February 20, 2025

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**Sub: Transcript of Q3 Earnings Conference Call - FY 2024-25**

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 nine-month ended December 31, 2024 held on Friday, February 14, 2025.

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**

# Best Agrolife Limited
# Q3 and 9-month FY'25 Earnings Conference Call
# February 17, 2025

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**Moderator:** Ladies and gentlemen, Good day and welcome to the Q3 and 9 month FY'25 Conference 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 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. These 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. N. Surendra Sai – Head Strategy and Overseas Business, and Mr. Vikas Jain – Chief Financial Officer. I would now like to hand over the call to Mr. Surendra Sai for his opening remarks. Thank you and over to you, sir.

**N. Surendra Sai:** Thank you very much. Good afternoon and welcome everyone to the earnings call post our 3rd Quarter and 9-month ending of the Financial Year 2025.

I will talk briefly about the industry landscape and will explain the business, while Mr. Vikas will take you through its financial performance. So let me start by saying this season has not been kind to our farmer customers and the agricultural community, especially in the south. This is a region from where we expected much better performance. The recent cyclones in South India brought unusual weather patterns, caused delays in the monsoon cycle and extended the period of rainfall. This pattern affected the crop cycle. Primarily the states of Andhra Pradesh, Telangana and Tamil Nadu were impacted the most. We had been expecting stellar performance from these states, but these witnessed a dull season. At the same time, chilli prices have dropped by around 35% from an average of around Rs. 19,000 per quintal in January 2024 to around Rs. 10,000 to Rs. 12,000 this year. This puts significant financial pressure on the farmers. They were in cash crunch, and it made them reduce their outflow in terms of the crop production products. The financial pressure also delayed some of our expected payments. A similar unexpected performance was also observed from cotton growers. We were very initially, very confident that despite the delayed start of the monsoon, the season will pick up and result in good numbers. However, there was continuous rainfall that disrupted critical herbicide applications as well as the granule treatment. On the paddy side, farmers are generally habituated to carrying out at least 5 sprays per season, but this year they were able to manage only 2 sprays. All these, at the end of the day, impacted the demand side. We have observed that seasonality and a changing market scenario, the significant agility from our side to balance the changing market dynamics, and we need to be able to respond to the correct schemes and the correct sales push. This has become extremely important in our shift towards the B2C business. Given that we have been shifting towards the B2C model with an expanded branded product portfolio and an expanded dealer network, we observed this quarter the absolute need for business agile to focus on timely liquidation. We focus sales, and this requires a huge amount of focus from the sales and marketing team. We will be implementing actions to identify areas where the performance has not been as expected, and we are absolutely certain that we need to take corrective actions. We realize that our B2C push needs us to be very sensitive to the changing ground dynamics. We intend to have this finely tuned. We have invested in building our sales team, especially in the southern part of India, and this shift was very essential for our long-term growth and pan-India presence. This push also affected our profit margin in the short-term, giving a higher cost gain. Although this change is crucial for our future, it is putting some pressure on our profits right now. Corrections and improvement are our primary focus. No doubt, this current season was a tough one for us, but it also offers valuable lessons for us for the future. Products that meet fewer applications will help the farmers stay productive, even when the weather is not ideal. Our product portfolio is designed to improve or rather reduce the number of sprays. We will continue to work on that. The development of resilient products are the key, and focus on R&D and linking home-grown products to the farmers is important. Our portfolio of patents continues to grow, but we will regularly and carefully introduce picky products. Coming to some important updates during the quarter. During this quarter, we have announced the formation of a strategic partnership between Best Agrolife and Shanghai E-Tong Chemical Co, which is a publicly listed agrochemical manufacturer based in Shanghai, China. This partnership, formalized through an MoU, will focus on joint research, manufacturing and developing new products for the global market. This partnership will also explore new opportunities for product registration and potential capital cooperation through joint venture in leveraging best practices to expand market reach. E-Tong Chemical specializes in production and export of herbicides, fungicides, and the company holds a significant number of registration, a large number of international markets including Brazil, and Vietnam. We are very happy to move from a buy sale relationship to a cooperative R&D based relationship with the global market. This is a shift from a typical MoU between an Indian and Chinese company. In another positive development, Best Agrolife has been granted a patent by the OAPI, or the African Intellectual Property Organization, this is patent for Ronfen and this is a 20 year valid patent . We also have been granted a patent by the Indian Patent Office, for a new manufacturing process for a Phenoxymethyl Gly Oxylate . This is an important patent for us as this is a precursor for the manufacture of Strobilurin fungicides. This adds to our plan of deriving backward chemistry for the manufacturing of important fungicides such Kresoxim Methyl and Trifloxystrobin. Concluding, we recognize the need to enhance our marketing efforts and optimize our sales structure for performance. We are increasing our focus in branding, awareness campaigns, and demand generation activities to solidify our presence in the market. Simultaneously, we are evaluating the structure of our sales team for agility, efficiency, and performance. Let me put it this way. Our complete results are not to our expectations. We view them as an opportunity to fine-tune our operations for better margins. We intend to tighten our belt by reducing costs, by optimizing our operations, and extracting maximum efficiencies. Despite the challenges, we remain confident in our long-term strategy. We understand that there will be demand fluctuations, but we are focusing on delivering value to our stakeholders. Strengthening the product portfolio and our R&D efforts will no doubt yield results. We will remain focused on stabilizing our financial performance in the upcoming quarter. We intend to bring down costs as a percentage of sales and be better equipped to navigate current and future challenges. Our primary focus, as always, continues to be on IP generation, technical R&D, new formulation research, and development of innovative products, and we will continue with renewed zeal. Thank you for your support through this time. We look forward to addressing your questions that you will have during the call. I will now request our CFO, Mr. Vikas Jain, to take you through our financial performance. Over to you, Mr. Vikas.

**Vikas Jain:** Thank you, Saiji, and good afternoon, everyone. I went through our performance. The first 2 quarters of FY’25 saw a strong demand for agricultural products, primarily driven by an on-time long-term, which led to all agricultural companies, including ours, to push substantial stock into the market in anticipation of higher demand. However, as we entered Q3, we faced a shift in the market dynamics. While Incessant rains in Q3 significantly impacted growth activity, the lack of supporting prices for key commodities like tomatoes and chilies greatly influenced farmers' willingness to invest in crop production solutions. Additionally, with healthy crop conditions across the country, the natural resilience of crops further decreased, but also the need for pesticides. All these factors combined to create a challenging revenue environment and lead cash flow in the market current to new challenges. In addition to weak market sentiment, increased competition drove down prices across the sector. The aggressive push for sales triggered a price war, further tightening margins across the industry. Our income operations for Q3 of FY’25 stood at Rs. 274 crores compared to Rs. 315 crores in Q3 of FY’24. There was an increase in branded business by way of new product introduction and a volume growth from the existing products. This growth was compensated by reduction in the institutional business by around Rs. 72 crores. Further, there was around 20% reduction in the product prices. In terms of profitability, our Q3 FY’25 EBITDA, excluding other income, was around negative 6 crores and we reported a loss of Rs. 24 crores for this quarter. There was significant improvement in the gross margins from 23% in Q3 FY’24 to 32% in Q3 FY’25 due to higher sales of branded products. The loss majorly is on account of foreign currency loss of approximately Rs. 11 crores. Further, due to lesser institutional business, there was impact on the top line and the bottom line. Also, the investments that we made on the man power and branding affected our profitability in the short term, but we are sure that this will benefit in the long term. All said, an important takeaway from this quarter is that we need to focus on improving cost efficiency. By reducing fixed costs as a percentage of sales, we will be in a better position to handle the current challenges concerning our financial future. We are focusing on cost optimization this quarter and are reviewing every zone to reduce costs. Further, with respect to cash flows, cash flow from operations for 9 months was positive Rs. 175 crores and from this quarter it was around Rs. 32 crores. The handover is back to Sai ji.

**N. Surendra Sai:** Thank you very much. I just want to make closing remark I would like to say but in short Q3 FY'25 presented several challenges But we are absolutely confident that with continued efforts to optimize operations and strengthen our financial strategies, we will be in a better position to overcome these hurdles and pave the way for sustained and profitable growth in the coming quarters. Thank you all for joining us today. We will be ready to take your questions now.

**Moderator:** Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask questions 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 questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, please press "*" and "1". The first question is from Ram Tawa from Equinox Capital. Please go ahead.

**Ram Tawa:** I have a couple of questions. What baffles me is in the last earnings call, which happened in the month of October, you are very optimistic that this quarter will be very good, even the next quarter, around Rs. 1800 crores, something odd will be the top line for the next two quarters. October means almost 45 days of the season might have gone, but suddenly why is a poor performance of this that. We saw that the performance was not so good compared to last year. Can you just add some color towards it?

**Management:** Yes. As I mentioned, the first thing is with respect to branded business, we are improving as we have been since the last few quarters, and that also can be seen in the improvement in the top line as well as in the gross margin. However, this quarter's reduction is mostly because of the reduction in the institutional business, and also that we have taken good provision for future expected sales returns. Last year, the sales return in Q4 was also higher. However, we have taken cognizance of that and have provided in Q3 itself so that we don't have a similar situation of Q4 like we had last year. So, that is the reason you see that we have little higher losses in this quarter.

**Ram Tawa:** So, this quarter, Q4, what is the expectation and what will be the top line or bottom line closing numbers, tentative numbers by the end of the year?

**Management:** So, till the season is going on, the only thing we cannot give an exact number to say what could be the top line, bottom line, but it will not be the worse what we had last year. It will be a reasonable quarter, even though we might have some losses, but not to the extent what we had in previous years.

**Ram Tawa:** So, the top-line like you promised, 2200 crores is not achievable this year. In the last quarter, you guys promised that it will be around 2000 plus crores top line. So, is it achievable or is it not?

**Management:** So, 2000 plus looks may not be able to achieve that in this year because of the factor that the technical sales were little lower and also few of the important crops where we have very strong presence, especially in the south, did not pan out the way we thought because last year is just about November. We were pretty confident and pretty much on the target to achieve all those numbers. But based on current situation, what we see, we will not be able to touch 2,000 crores, but yes, considering the profitability and all, cost margins and all those and working capital on, those parameters will be improving, but will not be like the worst situation like what we had in the Q4.

**Management:** So, if I may add, there are 2 things which is there. So, overall, we have what we wanted to achieve and what we wanted to expect in Q3. That expectation was what we would have been carried forward and that optimism would have carried forward into the Q4 and we eventually, we are closing. We have observed that the Q3 performance is not up to our expectation. We did expect to do much better. This will certainly have an impact on the year closing. That said, the two new things that are very positive for us, that we see that the margins from the branded sales continues to be good. This is something that we will take it forward. What we need to do is to be able to see, ensure that the sales cycle and the marketing cycle is agile enough to be able to run on all cylinders despite challenges being on the ground. This is something that we are very serious about. We are understanding the reasons. We will take these as a lesson and yes, we are already into the Q4, 45 days. These changes will take a little bit of time to be able to come into play, but we are very cognizant of the fact that our agility and our ability to handle the sales in a much better manner is something very, very important for us. I think I have repeated more than once that we consider this as a serious quarter, but we will be taking action.

**Moderator:** Thank you. The next question is from Raj from Arjav Partners. Please go ahead.

**Raj:** Yes. In Quarter 2 fall, we said that Quarter 3 is looking good and things are on track, so I just wanted to understand that when we said that, what assumptions have we made and what exactly happened and where exactly we got it wrong?

**Management:** So, with respect to expectation, I think the high expectation including us and all the industry, we had in November also. So, where it went wrong was because if you remember that this year, the rainfall had extended by 1 more month. So, this additional rainfall what we had, that created an issue with respect to various crops, especially the crops where we are a little stronger in chilies and tomatoes and cotton. So, later on, we were still hopeful because the rain got extended and we were still hopeful that the liquidation would happen. However, it did not happen as per our expectations. So, it was just in the month of December that the market realized that, okay, now further liquidation is not possible and that is how it got reversed.

**Raj:** May I know the figure for sales return for Q3 FY'25? I just wanted to know the amount of sales return we had in this quarter.

**Management:** Sales this quarter was 274 crores.

**Raj:** No, no. I am talking about sales return.

**Management:** Sales return?

**Raj:** Yes.

**Management:** Sales return this quarter we had close to 180 crores. Sorry, 130 crores.

**Raj:** 180 crores was in Q3 FY'25 compared to?

**Management:** 130 crores and last year it was around close to 160 crores. So, this year it was around 130 crores whereas till about mid of October, till end of October, November, we were expecting it to be around 80 to 90 crores. So, this additional 30-40 crores took us backwards in our top line as well as bottom line.

**Raj:** Alright. And sir, going to Q4 FY'25, we had reported a loss of around 72 crores in Q4 FY'24. So, this year's Q4 is also looking the same as last year's Q4?

**Management:** No, sir. I will repeat again. We will not have such high loss as what we had last year. So, this will be a better quarter than what we had last year. The loss will not be so high.

**Raj:** Alright and sir, how about FY'26? Would you like to comment anything on that?

**Management:** Okay. FY'26, I think few changing strategies which we are doing now with respect to our cost optimization. So, what we have realized is, okay, we have built up a good team across India. However, based on performance of various zones what we have been having since last one month, we understand that there are various places, various territories and regions where we can consolidate. So, we will be consolidating all those and ensuring that the per-employee performance is much better than what we had this year. So, this year we had much higher strength of employees. However, the per-employee performance didn't come to our expectations. So, we are consolidating various regions to ensure that each employee we are getting the number what we expect and based on that, next year also that few of the products which we have presently close to 8 patented products, wherein half of them were released this year itself, we will see a full potential coming next year. So, next year revenue would be for all the products with respect to full potential plus with current cost optimization what we are making will have a much lower OPEX and already with respect to working capital, we see that data in working capital varying. Because of the dumping of last year, we had much higher inventory. But this year we see that the inventory levels also will go down. So, across all parameters, we will see that the performance will be much, much better in FY'26.

**Management:** I just want to add 2 lines on to that. So, the key takeaway for us from this particular quarter is that there needs to be a very good way of being able to monitor each territory ability to change and take corrective action despite any changes in the weather patterns and the cropping patterns and that is something that we will be doing. We also have been able to identify certain areas of, I would say, inefficiencies and which is what we will be addressing them on a strong footing.

**Moderator:** Thank you. Next question is from Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** So, I just wanted to understand now. I have been tracking this company for some time now. I mean, what I have noticed is that whatever we guide, we always fail to achieve, basically. So, I mean, where is the gap? I mean, even last year, FY'24, we were targeting some 30% growth, 20% EBITDA margin. We fell short by a huge margin. This year also, I think we were targeting 15%, 20% and I think we will have a negative growth, right, given the… So, where is the gap, basically? I mean, why is that we always fail to achieve what we have been guiding or what we have been saying? So, what I was asking that I have been tracking this company for some time and what I have noticed is that whatever we have been guiding, even for last year also, we had failed to achieve by a huge margin. I mean, last year also, we were targeting some 30% growth and 20% EBITDA margin. We failed miserably and this year also, I think the gap is too huge. I think we were targeting 15%, 20%, and we would be seeing a negative growth. So, I mean, where is this gap coming? I mean, how is that always we fail to achieve what we have guided or targeted for ourselves? I mean, can you throw some light on that? It would be very helpful.

**Management:** Yes. So, as I mentioned that we had built up a sales team, considering that our numbers and the growth will be coming from this because we have built a PAN India team and also, we had the products to back them. However, this year, obviously, 2 years, we have been just about managing at the same level. So, one is there is an improvement in the branded business. There is a significant improvement, which is the way we are moving forward. So, the reduction, what you see majorly is coming from the institutional business, which is a conscious decision to reduce. So, we are having success in building our brand and able to do it successfully. However, what you see is that the initial issue with respect to higher OPEX that has been built, however, the benefit of which we should be getting in the next 2-3 years. So, yes, we have not been able to match the 20% numbers, what we have been saying since the last 6 months or so. But the main reason for this is that first, we have built up the team. However, the sales based on climatic conditions and the seasonal factors, we are not able to achieve that. So, that we are rationalizing now in this quarter because we understood, okay, building a team immediately and trying to get results has not given immediate results, but still able to give immediate negative impact on this. So, we are optimizing our cost and we are consolidating our people to have that improved performance. So, yes, we are learning from whatever we have done in the last 1 year and certainly we will see improvement in the future as well.

**Deepak Poddar:** But I mean, in terms of margins, I understood what you said, but in terms of top line also, I think we fell short by a huge margin, right? I mean, is that something that our products are not getting traction? That is why we are getting so high sales returns, and our products are not good. So, what is the thought process there? I mean, there is a huge difference of what we expect and what we are actually achieving. I mean, not in this year. I mean, it is two years in a row, right?

**Management:** Yes. So, again, that is right when you see number as a value figure, but when you break this number into various businesses, so branded business, we have done tremendously. We have been growing in the last 2 years at 50 to 70 percent. So, that we have been able to do. The top line reduction is basically because of two reasons. One is the institutional business which we are trying to reduce. That's the reason you see that the top line has not been able to achieve and secondly, this year, there has been a price reduction of close to 20 percent. So, if you see current numbers, with 20 percent reduction, our volumes have been much higher, but because of that 20 percent reduction, we see at the same value.

**Deepak Poddar:** So, when did this price reduction happen? I mean, why as an investor we were not kind of informed during the last call that this price reduction is happening?

**Management:** So, in the previous call also, when you see in June and September, we had indicated that there was a huge China dumping which has happened, and in our previous quarter also this 20 percent was there, and we had guided accordingly that there was a price reduction of 20 percent in the earlier calls as well and with respect to sales return, generally the trend is that in case you want to grow, you need to place the material well in advance because almost all the players are having good amount of inventory with them and would be ready to place at any point earlier than the season, and which we also did, considering we have pretty good products, but now, once we are in the season, we see that various crops, which are pretty strong, does not work out as per our expectation, then there are little higher sales return. So, we have factored. So, if you see, we had done provision last quarter as well, and we have done this quarter as well for the coming quarter. So, there might be some increase in the sales return here and there, but it does not impact our overall strategy of the Branded business.

**Deepak Poddar:** But in terms of price reduction, if you would have indicated, but you were quite positive on 3rd Quarter numbers, right? I mean, you were saying, we will not see any sales return and all. I mean, in spite of, I mean, this price return, if the price decrease, you would have indicated last quarter, but you were still very positive on third quarter performance, right?

**Management:** Yes.

**Deepak Poddar:** So, there is a big disconnect, right, with what we were saying, in spite of you knowing that price were reducing, your performance would not be good then, because price is reducing and it would be very difficult for farmers to then invest in agrochemical products that you have.

**Management:** Yes, Mr. Poddar. In fact, if you talk about if you see our 3rd Quarter, there is, if you see our expense side, that is much higher, but if you see, the gross margin was still there. So, the basic thing is, if I say, in a broader term, you can say we are into the B2C business, where this kind of thing we have to take, because B2C business we have increased a lot from last year to this year and the last year to the previous last year. So, that, you can say that is the main reason, because when we go into the B2C, they are expensive and everything will be the same, where if we, the third quarter, if sale is not there or either any impact, so that will come. So, we can say it is not for always, but for this year it is there and we are hoping that this expenses, we think like investment on our brand business that will be very good, that we think.

**Moderator:** Thank you. We move to the next question from Preet from Company Wealth Financial Advisors. Please go ahead.

**Preet:** I still want to continue with what the last participant was saying. So, here is, I think the company that you guys are, you keep on doing same things in concalls, which you have no idea in following up. Let me give you an example. Last concall, the numbers were released in the second week of October, because the reason you say it is that because the SAP system is there, you get all the information earlier, you will be able to give data and all subsequent results will be early. Now, because the December results are bad, the results are pushed to now the 14th of this month. I mean, this really says that concalls information is given without any seriousness and to me this is gross negligence also and significant lack of corporate governance. I mean, why would you keep on saying anything that you say without any intention of following up or sending clarification which you don't follow up. The management here is seriously lacking and should be held accountable for this kind of gross negligence.

**Management:** Yes, Mr. Prit, thank you for your question. In fact, about the delay of this, you are saying, I mean the results, that the delay is not for any intention or anything because that does not serve any purpose. Sooner or later that has to be done and we have declared our results. The results are delayed just because of our internal meetings with the brand business, with the reviews, with the next year planning. Because generally, year plan we do in January and February only. Even now, even our budget meetings are going on for the next financial year. That is the main reason which we are busy in this. That is the only reason for delay. Your first question is delayed. That is the only reason.

**Moderator:** Thank you. Yes, we will move to the next question. The next question is from Komal from ASK Investment. Please go ahead.

**Komal:** Yes. How do you think you manage the balance sheet and what are the plans for fundraising? I mean, currently you are having receivables of a 1000 crores and inventory of a 1000 crores and no bank will give you debt and no equity investor would be interested. It all boils down to confidence and how will you be able to go through this? That's my first question.

**Management:** So, with respect to working capital, compared to last year's cash flow, we have been able to generate close to 170 crores in 9 months positive cash flow and 32 crores for this quarter. For inventory, yes, last year it was higher because of various reason and failure of Rabi completely. So, inventory has been going down. So, presently it's only 700 crores.

**Komal:** Can you make it clear. I am not able to understand.

**Management:** Yes. So, I was saying that, okay, let me repeat. With respect to overall cash flows, we have been positive 177 crores for 9 months and 32 crores for the quarter. Our working capital was much higher last year and this year we have been able to generate positive cash flows. So, our 6 months was profitable as well this quarter because of various reasons. What we had mentioned, we had some losses. Our inventory and this year's both put together are much lower than previous quarter as well as previous years. Our loans, we have repaid during last 9 months. So, there is no issue with respect to any bankers not giving us loans. Whatever we had, in fact, we have repaid loans in last 9 months. So, we do not see anything with respect to balance sheet, what you had mentioned.

**Komal:** What is the current borrowing? Currently, how much is the debt?

**Management:** Our current borrowing is, the exact number we have about 500 crores.

**Komal:** Okay. And are you sure that..

**Management:** Mostly is working capital side. Yes All of that is working capital.

**Komal:** Yeah. What about the preferential? Because we have alerted at some 650 odd rupees, right? And are you sure that you will be able to receive the remaining amount? What are the thoughts there?

**Management:** So, we have already received the 25% committed amount from the investors and with respect to balance, obviously, this is a long-term investment which our investors have shown on us. So, one quarter typical performance will not rate with respect to our overall performance of the company in future as well. So, obviously, we see a better future for the company and we are pretty confident because people have invested at 640. We are pretty confident that our share price will be back to those levels so that we feel confident to pay the balance 75% as well.

**Komal:** Okay, good. Coming to the business front, I have a question. When you say you are doing branded 64% for H1 and rest 36% is B2B, this 64% is totally manufactured. I mean, what about the 100% we are doing, right? How much is internally manufactured and how much is, I mean, we are doing sort of trading?

**Management:** So, the branded, when we say is all manufactured itself, there is no trading in the branded business. For most of it, we produce all the important products and important products we manufacture in-house. For few of the products, obviously, you buy from other companies and then sell directly. So, that portion is pretty small. But most of our products are manufactured in-house because most of our products is, most of 50 to 60% is contributed by our specialty molecules and those are all in-house.

**Komal:** So, when I take 64% branded now, you are saying that totally manufactured by us and that 35% is patented, right?

**Management:** Yes.

**Komal:** And by next year, how do you see this patented share going up?

**Management:** So, we had, as we said last 15- 20 days, we have been moving around and having budget meetings with **our zonal teams**. So, we are pretty confident that our, and we have a special stress on our patented products. So, we should be anywhere between 40 to 50% of our overall branded business coming from our patented products.

**Komal:** So, by next year, what would be the branded and institutional sales number? I mean, percentagewise.

**Management:** Overall, we have been able to achieve the target sales to have around 65 to 70% of our business coming from branded. So, next year also, we will be in the same range.

**Komal:** Okay. So, next year, you are saying that patented share will go up, but institutional and branded will be in the same range?

**Management:** Yes.

**Management:** So, if I may add just to this thing, there will be some percentage of B2B business that will continue because at some point of time, it does help us in multiple ways. Although, yes, the margin may not be very high, but then the payment cycles are much more assured and always in this sort of a business, what happens is we may be having certain products which are excess for us but shortage for somebody. We may need some product which is a shortage for us but excess for somebody. So, it helps us a lot on the B2B business to be able to support the B2C. So, the optimum percentage output would be anywhere between 25 to 30% for the B2B. So, at this particular point of time, we wish to continue with the same strategy of maintaining a mix of around 65% to 70% as the branded business and anywhere between 30 to 40% as a B2B business. That is our strategy at this particular point of time.

**Komal:** And what is the working capital days in B2B?

**Management:** In B2B, working capital days would be close to 90 to 120 days.

**Komal:** and what about B2C?

**Management:** B2C also we are falling in that range itself, close to 120 days.

**Komal:** But suppose if you want to lessen the balance sheet, what would be the strategy for us? Because we have to keep the balance sheet also in check, right.

**Management:** We have done new policy thinking for last branded business. So, with respect to various products, we will be getting cash prizes for our products. So, that will manage the balance sheet. So, we have enough bank loans to manage this and we are pretty comfortable with respect to the number of what we have and in fact, because we were carrying higher working capital from last year, which has been consistently decreasing quarter on quarter, and this quarter also we are taking special stress on our working capital to reduce it further. So, we will see improvement in our balance sheet going forward.

**Moderator:** Thank you. We will move to the next question. The next question is from Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Firstly, with respect to the sales return, what was the sales return number for last time Q4 as a percentage of sales or just an absolute number if you could give some color?

**Management:** So, last year in Q3, Q4 put together, so one was from the Kharif season returned in Q3 till December and a little bit in January and December's return in Q4. So, totally we had close to 22% from our sales, which was sales return last year.

**Saket Kapoor:** Okay. Can you quantify the number, sir, as you were maintaining that 130 was the Q3 number last year? This year it was 160 or 180, I think. 50 crores was the gap.

**Management:** Last year it was 160 and this year it was 130.

**Saket Kapoor:** Okay. So, this was Q3 last year and what was Q4 then?

**Management:** Q4 we had around 70 crores last year.

**Saket Kapoor:** 70 crores. Okay. And this year, by now in the month of February, you would have an inclination how the sales return has been post the December quarter also. So, any color you would like to give us on the same?

**Management:** So, liquidation that's still going on will not give the number because still the season is going on. So, this will be clear to us only by the end of March. So, by that time we will be able to have a clear picture.

**Saket Kapoor:** But you were confidently mentioning that it will be much, much lower than the last year's 70 crore number. So, which understanding is correct, sir? We need to wait or what you told earlier is correct?

**Management:** So, both are correct that way. So, one is whatever expected sales we plan, that is one thing. And the expectation, expected return. So, till now we are having a season which is going on and we think that the return will be lesser and our numbers last year because of even higher sales return from our key molecules were the reason that we had losses. But this time we have taken enough provision in December itself to ensure that we will not have negative gross margins like last year. So, we have done provisions in December so that we take care of the return what we will get in Q4 which was little lesser last year. Last year we did not add so much provision but we have taken good amount of provision this year.

**Saket Kapoor:** Okay. And now to the debt part, I think so, sir, as on September we were not carrying, sir, any long-term debt. So, it is all the working capital requirement only that we need for our business?

**Management:** Yes, as of now also whatever we have is all short for working capital loans.

**Saket Kapoor:** Okay and what portion is in terms of foreign currency? I think so, we had a 10 crore non-cash item in terms of Forex debit also to the P&L. So, if you could just explain that part to us. How much is in foreign currency, sir?

**Management:** So, we have close to 400 crores which are in foreign currency. So, that portion already because suddenly in December you would have seen there was a huge spike in the USD-INR rates and which did not happen since last 2 years but whatever deviation happened just about 30-40 days. So, yes, because of which this exceptional thing which was there in December. So, we have close to 400 crores worth of foreign currency payable which we have to do.

**Moderator:** Thank you. Before we take the next question, a request to participants to please limit your questions to one per participant so that the management is able to address questions from all participants in the conference. The next question is from Hemant who is an individual investor. Please go ahead.

**Hemant:** Sir, in the previous answers you were mentioning that you are trying to consolidate your sales. But if I compare your B2C revenues with your dealer network, on an average you are doing only around 10 lakh rupees per dealer per year which seems to be very less. Whereas other players are doing around 25 lakhs to 30 lakhs per dealer per year. So, don't you think this number is very less?

**Management:** Yes. So, you are right to 2 extent. One is, okay, compared to each dealer our number is lesser. And also as we mentioned earlier that compared to the number of people we have, the per person efficiency also was lower because we expected based on our product portfolio that we will be able to ramp up our sales much faster. So, yes, because of seasonal factors and all those reasons, we are not able to achieve those. But that is the target for next year as you mentioned. We have 2 distinct one is to improve our dealer share, dealer wallet and also to ensure that our each employee has the complete performance target for the next year.

**Moderator:** Thank you. Participants are requested to please limit your questions to one per participant. The next question is from Sagar Shah, who is an individual investor. Please go ahead.

**Sagar Shah:** My question is similar to all the participants. Because we always try to optimize our sales,but quarter on quarter we are promising to invest in terms of gross margin, in terms of revenue and in terms of top line. But why are we always failing? I am also from last three and a half years, we are also inspecting our company. But each and every year we are facing some loss in terms of our expectations. So is there any specific reason in terms of corporate governance or is there anything in terms of our capabilities to enhance our company's portfolio?

**Management:** See, I think for all few answers, we have just about answered this. The important part for us is that we are improving in our branded business strongly. We are improving in our gross margin strongly and we have a portfolio in future to ensure that whatever steps we have taken to go towards branded should help us in future. Obviously, there would be a setback in this quarter wherein we are not able to match the performance what we had guided. Because even we were based on the season, based on the on-time rainfall, we are expecting and the kind of investment which we have done on manpower and brand building did not come out specific. So there is a short-term pain which we are taking that we did not have the results what we had expected. But the amount which we are spending on branding and all obviously will not go waste because for the long-term the farmer will ease accepting our products, especially our patented products. So most of our patented products are doing pretty good, which we are not finding in the industry that our first patent product itself was crossing 300 crores then one is at 200 and the other is at 100 crores. So this obviously, the good acceptance will give us benefit because all the branding amount which we have spent this year will benefit us in future. But as you rightly pointed out, it did not come out the way we expected because we were also pretty hopeful. But we are taking corrective steps. Since last one month, we have been, as I said, optimizing our cost to ensure that our future sales, gross margin and all, already we have achieved to those numbers. We will achieve higher sales growth with reduced number of people and reduced OPEX, which will certainly improve the future profitability.

**Moderator:** Thank you. We will move to the next question. Next question is from Sanjay, who is an individual investor. Please go ahead.

**Sanjay:** Just a quick question it was mentioned in the last call that two more cutting-edge insecticides are set to release in Q4. So are you going to be on track to release those insecticides in Q4 or already done or you are on track and about this income tax department, which is still open from September 23, so anything you guys are doing to close this quickly because this is really creating uncertainty among the investors? So what is the update on that? I mean, how quickly this thing will get closed?

**Management:** So with respect to income tax, I will answer. With respect to product size, you will be able to get it. So with respect to income tax, whatever we had issue last year, later on there was no notices and no responses, anything from the income tax side and what we believe is and what we understand from the department as well that the issue is closed from there end, even though we do not have a formal, formal letter from them to say that it is closed. But there is no notices and nothing which has come out a single rupee for that, whatever had happened.

**Sanjay:** Okay.

**Moderator:** Yes. Regarding the on track for new products, so we had already been talking about Shot Down, which is a proprietary herbicide formulation with Haloxyfop and Imazethapyr. So we are on track for this thing. We are just finalizing the right strategy to be able to take this forward. But I would like to caution, that the new products which ever get introduced in the market, they take a little bit of time to be able to settle down. So they do not have a big bang approach of showing the results in the 1st quarter itself. We are focusing more in terms of being able to prove the product on the ground to the farmers so that there is a gradual, sustained and continuous revenue growth over the product. We have also been working on one more insecticide. But this will see some traction in the rabi season. Shot Down will see some sort of a traction from the kharif season. So we may be able to see the effects of Shot Down somewhere in the next quarter coming.

**Moderator:** Thank you. Next question is from Ram Tawa from Equinox Capital. Please go ahead.

**Participant:** So there is some news saying that there is a deviation in fund utilization. So can you just throw some light around that deviation in the fund utilization?

**Management:** Sorry, we didn't understand.

**Participant:** There is a deviation in the fund utilization. From CRISIL There is a report which you have sent to the exchange.

**Management:** Yes. So there is no deviation in the fund utilization. So whatever for 150 crores, the committed amount from the investors, we have got 25% from them. So there is no deviation in the utilization because the balance 75% we are yet to get. So as was committed, so earlier for 200 crores, we had mentioned that 70 crores will go for CAPEX. But now for 150, we have mentioned that 50 crores will go for CAPEX and balance 100 crores will go for working capital. And the initial amount what we got, we have utilized for the working capital purpose. But there is no deviation.

**Moderator:** Thank you. Next question is from Veeranna Savadi, who is an individual investor. Please go ahead.

**Veeranna Savadi:** My question is a simple question I have. I just wanted to understand, what is your view on getting confidence back from FIIs and DIIs investors? It looks like they all lost trust on your company due to non-standing on your words whenever you guys have a concall. So what is your view?

**Management:** So yes, you are right to say that based on, because this is a seasonal business, and based on seasonal business, if we are in June, there is obviously an expectation which is built and how season is going to pan out, how we are going to sell and that is how we build our expectation and when we are doing our June and September quarter, based on those expectations, we had given a commentary to say, okay, what we feel about the season and we are preparing our company based on those situations as of that date. So yes, we have not been able to match that performance what we have been giving in June or September. But what we know is based on our product portfolio, we feel that this is a short-term setback what we are having and we are pretty sure that we will be able to come out of this considering the changes what we are doing with respect to our cost and the learnings what we are having from our previous season.

**Management:** If I may add, actually, I hear your point that there would be a certain drop in the confidence of FIIs and DIIs. But what I would like to say is that it is based on what our product portfolio, what we have demonstrated in terms of our R&D, what we have demonstrated in terms of patent, that there are Chinese companies, there are Chinese very large manufacturers who have decided to work with us as an R&D collaborator. This is a good step in the right direction. They view us not just as a buyer of Chinese products, but they view us as somebody who can sort of work with them and the relationship has been built on the premise that we can help them in their R&D, we can work together, and we can utilize certain registrations with the Chinese companies. We have already invested a significant amount of money in the past year. That is one area that I wanted to say. The other area is that we had not been able to kickstart our export business. I can be happy to say that we have got the first export order, which we started after some time and the number of queries and the number of deals which are in progress are a few. We will certainly be working on the export front also, to be able to ensure that our dollar payment and the stress on the dollar is sort of litigated. Overall in terms of our internal confidence, yes we are very clear that the path that we are walking on in terms of R&D, in terms of differentiated products, in terms of patented products, in terms of backward integration, in terms of being able to work on new molecules, in terms of developing R&D collaborations with important companies, we are sure that these things will yield results. Yes, you are right in the perspective that we expected things to be able to fall in place much faster, but yes, they are a little bit slow. We do look forward to a good year to come. Thank you very much.

**Moderator:** We will have to take that as the last question. I would now like to hand the conference back to the management team for closing comments.

**Management:** Thank you all for joining this conference. We will certainly work to keep the stakeholders' value in our mind at the top of priority. Thank you very much.

**Moderator:** Thank you very much. On behalf of Best Agrolife Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.