

INDIA PESTICIDES LIMITED

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

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Date: 18.11.2023

To

<p>The Manager, Listing Department BSE Limited P. J. Towers, Dalal Street, Mumbai-400001 Scrip Code: 543311 ISIN: INE0D6701023</p>	<p>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</p>
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Dear Sir/ Ma'am,

Sub: Transcript of the Earnings Call for the quarter and half-year ended September 30, 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 half year ended 30th September, 2023, held on Friday, November 10, 2023.

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

Kindly take the above on record.

Thanking you

Yours faithfully,

For India Pesticides Limited

(AJEET PANDEY)

Company Secretary and Compliance Officer

Membership No.: A42500





“India Pesticides Limited
Q2 and H1 FY24 Earnings Conference Call”

November 10, 2023



MANAGEMENT: MR. ANAND SWARUP AGARWAL - CHAIRMAN - 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. VATSAL VINCHHI – CHOICE INDIA

Moderator: Ladies and gentlemen, good day, and welcome to India Pesticides Limited Q2 and H1 FY24 Earnings Conference Call. 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. Vatsal Vinchhi from Choice India. Thank you, and over to you, sir.

Vatsal Vinchhi: Thank you, Sagar. Good afternoon, everyone. On behalf of Choice Equities Broking, welcome to the Q2 and H1 FY24 Post Results Conference Call of India Pesticides Limited. I also take this opportunity to welcome the senior management team. On today's call, we have with us Mr. Anand Swarup Agarwal, Chairman; Mr. D.K. Jain, CEO; and Mr. S.P. Gupta, CFO.

Kindly refer to the safe harbor statement on the second last slide of the earnings presentation. I will now invite the management for their opening remarks to be followed by Q&A. Thank you, and over to you, sir.

Anand Agarwal: Thank you, Mr. Vatsal. Good afternoon, ladies and gentlemen. I hope you and your family are staying safe and healthy. Wishing you a very Happy Dhanteras and Happy Diwali. I take the pleasure of welcoming you all for the Q2 and H1 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.

In Q2 FY24, agro industries continued to face the headwinds in terms of high-cost inventories, destocking in international markets and ongoing price declines resulting from an oversupply of raw materials from China, which impacted our exports.

Despite these headwinds, our company remains steadfast in the commitment and delivered sustainable revenue of Rs. 206 crores, driven by robust domestic demand and relentless focus on operational efficiency.

Our expansion project through our subsidiary remains on track and is anticipated to be commissioned by the end of this fiscal year. Additionally, we are proactively investing in new products and expanding our manufacturing capabilities at our existing facilities. During the quarter, we have acquired land adjacent to our Sandila plant which will significantly facilitate our expansion efforts for future operational endeavors.

We are delighted to announce our plans to incorporate an additional block for intermediates and another for technical by H2 FY24. As part of this expansion, we will be augmenting our production capacity by 2,000 metric tonnes expected to be complete by Q4 FY24.

This positive momentum has encouraged us to explore new avenues of growth and expansion, reinforcing our commitment to enhancing our offerings and achieving long-term success in the agro industries.

India Pesticides is an R&D-driven agrochemical business with a growing formulation business. Since its inception, IPL has also branched out their manufacturing capacities in Herbicides, Fungicides, Technicals and active pharmaceutical ingredients. The Technical segment contribute to 77% of IPL's total revenue is expected to grow in future.

There are 19 Technicals losing their patents giving rise to an opportunity for all market players. The total of 19 Technicals that go off patent will bring about an increased value of \$4.2 billion to all the market players. IPL is well positioned to capitalize on this opportunity because of its extensive R&D facilities that constantly streamline process and restructure and adding new products to the portfolio. IPL is closely looking at these molecules.

Currently, IPL has a total installed capacity of 26,000 metric tonnes per annum. The total capacity is expected to double with additional block in Sandila and Hamirpur plant. This expansion is planned in line with expected growth in current products as well as new Technicals that the company is working on.

On the expanding capacity of 2,000 metric tonnes will be operational by FY24. Our unwavering commitment and accountability combined with our extensive outreach to billions of farmers in vast distribution network and its strong market presence is instrumental in driving us towards achieving our goal.

Now I will hand over the further presentation to Mr. D.K. Jain. Thank you very much.

Dheeraj Jain:

Thank you, sir. Good afternoon, ladies and gentlemen. We welcome you all for the Q2 and H1 FY24 Earnings Conference Call of India Pesticides.

As you all know, the agrochemical industry is passing through a difficult time in terms of prices and volumes because of various reasons like oversupply, weather conditions and geopolitical situations.

In Q2 FY24, despite several headwinds from industry, your company has delivered a reasonable revenue of Rs. 206 crores on the back of strong efforts by the team. Our ability to navigate current industry challenges is a testament to our dedicated marketing and R&D team. Their relentless pursuit and innovation has allowed us to maintain our competitive edge in the market. This has not only helped us in adapting the changing market conditions, but also in anticipating and meeting the evolving needs of our customers.

Now moving on to some strategic development during the quarter. I am pleased to share a significant development in our leadership team. As a part of our strategic succession plan, we proudly welcome the sons of our esteemed Chairman, Mr. Vishal Swarup Agarwal and Mr. Vishwas Swarup Agarwal, who have joined our Board as Non-Executive Directors. This marks a momentous occasion for us, igniting the path towards an exciting leap into the future of exponential growth.

Their vast experience will bring fresh perspectives and energy and will complement the experience and vision of our team, ensuring a seamless transition and a bright future for India Pesticides Limited.

Furthermore, we are planning to increase our present installed capacity of Technicals and intermediate products by about 2,000 metric tonnes as stated by our Chairman, taking our total count to 23,200 metric tonnes. This expansion is expected to be completed by Q4 FY24. This capacity increase will enable us to better serve our customers and capitalize on the growing demand of our products.

In addition to the capacity expansion, we have taken a significant step towards soliciting our expansion efforts by acquiring a land adjacent to our Sandila plant. This strategic move not only provides us with the room for further growth, but also enhances our operational efficiency.

To update on our Hamirpur expansion projects, we wish to inform that the work on the first block is in progress, and we are expecting the initial production to be commissioned by end of this fiscal year, which will further fuel our future growth. All our capex plans are progressing as planned, and it will further strengthen the company's capacities and capabilities for coming years.

As we grow, our commitment towards bringing chemicals which can substitute and limit our dependence on imports remains steadfast. This is also one of the many initiatives that aligns with the 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 our valued customers, dedicated employees, trusted partners and committed shareholders as we embark on of 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 solution sector in India. We are fully dedicated to achieving this goal by evolving responsibly and with our strategic priorities. I once again thank you for your patience and wish you and your family a very Happy Deepawali. May this festival of light bring peace, harmony and prosperity in the world.

With this, I would like to pass on to Mr. S.P. Gupta to walk us through our Q2 and H1 FY24 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 conference call to discuss Q2 and H1 FY24 results. I will quickly walk through our financial performance.

Total revenue for Q2 FY24 was Rs. 206 crores as compared to Rs. 253 crores in Q2 FY23 due to decline in export sales. In Q2 FY24, we registered an EBITDA of Rs. 31 crores, a sequential growth of 19% with EBITDA margin of 15%.

The net profit for the quarter stood at Rs. 20 crores, with PAT margin of 9.5%. Some of the raw materials and finished goods price have reduced substantially. This has led to a stock revaluation as per accounting standard and impacted the gross profit and profitability to the tune of Rs. 22 crores during H1 FY24.

In Q2 FY24, our revenue from exports stood at Rs. 62 crores as compared to Rs. 122 crores in Q2 FY23 and domestic revenue stood at Rs. 140 crores as compared to Rs. 128 crores in Q2 FY23. Revenue from Technicals and formulation stood at Rs. 115 crores and Rs. 87 crores, respectively.

Demand environment in the international market remained bleak amidst high channel inventory and easing supply from China. We have spent Rs. 30 crores on Capex in first half of the year. Capex outflow of Rs. 50 crores have been planned for FY24 for IPL and Rs. 60 crores for Shalvis Specialties Limited, our wholly owned subsidiary.

I am glad to share that currently, we are in the initial planning stages of launching a new subsidiary that will operate under an asset-light business mode. The company will identify molecules, preparing dossiers, seeking registrations, marketing and distribution of Formulations and Technical mainly in overseas market.

India Pesticides Limited has a strong balance sheet with the 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 Q2 FY24 was Rs. 168 crores. We remain confident of continuing our growth trajectory while extending full support to our customer supply and valued stakeholder, wishing you and your family a very Happy and Prosperous Deepawali.

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

Moderator: The first question is from the line of Atul Dhandharia from Akone Healthy Foods India Private Limited.

Atul Dhandharia: My question is to our Chairman, Mr. Anand-ji. What are the growth plans with respect to coming 2-3 years? And as you mentioned that we are expecting our capacity to go double, so is there any timeline?

Anand Agarwal: One thing I can tell you that we can't give you as a particular at this moment, any concrete time frame, but our team, and we are quite hopeful that in coming 2-3 years, we are going to do wonders. I can say only one thing.

Moderator: The next question is from the line of Harsh Beria, who's an individual investor.

Harsh Beria: My first question is about our key molecule, Prosulfocarb. Sir, what's the inventory situation in our end markets like? And are we seeing incremental competition coming in this product?

SP Gupta: Well, we cannot give you a specific inventory for a particular product. But what is happening in the Herbicide you have name, there is a high level of inventory in user countries and destocking by MNCs are going on, so volumes are declined.

Harsh Beria: Okay. My second question is about our earlier comment on creating a new subsidiary, which will be if I understood correctly, it will be marketing company. Is that a correct understanding? Will this be a business model like Sharda Cropchem that we are planning to establish?

- Dheeraj Jain:** This new subsidiary, what we are planning because we are also working on that, but that will be concentrating more on registering the products in each of the countries abroad along with the Formulations. Presently, we are not registering our formulated products in the market. So that subsidiary will concentrate on that so that we can do B2B as well as B2C business. So we are inspired by Sharda Cropchem, but it will be on the similar lines.
- Harsh Beria:** So if I understand correctly, the manufacturing of Technical will be still done by us, and we'll be selling both to B2B and B2C customers the end formulations?
- Dheeraj Jain:** Sir presently, we are manufacturing a lot of products, but this company will not only focus on these products only, but they can also source it from outside because then the product basket would increase.
- Harsh Beria:** Okay. And sir, what's the reason for doing this? Because formulation registration is much more expensive process, especially if we are going into regulated markets like Europe or Latin America. What's the idea behind this?
- Dheeraj Jain:** If we register once, initially it takes a little more time, but if you register once, then the business is assured. Because anyhow whenever we want to sell, we've got to increase our overall portfolio and revenues, then we need to register and increase our product portfolio.
- Harsh Beria:** Okay, sir. And my next question is about our domestic Formulations business, which has been doing very well for us. Can you talk a little bit about the distribution network that we have set up in India, and our plans for this business?
- Dheeraj Jain:** Our Formulation business is growing every year, and we are increasing the number of distributors. Presently, we have almost about 5,000 distributors across pan-India and we are increasing our service in some of the states where we are not present. So like, we are trying to increase our presence across all the Indian states.
- Harsh Beria:** And do we also have our own 9(3) products in filing for Indian market?
- Dheeraj Jain:** 9(3) in the sense of what you mean by 9(3)? Because for our export molecules, we require 9(3) registrations. And for import, if you want to do a new product to import, that takes a lot of time, at least 4-5 years for data generation and registration.
- Harsh Beria:** Okay. So currently, we are not in-licensing new products for selling them in the formulation market in India.
- Dheeraj Jain:** No, presently, we are not doing that. We are looking at different opportunities because some of the products what we manufacture ourselves exclusively for export, they also have very good market possibilities in India. So we are trying to develop the data on these molecules so that we can start selling them in India also.
- Harsh Beria:** Okay, sir. And can you give just a brief commentary about what's the outlook in the Technical market globally? Are we seeing improved offtake by the market or is the situation really bad even now?

Dheeraj Jain: As Mr. Gupta has already told you, there has been an overstocking of the products during the last 2 years because there were serious problems in the container movement and COVID and geopolitical situations, so companies have bought more. And they are now destocking these products. So probably this will continue for another quarter or so or 2 quarters. Then I think it should get stabilized and normalized.

Overall, the consumption of agrochemicals have to increase. In the world, the agrochemical consumption is increasing by about 3% to 4% per annum, whereas in India, we are increasing by almost 8% to 10% per annum.

Harsh Beria: And sir, is there also a problem in end-market demand? So I understand that there is a lot of inventory in the channel, but is the end market or are the farmers picking up the products in similar lines since last year?

Dheeraj Jain: Yes, farmers are picking up sir, but because there's a lot of inventory that has to get consumed.

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

Karan Shah: I just wanted to understand where are we on the Hamirpur plant, like the product that we were planning to finalize the chemistry, we were planning to finalize? Have we processed anything for that?

Dheeraj Jain: Sir, at Hamirpur plant, we have already planned 1 molecule and the plant construction is in progress there. And as informed earlier also that we would be commissioning this plant in the last quarter of this financial year. And we would be building them as the block-wise structure would be there. So first block would be ready by this financial year. And then we will be working on other molecules also and the engineering is going on for other molecules. And first molecule, the chemistry, the plant is under erection now.

Karan Shah: Okay. And sir, lastly, the 2,000 metric tonnes that we plan to add which will come by FY24 end, would it be for similar category of products in which we are right now? Or again, new products will be introduced from there?

Dheeraj Jain: Here, we would be introducing 1 intermediate because in one product, we have backward integrated and 1 intermediate we will be producing and we would be increasing the capacity of one of our existing products.

Moderator: The next question is from the line of Harsh Beria, who's an individual investor.

Harsh Beria: My next question is about our product pipeline. So traditionally, we have been manufacturing very low-priced product, so something between \$2 to \$5 per kg. Incrementally, will we be doing these kinds of products? Or do you want to increase our realizations for products as we go into newer products, as we launch newer Technicals?

Dheeraj Jain: Well, the pricing is no bar for us, because we have products ranging from \$2-\$3 to \$100. So we have that complete range of products. In higher-priced molecules, the percentage margin slightly gets affected. That's what is our experience.

But we have a lot of molecules of the range at \$20, \$30, \$40, \$50 like that we have. And new products also, we are adding almost 1 new very small molecule, which we have recently added, which we are selling at almost \$120.

Harsh Beria: Sir, as you said, like in a higher-cost products or higher realization products, we make lower percentage margins. Why is this the case? Does the customer want us to have a constant margin per kg or something like that?

Dheeraj Jain: Sir, what happens, if we want to take a 20% margin on a price for \$60, it will be \$12. So \$12, they will say it is too much. The customers, the MNCs, when they calculate the cost of the raw material and the conversion costs and when they want the margin \$12, they feel like we are charging too much, that's what they feel, in general. But in a low-value product like \$5, then they don't question so much.

Harsh Beria: And sir, as we scale up, as we introduce newer products, how will we maintain our margins? Because like I understand your concern or how the customers say this, but like what do you think of the longer term? Like can we make 20-25% margins in our newer products?

S.P. Gupta: The products we are manufacturing in pipeline, so we are planning 20% EBITDA for our newer product also. Currently, the situation is difficult. So we are not able to achieve for this year. Otherwise, in next year onwards, our EBITDA expectation is between 20% to 22%.

Harsh Beria: And sir, earlier, I think we used to say that we try to make products where we maintain at least gross margins of 50%. Is it possible to continue with this run rate in our newer products?

S.P. Gupta: Now the margins have rationalized. Earlier supplies from China were very limited, so everybody was thinking we will be making such higher gross margins. So now we are targeting about gross margin in the range of 43% to 44% for next year.

Moderator: The next question is from the line of Siddharth Lakhanpal from Darsh Capital.

Siddharth Lakhanpal: I just wanted to know, in Q1, you had inventory losses of about Rs. 17 crores. And I think I missed your opening remarks. Have you had an additional Rs. 5 crores of losses in the inventory for this quarter?

S.P. Gupta: Yes. This quarter, we have inventory loss of around Rs. 6 crores.

Siddharth Lakhanpal: Okay. And how much has that brought our EBITDA margins down by?

S.P. Gupta: Rs. 22 crores inventory loss, we have taken on the sales of 400 crores, it is around 500 basis points EBITDA margin has declined.

Siddharth Lakhanpal: So do you foresee further inventory losses in the next quarters or H2?

S.P. Gupta: We have now the very small old inventory lying with us. So we do not see any inventory loss, except for 1% or 2%.

Siddharth Lakhanpal: So the EBITDA margin should come back to about 16% to 18% for the next 2 quarters, right?

- S.P. Gupta:** Yes.
- Moderator:** The next follow-up question is from the line of Mr. Harsh Beria.
- Harsh Beria:** My next question is about our domestic Formulation business. Can you talk about the unit economics of this business? Like what are the kind of margins which we are making in domestic formulation?
- S.P. Gupta:** Domestic formulation, our margins are slightly lower as compared to our Technicals margin. So they will be in the range of 15% to 18% EBITDA margin.
- Harsh Beria:** And sir, is it the same in export formulations as well in line with domestic formulations, the margins?
- S.P. Gupta:** We are exporting very negligible. So export market margins are higher, but volume, it's quite low.
- Harsh Beria:** And so for our existing products, where we have good capacities, are we planning to have more registrations in potential geographies? Or are these largely penetrated across geographies?
- Dheeraj Jain:** No, we are increasing our range of the registrations in the new regions also. We're expanding our portfolio as well as for the existing products, the new areas, registration work is already going on. We are identifying. We visit a lot of exhibitions and meet a lot of customers across the world.
- And we are trying to register our product in the unrepresented areas also and the work is already going on. Even for the new products, we are generating the data because what happens for registration, we have to generate the data first. So the data generation is also a part of the total technology development. So that also is taken care during the plant erection. And even for the new products, we are generating all the data required and to register our products at launch.
- Harsh Beria:** How big is our presence in Latin America market?
- Dheeraj Jain:** Latin America, we have presence in Brazil. We have through from 2-3 of our customers. We don't have our own registration because we don't have only a subsidiary company there, but we have got registrations of our products through our customers as well as new registrations are also in development in Brazil, and we are also present in Mexico. We are present in Uruguay, Paraguay, Peru, Colombia, Cuba and registration work still going on for some more products there.
- Harsh Beria:** Okay. And sir, what percentage of our business is coming from Latin America?
- Dheeraj Jain:** Latin America business contributes almost about 8% to 10% for our Technical sales. We know that it is a good promising area. We are working more on this. Recently, we have been to Brazil and we are trying to register ourselves there are a few more products.
- Moderator:** As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Dheeraj Jain:

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