



**“Insecticide (India) Limited  
Q4 FY2019 Results Conference Call”**

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**Moderator:** Good day, Ladies and gentlemen, welcome to the Q4 FY2019 Results Call of Insecticides, hosted by Emkay Global Financial Services. We have with us today from the management Mr. Rajesh Aggarwal, Managing Director and Mr. Sandeep Aggarwal, Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amar Mourya of Emkay Global. Thank you and over to Sir!

**Amar Mourya:** Good evening everyone, I would like to welcome the management and thank them for giving us this opportunity. I would now hand over the call to the management for opening remarks. Over to you gentleman Sir!

**Rajesh Aggarwal:** Thank you very much. I welcome all the participants to our conference call. I am very, very thankful for sparing your time.

We have been working for all round development and despite a subdued quarter, our performance is very good, I believe, in this quarter and we have delivered on what we had planned for entire year. The revenue has grown, the PAT margins and the EBITDA margins have also grown reasonably. I believe that there are very much in line to the target we have set for the entire year and this last quarter though it was subdued for the peers, but it has been reasonably well for us because of the introduction of the new products regularly and our approach to launch innovative products on regular basis and this has supported in all round development.

First of all, I would like to talk about the revenues which we have generated in the full year, so as can see it is Rs.1192 Crores, which is a 11% growth over the previous years and if we look at EBITDA margins, it has also grown by 25%, which means that the bottom-line is growing better than the topline and you can see that the total number for EBITDA margin is Rs.186 Crores.

The PAT has also shown a substantial growth to about Rs.122 Crores, which is 46% higher than the previous year and there has been a small contribution which has come from the revision of income tax statement of last year, where we have got an advantage of about Rs.12 Crores, which has reduced the tax burden on the company in the current year.

The results of this quarter have also been very interesting. We have posted a growth of 18% in this quarter in revenue from operation to Rs.199 Crores and EBITDA has also shown a substantial growth by 55% to Rs.30 Crores. So I can say that the mission which we had

started four to five years back is showing results, where we are focusing on all round growth of the company, particularly on R&D, manufacturing and also on bringing new projects through partnerships. I would say that we are in industry, where it is believed that our consumer is very, very weak and he does not accept the new brands, but we have found a change in these recent years, where farmers are showing good acceptance of new products, we have seen return on investment out of it and we have successfully launched various innovative products in the previous years and all products are working wonderfully and I can say that they are the reasons for our growth in these tough times.

We are focusing particularly on 9(3) registrations, which means that we are bringing many new products, and these are beneficial, for the first time in the country. So I can say that we have been very successfully on our mission of introducing these technologies and they are supporting us in improving our margins at EBITDA level as well as PAT levels, In the previous year 8 new products are introduced in the year, which are contributed to about Rs.70 Crores in our topline and of course a very good contribution in the bottom line and if I talk about the current year, again we are planning to launch about 8 to 10 products in the current year, because some of the registrations are awaited and there are several launches which we are expecting to complete in the month of June, so they will be available for the Kharif season and there will be few other launches which should be coming in in the month of July and August, as we bag these registrations.

In the case of dividend, we have planned 20% dividend, because we have built up an inventory that would have us seen the benefit, we have built up a lot of inventory because of the tricky market conditions and there was some pressure on some of our molecules which we were in phasing out, so looking at the market conditions and the opportunity, we have built up some stocks and I believes that these stocks would be liquidated in this current fiscal and some stocks will get carry forward to the next year also, but we should start showing the benefit of these stocks what we have built up from the first quarter of this year itself, because I see a very encouraging response from the market for the new products as well as for the stocks we have built for the previous products.

So, I can say that we have shown a very good track record of new launches, in this past five to six years. In our presentation, you should have seen the freshness index, where we have shown the results from the new products, what we have launched in the past six years. You will see that the entire growth is coming from these new technologies that we put in place, I can say that slowly we are moving out of the generic segment and establishing ourselves as a leading player in the new segments, because I believe that our Tractor brand has been very popular among the farmers due to, number one as the supplier of their leading products, number two, bringing the new technology to the farmer, at the competitive prices. We bring

these technologies through our R&D Centre and also through our Japanese partner, but the major focus is that we continuously keep on bringing the new products every year and we will focus on these engines, because I believe that these are my engines which are running the entire train, we especially focus on these new products and prior to bring them into the Maharatna segment. I particularly thank my partners- Nissan, OAT, and also Nichino with whom we are bringing the new technologies and especially, Nissan, with whom we are going to make one launch in Lucknow tomorrow.

Going forward, I can say that our mission of bringing these innovative products through our R&D and with our Japanese partner is going to continue in a big way, we are not working for the topline, but still we are targeting a topline growth of about 10%, depending on the seasonal conditions, though the monsoon now is looking good actually and I am quite hopeful that we should show a growth of about 10% in this present fiscal, with a better growth in the bottom line because of the mission which we have taken that 150 basis points improvement, every year. We have been achieving that from the last four years or rather in some years we are better than expected and I believe that we will continue with the same strategy and we should be able to post that type of growth because we are taking these risks and we are bringing the new technologies to the market and we are getting a very good response.

I can say that IIL has a very strong pipeline of products for future and the products which we have launched in the recent past, they are also gaining more popularity and the products which we have launched in the previous year, we should be able to double them in the current fiscal, some of those products will be showing the positive growth. So the entire growth strategy is built around the introduction of new molecules, though market is showing little changes, the international markets are showing little tough situation, but I believe that by doing the backward integration, by introducing some more technical, we are very well positioned to face all the situations and all the challenges, which are coming from this international market and we have consistently delivered what I have always committed to the market and I believe that we will continue to give very good returns to our investors.

With this I thank you very much and also, I would like to hand over the line to our CFO, Sandeep Aggarwal to say a few words.

**Sandeep Aggarwal:**

Thank you Sir. Good afternoon to everyone. Though the crux has been already been discussed by Rajesh Ji with you, let me tell you something about the segment reporting information also.

As far as the B2C sales are concerned, the sales of the company has grown from Rs.795 Crores to Rs.866 Crores, a rise at 9% and B2B sales which has been from Rs.356 Crores to Rs.408 Crores, with the rise of around 15%. In exports, the rise is around 76%, means from Rs.34 Crores this year, we have achieved Rs.60 Crores. As far as the sales in Maharatna category is concerned, there is a rise of 22% in the Maharatna category. The sales of Rs.374 Crores have gone up to Rs.455 Crores in Maharatna category.

As far as category wise sales is concerned, the insecticides contribution is around 55%, herbicides contribution is around 29%, fungicides contribution is around 11% and PGR and biological they are around 5%. As far as B2B and B2C sales are concerned, 65% sales are from B2C, 31% are from B2B and 4% are from exports. Breakdown of the selling products- Maharatna category is around 53% and other products are 47%. As far as growth sales versus internal consumption are concerned, the sales are around 55% and in-house consumption is around 45%. As far as the key ratios are concerned, if you see the growth in the EBITDA non-equity ratios the company's return on equity has grown from 9.8% to 18.5% from FY2016 to FY2019 and return on capital has grown up from 12.5% to 17.4% in the same period of four years.

The debt to equity ratio is around 0.4x, which has grown up from 0.2x last year due to higher usage of working capital limits. If you see the financial trends, the revenue of last four years from FY2016 to FY2019 has grown up by around 5% CAGR and EBITDA has gone up during that period at around 19% CAGR and PAT has grown up by around 33% of CAGR, which shows that the company's focus is basically on improvement of the bottom-line and we are achieving those targets. Thank you very much.

**Moderator:** We will now begin the question and answer session. The first question is from the line of Keyur Shah from Emkay Global. Please go ahead.

**Keyur Shah:** Thank you Sir. Sir I would like to know what was your revenue from Bispyribac and how much was it from your own brand.

**Rajesh Aggarwal:** From our own brand it is around Rs.36 Crores and total would be somewhere Rs.80 Crores.

**Keyur Shah:** Versus last year any number?

**Rajesh Aggarwal:** Last year it will be showing a little decline actually, because when we are launching the generic molecule actually, I am doing a 9(3) restriction for the first time, then there is tough competition because I am opening the flood doors. Lot of people can take 9(4) registration and they can enter into the market, but when we are bringing these type of products we are aware that it is a short term boost up of the company and now I can say like we are working

on about one dozen products of this type and we are expecting these registrations in the next three years so these products will come, they will establish and they will go, so go in the sense that they are going to become generic in three to four years of time, so the main period is the first two years and the third year is little lesser margin and then they have to become generic, so some products will become generic fast, some product may last for four years or five years also, so it will depend on the charge. Still green Label is contributing good and we are hoping that are more molecules actually to come, so if I compare with the previous years, the previous year sales something would be somewhere around Rs.100 Crores, so that type of decline has come but it is for one product, it is a continuous process actually in the 9(3) segment, in case of the new patent expired products, we are bringing a lot of products actually, so we are fighting like we are expecting three to four registrations in this year, but still a lot of struggle is there in the segment, to launch these products because we do not get the registrations easily.

**Keyur Shah:** Sir what kind of target would you aim for Maharatna in FY2020?

**Rajesh Aggarwal:** Maharatna will keep on showing the increase actually and the new launches whatever are coming, they are targeting the Maharatnas, like the new launches we are trying to bring only the big products which are going to come Maharatnas in future, so we will see the maximum growth will be coming from the Maharatna segment.

**Keyur Shah:** Would it be only on the similar range of around 20%?

**Rajesh Aggarwal:** 20% growth?

**Keyur Shah:** Yes, is that a fair estimate?

**Rajesh Aggarwal:** Yes, can say actually 20%, it can be little more also in Maharatna segment, because Maharatna is almost half of our total business, so that way 20% is reachable.

**Keyur Shah:** Sir, what is the inventory value for the two brand products?

**Rajesh Aggarwal:** It is there actually, but I would not like to share the number, but it is there. We have invested but will be unlocking that value in a big way in this year.

**Keyur Shah:** Okay and can you tell what was the price that you got it for?

**Rajesh Aggarwal:** That information is not required actually; you see our performance. To get into the details and if you are keen, then you can ask a personal question and from this year on, we can decide and give you the reply.

- Moderator:** Thank you. The next question is from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.
- Chetan Thacker:** Good evening Sir. Just wanted to understand what is the share of new products launched in the last three in revenue?
- Rajesh Aggarwal:** It's already mentioned in our presentation. Sandeep Ji, you have the numbers handy, can you can give him the numbers, please.
- Sandeep Aggarwal:** Sir, this year the total from the last five to six years product's is around Rs.535 Crores and the products which launched last year, Rs.70 Crores contribution from those products, and last to last year, it was around Rs.478 Crores and in 2017, it was around Rs.420 Crores.
- Chetan Thacker:** Sir, just one question given that we have inventory of the products which are now off from technical point of view, but prices have gone up, despite factoring in that, we are saying 10% revenue growth for this year. So, are there certain products, that will be rolled out as well.
- Rajesh Aggarwal:** It is a continuous strategy- that will be taking out some old products, it is a tail cutting strategy and is a regular part of our business, because we are moving out of the generic products and launching new products. Of course, we will focusing around certain set of products and we will not focus on certain other products, I want to give the reasonable targets, because lot of the results depend on the seasonal circumstances also, already I believe that we are performing well, so I do not want to give very escalated numbers, let us keep our target of 10% in topline growth and 150 basis points in bottom line. If we perform better, it is better for the investor.
- Chetan Thacker:** Okay Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aniruddh Joshi from ICICI Securities. Please go ahead.
- Aniruddh Joshi:** Just on the income tax, we have got certain benefits because of last year's assessment, so what would be the effective tax rate for FY2019, adjusting for this extraordinary thing?
- Sandeep Aggarwal:** It would be around 30%.
- Aniruddh Joshi:** It will be 30%, okay, and what will be the tax rate guidance for FY2020.
- Rajesh Aggarwal:** Same.

**Aniruddh Joshi:** 30%.

**Rajesh Aggarwal:** 30%, Yes.

**Aniruddh Joshi:** Sir, in terms of quarterly outlook we have said in the PPT side it will be a subdued quarter and there will be delay in terms of sowing because of the possibility of delayed as well as the deficient monsoon and El Nino impact, so what kind of number we are (expecting) is it a..?

**Rajesh Aggarwal:** These are the general market situations actually; the number depends on the strategy on the launches. As I told you that we are going to launch 8 products, so the quarter maybe subdued for the industry but our performance we should show a growth in the first quarter itself, and let the growth speak.

**Aniruddh Joshi:** Sir, lastly, the way you had given the revenue contribution of the new products, can you also indicate the revenue contribution of the products, which are taken out may be in FY2018-19?

**Rajesh Aggarwal:** The products which are in phasing out mode, they were contributing roughly about Rs.150 Crores, when there will be announcement, so it will go up a little and then it will decline, so it has gone up a little in the previous year, it will grow further, 15% to 20% in this current fiscal, next year it will decline and then it will become zero. So we know that some of our these superstars are going so we are creating the new stars and the number of launches which are planned for the future years and in the current fiscal it is almost doubled, like if we look at the last six years my average launch was 5, now if I look at next two to three years, my average launch will be 8 to 10, so we are going to launch new molecules to take up their space.

**Aniruddh Joshi:** Sir, last question - any update on the OAT Agrio JV that we are having?

**Rajesh Aggarwal:** There we are doing a wonderful job and we had three chemistry laboratories in that R&D Centre. Now we are starting the fourth one. We have filed about 11 patents already, out of the JV and I would say that justly the already clicked already the first product, but we have not made an announcement because we have to scale up the products and then we have to go for the GLP data generation, non-GLP data has been generated for the products and it is going fine, but now we have to go for the GLP, so we will start it soon.

**Aniruddh Joshi:** So we can expect commercial launch in FY2020?



- Rajesh Aggarwal:** It takes a little time actually, if I am not be able to give you the exact time of launch, but it takes two to three years, then it will depend upon what support we will get from Government of India for Make in India strategy, so, if we get some support then there is a chance of launching in FY2021, otherwise may be 2022 or something like that.
- Aniruddh Joshi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rishab Bothra from Sharekhan. Please go ahead.
- Rishab Bothra:** Sir just wanted to understand how are we placed in terms of the raw material, though we mentioned that we are more high value products because of our research and development capabilities, but there was a significant margin contraction in first level. So how are we placed and or are their hurdles from sourcing from China or elsewhere?
- Rajesh Aggarwal:** The challenges are always there. We are working a lot with the Japanese partner and we are trying to improve our share of the Japanese company, so that gives more stability. The prices command a premium in the markets and the products are relatively new generation, so we have got a big success with our Japanese partners and continuously the share of the Japanese products is going up. Regarding China, Yes, there are hurdles with some products and the situation is not same for everything, because the market keeps on fluctuating, some products are up, some products are down, looking at the market we have to create our own strategy, strategically our target is that we wish to reduce the imports from China every year, so we are working on that strategy that though we are increasing our turnover we should not increase the imports particularly from China, because lot of products are becoming expensive and they are making a work cost unviable in the market. So we are trying to backward integrate, number one, as I told and second thing is we are trying to make more technicals by ourselves, which we are not making in the past. So it is not only that we are launching new brands but also we are making them pay right, so that we are able to compete in the market in a better fashion. So, I believe that Insecticides India is very well placed and I can say looking at the future and looking at the trends in the previous year that you have to be fully backward integrated, if you want real success in the market, that is my belief and I am working on that.
- Rishab Bothra:** Sir what is the percentage currently from China in overall raw material and how was it moved in the last two to three years?
- Rajesh Aggarwal:** I did not get your question, please repeat?

- Rishab Bothra:** What I mean to ask is what is the percentage of imports from China currently and how it has moved in the last three to four years?
- Rajesh Aggarwal:** Our import percentage has not changed over last three -four years actually, these are not exact numbers, we are growing our turnover and we are keeping our imports stagnant particularly from China. I would say, so we are trying to make more and more products within the country.
- Rishab Bothra:** As you mentioned that you want to grow our margins by 150-basis points, so which area it would be more focused on in terms of cost saving our cost rationalization?
- Rajesh Aggarwal:** We will be working on new innovative products actually. The entire products will be innovative, and new technologies which will be coming, we will have better margins actually because of very low competition in those segments. So, the margins would be better and there is high risk because you have to develop the technology take it to the farmer, do the field work, launch that product into the market, educate people, show them the ROI, so the reward is good, so we are trying to move towards the blue ocean and blue ocean advantages are going to come.
- Rishab Bothra:** Okay I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** Good afternoon Sir and congratulations for a good set of numbers. One question on exports, this year we have seen a very strong growth in exports, how do we see the trend for this year and may be also your outlook for the next two- three years on the exports?
- Rajesh Aggarwal:** We are working very aggressively for exports, our vision is that we should become a company of having the maximum amount of GLP data for maximum number of products, since we are making dozens of technicals by ourselves, the number should touch about two dozen in this fiscal that is the vision. A lot of GLP data has been generated, so we will have GLP data for about say 8 to 10 technicals by the end of this fiscal, which means that we will be pursuing for various agreements across the world for this, so we are already pursuing we have about I think three or four technical, for which we have the complete data package and along with this there is data package available for few dozen formulations also. We have signed that more than 100 partners who are actively registering our products across the world. So on exports, we are very, very bullish. We are planning to set up EOU also, that will meet the target for this year and I think that we are going to show a very positive

growth on export, I cannot say 100% CAGR, but it will very good CAGR, actually which I suppose.

**Sachin Kasera:** And for the 100% EOU, is it like in the very immediate term we are looking or it will be more on the medium term project and what is the capex we will need to do for this EOU Sir?

**Rajesh Aggarwal:** It would not be a very huge capex, generally we keep a small capex target of Rs.25 Crores every year, so try to accommodate it within that Rs.25 Crores, along with this we have also take an budget of about Rs.100 Crores for the three years expansion program but it will depend on the permissions what we are able to click, but EOU is going to happen in this fiscal itself. So may be that inaugurated to Diwali or something like that so that will be the trial. Even it is not Diwali then by December or January, 100% it will be operational.

**Sachin Kasera:** Okay, but while you mentioned that we will see a very good growth you cannot comment on specific numbers, do we have some internal targets, say in three years exports should be 20% or 25% of revenues or some ex-number. Is there some sort of internal vision we are having for target or exports?

**Rajesh Aggarwal:** We are growing in all the directions, so growth is going to come from everywhere, I can say exports, like if I talk about exports this year, I have the target of doubling my exports, so that much I can say and there will be a good growth every year.

**Sachin Kasera:** Sir second question regarding this inventory, you mentioned that because of molecules are going to be phased, you have to build up the inventory so can you give a some set of inference on these Rs.700 Crores number, because this year it has increased from Rs.400 Crores to Rs.700 Crores, by March of next year what is a level of inventory we should look at when we close?

**Rajesh Aggarwal:** It should come around normal inventory of Rs.400 Crores actually, so this year two major reasons, one was that the raw material price, there was huge fluctuation so looking at that some inventories were built up for the new products also and there were some inventories which were built for the older molecules also, so next year I believe it should become normal. This should be 100% below Rs. 500 Crores.

**Sachin Kasera:** Sir if I got it right, you mentioned that currently these two molecules which are eventually going to be phased out, their contribution was roughly around Rs.150 Crores plus is the number correct?

- Rajesh Aggarwal:** It was Rs.150 Crores a year before, last year there was some growth of about say 20% plus and this year there will be some further growth.
- Sachin Kasera:** Which means that number takes us, say, very close to around Rs.180 to Rs.200 Crores and this year we will be close to say Rs.1000 Crores turnover, so while this year we will have growth next year in FY2020 when this Rs.200 Crores turnover goes away, how do you plan for growth in FY2021-22 when suddenly your base becomes from 1000 crores to 800 crores?
- Rajesh Aggarwal:** See we are planning to launch 10 products in this year and another 10 in the next year, so there are many interesting products, which are going to come through our Japanese partners also, this year we are introducing one molecule from Japan, another one from Nissan and then there is one more product from OAT which is going to come. Next year I am expecting four to five, so interesting products are lined up actually in future and also from R&D centre- very some interesting formulations also, so there will be lot of patented products which will be launch into this period and my expectations are very high from these products.
- Sachin Kasera:** So basically some of these products will be blockbuster, which could eventually deliver Rs.50 to Rs.60 Crores because if we have to cover this gap of Rs.180 to Rs.200 Crores, some of these products have to be large in terms of contribution, which are like Rs.50- Rs. 60 - Rs.70 Crores, then only they will be able to make a product rise Sir.
- Rajesh Aggarwal:** Yes, I have that belief.
- Sachin Kasera:** Thank you very much sir and all the best.
- Moderator:** Thank you. The next question is from the line of Sanjeev Hota from Sharekhan. Please go ahead.
- Sanjeev Hota:** Thanks for the opportunity. I have one question only on the margin part, so this part do you have any one -ffs in the margins?
- Rajesh Aggarwal:** Sandeep Ji will reply better but there is no one-off actually, it's just a Rs.12 Crores which has come from the previous year revision, that is addition in the PAT margin, otherwise there is no one-off I believe.
- Sanjeev Hota:** Other expenses were down significantly, it has no one-off on that part?

- Sandeep Aggarwal:** Other expenses if you see the full year comparison, it is almost at the par but in the last quarter if you will see there is a drastic decline, the reason is regrouping- one regrouping has gone from other expenses to employee benefit expenses and one grouping has gone in to the revenue part due to Ind-AS 115 adjustments.
- Sanjeev Hota:** Sir you talk about this 150 BPS margin expansion over next few years so what is the stable state of margin we can see over next two to three years?
- Rajesh Aggarwal:** Let us see, as we close the year, but we have been maintaining it since last four years and I believe that still we are going to continue so let us see where we.
- Sanjeev Hota:** So FY2020 and FY21 is the 150 BPS of margin expansion?
- Rajesh Aggarwal:** I believe that, yes.
- Sanjeev Hota:** Sir about this debt position, are we going to repeat the part of the debt this year or it is going to continue?
- Rajesh Aggarwal:** Debt position is going to improve actually, because we have built up the inventory so there is utilization of limits that happen, but it is going to show the improvement and it should normal in two quarters I believe.
- Sanjeev Hota:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.
- Dikshit Mittal:** Congratulations on good numbers. Sir my question is on you mentioned you will be launching 8 products so how many are in licensed out of these?
- Rajesh Aggarwal:** In-license would be two.
- Dikshit Mittal:** And both of these from (inaudible)?
- Rajesh Aggarwal:** Three are in license, two are from OAT and one is from Nissan. So, three are in-license so far.
- Dikshit Mittal:** Okay and Sir last year how many were in licensed out of the 8 that you launched?
- Rajesh Aggarwal:** One product was in-license last year.

- Dikshit Mittal:** One product okay and Sir secondly my question was just a clarification on what you mentioned in the previous question, that other expenditure got reclassified to the revenues, so can you just explain briefly, like what was the treatment?
- Sandeep Aggarwal:** So practically, one is re-classified into employee benefit expenses from other expenses, it has been regrouped into the employee benefit expenses and some part is going to the revenue, because as per Ind-AS 115 whatever direct expenses are related to sales, you have to net of it from the sales, those regrouping has been done.
- Dikshit Mittal:** So basically, we have grown much more than 18% that we have reported, if you see like-to-like?
- Rajesh Aggarwal:** If we not do Ind-AS adjustment, then you are right.
- Dikshit Mittal:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Saurabh Kapadia from Asian Market Securities. Please go ahead.
- Saurabh Kapadia:** Congratulations on a good set of number. Sir my question is on the slide on Products Freshness Index, so if I look at FY2017 product launch so in FY2019 their revenue contribution is about Rs.90 Crores that was about Rs.148 Crores last year, so definitely that Rs. 20 Crores decline will be for the green label, so can you quantify this or are we looking at some products going through difficult time or is it just because of the competition entering in those products?
- Rajesh Aggarwal:** You have to understand our strategy, that have four R&D teams, first R&D team is new product discovery, this is our long-term target and it is always growing because you get (inaudible)monopoly. Second R&D team is new formulations. Again, this has the monopoly because it is a patent, which you can claim but your product is midterm target, it can do good for 5 to 7 years. When it comes to reverse engineering, though you are making the product for the first time in the country, but you are opening the floodgates. There it is a short-term target, which gives you benefit for two to three years, so Rs.20 Crores is the decline in the green label compared to previous year and from last year there will be further decline actually, so the entire decline is pertaining to one product, but for green label type of products we have target to launch two new products in this year, but I have not still bagged the registrations. Once the registration comes, then I will have two more green labels in this year, so I mean to say it is continuous process. I am working on about 12 products, which are going to be in the segment, which will be manufactured in the country for the first time by any Indian company, so when I do that, I spend a lot of in data

generation and also in the development of the technology, but yes, I have to face that competition, so I know that it is the short-term strategy but advantage is you get your brand very well established, number one. Number two, our customer gets the major advantage, because when the product is Make in India, he get it at a cheaper price because before this, it is only the progressive farmer who was able to afford that product, but when you make it in India actually and there is a competition, the prices come to an level that even a common farmer is able to get the product, so it matches with our vision and mission, so we continuously do that actually and these products are short-term targets so green label is also one short-term product, where institutional sale may be declining, but I may be getting the compensation from the international market and also from my brand.

**Saurabh Kapadia:** Sir one more thing on the margin expansion of about 100-150 basis points, so that will mainly come from the product mix or also if you can quantify how much will be from product mix and how much from backward integration?

**Rajesh Aggarwal:** It will be 100% from the product mix. The product mix is changing due to backward integration, also everything is going to contribute, because we will make certain new technical, then we will make the formulations, so will bring some product from our partners, so it will be part of the overall strategy. It is difficult to quantify everything separately, but yes we will keep on improving the product mix, from generic products we will shift to specialty product and this specialty products will come out better margins, so that is the guideline from my side.

**Saurabh Kapadia:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rishab Bothra from Sharekhan. Please go ahead.

**Rishab Bothra:** Can we have the comparable figures for the revenue, employee expense and other expenses, barring the adjustment for last year as well?

**Rajesh Aggarwal:** For full year?

**Rishab Bothra:** Quarter as well as full year both?

**Rajesh Aggarwal:** We can send it by mail or something.

**Rishab Bothra:** Sure.

**Rajesh Aggarwal:** You can put your question in e-mail, we can reply to it because such things are not handy.

- Rishab Bothra:** Okay, not an issue. Thank you.
- Moderator:** Thank you. The next question is from the line of Chetan Thakker from ASK Investment Managers. Please go ahead.
- Chetan Thakker:** Sir just wanted to understand from registration point of view, my understanding was that with the change in rules, anyone who is getting a product, which is not under global patent, now has to register the formulation and the technical, but we have seen players still registering a formulation but not the technical, so just wanted to understand whether understanding is correct or not?
- Rajesh Aggarwal:** It is partially correct, it is not fully correct, because it is happening in the case of certain new molecules. Of-course they may be off-patented also and patented also. Generally, the vendor was trying to bring the formulation. Most of the multinational companies and the Japanese companies do that. They bring the formulation and they were not registering the technical but now registration of technical is a must actually, so they also give the data for the technical but they were not getting it registered so the industry is giving one point that they if they can register the technical it would be easier for the companies to get the registration of technical once the patent expires. So, if you ask me as different associations of the industry, all the domestic associations agree that this should happen, but yes, some of the companies are in opposition, so it depends on the government strategy and since it is time of Make in India, so there is fair chance that ultimately the technical has to be registered along with the formulation and it is happening worldwide actually. It is logical also, but India moves a little slow, so we are waiting for it.
- Chetan Thakker:** As of now, the old rule stays that you register a formulation within the three years to register the technical?
- Rajesh Aggarwal:** Three years moratorium is not there now, so there is nothing like fixed or automatic registration is there, but still it is in one stage, there are certain things in the code, there are other things which companies pursuing, but there is no absolute clarity.
- Chetan Thakker:** It should be in that grey area?
- Rajesh Aggarwal:** Little grey area, which makes it little tough to get the new registration in India, so since the new government is now in the forming, so it will be pursuing it in a big way now.
- Chetan Thakker:** Sir because there are very promising products where patents globally have expired, but people are still just registering formulation?



- Rajesh Aggarwal:** It is dilemma actually, that our country is not able to bring the product even after expiry of patent five years, ten years, seven years; it should be simultaneous launches, actually immediately. The day patent expires, the product should come into the market the very next day and that is talent in our country, if possible, but we are getting to support of the registration that is problem actually. So on one hand people talk about ease of business, they talked about make in India, but it is not happening practically in our industry. That dilemma does still exist.
- Chetan Thacker:** Sure Sir. Thank you so much for the clarity.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Rajesh Aggarwal:** Thank you very much for asking very interesting questions and taking interest in our company. I will again reiterate, that we are working towards bringing the innovative technologies and making them available to the common farmer and we will be very aggressive in this approach and I believe with our innovative vision and bringing these new products, we will continue doing good into the market and this will help us in combating the challenges which are coming from the international market and also some certain seasonality. Thank you very much.
- Moderator:** Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.