

INDIA PESTICIDES LIMITED

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



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Date: February, 19 2024

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 Symbol: IPL
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Dear Sir/ Ma'am,

Sub: Transcript of the Earnings Call for the quarter and nine months ended December 31, 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 Consolidated Financial Results of the Company for the quarter and nine months ended December, 31 2023, held on Tuesday, February 13, 2024.

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 on record.

Thanking you

Yours faithfully,
For India Pesticides Limited

AJEET PANDEY
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AJEET PANDEY
Date: 2024.02.20
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(AJEET PANDEY)
Company Secretary and Compliance Officer
Membership No.: A42500





“India Pesticides Limited
Q3 FY24 Earnings Conference Call”
February 13, 2024



Dolat Capital



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

MODERATOR: **MR. NITESH DHOOT – DOLAT CAPITAL MARKETS PRIVATE LIMITED**
MS. AKANKSHA SINGH – DOLAT CAPITAL MARKETS PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to India Pesticides Limited Q3 FY24 Conference Call hosted by Dolat Capital. As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitesh Dhoot from Dolat Capital. Thank you, and over to you, sir.

Nitesh Dhoot: Thank you, Rea. 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 Q3 and 9 month 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 forum for a Q&A session. Thank you, and over to you, sir.

D.K Jain: Thank you, Nitesh ji. Good afternoon, ladies, and gentlemen. I hope you and your family are staying safe and healthy. I take the pleasure of welcoming you all for the Q3 FY24 Earnings Conference Call of India Pesticides. I hope you all had the chance to look at the financial statements and earnings presentation uploaded on the exchanges and our website.

Before we delve into today's agenda, I wish to inform you that our promoter Director, Mr. Anand Swarup Agarwal, is unable to join us on this call due to some unavoidable circumstances. He has conveyed his best wishes to you all.

Friends, during the quarter, we continued our journey of product development and customer acquisition. Despite the headwinds from international markets on account of destocking and adverse weather conditions, your company remains steadfast in its commitment and delivered strong performance during the quarter. Our relentless focus on operating excellence, optimizing asset use, product mix optimization and implementation of robust business controls have enabled us to navigate these challenges more effectively than before.

Our proficiency in advanced process chemistry, manufacturing efficiency and backward integration strategies have positioned our company in the forefront of the industry. These core strengths not only ensured consistent performance, but also laid the foundation for sustainable growth. We take pride in being a Make in India company and remain committed to promote domestic agrochemical production.

Moving on to strategic development during the quarter. Our expansion project through our subsidiary is progressing as planned, and we anticipate commissioning the first block by the end of this fiscal year. Our advanced herbicide technical product has been granted with Technical Equivalence, TEQ certification by the European Union. This recognition is a testament to the quality, efficiency and efficacy of our products and it is poised to unlock new opportunities for export revenue, thereby contributing significantly to our nation's foreign earnings.

During the quarter, we have strengthened our leadership team by welcoming Dr. Madhu Dikshit as a Chairperson. With her steady leadership and extensive experience, she will play a pivotal role in creating value for all stakeholders and reinforcing controls and governance.

Furthermore, we are excited to announce that we have entered in a 3-year contract with a prominent Japanese company to supply an intermediate. This collaboration reflects our commitment to cultivating strong partnerships and enhancing our global footprint. With our proven expertise and unwavering dedication to excellence, we are poised to deliver premium quality products, driving mutual success, and fostering growth for both entities involved.

We are optimistic on our long-term growth on the back of our strong fundamentals and R&D at the core, leading to renewed focus on new product development and heading towards the era of growth and higher profitability.

I would like to express my gratitude for your unwavering support and confidence in our vision. Together, we will continue to drive innovation, pursue excellence, and create long-term value for our shareholders. With this, I would like to pass on to Mr. S.P. Gupta to walk us through our Q3 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 the Q3 and 9 months FY24 results. I will quickly walk through our financial performance.

Total income for Q3 FY24 was Rs. 155 crores as compared to Rs. 222 crores generated in Q3 FY23 due to decline in export sales. In Q3 FY24, we registered EBITDA of Rs. 37 crores, a sequential growth of 19%, with EBITDA margin up 25%. The net profit for the Q3 FY24, it stood at Rs. 24 crores, a sequential growth of 23%, with PAT margin of 16%. Company's margin and profitability remained strong this quarter.

Revenue for export stood at Rs. 86 crores as compared to Rs. 62 crores achieved in last quarter, and domestic revenue stood at Rs. 64 crores as compared to Rs. 140 crores achieved in last quarter. Revenue from technical and formulation stood at Rs. 124 crores and Rs. 29 crores, respectively.

Export continued to witness challenges during the quarter. Demand environment in international market remain challenging amidst high channel inventory and destocking by MNC. We have spent Rs. 40 crores on capex in first 9 months of the year. The capex outflow of Rs. 50 crores have been planned for FY2023-24 by IPL.

Looking ahead, we are excited to announce the establishment of our new subsidiary "Amona Specialities Private Limited". The entity will focus on identifying generic molecules, navigating the regulatory process for product registrations, and optimizing distribution channels. By doing so, we aim to accelerate our growth trajectory and capitalize on emerging market opportunities. 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 plan with internal accruals.

Our cash and cash equivalent at the end of Q3 FY24 is Rs. 153 crores. We remain confident of continuing our growth trajectory while extending full support to our customers, suppliers, and valued stakeholders.

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

Moderator: Thank you very much. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity sir, and Congratulations on a good set of numbers in a tough environment. So, the first question is that you mentioned in your initial remarks and in the press release and the presentation about the environment being continuing not to be good. So typically, what is your judgment in terms of prices of products as well as raw materials in last 3-4 months now. Have they stabilized. And are they somewhere started gradually moving up or no. First of all the pricing of the products and the raw materials?

D.K Jain: The raw material prices, Rahul ji, they are on a very low level, and they have stabilized. The pricing is different in different molecule. In some products, they have stabilized even slightly higher. And in some products, they have settled on a lower level, but they have stabilized.

Rahul Jain: Sure. So, that means that there is no further fall in the prices which is visible in last 2-3 months. Is that a correct understanding?

D.K Jain: Yes.

Rahul Jain: And sir, with regards to going ahead, both on the inventory side and the demand side, what is your judgment, understanding when you speak to your customers, both domestic and some of the large MNCs. How do you view the environment change going ahead?

D.K Jain: Sir, the international environment still looks to be slightly confusing, in the sense that the MNCs, they still have a lot of stock. They are slightly hesitant to put all their purchase orders at a time as normally they used to do. And we feel probably it may take another 1 or 2 quarters before things really get stabilized.

Rahul Jain: So, we have a good gross margin improvements you have mentioned. So, if you could share some more details apart from what we have mentioned in the presentation in terms of the product mix and domestic demand. But exactly how what kind of product mix we have changed or what exactly is driving the gross margins. And what is the sustainable gross margin going ahead?

S.P. Gupta: Rahul ji, the higher gross profit margin is due to combination of two factors. First, the product mix was better this quarter. Secondly, during this quarter, we got converted one of our raw materials on job-work basis, which we were earlier buying. The company has paid jobs worth charges of Rs. 4 crores. This has resulted in higher other expenses and reduction in cost of goods consumed. If we adjust this amount, gross profit would be around 50%. So, in future, also because of our stabilization of new products, we think gross profit margin will be, say, in this range only 48% to 52%.

- Rahul Jain:** Okay. Last question, sir. We are planning to complete about Rs. 110 crores of capex by March 2024, right? We have done about Rs. 60 crores and further about Rs. 40 crores to be spent by March.
- S.P. Gupta:** Yes.
- Rahul Jain:** So, given the prices where we stand today, how do you look at the top line for the next year, FY25 and FY26?
- D.K Jain:** The top line for FY2025-26, we feel it should increase about 15% to 20% sir, over this year because what has happened overall, there has been a decline in the product finished good prices. So, it will impact the revenue. But this year itself, our revenue slightly lower than last year. So, over this, we expect around 15% to 20% increase.
- Rahul Jain:** That is for FY25?
- D.K Jain:** Yes, sir.
- Rahul Jain:** And given the capex completed, what could by March 24 and the ramp-up happening, that ramp up to take another 6 to 9 months for the ramp-up to be applied fully?
- D.K Jain:** Rahul, could you please repeat? We could not understand.
- Rahul Jain:** You mentioned about 15%-20% growth at today's prices for top line for FY25. But given the capex which we are doing, so how will we look at FY26. And the ramp-up of the new capex?
- D.K Jain:** Yes. So, FY26 also sir, we will continue to grow at almost 20%.
- Moderator:** Thank You. Next question is from the line of M.N. Kumar, an individual investor.
- M.N. Kumar:** Sir, this time can you give some projections with respect to what happened on the volume side?
- S.P. Gupta:** The volume for this quarter, has declined by 30% as compared to Q3 FY23.
- M.N. Kumar:** Okay. So that means the pricing wise, the December 2022 versus December 2023. Prices are the same, and all this decline is predominantly because of the price-volume only. Is that my understanding right, sir?
- S.P. Gupta:** Yes. Price on blended basis remain same. On some products, there was a slight increase, and some has declined. So, the reduction in turnover is because of volume only.
- M.N. Kumar:** Okay. So how do you see the volume production for Q4, sir?
- S.P. Gupta:** Q4 volume, we expect they will rise, but it is very difficult to see volume growth as compared to fourth quarter of last year. But it will increase from this quarter.
- M.N. Kumar:** And how are your exports doing, sir? We understand that Chinese are having a lot of capacities on this one. Any of the molecules we are working, either China is adding volumes, do you hear anything like that?

- D.K Jain:** China, they are putting up very large plants for some of the very popular products. So, for our expansion projects, we are reconsidering those particular products. But presently, the products in which we are operating, China is not very aggressive. Only major problem what we are facing is that our MNC customers, they have slowed down their purchase, considering the high inventory cost, they don't want to carry it. That is why they have slightly curtailed, and we expect that this will increase and become normalize maybe by next quarter.
- M.N. Kumar:** And how do you see the domestic market formulation business sir. Are you planning to expand that because many of the people in agrochem business, India focused business seems to be in a better position than compared to exports. What is any thoughts on that, sir?
- D.K Jain:** No, that is true. Relatively, the position in India is better than the international market. And our formulation business is going on smoothly and it is slightly on increased path. So, we are going to increase the formulation business during the coming season.
- M.N. Kumar:** The first block that you are establishing, which is going to get into production in the Q4, how is that coming up. And what kind of products you would be making there. Would that be for export or domestic market, sir?
- D.K Jain:** The first block we have put up there, there are two blocks under construction. One is for the formulated-formulations, another block is for Intermediate. And we want to commission the formulation plant for us as we have got some orders in hand for our domestic as well as for some export market. And another 2 to 3 months, we will be starting the Intermediate project plant.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Ms. Akanksha Singh from Dolat Capital for closing comments.
- Akanksha Singh:** Thanks a lot, with that, we'll come to the end of the Q&A session. Thanks a lot to the management of India Pesticides Limited for answering every question in detail. Thanks, again, everyone, for their participation, and have a great day ahead. I now hand over the call to the management for the closing remarks. Thank you.
- D.K Jain:** Thank you very much. Thank you, everyone, for their participation. For any further questions or queries, please do get in touch with our Investor Relations team. Thank you. Have a nice day.