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Dated: June 05, 2023

The Manager

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

Dear Sir/Madam,

Sub: Transcript of the Earnings Call for the Fourth Quarter and Financial Year ended March 31, 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 – Q4 & FY 2023 held in connection with the Audited Standalone and Consolidated Financial Results of the Company for the Fourth Quarter and Financial Year ended March 31, 2023, held on May 31, 2023, is enclosed and is also available on the website of the Company i.e www.insecticidesindia.com and can be accessed on the following link:

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

This is for information and record.

Thanking you,
For Insecticides (India) Limited

Sandeep Kumar
Company Secretary & CCO

Encl: As above



“Insecticides (India) Limited
Q4 FY '23 and FY '23 Results Conference Call”

May 31, 2023



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

**MODERATOR: MR. CHAITANYA SATWE – CAPTIVE IR STRATEGIC
ADVISORS**

Moderator:

Ladies and gentlemen, good day, and welcome to the Insecticides (India) Limited Conference Call for Q4 FY '23 and FY '23. 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. From the management, we have with us Mr. Rajesh Aggarwal, the Managing Director; and Mr. Sandeep Aggarwal, the Chief Financial Officer of the company.

Before we begin, I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the earnings presentation shared on the exchange today. We shall start the call with the opening remarks, and then we will move to the Q&A session.

I now hand the conference over to Mr. Rajesh Aggarwal, Managing Director, for the opening remarks. Thank you, and over to you, sir.

Rajesh Aggarwal:

Thank you very much. On behalf of Insecticides (India), I, Rajesh Aggarwal, MD, extend the heartiest welcome to all the attendees on today's earnings call. I'm extremely pleased to present before you the quarterly and the yearly financial results of the company ended 31st March 2023.

Let's begin today's discussion with a brief outlook on the agrochemical industry followed by a synopsis of the company's financial performance in Q4 and FY '23. So first of all, we talk about the industry overview. The agrochemical industry is expected to grow at a compounded annual growth rate, CAGR of about 8.5% from 2023 to '28, and it is projected to culminate to a value of about USD 9.7 billion by 2028. According to the Federation of Indian Chamber of Commerce and Industry, the Indian government recognized agrochemical industry as one of its top 12 industries to achieve global leadership, growing at 8% to 10% through 2025.

India is the fourth largest producer of agrochemical only after U.S., Japan and China. Also, India is a next exporter of agrochemical and has emerged as 13th largest exporter of pesticides globally. China-Plus-One and Europe-Plus-One strategies have benefited Indian agrochemical industry in the recent times. Trade relations between U.S. and China haven't been good. In addition to this, the supply chain disruptions through the Zero COVID policy and further, the Russia-Ukraine conflict has made the situation worst, and both these events have led to India being presented as a strong opportunity in the international markets.

So there is a huge scope because today, all the companies worldwide are looking at India as the alternate source for the sourcing of agrochemicals. So the huge opportunity in the international market. India exported more than \$25 billion of chemicals in '22, the highest level since 2015. And in the case of agrochemical also, the number is expected to touch about \$5 billion in 2023.

According to the CRISIL, India Ag Chem industry is expected to expand 10% to 12% in FY '24 and exports account 50% of total growth. Concurrently, the China-Plus-One phenomena and Euro's collapse has a chemical industry powerhouse will help India's rise. Because of the development of the value chain and its expertise in chemical engineering and technologies, India is naturally well positioned to absorb this new demand.

The companies in the market are investing in production of storage facilities to cater with the increasing demand in '22. Indian agrochemical companies increased backward integration and use of international storage warehouse to continue producing and expanding the market to meet the increasing demand. The need to enhance productivity to cater to the food demand of the growing population has been the key factor driving the use and the opportunity of agrochemicals in India.

So if we talk about the today, today, the innovation in this sector is playing the important role. It is very difficult for the companies to invent a new product. So most of the companies are working on innovations. A lot of products are coming by backward integration. So the products, which are getting off patented, there's a huge opportunity that these products are made in India and they are supplied to the Indian farmer at competitive prices. Then there is a second opportunity of giving the new generation formulations. When I say new generation formulation, then it is a mixture of 2 or 3 products, which the companies are making. They are also able to back the IP rights on these products.

So these products go into the market as a monopoly, and it is a win-win situation for all because the farmer is getting the result, the network is making some money and for the company also, since it's an innovative product, so it is more profitable. So all the companies around are focusing in this direction. And yes, very few companies like Insecticides (India) are also working on basic innovation or invention of new products.

The fourth quarter of '23 was quite challenging for the business due to the pricing challenges in the post-patent products and challenges in the volume growth due to the excess supply from China. China market, I can say, has collapsed in a big way. The prices have declined from 20% to 50% changing from product to product. Due to this reason, the collapse has come very fast in the last 4, 5 months, which has impacted on the cost of the goods, which we had in our stocks, and we were forced to sell it at our competitive prices in the market because of the demand pressures.

So I would like to share about the Q4 performance of the company. On the financial front, IIL has recorded the revenue of about INR30.19 million in Q4 '23, with a growth of about 8.6%. The EBITDA margin turned negative to 9.37% in Q4 FY '23 due to M2M losses and liquidation of higher cost inventory. The major thing is, as I was telling, that since last 4 months, the prices continuously are falling and the inventories, which were with us, the prices due to this -- because if I talk about the inventories, the inventories were high price inventories and the prices were under pressure continuously.

And they are -- some of the prices have touched to all-time low, all-time low when I say, I say 10 to 15 years low, basically, which we have never seen in the past and never anticipated, due to which there is some pressure in the market, and we are forced to dilute these stocks at the prevailing prices in the market, which has impacted the bottom line very badly in the last quarter.

Further, in FY '23, revenue stood at about INR 1,801.33 Crores or INR18,013.29 million, registering a growth of about 19.77% year-on-year, and EBITDA stood at INR1,218.86 million. The EBITDA margin declined by 451 bps, basis points, in '23, owing to mainly the increase in

the cost of raw material consumed as compared to FY '22. And the major thing has occurred in the last quarter itself, in the last 3 months.

The sale of our top-performing products in the Maharatnas, it is INR786 million in Q4, about 51% of the formulation sales and INR 6,753 million is 55% of the of the formulation sales in FY23. The top-performing products for the quarter were Shinwa, Torry, Lethal Granules. Segment-wise revenues of herbicide, fungicide, insecticides. This insecticide contributed about INR720 million in Q4 and of our total contribution during the year INR5,493 million. Herbicides contributed INR435 million. For the year, it is INR4,907 million. Fungicides contributed INR360 million. For the year, it is INR1,447 million. Biologicals and PGRs contributed INR9 million in Q4. For the year, it is INR425 million.

Similarly, if we talk about the insecticide in the Q4, the insecticide sale is 47%, whereas in the complete fiscal, it is 45%. Herbicide sales in the last quarter is 29%. For the complete year, it is 40%. Fungicide sales in the last quarter is 23%. For the complete year, it is 12%. And biological has contributed 1%, whereas in the complete year, it has contributed 3%. If we talk about the last quarter, the area-wise sales, then East has contributed to 14%, West has contributed 6%, North 22% and South 58%.

Some of the products, which has done very well in this year are Hachiman, which was a new introduction in FY '21. In FY '21, the contribution was INR215 million, which has come to INR679 million in this year. Oxim was so-so, it has declined from INR23 million to INR13 million. Shinwa last year in FY '22, the contribution was INR7.77 million, which has come to INR653 million in this fiscal contributing at these 3 products, particularly contributing a total of INR1,347 million versus INR246 million in the past year.

FY '23, the new product launches, Himax was not a big year for Himax. But this year, we are expecting a good sales from Himax. Himax has contributed about INR140 million last year. Torry has contributed about INR 1,120 million, Surya Zinc INR32 million roughly, Izuki INR145 million, Stunner INR44 million, Mission INR9 million.

So here, I would like to tell you that there are some of the products which are going to do good in this current fiscal, and these products will include the names like Hachiman, Shinwa, Himax, Torry, Mission, Izuki. All these products are going to multiply their sales, I can say, in this current year, and we are going to bag a big number out of these products.

So talking about some other developments during the year, we have issued an interim dividend of INR3. And there has been a new product launch called Mission, which the expectation from this product is also very high. And talking about capex, so we have completed our project at Chopanki and Chopanki is up and functioning, and we have already taken out some new molecules from Chopanki Unit, and they are already into the market.

So the technical production has started full-fledged from this plant, and this Chopanki is up and functioning. Apart from this, we have also announced one more new plant at Sotanala, which is a new site in Behror. So the company is in the final stages of the acquisition and the registry should happen in early June.

And after this, we'll start working on this site actually, and we'll develop this site. It will take about a year's time. But by the end of the fiscal '24, we should come into the production of at least the formulations from this side. And in the long run, being a plan to go for biologicals and also for the technicals from this site, but that will be Phase 2, so it will be in phases. First, we'll start with formulations and biological and then the technicals.

Talking about the future outlook. Overall, the financial outlook of '24, in terms of revenue growth we target double-digit growth again, 10% to 12% in this fiscal. EBITDA margin we will target 9% to 10%. So here, you will find that I'm not going aggressive because these 2 months, April and May has been quite difficult for us because we could take the losses somewhere in the last quarter, but there has been the trailing losses, which we must be able to finish by this month end and June should be a month, which is going to be a major month in terms of sales, and it should also contribute to the profit.

And this year, so we have taken a subtle percentage of profit, and we will be targeting 9% to 10%. Export, of course, we will be doubling this year because last year, there was a decline in export also because of the pressure, which was put on the currency worldwide because South American countries, Middle Eastern countries and a lot of African countries, including CIS countries also. There is the currency crisis. Some of our distributors or some of our partners were having cash into their bank, but still the banks were not having the dollars to transfer.

So we are finding it very difficult to supply to them because in one position, the Indian government or Indian insurance companies, they had reduced the limits of all these customers. They have reduced the limit of the countries. So we were forced not to supply material, too much material and take risk. And at the same time, they were not able to make the payments timely. So we had to curb down the sales in this year. But I believe that the sales will be coming back and there should be a good opportunity in this fiscal and FY '24 should see a good growth in the terms of exports in FY '24.

So I'd like to also talk about the sales mix in FY '24, contribution for new products, especially patented product like Shinwa, which we have launched in the last fiscal, and we have achieved good numbers. I think we should be able to double these actually. And along with this, there are certain -- like if I talk about the products of Nissan, then with Nissan, we are going to do about 6 products, out of which Shinwa and Hachiman, they are going to take a big leap followed by Kunoichi and some other products like Hakama.

So Nissan portfolio overall is going to contribute reasonably good in our total brand sales. And along with this, we have also introduced certain new products like Mission, Torry in the last year. So these products are also going to contribute in a big way. And overall, I can say that our Focused Maharatna and Maharatna segments, they should contribute not less than 60% in this FY '24.

So these new products, along with the new -- some of the new launches, which will be coming in the recent months because we also have a plan, like we have backed the registration of some of the more mixtures, which we'll be launching now, so these products are also going to contribute in a big way.

So overall, I'm very, very sure that the company should be able to achieve at least 60% from Maharatna, then Focused Maharatna, which are the largest contributing products in the company's total portfolio. Apart from this, we have also launched a company called IIL Biologicals. The idea is like we wish to come full fledging into the biological segment. So we are having one plant and one R&D center of the biological at Shamli. Now we have set up another R&D center at Chopanki for the biologicals. And shortly, we are going to put up the plant in Sotanala, the new site, which I just discussed.

So in IIL Biologicals also, we wish to grow in a big way, and there are many products, which are lined up, including some of the nanos, which will be working in the biological segment, and we wish to take this technology in the chemical segment also. So our scientists are working very hard day and night on these products, and we will be giving certain breakthrough technologies in the market, both in the field of biological as well as chemical with the help of nanos and some other products.

So we are looking at a very good demand as we enter into the season because the rain so far has been quite good. There has been early showers. The sowing pattern looks very good, and the demand has already started in the market, which we have seen in the month of May. There is a good demand for the new products and the new introductions, which are done recently in the past 2 years because last year was the year where we have done the full-fledged working, and we have been promoting our products well, and we have been reaching the market and the demand from all corners is quite good.

Along with this, I would also like to highlight on our R&D program because in Chopanki, we have completed our R&D pilot plant also. And our R&D is continuously working on bringing these new technologies, new products. So when I say new technology, there are 2, 3 types of developments, which we do.

Number one is the formulation development, where we are mixing the products and trying to bring the new generation formulation. Apart from this, when we backward integrate and bring the new technical, we have to also develop the good formulation for these products. So we are also developing these internally and the work of biologicals as well as the new products, we are going on together.

So I would like to give the line to the CFO, Mr. Sandeep Aggarawal, to give some highlights of the budget, and then we can take over the question-and-answer. Thank you.

Sandeep Aggarawal:

Thank you, MD sir. Welcome to all. So as maximum results have already been explained by MD sir, but I just want to give some clarification regarding the results. As you'll see, the last quarter results are down. The basic reason is the GP ratio, which has been explained by MD sir that the higher cost inventory has been sold at the competitive market prices. So main reason is this. And the second reason is the M2M losses of around INR14 crores during the year. So these are the 2 major factors, which adversely impacted the results of the company.

If you see the last quarter, quarter 4, 70% of the sales, which happened, were of higher cost inventories with us, and the impact of higher cost inventory will be finished in this first Q1 --

majorly will be finished in Q1 only. So we are expecting impact on Q1 also, but not a major impact. Yes, from Q2, we hope that there will be no impact of higher inventories because lower inventory procurement has already started. So hopefully, from Q2, the profits of the company will start again rising.

Thank you. Now we can start question-and-answer.

Moderator: The first question is from the line of Bharat Gupta from Fair Value Capital.

Bharat Gupta: A couple of questions from my side regarding the results. So while definitely, I can understand that there has been a good amount of impact on the higher cost of inventory. But just to get more understanding over it, like currently, what's the situation out there, how much percentage of higher cost of inventory has gotten liquidated? And secondly, if you look and if you try to compare ourselves with amongst the peers, so peers have definitely given out a good amount of results, where we have been able to absorb the inflationary thing as well as higher cost of inventory and they have been able to deliver a strong set of results.

So has there been any structural thing, which has happened, or there has been some kind of a thing, which is impacting our company in regard to the market, in comparison to the market? So just wanted to get some colors on it, sir.

Rajesh Aggarwal: Certain inventory was spending in this year actually. So out of which we are trying to liquidate maximum. And we should be able to liquidate. Our situation was a little different from the peers. Why, because we were in the expansion mode and in the expansion mode, we were supposed to start the technical plants. So all the raw materials were already purchased. The Dahej plant was also delayed.

Some of the raw materials pertaining to the Dahej are also there. So I mean to say the raw material inventory was huge actually for -- because looking at the season, you have to start the procurement and the prices had already started coming down in a small way. And then in a jolt, they dipped down in a big way, actually.

So there may be 2 things. One is we continuously keep -- kept on buying and since the MTM losses started building in, and yes, the prices, of course, the inventory were relatively higher price inventories because whatever we had the stocks of October, November, December, January, they were relatively higher priced and the prices start falling only from January. So yes, it has impacted.

So two impacts. So they were visible in our results in the last quarter, maybe some of the peers might show them more into the first quarter because they have not taken the MTM provisions or whatever, or they might not have purchased the lower price inventories, I'm not sure. But for us, yes, the major impact has come in the last quarter, actually. And the -- I would say the subdued effect is going to come in the first quarter also.

Bharat Gupta: So if we look like, I think 55% of our sales is coming from the Maharatna product category. So what do you think the price erosion, which we have seen across the product category in Q4?

Rajesh Aggarwal: See, it is difficult to explain category-wise, but I can tell you that there are some products, which have fallen from 20% to 50%. Some products have even gone below -- above it. So that was the kind of impact, which we had to absorb.

Bharat Gupta: Right. But like in a way, even a good amount of brand pool, like in the branded products, if you look and if you try to compare it ourselves with the generic ones. So definitely generics have a higher amount of -- it can be commodity kind of influence.

But in regard to branded Maharatna sales, I definitely see that there should be a limited kind of an impact. It shouldn't be like the case where the gross margin profile can be reduced substantially, and that is from 30% to a near about 12.5%.

Rajesh Aggarwal: See Maharatna, also, everything has not -- like every product will not have a common type of margin. There may be some products which may be contributing 40%. There may be some products which are contributing 20%, 25% or 30%. So it's difficult to generalize with our statement because there are about 30 products in Maharatna. So some products have large contributions. Some products have a smaller contribution. So since it was the ending of the year, the more sales are of the generic type of products or the products, which are the competitive products.

So in Maharatna, also, all products are not similar. So the good contributors only start selling from June. So in March, April, May also, you have sales of these products, but to a limited extent. And particularly in the month of January, February, March, it's more the sale of generics or near generic products basically. So more profitable product sales only start with the season.

Bharat Gupta: Sir, just on the guidance as well, like when we look in -- like in the previous calls also, I can understand that there has been an impact in Q4, and we see somewhat a bit of impact coming in Q1 as well. But going forward, if we look at the previous kind of a margins, in the margins and in the absolute EBITDA terms, where we were doing INR180 crores kind of an EBITDA 14-15% odd margin was there.

It has taken near about 5 years, and since we have not been able to match up the level of EBITDA, which we were enjoying back in FY '19. So going forward, do you think there is a good amount of mix when we look at the overall absolute margin profile of a company is concerned? And what is the aspiration going forward? Because the guidance in the press release definitely see that there will be a limitation to 9% to 10%, which is quite significantly lower than what our peers are currently enjoying. So like in a way, what is the structural direction where the company is heading to?

Rajesh Aggarwal: Like -- this situation, the market situation is a little bad. So looking at that, we have subdued our targets. I don't want to give the higher figures because Chinese situation overall is looking very bad, wherein as I told you that they are almost at 10 years low price, in many products, actually. And the future is not very clear. So that's why we are going a little subdued as the situation improves because it's like a wheel. The wheel is at the lowest level at the moment. So we are talking subdued.

So once it starts moving up, then all the products, which are going on low, they will start converting into profit. I had a high cost inventory. It has gone on lower cost, but now I'll be having -- building a lower cost inventory that will ultimately go on higher cost also some time. So the opportunity is going to be there. So it's the minimum number, what is given in the, I would say, in the papers, what we have to give them and what I have told. So I don't want to go aggressive in terms of numbers, but our performance should be better than what we are seeing.

Bharat Gupta:

Right. Just my whole point is looking at the overall profitability wise with regard to the operating profit. So like INR180-odd crores profit we used to invest back in FY '19 when there were 2 products, which were nearly a blockbuster one, before they were withdrawn from the market. And still, there is a good amount of lag, which we have seen. Over the past 4 years, we have not been able to match up to the level where we have not been able to grow also in that particular level? So out on a low pitch itself, we are still aspiring to do a 10% to 15% growth, that means on a minimum target and that too has reached very conservative.

Rajesh Aggarwal:

I agree it is conservative. But looking at the current situation, it is mentioned. And if we talk about the two products which are won, we have built up 4, 5 products basically, which should do very good numbers in this year. And once they start doing it, the performance, the result will change in totality. But I don't want to give any aggressive numbers.

Looking at the trend and the El Nino announcements, which are already there, though the IBD has curtailed that El Nino announcement, the things are very, very different. The market is looking positive. We are on the growth path as of now. But let the things pass, then we'll give those announcements, actually. And I believe that we should be able to do good numbers actually. The numbers should not be that bad, most conservative estimate, which is given.

Bharat Gupta:

Sir, also talking about the Chinese inventory position, like a lot of players we have built on the production side, and they would have been carrying a good amount of inventory basis. So how do you read, like currently, what has been the situation in the market, where there has been some sort of like there has been good showers, across northern side as well as across the western side. So how are you seeing the placement going on in the current season?

Rajesh Aggarwal:

Demand is good. Actually, demand pattern is good. There are no big stocks in the market. Some sales might be carrying these stocks, but -- and companies are under pressure to sell because of the international scenario. Indian demand is not low. Indian demand is quite reasonable, actually, and the situation looks good. So there is no downfall in the Indian demand. Indian demand is very, very positive. The only thing which is worrying is the international sector, international scenario, which is giving a little sign of worry in the minds of the people. Otherwise, the demand is very good.

Bharat Gupta:

In terms of backward integration also, sir, towards what extent are we backward integrated in our capabilities?

Rajesh Aggarwal:

Like in some of the products, we have planned to do the backward integration. But in today's scenario, all the backward integration is of no use because the prices have come so down that I'll have to delay the things a little basically. It's no use of making it now because more backward

integrated, more is the loss. So though I have set up the plant, but I'll not start production or I'll not start that backward integration part production at this moment because it won't be helpful.

The international prices are very, very low, and many companies in China are selling at a loss. So it will not make economic sense to do the production. But still, whatever inventories we have, whatever raw materials we have, we'll produce those raw materials, and then we are going to decide, when to start the production in a big way actually for all these products.

Bharat Gupta:

So, likewise, basically, when we were looking at China-Plus-One thing, the whole objective was that, there has been a good opportunity in domestic production or domestic requirement with regard to taking this to the product mix or the capex has been a, the domestic industry has started. But if we look at the current scenario, where China is coming out of this and where a lot of dumping is being seen in the market and that is the price erosion has been seen across product categories. So going forward, don't you think that can have a very severe impact with regard to the positioning of the Indian players in the market as such?

Rajesh Aggarwal:

It's a sustainable situation because every business trend is cyclic. This is the lowest phase, which we are passing through, when the international market or the Chinese market is dumping at very low cost. It is not sustainable for them. Many factories are closing. We are aware that, they are giving the price and then they are closing. They're trying to liquidate the stocks.

Even in some Chinese state, the stock, they're trying to liquidate and move out of those positions. So this is a very, very typical position, which cannot last long. So it is just a situation for two months or three months actually, and the things are going to change in totality. These are not the sustainable prices. So, whenever the markets are low or these type of sentiments are common, whatever you are saying. So whenever the markets are, situation is different. So we cannot estimate everything based on the lowest market situations.

Bharat Gupta:

But sir, in terms of export criteria, where we are thinking of doubling out on the revenue trend. So don't you think that, Chinese coming back into the picture, there will be a good amount of impact on the sales?

Rajesh Aggarwal:

We have to compete with China, when exporting. So we'll have to buy the new inventory. We have to sell at a lower price only. We have to compete because in the international market, I cannot say that my price is higher. So, if I have to get the market share, I have to compete. So we will have to be competitive. We'll be competitive.

Bharat Gupta:

Right, sir. That's it from my side. Thank you for answering all the question. Thank you.

Moderator:

Thank you. The next question is from the line of Neelam Sethi, an Individual Investor. Please go ahead.

Neelam Sethi:

I'm Neelam Sethi. I'm calling from New Delhi. It is very good afternoon and very pleasant to speak to you -- all of you. I would just like to have some queries about the falling stock value and shareholder valuation. I am associated with the company over the last so many years. I am with the company since IPO time. I'm IPO shareholder. I got bonuses, I got dividends, so many things, in the past. But as I have now heard, the performance of the company has gone down

significantly in the last quarter. And so many deliberations have been made that, we will be making up the deficiencies in the coming quarters.

This is a onetime phenomenon only, where I can see and not a permanent thing. I just want to know, what are the reasons, our shareholder value is going down continuously since last six months, seven months? Are the promoters are offloading the free shares? Are the institutions are offloading the shares? Or otherwise, what are the reasons, which can be seen overall? And what are the steps taken by the company in this regard to enhance the shareholder value? Thank you.

Rajesh Aggarwal:

Okay. So your question is very, very relevant because it's a matter of perception, which prevails in the market and how the people feel. I would say that, I would appreciate that you have been associated with the company from the very beginning and you have seen all ups and downs. And company has been rising also in all these years, actually more than now. We are listed for more than almost 17, 18 years. So, it has been an interesting journey all through, and we have continuously grown. So there are certain periods, which we don't anticipate.

And I would say it has been the worst time, when the China has deteriorated so much and deteriorated the value of the products, which we had never imagined. So sometimes there are hits, which you don't imagine. But I can assure you that, we'll be able to take it up very sharply to absorb it very fast and we'll come out of it, in this quarter itself. And yes, there has -- this hit has impacted us almost for four months actually now -- four months, five months. So yes, the performance is impacted. But as the season picks up, this will go.

So regarding the value addition, I would like to tell you that, we are continuously on the growth path. We'll be expanding our sales in all directions. When I say all directions, to say the brand business for the company is growing up. We are introducing new products from our R&D from with Nissan. We have monopolist products, and we are going to create big brands in the market. The idea is, of creating the mega brands in the Focused Maharatna and Maharatna segment, and we are focusing around that.

We are doing a lot of advertisement activities, a lot of like farmer connect, a lot of dealer connect, the entire activities are to promote and establish these products into the market because a lot of generics are -- our key generic products have won in the past years and some are still under pressure. And I know that, these are going to go, and we are preparing ourselves with the new generation solutions, so that when these products are not there, the performance of the company don't get impacted. So we are continuously working on this.

We have hired Mr. Ajay Devgan as our brand ambassador. And we are trying to promote and trying to bring up -- set up our goodwill of our products. I would say that, this is the worst phase, which company is passing, but it is expected to get over by the end of this quarter itself. So should bear with us, and there will be a new, I would say, new -- there's a new ray of hope. And with the Chopanki plant starting and Dahej plant also starting very soon, and the new products, which are going to come and establish into the market in a big way. So we are just a little behind our turnaround. So we'll see the turnaround starting in the next one month to two months and the things are going to improve in a big way. That only I can say, Mr. Sethi. Thank you.

- Neelam Sethi:** Just I wanted to know any promoters are offloading the shares?
- Rajesh Aggarwal:** Nothing. There's no offloading. We have increased our -- means, the company had done the buyback in last year. So directly, there is an increase in our holding. There is no decrease. There is no offloading.
- Neelam Sethi:** Okay, sir. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.
- Dhruv Muchhal:** Yes, sir. Thank you so much. Sir, on a full year basis, your revenue growth has been reasonable, and a decent part of that has come from your new launches. I can look at the new product launch, the chart that you give. About 22% has come from launches over the last four years and a reasonable part of the last two years. And so if I understand correctly, these new launches will be a very decent margin because these, I believe some of them are also patented products. So despite that, the margins, and I believe that, would also reflect in your Q4 numbers. So despite that, the margins are low. So just trying to understand, is the non, if I exclude the new launches, was the ex of new launches basket extra, under so much pressure that, the margins were impacted to such a degree?
- Rajesh Aggarwal:** Actually, the pressure came in two ways. Number one, like the prices dipped in a big way actually in the last four months to five months, number one. Number two, the MTM also was made along with that. So and then again, in the last quarter, the sales are there for the Maharatnas also. We have Maharatnas, that have contributed almost 50%. But again, the category is Maharatna, but every product is not contributing equally. So there have been sales of some lower contributing Maharatnas also during that period.
- So as the things goes, now the contribution is going to go up from June onwards actually for all these products. So the scenario starts changing from June. So yes, there was pressure. We were building up inventories. We had the stocks. So since I had to run plant and I had extended the capacities, so I had to keep the inventory of raw materials in a big way. And since it collapsed, so it has impacted.
- Dhruv Muchhal:** Okay. Got it. And sir, for the -- just to understand, how does this work here for example, you have sold some products to the dealers, which have yet to be sold to the ultimate farmers. If the product is not sold for some reason, do you have the obligation to take it back? And I mean, is the sales return -- does the sales -- is there an obligation to take it back?
- Rajesh Aggarwal:** If you get stuck, then, of course, you have to take it back. But so far, if I look at my 10 years, 15 years performance, our sales returns are never high. They are usually in the range of 3%, 4% to 5%, actually of our total sales. And in this range, we are able to manage. And that too generally, we will transfer stocks from one area to another area, so that the absolute returns to the company are not very high. So for the GST perspective, of course, sometimes I have to bring back to my godown, but immediately that stock is billed to another party in the area, where the sales are there.

So we try to rotate in a fashion, so that we are not stuck. But yes, if the prices go down and we have given the stock to the market, even if they have diluted or not diluted, we are bound to issue the credit notes to the party, so that, they are not at a loss. So we have to take care of their interest to keep them along with us. So -- but that thing has not mattered a lot. Basically, it is the sudden decrease in the prices in China and our regular purchases from China has impacted it, actually.

Dhruv Muchhal: Okay. Got it. So would it be possible to share how much impact would be because of the stock line with your dealers because of which -- because the prices declined and you might have to take a hit. To adjust to mark to market, what would the impact be?

Rajesh Aggarwal: Like if I talk about the dealer system, then dealer stock was not there because season was at the ending. But whatever the material is sold in the month of February and March, we have given it ex price and the prices in the April and May has come down. So we were forced to give the impact of the -- like of that credit note to them because you cannot like bill to the distributor at INR100 and the prices come down INR80, then you have to charge INR80 only from you. You cannot say that, you have purchased a little before, so you will be charged heavily. So only that last quarter, impact is there, actually.

Dhruv Muchhal: Yes. So sir, that is what. I'm just trying to understand, how much would be that impact, the products that you sold and which is lying with dealers and because of the price decline, you have to take, issue credit note, what would that impact be?

Rajesh Aggarwal: That will be only pertaining to the sales of the last quarter, actually. So maybe difficult to give the number, but maybe a hit of INR15 crores, INR20 crores, pertaining to that.

Dhruv Muchhal: Got it. And sir, in the last year or two years, we have also launched a few patented products. Are they performing to your expectations, both in terms of growth and in terms of margin?

Rajesh Aggarwal: Many products are doing good actually. And like all the launches are not equally successful. But if I talk about my successful launches and the products, which are going to lead into this year also, they are products like Torry, Hachiman, Mission. So even Dominant to an extent. So, some of these products are going to do very well in this year, actually.

Dhruv Muchhal: And sir, this patented portfolio was also a key strategy for us. So how is that panning out, if you can share some thoughts there?

Rajesh Aggarwal: It is very much there actually. So most of my focused Maharatna range constitutes of the patented products only and also some of my Maharatna range, it includes those patented and also the new generation generics also are included. So new generation generics always are under pressure, you are aware, but still, since we have the early mover advantage and we are building the brand out of them. So these products are going to do very well, and they are going to perform in this year actually, and the performance will be visible.

So because of the bad quarter, our actually, the impact of the bad quarter and the current market scenario, we have given very subdued numbers actually in our announcement because we had never imagined that, we'll be giving a loss quarter actually because it only came out, very late in

the month of March, when we realized that, we are not able to make the desired amount of money that we could have made. Yes, we would have made.

Dhruv Muchhal: Sir, last two questions. Sir, what would be share of patented products now in your overall sales, in your overall B2C sale?

Rajesh Aggarwal: This I'll have to give in writing, actually. Last year -- about INR100 crores odd in the last year

Dhruv Muchhal: In FY '23?

Rajesh Aggarwal: Yes.

Dhruv Muchhal: Okay. And these are largely products, which are launched probably last year only?

Rajesh Aggarwal: Last year and before last year also because there are certain mixtures also.

Dhruv Muchhal: About INR100 crores?

Rajesh Aggarwal: About INR100 crores. But that is going to multiply this year.

Dhruv Muchhal: And sir, last question is, sir, if I look at the closing inventory, it's about INR860 crores odd, which is still both in number of days and absolute amount, it still seems high. So is there some write-offs, which are still pending, or these are all mark-to-market inventories? These are all sustainable.

Rajesh Aggarwal: Mark to market was over actually in March, one time and then further, if the prices are going down, that impact is continuously coming regularly weekly-on-weekly basis. So it is happening. But this includes the new inventory. Our sales targets in these two quarters are very, very high. In the first quarter itself, we are planning a gross sales of INR800 crores-plus. So ultimately, after discounts, it will come lower, but that is the target. So we have to build-up the inventory and with the new plants coming, I had to arrange for that. So all is sellable inventory. There is no big old inventory actually or the hits, I don't see big hits actually. So they are continuously being taken care, I would say.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Good perspective on the entire situation. Just a couple of questions. One, in terms of the influx of material from China. So still, those Chinese material is coming into the market or the earlier inventories, which have come over the last few months, currently, they are being liquidated? Thank You.

Rajesh Aggarwal: Actually, everything is going into the market, but Chinese price, if there is a major fall in China, it do impact because everybody starts looking at the Chinese prices. So today since the China is the key raw material supplier to India and to the world also. So everybody is looking at the Chinese prices. So the sentiment overall in the B2B segment is very, very down because everybody looks there. And in the brand segment also, there is some pressure. But still the old inventories and new inventory, everything is going. The China movement is very, very far fast

these days. Because of the falling price continuously, Chinese companies are supplying very fast actually. In the past, they used to take the order and keep the stock, like they used to supply in 60 days to 90 days. Now the supply is coming in 40 days, 50 days, actually.

Rohit Nagraj:

Right. So just a clarification on this in terms of industry dynamics. So from the kharif season perspective and the generics, which are required during kharif season, the Chinese inventories are still expected to come given that probably the off-take will progressively happen in the month of June and July once there is some kind of onset of monsoon? Thank you.

Rajesh Aggarwal:

It will keep on coming actually because people have to do the averaging. So they'll keep on purchasing. But since it is the sliding market and the sliding market, everybody has a feeling that he's losing because you buy at INR1, tomorrow, it becomes at INR0.90, then you again feel then it becomes INR0.85, you again feel. So there was an exhibition last week and almost all the companies attended with lesser man force, but the review which has come up is that China has not dealt much orders in this exhibition. In the past, it used to back the orders for \$100. This time, not even \$10, \$20. This is the news basically. So can't be 100% authentic on that. But China is not able to collect the orders in this exhibition, that is true.

Rohit Nagraj:

Right, sir. Got it. Sir, second question is from the sustainable margins perspective. So I understand that FY '24 also will be a challenging year. But in FY '25, when the situation normalizes from inventories, Chinese issues, etcetera, what could be our sustainable margins given that we will be introducing more newer products and your molecules, which effectively will have better margins than the legacy molecules? Thank you.

Rajesh Aggarwal:

Like, we are continuously working on improving our product mix and coming out of the generics. Yes, there are certain inventories, which are to be liquidated, which we should be able to liquidate in this fiscal, and we are trying to liquidate the majority in this quarter itself. So we'll continuously keep on improving and setting up our range. And definitely, there has to be an increase in the profitability, and we were expecting that to happen in this year, '23, '24 itself.

But somehow very unexpected thing has happened. So I'm not giving a big number. But there is a possibility if the situation normalizes and the monsoons hit India in the right way, then there can be a change in the Q2 this year itself. So it depends on the situation. So as you have asked, particularly for the number. So we have like reduced our percentage from normal 11%, 12% to 10%. So we should be able to reach to 12%-plus in the next fiscal.

Moderator:

Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal:

Sir, you mentioned that the impact of this inventory, which is lying with dealers is about INR15 crores to INR20 crores, which you have taken care for in the fourth quarter. But sir, even if I adjust for that, the number for EBITDA would be still very weak. And I understand the Chinese prices started to decline probably from January, February onwards. So what you would have sold in Q4, except for anyway, the inventory impact you have taken, even adjusted for that, the numbers are low. So what is the other impact that is there, sir?

Rajesh Aggarwal: Like, whatever inventory I am having, I'm also carrying an inventory of INR600 crores, INR700 crores actually. It is INR700 crores-plus. And it is inventory of various prices. So that is moving to the market. That will also have a negative impact because when the prices are falling from, say, INR100, if I say it has come to INR70, INR80, INR60 from product-to-product, all these hits I have to take and I have to keep on taking. So all these hits are coming actually. So we discussed about the product, which was with the dealer. But the product, which is in my stocks also, that also has to go into the market at competitive prices. So ultimately, it is also going to give the hit wherever my purchases are higher and the prices have come down. So it is going to give me a big hit, actually.

Dhruv Muchhal: Got it. So sir, can you mention the amount which is you have taken for the inventory, the impact from the inventory that is lying with you and not with the dealers.

Rajesh Aggarwal: We have not decided on the exact amount, what is going to give a hit. But there are new generation products. They are older generation products. And we believe that almost 50%, we have liquidated. About 50% is still there.

Dhruv Muchhal: Okay. But the hit for that we have already taken in Q4?

Rajesh Aggarwal: Majority hit, no. Everything is not taken in Q4. Whatever was MTM, we had taken MTM till Q4. But if after that, also the price there is a decline, then that hit we are continuously taking in this quarter also.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to Mr. Rajesh Aggarwal, Managing Director, for closing comments. Over to you, sir.

Rajesh Aggarwal: Thank you very much. I can just say that this has been a temporary situation, but we are bound to go for a big rise by virtue of the products we are bringing to the market and the way we are building in the brand and with the way we are investing into the business. So the performance in the last quarter has been very low, and the announcement for next year is also very subdued, but that does not mean that our performance or our capability has declined. So we are going to come up in our business, and I thank all the participants for attending this virtual session. We believe that we satisfactorily run through our company and business model and address every arising questions there on put up on the floor by the participants.

We continue to see growth in our broad product portfolio and witnessed a strong momentum across our business, supported by R&D and backward integration initiatives. We remain focused on bringing new products, exploring new markets and creating value for all our stakeholders. Please follow-up with the Investor Relationship team, Vinayak and Naman Maheshwari, Captive IR, if you have any questions, which weren't covered up in this session, and hope you have a great day ahead. Thank you once again. Thanks.

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