



Rallis India Limited

Q3 & 9 months FY '26 Earnings Conference Call

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**MANAGEMENT: DR. GYANENDRA SHUKLA – MANAGING DIRECTOR
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LIMITED
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Moderator:

Ladies and gentlemen, good morning, and welcome to the Rallis India Limited Q3 and 9 Months FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchstone phone. We have with us today Dr. Gyanendra Shukla, Managing Director and CEO; and Bhaskar Swaminathan, Chief Financial Officer.

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

I now invite Dr. Shukla to begin with the proceedings of the call. Thank you, and over to you, sir.

Dr. Gyanendra Shukla:

Thanks, good morning, everyone and thank you for joining us today on Rallis India Limited Q3 & 9M FY'26 Earnings Call. As mentioned, I have alongside myself our CFO, Mr Bhaskar Swaminathan.

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

Talking about domestic market—Agrochemical demand remains weak due to stressed demand drivers (weather issues, low crop prices), leading to industry-wide volume decline.

Farmer interest in purchasing high value products dropped due to lower crop and horticulture prices. South & West India saw sharp demand declines, while East & North remained stable. According to official data, all kharif crops barring paddy ruled 9-30% below the respective Minimum Support Prices during harvesting period Oct-Dec '25.

Rabi acreage is higher YoY and channel stocks are slightly elevated. Official dashboards confirm Rabi acreage up by ~3% YoY in wheat, oilseeds & Pulses as of Jan'26 1st week data which is supportive for Q4 sell-out and early Kharif placement.

The sector is on track for 3-4% growth in FY26 to ~USD 9.6–10.0 bn. Seeds category remains a structural 5–10% CAGR story.

Volumes will benefit from stronger acreage and moisture, but margins are expected to remain stable-to-soft. The market should favour low-cost producers with export breadth and tight working-capital discipline.

Pricing power stays limited as global competition intensifies with China continues the primary supplier, capping realizations.

Rapid resets in key technicals (glyphosate/glufosinate/paraquat) can reprice on-hand inventory and can compress margins.

Export volumes are improving as inventories normalize, but realizations remain capped. Weaker currency would cushion margins but not offset broad price pressure.

On the weather side, ENSO (El-Nino Southern Oscillation) is expected to run neutral through winter, reducing tail-risks from extreme anomalies. IMD guidance points to neutral ENSO (El-Nino Southern Oscillation) through DJF 2026; negative IOD is weakening—less chance of disruptive extremes.

The Draft Pesticides Management Bill, 2025 referring quality controls, lab accreditation, digital traceability & stiffer penalties is a structural positive for organized players. Proposed Seeds Bill measures which include registration/QR tagging keep compliance in focus and raise barriers to entry over the medium term.

The global agrochemical market particularly crop protection market, valued at approximately \$75 billion in 2025, is projected to grow at a CAGR of ~5.5%. Herbicide globally is the major category followed by insecticide and fungicides.

Upside potential hinges on expanded acreage in the Americas and regulatory clarity for new genomic techniques (NGTs) in the EU, while trade policies and Chinese pricing represent key uncertainties.

Export recovery is gradual as global inventories normalize. U.S. 2,4-dichlorophenoxyacetic acid Anti-Dumping/Countervailing Duties has reset landed costs and reshaped herbicide trade flows.

Global reliance on China persists as it supplies ~99% of glyphosate production outside the US, ~85% of US glufosinate imports, and ~100% of US atrazine as per 2024-25 data—exposing costs to tariff and policy shifts.

Chinese producers are pivoting toward branded formulations & overseas registrations, increasing competition in value-added generics. This is something to watch out for Indian players.

Leading seed companies prioritize disease-resistant, drought-tolerant, and pest-resistant varieties through advanced biotechnology and gene-editing innovations.

Indian agrochemical exports to key markets like the US and Brazil are growing 5-6%, supported by destocking normalization. USDA WASDE data for Dec 2025 showed an uptick in the stock-to-use ratio for Indian rice, but little change otherwise.

Moving on to Rallis Specific Developments – We had an encouraging Q3FY26 performance despite unseasonal October rains and higher-than-normal reported crop damage.

Our Q3FY26 revenue stood at ₹ 623 cr versus ₹ 522 cr of Q3FY25. Overall EBITDA for Q3FY26 stood at ₹ 58 cr, higher by 29% compared to Q3 of the previous year. Profit after tax stood at ₹ 2 cr versus ₹ 11 cr of Q3FY25, which is 81% lower than the previous year, same quarter. Exceptional items include gratuity provision of ₹ 40 cr on account of wage code implementation.

Across the technical's portfolio, we are continuously broadening our customer base and securing additional registrations with global players to drive share gains.

In Metribuzin, we achieved higher volumes in Q3FY26 surpassing Q3FY25 volumes.

Pendimethalin shows promising track with long-term demand remaining steady. Q3FY26 volumes have surpassed Q3FY25 volumes.

Hexaconazole & Acephate volumes had constraints in Q3FY26 in comparison to Q3FY25 volumes.

Capacity utilization has also improved.

New Launches & Initiatives

We launched one new Herbicide 'Fateh Nxt' during the quarter. In 9M we have launched 9 new products - 7 Herbicides & 2 Fungicides.

We launched NuCode under Soil and Plant Health category- A biologicals platform covering bio-fertilizers, bio-stimulants, bio-pesticides.

Partnership announced with Paryan Alliance for FullPage® herbicide-tolerant rice technology in India.

We have recently unveiled Idea2impact which is an open-innovation platform to co-create, validate, and scale farmer-centric solutions. It invites startups, researchers, and partners to collaborate with Rallis.

We have launched Sampark Plus app for unified field operations. This will act as a demand creation platform for both seeds & Crop care businesses.

We have been granted Indian patent for Metsulfuron Methyl+ Clodinafop-Propargyl +Metribuzin, a three-way herbicide combination for wheat. We have also been granted US patent for Mesotrione process.

The near-term outlook remains positive, underpinned by healthy reservoir levels, increased acreages, and stronger engagement with domestic & export customers. We are focused on long-term value drivers such as deepening customer-centricity, sharpening portfolio choices, accelerating product launches, expanding strategic alliances and farmer reach, and embedding digitalization across operations.

That concludes with my opening remark. I will now hand it 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 Q3 & 9M 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 Q3FY26 revenue stood at ₹ 623 cr as against ₹ 522 cr for the same period last year resulting in overall growth of ~19%. Overall volume growth has been ~28% with pricing de-growth by ~8%.

Overall EBITDA for Q3FY26 stood at ₹ 58 cr, higher by 29% compared to Q3 of the previous year. Profit after tax at ₹ 2 cr versus ₹ 11 cr of Q3FY25, which is 81% lower than the previous year, same quarter. Exceptional items include gratuity provision of ₹ 40 cr on account of wage code implementation.

Crop Care Segment grew by 18% to ₹ 580 cr in Q3FY26 from ₹ 492 cr in Q3FY25 due to volume expansion, new product promotion, & increased digital engagement.

Moving to Seeds Business – Seeds Revenue grew by 46% to ₹ 43 Cr in Q3FY26 from ₹ 30 Cr in Q3FY25 due to volume growth driven by paddy, mustard and wheat. In the current quarter, we have achieved healthy product placements in paddy.

Soil & Plant Health category grew by 16% to ₹ 73 cr from ₹ 62 cr in Q3FY26 in comparison to Q3FY25, registering both price and volume growth. We progressed in compliance in majority of the states post successful migration of bio-stimulant production inhouse.

Exports (B2B) topline grew by 73% to ₹ 129 cr from ₹ 75 cr and have shown promising growth due to volume growth, expansion in customer base and driving capacity utilization of our plants. CSM Q3FY26 revenue also displayed positive run rate lodging 26% growth to ₹ 46 cr from ₹ 37 cr.

Moving into Domestic (B2C) – 13% growth in Q3FY26 registering ₹ 391 cr revenue vis-a-vis ₹ 347 cr in Q3FY25, which was driven by volume growth of 25%. Volume was driven by strong performance in Fungicides primarily supported by potato and cumin crops. The negative price impact is due to liquidation of near expiry materials.

For the nine-month period, topline revenue stood at ₹ 2441 cr reflecting growth of 9% year-on-year. Crop Care revenue stood at ₹ 1,991 crore, reflecting 8% growth year-on-year, driven by volume expansion despite price softness. Seeds revenue increased to ₹ 450 crore, delivering 15% growth year-on-year, supported by cotton and maize along with improved contribution from licensed products.

The B2C business recorded growth of 3% delivering ₹ 1401 cr of revenue.

The B2B business recorded growth of 22% delivering ₹ 590 cr of revenue supported by volume growth and expansion of the customer base.

In Crop care segment, expanding our customer base and product portfolio is strengthening business resilience. We are driving focused execution across the front line and operations—optimizing the portfolio, rationalizing territories, eliminating overlaps, and simplifying costs across the value chain. We remain disciplined on capital efficiency across both fixed and working capital.

In seeds segment, our primary focus will center on five strategic crops—Cotton, Maize, Millet, Mustard, and Rice—where selective concentration will drive operational scale and efficiency. We aim to methodically expand our presence across these crops while prioritizing profitability at every stage.

Our digital-led initiatives are accelerating targeted reach and penetration, with momentum remaining strong. In parallel, we are rationalizing the portfolio and sharpening our focus on priority markets.

At quarter end our inventory levels remain slightly elevated in comparison to the same quarter of last year and collections remain smooth. We have healthy cash and liquid balance of Rs. 455 cr as of 31st December.

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

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

Moderator:

Thank you very much. The first question is from the line of Viraj from SiMPL. Please go ahead.

Viraj:

Just a couple of questions. First is, if you can give the volume price trend for the quarter in domestic, B2C and international business? And a related question is, we've seen a healthy placement in Q3 in the domestic business for us. So any color you can give in terms of the liquidation and the industry? It was going into Q2 -- I mean going into Q3 industry reported a lot of inventory in the system. So any color you can give on that?

Gyanendra Shukla:

So Bhaskar can give a specific number, but I can tell you -- so for example, there is a significant growth in our seed business compared to the same quarter last year. I think it is all because of the crops we were -- this is in spite of there was a weak mustard season. So I think we're in good shape. Our export business also has gone up significantly where there's no risk, right? Our top line has grown and export actually has grown by almost 73%.

In seeds there was a growth of 46%. Soil and plant health 16%. So all those are good. The only challenge remains sometimes in domestic crop protection. That has grown by 13%. And I think it's a combination of our promotional activities, digital engagement and some of the activities we have been taking it combines with new launches.

So I think we feel confident about what we have placed in the market. We are very careful in the way we track our basically placement and remainder of the inventory. Two things, a season is still on, a lot of displays will happen in January, February and March. So we need to have an inventory in the market.

At the same time, we try to look at receivable situation because that's the best indicator of what is happening in the marketplace. At this point of time, it looks in line with what we should be doing. Bhaskar, you want to answer the question on volume and price?

Bhaskar Swaminathan: I think the question is mainly on quality of placement as well as in terms of what is coming back. We are quite in control in terms of the returns, and that basically indicates the quality and focus with which we place in the market. In terms of the quarter, volume has basically played ~25% positive impact and price have played a negative ~12% impact.

Viraj: Is this for the domestic B2C?

Bhaskar Swaminathan: Yes.

Viraj: Okay. And on the soil and plant health segment, I think last quarter, we were expecting approvals to come maybe by end of Q4 and a normalized environment starting into 2027. So the approval which you have got is just for us or generally for organized players in the industry, everyone, so the issue by and large addressed by everyone in the space or we have managed to get an early lead?

Gyanendra Shukla: Yes. So I think see, in our agriculture business, what you miss is missed, right? Having said that, whatever regulatory changes happened, they are, by and large, good for large organized players, and that is reflected in recovery we are having. So here, we have grown both in price and volume, and we have been able to migrate our business to -- we've taken, for example, one of the biostimulant we had a challenge.

So we have moved the production inhouse. And as a result, there is a growth of 16% in quarter 3. I know towards the end of quarter 1 and quarter 2 were very challenging because of the regulatory constraints. So we have addressed most of those issues now. And I guess, I cannot really comment about competition, but I'm sure every company is taking such steps particularly large organized players, they would like to fix their house.

Viraj: Okay. Just last question, I'll come back in queue. How large is the unorganized market was in the soil and health segment or the biostimulant space?

Gyanendra Shukla: So see, I think it's a category which has 6, 7 subcategories. I would say, very difficult to put a number, but there are hundreds of players operating. Let's put it that way, right? The regional players, the national players, I certainly see that number shrinking and more authentic players coming up in the marketplace. It's very difficult to give you a number, but it's too many.

Moderator: The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management.

Arjun Khanna:

Sir, the first question is regarding the Chinese VAT rebate, which will be discontinued. Now some of the products we export including, say, an acephate or ethion, etcetera. So how do you look at it in terms of the impact? I know formulations are not part of this. But in terms of technical exports, how do we see this play out for us going forward?

Gyanendra Shukla:

Yes. So we don't do ethion. We only do acephate, we do metribuzin, we do hexaconazole, we do metalaxyl, those kind of products. I think this rebate thing is a new, which is applicable from April. So we have to understand. I certainly believe when they remove the incentive by the month of April, how much they would have already supplied and have they supplied enough to cater to the market.

So I think we have to wait for how it will evolve. I think generally, it's a positive movement to say, it probably reflects the challenges Chinese companies face in terms of overcapacity and also maybe this is an attempt by Chinese government to really encourage consolidation of players there because China has also a lot of players, those who are into technical fields and many of them are actually migrating to, what we call, registering their own product and participating in direct formulation market.

So I think you'll have to wait for some more information to filter in as I know it is applicable only from April. But it will certainly lead -- I mean if there's not too much a production happening for a particular AI, it should lead to some price increase and some consolidation in players.

Arjun Khanna:

So we have seen a very strong third quarter, albeit the base wasn't extremely high, but yet the numbers are very robust. So given that in the fourth quarter, do you anticipate dumping where it may have an impact on a quarter or that is not something that we are seeing, say, in dispatches for Jan and Feb?

Gyanendra Shukla:

No. So I think we have planned for a normal quarter. We don't advance sale or we don't unnecessarily delay the sale. I think we go by the seasonal demand. I think fourth quarter is an important from, (a) there is a crop on the ground. (b) for us, cotton season begins, again, there's some element of when the government announced cotton seed price because cotton gets planted early in northern part of India, we have to start placing.

There's also some bajra seed business, which happens in quarter 3. So we have factored everything which is -- and this maize business as well. So I think we have planned for the normal quarter. Hopefully, we'll be able to sustain some momentum we have created.

Arjun Khanna:

Sure. Sir, just the final question, in terms of our growth going forward. So how do we envisage the deployment of the cash on balance sheet because that continues to grow?

Gyanendra Shukla:

So cash on the balance sheet, obviously, one thing is, obviously, we need cash to meet our working capital requirement as we grow business. As we said, look, while we do not give a guidance, aspirationally, we want to grow in double digit, and we also want to expand our margin.

So cash is helpful from that perspective because it also allows us to sometimes negotiate better prices, right, depending on the situation credit versus cash, kind of situation. Obviously, one area which I've been talking, we keep seeking opportunities where if we come across a good opportunity to grow inorganically, any of the verticals we operate, 3 particular verticals, we want to use that cash for those purposes as well.

Moderator: The next question is from the line of Jagveer Singh from Shade Capital.

Jagveer Singh: Sir, in the presentation, you have mentioned some inventory liquidation in the fourth quarter. So what is the impact of this on our company Rallis India?

Gyanendra Shukla: So look, you have to always place product in the market because it has to go from factory to CNF, CNF to distributor to retailer and farmers also end up buying a few days in advance at least before they want the space, the product has to be in the market. I think the numbers reflect what has been actually consumed and what might be lying in the market. The way we track these things is -- so we are hoping all of this will get liquidated. We will also be able to invite some fresh inventory, which is an ongoing business.

Agriculture never goes completely silent in any part of the country. For example, Eastern region might start little early, particularly Assam, Bengal and all, tea plantations and all. The season of Apple start early in Kashmir and all. So I think it's a continuing business. All we are watching when we declare a quarter number, we have to ensure that we are not posting volume unnecessary in the marketplace when there's no demand.

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

Abhijit Akella: So just one quick clarification on the numbers first, if I may. And by the way, thank you so much to Bhaskar and team for sharing the revenue breakdown, very helpful. But just to clarify, of this INR580 crores top tier revenue that you've reported for this quarter, is it correct to conclude that basically exports are INR129 crores, as Bhaskar mentioned, CSM INR46 crores and B2C domestic INR391 crores, I think that adds up to about INR566 crores, but are those the 3 main components? And what would the remaining piece be, if any?

Gyanendra Shukla: So there's other small businesses, which we don't add here. For example, we have a household pesticide business. There's another small segment we have got. But these are the numbers he has given breakup for the majority in general.

Abhijit Akella: Okay. So these are the only 3 components. And soil and plant health is over and above this, right? That is not part of crop care business?

Gyanendra Shukla: Yes. Soil and plant health, we clubbed with the crop care. So I think when we say crop care, it has a crop protection, domestic exports, CSM as well as soil and plant health. Soil and Plant health is about INR73 crores.

Abhijit Akella: Just on the seeds business, we've seen a further reduction in losses there, as well as fairly healthy revenue growth this quarter. I know in the past, you've talked about getting the seed business margins to significantly higher levels on a full year basis, closer to 25% or so. So what exactly

are the interventions we are making? And how confident do we feel that we are on track, by when could we sort of aspire to get close to that target?

Gyanendra Shukla:

So I think seed business could be very chunky in growth depending on the new product launches. We had some momentum because of the North cotton hybrid, and now we have launched some products in maize and rice and bajra, we are seeing some momentum. I think the margin expansion primarily will happen because of operating leverages. We are well staffed team, our R&D cost is controlled.

So our cost of doing business basically will go based on the inflation. So if we can deliver any growth higher than the cost of inflation. I think we'll be able to and when you have a new product, you're able to price it differently if it's a good product, you're able to sell more faster. So combination of new launches, expansion of the products we have got and benefiting from operating leverage, these are the 3 levers, I think, will help us drive margin.

Abhijit Akella:

Right, sir. Any sort of aspirational time line towards getting to that closer to mid-20s kind of margin level?

Gyanendra Shukla:

So I mean, obviously, I mean we always shy away from giving a guidance, but last year, I said, look, aspirationally in 5 years, I want to take my seed business closer to INR1,000 crores. Soil and plant health business, I want to grow by 4x from where it was, INR225 crores to INR700 crores, INR800 crores. These 2 are relatively high-margin businesses.

And then obviously, CSM also is a high-margin business, though it is small and in B2C, domestic as well as B2B export, we have to be competitive with Chinese players. We do get some brand premium in the domestic business. So I mean as I've been saying aspirationally, I want to grow company in double digit from a revenue perspective and expand the margin on an overall blended basis to 500 basis points in 5 years.

So I'm on track, I believe, this year we had some setbacks in kharif, right, because of the excessive rain which happened in the month of August and September, that as a result, some sprays were missed. There was a lot of setback for the companies operating in soybean and cotton in herbicide segment. So all of those things will keep happening the way I have internalized it. Look, we have technically 4 segments, B2B, B2C within the crop protection, then I have a seed business and soil and plant health.

There's a small fifth segment, I would say CSM, they will not all fire -- unlikely to fire all of them at the same time. All we have to ensure is that no, we are doing the right things in each of those businesses so that we are ready whenever opportunity presents. So focus on R&D from a manufacturing standpoint of view, customer standpoint of view to keep launching new products. Looking at partnerships to win contracts in CSM space, looking at new registrations and export.

I think those are the things. For example, we launched this platform Idea2Impact, I think this would help us accelerate innovation because we believe with our brand equity, we are able to grow. We have that level of trust within the society where there are a lot of people, those who do innovation, they are not able to scale it up or take it from an idea to a product label because of the resource constraint.

I think some of those ideas are also using to really start bringing new products, new ideas. We are spending on digital connect. We talked about Sampark plus app, which has gone live on Friday that will make sure the efforts related to very focused targeted work at the demand generation and connecting those villages, we operate all the way up to retailers and distributors. I think those are all the right efforts.

And I guess, combination of all of that, I think very difficult to predict segment by segment revenue. But all of them actually help in all the other areas, every area. And rest all, we have to leave it to the season and crop prices, we don't control, rainfall, we don't control. So we will do what is right to stay focused on our business.

We don't know what is in our control, right? And then we leave it to the factors and be vigilant in the marketplace so that we are managing our receivables well, we are managing our inventory well without compromising on the growth opportunity. And obviously, I talked about the leadership, now bringing new leaders, new ideas.

Abhijit Akella:

Yes. That's really helpful color. And just one last thing, if I may squeeze in. If you could please just share your outlook for the international business, sir, just in the context of all these tariffs and all of the uncertainty plus new crop prices and everything. How is the demand environment looking for the upcoming calendar year and maybe on the margin front as well, pricing/margins?

Gyanendra Shukla:

So overall, I would say, we have done well in spite of the challenges in fiscal year '27. We are still assessing the situation because of the new announcement from China and the new geopolitical context. We don't know how things will evolve. At the same time, there has been softening of crop prices, particularly corn and soybean in Latin America. I think we will continue to watch the situation.

I don't want to give a, what we call, guidance on the international business. I know we have been able to recover from the setback we had in '24, '25. And I think our focus is to continue to seek registration, continue to seek partners, continue to add new customers. In fact, we have added more number of people on ground in international business so that we get more closer to what is happening in those countries and geographies.

So that's how we are managing. Difficult to tell how tariff situation will evolve. I think there's a bit of uncertainty around that. But I think last year, it excluded technical. So it did not hurt us much.

How things will change? Difficult to predict. It's very, very uncertain environment right now. And China, I mean there was a news I was reading a couple of days ago. Year-on-year basis, China has produced more technical, right, which means either there's a demand, which is growing fast or there's a buildup of inventory restarting. At this point of time, I see in the market inventory at the normalized level. And this volume pressure when it comes from China, obviously, it keeps pressure on the prices.

Moderator:

The next question is from the line of Siddharth Gadekar from Equirus.

- Siddharth Gadekar:** So first, on the seed business, can you give some indication in terms of how have we planned the inventories for the BigHaat for the next year?
- Gyanendra Shukla:** So we have enough -- we have planned for enough inventory, not only for BigHaat for all the crops. This year, if you can see in spite of the challenges that we had on our supply side, we have been able to grow our revenue by 5%, 15% on a year-on-year basis. And last year, we did have challenges where seed production crop was not planted on time and all the crop came at the same time, as a result, there was delays in supplies and rains came early.
- So it became very chaotic to manage the business in the month of April, May and June. I think we have taken all the precautions, all the things are in place to ensure that we have sufficient inventory to grow the business. I think we have momentum and we have to capitalize on it.
- Siddharth Gadekar:** And secondly, on the technical business -- hello?
- Gyanendra Shukla:** Yes.
- Siddharth Gadekar:** So on the technical business, can you just give some qualitative comments on the gross margins that we currently are operating at? And how do we see this panning out over the next 2, 3 years in terms of internally, what are we doing to improve our efficiencies?
- Gyanendra Shukla:** So I think, obviously, we keep looking at how can we become -- a, I mean, raw material cost, we have to keep looking at. The other area is basically ability to find customers where we can get more realization. But when I look at basically export business, I think there has been a significant expansion in our margin, which has exceeded, which has gone beyond 20%. It's a very, very competitive place. But when I add the CSM business, I think it is falling in the range of our blended margin of about 30%.
- Seed obviously, is a high-margin business for us, as we have been saying. And so it's really, I would say, challenges really on the margin front are primarily on export where we sell what you call catalog product. The other thing we have started doing is also domestic institutional business which, we don't talk. So whatever AIs we produce, we also have opportunity to sell domestically.
- I think that's most competitive. That's where we make lowest margin, but it ensures that our plants are running and we improve our capacity utilization. We don't sell on losses. We make probably mid-teens margin. But on an overall basis, if you say B2B business, when you look at the blended margin, it is in excess of 20%.
- Moderator:** The next question is from the line of Saurabh Jain from HSBC Mutual Fund.
- Saurabh Jain:** So we appreciate your comments around the strategy to expand the margins by about 500 bps in the next 5 years. But when I compare 9-month basis performance, it seems that the gross margins have actually compressed by about 1%, maybe because of rising share of your B2B business. My question is how would you see these margins expanding in the near term over the next 1 year or so? And what to drive that margin expansion?

Gyanendra Shukla: Yes. So I think there are a couple of one-off items we had probably not have impacted. So for example, we were planning to launch an insecticide last year, and I keep talking about one product did not go as per the plan. Because when final product came out of the factory, there were some quality issues.

So as a result, we had to take a provision. So a lot of it is actually related to provisions we create for the inventory when it doesn't go as expected, right? Some of it actually -- I would say, majority are related to that. So when you look at on a, what you call, if you take one-off items, I would say we would have marginally improved.

Saurabh Jain: Is it possible to quantify this impact?

Gyanendra Shukla: Yes. So this impact, if you see in excess of INR10 crores, roughly. Yes.

Saurabh Jain: Okay. INR10 crores. So how would your expectation be for the next year? How much of gross margin expansion do you think can come to Rallis on a blended basis? Any insights on that would be useful.

Gyanendra Shukla: One is the gross margin. Other thing is really EBITDA. So when I talk about 500 basis points, we are talking about EBITDA margin improvement, right, and EBITDA margin improvement to me is more important because that's what ultimately translate to PAT and shareholder value creation.

Because of diverse nature of business and competitiveness of the industry. I am not interested in losing on the market share because that's when business starts getting challenging. So, we can stay in the gross contribution range and marginally improve. But because of the operating leverage, we'll be able to sell more per person or per employee and as a result, we expand our EBITDA margin. So fixed cost actually does not grow as fast as your other business contribution comes.

Saurabh Jain: So most of these 500 bps would actually result from operating leverage?

Gyanendra Shukla: Operating leverage.

Saurabh Jain: What could be the blended utilization of our plants? Any insights on that side?

Gyanendra Shukla: So this year, all across plants, utilization has improved. And we are looking at various other initiatives around, which I can't say at this point of time. I think this year, say, it has been a significant improvement over last year.

Saurabh Jain: Okay. The other question I had, you mentioned that you have been able to bring a bioproduct in-house that saves you from the regulatory challenges. But can you make a comment on what is the exact status on the regulatory side on the biofertilizers, how the situation has improved over the last 3 months? And do any significant challenges still remain with the industry on this side?

Gyanendra Shukla: See, in countries like India, there will always be some regulatory challenges because the way our system operates. But I think, by and large, I would say, we are out of that situation, for us

things are sorted. The other thing which I did mention is that, look, our seed team operates independent of Crop Care team. We have also launched a new brand for soil and plant health. And within that brand of NuCode, we have started launching products in different categories of soil and plant health, and we are seeing a good traction.

So soil and plant health will have two sales and marketing engine driving the product in the marketplace because there's a significant opportunity to sell to more farmers because there is some uniqueness of distribution and customers are different. Other thing is that it's also better utilization of seed fixed cost because seed team carrying a new brand of soil and plant health.

So it gives us volume as well as double leverage. I mean seed team is able to sell something beyond seed. It also gives them connected to the farmer because when you have to sell these products, you have to visit and meet more frequently, farmers and retail network.

So in a way, I think that solves some of the problems related to soil and plant health. I think smaller players will eventually get weeded out over a period of time. We have instead of one channel to carry, we have two distinct channels to carry the product, and we keep adding products. So at back end actually it's a common back end but front becomes you have two opportunities.

Saurabh Jain: Okay. So is the registration process and other things are good now? Is it working on speed for registering all of these buy sites?

Gyanendra Shukla: So you can't say speed. But yes, it is sorted for us.

Saurabh Jain: Okay. Understood. One last question, if I may. Can you please tell us what would be your dependence for technical procurement from China on a blended basis?

Gyanendra Shukla: So on a blended basis, still it is more than 40%. And I mean the challenge is not that all of that can be replaced. Not only it is there, it will continue to be there. Because some of the products probably given the complexity and the stage of product, at what life cycle they are, I have not one who says that, we'll be completely moving away from China. I think we have to have more partners in China to ensure that we continue to have access to a product for some of the things we do.

Saurabh Jain: So when the China government says they're going to remove the export rebates, how much of that exposure would be for you when you think about the procurement from China?

Gyanendra Shukla: So this is applicable post April. So let's wait for more details to emerge at this point of time, I think it's not negative for us. I mean it's common for everybody. It will not apply only to us.

Moderator: The next question is from the line of Ramesh Shankaranarayanan, an Individual Investor.

Ramesh S.: Congratulations on the performance given the challenging environment. So if you look at your third quarter B2C growth of 13%. How would it compare with the overall industry growth in the same segment or category?

Gyanendra Shukla:

So it's very difficult to comment about the industry because I mean not many people have reported numbers. So I don't want to speculate, but I think generally, rabi has been better compared to previous rabi. So depending on the portfolio, depending on the crop segment, people operated. For example, I can tell you, so we have done very well in crops like potato and cumin with fungicides and all.

But somebody who had a weed herbicide, a strong portfolio weed herbicide companies would have done well. So again, it's across -- if somebody was depending on the grape, I think grape has been a challenging crop, cumin area dropped as a result, it has been challenging. So a very crop-specific and portfolio focused. There's no one comment I can make about what is happening in the industry. Different players would have got positively or negatively impacted depending on the crop they participated.

Ramesh S.:

Okay. So as you look at your aspiration numbers for seed and soil and health, what would be the growth capex you have to invest to achieve these numbers, excluding working capital. And in terms of your future focus on ROCE, would you see these 2 businesses driving your improvement in ROCE given the investment you need to do and the kind of growth you can expect in these 2 businesses?

Gyanendra Shukla:

So I think coming back to your question on capex, I think I have said it and I want to reiterate that, look, unless I have a very firm contract to make something for somebody. We are not going to put any significant capex ahead of what you call, market demand. I think we have enough seeds on the ground. We have enough plants and equipments on the ground to continue to grow. Having said that, there will always be a sustainable capex, which will continue to be required and that's all we have planned at this point of time.

Ramesh S.:

So on the CSM business, you said the margin is around 13%. So if you look at your, again, aspirational targets in CSM, do you see some traction in terms of getting higher value contracts which will improve the margins and return on capital for the CSM business? And what would be the aspirational revenue target in the next 3 to 5 years given the kind of opportunity that Indian companies see in CSM overall?

Gyanendra Shukla:

So look, when it comes to CSM, there are quite a few established players. And I guess they have built their reputation of being a CSM player. So it's not easy to take away business from them. What we have to see is that what is new coming in terms of patented products or unique opportunities.

And that's where we are always in touch with and we are, I would say, rather more active in keeping in touch with those players. And we do have some small opportunities in hand at this point of time, and they are at different stages of execution. I think some of those opportunities we'll start seeing is contributing in a small manner from '27 onward.

But there's no large, big molecule opportunities available even in the market. So -- but that business, I think, for example, with our existing partner, there's a new molecule coming. We probably will end up making for them. There are no INR500 crores of opportunities, I would say, at this point of time, which are available in the market.

