



RALLIS INDIA LIMITED

July 21, 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: 500355

National Stock Exchange of India Limited
Exchange Plaza
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051
Symbol: RALLIS

Dear Sir/Madam,

Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the first quarter ended June 30, 2025

Further to our letter dated July 7, 2025, we enclose herewith a copy of the transcript of the Analyst/Investors Call on the Unaudited Financial Results of the Company for the first quarter ended June 30, 2025 held on Tuesday, July 15, 2025.

The same is also being made available on the Company's website at:
<https://www.rallis.com/investors/Financial-Performance>

You are requested to take the same on record.

Thanking you,

**Yours faithfully,
For Rallis India Limited**

**Sariga P Gokul
Company Secretary & Compliance officer**

Encl: As above



Rallis India Limited

Q1 FY '26 Earnings Conference Call

July 15, 2025

**MANAGEMENT: DR. GYANENDRA SHUKLA – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER
MS. SUBHRA GOURISARIA – CHIEF FINANCIAL
OFFICER**

Moderator: Ladies and gentlemen, good morning, and welcome to the Rallis India Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

Ladies and gentlemen, 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 results presentation. I now invite Dr. Gyanendra Shukla to begin the proceedings of the call. Thank you, and over to you, sir.

Gyanendra Shukla: Thanks. Good morning, everyone, and thank you for joining us today on our quarter 1 fiscal year '26 earnings call. As mentioned, I have got alongside with me, Ms. Subhra Gourisaria, our CFO. Let me begin the discussions by getting into industry landscape initially, post which I will discuss Rallis' specific developments.

The global agrochemical market is showing early sign of recovery after 2 challenging years of degrowth since 2023. Inventory levels have normalized and the sharp decline in prices, particularly for generic products has largely come to a halt. While recovery is progressing at a slower pace in Latin America, APAC and Africa, these regions are gradually stabilizing. The shift reflects a broader improvement in global demand dynamics and potential turning point for the industry.

In India, market segment sentiments are improving on the back of early and broadly favorable monsoon, high reservoir level and supporting crop MSPs. The estimated crop production for '24-'25 stands at 354 million metric tons. That is a 6% increase over previous year. Acres also has expanded across key crops in crops like paddy went up by 7%, soybean, 4.5%, ground nut 51%, pulses 12.6% and core cereals about 17%.

Field reports indicate a shift in cotton sowing patterns driven by better price realization through the issue of illegal RRBT cotton, though the issue of illegal RRBT cotton remains with low carryover stocks opening a space for inventory replacement and the possibility of modest price increases. The Indian agrochemical market holds a cautiously optimistic outlook.

Coming to Rallis' specific developments. We had a robust Q1 performance on the back of strong volume growth and double-digit growth across businesses. Our revenue stood at INR957 crores, 20% up over previous year and profit after tax at INR95 crores versus INR48 crores of previous year. Both the Crop Care and Seed business showed a strong performance and are up 16% and 38%, respectively, over previous year. We witnessed double-digit volume-led growth of 13% in Crop Care, 23% Crop Care and B2B businesses.

EBITDA for the quarter stood at INR150 crores. It is higher by about 57% compared to the same quarter last year. And PAT for the quarter stood at INR95 crores compared to the INR48 crores reported during Q1 fiscal year '25.

Getting more specific about the individual businesses, starting with domestic Crop Care business, Crop prices are relatively better, particularly in crops like bajra, maize, oilseed, cotton and millets, alongside broadly favorable monsoon is the primary growth driver for the business. Input prices were relatively stable during the quarter, which in turn resulted in better margin for the business.

In terms of product categories, I had been indicating herbicide is one area which is growing faster, driven by the labor dynamics in the country and has performed well for us. As per our strategy, we have been strengthening the herbicide portfolio.

During this quarter, we have launched 6 products in the herbicide category, namely 'Allato', it's a paddy herbicide, 'Penflor' again is a paddy herbicide and 'Deweed' which is a non-selective herbicide amongst them. Our new products 'Dodrio', which is a fungicide for paddy sheath blight and 'Master Gold', which is fungicide for grapes and 'Fiplam', which is an insecticide for cotton, will fill in the portfolio gaps. During the quarter, we have launched 9 products in the Crop Protection B2C business.

The Soil and Plant Health business is up by 33%, in line with our strategy. As mentioned earlier, SPH business continues to be our strong pillar for long-term growth, and we will continue to invest in this segment.

Our strategy is focused on driving growth by placing greater emphasis on developing differentiated products. Also, we are steadily enhancing our front-end capabilities with customer centricity at the core. At the same time, we are working towards building a more connected and agile organization by leveraging digital and artificial intelligence initiatives. These technologies will enable us to scale efficiently and strengthen our engagement with both customers and farmers, bringing us closer to their evolving needs.

Talking about Crop Care B2B business, revenues stood at INR203 crores, of which Export is higher by 75% compared to the similar period last year. We have grown in volume mainly from Metribuzin, Thiophanate-methyl, and Metalaxyl and Hexaconazole. Our CSM business was impacted by phasing, but it is on track for the full year.

In terms of our key product, Acephate continues to face challenges in Brazil and U.S. Pendimethalin operated at a low capacity, but we are confident on the long-term prospects of the technical. Metribuzin and Hexaconazole exhibited steady traction in the U.S. and Southeast Asian markets, respectively. Our B2B segment is focused on accelerating long-term growth through building, strengthening global customer partnerships, focusing on key markets, including U.S.A., Brazil and Japan and expanding our product portfolio that includes CSM formulations.

*Rallis India Limited
July 15, 2025*

We have made encouraging progress in initiating new relations with global majors of some of our technical products and our contract manufacturing segment. We are also actively working on expanding formulation partnership with international players to strengthen and diversify our portfolio. These efforts are aimed at building long-term resilience and enhancing our strategic positioning.

Specific initiatives are underway to drive growth, both by onboarding new customers and by deepening engagement with existing ones. These actions are expected to significantly improve capacity utilization in our state-of-art manufacturing facility in Dahej chemical zone. We're confident that this business will deliver meaningful contribution to both our top line and bottom line in the coming years. That summarizes our updates on the chemical front.

Talking about seed business now, revenue has significantly jumped by 38% to INR305 crores versus Q1 of previous year despite the reduced cotton acreage in RRBT cotton expansion, our Diggaz North Cotton has done very well. However, we have challenges in maize and paddy due to supply constraints.

Our 'seedsay', which is based on AI & ML, forecasting abilities is helping with optimal placement in the market in terms of a long-term strategy for the business. We're on the right path, sharpened portfolio choices and driving sustainability profitability with measures being taken across value chain.

In conclusion, I think the near-term outlook for business driven by better farmer sentiments and positive demand for both domestic and export markets. Liquidation trends need to be watched across both crop and seed segment. We are confident and optimistic about the overall growth prospects in the medium to long term.

That concludes my opening remarks. Now I'll hand it over to Subhra, our CFO, for a detailed analysis of the financials. Subhra, over to you.

Subhra Gourisaria:

Good morning, everyone. I'll walk you through the financials. And after that, we can start the Q&A session. Our revenue stood at INR957 crores as against INR783 crores for the same period last year with PAT INR95 crores versus INR48 crores for the previous year. Importantly, the growth was led by robust volume growth across the businesses. EBITDA for the quarter stood at INR150 crores against INR96 crores for the same period last year.

In terms of Crop Care B2C business, it had a good growth of 13%, whereas SPH business is up 33%. Our trade inventory has also been satisfactory during the quarter. We believe sentiments have improved with broadly favorable monsoon and better crop prices.

Moving on to exports business. Demand recovery has improved. Price fall has largely stabilized and an early price recovery is also seen in some products, evolving on expanding our customer base and product portfolio to build a more resilient business. As far as seeds business is concerned, our revenue was INR305 crores with 38% growth over previous year.

We made calibrated placements considering the inventory level. And I'm hopeful that the liquidation trends will be favorable. Our efforts continue to be directed towards driving focused execution, both at the front and the back end. This includes portfolio optimization and looking at driving cost efficiencies and simplification across the value chain.

As mentioned by Dr. Shukla, we launched 9 products in Crop Care B2C and 14 in seeds. The reorganization has been completed for S&M teams for Crop Care B2C, B2B and seeds business. This is expected to enhance operational agility with revised business processes. We'll continue to be relentless on improving working capital efficiencies, both for fixed and working capital. We do have a very healthy cash and bank balance as of 30th June as well and continue to have no external debt borrowings.

Also very prudent in capex investment and envisage our expense -- total capex investment would be in the range of INR100 crores, mostly related to plant upkeep and maintenance, R&D and captive solar plant. In summary, we are implementing various initiatives in our drive towards achieving consistent, competitive and profitable growth. That concludes the opening remarks. We can now start the Q&A session.

Gyanendra Shukla: So before we start Q&A, I think some of you would have also heard about the news. Subhra, right, because all of you probably -- many of you have been connected with her. She is moving on for a larger responsibility in another group company, right? She has been of a great service to Rallis India, done fantastic job of overall managing business strategy as well as financials of the company.

So I want to put on the record now all the appreciation for all what she has done. I think she's been a fantastic person, great business partner to me. But we're going to miss her services here. It doesn't mean she's going away. She's just 20 minutes away from the place I sit, so I'll continue to reach out to her for her advice on the strategic matters.

So thank you, Subhra, for all your great work you have done. I wish you all the best. You move on to a larger company within the group. So that's a testament of your abilities and recognition by the group of your capabilities. So thank you for all what you did for us.

Subhra Gourisaria: Thank you.

Gyanendra Shukla: So we can move on to Q&A now.

Moderator: Thank you. We take the first question from the line of Rahul Singh Bhadoria from Elara Capital. Please go ahead.

Prashant: This is Prashant from Elara Securities. Congratulations on good set of numbers and congratulations to Subhra ma'am as well for your new role. So my first question is how much is the top line from the 9 new Crop Protection products and 14 new seed products that we have introduced. Am I audible?

- Subhra Gourisaria:** You have another question as well?
- Prashant:** Yes. The next question is to Mr. Shukla. Sir, how has the cost structure altered now since the time you have taken over the reigns? I mean, for example, how much was the fixed cost earlier as a percent of total cost and how much is it now and same for variable costs also?
- Gyanendra Shukla:** Okay. Do we take one by one or we answer both.
- Prashant:** One by one would be better.
- Gyanendra Shukla:** Yes, go ahead. The first question is to you. Contribution from new products -- 9 new products we have.
- Subhra Gourisaria:** So these products have got recently launched, and I don't think we can give you a precise number. Having said that, Prashant, for cotton, I think you are aware that we had some gaps in the Southwest market and we've launched new products. And I would say that most of these products are showing good traction, including the production plan that we have for the subsequent year. If you look at it as ITI, it actually measures that whether it's moving in the right direction in terms of revenue from the new launches.
- Gyanendra Shukla:** So I think one other thing I would like to additionally comment is that look, these are launches for Kharif. Season has just begun. What we're trying to communicate is that look, we said herbicides, fungicide and insecticide and new seeds are important.
- And we have launched out of 9 products in Crop Protection, 3 are herbicides, 2 are fungicides and 1 is insecticides. So we are covering broader spectrum of portfolio. All of you may remember that we did talk about doing some strategy work with one of the big 4 agencies. And this is all execution part of that strategy to say how do we bring new products. And how do we phase out old product and how do we then it start scaling up.
- So I think this conversation will be good probably in the month of October, when we have a half yearly result what has been the volume where we had positioned, what has been customer experience from these products.
- Prashant:** Sure. And sir, on the cost structure part?
- Subhra Gourisaria:** So cost structure, again, Prashant, I think -- so what we are talking about is I probably take the fixed cost conversation first. So fixed cost, our endeavor would be you invest in the right places. And I think we covered some of the digital investments we are doing, how are we looking at the span of control and driving efficiency.
- So we have indeed looked into new sales team, the various levels that we had and collapsed some of them, but we are also going to make investments wherever required. I think on an overall basis, we look at how do we probably operate at minimal increase over the fixed cost base so that we start getting operational efficiencies through scale.

In terms of variable costs, I think, again, it's a question of while the plants -- when the plants start getting fully utilized, a lot of efficiencies start coming in because while the variable cost in terms of utility, power and even to some extent, contractual manpower, you start seeing scale-related efficiency. So I think our bigger focus will be on how do you drive growth, which will ultimately help in reducing both fixed and variable costs.

Prashant: Ma'am efforts you have highlighted earlier also, I just wanted to get a sense on how much savings or whatever target we had set out for how much have we achieved on that?

Subhra Gourisaria: So there's a different way that we look in management information. I can say the numbers are lower in terms of -- they started showing it lower on a Y-o-Y basis, which is where you've seen the margins improving far more than gross margin. And we are ahead of our internal targets, I can say.

Prashant: Okay. And the road we had set out for how much have we achieved on that? I know it's a recurring thing every year, but whatever target we had set out for how much have we achieved on that?

Subhra Gourisaria: So we don't have a target per se to say that -- we have not gone to the market to say what is the target because this number will keep moving depending on the investments we are making. But as I said, we are in line with our target.

Prashant: Sure. Thank you so much for your time.

Moderator: Thank you. The next question comes from the line of Rohit Nagraj from B&K Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats on a very strong set of numbers and congratulations Subhra ma'am for a new role. The first question is on cotton, our Diggaz hybrid, which probably has performed extremely well during the season. About 4 years back, I think we had some 20,000 packets and probably we must be touching a couple of million now.

If you could throw that number? And second thing, historically, we have seen that in a period of, say, 3 to 4 years, usually the sales peak out unless until we have a product to replace the existing product, there could be a possibility of stagnation and then decline. So what are your thoughts on this?

Subhra Gourisaria: So I think, Rohit, you are right we have placed more than 1 million packets. And I think we are hopeful that the liquidation will be near -- or our sales return will be near zero in terms of the -- in line with the earlier years. We have also developed follow-on hybrids to Diggaz. And while we don't talk about it, many of them have also started showing good improvement.

So in fact, this year, probably we'll take one of the highest production for cotton. So I don't think that there's any concern as of now, at least for the next 2 to 3 years.

- Rohit Nagraj:** Sure. That is helpful. Second question on the exports business. So domestic we have done well. Exports also, we have done well. But is it because of the lower base of last year when the exports market was impacted because of the inventory destocking issue. And the export number probably will still -- we need to watch out for incrementally given that China still is a strong player in the global system. So just your perspective on this one?
- Gyanendra Shukla:** See, on export, look nobody knows how this tariff and everything will evolve. So let's keep that question for later stage when all these tariffs are settled. I would say tariff situation has been positive for some product, negative for some products. But overall, it is stable. Now the general -- anybody who is in the export business generally would have benefited from -- we have been talking about inventory levels reducing and all. But in our case, it is a combination of recovery in the market as well as addition of new customers.
- Subhra Gourisaria:** Plus a few of our products, there's also been some early purchases which has happened, which may impact Q2 revenue.
- Rohit Nagraj:** Sure. That is helpful. Thanks a lot and all the best.
- Moderator:** Thank you. The next question comes from the line of Vishal Dudhwala from Trinetra Asset Managers. Please go ahead.
- Vishal Dudhwala:** Good morning and thank you for the opportunity. I have two quick questions. First, given the early volume and strong product placement, how are channel inventories looking specifically for herbicides and seed products? Are secondary sales keeping up or do you see any risk stock building up in cotton?
- Gyanendra Shukla:** So I can take this question section by section. So cotton this year has been a soft year for North and there has been, again, a spurt in what we call illegal HTBT cotton in central part of India, particularly Maharashtra. And cotton crop also is significantly down compared to last year. But given that we had a limited inventory, I do not see much risk in cotton.
- We also had a little bit of shortage of rice and maize because of the processing challenges every company had to face in the month of April and May. So at this point of time on seed, I do not see a large risk. Herbicide season will extend from -- so far, it is pre-emergence. Now it's getting into early post.
- A lot of crop is still getting planted, I think, all the way through July and crop getting planted. So at this point of time, we have tried to factor in a lot of risk related to seed and herbicides. Now fungicide and insecticide is something you place in the market. And this year, because monsoon came early, there was also a request from the trader need to place.
- So we have also placed the product. I think here on, a lot will depend on how insect, pest and disease pressure builds up. So too difficult to say. But yes, given that commodity prices, by and large, for most of the crops are good, rains are good. We would certainly need some rain-free period for the farmers to spray.

I think it has been too wet sometimes. Rain never comes in what we call custom order. So I mean those are the things we don't control. I think that's part of the business we are in and we try to factor in as much as possible those things.

Vishal Dudhwala: Got your point. And the second one is on the digitalization. How tools like PlanGuru or real-time analytics help improve monsoon demand forecasting?

Gyanendra Shukla: So I think these tools are built -- so their ability to forecast builds on over a period of time when you start building the data. Most of these tools are in what we call second to third year of their introduction. So first year, it was a trial and now they are all being implemented. We certainly see value.

At the same time, we also see some -- as we learn new things, we will go on improving these tools. I have a long-term belief in these tools. We'll continue to invest. So they certainly help.

Gyanendra Shukla: And they take some human bias out of decision-making.

Subhra Gourisaria: If I may add, in terms of PlanGuru, it's going to help us in SKU level forecasting. And I think we have spoken in the previous calls about splitting the portfolio into A, B, C. So we're looking at how do we dynamically manage stocks by using -- this is an SAP-based tool. So we are going to extensively use it to do portfolio segmentation and decide the right stocking strategies.

Moderator: Thank you. The next question comes from the line of S. Ramesh from Nirmal Bang Equities Private Limited. Please go ahead.

S. Ramesh: Thank you very much and congratulations and wish Subhra all the best for a new assignment. So if you look at your seeds performance that has been a key driver in this quarter and the margins are also led by the seed business. So -- and you already achieved EBITDA, which is much higher than last year's full year EBITDA.

So where do you see the overall relative share of seeds and Crop Care over the next three quarters in terms of the impact on margins? And how do we read the long-term big picture, say, over the next 2 to 3 years in terms of seed business? Are we seeing this kind of turnaround to give you a little more stability in terms of the earnings over the four quarters or will we continue to see the trend kind of sag after the first quarter? How do you see that?

Gyanendra Shukla: So I think let me address long term first. I think we have very clearly articulated our long-term strategy about three segments and using our existing assets to sweat them out and also continue to not only domestic, also continue to expand global customer base so that we can also take advantage of the assets we have got. So the strategy doesn't change. We are going to pivot on customer centricity and we are building tools.

As we speak, we have to keep testing new ideas so that whatever we launch on a larger scale is acceptable to the customer. I think all our businesses are of scale and all of them require a minimum cost. I think from here on what I see, it's very, very difficult to say which will go up

and which will go down, but all three are very, very important for agriculture, the portfolio in soil and plant health, seed as well as crop protection.

Now all of them will not have the same trajectory. Some will do better than our expectation, some may not do better than our expectation, but our overall strategy remains to start growing our revenue in double digit. And if we achieve that, I think we'll start getting into a situation that our operating leverage becomes very, very important.

We are able to add higher share of incremental revenue to the bottom line. That's how I see it. These percentages are really ambitious goal. Yes, I do aspire and I keep talking about it, I want to grow high double digit and that's where we're putting all our resources. But a lot depends on how things pan out.

S. Ramesh:

Yes. So just one more thought on your FY '26 outlook. So when do you see the gross margins actually showing you Y-o-Y improvement because this quarter, you have seen the operating leverage help you in terms of EBITDA margin improvement. So when do you see the gross margins improve on a sustainable basis?

And secondly, on cotton, structurally, there are some challenges, which is actually hampering the cotton acreages. So how do you see that impacting the long-term growth in cotton, crop protection, chemicals and the seed business?

Gyanendra Shukla:

So I think the important thing to understand is, yes, I think if you say next 2, 3 years, cotton is going to be very, very important, but we are developing a robust pipeline in case of other three important crops for us, which is rice, bajra and maize. Some of those products are being introduced this year, maybe at the end of the season, I can give you some idea in terms of what is likely to get a better trajectory and what is not likely to get.

But yes, for coming 2 to 3 years, the cotton is going to be a significant contributor. Cotton has challenges, but cotton is grown on 12 million hectare. Out of that, earlier, I mean, now people are saying in Maharashtra, 25% of the cotton has become illegal BT cotton. So out of that, you take out 20%, about 1 million.

I think -- so I always say out of 12 million hectare, you leave 20%, 25% area out. So we have to develop a product for the balance of the market, compete hard. And as and when government approves new technology, we transition to new technology.

S. Ramesh:

And on the outlook for gross margins, how do you read that?

Gyanendra Shukla:

See, gross margin depends on the product mix. So we have a plan. Our aim is to, if not better, at least maintain the level of gross margin we have been delivering because the new products we are launching, some of them will give us higher margin, but the turnover has to change. Will it make material change this year? We will see. But obviously, the whole effort is to improve profitability at the gross margin level itself.

- Subhra Gourisaria:** Yes. Focus will be more on operating margin because I think the business needs to start growing in terms of scale so that we are able to absorb the fixed cost. While gross margin will be influenced, as Dr. Shukla said, one by the product mix and also by the segment mix, depending on exports grow, seeds grow and B2C business grow because each of them are a different business model.
- Moderator:** Thank you. The next question comes from the line of from Mr. Abu, Individual Investor. Please go ahead.
- Abu:** Thank you, sir. Sir, can you provide an update on the current demand trends for acephate?
- Gyanendra Shukla:** So acephate demand, I think, is more or less fixed. It primarily gets used in Brazil, U.S. and now India. These are the 3 key markets. Now we have seen some revival of acephate, but we are yet to see significant margin improvement on acephate because it all goes to Brazil, U.S. and all. And I think while volumes are there, and we also have started using our plant and exporting.
- We are also awaiting registration of a new formulation, which is a dispersible granule. And I think once that happens, we will start seeing not only higher volume and margin improvement. At this point of time, I can say it is better than last year.
- Abu:** All right, sir. So how do you see the medium to long-term outlook for acephate, sir?
- Gyanendra Shukla:** See, I think when I look at long-term forecast, So acephate is a great product for us because we have approvals and we have customer base. The way I see role of acephate in Rallis India is, one, our domestic business, this product remains a very, very important product. Secondly, we have customer relationship, which has started with acephate across the countries, particularly in Americas. And our opportunity is to really continue to add new products in those relationships and reduce our reliance on acephate.
- Moderator:** Thank you. The next question comes from the line of Abhijit Akella from Kotak Securities. Please go ahead.
- Abhijit Akella:** Thank you and good morning. Would it be possible to share a breakdown of the Crop Care revenues between the domestic business and exports, please?
- Subhra Gourisaria:** So this quarter, we did B2C INR449 crores and INR203 crores for B2B business.
- Abhijit Akella:** Okay. Sorry. So INR449 crores is total domestic or just the B2C product?
- Subhra Gourisaria:** Total B2C. We now call it B2C, including soil and plant health, domestic and crop protection.
- Gyanendra Shukla:** So it's about 13% growth over last year.
- Abhijit Akella:** Okay. Yes. And just the export number, please, how much would that be? I believe last year, it was INR132 crores in 1Q.

- Subhra Gourisaria:** It was not INR132 crores. It was more than that. But this year, the number is INR203 crores. And here, we count exports, domestic. So we call it B2B now. So it is including of domestic and institutional sales, contract manufacturing and exports business.
- Abhijit Akella:** Okay. And this is up 23%, year-on-year?
- Gyanendra Shukla:** Yes. So if I can give you a further breakup, our domestic institutional business has also grown and including export, we have some CSM orders, which probably will get executed later on.
- Abhijit Akella:** Okay. Thank you. And within the seed business growth that we've seen, 38%, how much of it would have been driven by cotton versus the rest of the portfolio?
- Gyanendra Shukla:** So cotton, I would say, is a large contributor, followed by paddy and maize. We also have entered into another category called research rice, and that also has contributed, though on a smaller scale went from INR5 crores has gone about INR10 crores. But that's another category we think in future, we'll be able to grow. There has been -- I would say, bajra availability has been less. We had a quality issue and bajra might be marginally down.
- Now these are current estimates. We still have to reconcile returns and everything else. That's why I keep a look at the number in October because by then, at least return adjustments have taken place.
- Abhijit Akella:** Sure, sure. And just finally on the breakdown between volumes and prices, if it's possible to share some color for both the domestic and the export pieces.
- Subhra Gourisaria:** So I think I mentioned that the volume growth is quite robust across most of the businesses. Abhijit, it will be difficult to give a specific split. But as I said, the growth is driven by volume, especially in seeds, we have had 20% plus volume growth.
- Gyanendra Shukla:** So if you really look at the broad categories, the way I see it, I think we have given you a split of domestic, Crop Care and export. Now in terms of percentage on a smaller base, export has grown more than domestic. But domestic has a higher base, and I said has grown 13%. And seed, obviously, is a good growth, but a couple of it -- a lot of it is also early planting and everything else. Some of these things do moderate as we move to quarter 2.
- Abhijit Akella:** But at least year-on-year erosion in prices has kind of been arrested now, right? The prices are not declining anymore year-on-year.
- Gyanendra Shukla:** By and large, I would say.
- Subhra Gourisaria:** In fact, year-on-year, we have had a cost shift. So year-on-year, some of the pockets, the rates have gone up.
- Moderator:** Thank you. The next question comes from the line of Saurabh Jain from HSBC. Please go ahead.

- Saurabh Jain:** Sure. So wanted to know your views around the recent news flow, which is suggesting there is some sort of shortage on the specialty fertilizer side from China. I wanted to understand have you benefited from this in the quarter that has gone by? And any of these shortages from China, how does it change your strategy? What kind of expectation you will have from this segment in the future?
- Gyanendra Shukla:** So I think what we are referring here is more of a bulk fertilizer. We are not into bulk fertilizer. In fact, our business is more beyond bulk fertilizer. There are multiple segments there. But yes, so that crop nutrition area is currently in the media. At this point of time, I do not see any significant shortages. I think government must have carried forward some inventory and some - of it is also getting produced particularly urea domestically. But by and large, I haven't seen a lot of media news on the shortages and all.
- Saurabh Jain:** No, I thought there was also some news flow suggesting water soluble fertilizers and that segment is also getting impacted. So I was just curious to know your standalone on there.
- Gyanendra Shukla:** See, at this point of time, I haven't -- I mean, I think our water soluble fertilizer business also has started very recently. So volumes are less. Not at this point of time. In fact, when bulk fertilizer becomes challenging, that's an opportunity for water soluble fertilizers to grow because they're required in lesser amount per unit area.
- Saurabh Jain:** Sure. That is helpful. The other question I had, can you throw some more light on your progress on the CSM business in particular? Some more understanding on that business will be very useful to us.
- Gyanendra Shukla:** So CSM business is a long-term business where you keep cultivating new customers and -- so I think at this point of time, because of the confidentiality reason, we cannot give you a specific detail. Some of the things we talked about in the past, and we continue to work with those customers. A lot of it is related to how their registration progresses. I keep saying that we haven't still cracked a INR500 crore manufacturing opportunity yet.
- Saurabh Jain:** Okay. Sure. Do you have any targets in mind when you think about this business, what percentage of revenue this could form in 3 years or anything?
- Gyanendra Shukla:** I think that is the most difficult one to predict because a lot of these conversations happen, and there's also a change in market dynamics. So very difficult to divulge any detail at this point of time.
- Saurabh Jain:** Sure. But your conversations, are they more around the patented kind of products.
- Gyanendra Shukla:** CSM could be a combination of patent and un-patent as well, could also be around formulation for some of the multinationals. So it's always a mix.
- Moderator:** Thank you. The next question comes from the line of Manish Shah, who is an Individual Investor. Please go ahead.

- Manish Shah:** Thank you for the opportunity, sir. Sir, my question was regarding the exports. The figure was INR203 crores. What was the figure last year?
- Gyanendra Shukla:** If you compare base, it was about INR160 crores, INR165 crores, yes.
- Manish Shah:** And quarter-on-quarter, sir?
- Gyanendra Shukla:** I've given you quarter-on-quarter only. INR165 crores.
- Manish Shah:** Preceding quarter.
- Subhra Gourisaria:** Yes, yes. So we had -- we said INR200 crores broadly, which was INR160 crores of the previous year.
- Manish Shah:** No, I'm telling Jan to March quarter, ma'am.
- Gyanendra Shukla:** What was the number for Jan to March quarter?
- Subhra Gourisaria:** Jan to March was INR182 crores.
- Manish Shah:** And the pricing has increased, ma'am from Jan to March quarter from -- in this quarter?
- Subhra Gourisaria:** So year-on-year, it has increased. We have not seen it quarter-to-quarter, but yes, some of the technicals are showing an uptick.
- Moderator:** Thank you. The next question comes from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.
- Bhavya Gandhi:** Yes, hi. Thanks for the opportunity. Sir, is it possible to quantify the CSM business contribution for full year or maybe for quarter last year?
- Subhra Gourisaria:** For confidential reasons Bhavya, we have limited customer base and revealing the number will reveal their numbers. So we'll not be able to give those.
- Bhavya Gandhi:** Okay. On the business model of CSM, is it like cost plus margin? Or how is it like if you can throw some light on that front as well?
- Subhra Gourisaria:** So it varies. In most cases, its margins are protected, but the business model varies depending on customer to customer.
- Bhavya Gandhi:** Okay. At least can you share the geography of the customers? Are these Indian customers, Japanese customers, whom are we targeting, at least some broad level guidance, if you can?

- Subhra Gourisaria:** So two of the key technicals which we anyway speak about. One is in Japan, one is the U.S.-based customer. At the same time, we have Indian customers with whom we are working. We also have a few more partnerships even with big MNCs in the pipeline.
- Bhavya Gandhi:** Okay. Fair enough. And what would be the revenue potential of the 9 products that we've launched? I mean what is the broad target that we are setting up for these new product launches? And are they better margin products compared to the existing product basket? And what would be the margin differential compared to the existing products?
- I understand that you mentioned about 15% ITI, but purely from the new 9 products that you've launched, what would be the revenue target that you're looking for?
- Gyanendra Shukla:** So I think maybe today is not the right time to give you all the details. I guess a lot of it is calibrated. So we said all the products, quite a few of them are herbicides, 2 fungicides and 1 insecticide. All of them are into broad categories with multiple users in multiple crops. So I think the other thing is that we also have to start working on each of these products. Some products are specific to rice. So they only go to rice. But fungicide and insecticide can go on multiple crops.
- So I think we are introducing them now. Let's have this conversation in the month of October. At that point of time, we'll be able to give more color on this because they are supposed to be a large contributor with higher margin because they're all mixture product.
- Bhavya Gandhi:** What would be the margin differential compared to the company level margins, if you can provide something on that front?
- Gyanendra Shukla:** Let's wait till October.
- Bhavya Gandhi:** And just one last thing. I mean, what could be the long-term steady-state EBITDA margin guidance, if you can provide? Because I think on cost front, you've done phenomenal cost optimization and all. Now it's largely on the gross margin and product mix. So if you can just provide some numbers, steady-state EBITDA margin on a long-term basis?
- Gyanendra Shukla:** So see, long term, what we have been saying is that we wanted to come to 500 basis point steady improvement from where we were, right? Now obviously, quarters and quarters will change. But directionally, we would like to operate in the range of 15% to 20% EBITDA margin over a period of time.
- Moderator:** Thank you. The next question comes from the line of Chintan Modi from Haitong Securities. Please go ahead.
- Chintan Modi:** Yes, hi. Thank you for the opportunity. Sir, my question is with respect to gross margins. This quarter, we have seen almost comparing to the historical trend, there is almost 200 basis points of decline. And considering that we had a good mix also of seeds business, which is typically a

high-margin business. Could you explain what was the reason for that? And how should we see that going ahead?

Subhra Gourisaria: So one obviously, positive is what you touched upon seeds. The negative was B2B business. So exports in terms of gross margin is lower. And hence, I think and within the segment itself, there would be some negatives, for instance, cotton within seeds mix, lower margin compared to the overall portfolio.

And secondly, I think what we look at is not necessarily gross margin internally. We look at gross contribution. So apart from raw material, there are various other costs, including power, labor. We look at gross contribution at that level. And for us, the gross contribution is on the right track.

Chintan Modi: Understood. So it was largely a function of mix, you would say, rather than any other raw material cost increase. Okay. Coming to the employee cost, that was also quite well maintained despite the growth in the revenue. So you think that this current base of employees and the cost structure that we have broadly will continue for the full year and will be able to deliver a similar kind of trend in growth?

Subhra Gourisaria: So to answer your larger question, I would say that it will be in the similar direction, but I think we'll also make investments in a few of the areas. So a few special talent, a few senior talent will continue to get recruited. I think employee cost, you can say, will be in a similar direction, but not necessarily you can do Q1 multiplied by 4 and arrive at a number.

Chintan Modi: Okay. Third question is slightly from a longer-term perspective. Now we are into multiple businesses like seeds, we have B2B where -- we have exports also domestic also slightly and B2C where we have the conventional agrochemicals plus the soil and health. Now I wanted to understand like, let's say, from a next 3 to 5 year perspective, which according to you is most lucrative and where you can see a lot of opportunity playing out, where we have kind of more competitive advantage compared to the peers?

Gyanendra Shukla: So obviously, structurally, you see all 3 businesses have a very different margin profile on a gross basis. So seed tends to be, depending on which crop you are, tends to be more high margin, gross margin business, followed by, I would say, soil and plant health portfolio. But in soil plant health portfolio also, if you start relying more on the bulk fertilizer our margins drop followed by crop protection.

Now within crop protection also, if you have a unique mixture of patented product, you can make more money. If you're in a generic category, if you make technical, you make more money. If you don't make technical, you make less money. So it's always a blend.

My feeling is that the way we are looking at, we are looking at, say, farmers -- so if there's a paddy farmer say in some districts of UP, am I able to supply them all what they need from crop nutrition perspective, seed perspective as well as crop protection perspective.

As a result, you are able to actually optimize mix of your revenue and mix of profit. That's how we are approaching and that's what we call customer centricity, how do we get very focused, how do we increase our frequency of interaction with the customer so that we are able to take more share of the needs of the farmer.

Chintan Modi:

Let's say, from a landscape perspective in India, agri typically has been growing, I mean, at a slow pace only. I mean the changes doesn't come much rapid. But are you observing considering the recent ministry level changes and some aggression coming in like this year, we are seeing the number of reservoirs have also gone up.

You think that over next 3 to 5 years, there could be a drastic improvement in terms of the underlying in terms of agriculture, the trend changing and which can kind of benefit the agrochemical companies?

Gyanendra Shukla:

Yes. So water is a very, very important element of agriculture. So every time there's irrigation potential, farmers will plant the crop and they tend to use more input because the possibility of getting a higher harvest goes up. Having said that while reservoirs are getting added, we also lose some inefficiency if they're not de-silted.

So I think overall, we need to see what is the net capacity of irrigation getting added every year, including all kind of methods being tried with the government, right from micro irrigation to macro irrigation. Yes, irrigation has a positive impact. But at the same time, we have to see at the net level because some of our existing irrigation project also become inefficient over a period of time. So yes and no, both.

Moderator:

We take the next question from the line of S Ramesh from Nirmal Bang Equities Private Limited.

S. Ramesh:

So in terms of your target for ROCE and ROE, when do you see that showing material improvement? And if you look at the current year, if you maintain the current trend in top line growth, there will be an increase in working capital. So on that higher working capital, would you be able to show an improvement in ROCE this year? What is the thought there?

Subhra Gourisaria:

So ROCE is driven by 2 factors, right? One is your margins and secondly is your capital prudence. So I think Dr. Shukla mentioned that we will strive to achieve 500 bps improvement in margins. As far as capital is concerned, there will be certainly investment in working capital to support growth.

But you would have seen our days on hand has come down. Actually, the balance sheet is not released this quarter, but I can say that the days on hand has come down compared to year-on-year. We are taking measures in terms of inventory rationalization in relevant pockets, tail brand reduction. So we are hopeful that the working capital will be kept under check.

As far as capex is concerned, I anyway mentioned that we will try to keep it at around INR100 crores. A large part of it will go behind sustenance investments. So as and when the profitability,

I would say, mix improves and the capex investments are kept under check and capacity utilization improves, you'll start seeing an uptick in ROE.

S. Ramesh: Understood. So one last thought, if I may squeeze in. The Mandi prices are prevailing below the MSP is the case in Rabi and also for the Kharif. So is that something of a concern in terms of the farm incomes? Or are we comfortable in terms of the ability to collect and place products?

Gyanendra Shukla: So look, Mandi price, again, is a factor of demand and supply. So we don't deal with commodities, so we don't want to comment on that. My feeling is that, look, Rallis team has done a wonderful job of managing the receivables so far, and we haven't relented on our effort to be efficient in terms of placing and collecting.

And even if that means sometimes short term, we have to take back the stock, we do properly take back. So there has been a very efficient capital management by the finance team, and I don't see that is going away. And hopefully, that will ensure that we don't get into unnecessary large receivable issues.

Moderator: The next question comes from the line of Riju from Antique Stock Broking.

Riju: So regarding the new launches that we have done this quarter, 9 products. So out of which only 1 product is 9(3), is that correct?

Gyanendra Shukla: Okay. I don't have a specific detail right now handy with me, but Fiplate is 9(3) for sure. Some of them I need to check. Maybe we can get back to you.

Riju: Okay. And you have only mentioned 6 products names. So if you could name the other 3 products that you have launched this quarter?

Subhra Gourisaria: We'll give that separately,

Gyanendra Shukla: Yes. We can provide at least separately. Because some of them actually might be targeted towards next season. So that's the plan for the year.

Riju: Okay. So understood. So 9 products that may be in Q1 and Q2, that is correct?

Gyanendra Shukla: Yes.

Subhra Gourisaria: Launches have happened, but you have a very soft launch. We will give you.

Gyanendra Shukla: Yes, we'll get you the detail. In seed, we have launched 14 new products.

Riju: Okay. Understood. And in terms of the seed business, so I think earlier, the cotton seeds used to be roughly around 20%, 25% of the total seed portfolio. So how is the mix right now for cotton and the paddy?

- Gyanendra Shukla:** So of the total number we have declared for seed, it is about more than 33% at this point of time. So it's a significant number for cotton. And I believe cotton will remain significant for, as I said in the beginning, for next 2 to 3 years.
- Riju:** Okay. And how much is the paddy for the portfolio?
- Gyanendra Shukla:** So paddy and hybrid maize should together season is on, right?
- Subhra Gourisaria:** We should see after H1.
- Gyanendra Shukla:** But I would say paddy and maize, will be about 40% put together. And balance will be mustard and Bajra.
- Riju:** Understood. So like moving forward, our most focus would be on improving the maize portfolio or the other portfolio that we don't have right now, right?
- Gyanendra Shukla:** I think all are important. I mean today is the customer want new seed, new products more frequently than what companies were able to do in the past. So it's a continuous process. We keep launching product so that farmers and there's a value added for the farmers because every new product certainly holds higher yield potential.
- Riju:** Understood. And sir, this quarter in the seed business, we have registered roughly around 26% kind of EBITDA margin, right? And which is, I think, like historical high margin in terms of the seeds business. So how sustainable is this margin? Or like how we can work with the margin going forward? What are the drivers for this?
- Gyanendra Shukla:** Majority of our business is lopsided towards quarter 1, right? Now obviously, EBITDA margin we are looking at, you're also looking at quarter 1 cost only. So there will be quarters when there will be less sale or no sale, but cost will stay. I think in seed when I say overall 15% to 20% EBITDA margin on a long-term basis, I see seed delivering 20% and maybe crop protection at 15%. So somewhere we operate depending on the year, which business grows more. That's the target we want to keep in mind.
- Moderator:** We take the next question from the line of Dhruv Muchhal from HDFC AMC.
- Dhruv Muchhal:** Sir, probably a bit of a repeat, but I just wanted to have a better understanding on the ground level pickup in terms of the ag-chem products. I think the first 2 months of the quarter are generally replacement months and the later follows the actual ground level. So if you can share any details on how is it -- is it in line with your expectation? Is it better? Is it worse? So some thoughts please.
- Gyanendra Shukla:** So I think seed, we have a better clarity because majority of the seed, which has to be planted with the farmers is purchased, whereas trying to check the channel level inventory. So seed, we have a better handle, I think we have the good clarity. Crop protection, I think probably we need another 10, 15 days to get complete clarity because a lot of herbicide, which goes early. I mean, obviously, we are done with, say, apple season, which happened in April, May and June.

So it's very difficult to predict. But yes, we have a clarity on seed. We have clarity on some level of clarity on pre-emergence herbicide, but crop is still getting planted. And early post-emergence herbicide, post-emergence herbicides will come later and then followed by insecticides and fungicides, they go concurrently. So we'll have to have some patience, right, before we can get that.

Dhruv Muchhal:

Sure. And sir, probably from some of our checks, we understand there were some price increases, some technical, which were passed on to probably the channel also, some in June, some in July. So just trying to understand, have these prices sustained? Probably one can infer that from subsequent orders from dealers. Have these prices sustained? Were you able to sustain these price increases? Or there has been some recalibration? Or it's too early to say?

Gyanendra Shukla:

It's very product specific. I think Acephate prices, for example, continue to be soft. There's been some improvement in Metribuzin prices, but Hexaconazole and Pendimethalin prices have not moved much. So it's very product mix. I mean what we report is basically a blend. It's very difficult to get into product.

Dhruv Muchhal:

And sir, 2 quick questions is on exports. So from -- of course, the growth is on a low base, but just trying to understand, is the delta more towards U.S. market for you or it's across regions, so nothing specific to U.S.?

Gyanendra Shukla:

Primarily Americas.

Dhruv Muchhal:

U.S. and LatAm both?

Gyanendra Shukla:

Yes.

Dhruv Muchhal:

I'm just trying to understand, is it because of the prebuying from U.S. and all those that the reason which is driving this?

Gyanendra Shukla:

I think it's seasonal buying, right? I mean, well, LatAm is buying basically for the planting season, which will begin in September, October. U.S. has been buying for their seasonal need because U.S. has a very diverse climate North and South. So I don't think anybody is buying and stocking. I think that mindset has gone away.

Yes, people might have preponed some order because when all this war has started, right, there's an uncertainty around movement of sea -- I mean, movement through sea and also. So there must be a little bit of it, but that has also quietly died down. So I think right now, we are back to normal.

Dhruv Muchhal:

Got it. And sir, lastly is -- you have a decent cash balance and given your capex requirement, probably it will remain same and-- you will continue to accumulate cash. So any thoughts in terms of how do we plan to use it? Probably it's a longer-term thing, but any thoughts that you can share?

- Gyanendra Shukla:** So the first use of money is to continue to do things related to doing current business better. Second thing is related to acquisitions. I think we are very curious about opportunities in the marketplace, and we objectively look at it. We want to make sure whatever we do becomes accretive to our income. These are the 2 primary uses right now.
- Moderator:** Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to Dr. Gyanendra Shukla for his closing comments.
- Gyanendra Shukla:** Yes. So I think it's an early onset of the monsoon and performance of the sector actually should be seen more on the seasonal basis, which is H1 basis, we shouldn't read too much into what we call quarters. I think rainfall, there are some rainfall disparities.
- For example, Bihar still has received less rain. Northeast has been a low rainfall patch. And we'll have more visibility on the liquidity by H1. And I think August, September is going to be very, very important as far as pest and other things to be watched out. From a cost and other perspective, working capital management, we continue to be very, very focused.
- And we continue to drive our business more towards profitability, and we will continue to take action towards that. We are in for a long-term business building. While it is very exciting to say I have delivered quarter, but my focus is that get the train moving in the right direction and then we get into what we call velocity.
- So thank you for your time.
- Moderator:** Thank you. On behalf of Rallis India Limited, that concludes this conference. Thank you for joining us.