"UPL Limited Q2 FY-22 Earnings Conference Call"

October 29, 2021

MANAGEMENT: MR. JAI SHROFF - GLOBAL CEO, UPL LIMITED.
MR. RAJENDRA DARAK - GROUP CFO, UPL LIMITED
MR. CARLOS PELLICER – COO, UPL LIMITED
MR. ANAND VORA, GLOBAL CFO, UPL LIMITED
MR. RAJ TIWARI - GLOBAL CHIEF SUPPLY CHAIN OFFICER, UPL LIMITED
MR. FAROKH HILLOO - CHIEF COMMERCIAL OFFICER, UPL LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to UPL Limited 2nd Quarter and six months ended 30th September, 2021 Earnings' Conference Call.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mrs. Radhika Arora. Thank you, and over to you, Ma'am!

Radhika Arora: Thank you. Good morning and good evening ladies and gentlemen. Thanks for joining us today for the results for the quarter and half year ended 30th September 2021. On this call, we will be referring to a presentation that has been shared with you and is also available on our website, and we take as having read the safe harbor statement.

From the management we have with us:

Global CEO - Mr. Jai Shroff

Group CFO - Rajendra Darak

COO - Carlos Pellicer

Global CFO - Anand Vora

Raj Tiwari - Global Chief Supply Chain Officer

Farokh Hilloo - Chief Commercial Officer.

We will start with a brief overview from Jai followed by a business update from Carlos and then a financial update from Anand. With that, let me hand it over to Jai.

Jai Shroff: It's been a challenging year, as one can imagine, lots of volatility in almost every sector we can imagine, every aspect of our business, particularly running a business with a global presence. There has been a lot of sleepless nights for our whole team, but they have done an exceptionally good job as you will see.

On the ESG front, I would just like to cover some highlights, reimagining sustainability is a key focus of UPL. Over the last five years, we have reduced water consumption by 21%, carbon emissions by 26%; waste by 45%. In the first half of this year, we have reduced carbon emissions by 4%, water by 18% and waste by 29%. And we keep investing in technologies and ability to reduce waste and improve our ESG across the Board.

We have also signed 'The Climate Pledge', which is a commitment to reduce our carbon footprint and by 2040 to zero. We have also launched 'The Gigaton Challenge', which is to reduce CO2 in the atmosphere by one gigaton by 2040. This is using agriculture as a key tool to decarbonize the world. We will mobilize 100 million acres through farmers to decarbonize the world. It's one of the most exciting challenges in our sector, in the world for decarbonization.

The Nurture Farm is one of the key initiatives of digitizing the ecosystem for agriculture inputs. Nurture has had tremendous success in the last 18 months. We have on-boarded 1.4 million farmers. We have on boarded 60,000 retailers. We have had a GMV of Rs. 600 crores in the last six months. We have serviced almost 3 million acres. And we have 90% adoption on digital platform. We have also helped farmers trade 5000 tonnes of their produce.

We also launched the #EndTheBurn campaign which actually helps farmers not to burn their crop. One of the key challenges in the North India is, in this time of the year, farmers burn about 6 million hectares of rice stubble. UPL and Nurture, our platform, was able to reduce take a target of 10%, and we are very happy to share that as of last night we did about 400,000 acres were completed. We will do a little bit more. But we are committed to end this in the next three years. We have a lot of requests from the Government and other agencies to do that next year, completely end the burning of the rice stubble.

NPP is another initiative which we have formed, all our biological business comes through NPP. And we have launched a lot of products. And NPP platform is also doing amazingly well. We have focused on developing biosolutions for all the key challenges being faced by farmers and that business also is growing.

We have signed a long-term agreement with Christian Hansen, one of the key companies in Europe on biosolutions. They will manufacture products, as per our request for some of the challenges we see and research targets we give them.

We also bagged the 'Asian Sustainability Award' a couple of months ago. So with that, I will hand over to Carlos, to give you a business update. Thank you.

Carlos Pellicer: Thank you. Good evening, everyone. I am pleased to join you today and present our financial results for the 2nd Quarter of full year 2022. We are operating in a high volatile and uncertain world, with ever emerging disruption whether this challenge come from supply chain or from manufacturing cost we have continued to provide solutions to address the pain points of the farmers, globally while delivering our financial commitments. These have been made possible through our strong backward integration, manufacturing capabilities and our supply chain excellence.

The strengths of our team in our OpenAg network, whether through our customers or partners, has helped us anticipate before any challenge, and has made us better prepared to effectively overcome them.

Driven by our purpose, we are inspired to be agile, focus deeply on our customers and grow sustainably and just as emphasized by Jai.

We are also excited to announce that two new patents, among other pending applications have been granted in Brazil on the novel three-way mixture to support our Soybean Disease Resistance Management Platform. These patents have been granted in nine additional countries, including USA, Argentina, Australia, Russia, and European countries.

Now moving to the financial results, I am glad to report that our revenue as well as our EBITDA for the quarter have shown robust growth. The revenue have grown by 18%., while the EBITDA have increased by 13% versus Q2 full year 2021. The increase in revenue was led by strong volume growth, enabled by our strong backward integration capabilities, along with improved overall price realisation.

Even though there has been a significant cost pressure on our key AI's in these inflationary environments we have been successful in maintaining our gross profit to Q2 Full Year 2021 levels. Further, when adjusting our EBITDA for the Nurture Farm related investments, our EBITDA margin grew to around 20.1%, flat versus previous years implying 16% growth over Q2 of Full Year 2021.

Now let's look at the performance of our regions. In LatAm we registered around 21% growth led by strong increase in volume. Brazil, the key country in the region, grew by around 27% versus last year, driven by strong growth of our key products and supported by improved price realization.

Other two regions such as South Cone and Argentina, also demonstrated robust volume based growths. Furthermore, Mexico has managed to maintain its revenue versus previous year, despite prevalent several drought conditions.

Looking for North America now, revenue growth was achieved through higher price realization, especially due to upside on non-selective herbicide. This was driven by improved price realization, resulting robust growth of 24% over Q2 Full Year 2021. Improved commodity prices, tight supply for key products and favorable channel stocks further enabled these strong performance. Yes, sorry, I just repeat North America, as I don't know until when and where you have been able to have the information.

In North America, revenue growth was achieved to higher price realization, especially due to the upside in non-selective herbicides. This was driven by improved price realization resulted in a robust growth of 24%, over Q2 Full Year 2021. Improve commodity price, tight supply for key products in favorable channel stocks, further enabled the strong performance.

In Europe, we grew by almost 31% in Q2 versus previous year. This strong performance have been achieved through a mix of favorable volume growth and higher price realization. Improved market conditions including weather, led to accelerated sales in Q2. France and United Kingdom have delivered strong growth leading by robust performance in fungicide, herbicide in biosolutions segments.

Moving to India, India we even did a better performance than the overall market in this quarter, despite general slowdown due to, average 90% efficient rainfall and reduced kharif acreage for key crops such as cotton, soybean, and groundnuts.

Moving to the rest of the world, we delivered around 13% growth in revenue this quarter versus last year, despite the ongoing major supply constraints. Australia, New Zealand registered strong growth led by the higher volume and improved price realization. Japan sales were comparable with the previous year, despite depreciation of the Japan Yen. Among the regions, half of the Middle East region registered big growth primarily due to the unfavorable rains in parts of Africa, and overall supply chain challenges.

But before I hand over this call to our Global CFO, Anand to provide more details about our Q2 Financial Results, I would like to congratulate our team for their resilience, dedication, and unified focus to deliver the strong performance in Q2, despite challenges on several fronts. Up to you now, Anand, please.

Anand Vora: Thank you very much. Good evening, everybody. I am taking as read the presentation which is put up on our website, and having read the safe harbor statement. I will begin with providing you the key highlights for the 2nd Quarter and first half earnings, and then take you through the detailed financials.

The performance of 2nd Quarter is a true reflection of company's resilience and strong business model that helped us deliver strong results amidst the global supply chain disruption, and a tough environment. This was enabled by the backward integration and end-to-end manufacturing capabilities for our key products and of course, the agility of our team.

The Q2 performance highlight and Q2 P&L highlights are as follows. Talking about the key financial metrics for Q2, we ended the quarter with revenue of Rs. 10,567 crores an increase of 18%. What is most heartening to mention here is the 15% growth in volume over that of the same quarter in the previous year, and 3% due to price increases, its primary target coming in September 2021.

Talking about gross margin for Q2, the impact of 85-basis points increase in freight and 96-basis point on account of geographical revenue mix, this revenue mix was largely on account of higher sales in Brazil, given the strong demand and the increasing acreage. However, I would also like to add here that the gross margins improved in Brazil. And although they were still lower than the company's average, thereby impacting our overall gross margins. So inspite of the above two factors impacting the gross margins by almost 180-basis points, the gross margins for the quarter were at 39.7%, same as that of the previous year. In reality, therefore, our gross contribution increased if we were to take aside the increase in freight, which is exception for this quarter, at the same time the revenue mix.

On the fixed overhead side, as the world is moving towards normalcy post the COVID global pandemic, we are seeing increase in travel, marketing and advertising spends reaching close to the pre-COVID levels. In addition, we also continue to make long-term investments in the digital platform. And for Q2, this was Rs. 81 crores.

As for EBITDA, keeping aside the investment in digital platform, which are long-term in nature, we delivered EBITDA growth of 16% over that of the previous year. An EBITDA margins were at 20.1% for the quarter. The reported EBITDA stands at Rs. 2,045 crores a growth of 13% over last year, and EBITDA margin at 19.4%.

The finance costs for the quarter is at Rs. 359 crores, again Rs. 343 crores in Q2 last year. Of this the interest costs on borrowing has reduced by Rs. 57 crores over that of the Q2 of the previous year. As mentioned in the last quarter, where we had MTM mark-to-market impact on hedges on advance orders, particularly in Brazil, these have been winding down with the execution of orders. In addition, the BRL depreciated during the quarter by 8%. It moved from 5 as of 30th of September, five to a dollar, 5 BRL to a dollar, to 5.4 BRL to a dollar as of 30th September.

On the tax line, the tax rate for Q2 was at 23%, higher than Q2 last year. Primarily because of the increase in profits in Brazil, as a result of reversal of mark-to-market losses from Q1, on advanced order as we started invoicing of the products with the beginning of the sowing season. Overall, full year tax rate is expected to be lower end of the guidance of 15% to 18%.

Net profit for the quarter stood at Rs. 633 crores vs Rs. 465 crores, which was lower than the market expectation mainly due to increase in taxes, as explained earlier.

H1 performance highlights. On H1, there was again a strong increase in revenue, with the overall revenue growing by 14%. Gross margins were marginally higher at 41.5% compared to that of H1 of the previous year. This of course was after considering the two impacts as I touched upon them earlier, which is the impact of freight costs as well as the regional mix. Without considering the above two impacts, the gross margin would have been at 43.4%, around 200 basis points higher than that of H1.

Our fixed costs on investment on digital platform for H1 were at Rs. 124 crores. EBITDA without considering the Rs. 124 crores investment in digital platform, is 14% versus H1 last year. And H1, EBITDA margin stood at 21.1% almost at the same level as that of the previous year.

Finance costs which increased by Rs. 72 crores is mainly attributed to the exchange impact and the NPV adjustment for long-term payable in line with the IFRS accounting standards. The interests of borrowing has gone down by Rs. 56 crores during H1. The effective tax for H1 is at 6.5% and will remain within the guidance range as mentioned earlier.

Moving on to working capital, the net working capital days stood at 114 days, higher by eight days compared to last year. The payables as of September 2021, increased by 14 days, while inventories increased by 12 days and receivables increased by 10 days. We expect the net working capital days to be around 80 to 90 days, by the end of the financial year.

Cash flow and debt position, as mentioned earlier, our debt obligation is being serviced efficiently demonstrating our commitment towards our bankers and stakeholders at large, and we remain committed to reduce our debt and maintain investment grade credit rating. The gross debt and the net debt as on 30th September 2021, stood at Rs. 27,146 crores and the net debt at Rs, 24,279 crores. The net debt increased by Rs. 430 crores over that of the previous year same period. However, it increased by Rs. 5,358 crores over March '21. We maintain our guidance provided at the end of the year to bring down the net debt to below two times that of the net debt to EBITDA.

Overall, we believe that we are well placed and will continue to deliver strong results. With this I would handover back to the Moderator to take further questions. Thank you.

Carlos Pellicer: Just one point before the questions. I just would like to talk about the perspectives. Overall in a longer direction, debt locking is impossible. We continue to maintain our Full Year '22 outlook, despite high volatility as highlighted in capital markets day presentation in 2021. In continued collaboration with our customers and partners, we are trustful of achieving the higher end of our Full Year '22 guidance which was set at 7% to 10% revenue growth, 12% to 15% EBITDA growth, and net debt EBITDA less than two times, this is, we are very trustful that we will be able to deliver that.

Moderator: Thank you. The first question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Just wanted some feelers about the current ongoing season in the LatAM America.

Carlos Pellicer: If we get Brazil, the planting season is start and it's moving very well. The weather is very good. Farmers are very motivated. The same for South Cone and Argentina. Mexico have had a very tremendous drought in the Q1, but Q2 have recovered. And we are believing that Mexico will be able to recover the numbers until the end of March, 2022. In general, the Q1, Q2 for Latin America except Brazil has been more difficult, except Argentina, South **Cone,** Brazil, because of this drought in the Mexico and Central America. But we are very confident about our deliverables in Latin America.

Rahul Veera: In terms of the given the current glyphosate prices, how is the demand shaping up vis-à-vis that?

Carlos Pellicer: This is a quite good opportunity for us because glyphosate is the main herbicide in the world, is the biggest use in volume in acres, and the price of glyphosate moving up and its scarcity, not availability, its demanding and shifting demand to products like our select, or some other products that we have, some of our solutions like Glufosinate. Like some of pre, even though we are pre-emergence our Acematachlor that we have just launched, so the herbicide perspective, it's very good. And open up a lot of opportunity for us and some of our AI, we are sold out because of the demand is very high.

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

Probal Sen: With respect to the guidance that you again reiterated for the full year, H1 performance very clearly is running ahead of that, as of now. So should we interpret the guidance as such being conservative as of now? Or is there some wrinkles that you see on the horizon because of which the revenue growth guidance is, still maintained at around sub 10%, while we are running at 14%, 15% as of now for the first half? That was my first question.

Anand Vora: As you know, we generally give guidance at the beginning of the year, and don’t keep changing. While clearly, we do expect the revenues to be higher than what we have guided which is 8% to 10%, there is no doubt. And we do expect also to have good improvements in EBITDA. But I am sure you are well aware of the damages which we are there seeing in the world, in terms of supply chain and other things. Although I must say that we have very really well covered because of our manufacturing assets that we have and most of the key products, we manufacture ourselves. So we are very well covered. So while we are hoping for the best, as Carlos said, we will certainly be at the upper end of the band. But we generally don't like to change the guidance in-between of the year. Although we are very optimistic to be if I have to say much of all the guidance in both revenues and then EBITDA

Probal Sen: The second question was with respect to the just on the domestic business or on an overall basis as well, what kind of product launches have happened in H1? How many new products have been launched, and what's the sort of schedule that we have maybe for the second half of the year?

Carlos Pellicer: We have launched products in a lot of different parts of the world. And there are a lot of products to be launched in the next months, until the end of the year. We are predicting to keep our innovation rate in the range of 20% plus as we are keeping these launching in a very important way. One of the key launch will be triple mixture product -evolution, that is a really very unique products, a very unique formulation, a very unique mixture. And we are very positive with that in the first year. And this product is part of the family of MMX that we have already launched many products in that platform like Unizeb Gold, Glory and now evolution. And we have other ones coming in the future. But it's moving quite good.

Farokh Hilloo: We do have triple mix, seed treatment products, other insecticides are there in the portfolio and that we are pretty hopeful of, in the next, in the running season. So there is a few lined up, once we launch the new ones.

Probal Sen: Question, if I may, what sort of CAPEX guidance have you given if at all, I am sorry, if I missed that earlier, ex of any acquisitions that may or may not be there, for '22 and '23.

Anand Vora: Our CAPEX guidance was about $300 to $320 million. This is, I would say 60%, towards the product registration and 40% is towards putting up physical assets.

Probal Sen: This is for this year, sir, this financial year.

Anand Vora: That's right. This is for this financial year.

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

Girish Acchipalia: I have just two questions. One was just the pricing environment? How has that been given the inflation that we have seen? And are there any specific pockets in the second half, where you think there could be some pressure continuing? And the second was just a vision question around Nurture Farm as to how do we look at what kind of CAPEX or investments are we expected to do this year and next year? And how do we think about it slightly more medium term?

Jai Shroff: So as far as the pricing, there has been a complete disruption. UPL is probably the most backward integrated company in our industry. And there is a huge disruption of supply from China, because of all the reasons which are well-known, including power, the Winter Olympics and various other issues going on there. We feel quite confident that all the cost increase will be passed down to the market, because there is just no way to be able to absorb some of the costs which are increasing dramatically across the board. And while there are some ongoing commitments, which have been made, but most customers are absolutely open to an understanding that there is a kind of force majeure in the environment and we are able to see the price increases month-by-month. So we are quite comfortable with the passing that through.

As far as Nurture Farm. It's an ambitious project, which is transforming the agriculture space in India with digitizing a lot of the aspects of their operations. And they are very happy with the adoption of our digital platform. Most of the services are being ordered, 90% adoption we have had on our platform for various aspects of our initiatives. And we are going to continue to invest, about $50 million a year, give or take for the next couple of years, at least. And then we will review that.

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

Vishnu Kumar: Something on the same question on margins, two questions. (1 When do we expect some respite in the cost in China? (2 From a pricing front should we expect some uptick in pricing in the next two quarters?

Raj Tiwari: No, I mean China situation should normalize during the next calendar year, sometimes early part of next calendar year. Because of this energy crisis, we don't see things getting any better, at least till end of this year for sure. And next calendar year we see some normalization happening. So that's on the cost side.

Carlos Pellicer: We have been increasing price in consultation with our customers, who are aware of the current situation, to ensure that their requirements are fulfilled. We have a very strong customer intimacy, and we have been able to sit down with the customers and work together with them, to understand their needs, to understand their problems, and to make them understand our, the moment to do, and they are aware of that and we have been able to really ensure and work together with them, to find the best solution. And these have been working in a very positive way, we are also trying to help farmers with alternative solutions like biosolutions , new technologies that we are working to help them to overcome this moment.

Anand Vora: Just to add to what Carlos said, I mentioned in my commentary that this quarter, we could start price increases somewhere from mid-August and September so we did see the full impact. We will see the impact of full price increases in Q3 and Q4 as we move on.

Carlos Pellicer: Yeah, but we have been able to manage that because of our relationship with the customers and the way that we care about that. And as Anand said we will see that more effectively in Q3 and Q4.

Vishnu Kumar: So just one question on the taxation related commentary in the notes, with specific ones with the management and control from India. Which subsidiaries are there and any potential impact that you could just highlight?

Anand Vora: These are basically subsidiaries out of Mauritius and Gibraltar. And we are challenging the orders, I mean, the information requests and other things, because we do believe that there is no real case for us, for them to raise these questions. So we will be taking legal advice and we will be providing rebuttal to that.

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

Tarang: Two questions from my side. One on the Chris Hansen collaboration, what's the significance of this and what factors do you think that might have worked for Chris in UPL for this collaboration to come through?

Jai Shroff: So UPL is number one company in the biosolutions place. We today with our NPP platform, we are a market leader in most markets and most crops in the biosolution place. We have clear focus on that and Christian Hansen is looking for partners. In fact, they have actually walked away from existing relationships in some of the markets and moved their existing portfolio to us like in the groundnut market in Argentina. And our whole ProNutiva concept which is a combination of bio and traditional chemical business, is finding great acceptance among the agriculture sector.

Also with our focus on sustainability and our focus on sustainable agricultural practices this concept is being accepted very well. The OpenAg platform which is really collaborative, by inherit by inheritance, is something which is helping us really open doors with many other companies, not only Christian Hansen.

Tarang: My second one is on Nurture Farm, how are you generating awareness on this and are there any competing platforms, and what's differentiating about Nurture Farm?

Jai Shroff: Yeah, so Nurture Farm is a grassroots level, the awareness is with farmer, there is direct contact, UPL has huge presence on the ground. We have ProNutiva villages, which are platinum, gold villages where we have more than 70% to 80% market share there, last count there was close to 100 such villages. So we have a lot of grassroots connect at the farm.

Our whole business is moving from selling products to selling outcomes. And we are with the Nurture platform, we are actually working towards offering farmers outcome rather than just products. And that allows us to have a much more stronger relationship and also a much stronger trustful relationship with the farmers.

Tarang: And are there any competing platforms?

Anand Vora: You tell me, I don't know.

Tarang: No, I am not aware that's why I am asking.

Anand Vora: Even I am not aware.

Tarang: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Varshit Shah from Veto Capital. Please go ahead.

Varshit Shah: My question is actually two fold on Brazil. So we have seen a tougher year, tougher than previous season in Brazil and so I just wanted to know what is the channel inventory for the industry as a whole in Brazil and for UPL? And second, how many more quarters of prices is required to compensate the current raw material inflation in the Latin America market?

Carlos Pellicer: The Brazil business, it's has been a challenge because we have had cost inflations, but because of our relationship with the customers the way that we have been able to manage that, explain the difficulties and how the situation that is there has been more challengeable. But, we here being working very close to the customers to overcome that. And even though it's reducing now that the season have started the plantation of area of soybean will be increased for more than 40 million hectares of soybeans. Corn area is increasing, cotton area is increasing significantly. The inventory in Brazil at the end of this season or the end of this year, potential be one of the, is more in the history, because farmers because of the constraint of product availability they will be trying to use as much as possible in their inventory. So we are predicting a very low inventory at the end of this season in Brazil. And inventory now, it's moving to the farmers and as price of soybean is quite good, cotton price is quite good, corn price is very good so we believe that inventory would be very low at the end.

Varshit Shah: Just for clarification how many more price hikes are required to cover the inflation to get a gross margin to the desired level in Brazil and --?

Anand Vora: So based on the cost of inflation, we are as Carlos mentioned to one of earlier answer, we are in a position to pass on the cost increases. Now as most of the peer group companies are facing this challenges. Most of, because of the supply constraints, it is becoming even easier to push on the prices because what the farmers/distributors are looking for is regular supplies of materials and because of our backward integration and end-to-end manufacturing of key molecules we are in a very advantageous position on this aspect. So we are taking price increases, of course I cannot give you one price increase across all of this, but we continue to take price increases as and when we see if there is a cost pressure or increase in logistics cost or any of such issues.

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

S. Ramesh: The first point is in terms of the strong performance in the U.S. and Europe, particularly Europe, the first quarter was disappointing. So what explains the strong performance in Europe and U.S?How much of it is driven by volume growth?

Carlos Pellicer: It's a combination of volume and price. And it's like our 18% growth in volume and 3% growth in price, in Europe and U.S. it's proportionally the same. There is a demand in U.S. because of the price of commodities are so good in U.S., they have had quite reasonable harvest. Farmers are very excited for the next season. And they need, say our product portfolio, it's very in-line what the customer needs in Europe, in U.S. all the work that we have done to develop the product portfolio backward integrated the right products, we have done. The good choice, if you see the choice that we have done to invest in glufosinate, to invest in Acemetachlor to invest in different molecules have been the right decision at that time. And these kind of decisions, we don't take in one year. This is a long-term decisions, there is planning, these is vision. And in Europe, in U.S. is very much there. And we have growth consistent in the key molecules that we have in Europe and the key molecules that we have in North America. It's a very consistent, very good and it's volume and price both.

S. Ramesh: And the second part is in terms of your sustainable and biological solutions, in the 2nd Quarter, what is the kind of growth and traction you are seeing there?

Carlos Pellicer: I would say, we are looking as we have announced in some of our meetings, before. Our drive is to arrive in 50% of our sales, with the differentiated products and biosolution products. Our drive is to move in that direction. Our growth in differentiated products have been higher in any other portfolio, every year, , say we have grown much more in differentiated solutions than in post patent product. And we have been able to register double digit growth in biosolutions, even though they frost in Europe and the drought in Mexico, we have been able to grow double digit in biosolution.

And we are trustful that we will keep that growth until the end of this full year 2022. I believe this year, we are starting demonstrating the importance of launch of NPP, our Natural Plant Protection Company. And the launch of the Natural Plant Protection Company is giving us the focus that we need, is giving us the platform that we need to really grow biosolution in the level that we have planned.

Moderator: Thank you. The next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.

Abhijit Akella: Just a couple from my end, one is on nuture.farm. We are making significant investments here going forward for the next several years. So any thoughts you could share regarding the possible monetization plans we are looking at, and how valuable could this be in coming years?

Jai Shroff: We are building a digital platform which is really engaging farmers from all their challenges and some of the pain points, because we are transitioning from Product Company to more solution provider. And this is an exciting journey, we have had fantastic, much better than expected traction. We are seeing across the board in every value chain we look at, because this works on a value chain basis. We are seeing a tremendous impact on yield and we are able to make for the farmer, we have just closed groundnut season in Gujarat and we saw 30% to 40% yield increase for almost 300,000 acres. So everywhere we are seeing a tremendous growth. The is response which we got for the CRM, what we call the #EndTheBurn campaign around Punjab and

Haryana. We also saw huge, we are restricting the number of farmers we take on that platform. We saw tremendous response and we feel that while we were targeting 3x growth next season, we think we will be able to cover more than 75% of the acres next year. And all these farmers are onboard digitally.

So this platform is growing, we have over the last 18 months had almost amazing pool of talent in our Nurture office in Bangalore. We have grown that from one floor to I think almost three quarters of one floor to three floors, and is bustling office with almost 300 people close to of young, talented guys who are really excited about the impact they are making in agriculture. So right now we are just building this platform, we will see what to do with it later. There are other companies also wanting to engage on it. There are some discussions going on, some products are on the platform. So lots of happening there. No plans for anything right now. But we know that this is the future of agriculture. It has to be digitized.

Abhijit Akella: And second question, just on the margin outlook, we have had this target of three, four year target of achieving say 24% to 25% EBITDA margins, at the consolidated level. So in the context of these investments in say Nuture and other areas as well as the input cost pressures, do we believe we are still on track to sort of deliver on that, 24% plus in the next three years or so.

Jai Shroff: Yeah, absolutely, this year was a very difficult year in India in terms of weather patterns. The growth got a little bit muted, lot of crops were disrupted. So there was some pressure, plus we had large investment in some of these platforms. Also transitioning farmers from traditional chemicals to bioproducts is a slightly more costly exercise in terms of SG&A, so that's taken up from more investment. But all these things in a normal year would not even show up because if we talk about normalized growth in India of 15%, 20% even 25%, these all things would be absorbed within the existing kind of cost structure. Saying that, we have to invest in the future and we will continue to invest in the future. So these are all assets which are much more valuable than the money we are putting in.

Anand Vora And just to add here, to what Mr. Shroff said, I believe these are all done to accelerate in fact if at all these investments will speed up our reaching the target of 24% or 25% or even higher in a shorter period of time.

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

Ritesh Gupta: Just on the market share bit, you already have about 9% to 10% market share in the global LatAm market, is there a mission that you have, let's say over next five years or so, that would like to articulate in terms of the amount of market share you want to take.

And then secondly on the margin side as well, I mean we do see that you do import some of the raw materials still from China and probably things like yellow phosphorus for that you are probably dependent on China, in every case. Any way you could reduce that dependency and how Q3, Q4 will look like given the kind of situation you have seen in China in the recent, especially on this material?

Raj Tiwari: Let me answer that first on your second question, on the yellow phosphorus. We actually don't import any yellow phosphorus from China, right. We have alternate sources. We don't import any yellow phosphorus from China. So we are not dependent on China for yellow phosphorus. That's number one. And as far as the yellow phosphorus is concerned, we are adequately covered for the next two quarters, so I don't see any worries in terms of coverage or supply security is concerned, right. So that's on China. On market share, I think --

Ritesh Gupta: So as you already have about 9%, 10% market share after the Arysta acquisition, so do you want to articulate any kind of market share aspirations you have over next three to five years?

Jai Shroff: We are over the last 10 years, UPL has been the fastest growing company in the industry. So typically we gain market share in almost every market we operate in every year. So steadily we will continue to gain market share and then we believe that in a period like this where commodity prices are high, markets will also grow. Farmers tend to overinvest. So today UPL is number one company in many parts of the world, including India, Mexico, Chile, Columbia, South Africa, and many other African countries. We believe that leadership requires other responsibilities and so we are continuously investing in innovation, not only in our portfolio, but also in our way to market, go-to market. And that whole transition is going to drive the whole change in the industry. And I believe that industry will continue to consolidate. So because we believe that the farmers are not really interested in buying products, they are interested in outcomes. And UPL is a thought leader and market leader in that whole concept. So we believe that consolidation will drive market share, not only for us but the rest of the top 5 to 10 companies.

Ritesh Gupta: Just one small follow-up, on the yellow phosphorus bit with how much proportion of global yellow phosphorus production comes from China and from other countries, if you have it on the back of your mind.

Jai Shroff: We don't buy any from China.

Moderator: Thank you. The next question is from the line of Vijay Sanghvi from Pragya Equities. Please go ahead.

Vijay Sanghvi: Since the last many quarters promoters stake has remain stagnant, any plans of increasing fund or increasing promoter stake?

Jai Shroff: I mean, slow and steady we will increase promoter stake.

Vijay Sanghvi: It's around 28% right now, what is the stake you will increase to?

Jai Shroff: At this value, I want 100%.

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

Matias Vammalle: Two or three question from my side which are more, I just hope that the first one is, clearly and understandably so, working capital usage increased a little bit this first half of the year. Are you kind of comfortable in seeing that reverse on line with the seasonality of the business forward, kind of second half. And then two related questions, is can you tell us what was the outstanding amount of your receivable sales at the end of this first half of the year and what are you targeting for the year end? Thanks.

Anand Vora: We remain confident of having working capital in the range of 80 to 90 days between that range, at the end of the financial year. And this elevated inventory levels are super beneficial in situations where there is a supply shortage at the same time, other supplies and disruption. We remain very optimistic and confident about that. I think the receivables outstanding, the securitization as of 30th September was in the range of about 600 million, and again it was about 50 odd million higher than that of last year same time, that's the number.

Matias Vammalle: Perfect, and do you have a sense for this full year figure?

Anand Vora: We should be in the range of, we are targeting about 1.1 billion to 1.2 billion, about 100 million more than last year's numbers. Matias it will depend on also how the interest rates behave in Brazil you would have heard today morning again, last night they increased i-rate by 1.5, so if it gets too expensive, then we will not do much of securitization.

Moderator: Thank you. The next question is from the line of Deepak Chitroda from Phillipcapital. Please go ahead.

Deepak Chitroda: My first question is about as commodity prices are on a higher side, if we talk about across Agri-inputs, including Agchem and fertilizer seeds and all. So do you think that probably not in the near term maybe after one or two quarters that farmers will become very cautious and that is indirectly going to impact their margin as well. So probably indirectly that can impact the overall the demands or volumes.

Carlos Pellicer: If you see what would be the strategy of the farmer, would be to manage their fertilizer, because a lot of farmers have fertilizing the soil and they reduce the rate of fertilizer or in some situation minimize that in an important way. On the crop protection side, they doesn't have a choice, because at the time that you buy the seed, that you invest in the seeds and the farmers need to invest, they buy a low-value seeds, this would be even worse, say they need to have yield. If they do that they need to control the weed, they need to control disease, how they can manage without control disease, they need to control the insects, how they can manage without the control the insects.

What could happened is some shift in technology. Now let's say they try to use a little bit lower value technology and this could be even favorable to us, because we have both. Now we have a more, let's say not so expensive technology and a premium technology too, say I believe, you be a mix cotton growers, with the price of the cotton that we are seeing now, cotton growers, we use as much technology as it can because the price is quite good. Potentially corn growers, you would be more selective. Soybean growers you would be normal, because the price is too $12.5 per bushel. If you see price of the specialty crops, coffee, it's an amazing price, say one of the, if I say, it's in the high level historical price of coffee. Say the main product citrus, very high, you know. Say, we see that the farmers who use technology potentially minimize the amount of fertilizer in a strategic way.

Deepak Chitroda: And my second question is about our biosolution business. So as I understand we are aiming to have a contribution of almost close to about 50% we are targeting towards the differentiated product. So in terms of biosolution product, as I understand, we have larger contribution, I think initially from the European region. But now with the Arysta integration, almost like two years now. So how you know big is the penetration across the other regions like LatAm, North America or Asia?

Carlos Pellicer: The critical part of the biosolution is the presence, you know to be present, closer to the farmer. And this is with integration of the two companies, became a very strong base for us. We have presence in **138** countries. We are in the ground closer to the farmers. And with the launch **and separation** of NPP as an entity inside of UPL that would be completely dedicated for their bio solutions. The speed of growth will be increased the maximum, say we have launched amazing team, we have launch amazing brand, to see our NPP brand is beautiful, it's really unique. And we are working a lot with this line that the biosolutions create.

As Jai has mentioned our focus in sustainable solutions**,** our focus in carbon sequestration, our focus in soil health, it's something that it's creating an environment to us to really grow and we will be able to teach the farmers, to help the farmers, to be more sustainable, using ProNutiva approach that we use the chemical when its needed, we use to explain that to the farmers, is like that we, is like ourselves as a human being. We take our vitamins, we take our probiotics, we take everything that is possible, to minimize the use of antibiotic. But when you need antibiotic, we need to pick that regular diet, it's the same what we are doing. We are working to make the plants more resilient, make the plant more healthy and then the farmer can use less to do more.

And that concept is our concept of ProNutiva that we use the best of both, how we can manage to apply our biotechnology approach, our biosolutions approach and use the chemical as needed. Now I would say that is the concept, this is why we believe that by 2026, 50% of our sales will be differentiated solution and biosolutions together, and our **post patent** technology to be less than 50%, that is our focus and we are in a good movement in that direction. And we are having amazing support from our partners like Christian Hansen that Jai was explaining that is amazing partner for us, it's a great partner and we have many others that we are working together.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question. I now hand the conference over to Mr. Anand Vora for closing comments. Over to you, sir.

Anand Vora: Thank you everybody. Thanks for joining us on this call. If you have any follow-up question, please feel free to reach out to Radhika or myself and we will be happy to answer them. Thank you very much. Have a great evening.

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