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The Manager

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

Sub: Transcript of Conference Call

In continuation of our earlier letter No. Ref: IIL/SE/2021/1211/02 dated November 12, 2021, in regard to the Company's earning call which was held on Tuesday, November 16, 2021 to discuss the Company's 2QFY22 financial results, we hereby submitting the Transcript.

This is for information and records.

Thanking You,
For Insecticides (India) Limited

Sandeep Kumar

Sandeep Kumar
Company Secretary &
Chief Compliance Officer



“Insecticides (India) Limited Q2 FY22 Earnings Conference Call”

November 16th, 2021



**MANAGEMENT: MR. RAJESH AGGARWAL – MANAGING DIRECTOR,
INSECTICIDES INDIA LIMITED**

**MR. SHRIKANT SATWE – INTERNATIONAL BUSINESS
HEAD, INSECTICIDES INDIA LIMITED**

MODERATOR: MR. SAURABH KAPADIA – ASIAN MARKET SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to the Insecticides India Limited Q2 FY22 earnings conference call hosted by Asian Market Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Kapadia from Asian Market Securities. Thank you and over to you sir.

Saurabh Kapadia: Good afternoon, everyone. On behalf of Asian Market Securities, we welcome you to the Q2 FY22 earnings conference call of Insecticides India. We have with us today, Mr. Rajesh Aggarwal – Managing Director; and Mr. Shrikant Satwe – International Business Head. We shall start with the opening remarks from the management and then we will move to Q&A session. I now request Mr. Aggarwal to give opening comments.

Rajesh Aggarwal: Thank you, Kapadia ji. Good afternoon, everybody and welcome to all the participants. I thank you very much for joining our earnings call. As you are aware that this is the COVID time, and the pandemic has created havoc all across the world and our country is not left actually. So, I can say that it has been a rough journey all through since last two years, which has continued also during the first half of this year, and still people are afraid and worried about the COVID pandemic results.

So, first of all, I will talk about the industry overview:

There were heavy rains actually in most parts of the country. Initially when the rains were required, they were not there. Particularly I would like to talk about June and July, June was in Q1, and July was in Q2. Both these ones, we were very-very aggressive, and we were leading like good sales in these two months, but August fell. Generally August, this July or it is almost at par with July, but August fell, and September again fell further because there were heavy rainfall. There were flood like situation particularly in the eastern part of the country and also southern part of the country. So many areas they had difficult times. Ultimately, the things were difficult in many parts of the country. Now the economy has started reopening and we have started looking at the increased demand due to the international scenario. As you are aware the production has come down in China due to the electrical issues, the coal issues, the phosphorus issues. So there are many issues now. India sees a lot of international demand; a lot of domestic demand and I believe that the second half of this year should see a good progress like we see a good international demand as well as domestic demand during this period.

Now I would like to discuss about the company performance in Q2 and H1:

We are pleased to state that there has been a strong second quarter backed by integrated growth and driving revenues. IIL delivered 9.53% PAT, and EBITDA margins grew to 14.45% in the current quarter. The total revenue is 443 crores, and the export has contributed just 17.75 crores in this quarter. We had this huge export orders, and we were prepared also to deliver these export

orders. We look at the half year, the first half, we could just complete about 55 crore in the first half but I'm very confident to cross 100 crores very soon because the demand is huge and now the container position is improving. It is I can say stable, though the container prices are still high but now at least we are getting the containers and we are quite hopeful of getting very good sales in this quarter particularly in the international market. The total revenue in the first half has been 913.5 crore and the PAT margin in first half is 8.39 crores with the EBITDA margin is 12.85 crores. The export, which is a 56 crores odd, we have already crossed last year sales in the month of October itself and as I told you that we wish to cross 100 crores during this quarter itself and I am very confident that the type of orders we have in the planning we should be able to do very soon. The top performing Maharatna products have been doing pretty well in this Quarter 2 because this is the main period where in the Kharif crops, we sell our products and the contribution from these Maharatna products in the Q2 has been about 370 crores, a little less than that.

If I had to see the sales of insecticides, herbicides, fungicides, and the biologicals, so the total sales, if I look at the brand sales, the total brand sales is about 316 crores. Out of which 189 crores have come from insecticides, about 67.5 crores have come from herbicides and about 49.5 crores have come from fungicides. About 10 crores, little less than 10 crores has come from the biologicals. Segment wise, if I look at my sales, branded sales have contributed a little less than 60% insecticides. Herbicides in Q2 have contributed 21.34%. Fungicides have contributed about 15.7% and biological have contributed (+) 3%. If I look at the regions, then east is about 19% because east had a major suffering, particularly the state of Bihar and northeastern states, they have heavy rains actually. So the demand was very low. Similarly, the west zone also was a big sufferer. It is also standing at about 22% now. North zone is again at 22%. South has done pretty well despite of the odd but since they were receiving continuous rains and they are happiest when the rains are coming. The south zone has contributed whopping 37% in this quarter.

Talking about the product launches, so, these are the product launches of 2021 which have contributed roughly total 40 crores. So the major products here have been Master Stroke, which has contributed roughly 5 crores, Dominant has contributed about 20 crores in this quarter and Tadaaki has contributed about 11.8 crores. So these are the major contributors. There are another 3-4 products, but they are minor products actually not the major products. These 4 being the big launches of 2021.

Now I would like to update on the CAPEX. One thing I forgot to mention when I was discussing our products, we have extended our line of Lethal after the ban of Nuvan and Thimet. As you are aware that Nuvan and Thimet were our biggest brands actually and contributing more than a (+) 100 crore at the end of the year. So Lethal Gold and Lethal Granules are the two products which were launched in the generic segment after the ban of these two products and they have shown very good results and I'll explain those results later but the response which is coming is quite good and we have been expanding our lethal range of products and the expectation from this is again very high.

Talking about the CAPEX, FY22 the total expenses in the expansion have gone is about 68 crores. The expansions are aimed to increase the technical manufacturing facility, the formulation facility and also, we have expanded in 2 states, Gujarat and Rajasthan. In Rajasthan we have increased the capacity of the technical plant by almost 50%. We expect to complete this project by December and in January it should come into production. In Gujarat, we expect to complete our project by March. It is delayed by another two months, but we are quite confident that we should be able to complete our expansion within this fiscal year. SEZ, we have already started producing where we have established the formulation facility. These expansions are going to help us in launching new products. They are also going to help us in doing the backward integration for some of our technical AIs where we will reduce our dependence on the international markets and produce the raw materials locally which will help us both in increasing the top line as we get more market share and increasing the bottom line because we'll make the raw material in-house, so we get that advantage. In FY-22, about 58 crores is the balance, which has to go and out of this about 24 crore is utilized. I'm sorry, this 68 crore was utilized up till the beginning of this fiscal actually and in this fiscal about 24 crore is utilized. I would also like to talk about the buy-back. We have completed a buy-back of 60 crores for which we had launched in the middle of this year. It has been completed successfully and the same was closed at about 50 crores. I don't have the exact number. I believe that you have all the details already handy. Just I wanted to give a reference that today we have completed this and there are no debts in the company. Yes, the inventory was high, and the season was poor. Due to this some working capital cycle got increased due to which we had to utilize the bankers. But as you are aware, Quarter 3 is a collection quarter where our sales are less, collections are more. I'm very confident October has been like that. November and December are again going to be like that. We should again become debt-free very soon with zero utilization from our bankers by the month of January or February.

I would also like to talk about the future outlook:

The two products were launch in this year, namely Hachiman and Oxim. Oxim is a relatively smaller product and Hachiman being a bigger product, these products are both from the house of Nissan, Japan, and they both are the mixture products developed in the collaboration with this, again, Nissan, Japan. They are good for soya beans and pulses and some other crops. So they did very well. We've got a very small window to market these products, hardly 1 to 2 months actually but the response which we got was very good and in totality, these products have contributed roughly a little below than 20 crores in this year and next year, I'm very confident to cross 50 crores from these products. We'll have certain more partners added to these products, and they will contribute more sales in this also, that I'm quite hopeful.

Our strategy is very clear that we'll keep on introducing the new technologies, new products, bringing these technologies in the reach of the farmers. There are 2 ways of bringing this technology. The first way is to collaborate with the Japanese partner and bring the Japanese products. Yes, our Japanese basket is very big this year. Again, we are expecting to launch 2 big

products from Nissan very soon. The registrations are in the final stages, and they were expected after the Diwali but due to some technical glitches is taking a little more time but we are still hopeful that by the end of this quarter or early January, we should be having both the registrations in our hand and there will be 2 products which will be coming from Nissan and there are some registrations which have already clicked for us, which are the products developed by our in-house R&D. They will be manufactured in India for the first time. They are the new generics actually. But again, here we expect one very big product followed by some more products, so there are about 6 to 7 launches which are in queue, which are lined up for next Kharif season but as we get the registration and as the plant will be ready, we'll keep on introducing these products so out of 6-7 products, I expect that 4-5 launches will happen into this year. There will be market testing, we will complete in this year and next year we'll be converting it into sales so that gives us the advantage that people will be aware about the results of the product, they will be aware about the packing of the product, the response of the product and that will make the multiplication of sale in the new year very easy actually. We are getting very good response also from the institutional customers for some of these new technologies where we will be signing the deals with some of the institutional companies also. So we see growth from these new products, both in the brand sales as well as the institutional sale. We are filing the patents for all these products which are the new generation technologies and also for the mixture products which we are making which are coming as a ready solution to the farmer and we are also working in the biological segment with more and more solutions. Today if we look at the outlook of Insecticide India, then yes, we are working on R&D developing these technologies. We are working in manufacturing by expanding our plants and we will be finishing the expansions during this fiscal in full, because Rajasthan target is to finish in this quarter. Gujarat a little delayed, will be completed in this fiscal and the similarly, the SEZ thing will be completed. So, we are on expansion path, and we'll be launching so many products and backward integrating some of the products so that the risk of availability, which is there on the generics, the idea is that we slowly keep on shifting our stress from generics to the new generation molecules and develop these new generation molecules. So, first point is to develop these products, to get the registrations and then to manufacture. The second point is to increase the network, to connect with the farmer more and more so that we have a customer to accept these products. We are working in both the directions, and we'll get the response from both sides. And we have one more pattern for our mixture product recently, but that product will be coming in the first quarter of next year. So I'll not discuss much about that but just wanted to intimate that we are continuously applying for patents. We are continuously working for new technologies and the idea is that we'll have the tail cutting for the older generic technologies where we are bringing the new generation solution, so this is the target as a company.

Again, I would also like to discuss about the policy changes particularly about the fraud prevention. So lots of efforts are being made by the company where the finance department is working with the sales and marketing teams and also with the network in controlling these operations. At the same time a lot of focus is being given by the auditor so that all the measures are in place, and we adopt the technology. We are working on new ERP programs like we have

recently created a dashboard with Microsoft which provides a lot of information. We are trying to take this information from this dashboard to the last mile, to the distributor, to the lower-level sales staff also. So we are working in this direction. So the idea is that there should be more and more transparency and more and more information should be available with the people who are connected with the company so that we can reduce the chances of any type of pilferages.

The export scope is very high because today world has realized that depending only on one country will not work out and they are looking at the alternate sources and Insecticide India has created its goodwill in a big way. Now we'll be working this year in about more than 25 countries. We are going to make more and more partners across the world. We are bagging registrations in different countries. So, later if you will have the questions, so, Satwe ji is with me, so he'll be able to give the guidance on or more details on that, but I can say that internally we are keeping our target to double our export business in this fiscal and I'm very confident that we'll achieve the target very soon. So guidance on this year, I would say that we are going in line. We have achieved more than 98% of this our budget. The Q2 was relatively tough but now Q3 the situation is improving. So I don't see any impact on the margins coming because we are increasing in all type of sales, the brand business, the institutional business as well as the export business, I see the growth in all the direction. At the same time, we are incurring the CAPEX required and every CAPEX is coming from the internal accruals only. There is no pressure of funds on the company. So we are very well-placed that way also. I can say that you can be quite hopeful about the company, about the performance of the company. The PAT margins and the EBITDA margins have shown some improvement in Q2, and I expect that in the second half of this year, they should be able to show further improvement. There are gunning of certain products, so we are working like Thimet and Nuvan went. Still our top line is not impacted. Our bottom line is not impacted. We have taken care of it in full by introducing the newer technologies and we are continuously working towards launching these new products. Now, the main focus is the two way focus like we bring in the new technologies from Japan and we bring in the new technologies from our own R&D center taking the advantage of the government scheme of 'Make in India', the backward integration and we are trying to make more and more raw materials by ourselves so that we can establish ourselves as a major player for certain key products actually and Government is also planning for the PLI scheme, which would give a positive advantage to the company's effort of backward integration.

With this, I thank you very much and open the house for discussions and questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Varshit Shah from Veto Capital. Please go ahead.

Varshit Shah: First of all, Rajesh ji I think really heartfelt congratulations on pulling off a great EBITDA growth in this challenging quarter both on exports and domestic front. I will be really honest that it is slightly a bit of a surprise to us. So first of all, congratulations to you and your team. My first question is on the gross margin improvement. You said in your opening remarks that there

had been a ramp up in some of the products, you mentioned in your presentation as well as in opening remarks. Is that the major reason for improvement in gross margin both on a YoY and QoQ basis, that's my first question.

Rajesh Aggarwal:

Thank you very much for the positive remarks. Yes, the product mix is the major issue. They help us in rebuilding the margins. There have been certain products like as you know our superstars have gone means Thimet and Nuvan used to be a 100 crores product. Now my biggest stress is how do I make the products bigger? So I've three brands which are in the 75 crores range and there are another 5-6 brands which we are trying to build up in the 50 crores range. I am quite happy to tell you that, yes, we are very near to these targets, or we have already hit those targets and we'll try to make the bigger brands even bigger actually. We have a clean vision that will focus on certain products which we can make bigger, and they should be the products from the new generation, and they should have a sustainable growth in future also. And at the same time we are bringing the newer technologies also as I told you, so there will be certain big launches like I can foresee about at least 3 to 4 launches, which will be quite big actually.

Varshit Shah:

Second interesting point is another expenses and SG&A expenses actually are flat YoY. We are seeing higher freight cost, inflation has also there and normalization of expenses because of the exemption of the physical trials. When your SGNA expenses are flat YoY, so any particular reason you want to point out or was there any one-off in the base or there's some shifting of expense from Q2 to Q3, is there something like that.

Rajesh Aggarwal:

No, there is nothing like shifting of expenses, actually. Yes, the freight and some other things have increased but the product mix has also changed actually. The product mix plays an important role that I'm selling the cheaper products or the expensive products or the Maharatna, how much share I'm getting from the Maharatna. We could focus on Maharatna pretty well in Q2 actually and the response is very positive and Q3 also we are I believe pushing it in the right manner, taking it to the market in the right manner. So I'm quite hopeful actually and then of course the prices have increased a little in this time. We are trying to rework our prices also revise the prices and try to be in line with the market. So, the response so far is positive.

Varshit Shah:

But just to clarify and dig slightly deeper on this. I was referring to the 36.7 crores figure on the other expenses, is it the same as YoY previous year Q2...

Rajesh Aggarwal:

Which figure 36.5 is where?

Varshit Shah:

In the other expensive.

Rajesh Aggarwal:

I don't have the detail handy, but these other expenses are as per the guidelines. Some expenses would have come here in the other expenses as per the IndAS actually. Today, unfortunately the CFO is not there, so, it's bad, but it's good because it is his son's marriage, actually two days after he is getting married. If you want this response, we can submit this response in writing. This is IndAS adjustment, nothing more than that.

- Varshit Shah:** So, on the CAPEX front can you split the amount of CAPEX between the Chopanki Rajasthan and the Dahej projects, if you can split the CAPEX amount between the two projects?
- Rajesh Aggarwal:** Actually I don't have it handy. But I can say that Chopanki would be about 25% and Dahej should be about 60%-65%, 10% should go to SEZ.
- Varshit Shah:** And Dahej is a mix of technical formulation if I am not wrong?
- Rajesh Aggarwal:** Dahej is not mixed. Dahej, we have two different facilities. 10% has gone to SEZ which is formulation, but Dahej it's all technical and reverse engineering, technical and specialty chemicals, no expansion of formulation.
- Varshit Shah:** And just a slightly different question, we have such a good relationship with Nissan and some of the other Japanese players as well. Any plan for doing contract manufacturing for some of the molecules, maybe not immediately but at least are there any allocation which you are able to start with because your balance sheet also allows you to either raise funds with debt for equity.
- Rajesh Aggarwal:** Your question is correct actually. We have done our expansions keeping those possibilities in mind. So, we will be setting up two pilot plants, separate small pilot plants one in Rajasthan one is Gujarat which will be a demonstration plant. And after that there will be two scale up plants which will be set up in Dahej which are also in process along with the other project actually. So, we are already working in line with that, so that we are able to woo our partners and some other Japanese companies and other international companies for many products. And a lot of products which we will be making backward integration so I also target the multinational companies including the inventors of some of these products, which I'll be bringing actually now, because it will be competing in terms of quality, and we'll be competing in terms of price then there is no reason they should not buy from us. So, we are already working in that direction. Your point is correct.
- Moderator:** The next question is from the line of Saurabh Kapadia from Asian Market Securities. Please go ahead.
- Saurabh Kapadia:** I was looking at your guidance for the full year 10%-15% growth, so in second half what gives you confidence on which product you believe could drive 10%-15% growth plus growth what we will need to achieve the full year guidance?
- Rajesh Aggarwal:** I have not given the exact numbers. But yes, I am very-very hopeful, very positive. And this will be the general growth actually, because I see the demand coming from all the areas. The international market is very-very aggressive. The institutional business team is aggressive and also the brand. I see demand everywhere because the inventories were very-very low in the market during the end of this Kharif season. Because the market was tight people were not lifting material. But now people have the craze because you see the prices of everything going up. So, whenever there is a hike in the prices, people when they hear the rumors or they come to know

that the prices are going to go up, they try to stock. Everybody has a tendency to stock and everybody's feeling that if we lose the buying at this time, then we will be sending outside. So people are investing. So, that is keeping me hopeful that the sales in this second half should be good actually. And then Rabi season is also good actually, because the rains which have caused loss in the Kharif season, the rains are good. And then if I look at the prices, the prices of cotton are all time high. The prices of paddy are very good. The prices of some other crops are good actually and generally farmer is happy. Yes, some farmer where the yield has suffered because they particularly got hit by the bad monsoons actually, so of course they are in the loss, but in general farmer is happy with the price of the crop.

Saurabh Kapadia: My second question on the international business, we have seen a good growth this year. Which geography or any specific molecules that is in planning, any new registration that is coming up which should help our growth?

Rajesh Aggarwal: This I will be giving to Satwe ji. But just to inform that previously we were focusing entirely on formulations. And we were focusing on Middle East, we were focusing on African countries and some Asian countries. Now we are increasing our scope and we are bagged many registrations and we are increasing our countries. Like just for our reference last year the total countries where we did business was about 15 and this year these countries are going to become 23-24 or maybe we will be working with 25 customer actually against about say 14-15 customers last year. So a big change is coming. I will give the line to Satwe ji to throw some more light please.

Shrikant Satwe: The international business is primarily driven because of formulation. First of all, there is a very good growth in the cropping area across the world. And that has also generated good demand across all the major areas and prominently because right from the beginning our focus is on the African market, Asia Pacific area and Middle East market. These three areas actually we established a very good rapport with our customer and that has paid a very good dividend in this season also. So, we have actually developed business in these three areas only, and we have a very good order book also in our hand. And hopefully the container shortage situation is also now steadily improving. We are expecting the orders in hand we will translate into actually commercial success definitely in next three to four months of time.

Moderator: The next question is from the line of Varshit Shah from Veto Capital. Please go ahead.

Varshit Shah: One question on the export side. Historically, there is some volatility but now I think we are bouncing back again on the export side. One is, of course, our own strength and second is the market cycle which is current feasible to us. What steps are we doing in terms of our portfolio and customer reach so that our export growth is more sustainable and actually we can build upon this success which we are facing in the current year. Basically, if you could throw some light on the portfolio level and at the customer level, what we have done or what we are planning to do in the coming quarters to strengthen our sustainability in the exports.

Rajesh Aggarwal: What happens is, for the agrochemical business, you have to plan much in advance, invest there, and then you get the registrations. We have started our export portfolio from Mumbai office five years back actually and we have been continuously investing on registrations and providing with the data. Today I have almost more than files of more than I think about 11 technicals and more than three dozen formulations. So, the complete data packages are available with us which we are giving to many countries and many customers who are signing with us. And since the range is quite big, so people are very happy. So, we are following it in two ways. Number one, we are strengthening our portfolio by bringing in new products. Second, we are strengthening our capability by backward integrating in our key molecules. The two biggest products which are manufactured as technicals today are Lambda Cyhalothrin and Thiocyclam. So, I am doing the backwards integration in both the molecules actually and the idea is that we should be more reliable partner in these two products to the international as well as the domestic customers. So we have that focus in mind. I meant to say that with our product range and services and then SEZ plant, this SEZ investment has also helped us because now there is a dedicated facility which is providing the formulation requirements of the customers. And apart from this in Dahej also, I've done a lot of expansion keeping the exports in mind. So, Dahej plant will also be contributing in exports and SEZ facility will be contributing in exports. So, overall with like the customers going up, the registrations coming in, the product range, so everything is going to help us in building the international market.

Varshit Shah: Second, I wanted to know you mentioned the two molecules, Lambda Cyhalothrin and Thiocyclam. Lambda, I think one of the key intermediates comes from China, so are we working to produce that also in-house, or you are already doing in-house?

Rajesh Aggarwal: It is in process. With this expansion, we should be able to do that.

Varshit Shah: One of the key intermediate required to make Lambda Cyhalothrin?

Rajesh Aggarwal: Yes. We will be making both the two intermediates actually.

Moderator: The next question is from the line of Abhijeet Bora from Sharekhan. Please go ahead.

Abhijeet Bora: I was just looking at your guidance and the presentation. You guided for 100 bps improvement in the EBITDA margins for the full year, but when I see your margins, they are already at like 14% kind of range in this quarter and was 11% in the previous quarter. So, is this a conservative or we are expecting some impact of the high-cost inventory in the coming quarters?

Rajesh Aggarwal: It is a conservative indication. I don't want to revise because that guidance was the old guidance which we have not revised, I believe. So, we will not give a revision, let us perform and show. I'm confident that the Q3 results will not be lower than Q2. They will be better.

Moderator: The next question is from the line of Riju Dalvi, an individual investor. Please go ahead.

- Riju Dalvi:** My question is that I would like to know a bookkeeping thing. What is the volume and value growth for H1? And have you taken any kind of price hike in H2, will you take, given the price hike like raw material price hike in China?
- Rajesh Aggarwal:** Generally, yes, the volumes product-wise are important. In totality we don't consider the total volume, but yes, the data is available because we have prepared the dashboard. It gives the data. We will share that with you. I don't have it handy. Because there are some products which will cost Rs. 100. There are other products which cost thousands of rupees. So, I cannot compare apple and oranges at the same time. But we will share that data. Regarding the price hike, yes, the price of everything has gone up actually, the packaging material, the raw material, the transportation cost, everything is hit today. The solvents, the chemicals, everything is. So, we are forced to take the hike. Since last two months, October and November in both the months we have taken the price hike. So, some products it is more, some products it is a little lesser. So, it is in line with the market situation. So, in generics it is a little difficult to take big hikes, but in certain products, yes. So product to product it varies. So, we have taken two price hikes already in the month of October and November.
- Riju Dalvi:** Just to quantify your point, that the price hike, so can you please tell us how much percentage on an average you have hiked the prices?
- Rajesh Aggarwal:** I'll say average. Average might be 2%-3%. But there will be certain products which will have 7%-8% hike. There will be some products which will have no hike. So, on an average when you say average, so average may come to higher, but yes, there is a price hike actually twice. So, we can say average 2%-2.5% price have increased twice in totality, because we are talking about averages here.
- Riju Dalvi:** Also I would like to know are we planning to take another hike in Q3, or Q given the input prices...
- Rajesh Aggarwal:** It depends actually. Because the international situation is so volatile, it is very difficult to announce. If the similar things prevail then herbicides are not available in that case. So, I see a hike of at least 5% in the entire range of herbicides in December. It can go up to 10% also. It depends. It will depend on the international scenario which will help me in deciding how much I can take, because whatever I decide it has to be in line with the market situation actually. We can lead, but we cannot be out of market.
- Riju Dalvi:** Also another question, I would like to know how should we look at the mix of branded exports and institutional business post completion of our expansion in FY22?
- Rajesh Aggarwal:** We have not budgeted exactly, but yes, all the business will be growing. Like exports, we would again target a decent increase in the next year. This year we will cross 100, next year again we will plan a decent increase. Similarly, in the institutional business also we will look at an increase of minimum 25% and since the expansions will be coming, so the brand business also might see

an increase of about 15% or something, So, next year I can say that generally I give a guidelines of 10% growth, but due to the expansions I may give a guideline of (+) 15% type of growth in the next fiscal. I have not decided, but just a broad idea that we should look for 15% growth hike in next year.

Riju Dalvi: In exports that you are targeting 100 crores of revenue in FY22, right?

Rajesh Aggarwal: Yes.

Riju Dalvi: And so far, we have done around 57 crores kind of revenue?

Rajesh Aggarwal: Yes., in the month of October. And November has been quite good actually so our expectation from October is also quite good.

Riju Dalvi: And one more thing, like as you said that institutional business will grow more than 20% in next year, then that will change our product mix more towards institutional business.

Rajesh Aggarwal: No, there won't be a shift actually. We will be trying to sell the new generation molecules, what we are bringing the new launches, so I would like to take the entire share from the new launches. That will be my vision. But yes, where we are backward integrated or increased more AIs or we have strengthened our technical manufacturing capabilities, those products will also help. Because technically I'll be increasing my capability of making technicals by 50% in Rajasthan and about 30%-40% in Gujarat with backward integration. So, I can sell the chemicals also, I can sell the technicals also, there will be capabilities of all types and looking at the demand we will do that.

Riju Dalvi: But in institutional business, our gross margin will be much lower compared to the branded business, right?

Rajesh Aggarwal: Again, it depends what type of products we are selling. Yes, in the brand there are maximum margins, but if I want to do everything by myself, every farmer cannot open a hotel. There will be different customer at the hotel, different customer at the dhaba and there will be different type of customer at the mandi. So, you have to cater to all the requirements. I cannot eat up the entire share of India in one go.

Riju Dalvi: One last thing, if I look at our gross margin, that is right now in FY21 would be around 25% and in H1 FY22 it would be around similar kind of area. And earlier we used to make 31%-32% kind of gross margin. So, when we can expect to reach that level and improve?

Rajesh Aggarwal: We are continuously improving; we are continually improving. In this fiscal you will see the improvement in the next fiscal because of the product mix you will see the improvement again, that is something I can say. You will see continuous improvement in our performance. Because the plants were not coming, it was a COVID time, difficult time, last year we could not take the

new generation products to the market, this year we did not bag the registrations, all the projects got delayed, so the new introductions were not possible. So, all these factors were very-very important. But still the boys did a lot of effort actually in all the directions and they could achieve the sales. Of course, the profitability is also maintained so that is something good actually. We were not at all aggressive during this period. But next year we will go aggressive.

- Riju Dalvi:** So, can we expect by might be FY23 we can reach the 30% kind of level of gross margin?
- Rajesh Aggarwal:** No, I will not give any outlook. But I'll just say that we will keep on improving. I will give it in the end of the year actually maybe.
- Moderator:** The next question is from the line of Saurabh Kapadia from Asian Market Securities. Please go ahead.
- Saurabh Kapadia:** I have just one question on the domestic business. So, we are expanding our capacity But on the distribution side in terms of number of dealers and penetration, so are we again adding number of dealers....
- Rajesh Aggarwal:** Working on the last mile customers actually. We are working on our farmers. We are working on our retailers. We are working on our dealers. We are working on our distributors. We are trying to identify that where we are getting what percentage at which counters actually where we are not able to reach those numbers, where we are achieving, what is the desired quantity desired volume, value, are our customers growing, not growing, how are they performing. We have created one concept called customer janam patri. So, all the customers janam patri is coming which shows the YoY growth, YoY contribution, YoY product mix usage. So, everything we are very closely monitoring actually, so that we can identify that where we need the development, where the effort, the focus has to be more, how we can connect with our ultimate customer, how we can connect with our retailers. So, there is a complete focus on this because the new products are coming actually. New products will not go just by putting on the distributors counter. I have to create the market. I have to create the buyer for that actually. If the customer wants to buy it and he comes to the counter, then only those products will become the brands. So, it's a lot of effort which will be required by us. Actually, we are also increasing our team, the marketing team, the expert technical teams, the sales teams. We are doing the expansion in all directions actually, network as well as the teams.
- Saurabh Kapadia:** Any specific state or region where you see more scope in terms of more growth?
- Rajesh Aggarwal:** Scope is everywhere actually. South has incidentally become the largest market for us. West should be the second largest. But this year, west was very-very bad because it was a continuous dry spell and then there was continuous heavy rainfall in the west. So, I can say south, west, north and east, this will be the hierarchy. South will be the biggest, followed by west, then north, then east. East has the potential to beat some others, so let's see, because this year has been very bad for east because of floods in Bihar. Bihar is one of our key markets actually. Also floods in

Nepal. They created a lot of havoc. So, we see a good potential which will be coming out of east also. So, roughly this is the situation.

Moderator: There are no further questions from the participants.

Rajesh Aggarwal: Thank you everybody, all the participants for taking out time out of your busy schedule and attending this earnings call. I thank you very much for your interest in IIL and look for your continued patronage and, of course, thank Asian Securities also for this call. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Asian Market Securities, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.