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: 10.08.2024

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**

Dear Sir/ Ma'am,

Sub: Transcript of the Earnings Call for the quarter ended June 30, 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 Un-audited Standalone and Consolidated Financial Results of the Company for the quarter ended June 30, 2024, held on Monday, August 05, 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

Digitally signed by AJEET PANDEY
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pseudonym=37b2a28fc9d4c72eb56305557417282a,
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INDIA PESTICIDES LIMITED
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(AJEET PANDEY)
Company Secretary and Compliance Officer
Membership No.: A42500

Regd. Office: Swarup Bhawan, 35-A, Civil Lines, Bareilly – 243 001. Uttar Pradesh, India. Phone: 0581-2567476
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“India Pesticides Limited

Q1 FY25 Earnings Conference Call”

August 05, 2024

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. KRUSHNA PAREKH – DOLAT CAPITAL MARKETS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the India Pesticides Q1 FY25 Earnings 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krushna Parekh. Thank you, and over to you, Mr. Parekh.

Krushna Parekh: Thank you, Sumit. 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 FY25 Earnings Conference Call. From the management team, we have with us today, Mr. Anand Swarup Agarwal, Director; Mr. D.K. Jain, the Chief Executive Officer; and Mr. S.P. Gupta, the Chief Financial Officer.

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

Anand Swarup Agarwal: Thank you, Krushna 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 Q1 FY25, 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.

We have started FY25 on a very optimistic note with strong performance on both Y-o-Y and sequential basis. Total revenue for the quarter was Rs. 224 crores grew by 9% and 72% on Y-o-Y and Q-o-Q basis, respectively. This growth was largely driven by changes in product mix and increase in sales volume, particularly formulations. Despite various headwinds from global economic environment, including geopolitical issues, pricing pressure and increased freight costs, we showcased robust performance.

We achieved a significant enhancement in EBITDA margin improving by 149 bps Y-o-Y and 854 bps on Q-o-Q reaching 14.2% during the quarter. We are pleased to announce the successful commissioning of intermediate plant, which marks a significant step towards backward integration of one of our key fungicides, which was previously imported. This achievement is a testament to our in-house indigenous R&D technology and aligns with the Government of India's Atmanirbhar Bharat.

By substituting imports with domestic manufacturing, we are not only enhancing our self-reliance but also contributing to the nation's economic growth. Furthermore, Dr. Kuruba Adeppa is appointed as an Additional Director Whole-time director, during the quarter. We are confident that his experience and expertise in chemistry and technology development will be valuable to our Board and continued success.

Looking ahead to FY25, we aim to do capex of Rs. 110 crores combining both IPL and SSL. Furthermore, we are poised to grow by expanding our customer base and strengthening capabilities. We are committed to leveraging consistent research and development efforts, driving innovation. We are confident in navigating them with our robust pipeline of innovative products and increased market presence, ensuring we meet the evolving needs for our customers and maintain our competitive edge.

Now I hand over the further presentation to Mr. D.K. Jain.

D.K. Jain: Thank you, sir. Good afternoon, ladies and gentlemen. I take the pleasure of welcoming you all for the Q1 FY25 Earnings Conference Call of India Pesticides. The first quarter of FY25 started on a positive note with the overall demand growing on both Year-on-Year and sequential basis.

Despite geopolitical tensions, supply chain challenges and inflationary pressures, India Pesticides has continued to demonstrate strong growth. During the quarter, the company has delivered strong performance on the back of increase in our sales volume, driven by a favorable product mix. Our formulation sales have shown significant growth while our technical sales are more or less steady, attributed to a slightly decrease in the exports and an increase in the internal consumption of technical materials for our formulations.

This dynamic underscore our focus of enhancing the formulation segment of our business. Moreover, our focus on adding new facilities, incorporating new product lines and implementing positive improvements and technology upgrades further strengthens our competitive position and supports future growth initiatives. In line with our long-term vision, we made a deliberate decision to strengthen our R&D capabilities and expand our foundation marketing team, leading to a rise in employee expenses.

We believe these investments are crucial for fostering innovation and solidifying our market position. Additionally, we faced a significant rise in freight charges due to logistical challenges posed by the Red Sea situation. Despite these hurdles, we remain committed to optimizing our supply chain and mitigating cost impacts to sustain our growth trajectory.

Now moving on to some strategic development during the quarter. We have successfully commissioned our immediate plant, an intermediate plant, a significant step towards the backward integration of one of our key fungicides, which was previously largely imported. Achieved more than 100% utilization of our formulation business by utilizing some of our technical facilities to meet the increased market demand. capex of Rs. 50 crores for IPL and Rs. 65 crores for SSL, that is our subsidiary, Shalvis Specialties, is planned for FY25, which will further strengthen the company's capability and capabilities for the coming years.

As we grow, our commitment towards bringing chemicals, which can substitute and limit our dependence on imports remain steadfast. This is also one of the many initiatives that aligns to our company's vision of Make in India and Vocal for Local to support domestic growth. I extend my deepest gratitude to our dedicated team whose commitment and hard work have given our success. I also want to express appreciation to our valued stakeholders for their continued support and trust in our vision. Looking ahead, we remain resolute in our pursuit of excellence, innovation and sustainable growth. Together, let us embrace the opportunities that lie ahead and continue to make a positive impact in our industry and beyond.

With this, I would like to pass on to Mr. S.P. Gupta to walk us through our Q1 FY25 financial highlights. Mr. S.P. Gupta.

S.P. Gupta: Thank you, sir. Good afternoon, ladies and gentlemen, and thank you for joining the India Pesticides Limited conference call to discuss Q1 FY25 results. Taking you through the financial highlights for the quarter. Total revenue for Q1 FY25 was Rs. 224 crores as compared to Rs. 205 crores in Q1 FY24 showing an increase of 9% on a Y-o-Y basis and 72% on Q-o-Q basis.

We registered quarterly EBITDA of Rs. 32 crores with 15% EBITDA margin as compared to 13% EBITDA margin achieved in Q1 FY24. Net profit for the quarter stood at Rs. 19 crores, an increase of 25% on Y-o-Y. On geographical split, domestic market contributed Rs. 143 crores and international market, Rs. 77 crores to our revenue. We are seeing signs of recovery in domestic market, primarily driven by good sowing up of crop in Kharif season.

Our export front, recovery remains soft; however, volumes has started picking up. Technical and formulation sales for Q1 FY25 is Rs. 142 crores and Rs. 78 crores, respectively, as compared to Q1 FY24 sales of Rs. 158 crores of technical sales and Rs. 43 crores of formulations. India Pesticides Limited has a strong balance sheet with the ability to generate good free cash flow. Company is planning to fund its capex plan with internal accruals. Our cash and cash equivalent at the end of Q1 was Rs. 140 crores.

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: Good afternoon, Sir, if you could give some more details on the export front, more so on the technical side. You have mentioned that formulations have done well in quarter 1. So, on the export front, on the technical side, what is the scenario like? How have the prices moved in the last 3, 4 months and what is the situation on inventory destocking?

D.K. Jain: The export front, also, there has been a gradual increase in the demand. And this quarter also we have had a reasonable export volume. We expected in the last quarter that we will have export orders of about Rs. 100 crores. And we supplied material this quarter of Rs. 78 crores. And still, we have export orders of our Rs. 100 crores still pending. So we are slowly picking up. And prices have slightly settled at a slightly lower level, but they are settling now. And we feel that in coming quarters, it should improve upon the overall export volume.

Rahul Jain: So how much the prices will be down currently in last 6-8 months?

D.K. Jain: What is down, sir, I could not understand?

Rahul Jain: How much are our product prices down as compared to 6 months back?

D.K. Jain: The prices are settling at a slightly lower level than earlier one. Because what is happening because of China destocking situation, the prices of technical products have been reducing continuously in the last 1 year.

S.P. Gupta: On an average, it will be a decline of 12% to 15%. But now they are slowly settling.

D.K. Jain: Now there is not so much of a price reduction of technical materials from China also because we feel that the distribution from China may be getting over.

Rahul Jain: And sir, with regards to the capex, which has been done until today, including the subsidiary one, which started in Q4 FY24. So, at the current prices, what kind of revenue we can generate on a stand-alone basis? And what kind of revenues we can do in the subsidiary?

S.P. Gupta: We have already projected a revenue growth of 15% to 20% for this year and subsidiary operations, they are stabilizing. So they will largely be contributing not much this year in revenue.

Rahul Jain: And last question, sir, with regards to our margins. So yes, our margins have moved up to almost around 13%-14%. But prior to the situation worsened globally, we were doing EBITDA margins of 25%-26%. And then we did about 21% margins in the previous year. So, in what time frame do you feel we can go back to margins of at least 20%-22%?

S.P. Gupta: We are expecting price recovery from Q3 onwards. So from as soon as price recovery happens in international market, we can go to, say, 18% to 20% EBITDA margin.

Moderator: The next question is from the line of Rajesh from NV Investments.

Rajesh: Just harping on the margin side. We had almost more than 30% in March 2022 or so. And thereafter, it has been going down, and it is now in the almost close to 10% or so. So, we know the reasons like there were increase in the fuel costs, then the logistics went up. Then there was destocking, drop in the demand and all that. But other than that, is there any other reasons, which has contributed to this downfall?

S.P. Gupta: See, our volumes are more or less intact. This is because of price decline across the globe. It was basically due to higher channel inventory in international market and adverse weather, prices had declined significantly. In some molecules, they have declined by more than 40%-30% in last 2-2.5 years. So mostly it was a price decline led margin decline.

Rajesh: Sir, now that everything is coming back to a stable level, still you are guiding as 18% to 20% margin only. Just wanted to find out is it because the new product that you're launching are not completely backward integrated or any other reason?

S.P. Gupta: Those margins were achieved in 2021 and 2022, they are being rationalized. The margins exceeding 25% cannot be sustainable seeing the current situation. So this has rationalized slightly. So, the earlier margin we cannot foresee in near future, Considering the capacities have been created worldwide and demand pattern.

Rajesh: So you mean to say, if that demand comes back and the price starts going up, even then 25% margin would be a difficult task?

S.P. Gupta: In near future, it is difficult, but we cannot say for next year, how the things pan out.

Rajesh: Fair enough. Sir, second thing I want to know these plants and the capacities that we have, what is the maximum practically possible to utilize this capacity? Is it 90% or what is the possible utilization?

S.P. Gupta: Generally, 75% to 80% utilization is considered good. But if demands come, we can go up to 90% also.

Rajesh: If the demand is there, can we go to 100% also?

D.K. Jain: Yes, we can go if there is a demand.

Rajesh: Most of our process are batched, not continuous?

D.K. Jain: Yes, many of our processes are batch operations, and we can go up to 100% capacity utilization if there is sufficient demand of the products. Normally, what happens, for every product, a seasonal effect is there slightly. So some months during the year, we have to slow down the production.

Rajesh: Sir, keeping that in mind, what is the current capacity utilization of our 2 plants, sir, Sandila and Dewa?

D.K. Jain: Our present capacity utilization is 66% of technical and more than 100% of formulation. If we combine together the overall capacity, it is almost about 80%.

Rajesh: So now at the current [inaudible 0:18:58]A revenue we can generate from these 2 plants leaving aside the new capex that you are doing at the Sandila?

D.K. Jain: Yes. New capex what we are doing it will add to our overall capacity further.

Rajesh: It means you're adding the intermediates actually that we internally consume, that's what you are saying?

D.K. Jain: Yes, we have already added one intermediate. And one more intermediate would be increasing the capacity. And two more active ingredients we will be adding this year.

Moderator: The next question is from the line of Aayush Rathi from Aditya Birla Money.

Aayush Rathi: I have one basic question. Sir, you mentioned that you're guiding that in FY25, we'll be achieving 15% to 20% Y-o-Y growth on the top line front, right?

S.P. Gupta: Yes.

Aayush Rathi: So, are we accounting for a price increase also or this is only volume-led growth?

D.K. Jain: This is mostly based on the volume only, sir. Because price increase is very difficult to understand the market situation. But what we feel is that we are increasing our capacity, we are bettering our capacity utilization. So margins would be slightly better.

Aayush Rathi: So, we are forecasting by Q3 orQ4, if there's a change in price increase or probably 3% to 4% price increase, then the growth on the top line front would be more, right, above 15% to 20%?

D.K. Jain: Yes, yes. Certainly.

Aayush Rathi: One question on the margin front. One participant has already asked that 22% to 23% margins on the EBITDA front. So, I just wanted to ask if there is a substantial price increase probably in FY26, are we able to achieve to go back to that margins?

D.K. Jain: Sir, if there is an opportunity, certainly, we would like to do that. But the overall market situation, what happens is the overall agrochemical industry, the prices have been remaining slightly subdued. So taking big price increases is slightly difficult in the present scenario.

Moderator: The next question is from the line of Karan Shah from GeeCee Holdings, LLP.

Karan Shah: Sir, I just wanted to understand, would you be able to quantify the volume growth in first quarter?

S.P. Gupta: Our volume has increased by 26% this quarter.

Karan Shah: And sir, like you alluded that we might achieve a 15% to 20% growth for FY25. So, are we anticipating that our second half will be equal or stronger than our first half? Because generally our second half has been weaker.

S.P. Gupta: It will be definitely far better than FY24 numbers. Second half will be far better. Since last year export has declined very, very sharply. So now we are seeing in the international market, volumes are picking up.

Karan Shah: And sir, would you be able to share the percent of revenue from the new molecules?

S.P. Gupta: From the new molecules, we have achieved around Rs. 40 crores this quarter. It will be around 18% to 19%.

Moderator: The next question is from the line of Meghna from Mount Intra Finance Private Limited.

Meghna Agarwal: Sir, I just basically wanted to know like what has been the July season for the herbicides. Like has it been soft or what has been the circumstances in the July because we have unexpected rain in July, so what are the scenes about that?

S.P. Gupta: July has been very good. As compared to Y-o-Y, it has been very good.

Meghna Agarwal: For the herbicide also?

S.P. Gupta: Yes.

Meghna Agarwal: And sir, also one more question on the domestic market. So what are the guidance and growth about the domestic, what are we expecting in the domestic segment in FY25?

D.K. Jain: Domestic market madam, we expect to grow around 8% to 10% every year. And from our company perspective point of view also, we are seeing increase in the domestic market because some of the products, what we have introduced in the recent past have been slightly domestic-oriented. So the domestic sale and our formulation sales have increased from that perspective.

Moderator: The next question is from the line of Rajesh Jain from NV Investments.

Rajesh: So just regarding the Hamirpur plant, what are the reasons that we can't expect any revenues?

D.K. Jain: Sir, from Hamirpur plant because the plants are still under construction, and we would be expecting them to be commissioned in the last quarter of this financial year. And the formulation, we just started on a very small note in March. So, this quarter we could not formulate a lot of material because we are expecting some CIB registrations still to come. So we feel probably next year, it will contribute significantly to our revenues.

Rajesh: So whatever that was commissioned in March was the formulation plant, not the technicals?

D.K. Jain: Yes. It was a formulation plant.

Rajesh: Why is there a delay for this technical, sir?

D.K. Jain: Sir, technical plant, actually, the overall situation was not yet congenial for selecting the product properly because what happens, the prices were fluctuating so much in the international market. And one of the intermediate we started, but then that intermediate price came down. So we were just working on the technology development of that intermediate further. And now we have already zeroed down on two molecules, the work of that molecules are going on in the plant. So that will be there in the, I think, third quarter, we should be able to commission those plants.

Rajesh: So that means, as on today, other than the formulation plant, there is no technicals plant there?

D.K. Jain: Yes, not yet. They are under construction, yes.

Rajesh: So now for these products, one, you said you have already zeroed down on to two products. Has the registration of these products have been completed?

D.K. Jain: The registration of these two products, one doesn't need any registration because it doesn't come directly under insecticides. And the other one, the registration is also on. It has already been submitted long back, and we expect the registration to be received by next month.

Rajesh: Now sir, you have mentioned this, the capex funding would be from the internal accrual. So this Rs. 110 crores is what referred for the current year that you would fund from the internal accruals. Is that understanding is correct?

D.K. Jain: Yes, exactly.

Moderator: The next question is from the line of Manish Jain, an individual investor.

Manish Jain: Sir, at the current prices, what is our capacity utilization at present?

S.P. Gupta: For technical plant, it is 66%. And for formulation plant, it was around 100% during this quarter.

Manish Jain: Okay. So, if the demand increases for the formulation, then what is the way out for us?

S.P. Gupta: We will commissioned increased capacity of formulation plant within this month or next month.

Manish Jain: So, after that increase in capacity, how much more in turnover can we generate, sir?

S.P. Gupta: In formulation, we will be increasing capacity like 30% to 40%. So, formulation capacity turnover can be increased by a similar amount.

Manish Jain: So sir, for this year, you have given a guidance of 15% to 20%. So, this is for this year. For the next year, what kind of a road map you can give?

S.P. Gupta: For next year, also, we are expecting sales growth of 15% to 20%.

Manish Jain: But shall we have the capacity for that?

S.P. Gupta: Yes. Technical plant has enough capacity. And formulation also, the capacity will be expanded. So, we will have enough capacity for further growth.

Manish Jain: Sir, we have cash in hand of Rs. 140 crores. So, for all the capex, we will be generating internal accruals for this year also. So, I think even after the capex also, we will be cash surplus company?

D.K. Jain: Yes, definitely.

S.P. Gupta: Yes, yes, we will be a cash surplus company.

Manish Jain: In the foreseeable future, for the next 1 or 2 years, right?

S.P. Gupta: Yes.

Moderator: The next question is from the line of Aditya from Sowilo Investment Management.

Aditya: My question was more on the lines of inventory. Inventory days has been going up. I just wanted to understand if it is because of the pricing pressure in the global market. Is that the reason or is there any other reason?

S.P. Gupta: Our inventory level in June, number of days has declined significantly as compared to FY24 numbers. In absolute term, it has increased by Rs. 3 crores to Rs. 4 crores, but our turnover in this quarter has already increased by 9%. So inventory days, they are on decline from this quarter.

Aditya: I was just trying to understand the buildup in inventory days. Earlier, it used to be, under 100, but now I mean, last couple of years, it's gone up, right, significantly. So is that related to the global China pressure? Or is there any other reason?

S.P. Gupta: See, actually due to less export, our turnover has declined sharply in Q4 and last year, Q3. That is why inventory turnover days has increased. Otherwise, in absolute number, we have not increased inventory much, but turnover has declined, so the inventory turnover days has gone up.

Aditya: And the reduction in exports was because of?

S.P. Gupta: Because of the higher channel inventory and adverse weather in some geographies.

Moderator: The next question is from the line of Raaj from Arjav Partners.

Raaj: Sir, I just skipped a part on the EBITDA front. Are we expecting an EBITDA of 17% to 18% for FY25 and for FY26?

S.P. Gupta: Full year, it will be difficult to give EBITDA guidance. From third quarter onwards, we are expecting that it will be around 18% to 20% EBITDA margin.

Raaj: From Q3 of FY25. Okay. So for FY26, the full year EBITDA should be in the same range, 18% to 20%, right?

S.P. Gupta: Yes, what we are projecting EBITDA of similar range in the next year.

Moderator: That was the last question. I would now like to hand the conference over to the management for the closing remarks.

D.K. Jain: Thank you very much for sparing your valuable time for participating in this conference call. For any other further queries or clarifications, please do get in touch with our investor relations team. We will certainly come back to you on that. Thank you very much.

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