UPL Capital Markets Day, 2022

9th May 2022

Radhika :

Good evening everyone and welcome to UPL's capital markets day 2022. It's a pleasure to meet you in person after a three year challenging but rewarding period. A lot has happened in these three years with the completion of the integration of Arysta followed by the aftermath and overcoming of the Covid years, launching of NPP, a separate bio solutions business segment and raising the industry bar by the launch of nurture farm and also signing the gigaton challenge. Needless to say, all of this was alongside a strong delivery of business performance year over year. We tried and created an experience center of many of these achievements in the experience center, you just saw outside the presentation hall. A lot of effort has gone into this and I would like to thank the entire team for putting this together. During the event we will be referring to a presentation and those of you joining us on the webcast would be able to view the event live. The presentation is also available for download on the website and we take as having read the safe harbor statement. From UPL, we have with us today the entire global leadership team and we are also joined by our esteemed board of directors. The session will start with a presentation and would be presented by the global CEO Mr. Jai Shroff, COO and President - Mike Frank, Anand Vora - Global CFO, Raj Tiwari- Global chief supply chain officer, Dhruv Sawhney - CEO Nurture Farm and our CEO of Advanta Seeds Business Bhupen Dubey.

Post the presentation we will have Q&A session followed by High Tea and an open interaction time for you with the leadership team. With that let me now hand over it to Jai.

Jai Shroff:

Thank you Radhika. Welcome everyone. Before I begin I just want to thank all the people who are involved in the emergency response team in Ankleshwar where we had a fire incident on Friday. It was unfortunate but the team did an excellent job of bringing the whole fire under control within two hours.

So it's been another fantastic year at UPL among all the challenges which we can only imagine we could cope with. With Covid being past us we were estimating that this will be a much more easier year to navigate but it's been very challenging and I just want to congratulate the whole UPL team to cross 10 000 crores of ebitda which is a record and only a dream a few years ago when we embarked on the journey of integrating the Arysta business within the UPL framework. It has been an extremely exciting experience of combining two companies in a period of three to four years. At the speed we

did this with operations in hundred countries or more and putting together and continuing to grow the business was no easy task but it looked effortless with the whole team completely focused on not only integrating the businesses but also continuing to gain market share in almost every market which we operate in. So I just touch on the revenue numbers i'm sure that you have seen the extremely fantastic performance across all markets in a year where we had so many uncertainties even after all the supply chain disruptions, the war in Ukraine, the currency fluctuations, the oil price fluctuations, where we were expecting almost a flat or a price reduction market , we've then seen a hyper inflation in the same year. Dollar is strengthening now and the Brazilian currency and you know all the other currencies being completely volatile which was almost impossible to predict but in our business we have to manage that every day and the team has done an incredible job of dealing with that. As we see the revenue growth of 19 percent ebitda growth of 19 percent. We've been able to reduce our debt to below 2x which was a number which we were always targeting. We continue to reduce that going forward and we are also increasing the payout to our shareholders with a buyback and probably a good dividend payout. ROCE also has been growing.

So the key three key pillars for sustainable growth - the whole environment around sustainability is growing and UPL is actually the thought leader and the business leader in all the business sectors. So we have been growing from 2017 till 22 with the integration of Arysta and with all the challenges we've continued to grow our business and are continuing to create a portfolio of differentiated products which are really helping us to continue to gain the trust not only of farmers in the farming community but also of the whole food industry. We are continuing to gain market share and we are today at about eight percent market share, we believe that by 2027 we will be above 10% or around about 10 to 12% of market share worldwide. The bigger advantage of UPL's investment over the last so many years in terms of integrated manufacturing and the over investment we have done is beginning to pay off and as of today where we can be so much more self-reliant on our own supply chain and this gives us the comfort and our customers a comfort around the fact that we are less dependent on the other factors of supply chain disruptions around the world.

So the whole world is transforming from just food production to sustainable food production. The farmers will be beginning to get rewarded for better and better behavior and better practices and we are seeing a huge growth in our new business line NPP and the opportunities and the pipeline of products coming out of there are really helping us to continue to build a trustful relationship with the whole food system. The whole of the puzzle as we call it in UPL, the open Ag and the transformation of UPL from being just a supplier of Agchem products to be a solution provider with the UPL crop protection business, the decco business which is the post harvest, the NPP business which is the bio solutions platform, nurture.farm which is the technology platform which enables farmers to really digitize and give complete traceability and our amazing platform in Advanta which is bringing in transformational technology. Not only today but it was one of the first companies to create hybrid canola. Today we are the first non-GM sorghum traits herbicide tolerant traits and all these businesses are getting huge traction around the world and we are seeing almost a double-digit growth in the Advanta platform and getting great traction not only in the Asia region which was the traditional stronghold of Advanta but in Central America, South America. Our oil seeds platform there around sunflower is giving us tremendous confidence to that the Advanta business will continue to grow. So UPL is focused on our businesses are focused individually and that's why we have divisionalized them. Our each of the platform has sustainability goals and has a sustainable strategy to really make a huge impact and being a company which is committed to make every food value chain more sustainable and better for the world. We believe that anything we do today it has to be around making everything more sustainable and we are very excited with the beginning of this journey and you will see in the next five years, this will be the main stay of our whole industry. This also expands the universe of our market and when you look at some of the fertilizer replacement and reduction technologies that's a 250 billion dollar segment. If you look at all the quality and value which we create through our NPP finishing product. That's a huge extra segment and decco which there is so much awareness around the world about food wastage and decco is by far the industry leader on grain protection on fresh food waste reduction and we're very excited about all these industries because there is such a lot of global awareness today about what we are doing and it's much easier to talk to our customers, to supermarkets, to food companies and to obviously the farmers who see a much better value using these technologies.

The nurture platform has done an incredible job in the very very short period of time of really understanding not only the pain points and the challenges of farmers and addressing some of those things like weather related insurance products etc but also convincing them that burning six million acres of rice stubble in the north of India is not the right solution and we are beginning to get data that when you do not burn your field and create such a lot of pollution which not only impacts his own family but all the cities and villages around and we've been able to convince farmers across 425 000 acres and this year we come we are committed to do minimum 2 million acres of area but what we are able to see that the farmers who do not burn the crop have a huge soil improvement and we are able to increase the soil carbon in the soil and if you are aware which i think you'll hear more and more going forward is soil carbon is the key metric to understand the productivity of soil and you know these areas have been farmed for a long time and the farms have not been replenished with enough carbon and with this project where we intend in the next three to four years to complete all these rice farmers to actually not burn their crops and incorporate all the compost which we generate through our program into the soil. We will see a huge yield increase in this area and also reduction of fertilizer use which is such a big thing because if you just look at the fertilizer subsidy in India the numbers are astronomical and anything we can do to help farmers reduce the use of fertilizer can be a huge impact to their income level. We've also been able to be the first company in the world to sell field crop agriculture carbon credits. We sold 20 000 credits from the rice farmers where they were able to reduce the methane generation. This is also very exciting and we believe that this will go to millions and millions of acres in the future and this benefit will really help farmers follow more sustainable practices. We are collaborating with globally as you are aware UPL is present across almost every agriculture area in the world and we have committed to a gigaton challenge where we will reduce 1 billion tons of carbon through better farming practices. This is a great challenge and we

are driving this thought leadership around the fact that we can use agriculture not as a pollutant of the environment in air but as an airway to remove carbon from soil and this is something which will drive the whole industry to move toward that we are already seeing that other companies are willing to join us in this journey and all of the food industry will soon join us and we believe that labeling of sustainably grown food is the future for every food value chain

I'll hand over to Mike

Mike Frank :

All right, thank you Jai. I'm Mike Frank and I recently joined UPL and it's really good to be here for my first capital day meeting. So we're going to split up the next 60 minutes or so into three segments. Firstly we're going to take a look at FY 22 our year that we just finished, look at Q4 results and then do a full year summary and talk about the highlights. We're then going to look at FY 23 guidance and we're going to finish the presentation with a quite a deep dive on our five-year business plan and you're going to hear from our head of supply chain. You're going to hear from Dhruv who leads our nurture platform and Bhupen who leads our Advanta seed business and so I think it's going to be a very exciting afternoon

So we have a long list of highlights from this past year as Jai mentioned we grew both the top line 19% across the entire upl business as well as the ebitda line by 19% in spite of a very challenging year from a supply chain standpoint. We'll talk about that a bit more. We also launched a new dedicated business unit that we call NPP natural plant protection. This is a business unit that we have had in in our company for several years and when we looked at how do we really exponentially grow this business we came to the conclusion that we need to set up some dedicated resources to help our field sales organization globally that really have the competence and the skills to effectively sell NPP products. We also made significant investments and advancements in our nurture platform and you'll see that when Dhruv gets a chance to highlight that later today. Our Advanta seed business had a fantastic year growing 24% on the top line and 26% at the ebitda line. We also received a second tranche of 700 million US dollars in a sustainability linked loan and I really believe that it really validates what we're doing from a global sustainability standpoint in addition to lowering our cost of borrowing. We were also recognized a number of times with various global institutes on our great sustainability work and so it's always great to get those third party recognitions of what our teams are working really hard side by side with growers and other stakeholders to really impact global agriculture and make it more sustainable. We joined the climate pledge and as Jai mentioned we also launched the gigaton carbon challenge and finally we'll talk about collaborations later but we entered a new long-term collaboration with a company called Christian Hansen which is one of the leaders in microbial discovery and so we've got an exclusive opportunity to work with them on a number of products the first one that we're going to launch in Brazil this year and we have a pipeline of other products that we're going to be working with on for the next several years. So when I look back on 2022 you can see that we had very strong operational performance in spite of many operational challenges our teams leaned into them. The agility and the speed at which we adjusted was really incredible. We had a strong year financially both on the income statement and the balance sheet and we advanced several strategic initiatives throughout the year.

So here's a quick look at our Q4 results. You can see that we had a very strong Q4 growing revenues - this is across the entire UPL company at 24 percent. We grew contribution margins on a comparative basis Q4 over Q4 by 231 basis points and so you saw over the course of the year with each quarter we were able to really price into the environment that we had with increasing raw material costs and by the fourth quarter we were really humming and you can see that how it played out here on the income statement. Ultimately we grew ebitda by 26 percent and when you look at fourth quarter in particular you can see that price drove 19 percent of the 24 percent growth. Volume was 3 percent and we also gained about two percent on foreign exchange.

And then last look at Q4 just from a regional perspective. We had strong growth I would say in every one of our regions with the exception of Europe - the Latin American region grew by 21 percent really across the board again thanks to solid pricing and some new product launches and strength of our herbicide portfolio in particular. We had a great year in north america and it ended with a really strong quarter as well with 38 percent growth in north America. Again largely on herbicides and insecticides but also strong pricing and we also believe that the channel in anticipation of a very strong year that's going to unfold here in the next several months was probably pulling through a little bit of inventory in the first three months of this year into the channel. Europe grew by two percent. Europe had some real headwinds throughout the year especially in the back half of the year with the euro devaluation, the conflict of course at the end of the year in Ukraine as well as we had about a 40 million dollar impact last year from products that we sold the year before that were no longer able to sell in Europe because the regulators are taking products off the marketplace. So in spite of that our teams continued to really work closely with growers and even in the Q4 with the conflict in part of that region we still grew by two percent. In the rest of the world region which is a number of countries we grew by 25 percent in the fourth quarter again largely on pricing and it really was across our entire portfolio and then finally the highlight of the quarter was here in India where we grew quarter over quarter by 63 percent. Some of that was benefited from a relatively weak Q4 the previous year but mostly it was because of new product launches stronger pricing and I think our team really did a good job out there and we believe we grew quite a bit of share in as the year wrapped up as well so great job by our team here in India

So if you look at this across the year as Jai mentioned 19% revenue growth 19% ebitda growth, there was a really nice balance where the growth came from of that nineteen percent, ten percent of it was from price, eight percent of it was from volume and about one percent from foreign exchange. So we anticipated the volume growth when we think about the opportunity that unfolded this past year, we were really excited about our differentiated and sustainable products and we did see significant growth in that category. What we didn't anticipate as Jai mentioned was the escalation and cost of our post patent products but we recognized the challenge and our teams priced into that marketplace and ultimately was a big part of our revenue growth last year

And then from a regional perspective north sorry latin america grew 21 percent. If you kind of divide latin america up between brazil and the rest of latin america we grew about 25 percent in brazil so we had really strong growth in brazil about 14 percent across the rest of latin America. There was some weather challenges specifically in mexico and argentina last year that probably took off some of the opportunity for us in some of those countries. In north america we had a very strong year and it was across a number of herbicides but also our insecticide portfolio grew by over 60 percent in north america last year so just really strong performance across the board there. As i mentioned in europe we grew seven percent last year pretty balanced across the portfolio but the highlight would have been our npp products or our sustainable portfolio which grew at a more accelerated rate. The rest of the world region grew by 11 percent, a very balanced growth across our portfolio and finally in india we grew 22 percent obviously we had a very successful q4 we had a challenging q3 with some product returns coming off of a very dry part of season and so we recovered that and then some in q4. So that's a look at the income statement and the operating performance for q4 and for the entire year 2022. I'll next ask Anand our global CFO to come up and review some of the balance sheet metrics from our balance sheet

Anand :

Good afternoon everyone and thanks mike. Let me start off by saying that considering all the global nature of our business and the challenges we had during the year, I'm really pleased to say that we came up with a robust set of performance which helped us to deliver phenomenal good growth both in terms of revenue where we grew by 19 percent for the financial year, in net profit where we grew by 26 percent along with an improvement in return on capital employed. It's important to highlight that some of these challenges which we faced during the year especially we started off the year with Covid 19 still continuing in some way or some geographies and associated logistics and supply chain challenges. We also saw a sharp increase in raw material prices in a very short span of time which took the markets by surprise and did not permit us to increase the prices for our products we therefore had pressure on margins in particularly q3 and q4 of the financial year. We also saw huge volatility in currency especially in latin america and towards the end of the financial year the conflict in russia between russia and ukraine added to the global challenges resulting in sharp jump in commodity prices and also putting in inflationary pressure across various economies. Considering all this I think the performance we still ended up with some very good performance and I think it's thanks to all our team members were who relentlessly work to deliver this results.

Stepping back a bit when we announced the acquisition of Arysta and also the launch of a new purpose the open ag platform in 2019, we kept focusing on improving our return on capital employed and i'm happy to say that we have been able to successfully improve the return on capital employed by 170 basis point to 15.6 percent by end of financial year 22. And since 2019 when we announced the acquisition and the open ag platform we have improved our return on capital employed by 800 basis point. This improvement in return on capital employed over the last three years has been driven by strong ebitda growth almost at 30 percent over the last three years. While we improve the ebitda growth we continue to make strategic investments in manufacturing capacities product innovation and new initiatives such as the natural plant protection which is a biosolution platform and the nurture farm our digital platform. Such strong all-around performance through the cycle highlights the robustness of our business model. I'll take you through some of the highlights of q4 as you see in the slide.

Talking about the financial results benefiting from healthy demand on the back of strong agri commodities. We posted solid growth in operating profits. More important the robust growth in contribution and ebitda which we saw in q4 is a good reflection of the team's ability to drive price increases and higher sales of differentiated and sustainable products. The agility of our team along with the resilience of our business resulting in normalization of margins in q4 provides us a strong platform to continue our healthy growth momentum heading into financial year 23. The robust ebitda growth also translated into strong bottom-line performance as net profit for the fourth quarter rose by 29 percent year on year to 1379 crores. This significant increase in net profit was in spite of higher finance costs and exceptional costs and let me give you some color to this higher financial cost as well as the exceptional cost. While overall interest on borrowings did come down quarter on quarter we did see an increase in cost of non-recourse factoring due to increase in securitization amount in line with our growth of sales particularly in the Americas, both the North and South America. Additionally we did have a mark to market loss of about 172 crores on hedges taken in on advancesales orders again in Latin America countries as compared to a gain which we had in the previous quarter or in the previous year of the same quarter. We should see the benefits of this reversal of mark to market as we start invoicing our products in the following quarters in the coming financial year. On the exceptional items, it is mainly the we had a charge of 123 crores arising because of the fire that we had in our warehouse in South Africa

Further the fourth quarter being seasonally the strongest quarter for us, this robust performance in q4 translated into a superior full year performance superior performance for the entire financial year

Moving on to the ebitda bridge for q4, as you would see that we did have higher realization largely on account of efficient supply chain which helped us to drive our a bit contribution margin by almost 230 basis point over that of the previous quarter our contribution margins were at 39.2 percent as compared to that of the previous year which was around 35 percent.

As a percentage of sales did go up as you would see and that was largely because of our investments in nurture farm as well as in the bio solution platform which we had to launch besides of course the normalization of business on as we came out of the covid resulted in higher travel costs as well as advertising and selling and promotion expenses

This is the bridge for the full financial year and as you would see we did have a flat despite the q2 and q3 as i mentioned earlier where we had pressures on the margins. We did end up with ebitda margins at flat that's about 22 percent but as i said this ensured us the q4 robust profits ensured us to deliver good results for the full financial years

Moving on to working capital

we did see an increase in inventory by 14 days as is reflected which is a reflection of a higher raw material costs and a strong order book that we have for financial year 23. On the receivables we did manage our risk well by increasing our non-recourse factoring which is in line with the robust growth which we had in sales in the America. The increase in payables is largely in line with the increase in inventory and therefore we did see a reduction of about two days in our overall networking capital. So overall again on working capital we continue to deliver good numbers as we move forward.

This is the cash flow bridge which i know has been a point of great interest people have been focusing on the debt reduction initiative but keeping in mind that we had guided for about seven to ten percent growth in sales and that we ended up delivering 19 percent growth in sales. We did see higher working capital but i'll take you through the numbers. In absolute dollar terms we did end up reducing our debt by 90 million however in rupee terms due to depreciation of rupee from 73 at the end of last year to 75 we did see almost a flat net debt reduction in INR terms. Going to detail of each of the items in the cash flow, the business generated operating cash flow before working capital of 9267 crores which was higher by 14 percent as compared to that of the previous year. The incremental working capital of 1124 crore was largely to support the higher growth in revenues over and above the guidance that we had given of seven to ten percent. The incremental working capital and tax payments the company generated healthy cash flows after deducting the working capital and tax, the company directed healthy cash flows of about 4426 crores. Given the highly dynamic supply chain environment and the strong demand tailwinds the growing needs to secure food supply chain through enhanced farmer connect we continued with our strategy of making prudent capital investments and investments through increased incremental spend in NPP and the nurture platform for ensuring healthy and sustainable growth moving forward. The company also distributed higher dividends considering the good performance for the financial year. The resultant cash flow resulted as i mentioned earlier in the net debt reduction of 91 million. The robust growth in absolute ebitda resulted in the net debt to ebitda ratio of 1.86 times far exceeding the guidance which we had given at the beginning of year of two times. The gross debt and the net debt numbers in INR and US dollars are provided in the slide for your ready reference. I would like to hand over to Mike again to take us through the guidance for fy23. Thank you for the attention.

Great good job thank you

All right thank you Anand

So we're going to talk a little bit about fy 23 guidance and as i talk to farmers really anywhere, the common theme of the conversation goes a little bit like this. This year coming into this crop year, rents are higher, seed costs are higher, fertilizer price is higher, fuel is more expensive and so the cost of establishing and investing in the crop this year is going to be significantly higher than last year. Now the benefit farmers have of course is the commodity prices for their grains are also up over double digits where they were just a year ago. So when they think about crop protection products and bio solutions, they tell me they're going to maximize their investments this year in these types of products to protect their crops and maximize yields. So i really believe coming into this new year we've got some real tailwinds behind us like every year there's going to be some challenges. We don't know what they are obviously today supply chain continues to be somewhat of a challenge and a bottleneck including out of china today with the covid situation. Currencies the US dollar has appreciated against some of the currencies in key regions like in Europe and Japan but generally we're expecting a very strong operating and financial performance again as we look at fy23 so as Jai mentioned we're guiding for revenue increase of 10 percent or more with ebitda growth in the 12 to 15 percent range and very importantly continue to improve on ROCE with another 125 to 200 basis points improvements on return on capital.

So Jai mentioned our three areas of strength and our pillars and this is going to play out again in our business in fy 23. firstly we're expecting strong growth from our differentiated and sustainable products. Last year the mix between post patent and sustainable and differentiated remained about flat about 71 percent post patent about 29 percent differentiated and sustainable. Again on the post patent business that's where we saw a significant price increase and in fact 90 percent of the growth in that business came from price. In the differentiated and sustainable business, 70 percent of our growth last year came from volume and we expect that to play out again this year. We've got some very exciting new launches between last year and this year, we'll launch over 80 new products globally and on the next slide i'll show you three of those products that we're very excited about. We're also making unique investments when we look at countries where we think we can increase our presence really drive our sustainable and differentiated solutions we're making unique investments in 22 countries that represent about 80 percent of the global crop protection product marketplace today and we believe we're going to grow exponentially quicker and gain more share in those 22 countries and we'll talk a bit more about that during the five-year plan and then finally really the part that anchors our success here at upl is the strength of our supply chain and that showed itself last year and we know that it's going to be a key strength for us again going into this new fiscal year. So just to highlight three products of the 80. So i didn't want to go through 80 products with you today but here's three that we're incredibly excited about. So firstly there's a new soybean herbicide for growers in the US. One of the challenges that growers in the US have is resistant weeds specifically glyphosate resistance. So we have a new two-way herbicide for soybean growers that can be put on in the fall or pre-plant in the spring. It has nice residual value and the crop safety is second to none. This will be our launch year. Our team in north america is already run out of product and so we have sold everything that we've got and we're anticipating even more growth in this business coming into the following year but it's a really nice product launch and introduction to this product called preview in the US. In brazil we're launching a product called evolution. This is a new three-way fungicide that really is going to be the leading product for asian rust in brazil. Efficacy is incredible. I was out in brazil a couple weeks ago with our country manager Rogerio and we were looking at some plots and you could see the difference between evolution and the standard in the market today and not only was efficacy higher in the field results, the harvested yields are also higher with evolution so we really believe this is going to be incredible product. We've increased the supply so we've asked our supply chain to produce even more and we think we're going to have a really big year with evolution in brazil this year. Finally, a product that we launched in q4 here in india which is triskele. It's the first three-way herbicide ever launched in india and it really demonstrates that the incredible work between our R&D formulations team, our regulatory team and our marketing and commercial teams. All coming together creating a product for sugar cane growers that is the best product from a weed control standpoint and also from a yield standpoint and so this is really a new breakthrough for our business and for growers here in india

Mike :

So we're now going to switch to talk about our five-year plan and i think you'll conclude when you look at our five-year plan that we have incredible opportunities across our business in the crop protection space, in the bio solutions NPP space, in our seed business, with nurture and again the exciting work that we're doing in our supply chain. so i'm going to start by talking about some of our innovations what we call open innovations and i'll talk about our r&d capabilities, our open innovation model, our innovation pipeline and will show for the first time our really strong IP landscape. So firstly, it all starts with business smart r&d and this is how we invest our r&d resources to become super efficient and effective at delivering new technologies to farmers around the world. We have over 1000 r&d professionals across 30 facilities and we've increased our investment from about two and a half percent previously to about now three percent of sales in our r&d investments.

this here is a snapshot of our Open Ag farm in brazil. so last year we opened up a 25 000 hectare at scale farm in brazil and what we wanted to do at this farm is we wanted to put down upl products wherever we could to grow corn soybeans and cotton and we also wanted to use it as a demonstration field where we could do both some demo and some science but also bring farmers across matogrosso and beyond to come to the farm and look at the technologies that we're applying and in our first year we were able to put upl products in corn and soybeans down on 70 percent of all the applications. So if you think about our market share in brazil today, it's not 70 percent but on this farm seventy percent of the products that we used were upl products and not only did they work they delivered about six percent more yield than the average yield across matogrosso which is about three and a half bags per hectare. We also tested and trialed scientifically a lot of our NPP bio solutions and again versus the standard farmer practice we saw about an eight percent yield increase. The benefit of this farm is most companies do their trials on small plots and often when you talk to farmers they say well maybe what happened on a small plot doesn't apply on a big field but we're proving in brazil where as you all know there's some really big farmers that at scale our products and technologies can really benefit growers and so i really think this is an exciting advancement in our open AG farm

We also look at r&d through what we call farmer pain points. So recognizing where are farmers challenged today ergonomically and where can we bring new solutions whether they be new mixtures of conventional crop protection products or pro-nutiva products which is a combination of our biological platform along with conventional crop protection products or straight up NPP products.

So that's how we focus our r&d investments and when we look at our pipeline and our exciting products coming through the pipeline. On a risk-adjusted basis we have over 5 billion dollars of revenue that we believe is going to be generated through our r&d pipeline. Over half of that is going to come between now and the end of fiscal year 27. So it really demonstrates that this pipeline is coming at us each and every year which is why we had for example 80 new product launches in the last two years. When we look at the makeup of the portfolio about one quarter of all of our pipeline is post patent products and about three quarters of our pipeline is differentiated and sustainable products. So it really demonstrates for us that we're investing in the right area. When we look out to 2027 we expect about half of our product mix to be differentiated and sustainable products and again about half of our mix to be post patent products so both segments will grow. when we look out over the next five years there's about six billion dollars of global market of crop protection products that are going to come off patent. so a lot of our post patent investment here is in the works that are going to be coming off patent over the next handful of years. we want to be first in the marketplace when those products come post patent but more importantly we want to take those products combine them with either our NPP products or other active ingredients in our portfolio and that's how we bring differentiated and higher value products to our customer

I think this is the first time that we've showed this slide. we have an incredible team within upl that's focused on IP securing patents, defending patents and really understanding that entire landscape globally which is complicated. we have over 1500 granted patents. we have over 3 000 in the queue waiting to be approved that are pending today over 600 innovations across these patents and we've achieved patents in over 133 countries. when you look at what we've patented, it's very balanced between herbicides insecticides fungicides and also bio solutions and we also have a multitude of types of patents from composition patents to method of use, formulations, process patents all of these really create a lot of value for us help us make these investments in these differentiated products which ultimately benefit growers when we look at our current sales from last year over one-third of all of our sales of crop protection products and npp products were covered by one or more of these patents so it's a very important part of our business and creating unique value for our customers. So again in summary as we think about our open innovation, we have a pipeline that has risk adjusted value of over five billion dollars again over half of that is going to be realized we believe in the next five years about three quarters of our our pipeline is differentiated and sustainable solutions. We're making more investments in r&d and in field testing and we have a very rich IP patent estate

The next area of growth for us is in what we call open collaborations. We've talked about some of these previously but we want to give you an update on some of our key global collaborations plus talk about at least one or two new ones that we did this past year. So firstly with FMC we announced this about a year ago it's for a very large and important active ingredient called CTPR. We actually launched our first solo CTPR product this year called shenzi. We launched it in five countries and we had very very good sales of this product. We've also built a manufacturing facility to produce CTPR and we expect to be operating that in the second quarter of this year. As we look out towards 2027 we expect to have a portfolio of over 40 CTPR solo or combination products that are differentiated this is going to be a very a big part of our future growth platform. We also have a partnership with Mitsui on a very a new and novel active ingredient that's an insecticide for rice. We're expecting the first registration of this product here in india in fy 23 and over the next two or three years we expect many more registrations of this product across asia as well as a seed treatment for this unique product in the US

and then another new product collaboration that we entered this year is with Christian Hansen. They're one of the leading companies today discovering new microbial technologies and so we've got access to a broad part of their portfolio as i mentioned earlier we're launching our first new product in brazil this year and we have about six other products that are right now in the pipeline and we expect more to come here over the next couple years and then finally i'll highlight a new go-to-market collaboration that we have in brazil with Bunge. Bunge is one of the leading grain traders around the world. They have a very strong presence in brazil and one of the things that they do with growers in brazil is they help manage risk and so by providing credit on future grain they're a natural partner for us where we can go to a grower help them manage risk and help them get access to seeds, fertilizer and crop protection products and so we've invited them into an investment that we have in a retail network called Sinagro. They came in and take took a 33 % share of that business and so now we're operating it together with them and we're just in the process we got approval for this investment just in march of this past year so we're now just coming to our growers and we're targeting primarily i'd say small and medium-sized growers with this initiative through the center and northern parts of brazil so it's we think it's going to really help us accelerate the growth of Sinagro but more importantly the growth of upl products through that platform

When we look at our collaborations that we have today and we're working on a number of new collaborations we believe that by 2027 over 10 percent of our business will come through collaborations whether they're with these type of large companies that we work today with or partnerships that we're doing today in our Open AG center in north america with a lot of the startup community and so we just have a lot of exciting collaborations that we're working on some big, some small but we believe that they're going to have a significant impact on our ability to bring technology and value to growers and to help us grow our business.

As i said earlier in addition to our innovation we're also looking to see where can we make unique investments at the country level specifically to get closer to growers when you think about selling differentiated and sustainable products it takes more of a partnership with growers you need to help them understand the benefits and the features of the technology and often they're priced to value so unlike post patent products they're not priced on cost, they're priced on the value that you can establish with your customers so as we continue to grow our differentiated and sustainable product portfolio, we want to continue to get closer and closer to the farmers that we serve with our technologies

So what i'll do in this section is highlight some of our unique npp bio solutions and give you some examples of some new products that we're launching this year. I will invite Dhruv up to talk about our nurture platform. I'll highlight some of the investments we're making in our key countries really enhancing the proximity to our customers and then i'll highlight what we're doing with what we call the pronutiva platform which is where we combine sustainable solutions natural solutions with more traditional solutions to create new value.

So when we look at all the markets where we participate in, we believe that this segment of biological, biostimulants, biocontrols, bionutrition this will be the fastest growing market probably over the next decade in agriculture. we believe over the next five years this market alone is going to grow at a CAGR of about 14 %. We are the number one player in this market today but it's still very fragmented so our strategy in this market is to continue to develop new technologies ourselves including some of the technologies that we're developing here in Thane right here in india for global distribution. some technologies that we're developing in france and in mexico. we're globalizing our really rich portfolio that we have today and that's one area of growth but we're also looking for new opportunities whether that be collaborations or acquisitions. we plan to grow at an accelerated rate from the market. our plan within this segment is to grow at about a 20 percent CAGR over the next five years so we lead today but we believe that over the next five years we can even further establish our leadership position. Here's just a couple of examples of what NPP products are about so the first one is a product called Gaxy plant this is really like a vaccination for the plant it creates a healthier more robust plant especially when it deals with a biotic stress so whether that's heat or drought conditions. By using this technology it creates a more durable plant. it helps boost the plants natural immunities and so this is a product that we sell today and we're in the process of creating a number of combinations with this product with other bio solutions to really create a unique portfolio of bio products that can help create stronger plants and stronger roots and ultimately higher yields for growers.

The second product is K Tionic. K Tionic is a bio-nutritional product. We sell it today in 15 countries and as you all know with the price of fertilizer that's gone up significantly over the last 18 months. Farmers are looking for tools and technologies to help them optimize and reduce the investment in fertilizer and K Tionic is one of those products and so we're doing a lot of work with growers in these 15 countries and beyond to commercialize this technology. we believe it's a technology that not only creates value in high fertilizer price markets but even when fertilizer eventually comes back to more normal prices whatever that's going to be but more importantly it creates a very important sustainability benefit by having less nitrogen more natural organic products in the soil it creates for healthier soil and ultimately growers are really trying to look for those types of solutions.

Then lastly a technology that we call gaxy. Gaxy is a concentrated bio stimulant. It again creates stronger plants. It's a very exciting technology that we are just about to launch this year and again this is a product and a natural plant protection that's going to be sold individually as a standalone but also we believe can be part of many mixtures with other biologicals but also with some of our conventional products as well.

All right with that Dhruv I think we're ready.

Dhruv :

Second time lucky. Good afternoon everyone. I think we've seen across the world multiple industries benefit when technology-led innovation starts disrupting how traditional business has been run and we've seen that happen in pockets for agriculture with great products innovations having been developed but the challenge has been that there hasn't been a strong platform to take those innovations in a very cost effective efficient and convenient way to farmers. Nurture.farm is now well positioned to be the leading platform in doing so. We are primarily focused on two goals. Our first goal is to solve for farmer resilience. 85% of Indian farmers are small holding farmers. As you can imagine with inflationary pressures access to labor cost of labor going up, cost of inputs going up and crop prices typically being kind of held at a certain ceiling. They're definitely feeling the pressure in the middle.

So how do we make farmers more economically resilient in a world where their land holdings are shrinking and costs are going up. The only way that can happen is if we help them improve their operation and help them run their operation more efficiently at a lower cost. With better advisory better guidance and the right curated set of products and inputs such as Pronutiva packages and other solutions that would actually drive better yields.

The second goal that we're focused on is a shift to sustainable outcomes and sustainable practices. The world is going to add another 2 billion more people by 2050. how do we feed 2 billion more people without cutting more trees and accessing already precious resources again. The only way that will happen is if we can grow more from less using sustainable practices. Our focus on these two pillars of solving for farmer resilience and a shift to sustainable practices is being dealt through the following approach. We believe farm mechanization is a key lever for us we're in a shared economy model we're giving access to the right tools to a small holding farmer at a price point that is far more efficient and profitable for them. We're also giving them access to the right advisory at the right time so that they don't have to discover the knowledge systems on their own in a world that is fast evolving.

A farmer should not have to discover that knowledge the information and the outcome should be at their fingertips and that's what the platform does through our digital offerings of presenting services, products access to information and a lot of solutions that we are curating for farmers with the knowledge and confidence that we'll be able to give the outcome that will give the profitability improvement that the farmer is seeking.

Last and not the least this ecosystem has been well supported and run with retailers and distributors and the channel supporting the farmers in the form of Ag inputs and credits. We are now here to support that channel as well and through our retail e-commerce platform, we are bringing authentic products to the doorstep of every retailer and distributor in the most efficient predictable supply chain.

Technology can play a great role in innovating in how we predict impact of weather and pest and disease onsets and there's no reason why retailers and distributors and farmers can't benefit from these technologies as well. We already have close to actually about 3 000 machines for spring services multiple harvesting machines. We're going to be launching our drone machine soon which the farmers are benefiting from about five and a half million farmers sorry five and a half million acres have already been serviced in this last year and about 1.5 million farmers have been onboarded onto our digital platform.

So this is a this is a great progress that we've made over the last couple of years. We have over 80 000 retailers now accessing our retail platform with over 15 brands that are already participating in this e-commerce venture.

So just looking ahead you know we believe that the pace of innovation and the access and reach that a digital platform gives can lead to exponential growth when we combine that with the right products and services and the knowledge systems available to us. Today we are already at 1.5 million farmers over 5 million acres service with 80 000 plus retailers we're just beginning.

We believe in three years we can easily have over six million farmers transacting on our platform. We'll have over 40 million acres serviced through various initiatives and over 300 000 retailers transacting on the platform as well this is going to be a a platform which is available to the complete ecosystem. We have a new means of livelihood being generated with new knowledge systems coming in.

So we look forward to brighter futures for our farmers and the ecosystem and the retailers

Thank you. I'm going to hand back to mike

Mike :

Super exciting Dhruv. Very impressive what we're doing with that platform and the impact its having for growers across India. As i mentioned we're making unique investments with over 96 separate initiatives in 22 countries. This is a new program that we really just started in the last year and we did see some growth in our SG&A. Some of that was to get closer to growers and it was also partly to invest in these unique opportunities that we're tracking very carefully from a spend and benefit standpoint.

We believe that the growth that will come through these 96 unique initiatives over 22 countries will be in the range of one and a half to three percent CAGR over what would have been our base business just over and above the r&d portfolio and new products that were developing

Again we have many examples today here at the capital markets day we have each one of our regional leaders and so during question and answer if you want to ask any questions about what's going on in any specific country we have people that can talk about that but it's really exciting in every country we're getting closer to the growers helping pull our products and technologies through to the farm and really making our relationship and our business durable and creating a better defense in the long run with our business

And finally the pro notiva concept so this is again where we take biosolutions product one of our npp products and combine it with the conventional crop protection products. Often people talk about the need or the want or the desire to go to organic farming the reality is today most farmers can't move directly to organic farming because the bio control products and the biostimulants aren't as good today across the board as some of the more traditional fertilizers and crop protection products.

So we believe that this is a journey we believe over the next decade we're going to move from a world today that's primarily conventional crop protection eventually to a world that's primarily natural plant protection and we're going to lead in that journey but as we go from today to that future world we think it's a combination of bringing products and technologies together, making agriculture more sustainable, making plants more durable and ultimately helping growers drive yields and economic viability on their farms.

One really neat example of pronutiva in action is here in india with groundnut ,if you go back just to 2020 we had about 100 000 acres here in india under the pronutiva concept today we have over 1.7 million acres. we have over four thousand villages that have adopted this technology and two hundred and twenty thousand farmers using the pronutiva package.

On average we've increased farmer income by 15 percent and it's increased ground nut yields by 35 to 40 percent so just it brings it all together higher yields more profits for growers and a more sustainable production so that's how we see the evolution of the marketplace.

So to summarize, we have a number of exciting initiatives that are going to drive our growth and accelerate our growth over the next five years, NPP products, obviously our nurture platform our unique investments across 22 countries getting closer to growers and then bringing more and more pronutiva packages to farmers around the world.

Next up I want to invite one of my new best friends Raj who leads our supply chain and one of the first things i did when i joined the company is i had a chance to travel extensively with Raj to a number of our plants and i was blown away at the scale but more importantly the world class at which we run our manufacturing operations and so Raj it's a pleasure to welcome you to come up and talk about what we're doing in supply chain

Raj :

Thank you very much Mike. I mean this year was really a tough year. We thought you know covid was behind and we had a relatively easy year but it was the toughest year which i have experienced in my last 10 to 15 years in supply chain

I mean right from the time the energy crisis in china started to sudden rise of costs and we were not very sure i mean how do we you know how do we pass it on.

I mean whether to source or you know to scale it down and then the whole issue in terms of logistics that was a biggest nightmare. So as Jai mentioned earlier reliability of supply chain and cost competitiveness are the overarching twin objective of our supply chain team.

further to that point in this section as we move forward we will discuss how supply chain acts as a competitive advantage for us and what are the key initiatives which we are taking in time to come so first

so first on you know safety as Jai initially mentioned that on Friday we had a fire incident at one of our factory in ankleshwar and one of the portions of one of the plant got fire and the rest of the plants in the same factory are operating normally. there were five people who got injured one has got relieved and four are recuperating in the hospital. we are taking good care of them

last year the LTFR was 0.21 and on process safety incident we had two process safety incident but taking cue from you know our south african warehouse fire we have got external experts for all new warehouses which we are hiring or we are going to hire. we have got external experts in terms of doing the due diligence in the hiring process and redefining our checklist for hiring a new warehouse but also the existing warehouse in terms of identification of the gaps and the mitigation of those gaps we are working on and we should be you know we should be completely able to come out of those gaps if any which are identified.

On hazardous chemical handling and incident management we have implemented what we call it as hazardous chemical transportation management. This is completely you know implemented in india especially coming from navashiva to our factories which is the incoming raw materials and we are also leveraging on digital initiatives in terms of AI manufacturing.

In terms for the safety for PPE compliance you know compliance in the factory what we are doing is that we are using video and you know analytics to a great extent in terms of understanding where real time PP violations are there to be able to bring you know more rigor and discipline on the shop floor. Also the crisis management plan in it just in case if there's a crisis we have a crisis management plan which is rolled out where E&Y has helped us in terms of designing the whole crisis management plan along with the leadership team and the people in the factories which is rolled out for india and we're in a process of rolling it out for our global regions

As you can see in the pie chart this is you know in terms of our sourcing footprint if you see in the pie chart you'll be able to see that our raw material sourcing is quite diversified.

If i talk about fY 22, about 31 percent was the share of china, 38 percent was india and 31 was the rest of the world so this is really very very balanced and if i talk about last journey above of last three years you know we have moved china share from 38 percent you know a percent to 31 percent now and if you see on the left hand side you know wherein if you see 72 percent of our active manufacturing we do in-house and the interesting piece is that six percent of our of our active we now get it done by our what we call it as a strategic partners.

This itself in three years time have have moved from two percent to six percent so almost 300 percent jump and largely in india and only about 22 percent of our actives we source directly therefore you can see that you know reliance of import of AI is you know fairly low and additionally we have also worked on enhancing our manufacturing efficiency by closing down our rotterdam plant and which was basically making mancozeb and that capacity we moved to india and you know colombia thereby bringing efficiency and more importantly you know the top 10 AI for for upl we do in-house and that is mostly backward integrated through and through and if you see on the left hand side of the chart where the globe map is there that largely shows our formulation footprint of course it is active as well but largely the formulation footprint is such that we are closer to our customer for two you know reasons - one is that you know we can be more agile and we can service our customer orders better i mean we don't differentiate between a half a kilo order or a half a ton order and therefore if our you know formulation plants are closer to a customer that helps us in terms of serving them better and lastly that you know we also can keep AI as a safety stock so that you know our reaction time is much faster.

In fact in 2020 we also expanded our formulation footprint in china with acquisition of yoloo and therefore overall if you see we have a well diversified raw material supply base. We have highly reliable active and specialty chemical manufacturing setup and we have a backward integration linkage and actually this has held us good stead in fy22 and going forward in fy23 also. This is going to be a big advantage to us in terms of maintaining our competitive advantage agility and our margin expansions

So over the last three years one of our major focus has been to drive growth organic growth with our growth with the optimum investments and to achieve this objective we actually established a robust ecosystem for our strategic manufacturing partners and as i said earlier if you see from two percent to six percent almost three times we have grown the share of our strategic partners in our active intermediate space and that is largely india

and we have kept on expanding our i mean you know investing in our new capacities for new products but also we have continuously worked on bottlenecking our existing plants to sweat our assets and overall these initiatives helped help us to drive organic volume growth you know by about 40 percent in you know average and last i mean 40 over the last three years in a very capital efficient manner with our fixed asset you know turnover actually improving which was 1.8 times in a fy19 to 2.4 times fy 22 and what's more important is that while we achieve this feat we also continuously worked on de-risking our supply chain we not only diversified our sourcing you know in terms of raw materials but also in terms of geography and supplier you know supplier source in terms of mix. we also you know last year was a nightmarish year for ocean freight and whole supply chain and actually we you know what helped us was long-term contracts which we had you know done last year with some of our partners foreign ocean lines further to that we also leverage our scale and our footprint to be able to get you know favorable sourcing terms from our strategic partners and therefore overall these de-risking initiatives you know combined with our agility and to you know our ability to adjust volatile supply chain situation helped us not only deliver robust volumes but help us maintain our maintain you know maintain our ebitda or slightly improve our better margins

so further to as Jai mentioned earlier our purpose is to reimagine sustainability to drive the real world impact and to further this purpose we have really done some hard work over the last four five years in terms of optimizing our or dramatically improving our manufacturing footprint or environmental you know footprint

just to give you numbers i mean key kpis for our environmental footprint you know reduction. we actually reduced our water consumption per ton by about 11%

we reduced our co2 emission by about7 percent and our waste disposal by about 17 percent now this is all possible you know we have a fair share of you know of course we had you know substantially increased our green power usage but we have also reduced we have also continuously worked on bringing specific energy consumption down and therefore the new technology adoption in the factories has been commendable

we have 50 000 meter cubic metre of water we have conserved and really and used in you know rain waters we have used also we have you know continuously put up technology to reuse the waste water which is coming back to in our process and that has been you know that has been a big initiative because of which we have been able to save the use of fresh water

so looking ahead over the next five years we are we are focused on implementing a robust three pronged strategy to enhance efficiency and to drive ROCE accretive sustainable growth

the first one is you know of course you know we keep we'll keep on optimizing our sourcing mix. you know it will not change dramatically but i mean by and large it will remain balanced but india will gain some share in that mix optimization and we will keep on working with our strategic partners so that we can raise the share of our strategic partner in our overall ai intermediate sourcing which is long term

extensively we are going to leverage digital and analytics. We are already under a transformation project wherein we are end to end our supply chain S&OP process is getting digitized and we are using you know we are going to use AI/ML tool for demand forecasting and so that our forecasting errors are less which is going to also optimize our inventory and we expect that with this digitization we should be able to optimize our inventory level by 10 odd percent and sustainability being the core we consider that as extremely important for us to remain competitive and we will we are going to leverage our sustainable initiative and we are going to keep working on improving our footprint year on year

we have already given commitments in terms of from fy 20 baseline to reduce to you know our co2 emissions and waste by 25 percent and water consumption by 20 percent

i'm sure my team and the entire upl team is going to going to surpass these targets

thank you very much Mike

I'll now invite my colleague Bhupen Dubey to give you some color on our seed business thank you

Bhupen Dubey

Good afternoon thank you very much Raj and Mike after agrochemical i would like to take opportunity to update on the Advanta's progress for the year year gone by and the next few years

okay these are some numbers we have taken the number in a rupee crore so advanta is now nearly three thousand crore revenue company . we have a CAGR of about 14 % last few years. Against the backdrop of industry seed industry CAGR is about five to six percent against that background consistently the growth is going up by fourteen percent. similarly our focus has been on the ebitda relatively well we have we have a size where we have opportunity to grow but our focus has been on the profitability so if you see you know we have ebitda of about 774 crore and the CAGR of about 23 percent over a period of 2019 to 22.

in the seed industry it is very important that we manage our inventory very well sometimes we try to choose top line aggressively and end up having the written of the inventory from the marketplace and the hits very badly and to recover from that takes years together so our team Advanta has been able to manage this in a good year and bad year you know continuously this kind of focus on the profitability

we have 900 hybrid varieties across 40 crops. we operate in the both the domains field crop as well as vegetable crop. field crop relate out of let's say 40 crops nearly field crops are 10 and 30 crops are vegetable part of it

as you know in a previous presentation also this is standard in you know breeding based company number of years matters in terms of two aspects which are important ingredient for the continuous success

number one germplasm, more number of years seed industry seed company in the business have a very good germplasm collection that is where UPL the advantage has a privilege of having it and also we have a breeders who know this material very well and they know how to play around with this different genetic material and come out with the innovative product so that is extremely important asset which we have

country-wise we have now expanded to 84 countries. similarly we are also going into production sites we are now 24. with the uncertainty happening in the globe you know arena because of the pandemic as well as the conflict in the europe , every country we interact with the decision makers one thing they are very clear that they want to produce seed locally extremely important so which is a downside of it is that we are we will not be able to take advantage of you know the scale but at the same time positive part is that if you are committed to a given country i think it is a great opportunity for investment and as a result of that we are now production site in our 24 countries and this is likely to continue to expand in going forward

in terms of regional mix we have you know south asia is the number one region for us 31 % followed by latam at 24 percent asean the australia and rest of the world and north america so very well balanced almost all the key component we are present

here you will find that we are not that presence is not that strong in europe as of now. there we are focusing primarily on the oil seeds and which is coming from the eastern europe

terms of the crop number one crop for advanta is a field crop field corn primarily tropical corn and sub tropical

we are not very much into the temperate corn that is area we have not really paid that much of attention at this point in time but that opportunity remains in future

a second most important crop where we have a very strong presence is a grain in the forest sorghum this is very important you know crop in our portfolio we are one of top two or three companies in the world where we have a very good position in the sorghum as you may know you may know there is a climate smart crop in that definition sorghum fits in well more biomass using less fertilizer less soil less water is something you really this crop qualifies a lot so time has come for this crop to expand faster.

another important product category we have is vegetables and sunflower and canola are the crops so very well distributed in terms of geography as well as the crop portfolios

another important aspect i think the seed industry is by definition a company which survives for 60 years successfully other companies having a very strong innovation portfolio

without innovation this is we cannot survive and here advanta team globally has done a wonderful job

we are a very good team of professionals uh across the country is highly dedicated very knowledgeable and very very creative in terms of the way they approach the market so we have three platforms where we give a you know give us a very differentiated position in the marketplace one is a global brands advantage seed is a global one from you know us but there are regional brands under which this you know products are being marketed like pacific seeds australia pacific seeds are you know thailand ultra seeds you know north america etc

now these are the brands which we have association of the farmers for many years so while we contemplated that globally we standardize it that everywhere we just eliminate these names and we make it Advanta but we realize that farmers associate the brand name of the seed very strongly any change there is always a fear of losing the farmers and as a result of that we continue to play with this you know brand names in various countries

umbrella brand remains Advanta though

crop specific brands you know it's important that whatever new features our breeders are able to bring in the marketplace are identified in a different plant you know play brand platforms so we have got Empyr the hyola vereda as well as pacific seed wheat other brands which are crop related brands which which are associated with the unique attributes and the most important next category we have created is a technology brands advanta primarily is in a you know the conventional breeding and we we bring out other unique features for example igrowth

igrowth is a first of its kind technology in the world in sorghum. many of you may be aware that crop likes corn and you know soybean highly technified crops

they got a lot of trades which are primarily incorporated by using gmo

now gmo has reached a plate too in many countries where it's openly accepted but many many regions like europe and some of the asian regions they are reluctant for the gmo so how do we go about it so our breeding team started a project in 2007 to develop a herbicide tolerance in a sorghum via non-gm route a very big challenge 2007 they started investing in and finally they succeeded in launching a product in 2016.

so nearly nine years and the product has created a big impact to begin with in argentina let's say today argentina has about 1.5 million hectares sorghum and this area is limited because it does not have any herbicide tolerance now these countries does not have labor force to eliminate the weeds manually and therefore they are unable to there's no selectivity and therefore they cannot use the you know herbicide like glyphosate the way they use on the corn etc but our breeding team incorporated this gene via mutagenesis technology and they launched this one product called i growth

farmer can apply the you know the emi herbicide and it will kill all the wheats but the crop will be protected

in three years time, now four years time we have nearly 62 % markets here in igrowth in argentina now that is a template of success similarly next year we launched in australia last year we launched in usa and the current year we launched in brazil so nearly four countries we launched this technology and if you take template of argentine as a success template and we are able to successfully come you know the transfer this you know know-how and replicate the success then our value creation you know in this segment is going to be humongous

this may not only convert the conventional sorghum into i growth but also the area under sorghum will expand exponentially in the area where there is a you know the multiple times they are going for the corn similarly we have a you know vertix aphix a nutrition each one associated with like the trait special trait for the given crop

coming to the numbers once again revenue is three thousand crore we have twenty four percent growth you know ebitda is about thirty two percent growth for the year gone by and every ebitda margin is 150 bps up you know if you look at the revenue by region growth is south asia is 19 % could have been more actually 24 25 percent but i think extended rain monsoon in india especially spoiled some of the areas and you know the business was impacted therefore we are at 19 percent

LATAM is the highest growth we have 32 percent the reason was primarily explained high growth you know growth was very very high

asean region led by thailand and surrounding countries 14 percent

australia is a wonderful year we had i think one of the best year in last few years 20 22 percent

Nafta north america the usa mexico and canada is we call it nafta we have a 32 percent growth and rest of the world is about 24 percent group so each region has contributed very well in our growth journey so far

Core focus on innovation remains r&d i think that is a core for us we just cannot control you know compromise on that and we are very proud of our r&de community of 189 scientists they are all phd in you know in biotechnology or plant breeding etc

they collaborate very well and then you know committed working of over period of time because a single product launched in seed takes about nine to ten years and that is a there is a you know power powerhouse for us which will propel continuous growth for advantage going forward

Advanta has delivered robust ebitda growth over FY 19-22. well it's not a one-off story and i'm very proud of team Advanta our professional we had a tough time because over sometime in 2014 and 15 16 i think industry operating environment also very challenging within that internal challenge is also very very high so we decided to make sure that we focus on two three areas

number one profitability because in a good year or bad year if you're focused on profitability then sustainance and growth is guaranteed so that is something our team has been able to do that so if you look at two thousand and fy 19 we had a twenty one percent ebitda it's about 21 percent ebitda going up to 24 percent ebitda and now it's 26 percent ebitda

so last four years even if you go back two three years further the ebitda number was about 16 percent 14 percent so last five six years continuous the ebitda percentages are going up now if you compare with the industry period where the top line is going up because of the organic growth inorganic growth but there is a direct co-relationship when they go up in the top line ebitda start declining by biotech companies gm driven companies they used to have a 24 25 percent ebitda currently these companies all the big name in the industry their habitat is 14 percent 15 percent 16 percent right so in this background when you look at advanta we are very very proud of the you know delivery of these numbers by our team here and we believe that we have now the processes you know in the business processes the systems and the mindset in place to make sure that this journey will continue even if you go on the top line going forward

Long-term growth ambitions which we have we believe that we are at a level which is platform is just to take off operating environment in industry as you have seen mike was you know sharing in many slides is very bullish going forward

i think every country want to make sure that their population gets enough food on time when the when that systems are disrupted people talk about de-globalization in this scenario every country priority is to make sure that there is stability political stability and for political stability is important that food supply is there on time inflation going up and the temperature will go up in the power structure

they will be sicken up we have seen that yellow revolutions and orange evolutions and all those things happening . no country want to go through that and therefore we believe that the food security is a top priority for all the countries

in that we are being a part of important part of the chain food security you know the seed industry part and therefore long term outlook is very very bullish for us that would continue and we will be continue to benefit out of this trend

you know the priorities of product innovation and second is a increased penetration across the geography and crop

product innovation will continue there are fascinating projects nearly i think 85 to 86 project we have lined up

we are just prioritizing so that we fund those projects because once we commit r&d project you cannot go back because you have to be you have to stay the course for six to seven years time or eight years time and therefore we are very careful in prioritizing the project but now with the kind of results which you are seeing for five years giving us a good confidence probably to consider many more projects than what we have so that our innovation rate continues to grow than what we are today you have seen my earlier slide we are right now in 85 countries still we have an opportunity to grow within those countries at the level which we have that is one growth area also we intend to expand another 10 to 15 countries there is a possibility we can expand with the investment

i think Mike over to you

Mike :

Thank you very good yeah amazing results outstanding performance and a very exciting future for the Advanta seed business so just to wrap it up with two more slides and then we'll do a short video and then move to Q&A so you saw over the last several slides i think a very exciting story for upl over the next five years

we have opportunities in many many areas and when you add up the opportunities, we believe that we can have growth over the this term of seven to ten percent compounded

by 2027 we believe that 50 percent of our revenue will be from differentiated and sustainable solutions not only helping growers be more successful but from a upl standpoint also greatly benefiting our business

we have a pipeline that we believe can deliver five billion dollars of value over half of that will be commercialized in the next five years accelerating the growth of our npp biosolutions business expanding nurture.farm and making unique investments in 22 countries to continue to drive incremental growth

As Bhupen just mentioned growing our advantage seed business at a rate of 12 to 15 percent per year and then maintaining and growing our manufacturing competitive edge that we have in this business. we'll continue to focus on increasing ROCE and improving our leverage ratios we expect this year that we'll be able to reduce our total debt by about 400 million dollars

Finally we are reimagining sustainability and bringing real world impacts with how we reimagine sustainability creating a better environmental footprint for agriculture really driving food security with our seed business with our bio solutions with our traditional crop protection business with our deco post harvest business and creating real economic and social benefits for farmers and farm communities around the world.

Q & A

Anybody who wishes to ask a question you can just raise your hand and one of us will come closer to you to hand over the mic to you

Attendee: hi this is Prashanth from Elara capital. Jai when do we plan to take nurture.form global and when do we plan to monetize it what size do we want it to reach before we do so in terms of asset or revenue whatever it may be ?

Jai : thanks for that there's a lot of global initiatives. you know different markets different pharma groups require different have different challenges so while we are today focused mainly on all the challenges and improving farmer resilience for the smallholder farmers in india that's by no means all the projects we have the gigaton challenge is something which is going to monetize for farmers around the world the their the value of sustainability.

it will also give traceability at a two as a tool for farmers to be able to monetize you know more sustainably grown crops. i believe the world is going to start labeling sustainably produce food and so nurture will cater to the digital platforms will cater to that

we are already doing a lot of stuff there. today nurtures is focused on really building farmer resilience and we are launching similar projects around the world and i was surprised that even large farmers are looking for technologies to reduce their impact the bio solutions even fertilizer use using the npp and a lot of these things will have much more additional value than just the reducing reduction of cost.

As far as monetization there's a lot of excitement around the nurture platform from various you know sovereign funds other funds and we are constantly discussing uh what is the right time and what is the right partner for us because it's not about the just about the money in nurture is a profitable company and is probably be the largest and the most profitable platform in the world if it were to be separated so there is a lot of interest there and we are constantly discussing and evaluating options to unlock value and also to be able to get talent retention the bigger challenge in the startup space is you know the talent wants to be tangibly involved in their own in their own journey and as you can imagine we have a lot of brilliant young talent at nurture in bangalore who are in the ecosystem and and are looking for exciting things so that's a discussion the management team myself and various other stakeholders are discussing and we will keep considering options and let you know at the appropriate time.

Attendee : yeah hi sir good evening Rohan from Edelweiss. i have many questions sir. i will keep it short in interest for other participants to ask the question.

so first is on your guidance you mentioned roughly ten percent kind of growth for the current year. we see and we are it's always already visible now that the price increase itself will be likely to be more than ten percent for at least a FY23 given the current prices. so the 10 percent you are mainly focusing only on the volume growth that's what the first clarification wanted ?

Jai : I don't know i mean with the challenges ,you know and the vulnerabilities and the impact of all these price increases there may be a price reduction. we have to really look at it in a sensible way. obviously if you look at it from today's point of view we expect better than that growth but three months later six months later . you know things can change so we are being conservative there and we believe that if situation remains the same it can be better than that growth.

Attendee : so i just wanted to make sure that i mean we are not expecting any volume degrowth because if that price increase itself is roughly 10 to 20 percent. this year then we are building a 10 % volume degree in the number so just wanted to make sure in that

Mike : yeah no absolutely not in fact we expect to see some volume growth in this next year. if you think about pricing so the prices of our products came up through the year especially starting in q2 and then by q3 we really for the most part reached the new pricing level that we are still at so we got a lot of that price lift throughout much of the year last year. if we look out over the next say two quarters we'll expect prices to roughly remain about flat unless again there's a dramatic change in cost of goods but as we look out for the next two quarters we don't expect to see significant cost of change cost of goods change so then depending on what happens on the back uh half of the year we could see some growth due to price but we won't see a lot of growth due to price in the in the first couple quarters of the year so the growth will primarily come from volume in the first at least in the first half of the year.

Attendee : sir second despite inflationary scenario, we have seen 19 % ebitda growth in fy 22 quite remarkable much ahead also from what you guided earlier. i believe that though the volume growth has been eight percent only in the current year but ebitda growth has not only changed the volume growth but it seems that you have also improved the margin significantly to get this 19 percent kind of ebitda growth. just wanted to understand that the price increase still remains there cost led inflation is still there so are we going to or will we will be able to protect this kind of ebitda margins which has already been visible in the current year or you see that the margin pressure may come and we may see some drop in ebitda margins

Mike : yeah so as we guided today we expect to see revenue growth of about 10 % or more and even a growth of 12 to 15 % in this next fiscal year so we do expect to see some increase in our gross margins. we also expect to see some economies of scale and some efficiencies from an SG&A standpoint so we will get more efficient in the middle part of the income statement and so we do expect to see but a margin expansion this next year.

Attendee : despite this cost increase still we expect some margin expansion

Mike : yeah of course you know not only cost of goods but we're also seeing wage inflation right now and so we have a number of initiatives to make sure we're managing our Sg&A. you know in some countries where the currency is devalued to the US dollars that will give us a little bit of relief on that but it's something that we'll be managing throughout the year.

Attendee : sir another question is on our outsourcing partners you mentioned that roughly the share of outsourcing partners of the sourcing has gone up from two percent to six percent over the last three years. if you can share that what are our expectations over next three years do we have any numbers in mind that our outsourcing partners will be contributing any particular number in terms of our sourcing.

Raj: so i think by and large if you see i gave the number about 31 percent is china and and about 37- 38 percent is in India and 31 is the rest of the globe

this is not going to change dramatically and as you said you know out of that 38 percent there is that that you know percentage of our strategic partners share which is in largely in india but also outside india

so this will inch up but not that this whole balance is going to be lopsided to india or to rest of the world or to china that is not going to happen so that will remain balanced

Attendee : okay i suggest last and i will take the later opportunity to ask one question on this fixed asset turnover definitely let that looks like it has increased from 1.8 x to 2.4 x but i think that the credit goes to the rising in input prices and the end product prices which has gone up by almost close to 18 to 20 percent for the year that is showing a higher asset turn uh do you see that there is any opportunity for us to improve this asset turn and driving roc going forward if we adjust it for the inflation

Raj: well yes i mean partly it's the price but if you see eight percent you know volume turnover in last year such a difficult scenario i don't know how many you know it can be compared with any other company but eight percent you know volume growth has been largely because of our own manufacturing so we have been able to sweat the asset more

Jai : yeah definitely you know we look at revenue growth and as we continue to de-bottleneck and add more capacities and you know we have ongoing investment cycle which is continuous we are planning for two three years ahead so you will see that impact as the company keeps growing and you know we be able to really a lot of our backward integration projects where certain critical raw materials we over invest even to make ourselves less vulnerable to supply chain disruptions.

Attendee : so just one more from my side sorry for being greedy in the scenario. though you maintained a very strong margins in the current quarter kudos to the management for that but as far as the volume growth is concerned i think i mean three percent volume growth for the quarter versus eight percent for the full year is definitely a quite disappointing. i just wanted to understand that is it because of the low demand scenario or poor demand because of the rising product prices and that is affecting the demand or it is just only some spillover is being there and the markets are or the dealers are keeping it more closer to the consumption and we can see some spillover in q1. that's the i mean why there's such a low volume growth and also why very poor growth in europe market though you gave the reason for that but just wanted to understand that

will it catch up or the current scenario looks like that it is unlikely to be improved significantly

Mike : yeah so a couple things so firstly in q4 a lot of our business in q4 is sales into the retail channel if you think about globally obviously there is some product that goes on ground in that quarter but a lot of our sales goes into retail warehouses in anticipation of the upcoming season so three percent volume growth i think is probably going to be consistent with what we saw across the industry for that quarter and the fact that we had 18 % price increase

i think is really a testament to this to the good work from our from our teams

in europe yeah we had seven percent growth on the year again. we lost about 40 million dollars to products that were banned on a year-over-year basis and so we overcame that if you think about that on a percent that's about a three or four percent of the european business and so you know in a market like that if you look at our peers around the world uh seven percent growth in that time frame would would likely be one of the leading we'd be one of the leading companies in the world in terms of our growth in in Europe

Jai : and just to also add that you know when there is such a lot of volatility and prices are going up you do face a little bit of slow down and if you flood the market with all your products you're not going to be able to increase the price so there is a little bit of balance we have to maintain with our sales channels where if we want a price increase you can't offer the same amount of volumes. you have to tighten up.

Anand : just to add one more point i think we sold a lot of new products during q4 you saw the growth in india 63 percent in q4 that was launches of new product and also we are seeing some shift more towards differentiated products than the off-patent products so that's also that you would see a higher sale of this differentiated products will not be that much high volume but really much higher in the pricing

Attendee : hello this is surya from phillip capital

so last two year back-to-back strong growth value growth what we have witnessed firstly the successful integration of arista in fy 21 and in the current year it is the price led growth what has contributed to the overall value creation. so going ahead given the scenario that there could be a kind of a price erosion scenario that is there going ahead what value growth or what factors can really create value growth for upl for fy 23 and or going ahead over next five year

Mike : yeah thank you for the question. you know as i said in my comments our value growth is really going to come from our differentiated and sustainable products those are products that are not based on a cost plus pricing. it's really based on the value that they deliver to our farmer customers and so when we think about going from approximately 29 % share of our mix today up to 50 percent. there's going to be a lot of value growth as we transition our mix towards that part of the portfolio

Attendee : is it the product mix or it is a market mix which is going to really contribute incrementally over next five year

Mike : yeah for us it's it really is around product mix.

Jai : product mix and wallet share also growth with all the initiatives which we are doing

Attendee : sure just last question on the non agri initiative side that you had mentioned or since few quarters that you have been emphasizing more on and that too in the current scenario of the supply disruption and all that so i think that initiative is going to have a incremental of kind of for this thing incremental contribution to the overall business and the value creation so anything on this that you can share and guide us

Jai : i think you know there is a lot of growth possibilities there that business is growing nicely. it's very small today for us in the whole scheme of things still we are one of the large players. that business has a lot of interest and is growing quite nicely. i think the impact will come in the next two years three years where it'll become one of the larger specialty chemical platforms where we are supplying to all the ancillary industries based on core competencies we have built for our crop protection business and those portfolios will be used for pharma intermediates other specialty needs for the country primarily for domestic use and but it's very small right now

Attendee : this is vishnu from spark capital. i have a few questions. firstly is the cost increases that we are looking for. is it completely done or costs are continuing to gallop and we will be taking further price hikes as we go forward in the next couple of months

Jai : Raj, do you want to address them

Raj : well you know my take is that in next two quarters the cost is is gonna be the same level what it is today so. we don't see a very large as you use the word gallop. i don't think the cost is going to gallop that way. what current level the costs are there more or less it is going to be there at a similar level because the ukraine conflict has already factored and also the global macroeconomic situation is already factored so that's what visibility we can say with some amount of certainty that we can say that for next two quarters but can't say for third in the fourth quarter

Attendee : have we passed on everything that probably between feb march any cost increases all those have been completely passed on or should we see some more

Raj : i mean from Q4 numbers you can say i mean when you are saying february march i mean the Q4 numbers itself says that we have been successfully been able to pass on the cost increases to the market

Mike : yeah i would just add you know when you look at the post patent segment in particular. it's both a cost of goods equation but it's also a supply demand equation and so if we think back over the last eight to 12 months. there's been products that have also been short in supply and so sometimes there's a disconnect between cost of goods even in the post patent segment and the price you can achieve in the marketplace and so there was some of that that played out as well that benefited us i think in q4 as well

Attendee : you did speak about cost inflation across the board – fertilizer, seeds and inputs in the farm margin still way better than last year or is it still coming down what is the experience when you increase the prices to the farmers

Mike : yeah it largely depends on the region and the crop if you look at global row crops you know wheat, corn. soybeans crops like that that are traded globally that have a very established price those prices are extremely high and in most countries you know that we operate farmers will earn a very strong margin on their production this year. some of the specialty crops and some of the domestic crops haven't seen the same inflation and yet those farmers have the headwinds of cost inflation so it really depends on the region but more so on the crop and what's happened in terms of how the prices have evolved

Jai : and also the farmers which are selling the produce harvested now have not had the cost inflation which they're going to have in the next season so economics is a very dynamic economics going on there and we have to say the farmers are very very conscious and we know some farmers taking fertilizer holidays reducing it etc trying to anticipate what can happen to commodity prices so there is a little bit of tension every farmer has also because you know he has to a plant harvest sell eight ten months from now but he has to buy his raw materials today at today's prices

he's seen the benefit of that he may get hit so they're very conscious of that at least they're very professional farmers

Attendee : when you say we are going to take at least 200 to 300 basis points market share gains the next three to four years. would this come from the innovators or the smaller players. i mean we did see a lot of different things that we are approaching but the larger companies would also be doing something similar or where exactly are we one going to take the market share from and what are the competitors today if they are looking at it and how are they going to counteract in terms of this market shark gain

Jai: you know upl has been growing every year - since inception we've been gaining market share and we have a very strong cost space. we are very efficient and agile company and i think a lot of companies would like to be in our shoes. we have very loyal customer base and you know we probably invest more money or more effort per dollar of revenue in terms of making supply chain security and backward integration and capex is we do so we have the trust of our customers whether it's large distributors dealers or farmers and now with the innovation the rate which we have - the value of innovation our innovation is not for the sake of innovation it is because it generates some value for the farmers and so when we are gaining market share it's just not selling more cars. it is or whatever else they are selling we are selling differentiated solutions which are adding incremental value so we naturally gain market share. it's not necessarily just bulldozing and driving somebody out of the market. we increase wallet share because we give more value to the farmer whether it's the nurture platform where we help farmers improve soil health and he sees we are seeing today in the wheat farmers who did not burn their crop we are seeing yield gains they are seeing much better quality grains better quality the groundnut farmers are seeing oil content in their ground not going by three four percent and that gives them and better quality seed if you have a grade quality ground nut produced in your farm then you actually get a 30 to 40 percent higher price for your crop and if you have higher oil content you get another little bit of premium so they're not doing it we're not just bulldozing our way with price we're giving value to the farmer and that's why we believe that our market share gains are sustainable and and really we are not really focused on necessarily bulldozing anybody out of the market. we just gain it because the natural strength of our portfolio and our technologies and our approach to the farmer

Attendee : so brazil has been a real workhorse for us i mean going pretty strong in the last couple of years i mean where are we today. let's say firstly in the market in LATAM. what would be our markets share in terms of the top 3-4-5. where would be specifically in brazil where would we be and where can we grow from here in brazil and is it a fifteen twenty percent growth market even from here on or is that more or less done

Jai : so Rogerio is here somewhere i can't see him but you should catch him in the coffee break afterwards.

no i think you know with a product launch like evolution. we have a few other products which are actually number one in their category for the solution and those are just launched. that's a huge segment the asian soybean segment is huge and we think that farmers will naturally move towards that even if you look at some of the Bungee partnership. it makes fun it's very easy for farmers to do more business with upl. it is the biosolutions bit and the whole impact on fertilizer substitution with K-Tionicand, humiflex. some of those technologies which we are launching. every avocado farmer in mexico which is you know one of the largest producers is going to be upl customer. it wasn't the case two years ago but now it will be.

so we are gaining market share by crop, by market, by region and so and it's solid market share with something which is creating an innovation and adding value to that farmer. so we feel that is we can take that market share and keep it and some of it is not really taking market share from the existing player at all. some of our bio solution product on. heat tolerance, better quality, crops our soybean products gives actually better quality and those are not really taking this creating a new market so we believe that that is another area where we are growing where we are not taking market share from anybody else

Attendee : where would we be in the top five rankings let's say in brazil today i mean we'll be top three four yeah

Jai : we are it depends on how you look at it but we are in the top three companies for sure just if you add glyphosate you remove glyphosate it becomes very different. so we don't play in that market much so that's more a commodity business

Attendee : so in the differentiated which we are talking about growing this business a lot in the next couple of years would physical assets fixed assets capex go in this business over the next couple of years and any guidance in terms of how much will be

Jai : we're not going to increase our capex any more than our guidance. in fact in proportion of revenue i think it keeps going down but we will need to we don't have too much spare capacity so we've added a lot of investment a lot of capacity for the npp portfolio in our bangalore facility. we're adding more facilities. we're expanding in france. we're expanding in mexico. everywhere we're adding capacity but it's within that limit nothing something within that budget of two three thousand crores two thousand crores or so right yeah

Attendee : so sourcing this thirty eight percent would it continue to inch up closer to fifty percent or the also or more or less will be here at thirty eight forty

Raj : no i think i said that you know earlier it is going to be remain balanced. it is not going to go to 50 odd percent at all. at least i don't see that happening i mean 38 can become 40 but not you know 50.

Attendee : hi this is varshit from veto capital this side. my question on volume growth so one of our competitors in their earnings call has alluded that there has been some pre-appointment of orders from q1 to q4. is there any element which we have seen in our numbers in q4 where we have seen pre-appointments especially in north america

Mike : yeah so as i mentioned we saw about 36-37 % growth in q4 in north America. some of that was probably the channel in anticipation of a very strong year and potential shortage of products and so we we think that there was probably a little bit of pull through but as we look at our business in april and the early parts of may it continues extremely strong so you know i don't think we're going to see a negative impact of that in q1. i think the market's going to be really strong

Attendee : so maybe that negative impact or at least some normalization will happen in maybe second half of the year maybe in q4 or q3 is that the right understanding

Mike : well it all depends on how big the market is and you know ultimately they're in north america the retailers buy it and put it on their shelf and then it has to get purchased by a farmer. if there's the expectation of 90 million acres of of corn and 91-92 million acres of soybeans, if that happens and it's starting late so it's a late spring but if they get all that crop planted they'll likely be extremely high demand for products and that will de-inventory the channel and if that happens then we'll be back starting to reload the channel in q3 and q4 later this year

Attendee : so our geographic mix has been more towards north america on a via via basis so that would have also aided our product mix and margins overall right because it's a high margin geography for us from a gp perspective

Mike : yeah so as as our business grew in north america this year it contributed to our margin strong margin performance as well

Attendee : thanks and all the best

Attendee : yeah hi, tejas here from nippon india amc. i have two questions. one on the market share again at the global level. are we looking to gain that market share from the innovators by offering different product propositions or is it something at the lower end of the market which is catered by let's say smaller players and they are not able to meet the demand because of the supply chain issues

Mike : yeah i think Jai did a good job of really addressing this a few minutes ago. if you look back over the last 12 months. clearly there was a benefit for the companies that had a strong supply chain and we were clearly one of the winners. so when you look at our growth whether it be on the calendar year or or on our fiscal year , we definitely were one of the companies that grew the most and i think if you look at the global data for the crop protection market probably the smaller companies had a tougher time last year because they were less backward integrated and if supplies out of china got tight or they couldn't get access or get products moved on time then they got impacted and so i think there was some of that that played out in the last year

now going forward as Jai said our are differentiated and sustainable products are going to compete at the farm level against post-patent products against other innovative products and so yeah we don't think about who do we displace. we focus on how can we create value for our farmer customers. what products fit the best. how can we bring pronutiva products to create even more value bringing for example glufosinate product with the gaxy product in canola which is one of our plans in Canada. this is how we actually grow the pie and we get new acres as well

Attendee : why i ask this question is, if you are replacing the lower end of the suppliers and they are predominantly the price disruptors right because they want to gain market share at a lower margin proposition so if china supply chain resumes and if these players come back and then the margin profile which we are enjoying for last one year will be at risk but if you're displacing innovators who are not predominantly the price disruptors then the margin sustainability will last and that's where my i wanted to have some understanding

Jai : I mean yes logically what you're saying is correct if you replace the low end of the market can be. first of all china disruption is increasing. i think that the regulation in china is increasing standards are increasing. i think the number of players will reduce over a period of time. they are also becoming price conscious. they're not as competitive as they were in the past and also our products are as you say as we mentioned is a differentiated product so it's not a like for like replacement. it's not a me too we don't play that market as much as we used to and we're transitioning away from that so it is not easy to calculate. it's not a it's not a straightforward calculation.

with our whole npp portfolio, our priority by concept we're focused more on on outcomes for farmers than than just a replacement strategy

Mike : yeah plus in my experience you know when you support a customer through a challenging time and last year with supply chains being tight and products being short. even in our own portfolio we had to make decisions on how can we support our customers the best and so i know our field teams did an outstanding job of working closely with those customers. making sure they had supply at the right time so they could apply it and i think we really built stronger relationships with our customers throughout this last year and i think we're going to get the benefit of that even if things do normalize going forward

Attendee : my second question is on the guidance for the debt reduction for this year at 400 million dollars. last year obviously it was difficult considering the working capital blockage i mean we nearly ended up blocking 800 million dollars of additional working capital. when we are not seeing a larger price increase this year or even for that matter there are some reasons for the price reducing wouldn't the working capital release this year will be much more than the 400 million debt reduction you're guiding. i think you're playing playing conservative on the both end of both end of the guidance one is on the revenue side where you're guiding just 10 percent and playing conservative and other end you've also been conservative on the debt reduction. i mean both are inverse i believe

Anand: oh it's true it's it's always better to be conservative. it's very challenging time. you know like raj said. we hope that at least for next three to four months we should be able to maintain the prices and other things now if we're able to do it for a longer period of time, maybe we should be in a position to improve our working capital because we have already uninflated working capital as of now you know so there are opportunities there

i think one thing we can assure we don't leave things on the table. there is always you know kpis of each of us to see how we can keep improving on all whether it's contribution margin, ebitda margins and reduction is dna so it's always our effort to do that but at the same time we prefer to be conservative and outperform rather than and especially in such uncertain times it's better to be there

Attendee : but anand at 8 600 crore of ebitda we were at 500 million dollar debt reduction at 12 000 crore plus ebitda we are at 400 million and that's kind of little disappointing

Anand : oh as i said we will certainly do the reductions there's no question but you should also see that we are pushing for higher margin products and other things so those are some of the and we just don't want to take aggressive target i mean people have held us for not reducing any debt this year

Attendee : thank you

Attendee : hi sir earlier mike had mentioned that out of the 5 billion r&d pipeline, half of that will be coming before fy 27 so even if i just take six billion dollar of the base revenue on 500 million dollar like outdoor 2.5 billion so your base growth itself is 500 million dollars on the 6 billion dollar so are we assuming that this will be cannibalizing the existing products

Mike : so some of our pipeline products will replace products that are currently in the in the pipeline but again if you look at our seven to ten percent compounded growth on revenue off of the current base

most of the pipeline will be incremental so yeah we can we can work through the math with you but it's mostly incremental not cannibalizing

Attendee : because something like a product for example if you take the case of evolution. so this combination we already have in multiple brands so even though we've given a 1.5 billion dollar addressable market but i believe it will be cannibalizing our own products eventually

Mike : yeah that that's a good example where we're upgrading the portfolio. we're going to be competing in a whole new area of the market and so with evolution we're going to be taking on products like foxpro which is a Bayer's premium product and so in the past we haven't had a product that can compete head-to-head against products like that and so there will be some cannibalization on the the lower end of our portfolio but we believe a lot of the growth will come from you know competing in in the higher end of the marketplace with a product like evolution

Attendee : it's interesting to see you know like because specifically for the foxpro perspective. two years back we had done a marketing type with bayer. so how this thing with the product launches cannibalizing their products. how will this marketing type play out

Jai : it was about four years ago

Attendee : yeah

Jai : i mean this is that program ended and so we have now positioned ourselves in that really high-end market and we compete now with syngenta in that segment. we didn't have a product in that so while logically could cannibalize it's not likely. Rogerio is here he can answer that question later on and i don't know who else is here from brazil team

Attendee : sure thank you

Attendee : hi good evening. this is Tarang here from old bridge. a couple of questions from my side the seven to ten percent growth that you're aiming over the next five years is largely organic or there is an element of a sizeable inorganic contributor there that's number one

number two as the business evolves given your size if we do see you going in for an inorganic acquisition in which areas could that be in i mean crop protection could probably not be the place because strategically it may perhaps not make a lot of sense beyond a point so just wanted to get some sense of where all can we see you headed

Jai : so this is a completely organic growth there's no acquisitions in there we we do acquisitions and we look at strategic when they come by as far as you know we have in the past made acquisitions for strategic technologies and strategic market access of late we have been doing partnerships with on our for our open Ag strategy , with Bunge and similar type of things in fact that is bringing in money to our platform because we sold some stake in the in Sinagro but as such you know we can map out where we are under present in a market and when we decide to gain market share in that market we look at the opportunities where what we need to do to achieve market share to our satisfaction so obvious market is brazil which we have a decent growth trajectory and market access so we probably won't do a pure chem acquisition there but there are markets in the world where we are under like we bought a business in indonesia this last year that's helping us in a big way to probably become the leading company in indonesia this year or next year and so we look at each market and what it takes to to achieve our ambitions and that market and then decide what is the right target if there is but there's no you know we don't run around with the checkbook giving it to anybody who has got something to sell

Attendee : yeah got it. just on india right i mean last this is probably the we've been outperforming india for quite some time this year specifically the out performance has been quite significant versus whatever we've seen so just wanted to get some sense on what's really working in india that has helped you outperform so significantly

Dhruv : i think taking focus from just being product focused but to being solution and outcome driven has been a big shift so pronutiva bringing together the digital platform working with farmers more directly on the ground really understanding their challenges and providing them services and solutions is a big shift so our synergies between you know the classic products and being service oriented is i think driving a lot of the growth in the market

Attendee : yeah just wanted to understand there are certain big crops that are probably missing in the seats portfolio right now and as you said it takes almost eight to ten years to get them so what's the plan there

Bhupen : i think our growth engine if you see your crop wise distribution number one is tropical corn and subtropical corn and there's a lot of scope to grow. the big picture if you look at it globally genetics are divided into tropical and temperate side of it with the temperature going up globally the area under tropical and subtropical is expanding thereby the the genetics which we have or germplasm in which we have the crop which we are becoming more and more valuable.

i'll give you one example there's a place called glasnodar in russia it's all temperate corn a lot of dairy there when i visited first time and we have a good sorghum there so we said okay let's get some sorghum and try it out and they laughed at us. they said sorghum will never grow here and we said okay let's try it out and we tried and they grew very well and that year that the temperate corn did not perform very well at all. those dairy farmers started now growing sorghum so the number one crop currently we have a tropical corn so it can expand on this area and also sorghum can expand this area so both the platform have a very good opportunity for us to expand third important growth opportunity for us is a vegetable crop which if you remember few years ago you know in a presentation we made this we had a couple of acquisitions in vegetable space.

they are doing very well. currently they are again a tropical country so we are focused on india and surrounding but we map globally now so all the tropical country including including central america in the usa florida for example are the market these genetics is doing very well so these are the areas we are developing the deploying manpower to develop the product expanding our technology development team and extension team after in two or three years time homily growth will start coming in so current portfolio has a very good steam still to grow

Attendee : okay thank you

Attendee : yeah Rohit from Emkay global so you have given guidance about margins growth as well as roc what is the guidance about debt free becoming debt free in next three years four years five years thank you

Anand : we are a growth oriented company and we continue to invest and with the tax rates where they are i don't think becoming debt free is going to be any joy you know i mean it's just going to increase the cost of functioning so we like a bit of debt we are we are comfortable and even at the current levels we don't feel as such discomfort but we'll continue to de-leverage but becoming debt free i don't see it at least so long as we are in emerging markets where tax rates are where they are

Attendee : fair enough the second question is we have had a cost inflation last year because of which obviously there is an impact on the pricing front now if this year if the cost inflation the energy cost as well as the logistics everything becomes you know normalized.

will there be any change in terms of our long-term guidance from next year onwards given that the pricing environment probably will come down and obviously the product prices will also subside thank you

Mike: yes so we anticipate in the course of the five-year plan that there will be some normalization of costs and supply chain and logistics will normalize that being said we don't know what normal looks like we don't you know we wouldn't anticipate that costs are going to go back to where they were two years ago so you know again in the post patent segment i did say some of our products benefited from global supply tightness and so some of that margin would potentially go away but the cost increase as a result of or sorry the price increase as a result of the COGS increase if the COGS come down the price will likely moderate but our margin should still largely be similar so you know our guidance is durable over the over the five-year time horizon with expectations that you know there will be some normalization of costs and supply chains

Attendee : thank you

Attendee : hi nitin from the DAM capital. Mike on the two buckets that you talk about post patent products and the differentiated and sustainable products typically what is the difference in gross margins between the two buckets

Mike : yeah we don't split out the margins across those segments but typically a differentiated and sustainable products would have likely a 10 % or more or more margin benefit. in normal times versus post patent products and so they are definitely higher margin which again if you if you look at our revenue evolution last year 90 percent of our revenue increase in post patent was because of price and 70 percent of the revenue increase in differentiated products was because of volume

Attendee : so i mean is it fair to then conclude that once over the next five years as a bucket of of the differentiated products increases meaningfully almost doubles from where it is from a percentage perspective per se that should lead to a meaningful delta on our gross margins on a consolidated basis

Mike : yeah so we you know we didn't guide over the long term on ebitda but as we expect our portfolio to continue to evolve to differentiated products. we would expect ebitda margins to approve along that journey as well

Attendee : and secondly on you know on the capital do we have a defined capital allocation policy now we're doing we did a buyback announced and almost completed this buyback is there any thought in terms of having a consist some sort of guidelines for the amount of buy for some quantum buybacks slash dividends that we'll keep doing every year given the cash flow generation that we have in the business

Jai : obviously the intention is to increase payout and if at the board you know consistently considers all the options and the value of the companies bunch below the market benchmarks of our global peers so based on that the board recommended that we do a buyback but you know the idea is to to continue to have a much higher payout so either it'll be a buy back or dividend whatever the board decides based on the forecast for the next couple of years and the value of the company

Attendee : last one you talked about the carbon credit opportunity. given our size i mean at what stage do you think it could can it become a meaningful opportunity per se given the size of the business that we currently have

Jai : i'll pass it to dhruv but it's an exciting way for us to you know we believe that farmers should be rewarded if you want a meaningful transition to sustainable agriculture farmers need to be rewarded for that and that will come from two aspects one is labeling and traceability that this is sustainably grown food like you have organic food labeling now and the second thing is they need to be incentivized to change their behavior like everybody else but on and specifically on the carbon

Dhruv : yeah i think the carbon markets continue to evolve and as we move closer to more regulated you know compliance we should see an increase in demand for carbon credits regulated verified carbon credits i think there will be certain ups and downs along the way depending on macro economic situations geopolitical situations as they emerge. having said that i think there is a very clear opportunity for farmers to get better outcomes. we've seen by adopting more sustainable practices they're actually benefiting in terms of overall outcomes better value better yields better quality of crops so i think that shift is definitely headed in the right direction and the value to farmers for carbon credits should also keep increasing over time so this should become material over time but i think there's a path to it that is uh still a bit evolving at this stage

Attendee : does it mean it does this carbon credit i mean there is gain for the farmer but does it imply any potential gains from a carbon credit specifically value perspective to UPL also

Dhruv: it would. there is a value that is has to be passed on to the farmer as per the you know the international markets there's a general norm and a guidance around that. it's too early to say what that gain for UPL would be but i think this is something we would like to keep a close watch on

Attendee : thanks if you mention one last one Anand we talked about a 10% reduction in inventory and so this target is for the year or this is more of a long term target

Anand : this is for the year i'll hand over to raj we have he's undertaken a project and

Raj : this is for the year and this is because of the you know you know the digitization initiative which we have taken there's a special project on that which we are working on and we feel that you know in terms of number of days we should be you know we should be able to improve it by ten percent

Attendee : thanks and i mean another reason i was asking is i mean this is a meaningful reduction on our overall working capital in terms of it has implications for the cash release which is capital release for the business

Anand: sure yeah that's right so i mean as i said we will try to reduce the debt as much as we can we'll certainly not go to zero but at the same time we are being conservative of giving guidance you know we as i said there's just too many uncertainties we've you know we're still not of the war supply chain constraint still continues freight costs have not come down so one needs to see how the year progresses

Attendee : thank you

Attendee : hi this is tushar bohra from mk ventures. this question is you know slightly more philosophical and maybe i'm not sure that the answer could be just in one session. traditionally you know we've essentially been moving up the curve in terms of more value more sustainable solutions we're trying you know every year to be closer to an innovator rather than a competing generic company or you know so philosophically would it be fair to say that the solution profile you know the products the solutions that you're offering would be very different in terms of the approach positioning you know to the farmer also not just you know from an investor stakeholder perspective but what i see in our interactions and i've been following the company for last few years there's an increasing focus on the branding part of it right you know the solution is branded. there's a very clear focus around it very clear IP is being built around it- is it also how you are approaching the farmer and therefore would it be fair to say that the solution selling would be very different from how you have been you know selling your products earlier years and as this business starts to scale up and become more meaningful and prominent in the overall revenue chain would this require very different capital allocation strategy, very different resource allocation strategy very different branding and positioning at an overall corporate level and it could be monetized much better. i mean one of the reasons you would brand it i'm assuming is to be able to monetize it at some stage and lastly how are you positioning this versus innovators specifically as to what similar products or solutions do they have because you know they obviously there's a lot of research happening across the globe and i'm sure you would be you know trying to track or keep a check on what is happening with the other innovators and the leading companies globally in terms of their research programs so if you could help us understand where our research where our IP’s stands and how is this positioning changing and therefore what are the implications from your perspective thanks

Jai : now that's excellent question. it's something which is very different from what our what you call innovators. we don't want to copy other companies because the need of the hour is completely different today the farmers are looking for solutions rather than buying products and traditionally our industry was trying to sell brands. that is my belief is the business of the past. today you have to the farmers are interested in outcomes and they are not really focused on one product and UPL through our whole which we call is our puzzle with Decco, with NPP with our a whole soil health approach is very different from anybody else and we believe that that's a completely different direction we're driving our business and in various value chains of crops we are able to drive the transformation from selling products to really focusing on outcomes.

when we in two years time when you talk about the punjab haryana farmers they will be talking about soil carbon not about crop burning it's going to transition because once a farmer stops burning the crop you're not going to talk about crop burning you're talking about carbon content carbon content in the soil in punjab and some areas of haryana and this area has gone to a below sustainable levels and it needs to go up and that will impact long-term value of that land if you look at it from agriculture productivity and then the services bit on with our the whole services platform.

farmers designed their farming practices for 10-20 rupees labour a day 25 years ago 30 years ago. today labor cost is 300 500 rupees a day. five years from now labor costs will be 1000 1500 rupees a day and if you don't transition our industry to meet some of these challenges you will have a huge challenge in food production because if a five-acre farmer finds that his son who's a big farmer a five-acre farmer in a village is a reasonably rich guy if his son makes more money delivering food for swiggy or zomato then producing because of his labor costs etc that's not viable so transition this is a whole transitioning from really selling products to giving solutions and we are driving that in different value chains so we're seeing about 30 to 40 percent of the income of a groundnut farmer in gujarat goes to labor and if you don't transition to that to reducing that what will happen in five years so it will be a disaster and so UPL is transitioning not only with our portfolio of products but with a solution approach which is not what our competition is doing not what innovators are still focused on innovating products and looking for farmers we're looking at farmers and seeing what we can bring to make their life different

Attendee : thanks and just the second part of it this so as the solution part of it starts to become more and more relevant meaningful in your overall revenue profile. As an organization what is the implications for you

Jai : so today, i mean statistically if you look at the every farmer in the world buys one upl product and i think they will buy two or three or four

Attendee : from a corporate structuring perspective from an allocation of resources

Jai : i think you know our organization as you speak to the teams here later on you will see everybody's mindset is transitioning because we are driving this change there's nobody else driving this in our industry where we are actually going and telling the farmers don't worry about the products but they focus on outcomes so that whole approach and our Bunge partnership our partnership with various food companies our partnership with the value of sustainability. today i think about five sugar companies are giving about a third of their land or 25 to 33 % of their land on our program where they will be saving 30 to 40 % fertilizer, 30 to 40 % water consumption, billions of liters of water and i think next year at this time you'll see the results of that where actually the farmers are increasing 20 to 30 percent yield also now these impacts on the value chain when you go to a sugar consumer and are able to showcase that this the impact of the sugar they're using is much lower you will see a huge transition because today there is a lot of distrust that okay are you talking is it going to work am i going to get more money but i think the cost of sugar will come down and the value for the farmer will go up so these sort of transitions are happening and in five years you will see huge impacts in some values. i'm not saying everywhere but there'll be so many value chains which are completely transformed where the farmers are not talking about buying products but they're trying to buy onto a program and that's where nurture comes in with different kinds of solutions in terms of insurance weather related insurance and all the other financial tools they will bring to the farmers which will really enable him to become more resilient and be able to cash in and become more financial inclusion of of all the tools we bring to him

Attendee : thank you

Radhika : i think we can take one last question okay good no more questions. okay i think we can break now but it's a request that everybody please exit from the main door from the reception door where the reception was i mean the back side of this but that door will not open but just on your way you'll have to take a left and then left again whenever you leave after the interactive session thank you