Management Discussion

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited

Good morning, everyone, and thank you for joining us today for the GSP Crop Science Limited Q2 and H1 FY27 earnings call. I am Shail Shah, Executive Director Finance and CFO of the company, along with our investor relations teams from AdFactors. I hope you all have had the opportunity to review our financial results.

The company recorded approximately 20% revenue growth in Q2 FY27, navigating industry headwinds while sustaining its growth momentum. The first half of '27 was being -- has been very challenging for the agrochemical industry with uneven rainfall and cost pressures across the industry affecting market conditions.

Despite the below-normal monsoon, kharif sowing remained broadly stable. But however, the prolonged dry spells in the states like Maharashtra, Karnataka have raised concerns over the final crop productivity, while lower reservoir levels in Southern India could affect the irrigation availability.

Monsoon season had been -- had a bearing on agricultural activity across the country. This has been a year where the cumulative rainfall as per IMD has been at around 87% of the long-period average, which is the lowest marking the lowest level since 2015, with El Nino contributing to the deficit.

The outlook for the coming months also remains a concern as El Nino is expected to peak in November While below-normal rainfall is anticipated across most parts of the country during October to December. Against this backdrop, the rabi season could also face challenges due to declining soil moisture and lower reservoir levels in some regions, potentially affecting irrigation availability and sowing decisions. This could influence the acreage and output of key winter crops including wheat, pulses, oilseeds, and implications of agricultural input demand, i Including crop protection products.

But against this backdrop, I would like to, you know, appraise the investors about the financial and operational performance of the company. So at GSP, we have been managing input cost while maintaining the product quality and operational efficiency with key focus. We continue to monitor raw material price movements and supply conditions closely, while working to navigate cost pressures and respond to changing market requirement.

As a research-driven agrochemical company with over four decades of experience, GSP continues to focus on developing and manufacturing both technical-grade active ingredients and finished formulations. Our integrated manufacturing capabilities and investments in backward integration remain important in improving operational efficiency and strengthening our supply chain.

Innovation continues to be a key part of our strategy. We are focused on expanding our product pipeline, developing differentiated formulations, and introducing patented products that address farmers' changing crop protection needs. We believe these efforts will help us remain competitive and create value over the long term. Going forward, weather conditions, farmer demand, fertilizer availability, and raw material prices will remain important factors for the agro agriculture input industry.

Our focus will continue to be on cost management, operational efficiency, product development, and strengthening our presence in domestic and international markets. Considering the vulnerability and the volatility that has been there, it becomes more important for us to use our innovation capabilities

to bring more solutions to farmers wherein in this difficult time wherein the weather is uncertain, we are able to provide better solutions to farmer to increase their yield and sustain in this environment.

Coming to our financial performance of Q2, the revenue from operations stood at INR558 crores, registering a growth of 19.5% over the corresponding quarter last year. Growth across our key products was mainly driven by increased realizations, which was also because of the increased -- increase in the pricing of raw materials.

The EBITDA for the September quarter stood at INR73.6 crores compared to INR93.2 crores in the previous year. In Q2 FY27, the EBITDA margin stood at 13.2%. Overall, the profitability during the quarter was primarily impacted by higher raw material procurement cost, supply-related challenges, and a lower contribution from higher margin products. However, some cost optimization measures helped improve EBITDA sequentially.

The profit after tax stood at INR44.6 crores in Q2 vis-a-vis INR58.5 crores in Q2 FY26. If you have to look at H1 numbers, the revenue from operations have increased by almost 12% to INR944 crores. The EBITDA stood at INR116 crores over INR135 crores of last year. The EBITDA margin stood at 12.3% in H1 20 -- H1 of FY27. Other income during the period was higher primarily due to the gains from the sale of fixed assets and foreign exchange gains. The profit after tax stood at INR71 crores.

I think that is all from our side. Thank you so much.

Questions & Answers

Operator
Thank you. Ladies and gentlemen, we will now begin with the question- and- answer session. [Operator Instructions] We take the first question from the line of Mayuresh Rao from Invest for Value. Please go ahead.

Mayuresh Rao - Analyst, Invest for Value
Yeah. Thank you, sir, for the opportunity. Sir, my first question is that due to pollution, there is tax on Rabi output. So how wide is our product portfolio to address this and our presence as per market share?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Hi, Mayuresh, good morning. Thank you for your question. So we have a presence in, uh, Rabi market in micro crops, say like fruits, vegetables, and a few of our pulses. We have also recently launched one of our insecticide -- patent in insecticide which is helping us in this Rabi time.

So our overall we are a kharif-dominated company and Rabi has not been a bigger share of our business. But with the introduction of these patented products and the overall penetration into different geographies with the expanded network, we expect that we'll be able to do at least better over last year in the Rabi season also, despite the challenges that we have been seeing at a macro environment level.

Mayuresh Rao - Analyst, Invest for Value
Yeah. Sir that -- I wanted to follow up on that only, that the some news articles suggested that sowing of Rabi season is likely to normalize in next few quarters. So what is your view on that and what is the ground reality for that?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited

Yes. T he sowing has been impacted. There has been some delays and there is some specific geographies wherein we are seeing the impact delay in sowing. The expectation that it could normalize is there. Everybody is hopeful. At the ground level also, we are seeing, particularly in the South, where we are seeing certain challenges as the reservoirs and the dam have not been filled, so the farmers are a bit hesitant in terms of the second crop they have to take.

But overall, say, crops like chilies in Maharashtra, grapes and other pulses, we don't see that that is much of a challenge. But yes, say maybe a second paddy is where we see that there could be some challenge. But as everybody is hopeful that it should get normalized in this month or say another 30 days.

Mayuresh Rao - Analyst, Invest for Value

Yeah. O kay, sir. And sir, which key crops and geographical markets could be most affected by expected El Nino conditions and below normal rainfall? And again, how are these changing weather patterns influencing farmers' spending behavior and demand for agrochemical products?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited

Yes. So particularly if you have to talk about this year, so Maharashtra, parts of Maharashtra was one area, which was very much impacted. Karnataka was impacted along with other parts like Andhra, Telangana. Even in east, there were certain specific pockets where rainfall was a constraint.

This weather pattern, the change of the weather pattern, has impacted the farmers in a way that they are delaying their sowing to some extent in order to get more visibility in terms of how they can have an arbitrage or how they can have risk assurance about their crop, so they are t rying to delay their sowing.

Number two, we have seen that some -- there are some 5% to 10% changes in the crops also in that region that have been there, which have been swapped by a, say, less water required crop or a shorter crop so that the uncertainty is lesser. So these are the few changes that we see.

In terms of agrochemical spend being in the crop protection we see that we typically tend to come into play at a later stage of the crop while the seeds and the fertilizers are over. So there, once say a crop is 45, 50 days old and the farmer is a bit confident that, you know, now the crop will survive, there the farmer is inclined to spend towards crop protection because that is how he can save or increase his yield.

But if there are any chances where they see that in the early stages where because of a huge gap or a deficit in the early days, where the rain is not sufficient, then the farmers are a bit reluctant to use that because they don't see that visibility of the crop surviving the entire cycle. So these are the broad changes that we have seen in the current year.

Mayuresh Rao - Analyst, Invest for Value

Thank you, sir, for so much detailed explanation. Sir, one last question. So like in the last con call, you had highlighted the challenges in Brazil due to delayed customer buying, liquidity constraints, and competition from Chinese suppliers. So while we are seeing that 20% growth in international business, could you provide an update on the sustainability of this growth and how are we progressing with new registrations and distribution partnerships in Brazil, Latin America, and other

international markets over the like, and the overall growth over the next two, three years?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Sure. So, Mayuresh, the growth has been predominantly in the domestic markets and not in export markets. So it is a company that we've registered. And particularly in Brazil, what you have seen is that now the crops have normalized. They are also facing issues due to weather changes. Logistics has been a challenge for international business, particularly availability of vessels, and the extra time for the consignment to reach Brazil has been areas where Indian suppliers are facing constraints. So that is where we are navigating the things along with the increased cost pressures.

Overall, with having a registration portfolio or trying to develop a basket of products for Brazil, we have had few investments in registrations, while we are creating our own registrations and acquiring few registrations in Brazil. Two to three years timeline, we see that we'll be doing sizable business in this geography once you have acquired decent number of registrations with a good enough variability in the portfolio that we have to offer to that market.

Mayuresh Rao - Analyst, Invest for Value
Thank you so much, sir, for such a detailed explanation and good luck for the future.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Thank you.

Operator
Thank you. We take the next question from the line of Anirudh Sharma from Akhand Investments [Phonetic]. Please go ahead.

Unidentified Participant
Good morning, sir. Am I audible?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yeah, good morning. You're audible.

Unidentified Participant
Yeah, I just had a few questions. So firstly, the company currently has a presence across 37 countries. So what are the key markets driving the export growth?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
The key markets driving export growth are Latin America and Southeast Asia. These are the two areas, where we have seen growth coming in. Latin America particularly being the area where also we are aligning our investment. And we see that, as I mentioned in the earlier question also, that over the period of two, three years, we see that this area will be contributing a good portion of our business in the exports.

Unidentified Participant
Okay. And so how is the company progressing with its expansion plans in Brazil and other Latin

American markets?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So we have established a subsidiary over there since last three years, and we have been taking our registrations over there, and we have seen that we have gathered quite a few number of registrations over there. We have also established a small administration office in order to do some B2B business. And we see that at least a year or two, we will take to set up a platform wherein, we can then scale up our business, particularly in Brazil, and from Brazil even to other Latin American countries with Brazil as a base.

Unidentified Participant
Okay. Understood. So sir, what is the current contribution of exports to overall revenue, and what is your targeted contribution over the medium term?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So currently exports is 20% of our total business, and we see that going forward in the three years' time, this could go up to 25%. With -- as the growth is also being planned for the domestic business, proportionately we see that there will be growth in domestic also, and there could be a 5% proportionate increase in the export business overall as a part of the total contribution in the revenue.

Unidentified Participant
Okay, sir. And one last question from my side, how does the management view the growth opportunity in international markets, particularly in patented products and differentiated formulations?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes. So that is where we -- our forte lies. So the entire idea is to have a replica of the business that we have in India wherein we are selling differentiated products and the patented formulations here. We try to get the patented products, get the patents in international markets also, say markets like Brazil, and other parts of the world where patent is also a long-drawn process. Sometimes it takes five, seven years.

And as the product is established in India and we have seen the response from the farmers and the fantastic results that we have on the ground, with that background we take to this -- we plan to take these products to the world important markets and register them. So the registration of these patented products has already been on since last three years. Maybe couple of two to three years down the line, we'll see these registrations coming in with IPR protection so that we are able to maintain our margins also in these markets.

Unidentified Participant
Okay, sir. U nderstood. So that's it from my side. So thank you for the opportunity.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Thank you.

Operator
Thank you. [Operator Instructions] We take the next question from the line of Mahesh Kumar from MU Investments [Phonetic]. Please go ahead.

Mahesh Kumar - Analyst, MU Investments
Hello. Am I'm audible, sir? Hello. Am I audible?

Operator
Yes.

Mahesh Kumar - Analyst, MU Investments
Yes. So sir, my first question will be on the revenue growth. So we have seen a good growth in the this quarter and H1 as well. So what were the key drivers for this growth and how sustainable you think the growth momentum is?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes. So the key drivers for the growth were that our B2B business particularly, we have seen the domestic B2B business where we have seen good growth, and we have seen growth in our B2C business also. But the growth majorly that we are seeing is coming from domestic B2B business.

And it is only because of this that the growth of business or the increase in the revenue is not very much reflected in the bottom line, because the growth in the B2B there are a lot of cost pressures that were there with the increase in the raw material cost, so because of which the GP margins have declined to certain extent, because of which the conversion of that increased revenue could not happen at the bottom line.

Mahesh Kumar - Analyst, MU Investments
Okay. And this growth, sir, was it volume-led or realization-led?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Majorly realization-led, and, and in some products, some volumes have also increased.

Mahesh Kumar - Analyst, MU Investments
Okay. And sir, on the demand environment across domestic and international market, any comments for the first half of FY27?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So demands, particularly say while the beginning of the year was quite okay, but when the sentiment started coming in regarding El Nino, the demand started to drop. And particularly from till July it was okay, but August, September being very dry, the entire placement or the inventory that was there in the market, the entire focus was more towards liquidation.

So the demand was a bit subdued in the domestic market, both at the B2B as well as B2C levels, because every -- every company and even our distributors were having an endeavor that how do we liquidate the stocks that we are having at the farmer level and to make sure that the crop is protected. So that was the case.

Mahesh Kumar - Analyst, MU Investments
Okay, okay. And thank you, sir. I'll join back with you and all the best.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Thank you.

Operator
Thank you. [Operator Instructions] We take the next question from the line of Madhav Das from GN Investments [Phonetic]. Please go ahead.

Madhav Das - Analyst, GN Investments
Hello.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes, good morning.

Madhav Das - Analyst, GN Investments
Yes, good morning. I hope I'm audible. So thank you for the opportunity. I have a few questions, one being what proportion of the company's raw material requirements is currently being imported and how does the management plan to reduce this dependency?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes. So almost 40% to 45% of our total raw material requirement is imported. It is imported from China. And as you know, we have already set up a plan for backward integration and we are continuing obviously in the process of -- our R&D is in the process of developing products wherein, you know, we can for our active ingredients and technicals, we can have backward integration opportunities wherein we can reduce the reliance on import and also have a consistent supply chain along with better margins as we will able to cover a better value chain across the product line. So that is the idea.

Madhav Das - Analyst, GN Investments
Okay. Sir, next, what are the key priorities for us over the next two to three years?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
All the key priorities are number one, to increase the base of our patented portfolio that we have in the domestic market, both for our B2C as well as B2B business. So we plan to grow big on this number, establish the whatever established products we have, we want to scale it further to launch new patented formulations in different segments to have better market presence and market share in different geographies.

Number two priority will be to reap our benefits or of the investments in Brazil geography wherein, you know, we have acquired registrations and we have invested certain amounts in registrations.

And the third being to strengthen further our R&D. Uh, to increase the cost competitive advantage by doing backward integration of key technicals that we manufacture. So these are the three key priorities that we as a company have.

Madhav Das - Analyst, GN Investments
Okay. That looks nice sir. F urther, if I can ask another question, what are the key growth drivers that the management is expecting to support our revenue and profitability in the remaining FY27 a nd forward-looking?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So the key growth drivers are the patented formulation that we've just launched last month in the Rabi business. We see that this product will be positioned well considering the agroclimatic condition that is there. It is a product which will help the farmers as well as the crop to boost production. So we see that that product driving the growth. Along with it, as it being an anchor product, other products will also move in that market.

Secondly, forward-looking, what we see is that we are establishing certain anchor brands based on which we are planning to set up the products around that anchor brands so that the overall market where we want to be present at different geographies we can penetrate the market further and increase our distribution network to that extent. So that is the key growth drivers that we see coming in.

Madhav Das - Analyst, GN Investments
Okay. Thank you so much for answering the question so patiently. Thank you for the opportunity.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Thank you.

Operator
Thank you. We take the next question from the line of Shravan Modi from Sunidhi Family Office. Please go ahead.

Shravan Modi - Analyst, Sunidhi Family Office
Good morning, sir. Am I'm audible?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Good morning. Yes, you're audible.

Shravan Modi - Analyst, Sunidhi Family Office
Yeah. Sir my first question is regarding so if you see, despite our revenue growth being 19.5% in Q2 and EBITDA has also declined by 21%, so I just want to know what were the key factors there in the contraction in operating profitability?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So two broad things, one is increase in the raw material cost that was there. So we see that the gross margins have decreased. And secondly, in the operating cost, we have seen certain costs like power and fuel, where we see that the costs have increased along with the escalation in the manpower cost. That is a part of a routine annual exercise. So these are the few reasons by which the EBITDA is contracted, majorly these two reasons, raw material cost and power and fuel cost

increase.

Shravan Modi - Analyst, Sunidhi Family Office
Got it, sir. So how much of this margin pressure was attributable to high raw material costs versus supply chain challenges and low sales of high margin products respectively?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
We can say almost 50% of the margin pressure was because of the raw material cost. Remaining say 20%, 30% was because of the supply chain related issues or cost, and remaining 20% being the other factors of the high margin products, etc.

Shravan Modi - Analyst, Sunidhi Family Office
And if you see, the gross profit has -- margin has declined from 40% to 34%. So when can we expect the margins to stabilize going forward?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So we see that another quarter or so, we see that it could be -- where there could be certain pressures further. But I think in Q4, we could see that the margins again coming up back to the normal levels.

Shravan Modi - Analyst, Sunidhi Family Office
So a couple of last questions, please. So how does GSP differentiate its products from competing domestic and multinational agrochemical manufacturers?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So we try to create a unique combination of formulation from the existing and the newer chemistries that are available and we try to patent them. So if there is one particular to give you an example, say if there is a product called chlorothalonil, it was a product which went off patent and we were the first ones to come under 93.

With chlorothalonil, we have certain patented combinations that we have. Now these patented combinations help the farmers to solve multiple problems by using one product, and it helps us to create a niche in that market where we are able to differentiate from other existing products or generics that are there.

So that is how we try to develop synergistic combinations, where we are able to give a more value-added product at a farmer level for them to solve multiple problems or for them to have a better coverage in terms of time, so that the spray cost that is there reduces either due to reduction in number of sprays or due to the coverage of the crop that is there.

Shravan Modi - Analyst, Sunidhi Family Office
Right, sir. So also I want to know about what is the current level of our investment in R&D and does management intending to increase this investment in future?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Sorry, I couldn't get your question?

Shravan Modi - Analyst, Sunidhi Family Office
Yeah. So sorry, I wanted to know about what is the current level of our investment in R&D? And is the management intending to increase this investment in future?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes. S o current level of investment in R&D is around 2%, 2.5% of the revenue, and we plan to increase it going forward considering the type of products and the backward integration plans that we have. So maybe next year onwards we could see some increase in the investment in R&D.

Shravan Modi - Analyst, Sunidhi Family Office
Got it, sir. That's it, sir. Thank you so much, sir, for your inputs. That answers my question, and I wish you all the very best.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Thank you so much.

Operator
Thank you. [Operator Instructions] We take the next question from the line of Neha Jain, an Individual Investor [Phonetic]. Please go ahead.

Neha Jain - Analyst, Individual Investor
Hello. Hi, sir. Hi, sir. Good morning. So just wanted to check that the H1 FY27 PAT has declined roughly by 12% despite revenue growth. So what were the key factors affecting this performance?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So the key factors were there is a decrease in the gross margin because of the increase in the raw material cost, and that is the key factor for which the -- which has been also reflected at the PAT level, along with some increase in the operating cost because of the increase in the power and fuel prices that were there. So these are the two reasons by which the margins have declined over last year.

Neha Jain - Analyst, Individual Investor
So, sir, do we see it increasing going forward once these prices stabilize?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes. We see that Q3 could be something, which could be a subdued one, but Q4 is where we see that the prices as well as the overall realizations will improve with the upcoming season forecast that will be there. So we see that it will normalize in Q4.

Neha Jain - Analyst, Individual Investor
Okay. And sir, coming to the other income which has increased this half year, I think because of some fixed asset sales. So what do we see as a normalized level of other income, leaving apart these fixed asset sales, etc.?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
So typically the other income would be in the range of say 20 billion [Phonetic] or so. Other than -- so that would be the normalized one. The one, as you rightly mentioned, is the additional that is because of the sale of fixed asset, a land parcel was sold.

Neha Jain - Analyst, Individual Investor
And sir, right now, while we were discussing about PAT margins, so similarly on EBITDA margins it has improved on sequential basis. So should we expect this improvement to continue in the coming quarters?

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes. The EBITDA margins should improve sequentially in the coming quarters considering the kind of products that we have planned for Rabi and the Q4 being the pre-placement period that is there.

Neha Jain - Analyst, Individual Investor
So, sir, just last question follow-up, does this mean that Q4 margins would be better than Q3 like you previously mentioned for PAT as well?

Shravan Modi - Analyst, Sunidhi Family Office
Yes.

Neha Jain - Analyst, Individual Investor
Sure, sir. Sure. Okay, thank you so much, sir, and good luck.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Thank you.

Operator
Thank you. [Operator Instructions] As there are no further questions from the participants, I will now hand the conference over to Mr. Shail Shah for closing comments.

Shail Jayesh Shah - Executive Director - Strategy and Corporate Affairs, GSP Crop Science Limited
Yes. Thank you everyone for joining the call, and we look forward to having you in the next call. Thank you.

Operator
[Operator Closing Remarks]