Best Agrolife Limited

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Sub: Transcript of Q4 Earnings Conference Call - FY 2023-24

Dear Sir/Mam

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 (the "Listing Regulations"), please find enclosed herewith the transcript of earnings conference call for the quarter and year ended March 31, 2024 held on Monday, May 27, 2024.

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

Astha Wahi

CS & Compliance Officer

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Auth. Sign.

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MAKE IN INDIA

Best Agrolife Limited
Q4 & FY24 Earnings Conference Call
May 27, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY24 Earnings Call of Best Agrolife Limited. 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. This conference call may contain forward-looking statements about the company which are based on the belief, opinions and expectations of the company as on date of this call. The statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. Today, from the management side, we have with us Mr. Vimal Kumar – Managing Director, Mr. Vikas Jain – Chief Financial Officer and Mr. N. Surendra Sai – Head Strategy and Overseas Business. I would now like to hand over the call to Mr. Vimal Kumar for his opening remarks. Thank you and over to you, sir.

Vimal Kumar: Thank you very much. Good afternoon to all and welcome everyone to our Q4 and FY24 earnings call. I appreciate your time today as we discuss our financial performance. In this quarter, Best Agrolife reported revenue from operations of Rs. 135.39 crore and Rs. 1,873.32 crores for the full year FY24. I would like to open this call starting with the industry landscape and then our business post which Mr. Vikas will take you through the financial performance.

A few words about the industry landscape. The Indian Meteorological Department predicts this year's rainfall at 106% of the long-term average. We anticipate increased demand for our agrochemical product. On the demand side, we anticipate the season to be good and alignment with the expected good farm results. According to the latest data released by the World Trade Organization, India has emerged as the second largest exporter of agrochemicals globally, a significant leap from being ranked 6th a decade ago. We look forward to improve output globally for agrochemical productions. Our plans for moving to high value technicals is in alignment with this. India is rapidly becoming a major global manufacturing hub for agrochemicals, driven by low manufacturing cost, affordable labor, highly skilled manpower and production capacity.

As per mode of intelligence, the India Crop Protection Chemicals market is estimated to reach US $2.48 billion by 2024 and US $3.13 billion by 2029 with indicating a CAGR of 4.72% from 2024 to 2029. We expect to launch at least 4 patented specialty product this year at Best Agro. Agrochemicals play a critical role in maintaining crop health and ensuring food security for India's growing population. With increasing pest resistance and rising demand for food due to population growth, the need of effective pesticide has become more pressing. Additionally, this is a growing awareness of the benefits of pesticides in enhancing crop yield. We anticipate upward demand in this sector especially for safe and effective active and formulations.

Since the financial year has ended, I would like to highlight some of the milestone the company has achieved this year reflecting our commitment to innovation, sustainability and growth in the agrochemical industry. With regard to our agreement with Syngenta for making pyroxasulfone 85% WG herbicide branded as Movondo. The partnership holds significant promise not only enhances the value proposition of new herbicides within a market value of Rs. 300 crore, but also that generates revenue independently. We anticipate that this product will be instrumental in driving robust growth. We have reached a significant milestone by becoming the first Indian company who manufactured both the active ingredient and the formulation of pyroxasulfone. The achievement not only set us apart of in the industry but also enhances our control over quality and supply chain efficiency. Further our recent acquisition of 99% stake in Kashmir Chemicals enhances our manufacturing capacities positioning us to meet this growing demand effectively and support our farmers in achieving a prosperous season.

On another note, in line with our inorganic growth initiatives with, we have successfully completed the acquisition of Sudarshan Farm Chemicals. This acquisition is strategical and enhancing our market presence and R&D portfolio. In regulatory advancements, we are proud to announce that Best Agro received 9(3) and 9(4) patents in all, which is a testament to our commitment to R&D and registration expertise. Additionally, we have incurred sustainability through our recent tie-up for 3 MW solar energy at our Gajraula plant. This green initiative is projected to save us 33% on energy cost reaffirming our place to clean energy and environment stewardship. Our innovative edge continued to be recognized as Best Agrolife secured patent for our ground-breaking products like Tricolor, Shot Down, Orisulam and Defender. Throughout FY24, we launched over six products including our one more patented formulation. In FY23, we have launched one and this FY24, we have launched another one. In FY25, we will be launching 4 new patented products, so total will be 6 products till FY25.

Lastly, we have taken a significant step forward in our digital transformation journey with SAP S/4HANA Greenfield implementation. This upgrade marks a vital move to enhance our operational efficiency and better serve our customer through advanced technology. And we are also in a process of app for dealer and distributors who is with the Best Agro. First for the distributor and dealer and then for farmers, we will also launch this app. We have data of the millions of farmers who are using our product already, for that this app will be very useful.

I want to emphasize that despite anticipated industry challenges, we are confident that our unique portfolio will provide significant protection, mitigation, potential impacts to a considerable extent. Now, I hand over to our Mr. Vikas Jain to elaborate on our financial performance for the quarter and full year. Thank you very much.

Vikas Jain: Thank you, Vimalji. Good afternoon, everyone. Thank you for joining us here today. Just to reiterate, as Vimalji had already mentioned, revenue from operations for Q4 stood at Rs. 135 crores compared to Rs. 254 crore in Q4 of FY23. This represents year-on-year decline of 46% due to an unexpected seasonal failure in early quarters of FY24 as against the normal season conditions in the same period last year. This led to a lower than expected sales coupled with an unexpected increase in the sales returns. In terms of profitability, Q4 FY24 EBITDA recorded a loss of Rs. 67 crores against a profit of Rs. 7 crores in Q4 FY23. Furthermore, our Q4 FY24 PAT stood at a loss of Rs. 72 crores compared to a loss of Rs. 8 crores in Q4 FY23. These losses were primarily driven by price erosion, unfavorable seasonal conditions and higher OpEx due to our investments in the brand building.

For the year ended March 31st 2024, revenue from operations grew by 7% to Rs. 1,873 crores compared to Rs. 1,746 crores in FY23. This growth was mainly due to a significant growth in the branded sales compared to the previous corresponding period; however, our FY24 EBITDA was Rs. 225 crores, down by around 28% from Rs. 313 crores in FY23. This decline is attributed to our shift in business strategy from institutional sales to branded sales resulting in higher employee costs and other expenses. The increase in employee costs is due to our strategic investment in manpower to expand the dealer network. Additionally, other expense had also increased due to incremental travel and marketing expenses. Despite these challenges, our company has managed to sustain itself and continue to focus on growth by shifting our strategy from institutional sales to branded sales. Branded sales have demonstrated a significant growth potential, exhibiting an increase of over 100% compared to the previous year. This shift is expected to positively impact our topline and bottomline in the coming fiscal year as well. While we have not experienced significant price this year on our products, it is important to recognize that pressure might exist in the market.

I would now like to hand it over to Mr. Surendra Sai to take us through the international business updates.

N. Surendra Sai: Thank you, Mr. Vikasji. Good afternoon, everyone, and thank you for joining us today. I'm happy to provide you with some insights into our ongoing international business expansion just before we commence the Q&A session. Currently at Best Agrolife, we stand at the threshold of entering into international market. We have formulated a clear strategy for a long-term sustainable growth that takes into consideration the changes in the global market dynamics. I would say while it is early stages, our primary focus lies in leveraging our portfolio of specialty and patented products and these have been pivotal in our success so far in India and we hope to replicate a similar success abroad. In anticipation of this endeavor, we have been finalizing the country and region where our product can yield significant value and margin. We have been filing for patents abroad and as of now, we have applied for 10 patents across in 54 countries.

In addition, we have commenced our registration work in multiple geographies. We have been focusing on the Far East, parts of Africa and also in Europe. We have already opened our holding company in Mauritius and we look forward to opening multiple international subsidiaries in this year. We hope and look forward that these foundational steps will yield results for the years to come. That's all from our end and we can now take questions.

Moderator: Thank you very much. We will now begin the question and answer session. We'll take our first question from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: So, my first question is regarding our revenue topline figure for this quarter, it declined very sharply for this quarter and you mentioned a reason for this that is season failure. So, can you elaborate on that? What is the seasonal failure that has resulted in such sharp drop in topline figure?

Vimal Kumar: Yes, Mr. Pradeep, actually, this main reason for the quarter four, which has declined a lot because we are into the business earlier, we are into the business of mainly B2B business. Now, we are moving to B2C business and B2C business this year we have done almost 60% of our total revenue and generally this fourth quarter is **replacement** time, but this financial year which we are talking, this financial year at the last because of the supply chain pressure, because of the oversupplies from China and the price has reduced drastically from last, if you'll see from August to March, it was dropping a lot.

So, nobody wants to keep that stocks with distributor and dealer. So, that is the main reason where we are, this fourth quarter very weak for the sales.

Pradeep Rawat: So, earlier we have conducted business in B2B mode and now we are shifting towards B2C.

Vimal Kumar: Yes, this is the one of the reason.

Pradeep Rawat: So, why this shift? Did we lose contract with some of our customer or it is like our strategy?

Vimal Kumar: It is our strategy only because now we have our own patented molecules. So, we want to develop them in a longer way. That is our strategy decision.

Pradeep Rawat: So, since given our like very bad results this quarter and you said that there were market conditions that was the reason. So, what gives us confidence to achieve like 20% kind of growth this year?

Vimal Kumar: Of course, whatever the stress you can see in the fourth quarter, you will see in the next coming quarter which is going on now, the first quarter and second quarter, definitely it is very good because before starting the season, if there is something like last year it was before starting the season the market was very high, prices are very high. So, that is coming at the end of the year, the result is coming. But if you see this year, already price was lower before starting the season. So, that's why fourth quarter was not good, but of course that effect will come in the first and second quarter, which you can see it will be very, very good I can say.

Pradeep Rawat: You are saying that, the market is at like very low right now. So, when are you expecting this market to bounce back and like going a pathway that will yield the 20% growth target that you have given?

Vimal Kumar: Actually, you are asking for the market is low. Actually I was explaining you quarter 4 market was low, now it is quarter one for FY25, it has been changed from April, May and now it has changed entirely and I hope that this first quarter will everything perfect, which is in the fourth quarter, we are losing.

Pradeep Rawat: And my second question is regarding our CAPEX that we are doing like what is the CAPEX outlay, I think Rs. 200 crores and where are these CAPEX going into?

Vikas Jain: Mr. Pradeep, with respect to CAPEX, earlier we had said that we had a plan of close to Rs. 200 crores last year which was our projection guidance for 2 years. But as the last six months have been bad for this industry, we have put our CAPEX little bit on hold and the CAPEX would be renewed again in next 2-3 months wherein we have our cash flow there. Once it is eased out fully, that is the time will again decide which is the plan for next year. So, as of now, CAPEX is on hold. But yes, what we are expecting is the cash flow will ease out drastically in next 3 months and then we'll be preparing the fresh CAPEX for next year.

Pradeep Rawat: So, we have not incurred any CAPEX right now?

Vikas Jain: FY24, we have incurred close to Rs. 50 crores. From April till now, not much of CAPEX has happen, but this year decision will be taken in end of July or so.

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

Siddharth Gadekar: Sir first coming to Ronfen, in the presentation, you have highlighted that the market size for this product is around Rs. 8,000 crores and in the opening remarks, you have said the Indian agrochemical market is roughly about $2.4 billion. So, how does a single product would be that big in the overall scheme of things?

Vimal Kumar: Siddharth, you are asking about the Ronfen market size of Rs. 3,000 crores, correct. Market size is not Rs. 3,000 crore for the Ronfen.

Siddharth Gadekar: You have mentioned Rs. 8,000 crores.

Vimal Kumar: Yes, Rs. 8,000 crores is the market size, not for the Ronfen. Market size for the second test is Rs. 8,000 crores which we have said in our statement. Rs. 8,000 crores is the market size for the second test segment and this is the very good and ideal product Ronfen which is those in the second test segment. The segment is Rs. 8,000 crores, Ronfen market is not Rs. 8,000 crores.

Siddharth Gadekar: So, in terms of Ronfen, can you give some color on what kind of sales have you achieved in FY24 as you were expecting this product to relatively to do much better than the industry?

Vimal Kumar: Yes, definitely. In fact, any product when launch, Ronfen is the first product in FY23, we have launched, FY24 was the second year, now it is in the third year. So, any product which is really very good, so first year anyhow, because we have to develop that product, farmer has to understand what is that product, any of the product when we launch and especially patented molecules where we have three-way combination, where we give the one-shot solution to the farmer, there again the farmer has to understand this kind of chemistry is working or not. So, we can say the first year is a trial year for the farmer, still we did Rs. 150 crores of sales. Again the second year completed, we have got Rs. 250 crores of the sales, so according to us which is very good sales, according the Best Agro because this Rs. 250 crores in just second year for any new molecule is a big sale. But definitely the way it is growing, we are hoping in the next 5 years this will be a big molecule as Ronfen.

Siddharth Gadekar: And secondly, in terms of our inventories, when we look at our balance sheet, are we still carrying any high cost inventory or we have broadly done now with the high cost inventory?

Vimal Kumar: Yes, we have already done now, but definitely in the first quarter and second quarter, whatever the inventory are there, all will be, numbers will be very less in the second quarter end for the inventory.

Moderator: Thank you. We will take our next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, I just wanted to understand, you mentioned that this April and May market has changed, so we just wanted to dwell more into it. So, what has exactly changed? Has the pricing improved or the pressure that you are seeing from China, because of which the pricing were going down and how is the demand scenario? Can you throw some more light, so what has changed exactly which is giving you the confidence?

Vimal Kumar: In our commentary, what we said, it is not directly impacting any of the global customers of the Best Agro because mainly we are shifting to interstate business and our patented IP. So, if in that case it is not very directly, we can say the market will go down so our performance will be down, market will go up and our performance directly will go up. In fact, we are in a better position than another because of our IP. What I said, in the 1st April 23, we have launched one patented, then second FY24 we have launched our second patented and this year we are going to start four more new patented molecule, which is a very big thing for us as a Best Agro with an Indian industry in three years, six product which we have to do that is something different. Of course, what your question is a little bit different and that I would say because of how we can say that April, May and June, of course, this is the season time for us, placement time for us and for herbicide mainly it is the consumption of the products, at the farmer level also. So, in that way you will see and I said in my commentary also, the IMD also have predicted that 106% of rainfall is coming and every day we see, how it is going on. If rains will come, so at least in India, you would say 25% to 30% more crops will be there, apart from irrigations. So, that is also one of the reasons and other reason is our patented molecules which we are launching like, one we have already launched in April which is Orisulam, the another we are launching in June that is the Defender. So, each two months, we are launching one product according to the season time.

Deepak Poddar: So, given that you have said this year, we are looking at 20% revenue growth rate, right?

Vimal Kumar: Yes, 20% revenue growth.

Deepak Poddar: And have you said anything on the margin front? How are we looking the margin this year?

Vimal Kumar: Definitely, 20% of EBITDA, we will try to get it.

Deepak Poddar: 20% EBITDA margin and 20% in revenue? This first quarter itself, April, May, June that you are saying in the season, so Y-o-Y basis, can we expect that this 20% growth run rate to be seen in first quarter itself?

Vimal Kumar: I cannot say very correctly it will be like this way only, but we are hoping this will be in the first quarter or so.

Deepak Poddar: Hoping, because ideally we are already two months into this first quarter, right, April and May and you would be very sure of the trend that you must have seen in this first two months?

Vimal Kumar: Definitely, things are very positive in the same direction which we are talking and in the same direction it is going on and we are hoping means we are confident that there will be 20% growth and we are about 20% EBITDA margin in the first quarter itself.

Deepak Poddar: And how is the situation of the pressure from China? I understand it might not affect you directly, but in general from the industry perspective, how are you looking at?

Vimal Kumar: In fact, it is according to the, we cannot sit directly for the entire 100% industry, but definitely there is 70%, 60% of it will come to the industry also because now it is season time, in fact, whatever the Chinese are crazy from, you can say October to March that is impacting till now. But if now any change is coming so it is season time in India from April to September, mean season time. So, I don't think so directly anything will be drastically affected to any of the companies in the industry over for China, because China what they have to do, by March only they have to do. After that, there is no time left directly they can impact the market take that much.

Moderator: Thank you. We will take our next question from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Sir, can you highlight what kind of inventory write off that we took this quarter? And how much of that high cost inventory is still in line in our books, which you said we will use it over the next two quarters?

Vikas Jain: Mr. Pratik, presently as of March, we had close to Rs. 950 crores of inventory. This inventory would be liquidated in next 6 months as we see this season will pan out. So, high cost inventory, most of it will get consumed during this season. So, our new purchases are happening at low prices because the prices are at rock bottom and in fact increasing a little bit in China. So, there will be some inventory which is there in the high cost, but it will be liquidated now and whatever our new purchases are averaging all the high cost inventory and this situation is across entire industry not just with Best Agro, so this take six months the entire inventory whatever we had from earlier period will get exhausted.

Pratik Kothari: Given that we have this high-cost inventory still in line which will give us this one and the prices we said are a drop for them, so how do we get this 20% margin that we spoke about for the year or even for the first and second quarter?

Vikas Jain: So, the best part is we have most of our products which are patented products. The issue comes more where we are selling generic products. The overall generic portfolio in our business is close to 20% only, so that is the only portion where it hits us, but rest of the product where our prices, where we are selling patented products, there we are able to maintain the same level of prices. So, there we are not releasing the prices. So, for those 20% obviously there is an issue and there is some differentiated products might have lesser issue than the generic, but that is the reason we are confident that we are going to get that that range of EBITDA.

Pratik Kothari: And sir, we have mentioned that we shifted from institutional products to branded, can you highlight what is that mix currently? What was it last year and what is it that you are doing? Because we also spoke about some cost sitting currently when it comes to investing for this branded product?

Vikas Jain: So, when I said March 23, our breakup was close to 30%, 70%, 30% was branded and 70% was institutional. And presently it is close to, I can say, more than 50%, close to 60% branded and 40% institutional.

Pratik Kothari: And then it is today's pricing scenario would expect this to continue going forward?

Vimal Kumar: Yes, this will. It will be more than double this year and we are hoping this will be 70% because we are again, I am repeating, new patented molecules we are launching this year.

Pratik Kothari: And last, CTPR and Ronfen, what was the sales number this year?

Vimal Kumar: Ronfen is Rs. 250 crores. This is for FY24 which we are talking and for CTPR, our sales is around Rs. 145 crores with the CTPR sales.

Pratik Kothari: Anything to highlight here, sir for CTPR, in the beginning we have expected much better numbers, anything which did not play out.

Vimal Kumar: Yes, for CTPR, we are not focusing too much about the CTPR solo formulation. This is with an MNC company. They are the brand leader in that. And of course we are doing which is the number I am telling you Rs. 145 crores. There are two formulations, one is GR and other one is SG formulation. But we are focusing on the product where we are using CTPR in our patented molecule where we have three-way combinations in which there is one product CTPR, like we are launching one more product which is CTPR, Novaluro and Emamectin (Doubtful 31.43). So, in that also we are using CTPR, that where one another molecule is also coming in next year that we are also adding CTPR. So, we are using CTPR in our IP portfolio rather than the solo, we are not promoting that much. That was our main target which we are doing in FY25.

Moderator: Thank you. Next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: Sir, just couple of questions, first on the receivables, I think post H1 or September results, we could see receivables at around Rs. 1,000 crores plus. Now it has come down to around Rs. 450 crores or thereabouts. If you can provide just to how you could achieve this reduction?

Vikas Jain: Yes, Mr. Abhijit, this is since this is seasonal business, there is a movement of receivables is which is different at different times. So, presently whatever you see Rs. 460 crores or so, this will further reduce as we go into the season because obviously dealers would want to close all their earlier balances before they start buying the new products, so this will further improve in next quarter and only from I can say August or September and this will go up because there is a seasonal effect which happens every time from August and September going up to December is the highest in our industry and from now going up to June, July, it will be lowest.

Abhijit Mitra: But just to understand, since this is the first half heavy business, what we could witness is the last year, as you achieved almost Rs. 1,500 crores plus of sales in the first half itself. So, if you able to got bloated up all the way up to Rs. 1,000 crores plus, when H1 of this fiscal comes and you are expecting a good half, I am guessing because of giving a 20% growth for the full year, what steps are you taking to ensure that this kind of bloat up of receivables doesn't happen again?

Vimal Kumar: Yes, definitely, because, I again mentioned the same thing because we have our so many changes we already have in the system like mainly product portfolio that is coming new product. Again, it is four patented molecule and three more products which are very exclusive for this FY25, one is the Topramezone, this is the first year for us and this major sales in the fourth quarter. Topramezone also, we are the first indigenous manufacturing in India. Before that, one MNC company is importing that. Now, we are the company who is the first indigenous manufacturing Topramezone. So, these kind of product which we are ensuring not only for the FY25 for the coming years also.

Vikas Jain: Just to add Mr. Abhijit, this ingredient dealer increasing the receivable balance also last year was higher because of the seasonal failure. Generally, what happens is if the season is good, the money flows right from the farmers to dealers and to the companies is much faster. And also we are already in the process of working around various dealer financing programs wherein we hope that we onboard a lot of dealers and get money as fast as possible.

Abhijit Mitra: And has any factoring being resorted to taking the receivables off the book?

Vikas Jain: No, not major as of now, but this would be starting from say next month onwards, from mid June onwards.

Abhijit Mitra: And the second question is an inventory. So, inventory days, if I look over the last few years have gone up from say less than 100 days to almost to 190 days now beyond 21, 22, 23, 24, so this cycle, when do you think you can break this cycle? And you get to see a more normalized level of inventory coming through because as the cycle remains very volatile as industry remains very volatile in terms of prices, this kind of high inventory days will eventually lead to write downs?

Vikas Jain: Yes, as you rightly mentioned for this industry, the cycle is generally very difficult and volatile because it all depends upon the seasonal condition. But this part because we are a growing company, we can say that this is just about the second year where we are entering full-fledged into our dealer business model. So, it could be a little higher because as we penetrate higher the need to ensure that the inventory is provided in the right time and it will be available. This one season where we expect that it will be good season, this one season will take care of all the inventory issues that we have possibly have in last two years. So, we all hope that the season will be good and the season takes care of the inventory itself.

Moderator: Thank you. The next question is from the line of Gagan Thareja from ASK Investment Manager. Please go ahead.

Gagan Thareja: Sir, my first question pertains to the acquisition of Sudarshan Farm Chemicals, the Rs. 30 crores turnover company for which you paid almost Rs. 130 crores and there is a common board member on your company and this company, so in a way there is some related party reference. So, just trying to understand, how did you arrive at that sort of valuation, almost 4X sales and what was the reason or rationale to acquire this company?

Vikas Jain: Sudarshan, till last March 23 it had close to Rs. 30 crores turnover, but March 24 we are going to end up with close to more than Rs. 200 crores of turnover, so it is around Rs. 250 crores. So, effectively we are paying just half of the turnover evaluation and also the cash flow for this is minimal because after assisting for all these liabilities and all, we are just about paying close to Rs. 10 crores. So, first party with Rs. 30 crores was of 23, but for March 24, the turnover is close to Rs. 250 crores. It is a very reasonable evaluation. It is exactly the similar kind of business brings about a lot of dealer strength along with IP, technical products and manufacturing trends. So, the valuation is as much reasonable valuation then if you compare with March 23 numbers, obviously it doesn't match.

Gagan Thareja: So, what was your reason for this very sharp jump in turnover from Rs. 30 crores to because if the history that you have given for that company for the last 3 years, Rs. 60 crores, Rs. 40 crores goes to Rs. 30 crores in 23 and then suddenly Rs. 30 crores goes to Rs. 250 crores, how did that happen? And secondly, what is the operating margin and working capital profile?

Vimal Kumar: I will answer Mr. Gagan, in this first the Sudarshan, you are talking about how the jump is there from Rs. 30-Rs. 60 to Rs. 250 crores. In fact, Sudarshan has done, Sudarshan is very old name for the farmer because they have very old product like farmer used to say Sutathion one of the products which is very popular, like in the farmer for the particular products Sutathion and there are many products. So, this is actually these brands are for 40–50-year-old, 40-year-old brand. The 40-year-old brands, now the farmer knows very well, but maybe Sudarshan management don't have much interest to do this business for the agrochemical. That is why they were not very much interested in the last 5 or 7 or maybe 10 years. I don't know the number of years or maybe 5, 7, 10 years, but now when we came into the picture, so definitely we were talking to them from the last 5-6 months and what they did, they were very aggressive. They want to do some strategic things they want to do, but we propose them that we can take over your company, but there is no strategically we can do anything else. So, that is why we can do this. And about the numbers, Mr. Vikas will give.

Vikas Jain: So, with respect to the numbers, so till March 24, when we acquired Sudarshan had losses because obviously they were not able to have this supply chain benefits what Best Agro has. So, they were close to EBITDA of -10% on Rs. 250 crores, but based on our projection, what we see is because we have the capability and we have the supply chain benefit, what we can bring on to Sudarshan, our expectation is that we will have anywhere EBITDA levels of close to 25%, which is more than what Best Agro does on its own, so this will obviously be a much higher benefit what we get from Sudarshan because what we bring is the supply chain benefits to Sudarshan which earlier they didn't have.

Vimal Kumar: This year, we are hoping more than Rs. 400 crores revenue itself Sudarshan only.

Gagan Thareja: This usually you are saying like that there will be a change in the gross margin profile because of procurement efficiency that this Best Agro can get there in Sudarshan Chemicals, is that possibility?

Vimal Kumar: Yes, Mr. Gagan.

N. Surendra Sai: I just wanted to add a couple of lines about our Sudarshan acquisition. The acquisition has allowed us two great advantages and I would say that this acquisition was at a very fair valuation for us, at least. The first one is that in addition to the fact that old and well-renowned patents, which we have already acquired like for example as Mr. Vimal Kumar said Sutathion. Now, we are able to leverage the distribution network of Sudarshan and we are building upon that. That is what it is one part about it. The second part about it is that Sudarshan also had a very good R&D center and had a very capable team and portfolio of backward integration of technical. Sudarshan was not able to leverage or capitalize on this particular fact and the reason was that they were not able to invest or be able to develop a technical plant. So, there is a complementary synergy that we are bringing into the picture. We are helping them with our own products. We are helping them with our ability to expand the brand network, in addition or what they were lacking in terms of a technical production facility we are helping with that and we are also being able to get a very good IP portfolio and backward integration of technical is something which is going to help us in the long run. So, all in all, this is a very strategic and a very relevant acquisition for us.

Gagan Thareja: So, my question is that if I then back out Rs. 250 crores of sales from your reported topline for the year, then essentially excluding Sudarshan, Best Agro owned portfolio hasn't really grown year-on-year, right? If you could give us some idea of what actually, how to think of the topline being flat in terms of volume movement, in terms of price movement, if it would help. And secondly on Pyroxosulfone, you start supply to Syngenta so what are the prospects for the supply?

Vikas Jain: You are asking for FY24 with respect to price and volume movements?

Gagan Thareja: Yes sir, that is what I am asking.

Vikas Jain: So, for FY24 compared to 23, so there is a price erosion of close to minus 6% which is the reason you see our yearly gross margin has gone down from 28% to 24%. However, the volume growth has been close to 37% in our existing products, 17% increase in our new products and this increase which is majorly because of the increase in the branded business because we're concentrating more, we have reduced our bulk business to that extent. Overall, effectively you see only 7% increase in revenue, but if you bifurcate business between bulk and branded, we have grown by 37% volume in our existing products and branded business and 17% on the new products. So, close to more than 55% coming in branded and there is a little reduction in the bulk because of the conscious decision we have taken.

Gagan Thareja: And on Pyroxosulfone, how should we think for FY25?

Vimal Kumar: Pyroxosulfone, definitely it will increase some market, but definitely most there will come in the coming year and then some price correction will be also there, but still the market size will increase for sure for this product.

Moderator: Thank you. We will take the next question from the line of Anil Kumar, an individual investor. Please go ahead.

Anil Kumar: So, I'm looking at the balance sheet and there is a goodwill item intangible asset of roughly like Rs. 70 odd crores intangible assets. So, what are these and how this has come up? What is the CAPEX which has gone into it? So, last year, the Ronfen and CTPR had contributed Rs. 400 crores to the topline. Now in this year you are saying like roughly like 2200 odd would be the sales. So, what would be the contribution from Ronfen and CTPR into this? And the goodwill question, obviously. These are my two questions. Thank you.

Vimal Kumar: First I'll answer your second question, then we will answer your first question. Mr. Amil, your first question is for Ronfen and CTPR. In fact, the more than Rs. 400 crore or near Rs. 400 crore we have achieved this year in Financial Year '24 for both the products and again our strategy, actually we have to repeat, earlier question I have said the same way. The Ronfen, it is a growing molecule, we are in the third year of the Ronfen and we are hoping this year it will be give us a very good margin and sales for the Ronfen. And for CTPR, we are going with the combinations which are our unique combination patented formulation in which we have CTPR formulation with other molecules. Also there are three CTPR formulations which will be our exclusive and are patented. Out of the three CTPR formulations, one we are launching this year and another one will launch in FY26. So, each year we have very good product with CTPR. That is our strategy in the future with CTPR and Ronfen definitely, molecule it will grow because this is very fantastic molecule. We are getting very good response. In second year, we are at Rs. 250 crores. So, we can say it will grow in very good numbers. In terms of number also, it will be very good, Ronfen. And now your first question, yes, Mr. Vikas will answer.

Vikas Jain: So, with respect to intangible and goodwill, so this is majorly coming because of the two acquisitions which we did this year, one will be Kashmir Chemicals and the other is Sudarshan. So, we have taken various assets including trademarks and customer relationships from Sudarshan and this was also happened from both these acquisitions. So, that's the reason these two numbers are there as compared to March 23.

Anil Kumar: The other question that I can put in so your sales number and ultimately the cash flow number, I understand that there will be a lot of inventories and probably probable cash receivable is there. So, just trying to understand if there has been some sales return or write off from this cash receivable has happened over there?

Vikas Jain: So, if I understand correctly, what you are saying is all the sales you can have has been taken care or are we expecting further?

Anil Kumar: Is there any write-off in the cash receivables that has happened, or do you expect any write off into that?

Vikas Jain: So, we don't have major write-offs. Generally, this business has a bad debt ratio of say close to less than 1% or half percent of business. So, we are in the same kind of ratio and there's no major write-off which has happened.

Anil Kumar: And there is no sales return as well. I mean whatever the sales has been booked, basically you are getting the cash against that. That is my understanding, right?

Vimal Kumar: Definitely. Whatever the sales return is there that happened in the last year only, financial year only, Financial Year ‘24, but now there is nothing to be returned for sure.

Anil Kumar: One last question, if I can ask you. So, from the China perspective, which all molecule is the worst hit or kind of where you are most impacted out of it. Can you let us know as to what will be the impact to the company and which all the molecule is the most impacted molecule from your perspective?

Vimal Kumar: Mostly which we are importing from China or industry is importing from China, that is technicals we are talking about that is already very competitive price and if price reduced directly, it affects to the industry. But to us as a Best Agro, impact is full raw material majorly, no for the technical thing, which raw material we are purchasing from China, if that is reduced, so it is actually in other way if you will see that is benefit to the Best Agro because our major product which we are selling that is exclusive molecules that will have patented either our exclusive molecules which I'm talking about propiconazole and other products, that is our advantage to the cost if we talk about, there is price reduced. Last year it was more advantage for us because when we purchased, after that this all the prices came down. But now if you've seen this year, prices were down when we are buying. Whenever we have purchased from you can say September to March, whatever we have bought that all prices are down prices and now you will get the advantage to that prices for this year in the first quarter and second quarter.

Moderator: Thank you. The next question is from the line of Saumitra Joshi an HNI. Please go ahead.

Saumitra Joshi: There are two-three things here. One is with respect to there was about 6 months back, your ratings got derated if I'm not wrong, right on the basis of which the credit is basically pulled up. Now I understand that the explanation that was given was that you're launching new products and subsequently a very similar thing to what you said today. The same thing was done in the last concall also that there are new products that are coming in for this particular season and everyone was warning that there is a lot of China pressure and because of that, the sales and the pricing on the sales will have an impact. But I think the management looks very confident that those new products will help you overcome those challenges. And I think guidance that was given was that maybe not in the third quarter but by the fourth quarter, we will be able to maintain the guidance that we had given, it's documented. Now, there are two questions here. One is what went wrong with these new molecules that were supposed to be launched. Second is with respect to the credit rating, the understanding was that probably Q3 and Q4 would be better and post that, there would be a revision in the rating. Now that Q3 and Q4 again have not been very good and in fact have been in loss, do you see a material impact on further derating when it comes to Best Agrolife?

Vikas Jain: So, Mr. Saumitra, with respect to ratings, what I want to say is that because obviously there are cash flow issues and as I said, we are a growing company. So, we had to make investments on our inventory, on our receivables, on our OpEx. So, that was the reason that we touched the peak of our cash flow and then our bank loan and everything we are at fully utilized level. And the additional part to it was that there was a seasonal failure to it. So, with respect to rating, we have been continuously discussing with.

Saumitra Joshi: Help me understand the seasonal failure would not have happened in the last one month or two months, right. This is something that was coming.

Vikas Jain: It happened in last six months.

Saumitra Joshi: Right, absolutely. It happened in the last six months, right? Not last one or two months. So, I am asking to the concall that happened 6 months back, the very tonality of that was we know there is a challenge, but because we are coming up with new products and a lot of other things that we are doing, we'll be able to manage this and there was also a promise on helping reduce overall the cash flow cycle and the working capital cycle. But that's the secondary point. The more important point is that the same thing was said that everybody knew there is a problem. But if you go back, you can listen to the commentary documented. What it was said was that there are new products coming in for the new season and we will be able to manage it. And you can see the guidance was given according to that, it's documented. I'm not saying that there's something I'm not saying out of the ordinary. Now my question here is please listen to the question. My question here is what went wrong that despite being so confident that suddenly things changed and it was not only 6 months, I think about 2 or 3 months back also when a lot of people did a cross check with the company, the thing was that maybe not in Q3, but the product should be ready by Q4 and Q4 would be better and again it did not happen. And the third question here specifically with respect to the credit rating, the answer that was given was we've taken time from the credit rating agency right and we had assured them that our revenue profile and our margin profile will gradually improve in Q3 and Q4 and after that they are going to do a revisit. Now where do we stand with respect to all these things is what I am asking?

Vikas Jain: Yes, Mr. Saumitra, I was trying to come to exactly that point that we are into seasonal business. So, Q3 is basically the Kharif season, which is from July to September and October to December, Rabi season, we were still hopeful because obviously if there are some shortfalls in Kharif season, there are chances that we are able to sell good products in Rabi season, but Rabi also itself was a failure. So, we are not like an FMCG company wherein we can give a projection and then ensure that we are achieving at 90%-95%. But because of the seasonal character….

Saumitra Joshi: Hold on please, it is not a 95% achievement. The deviation is huge. I can understand that it's a seasonal business and there will be variation. The projections were not given by me. The projections were given by the company. And the second thing that I'm talking to the projections were not missed by a delta of 5% or 10% from an indication of a profitability of around 30% with EBITDA margins being greater than 20%. We've gone into losses. So, it's not a deviation of 5% is what I'm saying. I understand absolutely, but the deviation is not 5%.

Vimal Kumar: Yes, Mr. Saumitra. Once we have shared our direction, that was FY23 when we were in the FY23, that time we have given directions. For the FY24, EBITDA margin will be around 20% and always will give that direction which we planned. But when season failure or some unavoidable circumstances, which we cannot control because we are the industry of agrochemical, where everything depends on the crop, depends on the weather. There are many changes. And of course, we have different challenges also, which we are mentioning to you.

Saumitra Joshi: Sir, again, what about year back? What I'm saying is it's the same thing that was said 6 months back and again 3 months back.

Vimal Kumar: No, 3 months back we did not say this way, but what we said in last quarter earning call..

Saumitra Joshi: Last quarter you did not have the earning call sir, the last earning call that you did was 6 months back. Please correct me if I'm wrong.

Vimal Kumar: Yes absolutely correct.

Saumitra Joshi: Correct. So, you can look at what the guidance and the clarifications that were given there. I don't want to repeat them again. You can go back and see that there was a lot of positivity that despite all these things, things will improve despite everyone warning. So, I just said that projections cannot be given, I am saying the projections did not come from me. I did not give those projections, projections that come from the company and the second thing is even let alone the concall was not done or whatever that was which I feel was a very poor management practice, ideally in tough times management should come forward and do concall. My second point is even when there were to and fro to which there is a lot of effort…

Vikas Jain: I just quickly say what we understand and what we're trying to answer is that yes, we had given prediction. And yes, it is given by management only and yes, for future also, we are going to give the projection. Now assuming that IMD says that it's a good production for next year. According that we will work because we will have to tell you the inventory much before this, right. So, last year, also 6 months back when management gave the projection, obviously we're expecting a good end of Kharif and a good Rabi. Rabi is between the December to February, but unfortunately the Rabi season also was one of the bad, if you can read various reports or other agri input companies, almost all companies in agri input, the profits have gone down by 50% to 90% and even few or 2-3 of them have post losses for full year. Again, it is not fair to say that is an excuse for me, but it is industry wide phenomenon.

Vimal Kumar: Mr. Joshi, one more thing at last because our time is not sufficient. You can reach us directly and we will explain you in detail because time is not allowing us to explain you in details so you can reach out to us directly. There is no problem. You are most welcome.

Moderator: Thank you. We'll take our next question from the line of Keyur Lo an individual investor. Please go ahead.

Keyur: As you said like you're focusing more on the B2C business, right? So, can you briefly explain the strategies on how are we going to capture this segment and especially if you could highlight how we have increased our dealer network or any new state that we have added for this product?

Vikas Jain: So, yes, Vikas here. So, our B2C business, obviously we increase where we have to do it, improving the dealer strength and the employee strength. So, with respect to dealers, we have along with Sudarshan plus Best Agro, close to more than 10,000 dealer netwok across which we have presently and employees, we have hired more than 120 people last year, so and these are on-roll employees and also there are something called field assistants which are off-roll employees. These are close to 1,500 people which have to go and meet the farmers day in and day out, all the investments, most of it has been done in FY24 all with respect to farmers, field staff, employees and dealer network. So, this year will give the results or the return which will be coming out from these investments.

Keyur: Got it, Sir. A follow up question on that is if you could give some brief idea about what are the EBITDA margins on the B2C segment versus the B2B segment side of the business?

Vikas Jain: So, for B2C business, last year obviously then separate year because the season was not good. Otherwise more or less, according to us, the EBITDA margin if you see for B2C would be close to say 23 or so. And for B2B could be say around 16-17 giving us an average of 20% EBITDA which is our projection.

Keyur: Got it. And it's not a question, just a suggestion, right? So, I have been an investor in the company for the past 2.5 years and I've been following the investor calls and all right and every time we come up with a guidance for the year and the projections, but we have not been able to meet these projections. So, I understand that a lot of it is because of how the industry has played out over the last two years, but given that you are in this business for the last more than 10 years, right, so you already have some cyclical nature. You already know that this business a bit cyclical in nature and a bit seasonal as well, right? So, if you could just take these factors into account while giving projections, right? Because a lot of individual investors like us, we do our due diligence, but we also buy on a lot of things that you say, right? So, when these things are not met up, we feel that the projections given by the management is always on the very optimistic side, but it hasn't been played out that way and second suggestion was that the after the quarter 3 results for which I feel weren't that great enough as well. So, I was actually expecting that the management would have another investor call, but at that time you did not have an investor call and given that I have significant stake in this company as well, so all such kind of things makes investors like me to, there are a few questions that comes about the management and the practices that we are following. So, these were just two suggestions that I had and I hope that you will take this into account.

Vimal Kumar: Yes, thank you and well taken care and your suggestion is really absolutely correct. And definitely sir, we'll take good care. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to Mr. Vimal Kumar from Best Agrolife Limited for closing comments. Over to you, sir.

Vimal Kumar: Thank you everyone. We are excited about the future of Best Agrolife Limited. Our commitment, our quality, innovation and farmer satisfaction remain unwavering as we continue to push the boundaries of what is achievable in agriculture for the prosperity of our farmers. If you have any further question, please feel free to ask our Investor Relation team after this and we will definitely revert to you in time. Thank you all for participating today. Thank you very much.

Moderator: Thank you, sir. On behalf of Best Agrolife Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.