

# INDIA PESTICIDES LIMITED

An ISO 9001:2015, 14001:2015, 45001:2018 and 10002:2018 Company

CIN No. L24112 UP1984PLC006894

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To

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

**Sub: Transcript of the Earnings Call for the quarter and year ended March 31, 2024.**

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 Audited Standalone and Consolidated Financial Results of the Company for the quarter and year ended 31<sup>st</sup> March, 2024, held on Friday, 31<sup>st</sup> May, 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)**

**Company Secretary and Compliance Officer**

**Membership No.: A42500**



“India Pesticides Limited  
Q4 FY24 Results Conference Call”

May 31, 2024



Dolat Capital



**MANAGEMENT:**      **MR. ANAND SWARUP AGARWAL – DIRECTOR – INDIA PESTICIDES LIMITED**  
**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**

**Moderator:** Ladies and gentlemen, good day, and welcome to India Pesticides Limited Q4 FY24 Results Conference Call hosted by Dolat Capital. As a reminder, all participant 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 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, Yusuf. 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 Q4 and FY24 earnings conference call. From the management team, we have with us today Mr. Anand Swarup Agarwal, Director; 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.

**Anand Swarup Agarwal:** Thank you, Mr. Nitesh. Ladies and gentlemen, good afternoon, and welcome to you our quarterly conference call. I am pleased to update you on our company's progress and the state of agrochemical sector. This year has presented significant challenges including volatile raw materials prices and global economic uncertainties as a result of global conflicts.

Despite these obstacles, we have seen recovery. Our strategic initiative has positioned us well. We have restated numerous chemical components internationally, expanded our market presence and signed contracts with esteemed Japanese customers. We also initiated production in one of our subsidiaries, enhancing our capacity and market reach. Additionally, our formulation segment is also gaining traction and brand value.

The China Plus One policy has been advantageous, helping us diversify our supply chain and reduce dependency on China. Despite global macroeconomic challenges, we have remained profitable.

Looking ahead, we are optimistic about our continued recovery and growth. Our current quarter has a robust outlook position. Thank you for ongoing support. We are confident in our vision and the strategy to achieve sustainable growth and success.

Thank you. Thank you very much. I hand over this to Mr. D.K. Jain.

**D.K Jain:**

Thank you, sir. Good afternoon, ladies and gentlemen. Thank you for sparing your valuable time to attend this call. Friends, as you all know, the Indian agrochemical industry had witnessed major headwinds in FY24.

Several key factors contributed to this setback. The export market, which traditionally commands over 50% of industry revenue faced sluggish growth because our global destocking trends with companies reducing their inventory levels.

Number two, imports of our competitively priced products from China further exacerbated the situation, putting pressure on domestic prices and profitability. The crucial Rabi sowing season was negatively impacted by lower reservoir levels in India leading to reduced demand for agrochemicals. Geopolitical situations and weather disturbances across many countries have also added to these worries.

Despite these headwinds, the Indian agrochemical industry is poised for a robust growth rebound with a projected compound annual growth rate of about 9% from FY25 to FY28. This is a conservative estimate based on NITI Aayog projections of exceeding 9% growth. This resurgence will be fuelled by 3 factors: number one, sustained government support; number two, advancement in technology; and number three, the expansion of the export market, all of which will propel the industry size to reach USD 14.5 billion by the close of FY28.

We are confident to navigate current industry challenges on the back of our robust pipeline of new innovative products coupled with an increased market presence. Our relentless pursuit of innovation and our cutting-edge technology has allowed us to develop high-quality products and maintain our competitive edge in the market. This has not only helped us in adapting to changing market conditions, but also in anticipating and meeting the evolving needs of our customers.

Now I'll just give you about some strategic development during this year. We are excited to announce the commissioning of our commercial production from first block of our 100% subsidiary, Shalvis Specialties, which will further fuel our future growth.

We entered in a 3-year contract with a prominent Japanese company to supply an intermediate. This collaboration reflects our commitment to contributing strong partnerships and enhancing our global footprint. We incorporated a new subsidiary, Amona Specialities, which will operate under an asset-light business model.

During this period, 3 of our advanced herbicide technical products have been granted technical equivalence certification by the European Union. Apart from this, we have also received registrations in U.K., Canada and U.S.. During the year, we have made some strategic changes in our leadership team. Their fresh perspectives and energy will complement the experience and vision of our team, ensuring a seamless transition and a bright future for India Pesticides.

Furthermore, we have increased our present installed capacity of technical and intermediates to 24,200 metric tons. This capacity increase will enable us to better sell to our customers and capitalize on the growing demand of our products. In addition to this capacity expansion, we have taken a significant step towards facilitating our expansion efforts by acquiring a land adjacent to our Sandila plant. This strategic move not only provides us with room for further growth, but also enhances our operational efficiency.

Capex of Rs.50 crores for IPL and Rs.60 crores for Shalvis Specialties is planned for FY25. This will further strengthen the company's capacities and capabilities for the coming years. As we grow, our commitment towards bringing chemicals, which can substitute and limit our dependence on imports remains steadfast. These are also one of the many initiatives that aligns to company's vision of Make in India and Vocal for Local to support domestic growth. We deeply appreciate the trust and unwavering support we have received from some of our valued customers, dedicated employees, trusted partners and committed shareholders as we embark on our journey towards a more sustainable future. We remain determined in our commitment to deliver value to each one of them.

As we move forward, our primary focus remains on attaining market leadership in the agro solutions sector in India. We are fully dedicated to achieving this goal by evolving responsibly with our strategic priorities.

With this, I would like to pass on to Mr. S.P. Gupta to walk us through our 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 Q4 and FY24 results. Taking you through the financial highlights for the quarter and for the year. Revenue for FY24 stood at Rs.696 crores as compared to Rs.898 crores achieved in FY23, a decline of 23%. On quarterly performance, total revenue for Q4 FY24 was Rs.127 crores as compared to Rs.200 crores achieved in Q4 FY23, showing a decline of 37%.

On geographical split, domestic market contributed Rs.88 crores and international market Rs.38 crores to the revenue. For FY24, export turnover has declined to Rs.270 crores from Rs.482 crores achieved in FY23, a decline of 44%.

Export continued to remain impacted due to higher channel inventory and destocking continued across the world. However, during current

quarter, we have seen signs of reversal. We registered full year EBITDA of Rs.102 crores with 15% EBITDA margin as compared to 24% EBITDA margin achieved in FY23. PAT margin for FY24 stood at 9%. Margins were impacted by sluggish global demand and lower product price realization.

Rs.110 crores of capex have been planned for FY25 for both India Pesticides Limited and 100% subsidiary, Shalvis Specialties Limited. India Pesticides Limited has its strong balance sheet with ability to generate good free cash flow. Company is planning to fuel its capex plan with internal accruals. Our cash and cash equivalent at the end of the Q4 was Rs.132 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:** First question is from the line of Aayush Rathi, an Individual Investor.
- Aayush Rathi:** First question on the volumes and on the value side, how much of the top line decline is on the volume front versus on the realization front, both on annual and quarter level?
- S.P. Gupta:** Quarterly volume has declined 34% and price has declined 4%. Total decline is 38%.
- Aayush Rathi:** All right. And annual level?
- S.P. Gupta:** Annual basis, the capacity utilization has declined by around 12%, so an absolute number right now we do not have.
- Aayush Rathi:** All right. Sir, the next question is on the pricing side. What we have been hearing generally is that the pricing pressure is reducing. And at the moment, a lot of companies have also mentioned that we've seen the pricing being stabilized. So I just wanted your insights on how is the situation on ground in terms of realization front?

**S.P. Gupta:** On the pricing front, the price has stopped declining, but they are rising very slow. And the raw material costs, they have also become stable. But the margin has slightly on reduced level right now as compared to earlier.

**Aayush Rathi:** All right. So probably one to two quarters it would take for the pricing to also increase at a rapid pace. Is that assumption correct?

**S.P. Gupta:** Yes.

**Aayush Rathi:** All right. Thanks and also, if I'm correct, since our base has been lower for this fiscal, which is FY24 and we were expecting a 15% to 20% growth on the top line in fiscal FY25 as well as fiscal FY26, I'm just keen to understand where is the growth coming from? Is it from new products or volumes kicking in or probably better realization? If you could give me some insights on that.

**S.P. Gupta:** We have blended up our contribution from new products since we have invested more than Rs.150 crores and our new products have started contributing. Even we are finding that for our earlier old products, there has been better demand during the current quarter. We have received good export order. So I think it will be a combination of good export turnover this year and as well as contribution from new products. They will help us to achieve the revenue growth that we have projected.

**Aayush Rathi:** Okay. Which is 15% to 20%, right?

**S.P. Gupta:** Yes.

**Aayush Rathi:** Yes. And sir, on the volume recovery front, also volume would have just like we'll have a volume recovery in this fiscal the coming fiscal, FY25?

**S.P. Gupta:** Volume recovery will be there. I could not understand your question properly.

**Aayush Rathi:** I mean, so usually what we have been seeing the customers are deferring orders. And so, we'll be getting more volume, like the volume recovery



would be there, right, rather than more contribution would come from volume recovery than the price realization side.

**S.P. Gupta:** Yes. More recovery will be from volume driven than price recovery.

**Aayush Rathi:** Okay. So another question is on the exports. Sir, if you could share broadly in terms of percentage which all geographical areas contribute how much of our top line for FY24 and majorly if you can just give me a number give me some insights on which international economy has majorly been an issue for us on the exports side. I know I do understand we export to 25-plus countries, but if you could just give me gist of it, which economies are paying for us as of now?

**S.P. Gupta:** For the quarter the export has declined from Rs.109 crores in last year to Rs.38 crores which is a decline of 65%. Our major export geographies are Europe and Australia which were hit by the adverse weather and high channel inventory last year, but we are seeing some signs of reversal during current quarter.

**Aayush Rathi:** All right. And just last question sir from my side. Do we maintain our guidance on the EBITDA margin of 20% to 22% on account of newer products that are coming on stream? This is something which you had guided earlier in this fiscal 20% to 22% EBITDA margin?

**S.P. Gupta:** Right now, EBITDA margin guidance will be difficult. It will take another one or two more quarters to give concrete EBITDA margin guidance.

**Aayush Rathi:** Okay. But it will definitely improve from this annual fiscal?

**S.P. Gupta:** From Q4 it will definitely improve.

**S.P. Gupta:** Q4 it was one-off quarter we must say.

**Aayush Rathi:** Sure sir. Thanks a lot. That's all from my side.

**Moderator:** Thank you. The next question is from the line of Karan Shah from Gee Cee Holdings. Please go ahead.

**Karan Shah:** So just wanted to understand what was the major reason behind such a steep drop in the EBITDA margin because if see even at the gross level the decline at EBITDA level is way steeper compared to the gross level. Is there any one-off like you said in other expense and how do we see it for the coming year?

**S.P. Gupta:** Karan ji during the quarter our other expenses were high as you can see from our results. What has happened we have converted two of our raw materials on job work basis which company earlier was buying. We have paid the job work charges of Rs.6 crores which have resulted in higher other expenses and reduction in costs of material.

Secondly, freight charges have increased significantly due to this Red Sea problem and it has increased our freight charges by around Rs.2 crores. So the gross margin is looking better. But if you adjust for these two figures then gross margin will also come down by say 5% to 6%.

**Karan Shah:** Okay. And sir so do we expect this job work to continue in the coming subsequent quarters or it was just for this fourth quarter only?

**S.P. Gupta:** It will continue from the second quarter onwards since the product what we are getting this job worth done is basically used in Q2 to Q3 and Q4. So this quarter job worth charges may be on very lower side.

**Karan Shah:** Okay. Sir on registration front how many new products do we plan to introduce in this particular year, and would it be for the domestic market or export markets?

**D.K Jain:** We have received registrations last year from CIB for three of our products and we have also registered our herbicide in Europe, three of our herbicides got registration in Europe what is they call technical equivalence. And apart from that we have got registration of these products in UK, US and one product in Canada also. And this year we are planning to register again three more products in Australian market and European market and our registration request for the local CIB is

for more than 12 products. They are already in the pipeline with the CIB authority.

**Karan Shah:** So, the 15% to 20% guidance that we are talking about for FY25, will they be driven by these new products, which I'm assuming can be higher margin compared to the existing basket?

**D.K Jain:** Sir, new products will certainly contribute to our growth. And margins, as Mr. Gupta has already told, is slightly difficult to tell at present. Maybe 1 or 2 quarters we would be in a better position to give the guidance on that.

**Karan Shah:** But these new products that we are talking about would generally be of higher-margin products compared to the current basket of products that we have. Is that the right understanding?

**D.K Jain:** That's true. By making the decision, by making the calculation we feel so but the scenario changes very fast nowadays. So that is why we are not able to exactly commit to you what margin we would have.

**Moderator:** Thank you. Next question is from the line of Ankit Gupta from Bamboo Capital.

**Ankit Gupta:** Sir, just wanted to know some of our key products like Prosulfocarb, Captan and Folpet. So how has been the pricing for these products? How much has the prices fallen in Q4 and FY24?

**D.K Jain:** Sir, prices for all these products, they have fallen a bit maybe around 10% to 12%.

**Ankit Gupta:** So, the decline that we have seen in Q4 and full financial year is primarily because there has been inventory destocking, which is going on in our key market because these products are less competitive and we are one of the very suppliers in the world for this product side?

**D.K Jain:** So, the destocking is there. And now we feel that the destocking should slowly get completed and we feel there could be increase in the demand

for these products. And as Mr. Gupta has already told you that for this quarter, we are seeing very good order position.

**Ankit Gupta:** For Captan, Folpet and Prosulfocarb, how much has been the volume decline in Q4 because I think you told that 34% is the overall decline in volumes for this quarter. So, for this product, is it more or less?

**D.K Jain:** Q4 absolutely, there was no sale Prosulfocarb. And Captan, Folpet was reasonably at the old level only.

**S.P. Gupta:** Volume decline in these products are much more than new products

**Ankit Gupta:** And sir, we have introduced quite a few of new products in last year in FY23 also, so having the sale of those products increase because we would have started from 0 or negligible quantity for these products. And is it that the demand scenario in the global market is so bad, that even for new products the demand is very volatile or very less?

**D.K Jain:** So, that is true. That is there for all the products. What is happening is overall Agrochemical industry across the world is facing the same problem. Old products, our new products, everything is having resistance for the volumes. And probably it will take another 1 or 2 quarters before it gets stabilization.

**Ankit Gupta:** Globally, the global giants of the Agrochemical industry are saying that we are expecting recovery in the second half of next financial year of FY25. And some companies have even started to commenting, that FY25 will also be a challenging year for the agrochemical industry. So, how do you feel the demand is panning out for the industry? And what are your views on the demand revival?

**D.K Jain:** The demand revival would be there. As we said at least 2 quarters, it will be slightly difficult. But some of our products now they are getting because last year the volume reduction was very severe. So, probably this year, we are getting better demand. But overall situation in the Agrochemical industry would be more or less similar as what it was

there in the last quarter. But coming 2 quarters we feel that it should get improved.

**Ankit Gupta:** Okay. It should improve from Q4, but it will remain still be a challenge in first half?

**D.K Jain:** For us, it will certainly improve from the Q4, certainly. Yes.

**Ankit Gupta:** Yes. So it could improve, but it will still be challenging, let's say. It will not go back.

**D.K Jain:** Yes. It will still be there, yes. Correct.

**Moderator:** The next question is from the line of Giriraj Daga from Visaria Family trust.

**Giriraj Daga:** Sir my first question is like I'll take you through the Q3 call where you mentioned that in Q4 we expect volume to be better compared to Q3 although Y-o-Y growth may not be possible. But when you look at numbers, it's like down again 15%, 18% from Q4 level also. So what went wrong there from when we had the call in the mid of Feb, right?

**S.P. Gupta:** Actually, February mid and March month, we did not receive any order of our one of the old legacy products from export market. So, the export turnover has declined more than what we were expecting.

**Giriraj Daga:** Okay. And again, we are guiding 15%, 20% growth. But in that way, we may not be able to even reach FY23 number also and our earlier expectation of somewhere about, let's say, for FY25 going up to Rs.1,200 crores also. So like when we look at the volume number, I'm not looking at the pricing side, do you think we would be able to cross FY23 volume in FY25?

**S.P. Gupta:** FY23 volume we will not cross, but we will reach near to FY23 volume.

**Giriraj Daga:** Okay. And prices you mentioned are 20% or 12%, 15% compared to full year basis?

- S.P. Gupta:** Yes.
- Giriraj Daga:** Okay. Second, on the capex also, we mentioned about doing Rs.50 crores capex in Q4 and taking about Rs.110 crores capex for the full year. But when I look at cash flow, we did about Rs.77 crores of capex. So, what is the capex guidance for FY25?
- S.P. Gupta:** For FY25, we are projecting Rs.110 crores of capex, which is Rs.50 crores in India Pesticides side and Rs.60 crores in our 100% subsidiary.
- Giriraj Daga:** Okay. And largely funded through internal accruals?
- S.P. Gupta:** We will not be taking any term loan.
- Moderator:** Next question is from the line of Zubraj Singha an Individual Investor. Please proceed.
- Zubraj Singha:** So, just wanted to understand that a couple of quarters back, there was some talk about collaboration with the Japanese organisation, right? So just wanted to understand a little bit more on it. Like is this still how is it going? Is it proceeding?
- D.K Jain:** Sir, we were having connection with the Japanese company. They visited us. And finally we have entered into a 3-year agreement for supply of one of the intermediates they require. So that agreement is already in place and we have also started supplying them. And they have also visited our new site under our subsidiary Shalvis, and we are hopeful that we will be having some more products from them.
- Moderator:** Next question is from the line of Ketan Atawale from Robo Capital. Please proceed.
- Ketan Atawale:** Sir, wanted to know what do you expect on revenue trend in FY26. Can we reach FY23 number then?
- S.P. Gupta:** FY26 we will definitely cross FY23 number since we are expecting 15%-20% growth compounded in next few years.

- Moderator:** Next question is from the line of Ajay Desai, an Individual Investor .
- Ajay Desai:** Just wanted to check on this coming budget post-election results are out. Do we expect any major policy change announcement for our industry?
- D.K Jain:** Sir, policy change around industry will be difficult. What we feel is probably the PLI scheme is pending for quite some time with the government. In the improved PLI scheme for the agrochemical industry probably get to certainly help the industry. So that is one part.
- Other requirements, we have been requesting the government to increase the custom duty on technicals so that people can Make in India. So probably there could be something that will be good for the industry.
- Ajay Desai:** So, either with the benefit, it is expected to benefit the industry.
- D.K Jain:** Definitely, yes. Certainly.
- Moderator:** Thank you. Next question is from the line of Sanika from Sapphire Capital.
- Sanika:** So, when you say that we are going to see 15% to 20% top line growth in FY25, that you plan Q1 and Q2 is going to be marginally better than Q4, which means that our H2 is going to be way stronger than H1. Am I right when I am doing that?
- D.K Jain:** We expect the 20% growth over last year. And Q1 would be certainly better than Q4, what we have, because we are seeing good order position in this quarter. So, it will be certainly better and we think it would be at least 20% more than the last quarter.
- Sanika:** So, Q1 would be 20% more than the last quarter?
- S.P. Gupta:** It will certainly be better than Q1 of last year also, yes.
- Sanika:** And can you tell me what kind of order books are we looking at?
- D.K Jain:** Around Rs.100 crores order book in Exports.

- Moderator:** We have our next follow-up question from the line of Mr. Giriraj Daga from Visaria Family Trust.
- Giriraj Daga:** Just one data point, what you mentioned, Q1 will be better than last year Q1. But that may mean substantial 50% compared to Q4 level. So that is possible, right?
- S.P. Gupta:** Yes. 50% from, say, Rs.125 crores. It is possible.
- Giriraj Daga:** Sir, Rs.201 crore was what you alluded last Q1 as?
- S.P. Gupta:** It will be around this level and may be better than this number.
- Giriraj Daga:** And like margin, obviously, this quarter is very low, so we're not taking this quarter number. But for the full year, we're at 13%. So, do you think we can do the next year that is a similar kind of a number or we'll not be able to guide that also?
- S.P. Gupta:** We are expecting slightly better number. But right now, we cannot guide based on the current situation.
- Moderator:** Next follow-up question is from the line of Karan Shah from Gee Cee Holding.
- Karan Shah:** Just, one small follow-up for question. Since you are talking about a Q-o-Q growth in Q1 versus Q4, so do we believe that our exports will come back to the level of first quarter of last year? Or it will be the domestic market that will be driving the majority of the growth?
- S.P. Gupta:** This quarter, the growth will be done on exports primarily.
- Karan Shah:** So, we feel it will be higher than the first quarter of FY23 in terms of export?
- S.P. Gupta:** Yes. We are expecting it will be higher or in that side or more or less same.
- Karan Shah:** And majority of that will be a volume-driven growth rather than pricing driven?



**S.P. Gupta:** Yes.

**Karan Shah:** And how is the channel inventory status for these existing products since we are expecting a strong growth in the export book?

**S.P. Gupta:** We feel the channel inventory has declined. So, this demand has come up.

**Karan Shah:** And this will mainly be for the existing key and large products that we have? Or it will be for the new ones?

**S.P. Gupta:** This demand is for our old legacy products.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments.

**D.K Jain:** Thank you, everyone, 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.

**Anand Swarup Agarwal:** Thank you very much.

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