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Dated: August 18, 2023

The Manager

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

Sub: Transcript of the Earnings Call for the Quarter ended June 30, 2023

Pursuant to Regulation 30 read with Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the transcript of the Earnings Conference Call – Q1 FY 2024 held in connection with the Unaudited Standalone and Consolidated Financial Results of the Company for the First Quarter ended June 30, 2023 held on August 11, 2023, is enclosed and is also available on the website of the Company and can be accessed on the following link: <https://www.insecticidesindia.com/investors-desk/>

This is for information & record.

Thanking You,
For Insecticides (India) Limited

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Sandeep Kumar
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(Sandeep Kumar)
Company Secretary & CCO

Encl: As above



“Insecticides India Limited
Q1 FY 24 Earnings Conference Call”

August 11, 2023



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

MODERATOR: MR. VATSAL VINCHHI – CHOICE EQUITY BROKING

Moderator: Ladies and gentlemen, good day, and welcome to Insecticides (India) Limited Q1 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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. Vatsal Vinchhi from Choice Equity Broking. Thank you, and over to you, sir.

Vatsal Vinchhi: Thank you, Seema. Good afternoon, everyone. On behalf of Choice Equity Broking, welcome to the Q1 FY '24 post results conference call of Insecticides (India) Limited. I also take this opportunity to welcome the senior management team. On today's call, we have with us Mr. Rajesh Aggarwal, the Managing Director; and Mr. Sandeep Aggarwal, the CFO. Kindly refer to the safe harbor statement on the last slide of the presentation. I will now invite Mr. Rajesh Aggarwal for the opening remarks to be followed by Q&A session. Thank you, and over to you, sir.

Rajesh Aggarwal: Thank you very much, Vatsal-ji. On behalf of Insecticides (India) Limited, I, Rajesh Aggarwal, Managing Director, extend our very happiest welcome to all the attendees of today's earnings call. I'm extremely pleased to present you the quarterly financial results of the company ended June 30, 2023. Before we start the financial numbers, I would like to begin the discussion with the brief update about the agrochemical industry, then I'll request later to the CFO, Mr. Sandeep Aggarwal, to discuss about the financial results, and then I'll explain the financial performance and open the house for the question/answer session. So first, let's begin with the industry overview.

The agrochemical industry encountered unique challenges during this last financial year. So post COVID friends, the situation was such that the prices kept on jumping, jumping, jumping, and the price of all the chemicals, they were at a very high level, actually, in these past 2 years. And this also got triggered by the Russia war. And since the last 6, 7 months, the prices started falling. So this fall was very, very dynamic.

Like we saw continuously the prices were under pressure, and it was not only the agrochemicals, but the chemical prices were also under pressure because China was continuously manufacturing and trying to dump the markets with the cheaper goods, and the world was suffering. So there were 2 major reasons. One was the failure of monsoons. Because this was the period when El Niño was already declared. And the most part of the world had started seeing the drought type of atmosphere.

Firstly, if I talk about the U.S.A., the America, North America and South America. Both the economies, they were badly struck with the drought. Followed by Europe. Europe also had these drought type of conditions, and also Africa. For us, also, the announcements were similar. But luckily, we got saved by the Western disturbances, which brought a lot of rain for us. And India had a good -- I can say, good monsoon, though the monsoon was delayed. It was not practically the big monsoon rains. It was mixed with the Western disturbances, which has given good rains and a good beginning of this season, actually.

So in Asia, I can say that there were reasonable rains. And these rains were very good, pretty good in the month of July. But in June also, we started getting some decent rains, which made a good beginning. So this season particularly had a very big impact of El Niño, the dry environment. And of course, this high price inventory, which was there in the international markets, has disturbed the market in a big way. Because particularly, where the demand has not started in the countries of Americas and Europe, all these areas.

Here, the vendors or the companies are suffering with the high price inventories. And in many parts or other parts of the world, particularly if I talk about Africa, Middle East, there a lot of countries are suffering with the currency crisis also because at some places, the distributors don't have money. At other places, the banks don't have dollars. So there is delay in payment cycle.

And overall, the markets are disturbed. But if you look at the agrochemical season at large from Asia's perspective and particularly from India perspective, it has been a very decent start. The start was delayed. April-May was very sad. It picked up in June. July was the extraordinary month. August looks reasonable, which means that there will be a good growth in the domestic market and the revenues of the international markets has also started opening up slowly now because as the prices have become lucrative.

The international buyers have also started coming back to the market again and they are asking for more material. So I can say that overall, it has been a good opportunity because the world has realized that China and Europe alone cannot serve the world, and China plus 1 and Europe plus 1 policy is giving a good boost to India. And the large capex, which all Indian agrochemical players are investing in the backward integration and in the agrochemical sector, it also has given a good boost.

So overall, I can say that with the industry eyeing on investment in the manufacturing sector, ultimately, the agrochemical business in India is going to grow, and there is a huge scope of growth in the international markets also, and it should pick up. If I talk about some later datas, then as per the WHM information, the total exports from India, which has happened in the field of agrochemicals, which includes some of the household pesticides also, it has risen to almost 5.5 billion all-time high. And we are number 2 in the world in terms of the total exports, what has happened in the last year.

So the domestic market has also grown to about \$33.5 billion. So overall, there is a good increase in the domestic market and there is a good potential in the international markets also. But largely, this potential seems to be for the, I would say, crams business and company transfers. So they are the permanent businesses, which gives the maximum growth. And if you are selling your brands or you're selling the technical, that is the market of struggle, due to the price war which has happened after this decline in the prices from China.

But overall, if I say, then opportunity is very good and the demand which has started coming in the domestic market and also in the Asia is quite good. So now I'll hand over to the CFO to explain the results, give the numbers, and then I will explain these results. Thank you.

Sandeep Aggarwal:

Thank you, and with that, myself Sandeep Aggarwal, CFO, Insecticides (India) Limited. So during this first quarter of FY '24, IIL has recorded a revenue from operations of INR6,399.53 million, thus registering a growth of around 14.14% on year-on-year basis. The EBITDA margins were at around 7.13% in FY '24 due to the -- quarter 1 due to the liquidation of high cost inventory from the previous year.

And the total high cost inventory liquidation during this quarter is approximately 41% of the overall sales. So the sales of our top-performing category from Maharatna products stands at INR2,577.44 million in quarter 1 FY '24, which is around 61.49% of the total branded formulation sales, as compared to the INR2,090.62 million in quarter 1 of FY '23, which was around 56.37% of the branded formulation sales.

The top performing products for this quarter were Focused Maharatna, Maharatna products like Hachiman, Torry, Shinwa and Green Label. So these results from the sales team efforts and innovative marketing. So we are continuously focusing on the growth of these Focused Maharatna and Maharatna products. So we'll see the category-wise breakup of the sales during this quarter, the insecticide were 30%, herbicide were 64%, fungicides 4%, and biological and PGRs were around 2%. If you see the region-wise revenue, the North contributed around 36%. East contributed around 7%.

West contributed around 35%, and South contributed around 22%. We will see the segment-wise revenue, then B2C contributed around 66%. B2B contributed around 31%, and exports contributed around 3%. So the products launched during the year, during this quarter, we launched 1 product Mission. The total sales in the first quarter was around INR12 crores. So the product which we launched last year, the total sales of those products in first quarter is around INR92 crores, whereas the last -- in last year, the total sales of these products for the full year was INR149 cores.

So sales from the in-licensing product is around INR44 crores, and sales from the patented product is around INR93 crores. We will see the sales of the products which we have launched in FY '22. It is around INR1,076.3 million, and the sales from the product launched last year FY '23 is around INR923.8 million. So the total contribution in FY 1 from these categories is around 48%. So the more sold products are Hachiman of around INR511.99 million, Torry, INR308.86 million; Shinwa, INR187.14 million; and Green Label, INR221.57 million. Thank you. Thank you very much.

Rajesh Aggarwal:

Thank you, Sandeep-ji. To explain it better, I would like to tell you friends that there was a price war in the market due to the price erosion by the Chinese companies in the generic segment. So looking at that from the very beginning, we made it a point that we have to reach to the market in a very focused manner. For that, we identified 6 products, which were the products which were launched into the COVID period, and there are some new products, which is launched this year and some products which was -- means, these are all these 3, 4 years the product majorly launched in last 3, 4 years.

So we identified them as the lead products or the engines for the company, out of which Sandeep-ji has named many. So these 6 products, we are targeting a sales of about INR600 crores in the

brand market from these. So on an average, you can say INR100 crores per product. So 6 products, we are trying to get them the engines with the lead -- in the lead position will be Shinwa, which is the Nissan's product. So this, we are trying to make it our biggest product for us, and I think it is supportive.

So as he has explained in the Q1, the herbicides had a maximum jump because the demand for herbicide has only started in Q1, and now we have started seeing the sales of insecticide. The season in the North and the Central India had already started, and that is the reason that North and South have picked up, and the South and the East are trailing behind.

As the rains are coming into these areas, they are picking up. So even today, North is number 1. Central India is number 2, and South is number 3, and east is follows. This is the situation. But this will change as -- change means that how it is going to pick up and take the #1 position, and North and West are going to compete following west -- east, that is the routine.

And if you look at the explanation about the B2B and B2C. So we have got advantage from these key products, both in the B2B segment and B2C segment. At one place, our brands are going fine. And at the other place, we got good response from the B2B customers also, and we have supplied these products to B2B customer also. And there also, we have gained a good increase.

Overall, I can say that we have achieved an increase of about 14% in this quarter and the next quarters, which are going to come, looks even better. And I still feel that the EBITDA margins, we will be able to do better, actually, from 9% to 10% at least. And if this support of rains continues because we have got a very strong pipeline of products, which in the past we used to launch during the beginning of the Kharif season. But now as the registrations are coming at odd times, so now we are not delaying our launches.

I mean to say that I have already 4 launches lined up in quarter 2, though I'm going to get very small season for these. But whatever market I get, I would try to launch these products so that they can feel the market. So we are going to launch 3 herbicides and 1 insecticide into the market in this season. All the 3 herbicides are 9(3) products, actually, and they are the mixtures and we have very high hopes from these 3 herbicides and they should do very good in the next year.

So first is the Green Expert, which is herbicide for paddy. Second is Nakshatra, herbicide for sugarcane. Third one is Opaque, which is the herbicide for onion, and it is going good in many other crops also. So we are working and developing this product, and we are going to launch these products in the month of August and September. Supremo SP an Insecticide which is going to come for paddy in particular and vegetables, and we are also going to launch these products.

Along with this, we are also focusing on the biological segments. In the Biological segment, as we have already started IIL Biologicals Limited. It is focusing on filing some patents for the new biological products. And this year, we'll be launching this company also. So I believe that all the new launches of IIL Biologicals are going to come after Diwali, though we'll get very small season or the rabi season to launch these products. But still, we'll start the thing and we'll launch these products into the market. So we are very, very clear that how we have to proceed in the

future. I mean to say that we have already spent a lot in our projects, particularly the Dahej project.

So Dahej project, the major investment is already made. And we were about to launch this project, but the heavy rainfall in that area has delayed the project further. And now we plan to start the production in the new plant only after Diwali because generally during the Diwali period, we take the shutdown. So by that time, we will set up the plant, and then there are certain changes also we have planned in Dahej, changes due to the current situation.

Because now in the current circumstances, we have realized that there is no fun of competing in the generic molecules, either we have to come with their mixtures or we have to bring the new of patented molecules. So we have a very good pipeline of products, which is lined up for future. So looking at that pipeline, we are trying to set up the plant for these products, actually, in Dahej and also in Chopanki.

And our vision is that we will be launching at least 7 to 8 products for '24, '25 in the herbicide and the insecticide segments and also fungicide segment. And most -- for most of these products, we'll be making the new technicals by ourselves in the expansion what we have done. So this will be coming in a big way. And similarly, to talk about the new investment, which the company has made in Sotanala District, Behror. So here, we propose to -- there is an acquisition of about 15 acres of land. This land, we -- it already had 1 small plant building already constructed here. So we'll renew that plant, so it will expedite our entry into the manufacturing very fast.

So we have a 2-year project, which we will be starting in 2023 post Diwali. So here, we are going to set up a formulation plant, a technical synthesis plant and maybe the biological plant. So not sure about the third one, but it's still on paper. But this plant, so Sotanala is a very strategic location between Chopanki and Gujarat, and it will be on the same highway, the national highway. So I think that it is going to give us the edge in the marketplace, and it will help us in consolidating both our manufacturing of formulations as well as technicals.

Also, I would like to talk about the exports. So the export market for us has been slow. We were wanting to grow in a big way in the last year, but we could only match, this demand in the market was also slow due to the reasons which I've explained before. So here, I would like to tell you that we are spending a lot on data generation. And we are registering our products across the world in all the countries.

The demand at present is slow, but our registrations are in process, and we have already got more than 300 registrations in various countries in -- of Latin America, U.S., Africa, Europe countries everywhere in the world. So we are in the process of setting up this is going to take off in a reasonably big way.

Just I would say it's on the brink of getting a good success. But at the moment, the exports will remain reasonable. We have taken a target of about INR200 crores for this year. I still believe we will end up somewhere between INR150 crores to INR200 crores. So you can say that there might be a downfall about 20%, 25% in our assessment for exports. But in our B2B and B2C

sales, the domestic sales, we are going to do very good and there won't be any downfall and we should grow by minimum, show double-digit growth, both in top line and bottom line.

Coming to the biological. Here, I would also like to say again that we are investing a lot on R&D, and we are working with the new products, and we are trying to file our patents. Once these patents are filed, then we'll be launching these products because registrations is relatively easier, and we are working on a lot of registrations in these segments also.

So biologicals are into national district in the country, I can say the demand is slow. The growth is slow, but the future belongs to the biologicals also. And there will be a time when biological will run parallelly to the chemicals. So we realize that, and that is the reason we are expanding on the R&D and manufacturing strength of these biological products. So friends, we have a very clear strategy that we will bring the new technology and new technology products to the market.

Slowly, we'll be doing the tail cutting of the generics, and we'll give value-added products to the customers because we believe that ultimately, it is the solution which a customer wants. They don't need the product. So looking to their requirement we are trying to bring in new solutions for our customers.

And I believe that we have already set up our strong pipeline of distributors, dealers and network, and we are continuously working with them, and we are trying to capture the market in a very planned fashion. Now here, I would also like to add that we wish to move the technology in our systems. So far, we are doing the ERP on SAP. Now we have taken on HANA, which is the latest generation of SAP.

We have upgraded that. In the same fashion, now we are working on the -- business dashboards are BI dashboards, which again, we have upgraded recently. Similarly, we are also working on the CRM package with Salesforce. So one of the best in the world. So we are trying to create our connectivity with the distributors and not only with the distributors, but also with the retailers and farmers and also with the crop advisers, which are generally on third-party role.

So the people who are not covered by the accounts package or ERP package, we are trying to cover them through the CRM module so that we can bring in technology in our system, and we can improve the connectivity of -- our network connectivity of our customer with the company. So with this, I would like to thank everybody for the very active participation in the conference call. And now I'll open the house for the questions.

Moderator: We take the first question from the line of Bharat Gupta from Fair Value Capital.

Bharat Gupta: Sir, couple of questions from my side. So first, in regards to the inventory situation. So roughly, what would be the impact or a inventory hit which we would have taken on our Q1? And what is the quantum of higher cost of inventory which is left in our books now?

Rajesh Aggarwal: We are continually working on this inventory. We could reduce the inventory by about INR100 crores in Q1, and we are able to reduce it further by INR100 crores in this -- in recent 35, 40 days. So I mean to say, we are regularly working for this inventory actually and trying to bring

down the inventory. And as a strategy, we are moving out of some of the generic products, technical manufacturing.

So that again, we don't face this similar situation what we have faced today. So this is going to support. And most part of the high-priced inventory is going into the market. So I think that we have got rid of the maximum inventories. Sandeep-ji can give the numbers exactly. And like this, the quarters to come should show a very good growth, actually, because we are cutting down our inventory in a big way.

Bharat Gupta: Right. Sandeep-ji, can you just highlight on the numbers? Because I think in the margin, INR850-odd crores was the inventory level, right? So by the end of June and probably like the - - in the current scenario, what would be the total inventory which will be there on the books?

Sandeep Aggarwal: Thus, as on today, if you'll see the total inventory is around INR600 crores only. So we are already down by INR250 crores as on today.

Bharat Gupta: Right. Right. Sir, secondly, in terms of the demand. Like in the current environment, you highlighted that there has been a positive pickup. So like in terms of how do you read the overall scenario pertaining to Kharif? Because is there any issue like in terms of inventory overhang, which we are seeing across the industry?

Rajesh Aggarwal: I don't think that there is any inventory overhang because of the falling prices in the beginning of the season, nobody in the market wanted to keep the inventory. That was one reason that the demand was very, very slow, particularly in the months of March, April and May. So at that time, nobody was buying the material and the sales only started when the sale in the market started in the month of June.

So June also was relatively slower. July picked up pretty well, and August it continues. So I mean to say that the system was not flooded with the materials during the time, generally distributors have the tendency to buy the material early in the month of January, February, March, April, May, June because the demand starts from July and they want to keep the stock. But this year, the scenario was the falling price scenario. So they didn't want to keep the stock with them. So the stocks were not there.

And whatever has gone to the market, it has gone for the actual sales. So that way, the market is still bettering, number one. Number two, the demand is good. And looking at the demand, the sales are going. So the sale numbers are going to be very good, actually. Like just to give a reference, I'll not talk much, but I'll say that July for me has been all-time high month, actually, July '23. So we have never touched those figures. Those figures or results will be out in the -- when we talk about Q2. But it has been all-time high for us, both in terms of sales and collection.

Bharat Gupta: Right, sir. Sir, also, like you mentioned in your opening remarks that there has been a good level of pricing cuts. So I just want to understand because China has offloaded a good quantum of inventory in the system. How the peers have reacted to it? And what kind of a pricing cuts have we taken across both our generics as well as on the branded space?

- Rajesh Aggarwal:** Like majorly, the price competition has happened on the generic segment. In the off-patented segments also, there have been pressure and prices have come down. So there it's difficult to talk about molecules because it is variable well from molecule to molecule. But yes, on an average, you can say that there is about 10% plus type of price cut on an average.
- Bharat Gupta:** Right. And that is common across the industry, right?
- Rajesh Aggarwal:** Yes. It varies from product to product because some products might have little more price cuts. Some products have lesser. But here, there is one more information. The market has already started bouncing back, the international market also.
- Bharat Gupta:** And sir, in terms of stabilization, the raw material prices. So are we seeing that the bottom was made in Q1 and particularly now going forward, the prices are seeming to be on a stable side?
- Rajesh Aggarwal:** Looks like that.
- Bharat Gupta:** Okay. Also, sir, in terms when we look at the backward integration facility. So we also booked a good amount of inventory for the production. So how are we utilizing it?
- Rajesh Aggarwal:** That production will take out actually in other plants. So whatever inventories we have kept for the backward integration, all those we will utilize by Diwali. So that target we have made. And after that, we'll be changing the plants to the other products, actually. And some products which will be viable at that time, we'll start making them also. So we are making some changes in the plants because initially, the targets were different.
- Now the targets have changed. It will change in time because the price of some of the products have come down also to a level where we might have to rethink that the quantities we were thinking we are going to make it. We are not going to make it. So that strategy is still under working. And we have identified some of the new molecules which were not on cards to bring that fast, but now we are bringing them. So there will be some changes in the plant.
- Bharat Gupta:** Right, sir. Sir, like you mentioned that particularly, we are taking out market share and probably delivering more growth in comparison to the industry. So like we have absorbed the higher cost inventory element. Like you mentioned, 41% of the inventory is currently out there in the system, and we are on path to liquidate it as soon as possible. So in terms of the guidance going forward, both in terms of revenue and in terms of EBITDA, don't you think 10% to 12% kind of a guidance seems on a -- like on a very conservative side, given out the way we have been performing, so I want get...
- Rajesh Aggarwal:** Like my idea is to perform better and not to give guidance. So I'm keeping it conservative, and I would like to perform better in Q2.
- Bharat Gupta:** Right. And profitability-wise or in terms of EBITDA margins, sir so do you expect that there will be an upward revision because of higher contribution coming out from the newer products?

- Rajesh Aggarwal:** Yes, Q2 anyway is the highest. And lot of contribution is going to come from the new products. So yes, Q2, you can take it as it will be having the best performance, both in terms of top line and bottom line, yes. There can be surprises in Q2.
- Bharat Gupta:** Right, sir. In regard to capex, sir, because I think we have taken or expanded our facilities, and we have acquired 2 land parcels. So what kind of a capex are we looking like for both FY '24 and as well for FY '25?
- Rajesh Aggarwal:** Like FY '24, it won't be a major capex because we have already spent in the land. Just there we would be spending roughly about INR25 crores, and then in the -- we will start it slowly. So the major expense is going to come in '24, '25. Because '24 -- in '23-'24 it will be majorly booked and just some small advances. The deliveries will start later. So if I say then we are making a plan of spending about INR100 crores in Sotanala site and about INR25 crores in Gujarat in the -- INR25 crores will go in SEZ, SEZ expansion, and INR25 crores will go into the Dahej plant majorly. So total INR150 crores we will be spending in next 2 years.
- Bharat Gupta:** Also, can you throw some light on the biological plant also? Like we -- I think we acquired some land parcel out there in Neemrana. So what's the progression over there?
- Rajesh Aggarwal:** And we had acquired some land in Shamli. So we have converted into the land farm, at the trial farm land actually, and we are doing a lot of trials in that land. We are not setting up the plant there. So the new plant is going to come for biologicals, either in Chopanki or Sotanala. So -- but we are -- it's under decision. So that call we have to take, we'll take it shortly. So either the biological is going to establish at Chopanki or at Sotanala either of these places.
- Bharat Gupta:** Sir, just 2 questions from my side if I'm allowed. One, in terms of the B2B segment. So I think that the revenue contribution is close to 30-odd percent. And I think majority of it is going towards active ingredients or towards formulation, towards other institutions. So do you think with the China coming back in picture and because of the over production out there, sir do you expect that our focus will remain mainly towards the B2B segment and we will be seeing a good amount of change in the revenue composition going forward?
- Rajesh Aggarwal:** I don't think that there should be a big change in the revenue from that because this will remain like that because our major focus is around the brand, so it will always remain around the brands. But yes, we'll get good B2B demand, actually. So 70-30 is okay. Mean broadly reasonable, I think.
- Bharat Gupta:** And sir, Maharatna sales sir what...
- Moderator:** Sorry to interrupt you Mr. Gupta, may we request you to please join the question queue sir, as we have several participants waiting for their turn.
- Bharat Gupta:** Sure, sure.
- Moderator:** We'll take the next question from the line of Aniket Kulkarni from BMSPL Capital.

Aniket Kulkarni: So right now you just spoke about the capex, I'm sorry, I missed it. Sir can you just highlight what was the new capex, which has recently happened and when will the capacities become operational? And what is the revenue potential from all of this capex, which is coming up or which has been already done?

Rajesh Aggarwal: We have already done a bit actually, in the past year. So Chopanki has already come into production, the technical plant. It has increased the capacity by almost 50% of Chopanki technical plant. Dahej plant will come into production post Diwali. The major expenses are already done. It is just the finishing stages. Some equipments are being placed, and they will be capitalized by Diwali.

So 95% of expenses are already done in Dahej. Apart from this, we have taken 1 land parcel in Rajasthan at Sotanala, where we have spent almost INR25 crores in acquisition of this land. So we'll -- we have a budget of about INR100 crores, we have budgeted about INR100 crores for this project, which we'll be spending over 2 years. And along with this, we are also going to expand our SEZ facility, where we are going to spend about INR25 crores. So another INR25 crores we have kept for routine expansions in Dahej and some other small, small projects, like biological and other things.

So total spend in next 2 years is going to be roughly about INR150 crores for the expansions. So yes, the plan is not made in detail so far because this acquisition has just happened last week. So it is more on papers now. So we'll be planning, and this will help us in consolidating our formulation capabilities. And along with the formulation, we are going to set up the technical plant also at Sotanala. So this is also going to support. The SEZ plant will be majorly export demand.

Aniket Kulkarni: Okay. Got it. And any guidance on the revenue potential of this capex?

Rajesh Aggarwal: Yes. We have targeted a CAGR of 20% in the next 5 years. And I believe that we should be able to deliver it because whatever we need, we are spending on R&D. We are spending on registration. We are spending on capacity expansion and network expansion. So when I'm spending every year, I think that we should be able to achieve this CAGR 20% easily.

Aniket Kulkarni: Okay. Got it, and just a broader macro based question. So in the next year FY '24, what are all the risks to the business that you see going into the expansion, any steps are there plans to mitigate them?

Rajesh Aggarwal: Like there are no very strange risks. But specifically, the generics are always under pressure. So a lot of generic products are always under pressure. So to combat that, we are going in the new generation of patented molecules. We are bringing the patented molecules through the Japanese partners, and we are also trying to make the mixtures with the Japanese products. So here also, we have applied the IPs, so we have applied more than, say, how many, more than 40 patents, roughly 39 patents are already applied so far, and we have built almost 21 patents.

So we are now trying to bring in more patented technology so that we can face this competition. And parallelly, we are also working on the biological segment. In the biological segment also, we are filing patents. So I need to say, so whatever technology is required, we are trying to stress

test this technology. And now since it is the time of technology we are spending a lot on technology also. I talked about SMDC. I talked about this year end what I am doing. We have already made the -- upgraded our SAP to HANA, the latest version. We are trying to upgrade all our systems.

The BI dashboard already, we are looking at all the things. So we are trying to upgrade everywhere. So I think these are the things which are for risk mitigation. And the new production sites are also purchased. That is also the idea to strengthen our production capabilities because when we are going to launch the new technicals, then I have to first establish my capability and capacity to manufacture these technicals and then the formulations.

So we are setting a plan for everything. So I think we are well equipped to face the challenges we are going to come. And at the same time, we are releasing our inventory. We are not only expanding, but we are also doing the tail cutting. So at some of the synthesis or the technical manufacturing part, we have already decided that wherever we see a tough competition and product declining we are going to move out of that product. So we don't do the synthesis, maybe I continue with the brand for some time. But later on if the brand also comes in to tail cutting then we will tail cut and bring some new solutions to the market.

Moderator: We take the next question from the line of Ranvir Singh from Nuvama.

Ranvir Singh: Congratulations for good numbers in this quarter. Sir my question -- I have a few things I listen in call was not able to reconcile. So your guidance has been 10% to 12% for FY '24 for revenue guidance as you said early. And again, you mentioned some 25% CAGR that I couldn't understand. Can you help us understand?

Rajesh Aggarwal: See the guidance for this particularly is 12% only. The quarter 1 was very, very -- I mean, so we have grown by almost 14.5% in Q1. You have seen that. So the sales growth in Q2 looks even better. Then the question was put about the CAGR, then I told that we wish to grow by 20% CAGR, not 25% I meant it to 20%. So that is the vision of the company, and we are poised to deliver that. But I don't want to give the numbers, the big numbers for this year.

So I've said 12%, but I'll build this number in a big positive manner in this quarter itself and you will realize that. So we are working with the 20% CAGR growth in mind, and we should be able to deliver that. But if I have to give the numbers for this year, so that in the commentary and also in the written statement, we have mentioned 12%. So I don't want to give a big number in front of it for this year particularly. That's it.

Ranvir Singh: Okay. So we should consider that 12% guidance so far, and then you will try to catch up in subsequent years so?

Rajesh Aggarwal: Yes. And I believe that even this quarter, it's going to be like for us, always Q2 is the biggest quarter. And this is -- this should give a good jump, actually. This Q2 should see a reasonably good jump.

Ranvir Singh: Okay. So just taking into account even the 10% or 12% growth means roughly INR200 crores kind of incremental revenue, what even on a conservative basis, what we are expecting. And

then we saw that 6 product launches you talked about has the market potential of INR600 crores. Am I right?

Rajesh Aggarwal:

You will have to understand it in full. These 6 are not launches actually. These 6 products have launched in last 3, 4 years, actually. So these are the focused products. Now we are taking them as engine because during the COVID period, we get the minimum time to promote the products into the market because people were not able to move around in the market. So some of the products were already being good and some products have done good this year.

So we made them the focus of the engines of our company, and we have a target that we should target around 6 big products at least this year, which should give us a minimum net sales of INR600 crores. So we made that point, and we are working around that point. And the good part is like we have been very, very successful in this strategy, and we are able to do that. And most of these products are not generics, are not the generics or which have faced any stress.

So mean to say that people always used to ask me that your old molecules have gone, like Thimet has gone, Nuvan as well, which were INR100 crores-plus products. And now I have Monocil which is again in stress. So what will happen if these go? So I mean to say that we are trying to create the brands which are the bigger brands than what I had in the past, the generic brands, and we are able to take them to the market in a big way and establish into the market. So that we portrayed actually.

Ranvir Singh:

So that 6 product includes that your base existing big products and plus new products, that's what they are saying. And that the cumulative number should be INR600 crores?

Rajesh Aggarwal:

Difficult to explain over phone. But we have about 1 dozen products in Focused Maharatna, and we are working around Focused Maharatna. And Focused Maharatna has seen a big jump here. And then we have over 2 dozen products in Maharatna. So we are trying to focus around these 2 ranges Focused Maharatna and Maharatna, which are the value-added products, and we are working around these value-added products. And the new products which we are trying to launch, they also are going to join this brand.

So the new launches which are going to come in the future are going to be value-added product launches only. The rest things are going under tail cutting. If you will see our performance also, I think it is clearly given Focused Maharatna Maharatna's, though Q1 saw lesser sales because it was only herbicides demand. In Q2, the major sale is going to come from Focused Maharatna and Maharatna also. So we are working around these focused products to give us the mentioned volumes.

Ranvir Singh:

Okay. Okay. And sir launches -- about the new product launches, you talked about 4 launches in Q2...

Rajesh Aggarwal:

Yes, 4 launches are lined up in this quarter. And these products will be launched. So in year 1, they won't be big because half the season will be lost by the time I launch these products. But I am not going to delay as I get the registration because registrations are taking a lot of time. So the day I get the registration, I am going to launch these products immediately the same month. So that is the vision. So we'll launch them right away.

- Ranvir Singh:** And any indication of potential of these products, what kind of revenue?
- Rajesh Aggarwal:** Good potential. They should be the part of my Maharatna brand, and some of them will qualify to be Focused Maharatna also. So if I look at these products, out of 4, at least 2 should enter into Focus Maharatna range into -- by next year itself. So I hope that, so let's see the success.
- Ranvir Singh:** Okay. And last one on the biologicals. How much capex we have done? And what kind of the currently in nascent phase so when we can see meaningful revenue coming in? Any outlook there?
- Rajesh Aggarwal:** Okay. The value from the biological revenue is already started coming from the last 5, 7 years because we have set up the R&D center in the third-party facility. So my capex has not -- never huge in the biologicals because I've not set up my own plant so far. It's only the R&D center, which is ours and the plant is the third-party plant. So the numbers are not big. But yes, I can say that today, I have 2 biological R&D centers separate, and we are spending on R&D.
- So we have a team of about 1 dozen doctors who are working in the biological segment itself and are filing the patents. So at that -- at this time, the major focus is in developing the pilot scale technologies and filing the patents. So we'll start launching the biological products in the big way from next year itself. So into '23, '24, there might be 1 or 2 launches, actually. There will be more a test launch type of thing.
- Otherwise, we have a range of over 5, 6 products in this segment, which are already into the market. So that is giving a small business to us at the moment, roughly about, I think, 1%, 1.5% of our total turnover, maybe somewhere about 1.5% to 2% of our turnover, not more than that. But this is going to grow slowly.
- Moderator:** We'll take the next question from the line of Sampak Naik from Tiger Asset Wealth Management.
- Sampak Naik:** Sir my question is on the product mix trend. So currently, like out of our revenue, like how much of the revenue is coming from branded and how much is coming from generics?
- Rajesh Aggarwal:** We market all our products as branded products, even the generics are marketed as branded products. But for the convenience what we have done is, we have rerouted our to arrangement to Focused Maharatna, Maharatna gold and silver. So silver products are builded that tail cutting products. And they contribute roughly 2% to 3% of our turnover. Gold products are the large market demand and generic products, which are very popular in the market and which the farmer knows and distributor knows and they demand it.
- These are generic products, basically. They contributed about 30-odd percent to our turnover, will be 30% to 35%, these keep on varying. Then we have Maharatna products. Maharatna, we have about 2 dozen products, which are the focused work for the company. So that give around -- another 30% type of revenue. And then on the top is Focused Maharatna, about 1 dozen products, which contribute about 35%. So we have divided our Maharatna segment to Focused Maharatna and Maharatna only last year, and we have been quite successful in increasing our share of Focused Maharatna.

And this year, we are very, very highly focused around Focused Maharatna products, and we are trying to increase that share from 35% plus actually. So that way you can get 2/3 type of volume we are targeting from our Focused products and 1/3 product -- 1/3 volume from the routine or generic products.

Sampak Naik: And one more question is on the dumping by Chinese. So is it still relevant? Or like do we still -- are we still seeing the impact of it?

Rajesh Aggarwal: Majorly, we have taken the impact because a large impact came in the last quarter of last year. A reasonably good impact also we faced in Q1. So most part is over now. Now only there will be some premium stock, which will go in routine. So I don't think that we need to take a major hit now after this. So the majority hit, we have already taken.

Moderator: The next question is from the line of Sandeep Dixit from Arjav Partners.

Sandeep Dixit: Can you hear me sir?

Rajesh Aggarwal: Yes, yes.

Sandeep Dixit: Okay. Just wanted a clarification on the margins and the high cost inventory. I think last con call, you had said that by 1Q, the high cost inventory will all be done. Is there anything pending now for 2Q? Or can we see the double-digit margins in 2Q?

Rajesh Aggarwal: Definitely, I'll also try to see the double-digit margin -- in the margins in this quarter because you know that agrochemical business is a cyclic business. The majority of the business comes in the 2 quarters. Generally we target 65% to 70% -- or 65% of our business in these 2 quarters. So first quarter has been fine, and the second quarter is going to be extremely high for us. And we can imagine or we can target a double-digit margin in this quarter, actually, it should come.

So that's my vision also. So as I told, the majority of the inventories, the high-cost inventories are already done, but still I have stocks. So there may be some small stocks of high price, but I don't see a loss-making inventory at the moment in my system actually. I think I should not make much loss on that. So we can plan -- we can imagine a double-digit margin in this quarters I would say.

Sandeep Dixit: Can we have the double-digit margin for the full year possible because...?

Rajesh Aggarwal: I've already given like a comment, like I am writing that 9% to 10%, we are expecting EBITDA in this year. So I don't want to revise that because we have already written that. So let's see how the season proceeds. So I'm also quite hopeful that we got a beating last year, and we have to -- like we should be able to come out of that situation in this quarter itself.

Moderator: The next question is from the line of Hitesh Agarwal from Fair Value Capital.

Hitesh Agarwal: Sir, you gave a guidance of around 20% revenue growth for the next 5 years in a stable scenario. Sir, just wanted to understand what could be the -- in a stable state scenario, what will be the margin guidance over the next 4 to 5 years?

Rajesh Aggarwal: Look, we always target a margin jump of about 100 to 150 points year-on-year. Last year was the extraordinary year when we made a loss. So first, this year, we will make a recovery. And after that, again, you can target a growth of about 100 to 150 basis points in EBITDA levels year-on-year.

Hitesh Agarwal: Okay. Okay. Sir, just one more question. In exports, you have mentioned in the press release that there were some positive signs coming. Could you throw some more color like since majority of the export-oriented companies we are seeing, you have highlighted the concerns on high channel inventory.

Rajesh Aggarwal: Definitely, there is high inventory in the channel. There's no doubt about that. Because again, the inventories high price even triggered, they have. But we have been buying the stocks of the cheaper price continuously since last 4, 5 months, another stock. So I had to take the MTM losses also in the month of March because of my cheaper purchases. So I think we should be able to get some advantages because we'll be able to average it out and you need to offer to the market at competitive prices.

So we are expecting some good orders in this quarter, actually. So it may not convert into sales number in the month of July or August. But I think September onwards, we should be able to deliver good export numbers, actually. So that is the reason I'm hopeful that we should be able to cross our INR150 crores type turnover in the export segment.

Hitesh Agarwal: Sir for FY '24, INR150 crores is the expected kind of -- that's what you are saying?

Rajesh Aggarwal: Yes. Initially, my target was INR200 crores, but now we toned down it to INR150 crores.

Moderator: Ladies and gentlemen, we take the last question from -- for the day from the line of Lalit Kumar, an individual investor.

Lalit Kumar: I hope I'm audible. I think a lot of our picker friends have spoken a lot on revenue. And I'm trying to just zoom a little bit. Every 5 years, our company has grown and doubled sir. So 2012 where we're at INR500 crores mark, say, in 2018, we were INR1,000 crores, and now we are almost INR2,000 crores sir. But if you look at our margin rate, I mean, given that COVID, China, I'm trying to just zoom out a bit, we're doing about 12%, 13% and now we are at close to about 6%, right?

And because of which market has not rewarded us, I mean, 10 years back, we were INR1,200 crores market cap company. Now also we have that. So where -- as a company, are we probably -- because we are doing a higher revenue, are we losing out to the margins? And I'm not trying to understand the way -- why you're quite not able to incrementally get higher margins. So guidance of 9%, 10% is good, sir, when do we get to see a sustainable margins for 12%, 13%, what all the steps and actions which have been taken over there?

Rajesh Aggarwal: The entire working what we have been doing around is for this target what you are saying because when I say that we spend on R&D, the R&D spends are to bring the new generation molecules and to bring the molecules of the chemistries which are value-added chemistries. So today, we are a unit company which runs 4 R&D centers, and 4 R&D centers have different

targets and doing -- I'm glad to inform the investors that all these 4 R&D centers are working fine and they are building new technologies.

In the past, we were struggling with a lot of, I would say, the -- in getting the registrations. A lot of time was going. So we had a lot of court cases also regarding this because people were trying to evergreen the off patented chemistries and a lot of time was getting wasted in this. So after a lot of struggle. We have started getting the registrations. And now the registrations are coming and the speed the registrations are coming and we are able to develop these technologies and also develop or scale up our plants to make these technologies.

I think the major launches which are going to come in future are going to be launches of the value-added products. And now, number one, at one point, we are bringing the new generation value-added products. Number 2 point, we are coming out of the products, which are the generic or highly competitive products. So which means that lower revenue yielding products, we are going to leave. A new higher revenue yielding products, we are going to add to our system.

So again, in R&D, we have 2 types of models. Number 1 is to do the backward integration and by doing the reverse engineering, we try to bring these molecules. Number two, we are going to make better formulations or new mixtures, which we are launching into the market here within the IP, for the IPs we also work with the biologicals. In the biological segment, we are trying to get the IP. And also with our partners like Nissan, we are trying to launch new chemistries, which are also IP-protected products in the market.

So the major focus of the company is to bring the patent technologies in the market so that we can give higher value for money to our customers and to our network, and we can make better margins for our investors. So that is the reason you will find this change. And for this, we have already established ourselves, established our plants. We have already invested because when I said that I might have to strengthen my production facilities, the formulations and the technicals for that.

So we have invested into this unit in Sotanala. So after all these investments and -- into the R&D, technicals and the plans, I believe that now the time has come when we should start delivering better margins. So yes, challenges were there. Challenges have -- because we are spending a lot on R&D, on manufacturing facilities, different facilities. Our expenses are relatively higher, which was giving a pressure on us.

But I'm glad to inform you that still, we are a debt-free company. All the investments we have made is through this. And we have also realized that there is no fun of -- in keeping the high inventories, and we are very strongly working on bringing down our inventories and I'm very, very confident by the end of this quarter, our inventory should be somewhere in the range of INR550 crores minus, not INR550 crores-plus.

So we'll come into the reasonable numbers. So we grow our sales without growing our inventories and bringing the sales for the new generation products, which will be the value-added product this will increase the margins overall for the company. And we should fall in line very shortly with the best performers in the industry. That only I can say. Thank you.

Lalit Kumar: Hopefully. I mean I have been a shareholder for 5 years and hopefully, intent of the company, at least getting back to the past higher margins growth and that's where the market will reward so I think this was...

Rajesh Aggarwal: Definitely, we will see the growth in margins by our performance because we have established the base for that. And now it is just to go into the market. And our new launches have been very, very successful in the market in the recent past. Because whatever we have launched in the last 2, 3 years have become very successful. So very, very positive appreciation is coming from the market. And I'm confident even the new launches, which are going to come about more than 10 or a dozen products, which are going to come now, from now to next 6, 7, 8 months, we are going to launch these products. So I expect a similar success out of these products also.

Moderator: Ladies and gentlemen, with that, we come to an end to our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Rajesh Aggarwal: We thank all the participants for attending this virtual session. We believe that we have satisfactorily run through you our company and business model and thus, every arising question thereon put upon the floor by the participants. We continue to see growth in our broad product portfolio and witness a strong momentum across our business supported by the R&D, backward integration and also through our Japanese partner.

We remain focused on bringing new molecules, exploring new markets and creating value for our stakeholders. Please follow up with Investor Relations team, Vinayak and Naman Maheshwari, Captive IR, if you have any questions, which weren't covered in this session, and hope you have a great day ahead. Thank you once again. Thank you very much.

Moderator: On behalf of Choice Equity Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Sandeep Aggarwal: Thank you.