Best Agrolife Limited

Serving Globe Through Agriculture

CIN : L74110DL1992PLC116773

June 06, 2023

To
The Manager
Compliance Department
BSE Ltd Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001

SCRIP CODE: 539660
SCRIP ID: BESTAGRO

Sub: Transcript of Q4 Earnings Conference Call - FY 2022-23

Dear Sir/Mam

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 (the "Listing Regulations"), please find enclosed herewith the transcript of earnings conference call for the quarter and year ended March 31, 2023 held on Friday, June 02, 2023.

The above transcript is also available on the website of the company i.e. www.bestagrolife.com

Submitted for your information and record.

Thanking You,

Yours Faithfully,

For Best Agrolife Limited

Astha Wahi

BEST AGROLIFE LIMITED Auth. Sign.

Astha Wahi

CS & Compliance Officer

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MAKE IN INDIA

"Best Agrolife Limited Q4 & FY23 Earnings Conference Call"

June 02, 2023

MANAGEMENT: **MR. VIMAL KUMAR– MANAGING DIRECTOR**

MR. SANJEEV KHARBANDA – CHIEF FINANCIAL OFFICER

MR. N SURENDRA SAI – HEAD OF INTERNATIONAL BUSINESS

Moderator: Ladies and gentlemen, good day and welcome to the Best Agrolife Limited Q4 FY23 earnings conference call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Advait Bhadekar from Ernst & Young. Thank you and over to you.

Advait Bhadekar: Good afternoon, everyone. Welcome to Best Agrolife Q4 and FY23 Earnings Conference Call. Please note that a copy of our disclosure is available on the investors section of our website as well as on the stock exchanges.

Please do note that anything said on this call which reflects our outlook towards the future, or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the Company faces. This conference call is being recorded and the transcript along with the audio of the same will be made available on the website of the Company and exchanges. Please also note that the audio of the conference call is the copyright material of Best Agrolife and cannot be copied, re-broadcasted, or attributed in press or media without specific and written consent of the Company.

Today, from the management side, we have Mr. Vimal Kumar – Managing Director, Mr. Sanjeev Kharbanda – Chief Financial Officer, and Mr. N. Surendra Sai – Head of International Business.

I would now like to hand over the call to Mr. Vimal Kumar for his opening remarks. Over to you, sir.

Vimal Kumar: Welcome everyone to our Q4 FY23 Earnings Call. We hope you all are doing well.

Before we share some insights on the “Business Performance” for the quarter, let me take a couple of minutes to throw light on some industry trends:

The financial year started on a strong note as we witnessed stocking up of inventories leading to kharif season last calendar year with expectation of good monsoon season. This resulted in strong Q1 and Q2 for the industry at large. As the season progressed, low insect infection coupled with excess and extended rainfall towards the end of monsoon season led to higher channel inventory. The second half of the year, which is the Rabi season, was expected to be a good season, but extended monsoon and higher channel inventory played spoilsport. As we moved on, which is around the time Quarter 4 started, China lifted its zero COVID policy and started exporting products at very low prices given the weak internal demand in China and overseas.

In conclusion, during Q4, we witnessed an oversupply of agrochemicals coupled with high channel inventory leading to high pricing pressure. While this was the scenario of generic agrochemicals, the specialty agrochemical products were reasonably well in the challenging environment. The inventory of specialty products was on normal levels representing a strong demand environment for these products.

Looking ahead at FY24, one of the most important elements that is being talked about is, El Nino. As per our understanding, El Nino is expected to develop between August and September of the current year which means first half of monsoon is not likely to be affected by El Nino whereas we might see some impact towards the end of monsoon season indicating normal rainfall for the year.

Now I would like to hand over the call to Mr. Kharbanda to discuss the financials.

Sanjeev Kharbanda: Good Morning everyone. This is Sanjeev Kharbanda. I represent Best Agro in the capacity of Chief Financial Officer.

As our Managing Director gave the opening remarks and gave some insights about the industry as well as the agrochemicals, how the Company performed, and what all impacted the overall industry scenario.

Let me give you a brief on the financial performance of the Company:

The Company has delivered tremendous growth. In terms of numbers if we say, the Company has recorded a 44% growth over last year and ended at Rs. 1,746 crores of turnover. You might recall in most of our earlier communication with the investors and with the industry experts, we have been saying the Company is confident to drive 30% growth year-on-year basis. This is the strong premise of good product mix and the channel. In line with that, we are happy to say at an overall level in the financial year, the Company has actually surpassed the expectations of growth in turnover which actually got delivered at 44%. And in terms of profitability, EBITDA margin, the Company's EBITDA margin has also recorded a phenomenal growth of 89% over last year. The base was approximately Rs. 166 crores and it has reached to Rs. 314 crores EBITDA for the financial year.

It is pertinent to mention the growth which we have been saying is sustainable, is largely because the Company has created a niche with a unique proposition and cost-effective solutions to the farmers. That is actually contributing quarter by quarter and year by year. Whilst at the same time, yes, one of the quarters, we have faced challenges because of multiple factors as Mr. Vimal also briefed. But at an overall level, the Company is confident of meeting the financial obligations and driving this growth along with sustainable profitability.

In terms of future outlook and the extension plan, I would request Mr. Sai who is heading the International Business. He can give you some insights on the plans of the Company, how the Company is forward looking to expand its market footprint not only in the domestic market but also in selective overseas markets. Mr. Sai would give you more detail about the product launch plan as well as the overseas plan.

N. Surendra Sai: What we have been doing over the past few years, has been to be able to work on a transformational journey where at the end of the day, we are looking at benefiting the farmer. In this particular process, as the observers would have seen that we have been working on trying to get backward integration, work on patented molecules, work on novel formulations & combinations which are single-shot solutions which will bring benefit to the farmers, providing green chemistry. And we are trying to look at the crops as well as what the farmer requires on an end-to-end basis.

The success and the confidence of our growth in the past few quarters and the past few years has given us the confidence to walk the talk on the international markets also. I might say currently we are quite small in the international market. We are in the strategizing phase. What we have been seeing as a normal in the agrochemical business is that expanding into the international market requires a significant amount of work on the registration and understanding of the foreign market. This is the phase that we are right now into. We are trying to identify the specific regional specificity as well as the farmers' requirements where our products can show a significant amount of benefit and we can work on collaborative top line growth as well as increase in the bottom-line margins. We have been, over the quarter, demonstrating that we are on the path for patenting. And not just in terms of the patenting but in terms of trying to ensure that the patented molecules are both effective in the market, they meet the farmers' requirements, and they are providing a robust top line growth to us.

We also are working on certain ternary combinations. These combinations are expected to be a lot beneficial to the farmers. I might add that if we look at the international markets, certain ternary combinations may have even more beneficial usage abroad, especially if you look at the Far East. We have a significant pipeline of patented molecules and products. We will be introducing them as we understand the farmers' scenario; we will be doing that. We also have a strong pipeline of the product launches for the FY24 and there is a bucket of herbicides, fungicides, and nitrite registrations which are there.

Vimal Kumar: And of course, we are working towards producing the branded products where we can say our branded sale, say in B2C, this year we have big plans for that because we have different kind of novel patented molecules with us. That is one main thing, and another is that the molecule that is with the MNC Company, we are the second largest in the country who is selling that product. There are many products like in the herbicide if you talk about, there is Ametryne; if you talk about insecticide & fungicide, there are many products which we are doing as of now. Now we can start with the question & answer.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from Anirban Manna, an investor. Please go ahead.

Anirban Manna: You have guided for 30% growth with 20% operating profit margin. My estimation is, in FY24, the top line would be around Rs. 2,300 crores with Rs. 450 crores margin. Is the estimation correct?

Vimal Kumar: The estimate is the same because 30% and 20% is okay, but the numbers to say right now is not easy. But of course, we can say that 30% growth on the revenue and 20% of EBITDA, we have a very strong pipeline. Definitely we will achieve that, in spite of pricing pressure, also with the products we have, we will benefit from the falling raw material prices. Of course, the plan is same, 30% and 20%.

Anirban Manna: And out of which what would be the projection for Q1 and Q2? Because we are facing some challenges.

Sanjeev Kharbanda: Q1 and Q2 would be definitely bigger ones because you would have also noticed our branded products last year also supported the kharif season very well. So, Q1 and Q2 definitely would be the bigger ones. However, at the same time, quoting the number for Q1 and Q2 will be too early. But we will definitely drive 30% growth which we have witnessed through FY23 as well.

Anirban Manna: In Q1 and Q2, we can expect around 30% growth year on year with 20% OPM.

Sanjeev Kharbanda: I would again repeat the same thing. In Q1 and Q2, we are confident the delivery would be even better. It is not simply the total number divided by 4 quarters. The first 2 quarters are going to definitely drive higher numbers.

Anirban Manna: No, I am comparing year on year for Q1 & Q2 FY23 with Q1 & Q2 FY24.

Vimal Kumar: Definitely. In the Rabi season this year, we will launch very good product, Pyroxasulfone; this will be the first year. And that's a big molecule in India. Right now, some companies are importing. And we are the number one who is manufacturing as a technical AI and a formulation in India. That product we are going to launch in Q3 as well as Q4.

N. Surendra Sai: I would like to add that the Q1, Q2, Q3, Q4 revenue numbers would depend a lot upon the rate of our introduction of new products and the adoption rate of those and the recovery of the sale as the time goes by. As we are introducing new products, there may be little variation in the Q1, Q2, Q3, Q4 numbers as compared to previous years. Hence, we are not able to right now say whether it will be 40% in Q1 or Q2 year-to-year growth as far as Q1 is concerned. But overall, in terms of the year's growth, we are confident on the numbers that we have.

Anirban Manna: The reason I am asking is we are facing a lot of dumping from China at lower prices. In Q4, we witnessed the same. And now in Quarter 1, we have gone past 2 months already. Is there any sign of improvement as compared to Q4?

Sanjeev Kharbanda: Please be rest assured about the dumping from China which is happening; however, on the other side, our Q1 and Q2 are supported by most of the branded products, not by the generic molecules. The branded products pace which we are moving at, the right pace is going to help us to safeguard our growth and our margins.

Anirban Manna: And my second question would be related to share percentage increase, promoter stake increase. It got increased in Q4 also. You have been increasing stake for the last few quarters and it happened in Q4 also. So, is there any plan in Q1?

Sanjeev Kharbanda: It is like promoters are always at number one to support the Company's requirement, to sponsor the growth of Company. It is not per se any mathematics which can be given at this point in time, but promoters are always standing for driving the growth of the Company. Whatever is required, promoters are always there to provide.

Moderator: Our next question comes from Srishti Jain with Monarch. Please go ahead.

Srishti Jain: Sir, could you give me the sales number for Ronfen and CTPR for the year FY23?

Sanjeev Kharbanda: Ronfen and CTPR have been our flagship products. They're driving very well. In terms of numbers, the contribution is very high from Ronfen and CTPR to product standalone for driving the branded sales.

Vimal Kumar: In FY23, there was sale of Ronfen, but CTPR was less because we got CTPR in the 3rd Quarter when there is no season of the CTPR. This is the 1st Quarter where the sale is from CTPR, there are two formulations. But if you talk about Ronfen, that we got in the 2nd Quarter, Ronfen, was also delayed. You can say from second to fourth quarter, the total sale is Rs. 220 crores for Ronfen.

Srishti Jain: Sir, your sales number for CTPR, if I am not wrong, by Q3, we had done Rs. 45 crores.

Vimal Kumar: It is Rs. 45 crores for the 1st Quarter. And fourth quarter, we don't have very big number. So, the 1st Quarter of FY24 has big number.

Srishti Jain: In Q3, we were expecting Ronfen to significantly contribute, and we were expecting revenues of around Rs. 300 crores to Rs. 350 crores. What were the challenges that we faced?

Sanjeev Kharbanda: Whenever we are introducing a new and novel combination into the market, there is obviously an adoption cycle which follows the initial enthusiasm, and we are going to follow up on this particular product because we are seeing a significant amount of value in Ronfen. There are certain things which in terms of our initial sales push followed by adoption, followed by an effect on the field, followed by higher adoption rates. It's a gradual process and this process is normal for any product which is introduced. I would say that it would require at least a couple of quarters for us to be able to understand the stabilized revenue which is coming from these new products.

That would be my guidance that we need to wait for a couple of quarters to be able to understand how these molecules are performing on their upward trajectory.

Vimal Kumar: Definitely the number you are talking about in FY23 was not there, but in FY24, definitely it will be achieved because we have very good success for Ronfen in the market.

Sanjeev Kharbanda: Moreover, the distribution penetration is also a journey. You would appreciate, within less than a year, the Company has already achieved a level of 5,200+ distributors. Once you get success in one state, you start replicating in other states. There are so many different parts of the country where a substantial number of Ronfen and other branded products are yet to come. You cannot go full-fledged in one quarter itself for the entire length and breadth of the country. So, numbers would be really good in Quarter 1 and Quarter 2 both.

Srishti Jain: Our debt has increased significantly. What are the plans on reducing debt if any? Or is this a sustainable level?

Sanjeev Kharbanda: Let me just bring it in a different aspect. Debt has increased. The answer is yes and no both because the debt is increased only for the working capital support. So, please understand, we are a Company where there is no long-term debt; it's almost negligible. Debt-to-equity ratio is in fact one of the healthiest ratios and we still have leverages to support the growth of the Company. But yes, working capital pressure has gone up because of the reasons when you start a new segment in terms of moving away from generic molecule to branded, you have to have a plan for the raw material, you have to have plan for the FG, you have huge inventory to be supported for the distribution pan India. When you have that much of inventory and at the same time your cash conversion cycle in this industry is slightly higher because you are working with the farmers. And farmers pay back as per when they get the yield of their crop. So, it's a temporary issue only that working capital has created a pressure on the short-term debt, but it will be taken care of. As we are moving in the right direction of having a better realization and better margin products in the market, these pressures will also go away in another 2 to 3 quarters. We are quite confident FY24 balance sheet will be comparatively very different with even lower working capital pressure.

Srishti Jain: Can you tell us the timelines of the announced CAPEX?

Sanjeev Kharbanda: Most of the CAPEX would be completed this year itself. The Rs. 200 crores CAPEX which we have planned, the critical part will be in FY24, and some part will be in FY25 because this is towards capacity enhancement and backward integration.

Srishti Jain: We had also planned a launch for a new herbicide.

Vimal Kumar: New herbicide means, our patented one you are talking about?

Srishti Jain: Yes.

Vimal Kumar: Definitely, we have many molecules right now. And first of all, in the month of June, we are expecting one registration and we will launch that Tricolor, a product which is again bigger than Ronfen that is the fungicide basically Difenoconazole+Trifloxystrobin+sulphur. That is our patented one and that is really a good molecule, and we are expecting a big number with this molecule also. That we are launching this month, June. And we can say the 2nd Quarter results will come for that product.

Srishti Jain: Can you give the breakup between technicals and formulations and within formulations, brand and B2B?

Vimal Kumar: This year what we are planning is big for B2C, and B2B will be on the lower side. Because B2C when we say, there is one segment where we directly sell to our distributors, dealers, channel network, and to the farmer. And in the other segment, in B2C we are giving them our main portfolio product like we were talking about Tricolor. So, maybe we will give these to some of the MNC Companies, also Ronfen we are giving to some big Company. This way we will sell that as B2C. That will be drastically a big number and our B2C will be a big number. Apart from that, if you talk about the technicals, that will not be a very big number. We can say the total sales will be 25% to 30% for technical sales.

Srishti Jain: And for FY23, what was the similar number?

Sanjeev Kharbanda: For FY23 technicals and formulations, Quarter 2 onwards itself, formulations picked up very well. We can say approximately 60% business was driven by formulations.

Srishti Jain: And within formulations, branded and B2B?

Sanjeev Kharbanda: Almost on the same ratio. B2C and the branded segment are nearly 50% within formulations.

Moderator: Our next question comes from S. Ramesh with Nirmal Bang Equities. Please go ahead.

S. Ramesh: You mentioned pyroxasulfone which is a large molecule, looking at your efforts there, what is the kind of revenue you are generating from that? And what is the market size in domestic and international markets?

Vimal Kumar: Pyroxasulfone is a Rabi weed herbicide. Pyroxasulfone's total market size is approximately Rs. 450 crores which was reported in 2022. The 2023 number was maybe a little higher. But I have the number of 2022 that is around Rs. 450 crores market size for pyroxasulfone. And as Best Agro, we are the number one who is manufacturing AI here as well as formulation in India, we are expecting at least Rs. 150 crores market share this year and some market share will also increase this year for pyroxasulfone because of our entry in new markets.

S. Ramesh: This is a product which is patented by Kumiai of Japan. So, are you having an arrangement with Kumiai, or have you got the technology from someone else can you share that?

Vimal Kumar: That is our own technology in-house, developed by us only and there is no technical issue or technical support from Japan or anywhere.

S. Ramesh: If you are looking at pyroxasulfone globally, what will be the size? And are you exporting that to the international market?

Vimal Kumar: Yes, we are in the process for registration of many molecules, pyroxasulfone also will be our big product in the future. This is very big if you talk about all over global market. Of course, I don't have the real number in front of me, but I can say this is a very big market. And of course, pyroxasulfone with some combination also, we are working on it which will be our patented molecule and that also will go in the overseas market, and we would register there as well. Pyroxasulfone solo as well as the patented product will be available in the global market in future.

S. Ramesh: Similarly, in CTPR now we know that UPL has a tie-up with FMC and then there's a pharma Company, Natco Pharma, which is entering that market. What is the size of the CTPR market in India and what is your revenue there right now?

Vimal Kumar: In fact, CTPR market if you talk about 2023, approximate market is Rs. 2,800 crores which is a very big number if you say of total agrochemical division in India. But Rs. 2,800 crores if you talk about any other Company, every Company has a different strategy to sell this product. But we are selling the two products mainly product #1 is GR which we called Vistara in our brand. The other one is Citigen. That is our SC brand. That is again a big molecule. But our strategy is very clear. This year, we are targeting a good number for both of the products, but we have different kind of, again, novel combination, our patented product, which will come with CTPR. One is CTPR and two will be a different molecule we are working on that. Once many people are there, we will be able to launch our patented molecule in the same segment and that will be much higher in the coming years. That is our strategy.

S. Ramesh: In CTPR, are you also making the AI?

Vimal Kumar: Yes, definitely, we are making AI. AI and formulation, both.

S. Ramesh: And how does it compare with the products offered by FMC? Because it's one of the largest companies in the world, who is making CTPR. How does it compare with FMC and other competitors in terms of the product and the market response?

Vimal Kumar: Compare in the sense of quality you are asking?

S. Ramesh: Yes.

Vimal Kumar: For each product we have data, and the laboratory is highly equipped. Undoubtedly our product is fantastic in the market. Any of the product, either CTPR or any other product. We don't get a single problem, not even a single complaint for any product, not even CTPR. That is our main key. That may be called as the best quality we are providing.

S. Ramesh: We are looking at 30% growth in FY24 on a base of 40% growth last year. What is the volume growth in FY23 and what is the volume growth you would expect in FY24?

I'm speaking overall Company that our overall revenue from our 30% growth. It's a mix of volume and price impact. On a blended Company basis, if you can just tell us what was the volume growth overall for the Company last year and what is it that you expect? Because, for the 30% revenue growth, there will be some volume growth, right? Basically, because prices are coming down. If you can share where you expect volume growth and what is the kind of volume growth you expect for FY'24 and how much was it in FY'23?

Vimal Kumar: You are talking about prices going down. Actually, we have to understand the prices are going down for the raw material. Finished goods prices are decided by the companies where they will be called generics. There are many-many factors there. So, definitely that is market driven and price driven. If we talk about that way, definitely price is down. But any of the Company like us in India and globally also who have their own patents like if you talk about CTPR or if you are talking about FMC, for them and for us, when the raw material prices are down, our margins will be better at the end of the day. If you talk about generics, we are also selling maybe in our total portfolio, 20% of the generics, but 80% which we are selling, that is our exclusive molecule where our benefit will be more rather than be low according to the pricing of raw material. Actually, it is the prices of raw material, which is under stress, not the final combination we can say.

Moderator: Our next question comes from the line of Siddharth Gadekar with Equirus. Please go ahead.

Siddharth Gadekar: If I look at FMC's commentary in Q4 and Q1, they have pointed out that there are significant high inventories of insecticides in India specifically. In light of that, how should we look at growth in FY24 given that channel inventories will be relatively very elevated compared to the normal levels? Are we still confident of growing in CTPR at the rate we are talking about? Secondly, in terms of the price decline, if we look at the way the prices have declined, what kind of a realization decline are we looking on our overall portfolio in FY24?

Vimal Kumar: No, in fact, for the FMC you're talking about, they of course have inventory, but if you talk about specifically CTPR molecule, there are 2 formulations, SC and granule. If you talk about this, we are not taking very high number for this product for FY24 and we are not dependent on CTPR at all. But there is a AI manufacturer. We have best quality as earlier question I was answering. Definitely we are hoping this year we will cross at least Rs. 400 crores of CTPR sales. That is easy for us because we are an old Company; we were the first one who had launched this product. That advantage also we will get. And we now have distributors pan India approximately more than 5,000 distributors. Definitely Rs. 400 crores we will do but we are not talking of the Rs.

1,000 crores for the CTPR. And next year, we will launch our own product with CTPR, which will be our patented product. That is our strategy.

Siddharth Gadekar: Sir, secondly on the price decline. If you would want to comment like on a portfolio basis, what kind of price decline can we see for FY24 even if we assume that current prices sustain for the entire year?

Sanjeev Kharbanda: Price declining largely happened in the generic molecule. As we are mentioning, we are driving specific formulation, our own products. In that case, we are not going to have any adverse effects. We are not seeing any adverse effects in FY24 on our branded products. But yes, end of the day, it is the volume and value both which play a role in the overall turnover. So, the volume drive is also there. However, maintaining a value driver through the specific unique formulation branded products, we will be able to deliver the growth target which we have taken.

Siddharth Gadekar: Specifically, like if I want to look at Ronfen, it is a combination of 3 products. All three are generic products. Their prices have declined substantially. On a formulation of Ronfen also, we would be able to maintain our existing prices or there also we will have to take some lower prices for this year?

Vimal Kumar: No, we will not reduce our price. This year, even we can increase but definitely we will not increase the price, but we will not reduce the price at all because the acceptance is very high for our product and that is again our patented product. So, there is no point to reduce the price. Even raw material cost will be lower. Again, I am repeating this. Our raw material price may be lower, but we will not reduce our prices of any of the molecules, even Ronfen.

Moderator: Our next question comes from the line of Rohit Nagraj with Centrum Broking. Please go ahead.

Rohit Nagraj: Sir, my first question is on the gross margins for Q4. They have gone down considerably. Was it a one-time impact because of maybe high-cost inventories which are completely absorbed now and incrementally this will not be there?

Sanjeev Kharbanda: Yes, you rightly pointed out. The Q4 margins have gone down because of the price dynamics in the market. It was just a one-time jerk which has been taken care of and the correction on the inventory sizes have also been taken care of following the accounting principle. We are completely a compliant organization in terms of following different accounting principles and norms.

It was just a one-time jerk which was taken care of in Q4. So, way forward, Quarter 1 and Quarter 2, we are expecting better realization and better margins.

Vimal Kumar: Plus, price pressure was there. So, definitely the correction was quite important. Whatever raw material we have, whatever technical we have in hand. There are three products which is AI product, and the prices are down. Definitely, we have stock of that product, so we have to keep in the report that lower price only. As per the accounting system, we have to take that lower price.

Rohit Nagraj: On the revenue front, the guidance which we have given, we will probably do close to about Rs. 500 crores to Rs. 550 crores of incremental revenues in FY24 based on say 30% plus or minus growth. And earlier we had indicated from Ronfen, we can do Rs. 500 crores CTPR. We just indicated Rs. 400 crores and pyroxasulfone about Rs. 150 crores. If I add up these numbers and based on CTPR of say Rs. 200+ crores last year, the addition itself comes to around maybe closer to Rs. 600 crores to Rs. 700 crores. Am I missing some numbers in between?

N. Surendra Sai: The forward guidance for the next year's growth is not just based on the Ronfen and the CTPR, but it is a mix of the added portfolio and the new launches and the new products that are going to come into the market. While you may be calculating a 30% on the Ronfen's revenue growth, there may be variations with respect to Ronfen's profile, as new products will be launched. So, product-wise calculations will be different.

Rohit Nagraj: What I was trying to come at is our incremental revenues for FY24 will be say Rs. 550 crores. But as far as CTPR and Pyroxasulfone itself is concerned; we will have additional Rs. 550 crores plus from Ronfen based on last year's base of Rs. 200 crores, we will have say Rs. 500 crores. So, additional Rs. 300 crores will come from Ronfen. So, does the guidance of 30% remains conservative given that the additional revenue from only these three molecules itself could be say Rs. 700 crores to Rs. 800 crores or there would be some drop from the earlier molecules and that's why we are considering only Rs. 500 crores to Rs. 550 crores of incremental revenues?

Vimal Kumar: You are talking as a product to product. So, definitely it will be a larger number. If you see last year also, we have given a direction of 30% of the growth where we got 44% of the growth. So, definitely this can happen, but we are conservative because we are changing our products also where we are leading our all the generic products. This year you can see the Company after fall in the generics, there is a drastic downfall. This year also, we will correct our own portfolio. We want to create our Company as a specialty molecule Company. Each year if you see, last year there was an earlier question we talked about how much percentage we are talking B2B and B2C. That is increasing drastically. And next year, our target by FY25, all should be our exclusive molecule, our patented molecule. Either we will be the number one or two or three in India for any molecule. That is our long-term vision. To look after that vision, we cannot say each number like this is which is incremental. Definitely we will decrease whatever generic products are there or maybe in the later years, some products will be generics. In 2 or 3 years, we will leave it and we will come up with our own patented molecule. That is our vision.

Rohit Nagraj: Sir, just one last clarification. On the CAPEX front, what was the number for FY24? And earlier we had guided working capital to normalize to 90 to 100 days. Given that our business is increasing, whether we will come back to 90 to 100 days, or will it be at elevated levels?

Sanjeev Kharbanda: Two parts of your question. On CAPEX, as we have announced Rs. 200 crores of CAPEX. That Rs. 200 crores of CAPEX, most part of this CAPEX will get completed in FY24. There will be some spillover to the FY25 for the completion. As far as working capital cash conversion cycle is concerned, it's a journey. We are very much committed, and we are working towards those figures. It can actually drive the cash conversion cycle. And as the Company is building up its strength on the specific molecule and unique solutions, gradually you will see the driving credit terms in the market would also be possible for the Company. Working capital pressure will ease off. What we expect is by 3rd Quarter of FY '23-24, the working capital scenario will be slightly different.

Moderator: Our next question comes from the line of Ashish Rathi with Lucky Investments. Please go ahead.

Ashish Rathi: Sir, the question is largely on the inventory built-up. We had around Rs. 700 odd crores of inventory sitting in the books as on Q4 ending versus sales reported of Rs. 250 odd crores. That seems to be a very stretched number of around 200 days of inventory is what we are carrying on an annual level. What is the kind of sustainable inventory days number that we should assume going forward?

Sanjeev Kharbanda: Certainly, the inventory number is high. There is no denial about it. And internal deliberations are also going on. But the fact of the matter is within the Rs. 700 crores of inventory, the typical split is like 60:40 which is like raw material and work in progress is around 60% of the total inventory and 40% is FG because in Quarter 4, there was so much pressure from the market and as in the initial remarks also we mentioned the China dumping also played a role. In fact, in Quarter 1 and Quarter 2, the branded product sale which we are targeting, any which way this will get reduced and it's a seasonal impact. Quarter 4 was just one of the jerks which has actually created this pressure on inventory, but we are working towards reducing inventory as well as receivables both the sides.

Vimal Kumar: And for the preparation of the Quarter 1 FY24 and for the Quarter 2 also, we have to build up that inventory because otherwise how will we sell? Because, if you see for the 1st Quarter sales our target is 30% of the growth where the number is very high. To achieve that number, we have to keep inventory from March '22-23.

Sanjeev Kharbanda: That's why I said the typical split of 60% is raw material and 40% is FG.

Ashish Rathi: Can you quantify what you said? You said there was inventory write-down which was taken because of lowering of AI prices. Can you quantify that to help us understand in terms of the gross margin which was reported at 19%, what is the kind of a one-time hit that we took?

Sanjeev Kharbanda: I would say it is not inventory write-off.

Vimal Kumar: Exactly. If you talk about the purchase prices and the purchase value of the goods, I don't have real number in front of me, approximately I can say there is Rs. 760 crores which is our purchase value of that product and which we are taking up Rs. 700 crores. You can say in this way.

Yes, accounting system. We have to take the lowest price till May when we have the result and all that. So, till May, that was the prices which has reduced. So, we have taken that number in the balance sheet.

Sanjeev Kharbanda: It is the NRV testing which has been accounted for in the inventory.

Ashish Rathi: And the CAPEX funding of Rs. 200 crores which you mentioned, is it largely tied up with the banks or is it sorted?

Sanjeev Kharbanda: Yes, it was not a problem, it was always sorted. As I mentioned, in our balance sheet, there is hardly any long-term borrowing. So, bankers are very much there and very much happy to support the CAPEX with a long-term borrowing. It's only that internal evaluation we are taking which route is more beneficial for the Company.

Ashish Rathi: You are also evaluating equity raise?

Sanjeev Kharbanda: We are open for both the routes, but as far as CAPEX funding is concerned, bankers are always happy. We have good bankers working with us. So, term loans are always there.

Ashish Rathi: Sir, just a feedback. We are happy with the growth and everything on a Y-o-Y basis, but the working capital still seems to be pretty stressed both on inventory days and at an overall level. Better management of that and cash flow generation would really help us as investors to look at the stock.

Sanjeev Kharbanda: Feedback is very well taken. Feedback is really welcome. And as management also, internally we have been deliberating this. We are very much committed to bring down the working capital pressure and all the aspects, not just inventory, the best-case scenario inventory as well as the cash conversion cycle. We are working on all these fronts.

Vimal Kumar: You can see very positive results in FY24.

Sanjeev Kharbanda: Results will be definitely visible by the closure of Quarter 2 itself.

Moderator: Our next question comes from Vignesh Iyer with Sequent Investments. Please go ahead.

Vignesh Iyer: We have done margins of around 18% for this year. Just to know, what would be the kind of margin profile where we will be looking on a blended basis for the entire year in FY24?

Sanjeev Kharbanda: Overall EBITDA margin we are driving to achieve 20% plus. For the financial year, if you look at, if we have delivered 18%, however, by Quarter 2, the EBITDA margin was even higher because most of the branded products were supporting the kharif season. It is actually a full year keeping in mind the seasonality, keeping in mind the different channels, product mix, we are making this commitment that the Company is confident of delivering 20% margin or 20% plus margin.

Vignesh Iyer: Considering you have got a target to complete by FY25 to switch to only our molecules, generic business is around 20% now. Would it be around like 10% to 12% this year? Just to get the idea how the movement would be from FY23, 24, 25 for the generic business as part of portfolio.

Sanjeev Kharbanda: We are talking about our journey which we are taking from generic to specialized products by FY25, as we are saying we will be largely a specialized product driven Company only. As it is, it's only 2 years plus journey which we are talking about. This will not be probably the right time to mention how much would be converted within this year; it's a journey and its actually milestone basis. We are confident within FY24 itself, there will be a remarkable shift from generic to specialized products and we have actually delivered on our commitment in FY23 as well.

Moderator: Our next question comes from Darshil Jhaveri with Crowne Capital. Please go ahead.

Darshil Jhaveri: What do you see and what could be in our terms kind of a speed bump that we envision that could hamper our 30% revenue and 20% EBITDA guidance? This is something that we foresee it and have a negative impact.

Vimal Kumar: There can be agriculture factor and of course like you have seen the Quarter 4. But already this year, the price is down drastically for the AI as well as raw materials. So, we don't think any challenge about the growth of 30% and 20% for this year with the domestic market. But definitely from next year onward, we are also starting our exports, whatever we are taking as a conservative number, but definitely quarter to quarter we cannot compare sometimes, but as for financial year '24, we can say that number is easy to achieve. In the last question, I also spoke, if you are talking product to product, that number will come very high, but we are still taking the lower side number. So, the number to get is not any challenge we are looking at.

Moderator: Our next question comes from the line of Abhijit Mitra with Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: Can you quantify the inventory loss that you have had in Q4? The second question is what is the percentage of generics in the revenue as far as Q4 is concerned? And how to sort of avoid this cyclicality? Because I know we are heavy on the kharif season and the Rabi season we are sort of more on the generic side. How to sort of avoid this? Otherwise, the cyclicality will repeat every year. That will make a difficult investment case for many, if not all. What are your thoughts on that? And lastly, if you can address what is the percentage mix of insecticide, herbicide, and pesticide in your total revenue and whether there is particular pressure in any of those segments that you are seeing which you would like to sort of address in a different manner? These are the questions which I have.

Vimal Kumar: Because of our new product portfolio, there is no pressure, if you talk about the inventory whatever inventory level or inventory loss in FY23, there was raw material cost which was drastically down, but we have to purchase because we are preparing for the Quarter 1 and Quarter 2 FY24 and aggressive sales. There is no problem with the numbers which we can achieve very easily.

Segment percentage if you talk about the insecticide, herbicide, and fungicide, each segment we have different strategy. 50%, 20%, and 30% you can say; approximately is insecticide, herbicide, and fungicide portfolio respectively. But each segment all the pipeline we have. In the fungicide also if you talk about, stronger chemistry, backward integration, and there are many things which we are doing in each segment and definitely the growth path will be clear.

Abhijit Mitra: My second question was actually how to develop this branded product portfolio within the Rabi season so that you don't see such sharp fluctuation in profitability in Q4.

Vimal Kumar: Yes, that we are working on. I have told you pyroxasulfone is the one Rabi product for weeds. That is again very difficult product. And of course, in Rabi, there is insecticide market herbicide market is also there. We will talk about the herbicide market. There we have many products which are coming up like Propaquizafop**,** Haloxyfop, Ametryn etc. Many products are in our pipeline which we are launching just in FY24. So, definitely that growth curve will be there in the Rabi season also.

Sanjeev Kharbanda: That would take care of the seasonality impact.

Vimal Kumar: The major one is pyroxasulfone, but we have many products there.

Moderator: Our next question comes from the line of Giriraj Daga with Visaria Family Trust. Please go ahead.

Giriraj Daga: Did you quantify Rs. 60 crores hit on the inventory or is it more of a hypothetical example, Rs. 760 crores to Rs. 700 crores?

Sanjeev Kharbanda: I won't say, it's a directional number which we have given, but as per the accounting principle, you must be aware the NRV testing which happens is for the finished goods, which is your cost of manufacturing versus net sales realization. If any of this is expected, looking at the substance over form, the auditors ask you to take a note of it. So, this has been taken care of.

Giriraj Daga: Secondly, you mentioned raw material and work in progress is 60% of total inventory.

Sanjeev Kharbanda: Yes.

Giriraj Daga: And finished good is 40%.

Sanjeev Kharbanda: Yes.

Giriraj Daga: You did not give the CTPR number this year. Last year's quarter was Rs. 45 crores. Four quarter sales were completely nil?

Vimal Kumar: Major sales will come in FY24 1st and 2nd Quarter for the CTPR.

Giriraj Daga: Lastly, on the inventory side. The Rs. 60 crores loss you have mentioned, we have taken care of prices till 31st of May end, right?

Vimal Kumar: What we are saying is that the prices of May we have calculated because we have to take into consideration the rounding standard; we have to take the lower side price. Either this is our purchase price or market price whichever is the lowest, we have to take that till the date of signing of balance sheet.

If we sign in March, there will be not that much of loss. If we talk about April, again there was a profit, and in May so that is the lowest price you can say.

Moderator: Ladies and gentlemen, we have reached the end of the question & answer session, and now I hand over the conference to the management for closing comments.

Sanjeev Kharbanda: We are very happy. We had a very interactive session, a very meaningful session with the investors and with the experts. And all the questions we hope have been answered to the satisfaction of the people. And feedback is also well taken. Confident to deliver on our commitment 30% growth with sustainable 20% EBITDA margin. More important is as we move forward, as the name says, Best, we should be seen as specialized molecule Company best in the domestic market. And gradually the footprint would be visible in overseas market as well. Thank you very much for all the support extended by each one of you.

Moderator: On behalf of Best Agrolife Limited, that concludes this conference. Thank you for joining us.

(This document was edited for readability purpose)