SUMITOMO CHEMICAL INDIA LTD.
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SCIL/SEC/2022
6th June, 2022

To,

BSE Limited, Listing Department, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001	The National Stock Exchange of India Listing Department, Exchange Plaza, Bandra Kurla Complex Bandra East, Mumbai - 400 051

Sub: Written Transcript of Earnings Call held on 31st May, 2022

Dear Sirs,

This has reference to our letter dated 27th May, 2022, intimating about the earnings call on 31st May, 2022 with Investors / Analysts to discuss financial performance of the Company for the year ended 31st March, 2022, and weblink for the audio-recording of the call submitted to you on 31st May, 2022.

Please find enclosed herewith written transcript of the aforesaid earnings call.

The said transcript will also be available on the Company's website: www.sumichem.co.in.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Sumitomo Chemical India Limited

Pravin D. Desai
Vice President and Company Secretary

Encl: a/a

"Sumitomo Chemical India Limited Q4 FY2022 Earnings Conference Call"

May 31, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 31st May 2022 will prevail.

SUMITOMO CHEMICAL INDIA LTD.

CHORUS CALL

MANAGEMENT:

MR. CHETAN SHAH - MANAGING DIRECTOR, SUMITOMO CHEMICAL INDIA LIMITED

MR. SUSHIL MARFATIA - EXECUTIVE DIRECTOR, SUMITOMO CHEMICAL INDIA LIMITED

MR. MASANORI UZAWA - NON-EXECUTIVE DIRECTOR, SUMITOMO CHEMICAL INDIA LIMITED

DR. SURESH RAMACHANDRAN - CHIEF COMMERCIAL OFFICER, SUMITOMO CHEMICAL INDIA LIMITED

MR. KUNAL MITTAL - SENIOR VP PLANNING AND COORDINATION OFFICER, SUMITOMO CHEMICAL INDIA LIMITED

MR. PRAVIN D. DESAI - COMPANY SECRETARY AND COMPLIANCE OFFICER, SUMITOMO CHEMICAL INDIA LIMITED

MR. ANIL NAWAL - CHIEF FINANCIAL OFFICER, SUMITOMO CHEMICAL INDIA LIMITED

Moderator Ladies and gentlemen, good day, and welcome to the Sumitomo Chemical India Limited Q4 and FY '22 Earnings Conference Call.

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 participants will be in a 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

From the management, we have on the call today, Mr. Chetan Shah, Managing Director; Mr. Sushil Marfatia, Executive Director; Mr. Masanori Uzawa, Non-Executive Director; Dr. Suresh Ramachandran, Chief Commercial Officer; Mr. Kunal Mittal, Senior VP (Planning and Coordination Office); Mr. Pravin D. Desai, Company Secretary and Compliance Officer; Mr. Anil Nawal, Chief Financial Officer; and colleagues from SGA, their Investor Relations advisers.

I now hand the conference over to Mr. Chetan Shah, Managing Director of Sumitomo Chemical India Limited. Thank you, and over to you, sir.

Chetan Shah Ladies and gentlemen, a very good morning to all of you, and welcome to the conference call to discuss the financial performance of the Q4 and financial year '21-'22 of our company, Sumitomo Chemical India Limited.

First, finally, let me give you a brief of agri inputs industry landscape, especially with reference to '21-'22. Indian Agro Chemicals sector grew in financial year '21-'22, especially in Rabi season due to improved demand in domestic and export markets and to some extent, the price hikes across product portfolios to offset the rising raw materials and other logistic costs.

Despite price led growth, margin pressure persisted as many industry players who are unable to fully pass on the rising costs. Fortunately, in our case, we were able to fully pass on the rising cost and hence, we could improve our margins against the overall industry trend. This gives us confidence in strength of our products, demand generation activities and strong trusted relationships with our channel partners and the farmers.

Working capital for the industry has remained stretched owing to higher cost inventory and slower receivables compared to the last year.

Monsoon during the year started off very well in June '21, but became too erratic from July to September '21. This disrupted farming activities and affected overall agrochemical industry, especially the crops like soybean, cotton and groundnut was severely affected. However, a good monsoon and the moisture level increased Rabi season yields and food grain production. This is the third year of rising Rabi grain production. Current reservoir levels are 10% higher than the previous 10-year average. We believe that adequate reservoir levels will be a major driving force in the upcoming Kharif Season.

According to IMD and Skymet, India will have a normal monsoon. This is significant because the June-September rainy season accounts for up to 90% of India's annual rainfall and can determine crop yields, such as wheat, rice and sugarcane. Experts also ruled out any possibility of El Nino for 2022.

Domestic agrochemical sector's Kharif performance has historically mirrored the monsoon, and it is expected to remain the same this year.

Also, farmer liquidity is expected to remain strong thanks to strong cash flows from good Rabi season and higher crop realizations. With crop prices above MSP, the Kharif Season looks promising. Due to the stronger Rabi and Kharif harvest, the Indian agriculture sector is expected to maintain a growth rate as it has historically shown for the financial year '22-'23. Thus, we expect an overall momentum for Indian agrochemical sector to remain positive. Good crop prices worldwide are likely to result in robust export volume growth from India.

Given the various headwinds that the agrochemical industry across financial year '22 in the form of second and third wave of COVID-19, inflationary environment, erratic monsoon distribution, input material shortages and shipment delays, we are pleased to have delivered a robust financial performance. This was on account of our marketing team's deep engagement with farmers at ground level and robust brands supported by trusted relationships with our channel partners, which enable us to pass on the cost without affecting our sales.

With that, I'll now hand over to Mr. Anil Nawal to please take you through our Q4 and financial year '21-'22 full year consolidated financial performance. Thank you very much.

Anil Nawal

Good morning. Consolidated Q4 FY '21-'22 financial performance. We delivered strong top line growth of about 24% in Q4 FY '22, primarily driven by export growth and price increase across our product portfolio.

Operating leverage benefit kicked in, leading to improving EBITDA margin, which came at 16.4% in Q4 FY '22, up by 303 basis points year-on-year.

We recorded sales of INR665 crore in Q4 FY '22, up by 24% as compared to INR534 crore in Q4 FY '21. The sales growth was on account of both volumetric growth and price increase. EBITDA came in at INR109 crore in Q4 FY '22, recording a jump of 52% as compared to INR71 crore in the same period last year. EBITDA margin in the current quarter stood at 16.4% as compared to 13.4% in Q4 FY '21. The increase in EBITDA margin was primarily on account of improved price realizations, improved product mix and increase in export share. Profit after tax stood at INR75 crore in Q4 FY '22, up by 38% as compared to INR54 crore in the same quarter last year. Profit after tax margin stood at 11.2% vis-a-vis 10.1% in Q4 FY '21.

Coming to our consolidated performance for full year FY '21-'22. Revenue from operations in FY '21/'22 stood at INR30.65 billion, up by about 16% as compared to INR26.45 billion in FY 2021. Crossing the INR30 billion sales mark is a significant milestone for our company. The share of exports in total revenue has increased from about 17% in FY '20-'21 to 22% in FY '21-'22. This was on account of increased shipments to our affiliate companies, especially in Latin America.

The FY '21-'22, insecticides contributed 43% of total revenue, while herbicides, plant growth regulator and fungicides contributed 21%, 9% and 11% of total revenue, respectively.

EBITDA witnessed a growth of 23% from INR4.87 billion in FY '20-'21 to INR6 billion in FY '21-'22. Our EBITDA margin stood at 19.6% in FY '21-'22 as compared to 18.4% in the same period last year. We are able to maintain and to some extent, improve our operating margin as a result of our initiative to pass on higher input costs. This was further aided by -- on account of improvement in operating leverage, better product mix, cost optimization and synergies. Profit after tax for FY '21-'22 witnessed a jump of 23% to INR4.24 billion from INR3.45 billion last year.

We have increased our inventory level to hedge ourselves against volatility in raw material prices and the increase in logistics time cycle. This will provide buffer against unprecedented input cost increase in the current challenging environment.

The increase in inventory days partly offset gains made in receivable days on account of increased focus on collections.

During FY '21-'22, our collections were INR34.58 billion during FY '21-'22 as compared to INR31.39 billion during FY '20-'21.

Our net working capital cycle stood at 133 days in FY '21-'22 as compared to -- as compared to 104 days in FY '20-'21, which is primarily due to higher inventory levels.

We have cash and cash equivalents aggregating to INR5.99 billion as of 31st March 22.

I now request my colleague, Dr. Suresh Ramachandran, Chief Commercial Officer of our company, to give more information on our business operations.

Suresh Ramachandran

Thank you, Anil, and good morning, everyone. During last year, we have also undertaken various strategic initiatives to further strengthen our business fundamentals, such as expanding and strengthening of our strategic marketing team, demand generation team, product development team and channel partner analytics team, and we are also focusing on implementing higher discipline across all the company on commercial policies.

Currently, we have over 200 brands across complete agrochemical value chain with more than 20 mega brands with high brand recall value.

We have one of the largest distribution network with over 16,000 direct distributors and 60 depots and warehouses spread across the country.

In domestic agri solutions, we witnessed growth largely on account of price increase. In Animal Nutrition & Environmental Health division, we witnessed growth due to both volume increase as well as price increase. In exports, we witnessed robust growth mainly on account of volume increase, but also supported by price increase.

We have -- we also have enduring presence in several export markets. Our export business is growing rapidly, especially in Latin American markets. We have received registration for some of our products where we are witnessing robust demand, and these products are providing us a very good platform to grow our export business.

We continue to see robust demand across our product portfolios of insecticides, herbicides, fungicides and PGR. We expect to gain market share from unorganized players due to a wide supply chain network and strong branding of our products. We aim to focus more on high-growth, stable and high profitable segments, such as herbicides, PGRs and biorational products. We plan to increase contribution from PGR segment and have increased product offerings for both Kharif and Rabi crops to reduce seasonality in the business. This year, we witnessed some challenges in one or two PGR soil nutrition products, which impacted the volume. However, we continue to focus our efforts and remain confident to grow this segment as one of the leaders in this segment and have planned some new product launches in this segment.

Our direct connect with farmers through extensive field promotion activity is an enabler for them to have access to best farm management practices to maximize the productivity and run more efficient agri business. This also helps us in building end customer loyalty and contribute to our stronger business relationship and obtained real-time feedback.

We connected with about 4.4 million farmers and 31,000 channel partners physically. We have also developed digital marketing and strengthened digital marketing as a parallel support to traditional marketing system to create awareness about our products and educate farmers in the best farm management practices. Our digital assets constitute of 23 websites, product websites and several social media platforms via which we made about 17.2 million digital engagements.

In FY '22, we launched one new product in herbicides and fungicides Group, each, as well as four new products in insecticides group. We recently launched few promising products in the domestic market during Kharif season of 2022.

There are plans to launch few more products in Kharif and Rabi season. As an ongoing process, we continuously take stock of the gap in our product portfolio and strive to fill that gap.

With that, I'll now hand over to Kunal Mittal to please take you -- to provide you an update on our CapEx policies. Over to you, Kunal.

Kunal Mittal

Thank you, Dr. Suresh. So now coming to our CapEx plans. I think last year in year 2021, we had disclosed plans to undertake two special Make in India projects with additional CapEx of about INR1.1 billion to manufacture 5 or 6 proprietary products for our parent company, SCC Japan and our global affiliates. This was supplementary and additional CapEx in addition to our regular CapEx for maintenance and capacity enhancement, which we do as a regular practice of our business.

Due to the metal and some of the commodity price rises over last one year, we are expecting approximately INR100 million cost overruns for these two projects. These cost overruns are approximately less than 10% overall cost and the revised CapEx estimates for these two special projects is about INR1.2 billion.

In terms of time lines, the projects continue to be on time. One project, which is a very important product for our global SCC network is expected to start commercial production during Q2 of financial year 2022-'23. And the second project, which involves multiple products for our Environmental Health division is expected to start commercial production during Q1 of financial year 2023-'24. These two projects are coming at our existing facilities and sites and the estimated operating margins and IRR for these projects are in line with our current company level margins, which we are earning on similar projects. Further, these projects have growing global demand, and we have potential to further enhance the capacities for these products in the future in medium to long term after we have completed these two CapEx projects.

During financial year '21-'22, we also completed some regular CapEx projects, such as our capacity expansion for one existing proprietary product, which we manufacture for parent company, SCC, and also some regular capacity expansion and debottlenecking projects for some of our existing products.

In addition to these regular CapEx and these two projects which we mentioned, there are several additional products are under various stages of evaluations for manufacturing in India as our Make In India project. And whenever there will be updates and approval from our Board of Directors in terms of specific approvals, we will update our shareholders and investors.

Our R&D team is also working on manufacturing several off-patent products and a lot of premixture combination products for Indian domestic market demand and also for the export demand, which has very high growth potential regions, such as Latin America, Africa and Asia Pacific. So a lot of products are expected and are in pipeline for the future from our manufacturing side.

Before we take up calls and we start and open the Q&A, we would like to recall some of our earlier discussions and interactions, I think, which we had covered in some of the earlier calls. If you see the history of our company around year 2010, we were approximately INR2.3 billion company from -- this is the time when we started expanding our distribution network in India by building trusted relationships with our channel partners, connecting with farmers at field level to generate demand, to demonstrate our products and the benefits of these products and also started building up our brands in Indian market.

Due to such extraordinary efforts shown by our team across functions of the company, as Mr. Anil Nawal mentioned, we have crossed a turnover of about INR30 billion in last year, which is approximately 13 times growth in last 12 years.

We believe we are one of the most diversified players in Indian agrochemical industry with good presence in both generics and specialty and also across various segments, crops and geographies. Our efforts are to build a robust platform with potential to generate high growth year after year in a sustainable manner, and we will continue our efforts to maintain this journey.

With this, we now request moderator to please open the floor for question and answer.

Moderator The first question is from the line of Swati Hiroo from Ratnabali Investment.

Swati Hiroo Firstly, congratulations to the entire team on a great set of numbers. I have two questions. So there's a lot of emphasis this time on the presentation on an SCIL 2.0. So I just wanted to understand what is this initiative? And what is our year-year tenure vision. Like, could we become a INR10,000 crore top line company say by 2030?

Kunal Mittal Thanks, Swati. So Swati, we would not like to comment on any kind of forward-looking numbers or any kind of projections. What we mean by SCIL 2.0 is, I think in year 2019, we integrated 2 very strong successful companies, Excel Crop Care and Sumitomo Chemical India Limited. And it is a new advanced version of the company, which is much more diversified as compared to individual companies with new energies, and that is why we started calling it, in IT language, SCIL 2.0. So that is what we have been using, and we are expanding further and I think we're talking about SCIL 2.0.

So it's more like a refresh version -an integrated company, and that is the message which we are giving to our channel partners and our employees and our teams and internally within the company.

And as I said, we would not like to comment on the specific, I think, numbers for the forward-looking statements that what we can achieve in 5 years or 10 years. But yes, I think as we mentioned and covered earlier, our endeavor will be to continue the growth journey which we have done in the past and how we can maintain that growth journey, how we can increase and how we can take our company to the next level. That is what I think we are working on internally.

Swati Hiroo All right. My second question is that today, if I compare this Sumitomo Japan and Sumitomo India, so we are only into, say, the agrochemical division, which is just about 17%, 18% of the top line there. So do we have any plans of introducing the other lines of businesses like the pharmaceutical business or the IT chemicals? Do we have any plans of introducing these businesses in India?

Chetan Shah Well, you see, what is -- we are -- you are right, we have -- majority of our turnover comes from the agrochemical sector. But as you may be aware, we have added 2 segments out of SCC's Tokyo's or SCC Japan's portfolio. One is Animal Nutrition, which we are growing in volumes very well. And another is the household insecticide division, which is mainly for public health and for household usage.

We have these two divisions' products introduced in the country. And yes, we are also looking at -- or we would like to look at other divisions of IT chemicals or pharmaceuticals that is always on the cards. And whenever we have discussion with our counterparts in Japan, we always bring up these topics.

So what we'll -- our aim is to do that. When and how, will depend on the timelines and on the decisions and the overall strategy of these divisions in Sumitomo Chemical Japan. But it is very much on our minds, and we are constantly looking at these opportunities.

Kunal Mittal Just to add to what Shah san mentioned. So globally, if you study these segments which you mentioned, so the business models with our parent company has the product profile are something which is much more advanced. Those kind of business models and products have very good potential in some of the developed markets, but the potential of these products in an emerging market like India, in terms of overall IT industry growth, in terms of overall pharma industry growth is something which we need to evaluate. And as Shah san mentioned, we are evaluating. And whenever we feel or our parent company agrees the time is right from a business model point of view to launch this product, we will certainly look at this product.

Moderator

The next question is from the line of Nitin Gosar from Invesco.

Nitin Gosar

If I were to look at the P&L outcome and balance sheet outcome for the quarter, it's very surprising. I mean, positively surprised by the way we have conducted our P&L and balance sheet. While the peer sets and the industry is still struggling on ability to pass down the price hikes, we have done more better work or remarkable work when it comes to protecting our gross margin or even, in fact, expanding.

Could you help us understand the improvement or solidity in the gross margin is more coming in from, domestic place or export place? And any further color if you can provide on it?

Chetan Shah

No, it is actually -- your observation is right. We have passed on the cost much more effectively in the market as compared to some of the industry colleagues. I think I would attribute this to our last 10 years of solid work with the farmers and as on the ground and creating our brands.

This particular year in which we could pass on the cost is really the proof of our good work at the ground level. And the demand generated by our brands. It is an absolute pull demand that is being created by the farmers and the trade. So I think our ability to pass on the cost, I will attribute mainly to our groundwork of last 10 years.

Nitin Gosar

Okay. Okay. And any specific category where we are more comfortable -- insecticide or herbicide where we are more position to pass down the price hikes?

Chetan Shah

Overall, everywhere we have been able to pass on the cost even in the second half of the year, even for our exports, we could pass on the entire cost of freight, ocean freight, which you know that it has gone up so drastically up, we were able to convince our customers to bear the increase of cost in export.

So overall, I think we have handled the cost implications in a very effective manner. We could predict the cost going up in a better manner. We could plan to pass on this cost in a timely manner to the market. And as I said that when we did that, the success was that our work at the ground level and the demand that we generated by our brands in totally pull demand by the farmers.

Nitin Gosar

Got it. And one last bit on the receivable days, we have seen second year where we have delivered improvement in receivable days. Again, is it the change in the business mix, which is driving the outcome? Or is it more specific to domestic business, which is resulting in...

Chetan Shah

It is more in domestic business. The export recoveries are on line with every year. But domestic recovery, we have taken various initiatives by reducing the credit during the year, having a very different credit policy, having different models in different markets to ensure that our money is recovered faster. And we are driving this discipline of money recovery down to our entire sales team.

And even -- I mean our message was that even if it costs us a little bit of volumes or sales, we will not compromise on the discipline of recovery. And we may, in the beginning of the year, we may have lost some business because when you have this credit policy revamp, certain dealers and distributors, they get blocked automatically.

And so initially, we had a little bit of those type of things, but I'm very glad to inform that over a period of time, this is well driven in the market, and our new policies are really getting accepted, first of all, with our own sales team and secondly, with our trade partners.

Moderator

The next question is from the line of S. Ramesh from Nirmal Bang Securities.

S. Ramesh: Yes. Good morning, and thank you very much. Let me congratulate the management on their consistent performance over the last few quarters, and particularly this quarter. So the first question is there was a mention about the higher margins on exports driving the improvement in margin in the fourth quarter. So -- and we have seen that Latin America share has gone up. So can we get some sense in terms of the volume growth in exports and which are the products where we are seeing this improvement in margins in exports?

Chetan Shah: Yes, sure. Our margin in export has remained the same or a little bit of improvement, largely in the last quarter, we could get the volumes from Latin American market. We -- during the year, we had received three registrations in Latin America. One was of existing -- I mean, all our existing products, but one was to be renewed and another two we got in. And this new registration opened up a lot of opportunities for us in Latin America. And our affiliate in Latin America have been using these products that they were probably buying from elsewhere in the -- for their requirements from China or from some other Indian manufacturers. And we could really compete and we could convince them to buy our products. Because [Technical Issues] in place, we are in a position to do this and that gave us extremely good volumes of almost our, all the products which we export to Latin America.

Management: Ramesh, could you hear that applies with Mr. Chetan Shah gave you?

S. Ramesh: I lost him halfway through.

Chetan Shah: Okay. I'll repeat myself, Mr. Ramesh. What I was saying is that we got some registrations in Latin America, which opened up a huge opportunity for us to negotiate or discuss with our affiliates. They buy these products from globally, from China or from elsewhere. And because our registrations came through, we convinced them that we can be equally competitive and we can give you an equal quality products, which they want to use for their formulation of their brands. And that came through, and we have established a very good business relationship with our affiliate. We are very happy with our performance. And this gave us a tremendous volume growth in Q4 for our products in Latin America.

S. Ramesh: So can we get some numbers for volume growth for the fourth quarter in domestic and export markets?

Chetan Shah: We grew both, we grew domestic as well as exports. I think -- Kunal, you answer.

Kunal Mittal: So sir, I think while we do not give specific numbers, but overall, I think, again, not just for Q4, but for the full year basis, if we see -- as Dr. Suresh covered, in the domestic market, most of the growth seems to be coming from the price increases. In the exports market, it seems to be driven broadly balanced between volume growth versus price growth. And in Indian market and in the Animal Nutrition business, also, most of the growth is coming from volume and prices, both. And in the Environmental Health division also, it is broadly, I think, both.

S. Ramesh: Yes. So the next thought is in terms of your new products, can you give us a sense in terms of what is the share of new product in the FY '22 revenue? And how do you see this share of new products moving, say, in the next two years?

Kunal Mittal: Yes. So I think the last three years, I think that is what I think we generally take up. So last -- the product which we have launched last three years is approximately contributing to about 10% to 11% of our revenue. About INR325 crore is the revenue generated from these products roughly. I'm not giving a very exact number, but more like approximately INR3.25 billion, which is a good number.

And I do not think that we had a very blockbuster kind of a launch in next two -- last two to three years. But for the future, as Dr. Suresh mentioned, we have a very, very robust pipeline for products to be launched in 2022 and also in the future going forward.

So while we will not be able to estimate exactly how much revenue these products will generate, but we continue to be very optimistic and confident that these products should show very good results in the next few years.

S. Ramesh

In terms of weak base and the prospects for improving acreage as well as the healthy farm income, what is the sense you have in terms of the volume growth for the agrochemical business as a whole for the Kharif season? How do you see that?

Suresh Ramachandran

Generally, if you look at the monsoon has just started hitting the Kerala Coast, there is a lot of optimism within the farming community channel as well as within the -- among the industry peers. The challenge, of course, like every year it remains to be seen -- the monsoon to be seen. The commodity prices are high and the farmers would be investing on the crop, the acreages of key crops like cotton, chilis, paddy are likely to go up. And we are quite optimistic the Kharif Season will be good.

Of course, everything depends on monsoon. It has to spread in time, distribute across the geographies. If it happens, for sure, both volume growth will definitely be coming as in last year.

Chetan Shah

So another thing I would like to highlight is that new science or the new technology, the products which are coming in, the new products, it will not always show a volume growth because these new technologies are used in a very lower quantities as compared to the traditional ones.

So you may see a tremendous value growth from these products. But volumes cannot always match the value. So like -- I mean, just to give you an example, if there is a more efficient product for a crop, a farmer may be using, say, 1 liter per acre, a traditional product. But against that, he may do only 200 grams of new products. And he will get more effect by using that new product as compared to a traditional product.

So many times, the volume and value is not always matching. All new scientific technological products will always have a lower volume per acre as compared to the older ones.

Moderator

The next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal

Congratulations for a rich show on the margin expansion front. So first question on the domestic side and especially given that the stance that we have taken in terms of passing through the RM inflation, your thoughts on how should one look at the volume ramp-up here? Where I'm coming from is that while the monsoon is expected to be good, there will be an on-ground differential in terms of our prices versus the competition prices, given most of the competition has not done a significant pass-through there. So your comments over there?

Chetan Shah

As I mentioned earlier, I think we are very confident and we are very, very sure that the kind of work that we have done and the kind of demand we are -- our products are generating at farmers' level, we will be in a better position to pass on the cost increases if at all it comes. However, I mean, having said that we are not seeing the type of trend which we saw last year of price increases, we are not seeing that to the same extent in the current months.

So I think the prices have stabilized, more or less. And I don't think there is any trigger to increase the raw material input cost by a significant -- in a significant way going forward.

If we maintain our pricing as of today, current prices, we should be fine to protect our margins.

Ankur Periwal

Sure. And this outlook should be the same for generics as well as specialty within the domestic portfolio? Or maybe specialty should bounce back given the...

Chetan Shah

Yes, yes. To that, we have three different divisions or three different portfolios. One is specialty, as you said, we see the same trend over there. No issues there. The second portfolio, which is our generic premium generate, that is where we have built huge brands, huge volumes of those products. We don't see any difficulty in that too.

Yes, the difficulty can come in the third category, which is pure generic, where we may not be in a position to pass on the entire cost increases in a total manner in those products, which -- that portfolio is around 10% to 11% of our total agrochemical business.

So that portfolio is subject -- to subjected to price volatility or market situation or things like that. But in the first 2 categories, we don't see any problems at all.

Ankur Periwal: Great, sir. Another thing on the export side, if you can highlight how one should look at because there has been a pretty healthy ramp up in the LATAM market and which you highlighted backed by the product registrations there. So one, are there certain more registrations which are planned and which can probably increase this number significantly? And second, within exports, how has been the breakup between the specialty and the generic part?

Chetan Shah: Yes. So in Latin America, the next round of registrations, which we are thinking about is going to be the new project that we will put up in our new site, which is Dahej. There, we are talking about few products for Latin America, which we'll have to register - the process of which will start. That's a longer process, long term process. But that we already have identified the products for that, and we'll soon start the registration efforts in Latin America for those products.

Besides that, we don't have anything else in pipeline for Latin America. We have got all the registrations which were in pipeline. And I think we would concentrate on building on volumes of those products in the next two to three years, we would like to grow that business to its maximum potential.

So I'm sorry, your second question was the specialty and generic...

Ankur Periwal: Yes, the mix between the export. How has the specialty part grown? Is there a volumetric growth there? Or it's largely inflation...

Chetan Shah: In exports? You are asking in exports. Yes. So in exports, we have grown by volume in specialty products, which we manufacture at our Tarapur plant, which has gone up substantially high. We see very good demand coming forward. As a matter of fact, this new project, which will come online in '23, we will -- we are expanding that capacity as well as part of the new project, and we see a good demand of that product. So yes, volumes have gone up in those -- in specialty product for that export market.

Ankur Periwal: Sure, sir. And a large part of this expansion, just a clarification, is coming slightly back-ended, right? One project you mentioned is coming in the second half and the rest will be more like Q4. So FY '24 should see a higher benefit...

Chetan Shah: Q1 of the financial year '23-'24.

Kunal Mittal: One project in Q2 current year and one project in Q1 next year. So in '23-'24, we should hopefully have the entire revenue for all these products.

Moderator: The next question is from the line of Prashant Biyani from Elara Capital.

Prashant Biyani: In first half last year, con call, you mentioned about getting registration for chlorpyriphos and aluminum phosphide in LATAM. So post that, in second half, have you got any registrations in LATAM or U.S. market or even in African market?

Chetan Shah: In U.S. market, we have got registration for aluminum phosphide. Unfortunately, the registration came with some error, which we are sending back for correction. We are expecting it very soon because it's only a correction. And that business will start. We have got order position on aluminum phosphide for U.S. already. And we'll start that export.

Chlorpyriphos registration in Latin America came through, aluminum phosphide registration in Latin America came through and we have started the shipments. That has already commenced. And as I mentioned earlier, the other registration are little bit long term.

We have got some new registrations, and the sales will start from this current year, African season, agricultural season. So we are looking forward to that.

Kunal Mittal Some other product which Shah san mentioned, so these registration have already come in last year, as was explained earlier by Mr. Shah and Dr. Suresh. And some of this registration we got last year in LATAM, and that has, I think, contributed to our growth in last year.

Prashant Biyani Yes. And sir, for one of the answers to earlier participant, you called -- you said that you have identified the products for future. Sir, can you name those products which you will register for LATAM markets from our Dahej site?

Chetan Shah No, that is a little long term and little confidential. So -- but they are all very interesting products. We have done -- our R&D has already processed all those products that we have -- we are confident that we can do it. A lot of lab scale trials of those products are over. And due to some confidentiality issues, we cannot name the products, but they're all very interesting products. And we are very familiar with it. Our R&D has already passed or already given us a go-ahead that they can manage this without any issues.

Prashant Biyani And this will manufacture from our new plant in the Dahej?

Chetan Shah Yes. So one is our existing sites, which will come in August or third quarter of this year. Another is in our existing capacity, which will come in the first quarter of the next financial year. And after that, it will take around two years -- two to three years to put up the entire site of Dahej. So that is our current plan.

Prashant Biyani So after three years, we'll get benefit of these new registrations provided we get a...

Chetan Shah Yes. No, we are putting up that plant in Dahej in any case. We will put up the plant. And we will get the registrations in due time. Registration process is very, very cumbersome in Latin America or very hard, I would say, not cumbersome, but very hard and we are working towards that.

Kunal Mittal And I think just to add, I think whatever Dr. Shah san has mentioned. See, this year explained are coming at our existing site. At our existing site like Bhavnagar and other sites, we still have some scope and room available for expansion, which will take care [Technical Issues] Existing products, capacity enhancement, if something comes up and all those kind of things. And then this next level of products, which our R&D is working may come up at the new site.

Prashant Biyani Right. Sir, we also doubled Tebuconazole capacity sometime back. So at what utilization levels are we running that plant currently?

Chetan Shah We are at 90% plus.

Prashant Biyani So any plans of doubling it further?

Chetan Shah So we have some plans of further expanding it. We are watching or we are tracking the demand of Tebuconazole in Latin America and other markets, Europe and Latin America. And I think if we see the trends, we can very quickly expand the Tebuconazole.

Prashant Biyani And lastly, sir, on the domestic side, how has been the demand till date in Q1?

Chetan Shah Well, we have finished one month, while we cannot give the figures, but I can just assure you we are okay. We are absolutely comfortable.

Moderator The next question is from the line of Jay Shah from Capital PMS.

Jay Shah Congratulations for a great set of numbers and a great performance. Sir, I just wanted to ask you question on what the business strategy is like going ahead? Are we going to focus more on the development of active ingredients or more on the formulations? Because sir, what is happening is because of this China plus one, a lot of Indian companies are basically procuring the key molecules from, say, someone like Arysta or Monsanto, but at the same time, if some Indian companies like us, who can actually have the ability to develop key ingredients and tap the local market. So do you think that is -- that also will be a part of our plan going ahead?

Chetan Shah Well, as I've said in the past also, we are not focusing only on export or only on domestic or only on actives that only on formulations. We are looking at the overall growth. So in actives also we want to expand, in our brands also we want to expand. We want to expand in domestic market, we want to expand in exports.

So we are having a very all-rounded type of growth, not only in one segment of our business. So we want a more diversified portfolio. We want more diversified actives and formulation combinations. We are also working on various combination products in formulation.

Now all -- it doesn't mean that because we are going to introduce new combination formulation, we will not concentrate on actives. We also want to concentrate on actives. So we want to give a more consolidated growth and not in one particular area of our business.

And to your question about China. Yes, you are right in a way that there is some interest being shown in Indian manufacturing and our government and our honorable prime minister also is pushing Make In India and giving a lot of talks on come to India and manufacture et cetera, but I would like to share my personal thoughts on this.

See, China is too big and to expect that people will drop China and come to other countries is a wishful thinking. I don't think because of the sheer size of operations. The companies cannot shift out of China totally. But even if we can shift, say 5%, which is a big number, according to me. It will be too good for India. So we have to work towards it, but at the same time, we have to be mindful that to shift China out of that manufacturing capabilities is not going to be an easy task.

Jay Shah Absolutely. And sir, second question was, in general, in the Europe export market or even Indian market, what do you see is the more split like going towards? Is it more of herbicide and insecticides that are in demand rather than a fungicide or because we are seeing in a lot of companies, they are very bullish on the herbicide segment as compared to the other two.

Chetan Shah So as far as herbicides are concerned for European market, we don't have any product. So we are dependent on European market, mostly for fungicides. And now very good opportunities are existing in Europe to export our bioproducts or biological products.

So we have formed a task force for this, and we are trying to see the possibilities of registering our existing brands, which we are manufacturing already for domestic market and some we are exporting to Far East Asia. We are trying to register those brands in Europe, and we see a lot of potential of these products in European market in time to come.

Moderator The next question is from the line of Nishita Doshi from IDFC Mutual.

Nishita Doshi So basically, you mentioned that in LATAM, it's a very difficult process to register. Plus, we'll be evaluating process of registering existing products in Europe. So if you could share what would be the time required to register a particular product in Europe, U.S. and LATAM?

Chetan Shah Europe, these products, which we are talking about, it may get two to three years. And LATAM process is generally five to seven years. But if we start today, I think we'll make up the time when we are in production, we should be able to export.

So we have to work backwards and we have to see how the planning goes.

Suresh Ramachandran What Chetan bhai has mentioned is of a broad -- general time line. It also depends on what kind of data package we have. If some of the data is already available, it could shorten the time line. It also depends on what kind of data that we have. It depends on the molecule also.

Nishita Doshi Okay. And in U.S. market, we got a registration for aluminum phosphide. So how many registrations are still pending in the U.S. market and similarly in Europe because in LATAM, you have already mentioned that there are no pending registrations left.

Chetan Shah Yes. There are no pending registration in the U.S. or in Europe as well. We are trying to get some registrations for formulated products in Latin America. And yes, mainly in Latin America.

Nishita Doshi Okay. So then...

Chetan Shah That time line of registration is shorter because we just have to do the equivalents and we can export the products on the basis of endorsement of existing registrations of our affiliate company.

Nishita Doshi Okay. Sir, that's helpful. I also had a question on the working capital side. So currently, our working capital is a bit stretched because of higher inventory levels, but we have done a good job on the receivables part. So in a normalized situation, assuming there is no such higher inventory for volatile raw materials, what would be our normal working capital days that you would like to work with?

Chetan Shah Yes. So I'll answer it in these two parts. The existing one, which you are seeing, you are very rightly observed that since inventories are higher -- this was a deliberate decision by the management to keep higher inventory in view of the rising prices and in view of being ready for the Kharif season, we deliberately increased our inventory level. So this has not gone higher by chance, but it is more by design, which is absolutely in line with our expectation and our thing. And if the things -- all the things were normal, we would like to keep our inventory days at 100 days.

Nishita Doshi Okay. And receivable days of that would be how many days?

Chetan Shah Total working capital days to be 100.

Moderator The next question is from the line of Rohit Nagraj from Emkay Global.

Rohit Nagraj Congrats on a good set of numbers. Sir, first question is, we are currently half way through the Q1 and for Kharif season. So have we taken further price increases, as you have mentioned earlier in your commentary that probably will have to price increase. So have we exercised them both for the domestic as well as export market?

Chetan Shah Yes. So as I said that we have done those analysis and our pricing as of today is based on our 1st April costing. And which we are seeing to be stable so far. And the Kharif season has just started or will just start. The monsoons have just arrived and it will spread hopefully in next two weeks. And then the entire Kharif season will start proper operations.

Rohit Nagraj All right. Got it, sir. Sir, second question is now we will be starting the first project for our parent. So what is deterring us from taking or deterring the parent from providing us more orders? Is it that the first project will get completed and then only they will look for incremental set of orders?

And for any such opportunity, are we confined by our parent, if there is an outsourcing opportunity or a similar kind of project, which comes from another global MNC. Do we have -- I mean can we consider it or we'll have to do outsourcing only for our parent?

Chetan Shah

No. I think we, here at Sumitomo Chemical India, are very grateful and very fortunate that our parent company has given us a free hand and we are operating at Sumitomo Chemical India. So there is no restrictions put by the parent company for us to explore anything that is available for our expansions or our growth. So that is very, very clear. So we are not afraid of that.

But what we want or what we are doing as of today, is that whatever products we can get from our parent company, we are giving that as a priority. But it doesn't mean that if that is tomorrow, say, some products are not coming, and we can get some products from elsewhere, I'm sure that we can do it. There is no issue at all on that.

Kunal Mittal

And just to clarify, I think we are already producing one product for our parent company, SCC. So it is not the first project which we are doing. One product is already under there since last few years where we have expanded the volumes. The second big project is likely to start commercial production this year. And there are four or five products which are already approved under implementation which should start generating revenue from next year. So there are multiple products. And overall, there are also talks and discussions at how we can expand it to further more products.

And we also have on the call, I think, from our parent company, SCC, Non-Executive Director of our Board, Mr. Masanori Uzawa. So Uzawa san, if you want to add anything on this question from your side?

Masanori Uzawa

Sure. What you can be very confident about is that like Shah-san and Kunal-san mentioned, there is no restriction that the SCIL – SC India was put by Sumitomo Chemicals for pursuing their business growth.

I mean SC India's business growth is exactly equal to SCC Tokyo's business growth. So what we, SCC Tokyo, is doing is provide the active ingredients and molecules, as many as possible and then provide good access to our global affiliates, global sales footprint.

So the future business growth of this company, SC India looks pretty much right from our SCC Tokyo's viewpoint.

Moderator

The next question is from the line of Saurabh from AMSEC.

Saurabh

Sir, on the export side, specifically on the countries like Africa, Europe, where we have seen numbers to be flat or slightly decline. So what are our strategy for those countries? And also this time, we have also Australia as a separate geography. So if you can highlight our strategy in that country as well.

Chetan Shah

Yes. So Africa, Saurabh, what happened is in last year in '21-'22, Africa was very much affected by COVID, and also a few countries in Africa witnessed a lot of political turmoils, foreign exchange requirements, I think they just dried up. So we had to be very careful in our operations in Africa. And we had to slow down our pace in African markets because of all these reasons.

And going forward, we have a very robust plan to improve Africa business because we have the set-up there. We have our footprint there. We have our brands there, very popular brands, et cetera. And we need to revamp African business in view of whatever we have witnessed in last year, which we are doing it or planning to do this in the current year. And hopefully, we should see Africa business grow.

Saurabh

And sir, your comments on Australia?

Chetan Shah Australia is for us -- Australia is a little bit of a seasonal business. Our major export to Australia is a product called zinc phosphide. So there is a cyclic problem in Australia as far as zinc phosphide is concerned. So last year was very good for us. I think we may not expect the same volumes of zinc phosphide in current year. But in the following year, again -- it's a bit of a cyclic business as far as Australia is concerned.

Kunal Mittal And your query about Europe business, I think in Europe last two or three years, there were some products which got banned because of the regulatory challenges, so that could have impacted the overall operations in Europe.

Saurabh Okay. And second question is on domestic. So in domestic, if you can give the products or new product launch pipeline for FY '23 in 9(3) and 9(4) category? And also specifically on the PGR side, you mentioned there was an issue in the PGR, which led to the degrowth in this particular portfolio. So what number of products we are launching in PGR and how do we look at the growth in this segment as well?

Suresh Ramachandran We have at least two PGR products that are expected to be launched in FY '22-'23. And also at least six or seven products over the next couple of years in different portfolios like insecticides, herbicides and fungicides that are lined up. But it all depends on the regulatory approval time lines. Based on our internal estimates, we should be able to launch all of these products in the next -- starting from this Kharif further down the line for -- in about 18 months or so, all these products.

Saurabh So how many of the six to eight products will be 9(3) and what will be 9(4)?

Suresh Ramachandran All of them are 9(3) products.

Saurabh So these are coming from the parent portfolio or the combination products we are launching?

Suresh Ramachandran Some of them are coming from parent company, some comes from our affiliate from the U.S. and some are existing products, which are combination products. We made newer combinations, and we have submitted the dossier and it is undergoing the regulatory review. So it's a mix of everything, I would say.

Moderator The next question is from the line of Dhavan Shah from ICICI Securities.

Dhavan Shah I have a question on the generic and specialty. So we have seen the ramp-up in the specialty revenue contribution in FY '21. And thereby, the gross margin improvement was also meaningful. So how are we seeing this portfolio will develop over the period of time because that constitutes roughly 30-odd percent to the overall revenue right now? And I think you mentioned in the earlier con call that the gross margin for this segment is more than 40-odd percent. And you also mentioned that around six to eight new products from the 9(3) will be launched in the upcoming 18 months plus, I think, five new molecules will be supplied to the parent. So how this portfolio will develop over the period of time? And what is our endeavor for this segment in terms of the revenue contributions - two, three years down the line, if you can help on these things?

Chetan Shah See, we are very cautious on the fact that for our growth, our sustainable growth, specialty portfolio is extremely important. And we focus on this portfolio, the most. And we work -- this is a portfolio which generates demand from the field level. So we are very much on that and this portfolio will keep on increasing. We cannot be stagnant in the specialty portfolio at all.

So you -- as you have seen in the past that this portfolio is growing almost every year to a significant level, our endeavor will be to do the same for next coming years. Whether it'd be from our existing specialty products or additional specialty products or maybe from our active ingredient exports or whatever. But this group has to grow for our own survival and our own growth. So that will be -- that is the most focused portfolio in our entire group of portfolios.

Dhavan Shah Okay. So sir, these six to eight new products that was mentioned in the last question-answer, so that is into the specialty portfolio and the new five molecules which will be supplying to the Japanese parent, so that will also be a part of Specialty one? Is this understanding correct or not?

Suresh Ramachandran The products that are to be supplied to Sumitomo Japan is a different set -- that's basically manufacturing and supply, right?

Kunal Mittal Yes, manufacturing, and in domestic market, many of these products are already there.

Suresh Ramachandran They are already there. With regard to the products that I talked about, six to eight products in the next 18 months, majorly would be in Specialty division. Most of them are specialty products, and some of them could be launched through other divisions as well.

Chetan Shah We may also launch both in specialty and premium generics. So that will depend on the product strategy that we develop.

Dhavan Shah Okay. Okay. And in terms of the market size, would it be possible to share the six to eight new products? What kind of market are we expecting to gain over the period of time in terms of the revenue scale or any highlights on that?

Suresh Ramachandran I think it's going to be very difficult to quantify. The simple reason is some of the segments we have to develop. Today, there is no segment or it is a very small segment. But our products based on all our trials that we have seen really delivers good benefit to the farmers, which way -- it would be very difficult to predict any numbers for these things because it's going to be a little long-term process in developing this segment.

Chetan Shah Let me also add to what Suresh-ji said, we are investing a lot of time and money in introducing this product. And unless and until we are confident that this will yield results, we will not be spending that kind of time and money into this. So all these products are very promising and they are -- some of the products are special products for, say, apple, some of them are very special products for rice. Some of them are very special products for wheat.

So we have seen this segment. We have made a lot of trials. We have collected a lot of data, and we know that this product will work.

Now how much volume it will generate, it is after introduction that we can decide that, yes, now this product has delivered these results. Now we can expect second year to grow this, for third year to grow this much. They are all very exciting, promising products.

Dhavan Shah Got it, sir. So my last one is on these -- I mean, the category-wise growth. So we have seen -- herbicide contributing roughly 21 -- herbicide growth was roughly 28% for this fiscal, that is mainly because of the higher glyphosate prices. The fungicide also grew around 16-odd percent. So how are we seeing the category-wise growth for the coming few years? I mean which category will grow faster than the other ones? If you can help on this.

Chetan Shah No. I think we have one herbicide besides Glycel, which we are very excited about. That is growing year after year. And we have big plans to grow that particular molecule in the Indian domestic market. Fungicides, we are doing well in any case. And the other portfolio that we would like to increase as we have two, three new products in that category is PGR and biorationals. That will grow for sure.

Moderator The next question from the line of Gagan Thareja from ASK Investment Managers.

Gagan Thareja Sir, my first question pertains to your export growth. I think in the previous call, you did indicate that the export growth that we've seen thus far in that -- in fiscal FY '22 is sustainable. Do you maintain that the FY '22 export growth is sustainable going ahead?

Chetan Shah Yes, it is.

Gagan Thareja Right. Okay. And could you also elaborate a little more on the opportunity of aluminum phosphide in U.S.? Because I think you will be starting a sales contribution or revenue contribution from that product in FY '23?

Chetan Shah Yes. It is -- as I said, we have got order position on that product. And I think if everything goes well, and this corrected registration comes on time, we are looking at least 100 tonnes of aluminum phosphide in the first year to the U.S. market.

Gagan Thareja And for the three products in LATAM, I mean, you have a hiatus of two to three years before you get new registrations for LATAM. what's the possible scale that you could take these up to from where you are right now in tonnage terms? I mean, if today you are at x rate , let's say, three years down the line, what you envision is a possibility there?

Chetan Shah So this market is huge, and we can -- if everything goes well, I think one of the products that we are exporting to Latin America, say, we are at around 100 tonnes today. I mean, last year, since '21-'22, we did around 120 tonnes. We have an opportunity to go up to 300 tonnes for that product.

There is another product which is -- which we are selling quite a lot, which is Tebuconazole. And if this Tebuconazole combination product in Latin America, that picks up as expected, the demand can be more. So that's why I talked about expanding our capacities very quickly if that happens. So there is a scope on increasing the volumes of that product as well.

And the third product, which we are exporting in a large way is chlorpyriphos, which also has a tremendous high demand in Latin America. And depending on our domestic brands and domestic sales of that product, we have a flexibility of switching over to exports if we want.

So there is a scope in all the three products to expand current volumes to extra volumes in the coming years.

Gagan Thareja And the Tebuconazole combo for the parent, at what sort of contribution or sale level would put the combo stand for the parent today? I think the aspiration was to take it up to USD1 billion, if I have it correctly?

Kunal Mittal I think this $1 billion number which our parent company had mentioned was a combination of multiple products. This is one of those products. And I don't think actual estimate on the potential of this product is, I think, not yet disclosed. And I think that is more like depending upon how the success goes for this product in LATAM or European market and all. But I think it's too early to quantify the overall potential of this product in the future. But yes, it is a very promising product. That is very clear.

Chetan Shah Yes. And we are increasing the volume, both in Latin America and Europe. So...

Kunal Mittal And just to add that into whatever Shah san mentioned, that I think there is a big -- I think there is a good potential in the future to grow the volume. But I think LATAM is a very, very cost competitive market. There are many, many suppliers there. So we have to be continuing to be competitive. I think Shah san also touched upon this earlier. So we need to be confident that we can continue to maintain our cost position and competitiveness to be successful in a market like LATAM.

Gagan Thareja Right. And on the domestic side, since the emphasis for growth is more on – herbicides, biorational, PGR and so on and so forth, could you give us some idea as to how the sales mix or salience of these versus insecticides is likely to move over a three to five-year time frame for your domestic sales?

Kunal Mittal See, when we are saying that we are focusing on these other segments, it is -- it does not mean and think that we are not focusing on insecticides in the product pipeline, there are products in insecticide also. So I think the mix may not change dramatically in the next few years. Even if you see the global market of 2021, while the talks are that, yes, the entire global market is moving towards herbicides and PGR but this the absolute growth, the highest growth has been registered in insecticides segments globally in agrochemicals.

So we should not discount any of the segments. And as Shah san mentioned earlier, our focus will be towards all segments. Some may get higher growth. But even insecticides, there are product launches, they are in the pipeline, and it may also grow.

Suresh Ramachandran Just to add to what Kunal san mentioned, in terms of our infrastructure, we have the capabilities in all these three segments. We have a strong sales and marketing team.

How do we maximize the opportunity coming through that in all the segments that will be -- our endeavor would be. There's nothing specific to insecticides, or herbicides. We can exploit all the opportunities that are present in the market.

Gagan Thareja And sir, one final question. You indicated that the quarter's margins were favorably impacted by the higher salience of exports. You also indicated that the salience of specialties is likely to increase in your mix simply because the emphasis is there and there's operating leverage. So I mean, would it then stand to reason that since higher gross margin businesses are going to see higher salience overall, it should ideally therefore, lead to higher gross margins or maybe higher operating margins, is it?

Kunal Mittal I think the first point, which you mentioned that the Q4, I think the exports margin were superior as compared to domestic, that may not be the true. I think both at exports and domestic, broadly, our margins are in similar range. And that is what our endeavor will be in the future. So because of these changes, like exports or domestic, we do not see any significant impact in our margin profile because of this.

Gagan Thareja Okay. And for glyphosate, you've come out of a strong season because of the pricing. But going ahead, how do you foresee volume growth here? I mean I'm referring to two aspects. One is I mean the season for corn coming ahead? And second is the GMO registration that Bayer is trying to get for herbicide tolerant seeds? Do you see this plus ethanol blending in any case, helping the glyphosate volumes in the coming few years?

Suresh Ramachandran I would think so, glyphosate is likely to grow. As you rightly mentioned, Bayer is expected to register the GMO cotton. We don't know the time frame, it may take two years, three years. So that is likely to increase the overall volume. Once cotton comes probably, corn would also come, corn would also follow cotton probably a couple of years down the road. So -- and given the labor problem and the continued increase, it looks the molecule would continue to grow, and that would be demand.

Chetan Shah And also, we have filed already the registration with all the required data for expansion of crops on glyphosate. So that also is in pipeline. We are registering it for a label expansion on cotton and grapes.

Gagan Thareja Cotton and which one, sir?

Chetan Shah Grapes.

Moderator Thank you. Ladies and gentlemen, due to time constraints, the Management will be taking one last question. The next question is from the line of Vignesh Iyer from Sequent Investment.

Vignesh Iyer Congratulations on great set of numbers in such challenging circumstances. Sir, I just have two questions on my side. The first one is I just want to know what is the capacity utilization of technical-grade pesticide plants and the one on Gajod? If you could quantify a blended capacity utilization would also do.

Chetan Shah I think in all our active technical plants, in Bhavnagar, it is 90% plus. In Tarapur, it may be 95% plus. I'm not saying 100% because it's not right to 100%, but it's 95% plus. And in Gajod, it will be around 85% plus.

Vignesh Iyer Okay.

Kunal Mittal And capacities are continuously like every year whenever we face constraint in our capacities, they are marginally increased year-on-year, every one year, two year, three years as per the need.

Vignesh Iyer Okay. As in you're seeing more like debottlenecking type, right?

Kunal Mittal Yes, yes.

Vignesh Iyer Okay. I got it. I got that. Yes. The next question is on more on the accounting side of it. Sir, if you could guide me on understanding that the other financial assets under current assets seem to have grown to INR174 crore in FY '22 as compared to INR16.8 crore. If you could tell me what mainly is the content that has increased so much, like almost -- if you could help me understand?

Kunal Mittal Can you please repeat this? What other?

Vignesh Iyer No, other financial assets under current assets is standing at around INR1,740 million compared to INR168 million, if you could give us give me the content of what constitutes that INR1,740 million.

Kunal Mittal This would be some of the CapEx advances that we have paid for land. I think these are largely related to some of the advances which we had paid last year or earlier period for some of the land to be bought, which is now in converted into asset now.

Vignesh Iyer But then ideally, it should not be on the current assets, right? I mean it is still an asset, land is an asset. So I just wanted to know because current asset...

Kunal Mittal Now it has become asset, last year it might be in the current assets.

Vignesh Iyer Okay. Okay. Fine. Got it. So in September balance sheet would be properly readjusted?

Anil Nawal Yes.

Moderator I would now like to hand the conference over to Mr. Sushil Marfatia for closing comments.

Sushil Marfatia Thank you, everyone. Namaste, everyone. Thank you for all your asking some of the very interesting questions and our colleagues, I feel, I'm sure we have addressed your questions to your satisfaction.

As you are aware, domestic crop prices are experiencing a catch-up really with global prices, which augurs well for the farmers, farm economics in general, ahead of the Kharif season.

Several weather forecasting agencies anticipate a normal monsoon this year, which would be positive for the Indian agrochemical industry. Thus, agriculture inputs demand is expected to remain robust and steady in FY 2023, led by normal monsoon conditions and increasing farmers' income, this, despite margin pressure due to spike in the cost of raw materials. Going forward, the industry is likely to take further price hikes ahead of the Kharif season as the raw material prices continue to remain elevated.

We expect our sector to continue showing strong performance in '22-'23. Currently, usage of agriculture in Indian agriculture sector is almost the lowest in the world. Thus the overall outlook for the Indian agrochemical is expected to improve as farmers increasingly realize that usage of good quality agrochomical products assist them in high yield and better quality and income prospects.

Various reforms and initiatives are taken by the government and the authorities with an aim of improving agriculture productivity will lead to better future for all stakeholders involved.

Our diversified business model, which we have created over the last several years, has enabled us to consistently grow over the last few years and will allow us to sustain this performance as we look to make gains in our business across all of our product verticals.

Thank you for taking out your time and participating in our conference call. We pray and hope for a good monsoon season, which is very important, not just for the company or for our industry, it is important for Indian agriculture, for food security and overall economy. Thank you very much.

Moderator

Thank you, members of the management. On behalf of Sumitomo Chemical India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.