

October 22, 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,

Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the second quarter and half year ended September 30, 2025

Further to our letter dated October 8, 2025, we enclose herewith a copy of the transcript of the Analyst/Investors Call on the Unaudited Financial Results of the Company for the second quarter and half year ended September 30, 2025 held on Friday, October 17, 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,

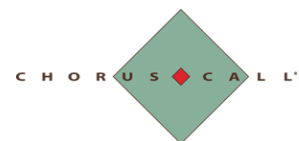
**Yours faithfully,
For Rallis India Limited**

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

Encl: As above



“Rallis India Limited
Q2 and H1 FY '26 Earnings Conference Call
October 17, 2025



**MANAGEMENT: DR. GYANENDRA SHUKLA – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – RALLIS INDIA
LIMITED
MR. BHASKAR SWAMINATHAN – CHIEF FINANCIAL
OFFICER – RALLIS INDIA LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Rallis India Limited Q2 and H1 FY '26 Earnings Conference Call. We have with us today Dr. Gyanendra Shukla, Managing Director and CEO; and Mr. Bhaskar Swaminathan, Chief Financial Officer.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Gyanendra Shukla. Thank you, and over to you, Mr. Shukla.

Gyanendra Shukla:

Good morning, and thank you, everyone, for joining us today for Rallis India Limited Q2 and H1 Fiscal Year '26 Earnings Call. As mentioned, I have alongside with me Mr. Bhaskar Swaminathan, our new CFO, welcome Bhaskar.

Let me begin the discussion by delving into the industry landscape initially, post which I will discuss Rallis' specific developments. Abnormal and uneven rainfall distribution in Q2 of 2026 has led to significant crop losses in pre-agronomic consuming states. The heavy rain plus floods, water logging and submergence of large farmland areas, which severely affected crops like soybean, maize, cotton and pulses.

These conditions delayed harvesting and the application of crop protection product, limited pest inflation, also limited pest infestation due to heavy rain washing of the pest and increased sales return of agrochemical products due to lower demand from farmers.

Moving on to Global. Global signals for recovery in the agrochemical sector in 2025 show cautious optimism with gradual demand improvement supported by stable pricing and strong export demand, particularly from markets like the U.S. and Brazil. Industry margins are likely to remain subdued amid rising competition and U.S. tariffs on Chinese agrochemical imports.

Indian agricultural exports to key markets like the U.S. and Brazil are growing at 5% to 6%, supported by destocking normalization. China continues to keep the market well supplied, demand in the U.S. has been stable. U.S.-China trade tensions, including tariff up to 60% are pushing U.S. manufacturing repatriation and reducing Chinese export competitiveness.

Moving to the Rallis-specific developments. We had a muted Q2 performance on the back of incessant rainfall in the key agrochemical consumed in states like Punjab, Maharashtra, UP and Rajasthan. Our revenue stood at INR861 crores versus INR928 crores of quarter 2 '25. Overall, EBITDA for quarter 2 '26 stood at INR154 crores, lower by 7% compared to Q2 of the previous

year. Profit after tax at INR102 crores versus INR98 crores of Q2 '25, which is 120 basis points higher than the previous same quarter.

Crop Care segment, degrew by 3% due to lower performance on domestic front, due to excessive rains. Export revenue grew by 33% whereas Seeds segment, degrew by 29%. Moving into domestic B2C, our revenue degrew by 8% and volume degrowth of 3%.

Liquidation of herbicides in cotton and soybeans suffered, which led to returns and overall volume degrowth, with farmers missing on the spread due to heavy rains, Insecticide also registered degrowth. From an overall perspective, herbicide categories is still under-indexed within our business, and we are consciously working on launching new products and improving the share progressively.

New product launched during the quarter are 'Deeweet' and 'Dodrio'. Deeweet is a herbicide and Dodrio is a fungicide. Soil and Plant Health category faced subdued demand due to poor property prospect, adverse weather conditions and regulatory challenges.

Our continuous actions around expanding targeted reach and penetration, leveraging digital initiatives showing good momentum. We continue to work on rationalizing the portfolio and sharpening focus across key markets.

Our export business has displayed encouraging performance with a focus on maximizing volume, driving capacity utilization for our plants and expanding customer base. U.S. tariff impacted some technical and formulation business for U.S. CSM quarter 2 revenues impacted due to customer phasing-off of dispatch plan for key products. Metribuzin and Hexaconazole showed good momentum, Pendimethalin is also on the good track and with long-term demand remaining steady.

We also have commercialized the planned capacity expansion with new efficient technologies. Acephate has also shown improvement in H1 fiscal year '26 in comparison to the same period of last year, improving capacity utilization. Across technical, we are steadily working on expanding the customer base and securing registrations with more global players to improve our share.

Moving to seed business. Seed revenue degrew by 29% in the quarter from INR141 crores to INR101 crores. Our quarter 2 witnessed significant supply chain constraints for maize, particularly in Tamil Nadu and neighboring states in Q2.

Our placement volume fell short of plan targets, mitigated through enhancement of placement of mustard. Widespread adoption of illegal HTBt varieties resulted in higher returns of organized seed companies. We have increased product demonstration activities to maximize sales in kharif '26.

We are focused on accelerating the launch pipeline for proprietary research added varieties with high yield potential. The near-term outlook for the business remains positive on the back of driven well level and positive engagement with export customers. Our continuous efforts are directed towards long-term improvement like customer centricity, sharpening the portfolio

choices, launching new products, expanding strategic alliances and farmer reach and leveraging digitalization across the operations.

That concludes my opening remarks. I will now hand over to Bhaskar, our CFO, for a detailed analysis of the financial situation. Over to you, Bhaskar.

Bhaskar Swaminathan:

Thank you, Dr. Gyanendra. Good morning, everyone, and thank you for joining us today for our Q2 and H1 FY '26 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 INR861 crores as against INR928 crores for the same period last year, resulting in overall degrowth of 7%.

Overall, there has been a volume degrowth of 6% and price degrowth of 1%. EBITDA for the quarter was INR154 crores against INR166 crores for the same period last year. Profit after tax for the quarter stood at INR102 crores as against INR98 crores for the same period last year. 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 is primarily on 5 key crops, cotton, maize, millet, mustard and rice for our seed segment.

We believe the focus on such selective crops will aid in driving scale. We aim to gradually build our presence across these 5 crops with a focus on profitability. 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 as well as the back end. This includes portfolio optimization, territory rationalization, removing overlaps and driving cost efficiencies and simplification across the value chain.

Our action across the portfolio continues with 2 new products in crop protection segment launched during the quarter. We continue to be persistent on improving capital efficiency, both for fixed capital as well as working capital. Our inventory levels have moderated. Collections have also improved.

We have a healthy cash and liquid balance of INR454 crores as of 30th September. We envisage spends on capex would be around INR50 crores. 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. Thank you.

Moderator:

Thank you. We will now begin the question and answer session. The first question comes from the line of Sucrit D Patil, Eyesight Fintrade Private Limited.

Sucrit D Patil:

I have 2 questions, one for Mr. Gyanendra and one for Mr. Bhaskar. Mr. Gyanendra, my question to you is, given the volatility in monsoon patterns and farmer sentiments, what are the biggest execution challenges you foresee in scaling your crop protection and seed business over the next few quarters? And how is Rallis adapting its go-to-market and product strategy to stay competitive and relevant in this shifting agri landscape?

Gyanendra Shukla:

You want us to take one by one. Okay. So fine. Look, I think volatility in agriculture sector. Now it looks like has become a norm, not only in India and across the globe. So obviously, it poses challenges. But I think what we have been saying in the past is that, look, our focus on 3 segments, which is Soil and Plant Health, our Crop Protection portfolio and Seed will incur our business. And because we produce these products, we research into these product, we sell in India, so we'll continue to not only sell in India, we'll also continue to explore the opportunities for export.

And along with comes our collaboration product access with multinational companies. So we believe the kind of pipeline we are developing in the relationship, we are developing for product access as well as some of the CSM development. I think will ensure that we continue to get Seed of a new product to develop combination or co-launch with the multinationals in the domestic market as well as continue to explore some export opportunities.

On the top of that, other thing we have been saying that, look, we are getting very focused. India is a very large country, very dispersed, but companies with focused effort in the villages are likely to more succeed.

So our continued focus on identifying right villages, leveraging digital market reach. So combination of digitalization, focus on manufacturing efficiencies, getting new product launched. I think combination of all of those things, we believe we should be able to grow better than the industry in the long term.

Sucrit D Patil:

And my final question to Mr. Bhaskar is, with raw material inflation and pricing pressures in the key markets, how is Rallis planning to protect the margins going forward, especially in balancing procurement efficiency, product mix and pricing discipline? What are the key financial levers you are planning to maintain the profitability going ahead?

Bhaskar Swaminathan:

Yes. So when you say procurement efficiencies, I think the efficiency lies directly around the procurement decision itself. So we buy at the right time. So timing of purchases is very important. So that's kind of a very calculated call. Wherein we look at the input side as well as the sales side, what is our view of the price ultimately will fetch. So most of the times, these are spot decisions and that's how we have rigor control over it.

Moderator:

Next question comes from the line of Rehan Saiyyed from Trinetra Asset Managers.

Rehan Saiyyed:

So I have only 2 questions. First on the CSM revenue side. So my first question is on the CSM revenue side. So the CSM revenue dipped due to customer phasing. So can you help us understand whether this is purely timing related or do you expect any normal volumes to resume from quarter 3 or quarter 4 onward? This is my first question.

Gyanendra Shukla:

Yes. So I think our current year CSM revenue, if you see, I think has come from all the products. So Metribuzin has done very well, so has Pendimethalin and Hexaconazole. Majority of the gain which has come is actually with a combination of really expanding to the new markets and also trying to be very competitive in the marketplace.

So I think our focus is really new product, new country -- I mean, product, new registrations, new customers. So that is really helping us. The other benefit which we had was many of our products actually other than formulations are exempted from tariffs in U.S. As a result, we were able to continuously supply.

Rehan Saiyyed:

Okay. Fair enough. And my second question is on your new project product launch of 'Deeweed' and 'Dodrio'. So sir, the company launched 8 new products year-to-date, including 'Deeweed' and 'Dodrio'. So could you discuss which of these products have shown the most promising early response? And how do you see them going forward for upcoming years?

Gyanendra Shukla:

Yes. So we launched products both in Crop Protection and Seed. So the seed product, which we launched 1 new hybrid in cotton, 1 in rice and 1 in maize. All 3 have done very well. Now it's a question of producing more and scaling up. So we are very optimistic about the performance of those products in the future.

On the 8 products, which we talked about, in 1 product we had to delay the launch because we were not happy with the quality of the formulation that came out. We have fixed that problem. So that will get introduced now because that has application across the crop, it's a broader spectrum insecticide. Of the remainder, majority of them were herbicide and one fungicide and insecticide.

All I can tell you, these products were introduced towards in quarter 4 of last year as a test launch. And we actually have more than doubled their volume as we speak on a YTD basis. So it looks like good traction and good momentum in the market.

Moderator:

Next question comes from the line of Rohit Nagraj with B&K Securities.

Rohit Nagraj:

The first question is on the bio-stimulants Market. So if you could just give us an understanding about how the last 3 months have transpired in terms of the regulatory regime? And how are we placed in terms of the opportunity? More importantly, if some of those non-regulated players are weeded out or will it be a better opportunity for the incumbents like us? So a broader understanding on the industry in general and Rallis in particular will be very helpful?

Gyanendra Shukla:

Yes. So I think, yes, what government is trying to do probably was overdue and that simply means that there are challenges for everybody in the short term. But from a long-term perspective, I see this as a positive development because it does help in bringing more, what you call, organized market players. Having said that, our quarter 2 was challenging on 2 points. Farmers do tend to miss sprays when there's so much of uncertainty in the marketplace because of the extreme weather condition.

Then some of the products, for example, we were dependent on our third-party supplier. They were able to not secure the permission to sell. All of that is sorted out. So I think there was a storm in quarter 2, if I can use the more appropriate word, but this should lead to better prospects for organized players like us in the future.

Rohit Nagraj:

Sure. That's helpful. Second question is in terms of the seeds availability for next season, given that for this quarter, there was an impact delivering across the board. So are we seeing that for the next kharif season, there will be some issues in terms of availability of seeds?

Bhaskar Swaminathan:

So if you see from a crop perspective, 4 crops are more important for us because they constitute bulk of revenue. One is cotton, followed by maize, rice, bajra and mustard. So, I do not see any risk to mustard because there are limited players. Bajra also, I do not see any challenge at this point of time. Most of the challenges are expected in cotton, rice and maize.

Now cotton, we already had taken sufficient planting. So I think we are covered. And maize and rice is getting planted now. So as we speak when kharif gets harvested, particularly other places, Tamil Nadu and part of Orissa, Chhattisgarh, rice gets planted and maize gets primarily produced in Andhra and Telangana.

So planting season is progressing. We are working hard. Last year, the challenge was not only with the planting. I think planting happened on the time, but everything happened on so much on time in a narrow window.

So when harvest came, all harvest is happening at the same time, there was a constraint got created in drying capacity and rain led to other challenges. So we are tying up the processing capacity, storage capacity. At the same time, production planning is in place. So as I speak, I don't see any risk in cotton. Rice and maize, I think we are planting, and we are taking sufficient measure based on our past experiences to ensure supplies.

Moderator:

Next question comes from the line of Saurabh Jain with HSBC.

Saurabh Jain:

Again, on the seeds front, there are 2 headwinds in the cotton side, right? One, we are noticing a consistent decline in the overall cotton acreages in the country. So structurally, does it become a problem for the seed players having high portfolio to the cotton in our products?

And secondly, you also highlighted there is another rising problem of illegal HT seeds. So my question is these 2 problems, do you see that as structural or at least in the midterm as a major headwind for you? And can that actually restrict the opportunities for you to continue to grow your cotton portfolio the way it has done for the last few years?

Gyanendra Shukla:

So our cotton dependency is very high on Northern India. Fortunately, illegal cotton has not made inroads into that. To that extent, we have secured because I think our 70%, 80% of the business still comes from North. Now South and Central, yes, this year, there was a setback in terms of cotton planting. How this will pan out in the future, I don't know. But given the rise of illegal HTBt cotton last year, a lot will depend on how well the harvest comes.

And I think I'll have to wait for really third quarter to get over because that's the time when you will start getting more clarity from the farmers, so that they were able to secure enough yield on HTBt cotton, what kind of experiences they have. But if it turns out to be successful as it was this year, I think it does create challenges for companies in the operating, primarily in South and Central part of India.

Saurabh Jain:

Okay. That is helpful. Part two, also, if we look at the margin profile this quarter Y-o-Y basis, seeds has declined high double digits. But still, we noticed that there has been an improvement in the margins. So 2 things. One, can you explain us what could be the broad margin differences between all of these 4, 5 products that you do?

And can the margin improvement be attributed to your lower-margin product not growing for in this quarter. Is that the reason or are there more reasons behind it? And also, have you seen any sales returns even in your seeds portfolio as well?

Gyanendra Shukla:

So I think for the current kharif season, we have accounted for everything. So the numbers you see are true kharif number. So sales returns are accounted for, discounts are accounted for, manufacturing, cost overruns, everything is accounted for, the number you see are real. But do not see this as a quarter number, see this as a half yearly number, our kharif season number.

And on a half yearly basis, we have seen significant improvement in margin. I think in seeds what happens, if you have a portfolio which is coming primarily from your own research, then you tend to make a higher margin, but not every company can research and sell everything. The good news is that in first half of the year, more than 80% of our business comes from our own research product. As a result, margins are higher.

As we move into quarter 2 and quarter 4, which is more rabi season, which is less than 20% of the revenue, that gets skewed towards, basically more product coming from the partnership, that's where margin profile tends to get lower. But I think -- I believe past is behind us. We are a very focused seed company now doing a few things. I believe that we should be able to sustain and grow our margins. So our target is that we should bring our seed business to -- in the range of 23% to 25% EBITDA margin.

And first half, we are very close. Second cost, there could be slightly dilution because revenue will be smaller and the cost remains same. Revenue will be smaller, but I think we're on track to deliver that kind of margin, which will be on par with the industry-based players.

Saurabh Jain:

Okay. Understood. Just very last bit, can you also give us some sense in terms of the difference between margins of your cotton and maize, I presume would be your -- more of your in-house products. And what could be the margin difference between bajra and all of these other products?

Gyanendra Shukla:

So bajra tends to be highest margin product. Cotton, maize and rice, they would tend to fall in the same bucket because cotton challenges -- there's a government price control.

Moderator:

Next question comes from the line of Somaiah V with Avendus Spark. We have lost the line of Mr. Somaiah.

We'll take the next that is Abhijit Akella with Kotak Securities.

Abhijit Akella:

So on the export business, we've called out 33% growth for this quarter. Would it be possible to also just share the absolute number, the export revenue number in rupees crores? And also if it's possible to share a export growth percentage for the entire first half of the year, that would be great.

Gyanendra Shukla: So my understanding is our export -- just give me a second. Export has grown by, I think, more than 30% in the first half. Is that right?

Bhaskar Swaminathan: Yes, close to that.

Gyanendra Shukla: It's about 30% growth over previous H1.

Abhijit Akella: And so for the quarter, I think we can assume it ended up at somewhere around INR190 crores. Would that be a fair number to work with?

Gyanendra Shukla: Let me see what is the quarter number? Bhaskar, can you track about quarter number?

Bhaskar Swaminathan: For the quarter, it's INR161 crores.

Abhijit Akella: I see. Because I thought last year's corresponding number was about INR142 crores, if I'm not mistaken, based on last year's disclosures. So 33% growth would have implied about INR190 crores?

Gyanendra Shukla: So no, 33%, we are talking on a 6 monthly basis, right?

Bhaskar Swaminathan: Yes. So see, if you go to absolute number, it is about 24% for the H1 point of view?

Abhijit Akella: Right. Yes, I was referring to the quarter because quarter you said 33% growth. And last year's number, would be -- is INR142 crores still accurate or has there been a change to that number?

Gyanendra Shukla: H1, we have grown. H1, we have grown from about INR200 crores last year to about INR300 crores plus.

Abhijit Akella: Yes, there is some difference versus what we had reported last year. Maybe I can take it offline.

Gyanendra Shukla: You can speak to Bhaskar.

Bhaskar Swaminathan: Maybe I can just clarify, just give me a moment. So H1 absolute number is INR312 crores, okay? And this would be more like 51% growth against last year, which was INR207 crores at H1 level, on a H1 level.

Abhijit Akella: 51% growth?

Bhaskar Swaminathan: Yes. From H1 level.

Abhijit Akella: I'll take it offline in the interest of time. And just one other topic.

Gyanendra Shukla: The way we tell our number is basically export B2B and export. So you can actually take offline and I'll get there. What I told you was more about export, last year, I don't know what number you take, we were about INR120 crores and this year it's INR160 crores plus. That's why I said 30% growth.

Abhijit Akella: Okay. Got it. And just the other thing with regard to the outlook for the second half of the year now. Number one, on the export side, has there been any -- in your estimation, has there been

any front loading? And therefore, could there be some softness because of that in the second half this year? And conversely, on the domestic business, how do you see the rabi season now is shaping up following whatever has happened in kharif?

Gyanendra Shukla:

Yes. So two things can happen. I think there could be some spillover of kharif season 10%, 15% to October because there could be extended rabi season for some crops. The export, I don't think there's any front-loading happening because customers also after them getting aggressive about inventory purchase in the past, I think customers also have become very cautious.

I think what we should watch out is if U.S. market remains restricted. Effort from Chinese player to take the product more to Brazilian market and Brazilian market has its own limits and commodity prices are soft as a result, while volumes might go, there might be some pricing pressure.

Yes. And on domestic, I would say one is extended kharif season. And then normally, residual moisture leads to a better rabi crop if this situation continues. So I'm expecting rabi prospects look slightly better at this point of time. I know there are challenges in terms of fertilizer supply.

So when fertilizer in the shortage, a lot of capital goes towards securing fertilizer first and then pesticide companies and seed companies take a back seat. But I believe once this planting happens, fertilizer issue gets resolved, farmers would shift their focus to crop protection.

Moderator:

Next question comes from the line of Prashant Biyani with Elara Capital.

Prashant Biyani:

Sir, this quarter, branded business seems to have declined by 10%. So one would assume that margins would contract, but you rather delivered a margin expansion at gross level. So is it because of product mix change in branded business or is it that lower sales of non-profitable products like acephate in B2B business led to this?

Gyanendra Shukla:

Yes. So I would say -- I mean, the overall decline in crop protection in Q2, you are referring, right, from a GC perspective, I would say domestic is a combination of price. And in fact, we probably would have done overall basis, we can look at it, we might have done better on the volume because I guess what has happened is that tendency in the market to reduce the price and offer more schemes so that as a result, retailers and distributors are able to pass on some benefit to the farmer. So a lot of promotional campaign run. So I would say from that perspective, it could be just price getting impacted more than the volume.

Prashant Biyani:

Okay. And sir, on seed side, you have mentioned in one of the questions that we have taken sufficient planting in cotton. So that should yield to how much of growth in seed sales or at least seed available for sale in next kharif?

Gyanendra Shukla:

So based on our target, we expect our Diggaz and newly launched cotton hybrid in North to keep doing well. And we have planned for a significant volume expansion, but you have to understand cotton seed production is still in the field, right? And it will all start coming now from quarter 3 onwards to our warehouse, and it has to go through quarter and multiple quality testing.

So I would say we have planned for sufficient expansion, significant expansion of our cotton business. But I cannot put a finger on volume now. Maybe towards the end of quarter 3, we would have more clarity on how much comes in and how much it passes the quality test.

Prashant Biyani: Actually, sir, the only thing was that year before last, we had seed sales impact because of cyclones and all. Now this season, I thought that we would have ample seeds available.

Gyanendra Shukla: So, cotton does not been impacted by the cyclone, right? So cotton is already getting in the field. It gets planted in kharif. Cyclone have impact on rice, maize and other crops.

Prashant Biyani: Okay. But we have got good products in Aatish and Diggaz. In your view, what would be the optimum top line level we can take it to, to take full advantage of those seeds before a competitor comes in with a better variety?

Gyanendra Shukla: I think we probably have only harnessed 50% to 60% of the potential of the product, but still a lot of runway left.

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

Somaiah V.: So my first question is on the export business. So if you could give some color in terms of volume growth during the quarter, pricing, and also, you did mention about venturing into newer geographies. So ballpark, how all these 3 kind of contributes to the overall growth?

Gyanendra Shukla: So on a half yearly basis, if you see I think bulk of the gains have come from -- 85%, 90% have come from volume and some from efficiencies and price.

Somaiah V.: So when it comes to volumes in the existing geographies, the growth is more or less from existing geographies or what, I just wanted to understand the newer geographies that we are getting into what, how much would have been the...

Gyanendra Shukla: Yes. So for the current product, I would say, bulk of our business still comes from existing geographies, but we have been able to add new customers in the same geographies. There is some growth in newer geographies, but I think those are early supplies. We have to build on those businesses. So I would say bulk of it is existing geography or more customers.

Somaiah V.: Sir, also, when it comes to the tariff impact, any ballpark in terms of our total exports, what would be the quantum that will be exposed to these higher tariffs? And how is it getting approached in terms of -- are we able to take commensurate price hikes or we have to absorb it, how is it getting managed?

Gyanendra Shukla: As I said, majority of that actually have come from volume, right? A small percentage has come from price. We are in a very competitive market. On a continuous basis, we are competing with basically Chinese players and domestic players. Our U.S., Brazil, China, Bangladesh, these are our primary markets. But we have added some countries like France, Malaysia, Spain also to our portfolio this year.

Somaiah V.: I'm trying to understand on the tariff impact for us, for our set of products. I mean our overall export part.

- Gyanendra Shukla:** So yes, I'll say this, U.S. is our primary business, right? Now U.S. has tariff challenges, but fortunately, for us, 85% of our business is technical supply that is not impacted by tariffs as of now. Only 15% of export business is impacted by tariff because it is formulation based, right? So I think to that extent, we are secured. But it has, I think, an order effect on Brazil because when people are not able to supply to U.S., they tend to go to the second largest market, which is Brazil.
- Somaiah V.:** Sir, also in the domestic market in the quarter, in terms of extent of volume versus pricing, was there any negative pricing impact also? Generally, how is the pricing trend for the industry, especially with this prolonged rainfall impact in few of the pockets, and also in terms of sales returns, is this something that's done in this quarter or is this something that can extend into next quarter as well?
- Gyanendra Shukla:** So I think we do have a fairly robust process of, what we call, building bottom-up stock taking from distributors, distributors in terms of -- in turn take the feedback from retailer. So I think we have a sufficient provision and taken returns. What we have not taken return is for the residual part of the kharif. So I would say, by and large, covered under something untoward we experience.
- Somaiah V.:** Sure, sir. The other question was on the domestic pricing versus volume impact during the quarter, sir?
- Gyanendra Shukla:** So pricing, as I said earlier, our pricing has been challenging because when there's enough supply in the market, what every company in the industry does, and we also have to do to be online with the market situation is you tend to plot more schemes to collect money, you tend to plot more scheme to push the product to retailers, and that also when it gets passed on to the farmer. Farmers are also encouraged to use the product.
- So I guess it depends on the product. But by and large, I would say, pricing probably will remain subdued for the sector. If somebody has got a specialty product, the unique product, that might be a special situation.
- Somaiah V.:** We have a 10%-odd decline Y-o-Y in the domestic this quarter. Will it be like low single digit kind of a pricing impact or something that is there in that number? Is that the right way to think about it?
- Gyanendra Shukla:** Yes, bulk of it is pricing, there's some volume as well.
- Somaiah V.:** Got it, sir. One last question, sir, on the Soil and Plant Health portfolio, what would be quantum within our overall domestic portfolio? The share of this part of the business?
- Gyanendra Shukla:** So on an annual basis, last year, we did about INR225 crores. This year, our -- on a half yearly basis, we are flat. We were planning for actually 20% growth. So we are flat in terms of revenue. But the majority of the impact has come from rains. So the biofertilizer business we have actually also has when there are too much of challenges because the process to make biofertilizer is also called open field system. So when too much of rain, it becomes difficult to process too much biofertilizer.

The other is biostimulant area, which got impacted. And that's supply, so on the growth side, supply side on the growth product where regulations were not challenging because of excess rain, supply of the raw material became a challenge. On the biostimulant, it was primarily a change in government regulation. But I think most of the issues are sorted for us, and we expect recovery of the normal business from here on.

Somaiah V.: And also in terms of margin profile, if you had to put the 3 segments, the crop care, seed and bio, bio probably will be higher in terms of margin profile. So bio followed by seeds followed by crop, is that the right technique?

Gyanendra Shukla: So we have to take that. I think Soil and Plant Health obviously contributes higher margins, GC margin, followed by seed, you're right. And even on CSM, though it's a small business, margins are higher where we have margin challenges are really export business where it's a very competitive -- even our domestic institutional business, so part of the product we sell also sell it to domestic suppliers, those domestic companies, that's where most of the challenges are.

But our domestic B2C business actually on an overall basis because of the better cost management and all, and better SG&A management has shown marginal improvement from a GC perspective.

Moderator: Next question comes from the line of Pavan Kaware with Nayan M Vala Securities.

Pavan Kaware: So my question was on CSM part. So last year, what was the CSM numbers in our export and in this half year, half year ratio? What was the growth in the CSM business?

Gyanendra Shukla: So actually, CSM business, if you see on a H1 basis, actually has shown some degrowth. But I believe a lot of it is also related to timing of the customers. So one of our key products, which goes in making aeroplanes and all, the Boeing faces challenges, I think, there's some rescheduling of order. CSM customer, I think it's more of a timing issue than anything else.

Pavan Kaware: Okay. And our CSM -- yes, you can go ahead.

Gyanendra Shukla: Yes. But our CSM margins continue to remain intact.

Pavan Kaware: Okay. And our CSM business is mostly focused on the export or do we providing at a domestic level?

Gyanendra Shukla: So it's a combination primarily export, but we do have a -- actually, in fact, 1 or 2 customers we have added for CSM portfolio domestically.

Pavan Kaware: Okay. Out of the number of INR312 crores in the H1, what was the contribution from CSM?

Gyanendra Shukla: CSM, I said this H1 was relatively small. In fact, majority of the business has come from export of technical and domestic institutional business. CSM is relatively small this time.

Pavan Kaware: Any absolute or percentage number?

Gyanendra Shukla: Actually, it's less than 5%.

Moderator: Next question comes from the line of Saket with Kapoor & Company.

Saket: Sir, firstly, pertaining to the sales return, what have you factored in for the first half? And how should this be pertaining in for the remaining part? I think you did alluded to it. And secondly, sir, with the vagaries in the rains and that affecting the crop protection business, how should the current ensuing quarter look, generally, this is a weak quarter, seasonally weak quarter for us and the industry. So if you could just give some color on the aspect?

Gyanendra Shukla: So generally, when there are late rains and a lot of residual moisture, we call it primarily rabi season. Other than chili crop, which anyway was planted less, looks better compared to previous years. As far as returns are concerned, I think we have methodology and we have created sufficient return reserve provisioning. Hopefully, we should not get into significant negative or positive surprises both ways.

Saket: So sir, seasonally and if we compare it on the last year basis, these were not the factors for Q2. So taking into account, Q3 should -- on a prospective basis with the moisture in the system -- in the soil should be comparatively better in terms of the offtake also for -- as you said, that the groundwork for rabi begins early. That should be a fair understanding?

Gyanendra Shukla: Absolutely. And planting should be good. I think right now, there's a scrambling for fertilizer and all. I think once that settles, then there's a consumption of herbicide in primarily, Southern India rice as well as maize in South and Eastern part of the country and wheat in northern part of the country.

Then vegetable insecticide and fungicide season should kick in. I mean minus chili, chili has been a bit of a disappointing because of the low commodity prices. But overall, we are positive about quarter 3 and quarter 4.

Saket: If you could just give your take on the shortage of fertilizer and the real aspect of how that has affected the agriculture industry as a whole? Because when we hear and we read about the yield part, in all cases, everywhere the acreages have gone up and at least the newspapers are pointing towards higher yield. So correct me there. So what has exactly played out for the shortage of fertilizer? And what corrective steps are there in the annual that will correct the situation going ahead and thereby revising the situation.

Gyanendra Shukla: So let's split the business into kharif and rabi. So I think in Kharif, though overall area went up. But based on what I'm hearing and estimate, while area has gone up, overall production may not go up because a lot of it got damaged because of weather conditions and various other things. So when area goes up, obviously, fertilizer also goes up.

As far as rabi, demand is slightly higher right now because there's an anticipation of area increase, and that's why prices are up. But this does not always mean higher area. So production overall might go up, but productivity and production are 2 different things. I think this year, what you will see is that kharif season productivity drop, right?

Now rabi is relatively more secured season because rains are more certain or they're not as rigorous. So these are not related eventually, fertilizer shortage to increase our production or

decrease in production. So there's a challenge at the time of planting. But as the season progresses, you'll also see situation eases a little bit.

Saket: Sir, just to get on the fertilizer shortage part. So what is the take of the industries on the sectors? Is it only the subsidy part and the RM prices or what has led exactly to fertilizer shortage, which we have not heard for a very long time? And if -- your take on the same, sir?

Gyanendra Shukla: So I actually do not get into details of why shortage is there. Obviously, India phosphorus and potash has to import and sell. So there could be challenges on those fronts. Our urea capacity also has peaked, so there might be import requirement and there could be challenges related to that.

But when there's a shortage of fertilizer, a lot of market money which should come to pesticide and seed companies, tends to go to fertilizer players first. And that puts challenges on the receivables of the pesticide and seed companies.

So in fact, when there's too much of fertilizer noise, it's a bad news for pesticide sector from a receivable perspective and your ability to place the product because you want some money before you place the product, but these shortages create some kind of imbalance in terms of movement of the money to different components of the business.

Saket: Right, sir. And lastly, sir, on the R&D part. What are the key highlights for the first half in the R&D? And what are we anticipating? What should we expect going ahead in the R&D in terms of the -- any of the molecules getting patented out and redeveloping the same and what's the take for the R&D?

Gyanendra Shukla: Yes. So I think one of the things we did, and I talked about in previous calls is that we have got R&D very focused now. A lot of things we were doing, we have stopped, right? For example, we don't do any vegetable R&D now. We are less focusing on GM crops. Now we are focusing more on modern breeding tools, which are biotechnology driven, but are not GM crops.

So that -- in fact, the progress you are seeing in the seed side is a lot of it is driven from focus. Same applies to the crop protection side of the R&D. We -- and I think as things unfold, I think towards the end of this year or early next year, we would be able to probably give a more comprehensive summary of the progress we have made, but I'm very pleased with the 9(3) registrations we are securing, we should be launching a wheat herbicide, a rice herbicide next year, which will be completely 9(3). So making good progress there.

Saket: Okay, sir. Can you quantify, sir, how much have we spent on the R&D? And what is -- what can we envisage for the remaining part of the year?

Gyanendra Shukla: So I don't have exact number. Bhaskar you can give, but our R&D budget ranges from INR60 crores to INR70 crores per year. And I think what we're trying to do, not trying to cut on R&D, but trying to get it more focused. Do you have separate cut for R&D, Bhaskar?

Bhaskar Swaminathan: Yes, it's about INR60 crores, INR70 crores.

- Moderator:** Next question comes from the line of Riju Dalui with Antique Stock Broking.
- Riju Dalui:** So in H1, we have -- like in this 2Q, we have registered roughly 10% of decline in our overall growth in domestic business. So as per your understanding, how was the industry growth for this quarter or maybe for the H1?
- Gyanendra Shukla:** So it's too early to comment because a lot of numbers are yet to come. But based on what I hear, that industry is not likely to grow beyond low to mid-single digit.
- Riju Dalui:** Understood. Because when we are talking to some of the channel partners, so we understood exactly there was some decline in the volumes across key regions, maybe Maharashtra and the other parts of the -- maybe Punjab. So there was a decline in terms of volume for 10% to 15%. So is that a correct understanding?
- Gyanendra Shukla:** Yes, right. So some -- so not across -- Punjab, certain pockets in Punjab.
- Riju Dalui:** So can you say that the industry for H1 could be around minus 5% to plus 5% kind of a growth trajectory?
- Gyanendra Shukla:** So companies could be in that range, right? I think industries would grow low to mid-single digit in my view.
- Riju Dalui:** Understood, sir. And also like ...
- Gyanendra Shukla:** And the companies with the seed in the portfolio, they get some cushion because seed business has done overall well.
- Riju Dalui:** And in terms of excessive rainfall and rainfall in the first week of October or maybe late September. So how do you see the rabi season and the field preparation will happen and the rabi season will be good. So you have commented that the excess rainfall always follows by a good rabi season. But field preparation and the early sowing for the rabi, how that will happen like or we have seen a crop damage or field damage, maybe Eastern part of the Maharashtra or maybe Rajasthan and Punjab, like these parts. So how do you see that scenario?
- Gyanendra Shukla:** So look, farmers are very optimistic people, right? Even if they have a bad kharif, they will still go ahead and have a rabi because this residual moisture only factors in central and southern part of India and Western part of India because East and North anyway has a lot of groundwater, so it doesn't impact them.
- My personal view is that larger planting of pulses and some more rice in South and Eastern part of the country should help in basically higher rabi planting and higher entity usage. And I think probably by mid of November, we'll have more clarity because that's when majority of the crops get planted. Normal thumb rule would say late rains have a -- they contribute positively to the rabi prospects.
- Riju Dalui:** And like as you mentioned that we are like in this kharif season, so there was an extended kharif season maybe till October. So was there any kind of a pace that happening between this period, maybe last 1 month period?

- Gyanendra Shukla:** So this year, disease has been more prevalent than insects. A lot of insects actually got washed away by heavy rains also, right? And so I think the crops which are left for staying are mainly southern rice, which gets planted late and some cotton in South. As far as North is concerned, everything is over. Soybean is over, North cotton is over, rice is over, millets are over. So North and East primarily is not.
- Moderator:** Next question comes from the line of Viraj K with SEC Investment Management.
- Viraj K.:** Just 2 questions. One is on the plant nutrition, the resolution. Sorry, I missed that. Is there any resolution to that? Do we see impact continuing for Q3 and the rest of the year or how should one understand this?
- Gyanendra Shukla:** So for our business, I think we have sorted now, right? We had a challenge with 1 or 2 products, but we have found a solution to those with the help of a partner. So I believe from here on, business to normalize.
- Viraj K.:** Okay. And for the industry, because there's a lot of re-registrations required and maybe reading out on unorganized players. So just trying to understand in terms of the share of those unorganized or not so -- players not adhering to quality standards. What would be the share if I have to look at the overall pie of the market?
- Gyanendra Shukla:** So I exactly don't know volume and revenue share of our unorganized people, but there are too many players, right? So I think number of players would certainly reduce. And I believe the development of trying to regulate market better, it brings more clarity for organized company like ours. So I see this segment -- we continue to look at very positively from here on.
- Viraj K.:** Second question is on the export piece. I think what you said is technical export is more viable and competitive, especially to U.S. vis-a-vis formulation. Can you explain how does the price and cost dynamics compare someone formulating in U.S. versus someone, say, formulating from China or India and exporting?
- Gyanendra Shukla:** So I think value addition part cost probably China would always be more efficient because of their cost of capital, there is scale and all. But at the same time, we should not forget that there's an increasing demand from companies operating in those markets to look at alternate source, given the geopolitical situation, I think all companies at the same time would look for diversifying their supplier basket.
- So I think while one thing is negative, but we also have to see the positive side. So the positive side is, I think while it may not have benefited in short term, but I think from a long-term perspective, suppliers looking for alternate sources like India. And I think it still augurs well for the business.
- Viraj K.:** No, I understand the diversification piece. But I was just trying to understand, is it still viable or competitive for anyone formulating in U.S. and say, sourcing the AI from India or China? Or it's even -- it's still the economically even post tariff for someone to do import of formulations from India or China?

- Gyanendra Shukla:** There's no straight answer. For example, if you go in the Southern Hemisphere, there is some formulation capabilities beyond U.S. and Colombia, Brazil, some in Mexico. So depending on the source registration, some companies can take the technical to their facility in Mexico and if Mexico is exempted, they can still sell very competitively to U.S. So it depends on the product, and registration status. There's no general answer.
- Viraj K.:** Last question, if I can squeeze. See, in U.S., because again of this tariff and trade war, what do you see for certain large product segments like, say, soybean or maybe corn, there is an increasing pressure on commercial farmers in those regions, right? Are you seeing incrementally any softening in the demand from those pockets or regions?
- Gyanendra Shukla:** I think given that channel inventory is normalized, I do not see pressure in the demand, I only see pressure on prices.
- Moderator:** Ladies and gentlemen, we take that as a last question and conclude the question-and-answer session. On behalf of Rallis India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.