RALLIS INDIA LIMITED

January 23, 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: **500355**

National Stock Exchange of India Limited
Exchange Plaza
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051
Symbol: **RALLIS**

Dear Sir/Madam,

Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the third quarter and nine months ended December 31, 2024

Further to our letter dated January 9, 2025, we enclose herewith a copy of the transcript of the Analyst/Investors Call on the Unaudited Financial Results of the Company for the third quarter and nine months ended December 31, 2024 held on Friday, January 17, 2025.

The same is also being made available on the Company's website at: https://www.rallis.com/investors/Financial-Performance

You are requested to take the same on record.

Thanking you,

Yours faithfully,
For Rallis India Limited

SRIKANT SHIVDAS NAIR
Digitally signed by SRIKANT SHIVDAS NAIR
Date: 2025.01.23 13:47:49 +05'30'

Srikant Nair
Company Secretary & Compliance officer
Encl.: as above

Rallis India Limited
Q3 & 9M FY 2025 Earnings Conference Call Transcript
January 17, 2025

Moderator: Ladies and gentlemen, good day and welcome to Rallis India Limited Q3 and 9M FY '25 Earnings Conference Call.

I now hand the conference over to Mr. Gavin Desa from CDR. Thank you and over to you, Mr. Desa.

Gavin Desa: Thank. Good evening, everyone, and thank you for joining us on Rallis India Limited's Q3 and 9M FY '25 Earnings Call.

We have with us today Dr. Gyanendra Shukla – the Managing Director and CEO; and Ms. Subhra Gourisaria – the Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the results presentation.

I now invite Dr. Shukla to begin the proceedings of the call. Over to you.

Dr. Gyanendra Shukla: Thank you, Gavin. Good evening, everyone. And thank you for joining us today on our Q3FY '25 Earnings Call. As mentioned by Gavin, I have along side with me, Subhra – our CFO.

Let me begin the discussion by dwelling into the Industry landscape initially, post which I will discuss Rallis' specific developments.

As far as crop sowings are concerned, Rabi sowings are roughly 61.5 million hectares, which are down by 0.5% over last year. That is the data available as on 27th of December. With oilseeds lagging by 5%, wheat area is up by 2%, rice area is up by 5.6%, and pulses area is more or less same as last year. Reservoir levels are better compared to last year by 24% and 139% of the overall normal storage as of 26th December.

While the overall headline for the monsoon is positive, spatial and timely distribution was uneven. Also, the post monsoon season, with two cyclones Dana in October and Fengal in December created trade inventory pressure. Companies also resorted to aggressive trade schemes to liquidate the carry forward inventory, creating pricing challenges. Seed production continues to face the challenges for the second year in a row with volumes under pressure despite a steep increase in input costs.

Agro chemicals export demand continues to remain weak due to over supply from China, price deflation and reduced margin. In 2024, the Chinese agro chemical market underwent a significant change, marked by global companies adopting supply chains and exploring strategies like internationalization, increased transparency amid challenges of over capacity and strengthened partnerships. All the key regions have seen degrowth in agrochemicals, mainly in central and South America, followed by North America, Europe and Asia-Pac, and Middle East and East Africa in 2024.

Moving to Rallis' specific developments:

During Q3 our revenue was Rs. 522 crore, which is a 13% degrowth, PAT was Rs. 11 crore versus Rs. 24 crore last year, mainly due to volume drop in exports. Domestic agrochemicals business registered a volume growth despite intense market competition. Export business continued to reel from market challenges, resulting in degrowth of roughly 38%.

Our long-term effort to expand the customer base and improve cost competitiveness continues. Seed business was same as almost last year at Rs. 30 crore versus Rs. 32 crore last year.

Moving to individual businesses wise performance:

Our export business was down by 38% with volume dropping by 34% and price dropping by 4% over Q3 of the previous year. We faced weak demand for most of our key products in Q3.

Hexaconazole is showing good traction with process debottlenecking helping the business register highest ever volume outlook for the year.

Even in Metribuzin, our volumes are strong on YTD basis with positive outlook from one of the global majors.

Acephate, as highlighted in the earlier calls continues to face margin challenges due to steep volatility in the input cost material and high supply situation. We are working on several alternatives including flexibilizing the plant and optimization of overheads to improve profitability.

Pendimethalin is facing pressure due to high inventory with the customers. In line with our strategy on improving the process efficiency we are going to go live with the Continuous Stirred Tank Reactor process in Pendimethalin this quarter.

We are also in the final stages of commercializing new technical Metalaxyl-M from our reverse engineering pipeline and are confident of the long-term potential of the product, both for domestic and international markets.

Even in the CSM business, our efforts on expanding customer base and working on new chemistries is progressing well. We have also set up labs for new chemistries and are working with 10 new customers. We are confident these efforts will start contributing meaningfully to our top line and bottom line in the years to come.

To drive synergies, we have also brought all B2B businesses under one roof. This will help drive strategic partnerships and alliances for both domestic and international markets.

Moving to the domestic market:

Crop care business grew volumetrically but was down by 2% due to steep price correction. However, on YTD basis, the crop care business has grown by 6% with volume growth. Our key focus segment of herbicide and biologicals and specialty solution have grown by 41% and 21% in volume, respectively in domestic business during this quarter.

Within biological and specialty solutions, GeoGreen, RalliGold Granule and Bio Stimulants did the highest ever sale on YTD basis. Water soluble fertilizer has also scaled up fast with 80% growth in the last nine months. However, we recognize these segments need far more focus and nurturing to improve resilience and drive both top line and bottom-line improvement.

Our innovation turnover index is in the high teens, in line with our ambition. We believe there is still a gap in our ability to launch and scale new products. And are taking efforts to revamp our go-to-market and 360 degree marketing approach. Our digital based influencer approach to improve engagement with the farmers is also being piloted and we expect to roll this nationally soon. We are also working on boosting the digital marketing approach and have gone live with WhatsApp for business to improve farmer connect.

Moving to seeds business:

We recorded Rs. 30 crore revenue as against Rs. 32 crore in previous year, mainly due to lower hybrid mustard seed sales. However, this is a small quarter for the business, on YTD basis, business has delivered 1% revenue growth and 55% growth in profit before tax. This is in the context of product availability constraints which limited our scale-up of the new launches, for example, Diggaz. Cotton has become the biggest crop with sales of more than Rs. 100 crore and we are optimistic of the potential of the segment.

To conclude my opening remark, I will now hand over the call to Subhra – our CFO, for a detailed analysis of our finances. Over to you, Subhra.

Subhra Gourisaria: Thank you. Good evening, everyone. And thank you today for joining us for a Q3 and 9MFY25 earnings call.

I will walk you through our Financial Performance for the quarter and nine months, post which we can commence the Q&A session.

Starting with the topline for the quarter – our revenue stood at Rs. 522 crore as against Rs. 598 crore for the previous year. Domestic business registered volume growth of 3% in the backdrop of intense market competition. Agile pricing helped improve margins in the domestic crop care business. Also in the domestic crop care business, herbicides and biologicals and specialty solutions have maintained good growth momentum.

Export business continued to face headwinds with business registering a degrowth of 38%. However, we are quite confident of the long-term potential with actions taken around expanding the customer base and improving cost competitiveness. The Seed business was Rs. 30 crore as against Rs. 32 crore for the last quarter same period. The profitability of the company was impacted due to challenges in the export business.

Our efforts continue to be directed towards optimizing the overhead cost, including portfolio rationalization, refresh of the portfolio, territory rationalizations, moving overlaps, and driving cost efficiencies and simplification across the value chain. Our inventory levels have been brought down without causing any business opportunity loss. Collections have also improved despite high market competition.

We continue to have healthy cash and liquid fund balance of more than Rs. 200 crore as of 31st December. We will continue to drive capital efficiency, and our recent initiatives will help us in our pursuit towards consistent, competitive and profitable growth. Our CAPEX has been moderated in line with the demand, and our focus is to firstly improve the utilization and ROI of the already invested CAPEX. We have recently received Board approval for solar panel installation in our manufacturing units, which will help reduce electricity cost and also the carbon footprint.

That concludes the opening remarks. We can now commence the Q&A session.

Moderator: Thank you. The first question comes from the line of Viraj with Securities Investment Management Pvt Ltd. .

Viraj Kacharia: I just have a couple of questions. One is, if you look at the environment, generally the segments performance, exports have has seen a sharp degrowth with pricing pressure, and you talked about pricing pressure in domestic. And seeds contribution is not that big in the current quarter. So, what explains your sharp jump in gross margins? We have seen almost a 300 to 350 basis points increase in gross margin. So, can you just give some perspective on what is driving this?

Subhra Gourisaria: See, gross margin, I think one is, of course I spoke about the domestic business has been able to improve margins through the actions taken on pricing front and also ensuring that we keep our inventory levels at the right level. And also, there's a mix factor which plays because the international business did not deliver well. So, given all these factors have helped in improving the margin. Seeds, albeit small as you said, but that has still been able to improve both gross margin and profit before tax.

Viraj Kacharia: But generally, see in terms of pricing also, even in domestic we have seen almost a 5% decline in price realizations. So, still trying to understand the gross margin kind of like there can be a mix play between international and domestic, but even in domestic we have seen a very good mid-single digit kind of a decline. So, if you can explain.

Dr. Gyanendra Shukla: See, as I have mentioned in the previous calls, look, we operate in a very complex competitive environment. Our effort is to continue to drive margin as a primary thing because that is something is very, very important for long-term profitability of the business, sustainability of the business. But there are factors, when you have a significant export business that goes down, obviously brings the averages up. We can get maybe more details at a later stage, but combination of factors sometimes you get advantage in terms of raw material cost and all, so various factors can help. But our effort will continue to remain that and as we have been talking in the past, look, domestic seed, biologicals and specialty solution which we used to call crop nutrition in the past, we want to continue to drive domestic business because that's where certainty, in spite of competition, it’s still more certain given our brand equity.

Viraj Kacharia: Okay, just two questions. One is on the portfolio, in the presentation also we talked about churn or pruning in the portfolio. And in the last few quarters we have been talking about more aggressive approach in terms of weeding out low profitable or loss making products. Can you give us a sense in the last nine months or in Q3 what kind of a churn at the portfolio level we have seen? And is that experiment largely done or we would expect further, I mean, any prospect where are we in that cycle? That’s one. And second is on the export, when do you expect that the decline to kind of settle down given that we have been talking to MNCs for supplies? These are the two questions.

Dr. Gyanendra Shukla: So, first thing is on the portfolio. Look, when we talked about portfolio pruning, we were in the middle of the season. Now we have completed the exercise of portfolio rationalization. And a lot of that effect you will see in the upcoming season because we also do not want to waste the inventory or waste the packaging inventory and all. So, the impact of that should be seen in subsequent quarters, right. So, products are identified. What we have been very careful is that building inventory of those low margin products. So, that’s one. So, impact of that we will see in the future.

Now, on the export side, you understand our portfolio, right, our portfolio is really not very new. As we have spoken in the past, look, Acephate had challenges. Pendimethalin now is facing challenges. Two products we had a better opportunity was Metribuzin as well as Hexaconazole. We have a pipeline, for example, we talked about Metalaxyl-M which we have started making. Our effort would be to not to continue to rely on these products, continue to participate because we have capacity but also flexibilize the plan and keep looking at new opportunities.

And even in the existing products we keep adding customers. And to that extent, we have started investing more time with potential customers, developing new customers. And some of these things they do take time because when you get a new customer you have to supply them sample, they have to test the sample, they have to approve you as a vendor and all of that.

But we know that we do not have a very, very new portfolio. But within that we are trying to really take maximum advantage of what we have, also trying to slowly switch over to a newer portfolio. But given the global context of the market, I think global market forecast, given the commodity prices of key commodities like corn and soybean, including wheat remain low. The forecast for 2025 I do not think is very strong as far as international business is concerned. And then this is primarily driven by Americas.

Moderator: Thank you. Next question comes from the line of Ankur Periwal with Axis Capital.

Ankur Periwal: First question on the domestic crop protection business. If I heard the initial comments right, you mentioned YTD we are up 5%, 6%. Please correct me if I am wrong, I think in the first half we were up mid-high teens, probably more like 16%, 18%. Is there a sharp decline in Q3? And probably key reasons for the same.

Dr. Gyanendra Shukla: So, one of the reason is that, and I have probably alluded that in the past is that, look, Q3 depends on two factors. One is, Q3 is a very strong herbicide business, because in Q3 the wheat herbicide business is big, sugarcane herbicide business is big, and rice herbicide business is big. And I have been highlighting, we have weakness in the herbicide portfolio, so some of the work we have started. So, Q3 is generally from herbicide perspective, that's the largest segment is wheat for us. The other two big products which go in Q2 are some specialty products in vegetable. And then there's a continuation of Kharif season. In Rabi, this year all of you if you have noticed, there was abrupt cessation of monsoon in the month of September, right, it actually did not rain a lot in October, November like previous three years. So, I think it's just portfolio weakness in Q3 and abrupt cessation of Kharif consumption as well as weak chilly season, this year chili prices have been very low. So, some of those things actually explain why Q3 is slightly weaker for us.

Ankur Periwal: Secondly on the export side, you did mention that Pendi also is facing some pressure, if I am not wrong, till last quarter it was largely Acephate wherein we were facing some challenges, while Pendi was doing okay. So, any specific comments there, inventory led issues again cropping up?

Dr. Gyanendra Shukla: Yes. Well, look, Pendimethalin challenges are basically because of the inventory at the user level, right, that is what is causing problem. And other thing I think we cannot continue to undermine the Chinese overcapacity and their ability to undercut prices in the global market.

Moderator: Thank you. Next question comes from the line of S Ramesh with Nirmal Bang Equities.

S Ramesh: In your presentation, can you give us a breakup for this Rs. 492 crore of domestic revenue and export revenue? And for the bio and specialties, if you can break it up for us?

Subhra Gourisaria: So, Rs. 492 crore, a large proportion of it, I would say, has come from domestic crop care. Biologicals and specialty solutions, we have mentioned in the presentation as well has done well, clocking 13% growth on Q3 basis and even on a YTD basis has done 24% growth. International business continues to be a challenge.

S Ramesh: Is it possible to give the breakup of the international revenue in number in rupees crore?

Subhra Gourisaria: It's Rs. 110 crore.

Moderator: Thank you. Next question comes from the line of Shaurya Punyani with Arjav Partners.

Shaurya Punyani: So, would you like to give out guidance with respect to the topline for FY ‘26?

Subhra Gourisaria: So, we do not give any forward guidance, but we will talk on this call on what are the challenges and what are the opportunities for us.

Shaurya Punyani: And one more, out of the international revenue, what country is the highest, like in terms of percentage?

Dr. Gyanendra Shukla: I mean, most of our business is primarily Americas.

Moderator: Thank you. Next question comes from the line of Viraj Kacharia with Securities Investment Management Pvt Ltd. .

Viraj Kacharia: So, we talked about that in the coming quarters we were done with examining in terms of review of the portfolio, and we will be looking to prune a certain part of the portfolio in coming quarters. So, just to get a sense on this, what percentage of the portfolio is not that profitable and which we may be exiting in the next six months, one year?

Dr. Gyanendra Shukla: Yes. So, in terms of number of SKUs, it is very significant, right. I think we have a long tail. I mean, it is a very high number. In terms of revenue, I think maybe I cannot tell you now.

Subhra Gourisaria: Viraj, this is not a question of being less profitable. I think what we are saying is the focus and the effort from the team, goes a lot in serving them, which is where we are looking. The impact is not going to be material on top line and bottom-line perspective.

Dr. Gyanendra Shukla: I think what is important is that, our sales team, rather than trying to handle so many SKUs, they put all their energy on a smaller number of SKUs. And it also helps in improving supply chain complexity.

Viraj Kacharia: And from ITI perspective, say either for nine months or the quarter, what will be the ITI index for us?

Dr. Gyanendra Shukla: So, we consider, I mean, I think for me healthy ITI we can always keep above 15%, right. At this point of time, we probably are above 15%.

Subhra Gourisaria: I think it's more to look at it on a longer term and what are the actions we are taking to refresh the portfolio.

Moderator: Thank you. Next question comes from the line of Prit Nagersheth with Wealth Finvisor.

Prit Nagersheth: Yes, the question I have is related to your guidance, domestic guidance at least for quarter four. So, are you seeing continued traction the way you have explained that Q3 has seen an increase in volumes and herbicide obviously comes off, and maybe insecticide pesticide demand will increase in quarter four, so do you see a better domestic performance from your side?

Dr. Gyanendra Shukla: Yes. So, as I said, look, herbicide, we are strengthening our portfolio. Now, a lot of what happens in quarter four from a consumer perspective, so from crop area perspective it is more or less similar compared to last year with the change in crop mix. Example, mustard is down but wheat is up in fact. So, from a crop area perspective, it is the same area as last year. A lot of consumption of fungicide and insecticide depends on the kind of pest pressure, so it's very difficult. So, you always go by what are the normal pests expected, what is the normal volume vis-à-vis previous year and what is the competitive situation. So, difficult to say what will happen. At this point of time all I can say at least crop is there. Having said that, commodity prices are soft compared to even last previous years. But if pest pressure is high, farmers would tend to, I mean, resort to use of chemicals to protect their crop. But it's difficult to say how things will evolve because there's no solid mathematical model available to say what kind of pest pressure will happen.

Prit Nagersheth: Right, I understand. My question is more in line with how over the last year was for Q4, and for Quarter 3 as well with a lot of inventory available in the Indian market.

Do you see that the larger business scenarios are better off than what they have been? And do you see a continuation of the growth that you have seen in Q3 continuing in Q4?

Dr. Gyanendra Shukla: So, business sentiment, I would say, remains more or less same compared to last year. If they are not better, they certainly are not better, they are more or less same, depending on the crop. So, sentiments are very similar. And what happens next, I think it depends on the external factor.

Subhra Gourisaria: Prices are low definitely but volumes will be our endeavour.

Moderator: Thank you. Next question comes from the line of Abhijit Akella with Kotak Securities.

Abhijit Akella: Sir first on the Rabi season in the crop care business, you did mention the fact that those cyclones had created additional trade inventory and maybe also created pricing pressure because of the trade scheme. So, would it be possible to just give us some slightly more color in terms of how things stand at present, are inventories still elevated or have they been cleared out? And are you still seeing aggression in terms of pricing from the leading competitors?

Dr. Gyanendra Shukla: So, I mean, I think from what I understand, pricing pressure continues in the market. And there's no shortage of inventory. I think everybody's sitting on the inventory and leaving in the market. So, I mean, I think price pricing pressure continues and there's enough inventory in the market.

Abhijit Akella: And just last one from my side is on, number one, the seed production for next year, how is the outlook shaping up given it's already been through a season, I guess? The other one was just with regard to how the CSM products are performing. For us, I guess, Metconazole is important and then PEKK, so how are those doing? And then what kind of traction you are seeing in terms of the newer ones, by when can we expect some meaningful contribution from them?

Dr. Gyanendra Shukla: Yes. So, on the outlook of the seed production, I think seed production is challenging. Is it as challenging as last year? I think it's probably slightly better than last year. But seed production area remains a constraint because farmers are always weighing options between growing a commercial crop versus seed crop. But I would say slightly better than last year, right, on the production side. On our CSM pipeline, I know you talked about PEKK and the other product. I think, look, our CSM pipeline is there, right. But we are adding to the portfolio. It will be very difficult for me to disclose the names of the customers, but we continue to add more customers. And we have inquiries. We are supplying samples for trialing and testing. I think there are a few products in the pipeline. I mean, we did mention today Metalaxyl-M because that is something we have reached a stage of commercial. As we get more details about the other product, when we get into commercialization more than its matter of talking. But yes, in other products we are adding customers, particularly Metribuzin, Pendimethalin and Hexaconazole.

Moderator: Thank you. Next question comes from the line of Siddharth Gadekar with Equirus.

Siddharth Gadekar: Sir, just wanted clarify on our multipurpose plant that we had commissioned last year. We were targeting to do Difenoconazole, have we started anything in that plant or is that plant still idle?

Subhra Gourisaria: See, Difenoconazole, we took some batches last year, this year also we are working on a few contract manufacturing opportunities. One of them is with a global major. So, the plant is not idle. The plant is used for the purpose it was set up which is working on various new opportunities.

Moderator: Thank you. Next question comes from the line of Archit Joshi with Nuvama Institutional Equities.

Archit Joshi: I just have one question. Sir, what would be your reading in the global landscape after six, seven quarters of the inventory destocking and that onslaught that we have been hearing of? And you also mentioned in opening remarks about quite a lot of inventory still there in the system in products like Pendi. How do you see this panning out from a volume and pricing perspective in this calendar year?

Dr. Gyanendra Shukla: So, I think volumes are very comfortable. And whenever there are comfortable volumes, it does put pressure on the pricing. And the most important driver of consumption of these products is really commodity prices, and that continues to, I mean, I think if you track soybean prices, cotton prices, wheat prices, when you look at the CBOT prices, they continue to trend downwards lower, right. And when the farm income, because of the lower commodity prices, farm income are under challenging situation. And I think we understand the China supply dynamics as well. I believe while volumes will continue to grow, I mean, continue to grow because farmers are planting crop, they are not leaving the crop, there will always be pressure on the pricing. That's why domestic have become very important for us. I think I have been saying probably for last three, four calls, our primary focus is to drive domestic. We have lot of opportunities to fix in, I mean, we have opportunities in CSM, we have opportunities to participate in international business. But given the scenario there I am more optimistic about domestic because that's where we have brand equity.

Moderator: Thank you. Next question comes from the line of S Ramesh with Nirmal Bang Equities.

S Ramesh: So, if you look at the outlook for the products which you mentioned are under development in the last stage, the 10 product you are working on, can you give us some sense in terms of what will be the target market size for these products? When you expect to commercialize them?

Dr. Gyanendra Shukla: Most of our CSM product, they are for a diversified set of customers abroad. And international businesses tend to primarily get focused towards Asia and Americas, right. So, that's the kind of pipeline.

S Ramesh: And if you look at the Chinese strategy, I understand they are also trying to get into formulations. So, how would that impact Rallis' business if you see the Chinese population supply hitting the international market in your own markets?

Dr. Gyanendra Shukla: So, I think that is something we have not been talking in the industry, and I am glad you have brought that point. Because Chinese have started participating directly in those markets, that is something we have to wait and watch. But I believe there will always be opportunities from a diversification perspective from prospective clients to have alternate suppliers. I guess that's where India is playing a role and will continue to play an increasingly important role.

Moderator: Thank you. Next question comes from the line of Ranjit Cirumalla with IIFL Capital.

Ranjit Cirumalla: We have been focusing more on the domestic front in this particular year, and we continue to remain focused for the next few years. And that is also something which has grown for us in the first nine months. So, just wanted to get a sense, how has been the secondary demand by the farmers? I believe it is a case of having a bit of high inventory and that might become a bit of a headwind for us next year or the liquidation has been at par regarding the sales split.

Dr. Gyanendra Shukla: So, volumes generally are good. I think it's a pricing issue right now because this year Kharif was decent. I think it did not do well in the later part of the Kharif. And Rabi planting is good. So, I do not see it is a volume issue, it is largely an issue of pricing and supply.

Ranjit Cirumalla: The liquidation has been at par with the volume growth that we have been seeing?

Dr. Gyanendra Shukla: Volumes are higher that means liquidation is high.

Ranjit Cirumalla: And that should not be a challenge for the next few years or at least for the coming year?

Dr. Gyanendra Shukla: I mean the way I see it, look, there are probably I shouldn't say too little farmer because we have millions of farmers. There are a lot of companies chasing the same set of farmers.

Moderator: Thank you. Next question comes from the line of Shivaji Mehta, an individual investor.

Shivaji Mehta: Sir, one of the specialty chemical players in their earnings call had mentioned that China may start looking at increasing prices of various chemicals post the Chinese New Year. Are you expecting something similar post the Chinese New Year?

Dr. Gyanendra Shukla: Look, a lot of news goes in the media. I think I will really wait. See, we have to see for some indications, right. For example, recently there was a news that because Chinese have increased the price of some of the chloro chemical related and suddenly those reduced, and it died down very quickly. So, I think we will continue to monitor how it happens. And then it's very difficult to predict. I do not have any real insight to say how they would be handled.

Subhra Gourisaria: It is anyway with the market.

Dr. Gyanendra Shukla: I mean, if there's an opportunity, I think we would not leave any opportunity on the table if there's an opportunity to increase the price.

Shivaji Mehta: Right, makes sense. Sir, and also over the next two to three years, once things normalize, what is the stable asset turn that you foresee for your businesses, excluding the seeds portfolio?

Subhra Gourisaria: Seeds, anyway we do not have any fixed capital, so seeds asset turn, it's a working capital business. As far as crop care is concerned, I think I mentioned earlier that we do not look at asset turns but IRR, and IRR should be certainly more than the Weighted Average Cost of Capital that we look into.

Moderator: Thank you. Next question comes from the line of Sanjay, an individual investor. Please go ahead.

Sanjay: Sir, my apologies, I joined the conference call by about 20 minutes late, so very briefly if you could tell me what was the reason for drop in our profitability this quarter. And secondly, sir, I just wanted to know, as an individual investor, obviously my query will be skewed towards the stock price performance. So, if I see, first of all, there's an underperformance in the last five years and also our revenue growth CAGR has not been that good if we compare to all the other competitors, our CAGR is not even increasing by about 10% to 12%, it is hardly 7% to 8%. So, how does a company foresee the next five years in terms of revenue and profitability?

Dr. Gyanendra Shukla: Yes, I do not know Sanjay if you have attended the previous conference calls. But I have been trying to articulate some of the steps we are taking to really turn around this business and bring it in line with the industry or do better than industry. There are quite a few things we are doing, for example, this business is a product business, we are looking at significantly revamping our product portfolio. We have gaps in certain areas, particularly herbicides and all, so we are working on those. We have now a decent seed business which has taken a while to stabilize, I think we can continue to deliver on seed. The other area where we are focusing from product perspective is biologicals and specialty solution, because that's another area where consumers are getting interested, farmers are getting interested, so we are working on those. That's on the product side.

I think we are taking a lot of the steps on really customer side, because at the end of the day, this business is also demand generation business. If you are a farmer in a village, you are probably approached by 10 different companies in a day, so how do you make decision which company to prioritize. Obviously, product and product performance matters. We are trying to intensify our customer relationship efforts, and we are trying to get more focused rather than trying to meet healthy spread. And also trying to leverage on digital, so we are making a lot of investment on digital connectivity with the farmer so that we can serve them better. So, that's on the customer side. On I would say efficiency side, obviously we have some assets, and we are also having old portfolio, we are looking at even on manufacturing side how can we make our products better, how can we bring down the cost on production side, what are the other things we can do to add new products to the portfolio. We are also looking at some CSM opportunities, we have a pipeline of companies we are working on. But these things do take time, right. We are re-orienting our people capabilities, so we are looking at people capabilities and various other things. So, a series of steps.

Sanjay: And sir, just a very brief on the reason for the drop in profitability this time, I am sorry I joined the conference call late, that's the reason.

Dr. Gyanendra Shukla: Drop in profitability, Subhra, you want to talk about.

Sanjay: Yes, year-on-year if we see, our profitability has dropped significantly. So, just what is the specific reason for that, just a small pointer if you could provide.

Subhra Gourisaria: See, I think for us seasonal profit, quarterly profitability is difficult to explain because it's a small quarter and we said that export business had a challenge. On YTD basis, we are largely flat on PBT basis despite the challenges in the market front. So, this quarter the numbers are lower squarely because of the challenges in exports business.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of question-and-answer. I would now like to hand the conference over to the management for closing comments.

Dr. Gyanendra Shukla: So, thanks to everybody for participating on the call. Agrochemicals export demand continues to be weak. We will try to improve volume growth and margins in a tough environment. Seed business is impacted by availability of inventory. Domestic agrochemicals demand is positive, but lower prices across products are impacting revenues. Margins are steady with actions around product mix improvement and cost optimization. We remain optimistically cautious for Q4 overall business plans. Our endeavor would be to improve capacity utilization and take steps to improve market share across verticals. We will try to maintain EBITDA margin in the short term. Our long-term actions on improving business health is in the right direction and I remain positive for driving competitive, profitable and sustainable growth to create value for all the stakeholders. Thank you very much.