INDIA PESTICIDES LIMITED

An ISO 9001:2015, 14001:2015, 45001:2018 and 10002:2018 Company
CIN No. L24112 UP1984PLC006894
GSTIN- 09AAACI3591D1ZO

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Date: 09.08.2023

To

The Manager, Listing Department **BSE Limited** P. J. Towers, Dalal Street, Mumbai-400001 **Scrip Code: 543311** **ISIN: INE0D6701023**	The Manager, Listing & Compliance Department **National Stock Exchange of India Ltd.** Exchange Plaza, Plot no .C/1, G Block, Bandra- Kurla Complex, Mumbai-400051 **Company Symbol: IPL**

Dear Sir/Ma'am,

Sub: Transcript of the Earnings Call for the quarter ended 30th June, 2023.

Pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of the transcript of the Analyst/Investors Call on the Unaudited Standalone and Audited Consolidated Financial Results of the Company for the quarter ended June 30, 2023, held on Wednesday, August 02, 2023.

The transcript of the earnings call is also available on the Company's website at https://www.indiapesticideslimited.com/InvestorRelations.php .

Kindly take the above information on record.

Thanking You,

For India Pesticides Limited

AJEET PANDEY
Digitally signed by AJEET PANDEY
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(AJEET PANDEY)
Company Secretary and Compliance Officer
Membership No.: A42500

India Pesticides Limited

Q1 FY24 Earnings Conference Call

August 2, 2023

MANAGEMENT: **MR. D. K. JAIN – CHIEF EXECUTIVE OFFICER – INDIA PESTICIDES LIMITED**
MR. S. P. GUPTA – CHIEF FINANCIAL OFFICER –INDIA PESTICIDES LIMITED

MODERATOR: **MR. TEJAS SONAWANE – DOLAT CAPITAL MARKETS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to India Pesticides Limited Q1 FY '24 Earnings Conference Call, hosted by Dolat Capital. As a reminder, all participant lines will be in 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. Tejas Sonawane from Dolat Capital. Thank you, and over to you, sir.

Tejas Sonawane: Thank you, Reo. Good afternoon, everyone. On behalf of Dolat Capital, I would like to thank the management of India Pesticides Limited for giving us the opportunity to host their Q1 FY24 earnings conference call. From the management team, we have with us today, Mr. D.K. Jain, Chief Executive Officer; and Mr. S.P. Gupta, Chief Financial Officer.

Without further ado, I would like to hand over the call to the management for their opening remarks, post which we'll open the floor for a Q&A session. Thank you, and over to you, sir.

D. K. Jain: Thank you, Mr. Tejas. Good afternoon, ladies, and gentlemen. I hope you and her family are staying safe and healthy. Unfortunately, our Chairman, Mr. Agarwal, could not join this call because of some urgent unavoidable circumstances. He has sent his greetings and apologies.

I take the pleasure of welcoming you all for the Q1 FY24 earnings conference call of India Pesticides Limited. I hope you all had the chance to look at the financial statements and earnings presentation uploaded on the exchanges and our website.

The agrochemical sector has been navigating through a challenging external environment, which has impacted our operations also. Raw material prices are fluctuating due to overseas supplies leading to pricing headwinds and increased cost of inventories. The price of technical products have also declined significantly.

Our revenues stood at Rs. 2,047 million in Q1 FY24 compared to Rs. 2,217 million in Q1 FY23. We remain cautiously optimistic and are determined to tap into the opportunities presented by these volatile and uncertain markets.

During the quarter, we have increased our technical capacity by another 200 metric tons, which takes our total technical capacity up to 24,200 metric tons. We are focused on introducing new products and expansion of the Hamirpur plant project. Our recently launched products continue to receive positive responses from the market and making significant contribution to the top line. This momentum will encourage us to further enhance our offerings and explore avenues for growth and expansion.

Our team has been relentlessly working on developing chemicals from basic stages and process to mitigate the impact of such situation going forward. We are dedicated to continuously sharpening our competitive edge by leveraging and further fortifying our robust research and development initiatives. To achieve this, we have earmarked substantial capital expenditure to support our R&D team in their efforts to produce high-quality products that meet the needs of our customers in various regions around the world.

We have enlarged our team with 2 more senior scientists and work on specialty chemicals is going on, and we are in contact with the premier research organization, IICT Hyderabad for technological advice. As we grow, our commitment towards bringing chemicals, which can substitute and limit our dependence on imports remain steadfast. This is also one of our initiatives, many initiatives that aligned to combine our vision now Make in India and vocal for local to support domestic growth.

We will continue to explore evolving opportunities for expansion, as we strive to sustain business momentum. Our primary objective remains to establish a sustainable and resilient organization that remains pertinent to our clients' needs. Simultaneously, we aim to foster growth opportunities for our employees, generate profitable returns for our investors and contribute to the communities we operate in.

With this, I would like to pass on to Mr. S.P. Gupta, our CFO, to walk us through our Q1 FY24 financial highlights.

S. P. Gupta: Thank you, sir. Good afternoon, ladies, and gentlemen, and thank you for joining the India Pesticides conference call to discuss Q1 FY24 results. I will quickly walk through our financial performance.

Taking you through the financial highlights, the total revenue stood at Rs. 204 crores, against Rs. 222 crores in Q1 FY23. EBITDA in Q1 FY24 stands at Rs. 26 crores. PAT stood at Rs.16 crores in Q1 FY24, as compared to Rs. 41 crores in Q1 FY23. During the quarter, Company saw pressure due to a reduction in the selling price of some of their products owing to destocking by overseas suppliers, leading to an impact of Rs. 17 crores. This, in fact, comprises Rs. 7.3 crores owing to sales made during the Q1 FY24 and Rs. 9.8 crores due to the revaluation of inventories in hand at NRV.

The revenue from export stood at Rs. 84 crores, as compared to Rs. 101 crores in Q1FY23. And domestic revenue stood at Rs. 117 crores, which is similar as achieved in Q1 FY23. The Demand environment in the international market remained weak due to adverse weather conditions and inventory destocking.

Revenue from technical and formulations stood at Rs. 158 crores and Rs. 43 crores, respectively, during Q1 FY24.

During the first quarter, we invested Rs. 16 crores in capex for the expansion of the Sandila plant. Our capex outflow is Rs. 50 crores for FY24 for IPL and Rs. 60 crores for Shalvis Specialities Limited, a wholly-owned subsidiary.

India Pesticides Limited has a strong balance sheet with the ability to generate good free cash flow. The company is planning to fuel its capex plans with internal accruals. Our cash and cash equivalent at the end of Q1 was Rs. 136 crores. We remain confident of continuing our growth trajectory while extending full support to our customers, suppliers, and other valued stakeholders.

With this, we would be happy to take your questions. Thank you.

Moderator: Thank you very much. We have the first question from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Sir, the first question relates to, yes, we have been going through tough times for the last 3-4 quarters due to the external environment and aggressive pricing and dumping of products from China. So currently, as we speak now, 2 things about this. One is how is the demand shaping up both on the domestic and the export front and in terms of prices of various materials, both raw materials and product side, how are the prices behaving now post the end of the last quarter? Had they stabilized? Have some of the product prices started going up if you could share some more details on the environment?

D. K. Jain: Rahul Ji, good morning. The external market still remains slightly subdued. The demand from overseas customers because of still the oversupply from China, as well as weather conditions, but in the domestic market, the demand looks to be good, but the prices are remaining subdued. and we hope that by this quarter there could be some improvement could be there.

Rahul Jain: So, have the prices stabilized or they are actually falling towards the end of the first quarter?

D. K. Jain: The prices are still slightly falling sir, because when we talk about what is happening, then the customers, whenever they quote a price, they would like to quote a lower price. That is how things are going on and everybody is in wait and watch mode somehow because they don't want to make all their purchases at the same time. So, they are buying in lots. So that is how the situation is going on now but in one quarter or two quarters, there is going to be stability, it looks like that and the raw prices are also now getting slowly stabilized.

Rahul Jain: Sure, and on the inventory side, sir, we had roughly about as of the end of March, we had about Rs. 225 crores of inventory. A good part of that inventory was built up with the upcoming Kharif season being there. So how has been the Kharif season for us till now? And given the rains have been quite good in the last about 15 days to 20 days, where is the inventory position today overall? And how has the Kharif season gone?

S. P. Gupta: Inventory at the end of the June quarter was Rs. 190 crores, down from Rs. 225 crores in March. And we are expecting that it will further reduce by Rs. 20 crores by the end of Q2. Demand from domestic has been very good.

Rahul Jain: Okey, and do we expect further inventory losses based on the current situation

S. P. Gupta: See we are not hoping for any significant losses since we have provided for inventory, as per NRV. Maybe 1% or 2% may be there, but most of the losses, they have been provided for in this June quarter.

D.K Jain: Unless there is further price revision.

S. P. Gupta: Yes, unless there is some significant price revision in August and September, which we don't foresee any significant reduction.

Rahul Jain: Sure, and sir, with regards to the volume growth, both in the technical and formulations or else in the volumes in the quarter 1 compared to last year and the previous quarter, I understand in your press release and presentation somewhere you have said, see the volumes are also have been bad and the prices also have. So if you could just pick up the current sales in terms of volume and price erosion?

S. P. Gupta: Yes. The decline in sales has been mainly through volumes only. Prices, it has not dropped since our product composition has slightly changed.

Rahul Jain: How much volume will be de-growth, sir?

S. P. Gupta: It will be around 8% to 10%.

Rahul Jain: And compared to the last year?

S. P. Gupta: Yes, Last year.

Rahul Jain: And the price erosion is not much in our products. Is that what you said?

S. P. Gupta: Because our upper contribution from new products has increased and new products had a higher selling price, as compared to our earlier products. So, per kg, on blended basis, price has not reduced

D. K. Jain: But individual product prices have come down Mr. Rahul. What Mr. Gupta tells that the total volume what we sold in the revenue what we generate, the average price will more or less remain same.

Rahul Jain: Sure. Just last question, sir, with regards to the new products, which are introduced in the last year, we did roughly about Rs. 120 crores of the contribution from the new products in FY23. So in the current quarter, what was the contribution from the new products? And what is the expected contribution in the current year from the new products?

S. P. Gupta: The contribution from new products was Rs. 40 crores, and we are expecting around Rs. 170 crores to Rs. 175 crores in this FY24 from new products.

Rahul Jain: Sureand if I could just squeeze one more. So what is the expected top line in the current year?

S. P. Gupta: Top line, if the situation normalizes in the second half of current year, but we are expecting top line growth of around 10%.

D. K. Jain: See the product prices have come down, that is why the growth is slightly less than what we expected earlier

Rahul Jain: So I'm assuming 10% top line growth is as the prices stand today on today's prices, right?

D. K. Jain: Yes.

Rahul Jain: Sure, Thanks for the detailed reply. All the best.

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

Rohan Gupta: Yes. Hi, sir. Good afternoon and thanks for the opportunity. Sir, a couple of questions, First is on our inventory markdown roughly Rs. 17 crores, the amount, which you mentioned. So, what we understand that generally we have a pass on clause to the end customer, and even the raw material is also procured accordingly and backward calculating the prices, which we have negotiated with the customer.

So, I mean, generally, we have a pass-on mechanism with the falling or the rising raw material price scenario. So, any particular reason that this reduction in the selling price and even the inventory revaluation, in which we have done roughly Rs. 17 crores markdown losses. In an ideal scenario, a pass-on clause shouldn't be there, right, sir?

S. P. Gupta: Rohan Ji, the full NRV impact is on the import substitute product, which we have started making last year. The contract you are telling, they are with our overseas customers, that is for export but this entire NRV loss is on products which we have started last year, Aatma Nirbhar Bharat import substitute from China, and they have other targets for the local market. In that territory, we do not have any agreement with local suppliers.

Rohan Gupta: Okay. So basically, which you are saying for the domestic sales, where the product has been manufactured, the global prices of the Chinese players have reduced the prices, and that's why we had to take this inventory loss or hit on the product price?

D.K. Jain: Yes, because the season is concentrated from March to June, July, so we had to stock up the product for the sale. So that is why there was a stock buildup.

Rohan Gupta: Got it. Sir, as far as our export business is concerned, we are not being impacted by any of the reduction in prices and is our margin because I understand the raw material prices have also come down significantly. So do you see, or do we expect that our per kg margin on which generally the export business is based on, that remains intact or even the per kg margins have been affected in the current scenario in the export market.

D.K. Jain: Sir, for the export market, see our margins are more or less same because we have the major agreements with our customers, so there, we adjust with the raw material prices. So, it remains more or less the same. Maybe a marginal effect will be there, but not at all in the export market. But the domestic market, we have to go with the market price prevailing in the market.

Rohan Gupta: Yes, sir. Fair enough and the export market, this is only per kg margin, which are fixed, right, not on a percentage term?

D.K. Jain: It is more or less per kg margin. We have some agreements for our major supplies and for smaller supplies, prices are varying. So there, we have to make some adjustments.

Rohan Gupta: Okay and sir, for the raw material procurement, how much of our sourcing used to come from China of our total raw material requirements?

D.K. Jain: So, we are still importing, we are sourcing our major raw materials more than 65% from Indian sources and around 30%, to 35% is totally imported. From this, I think about 50% is from China and 50% from other sources.

Rohan Gupta: Okay. So, our dependency on China is still only 17% roughly on our total

D.K. Jain: Yes, that's true.

Rohan Gupta: Okay and sir, these Indian imports, which we are doing roughly 65%. So what we have seen that the raw material prices have fallen so sharply and even with some of the Chinese players and the Chinese markets and all were offering this product at throw-away prices because of the huge inventory destocking, which they are doing. So, have we switched, or have we taken the benefit of this opportunity in terms of reducing our imports from India and increasing the import from China being opportunistic when the material is available at a lower price?

D.K. Jain: Sir, because some of the intermediates, we need to import from China, so that we have been doing. But what happened, initially, when we imported the prices were high and after one month, if you want another import, then they're slightly lower, like that, it is continuously declining. So we are always at the stage of higher cost inventory. That is what is the trouble.

Rohan Gupta: Yes, sir. So, that would have happened in the last three months to four months when the prices are falling?

D.K. Jain: Yes. Now I think it is bottoming out. That's what we feel. Now it is bottoming out, so that is why we told that there looks to be some opportunity now if we start buying the raw materials now probably, it should not go further down.

Rohan Gupta: And when do you think that the prices are bottoming out and then the Chinese prices are still cheaper than the Indian suppliers, and that gives us an opportunity to increase further imports from China? Or we have to stick with the Indian suppliers only?

S. P. Gupta: Our raw materials some we are actually using basic chemicals like carbon disulfide and chlorine and caustic. They are available locally at far from China and they cannot be transported. So, we cannot substitute majority of our raw materials from China, where there is an opportunity exists, we are importing. Even we have done some backward integration on a long-term basis. So, we are producing instead of buying from China.

Rohan Gupta: Okay. That’s helpful. Sir, we have also talked about that you have improved the product basket, and that's why despite volume decline of roughly maybe 8% to 10% in the current quarter, our revenue decline had been limited to 7%, 8% on this, so quite a remarkable job done there in terms of improving the product mix and congrats to that. Just want to understand, sir, when you are improving the product mix that definitely will be coming with the improvement in margins, as well, mainly on a per kg basis.

Adjusting for this current quarter inventory loss of roughly Rs. 17 crores, if you adjust for that, our EBITDA margin is roughly close to 21%. That is still much lower than what margins, which we used to do earlier at 27% to 28%. So, do we see that our margin profile with the new product mix, improvement in product basket, will reach to old NAV in terms of percentage margins of 25% plus? Or we see that 20% to 21% is our EBITDA margin trajectory that is the company should be working now?

S. P. Gupta: Rohan JI, in our case, it is the reverse. So, what we found with our earlier product had lower prices and good EBITDA margin. Suppose earlier, we were having a product of Rs. 400 per kg, our EBITDA margin was Rs. 150, gross margin. Now, product prices now they have increased to say Rs. 600, but Indian manufacturers, they will still offer Rs. 150 per kg for gross margin. So, what we are finding is our higher-priced products, they carry a little bit less margin. As our Indian mindset is per kg conversion cost, but what we have realized, you have a lower-value product, they are having better margins than higher value products.

Rohan Gupta: Sir, you are saying that Rs. 400productwill make the margin of Rs.150 and Rs. 600 products will also make the margin of Rs. 150

S. P. Gupta: Yes. You are right. For Rs. 1,000 products also, they are asking for Rs. 150 margin. So, for those people, we have realized different things.

Rohan Gupta: But sir, then in that case, our top line may go up, but in percentage margins, it will only come down because at Rs. 600, it will be only you can say 15% or 16% margin versus earlier 20% to 22% margins?

S. P. Gupta: No, but our proportion of existing products will still be more than 80%, if the demand improves in export market.

D.K. Jain: So, we expect to maintain the EBITDA margins of around 20%, and we will try our best to improve this further on by proper selection of the molecules. We are in always search of molecules for this niche areas.

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

Rohit Nagraj: Yes. Thanks for the opportunity. Sir, first question is in terms of any new product launches in Agro segment during FY24. Last year, you have launched multiple products, which you also indicated primarily from the import substitute perspective. Any new launches, which have been planned for this year?

D.K. Jain: Rohit Ji, yes, we are planning to launch about four products this year, which will be consisting of three technical products and one intermediate and apart from these, we would be launching few new formulations also more than 10 combinations formulations in our B2C sales and also, as you know, that our Hamirpur facility is work is going on there. So, we will be launching our first product in Q4FY24.

Rohit Nagraj: Right, and these three technical, these are again import substitutes?

D.K. Jain: We think that out of these two are import substitutes; and one is only for export.

Rohit Nagraj: The second question is, last time, you had indicated that we are working on our pharma intermediate, as well as the stabilizers, additives, and new chemicals. So, what is the progress on that? And when do we start to commercialize these molecules of new products?

D.K. Jain: Sir, we are already working on this and as I told in my opening remarks, we have already increased our R&D team by two more senior scientists specialized in this area and we are also in contact with the premier institute, IICT for technological advice and most probably, we should be able to commercialize this in FY25 in first or maximum second quarter.

Rohit Nagraj: And these will be from the Hamirpur plant, right.

D.K. Jain: Yes, mostly from Hamirpur site. Now because with these few expansions, our Sandila site is now more or less full. So, we would be expanding at our Hamirpur site.

Moderator: The next question is from the line of Preet Malde from Centra Insights.

Preet Malde: I just wanted to get an idea on our working capital days?

S. P. Gupta: Working capital days has reduced from March 23 levels by 20 days. Our inventory level has declined and debtor days remains same. So, it has declined by 20 days from March.

Preet Malde: Okay. That's helpful. And have you faced any problems regarding sales returns?

S. P. Gupta: No, no. There has not been any abnormal sales return, nothing of that sort.

Preet Malde: Okay and I just wanted to understand, which geographies do we mainly export to?

D.K. Jain: We export sir, mostly to Europe, U.S., Australia, and Japan.

Preet Malde: Okay. So, any geography that we majorly export to, a major chunk of our exports goes to that?

D.K. Jain: Major chunk goes to Europe, sir, European Union.

Moderator: The next question is from the line of Jainam Ghelani from Svan Investments.

Jainam Ghelani: Sir could you tell me what will be the asset turnover for our capex planned at Hamirpur, as well as for IPL?

D.K. Jain: Asset turnover, sir, we expect about 2.25x to 2.5x at Sandila, as well as Hamirpur site.

Jainam Ghelani: Okay and sir, just to add on to the question of our earlier participant, so what could be the margins going forward? Can we expect them to stabilize around like once they go back to normal 22%, 23%?

D.K. Jain: Sir, we wish very much, and we feel that around 20%, we should be able to achieve comfortably.

Jainam Ghelani: Okay and sir, the revenue guidance was 10% for FY24, would you be able to give any guidance for FY25?

D.K. Jain: For FY25, sir, we had planned for about 20% to 25% revenue growth every year but now because the raw metal prices and the product prices have rationalized a bit, so we should be able to get at least 15% in FY25.

Moderator: The next question is from the line of Yogansh Jeswani from Mittal Analytics.

Yogansh Jeswani: Thanks for the opportunity. A couple of questions have been already answered, so I won't repeat that, because you guys mentioning about the RS. 17 crores inventory adjustment, wherein Rs. 9 crores were the write-off and the other Rs. 7 crores I missed, what was that amount, sir?

S. P. Gupta: Just divide the amount, on products we have taken NRV hit at the end of this quarter. During this quarter, we have sold products worth around Rs. 20 crores, and they were sold less than our cost price by Rs. 7.3 crores. Say the costs were Rs. 27 crores, but we have sold for Rs. 20 crores since price had declined in some product by 30% to 40%.

Yogansh Jeswani: So that is basically our inventory write-off.

D.K. Jain: Yes.

Yogansh Jeswani: Sir, next is, last quarter, you had mentioned about the product registration that we have got in US, and I think our herbicides, and we had gotten a good client entry in it. So any further update on that? How is that progressing? And what could be the potential going forward?

D.K. Jain: Sir, the registration what we got in the US, now the company has already placed orders with us for the supply of the product and most probably from next month onwards, we would be starting supply for that and this year, he has ordered about almost around Rs. 20 crores.

Yogansh Jeswani: Rs. 20 crores for FY24.

D.K. Jain: Yes.

Yogansh Jeswani: Sir, next, I think on our presentation, you have mentioned about under the expansion product launch that will be expanding in stabilizers and additive products. So could you just talk a bit more about what are these and just educate us a little more around it?

D.K. Jain: Sir, these are the stabilizers for common use as well chemical stabilizer and additives what normally is being added to some of the products, not to polymerize and not to gel anything. So those products are of very good importance. We saw good commercial value in these and our team is working on that and we are also working with, as I told you, the premier institute, IICT Hyderabad and we would be tracking few molecules on that and probably next year, next FY25, we can start to commercialize.

Yogansh Jeswani: Okay. So, and this will be done under Shalvis right or under IPL?

D.K. Jain: Under Shalvis.

Yogansh Jeswani: And sir, the last question from my end. You said that Rs. 50 crores of capex that we are doing in FY24, what would be the breakup of this? I mean, where are we spending this money?

D.K. Jain: The Rs. 50 crores what we are spending in our existing site. From these roughly 50% is for the two new blocks what we are building, one for an intermediate and one for technical and remaining is for the infrastructure facility augmentation, because we are now going for 33 KVA power supply lines rather than 11 KVA. So, we have to spend, that will augment us from the power supply point of view, as well as there will be some reduction in the overall power cost.

Similarly, we are augmenting our effluent treatment system by having another multiple effective operators, which is costing almost Rs. 10 crores to treat our water because our system is total zero liquid discharge, and we are increasing the capacity, so we require the augmentation of that.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello.Good evening, sir. So a lot of my questions have been answered. So just want to know, with our new capex that's coming online, we are expecting around an asset turnover around2 to 2.5x. So, Rs. 110 crores. So, we could expect maybe nearly Rs. 250 crores of additional revenue in the next year or maybe it will take time to scale up, how would that journey be of our revenue of our new capex?

D.K. Jain: Sir, this capex, what we will be doing now, we will be completing by March 24, and some of it will be in infra and we expect that this should contribute to us in the next financial year, partially and the full impact would be there in the next-to-next year.

Darshil Jhaveri: Okay, sir. So, sir, you've given a guidance for FY24, FY25, but in a long-term basis, what do we see our journey like? Our path back to profitability, higher profitability that we had and revenue growth of 20%, 25% would come back in FY26? Or maybe this too market dependent right now. How would you quantify or qualify the journey that we are having right now. Is this a year of consolidation and we can see non-linear growth going forward? How would it be, sir?

D.K. Jain: Sir, consolidated growth what we have planned is more than 20% for the long-term basis. This year because of these very wavering situations in the overall marketplace scenario, with the revenues are slightly fluctuating, but on the long-term basis, 20% growth, we already planned for the coming five years.

Darshil Jhaveri: So maybe in FY23, we might see a higher growth that can compensate for lower growth?

D.K. Jain: Yes. Certainly, because then our expansion plans fructify, then obviously, they will contribute more to our total revenue.

Darshil Jhaveri: Okay, sir. That's great to know and sir, our margins, as you said, with the new products, maybe higher value, we are not getting the exact percentage terms margin. So, our new normal margin would be around 20% or that would also become better as going forward? Or how would it be?

D.K. Jain: Sir the overall margin would be around 20%.

Darshil Jhaveri: Okay. That help me a lot. Sir, all the best for the future result. Thank you so much.

D.K. Jain: Thank you, sir.

Moderator: We have one more question. The next question is from the line of Ketan Athavale from RoboCapital. Please go ahead.

Ketan Athavale: Hello. Thank you for the opportunity, sir. I just wanted to know, what do you say when this destocking situation will get better by how many months, as per your estimate?

D.K. Jain: Sir, it's very difficult to tell. It's a very difficult question to answer. I think you would have asked even in some other company's conference call also it is very difficult. But what we feel probably, this destocking should be over by another three months to four months because the companies what they have the overstocking, they would have got rid of their stocks by the time.

Ketan Athavale: Yes. Okay and then so by then can we get to 20% margin level?

D.K. Jain: Yes, that's what we feel. That's why we have estimated is that this quarter, it will be slightly subdued, but from next quarter onwards, certainly, we expect the margins to improve upon.

Ketan Athavale: So, for FY24, as a whole, you will be still slightly below 20%, right? Or will you reach 20% for the full year?

D.K. Jain: That one, sir, it will be very difficult to tell. As on today.

S. P Gupta: There is a band of say 18% to 20%. Yes. We have market, these are very volatile nowadays.

Ketan Athavale: Yes and then you said that by the end of Q1, the prices were still slightly falling, right?

D.K. Jain: Yes. That's what we believe. Yes, even today, slightly getting...

Ketan Athavale: So, is it possible to estimate when they will come back?

D.K. Jain: It is very difficult, sir. It depends upon the overall international market, the situation in China, the overall agricultural output, how it goes, government policies, and if they give some PLIs, then probably it will be better, but the government is not yet considering any PLI for agrochemical sector.

Ketan Athavale: Okay and this fall is that, across all product portfolio, right?

D.K. Jain: Almost all products fall. We are not the only ones. All the agrochemical and the chemical manufacturing companies, where we are feeling the same thing. And you might have seen the results of so many companies, more or less, we are also in line with them.

Ketan Athavale: Yes. Actually, I saw the results of few, but some were doing good. So I got a little bit confused there. Okay. Fine. No problem. Okay, thank you.

D.K. Jain: Thank you.

Moderator: We have one last question. We take the last question from the line of Bhavin Chheda from ENAM Holdings. Please go ahead.

Bhavin Chheda: Sir, good afternoon. Sir, few questions. First, I think as you mentioned, this Rs. 17 crores impact, you have said that across a few products. I just wanted to understand that, since you have a product portfolio of more than 12, 15 products, so where and majority is fungicide and herbicide. So does that both the segments were impacted by pricing power, or a few large products were impacted, how to understand what's exactly happening to our overall portfolio.

If you can give some guidance, because last three quarters, four quarters, the overall margin guidance has been coming down, and we have been not performed in line with the overall guidance and expectations because the margin has been coming down since IPO from 32%, 33% to now 13%. So, what has gone wrong and particularly for this last three quarters? And what has exactly happened in this quarter because 10% margin dip, this is a very big number. So, if you can elaborate more?

S. P. Gupta: Actually, the price reduction or the inventory loss, what we have taken, it is in new import substitute product launched last year. They are mainly herbicides only. So, we have taken a hit. As regard margin decline in recent year, earlier, we were having very few niche products, but the market size of those products that had got saturated or very low.

They were on very low growth path. In order to achieve expansion, we have launched eight new molecules, but unfortunately, these molecules were mostly import substitute product from China.When there has been a sudden price fall for these products. So, margins have been declining our new products.

Bhavin Chheda: So, you're saying these are mainly the new products, which you launched in last three quarters, four quarters, where the expectation was that the realization would be roughly higher than your historic realization of Rs. 350, Rs. 400, but you have not got that number because the parity price is much lower?

S. P. Gupta: Right. Yes, on these new molecules only.

Bhavin Chheda: Okay, and I understand the pricing, which is not under your control. So what has been the volume growth and capacity utilization of your capacity since you have been continuously increasing capacity also. So, if you can give some guidance on how the volumes are performing?

S. P. Gupta: Capacity utilization has been lowered in this quarter. It is slightly more than 50%. We have increased capacity very much and apart from earlier product, they had a lesser demand in international market because of this weather condition and inventory destocking in Europe. So the capacity utilization has been less this quarter.

D. K. Jain: This quarter it wasn't nice. But coming quarter, it will improve again.

Bhavin Chheda: Now July month is already over, and you will have August visibility, so is it improving as compared to quarter 1?

D. K. Jain: It is improving, sir. It is improving.

S. P. Gupta: And rates are also good.

Bhavin Chheda: Right.And this quarter, sir, I missed out if you have given, what was the export and domestic number? How much was export as a percentage of overall sales?

S. P. Gupta: Export sale was Rs. 84 crores and domestic was Rs. 117 crores. So, export is around 42%.

Bhavin Chheda: So, both have declined, and I'm just saying on a quarter-on-quarter basis, so roughly both have declined, domestic has gone up, but export has declined on quarter-on-quarter basis?

D. K. Jain: Export has declined a bit, sir, yes, and the domestic is more or less same.

Bhavin Chheda: Okey, and pricing pressure and the inventory write-off, what you are seeing is more on the product, which you sell in domestic market or even your export this Rs. 84 crores sales what you have done, you faced margin pressure on that also?

D. K. Jain: The margin pressure on exports are not very much sir. Majority, it is for the domestic sales.

Bhavin Chheda: Okay. And again, you said majority was for the herbicides, which were launched. So fungicide portfolio is doing fine right now. You're saying herbicide is the place, where you faced majority decline?

D. K. Jain: Fungicides and few insecticides.

Bhavin Chheda: Okay. Thank you.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference over to the management for closing comments.

Dheeraj Jain: Thank you very much for your participation. For any further queries or clarifications, please do get in touch with our Investor Relations team. Thank you. Have a nice day.

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