"Insecticides (India) Limited
Q1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to Insecticides (India) Limited Q1 FY27 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 this 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 Ms. Sejal Bhattar from MUFG Intime. Thank you, and over to you, ma'am.

Sejal Bhattar: Thank you, and welcome to Q1 and 3 Months FY27 Earnings Call of Insecticides (India) Limited. Today on this call, we have with us Mr. Rajesh Kumar Aggarwal, Managing Director; Mr. Sandeep Aggarwal, Chief Financial Officer; Mr. Devendra Kumar Ray, Chief Operating Officer; and Mr. Dushyant Sood, Chief Marketing Officer.

Before we proceed with the call, I would like to give a small disclaimer that this conference may contain certain forward-looking statements, which are based on beliefs, opinions, and expectations of the company as on date. These statements are not guarantee of future performance and involves risks and uncertainties which are difficult to predict.

A detailed disclaimer has been given in the company's investor presentation, which is uploaded on the stock exchange. Now, I would like to hand over the conference to the management for the opening remarks. Thank you, and over to you, sir.

Rajesh Aggarwal: Thank you. This is Rajesh Aggarwal. Good evening, everyone, and thank you for joining us for the Q1 FY27 Earnings Call. The first quarter of FY27 was shaped by an unusual start of the agricultural season. Channel activity started in March ahead of the anticipated timelines. A delayed and uneven monsoon, coupled with high temperatures across several regions, impacted sowing activity and delayed demand for crop protection products.

While this affected industry performance during the quarter, we believe that still there is ample opportunity to recover. With rainfall improving and acreage picking up, we expect agriculture activity to gain momentum in the coming months.

Talking about IIL, IIL has established itself as a potential fully integrated agrochemical company. Even in slower environment, the quarter highlighted the importance of building a business that is not dependent on single crop or product category.

Over the last few years, we have focused on creating multiple growth drivers through premium products, R&D, technology partnerships, KAEROS research, international markets. These investments are helping us building a stronger and more diversified growth platform for the future.

Within the core business, premiumization continues to gain traction with our Maharatna and Focus Maharatna portfolio contributing around 64% of business. During the quarter, we further strengthened this portfolio through new product launches and collaborations.

GRANUVIA and Spinoace, both launched in collaboration with Corteva Agriscience, were introduced through extensive engagement with dealers, distributors, retailers and farmers across the country. We see these products as multiyear opportunities, where increasing farmer acceptance can build meaningful contribution over the coming years.

These launches are supported by our continued focus on R&D and technology partnerships. During the quarter, we continued working with Corteva, Nissan and OAT Agrio to access differentiated technologies and molecules.

While our internal R&D teams remain focused on developing products suited to the Indian market. Our work with OAT Agrio on a new molecule discovery is also progressing, helping strengthen the pipeline for the coming years. The next step is to translate this product pipeline into wider farmer adoption and this is where our distribution and field engagement become important.

During Q1, we conducted more than 3,600 farmer meetings, 600 field days were organized, 1,400 demonstrations and over 15,000 farmer visits were made by the team of IIL, and these were all supported by more than 8,500 distributors and 70,000 retail network. These engagements helped us to maintain strong farmer connect even as the season started later than normal .

Talking about our IIL Crop Solutions program, it is an important extension of this approach as it demonstrates complete crop solutions and their economics directly in the farmer field following strong farmer acceptance and demonstrated ROI from the existing 36 plots.

We are now planning to double the number of plots while expanding its presence across 14 states and 4 crops. Now rice, cotton, chili, soybean will be using these 4 crops. The objective is to demonstrate efficacy and economics at the field level and create stronger product pool for the differentiated portfolio.

Along with the core business, Kaeros Research contributed to make progress during the quarter. More than 40 products are already commercialized. We are expanding its portfolio and distribution footprint while developing B2B and pack-to-pack opportunities. The focus remains on scaling Kaeros into a meaningful second growth platform over the medium term.

Our international business also continued to gain momentum during the quarter with registrations, partnerships and customer opportunities during the developed.--being developed across Latin America, Europe, ASEAN.

With this opportunity progressing through including trials, we are taking calibrated approach to establish these relationships before scaling them with the expectation that successful engagement can develop into meaningful medium-term opportunities.

Now the sales of the technicals is catching up, and there is good acceptance of these technicals across the world wherever we are going. And we believe that along with the white labelling, our business of technicals is going to flourish in the international market and that will support us in increasing the sales volumes and the sales numbers.

On the operating side, crude and petroleum-linked raw material costs remain an area of pressure during the quarter, impacting parts of crop protection value chain. We continue to address this through calibrated pricing, better product mix and increasing contribution from the differentiated products while remaining competitive.

Working capital discipline also remained a priority. June inventory was slightly elevated due to the slower start of the agricultural season, and we are focused on improving inventory turns, collections and alignment between placement and underlying demand. Our objective remains to reduce working capital cycle as the season normalizes.

Our manufacturing, the Dahej facility, is providing additional capability and flexibility, while the Sotanala project is progressing as planned. The formulation facility at Sotanala is expected to commence around April-May next year, followed by technical products-- production by Diwali, subject to the project schedule.

Importantly, the investments made over the past several years are already supporting the business. Investments in manufacturing capacity, premiumization, R&D and technology have strengthened our product pipeline, improved our ability to serve customers and created the capacity required for the next phase of growth.

We are now seeing these investments progressively translate into business opportunities and as utilization improves, we expect their contribution to become increasingly visible in our operating performance. At the same time, we are approaching the end of this investment cycle. Once the current projects are completed, we expect annual capex to normalize around INR30 crores to INR40 crores of maintenance capex, allowing us to increasingly focus on utilization, cash generation and returns.

As utilization improves, we expect operating leverage and efficiency initiatives to support improvement of ROCE and ROE with renewable initiatives, lower electricity and fuel consumption and increasing use of AI and other advanced technologies provide additional efficiency benefits for -- from Q3 onwards, I can say from September-October.

Looking ahead, while delayed monsoons impacted the first quarter, we believe the agriculture cycle has largely been deferred rather than lost. With rainfall improving, sowing progressing and crop protection activity normalizing, we expect stronger execution over the remaining three quarters.

Our focus for FY27 remains on converting the opportunities created through our product launches, farmer engagement, KAEROS, international business and investment in capacity into stronger growth, while maintaining discipline on costs, working capital and capital allocation. We believe the investments made in earlier years are now providing the foundation for the next phase of growth and our objective is to convert the foundation into sustainable growth, stronger cash generation and improving capital efficiency.

With that, I would like to hand over the call over to CFO, Mr. Sandeep Aggarwal, who will take you through the financial performance. Thank you.

Sandeep Aggarwal: Hi, Sandeep Agarwal, CFO of the company, welcome you all in this investor call. So this is regarding the performance of Q1. If we compare the value year-on-year results, the revenue from operations has degrown by 12%, INR691 crores to INR612 crores, and the gross profit has decreased from 202 crores to 193.16 crores by 4% though the gross profit percentage has increased from 29% to 31.6%. If we see the EBITDA, so there is a degrowth of around 20% and percentage-wise, it has come down from 12.2% to 11.1%. The PAT margin has also come down from 8.4% to 7.2%.

And if we see some mix here, then the premium product sales has increased during this quarter. Last year, it was 58% of total B2C contribution, this year first quarter it is 64% of the total B2C contribution. If we see the segment-wise sales, the B2C sales in this quarter is 64%, B2B is 34% and export is 2%, whereas last year B2C was 75%, B2B was 23% and export was 2%.

If we see the performance of the newly launched products, so during this quarter, we launched 2 products. The sales from these 2 products during the quarter was INR5.50 crores. If we see the products which we launched last year, so the total sales of the those products last year was first quarter INR1.67 crores, this year it is INR2.29 crores.

Revenue from in-licensing products, last year first quarter it was around INR36 crores, this year first quarter it is around INR46 crores. Revenue from patented products has come down from INR97 crores to INR70 crores. This has mainly happened due to the reduction in sales of Hachiman And then contribution from combination product has come down from INR134 crores to INR98 crores. So these are the some financial statistics. So now we can open the house for question-and-answer session. Thank you.

Moderator: Thank you very much. The first question is from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani: Yes. Hi, Rajesh-ji. Sir, on the Sotanala formulation and technical plant, how much are we investing separately for formulation and technical? What is the total investment and how much have we invested till date?

Rajesh Aggarwal: It will be a project total investment. These total investment will go roughly about INR200 crores, out of which I think about INR50 crores will be going in the formulations and INR150 crores will be for the technical. And the total investment made so far is to the tune of about INR70 crores.

Prashant Biyani: Okay. And, sir, in technicals, which molecules do we plan to manufacture here?

Rajesh Aggarwal: If we talk specifically of Sotanala, we are going for a TCS plant, which is fully automatic plant. So, some of the insecticides and fungicides where we have the expertise, they will be transferred to Sotanala from Chopanki, and Chopanki will be handling the new AI. So, we have identified 5-6 products which will be going in first phase and then there will be addition of new AI technicals here in the second phase.

Prashant Biyani: Okay. Okay, sir. Thank you so much.

Rajesh Aggarwal: Thank you.

Moderator: Thank you. The next question is from the line of Ramesh from SJ Investments. Please go ahead.

Ramesh: Hi, sir. Am I audible?

Rajesh Aggarwal: Yes. Yes. Clearly. Thank you.

Ramesh: Yes, sir. Sir, I just wanted to understand in terms of the ground, I understand rains have been uneven and everything, El Nino overhanging with us. So, and sales also translated to that. How do you see the demand environment right now going forward?

Rajesh Aggarwal: If we talk about August monsoons, we see good rains across all country, the reservoir situation is improving and the crops are very healthy. The only gap what we see is majorly in the South India where the rice sowing is little delayed in many parts where the dams are not full. But the dam situation is improving now. 40-odd percent of rice is pending remaining are to be sown in Karnataka, Andhra and Tamil Nadu.

Little dry environment in MP and some Eastern states. Broadly things are okay. This year we have also seen the reduction in cotton and maize crops, but other dry crops are improving. So, we have seen increased attraction in oilseeds, pulses, I would say groundnut and also chilli. Chillies are going to be major crop for South this year. So, both ---all the three states Andhra, Telangana and Karnataka are--- should show a good increase in this chilli crop, which should be very good for the industry.

Ramesh: Got it, sir. So, overall basis South is a little competive affected. And right now over the year, where do you think we'll end up in terms of sales growth, sir?

Rajesh Aggarwal: Difficult to give the number, but we should be positive and that positive impact should be visible from Q2 itself, I believe.

Ramesh: Got it, sir. And one question in regards to just understanding the customer final customer, the farmer. So, we have co-branded products which are more expensive and Maharatna products compared to our other generic products. Could you explain how the farmer is different from our that new brand segment, co-branded segment versus Maharatna, could you just give a broad perspective on who's which bucket of farmer fits for each type of brand?

Rajesh Aggarwal: Like it is a matter of awareness. What we are doing is we are connecting with lot of farmers. We are developing two-way communication system with the farmer. We have developed farmer apps, retailer apps. We are trying to take the technology to them. So, we have to show the ROI. The farmer is not different. He has to believe that if he is investing INR100, what type of benefit he is getting. If we are able to show him the benefit, even the small farmer sometimes agree to buy the expensive products.

Generally it is believed that the expensive products will be bought only by the progressive farmers who have large base of land. Yes, that is true to an extent, but even the smaller farmers they have shown good interest with the technology and we have seen that all type of farmers have accepted these technology in the past.

Because if I see my recent like launches which has happened in last 5-6 years, so they are contributing about one-third of the sales in totality, which means that yes, the interest of the farmer is going up for the new technology products and it is the sentiment of the retailer and the network, which is important and of course the efforts of our team. If we are able to take the technology, yes, it is the acceptance is very high.

Ramesh: Also could you give a broad perspective on how each brand is segmented just to understand how the value chart is for the company. And what they want each brand to turn it like expand into the ideal vision?

Rajesh Aggarwal: Difficult to talk brand wise, but here I can talk that five years back when we started this exercise when the contribution from the premium product was 48%. Now we have reached to 60-plus percentage already and the target is to reach to 70% in next three years to four years time. So 64% is achieved in this quarter which was a difficult quarter and in the last fiscal also the achievement was

62% plus from the premium products. Which means that company's overall energy is going towards promoting these premium products And we are also pushing around certain KPI's in this segment.

Moderator: Hello, sorry to interrupt sir, your voice is a bit muffled.

Rajesh Aggarwal: Okay. No worries . So do I need to repeat the answer?

Moderator: No sir, now it's clear.

Rajesh Aggarwal: No, guy is clear or you need me to repeat?

Moderator: No sir, your voice was audible, but it was a bit muffled.

Rajesh Aggarwal: Okay.

Ramesh: Yes sir. So just one last question sir. Sir, you mentioned the fact that depending on the awareness the farmer chooses the brand, right? So just trying to understand during the initial stages when you're trying to make them try an innovative product, what do they trust more? Is it usually our Maharatna brand or is the foreign brand with our co-branding on it?

Rajesh Aggarwal: Please come back again.

Ramesh: Sorry sir, am I audible?

Rajesh Aggarwal: Yes. Yes.

Ramesh: Yes sir. So basically I was asking, you mentioned that the farmer chooses the brand based on the awareness generated in the market. So just trying to understand during the first phase when there is no Insecticides India product used by the farmer, do they start with the international brand, co-branded brand that we sell with Nissan and OAT, or would it be Maharatna brand the first time they take something?

Rajesh Aggarwal: It all depends on what solutions are we giving and they come by the usage pattern and the awareness level of the farmer. Because if it is a herbicide generally it is used first, so it can be from my own R&D or the imported products, so both have their acceptance.

Generally farmer also knows that the imported products or the collaboration products are little expensive than the normal products. So sometimes the earlier question you asked that if it is very expensive product, then of course the traction comes from the big size farmer or the progressive farmer. But if it is reasonable, reasonable means generally it costs INR200, INR300 per acre. If your product is in the range of INR500, INR600, then even a small farmer can afford it.

But if it crosses 3 digits, then definitely the traction is more from the larger farmer. But again, it depends on the awareness and the cost benefit ratio. So we are able to convince the farmer, definitely the small farmer also shows the acceptance and the larger one also. And there is interest for everything actually. So market for everything and that is one reason we are increasing our collaboration continuously.

And that does not mean that if I am increasing my collaboration that I am not launching the products from my own R&D. So we are continuously working in our own R&D, we are making more AI and also launching new formulations.

At this moment you might be finding our speed little slow, but I can tell you that there are more than 30 products which are in pipeline to be launched in next 2 years. So our pipeline is very, very strong actually for which we are already working. There are mixtures, there are new AI, everything is there. So the investments are very, very high in this because we are developing a huge range of products ready to be launched in future.

Ramesh: Understood sir. So just one last question with regards to capacity, we mentioned that we are putting up a new facility. So just trying to understand without that capacity what can be the sales, maximum sales we'll be able to generate? And with the new capacity, how much more sales can we generate at peak utilization? Just trying to understand the capacity.

Rajesh Aggarwal: It's a continuous effort what we are putting to develop the capacities and to develop the sales. The idea is to double ourselves. In the past, we used to double in 3 to 4 years. Now I believe that we should be able to double in 4 to 5 years. So the product mix is important, the technical manufacturing is important, to take care of the international business is also important.

So looking at that we are developing our production capabilities. So we try to increase certain AIs, we try to backward integrate in certain cases. So everything is a mix. So very difficult to tell that , but broadly you can say that we wish to double ourselves in next 4 to 5 years.

Ramesh: And this one plant would be sufficient to add the capacity we need?

Rajesh Aggarwal: The expansion today, if I talk about today's expansion, we have just completed Chopanki expansion. Dahej is on its way for completion. More than 70% we have already commercialized and another 20%, 30% whatever is pending will be commercialized soon. Next year we are going to bring Sotanala. Sotanala again is going to be in 2 phases. Phase 1 will be complete, I already told you by Diwali, and then there will be phase 2 also for which we are erecting the building now, but not putting up the equipment because we have to decide on the products which we are going to manufacture there in the technical plant.

Then we have also invested a little in the Udhampur where we are differentiating between herbicide and insecticide plants. So some investments are going to go there also which also we are going to complete within this year.

So I mean to say that expansion is a continuous process. I don't say that I will not have any expansion after this. But yes, I have enough space now in Sotanala, also in Dahej. So which can take care of further expansions also if they are going to be there. So planning today that what expansion I am going to have after 2 years is difficult. But it's a continuous exercise. Once you complete one thing, then you start working on the next step. So at this moment since there were many projects in place, I want to complete them one by one and after I complete a few, then I plan the new ones.

Ramesh: Understood, sir. Got it. Just one last technical, just I was trying to understand. So when we are partnering with?

Rajesh Aggarwal: Yes, continue.

Ramesh: Yes, I was just asking about so when we partner with our international collaborators, so when we get the product, is it that they send the formulation we have to repack it here or do we directly get the packaged product here and then we just stamp our logo? How does it work?

Rajesh Aggarwal: Today when we are partnering with different companies, our major interest is to develop the mixtures for the -- because if you look at the world, today the farmer needs the one-shot solutions. So we are able to mix one of our products with their product and launch a mixture. So that is our capability which we have developed and that is the expertise.

So very recently we have signed 2 collaborations in last 1 year, I would say. And we are developing various products with these companies, I will not name them even if you ask because they are still confidential.

As I launch the product you will know that. And even with our older partners like Nissan and some others, we are doing the same. So we are not only developing their single molecule but also giving them the facility of developing the mixture, which will have more traction in the market and better results than the single state product. And farmer also wants the multiple solutions at one time, like one medicine with better control for whatever disease or whatever infestation we see in the market.

So that is the demand of the day and we are working accordingly. So we are developing both 2-product mixtures and also 3-product mixtures in the market. And we are manufacturing some of these formulations by ourselves. Sometimes yes, when we work with Nissan, we get some ready-made formulations, but we also manufacture some products by ourselves. And we are building the facilities for these manufacturing and we are eyeing the CDMO business also with some of our partners. So that is also in pipeline.

Ramesh: Understood sir, that is from my side thankyou so much for your patient answers sir.

Moderator: The next question is on the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, thank you for the opportunity. Sir, I see that our B2B business has grown like by 10% this quarter I think. So sir, what was the inventory gain? Sir, was there any inventory gain because of the pricing increase because of this war?

Rajesh Aggarwal: There was a good opportunity, but what brought is like there was an unexpected increase in the price of metal, plastic, solvents, emulsifiers, and also some of the technicals. And there was a complete supply chain disruption because the time taking from China for travel was even more and because of the scarcity of containers and the freight increased.

So that completely disrupted the thing. There might be some advantage we would have got because of the high inventory. But yes, still at the end of this quarter we were sitting on inventories. There was an increase in the gross profitability of the company. So we sometimes say it has happened due to our traction for the new generation molecules.

You can say that some portion might be because we were having some older inventories. But yes, it was a mixed bag actually, because some products were coming expensive, some were cheaper and market is very very fluctuating at the moment. So, difficult to commit exactly how much was the contribution from the increased ingredient prices.

Madhur Rathi: Right. And, sir, for our B2C business, sir, what kind of price hikes have we taken for the Focus Maharatna and Maharatna products and for the commodity or the generic products?

Rajesh Aggarwal: We tried, like, as I told you that there was a big expectation of price hike in the month of March, we had taken one hike in March, two hikes in April, and I believe in May also we tried to take one hike, but somehow we had to roll it back because the market was very much delayed and the sentiment of the network was very weak.

So, there were some rollbacks continuously, till the month of July and after that the market has settled and now the demand is there. So, apparently, the impact we'll understand later, but I can say that there was no much price hike, only the strategic whatever was there in the cost increase, that we could take and that is visible in the results also. But extraordinary hike could not be taken in this market because the demand pattern was low. So, it could not be taken.

Madhur Rathi: Got it. And, sir, for the coming quarter, Q2, because all of these raw material pricing increased, sir, is the industry -- so apart -- not only Insecticides, or is the industry throughout not taking any price hikes, and that might affect our margins for the B2C business going forward? Or we expect to at least maintain that or we have sufficient inventories? If you could help us understand on that front.

Rajesh Aggarwal: Again, it's a mixed bag, very difficult to say, like the variations are very very high, like solvents are like there are fluctuations of 25%-30% in the solvent prices week-to-week, day-to-day. So, very difficult about talking about individual companies. But we, since are focusing around lot of interesting products, actually the premium products, so I don't think that our profitability is going to get impacted in this difficult time also.

Madhur Rathi: Got it. Sir, just a final question from my end, sir. How is the -- whenever we take a price hike, sir, how is the pricing like friction between Focus Maharatna and Maharatna products and generic products? So, if you could help us understand, are we able to pass on whatever raw material cost increases we get for the Focus Maharatna and Maharatna products or even that is facing some kind of friction from the market?

Rajesh Aggarwal: It depends on product-to-product, because if something is not doing well, then yes, there can be issues, or if there is a competitive product which comes into the market and puts pressure in your molecule, it varies from product-to-product, but generally I always tell that FMs are the products which have higher profitability, Maharatna have reasonable profitability, say in between, and generics are sales that are low profitability.

If you have the price advantage over any generic, you can make some good profits than the normal, because normally generic end up selling the generic at 10% to 15% gross margins. So, there can be cases where you make 20%-25%. Maharatna we'll sell at around 30-odd percent. Sometimes the profit can go down to 20%-25%. In the same manner, FMs are something which are at 35% plus type of margins.

So, special case, you can generate 40% plus and in low case, it can be 30%. So, since there are multiple products in all these ranges, because I have 18 Focus Maharatna, about 16 to 18, Maharatnas are about 40, so in one word, I can cannot explain the complete range, but yes, it varies from product-to-product and the range functions as I have told.

Madhur Rathi: Got it. And, sir, are there any plans for a buyback? Because I think this is a downcycle and we can reduce the equity base for company. So, any plans on buyback?

Rajesh Aggarwal: That's a usual process of the company. We buyback after every 2-3 years, not every year. So, it depends. So, we have to reward the investor, it can be in the form of dividend, it can be in the form of buyback. So, that we'll decide after we complete this quarter.

Madhur Rathi: Got it. Sir, that was from my end. Thank you so much and all the best.

Rajesh Aggarwal: Thank you.

Moderator: Thank you. The next question is from the line of Kunal from Fair Value Capital. Please go ahead.

Kunal: Hello, sir. Am I audible?

Moderator: Yes.

Kunal: Am I clear.

Rajesh Aggarwal: Yes, I can hear you, Kunal.

Kunal: Okay, sir. Okay. Thank you very much for meeting us today.

Rajesh Aggarwal: No, no, please go ahead.

Kunal: Yes. The first question is, given that monsoons were delayed this time and are we expecting any sales returns like last time we had INR200 crores of sales return?

Rajesh Aggarwal: Yes, sales return, possibilities are definitely there, but this year I see only 1 or 2 herbicides failing, not many, number 1. Number 2, we were very, very cautious looking at the last year. So, the placements were not that strong what we did in the last year. It was a strategic call what we had taken to place lower, otherwise I could have also achieved the sales number by placing more, but we didn't placed very aggressively this year because we were aware because El Nino announcements were there from the month of February-March, so it was all pre-decided.

And we also as a strategy placed generic products and new generation products in a way so that there are lesser stock returns and we placed the variety over single products actually in our targets. So, I think that we should be able to reduce the sales return numbers to at least half what was there in the previous year.

Kunal: Okay. And can you help us with the revenues from Kaeros? And what are expectations for this year and for the next for Kaeros specifically?

Rajesh Aggarwal: Kaeros is a new company which we had launched and the target is to grow at a CAGR of 100% initially and then it will come down to 50%-60%. So, at this juncture, I can say it is on the path of growing by CAGR of 100%.

Kunal: And the margins, what are the expectations for margins related to IIL?

Rajesh Aggarwal: Margins are visible in front of you. Margins won't cross IIL at this juncture, because the expenses are too much. Like, already if I see in the first quarter, I have hired about 100 people in the company. So, the salary expense is already very high. And since these are initial stages, so expenses will be high.

It depends if we start selling the more Maharatna or Focus Maharatna products, then definitely. So, we have just -- after completing this Kharif season, we'll review our product portfolio, because initially I might have given certain generic products also in this portfolio and might not have introduced the specialty products because I had the fear that I might need many sales personnels, but already since 100 people are on-board and there are also third-party roll people in the market, so I'll review it again and it can improve in future, but at this moment, I believe it will have similar little tight margins.

Kunal: And the normalized margins, would they be lower than IIL? The normalized margin I'm talking about.

Rajesh Aggarwal: Can you repeat your question. I could not hear it clearly.

Kunal: Yes. Sir, the normalized margin for Kaeros, what they are right now in the initial stage, but what they would be once Kaeros grows to a good size?

Rajesh Aggarwal: The normalized margin also you can believe should be around single digit at the moment. When it goes up then I'll give my comments. I will not say that it will cross double digits now, till I achieve something big.

Kunal: Yes, sir. And you talk about price rise, can you also talk about what the volume degrowth was for both B2B and B2C in this quarter?

Rajesh Aggarwal: Yes, the growth is almost similar. B2C--- B2B business has shown a little more growth in Q1 and in Q2, I think B2B business is going to show little more growth than B2C. That is the status.

Kunal: So for Q1, the volume growth was similar?

Rajesh Aggarwal: Volume growth has not come in the Q1, because overall there's the value degrowth also and volume degrowth also.

Kunal: How much was that, sir?

Rajesh Aggarwal: That is what I wanted to know.

Kunal: You said price hike cannot have a major effect, so then -- sorry?

Rajesh Aggarwal: Yes, the volume degrowth is about 13%. There is a small value growth of about 2% actually, which is visible in Q1 results.

Kunal: Okay. Thank you very much and have a good day.

Rajesh Aggarwal: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Sonia Raghuvanshi from Nirma Securities. Please go ahead.

Sonia Raghuvanshi: Good evening. Thank you so much for taking my question. So in the previous quarter, the management expected herbicides to record healthy growth after the prior year's returns and pricing pressure. How did the herbicide portfolio perform in Q1 and what is the segment-wise revenue for Q1?

Rajesh Kumar Aggarwal: The expectation from herbicide growth is again there. In Q1 also, many products we have touched last year's sales and the exact growth because it was delayed. So the growth is going to come get registered in Q2. Definitely in comparison to last year, more than majority of the herbicides will cross last year's achievements.

But yes, we have not touched the figures which were the dream figures for this year that is for sure. So talking about the segment-wise sales, I'll give it to the CFO to give you the exact breakup of herbicide, insecticide and fungicides.

Sandeep Aggarwal: The insecticide percentage in B2C is around 33%, herbicide is around 59%, fungicide is 5% and PGR is 3% in this first quarter. Thank you.

Sonia Raghuvanshi: Okay, sir. Sir, my next question is on what revenue did Granuvia and Spinoace generate during Q1 and what are management's revenue expectation from each product for FY'27?

Rajesh Aggarwal: Granuvia has crossed about 5 in Q1. Spinoace is just the beginning. I think a small fee in retailsINR25 lakhs were generated in Q1 because the launch was almost in July end. I believe Granuvia can touch about INR20 crores in this fiscal and Spinoace can go INR10 crores plus, so both products put together INR30 crores to INR35 crores range is possible in this fiscal, gross level. When it comes to net level, you have to deduct 25% out of it. So which means about INR25 crores of net sales is possible by with these two products.

Sonia Raghuvanshi: Okay, sir. Just the last question from my side. Management plans to approximately double the crop solution plots from the existing 36 plots. What is the exact FY'27 target expected expenditure and measurable revenue opportunity associated with these plots?

Rajesh Aggarwal: Like if you talk about the expenses, so we were aware that this is going to be a difficult season from the very beginning. So, we have not increased any expense budget for the company as a whole and we'll try to manage with the existing budgets what we have. There will be expansion but I told in my speech also that we are working on maintaining our expenses, particularly in the power and the steam, which are the two major expenses.

So in a controlled fashion so that we don't increase that for that we'll be using the solar energy, the wind energy and also the solid fuel to control our expenses, and we are on verge of getting that advantage by the end of this quarter. So in the half year, in the next half, we should be able to control it and in other words, I can say we'll have more production with the same expenses, this is the target. So expenses will be controlled in this way.

Growth targets were very aggressive because this is 25th year of the company, we wanted to grow in a big way but since in the first quarter we have received a setback, so I believe that we'll be improving in Q2 and let's see the Q2 performance, because first half is very, very important for the performance of our company because it contributes more than 60% of the total sales. So after that we'll review that what type of growth will be possible in this year and will give you revised targets.

Sonia Raghuvanshi: Okay sir, understood. Thank you so much. That was from my side. All the very best.

Moderator: Thank you. The next question is from the line of Nivesh Verma from AKS Capital. Please go ahead.

Nivesh Verma: Hello, am I audible?

Moderator: Your voice is a bit cracking.

Nivesh Verma: Hello, am I audible?

Rajesh Aggarwal: Although it's cracking, but we can hear you.

Nivesh Verma: Can you can you hear me now?

Rajesh Aggarwal: I don't know why there is disturbance but your line is disturbed. You can ask the question. Let me try if I am able to understand, I'll reply.

Nivesh Verma: Sure. I had two questions. In Q4, management suggested that a working cycle of approximately 120 days could potentially be achieved during FY'27.

Rajesh Aggarwal: Not very clear, you spoke about 120 days?

Moderator: Sorry to interrupt, Mr. Nivesh. Please re-join the queue when your voice will be clear. Thank you. The next question is from the line of Parul Sharma from DD Capital. Please go ahead.

Parul Sharma: Hi, sir. Thanks for the opportunity.

Rajesh Aggarwal: Please be a little louder.

Parul Sharma: Yes. Hi, sir. So my first question is that despite the revenue decline, gross margin expanded by 240 basis points like to 31.6%. So like could you break down this expansion between pricing, premium product mix, lower cost inventory or we can say backward integration and other factors?

Rajesh Aggarwal: I just told actually that there was a 13% decline in the volume and there was 2% rise in the prices. So, this price rise can be due to the focus on the specialty products and some advantage due to inventory also you can say, but the markets were highly fluctuating, the solvent and the plastic prices, plastic news pack and HDPE and emulsifiers and also other things were highly fluctuating during the quarter.

The variations were as high as some solvents price doubled. For many other things like you don't know what is the price. Today somebody is saying 100, tomorrow is saying 130. So, that type of variations were there. So, in that variation whatever we could buy, we bought it actually and tried to manage the quarter and still managing.

So, I believe that the total turnover of the company dropped, so that was the reason there was impact in the profitability, which we should be able to recover in Q2 with improved sales number, which are expected after the August ends .

Parul Sharma: Understood. My next question is that, like what is the current utilization of Dahej, including the recently added capacity? And also what incremental revenue can be supported before another major expansion like which is required?

Rajesh Aggarwal: Dahej has a very good potential. We are planning to change the product mixes, we are dividing the herbicide and insecticide plants, so that has already happened. There are -- there is about 50%-60% equipment utilized for the new plant which we have made. So, there is further expansion of power, we have taken a new power connection and started this.

There is a new boiler which is upcoming. So, after that complete erection, we'll again get some expansion advantage because we will be able to use the new expansion fully only after that when we have the steam also with us. So, we are working on that and that should help us in achieving the next year targets and this year targets also in a better fashion.

So, we are trying to add a few AIs and there is some backward integration portion also there and we have identified that which technicals we have to increase the production. So, we are working according to that strategy. So, those, yes, it has got a good potential of the new plant.

So, let's see how the numbers come because the season has started with a great difficulty and difficult situation overall. So, at this moment difficult to give the numbers, but it has got good potential actually. At least INR200 crores is possible to be added into the technical production plant and formulation also is going to support in a good way.

So, at this moment I'm not giving the numbers but as the season progresses and we get further details for next year, definitely we'll give the numbers for next two to three years what contribution they can make, yes, in next year.

Parul Sharma: Understood. Great. And my last question is that, like could you -- could management quantify the expected asset turnover and return on capital from the Dahej and Sotanala investment once utilization stabilizes?

Rajesh Aggarwal: We give that number as it comes. Overall, the strategy that we have to stress the assets and increase the ROCE, so multiple-level improvements are being followed for that. We are working on improving our working capital, increasing the turnover from the current business, reducing the credit days in the market and also doing more cash generation and working on the strategic initiatives. So, everything is focusing around improving the ROCE and that is my target which I'm working for currently.

And we are going to stress on this, we have -- already we are working on monthly basis, now we are working in weekly meetings of the senior team members to do this actually. So, it will be the key focus of the company that I must -- I can say and we'll definitely improve our performance because already the big inventory which has come in the month of June is tumbling down actually and you'll see a substantial improvement in this quarter itself.

Parul Sharma: Understood, sir. That's all from my side. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Rajesh Aggarwal: So again, I thank you very much for your active interest. So, I can say that Q1 was focused on building the foundations, improving business visibility, progressing strategic initiatives, strengthening execution across multiple business pillars.

Performance has been mixed with some progress well and some requiring sharper execution, better visibility now available on key drivers, area of opportunity, area of requiring corrective actions, need to move from initiatives to measurable outcomes is realized and the we are working on primary outcomes, revenue growth, gross margin improvements, profitability, cash generation and better response in future. So, with this again, I thank you very much for participating.

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