission. So, these are the 4 key products, followed by Green Label and Hercules.

**Deepak Pawar:**

Green level and Hercules and Kunoichi. That's what you said, right?

**Rajesh Aggarwal:**

Yes. There are lots of products which are positive for us basically. And these are all from our Focused Maharatna. The good part is that Focused Maharatna has grown over 50% in the previous year. So that was the reason we wanted to do that and very successfully, we are able to deliver that to the market because we need these products our engines and very well accepted across the country, I can say.

**Deepak Pawar:**

Right. Secondly, we hold a decent number of dealers and distributors network. What are our plans to increase that? And is there any certain number of delays that we target to achieve going forward?

**Rajesh Aggarwal:**

It's a regular exercise that wherever we find a gap, we wish to grow and we wish to expand. So, we keep on doing it regularly. At the moment, now we have about 8,500 running distributors. So, this has increased over a period of time. So, we have not made an announcement, but there are over 8,500 accounts, number one.

Number two, on the retailer aspect, we have started mapping the retailers and we are mapping the retailers because so far because they are not covered by my rounding program, but through CRM, we are tied up with Salesforce and with Salesforce, we have made the CRM, where we will be covering all these retailers also and focusing around the growth of the key retailers who are interested in our products or who are working with our products.

So somehow at this moment, I can say they are missed by the company, not missed by my team down the line because down the line team is going approaching to them but we don't have proof that how much they have worked or how much they're doing. But with IL360, we'll be able to manage that also, and we'll be able to manage the high-net-worth farmer also because there are many farmers who are doing good work with us and who have the demand, but somehow we miss them.

So, to keep everybody in line, we have created this program, and we have spent more than 1.5 years on creating this program and in another 6 months, I think it will be fully operational with everybody, with the farmer, with the retailer and with the distributors. So should give us full advantage in this kharif season itself. So yes, there is a clear focus that we have to increase our penetration through the farmer, to the retailer and to the distributor also.

**Moderator:**

Thank you, sir. The next question is from the line of Yogesh Bhandari from SOIC Research LLP. Please go ahead.

**Yogesh Bhandari:**

Sir, I just wanted to know margin profile of Maharatna products versus other branded products.

**Rajesh Aggarwal:**

Maharatna, we have divided into 2 parts, Focused Maharatna and Maharatna. So Focused Maharatna has grown very well this year. And of course, there is advantage because these are the key products which have the potential to become the brand leaders in the markets. So yes,

we work around these. And of course, these have decent gross margin, more than 30% to 35%. And some Maharatna products have this type of margin also and in some Maharatna because of the twist of the season because the prices have fluctuated so much, so at some particular time the margin may be a little lower, but plus/minus, it is there.

**Yogesh Bhandari:** Okay. Second, I wanted to know your top line guidance for the next year.

**Rajesh Aggarwal:** Guidance means I can only tell you that we are working on a very good path. So, it's not the quarterly or the yearly performance, both will matter. But we are creating the brand image. We are creating our reach, which is very important. So as Tractor brand, we are providing the solutions, definitely, there will be double-digit growth. What is difficult to say at the moment because many factors will impact that, but will grow better than industry this much I can say.

**Moderator:** Thank you, sir. The next question is from the line of Bharat Gupta from Fair Value Capital. Please go ahead.

**Bharat Gupta:** Can you highlight what has been the volume growth across our product verticals in this quarter? And what has been the pricing impact?

**Rajesh Aggarwal:** Look, like the prices are continuously under pressure. And it's difficult to give the exact number, but I can say that on an average, there might be impact of 10% to 12% actually on the price. So, all this what has happened is the volume growth. So definitely, there has been a decent double-digit volume growth already, which has happened in the 9 months. And I see the similar thing happening in the fourth quarter also. So, there will be volume growth around certain products, which we are looking as the key products. So, we will be working around all these products and these will be growing.

**Bharat Gupta:** So, sir, is it safe to say, like in the Focused Maharatna and Maharatna product category where we have grown by more than 14%. So, the volume growth has been relatively similar, like it has been more than 15-odd percent?

**Rajesh Aggarwal:** Particularly, if I talk about Focused Maharatna, Focused Maharatna, we have grown by about 15%. In Maharatna, the growth has not been that high because some of the Maharatnas have also got ahead because we are focusing around the 1 dozen products, which are in Focused Maharatna in particular. So, the maximum growth has come from Focused Maharatnas and we are working around the Maharatnas to get the volume growth also. So, we have managed the volumes in Maharatnas, but we have not done much growth in Maharatna alone. But Focused Maharatna, there has been substantial jump.

**Bharat Gupta:** Okay. Sir, just wanted to understand further since we are focusing more on the Maharatna broader category, and there has been a good amount of growth in this. But still, a reflection of it on the margin seems to be missing. So, can you just highlight the gap, which is there and particularly in the years to come, what kind of a margin profile are you guys looking at?

**Rajesh Aggarwal:** Like you have to understand that this was a very typical year where the high price inventory was there in the system. So, we registered loss in the Q4 of last year. But after that, we have made up actually. So, I would say all the high-priced inventories are now gone. And now the inventory



is low price, and you will see the profit growth also happening. So, this quarter, yes, we have jumped our product by 30-odd percent, but I'm not call it a growth because the number is not huge. But for us, second half is not a big half actually, in terms of performance of numbers.

It will be positive. I can just give you assurance that Q4 also is going to be very positive, much, much better than the past performance, I'll not quote last year, but even the year before last also, it will be crossing, it will be better and yes, we are focusing around making more profitability. And that is one reason that we are focusing on production of new products, the backward integration. This all is going to help us in profit. So, I'll not be able to give you the exact numbers. But yes, we will beat the best of the industry players in the next 2 to 3 years, that is the vision and we are working around that.

**Bharat Gupta:** Talking about Q4, as you mentioned in your opening remarks that it is majorly export driven, where Q4 large.

**Rajesh Aggarwal:** No, it's only export, B2B, export, and B2C all 3, so like generally, my B2C contribution is 75% of brand business contribution, which means 75% in the first 3 quarters. But when it comes to Q4, my brand contribution goes as little as 50%, and 50% as contributed by B2B and export. So that's why I said that it will be driven by these.

So, we were trailing behind in export, but I think our export numbers are also going to make up, and we should beat the last year performance in export also, not by big numbers, but we will beat in this difficult scenario, that is okay.

But next year, what we could not achieve this year, we are going to do that actually. So, I'm not going to announce the numbers of next year now. But yes, I can say that we are working, and we are very, very positive, very hopeful that our growth cycle will continue in the next fiscal also.

**Bharat Gupta:** I was just coming on to it because 50% is primarily driven by exports in B2B. So just wanted to take like we would have started building order books for the B2B business. So how has been the demand trend? Primarily, I'm asking this question with respect to the technicals because with respect to the dumping issue with the industry facing from the China and the inventory situation in the global market. So is there any kind of a pressure which we are witnessing in the B2B segment as well.

**Rajesh Aggarwal:** Like the prices are under pressure, so definitely, the industry as a whole is under pressure. But since we have our exclusive apps, when I say exclusive, because we are launching so many products, and we are sharing our new Focused Maharatnas also with many companies. So that's why I'm very hopeful that despite of the circumstances being difficult, it should not impact the growth of IIL, and we should grow reasonably, and we should continue that growth in Q4 and Q1 and Q2, which our January 1st half is a major half for us, you'll see the substantial growth in our performance. That I can say.

**Bharat Gupta:** Sir, a question on the margin front as well because we have expanded on the gross margin side. Primarily, I think it's driven by the change in the product mix. But there has been a 30% increase in the other expenses. So, Sandeep Ji, can you just highlight the reasons for the same?

**Sandeep Aggarwal:** There is not a single reason for this. As Rajesh Ji already told you that we are working around digitization. So, there is a lot of increase in the expense on digitization also and field promotion as we are doing the new products. So, a lot of work needs to be done in the field also. So, there is a good amount of jump in field promotion also. So the third major factor in the increase in the other expenses is power and fuel and some consumption of stores and spares. So, these are the 3 major factors.

**Sandeep Aggarwal:** So, these are the 2, 3 major factors because when you are working on the new products, so you have to work more on the field. So, field promotion expenses and all these advertisement and traveling expenses has increased significantly during the first 9 months. So, this is the basic reason of increase in other expenses.

**Bharat Gupta:** And sir, can we see a similar trend in Q4 as well?

**Sandeep Aggarwal:** I don't think so it will be such a huge one.

**Rajesh Aggarwal:** Because it's a low selling quarter. So, there can be some increase, but still, the performance will be good. That much I can say.

**Bharat Gupta:** Has there been any negative impact on the inventory during the quarter? Or we have taken any one-offs in this quarter.

**Rajesh Aggarwal:** No.

**Bharat Gupta:** Okay. Sir, as you mentioned that there has been some pressure with respect to inventory position out there in the global market. Can you just throw some light with respect to the Indian market as well? I know rabi is about to close. And kharif, like you will be preparing for kharif, so just wanted to check a couple of things. One, with regard to the inventory situation. Secondly, like we were maintaining a 90-day inventory scheme.

So, you would have started the procurement for the kharif. In your assessment, like the price change of the RM, as you mentioned, it has stabilized. So, the pricings are similar in your view with respect to last year? Or there has been some sort of an increase, which you are seeing? And any new products which you are about to launch in the kharif? So, these are the questions which I have.

**Rajesh Aggarwal:** Okay. There's a big change which has happened in 1 year. Because last year, the purchases were declining and now they are already apparently touched the bottom. So, there is no guarantee that everything has bottomed out, but it looks that they are very much near the bottom because they are near all-time low. So, this is a good buying time. So yes, we have already started making purchases for the kharif season.

We generally want to follow 90-90-90 cycle. But yes, a little more also might be possible at this time because the prices are lucrative, market condition is lucrative. China is doing every possibility to increase the prices because they have the Chinese New Year now, and they are trying to shut down their plants for 1 month actually until the time of the Chinese conference,

which will be attended by a lot of people after a lot of time because during the COVID, nobody was going to China and the footfall was minimal.

So, this year, the footfall will be big, and the response is good, then definitely, the prices are going to increase in a big way, actually. Since the international situation, particularly of LATAM and America and Europe is still bad, so I don't think that there will be many fold increases, but there can be a 2-digit type of 10%, 15%, 20% growth in the prices of certain products. It will depend on product to product and very difficult to predict, but still, there is a hope that there can be a price increase possible.

So as the price goes up, so the demand also goes up. You know that because in the market, everybody wants to buy when the prices are increasing. So, we are also waiting for that day when this trigger will start. So expected that by the end of February, this phenomenon is going to begin.

**Moderator:** Thank you, sir. The next question is from the line of Rohan Gupta from Nuvama Wealth. Please go ahead.

**Rohan Gupta:** First question is on our Maharatnas doing very well and you have mentioned that in the current quarter, it has reported a 14% kind of growth. Just wanted to understand in terms of the margin pressure, though you mentioned that roughly 30% plus gross margin for this kind of product category. It is only because of some inventory-led losses which we have to suffer in the current quarter or 9 months that the margins are not reflective. And going forward, if that corrects what kind of margin we are looking for next year or so?

**Rajesh Aggarwal:** I would say that step by step, they are going to increase and there should be a decent increase in the next fiscal. So, I don't want to quote, but still there should be a good growth in the margins. And it should be visible from first quarter itself.

**Rohan Gupta:** Sir, any numbers if you have done some any calculations that kind of inventory losses because of the high-cost inventory, which we have incurred in the current quarter or in 9 months, sir?

**Rajesh Aggarwal:** That's not my job. I've not done that calculation, but I tried to keep the company positive because it was a big hit when Q4 results were not reflecting my real performance. So, I wanted to do, so I worked hard, and I have done retail cutting, I have done the new product introduction. So, my line is very clear that I wish to do good products, provide new solutions to the market, and we have created brands out of it.

So already, my new launches are number 2, number 3 in the market and they are going really good. This means they will ensure good profitability and good sustenance. So, we are very clear that we are working in that direction. Definitely, there will be increase in the profitability by these products. This much I can say, Rohan.

**Rohan Gupta:** Sir, another is that our Maharatnas have reported roughly 14%, 15% kind of growth, while the overall growth for the quarter was flat. It means that tail of the product have reported probably much sharper decline in revenue. So just wanted to understand that it is a cautious strategy by the company to cut down the tail end of the products or low-margin products or it is just only

that the pricing correction or the price drop in tail product was much sharper. That's why they have degrown.

**Rajesh Aggarwal:**

No, it is the strategy of the company. Like we are working on a few dozen products, which is to finish and take out of my range actually. So, continuously, we are working and we are trying to finish these products. So, I think more than half are already finished. And the balance also by this year-end, we should finish about 75%, 80% of the product in totality, which we have targeted about 1 and 1.5 years back. So, it's our strategy that we don't want to do seldom products.

And it is not only in the formulation and technical also, half of the technicals have stopped making. And I'm trying to bring half a dozen new technologies and some of them, we have already started manufacturing and some of them, we are on the verge of starting and all these products will be in the market by April.

**Rohan Gupta:**

Okay. Next question is on our raw material procurement from China. And since we are also in a B2B business and we manufacture some of the technicals by our own also and selling the B2B category. So, in the current scenario, with the significant pressure from China, our procurement from China, how much it has increased in the current year? And how do you see if the Chinese -- as you just indicated, the Chinese prices may go up. So, do we see some pickup in our B2B business as well going forward?

**Rajesh Aggarwal:**

Exact numbers will be on by the CFO. I don't have them with us. But still, as our strategy, we are very clear that this year, it will not go up because generally, the prices are lower. And the import was higher, particularly for the generic products, the quantities are higher. But when it comes to Focused Maharatna, here, the quantity is lower and the prices are higher and value addition in more, so my investment as a whole in Chinese imports should go down year-on-year as my strategy as a company's philosophy, though exact number will be given by the CFO.

Our purchases might be increasing for the Japanese products because a lot of intervention with Nissan is increasing because Nissan's product target this year, we should do a sale of about INR400 crores. And next year, the target is more than INR500-crores plus. So, with Nissan, the portfolio towards Japan is going to bend a little more. So that is also part of our strategy, and that is the selling price I'm talking about, not the purchase price. So yes, with China, I don't think that we have a strategy to increase our imports. Our imports from China will be reducing in terms of volume also and in terms of value also.

**Rohan Gupta:**

Sir, just last from my side. So roughly in 9 months, 62% sales has been done from the Maharatna sales product in the current year on a turnover of close to 1,600 -- I mean, it's roughly INR1,700 crores, so if we just compare this product of INR1,700 crores, sir, and roughly 65% of that -- 62% of that is coming from Maharatna sales. It means we are talking about roughly as much as INR1,000 crores plus coming from the Maharatna revenues. What is that Maharatna sales revenue contribution we should be expecting next year? And sir, this 30% gross margin in the Maharatna category do we hold on or we should see some improvement in further on those Maharatna sales contributing to the gross margin.

**Rajesh Aggarwal:** I'll reply it step by step. First of all, like last year, our Maharatna contribution was roughly -- including Focused Maharatnas was roughly about 55%. This year, we have crossed 60% and I think we'll maintain the 60% plus type of growth. And next year, my vision will be to touch 65% out of Maharatnas. So, my vision is to take Maharatnas and Focused Maharatnas to 70%. So, it will take 2 to 3 years of time, 5%-5%, is not possible every year, but still my vision is to cross 65% next year, then to cross 70% also.

So now yes, gold products are contributing roughly about 35% so we will be bringing down these gold products. We will focus more on Focused Maharatnas because a lot of new chemistries, which are coming, they are going to enter into Focused Maharatnas and Maharatna segment increasing the contribution of Maharatnas. So that is going to be happening.

So, there is no reason to deduct the profitability, though the prices may just come down. But as the price comes down, the profit percentage is not going to be come down, so there can be a possibility that profit percentage can remain same or it can go higher also. So, we are not announcing the numbers for next year.

But I see decent growth in top line and also in bottom line in the next fiscal because there won't be any reason like the inventories, the high- price inventories, everything we were suffering this year. We won't be suffering next year. So, I think our performance for Q1 and Q2 also itself should be speaking very high about what we are going to do in the next fiscal.

**Moderator:** Thank you, sir. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

**Bhavya Gandhi:** Just wanted to know the market opportunity for Nirog, which you've launched fungicide for sugarcane. Any opportunity size, if you can quantify?

**Rajesh Aggarwal:** This is a biological segment. I'm very enthusiastic on my biological segment. So, at the moment, our total sales which come from biological segment is little stagnant about INR40 crores plus/minus, we do every year in gross sales from biologicals. But I wish to grow these products in a big way. So Nirog is a new launch, so we have just did the test launch, I would say.

So Nirog might be a few crores of product, INR3 crores or INR5 crores product actually in the year to come. But yes, with our strategy of setting up IIL biologicals, which we are going to start by the end of this year, means by March or early April, so I think our biological business is going to see a good jump. So, we will be focusing around biological. My vision is to touch INR100 crores plus but this INR100 crores, it also might take 1 or 2 years. So, I not say that I multiply, but it should be good cover in this segment.

**Bhavya Gandhi:** Got it. Nirog will be INR3 crores, INR5 crores product also next year? Or will it be like a INR5 crores, INR10 crores product? And what would be the gross margins that we expect? Will it be like Maharatna category or Focused Maharatna category.

**Rajesh Aggarwal:** It will be like Focused Maharatna, margins is not a problem. The problem is the volume, the building up of the volume. So, we have to create an acceptance for the biological products and do a lot of field work to promote this product. So, we'll be trying to promote this. So INR10

crores look very difficult in the short term. Long term, there might be a possibility. But at the moment, we want to go subtle with this. I don't want to give the numbers.

**Bhavya Gandhi:**

Long-term average gross margin is closer to 24%, 25% despite sort of our Maharatna product contribution increasing to overall revenue at the large, long-term average still remains closer to 24%, 25% gross margin, whereas you know, I mean, industry level, I'm seeing at least long-term average. I'm not talking about 1 year or 2 year, I'm talking about last 7, 8, 10 years because we've been introducing Maharatna since 2013, so I mean, if you can throw some light, I mean, what is -- are we not backward integrated or are we not having some pricing power, which is not allowing us to sort of have better gross margins?

**Rajesh Aggarwal:**

I would say I have not understood the market because the market scenario in COVID, the price is multiplied and after COVID the prices fell, and it is not only for agrochemical industry, the pharmaceutical, the chemical, all the industries have seen this. So, it is a cycle which industry is passing. And in this cycle, the margins have collapsed. And before this, we were trying to grow, but COVID was a difficult time where we had strategically, we were not growing, we wanted to just maintain our sales during the COVID time. Before that, we were doing a lot of expansions.

So, we were incurring a lot of investments regularly on R&D, on manufacturing everything and everything was getting subsidized or I would say everything was getting invested by the income we were making in our brand business or our B2B business. So that might have been the past, but now like we are debt free. We have a lot of funds. We are growing in top line. We will be growing in bottom line. So, we will be like doing or performing much, much better. And as I already told in one of the comments that we'll be matching the best in 2 to 3 years of time.

But upfront, I cannot say that in one year we'll multiply or do this or that. But yes, I know that my gross margins are a little lower. So, we are working on that by product mix and working on everything. We are decently backward integrated. We have around 150 reactors already, 150 reactors are further added. So, we'll have about roughly 300 reactors to manufacture the technicals and doing the backward integration.

So that way, I don't see a trouble. So, we are continuously working and we have stocks more than half a dozen technical I already said, precise number is I will stop 8 technicals, and I'm introducing 6 new technicals for the domestic market this year and not this year, in these 3, 4 months. So, some of them are already introduced and many more are in pipeline.

**Bhavya Gandhi:**

Perfect. Got it. And sir, I just wanted to know how many registrations do we have in India, total number of registrations?

**Rajesh Aggarwal:**

Difficult question. So, I don't count the registration because it's a continuous job. I run 4 R&D centres, all the R&D centres are developing products and the registration team is filing registrations. Patent team is working on patents. So, it's a continuous process, we don't count that, frankly. So, it's not important what number you have. It's important what direction you are moving. So, we are trying to bring new AIs, which are monopoly. We are trying to bring new patented products through our collaborations. And then we are trying to protect these products, which we are bringing by making the new formulations, which are, again, IP protected.

So, my vision is that I have to bring new solutions and I have to bring new IP protected solutions to the farmer, so that the retailer also enjoys, the dealer network also enjoys and the farmer or a consumer also gets the solution. So, the vision is very clear that we have to bring solutions which have less competition and which can be established as brands and created as brands. So yes the generic products are under pressure, otherwise also because there are international pressures also on these products, and these are bound to go so we are trying to create new generation solutions in line what Modi Ji wants, in line what Europe wants, and in line what is happening around the world.

**Bhavya Gandhi:** Perfect and just if you can give us some guidance on the R&D spend for the next year, how much would it be as a percentage of overall sales?

**Rajesh Aggarwal:** Let's not talk about the percentage, but we can give the exact number CFO can talk about that, we roughly spend about INR12 crores to INR15 crores, I believe, somewhere in between because major investment in R&D comes from Japan individually and the rest of the R&D centres are all in the plant. So, we don't spend a lot because they are the major expense is taken over by the plant.

It is only the salaries and the expense on chemicals, which gets covered in the R&D expenses of ours because we don't focus on the expenses. We focus around the deliveries which this R&D centre can give. So, I don't want to show higher expenses or invest differently and create a different just to show, I want the performance. So, all the R&D centres are competing and giving good performance. So that is important in my dictionary.

**Bhavya Gandhi:** My last question is Isoxazole, that our new patented molecule. What is the opportunity size? And have we started commercializing this?

**Rajesh Aggarwal:** This is the JV product. So, JV products will take another 2 years down the line to be launched - - so that is still under data generation, a lot of data generation is happening in Japan and a lot of data generation is also happening in India, we should be able to put our application somewhere in the end of this year.

**Moderator:** Thank you, sir. We take the next question from the line of Kunal Tokas from Fair Value Capital.

**Kunal Tokas:** It would be really helpful if you can share your growth vision for the next 3 years? Like what are your aspiration for the top line and the bottom line?

**Rajesh Aggarwal:** Like I've already told you that we are working on bringing the new technologies. So, these new technologies are going to come through Japan through our Nissan, which is our key partner and also expect that I should be able to launch the OAT product which we have developed together in OAT-IIL JV, our first R&D-based products. So apart from this, our own R&D centres are backward integrated, they are going to give certain technicals.

And to protect these technicals, we are going to come up with many mixtures, which will be IP protected. So, you can consider that half a dozen launches on an average will be there every year. So, with this type of launches happening and the brands we created out of this, I expect that we should have a decent growth in terms of top line and a very decent growth in terms of

bottom line. And that will be a regular exercise. So, it's difficult to give the numbers. But yes, there will be a decent double-digit growth every year. This much, I can say.

**Kunal Tokas:** I understand your explanation, sir. My next question was about any upcoming new launches, you have lined up for the upcoming kharif season?

**Rajesh Aggarwal:** Yes. There are a lot of launches. I already announced that we will be extending our Herbicide, Insecticides and Fungicides segments. And in all these segments, the new launches are going to come. So, there are about half a dozen products which are lined up. So, as we are preparing for getting the registrations and other things, we will launch these products. We are ready with the manufacturing facilities. So, this all is that I can say that.

**Kunal Tokas:** Six new products, you said?

**Rajesh Aggarwal:** Yes, 6 new brands we'll be launching. So, the brands are going to come from the new technical and there might be some mixture also along with that. Yes, biological is separate sector. So, biologicals also will be launching certain products. So biological, let's not count big. Biological which takes its own time to ramp up because we wish to take biological international also. And in the domestic market also, I see a good scope from biological, but this is going to go slowly at the moment. Even if it grows at 20%, 25%, then also only is adding INR10 crores for first year and INR15 crores in the second year. So, we are just at INR40 crores at the moment. So, we'll be increasing our biological segment also.

**Kunal Tokas:** About the biological segment, my question was that there has been interest from a lot of players in the same segment as well. So, do you think that the competitive intensity will increase when we start to ramp it up significantly?

**Rajesh Aggarwal:** Now at this moment, we are focusing around filing our patents. So, we have filed a few patents in the Biological segment. We also have made some mixtures, some new generation products, some other things. So, some progress we have made. So, we are focusing around that. We'll shortly start our launches.

So as the launches come, we'll be working around training and product development, so it will take time. But yes, I can just tell you that there is a big pipeline and already we are focusing around the international markets also with the biologicals. As we make a breakthrough, there will be announcement.

**Moderator:** Thank you, sir. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Rajesh Aggarwal:** Thank you very much for attending today's conference call and for very relevant questions. I believe I have satisfied the queries. If there is any further query, you can connect to the CFO through mail. Thank you very much. Our IR is there, it is Captive IR. You can also be connected through them.

**Moderator:** Thank you, sir.



**Rajesh Aggarwal:** Thank you very much.

**Moderator:** On behalf of Nuvama Wealth and management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.