



# “Insecticides (India) Limited Q3 FY2019 Results Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Insecticides (India) Limited earning conference call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you Sir!

**Rushad Kapadia:** Good Afternoon everybody and welcome to the Q3 FY2019 results con call for Insecticides (India). We have from the management, Mr. Rajesh Aggarwal, Managing Director and Mr. Sandeep Aggarwal, Chief Financial Officer. Without further delay, I would now like to handover the call to the management. Thank you and over to you Sir!

**Rajesh Aggarwal:** Good evening friends. This is Rajesh Aggarwal, Managing Director, Insecticides (India) Limited. So first of all, I would like to discuss the highlights of the current quarter. Before I start, thank you very much for sparing time to attend this conference call. This has been a very good quarter for us because in this quarter we have seen the extension in the Kharif season the first season, because the rains were too much delayed and due to scattered rainfalls there was the extension in the season and Kharif season entered into the month of October so this gave us a good push. Now, in the Rabi season, we are again seeing the gaps in the rainfalls, but overall it has been reasonably good and export also had shown a good jump, so overall we are able to grow in this quarter in all the fronts. Growth in the brand business is because of the launch of the certain new products which we had done, we could get the advantage in the extended Kharif season.

Number two, in the institutional business also we got some advantage and number three in the export market also we have got the advantage. So we have grown on all three fronts. Today, if I talk about the current scenario, then the market scenario is very tight because if you look at the international market, international markets are disturbed. As you know, China is the leader in the chemical market so if China is disturbed then the entire world is disturbed, so that is the situation which is putting the pressure on the raw material prices continuously. Still we see that there is a shortage of chemicals and prices are generally on the higher side and since now we are into the Chinese New Year and followed by the exhibition, which is going to be held in early March, so the real prices are not coming yet and market is still at a higher side. So I look at it two ways, number 1 in the short term, yes there is shortage of raw materials, market is tight, but in the medium term and long term and even in the shorter term, there is a big opportunity for India and also for IIL. This opportunity is to make in India and do the import substitution, so our all this future strategy

is based on this. What we wish to do in the future is we are planning to start many new products in the new season and also we are planning to go up the stream which means that there will be the backward integration to do the import substitution because lot of processing was being done in China, the basic raw materials were coming from other countries including India and they were doing the processes and the process material was coming to India because the processing was very, very cheap in China in the past, but now due to the changed scenario that opportunity has come to India again and we can do that processing here then we can save on this situation, there will be certainty of availability and you also get a price advantage. So it is a big opportunity.

Talking about the results, I think you have seen the presentation. I talk about the quarter, the sales have grown by about 22% and as I have promised we will be working in the bottom line so yes there is a remarkable improvement in the bottom line and that everything has happened due to the change in the product mix because we are continuously working on new innovative technologies. When you are working with the farmer and when you are training him for the new technologies and bringing these products you are in a way creating a blue ocean for yourself. So, this has been a key driver for our growth and we have been working in this direction for last many years actually and now the results have started coming when we are able to launch the innovative products into the market.

If I talk about FY2019 in this present fiscal, we have launched seven new products and are very successfully. Our target is of about 10% contribution from the new introduction in this fiscal, but so far we have achieved a sales of about roughly 70 Crores from the new introduction in the current fiscal and if I look at next year again FY2020 so fiscal FY2019-20 again we target 8 to 10 new launches and again the contribution from these products will be target of 10% plus. What does this mean for IIL? This means that our super heroes are under stress, I mean to say Thimet and Nuvan and we have already stopped their production of course we will be having some inventories actually to liquidate during the year, but still we will have to plan that how when these two number 1 and number 2 products goes out of our range, how we can compensate. Here I would like to tell you friends that we will make good this loss in the very first year itself, by introducing new products. The 2019 and 2020 introductions including some products which we have introduced in the last year are good enough to take care of the entire loss which comes out of the sale loss of these two products and this will be made good in the first year itself. So you can assume that there will be no losses of top line in the year one itself or from year 1 itself and at the same time there will be no losses in the bottom line also because most of these products will be the new generation products particularly they will be all 9:3 products so number 1 the potential is very high, number 2 the margins from the general products will be much higher in them actually, which creates a good opportunity. So here I would like to tell friends again that the

entire focus of the company now is to bring the new generation products into existence because we have got a strong pipeline through our R&D centers and also there is a support of the Japanese partners and we are trying to launch many new projects in the next seasons and I believe that we have already cleared the pipeline of network and customers who have readily agreed or who has got the will to market and establish these products into the market. So looking at this, I see a good future for the company and a good future for our investors. With this, I would hand over the line to the CFO for talking details on the finances and then begin address your questions.

**Sandeep Aggarwal:**

Good evening friends, Sandeep Aggarwal this side. So as far as financial performance of this quarter of the company is concerned though the presentation is with you, but still I will read the numbers, sales were at around 216 Crores, a jump of around 23%, EBITDA at 32 Crores with a jump of around 39%, PAT around 17 Crores, a jump of around 75%. So we already exceeded the promised done by our Managing Director of 150 bp at a PBT levels. As far as segment wise break up is concerned, the gross sales of insecticide, herbicides, and fungicides are, insecticide 54%, herbicides 30%, fungicide 11% and PGR and biological production around 5%. As far as B2B and B2C is concerned, the B2C sales which is our main forte is around 67%, B2B is around 29% and exports at around 4%. As far as technical manufacturing and in-house consumption and sales is concerned, the sales are around 60% and the internal consumption is around 40%. The break up of Maharatna product which are our focused products they are 55% of the branded sales and rest 80 products are around 45% of the branded sales. So this is about the segment reporting. Now we can start with the question and answer session.

**Rajesh Aggarwal:**

Before we start the questions, I would like to add one more point, most of the new products, which we are planning to introduce now the agenda, will be that they should qualify to enter into Maharatnas range. I mean to say that all these new products which we will plan now they will have a huge potential in the market both in terms of top line and bottom line so these products are made keeping that market potential in mind and then only we are introducing. This means that we are not bringing the smaller products and we are looking at the long future of these products then only we are bringing and along with this the tail cutting strategy which we have discussed before that all the products which are not doing very good they will be removed so that is a continuous exercise and I would continue with my vision that we will keep on introducing new generation technologies. We will be leaving aside some of the older products so that the total range and the total number of products in our range come in the two digits.

- Moderator:** Thank you very much. Ladies and gentleman, we will now begin the question and answer session. We will take the first question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.
- Pritesh Chheda:** Sir, what would be the nine month performance of Green Label if you could give and these new products what kind of sales has it achieved in nine months?
- Rajesh Aggarwal:** As I have told you, about 70 Crores has come from the new products actually and talking about the Green Label in particular, so the total achievement is almost at par with what we have done last year so roughly the contribution from the brand itself is about 38 Crores.
- Pritesh Chheda:** I missed it because last year I think there was a figure as 160 Crores of Green Label in FY2018?
- Rajesh Aggarwal:** Total month that included the institutional sales and technical sales and other things actually. I do not think it crossed 100 or it was nearly 100. So now you have asked question pertaining to Green Label alone, but if you want to know detail about this Bispyribac sodium totality we can submit the detail.
- Pritesh Chheda:** But has Bispyribac grown or being flat for us?
- Rajesh Aggarwal:** It has been flattish actually.
- Pritesh Chheda:** It is flat and what would be your target for the new product sales next year?
- Rajesh Aggarwal:** New product means like as I told you 10 new products will be introduced in this year so the target will be again we will seeing a 10% plus type of growth from the new products itself and the introductions which are done in the previous two to three years we will see about 5 to 7% growth from there.
- Pritesh Chheda:** 10% company level growth so which means, that is how you are saying so you add 100 Crores new product business next year?
- Rajesh Aggarwal:** Easily.
- Pritesh Chheda:** So this year what you are clocking at about 100 Crores let us say for this year FY2019 products 200 Crores next year that is how it is, right?

- Rajesh Aggarwal:** Again if you keep on adding on a previous year then that will be the figure but mathematics sometimes becomes difficult, so let us keep it simple, 10% growth next year from the new products we are launching.
- Pritesh Chheda:** 10% on new product business growth or 10% growth on the company level?
- Rajesh Aggarwal:** Company level.
- Pritesh Chheda:** 10% growth is company level in which the driver for growth is the new product?
- Rajesh Aggarwal:** 10% growth only from the new products, which will be added. I am not giving the complete detail of what will be the numbers next year because we are doing third quarter actually, we are not doing the complete year. So I am just giving a vision that we have many products in the pipeline, which will be contributing 10% of the total company's growth in the New Year.
- Pritesh Chheda:** My last question is on the technical side what kind of business you did in nine months, which is technical to third party?
- Rajesh Aggarwal:** I have already told the numbers, I will give him the phone actually to give the exact numbers. My institutional business is about little less than 350 Crores, which is almost 9 to 10%, plus of last year.
- Pritesh Chheda:** So institutional sales for nine months is 350 Crores which is +10%.
- Rajesh Aggarwal:** Yes.
- Pritesh Chheda:** Okay. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thank you for opportunity. Just wanted to check with you, how is our technical prices holding up because of the China issue coming through, can you highlight about that.
- Rajesh Aggarwal:** Many of the insecticide prices are going up and they are firm, going up will not be the right statement because they had already gone up and they are firm. So some products will see show a positive sign and some will show a negative sign. This is a very tricky month actually, generally the month of February and March because you do not understand what is

the international market scenario because everything is hidden so the exact clarity will come by the month of April, but I do not see any down fall in the short term or long term.

**Ankit Gupta:** So in the past two to three months, the prices have not corrected much of technicals this is what you are indicating, there are actually increase or decrease a little bit in some cases?

**Rajesh Aggarwal:** Yes.

**Ankit Gupta:** Now we have a capacity of around 13500 metric tonnes on technical side so if you can highlight how is the capacity utilization for that and who are the customers on technical side bulk side?

**Rajesh Aggarwal:** Like it does not make sense that I give the list of my customers, all the companies are buying from me and we supply to all and the utilization also is quite decent actually.

**Ankit Gupta:** Okay, sir do we have any long-term contracts with these customers for B2Bs or it is mostly on spot basis?

**Rajesh Aggarwal:** Like it is never a spot decision basis because the relationship is not built on a spot, it is a continuous exercise which you keep on doing and it is a two-way relationship in many cases actually, but it is not a contracted thing, or it is nothing like I have a 10-year contract that I make A, B, C and keep on supplying, so we do not mention it actually.

**Ankit Gupta:** Okay. So basically it is then some of the customers who have been with you for few years will come to you and tell you that we need some that x quantity of products this year?

**Rajesh Aggarwal:** More or less the business is fixed actually because you know what are the consumption quantities and what are the customers, customer list is fixed, and accordingly they will work and whenever you extend more products they will come forward and share those products also. It is a usual thing basically; it is a very, very regular business.

**Ankit Gupta:** How is the opportunity shaping up on export sides for technical?

**Rajesh Aggarwal:** Opportunity is very good because we supply everything to international markets, technical formulation and brand. At the moment, our major focus is on brand sales, our brand or for the other people's brand because we get the maximum margin out of it, but since we are bagging more and more registration, we will be focusing around technical and bulk sales also.

**Ankit Gupta:** Okay.

- Rajesh Aggarwal:** But it is multiple last year for a total export of less than 35 Crores in the complete fiscal so this year we have crossed 50 Crores already, we will be covering double class and next year again there will be a good jump in the export business.
- Ankit Gupta:** Lastly on the Bispyribac Sodium, how is the actually our revenues have remained flat this year, is the market growing for Bispyribac Sodium or that is also stagnated in these nine months?
- Sandeep Aggarwal:** Both questions will be difficult to tell, because number 1 neither the market is stagnated nor there will be huge growth so now the prices will stabilize at a level and yes there will be a chance for the market to grow. However, the market has not shown the performance which was expected. So the target of the company was that the market will multiply by the prices coming down, but the market has not multiplied it is getting additions, so it is moving very slowly.
- Ankit Gupta:** Thank you Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Saurav Kapadia from IndiaNivesh. Please go ahead.
- Saurav Kapadia:** Thank you for the opportunity. My first question is for the inventory, so what amount of inventory we are holding for the two products Thimet and Nuvan?
- Sandeep Aggarwal:** Very difficult to say upfront but yes there will be enough inventory for at least one full year actually and Thimet since it is a granule so very difficult maybe four to five months inventory will be there.
- Saurav Kapadia:** Sir in terms of the new products which we are going to launch about 10 products next year so what will be the number of products in 9:3 categories?
- Sandeep Aggarwal:** Major will be 9:3, all my introductions which are going to come in future at least 80% will be 9:3 only.
- Saurav Kapadia:** Sir in terms of the backward integration, are we looking at the backward integration for the products which are already existing product or our focus is for the new product which we are going to develop to backward integrate those products portion then come to the existing product?

- Sandeep Aggarwal:** It is both ways actually because wherever we have developed the strength, the target will be that we can further reduce the cost by doing the backward integration and we can assure the supplies it will be better. So we will be working on both the directions and we are working.
- Saurav Kapadia:** Sir you mentioned about 1 to 1.5 billion capex will be spent on the Gujarat and Rajasthan plant so what will be the capex maybe in FY2020 like if you can bifurcate Gujarat plant and Rajasthan plant?
- Sandeep Aggarwal:** Very difficult to bifurcate actually, it will depend on the permissions. We have applied for all the permissions, the initial tar is there we have received tar but the other detailed permissions have to come. Till I get the pollution clearances, I cannot invest much in the plants. It will depend on the timings and according to the timings we may swap our plants actually like more investment ultimately Gujarat is a bigger piece so 80% of the investment has to go in Gujarat ultimately but if by chance Gujarat permission delays and I get the Rajasthan permission before then I may invest 30 to 35% or 40% in Rajasthan it depends on the clearance.
- Saurav Kapadia:** The last question on the seven products, which you launched this year so what could be the peak potential sales this product can give in a particular year.
- Rajesh Aggarwal:** It is growing actually so far we have achieved 70 Crores, we are expecting another 10 to 20 Crores in this current fiscal so very difficult to talk about the peak, but yes we will target a growth of about 40% plus in the next year.
- Saurav Kapadia:** Okay sir. Thank you.
- 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 congrats for a good set of numbers. I had a few question, one is that sir you mentioned that two of our largest products you had to stop after 31<sup>st</sup> December the productions. Sir what is the contribution from these two products in the current financial year and you mentioned that you are looking to launch 9 to 10 products next year, which will give 10% growth, but will that just be sufficient to replace existing revenue of these two products or we will be able to grow overall as a company because of the new introduction?
- Rajesh Aggarwal:** Like there will be certain stocks availability of the previous products also as these two large products are Thimet and Nuvan and I already told that Nuvan I will be carrying some inventories and Thimet also again some four to five months of inventory will be there. So it

is not going to be zero in one go. Second point is like the products which are introduced in the last fiscal they are again going to show a growth of 40% to 50% that 40% will also help in subsidizing this and the new launches again it will depend on the time, if the timing is good and I get the registration very much in time, it can cross 10% thing also. I believe that there will not be any loss on the top line rather top line will be growing and major focus is the bottom line actually which will be growing faster than the top line and the focus is automatic. Why automatic because when you are bringing the new products, the new products will definitely have more margins than the generic products.

**Sachin Kasera:** Sir what is the current contribution from these two products?

**Sandeep Aggarwal:** These two products somewhere like below 200 Crores, the Thimet has been the biggest product, it has been to the tune of 1995 best actually, then 70 to 75 best in the past. This year we would have crossed these numbers I think, both put together is about 160 so far.

**Sachin Kasera:** The challenge for us is to recover, this 160 may become like 40 to 50 Crores next year?

**Sandeep Aggarwal:** 150 means like if I do whatever number if I am trying to introduce new molecules, then I may get 120 to 130 Crores, it is 100% done by the new products itself.

**Sachin Kasera:** Sir second question was regarding the Gujarat plant, we are one of the early ones to put up a large facility for the backward integration. What is the current status of the plant in terms of utilization because you mentioned that you are looking at a capex if I get it right last two to three years we had been having some issues in terms of ramping up the utilization so is it that now the utilization is improved quite a bit and that is why we are looking for further capex or this is also new type of products we are looking there?

**Sandeep Aggarwal:** No, of course the capex will be happening only after you utilize the plant that have 90% plus type of level so already the utilization is happening actually and we are putting new facilities, new products also, shopping is there and everything is happening. So of course we will be looking at utilization to the max. Like what happens is, suppose for A product it is 1000 ton capacity but once when you shift to B product the value is different and the quantity also changes so that way internally if you say I have utilized the plant for about 80% level actually I can say, but in terms of quantity I will have to refer the exact thing. Yes, roughly 80% utilization is there at the moment and in terms of the capability what we have now with the changed set of products.

**Sachin Kasera:** Sir this 150 to 200 Crores you mentioned that it will depend on some of the clearance time lines as well as you will see how much you want spend in Gujarat and how much in Rajasthan?

- Sandeep Aggarwal:** No that will not be spent, a spend will be for technicals, when I am saying I am launching these brands actually I am not talking about the technicals. The brand will come technical may take a little longer or earlier but as we get the registration these technicals as they are like they will also involve certain technical so they will come because they will be required in small quantities.
- Sachin Kasera:** No I am talking about this 150 to 200 Crores capex that you have mentioned, this is basically got to mean technical or formulation sir?
- Sandeep Aggarwal:** Entirely in technical?
- Sachin Kasera:** Entirely in technical, and it will be mainly for captive consumption or we are looking at large of course in terms of selling to third parties or for exports or CRAMs or something like that?
- Sandeep Aggarwal:** That goes in every direction actually and we will explore all these good opportunities.
- Sachin Kasera:** Sir in terms of the exports what is the type of opportunity potential we are seeing, while we have grown almost 70 to 80% this year but that is on a very low base it is still on the 4% of our revenues, what is the vision for exports over a three to five year period, can it be like 15 or 20% for our revenues?
- Sandeep Aggarwal:** Definitely it will keep on expanding, at this moment we will continue with the current CAGR for another one or two years and once we attain a level then the CAGR may come down, but these numbers will be improving, so export will be the fastest growing in terms of percentage for us.
- Sachin Kasera:** Thank you very much sir.
- Moderator:** Thank you. The next question is from the line of Prashant Biyani from Prabhudas Lilladher. Please go ahead.
- Prashant Biyani:** Sir the products that we are planning to launch in FY2020, how many of them have got approval from CIB?
- Rajesh Aggarwal:** Things are in process actually, many things are in final stages, so as the approval comes we will start immediately launching so we hope that at least six to seven products should be launched in the early Kharif season whereas two to three products may come in the later part of the Kharif season and one or two products may get delayed till Diwali. So

everything is in process, there are certain clearances, which has come partially but papers are yet to come in to my hand.

**Prashant Biyani:** Any color on what type of crops we are planning to target or target pests or disease for the new products?

**Rajesh Aggarwal:** This will be in all direction actually, insecticide, herbicide, fungicide, all type of products, there are certain products which are going to come through my Japanese partner. There are other products, which are going to from our own R&D actually, so all type of products are there. It is a very wide range.

**Prashant Biyani:** How many could be from the Japanese partner?

**Rajesh Aggarwal:** Japanese partners at least four and this four can become five also.

**Prashant Biyani:** Sir how has been the liquidation in the current Rabi season for the industry and the company as well?

**Rajesh Aggarwal:** Rabi season was not very attractive actually, but last quarter has been fine and we are trying to maintain this quarter, we will get a reasonable maintenance so overall industry people are saying it is not very good.

**Prashant Biyani:** Thanks that is it from my side.

**Moderator:** Thank you. We will take the next question from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

**Viraj Kacharia:** Thanks for the opportunity and congratulations for good set of numbers in such a challenging environment. Sir I have couple of questions first is with Thimet and Nuvan. From what I understand please correct me if I am wrong is that any moderation next year you will see the year where we will see most of the inventory getting extinguished because the order says by December 21, but the kind of inventory which we have so far will be sufficient to be able to sell for another one more year of sales for these two brands am I right in thinking that way?

**Rajesh Aggarwal:** Like granule is very difficult.

**Viraj Kacharia:** At a boarder level sir.

- Rajesh Aggarwal:** Broader level you can say, but this year it is not going to hit much in terms of top line and bottom line of course.
- Viraj Kacharia:** Second thing is new products typically what we have seen in most of the industry is typically it takes a two to three year time for any new product to mature. Now we had some good success in scaling up a new product which you have launched in FY2019 so if you can just probably give some color what are the kind of opportunity size or what is the kind of market share we would have catered so far captured in terms of catering to the common diseases or pests we are trying of targeting for the new products?
- Rajesh Aggarwal:** Actually I do not want to give any exaggerated number. When you launch a product definitely there is a opportunity of 30, 40, 50 Crores per product, but if I tell you 500 Crores it will not make sense so that is why I keep the number certain, because out of 10 there may be six or seven products which will become very successful, there may be two to three products which will become reasonably successful, there may be one or two products which may not be as successful. In totality I have given an indication of about 10% plus growth coming of the new products. I think I have maintained that actually and yes they will have potential to grow again in another year. In maturing a product it can take two to three, four years it depend how aggressive you are and how much work you do in the market and it also depends on what is the competition strategy, is the competition coming up with the similar products or better products, what is the market need, so lot of factors are there, but still I believe 10% is our target which is easily achievable.
- Viraj Kacharia:** When you say Maharatna is there any minimum scale size which we have or that is irrespective.
- Rajesh Aggarwal:** Maharatna there is no minimum scale. The ideology is like they should contribute good to your total turnover and bottom line. I can establish them All India Brand and I can take the product to the entire country and establish it as a brand and qualifies to become a Maharatna. So the numbers will change as we grow actually only past it was different now it is different. Maharatna, are my key focused products, I mean to say I am not doing the product now which are very, very small. In the past it used to happen that we use to introduce 2, 3, 4 Crores of product, but now that is not our vision.
- Viraj Kacharia:** Right. Second question if you look in the industry again typically for new launches the first two to three years there is a lot of investment which goes in brand building, raising awareness at the farmer level so typically compared to the more matured brands, the margin profiles are relatively lesser in the initial part for the new products so when we look at our

own margin performance for the first nine months or if you see for Q3 what has driven the margin increase?

**Rajesh Aggarwal:** I believe when I launch a product and my team is into the market, their job is to go into market and when they are talking about one thing they will talk of five things. When the competition is sitting idle thinking season is not there, he is working with the farmer, it is working with the retailer, so if I have to do keep on introducing new things, the team is same, their working is same, the table is same, the salary is same and they have to bunk that kind of petrol daily what they are doing, if I give the product, if I do not give the product. So when team is same, network is same, and their activity is same, so there is zero additional expense. My budget of advertisement can go up a little so even in the lean season I invest a reasonable amount in advertisement, even in a very good season I have seen that budget has never doubled for advertisement also, so overall yes there is a difference because when you are aggressive into the market and you are trying to cover the entire nation you are able to increase the number of people in the floor but I believe that already we maintain a good team and we are aggressive player. So introduction of new product does not lead a huge addition of expenses for us.

**Viraj Kacharia:** Okay and kind of margin increase we see, the kind of price increase which we have seen, the increase in technical prices does it fully cover for the price increase which we have taken or we would see still some kind of cause under recovery on a raw material side?

**Rajesh Aggarwal:** There are some phases; there can be a little low recovery, but when you are coming with the new things, which are blue vision then that, becomes a little vague in my opinion. In a high competitive product, there is competition otherwise you can plan your pricing.

**Viraj Kacharia:** Last one is there any further update if you can provide on further less of molecules, which was supposed to be included in the by the CIBRC, old molecules that are supposed to be banned or the new which are supposed to come out?

**Rajesh Aggarwal:** It is not that frequent recently, the list has come out. This is a huge list, which has happened so this is a continuous exercise, which keep on happening in CIB that we will review the product and they will plan if not that aggressive actually.

**Viraj Kacharia:** That is all from my side.

**Rajesh Aggarwal:** There are only 250 products actually so there is no much stress but yes this is true that old technology has to go, newer technology has to come, so that is a continuous thing which will be happening and I believe that we are working in the direction and we are trying to bring the new technology faster.

- Viraj Kacharia:** Okay, that is all from my side. Good luck.
- Moderator:** Thank you. We take the next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** Sir what is the type of revenue potential that we see from this capex of 150 Crores to 200 Crores?
- Rajesh Aggarwal:** Little early to say but once we plan definitely we will be looking at 3x or 4x of business coming out of that investment, so how much time it takes, what is the product wise, and what will be there, it will depend on time but definitely when you are putting up a plant you target 3 or 4x minimum.
- Sachin Kasera:** Which means that once we do this capex then at least for next three or four years after that there should not be any major capex to the company?
- Rajesh Aggarwal:** Again a very difficult question that if you are doing good then you are always expanding, you are doing moderate then you are not expanding.
- Sachin Kasera:** But see typically we have been targeting between 10% and 15% growth?
- Rajesh Aggarwal:** It is not the target it is the present situation. If there is situation, which shows me that I can grow by 100%, why I will not grow. The current scenario is such that the rains are very, very erratic for the last three or four years, the prices are very, very erratic. My new plants are not coming and I have to manage with the current set of things. Since I have to manage with the current set of things, I am talking about 10% to 15% growth I am not talking about bigger growth, but whenever there is an opportunity we grow bigger.
- Sachin Kasera:** Sir is improvement in gross margins that we have seen continuously for the last few quarters, is it mainly driven by the product mix change wherein we are focusing on products which have better margins or is it also because we are backward integrating in terms of the technicals so we are not as much impacted by China as some of other players in the industry are?
- Rajesh Aggarwal:** All the factors are very, very important actually. We are trying to change the product mix in totality. When I say the product mix, I mean to say even the technicals because if certain technicals are not doing good then there is heavy competition in those technicals we try to exit out of those technicals also. Yes, the vision is to change the market and take the farmer to the new generation solutions so whenever the solutions are new generation the margins

are automatic little higher than the normal products because the effort required to promote these products is higher so the return is higher.

**Sachin Kasera:** Sure, just one last question, we have seen continuous improvement in our working capital and hence we have been able to repay debt and reduce the finance cost, what is the outlook on that front now that we are looking at the capex we will once again see interest and debt levels go up or we should be able to maintain everything with the internal cash flows?

**Rajesh Aggarwal:** It will depend on the timing actually because there is no immediate investments so I do not see that happening again. At this moment by end of this year I may be sitting on little larger inventory looking at the market situations because I have to store many, many products for the market but again that situation become good in next five to six months itself because I will be able to dispose all the things, clear all the things and selling the product so I do not see that there will be any pressure of debt increase, debts funding because we do not propose to take any big debts on the market now.

**Sachin Kasera:** Will we also be looking at equity dilution or equity raise to fund this capex of 152 Crores?

**Rajesh Aggarwal:** Not at this juncture. It is not a point actually at least for another one to two years actually I do not see.

**Sachin Kasera:** Thank you very much.

**Moderator:** Thank you. We take the next question from the line of Rishi Surana from N2 Capital. Please go ahead.

**Rishi Surana:** Thank you for taking my question. I just one had question and excuse me if this has already been asked. I just wanted to know, what was the capacity utilization of the plants as of now, just a ballpark number?

**Sandeep Aggarwal:** Roughly about 65% to 70% utilization if we look at the exact year by number book.

**Rishi Surana:** Thank you. That's all from my side.

**Moderator:** Thank you. The next question is from the line of Mahantesh Maralinga from Finquest Securities. Please go ahead.

**Mahantesh Maralinga:** Just a recent news Sir that due to the uneven rainfall distribution and there has been some increase in the pesticide attacks and all is it true or is there any incremental demand from this on the pesticide companies?

**Rajesh Aggarwal:** Actually the season got delayed and scattered because the Kharif season in the last year did not start at one time. There was a gap of almost two months and that gap continued till the end. Generally the first Kharif season ends in the month of September but this year it has continued in the month of October also so we had a subtle second quarter and we could show that increase in the third quarter. So that has happened. There is no additional demand, which has come in but the season got extended because different farmers had sowing at different period actually.

**Mahantesh Maralinga:** There is no higher incidence of pests this season?

**Rajesh Aggarwal:** I do not see any epidemic happening in the season.

**Mahantesh Maralinga:** Yesterday some news regarding the cotton crop facing pink bollworm attacks and sugarcane some?

**Rajesh Aggarwal:** Attacks are there actually. There is a fall armyworm, which is creating problems to certain crops. There is pink bollworm. There is BPH 130. So there are certain infestations, which are serious infestations actually.

**Mahantesh Maralinga:** But it is normalcy or it is increase when compared to the last year?

**Rajesh Aggarwal:** They are difficult to say, BPH was little higher side, fall armyworm is the new thing, which is coming to India, a little higher and bollworm also incidences in certain areas where they were little higher but all other things are very, very subtle.

**Mahantesh Maralinga:** But then overall demand might increase for insecticide if you take this to account?

**Rajesh Aggarwal:** Actually these are only three pests we have talked there will be 100, so out of 100 if 5 are high, 95 were subtle I would say an increase.

**Mahantesh Maralinga:** Okay Sir. Any advantage from the lower crude oil prices for you, raw material prices?

**Rajesh Aggarwal:** If the crude prices go down, the raw material prices become more friendlier but the currency situation is erratic, yes there was odd situation when the oil was going haywire but there is still like it has not become very cheap actually.

**Mahantesh Maralinga:** Relatively it has come down from 80 dollars to 60 dollars level so?

**Rajesh Aggarwal:** Decrease would be there, but the currency is erratic, overall on purchase front it has not given any big benefit actually.

- Mahantesh Maralinga:** There might be some lag also or it is like immediate?
- Rajesh Aggarwal:** Yes, but I do not see any major corrections coming in.
- Mahantesh Maralinga:** What about the sales they are stable?
- Rajesh Aggarwal:** I would say stable at the moment because this is a low season now and during the winter the insecticide sales go down. This year the fungicide sale is also down so that way difficult actually the market is going to open up only with Kharif.
- Mahantesh Maralinga:** Sir but in the Rabi season there might be some lesser acreage this time?
- Rajesh Aggarwal:** I do not see issue with the acreage basically. I feel that the demand is a little lower because the infestations have not come. When we see the infestation of insects and disease then of course demand goes up.
- Mahantesh Maralinga:** But in general like most of the companies in this space have reported better number this quarter in Q3 so it is mainly because of two months extended Kharif season?
- Rajesh Aggarwal:** I believe in the month of October, yes the extension has helped but November and December has not been so beautiful for all the companies' situation was difficult and we could get the advantage only because some of our products were doing well.
- Mahantesh Maralinga:** Like on the guidance front you are planning around 10% to 15% growth next year?
- Rajesh Aggarwal:** It is a regular thing, which we work upon.
- Mahantesh Maralinga:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir what is the extent of backward integration that you have in technicals so how much of your business is dependent on your own technicals?
- Rajesh Aggarwal:** Could you repeat it?
- Pritesh Chheda:** Sir how much of your business is dependent on your own technicals?

- Rajesh Aggarwal:** Own technicals difficult to give the number actually exactly upfront but yes the dependence of on core technicals is going up so I would say my own technicals and if I include the partners also we have not bifurcated that way so very difficult to talk about it upfront, but roughly like should be somewhere around 30% plus or minus actually and would be growing up I believe. Very difficult to give a ballpark figure it is just an idea basically.
- Pritesh Chheda:** Okay. Thank you.
- Moderator:** Thank you. Thank you. The next question is from the line of Himanshu Binani from Subhkam Emkay Global. Please go ahead.
- Himanshu Binani:** Sir just wanted to know the value and the volume growth for this quarter was delayed for nine months?
- Rajesh Aggarwal:** I will give to the CFO.
- Sandeep Aggarwal:** It is not bifurcated as yet because it is very difficult because all the prices quoted prices are very, very different actually so generally if you talk about the pesticide industry in general. I would like to tell that as the new generation molecules are coming the volume is coming down and it is only the value, which is going up. So ultimately the entire growth, if you talk about the growth, growth will be value growth in future also and the volume will be declining in totality. We have not calculated if you want then we can give a written reply on this.
- Himanshu Binani:** Sir Can you please provide with the breakup formulation technique in revenues?
- Rajesh Aggarwal:** Already he has shared, but I will give him the line again because he has the number handy?
- Sandeep Aggarwal:** For nine months formulation, the gross is formulations are around 778 Crores, the technical is around 330 Crores, exports is around 50 Crores, and these are gross figures.
- Himanshu Binani:** Thank you.
- Moderator:** Thank you. Sir, over to you for your closing comments!
- Rajesh Aggarwal:** Thank you very much and I believe that our talk would have satisfied most of the queries, but if there is anything the question can be submitted and we can submit our written reply for that. Thank you very much.



*Insecticide (India) Limited*  
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**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities Limited, we conclude today's conference. Thank you all for joining us. You may now disconnect your lines now.