



**“Insecticide (India) Limited
Q1 FY2020 Earnings Conference Call”**

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Moderator: Ladies and gentlemen good day and welcome to the Insecticides (India) Q1 FY2020 Earnings Conference Call hosted by Elara Securities Private Limited. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Pratik Tholiya from Elara Securities. Thank you and over to you Sir!

Pratik Tholiya: Thanks Aman. On behalf of Elara Securities, I would like to welcome all the participants who logged in to the conference call of Insecticides (India) to discuss the first quarter results. From the management team we have Mr. Rajesh Aggarwal, Managing Director of the company and Mr. Sandeep Aggarwal, CFO of the company. Thank you, management for giving us the opportunity to host this call. I would like to request Rajesh Ji to first begin with the opening remarks and then Sandeep Ji can just take us through the quarterly numbers, post which we will open the call for the Q&A. Thank you and over to you Rajesh Ji.

Rajesh Aggarwal: Thank you Pratik ji. I welcome all the analysts and the investors and all other stakeholders who have joined this call.

In Insecticides India, a innovation in R&D has been our key to success and we believe that when we keep on continuously supply new generation solutions to the farmer at the affordable prices that will keep us growing.

So first of all to start with, I would like to talk about the revenues in the first quarter. The topline has grown to Rs. 358 Crores, which is a growth of about 12.5%, EBITDA have grown to Rs. 63 Crores which is a jump of about 13.6%, the PAT is Rs. 36 Crores which is an increase of 6% due to increased taxes and some interest operations, but overall we are able to maintain our PAT margin of 10% above plus. So this season has been quite tough because it started a little late, there is a delay in this sowing system because of the delayed rainfalls, dry weather period in most part of the country and there were erratic rains with uneven distribution.

Even in this passive environment, we maintained profits through strong product portfolio and distribution network. I would say strong pipeline of customers due to their interest in pesticides and lot other factors are one of the big reasons for this.

The onset of monsoons started in the mid of July, which is a delay of about 15 to 20 days' time, but we see a very good recovery in the season as it has showered in most part of the country and sowing has begun in a big way.

I feel, this year again, there would be extension of the Kharif season, it should be in full swing in September and a part can also stretch towards October. Most of the crops of the Kharif season are delayed, particularly in Central and Southern India, so there will be extension in the season and we expect a good season particularly during the second quarter for the Kharif crops.

We have recently bagged a patent with our R&D activities for Aikido, which is on combination or a mixture product. This year if I talk about the new launches, yes there is delay in launches, we planned about 8 to 10 products, three products are launched in the month of June and there is one launch expected in July; and in August we are expecting three launches. There are other product launches which are lined up for the season and our focus on the R&D products and commercial products is going to continue.

I am very, very confident of upcoming season to meet our growth targets, what we have kept in line and I can say that minimum growth of 10% from the Kharif business can be expected from the season. The major contributors will be the new generation molecules that we have launched because if I talk about the freshness index the products which are launched in the last five-six years, we are expecting a minimum 8% to 10% growth from these products in the total business of the company. Another 5% to 6% growth from new products launched after April which are going to come in the company, this number is a little tone down because of the launch of some of the important pesticides and another 5% growth from the exports. So if I make this total you can say that we will be ending with about 20% growth, but we are not making any specific target, because 8% to 10% will come with the seasonal cycle impacts and also the tail cutting has started and we are cutting the sales of some generic products.

So as a final takeaway, I would say that innovation and R&D are going to be the key aspects of the company for future growth and the regular introductions of new products will be there from our R&D centers and also from our partners.

The new upcoming introductions will also get two products from Japan - one from Nissan another one from OAT Agrio Company, which are our Japanese partners. Our freshness index will continuously keep on soaring and will have many products which will have the capability for being the Navaratna segments and we will focusing on all-around growth of the company -the manufacturing, marketing, and development. One of the major thing of the two ideas we have in mind is we wanted to setup a TOU, we have finalized that we are going to set up this TOU in the SEZ area in Dahej, which will be a new site all together and this will be done up very fast, along with this we are also setting our target of expansion into technical plants which are in Chopanki and also in Gujarat. So the permissions are applied for and our plants are ready and hence once we get the permissions we will just start in three four months period.

Moderator: Mr. Aggarwal, I am sorry to interrupt but we cannot hear you very clearly, if you are using hand free, request you to use the handset because.

Rajesh Aggarwal: I think in hand I am not using hand free, sorry for that. So we are working to establish our reach to the farmer and bring the new generation solutions in their reach. With our pipeline of new generation molecules, I believe that we are ready to face this season and we are expect that whatever targets we have set for this season, we should be able to achieve that.

Thank you very much.

Moderator: Thank you. Shall we begin with the question and answer session.

Rajesh Aggarwal: Sandeep Ji would like to speak about the results.

Sandeep Aggarwal: Yes. The basic figures have already been discussed by Rajesh Ji. Let me give you some bifurcations also. As far as the sales by, insecticide-herbicide categories are concerned, in this quarter insecticide percentage was around 49%, herbicide percentage is around 44%, fungicide is 4% and PGR is 3%.

In the first quarter, the gross sales by B2B and B2C, 72% is B2C sales - means our brand sales, 26% are B2B sales and 2% are exports. For gross sales versus internal consumptions, the sales are of around 55% and internal consumption is 45%. Breakdown of top seller in B2C - Maharatna products is around 45% another product are 55% in this first quarter. So, now we can start the question and answer session.

Rajesh Aggarwal: I will have some points to add here actually, like the distribution of herbicides, insecticides and fungicides will change in a big way in the second quarter, because it was the beginning of the year, so in the first quarter the placements have been reasonable particularly for the herbicides and then also the sales of the Navaratna product is expected to pick up now because the rainfall has started and most of these products are used after the sowing season.

Moderator: Thank you. Shall we begin with the question and answer session.

Rajesh Aggarwal: Yes, please go ahead.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Anirudh Joshi from ICICI Securities. Please go ahead.

Anirudh Joshi: The line was not very clear, but can you just please repeat the target that you have indicated, the sales growth target for this year, I guess you have indicated 10%?

Rajesh Aggarwal: We plan our topline growth of about 10% with a better bottomline growth, this is going to come from three directions, one is the export business, the export business should contribute about 5% more to the total growth, this means that last year the total export business of Rs. 60 Crores, this year the target of doubling this export business, so additional Rs. 60 Crores will be the growth from the export business. From the new introductions of this year, we were keeping a target of Rs. 100 Crores in this year, but the new introductions got delayed and only 3 products are launched so far and a few others are in the queue. So, we have toned down the target to again Rs. 60 Crores, so about Rs. 50 to 60 Crores should come from these new products, which are the introductions of this year. Another Rs. 5 to 6 Crores, which we are expecting is for the launches in past five-six years which from the freshness index. So that way we can say that we are expecting a total growth of Rs. 200 Crores, but this will include the impacts which are going to

come from the delayed rainfall, delayed season and this also includes some of the products which are going to go, due to our tail cutting strategy. So we can say, we can keep of safe target of about 10% growth in the topline, with a better growth in the bottomline.

Anirudh Joshi: And generally you provide EBITDA margin expansion target as well, so any target there you would like to give for FY2020?

Rajesh Aggarwal: I would say that the EBITDA is going to improve in a better manner than the topline, because of the introduction of new products and our focus around the Navratnas and Maharatnas. So we will keep on working around these products within generation molecules and you will see the improvement. So we have been discussing about 150 basis points improvement year-on-year, and we are maintaining that target, though first quarter has been quite difficult but our second quarter performance will show what is the real percentage, which is going to come for the entire year.

Anirudh Joshi: Sir considering the agri stress, how do you see the working capital situation. So is there deterioration in June quarter working capital, compared to March quarter working capital in the debtor inventory?

Rajesh Aggarwal: Yes, from our perspective I do not see any challenges, but CFO can better light on working capital numbers, our collection targets are broadly achieved so far during these months and July collections also are achieved broadly.

Sandeep Aggarwal: Anirudh, as far as working capital is concerned though during the start of the year we were having quite huge inventories due to Thymet and Nuvan stock, by the end of this year we hope that the stocks will be reduced and there will be no pressure on debtors as stocks will be drastically reduced. So working capital will be lot better than previous year.

Rajesh Aggarwal: So broadly, if you want to hear the numbers, I can say that we should be able to reduce our inventories by about 100 Crores plus in the second quarter.

Sandeep Aggarwal: The inventory should reduce by 100-odd Crores?

Rajesh Aggarwal: Yes.

Anirudh Joshi: Sir, in terms of the new product launches I guess you have indicated 8 to 10 new product launches done in Q1. So can you elaborate which are the launches in insecticide space, herbicide and fungicide; can you please elaborate a bit more on that aspect .

Rajesh Aggarwal: Overall this number of the products are planned launch for this year actually. So we could so far launch only three in the month of June- one was the herbicide, second is fungicide and the third insecticide and in the month of July again we are expecting a few insecticides, herbicide and fungicide again and a PGR. So this will include two products from Japan, one from Nissan, another one from OAT, which are expected for the month of July and August.

- Anirudh Joshi:** So July we have already introduced these products?
- Rajesh Aggarwal:** One has come actually, July period is finished and one product has come in the month of July which is a fungicide again. So four products have already come, three are expected during the current month- in the month of August.
- Anirudh Joshi:** So this year we should have four plus three and then some products in H2, as well?
- Rajesh Aggarwal:** Yes, some products are still in pipeline even after these.
- Anirudh Joshi:** Sir last question, can you elaborate more on the patent, I mean, how much revenues that we see and what is the progress so far?
- Rajesh Aggarwal:** Lot of patents actually from our different R&D centers, like we will have various themes of R&D center, one is the new product discovery which is a JV, from the JV we have applied for almost 20 patents. If I talk about the R&D center, which is the new formulation development, we have applied for most about dozen present patents actually. So for patents, in India it takes a long time actually three, five, six years so we have been discussing with our advocates, that what will be the strategy to expedite these patents and we are working on that because as you know the challenges which comes from the patent reports, but I can say that we are working on lot many patented technologies and they can take shape of new products and we are going to apply the patents even faster in future.
- Anirudh Joshi:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ritesh Chheda from Lucky Investment Managers. Please go ahead.
- Ritesh Chheda:** Sir just some clarification, when you mentioned the B2C part, you basically mentioned the domestic formulation, right, and in which there would be Maharatna products. So I just wanted to know the size of the domestic formulations business in FY2019 and also in the Q1 FY2020 there was this Nuvan and Thimet price rise, has it translated into topline or it will incrementally translate into topline for Nuvan and Thimet?
- Rajesh Aggarwal:** The Nuvan and Thimet sales particularly Q1 has not grown, but in Q2 we will see that impact, if I talk about the total formulation business in FY2019, Sandeep will correct me, it will be roughly about 850-odd Crores and this year in Q1 it has grown a little, it has grown by almost I believe 15%, Sandeep Ji?
- Sandeep Aggarwal:** Yes, 14%, exact billing is around 278 Crores.
- Ritesh Chheda:** This will include your Maharatna product?
- Sandeep Aggarwal:** This will include everything, yes, this will include everything this is B2C.

- Ritesh Chheda:** So when you refer to Maharatna product, it would be 45% of this 750 or 770 Crores right?
- Rajesh Aggarwal:** Yes, we are missing two things actually, 850 Crores was last fiscal. So last fiscal, it would be more than 45% and this 44% or 55% is for quarter one.
- Ritesh Chheda:** So last fiscal, will be how much?
- Sandeep Aggarwal:** Last full year, it was around 52%.
- Ritesh Chheda:** Of the formulation, this is the Maharatna products?
- Rajesh Aggarwal:** Yes.
- Ritesh Chheda:** Secondly when you are guiding for 150 basis points margin expansion, the Nuvan and Thimet will drive a lot of these margin expansion, because Nuvan and Thimet prices would have gone up substantially?
- Rajesh Aggarwal:** I would say, yes, this will be also a part, but along with this actually our focus is on other Maharatna products, which is the freshness index the new products which we brought in last year. Last year we have launched five mixture products four are from our R&D center and one product is in a collaboration. So these five products are also going to show their impact and they are going to multiply their sales actually, so we are applying patent for all of these and we have bagged some patents out of this.
- Ritesh Chheda:** And what is your working capital position?
- Rajesh Aggarwal:** Sandeep ji should be able to explain, like I do not see any tightness, but yes Sandeep can give you the numbers.
- Sandeep Aggarwal:** Yes, there is no tightness as such, because last year before doing the stocking of these two products, we were almost done away with our debts, it was only 50- 60 Crores, but as of now we are utilizing our working capital, but there is no stress on the working capital.
- Ritesh Chheda:** So have we improved Q-o-Q or it is where it is?
- Sandeep Aggarwal:** We will improve by the end of second quarter.
- Ritesh Chheda:** So it has not improved so far in quarter one?
- Sandeep Aggarwal:** No it is improved, but it is not improved drastically.
- Rajesh Aggarwal:** The one major point, is like we have built up our inventory of about 200-odd Crores so that inventory is still there. So once I am able to reduce that inventory by 100-odd Crores then that will be visible.

- Ritesh Chheda:** And technical sales has it grown, has it not grown and what is the current status?
- Rajesh Aggarwal:** It has also grown in Q1, Sandeep please share the numbers.
- Sandeep Aggarwal:** Sir as far as B2B sales is concerned it is not grown, it is at around 992 lakhs against 1,076 lakhs means there is a degrowth of around 8% in B2B sales.
- Rajesh Aggarwal:** In Q1?
- Sandeep Aggarwal:** In Q1 only.
- Ritesh Chheda:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Parul Asudhani, an Individual Investor. Please go ahead.
- Parul Asudhani:** I just wanted to check that you have written you have shown in the investor presentation that the revenue growth was of 12.4%, was primarily driven by the sales of other branded products and Maharatna products would pickup from the next quarter, due to the onset of monsoon. So how much increase can be expected, by how much percentage will be there?
- Rajesh Aggarwal:** Your question is regarding the growth in the Maharatnas, second quarter is the major player of Maharatnas only, because we focus around the Maharatnas when the crop is sown, so in the initial months we have to sell whatever is the demand of the market, but now we will sell what we need. So I can say that the major growth from Maharatna is going to come in to Q2.
- Parul Asudhani:** And Sir I also wanted to check that you are launching 10 more products in the financial year 2020. So how many of them will be patented?
- Rajesh Aggarwal:** There are different types of patent, so I will have to check exactly. So broadly when say patented, it will be expect to be patented new procedural. One is the Japanese product which is not patented and lost its patent and after this there will be at least two products which we have applied for patents and after these two, yes, only two will be the patented products and which are launched into this year from our R&D and two Japanese products that you can say broadly one is patented, one is not patented, so four will be the flagship products. The three products which we are getting to enter into the market, one will be our Japanese product again and two will be from reverse engineering which we are given for the first and these will be 9(3) registrations, but not patent.
- Parul Asudhani:** And Sir one more question, the Maharatna product Aikido has received patent. So how much growth can we see from that?
- Rajesh Aggarwal:** We will be focusing a lot on this actually as this gives growth into the market place also, last year like when we launched the four mixture products that has contributed about 70 Crores, this year

the target will be to cross 100 Crores. Aikido is also the part of that four product range, I have not divided the target on product-to-product basis but at least if we take three of these 15 to 30 Crores last year and we can touch above 30 Crores in this fiscal.

Parul Asudhani: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Varshit Shah from Emkay Global. Please go ahead.

Varshit Shah: Sir just wanted to know, first of all, just from all data point actually my line was not clear. So on the breakup of technical and you had mentioned about internal sales, internal consumption also within technical. So I missed that number because of the unclear line.

Sandeep Aggarwal: Yes, clarification of inhouse consumption and internal sales is required?

Varshit Shah: Yes.

Sandeep Aggarwal: The internal consumption is 55% and sales is 45%.

Varshit Shah: And Sir now coming to the question so you mentioned earlier on the call, that you have seen a lot of pickup in Q2 because the rainfall also has covered significant ground, which are the pockets within our markets you are seeing still has a lot to catch up and we still have run the risk of cost slippages from here on. I mean any particular markets you want to highlight and or any particular product category you want to highlight?

Rajesh Aggarwal: Please come back with our question again actually I did not get this actually.

Varshit Shah: Sure. Rajesh Ji in the opening remark had mentioned that there is some pickup in Q2 because of rainfall covering coming up. So is there still any area, any particular market where the pickup is yet to come or largely things are improving across the board?

Rajesh Aggarwal: It is improving across the board now, because like if I talk about one month back, the situation was very, very bad even Punjab, Haryana, Rajasthan, Gujarat and the Maharashtra, Andhra, Telangana, Karnataka, Tamil Nadu - all these states were suffered badly but today, yes there is some suffering in Gujarat, very little suffering Maharashtra and Karnataka and also Tamil Nadu but in most other parts experience has been reasonably good and in certain areas rain have already started ,in some parts of Gujarat, in particularly it has rained very rigorously South Gujarat. So now we have to see the impact. So far it has been very good and the expectation is good for this season. So there is no negative remark there.

Varshit Shah: And Sir just a little out of context question. So I think there is some media rumors about zero budget farming and government also looking to give some thrust and recently Azim Premji Trust also donated 100 Crores for research around this to the Andhra Pradesh Government. Any thoughts you have, are you also evaluating what is going out there?

Rajesh Aggarwal:

We have a different strategy actually, one I talk about the world market, this world is of \$55 to \$60 billion of pesticide market and we have just \$3 million, which is less than 5% of the total market and we are serving 17% of world's population. So I mean to say the consumption of agro chemicals is very little in comparison to the world. The new generation products which are entering into our market they are much, much friendlier not only to our market, I would say, big change in the old generic molecules ultimately have to go and agro chemicals which are much more successful they are going to come into the future and due to the continuous change and that is one of the reasons that we are focusing around our R&D and our partnership so much and I am trying to bring the new technology to light because I know, if I continuing with the old products and other competitor will wake up and start enabling the new technologies and then one day might come when we are out of business. So I am trying to train my team and also my network in a fashion, so that they can adopt the changes very fast and can introduce new products and we are trying to become popular among the farmer as the company which sells the leading brand and also the new technology products and bring them in to their reach. So again I have two type of answers to your question, one I have given, the another is like how do you take care of yourself, like today Baba Ji is very popular, many people do yoga, government is making so many thoughts, people go for morning work that does not mean there is a farmer sales are going to decline, see if there is a fever, if there is a immediate impact or anything serious he will rush to a doctor, so farmers did not want sales go down and in the same fashion like you want something so and so, we are showing you where you are becoming more and more aware, you are using high breed seeds, your cost of cultivation is going up, then the cost of protection has to go up. I mean to say there is no threat to Insecticides market actually or a herbicide market because manpower cost is going up, here investment in agriculture is going up, water, electricity everything is becoming costly and fertilizer also is on a verge of becoming costly. So when all the input costs are going up, so you are seeing that cost to protect your crop is also going up. So I do not see any threat and at the same time like the way it is yoga in your life there are biological solutions also available and start working with it and we propagate that we run one R&D center which is around biological products and signed various patents out of this R&D side also and I believe that if you can reduce the basis of execution time and not use it till you need it, I mean to say you will increase the productivity of your plant. In pesticides you still be delayed to an extent, so that we leave the earth better than what we got instead of spoiling it. So I do not see any threat to agrochemicals actually all these plants are good actually, but even the western world, the developed countries their usage of chemicals and agro chemicals is much more than India actually. So I do not see anything of a threat.

Varshit Shah:

I think this is really helpful and I am sure I mean the way you are building the new product pipeline should evolve with time. So all the best on that and thanks.

Moderator:

Thank you. The next question is from the line of Levin Shah from Value Quest. Please go ahead.

Levin Shah:

Sir, my first question is on the exports front. So like you said in the first quarter it was around 2%, which is around 7-odd Crores and we are targeting 120 Crores, so the balance over next three quarters we are looking at around 100 to 110 Crores, is that understanding right?

- Rajesh Aggarwal:** Yes, yes your understanding is absolutely correct, because we have to achieve what we have planned. But we will get this divided into the three quarters in full year.
- Levin Shah:** And this growth would be driven by the new geographies or new products that we are going to launch?
- Rajesh Aggarwal:** Both actually, because we are working on registrations we have signed with more than 100 partners so far and we have signed for about 700, 800 registrations across the world, so as we are bagging more and more registrations, the sales are going to increase. So we are working around the exports market about four years back, there we decided to achieve the patents for certain formulations and technicals. And we are investing continuously in our partnerships and also improve data generation. So continuously I see that we are going to get the increase in our registrations of our overseas and that is going to pay for us.
- Levin Shah:** Sir and on this two products Thimet and Nuvan, so like you said that Q1 there was no growth and we as we understand we have around 200 Crores of inventory built for this two products. So is that, that over next....
- Rajesh Aggarwal:** Simple reply. my sale of Thimet and Nuvan put together will be more than 200 Crores in this fiscal and I will carry some inventory for the next year also, I think that should satisfy you.
- Levin Shah:** So this year we will be selling more than 200 Crores?
- Rajesh Aggarwal:** Yes.
- Levin Shah:** And what was the number Sir last year?
- Rajesh Aggarwal:** Last year Sandeep Ji would be able to answer, I think across 200 Crores I believe Sandeep ji.
- Sandeep Aggarwal:** Sir it will be around 170, 175 Crores.
- Levin Shah:** So 170, 175 and we will be crossing 200 this year and for next year as well will we carry some inventory for next year FY2021 as well?
- Rajesh Aggarwal:** There will be an inventory, but next year might be having 100 Crores actually.
- Levin Shah:** How much Sir?
- Rajesh Aggarwal:** Plus or minus 100 Crores.
- Levin Shah:** So this 100 Crores would be the difference to take forward next year versus this year, right?
- Rajesh Aggarwal:** Between, yes, you can say 100 Crores will be the deficit which will be coming up for these, so we are focusing a lot on the new products like. In the past six years we have launched on an average 5 products every year and from this year the target is to launch 10 products every year

and we are focusing a lot on this and our new generation products actually, which are coming out of the reverse engineering. So we will have many big products to be launched from now. So the queue is very, very strong and we are trying to strengthen our network and to help them these type of focus and also what deal so their focus is only on I know the challenge but still I believe that we should be able to continue as we have been working for last three, four years we should be able to register similar type of growth in time to come also, the Nuvan, Thymet have contribute in at the least, whatever is the situation but our performance should keep continuously showing the positive improvement.

Levin Shah: Sir and just one last thing on this so Thymet and Nuvan, how much has the prices gone up if we compare them to last year.

Rajesh Aggarwal: Again, difficult to answer, because these prices have been going up from last seven, eight months and there was some impact in last year also, but broadly you can say that we have jump of about 40% to 50% in prices, but cost has also gone up.

Levin Shah: 40% to 50% prices have gone up is what you are trying to say Sir?

Rajesh Aggarwal: Yes.

Levin Shah: Thanks a lot and all the best.

Moderator: Thank you. The next question is from Prashant Biyani from Prabhudas Lilladher. Please go ahead.

Prashant Biyani: Sir this product freshness index, if you see the new products that we had launched in FY2013, though the revenue from those products have gone from strength-to-strength and now it is around 192-odd Crores. But whatever products we launched FY2014 onwards, there the revenue from those products are kind of flattened. If you see FY2014, the revenues each year is around 60 to 70-odd Crores, products we launched in FY2015 it is around 30 odd Crores, again similar thing for FY2016 and beyond. So two questions, one what would be the strategy or what are we doing to come out with some blockbuster products that can aid revenue for the next five, seven years for us or even at least three, four years, because the product cycle has...

Rajesh Aggarwal: No, no, your question and your concern is correct, like if you see in FY2013 we collaborated in Nissan and our two products from Nissan came in, which are mainly Pulsar and Hakama, next year from now onwards, there will be at least three to four launches from Nissan. So Nissan or Japanese products are exclusive products, which can generate lot of market, along with this if I talk about last year, I had four mixture products which has come from our own R&D. So these four products have contributed 70 Crores and this year they are going to jointly contribute around 100 Crores, so I think I should need to get this recorded because products which were introduced in this last fiscal are going to show 100 Crores plus in this fiscal and we have started getting patent on these products. So since it takes longer time there are some problem, but it still like one product has come in and the second product is at list and the product which is going to come

from Nissan next year, we have already get the patents of that. So we are focusing and we are very, very confident that we have bigger products now to come. So all launches that you do are not equally successful, but, yes we are trying to launch big products because we know when the super stars are going out we have to build up these new stars which are familiar for the future.

- Prashant Biyani:** Sir in FY2020 and 2021 how many products will be there from Nissan or the Japanese players?
- Rajesh Aggarwal:** I think say like in this fiscal there will be at least two products from Nissan and OAT, next year there will be about four products from Nissan, at least.
- Prashant Biyani:** And Sir what is the criteria for this internally to place any products in Maharatna or outside of Maharatna?
- Rajesh Aggarwal:** Like it is something that has a potential to cross 40 to 50 Crores and contribute a good profit margin to us then we take it to Maharatna, so essentially it should have a potential.
- Prashant Biyani:** But we can take out any product any year or once the product is placed in Maharatna then it is there for three, four years?
- Rajesh Aggarwal:** It is a continuous improvement actually and if we probably feel that the product should be taken out then we take it out, there is no set rules that we have to continue with something because I believe sometime that I may require plant but not more product.
- Prashant Biyani:** Thank you Sir that is it from my side.
- Moderator:** Thank you. The next question is from Rohan from Edelweiss Securities. Please go ahead.
- Rohan:** Sir one first question on this your freshness index only. So you have roughly done 535 Crores revenue from the product, which you have launched after 2013 and you mentioned roughly last year close to 100 Crores was done from the Thymet and Nuvan, I think even if it is more light in FY2019?
- Rajesh Aggarwal:** No Thymet, Nuvan will be 175 Crores last year.
- Rohan:** The 170 and 535, so we have roughly Rs.700 Crores coming from new products Thymet, Nuvan.
- Sandeep Aggarwal:** Nuvan was included in 2013.
- Rajesh Aggarwal:** Yes, Nuvan was included in 2013.
- Sandeep Aggarwal:** Yes.
- Rohan:** So for FY2013 the 44 Crores revenue which has reached to almost 192 Crores is mainly driven by Nuvan and Thimet?

- Rajesh Aggarwal:** The Thimet was not there... It is only Nuvan.
- Rohan:** So your freshness index which has gone up from 44 Crores to 192 Crores is mainly driven by Nuvan?
- Sandeep Aggarwal:** It is mainly driven by Nuvan, Pulsar and Hakama.
- Rajesh Aggarwal:** The pulsar is a very big brand and the Hakama is also big reasonably.
- Rohan:** And can you also provide that what was the technical revenues in FY2019 - B2B?
- Sandeep Aggarwal:** Total?
- Rohan:** Yes, for the year.
- Rajesh Aggarwal:** Sandeep ji, you can give the exact number, roughly about 300 that will be gross in my account and Sandeep if you could give the exact figure.
- Rohan:** So my entire point was that almost roughly Rs.800 Crores domestic sales which we have done in FY2019 it was either plus Thimet plus, Nuvan and plus new product so definitely Nuvan is a part of 525 so I assume roughly 100 Crores from Thimet, so we have roughly Rs.650 Crores revenues only coming out of Rs.800 Crores coming from these products. So we have a product basket of more than roughly 80 to 90 products and cumulative put together these products roughly 30 products are driving your almost 80% of the revenues, being Insecticide such an old company and from 2000 onwards we have such a strong distribution, but if you look at the product profile it looks like that our company is completely new and just came in that distance of FY2013 only in terms of product basket. So how you define this complete change in a product basket and of course I think about now launching almost 10 products every year.
- Rajesh Aggarwal:** Yes, I would tell you the truth. The truth is today I never like to mention about any company at any time, but I like to mention two key highlights, over time brands dispatch themselves as a leading player in the market. I have a strong reach, a very good network who are working with my family for generations together. So now what is the succession I and going to give to them and what is the succession they are going to give to their finally. So that is something which I am talking about and I am surely shifting them from the older generation products to new generation products because I believe there is tough competition with the generic molecules and they are still not work in the market. When I am introducing the new technologies I am able to establish these technologies on our strength into the market and we have proved in last seven, eight years that we have the resources to establish these technologies and get in the brand leaders out of them to make them the leader into the market and that is the true focus. You will continually see this change coming in the company and slowly my vision is that I will move out of all the generic solutions and try to bring the new generation products for everything, my strength has been in the product range and it will continue but at the same time wherever I am able to bring the new generation solutions for any diseases or pest infestation I will bring in a new solution and slowly

withdraw the older ones, so I do not want to get the margin affected and whatever was my strength I am going with that but I will have these new solutions in my basket for everything but yes the older products have to go because if I continue with the older products I am not able to meet out the margin target, the profit target and also the succession for the products because I have to ensure that whatever growth I am having today it should continue for a longer period, so I believe it is going to continue only with the new technologies.

Rohan: So it will be fair to assume in next two years probably you are talking about already 10 products launching, I mean once again every year now. So over next two to three years you will hardly have any old product continuing and the 50 to 60 products which you will have in your basket they will be all new products and then what can be the margin or what is likely margins on that?

Rajesh Aggarwal: I mean to say 100 to 150 basis points is what we will keep on improving in our bottomline and is going to continue now and yes some important products are also going to go like Thimet and Nuvan, so very difficult to multiply the bottomline but since we are regularly introducing the new technology, we will keep on seeing good profit margins actually and at par with the top companies which are working with the industry. So we would be able to lead that pack and of course since we will regularly introduce the new technologies, so I see a good future for Insecticides India, our network and also for our farmers.

Rohan: Thanks Sir that is helpful and Sir second question on your capex you mentioned roughly putting only Rs.100 Crores you will spend in next two, to three years. Is that the only capex or some more capex you have back in your mind?

Rajesh Aggarwal: What has happened, is our expansion is getting delayed, so like this year we are setting up a SEZ plant and that expansion is not big actually, 10 to 15 Crores maximum and again our two expansions are technical plants in Rajasthan and Gujarat, it may vary from 100 Crores to 150 Crores, but now it is going to get distributed in two years, so we will not have a impact that a big expansion is coming and we will try to keep it as minimum as possible. So let us see, if we are able to obtain 100 Crores or plus, I f I talk about FY2019 then we should be able to manage within our maintenance capex of 20 to 25 Crores which will include setting up SEZ plant ,so that turns out to be true then yes within 100 Crores we should be able to do the expansion, let us see how it turns out finally.

Rohan: So even being optimist, capex over next three years is unlikely to cross 200 Crores, including even maintenance capex.

Rajesh Aggarwal: Yes, that is right.

Rohan: And with the current run rate, we are probably going to generate much higher cash flows, free cash flows than that. Any plan you see that where this money is going to be spend.

Rajesh Aggarwal: Not planned so far actually, so if we make good money, then we have to see how to use it.

- Rohan:** Rajesh Ji thanks, thank you so much for answering my questions.
- Moderator:** Thank you. The next question is from Viraj Kacharia from Securities Investment Management. Please go ahead.
- Viraj Kacharia:** Thanks for the opportunity, I just had one clarification. On capex, we will be also planning to do some backward integration and so just wanted to understand does it is also included in the 200 Crores or that would be additional capex?
- Rajesh Aggarwal:** Actually at this time it is included, like in next three years from now, we are not going to cross 200 Crores of the total investment with the business for plant expansion, because what I believe is infrastructure is well set, so with lower investments also I should be able to do bigger expansions, because the basic infrastructure is there which I made in past few years. So I should be able to manage.
- Viraj Kacharia:** Sir in this backward integration which we are planning to do, what will be the status of that?
- Rajesh Aggarwal:** Again we are waiting for the approvals, and these also include the approvals for the backward integration, so something's which can be done in three, four, five years later that part we have started, I am not discussing that today but yes in course of time we will explain that what we have done. So we have done certain improvements at certain places already and many are in process.
- Viraj Kacharia:** So once we get the approval from environmental clearance, how much time typically it would take for us to commission?
- Rajesh Aggarwal:** It again varies actually, it can be from one to two years' time. So something's will happen immediately, something's will take a little longer time. So some portions of the plant we will try to start within next six to nine months.
- Viraj Kacharia:** So it will take at a slightly longer-term say five years or seven years that kind of a horizon, incrementally we would be seeing more and more backward integration investments by us or how should we understand this?
- Rajesh Aggarwal:** Actually it will be a combination, because our vision is that we will keep on introducing new products whatever is getting off-patent into the country we will bring those products, so first step will be to bring the new technology and wherever we have established our selves well in those technology, or wherever we find the gaps in the international markets, we will do those products from the beginning. So certain products we have already identified where we use to do the complete import substitution, so we are focusing around that and then we also see a CRAMS opportunity hitting India now this CRAMS opportunity, because till now China was the leader so far and they were only source for the entire world. Now people are looking at India as a new supplier source, so here also I see some opportunities and there are various steps in progress and I believe that to have some pleasant surprises during this fiscal and the next fiscal in this direction.

Viraj Kacharia: That is all from my side thank you very much.

Moderator: Thank you. The next question is from Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir my question relates to R&D, can you give some more features about our R&D as to what has been the spend on R&D as % of revenue, what is the team size, what are the chemistry that we are looking at and just now you discussed about CRAMS opportunity, so what is the area that we are trying to look at?

Rajesh Aggarwal: I talk openly about R&D and follows business themes - like there are four major things around which our different R&D center works at different locations and most of my R&D centers are located within the plant locations, which keeps a better flow. I do not like divide myself into R&D for everything they do, but still like I would like to explain. The first thing in R&D I do is formulation development, where we develop new types of new generation formulations. Sometimes we do mixture products or combination products, the idea is bringing a new back-ended formulations is much easier actually and it is easy to enter the market also, because people improve the products. So, it is easy to establish the market, but it may have the additional usages but little difficult, as far as you see it is easy to establish so we focus a lot on this. Second part is the reverse engineering, lot of products are protected into the country but still they are a monopoly, since there is a monopoly, these are not available at competitive prices to the farmer, so we are trying to bring these technologies in to India in the faster fashions so that every farmer is able to access these technologies and make them available to all the famers. Our third R&D initiatives is around the Biological type products, so this is a separate R&D which is focusing around the biological type products, getting with the new product discovery, so they are four different R&D centers, which we run at five different locations and most of the locations are within our plant, so we hope that budget is low but the CFO can highlight what is next, but I can see that it is better and increase year-on-year actually, because now with data generations that most of R&D initiatives are doing, a lot of new product are also coming. Sandeep Ji if you can elaborate further on this.

Sandeep Aggarwal: Yes, as far as our R&D expenses are concerned, the major part is our JV expenses and the salary part of the scientist, so the total expenses around 0.7% of the total sales, which is going to increase as we are expanding much more on data generation and all that, as per the income tax we cannot treat them as our R&D expenses, that is why the spend which you are saying in the balance sheet is on the lower side.

Rohit Nagraj: And what is the current strength you said 16 scientists and probably there will be staff which will be now part of R&D or associate with it?

Rajesh Aggarwal: 30, 35 people in the R&D space.

Rohit Nagraj: Sir and on the CRAMS opportunity what are the areas that we are seeing enquiries coming in and how can we capitalize on it and how is the confidence that we have?

- Rajesh Aggarwal:** There are two, three types of enquires like we are working on tower centering, so the investor companies and other multinational companies see the opportunities with us as we are able to make these products at competitive prices and they are interested not only for their domestic market for the international markets also. So we are very, very keen to sign with these companies, along with this I also see the opportunity with our Japanese companies and we are tapping on that opportunity, so we are trying to work with certain Japanese companies as we are showing them our capabilities so that we are accepted as the partners. So I believe that something is going to start in this year actually and then we typically start our supplies with it.
- Rohit Nagraj:** Thank you so much Sir that is very helpful and best of luck.
- Moderator:** Thank you. The next question is from the line of Bharat Gupta from Edelweiss Securities. Please go ahead.
- Bharat Gupta:** Sir we are hearing a lot of optimism you are talking about in terms of CRAMS space and all but unfortunately it is not flowing through your capex guidance also, so if you can just give us some sense that in your existing facility how much is the revenue potential is there, even if you can invest some Rs.150 to.200 Crores how much revenue potential is there and are we not tapping on this CRAMS opportunity very significantly or very aggressively while you are talking that there is a huge growth opportunity. So our guidance would be more on the capex that is what I believe is missing, so I just want to understand that and why so?
- Rajesh Aggarwal:** I am going reasonable in the capex, as I signed more contracts yes there is a opportunity I will increase the capex but I do not want to just put the capex and wait for the opportunity, that is the idea so I am not very aggressive in capex terms and I believe that I have set up the plants already, actually there are seven- five formulations and two technical and for both the technical sides, I am already going for the expansion which is a Brownfield expansion and there are other site creating for TOU, there we are going to do the formulations only, but still like there are lot of expansions lined up but I want to go reasonably in our endeavor to create the results and then go for new expansions actually. So I believe that 200 Crores expansion budget is good enough for two to three years actually and it should have the capability to double ourselves, like it should be capital for taking us to 2,000 to 2,500 Crores, that is my belief over the time.
- Bharat Gupta:** So with the incremental 200 Crores further capex we can easily achieve Rs.2,000 to Rs.2,500 Crores turnover?
- Rajesh Aggarwal:** Yes.
- Bharat Gupta:** That includes both domestic and technical's, both?
- Rajesh Aggarwal:** Yes, it includes everything, the total business of the company.
- Bharat Gupta:** So Sir with that gross block, would be even crossing roughly I think some 600 to 750 Crores right?

- Rajesh Aggarwal:** Yes. I will hand over to our CFO.
- Sandeep Aggarwal:** Yes, definitely, you are right.
- Bharat Gupta:** So Sir with that I mean you are guiding some four times to five-time asset turn can be clocked, in our business model?
- Sandeep Aggarwal:** Yes.
- Bharat Gupta:** Sandeep Ji if you can just spend a little bit more time on that because we see that other companies do not clock this kind of asset turn, so is this something which we are doing differently because general in our industry asset turn does not cross more than 2 to 2.5x. So almost we are double than the industry standard, so if you can just share a little bit how we are going to achieve that and with that kind of numbers, I am sure that our ROC will be on a much higher side, so a little bit more if you can just explain.
- Rajesh Aggarwal:** Before Sandeep Ji, I would like to add actually again that new generation chemistries will be responsible for that and we will backward integrate only in the areas where we see that it is going to give us the strength and increase the margins and the strength of our company. So we will do the backward integration as detailed and we will then bring the new generation technologies in two or three step process as we bagged the registrations, so lot of registrations are lined up for next five years I am expecting not less than 20 registrations of reverse engineering that should come to us and we are delayed because the process in our country is going slow getting, but we are developing these products into our R&D and there are useful number of formulations also which are under the development and there are lot of products from Japan also, so you can expect that my product pipeline is very, very strong for next five years actually and I am very confident that there will be products out of these, which can be the blockbusters and do good in market.
- Bharat Gupta:** Thats very helpful Sir and when you mentioned that you are spending or doing on capex as soon as in line when you get orders from your customer, so this is what I mean the long-term supply of the technical's which we have already started supplying to some global players, because I understand that as of now the technical's revenue which we are doing is all going to domestic market only. So have you got any long-term contract arrangement for manufacturing of any intermediate or technical for any global customer and have you put any capex with related to that.
- Rajesh Aggarwal:** We are on the verge of that actually, so, I think that in this fiscal there should be an announcement as we go ahead, it will be little early to say anything today.
- Bharat Gupta:** Great Sir. All the best for our future programs and really thankful for answering the questions. Thank you.
- Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to Mr. Pratik Tholiya for closing comments.

- Pratik Tholiya:** Thanks. On behalf of Elara Securities, I would like to thank the participants for logging into the call, also thanks to the management for giving us this opportunity. Sir would you like to make any closing comments?
- Rajesh Aggarwal:** I would thank everybody for bearing with us for such a long time and very, very productive questions were asked today. Thanks for taking interest in Insecticides India and we are poised to grow with our new pipeline and strong product portfolio. Thank you very much.
- Pratik Tholiya:** Thank you so much Sir.
- Moderator:** Thank you very much. On behalf of Elara Securities that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.