"UPL Limited Q3 FY-22 Earnings Conference Call"

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Ms. Radhika Arora
'Good Evening' to everyone. Thank you for joining us today for the results discussion for the quarter and nine months ended, 31st December 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 it that you all have read the safe harbor statement. From the management team, we have with us today, Global CEO - Jai Shroff, Group CFO - Rajendra Darak, Global COO - Carlos Pellicer, Global CFO - Anand Vora, Global Chief Supply Chain Officer - Raj Tiwari and Chief Commercial Officer - Farokh Hilloo. As far as the agenda is concerned, we will start with a brief overview from Jai, followed by a business update from Carlos and a financial update from Anand. At the end of the presentation, people who are willing to ask a question can write the same in the chat box available on your webcast screen and we will take it over from there. With that let me now hand it over to Jai.

Mr. Jai Shroff
Thank you, Radhika. 'Good afternoon' and a very warm welcome to everyone. Thank you for joining us today. At the outset, I hope you all of you and your loved ones are healthy and doing well in these very unprecedent times.

Before moving on to discussing our third quarter performance, I would like to welcome Mike Frank, he is taking over as the President and Chief Operating Officer of UPL crop protection business from 1st April 2022 onwards. Mike brings deep industry knowledge and expertise from his years at Monsanto and more recently at Nutrien.

I would like to thank Carlos for his tremendous contribution over the past year as Chief Operating Officer during which the company has delivered significant growth. Carlos assumed additional responsibilities and had temporarily taken up the role of Chief Operating Officer last year, till we found a long-term replacement for Diego. With Mike now coming on board, Carlos will resume his original role as the group’s strategy head and continue to lead multiple projects under the OpenAg initiative including the post-harvest business, carbon and digital projects.

Moving on to our financial performance now, over the past quarter and nine months, the entire sector had to deal with multiple challenges including higher input costs, a sharp rise in freight charges, and intermittent logistics or supply chain issues. On the positive side, the demand has stayed strong, and we believe that it would stay strong for a while. I'm very happy to say that, with the perseverance and untiring efforts of the entire UPL team, we once again have been able to deliver a strong set of results surpassing our guidance. During the quarter, revenues grew by a robust 24% and EBITDA by 21% which demonstrates the resilience and the quality of our business model.

Our diversified global presence, in-house manufacturing of key API's, effective supply chain management and strong innovation rate resulting in a gradual transition to high margin differentiated and sustainable products enabled such strong performance, even in these inflationary markets.

As announced last week, one of our associate companies in Brazil, ‘Sinagro’, which is engaged in the distribution of agrochemicals and other inputs, has recently brought on-board ‘Bunge’ as a strategic partner. ‘Bunge’ will be acquiring a 33% stake in ’Sinagro’. ‘Bunge’, being one of the global leaders in sourcing, processing and supplying of oil seeds, grain products and integrated ingredients, will enable ‘Sinagro’ to leverage Bunge’s strong relationships with farmers and thereby accelerate its growth plans in Brazil.

On our ongoing journey of reimagining sustainability, I am happy to share that our efforts have once again been recognized and UPL has been ranked #1 Agrochemical Company amongst its peers for sustainability performance by Sustainalytics, second time in a row in its 2021 ESG rankings. We have also successfully completed the first leg of crop residue program covering about 420,000 acres in North India through our digital platform ‘Nurture’ with very encouraging results and this pilot prevented 1 million tonnes of carbon dioxide emissions from being released. We intend to expand this initiative to cover a significantly higher area next year and continue to invest in our digital platform.

Finally, as we look ahead to the fourth quarter, the demand for agrochemicals continues to remain healthy, globally. We are confident of ending this year on a strong footing as already demonstrated and more than meeting our commitments. On that positive note, I will now hand over the floor to Carlos to take you through an update on global operations. Over to you, Carlos.

Mr. Carlos Pellicer
Thank you, Jai. And good evening, everyone. The last three years have been truly special for me. We have been on an amazing journey, and I have been so proud to be a part of it. Since the integration of Arysta, three years ago, we have transformed UPL into a purpose-led company through OpenAg and are now on the path to reimagining sustainability. In addition, to delivering upon our financial commitments year after year, we have become the leader in sustainability amongst our peers, with a customer centric approach.

In the last year, I assumed the responsibility of leading the global crop protection business, in addition, to my original role of Global COO, Strategy and Innovation. As shared by Jai, after the end of the financial year 2022, I will refocus my full attention towards leading UPL Group's growth strategy, and leading multiple strategic projects under OpenAg. This has been possible since we have been able to find an excellent candidate in Mike to lead the global crop protection business.

We are truly excited to have Mike in our team. Mike brings deep industry knowledge, a passion for environmental and economic sustainability, and extraordinary 'end-to-end' expertise. We could not have chosen a better person to drive our business forward in the next phase of our journey. I would like to once again extend a heartfelt welcome to Mike.

I'm now pleased to share some highlights for the third quarter of financial year 2022. We continue to operate in a highly volatile and uncertain world, which keeps challenging us in new ways every day. Whether these are in the form of supply chain disruption or increasing input costs, we have been successful in providing solutions to address the pain points of farmers globally, while, also delivering strongly on our financial commitments. We take immense pride in the agility of our team, strong customer relationships, unique backward integration capabilities and supply chain excellence.

As part of our commitment, to 'reimagine sustainability', we are excited about the recently announced collaboration of Sinagro with Bunge in Brazil, as highlighted by Jai. This partnership is expected to strengthen Sinagro's grain origination strategy, and leverage the complementary capabilities of both companies. Some examples include the ability to strengthen fertilizer offers, improve risk management tools for barter and become a preferred partner in sustainable, traceable, and certifiable production for farmers and end users.

We would like to highlight some additional exciting news relating to our open collaboration approach. Firstly, through our partnership with Meiji/ Mitsui, we have obtained our first registration in India of a Flupyrimin based solution to address key pain points of rice farmers. Secondly, we continue our strong collaboration with Chris Hansen, and are pleased to announce that we will start commercializing the first solution in India over the next few months. Furthermore, a registration has been applied in Brazil for a unique nematicide composed of three strains, addressing a significant pain point of farmers. Lastly, we have initiated the commercialization of solutions derived from blockbuster CTPR in multiple geographies, as a result of our collaboration with FMC.

Moving now to the financial results. I'm pleased to report that our revenue as well as EBITDA for the quarter have shown very strong growth. The revenue has grown by 24%, while EBITDA has increased by 21% versus Q3 FY2021. The growth in revenue was led by significantly improved realizations, coupled with a healthy volume increase. We have successfully achieved 43% gross margin, enabled by 13% rise in price realization, largely offsetting the inflationary active ingredient and increased freight cost. We have maintained our EBITDA margin versus last year, despite lower contribution, through optimization of our overheads. Our net working capital has improved to 108 days in Dec'21 versus 117 days versus last year. Additionally, our profit after tax have rose by 40% to 1,218 crores versus last year.

Now let's look at the performance of our regions in Q3. In LATAM, we achieved 22% growth, led by our herbicide portfolio, largely through improved pricing. Additionally, our insecticides and NPP BioSolutions offerings have also contributed to the revenue increase in the region. Brazil and Argentina have shown strong growth, also driven by herbicides. Mexico has maintained its revenue versus prior year, despite the impact of drought followed by a hurricane, causing high channel stocks. Other countries have also grown robustly over prior year.

In North America, revenue grew by 57% in this quarter as a result of higher volumes as well as improved price realization specifically due to upsides in herbicides. Further, improved commodity prices, tight supply for key products, and favorable channel stocks enabled the strong performance.

In Europe, we grew by a robust 26% versus prior year. This strong performance has been achieved through a mix of favorable volume growth and higher price realization. Poland, and the DACH region have delivered strong growth, driven by robust performance in mainly herbicides. Growth in France has been led by herbicides and supported by fungicides and NPP BioSolutions. Italy grew through higher penetration of NPP BioSolutions versus prior year. We would also like to add that this significant growth in Europe has been achieved despite revenue losses due to some product bans.

In India, we have been able to maintain revenue versus prior year, despite severe adverse weather conditions, which resulted in high kharif sales return returns. Heavy rains post monsoon in the quarter led to decline of key target crops.

The rest of the world delivered 15% growth in revenue versus last year, despite the ongoing external challenges, including supply chain constraints. Southeast Asia, Australia and New Zealand have grown through improved pricing, higher volumes, and favorable product mix. Southern Africa has delivered strong results while still recovering from the warehouse disruption in July last year. Growth in China has been achieved through improved sales in the fungicides, and insecticides categories. Japan revenues have been impacted by 10% depreciation of the Japanese Yen and lower sales in our H&NS segment.

As we anticipated in Q1, Q3 has been a very successful quarter for us. We will carry the momentum forward in Q4 and conclude the financial year with a strong performance that will outperform our guidance from a revenue and EBITDA growth perspective. Q4 performance will be supported by strong demand for our herbicide portfolio, and our continued pricing actions. In addition, we expect an accelerated growth from our NPP BioSolutions, and a continued strong performance from our differentiated solutions. We are also confident of the success of our upcoming new product launches, including Evolution® in Brazil, Triskele® in India, Preview® in North America, and CTPR based solutions in multiple countries. Before I hand over to our Global CFO, Anand, to provide more details on our Q3 financial results, I would like to congratulate our team for their amazing resilience, dedication, and unified focus in delivering such a strong performance in this quarter, despite challenges on several fronts. Anand, please can you take over now.

Mr. Anand Vora
Thanks, Carlos. Good day to everybody. I will start by providing you with the key financial highlights for the third quarter and nine months' earnings and then take you through the financials in detail. I'm extremely pleased to say that we reported a strong all-round performance during the third quarter, achieving robust growth in both revenues as well as profitability. Such a strong performance amidst a

disruptive supply chain and inflationary environment is a true testament to the company's resilient business model.

Talking specifically about our year-on-year performance for key financial metrics in Q3, we ended the quarter with revenue of INR 11,297 Crores delivering a robust growth of 24%. This growth was driven by 13% increase in price realization and a healthy 11% rise in volumes. I must add here that the price realization growth this time has exceeded the volume growth, probably a first in many quarters.

It was also encouraging to see the company firing on all cylinders. The differentiated and sustainable segment continues to grow at a stronger pace than the post patent segment and we saw growth across most key geographies, except India.

Most importantly, improved realizations enabled us to cover the sharp rise in input costs and keep our gross margins largely intact at around 43%. Notwithstanding the ~120 basis point increase in freight charges, our gross margins would have been above last year.

On the operating profitability front, we delivered a robust EBITDA growth of 21% on the back of higher contribution and improved operating efficiency, with our fixed overheads as a percentage of sales coming down by 100 basis points to 19% versus 20% in Q3 of last year. Our EBITDA margins for the quarter were stable, vis a vis that of the last year at 24%. Further, we continue to make long term investments in our digitization platform and in Q3, the amount spent was INR 75 crores.

We continue to reduce the interest costs, and in Q3FY22, the interest costs were lower by INR 61 crores. The FX impact in the financial costs saw a decline of INR 191 crores while there was a corresponding increase in FX loss sitting under the head of other income of INR 215 crores, resulting in a net loss of INR 24 crores, which essentially is the cost of taking the hedges.

Robust growth in EBITDA, combined with lower finance costs helped to drive 41% increase in profit before tax at INR 1,385 crores. On the income tax front, effective tax rate for the quarter was marginally higher at 12% as compared to 11%, last year. As we have guided earlier, for the full year, we expect the tax rate to be at the lower end of our guidance of 15-18%.

Overall, the net profit for the quarter stood 18% higher at INR 937 crores versus INR 793 crores in Q3 of last year. Further, Q3FY22 had exceptional items of about INR 52 crores on account of costs associated with restructuring, litigation and provisions for certain expenses relating to the fire incident in South Africa.

Moving on to the nine months performance now, the financial highlights were as follows. During the first nine months of the year, we delivered a healthy revenue growth of 17% over that of last year led by 6% higher price realization and 11% increase in volumes. As stated earlier, the improved margins in Q3 enabled us to catch up on the nine months margin, and we expect to end the full year with better contribution margin than that of last year.

EBITDA for the first nine months continued to be robust and grew by 15% over that of the previous year, while our EBITDA margins were flat at 22%, in spite of the inflationary pressures on costs, freight that was faced since the beginning of this year.

We reduced the interest costs in nine months, by INR 116 crores. The FX impact in finance costs saw a decline of INR 103 crores while there was a corresponding increase in FX loss, which was sitting in the other income head of the P&L of INR 406 crores resulting in a net impact of INR 303 crores. On the whole, during the first nine months of the year, we saw a strong year-on-your expansion of 24% in the net profit at INR 2,247 crores for the nine months.

Moving on to working capital, on the working capital front, though the working capital went up in line with the sales, but we reduced our net working capital cycle by 9 days to 108 days as of December 2021, reflecting the efficiencies in managing working capital cycle. Inventories were higher by 3 days, receivables were lower by 7 days and payables were higher by 5 days. We expect the net working capital days to be around 90 days by the end of the financial year.

On the cash flows and debt position, on the debt side, we continued to deleverage our balance sheet in line with our commitment. Our gross debt and net debt stood lower year-over-year by INR 405 crores and INR 478 crores respectively, at INR 27,433 crores and INR 23,768 crores, as of December 2021. We remain confident of meeting our guidance and bringing down the net debt to EBITDA to below two times by the end of Q4. In fact, I am happy to share that in January 2022, we have prepaid gross debt of US$ 125 million, which is approximately INR 940 crores.

Overall, as Jai and Carlos, alluded to earlier, we continue to be well placed on the demand front and are confident to end the financial year with robust growth, exceeding the earlier guidance. With this, we will open the floor for questions. Back to you, Radhika.

Ms. Radhika
Thanks Anand. So, there are questions on the chat now. I will read out those questions and these will be answered thereafter.

The first question in the line is, can you please help us understand the debt repayment schedule and what is the quantum of the debt repayment UPL is planning to achieve during Q4 FY22?

Mr. Anand Vora
So, as you would have noticed most of our debt, are long term debts and we don't have any obligation to repay that until May of 2024. However, we will continue to repay debt as per what our cash flows

allow. In Q4 FY22, and this year we are targeting around US$ 350 to 400 million of debt repayment of which as I mentioned earlier US$ 125 million has been repaid as of January 2022.

Ms. Radhika Arora
Were there disruptions in the supply chain of a competitor and was that the reason for market share gains of UPL in North America? How much of the supply chain disruption is still visible going into Q4? And can UPL's resilient supply chain, allow it to continue gaining market share in Q4 as well?

Mr. Carlos Pellicer
So, we are really focused on getting the price realizations for our products to be able to manage the volatility well, because the volatility will be there. Now, we believe that like in 2021, in 2022 as well, the volatility will be there and we also believe that we will be able to manage this volatility through our pricing especially in North America and in South America, where the price of the commodities are so strong, and the farmers are really capturing value from their crops, so they will be willing to absorb the difference as they have during the last few months. I don't know Jai, if you want to compliment any point on that.

Mr. Jai Shroff
UPL has a very integrated business model with a significant share of raw materials and finished product manufacturing being in-house, and that has helped us to continue to gain market share, because there is a self-reliance in that, as far as supply is concerned. So, this has enabled us to gain market share across the board, and we have had relatively lower impact in our supply chain cost increase versus some of our competitors.

Mr. Raj Tiwari
As far as some of the challenges are concerned, we don't see any big supply chain concerns for Q4, except for the ocean freight, where rates are still historically high. The biggest challenge for the companies has been on getting the required space on the ship and the haskem containers. So, even in this tough situation, we have been able to get the required space on the ships for the first nine months and therefore deliver fantastic growth. In Q4 FY22, as well, we are confident that our robust supply chains, will help us to deliver strong growth.

Mr. Carlos Pellicer
We grew 11% in volume and 13% in price in Q3FY22, which demonstrates that we are gaining share, and we have been able to manage that in a very focused way.

Ms. Radhika Arora
Is there the any upward revision in the Revenue and EBITDA forecast for full-year FY22? How is the cost inflation expected to impact UPL? Also, can you give details on your conversations with the rating agencies? And what has been the reason for the Q-on-Q increase in receivables sold?

Mr. Carlos Pellicer
We have been able to work with amazing co-ordination between supply and sales, and that has afforded us the ability to price our products effectively. We have developed a process whereby the team in the field are completely connected with what is happening in the market, so this connection allows us to manage the volatility in input and output prices more effectively. Further, as Jai mentioned, the backward integration linkages gives us the possibility to be completely updated with what is happening in the cost base, from a cost perspective. And the agility side of UPL give us the possibility to leverage this advantage to strengthen our relationships with our customers even more in this moment because the supply chain disruption is impacting everyone.

Mr. Anand Vora
Thanks, Carlos. On the specific question regarding the engagement with the rating agencies, we continue to engage with the rating agencies and as committed to them at the time of taking the acquisition loan for the Arysta acquisition in 2019, we are on target to bring down our net debt to EBITDA to below two levels. And we share with them on a regular basis, the performance as well as the cash flows of the company. So, at this stage, we don't see any apprehensions from the rating agencies on our performance. In fact, we are already engaged with them on seeing if we can get a rating upgrade. As regards the receivable factoring, we have been engaging in this program of receivable factoring on a non-recourse basis for the last at least a decade now. And as we have shared in the past, this program is largely taken to de-risk the organization; that's the way we look at it. Of course, in the last three years, since we took on the loan for Arysta acquisition, it did help us to reduce our debt. But largely this program has been undertaken in order to derisk our business as when we sell the receivables on a non-recourse basis to the banks, the credit evaluation of our customers or our receivables is done not only by the UPL credit team but also by the banks before they take it on their balance sheet. So, it just gives us reassurance and it's one of the ways of de-risking our business. We expect the receivables factoring figure to be close to ~US$1.3 billion by the end of March 2022.

Ms. Radhika Arora
Is there any preponement of sales in North America, LATAM or are these one-off sales that have happened in North America, LATAM because of the other competitors not being able to fulfill the demand due to supply chain issues?

Mr. Carlos Pellicer
Higher demand for herbicides is one of the major reasons behind the strong growth in North America and LATAM markets for us. There are multiple factors that have led to the higher demand for herbicides

in these markets, of which one of the major factors is the weed resistance. So, there has been a change in the types of the weeds found in the fields, which is really transforming the herbicide demand. It's transforming what the farmer needs to manage their crops. And the second factor is that glyphosate price has increased by ~4.5x. So, these two factors together have come at the same time, and we were able to read that many years ago, let's say for instance when we see the product line that we have today, they have been actually chosen 5-7- years ago. Now, it is not by coincidence that we are seeing the positive results, and that we are able to supply these products, when some of our competitors are not able to do that, because we read this much earlier and were able to backward integrate our production to be more independent on the supply chain side. Basically, our ability to serve the pain points of our customers comes from the ability to anticipate farmers' pain points.

Ms. Radhika Arora
Okay, thanks Carlos. How much investment have you made in the digital platform so far? How much investment do we require and how do we plan to monetize that?

Mr. Jai Shroff
So, the digitization of the agriculture is an ongoing process. UPL has invested about US$ 50 million, on the digital platform. The interface of farmers with using digitization is the only way to go forward in the future. This also brings us really close to understand the farmers challenges. UPL is now moving away from being a product company to a solution provider. And this is a journey which will be ongoing continuously. So, as technology develops, this will be a continuous investment. Monetization, as we all know that it's an exciting space for investment. So, there is obviously a lot of interest on the investment side, because we believe that our platform is the world's largest platform in AgTech and we are continuously discussing and evaluating options. As and when there is a good development, we would let the investment community know.

Ms. Radhika Arora
Thanks, Jai. Given the recent induction of Mike, acquisition in Indonesia, extending partnerships like Bunge further to Chris Hansen in Q2, one gets a feeling that going forward market access and distribution would garner precedence over creating manufacturing infrastructure, is that the right inference?

Mr. Jai Shroff
Yes and no. You know, UPL has over invested relative to all its peers in manufacturing. This gives us a very strong supply chain platform and ability to manage costs and supply chain disruptions. We believe that we will continue to invest there, and we will continue to partner with other firms. We have developed a lot of indigenous suppliers in India, which are large companies now and key strategic raw material suppliers for UPL. We will continue to invest at both ends, in building a strong supply chain and enhancing access to farmers and to our distributors.

Ms. Radhika Arora
Thanks Jai. Southern Brazil is facing a lot of weather issues leading to weed losses. Northern Brazil is also facing flooding we hear, what will be the impact on Q4?

Mr. Carlos Pellicer
We are not seeing an impact in Q4 because of that. What's happening is that there are hotspot areas in Brazil, Paraguay, and Argentina, which are having this severe drought. But nonetheless, the farmers are able to harvest basically 50% of their yield at least and at that level of harvest, it gives them a possibility to at least breakeven, except in some very specific regions. And in rest of Brazil, Paraguay and Argentina we don't see any adverse impact in Q4. In fact the results in the northern part of Brazil were exceptional. So, we are expecting a strong Q4 and in other parts of the world also like North America, Europe, Asia, we are seeing a robust Q4 perspective too. So, we don't see any impact for Q4.

Ms. Radhika Arora
What's the update on the FMC collaboration? When do we expect the first product rollout and when are we expected to start supplying the AI to FMC?

Mr. Raj Tiwari
Our plant will become operational towards the end of Q4, and therefore in Q1, we expect the supplies to start.

Mr. Anand Vora
Maybe Carlos you can provide an update on some geographies where we have already launched.

Mr. Carlos Pellicer
Yes, we have already launched the product in different geographies like Brazil, and are starting our sales now in January. We have the first launches in standalone products, but we have also many mixtures coming in such as CTPR and our Agro solutions like Perito, Sperto, and others which form an exceptional combination together with our NPP BioSolutions. So, we will be able to offer a very broad portfolio and we can solve the caterpillar problems, we can solve the bugs problems, and other problems. Overall, this will be a very important addition to our portfolio in the coming months. And we have several countries where we are planning to launch these products step by step over the forthcoming months.

Ms. Radhika Arora
Thanks Carlos. What is the expected net debt reduction ?

Mr. Anand Vora
About US$ 350 to 400 million as I shared with you of which US$ 125 million was paid in this month.

Ms. Radhika Arora
Can you give some sense on exporters of agrochemicals from China? we believe they got impacted because of dual control in the third quarter. But how are things playing out now? And do you expect any fall in AI prices?

Mr. Raj Tiwari
Yes. So, there are some molecules, which are still at very elevated price levels. There has been some softening, but if you see the commodities, whether it is coal or crude or solvents, they are still two times, you know, from the levels they were at around nine months back. So, with a cautious optimism, I can say that for the next two quarters, we may see some softening, but still some of the key intermediates and products from China would still largely be at a high level. It will not go back to nine months back level, that's for sure.

Ms. Radhika Arora
Thanks, Raj. So, the core interest on borrowings is down YoY to INR 361 crore in Q3 FY22 versus INR 421 crore in Q3FY21. Is it because of the low interest rates or the net reduction in the debt?

Mr. Anand Vora
So, it’s a combination of both, we have reduced our debt by close to INR 400 crore as compared to Dec’2020. Further, in this year, we have also done two tranches of sustainability loan, to replace the acquisition loans, and these loans were taken at about 25 to 35 basis point lower cost of borrowing, which has also helped us reduce the interest burden to an extent.

Ms. Radhika Arora
Can you let us know in how many countries, are you currently selling bio-solutions?

Mr. Carlos Pellicer
We are selling our BioSolutions portfolio in the 138 countries that we are present in with our sales force on the field. Also, from the NPP perspective, for every country or regional market, we are now defining a special sales team that is working in a focused way on BioSolutions. And we have been able to really transform some of our products which were earlier more localized into a global blockbuster by expanding distribution of those products globally. I'd say our go-to market perspective like these Sinagro approach, like the approach that we have been in many other countries. To be closer to the farmer is to really be enabled to demonstrate our technology because our technology of NPP combined with our chemistry gives the sustainable solution.

Ms. Radhika Arora
Could you elaborate on the INR 500 crore receivable of insurance claims in South Africa? What is the delay? When is it expected? And does the company have any forecast on the timing of when this should be expected?

Mr. Anand Vora
Well, we are engaging with the insurance company, and we have filed the claims. We are working towards getting the claim amounts in during Q4 of this financial year. However, you know, I cannot say with any certainty, but efforts are being made to get the claims before the end of this year.

Ms. Radhika Arora
What is the expected revenue from the new product launches in quarter four and the next fiscal year FY '23?

Mr. Carlos Pellicer
We are really focused on transforming our business more towards value added products, which is essentially the differentiated solutions portfolio. As you are aware, our goal is to increase the share of differentiated and sustainable solutions portfolio to ~50% of our crop protection revenues by FY2026, and the new launches that we are having now provide us the possibility to grow our differentiated portfolio at a disproportionately higher pace than our post patent products. Additionally, our BioSolutions portfolio is growing very well too. Another very important point to note is that we have been granted patents related for some of the products during 2021, and further we have also applied for many other patents. We are really looking to sell in big way the differentiated solutions in combination with our BioSolutions portfolio through the ProNutiva approach. .

Ms. Radhika Arora
Are we looking for more tie-ups with innovators like FMC? There has been a lot of disruption which has happened in the supply chain. So, how are we evaluating the outsourcing opportunities?

Mr. Jai Shroff
The whole OpenAg platform is about open collaboration. We believe that collaboration is the right way forward as we are moving away from being a products company to a solutions company, which will allow us to provide the best solutions to our farmers across the world. So, this will be a continuous process. In fact, today, we have more than 70 projects under evaluation with different organizations.

Ms. Radhika Arora
What is the Capex guidance for FY22, and the next year FY23?

Mr. Anand Vora
For the full-year FY22, we have budgeted for about US$ 330 million, but I think our spend would be a shade lower than that this year. Going forward, the capex will continue to be in that range of about US$ 300 to US$ 325 million for the next couple of years. This figure includes both the capex for tangible assets as well as for product registrations.

Ms. Radhika Arora
Can you provide the contribution of price increase in Glufosinate to the overall gross margins during the quarter?

Mr. Anand Vora
It won't really be possible to do it for one of the products.

Ms. Radhika Arora
Anand, could you please repeat the receivable factoring numbers. I think some of the people could not hear them.

Mr. Anand Vora
As of December 2021, the total factoring that we have done is about US$ 945 million which in rupees translates to about INR 7,175 crores, as against this last year, in December 2020, we did factoring of INR 4,570 crores which in dollars translates to roughly about US$ 625 million.

Ms. Radhika Arora
How are the channel inventories across various geographies? Can this be an overhang for FY23?

Mr. Carlos Pellicer
Let's say the channel inventory this year is one of the lowest in most of the geographies because of this supply chain disruption that has happened, mainly in herbicides the inventory is quite low. Except this situation where you have this severe drought, due to which potentially the market will have to face some inventory in these south cone regions like Argentina, Paraguay, and little bit in south of Brazil. However, in the overall market globally, the inventory at the end of the of the year will be much lower than last year.

Ms. Radhika Arora
So, I think, we'll take one last question. It seems that the third quarter actually had an inflow of working capital, which is remarkable given it's normally a high working capital usage quarter. Can you please explain? And do you still expect as usual, a large working capital release in the fourth quarter?

Mr. Anand Vora
Okay, well, in the fourth quarter, certainly we expect a release of working capital, as has been the case for the last few years now. And as I mentioned in my earlier comments, we are bringing in a lot of efficiencies in the working capital management, there has been a focus on reducing inventories, and on improving the collections cycle, especially the overdues. Almost at every monthly management review meeting, the leadership spends time on discussing the status of overdue collections. On the payable side as well, we keep pushing our vendors to give us longer credit terms, as we are one of their larger

customers. So, this focus on improving our working capital continues. We have also taken several projects on what we call as S&OP projects, which are on demand planning and distribution of products. So, some of these projects also help us to keep bringing in more efficiencies in our working capital.

Ms. Radhika Arora
So, that was the last question. Any closing remarks?

Mr. Anand Vora
Thanks. Thanks, everybody for joining us on this call. And in case you have any further questions, you can reach out to Radhika or myself Anand Vora and we'll be happy to answer the questions. Thank you once again for joining.