



Rallis India Limited Q2 FY'25 Earnings Conference Call Transcript October 16, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Rallis India Limited Q2 FY'25 Earnings Conference Call.

Please note that this conference is being recorded.

I now hand the conference over to Mr. Gavin Desa from CDR India. Please go ahead.

Gavin Desa: Thank you, Ryan. Good day, everyone and thank you for joining us on Rallis India Limited Q2 & H1 FY'25 Earnings Call.

We have with us today Dr. Gyanendra Shukla –Managing Director and CEO and Ms. Subhra Gourisaria –Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the result presentation.

I now invite Dr. Shukla to begin proceeding with the call. Over to you, sir.

Dr. Gyanendra Shukla: Thanks, Gavin. Good morning, everyone and thank you for joining us today on our Q2 Fiscal Year '25 Earning Call. As mentioned by Gavin, I have alongside with me Subhra – our CFO.

Let me begin the discussion by delving into the Industry landscape initially, post which I will discuss Rallis Specific Developments.

We continue to witness mixed signals across agrochemical demand recovery in global markets. Volumes are largely back across key markets, though lower pricing continue to impact realizations. Production from China continues to be high, and margins are stressed across geographies.

In the domestic market, rainfall was erratic with the spatial distribution causing floods and dry spells in different parts of the country.



On an overall basis, monsoon season 2024 concluded with roughly 8% above normal rainfall, impacting key agricultural regions like Rajasthan, Gujarat, Western Madhya Pradesh, Maharashtra, Telangana state and AP.

Kharif '24 sowings as of 20th September reached about 110 million hectare versus 108.8 million hectare last year. Area under paddy has gone up by 2%, pulses by 8%, maize by 4%, whereas area under cotton has declined by 9%. Extensive rains in some part of the country, especially during mid-August to September period which is the key demand period for agrochemical companies did create growth challenges for the industry at large.

Continuous rain resulted in lower application of pesticide sprays, which in effect led to lower volume growth, especially in the herbicide category. The IMD predicts October to December rainfall to be 112% of the long-term average, potentially affecting Kharif crop harvest. La Niña conditions, which may cause below normal temperature in northern and central India could lead to cold wave events.

Export market demand recovery is still not very promising. Lower prices and volatility are making chemical players also see an inventory buildup. China continues to keep the market well supplied. Demand in the US has been relatively better. Demand remains uncertain in Europe due to operating challenges with unrest in the Middle East further adding more pressure.

Moving on to Rallis specific developments – We had a robust Q2 performance. On the back of a strong double-digit volume growth in the domestic market, our revenue stood at Rs.928 crore versus Rs.832 crore of Q2'24 and profit after tax at Rs.98 crore, which is 210% higher than the previous year, similar quarter. Crop Care delivered strong volume-led revenue growth of 7%. Within crop care, growth is domestic led with export business continuing to remain under pressure. Seed revenue is up by 48% due to better Kharif liquidation. EBITDA for Q2 Fiscal Year '25 stood at Rs.166 crore, higher by 24% compared to Q2 the previous year.

Moving to the individual business Wise Performance – Our export business has displayed resilient performance, with focus on maximizing volumes and driving capacity utilization for our plants.

In Metribuzin, we have done the highest ever volume in first half '25 and with half year volume surpassing Fiscal Year '24 volume already. Hexaconazole is also showing good momentum, and we are working on debottlenecking to serve the increasing demand.

Pendimethalin is in good track with long-term demand being steady. Our work around capacity expansion with new efficient technologies would also be commercialized by the end of the financial year.

Acephate market continues to be under pressure in US and Brazil with key input raw material at lowest ever price.

Across technicals, we are also steadily working on expanding the customer base and securing registrations with more global players to improve our share.

In CSM, we are working on new relationships and alliances with global players. On the back of three new contracts in Fiscal Year '24, we have further successfully



completed pilot scale production of pre-commercial quantities of Flavocide®, a novel insecticide for Bio-Gene Technology Limited, an Australian company. We are confident that these new partners will meaningfully contribute to both the top line and bottom line in the years to come.

Moving into Domestic Crop Care – Our growth was 11% with volume growth of 17%. The quality of growth was also good, with future growth categories like herbicide and crop nutrition, witnessing 25% and 29% growth, respectively. Herbicide categories is under indexed within our business and we are consciously working on improving the share progressively.

Within crop nutrition, GeoGreen did the highest ever volume in H1.. Our new product launches such as Clasto for Cotton Whitefly and Mark Plus for Soyabean Herbicide showed good promise, and we are confident of the potential for scale up.

Within crop nutrition, Nayazinc and water-soluble fertilizer which is Aquafert range are scaling up fast. We also conducted our key dealer and retailer meetings to improve the engagement. Our actions around expanding targeted reach and penetration leveraging digital is also in good momentum. We have commenced the work on rationalizing the portfolio and sharpening focus across key markets. And you will hear more of it in the quarters to come.

Moving to Seed Business – It recorded Rs.141 crore revenue with 48% growth over the previous year, mainly due to lower Kharif '24 sales returns resulting from calibrated placement leveraging Seedsay digital tool. Seedsay is a AI and ML based sales forecast modeling tool based on historical sale and other business factors. We will further work on improving the tool to keep sales return under check.

The near-term outlook for the business – Particularly export business remains challenging. Domestic business has a positive outlook on the back of good reservoir level. Our efforts are now directed towards improving customer centricity, sharpening the portfolio choices, expanding alliances and leveraging digitalization across the operations.

We launched Anubandh Edge, a Unified Retailer Management App for both Crop Care and Seed business. That concludes my opening remark. I will now hand over it to Subhra, our CFO for a detailed analysis of the financial situation.

Over to you, Subhra.

Subhra Gourisaria: Thank you, Dr. Gyanendra. Good morning, everyone, and thank you for joining us today for our Q2 & H1 Earnings Call.

I will walk you through our Financial Performance for the Quarter, post which we shall commence the Q&A session.

Starting with the top line for the quarter – our revenue stood at Rs.928 crore as against Rs.832 crore for the same period last year. Volume growth has been encouraging at 17% with pricing challenges impacting overall growth.

EBITDA for the quarter was Rs.166 crore as against Rs.133 crore for the same period last year. Profit after tax for the quarter stood at Rs.98 crore as against Rs.82 crore for the same period last year.



Moving on to Business Wise Performance – Domestic crop care registered growth of 11% with 17% volume growth. Domestic demand was buoyant with positive monsoon and better commodity prices.

Overall, Rabi outlook is also positive, with increased reservoir levels. As far as seeds is concerned, calibrated placements in Kharif helped us in maximizing liquidation in the context of stock shortage to ensure most effective utilization of the inventory. Seeds business has grown by 48%.

We are significantly pleased with the response we are getting for our cotton hybrid – Diggaz and we believe it has significant growth runway. Our focus will primarily be on five key crops – Cotton, Maize, Millet, Mustard and Rice. We believe the focus on such selective crops will aid in driving scale. We aim to gradually build our presence across these five crops with a focus on profitability.

In exports business lower prices continue to impact revenues while demand recovery continues to be slow. Sales of Metribuzin and Hexaconazole maximized whereas Acephate specifically continues to remain soft. Our efforts on expanding the customer base and product portfolio are going to help build more resilient business.

Our efforts continue to be directed towards driving focused execution both at the front and the back end. This includes portfolio optimization, territory rationalization, removing overlaps and driving cost efficiencies and simplification across the value chain.

Our actions across the portfolio refresh also continue with two new products in crop nutrition and three products in seeds launched during the quarter.

We also continue to be relentless on improving capital efficiency, both for fixed capital and working capital. We plan to adopt a measured approach in export segment and will not set up capacities till we have contracts in hand and have improved utilization for already set up capacities.

Our inventory levels have moderated. Collections have also improved. despite stress in some markets, collections improvement will continue to be a focus. We have a healthy cash and liquid balance of Rs.229 crore as of 30th September. We envisage spends on CAPEX would be around Rs.100 crore. We also expect to commence the construction for integrated R&D Center in a phased manner soon.

In summary, we are implementing various initiatives, and we are trying towards achieving consistent, competitive and profitable growth.

That concludes our opening remarks. We can now commence the Q&A session.

Moderator:

We will now begin the question-and-answer session. Our first question comes from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal:

Couple of questions. First, on the seeds business. What do you think drove your volume? I mean you've indicated enough that it was because of calibrated placements, but would it therefore be fair to presume that your expectation of sales return for Q2 was materially lower than what actually turned out? And second, within the seeds business, how were the volumes for Aatish and Diggaz for FY'25? Because the commentary seemed to suggest that you are quite optimistic on the



offtake of Diggaz, but the fact of the matter is that cotton across industry was pretty bad for Kharif of '24?

Dr. Gyanendra Shukla: Thank you for your comments. I think what drove volume, I think one of the things we have been saying is look, we are trying to be better in forecasting how much we place and where we place. The investment we are making on digital capabilities we talked about seeds say that basically takes into account what is likely to be accepted in the market and other parameters which we are using, that helps us in placing the product in the right quantity at the right places. Now, these are still early days, but I would say that certainly has helped us in placing the product at right place in the right markets in helping reduce the return. So, the difference between the previous year and this year is significantly low return compared to the previous seasons and that led to overall net sale going up. Coming back to the specifics, I think Diggaz as we have said earlier also has done very well. Literally, we had negligible return. I think now this is one product which has crossed more than Rs.50 crore brand of the total cotton, and we are very bullish on Diggaz for the North. Aatish of course is a mature product, is rather on decline. We were very careful about building inventory of that. So, as we move forward in the seed, I think I have been talking about managing this business for profitability and it comes from also managing operational efficiencies and that's where combination of digital tool, better planning and better placement will help in long way, making sure that we are not losing money on one side as we try to generate revenue.

Tarang Agrawal: Just a follow up on this, I mean, typically from what I understand is that your seeds portfolio is skewed more towards rice and maize, followed by millet and cotton, right? If I look at H1 acreages for maize and rice generally it's been a good Kharif for both these crops for various reasons. So, how much of your performance in H1 rather than looking at it in Q2 and Q1 basis would be a function of those end markets really doing well, and how much would you attribute to it, because the function of the market having done really well, rainfalls being fairly continuous, which hasn't been seen in the last three years at least?

Dr. Gyanendra Shukla: So, if you start looking at the portfolio, I think look, so rice obviously we didn't have enough seed, otherwise we would have sold, so rice has done overall well for us. So, whatever quantity we had, I think we have been good in liquidating that. Cotton though is one crop, it has gone down from 12 million hectares to 11 million hectares, but 11 million hectare is still a very large crop, right? So, from that perspective I would say we were still able to capitalize because of the good demand of our products. So, the market has gone down by 10%, but the products which were in demand have still done well. That explains cotton and rice. Millet, our portfolio, I would say is still not competitive to be in the leadership position, we are working on it and same applies to the maize. But maize because we didn't have a lot of inventory, we were still able to sell. We could have sold more if we had inventory, but yes, as we move forward, I think we are getting good traction in our cotton, and I think our biggest hope our biggest success will come when we are able to crack a good product for South and Central India, which we are working on. Rice, we have a good portfolio, millet, I think we are working on and maize is something also work-in progress.

Moderator: The next question is from Nirbhay Mahawar with N Square Capital.

Nirbhay Mahawar: Just a follow up on Diggaz. What is its target market size right now and what is our market share as of now, what is our aspiration?



Dr. Gyanendra Shukla: So, the Diggaz market primarily is targeted towards the Northern part of the country, which is a pre-adjointing states of Punjab, Haryana and Rajasthan where cotton is grown. So, if you say how much we have grown, Punjab grows about 2,00,000 hectares, Haryana grows about 5,00,000 hectares and Rajasthan has similar areas. So, it's about 1.2 million hectares, a 10% of the total cotton area gets planted in that place. That's where this product is getting planted. That area, particularly in Punjab and Haryana has been under pressure. But still I think 1 million hectare and a concentrated pocket is a sizable area and we believe we still have significant headroom to grow given the performance of the Diggaz in the coming years.

Nirbhay Mahawar: Could we give these numbers in terms of the number of packets we are selling versus total market share?

Dr. Gyanendra Shukla: So, I think now, look, we are in production right now, right. We would have a fair estimate of how much inventory would become available by February and March. So, at this point of time, you know, if I have even 2 million packet, I can sell all of it. But I know we are not going to get that kind of production because of this wet season, also, production becomes very, very challenging. So, I guess this question if you ask me in the month of February, March, I will be able to give you a better projection.

Moderator: The next question is from the line of Siddharth Gadekar with Equirus Securities.

Siddharth Gadekar: Sir, on the seed business, I just wanted to understand that have you taken any price hike, was there a shortage of seed in the market? And can you quantify between value and volume growth during first half FY'25?

Subhra Gourisaria: Price hike we took because the mix also changed significantly because cotton as a portfolio has become our largest crop in the portfolio. So, there is a combination of price and volume mix sitting there. But if I slice it, there is a large part of the gain which has come from price mix and not so much from volume, because inventory was already constrained. But cotton has done well, paddy, in the circumstances that Dr. Shukla spoke about, given the constraints of inventory, we were able to liquidate whatever we had made followed by maize where also returns were very low. So, it's a combination of both price and volume mix which has contributed to the growth.

Siddharth Gadekar: And secondly, in terms of our sales return, can you quantify the number that was there in the last year's base number and this year, what was the sales return?

Subhra Gourisaria: So, I wouldn't be able to quantify, but if you look at first half performance itself, as I said, I give you some products, for instance, Diggaz it was practically zero return, paddy was also no net return except for some small returns we had to take and maize as well like very low returns. So, it was largely millet compared to last year. Last year as Dr. Shukla alluded there was also technology which helped in terms of digital placement plus also some interventions we did in terms of identifying the right distributors, placing it with the right kind of inputs in terms of marketing input. So, all of that helped in reducing the returns.

Moderator: The next question comes from the line of Abhijit Akella with Kotak Securities.

Abhijit Akella: Thank you, just a follow up on the previous question. On the seed revenue growth for the first half, which is about 2%, if you could please just split it out in terms of volume versus price and mix, that would be helpful?



Subhra Gourisaria: Last part of it as I said has come from volume and mix. So, a high single digit would come from price and mix and volume would be largely flattish.

Abhijit Akella: Similarly, it is possible to just split it out for the domestic crop care business as well please, Subhra?

Subhra Gourisaria: The domestic crop care first half you wanted, right? So, domestic crop care has had a minus 6% price degrowth, I am talking about formulation business and the volume growth is positive at 18%.

Abhijit Akella: On the Bio-Gene project we have, if you could please just help us understand the revenue model that we are kind of envisaging there, do we derive some cut off the royalty that Bio-Gene makes from its licensing to its commercial partners or do we instead supply the molecule directly to bio genes licensees, how exactly do we make money in this project?

Dr. Gyanendra Shukla: So, I think look, this is a new arrangement. The way it starts in the beginning is we have a supply contract, we set up a facility to produce for them and we make margin there. But in future there may be a possibility of getting distribution rights of these products.

Moderator: The next question comes from the line of Rohit Nagraj with Centrum Broking.

Rohit Nagraj: First question is on the industry front. So, in your commentary, you also mentioned that the market is well supplied from China, however, our performance is otherwise in such a challenging environment. So, what is your understanding in terms of a), the immediate impact of the well-supplied market on the volumes across different geographies? And b), when would we see any pricing improvement given this context?

Dr. Gyanendra Shukla: I think given that there was good rain and commodity prices were favorable that led to obviously volume gain. Pricing is something very, very difficult to predict because no matter how much we continue to undermine China. China has capacity and they have ability to supply at a very competitive price. So, I guess that's very difficult to predict. What is easy for me and I have been saying in the past is that I am going to focus on domestic branded business where I have to make sure my product is being used more by the same farmer and on the more crop acres. That's where our focus is because prices are variable. If I am in a domestic branded business that also allows me to charge some premium at the brand level. So, that's our primary focus. Because that something China, we are not going to control, we are not going to really going to stop China. At the same time, we are also trying to diversify some of our supply chain domestically to say how do we balance reliance on China versus domestic suppliers, including our own production capacity.

Rohit Nagraj: Second question is on the balance sheet front. So, the trade receivable seems to have gone up to about Rs.850 crore from about Rs.580 crore on a YoY basis and top line has gone up by about Rs.100-odd crore, right? So, is it due to maybe leaner credit terms offering or is there any other reason?

Subhra Gourisaria: So, trade receivables have gone up from Rs.773 crore to Rs.852 crore, so, there is an Rs.80 crore increase. Part of it is contributed because of the increase in domestic sales, but there is no pocket of concern and there is also an element of some



discounting that we had done in the base period for export receivables which is not there.

Moderator: The next question is from the line of Viraj Kacharia from Securities Investment Management Pvt Ltd. .

Viraj Kacharia: Couple of questions. First is on the seed. What you said is the volume is flat and the growth we have seen is largely a function of price and mix. Am I right?

Subhra Gourisaria: Yes.

Viraj Kacharia: So, if you look at last year same quarter we had seen very strong growth, and the reason for that was the delay in the season from Q1 to Q2. So, even on the higher volume base we have seen a very healthy improvement, and this is on the background of us seeing a supply shortage in seeds in Q1. So, just trying to understand if you can give some perspective into the crop wise growth performance? And when we say the price and the mix element which of the two has been a larger factor?

Subhra Gourisaria: I think we have been taking significant steps. I think a couple of years back we spoke about that in seeds business we were first to reset the business and look at profitability and then start working on growth. As we mentioned in multiple calls that cotton, hybrid, especially north one has done well. There are multiple other, hybrids, paddy, maize, which are also doing very well. So, I spoke about that cotton has now become the biggest crop for us. Along with Diggaz and other brands, we already touched Rs.100 crore of revenue this year. So, it's a combination and that's why when you said that on the back of a good FY24, FY25's performance has also been good. We are hopeful that many of the launches that we have planned we will be able to scale up. So, does that answer your question?

Viraj Kacharia: No, actually I just still trying to understand it. If you can just still give some perspective into our crop wise performance and which also comes back to the second question, which I also had over the margin front. See, if you look into the pecking order, cotton usually has the lowest margin profile in the segment for seeds. Now for us when we say cotton is the one which has given highest growth for us, still despite that we are seeing a very healthy improvement in operating margin. So, I am just trying to understand better in terms of both the sales mix profile and similarly, the impact on the margins when we say the price of the mix, how is that driven the margin part?

Subhra Gourisaria: Cotton indeed has shown the highest growth, both in terms of top line and bottom line, and it depends on the mix of the products that we have. So, you are right in the industry level, maybe cotton is making a lower margin, but it depends on the products that you have in the portfolio. So, for us both the combination of revenue growth and the operating leverage and the fact that we have been able to hold overheads or optimize them has helped in operating margin improvement.

Moderator: The next question comes from the line of Himanshu Binani with Anand Rathi.

Himanshu Binani: Sir, I just have one question in terms of the seeds business. So, till last quarter, there was a commentary from us as well as from the industry in terms of the supply side concerns which we had, and as per my understanding, 1st Quarter happens to be the heaviest for the seed industry. So, during the last quarter, we have posted a decline into the seeds business and that was largely led by the supply side



constraints, and all of a sudden we have been able to grow somewhere around the 50% sort of a growth in the seeds business considering higher base of last year also. So, maybe you can help me understand it?

Subhra Gourisaria: We are not able to follow clearly, but I think your question was that despite the shortage of seeds, how we were able to deliver a better performance in Q2?

Dr. Gyanendra Shukla: I think it's very simple. I think in seed what we call is before season you do the placement right. And then farmer buys the seed and unsold inventory comes back, and that gives you net of returns, right? So, net of returns, I think while we had shortage on the seed, but our supplies level was not enough to take benefit of the demand, but they were probably at the similar levels in terms of liquidation, but because we were able to reduce significantly return, that allowed us in still coming up to the level of previously in terms of volume and some price benefit, combination of that.

Subhra Gourisaria: So, in fact, one thing that probably will help all of you guys our seeds inventory is one of the lowest across various years now. So, the inventory levels have significantly come down. So, we have been able to sell whatever was there or whatever was sellable, yes.

Himanshu Binani: So, due to the supply side constraint, the growth of this sort of number is largely led by the prices, right?

Subhra Gourisaria: Actually, let's actually if you look at first half level, we are flat. First half level, Kharif liquidation has been in line with last year. But this is where the placements were lower because of the inventory and because of the effective use of technology and better marketing and sales efforts, we were able to reduce returns.

Moderator: The next question comes from the line of Darshita Shah from Antique Broking.

Darshita Shah: My first question was regarding the current channel inventory that we have for the domestic crop care business. Is it on a higher end and are we expecting a lot of sales returns reflecting in the third quarter of the kharif inventory that we currently have?

Dr. Gyanendra Shukla: So, again, look, I think this year planting is higher of overall crops and also because of continued rain. Because Kharif season doesn't end in September, Kharif season particularly in some crop in pulses, even in some late rice and cotton continues till October. So, obviously there is a required level of inventory in the market, but we are very careful and calibrated, and I think we have a system of making sure we provide based on our best estimate and this is something we keep trying to learn and improve more. At this point of time, I don't think we have any excess inventory, which we would like to leave in the market because leaving excess inventory also has a lot of other repercussions.

Darshita Shah: And the second question is regarding the higher tax rate during the quarter. If you can give us some idea on that?

Subhra Gourisaria: Because of this long-term capital gains tax reduction by the union budget, there was an unwinding of the deferred tax assets created for both carry forward of losses and long-term capital gains. So, that's a one-time impact which has come for the effective tax rate.



Moderator: The next question comes from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor: Firstly, in your opening remarks, you did allude to this extended monsoon and waterlogging and other issues that affected the aftersales that moisture still remaining in the agriculture field. So, taking these factors into account and the reservoir levels, what should be the growth that we are eyeing for the current year taking into account sensing the rabbi season and also the extended Kharif part which just our M.D. alluded?

Dr. Gyanendra Shukla: Well, I think all I have been saying is that our attempt is going to be we grow better than the market. That's our attempt and that's what we are targeting. I am certainly not in a position to give a number.

Saket Kapoor: Sir, we have also been looking to link the active ingredient part with other manufacturers. So, what kind of business are we outsourcing in terms of we are looking into the B2B segment of formulation, and the active ingredient portfolio being managed by other players, so what kind of business have we outsourced for the current year and if you could mention who are the key players with whom we are engaging for the same?

Dr. Gyanendra Shukla: I think we always talk about our crop care business in key few buckets and first bucket is really domestic formulation, as I have been saying in the past also that's my number one priority. Now, obviously I have to find the optimal point of make versus buy. So, we keep making those decisions. Obviously, because of many confidential agreements we have with the parties, we are not able to disclose those names and all. But for us it's optimal. I make a decision on that what is right for me because we have capacity and we want to use the capacity. Then we also have a domestic institutional business where we sell some of our technicals we make on a bulk basis to parties. That's business for us, but that is not something we are very aggressive about it, and we participate in that market, but we are very calibrated because those markets also we want to make sure, we are not over-exposing now. The third business is basically international business where we sell, and that market remains subdued. Metribuzin has done well for us, Pendimethalin is doing okay, on fungicide, we have done well. I think where we have challenges is really acephate and we are trying to address that. I have been very candid about it. Do I have a solution? I think we have certain options; we are evaluating and as and when those options become executable, we will certainly get back.

Moderator: The next question is from the line of Ravi Purohit with Securities Investment Management Private Limited.

Ravi Purohit: Sir, since you've joined the company in the last couple of quarters, you have alluded to changes that you are looking to make both in terms of making our seeds portfolio more profitable, pruning the loss-making parts of it, and also kind of working on getting the missing decade back on the contract manufacturing or tying up or make or buy or distribute or rather than make certain products on the Agrochem side. So, if you could just kind of give us a brief update on that strategy, what kind of pruning or what kind of things we have already done on the seed side and what are the opportunities that you are working on the Agrochem side working with MNCs particularly both in terms of licensing to sell in the domestic market and exporting for the requirements?

Dr. Gyanendra Shukla: So, I can give you just a general observation. So, the way we are working is one, we need a product sourcing. So, we are aggressively reaching out to discovery-related



companies all over the world to really make sure that we have a pipeline and that pipeline remains robust. On the CSM side, I think we are very selective. As I said, we have enough capacity on the ground we will be very calibrated first. First priority is to use the capacity to maximum and then get into any new contract before we set up the capacity. So, that's a strategy. But I believe we also talked about this domestic formulation making more efficient. That work we did not want to touch with the Kharif season was going on, but we are in the midst of exercise and that exercise should get completed in couple of months. So, as we enter the new year, we would be able to actually go with completely what you call streamlined portfolio approach where we may be looking at sale and say, look, whether this sale is desirable or not. So, we are in the process of doing that exercise and we will take every step because ultimately goal I have been saying look, for me ultimate measure of success is going to be return on capital. That has to come from various measures around including revenue cost and optimizing profits wherever possible by looking at the portfolio.

Ravi Purohit: We will appreciate it if you could kind of give a brief update on that in every quarter, I don't know, maybe part of the presentation or part of the press release? Sir, my second question is on seeds portfolio, I think you of course run a fairly large and profitable seeds business under Monsanto-Bayer combined. So, what is the sense that that you get here in terms of the potential scalability of the seeds portfolio? We are really sub-scale in that sense and at higher scale seeds is a very, very profitable business is done right. So, if you could just kind of share as to what would your medium term to long term strategy would be on scaling up the seeds business?

Dr. Gyanendra Shukla: So, fundamentally, we said we are going to participate in five crops, These numbers keep changing, but backup envelope number, cotton seed market is about Rs.3,000 crore, hybridized paddy seed market is about Rs.2,500 crore, so that makes it 5,500 crore, millet market is about Rs.700 crore, it's 1,500 tons, right, so that makes it 6,000 tons, and then there is another mustard of Rs.500 crore and then add other crops like maize an universe of Rs.10,000 crore of seed market, which is almost 50% of the total seed market. Now if you see our market share in that is roughly 4%. Our objective should be that we start growing our market share in that segment. And I guess different crops are at different stages in terms of portfolio readiness, I think right now we are slightly better in cotton, followed by rice, followed by I would say maize and millet. That's where we are. And so increasingly you will see as we try to grow our volume and markets you say in next one to two years more gains are going to come from cotton, a little bit from rice, and then subsequently from millet and maize. But our aim would be that, look, we come to respectable at least a high single digit or low double digit. It all depends on the portfolio, because every seed business is a product business, there is nothing called me too here, your product must perform, otherwise even if you give it free to the farmer he won't buy it.

Moderator: The next question is from the line of Bhavya Gandhi with Dalal & Broacha Stockbroking.

Bhavya Gandhi: Just wanted to know what is the absolute export number for the quarter and for the first half?

Subhra Gourisaria: So, we did Rs.143 crore of revenue in Q2.

Moderator: The next question comes from the line of Somaiah V with Avendus Spark.

Somaiah V: My question was on domestic crop care. The volume had quite strong growth. Just wanted to understand, is this more of an industry trend or have we had market share



gains that is one? And second, any part of the portfolio or any region has shown strong performance that has led to this kind of growth that you want to highlight? And also, between B2B and the formulations, which of these segments are kind of really done well to get this kind of growth?

Dr. Gyanendra Shukla: Two things I can tell you, look, so it's very difficult to say if I have gained market share or lost market share because Kharif season is on. I think that clarity will probably come by November and December, but the segments which have done well for us is really herbicide relatively and also our crop nutrition business.

Somaiah V: On the B2B and the formulations, any color on that?

Dr. Gyanendra Shukla: I won't go B2B, I think it's really as I have been saying our story first has to be about how do we strongly continue to grow our domestic business.

Moderator: The next question is from the line of Ritik Jain with Nirmal Bang Securities.

Ritik Jain: My first question is on when can we expect export to see normal volume growth?

Dr. Gyanendra Shukla: Well, I think export is a very competitive business. I think what we are trying to work on, and I have been talking about this is that we are working on multiple fronts. One is just an existing product portfolio. So, I think we are having reasonably good traction on Metribuzin, Pendimethalin and Hexaconazole but we have challenges in Acephate. But having said that, we are also looking at various relationships, first of all how to optimize and increase the sales of the existing portfolio and then start working up some of the pipeline product. We don't have big products, but there is a decent pipeline developing, our team is working on the ground. It will only show improvement in the coming years. Having said that, the acephate will continue to be a trouble, I think it's a trouble child I would say, we have to work on it.

Ritik Jain: In the seed business sales growth of first half of FY25, what is the ROC one can expect from the seed segment on a sustainable basis?

Dr. Gyanendra Shukla: First thing I made the statement that we want to manage this business for profitability and what I call fit to run, right. I think we have to get to a fitness level where we reach a space where our business doesn't make losses at all, and I think we are slowly inching towards that and consolidating that position, and we are also stepping up our R&D effort so that we are able to launch new products at the same time and are able to take out old products. I think if we just get that cycle right I think as I said, looking at a Rs.10,000 crore segment we operate, we are just 4%, there is a lot of headroom to grow.

Subhra Gourisaria: I think in seeds what you should understand is the large CAPEX investment is only working capital, there is no fixed capital as such. So, what Dr. Shukla alluded is more important for us to drive profitability and keep the working capital under check. I think both the actions have started showing some momentum and we should be able to hopefully improve. More important is that the seed should not be a drag on the company profitability. So, we have to first move to a positive zone and then keep improving it from there.

Moderator: The next question is from the line of Bhavya Gandhi with Dalal & Broacha Stockbroking.



Bhavya Gandhi: On the one half also if you can share what was the export data? And on the exact one half as well, I just wanted to understand it's a big product for us in the export market whereas other companies are still struggling, maybe the likes of Astec LifeSciences and all this. What strategy are we adopting that our product is still surviving in the export market?

Subhra Gourisaria: The first half revenue for international business is Rs.275 crore. As far as Hexaconazole is concerned, I think it's had a smaller overall market, but we are the market leader there and we do have a strong customer relationship and good registrations even in Southeast Asian markets and I believe it's a small market, it's a small business, but we are working almost like max out capacity today. In fact, we have debottlenecked some of the capacity and we are also looking at alternate ways to expand the capacity.

Bhavya Gandhi: In short, we have some pricing power when it comes to the export market when it comes to Hexaconazole because of our relation and maybe because of registration?

Subhra Gourisaria: Yes, it's a small market though.

Dr. Gyanendra Shukla: It's a combination of registration, customer relationship, and quality of the product. I think several factors play together.

Subhra Gourisaria: And also, the dynamics that it has with other competing molecules.

Moderator: The next question is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: Two questions actually are both on crop protection. One is on Acephate. Sir, I mean, given your vintage with the molecule and my sense is your experience and scale with the molecule, what do you think right now has happened in the marketplace, which is specifically rendering this particular molecule as a problem child? I mean, has there been a technological shift? Do you see widespread competition, which is driving the prices down, higher inventory in the marketplace or there are only specific players in the manufacturing value chain which are being extremely aggressive? So, that's one. And second, the overall crop protection if I look at the domestic and the exports business, volumes have done reasonably well and this coming from a fairly soft previous year where inventory was sort of a challenge both in the international and domestic marketplace. So, therefore, would it be safe to presume that while pricing continues to be a challenge for the broader industry, but the destocking challenges that were being witnessed in the previous year, are they effectively addressed?

Dr. Gyanendra Shukla: So, see related to acephate, I think one of the things we have to understand is it's a very concentrated market. This product is primarily consumed in Brazil, US and a little bit in India, right. These are the three primary markets they probably are 80%, 90% of the total volume. Now, our competitors here are actually Adama and UPL. Now, both of them are significantly backward integrated from a manufacturing perspective as well as they have a significant B2C market as well in these markets and that I think puts us at some disadvantage. So, we are trying to figure out how do we solve this because today we don't have B2C presence in these markets, also we are looking at relationship and what kind of relationship we can develop to have B2C in direct presence by having a supplier relationship with the local people there. Other thing is we are also looking at how can we do some cost reengineering on the manufacturing operations we have got. So, a couple of options we are evaluating. I don't have a clear answer. Obviously, we know few things can be done. As I said



earlier, also I think we would like to have a clarity sooner the better, but I think it just takes time because the things we have to understand global dynamics. The easier option is that if we are not making, we get out of the product, right. I think we are not at that stage yet. Whatever we do, we have to make sure we have all the information, and we have considered all the options. To your second question, the global crop protection market if you see is primarily driven by two factors. So, obviously North America and South America become very, very important and commodity prices also play a very, very important role. Now, there was an uptick in commodity prices beginning of the year, but I think with good production estimates coming out of the US and rainfall situation being better in Latin America, commodity prices are relatively softer particularly for key crops like maize and soyabean including cotton, right. Yes, you are right, the destocking is by and large done, as a result current year numbers should look better, but we have to understand that it's not a very buoyant demand, it's not that suddenly 20% more crop is being grown all across the earth, right, and China continues to supply at a very competitive rate. So, I am not expecting any miracle to happen in this market. I think it's going to be a normal growth period. Prices will continue to remain subdued given the commodity prices and supply situation.

Moderator: The next question is from the line of Abhijit Akella with Kotak Securities.

Abhijit Akella: Just a follow-up. One is with regard to the newer products in the domestic crop care business, will be possible to just share the kind of growth we have experienced from that in the first half of the year? And #2 was just on the categories. You did give us some numbers for herbicide and crop nutrition growth, but if you could also please just specify insecticide and fungicide, that would be helpful?

Dr. Gyanendra Shukla: I don't know if we have a specific number today to share, but maybe we can say later on, but I guess some of the product launches we had made this year, they are looking very good, particularly when we had a soyabean herbicide launch. That seems very promising. As I have been saying in the past, herbicide becomes very, very important for me and luckily we have a good launch now. I think if you wait till for rain in November, I think I will have clarity on Kharif. That might be the best time for us to give you some clarity. At this point of time, I would say herbicide and nutrition have done well, fungicides are okay, so are insecticide and that is reflected in overall numbers.

Subhra Gourisaria: I think we published this ITI on an annual basis in Innovation Turnover Index which will reflect but safe to say that in the first half as well it's tracking in line with our expectations. Herbicide as a segment our portfolio is under index, but we have done well followed by fungicide and then insecticide.

Moderator: The next question is from the line of Viraj Kacharia from Securities Investment Management Pvt Ltd.

Viraj Kacharia: Both in seed and domestic crop care, when we say portfolio rationalization, what kind of a churn in the portfolio we have -- we would have seen last six months??

Subhra Gourisaria: So, you are talking about what we have done or what we are expecting?

Viraj Kacharia: What have we done and what we are expecting both?



Subhra Gourisaria: So, I think what we are looking at is tail portfolio rationalization, which is where either the scale up has not happened as per expectation or it's adding to the complexity. We are yet to complete the exercise, but I wouldn't say that it would have a meaningful impact on the bottom line.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor: Madam, if you could give me the CAPEX number which we have done for the last three years and what kind of capacity augmentation has been done in the agrochemicals space?

Subhra Gourisaria: We have done about Rs.650 crore of CAPEX out of the Rs.800 crore of CAPEX that we spoke about in the last five years. And if I slice it, the big one had gone behind multi-purpose plant, which is around Rs.200 crore. Multi-purpose plant, Dr. Shukla alluded there are some challenges in getting higher capacity utilization because of the global situation as well. So, we hope to improve the utilization as we start seeing more contracts for it. The next Rs.100 crore went into a formulation plant which is working in line with our expectations or in line with the business case that we have done. Still there is significant headroom for the expansion of capacity there. And the last few ones went into capacity expansion and debottlenecking of existing capacities, some of the sustenance CAPEX we did and digital investments that we spoke about in both in front end and back end.

Saket Kapoor: Ma'am, just to add to it, for the multi-purpose, can you elaborate which products we are addressing to and what kind of asset turnover can we expect at optimum utilization level?

Subhra Gourisaria: See, by nature name itself is a multi-purpose plant. So, it's supposed to help you do multiple chemistries before the scale up of the volume happens, and then you can set up an individual or standalone capacity for it. So, we have done multiple products for it, both for contract manufacturing customers and also the Difenoconazole, the fungicide that we launched last year. So, there are few more products in the pipeline both from our international business and contract manufacturing that we will put there. And depending on how this scale up, we will move it to the standalone plant. As far as asset turns is concerned, it's difficult to comment on it today, but I think what we are going to work on is how do you keep improving utilization and hopefully some of these products will contribute to our top line in years to come.

Moderator: The next question is from the line of Samaiah V with Avendus Spark.

Somaiah V: A question is on the CSM business. So, what is the strategy here in two years out how do we see CSM as a percentage of our total revenue share? Also, if you could just help us with what is the current contribution of CSM In our overall portfolio? And also I think you mentioned in your opening remarks, three contracts. If you can talk about opportunities on these three contracts would that be helpful?

Dr. Gyanendra Shukla: So, look, CSM strategy I think it's very simple. We are not chasing everybody. I guess big deals I don't think are available at this point of time. We are relatively late entrant in this game. We are having multiple conversations with various parties and the different conversations are at very different stage. All I can say is, we are generally getting encouraging response. At this point of time, it is very difficult to put a number, but maybe as things mature, we will start getting more clarity, but things seems to be slowly building up, they certainly are not negative.



Moderator: Ladies and gentlemen, that was the last question. I now hand the conference back to the management for closing remarks.

Dr. Gyanendra Shukla: Thanks, everybody for joining. As I said, agrochemical is witnessing mixed signal of recovery, international business continues to be under pressure, while volumes are better across most technical margins are lower due to competitive context. In the domestic market, Kharif liquidation is slightly delayed. So, we said because of the rain season, and we are optimistically the causes of the placement, our endeavor would be to continue running the business to improve market share across verticals. While the short-term margin would be under pressure, long-term prospects continue to remain good. So, thank you very much for joining.