



20<sup>th</sup> December, 2018

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Sir/Madam,

**Sub: News Article in Economic Times issue dated December 19, 2018 titled “Europe Drought Negative for Agrochem Co UPL”**

We write in reference to the news article in Economic Times issue dated December 19, 2018 titled “Europe Drought Negative for Agrochem Co UPL”. The news article quotes the source as the CGS-CIMB Company Note (“Note”) dated December 17, 2018 on UPL Limited. In our opinion, the said Note carries certain inaccuracies that we would like to highlight. It has led to erroneous inferences being drawn in certain quarters. It has created avoidable anxiety amongst the investor / analyst community.

There are three key matters in the Note that we would like to address and comment upon:

- European drought negative for UPL
- UPL faces volume as well as pricing risk for Mancozeb
- Increased adoption of Intacta

Below, we have addressed each of the points and highlighted why any concerns are misplaced.

**European drought negative for UPL**

The Note refers to Bayer’s conference call wherein they ‘had highlighted that the European drought will likely impact fungicide and insecticide sales in the region’. These comments were made in the context of their Q3 2018 earnings call and hence were related to the European season that had already elapsed. Bayer was clearly referring to how drought has impacted their fungicide business in Europe in the period that has already went by. The Note further refers to NASA’s website article (titled ‘Prolonged hot, dry conditions affect European crop prices’). This article too comments on how heatwave in northern Europe created havoc in the summer of 2018. Nowhere does the article provide any forecast or guidance on European drought going forward.

Based on Bayer’s comments and NASA’s news article, the Note has drawn an inference that dry weather in Europe will be negative for UPL and Arysta going forward. We would like to stress that UPL revenues in Europe have grown by 7% during H1 FY 2019. This is despite dry weather conditions in North Europe. Unlike Bayer, UPL’s cereals fungicide portfolio is very small which meant it was not as severely impacted as Bayer. UPL’s strength lies in Copper and Sulphur fungicides, that are more prevalent in Southern Europe, which had good rainfall. Going forward, for UPL, as far as FY 2019 is concerned, Europe would be of relevance in Q4 (i.e. January to March 2019).

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### **UPL faces volume as well as pricing risk for Mancozeb**

When UPL got a registration for Mancozeb in Brazil and launched it 4 years back, it created the 'Protectant' segment for soybean. At that point in time, no other players in the market were offering this kind of a solution to farmers in Brazil.

The Note states that new competition to Mancozeb from innovators and other generic players is looming in Brazil, leading to reduced gains for UPL. We would like to highlight that, based on the regular feedback we get from our team in Brazil, the demand for UPL's Unizeb Gold (Mancozeb), Glory (Mancozeb + mixture) continues to be robust. The triple mixtures of Mancozeb – *Tridium and Triziman* – that UPL has launched have further bolstered its presence in this segment. Mancozeb's multi-site mode of action makes it an extremely strong adversary to Asian Rust. Most of the existing fungicide players in Brazil recommend Unizeb as a tank mix along with their fungicides.

Further, this year the occurrence of Asian Rust on soybeans in Brazil has increased 3x. This bodes very positively for UPL, given the fact that Mancozeb is a tried and tested fungicide in Brazil and the farmers have experienced it first-hand since the last 3-4 years.

### **Increased adoption of Intacta**

The Note further mentions that Intacta adoption rate is increasing in Latam and the rate is even faster in Brazil leading to further pressure on agrochemical sales.

It is pertinent to note here that Intacta seeds protect crops against chewing insects, while UPL's range of insecticides (i.e. Sperto) protect crops against sucking insects. As a result, UPL's insecticides are complimentary to Intacta seeds, as the farmer gets all round protection from chewing as well as sucking insects. We strongly believe that with greater usage of Intacta seeds the demand for UPL's insecticides will only go up.

We hope this clears some of the misconceptions that would have arisen due to the said Note and will help in providing a more balanced and coherent point of view.

Thanking you,

Yours faithfully,  
for **UPL Limited**

**M. B. Trivedi**  
**Company Secretary and**  
**Compliance Officer**  
**(ICSI Membership No. ACS-4250)**

CC: The Economic Time