November 09, 2022

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

**SCRIP CODE: 539660**
**SCRIP ID: BESTAGRO**

**Sub: Transcript of Q2 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 half-year ended September 30, 2022 held on Thursday, November 03, 2022.

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**

# Best Agrolife Limited
# Q2 FY23 Earnings Conference Call

**November 03, 2022**

**MANAGEMENT:** **MR. VIMAL ALAWADHI – MANAGING DIRECTOR, BEST AGROLIFE LIMITED**

**MR. RAAJAN AILAWADHI - EXECUTIVE DIRECTOR, BEST AGROLIFE LIMITED**

**MR. ATUL GARG - CHIEF FINANCIAL OFFICER, BEST AGROLIFE LIMITED**

**MR. DAVINDER DOGRA - PRESIDENT FINANCE, BEST AGROLIFE LIMITED**

**Moderator:** Good day ladies and gentlemen, welcome to the Best Agrolife Limited Q2 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Thakur from Ernst & Young. Thank you and over to you, sir.

**Rahul Thakur:** Thank you Lizann. Hello and good afternoon, everyone. I am pleased to welcome you all to Q2 FY23 Earnings Call of Best Agrolife Limited. Please note a copy of all our disclosures is available on the investor section of our website as well as on the stock exchanges. 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 risk that the company faces.

Today, on the management side, we have with us, Mr. Vimal Alawadhi - Managing Director; Mr. Raajan Ailawadhi - Executive Director; Mr. Atul Garg - Chief Financial Officer and Mr. Davinder Dogra - President, Finance. I now hand over the call to Mr. Vimal Alawadhi for his opening remarks. Over to you, Vimalji.

**Vimal Alawadhi:** Thank you and welcome everyone to the Q2 FY23 Earnings Call. I hope you all are doing well and enjoyed Diwali festivities. Given this is our first conference call interaction, before I discuss the business performance for the quarter, let me walk you through a background on the company. Best Agrolife is among the top 15 agrochemicals in India. Founded in 2010, we began our journey as an agrochemicals formulation company and over the years entered into manufacturing technicals as well. By 2017, we forayed into branded formulations with 'Best' brand. With the launch of the Best brand, our strategy was to gradually start introducing first two market complex products as well as build the product basket of novel molecules.

Since 2017, we have worked on various strategic initiatives which are yielding results today. Let me briefly discuss these initiatives.

Investment in Human Capital – a strong team is an asset for any organization. It was our endeavor to build a strong and experienced professional management team across R&D, marketing, sales, production, etc. Today, the team that has joined us from reputed domestic and global companies, carrying rich experience, and shares our vision of growth. In that, I would say Mr. Karlekar who has been the head of many MNC's in India and South East Asia, is now with us in R&D. Since we are a R&D company, we are doing many innovations in our R&D.

Number two is Investment in capacities. We focused on developing manufacturing capabilities and invested in capacities for growth. As of now, we have 30,000 metric tons formulation capacity and 7,000 metric tons technical capacity.

In R&D investments, we have consciously invested heavily in R&D to build a robust product pipeline of complex and novel molecules. Our strong R&D focus has fructified as we have been granted a patent of 3 products, each of them in insecticide, herbicide and fungicide. We have also launched the basket of new product under first-to-market strategy, CTPR Formulation being one of the best examples. We have also been granted registration for indigenous manufacturing of Pyroxasulfone technical for which India is currently import dependent, same in CTPR. Overall, investment in R&D efforts has developed a wide product basket of patented as well as complex products.

Widened geographical presence, initially we were present only in the North India market. From here, we grew our network, 1000 plus distributors in 2019 to more than 5200 distributors as we speak. We are now present in almost all Indian state with the exception of a few. All these initiatives have put us on path of strong growth trajectory with the robust product pipeline, wide distribution network and experienced management team.

Let me now highlight the business update for the quarter. I am delighted to inform you that this was the highest revenue generating quarter in the company's history. Our revenue for the quarter was Rs. 700 crores, more than double our revenue as compared to the same period last year. This was driven by our first patented product, Ronfen as well as other newly launched products such as Axeman, Tombo and Citigen. Ronfen contributed significant revenue for the quarter. Overall, new product launched this year contributed majorly to the topline. This is in line with our commentary that most of our growth will come from new products, even in future. I would like to highlight that we were late in launching Ronfen this year, we started selling this product in July, whereas the season for this product starts in May, June of every year. Despite our late market entry, we saw unprecedented demand for Ronfen. It gives me immense pleasure to say that in my carrier, I have not witnessed an agro-chem product receive such traction and generate such revenue in the first 3 months of its launch. This is testimony of our R&D capabilities. This is first product of its kind out of the 27 more products we have in pipeline which we will be bringing each year.

I am also proud to inform you all that Best Agrolife has become the first company in India to launch CTPR formulation. The single molecule has around Rs. 2,800 crores of domestic market with only two players other than the innovator, that are currently selling the product. Given we were first to enter the market, we expect to gain good market share in this product. During the quarter, we have also generated registration of indigenous manufacturing of Pyroxasulfone technical. This product has domestic market of Rs. 450 crores is currently being imported in India and we expect to launch this in market around December 2022. Given that we are the only domestic manufacturer of the product, we expect decent revenue from this in the coming quarters and years.

Before I conclude, I would like to share that we have been granted a patent by 'Patent Authority of India' for a synergetic fungicide composition comprising the Cyazofamid, Dimethomorph and Difenoconazole for the term of 20 years which is global patent.

To conclude, we have a strong pipeline of revolutionary and complex products, the launch for the two patented product in pending, which is expected by next year. Overall, a strong pipeline of products under patented, first-to-market and import substitute strategies gave me enough confidence to state that at Best Agrolife, we will deliver strong growth in revenues as well as profitability going ahead.

I would now hand over the floor to Mr. Dogra, our President Finance who will take through the financials. Thank you very much.

**Davinder Dogra:** Thank you Vimalji. Hello everyone and thank you for joining us here today. I would like to briefly touch upon the key performance highlights for the quarter ended 30th September 2022 after which we will open the floor for the questions and answers. Operating revenue for Q2 FY23 was Rs. 700 Cr as compared to Rs. 324 Cr in last year same quarter and 116% increase from last year. On sequential basis, revenue grew by 51%. The revenue growth was driven by new products launch as Mr. Vimal ji said, and which contributed mostly to the revenue growth from the last year. EBITDA was at Rs. 182 Cr in Q2 FY23 as compared to Rs. 25 Cr in the last year same quarter, the growth of 418% year-on-year. This would translate 26% EBITDA margin for Q2 this year and expansion of 15% point over the same quarter last year. Higher EBITDA margin was driven by new products majorly contributed by Ronfen and other few products which we have mentioned which we launched during the quarter. Profit after tax was at Rs. 130 Cr in Q2 FY23 as compared to Rs. 25 Cr in Q2 FY22, a growth of 415% year-on-year.

Coming to the segmental results, revenue from branded formulation was around 61% both B2C and B2B formulation business. Revenue from technical business was around 39%. As guided earlier, our revenue from branded formulation will continue to improve as we are expanding on pan India basis and also launching new branded products. On the balance sheet side, our working capital for the first half looks stretched due to higher inventory for the new product launches as well as products to be launched in the coming quarters. To build a branded business, we were required to provide credit to our distributor thereby expanding the number of our debtor days. I would like to highlight that we plan to bring down the working capital days in the range of 90 to 100 days. We are working towards this target, and we have already placed a new incentive scheme for the same. During the quarter, the cash and cash equivalent including bank balance improved significantly to Rs. 148 Cr as on September 2022.

With this, we would like to open the Q&A session. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Dhruv Bhimrajka from Monarch AIF. Please go ahead.

**Dhruv Bhimrajka:** Congratulations on a great set of numbers. Sir, my question is, regarding the recent patents for the fungicide product that we have got, so what is the market size for this product?

**Raajan Ailawadhi:** Raajan this side, so previously these products were available in solo formulation were put together, this product goes in a particular downy mildew and powdery mildew segment in grapes and in various fruit crops. So, market size is approx. Rs. 350 crores of this individual molecules. Particularly in this segment, where we are trying to capture where downy mildew and powdery mildew has Oomycetes class is there or fungus is there. This combination will be able to control that particular class and both these diseases, downy mildew and powdery mildew, so out of Rs. 350 crores, with this pre-mix which will reduce number of sprays, in first day itself, we can easily capture around 20% with the launch itself.

**Dhruv Bhimrajka:** Sir, this market share of Rs. 350 crores which you are trying to capture, is it serviced by the domestic peers or by imports?

**Raajan Ailawadhi:** No, basically, this product is in import only. Recently, one technical indigenous manufacturer also entered in one molecule, so solo formulations, there were formulation imported in solo products that Cyazofamid is there, that solo formulation is available, but it is also in monopoly only, one player is having that, but that formulation is also again patented. The farmer was also mixing these two products or some other products also because the disease complex appears in these crops basically. So, that is why we decided to bring this pre-mix in a proprietary patented formulation to control these complexes together.

**Dhruv Bhimrajka:** And sir, what would be the launch timeline of this product?

**Raajan Ailawadhi:** Basically, this is in registration, it may take little bit time. I believe so that by third quarter of next year in this period, it will be available.

**Dhruv Bhimrajka:** So, maybe we have more than a year to go for this new patented product to be launched in the market?

**Raajan Ailawadhi:** Yes, less than a year, approx., an year you can say.

**Dhruv Bhimrajka:** And sir, my second question is on the exports market opportunity, so right now we don't have much export sales coming in, but now we have a blockbuster launch of the product Ronfen in the domestic market, so how do you see in-licensing of this product to the export markets and also the other products?

**Vimal Alawadhi:** Definitely, we have near about 28 unique products in the pipeline and each product like India we got registration on one of the products, so the same product we have to book for the other countries and each country have different regulation for every product. In the last 3 years, we have already started registrations in some of Southeast Asian, countries like Thailand, like Vietnam, also we have started something in Brazil and the Middle East. The moment we get registration, because we have the patent for 20 years, global patent we have, all the molecules, so definitely once we will take the decision we will start that and more of that this is not only the formulation which is off patented we are going to export in future Definitely, we are going to export our Strobilurin chemistry product like Trifloxystrobin, Azoxystrobin, in that we are very strong, Strobilurin chemistry, so that as a technical, as an intermediate also we will start supplying in FY24. We start, but definitely there is a big scope for us because we have unique combination also and unique products also as technical.

**Moderator:** Thank you. The next question is from the line of Ranvir Singh from Edelweiss Wealth. Please go ahead.

**Ranvir Singh:** First, let me appreciate the kind of transformation you have brought in and very good set of numbers, so congratulations for this. My question was related to the new product launches, so you said that majority of the growth came from the new product, so I assume that the base business has been flattish in this quarter?

**Raajan Ailawadhi:** Yes, so as we said that the launch of the new patented product Ronfen and few other 3-4 products, so major of the contribution and the growth has been from the new products only and that is our strategy for future also and the base business would be flattish or would be at the same level at first.

**Ranvir Singh:** So, in Q1, like we had some Rs. 463 odd crores revenue, so that also included in the part of revenue from new products or all revenue came after Q1?

**Raajan Ailawadhi:** All the new products were launched in Q2 only, so there was some delay, but better for next year.

**Ranvir Singh:** So, for this quarter, I think some Rs. 250 odd crores what the incremental sales we got, so majority of it came from Ronfen or the other four products also contributed, if you could give some highlight how was the contribution of Ronfen versus rest of other product?

**Raajan Ailawadhi:** Mainly was Ronfen only because that is our first patented product combination. We have different process patent also for some products, but this was the first patented product which we have launched in Best Agrolife. So, definitely for the product to get that much of response in its first quarter itself was very good. For any of the new molecule, when we launch at first in India or first in any of the territory, and when the first quarter gets these kinds of results is very good actually and we are very happy with that because if the first quarter has yielded that kind of results, definitely the coming years and coming months and coming quarter will be fantastic for this product.

**Ranvir Singh:** So, after this Q2, what would be the revenue guidance for FY23 because earlier guidance I think current H1 number seems to be indicating that will exceed what we are seeing, so if you could give some outlook here?

**Vimal Alawadhi:** Yes, definitely, you are correct, as per the given guidance of 30% growth in the revenue and 20% in EBITDA, we can achieve more than that of course, but guidance we are maintaining the same only. However, if this year suppose our revenue goes more than 30% growth, it doesn't mean next year it will be not 30, it will be till 30 whatever the growth it will come excess in any year. For next year, we have already big plans, so 30% and 20% which we already said that will be maintained always.

**Ranvir Singh:** My question was basically in this context where Rs. 700 crores revenue what we generated in this quarter, being a seasonal business, I think most of it would happen in inventory and some debtors because channel filling would have happened in this quarter, so obviously we cannot extrapolate this into second half, so if you could guide here that Rs. 700 crores or what incremental sales of Rs. 240 crores we have seen, so is this likely to exhaust within rest of the year or we will see other part of revenue coming in there?

**Raajan Ailawadhi:** This second quarter is main quarter in Agrochemical Industry, but this year particularly after rains were good everywhere, rabi is also looking very promising, bumper area of sowing is coming in Bengal gram and other crops it is coming, so third quarter is also going to remain promising, no doubt in that. I expect that some of the inventory which we are holding in the start of fourth quarter itself, January month is also going to play an important role and we will bring good numbers in next two quarters also.

**Moderator:** Thank you. The next question is from the line of Kushal Rughani from HDFC Securities. Please go ahead.

**Kushal Rughani:** So, congratulations for very strong set of numbers for the quarter and H1 FY23. My question was regarding these new products only, so, let us say, you launched the Ronfen and you said that earlier that around Rs. 400 crores of revenue it can contribute for FY23, so still the guidance remains same for the year, or you may revise upwards for the new product?

**Vimal Alawadhi:** Yes, definitely we don't want to revise actually, but this year will be better than what we have committed. For Ronfen, our registration got late, so definitely we can say that guidance will be there, but this year will be higher than that for sure.

**Kushal Rughani:** And on the same line only, so let us say about Ronfen only, is it a seasonal kind of a product that Q2 remains major contributor or let us say going forward the product sales may get tapered off in Q3 and Q4, is it like that or there is no seasonality as such?

**Vimal Alawadhi:** Actually, as far as this product is concerned, it is not a seasonal product or H1 product, it goes for all sucking pest and it goes in cotton also, chilly also. Chilly is a major Rabi crop, so if we put together over this sucking pest segment, it is a very big segment in India. Around one third of Indian market comes from the sucking pest segment only which is around Rs. 8,000 crores and chilly is very important crop where more than 25 rounds of sprays are going on to control sucking pests only. So, this product is proving promising for chilly crop which will play important role in third quarter and fourth quarter also. So, this is whole year product, both season product basically, so a good revenue from Ronfen will come in Q3 and Q4 also.

**Kushal Rughani:** So, not major seasonality kind of things one can expect in that, right?

**Vimal Alawadhi:** No.

**Kushal Rughani:** And sir, second thing was related to as you said that it has been stretched working capital for H1, so what kind of sustainable working capital would be there and secondarily regarding that also, so from Rs. 90 odd crores we have seen increase to 200 and then Rs. 430-Rs. 450 crores debt, so what kind of debt we can assume by end of this year? I am asking about working capital debt.

**Davinder Dogra:** So, on the working capital side, the inventory constituted major part of the working capital. By early January of coming year, the major of the inventory is likely to be sold off or will be liquidated per the plan. But on a normalized basis, since we are launching new products and expanding new geographies, opening sale depos across India, it has been a bit stressed, but from a target perspective, we are looking from 90 to 100 days kind of working capital which is in line with the industry trend, so we are working on that. Since we are on a growth phase, they were little stretched which we will be addressing going forward. On the debt side, the Rs. 90 Cr which you are referring to is on a standalone basis. On a consolidated basis that debt was around Rs. 215 Cr which in this quarter is around Rs. 430 Cr which is predominantly working capital as you have seen, but that is also a comfortable leverage overall. That is around 0.7-0.8 kind of thing and going forward, the realization of quarter is around Q3 and Q4, so these will automatically, I would say, the utilization level will come down. So, we are not looking at majorly raising our debt beyond these levels. Around these levels, obviously, based on specific quarter, business requirements we do, but there is no major plan to reach at the levels beyond this current debt, so I would say that kind of debt level is something which we will be working around.

**Moderator:** Thank you. The next question is from the line of Ashish Rathi from Lucky Investment Managers, please go ahead.

**Ashish Rathi:** Sir, could you help me understand about CTPR product as to what will be the kind of launch timeline here, how is the competition scenario likely to be say in year one and may be 2-3 years after that, what kind of sales, what kind of profitability can we expect?

**Vimal Alawadhi:** So, CTPR is a good product and market size is biggest, we can say the single molecule in India, this is Rs. 2,800 crores and as a second player and as the first player in indigenous manufacturing for this product and second after the MNC company. Since this year we got late registration and then patent clearance, so third quarter and fourth quarter will give us very good revenue, I cannot say number, but it will be very good because we are number one after the MNC company and the next year, FY24, it will be really a big number we can say. In the total revenue, we will get at least 20% minimum for this product only and of course EBITDA margin will be better because we are number one again, I would say.

**Ashish Rathi:** Sorry, the 20% what did you say, I could not get that point?

**Vimal Alawadhi:** I mean the total market size, whatever the total market size is more than 20% of that will get.

**Ashish Rathi:** And sir, on the Strobilurin Chemistry side, I understand it is very difficult to crack chemistry from what I hear, so what gives us the confident that we will be able to do this and what is the market size opportunity in this chemistry? Again sir, what is the kind of timeline we should work with as investors into understanding when can we get launched these products, any direction on this, please?

**Raajan Ailawadhi:** As of now there are 5 Strobilurins which are registered in India which are going in various crops and we will see that each multinational is sitting with one Strobilurin, so we have license of all Strobilurins with us and they are intermediates, they are average companies, multinationals are bringing basically formulation import of Strobilurins and also for intermediate they are depending on China only. So, we are working on core intermediate manufacturing where our dependency for any kind of raw material outside India and Strobilurins will be zero very soon. In this year, 70-80% of that job will be done. So, we are going to be totally independent for any intermediate and we will manufacture all the Strobilurins here, so this give us altogether different strength, it will open us not only for domestic market where Strobilurins play very important role, but also open up revenue from multinationals since big revenue in multinationals is coming from this Strobilurin chemistry only. Other than this, we will become much stronger to get a substantial share in export through this development – through this dig in Strobilurins basically which is very important. The Strobilurin in fungicide market today more than 65% share is in Strobilurins only. So, these are like Pyraclostrobin, Trifloxystrobin, Azoxystrobin, Picoxystrobin and Kresoxim-methyl, 5 Strobilurins are registered in India, so altogether, fungicide market, more than 50% is from these 5 products or combinations of these 5 products basically where no one else is working.

**Ashish Rathi:** And on R&D?

**Raajan Ailawadhi:** Yes, on R&D part, on large scale, it is already clear, so by FY23-24 basically, we will start production of most of the Strobilurins.

**Ashish Rathi:** So, next year we can contribution from this?

**Raajan Ailawadhi:** Yes, minimum 4 out of 5 productions will be started next year itself.

**Vimal Alawadhi:** By FY24, 70 to 80% of the dependency in intermediates we will finish from outside.

**Ashish Rathi:** And Vimalji, most of these products which we are launching the newer one, do we have dependency on outside or are these like mostly backward integrated for the new products?

**Vimal Alawadhi:** Yes, like 28 products, of course 28 combination products would have you know many technicals we need there, so definitely most of the products we have in-house only, but you can say 25 to 30% we have to buy from outside also. If you talk about total 28 products, but right now which we are doing that is 100% in-house, right now which we are doing.

**Raajan Ailawadhi:** Actually, these formulations, patented formulations we are bringing from just those products which have become just off-patented, so up to some level dependency is there, which we are trying to come out of.

**Moderator:** Thank you. The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

**Siddharth Gadekar:** Sir, I wanted to understand in CTPR we would be manufacturing the product, or we would be sourcing it from somewhere, one? Secondly, when we spoke about Strobilurin capacity, can you give a sense in terms of our capabilities, what kind of gross block do we have in terms of manufacturing and what is the peak revenue that we can do from those assets and are we expanding any assets?

**Davinder Dogra:** Yes, definitely, CTPR that is we are technical, like AI also we are manufacturing and the formulation also we are doing the same. There are two formulations, one is granules and other is SC formulation, both we are doing in-house with our company, Seedling India Private Limited, subsidiary of Best Agrolife and the same technical we are manufacturing in-house. You are talking about Strobilurin –total gross block as of now is Rs. 180 crores. There is very small expansion that we have to do for these products which we will do with our own resources only and definitely we don't need any new big CAPEX for that. Small CAPEX will be there that we will manage by ourselves.

**Siddharth Gadekar:** Sir, what could be the peak asset turnover from our capacities that we can expect?

**Davinder Dogra:** The peak asset- turnover, both technicals and formulation would be separate. On an average basis, we can say it would be around the range of 13x to 15x, but it is based on the products. As we are changing the product lines, the realizations are almost more than double or in some of the product 4x the current product realization takes, some of the product like Ronfen or something as mentioned. The revenue growth is not entirely linked to the capacity, reason being we are also changing the products and as the new products are at a significantly higher net realization, but just to answer your question, it would be in the range of 13x to 15x, but this will change as we go on launching new products which has higher realization than most of our base products right now.

**Siddharth Gadekar:** Sorry, I didn't understand, what do you mean by 13 to 15, so what would be the asset turnover, I didn't understand 13 to 15%?

**Davinder Dogra:** See, with the current set of gross block of Rs. 180 Cr, we can go up to say the range of 2500 to 3000 kind of turnover and with the products line which we are changing, so that is where I mean to say with the current gross block, which is the asset turnover we are looking at, so it will be in the range of 15 right now, but it may improve as we are going to launch new products with higher realization.

**Siddharth Gadekar:** Debottlenecking of the plants, you said you were doing some debottlenecking, so what would be the CAPEX amount?

**Raajan Ailawadhi:** So, that is not a major amount, so they have certain kind of restructuring in some of the units which we are doing, but that would not be the major amount. The major CAPEX would be adding some new units and new form lines but the debottlenecking, that would not be the major amount.

**Moderator:** Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.

**Darshit Shah:** Congratulations on a wonderful set of numbers. Sir, just to understand on our business since we are launching newer products and we had great kind of revenue in Q2, so is your business kind of seasonal where few quarters contribute maximum revenues, or it would be evenly kind of spread across quarters?

**Vimal Alawadhi:** The second quarter always is the best in India, in the Indian market industry, in the agrochemical industry. Ronfen has a market size of more than Rs. 8,000 crores for the sucking pest segment and this is going to sucking pest segment in the vegetable, in cotton, mainly chillies which we already mentioned. Definitely, that has a big scope and each quarter there will be revenue for this product.

**Darshit Shah:** And sir, you mentioned as this Ronfen is almost around Rs. 8,000 crores kind of opportunity, so what kind of market share do we envisage in this product for next may be few years, 2-3 years?

**Vimal Alawadhi:** Yes, in fact Rs. 8,000 crores is the sucking pest market as of now and each year gradually it is growing 9 to 10% also, so we are offering whatever the increment is coming in the segment. This is a very unique combination, so we can say we can capture sizable market share, in 3 years you can say 8 to 20% like this in the total market share, which is again increasing 9% to 10% or like this from 8,000.

**Darshit Shah:** And sir, second question is on the export market which itself is a huge market, so what sort of strategy if you could broadly highlight there and when do we see meaningful export revenue starting to contribute our topline?

**Vimal Alawadhi:** Very major revenue is expected in FY25 only, very major if you want to say, but if you say started till FY24 it will get started in some of South East countries and some Middle East countries, but that will be good amount, but not very big. However, in FY25 you can see very big because currently, the registration process is going on in the other countries. Once we get that, we will start and it is not one product, there are many products in the pipeline which we will start exporting. We are producing our R&D based product as a formulation and of course Strobilurin again we are saying Strobilurin chemistry that we are very strong in that and in CTPR also we are very competitive, we have very good technology to produce, so all these products one by one we will start exporting and FY25 will be the year where you can see very significant growth in the exports.

**Darshit Shah:** And sir, lastly on the margin front, we did 26% this quarter and we have annual guidance of 20% kind of EBITDA margins and with newer products being launched every year, so where do we see margin trajectory if you could broadly highlight that?

**Vimal Alawadhi:** Definitely, 26% because the new product we have would like 40-45% margin on the formulation, and technical which we are doing in-house that also again have 10 to 15% margin, so 26% is not surprise for us. Since we are coming up with new product, so definitely this will keep going, but same we will give guidance at the same like 30% growth and 20% of the EBITDA margins, at least we will achieve like that. This year growth will be higher which we can see because in the H1, we have done more than Rs. 1,100 crores. So, definitely this year, it will go more than 30% from last year.

**Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

**Rohit Nagraj:** Congrats for a very good set of numbers. Sir, first question is, what is our marketing strategy for the new set of products, we launched Ronfen during this quarter, CTPR we are planning next, so here we are directly taking head on with the multinational innovators, so how are we looking at the marketing strategy which will help us to gain significant market share over next couple of years?

**Raajan Ailawadhi:** Our marketing strategy we have devised segment wise. We have worked in all important segments like sucking pest segment, where we launched Ronfen and in same way there is caterpillar segment, bollworm segment where we are bringing CTPR and further combinations of CTPR which would be very big molecules. Same way, it is not only Ronfen, but there are also other products where good revenue is being generated this year like the seed treatment segment. We launched a single product which included two fungicides and one insecticide, so farmer was first using fungicide, then he was drying the seeds, then he was using insecticides – it was a very tedious process. So, that combination of fungicide, insecticide also we launched. Same way, in paddy, BPS is a very tedious pest which is very difficult to control, so we brought the novel combination in that for BPS. There is sugarcane, there is narrow leaf and broad leaf herbicides are there but weeding in sugarcane is very difficult, so we are working on a product which will control both narrow leaf and broad leaf weeds together. So, that way we are working on our products, on novel combinations also which will create great value for farmer. In marketing we will get an edge because CTPR is a big segment is sugarcane, it goes for a particular pest, top borer in sugarcane. So, this molecule is also 10 years old is getting a little resistant. 2 years back, we started working on various combinations to break that resistance also which was expected. So, very soon, we will have a good combination which will be part of IPM, integrated pest management also and we will break that resistance. So, we are thinking ahead of time in resistance management and same way we are planning and are devising our marketing strategies also. Wherever the market is present, easily on the basis of performance of the product, we will in first year itself, in one quarter itself, we will be able to establish our product in a great way and then generate good revenue with launch itself.

**Rohit Nagraj:** Sir, second question is, we have got these 28 products in the pipeline, so just to get an understanding about what it the market size for these products and how many competitors are normally expected whenever these products are going off patent or for the combination products?

**Vimal Alawadhi:** These 28 products which we are talking about, out of that, we have launched only one product that is Ronfen is a brand name, in the second quarter. These all 28 products are unique combination product which we are getting globally patented for 20 years. There is no competition, directly we can say, but of course in the segment, like I told you the Ronfen is the sucking pest, so definitely the market size is so big in India. We are talking about India only as of now. Internationally, there will be a big market, so for sure there is no competition for our unique combination. Definitely, they have solo products, there may we have some competition, but we can say there is no competition, because of the cost – we are giving a combination which will cost lesser than 3 products than if any farmer going to spray that 3-solo formulation in the field. So, we are already in the very good pricing and the synergies are present, there is no competition.

**Rohit Nagraj:** Sir, just one last clarification, on CTPR, so as I understand innovator also has patents on the intermediates or key raw materials which are used for manufacturing CTPR, so how confident are we that at any point in future, there will not be any infringement or any legal issue on the CTPR product?

**Vimal Alawadhi:** We have got the clearance from the court because our process is a different process. We have applied for that patent also on our process also, so definitely that clearance we got and final clearance also we will get because already we got the permission for the launch from the court itself.

**Moderator:** Thank you. The next question is from the line of Mitul Mehta from Lucky Investment Managers. Please go ahead.

**Mitul Mehta:** Congratulations on great performance for Q2. Sir, my question was pertaining to CTPR, sir, we all know that there is one local company which is fighting against the MNC for the grant of patent and allow them to launch the market and we of course are number 1 and he is number 2, do you feel that the competitive intensity in this particular product will increase and can you share some granular detail on as to at what price we would be launching this product if I were to compare with MNC, in terms of selling price of CTPR and do you foresee any legal risks in times to come as far as CTPR is concerned?

**Vimal Alawadhi:** The legal concern I just mentioned in the last question is there but is not a concern because we have already received the permission from the court. There is no question of concern because our process is already clear, and we have also applied for the patent for this process also We did mention that we have many processes which we have applied for the patent. We never mentioned because that is only the process, so we don't think that is a big thing, so we never mentioned that, we have many processes in the Strobilurin chemistry, even the CTPR manufacturing, there are many things we have applied for the patent, our own patents. The market size and what pricing we are selling and all that, of course we are number one but you are talking about some other players. Definitely, they are other player also, one more other player, but from what I understand, the company that you are talking about is not an agrochemical company, but of course they also will get some share. However, we have already big network, 5200 big distributors, and several retailers, the farmer is using our products like Ronfen and all other products also, so we are really well known among the farmers. This will allow us to get better share compared to any of the other companies. and first advantage also we will get that is also we have advantage, so of course we will get better advantage and more than 20% of the market, next year itself we will get for sure and international business also will enter with the CTPR. Institutional business means there are sugar mills, there are government business that is again very big business and slowly that people also capture because commercially also we are very strong in this product in the manufacture because our processes are really very competitive, we can say. Nobody can compete which we think as of now the process we have to manufacture CTPR technical because basically technical if we are strong, in intermediate we are strong, so definitely our formulation will be comprising and of course, you talked about the margin because the MNC company is already big margin in that product, you can say it is almost 300% like 250% kind of margin they are keeping and we are farmer friendly company, so definitely we will not keep that much of margins, so our pricing will be always better for the farmers and you can say, but still we will get very good margin out of that.

**Mitul Mehta:** Would it be possible for you to share in terms of price between MNC and us in terms of the price, how cheaper?

**Vimal Alawadhi:** Definitely, we will be 25% less than MNC companies.

**Mitul Mehta:** And similarly, in Ronfen, can you explain the competitive landscape in this product also, what kind of competition do you?

**Raajan Ailawadhi:** In case of Ronfen, solo products are available, so as the combination, because it is patented composition only, so no one else is there. As far as the solo products are concerned, it is difficult for the farmer to mix 3 products also and then also if he tries that then also cost it comes more or it comes closer to our this thing also. So, when we are giving him in a pre-mix, biggest advantage farmer is getting with this novel combination is right, it is reflecting a great hydroponic effect which gives great satisfaction to farmer because base of formulation or composition is also making it altogether different. So, where, in solo formulation, farmer is sometime scorching in the fields, our combination is bringing hydroponic which gives great value to our product, so I don't think so that in this competitive space, other products are there which can compete with this, and we can keep on growing in this segment in next 4-5 years up to a great extent.

**Mitul Mehta:** And also as far as cost goes, we would be 25-30% cheaper than the MNC?

**Raajan Ailawadhi:** In this product, basically MNCs are also sitting with solo products, even MNCs also don't have combination, so same combination is not there with MNCs. One of the solo products is with one MNC, other solo product is with other MNC, so such kind of situation is there and if that solo also is being mixed, cost is coming higher.

**Mitul Mehta:** And sir, as far as our R&D expenditure is concerned, what kind of R&D spends do we do in a particular year?

**Davinder Dogra:** It is the range of we do around 1.5% kind of R&D spends, but with the new product pipeline it will be going every year and we are adding new number of people in R&D, so in the coming year with the range of around up to 4% maybe in the next 2 years, they will increase up to 4% of revenue.

**Mitul Mehta:** So, 4% of revenue would be spend on us?

**Davinder Dogra:** As of now it is the range of around up to 2%, I can say in that range, but it has been increasing and will be touching to 4% in coming year.

**Moderator:** Thank you. The next question is from the line of Rikin Shah from Omkara Capital. Please go ahead.

**Rikin Shah:** I just like to understand how much have we spent on R&D in the last 3-4 financial years?

**Raajan Ailawadhi:** As I mentioned, in terms of percentage, we have spent on an average 1.5% annually, but since the new product pipeline has been building on, this has increased from this year onwards as we added many new members and products, but in the previous years, it has been in the range of 1.5% kind of spend.

**Rikin Shah:** So, then with all these approvals coming in for such novel products, what would we attributed to our R&D or do we have some sort of tie-ups?

**Vimal Alawadhi:** Yes, we have many tie-ups with universities like government universities and the state universities, we have tie-ups and outsourcing also we are doing, some of the labs which is toxicity lab, chemistry lab, we have tie-ups with them and in-house also we have very big R&D also.

**Raajan Ailawadhi:** And other than this, we are expanding much on, we have big new product development team in the field also, the big number, the big expense we are doing in that also where we are testing the trials of the new combinations which we are developing, so there also we are incurring R&D spend.

**Vimal Alawadhi:** There are many processes like chemistry, toxicity and field data, then there is bio efficacy, there is several data which we have to generate in various, in the industry also we have to do the trial and also our people who is in the, like we have now marketing, you can say sales and marketing and the field trial team in totality they do in the synergy and that is more than 400 people we have there to do that.

**Rikin Shah:** Sir, we don't specifically have a tie-up with an MNC per se for these things? Tie-up for technology transfer because we are able to innovate and able to form such processes which are different and launch novel products, so that is interesting with the amount of R&D we have done?

**Vimal Alawadhi:** Yes, we do not have any tie-up, but many MNC companies is now interested in our products, they want to buy from us, but we will give them branded product, we will pack in their brand, and we will give our exclusivity product. In fact, we are giving as of now the big company like Adama, and Tata Chemicals, there are other MNC companies also, they are asking products from us, and we are giving some of the products, but again we are giving that product that packed by us only.

**Moderator:** Thank you. The next question is from the line of Rohan G from Nuvama Wealth. Please go ahead.

**Rohan G:** Sir, couple of questions and first is on our global ambitions and exports market, so you mentioned that going forward you would like to register in many countries, take the registration in many countries and as we see that it is definitely time taking affair and also very expensive in terms of getting the registration, just wanted to understand how we want to go ahead about it, which are the major markets we will be targeting earlier and what kind of registration expenditure budget we are planning cumulative over next couple of years?

**Vimal Alawadhi:** Definitely, because the products which we are going to export in future, the same products we already have in India, the same product we are going, so the main data which we need that we already have. For the expense part, we have many data already with us which we needed for the exports, but for the trial and their country requirement for that expense each country has a different kind of requirement. For example – Thailand has different requirements which we are covering up. Vietnam has different requirement, Brazil has different requirements, EU have different requirement, so EU is the main expensive one because their data which we generate inside the country that is really expensive and of course like US also have expensive, UK also have expensive, so definitely we are going all the markets, but each country has different data requirement and different parameters, so that we have to cater that in coming years and we are doing, we are on the job.

**Rohan G:** Sir, so that was the other country I wanted to make your sense on the regions like it will be EU focused, Africa or in terms export you are planning….

**Raajan Ailawadhi:** It is other than expense, it is much time taking also and like if we have, we are bringing a product focusing two crops here in India, suppose give an example of Ronfen or Warden – Warden we brought for seed treatment, Ronfen we brought for sucking pest in cotton and chilly vegetables. In the countries where these patents are like global applications, we have applied for PCD applications also in these products. We are filing global patents and where those crops are there, segments are there, we are registering those products also, globally also, but main thing is if you have to register a new formulation somewhere, then you will have to register for three technicals. Only then will you be able to register your formulation, so it is time taking. That is why we have taken a timeline of FY25 only to generate big revenue from that big and revenue from specialty products only. At the same time, we are investing a lot. These are very costly expensive ways and time taking also.

**Vimal Alawadhi:** But in export, with the unique combination and unique product margin will be far better in our case.

**Rohan G:** But we are sure that we will develop our own formulations and register by ourselves and sell also through our distribution network rather than joining hands with any global companies and using their distribution network or probably remaining in a B2B segment only and selling the intermediates or final AI to them that is not thought process?

**Vimal Alawadhi:** No, it is again same, they are different country to country, in some countries we are going to open our own branch; our own staff will help the farmers there only. Some of countries we are implementing this where expenses are less, and market is big. In some of the other countries, we will be having partners like distributors, and in some other countries, we are making partners with formulators, one of the good formulators in one country, so we are doing that. So, it is mix kind of thing, it is not one way we are doing because globally it is a very big product and big market area, so we are going country to country and making strategy according to the country.

**Rohan G:** Sir, second question is on our dependency on imports of raw materials and intermediates in China, you mentioned that definitely you want to lower the share there and working a lot of that front, just wanted to understand what is our share in terms of imports coming from China and how do you see that in moving over next couple of years, also in terms of own manufacturing we will see mainly completely backward integration from your side or you will increase sourcing within India from the domestic manufacturer?

**Vimal Alawadhi:** We are known as Make-in-India company and definitely our main target is to get entire that also we can say by FY25, the whole will be backward integrated because we are expanding like anything and either it will be captive, either we are going with partnership with other player like Jubilant Life, with SRF, with Deccan, so we are going to partnership with them slowly with some of the raw material which we needed here. There is around 25-30% range which we are importing as of now even, but if you talk about earlier like 5 years back or 7 years back, it was these products which we are doing 100% dependency on the imported product, but now we are able to, you can say out of that 70% product, we are manufacturing here either with our partners, either we are doing by ourselves, but our target is by FY25, 100% will be the backward integrated and will be in-house or with the partners that we have. We are basically R&D and innovative company, so we will continue to do that.

**Rohan G:** And sir, in terms of investment in CAPEX over next couple of years, how much you think that you have plans to invest in capacities?

**Vimal Alawadhi:** Right now we don't have big CAPEX plan because we have small debt, we can manage by our own funds only and definitely when we will go with the big investments that of course we have to go in some other regions, right now we are in U.P., so definitely we have to go may be Gujarat or other states with the Greenfield project, but right now we can say there is no need. Maybe in future, we need like 2 or 3 years.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

**Vimal Alawadhi:** Thank you everyone for your questions and we hope we have been able to answer most of your queries. If we have missed out on any of your questions, kindly reach out to our IR advisors, Ernst & Young and we will get back to you offline. Thank you to all. Good afternoon to everybody.

**Raajan Ailawadhi:** Thank you for this opportunity. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Best AgroLife Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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(This document has been edited to improve readability)