"UPL Limited
Q1 FY2022 Earnings Conference Call"

July 30, 2021

MANAGEMENT:	**MR. JAI SHROFF - GLOBAL CHIEF EXECUTIVE OFFICER - UPL LIMITED** **MR. RAJENDRA DARAK - GROUP CHIEF FINANCIAL OFFICER - UPL LIMITED** **MR. CARLOS PELLICER - CHIEF OPERATING OFFICER - UPL LIMITED** **MR. ANAND VORA - GLOBAL CHIEF FINANCIAL OFFICER - UPL LIMITED** **MR. RAJ TIWARI - GLOBAL CHIEF SUPPLY CHAN OFFICER - UPL LIMITED** **MR. FAROKH HILLOO - CHIEF COMMERCIAL OFFICER - UPL LIMITED** **MS. RADHIKA ARORA - HEAD - INVESTOR RELATIONS - UPL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to UPL Limited Q1 FY2022 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 the conference is being recorded. I now hand over the conference over to Ms. Radhika Arora. Thank you, and over to you, Madam!

Radhika Arora: Good morning and good evening ladies and gentlemen. Thanks for joining us today for the results for the quarter ended June 30, 2021. On this call, we will be referring to a presentation that has been shared with you and is also available on our website and we take as having read the safe harbor statement. From the management, we have with us our Global CEO - Jai Shroff; Group CFO - Rajendra Darak; COO - Carlos Pellicer; Global CFO - Anand Vora; Raj Tiwari our Global Chief Supply Chain Officer and Farokh Hilloo, Chief Commercial Officer. We will start with an overview from Jai followed by a business update from Carlos and a financial update from Anand. With that, let me now hand over to Jai. Over to you Jai!

Jai Shroff: Thank you very much Radhika, it is a pleasure to be on the call. The quarter has been challenging in many ways. We have seen a huge cost increase across the board in raw materials and in freight charges. In spite of that I believe the team has delivered fantastic performance particularly in the circumstances of so many weather impacts which Carlos will go through. I think the team has done an excellent job and we see the prospects for the full year to be very promising. The India business has done very well. The U.S. business has done well and performed much better than last year but the weather impact in Latin America, China and Europe has slowed down some of our growth in the first quarter. Thank you very much and I will hand over to Carlos and be waiting for questions after.

Carlos Pellicer: Thanks so much Jai. Good evening everyone. I am pleased to join you today and present our financial results for the Q1 of full year 2022. Despite numerous challenges intensified by the standard pandemic across the world we have continued to deliver our commitments during this period. Our OpenAg purpose inspired us to be agile, to focus deeply in our customers and to grow sustainably exemplified by the prestigious Asian Supply Sustainability Leadership award for displaying commendable commitment to sustainability.

During the second week of July 2021 unfortunate incident of political riots and larceny were reported in South Africa. The looters forcefully gained access into one of the warehouses rented by UPL situated in Durban, South Africa and attempted to loot and ultimately torch the warehouse. Due to this, a significant portion of the warehouse of UPL owned inventory was damaged. Fortunately, there was no causality or major injury to report. We have engaged the service of global renewed industrial cleaning service providers, environmental specialists and other solution streamers to assist the local authority and managed to deal with the aftermath of the incident at the warehouse. I am very grateful for all the efforts made by our team and partners in this extremely difficult circumstance to protect the community and the environment. We believe that the damage will be totally covered by the insurance and the calculation of the exact damaged value is in progress. I would like to thank our relationship with our customers and to our supply chain team that have been able to manage and minimize and mitigate the business impact. We are in a good way to manage the relationship with the customers and be able to manage properly all the process.

On financial results, I am glad to report that the revenue as well as EBITDA for the quarter improved by 9% each. The increase was supported by strong value growth, favorable mix and price increase. This has led to an improvement in gross margin by 50 bps despite unfavorable weather condition across several regions coupled with supply constraint and increased cost pressure. In addition, our net working capital was around 91 days, approximately seven days higher than Q1 2021, primarily due to higher inventories that have been created to support our growth in Q1 and Q2. We also remain committed to continue to reduce our debt. Overall, we maintain our full year 2022 outlook as highlighted in the Capital Markets Day presentation. Based on our robust customer-centric model, integrated manufacturing and our OpenAg approach despite cost pressures and other external challenges. Now, let us look at our overall performance highlights for the quarter. We are happy to report that three out of five regions - Latin America, North America and India - have delivered a strong growth in the quarter. Europe and rest of the world were impacted by unfavorable weather conditions resulting in a shrunk market and pockets as well as supply constraints. A part of this impact was offset by the higher price realization and the strengthening of Euro against the Indian Rupee. Overall, we achieved 6% volume growth, 2% price growth and further 1% upside due to currency movement. Improved gross margins were led by better price realization and favorable product mix in most geographies. This comes despite increased overall cost pressure as well as delayed realization of price corrections due to pre-booked orders and an unfavorable mix especially in LatAm. Fixed overheads were 11% higher than previous year primarily driven by the increasing personnel expenses and lessening COVID restriction. Despite all the external challenges and increasing overheads UPL managed 9% increase in EBITDA versus previous year.

Now let us let us take a look on the overall performance of our regions. In LatAm we saw a strong revenue growth especially in Brazil led by higher volumes. Among other major markets Mexico was impacted due to a severe ongoing drought. As also mentioned earlier, Brazil was impacted by cost increases and delayed price raise realizations due to pre-booked orders and unfavorable mix in Brazil. In North America, higher volumes led by growth in post patent solutions coupled with a strong overall price realization we have a robust growth of 19% over Q1 2021. These were aided by favorable commodity prices, a strong seasonal outlook and increase in acreages of most of major row crops. Further favorable price realization has also helped in adequately compensating for marginal cost increase resulting in improved profitability in the region. In Europe, unfavorable weather conditions resulted in shrinkage of key markets especially in the southern region. Further nonderogation of any competition from generics of key products impacted sales of about $9 million versus Q1 2021.

In India, UPL exhibited strong performance in this quarter despite delayed monsoons in part of the country. Several impacts of COVID from the second wave in April and May delayed upward price revisions. This was partially offset by favorable commodity price for food grains and key cash crops and pulses. Glufosinate-based brands demonstrated strong growth quarter-to-quarter growth supported by the very high price realization. The rest of the world witnessed around 14% dip in revenues versus last year negatively impacted by unfavorable weather such as the frost in China and supply constraints leading to decreased volumes. In South East Asia, glufosinate sales in Vietnam faced challenge due to supply constraint but were offset by increased sales in Thailand. Further, glufosinate supply constraints and unfavorable weather conditions impacted the sales in China. Japan sales were down versus Q1 for year 2021 due to the lower realization in health and nutrition sales and Japanese yen depreciation.

I would like now to talk briefly about our recent announcement and exciting new launches. Through OpenAg, we continued our path of reimagining sustainability with an open network to create sustainable growth for all, no limits, no borders. We are proud of our recent launch of natural plant protection or NPP and nurture.farm to further enhance farmer resilience and sustainability. As announced in June, natural plant protection (NPP) is a new global business unit that houses our complete portfolio of natural and biologically derived agriculture inputs and technologies. NPP shall be a standalone brand consolidating UPL’s existing biosolutions portfolio, network of R&D laboratories and our facilities worldwide. NPP will work across UPL's global footprint to shape and scale the biological technology of the future. The strength of NPP is that it will be a catalyst to our progressive approach to sustainable agriculture, meeting the innovation and the technology, needs of our farmers, consumers and environment, Natural Plant Protection will play a very important role as we have our micros that create macro impact. Nurture Farm launched in July is a digital platform that advances resilience for farmers in the food system, make agriculture simple, profitable and sustainable to technology-led solutions for generations to come. Covering every step of the farming lifecycle Nurture.Farm will operate as an open platform in the supply of products, innovation and mechanization. In case you wish to learn more about Natural Plant Protection, our NPP and Nurture Farm launches please refer to the links of videos provided in this presentation. Before I hand over the call to our CFO Anand to provide more details about our Q1 financial results I would like to recognize our team for their resilience and dedication in ensuring this strong performance in Q1 and launched these key initiatives of NPP and Nurture Farm despite multiple challenges on several fronts. Thank you and over to you Anand!

Anand Vora: Thank you Carlos. Good evening, good morning and good afternoon to all of you. Before taking you through the key numbers we take as having read the safe harbour statement which is a part of the presentation. I will begin with providing you the key highlights for the Q1 earnings and then take you through the detailed financials. The first quarter provided us a good start and added the momentum to growth in revenue and EBITDA as we work towards delivery of our commitment for the current financial year. We are seeing very strong crop prices in our key markets while also experiencing challenges on weather in some geographies and supply chain pressures. Besides all challenges, we delivered 9% revenue growth for last year same quarter with a volume growth of 6%. We saw price increases and an overall positive price variance of 2% and the currency variance of 1%. EBITDA grew by 9% over that of the same quarter of last year. I am pleased to say that we are on track to deliver on our commitment both on revenue as well as EBITDA.

Talking about the key financial metrics, we ended the quarter with revenues of Rs.8515 Crores and an EBITDA of Rs.1862 Crores, an increase of 9% in both. The net profit for the quarter was Rs.678 Crores, an increase of 23% over that of the same quarter in the previous year. Gross margins were higher by 50 basis points and stood at 44% against 43.5% in Q1 of last year. The margins expanded mainly due to better price realization and product mix despite increases in supply chain costs and other increases in cost of raw material and intermediates and the logistic costs. For the quarter, the fixed costs were higher by 11% as compared to the corresponding period of the last year. This increase was largely on account of increased investments in resources as we moved our business to sustainable and differentiated products and the launch of NPP and Nurture Farm as mentioned by Carlos earlier. During the quarter, we had an adverse net foreign exchange impact of Rs.202 Crores. This was due to the mark-to-market impact of hedges taken on advanced orders in Brazil. As a normal industry practice, we book significant business with our customers in the first four to five months of the calendar year. The hedges ensure that the company’s realizations in U.S. dollar are protected. Further, these hedges enable us to offer a committed BRL rate for the product irrespective of the movement in exchange vis-a-vis the U.S. dollar. During the quarter there were significant appreciation of BRL by 12% as these hedges are taken on advanced orders which we would be executing in the subsequent quarters. The MTM or the mark to market will wind down with the execution of the orders. Rs. 200 Crores MTM on these hedges has been recorded as a part of the finance cost which is attributed to the timing mismatch between the quarters. I would also like to say here that we are close to half a billion of advance orders which we have received in the first five months of the calendar year in Brazil.

On the tax line, a deferred tax asset was created in line with the normal tax computation which would get adjusted as the year unfolds. These deferred tax assets are primarily from Brazil and Europe. The full year tax rate is expected to be at the lower end of the guidance of 15% to 18%. Exceptional items for the quarter of Rs.63 Crores were largely on account of certain additional costs that we incurred on the closure of our Rotterdam manufacturing facility. Net profit for the quarter stood at Rs.678 Crores versus Rs.550 Crores showing a growth of 23% for that of the previous year.

Moving on to working capital, in line with the seasonality of business where working capital builds up till Q3 and then releases in Q4 the net working capital stood at 91 days higher by 7 days compared to last year. The payables for the quarter increased by 7 days while inventory increased by 12 days and receivables increased by 2 days. We expect the net working capital days to stay between the 80 to 90 days rate in the current financial year in line with the increased in sales. Moving on to cash flow and debt position, as informed earlier our debt obligation is being serviced efficiently demonstrating our commitment towards our bankers and stakeholders at large and we remain committed to reduce the debt and maintain the investment grade credit rating of the company. During the quarter, Fitch rating and S&P global rating retained our investment grade credit rating for UPL. Fitch also upgraded its credit outlook to stable. During the quarter, we also borrowed 250 million dollars of sustainability growth taking the total sustainability linked loan to U.S. $750 million which was completely used to repay the acquisition loan which we had taken earlier. The acquisition loan now stands at 1.5 billion. The sustainability loan is a five-year bullet repayment loan which was borrowed at 30 basis points below the cost of the acquisition loan. The cost of sustainability loan is at 130 basis points and has the potential to provide another 5 basis point reduction on meeting the sustainability KPIs agreed upon with the banks. The gross debt stood at Rs.25,099 Crores and the net debt stood at Rs.21,467 Crores. As regards the outlook for the full financial year, we believe that the price corrections, higher proportion of differentiated and sustainable products and a strong demand growth will enable us to deliver strong results going forward. I would like to reiterate that we maintain our guidance for the financial year 2022 of 7% to 10% revenue growth and 12% to 15% EBITDA growth for the year. With this, I would like to hand over back to the operator, and me and the senior management team are ready to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Niranjan Sakhalkar from Acuitas Capital. Please go ahead.

Niranjan Sakhalkar: Thanks for the opportunity. My question is to Anand, I wanted to understand why is the cash flow operation for this quarter lower on Y-o-Y basis despite our revenues and EBITDA are growing?

Anand Vora: Niranjan, our working capital has gone up and as we build up for inventory for the next two quarters the working capital typically takes up the cash flow during the quarter, you will see that the working capital ramps up in Q2-Q3 and you will see despite positive cash flow coming from operation at the overall level it gets invested in working capital.

Niranjan Sakhalkar: Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: Hello team, good evening. Three questions from my side, one in LatAm excluding Brazil how has the overall market behaved and have you lost market share there?

Carlos Pellicer: Overall the main constraint in LatAm was in Mexico because of the very severe drought in Mexico but our LatAm business is quite good. We have not lost the market share. We have even progressed well in some countries like Chile, Paraguay and other countries. What has been the impact for us is we have a very good business in Mexico and the drought in the first quarter has impacted more our sales there, but real impact for the market is not for us especially but our growth in LatAm was good and we have not lost market share.

Tarang: Sure. During the commentaries of your peers, they seemed to have suggested that Europe the season was actually favorable. My sense is the target territories are different so I just wanted to get some sense in your target territories in Europe? How has the market behaved and how is the uptake on the biosolutions business there?

Carlos Pellicer: Yes, very good question and we are on track with our biosolutions approach in Europe and this disruption that is happening in Europe in terms of product mix changing in all these, the first quarter have been impacted because of this frost, but what we have been able to do is to create solutions that replaced what we have lost. We have been very successful and example for that is our Argos our solution to one product that we used to sell that is CIPC, that was a solution to control sprout in potatoes. We have been able to launch a new solution to control sprouts in Europe that the value of that solution is three times more than the value of the solution that we were selling before. For us the challenge that is happening in Europe in some way is giving us a lot of opportunities and we are launching new products, we are coming up with the new solutions and this quarter of Q2 is starting in a good way for us. We are seeing a good growth and we are with this customer-centric approach really focused in creating solutions to the painpoints of the farmers and this is what we are doing and I have been visiting together with Jai, we have been in Poland last month and the results of our solutions there is amazing. We have been visiting apple farmers that is using our Vacciplant that is a vaccine to control disease to make the plant healthy and many different crops and for apple this farmer that we visited is our productive farm, we have been able to apply six times our Vacciplant and grew the crop without disease and without any residues in their crop. It is really moving good and we are very excited about the opportunity that disruption is happening in Europe and our pipeline of solutions of NPP is coming and will help us a lot to grow in Europe.

Tarang: Thanks Carlos, just the last one guys, you seem to be gaining some decent traction in your non-agro business in India, noticed in FY2021 over FY2020 it has grown about 50% and this seems to be similar in FY2021 over FY2020, so if you could just elucidate what is this business all about and what is your outlook for it?

Jai Shroff: UPL has been building out our specialty chemical business pharma intermediates, etc., ancillary to our existing feedstock of raw materials which we do and that business is growing nicely we are seeing actually quite good growth rates in that space and we have some investments also in the last two years which are all kicking in and giving us revenue growth. We believe that business will continue to grow quite fast and the investments a lot of it are intermediates for pharmaceutical industry and other ancillary industries.

Tarang: Okay, thank you.

Moderator: Thank you. The next question is from the line of Girish Acchipalia from Morgan Stanley. Please go ahead.

Girish Acchipalia: Good evening, thanks for this opportunity. I had a couple of questions for Anand. Firstly on the tax. I did not understand that Brazil and Europe is it something which is one-off here, why should it reverse them subsequently with this Brazil and Europe have contributed in a big way even historically, so what has really happened in the tax rate level that is one? Second, if you can just quantify the BRL impact out of the Rs.200 odd Crores because we had about Rs.177 Crores impact even in Q1 of previous year, so just wanted to understand what has really changed?

Anand Vora: Thanks Girish, on the taxes it is just that based on the quarterly numbers and with the mark-to-market impact, even last year we had a negative deferred tax asset which was created in Brazil but then the other regions did well and therefore the net impact of tax was the provision for taxation. This year because of the large impact coming out of mark-to-market there was a larger deferred tax asset which got created and also in Europe as you saw our sales were below the last year's sales and therefore the cost of the sales, cost of operations and other things are there, so that gave us some benefit of creating which resulted in creation of the deferred tax asset, but as I mentioned in my commentary that as we move forward into Q2 and Q3 you will see the reversal of these deferred tax assets. In case of Brazil, the orders get executed and then they will be converted into sales and in case of Europe as the business picks up largely in Q3 and Q4 you will see the reversal happening on deferred tax asset, so that is on the taxation part. Your second question which was with regard to the MTM effects. As I mentioned in my commentary, we saw a 12% appreciation in Brazilian Real from 1st April to 30th of June. It jumped up from 5.6 to a dollar to 5 to a dollar although we are back at 5.2 but as of 30th of June there was an appreciation of 12% in Brazilian Real in that quarter, besides as you know the business from Jan to May-June we collect advanced orders and as I mentioned in my commentary we had advanced orders in excess of $500 million. We have taken NDF's and put options to hedge our advance orders as I mentioned in my commentary that this helps us to protect our dollar margins at the same time it gives us an assurance to the customer that they will be getting the products at the price at which they had booked. It is just a mark-to-market on these orders and as the orders get executed in Q2 and Q3 you will see that those reversals would happen as we move forward. As I mentioned it is just a timing mismatch, Q1 mark-to-market rolling over into Q2 and Q3, as we execute the orders this would get nullified.

Girish Acchipalia: Anand I just wanted to understand the Y-o-Y variance because even in Q1 of last year you had a similar situation, have you booked much higher orders and hence this is becoming bigger because even if I look at FX impact slides that you have put out the number is Rs.202 versus Rs.177 Crores was the last year, so we are talking of Rs.30 Crores delta right or some other regions would have positively contributed to that delta being lower?

Anand Vora: No, I think it is largely big coming out of the excess orders that we have got this year one, and two is last year we did not follow this practice of taking the hedge. As we had shared with you last year we did get impacted because we had the advance orders but the currency depreciated significantly during this quarter, we saw almost like a 30% depreciation which happened in the currency. This quarter it has gone the other way around but we in order to protect the committed selling price to the customers and also in order to protect our profit margin we adopted this derivative strategy and typically you would see this phenomenon in quarter ending 30th of June because that is when we have the peak advance orders, once those orders are executed at the end of Q3-Q4 you will see that this coming down significantly.

Girish Acchipalia: Fine. My last question to Carlos. Just if you can spend a minute on sustainable solutions growth during the quarter and what target do you have for the growth of sustainable solutions business in fiscal 2022 in the underlying growth that we are talking about 7-10% and just if you can comment on the European market share, are we flat or are we down a little bit given the changes that are happening on the product side over there?

Carlos Pellicer: Thanks for the question Girish, in looking at Europe what is happening is we have lost registration like the CIPC and we replaced that technology to sustainable technology that is Argos. In that way, we reduced our sales of chemistry and we increased our sales of sustainable and this is what we are doing with all the products that we have had impact. In Europe we are working very, very deeply on gaining speed on the penetration of the biosolutions and our growth of biosolutions will be almost double of the growth of our normal solution. If we are looking to grow in the range of 7% to 9% our growth in biosolutions will be just proportionately bigger than the growth in the chemical side and we are seeing this all over the Europe, it is not just one country but all over the Europe and we are quite dedicated on that. We are putting more people in the field to boost biosolutions demand. It is a much more profitable business. Even in Europe that as we have already a very good profitable business biosolution is more profitable, but it means more service, demand more work in the field and for that we are adding additional resources in some countries to help us to have that process, but to answer your question we will grow more in biosolutions and in general we have gained share in Europe because the market if stable or de-grew a little bit in Europe and we have gained share because of our sustainable solutions and we will see more of that in the next year because new solutions are coming, new registrations are coming and our footprint in terms of manufacturing that we have in Europe, that we have in South Africa, that we have in Mexico, that we are doing in India, it is helping us to do that because once we see the demand increasing, we will need more capacity too. We have a good capacity today but we will need to keep focused on supplying because the growth of the sustainable solutions will be proportional, like sulphur footprint we have a very strong sulphur footprint, we are leader in sulphur globally and we will see this growing. We are developing a lot of this diversified type of copper, sulphur and our biosolutions, our productive approach so that it will give us a lot of growth in Europe and other countries.

Girish Acchipalia: Thank you. I will join in the queue.

Moderator: Thank you. The next question is from the line of Ritesh Gupta from Kotak. Please go ahead.

Ritesh Gupta: Thanks for taking my questions. Just on the NPP side what is the likely revenues of this deal, if you could share that and would it be like it will be launched like a separate brand or eventually let us say could it also track some third-party investments as well as a separate platform, so if you could just highlight that bit and then on the Europe side I could not follow, I think Carlos did talk about it, but I think what is the outlook for the rest of the year in India especially it is growing materially faster while the sowing etc., has been running behind expectations or at least running behind, so what is outlook for India for the rest of the year?

Carlos Pellicer: Anand, in terms of this can we disclose that number, how do you see that?

Anand Vora: Yes. I think we had shared with the investor community that our sales from the biosolutions and the NPP range of products in which we have now regrouped under the brand of NPP is in the range of about 350 to 375 million per annum and this year we expect that to grow faster than the normal growth rate of ours. I can only say that because we are in the first quarter, but our internal targets are to grow at a faster pace than the normal business. Carlos please go ahead and explain the qualitative piece.

Carlos Pellicer: Yes, let us say in terms of India perspective we have had a very, very good Q1, Q2 we are monitoring and working let us say there is delay in rain and now it is raining a lot. We are very close to the customers and we are supporting them, very close to the retailers, to our distributors. We expect a very good year in India because technology-wise it is increasing a lot. We are seeing a very good results. The point that we need to see is the weather. Let us say the weather conditions that will be important to monitor now, but we are with a lot of new product launches. Our glufosinate technology now is moving very good and the other brands that we have in glufosinate are moving good. We have launched our clethodim, it is the first time that clethodim is sold in India. We have sold our propanil, it is first time that propanil is sold in India. We have got our Triphal mixture, it is the first time that

Triphal mixture is registered in India for seed treatment and there are new products coming in this season, a lot of new product launched in India in our platform, our ecosystem to work in India is so strong that we are really gaining share and we are progressing quite well in India.

Ritesh Gupta: Thank you. Thanks that is helpful just one bit on the gross margin side you saw Y-o-Y expansion about 50 basis points and so how should we see it in the subsequent quarters, one is on the price hikes that probably need to be taken or probably have been taken and yet to come through into the numbers and secondly on the logistics cost I mean could you quantify what kind of logistics cost impact would be seen and how that should evolve over the rest of the year?

Carlos Pellicer: We are factoring that in our price increase and we have been able to increase our prices and we are continually monitoring the cost and the price. As the price of commodities are so good, farmers are making money, have been good for them, there are constraint of product availability and as we have our manufacturing footprint all the investment that the company had done during the last 20 years on the manufacturing side now it is coming to us in a very good momentum because so many companies have closed their factories or have stopped or transferred or shifted to China or some other countries and we have done the reverse, we have invested in manufacturing, we have invested in our supply chain dealers, we have a very, very strong team on supply and in our manufacturing. This is giving us a very good momentum when there is constraint on some products and cost increase of some raw materials, because we are so much backward integrated we are able to play in the market now and be able to have a product availability and be less impacted in cost and this is why our margins have improved in Q1 even though we have old orders, we have all these situations. We have improved our margins in Q1 and we are expecting the same in the following quarters. This is the reason why I believe Jai has been so resilient, the company has been so resilient in keeping the manufacturing focus and keeping the manufacturing footprint that is I believe fundamental to the business model that we have.

Ritesh Gupta: Should we expect the gross margins to sequentially improve in the subsequent quarters?

Carlos Pellicer: Yes, we expect that we will be in track with our announcement that we have done in Capital Day. We are keeping our perspective exactly in line with that promise that we have done in Capital Day.

Ritesh Gupta: Okay, thank you so much.

Moderator: Thank you. The next question is from the line of Probal Sen from Centrum Broking. Please go ahead.

Probal Sen: Thank you for the opportunity. Sir, just on the weather conditions that you spoke about quite a bit with respect to Latin America as well as Europe. In Latin America, is it fair to say that in Brazil the first half of the sowing season is something that has obviously not gone as planned, so what would be the monitorable one should look at to measure whether the second half of the sowing season or the rainfall will start from September, I believe that is actually performing as per expectations in order to sort of meet our Latin American revenue guidance or the growth guidance that we are talking about right now?

Carlos Pellicer: I would say when we see Brazil the second season of corn has been impacted by some drought, and in February-March this year the corn plantation is delayed a little bit because they delayed the planting of soybean last year, soy had been delayed 30 days. For us, soybean is by far much more important than corn. Soybean prices are so good this year that we expect increased planted area of soybean in Brazil. We are seeing already a very good year of soybean in North America and the stocks are very low, the inventory of soybean is quite low globally. We are seeing that the price of soybean will be keeping in this range between $13 and $14 per bushel. This is an exceptional price, before COVID the price was in the range of $8.8, $8.6 per bushel, $9 per bushel. Now we are in the range from $13-14. Farmers do invest a lot in their crop. They will try to capture as much yield as possible per hectare. Exchange rate in Brazil and in China, Paraguay is quite good to the farmers. We are not seeing any weather prediction that will come with a problem for soy in that area. Today it is too early to say that. The soybean will be started planting in the end of September in Brazil, the first region will start about 20 of September but today we do not have any anything that creates any point that is putting risk of starting of the crop and the expectation is that there will be increase in about 2 million hectares of soybean just in Brazil that the planted area will be increased, so this is very good for us because our portfolio in soybean is very, very strong.

Probal Sen: All right. That is very useful thank you, and the second question again was on weather this time in terms of the Indian market. Obviously you have done perhaps much better than estimates because of stronger pricing realizations from what the briefing was earlier, but the delay that happened in June in terms of monsoon through to the first week of July do you see that as at least the permanent impact at least for FY2022 with respect to Kharif sowing and does that have an impact on our domestic business at least for Q2 before the second half of Rabi sowing actually starts from September or October?

Carlos Pellicer: We have here in the line Farokh that is our Chief Commercial Officer. I would request Farokh if you can explain that, you are so close to the market there and can you make some views on that?

Farokh Hilloo: Yes sure. Sure thank you Carlos. Could you just repeat that question please one more time?

Probal Sen: Yes I was wondering that the kind of delay that has happened based on some whatever we little can understand that some of the delay in sowing is not something that can be captured back at least as of now despite the fact that rains have actually picked up post the second week of July so does that impact our prospects at least for Q2 before the impact of let us say Rabi sowing again starts to show up in our growth numbers that was my question?

Farokh Hilloo: Yes, you are right basically there are some areas in MP where we have lost out on some acreages of soya bean but then what we have been doing in the last three to four years is that whilst we are looking at the big crops, the big acreages we have also started to work on looking at the small crops small but very niche, very specialized crops like groundnuts, like pomegranate and all those kinds of crops and secondly what is happening helping us also is this ProNutiva concept that we are going with in certain geographies where we have the adoption of the entire farms, the entire villages for that particular crop. Yes, we would have some impact when it comes to acreages for crops like soya bean but we do not see that impacting our Q2 or even the full year basically because we have a mitigation plan in place where we will catch up on those losses with the other crops that we are focusing on.

Probal Sen: Great. One last question if I may with respect to the impact of freight, supply constraints as well as some increase that is being seen in raw material prices from China, any view on how the rest of the year would pan out on these fronts?

Carlos Pellicer: Thank you for your question. We have Raj Tiwari, our supply chain manufacturing head, he can give a brief for you on that and we are quite on track on that. Raj can you pick up this question?

Raj Tiwari: Yes, sure Carlos. As far as the logistics cost is concerned going forward I see the cost at a similar level for the next three quarters. Universally especially in the ocean trades there has been an increase to the tune of 15%, 20%, in some areas even 25% but that is going to stay and in my view that will not now further go up and will remain stable there. As far as the cost increases are concerned there has been some cost increase on basic commodity but also some corrections which have happened and also in case of intermediates since most of the products what we make ourselves we are also backward integrated so not much impact. I mean there has been an impact because of basic commodity chemicals but not on account of large price increases that has happened in the intermediates in China. For example, glyphosate as a tech that has moved very, very rapidly up in the last three to four months but glyphosate as such is not a big molecule for us, so there has been an impact but for us the impact has been less as compared to any of our peer groups.

Probal Sen: All right Sir. I have more questions and I will come back. Thank you so much for your time.

Moderator: Thank you. The next question is from the line of the Vishnu Kumar from Spark Capital. Please go ahead with your question.

Vishnu Kumar: Thanks for your time Sir. This question is for Carlos I am circling back on the same question on the weather in Brazil. I understand about the Safrinha corn that you spoke about and the Southern Brazil going under stress. Would Mato Grosso which is the key region for our soya crop does it depend more on rainfall or more from a reservoir level because we understand even the reservoir data that is coming out of Brazil is showing some phenomenally low water levels there, so would that be at a risk if the following rains do not really show up that Brazil probably may see some stress perhaps in the second half?

Carlos Pellicer: Thank you for the question and I would say soybean in Brazil is interesting because we have from the river to very South of Brazil up to almost Amazon that is very, very large and very wide from almost Bolivia through United States. It is very wide and very long let us say country. The weather can be more dried in one region, more wet in other region but in average the soybean is quite sustainable in Brazil. Mato Grosso is the main state and weather in Mato Grosso used to be very regular. You can delay a little bit to start rain or have a little bit of shortage on the end of the corn, but it is amazing that it is not irrigated area but you are able to do two seasons, two seasons of one, for instance, soybean followed by cotton as Safrinha cotton and first season is soybean and second season is corn, say two seasons in a non-irrigated region. Mato Grosso is a really perfect in every account. The soil is good and the farmers are so technified and what happens every year they start sowing around 15-20 of September that is when it is allowed to start the planting soy, before 15 of September is not allowed to plant soybean all over Brazil, starting from September that is allowed to manage disease control from one season with another and normally what is happening is worst case scenarios instead of starting on 15th of September they may start planting on 30th of September or first week of October in the worst case. Like last year instead of starting on 15th of September they started planting in the second week of October, but the weather is quite good and we do not have any predicted drought in Mato Grosso. What we are expecting is that the plantable area in Mato Grosso could increase quite a lot this year because of the excellent price on cotton, corn and soybean - the three crops that are the main crops for Mato Grosso. The price is exceptionally high almost 99 cents for cotton, $5.5 per bushel in corn and $13 to 14 per bushel in soybean. Mato Grosso this year will be like the farmers are making so much money and even with this drought in corn the farmers can make a lot of money this year in Mato Grosso, all over Brazil, but especially in Mato Grosso. No machines there. There is a big line, I believe there is a big queue on the machine supply because the farmers are buying machines, they are buying cars, they are buying because they are making a lot of money.

Vishnu Kumar: Got it Sir. Just on the U.S. market again there is a lot of drought news that we keep hearing on the mid west. I understand that the season is already almost over another maybe month or so, how is the current inventory situation there? Is it okay or more from a next year's standpoint how do we see that? Is our market okay or how our inventory building up there?

Carlos Pellicer: In the North Europe and USA are where the inventories are the lowest and as the price of commodities are so good, the farmers are applying technology and the inventory is very low. We have been able to increase price quite a lot in U.S. because the inventory is low and we have been able to quickly adjust our prices there and it is moving very good. I believe North America would be one of the best regions for us this year and we have improved our footprint there too. We are closer to the farmers, we are closer to our dealers, our partners there. We are quite confident in the North America business this year.

Vishnu Kumar: Okay thanks and all the best Sir.

Moderator: Thank you. The next question is from the line of Matias Vammalle from Blue Bay Asset Management. Please go ahead.

Matias Vammalle: Thank you. A quick question from my side, if you can just tell us a little bit about the debt, what is your total debt and cash balance and if I understood correctly over the quarter you drew 250 million of the sustainability loans so that is up to 750 and with that you repaid a similar amount of the restart position so that is currently around 1.5 billion is that correct?

Anand Vora: That is right Matias.

Matias Vammalle: And what is your total debt and cash balance as of the end of the quarter please?

Anand Vora: I am going to say in Crores that is Rs. 25,099 Crores and the net debt is Rs. 21,467 so the delta is the cash on hand.

Matias Vammalle: Perfect, all right and thank you very much.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra: Thanks for this opportunity, if you can just talk something about the OpenAg pipeline that you have created or creating and how is that getting complemented by the NPP effort that you are consolidating everything there, so something on that front if you can please add?

Carlos Pellicer: Can you repeat the question please?

Surya Patra: I just asked about what is the progress in the OpenAg pipeline that we are witnessing and how is that getting complemented by the launch of the NPP portfolio and consolidating this to the OpenAg pipeline?

Carlos Pellicer: Thank you for the question. You know how I love the OpenAG purpose and really the OpenAg purpose inspired us a lot and gave us so much energy towards really be focused and create sustainability and transform the agriculture worldwide. OpenAG was launched in the first of February 2019 and had created so much energy in the direction of reimagined sustainability and our strategic agenda in that direction arriving the launch of NPP now, the Natural Plant Protection. It means that the world needs more sustainability. The world needs our origins, we move in that direction and the NPP, our natural plant protection pipeline, is coming very much in that direction. You know our dedication on the soil side, on the soil health, how much we have arrived with Zeba technology that we have launched some years ago and these technologies are now gaining more and more traction and the culmination of this technology Zeba together with other pipelines is creating so much value in terms of the soil health side. Let us say we are very much dedicated to the health soil technology. We are very much dedicated to the first phase of the crops, the stage where the crops are germinating and transforming from the seed to a plant, the soil will have a so important part of that and we are with our knowledge we are combining a lot of technology for the soil health perspective, for the germination moment of the plant, what we say crop establishment and another work that we are doing to make the plants more strong, more healthy. What we are creating with our Vacciplant, this product or this solution that works like a vaccine to the plants. We are working with all these different dimensions from the soil side, from the crop establishment side, from the side of making the plants more health, more capable to compete with the disease and in combining that with our proactive approach because the sustainability comes from that perspective. We need to make the plants more stronger, more able to compete but at the same time it is necessary to use chemistry, to use intervention, and we have that intervention to be done. It is like in our life now as a human being, we try to take vitamins, we take vaccines, we take everything to avoid to take an antibiotic, but if we need antibiotics we need to have the antibiotic to cure, to control that problem so we are working with the plants in the same way, we are working to make the plants more resilient, more able to compete without so much chemistry intervention but when it is needed we have the chemistry to control that too. That is the beauty of ProNutiva that we apply the biosolutions, we apply the sustainable solutions and when it is needed we have the chemistry to support that and to have the best productivity, the best yield per hectare in a sustainable way. So I believe this purpose, our OpenAg purpose that gave us this sustainable side. It has really transformed UPL to a company that has connected with what the world needs. It has connected with what the consumers are demanding. It connected with our soils, our soil is demanding, our farmers are demanding. Our focus in sowing from a farmer's standpoint is very much there. I hope I have answered you but OpenAg for us meaning so much, so strong for us that I can stay here for three days talk with you about that.

Surya Patra: Sure, just a suggestion Sir. Since all of us are excited to see the kind of faster progress in the biosolution portfolio and OpenAg portfolio and all that, it could be great if you can just share quarterly performance of this portfolio, if not region wise at least global what is the contribution that the portfolio is really making per quarter so that could be helpful in understanding and seeing the progress of the company qualitatively going ahead so that was one suggestion. Last question from myself is on the non-agri new businesses what you have mentioned in the initial part of the discussion Q&A so what is the size and scale that you are targeting and also if you can just talk something about the progress on the integrated manufacturing effort that you are witnessing considering the current global supply disruption that has been prevailing?

Jai Shroff: Thanks for the question. UPL is probably the most backward integrated chem company in the world. We are completely backward integrated. A lot of the feedstocks go into alternative industry like pharmaceutical industry, so we have started to exploit that backward integration core competence into developing other ancillary. It goes from lubrication industry to pharmaceutical industry, etc., and that portfolio is continuing to grow. I think probably in the next annual meeting we can give more details, but that business is growing I believe we are the largest. If you look at our chemical manufacturing platform we are by far the largest specialty chemical company, if you look at it from chemicals point of view. We are completely integrated so that insulates us from price fluctuation and we are not really dependent on any particular source from any country for our raw materials. We are fairly well hedged from that point of view. It just gives us and our customers the comfort that they can have a very strong alternative supply chain platform which is not dependent on where all the other guys are sourcing from. So it is an alternative and it gives us our customers a lot of comfort. That specialty industry is growing and UPL is investing a lot in backward integration, so we believe that platform will continue to expand.

Surya Patra: Thank you. Wish you all the best.

Moderator: Thank you. The next question is from the line of Dhruv from HDFC Fund. Please go ahead.

Dhruv: Thank you so much. My question is a bit related to the earlier one. We have a very strong manufacturing base and given the context that prices out of China rising this gives probably a significant advantage. Can you share some thoughts on what probably our share of total technicals probably we self-manufacture and also if you probably do internally do some quantitative analysis and you can share some thoughts there as to say for example how the technical price has globally moved and probably how have your cost of production moved and how much is that contributing to your competitive advantage because the cost is increasing for all your peers but probably it is not increasing as much for you because you are backward integrated, so if you can give some quantitative data on for us understand how is this helping us?

Jai Shroff: UPL has been gaining market share for the last 10 years in almost every market. We believe we are competitive and but we still have the highest margins in the industry, so you can just understand that our cost of manufacture is much better than anybody else because you cannot go into all markets, so we generally have advantage in our cost that shows up in our margin and the fact that we are gaining market share is that we are able to exploit the advantage of our cost of manufacturing so Raj you can answer that?

Dhruv: So my point was only that in the current context where the prices are rising globally this gives a further advantage to us so I just wanted to better understand on some qualitative data or some quantitative data in terms of how is that contributing to us?

Raj Tiwari: No, it will be difficult for me to tell.

Jai Shroff: I think you will see that when the market fluctuates a lot and we see a steady growth in UPL business in growth and volumes and market share, and that sort of gives you the barometers. Quantifying numbers, this is all a moving target. We have a whole portfolio of products, so it is not easy to say what happens in synthetic or what happens in other phosphonate or some other portfolio. It does not necessarily match up all the time because this is all a moving target. It is very difficult to say exactly how much advantage but you can for sure say that we are probably the lowest cost manufacturer in all the products we operate in.

Raj Tiwari: And that is also evident Jai. I think the point which I was trying to try was that if you see our result, we have 6% volume growth and our margins expanded with 2% in the prices, which means we have been able to very much defend our cost with such a large cost increases which has happened in the market, we still have been able to deliver 6% volume growth on back of our manufacturing and also have been able to defend the cost so that we are least impacted which is evident also from the result, but difficult to say that how much is our technical share which we buy from other players or in terms of making it. I can only say that a substantial part of our business comes from our own manufacturing.

Dhruv: Sure, thanks so much.

Moderator: Thank you. The next question is from the line of Aditya Jhawar from Investec Capital. Please go ahead.

Aditya Jhawar: Thanks for the opportunity most of the questions have been answered, just one question for Anand, so Anand our debt increased in this quarter by 1000 Crores and this is a typically a lower working capital quarter, in the next couple of quarters where the contribution of Latin America, America would increase so will the quantum of debt further increase in the next two quarters and any target that you would like to share of debt by end of this financial year?

Anand Vora: I would say that you are right, working capital will go up as we keep saying in the end of Q2 and Q3 and then you have a sharp decline in working capital in Q4 as all the collections and other things combine. The debt will go up but definitely not in line with the working capital going up. It will be at a lower base and you will see a sharp decline in debt by end of the year as we collect the cash. Our target as I mentioned earlier in my commentary that we would be looking at bringing down our net debt levels to below 2 net debt to EBITDA and that is something which is our commitment to all the rating agencies as well as to our debt investors that we will bring down our net debt to EBITDA to below 2 levels.

Aditya Jhawar: Okay that is it from my side. All the best.

Moderator: Thank you. The next question is from the line of Akshay Goel from ICICI Prudential AMC. Please go ahead.

Akshay Goel: Thank you for the opportunity. I just wanted to understand the guidance for revenue growth 7-10%, how much of it will it come from the NPP platform, like if you exclude the NPP platform how much revenue growth guidance are you looking for?

Anand Vora: I think about 8% to 10%, more towards 10% percent with all these investments which we are doing in NPP platform we do expect now to be at a slightly higher contribution to the overall revenue, so we would be looking around 10%.

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang. Please go ahead.

S. Ramesh: Good evening and thank you very much. Going back to the European situation you mentioned that you are trying to recoup the chemical products with sustainable products what is the transition time and to what extent doing that impacts your group in the next few quarters, can you share some thoughts on that?

Carlos Pellicer: If I understood the question, in Europe what would be the change from chemical to sustainable and in what will be the process of that, can you repeat the question please again?

S. Ramesh: Yes, I just want to understand with the process of this transition do you expect the pressure on revenue growth to continue, you see the revenues be negative for some more quarters before we are able to generate growth from the shift to the sustainable products?

Carlos Pellicer: It is amazing that the pain points that the farmers in Europe is having now because of this challenge that very important products have been banned and they are having different kind of pain points and this is what we are very concentrated . We are very, very much concentrated to understand their pain points and to be able to find solutions to that pain points in a way that they can keep the youth, like I was talking about this farmer in Poland to say that we have many farmers in Poland that is part of our ProNutiva approach and when we visit the farmer and the farmer was producing 80 tonnes of apple per hectare and we were so happy to see that because with so much constraint and so much pains and this farmer was an example of quality and example of sustainability approach and with so high yield and then we went there to understand what he was doing different and what they were doing different is that they were doing the last six applications with our Vacciplant, our sustainable solution and he was explaining to us and giving to us that how happy he was with our technology and we are learning from the farmers their pain points at the same time we are learning from them sometimes from how they have been able to use our technology maximum. This example of Vacciplant in apple is so interesting that a farmer that is using a sustainable solution, a vaccine, to finalize their crop and apply as soon as the fruits start to become like a ping-pong size, they just treat with our Vacciplant and they have been able to produce 80 tonnes of apple per hectare with that technology, so this example is what we are doing. We are really understanding their pain points, understanding how to position our product, how to use our products in each phase of the crop and sustainable solutions is very much like that we need to be positioning the product, to use the technology at the right time and that is the secret of the biosolutions - to use at the right time. Like our anti-sprout I talked about our Argos this technology that we have to and anti-sprouting in potato. You need to apply the product at the right moment, the moment that the sprout starts to grow you need to apply the product. That intervention at the right time makes a huge difference. This is why we are so much customer centric and we are making the company to become more and more customer centric, to become more and more closer to the farm and able to understand that. This is the way that we grow in Europe and the way that we continue to grow all over the world, but in Europe especially it is even more important and we are quite happy to see the progress that we are having there.

S Ramesh: Yes. What is the impact of the floods in Europe on the crops and crop losses and how much it has impacted your sales in the coming quarters?

Carlos Pellicer: No impact because of the other product solutions.

S Ramesh: Okay, thank you very much Sir. I will join the queue.

Moderator: Thank you. Ladies and gentlemen we will take one last question from the line of Sonali Salgaonkar from Jefferies India. Please go ahead

Sonali Salgaonkar: Thank you for the opportunity. Sir most of my questions are answered just one question. Could you give us an update on the synergies both on the revenue and the cost side?, Thank you.

Anand Vora: I think we have announced about the cost and the revenue synergy target. As you know, the cost energy was there for a period of two years, done by March 2021, so while we continue to get the benefits of cost synergy but we have stopped tracking it. As we announced during our annual results cost synergies were upwards of 200 million. I think it was around 220 odd million, so we are about the target that was delivered on cost synergies. From revenue synergies also we have exceeded our target. We have set ourselves a target of 350 million and I think we are way above 400 million, so we work now as one integrated company and we continue in our journey of cost reduction and bringing in more sales, but we are not tracking these separately.

Sonali Salgaonkar: I understand Sir. I am sorry one last question from my side. Sir what is the situation of the inventories on a global level, so you talked about the inventories in the U.S., etc .but what about the other region that is it from my side?

Carlos Pellicer: Yes the inventories in the other regions let us say South, North Europe, and North America with the lowest inventory that we see in the market. But when you go to Brazil, when you go to Latin America, South Europe you see more inventory and our expectation that this inventory will be reduced quite a lot in the next season now. In the case of Latin America including Brazil with the price of the commodity that we are seeing we believe that this year the use of the inventory will be quite high and the decrease of the level of inventory would be very big because of the price of the commodities. In the constraint of some products we are seeing that the fertilizers are with a lot of constraint in terms of the ability because the farmers are demanding a lot. Seeds are in constraint because the demand for soybean seeds, corn seeds are very high. In Europe, like in South Europe we are seeing a reduction now in the inventories because the rain came in the end of June beginning of July and the demand for products have been quite high in July. Our sales in some countries have increased a lot in July and the use of the products is there. Now we do not believe that we will have high inventory at the end of the season even in South Europe since the frost have impacted in the beginning but now the rain came and it is normalizing and we are not seeing an issue. So, we will see in this year much more constraints in the products and then in high inventory I believe it is the opposite this year. I do not know if you have any other question.

Moderator: This is the operator, the current participant has left the question queue. I would now like to hand the conference over to Mr. Anand Vora for closing comments.

Anand Vora: Thank you. Once again thank you everyone for joining us on this call. I think there were some very good questions and we have a full spectrum of questions, but if anyone has any follow-up questions please do not hesitate to reach out to Radhika Arora or myself and we will be happy to answer the questions. Thanks once again for joining us on the call and have a good weekend, thank you.

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