



A Division Of White Organic Agro Ltd.

“White Organic Agro Limited Q4 FY-18 Earnings Conference Call”

June 1, 2018



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**MANAGEMENT: MR. DARSHAK RUPANI – MANAGING DIRECTOR,
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MR. VISHAL CHAVDA – CHIEF EXECUTIVE OFFICER-
FARMING, WHITE ORGANIC AGRO LIMITED
MR. KEVAL SHETH – HEAD-EXPORTS, WHITE
ORGANIC AGRO LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the White Organic Agro Limited Q4 & FY18 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 Mr. Darshak Rupani – Managing Director, White Organic Agro Limited. Thank you and over to you, sir.

Darshak Rupani: Thank you. Good afternoon everyone and a warm welcome to all the participants to the Earnings Call White Organic Agro Limited for Fourth Quarter & Full Year ended 31st March 2018.

Today I am joined by Mr. Vishal Chavda – CEO of Farming from Rajkot; Mr. Keval Sheth who will be heading our Exports and Bridge Relations, Investor Relations Advisors.

I hope that all of you had a chance to look through the investor presentation or are looking at it right now. I will first take the opportunity to introduce our company to you.

The company is purely involved in organic farming activity and only we are the listed entity. The company has launched over 250 premium products in twelve major categories and seventeen sub categories through our fully integrated online portal and retail stores. The range of our product offerings includes grains, pulses, edible oils, fresh vegetables, fruits and ghee, medicinal herbs and capsules, organic health supplements, snacks and many more. Based out of Rajkot, Gujarat our packing facility is located in the close proximity to our cultivation area. The company sells all the products under a single brand name called White Organics.

We abide by our policy to provide customers pure and unadulterated organic food products, directly from farm to stores. This eradicates the chances of getting products contaminated. Our process is designed in such a way that tie ups with farmers directly helps us to eliminate the whole chain of suppliers, wholesalers and distributors. It helps us achieve our goal of healthy food products and in a way makes farmers to sell their products, produce much easier effectively and at a decent price.



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Our biggest strength has been our unadulterated organic products offerings and right sourcing, which has helped us create more and more confidence in the minds of our customers, leading to the stronger relationship with them and the continuous flow of repeat orders and new orders. We are very hopeful about the future given the high opportunity in the organic market domestically, as well as globally. Our product offerings are such that we are able to cater to demand and hope to gain immensely from them. We are also focusing and expanding our farm lease land and have identified farms that suit our requirements. Currently we cultivate our specialized products on 1,360 of leased farms located in and around Rajkot, Gujarat.

Recently in May 2018, we added 160 acres of land to our existing 1,200 acres of land. The additional 160 acres of land is located in Chotila and Sylva region, Gujarat. These 160 acres of land was selected from 22 different proposals that we have received. The land is fully equipped with good drainage systems and can grow many types of plants. As mentioned in our last quarter's earnings conference call, I would like to inform you that all our expansion plans continues to remain robust but we will be doing more and more due diligence on the leased farms to be acquired.

This is in terms of soil test, water availability, connectivity to the highways etcetera. In terms of our expansion plan of acquiring more farm land, we are expected to reach our target of 3,000 acres of land by the end of financial year 2019 that is wholly 2019. However, our growth target in terms of our financial performance remains the same.

On the regulation front, officials from IMO Control under APEDA which runs the guidelines of global economic farming norms regularly inspects our farms. We have never let them down on the guidelines that they have asked us to follow. APEDA also keeps a record of overall organic business activity carried out in India. Each transaction of buy and sell have been monitored by APEDA. During this full year ended 2018, we have outperformed our expectations and witnessed tremendous demand for our products not only domestically but also globally.

Our collaboration with Future Farms LLP has strengthened White Organic Agro Limited to widen its horizon, product portfolio offerings and establish strong presence across Western region of India in the organic market. With the vision of growing global and creating visibility for the brand White Organics, in the international organic market. The representatives of the company participated in the Global Fest 2018 that is BIOFACH, world's leading trading fair of organic foods in Germany. At this event, there were 2,950 exhibitors in total and from more than 88 different nations.

We witnessed interest for our Aloe Vera and Moringa from 40 different wholesale consumers. We are delighted to see our range of product offerings for both Aloe Vera and Moringa. We are extremely optimistic from the response received from international players for our organic products range. Our strong backend with lead farming activities enable us to cater to the

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increasing demand for our organic products and help us strengthen our reach globally. I thank the entire team of White Organic Agro for their untiring efforts, hard works, sincerity and high dedication.

Also I would like to thank our valued shareholders whose support and faith in our company has given us the determination and ambition to go from strength to strength. So, from an overall business perspective that is all from my side. I will now handover to Mr. Vishal Chavda, who will take you through the financial performance of the company for fourth quarter and full year ended 31stMarch 2018. Thank you.

Vishal Chavda:

Thank you, Mr. Darshak and a good day to all the participants. I will share highlights of our consolidated financial performance following which we will be happy to respond to your queries. For the fourth quarter to start with, I am happy to share that the fourth quarter the company achieved revenue of Rs. 87.61 crores with a significant year-on-year growth of 760% as compared to Rs.10.19 crores in the same quarter last year.

This is mainly on account of greater demand globally and rising awareness on benefits for using organic food product domestically. The EBITDA stood at Rs. 4.94 crores in Q4 FY18 increase of nearly 271% as compared to Rs. 1.33 crores in Q4 FY17. PAT for Q4 FY18 is at Rs. 3.67 crores as compared to Rs. 1.23 crores in Q4 FY17. This represents a growth of 198% year-on-year. Our EPS in Q4 FY18 stood at Rs. 2.12 registered a growth of 116% as compared to Rs.0.98 in Q4 FY17.

Now coming to the full year ended 31st March 2018, the revenue stood at Rs. 187.92 crores with a year-on-year growth of 769% from Rs.21.63 crores in FY17. The EBITDA stood at Rs.10.99 crores in FY18 increased by over 856% as compared to Rs. 1.15 crores in FY17. PAT for FY18 is at Rs. 11.23 crores as compared to Rs.1.43 crores in FY17. This represents a growth of 683% year-on-year. We have paid a tax amount of Rs. 2.18 crores in the financial year ending 2018. Our EPS in FY18 stood at Rs. 7.29 registered a growth of 534% as compared to Rs. 1.15 in FY17. This is all from our side as of now, and we can open the floor for question and answers. Thank you.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Nitesh Mishra, an individual investor. Please go ahead.

Nitesh Mishra:

Sir, in this fourth quarter results we saw significant drop in our EBITDA margin, so what was the reason behind that drop?

Darshak Rupani:

Q4 FY17EBITDA marginstood at Rs. 1.33 crores and EBITDA margin of Q4 FY18 stands at Rs. 4.9 crores, and margins stood at 13% last year quarter and now it is 5.64% but if you see



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the numbers, the numbers have increased from Rs. 1.3 crores to Rs. 4.9 crores. So there is a huge increase in the numbers, not the percentage.

- Nitesh Mishra:** So what was the reason behind the falling percentage any particular reason for that?
- Darshak Rupani:** The reason being that time the net revenue was Rs.10 crores and right now the net revenue is Rs.88 crores.
- Nitesh Mishra:** Okay. And what EBITDA margin can I expect in say next year or so, EBITDA for FY19 and FY20?
- Darshak Rupani:** You want the guidance for FY19?
- Nitesh Mishra:** Yes, I want the guidance?
- Darshak Rupani:** We are expecting a growth rate of about 25% on our top line, and the bottom line would obviously increase much more than that because once we get our organic licenses in Diwali 2018, our EBITDA margins would increase drastically.
- Nitesh Mishra:** Okay so means our EBITDA margins are going to increase?
- Darshak Rupani:** Yes, certainly.
- Nitesh Mishra:** And another question is about the level of competition in the industry, means there could be some other producers of aloe vera and moringa so our customers might switch to them also. So what competitive edge we have over them?
- Vishal Chavda:** Aloe vera and moringa what we are dealing in is the organic category of it and as on today, across India ours are the biggest organically certified aloe vera farm. We started this cultivation around three years back but even now we are only in the second year of conversion. So these three years of conversion barrier is a difficult entry barrier for any of the competitor to fight with us. So it always gives you a first more advantage in that scenario. As of now ours are the biggest organically certified farm and that is how we do have edge in our aloe vera and moringa related products as compared to other competitors.
- Nitesh Mishra:** But competitors might also be published before us?
- Vishal Chavda:** Sir, even if a competitor is registering himself for these organic processes tomorrow, at least for next three years he will never get a certificate of he being fully organically certified. So these three years of time lag is always in our favor.
- Nitesh Mishra:** No actually someone starts the business right now I am asking already there will be some establishedthere?



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- Darshak Rupani:** Having organically certified farm, we are the biggest in India is what I am saying as of now. Nobody has a farm size of 835 acres which is organically set up. The second biggest farm which is organically certified is of around 250 acres.
- Nitesh Mishra:** Okay so we are much bigger than them all?
- Darshak Rupani:** Yes, as of now nobody is even close to us.
- Nitesh Mishra:** Okay and my next question is what about contribution of our revenue what percentage do Patanjali contribute in our revenue?
- Darshak Rupani:** As of now sir around 70% is being contributed by Patanjali of the overall revenue of the specific cultivation department.
- Nitesh Mishra:** Okay and can you please tell me how much aloe vera are we supplying to Patanjali, is it about 300 tons per month or 800 tons per month?
- Vishal Chavda:** Sir, we do have a constant order of 500 tons per months which every month we are supposed to supply to Patanjali. In addition to those 500 tons maybe in some specific month Patanjali may come up with some additional requirement that can you supply something more than this? Considering our capabilities the maximum what we can set ourselves up to 800 tons per month.
- So in many of those months we grab that additional 300 tons of order, but that is not the constant part. The constant part is 500 tons and 300 tons would come up in any of the month, it may be an unexpected order that we may get. So as of now 500 is constant and 300 may happen at any stage.
- Nitesh Mishra:** And in the Q4 we got additional 300 tons funds, right?
- Vishal Chavda:** Only in one month we got that 300 tons of additional orders, not for all the three months of that quarter.
- Nitesh Mehra:** Okay only for one month, right?
- Vishal Chavda:** Sir usually what happens that in the month of summer the Rajasthan and other people do not have that much of water supply and aloe vera production goes down heavily. In that scenario the land what we have, we have twelve months of water. And so we are able to supply and we are able to constantly manage our part of supply. So that is how we get additional order in such dry months.
- Nitesh Mishra:** Okay and we have acquired another 160 acres, right? My question is when it will start contributing in our revenues?

- Vishal Chavda:** Sir usually it is 11 or 12 months of cycle after which is this additional, specifically this 160 acres most probably it should start around November or so because this is the moringa what we are doing, in aloe vera it takes eleven to twelve months. In moringa it is around seventh or eighth month we start getting the harvest.
- Nitesh Mishra:** Okay and last time you had told that we are eyeing towards the revenue of Rs. 250 crores in FY19? So is there any revision means are we already we are there at Rs. 190 crores?
- Darshak Rupani:** We are very conservative for the guidance, as I said that we are looking for 25% growth. We are being very conservative on our side.
- Moderator:** Thank you. The next question is from the line of Viraj Parekh from KR Choksey. Please go ahead.
- Viraj Parekh:** Sir, the question that I was asking is see you have a very diversified product basket overall. See I just wanted to take an understanding that which products would you term as high value products according to your categorization, just to obtain a brief guidance on that?
- Vishal Chavda:** Sir, there are two kinds of products what we understand as a segment. One is the traditional product whether it will be cotton or groundnut, or bajri or wheat and those are the products which are traditional products. Each and every farmer would be capable in producing this kind of crop. And as a result of it, usually those things are being traded in APMC whereby the traders do not allow much of the profit margins to the farmers.
- This is one of the basic reasons why we have always been, we had a policy of not going or cultivating those specific crops. As compared to that when we talk of the herbal crops whether it be aloe vera or whether it be moringa or whether it be ashwagandha, brahmi, safauri, all those herbs are the kind of crops which usually the farmers are not so known to.
- They do not understand much of ashwagandha, but they easily understand wheat how it can be grown. In that scenario there are less of the producers for such herbal crops. Another thing is as with this Baba Ramdev being in the picture and many of those people Sri Sri Ravishankarji and many other people following the steps, as the days go by the herbs are coming as a passion and if this happens as a fashion, it allows you a better margin. And that is how we choose our crop.
- Viraj Parekh:** Correct. So just a follow up to this, I understood what you said. So then in order to expand our operating margins and EBITDA margins, what is the focus of the company it is totally towards the growth drivers being herbal products or also there is scope of good expansions within traditional products as well. What would be your commentary on that, sir?
- Vishal Chavda:** Sir, when we do have a land, we have a choice of growing whatever you want to grow. And growing a wheat or aloe vera or moringa does not require an amount of rocket science. So

many of the time, the plantation or the cultivation activity is being planned to keep the market and the buyers in mind. So once when we are fully converted into organically certified farm, that is by Diwali 2018, after which it depends on the buyer and the kind of the counter parties that we will be able to search which should offer us the best amount of margin accordingly, the planning could be done.

Again there are two vertical in the company in one vertical to which we ourselves are growing the stuff. In that specific segment, we will go till 3,000 acres, one crop per thousand, and maximum three crops. Already we have done with aloe vera and moringa, the third crop would be palmarosa as we have thought earlier or it may be roses. So the crop what we will grow is very much clearly defined and we do have buyers for all these three crops.

Talking about the second vertical in which there are some around 530 farmers and 2,800 acres of land, depending on the buyer and the kind of margins what we may get we will direct our farmers to grow accordingly because those are usually the seasonal crops and we can take this cultivation decision after every four months. So it allows us a choice of choosing a crop as per our requirement.

Moderator: Thank you. The next question is from the line of Parth Kotak from Fortune Finance. Please go ahead.

Parth Kotak: I would like you to throw some light on what our exports are as of now and what will they be next year after we get approval for say the land which will be graduating in Diwali of this year?

Darshak Rupani: Certainly. This year we have already done a trial export order, very small amount about \$30,000 approx. Once we get our IC3 our export doors will open for big countries like US, Europe and Australia. Right now on IC2 level we are allowed to export to UAE, Bhutan, Sri Lanka, Nepal these kinds of countries. So looking at the revenue front, once we get our IC3 we will be very aggressive on our exports. We already have about 60 different queries and sampling has been done. Already sample orders are going on for export orders.

Parth Kotak: Alright. And since 70% of our revenues are to Patanjali, the rest 30% what would be our revenue contribution to exports as of today?

Darshak Rupani: As of today export does not really contribute a lot on the P&L.

Moderator: Thank you. The next question is from the line of Kunal Shah from Allegiance Advisors. Please go ahead.

Kunal Shah: I have got a question on the balance sheet, I mean I am just trying to understand out of Rs. 88 crores of top line, what we have done in the current quarter, quite a substantial amount stands

in the receivables as well. So just trying to understand how do our receivable cycles work on the trading front as well as our own cultivation, sir?

Darshak Rupani: We have seen the Rs. 51 crores of receivable, there is also a payable of Rs. 40 crores those are the basic trading activity of different products. This quarter we have been very aggressive in that as well. That is the reason there is a huge jump in that receivable side.

Kunal Shah: So what is the basic cycle I mean I am just trying to understand what kind of credit we give when we are trading and when we are selling our own cultivated products because trading forms a big chunk of our total revenues, I mean our own cultivation is pretty marginal in the total scheme of things. So I am just trying to understand I mean payable I completely agree as you were saying but I am more bothered about receivables, I mean what is the timeframe that we are giving?

Darshak Rupani: Mr. Shah, usually it is like product to product basis and even the season also matters a lot in such kind of trading cycles. Because when we talk of summer as a cycle in the agricultural product usually it is the most stressed out month for any of the farmers in this entire agriculture community. So usually the receivables and payables would always be running in a delayed cycle by a week or so but in monsoon it again recovers in a very faster pace.

This is usually the product cycle. Again when we talk about product to product, see if it is Patanjali or any of such buyers for our specific aloe vera and moringa, the payment cycle is for 15 to 30 days, but when we talk of buying some of the stuff from our farmers. I will give you one small example. See if I am buying a groundnut from a farmer of mine, I need to do a cold press method and I extract groundnut oil.

This extraction process the cold press machines are not of that high quality or they do not deliver the oil at such a great pace and converting the groundnut to groundnut oil itself takes around 30 days of time for us. So once the groundnut oil is ready after which we put it in the selling mode and then after it takes around 15 to 45 days of cycle for the receivables. So this is how it remains a bit extended many of the times.

Kunal Shah: When we purchase a groundnut it would be there in your inventory, it would not be booked at sales. Just correct me sir if I am wrong, right? So the days whatever are been there for converting the groundnut and then pressing and converting it into the final product, it would be there in the inventory. Post that 45 days would be the cycle in which I have to receive my money. So just extrapolating the number sir out of Rs. 88 crores if I just break it up into three, I mean say Rs. 30 crores, Rs. 30 crores, Rs. 30 crores right so even if I give 45 days it should be around Rs. 40 crores, Rs. 42 crores right sir, I am just trying to understand the receivable component sir, nothing more?

Darshak Rupani: Right. To give you more light on that Mr. Kunal, out of Rs. 51.79 crores segregated in all the four companies, there are 57 different clients from whom we have to receive Rs. 51 crores and out of these 57 clients, only 4 to 5 are the major ones that is Patanjali one of the biggest is Patanjali that we can give out on the public domain. There is a fairly reasonable amount to be received from Patanjali. Those are somewhere between anywhere ranging from Rs. 40,000 to Rs. 40 lakh or Rs. 2 crores, the receivable cycle. About the number of days, many a times what happens is to post different customers from different suppliers we need to give them the credit leverage.

Being very new in the business just a year-old business and someone is dealing since five, seven years with some customers, we have to give them that credit leverage to get the entry barrier. So to break the competition, we give them credit period. But that is again as mentioned by Mr. Vishal Chavda, depends on the product to product. Let us assume this way, that mango cannot be given on credit. But conventional crops need to have a credit cycle, otherwise someone else will get the order.

Kunal Shah: The other question is on the other investments as on 31 March 2018 it is like Rs. 23 crores registered so out of this amount what is the amount that is been invested in Future Farms LLP and what is the amount which is coming from last year, if you could just give a break up?

Darshak Rupani: The last year it was Rs. 26.72 crores and there was an increase of the interest income on the same so that went to Rs. 28 crores or Rs. 29 crores out of this Rs. 5 crores has been taken back in last year that is what we mentioned in the earlier calls as well. Those Rs. 5 crores have been invested in the capital to buy out Future Farms and others.

Kunal Shah: So basically Rs. 26 crores minus Rs. 5 crores comes to Rs. 21 crores and we have Rs. 23 crores right now so Rs. 2 crores has been invested in Future Farms to make it?

Darshak Rupani: No, I will correct you. Rs. 26.72 plus Rs. 2 crores is the rough interest income that sums up to Rs. 29 crores roughly. And out of that Rs. 5 crores have come back. So Rs. 23.5 crores as of right now the other investments. This Rs. 5 crores which has come back from the earlier investments has gone to Future Farms, to be precise Rs. 3.75 crores to Future Farms.

Moderator: Thank you. The next question is from the line of Sudhir Jhangiani from Amserje Investments. Please go ahead.

Sudhir Jhangiani: I want to ask you currently what is the break up between the farming activity and the retail income of the organic products, what is the percentage of the two in the sales pie?

Darshak Rupani: The farming activity contributes about 20% to 22%. The trading activity contributes about 75%. Trading retail distribution I merge it as the same.

Sudhir Jhangiani: By retail I mean the stuff which you sell online as well as through your stores?



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- Darshak Rupani:** It is hardly 3% to 4% of our sales.
- Sudhir Jhangiani:** Okay now what is the plan for the company you have said you are planning to open about 40 new franchise stores or having 40 stores or so, most of these will be franchise stores. So what can be the expected sales from these stores and by when we should have them up and running?
- Darshak Rupani:** As we have mentioned in the earlier calls as well, we are not looking at retail as our full time business model. Retail will always be contributing only 3% to 5% of our P&L. Retail plans of 40 stores is very much in line but we are being a bit slow on that. The reason being we do not have a 100% organic certification and we cannot sell half organic products. So we are a bit slow on that end but 40 stores whenever we will be launching we will be launching on a full scale, but that would be franchisee model.
- Sudhir Jhangiani:** And that should be post October?
- Darshak Rupani:** Probably.
- Sudhir Jhangiani:** And the real rollout would start on the same?
- Darshak Rupani:** Yes, the company intends to maintain one boutique store in each of the city just to demonstrate its entire product range. This will be just a window dressing so that different stakeholders can just have an idea of our various products and product range. Different buyers who come in we cannot just demonstrate 1, 2, 3, 4 products in our offices so the showcase outlets will help us do that.
- Sudhir Jhangiani:** Yeah because even though the company says it is not so focusing so much on retail because you see otherwise you would be normally fallin into a category of a commodity company. So valuations will be low, much, much, much lower?
- Darshak Rupani:** We are not really concentrating on the retail as a business, we are concentrating on retail as a brand presence.
- Sudhir Jhangiani:** And just another question is the expected PAT in the FY19 to FY20 CAGR on the PAT can you throw some light on that?
- Darshak Rupani:** As mentioned we will be expecting a range 25% growth on the PAT as well and that would be a bit higher, because once we get the licenses of organic, the margins on the farming business would increase drastically.
- Moderator:** Thank you. The next question is from the line of Ashok Agarwal an individual investor. Please go ahead.

- Ashok Agarwal:** I want to know, means in around Deepavali of this year, how many acres of farms will get certified to IC3 level? I am asking our own or leased farms as well as 2,800 acres of farmer group, so what could be the percentage or how many acres will be converted to IC3 level?
- Vishal Chavda:** In the first phase the 2,800 acres which is being owned by our farmers that shall get converted into IC3 and about the self-cultivated land around 350 acres will be cleared out by this November 2018.
- Ashok Agarwal:** Okay so that means a very substantial portion will get converted to IC3 so almost 80% of our inventory?
- Vishal Chavda:** Because as we started gathering the land in our city, on the very next day of we grabbing the land we were applying to it. Around three years back we were like 350 acres with which we started in the self-cultivated part and about the farmers the entire group got started with 2,800 acres on 22nd of August 2016. So from that date everything is moving.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Allegiance Advisors. Please go ahead.
- Kunal Shah:** Sir, there was a notification few days back on the exchange regarding money raising plan through SME portal. If you could throw some light on that as well, sir?
- Darshak Rupani:** We are planning to raise some funds for retail business but nothing is concrete as of right now and the notification did not mention SME per se as a fixed plan.
- Kunal Shah:** So as of now there is no plan to raise any further money? Okay and sir quick comment on the promoters stake in the company I mean the year has gone by I understand that that 5% limit which is there would also not be there. So do we see promoter stake going up by 5% in this FY?
- Darshak Rupani:** I will not be commenting on exactly 5% but yes there would be a creeping acquisition happening.
- Moderator:** Thank you. The next question is from the line of Shravan S, an individual investor. Please go ahead.
- Shravan S:** When I look at your numbers in the segmental revenue, so there are two primary segments. The first segment is trade of greens and miscellaneous products which accounts for nearly Rs. 180 crores. The second is the agriculture one, which is Rs. 9.7 crores. So just want to understand the agricultural one Rs. 9.7 crores is coming from the 1,360 acres which are under cultivation and Rs. 180 crores is coming from the trading efforts which you have? How do I read this?



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- Darshak Rupani:** It includes the retail trading distribution and export.
- Shravan S:** No, is it something which you grow and which you sell or is it you buy from somewhere and you just sell it?
- Darshak Rupani:** It is basically from 530 farmers that grow on our behalf on 2800 acres.
- Shravan S:** And Rs. 9.7 crores?
- Darshak Rupani:** On self-cultivated land.
- Shravan S:** How much would that be?
- Darshak Rupani:** 1,360 acres of land. Out of that 168 acres is just leased in May 2018. So 1,200 acres of land you can say.
- Shravan S:** Okay and what is the potential per acre of land, what is the revenue?
- Vishal Chavda:** We are expecting around Rs. 1.75 lakhs to Rs. 2 lakhs per acre is what we could derive from each of the acre that we have.
- Shravan S.:** And you mentioned about the franchisee models, do you not think that the phase where you are growing there is a diversion of your bandwidth which is happening because you would want to focus on 40 retail stores which you want to start?
- Vishal Chavda:** Usually sir whatever we are producing, we are producing it in tons and retail store allows us to sell it in grams and kilograms. So this proportion is not working much in our favor and it is consuming too much of our energies is what we felt in last one or two years. So what we understand of the strategy on which we are working is in each of the city or in a specific part of the city we will maintain one boutique store of ours whereby all the stakeholders can have the idea of the various product range that we have and it will just with the purpose of brand presence. At the same time there are many of the organic stores.
- Shravan S:** This 40 is across the country or would you want it?
- Vishal Chavda:** Of course across the country.
- Shravan S:** The retail typically works in clusters so if you want to go across the country the sheer effort of managing it becomes exhaustive?
- Vishal Chavda:** No sir, rather than talking about across the country there are only Tier 1 cities to which we will be targeting because organic has everything to do with the standard of living. So we are proposing an organic segment in Tier II or III cities will not work to that extent. Rather if we

concentrate only on the Tier I city it be Mumbai, Chennai, Hyderabad, Bangalore, Ahmedabad and Delhi those are the six cities in our mind as of now.

Shravan S: The franchisees owners will source from you and sell it on your behalf

Vishal Chavda: Yes, but at the same time in each of those cities there are already many of the organic stores which are performing say in Mumbai there are 64 organic stores which are selling their organic items. Now those stores are always looking for a sourcing of good and reliable organic products. Those are the areas to which we will be a supplier to such stores who will bring our brand and our products to the retail customers. So by doing so it will save on our energy part and still we will be able to reach to the retail client segments and that is how we are planning for the retail part.

Moderator: Thank you. The next question is from the line of Chanakya Periketi from Rowan Capital. Please go ahead.

Chanakya Periketi: Sir, in the previous con calls you mentioned that after we are reaching the 300 acres of land we will concentrate more on value added products. Can you throw some light on that?

Darshak Rupani: We had mentioned that after reaching 3,000 acres of land. 3,000 acres we will be value adding the products let us take it this way that we have already reached from the leaf of aloe vera level to the pulp of aloe vera level. In the future we are looking at exporting freeze-dried powder or sun-dried powder of aloe vera.

Vishal Chavda: Giving you one more example on the same line, sir. See if I am selling my moringa leaves to the India and the domestic client, I may get a price of around Rs. 200 a kg for my moringa leaves powder. After our trip to Germany in this February 2018 we realized that in the international market they are offering a price of €7 per kg that is as good as Rs. 560 a kg approximate. Now if I want to have that price of Rs. 560 I need to make sure that my moringa leaves does not contains any of the 650 kind of pests, it should clear all the pesticide tests.

So by concentrating on improving the quality of moringa leaves I can have a value addition of a kind which will help me to gain better prices. So this is how value addition may happen in terms of quality or maybe in terms of form whether from leaves to pulp, from pulp to juice, from juice to dry powder, those are the value additions in which we are constantly working since the first day.

Chanakya Periketi: My second question is pertaining to accounting. So you mentioned in your P&L account your basic EPS is 5.73 and diluted EPS is 7.29, generally diluted EPS will be less than basic can you throw some light?

- Vishal Chavda:** The reason for this is last year we have converted 50 lakh shares in the month of January Q4. So the first three quarters the capital was Rs. 12.5 crores. In the last quarter it is Rs. 17.5 crores. If we average out it is Rs. 137.5 crores and that is the reason the diluted has increased.
- Moderator:** Thank you. The next question is from the line of Deepak Jahangir, an individual investor. Please go ahead.
- Deepak Jahangir:** My question is that in quarter 4 FY17 the EBITDA margin is 5.64% and in comparison to FY17 it is 13.07%. Could you just throw some light on that?
- Darshak Rupani:** This is the very first question was asked in the Conference Call. Anyway, the net revenue in Q4 FY17 was Rs. 10 crores out of that the EBITDA margin was Rs. 1.33 crores. And right now the net revenue is Rs. 87.61 crores and the EBITDA margin is Rs. 5.6 crores that is Rs. 4.9 crores. If you see percentage there is a drop down but the figure wise it is a huge increase from Rs. 1 crores to Rs. 5 crores.
- Deepak Jahangir:** Yes sir, that is quite right. But the percentage is really important.
- Darshak Rupani:** But the revenue in the last year was our second quarter of our business. And that is why the revenue was just Rs. 10 crores. That is reason there is a huge jump in the revenue from Rs. 10 crores to Rs. 90 crores that is approximate values. From Rs. 10 crores to Rs. 87 crores, that is a huge jump in the revenue.
- Deepak Jahangir:** Sir, the other question is that you get a provision of tax in Quarter 4, it is Rs. 2.18 crores and there is no provision in the last three quarters. So what the reason for that?
- Darshak Rupani:** The reason for that is that agro income needs to be certain very specifically because it is a tax free income and we need to be very sure of the agro income to be published from the income tax point of view. So we have always as a strategy made the point that is in the Q4 we will be giving the tax provisions. And going further in FY19 looking at the growth prospect we will have to revise this and pay some advance taxes in December.
- Deepak Jahangir:** Okay and as you said that the summer time is the stressed time for agriculture activities in India and so are you doing something or planning something for the water resistance in Rajasthan or something or is it all depended on the farmers only?
- Vishal Chavda:** I am sorry, could you please come again I could not get you what exactly you mean to ask?
- Deepak Jahangir:** Sir, as you said that the summer time is the stressed time for farming activity because of the water availability is not that much in Rajasthan and so. So are you doing anything or are you planning anything to get yourself less depended on the monsoon or is it all depended on farmers only?

Vishal Chavda: Sir, I will tell you one way how we try doing it. There is a seismology department of Indian Government who has got a branch I guess most probably in Hyderabad. Those seismology departments have checked out every inch of the Indian land to the depth of more than 1,000 feet inside. And on the lab they do have a good conclusion of which part of the land is having water or not. So somehow as a citizen of India we approach the seismology department we requested, and they shared the map of few of the parts of Gujarat which we asked for.

Now when we do have such maps which they can understand that where are the water bodies available within the land and only that part of land we will be looking for leasing out. So this Kambhaji and Saurastra districts in which we are right now choosing of that specific part of the land, see every day we are travelling from Rajkot to 80 kilometers to reach to our farms.

But the reason of we are spending that much of time or effort is because that is a such part of land whereby the water availability will be constant throughout the year whether it will be the monsoon or not. And that is how we are gaining the hedge as compared to the Rajasthan farmers because we do have good water source available with us.

Moderator: Thank you. The next question is from the line of Raju Basani from DLL. Please go ahead.

Raju Basani: This is Raju from DLL. My first question is can we expect the same performance for the next two years just like the performance we saw in financial year 18 can we expect the similar kind of performance for another two to three years?

Vishal Chavda: With the good wishes of everyone like you we might even increase the numbers. Yeah, certainly we will expect much more than that the same kind of performances.

Raju Basani: And as you said this export market when it will get started approximate time I do not expect any fixed time frame but approximately when it will start the export market?

Vishal Chavda: Depends on the countries that we are exporting. Let us say Middle East, Sri Lanka, Nepal and all such countries do allow IC2 products to be exported. But when if you see big countries like US, Canada, Australia, Europe these countries do not allow IC2 level of products. So export markets of the middle countries have already started and after Diwali we will expect the export markets to open up.

Raju Basani: And one more question is that this land as of now you are concentrated your all the land parcels in Gujarat only so any plan of diversifying because if something happens whether it is a drought or flood so it is like if all the land is concentrated in one particular area then it may impact our operations, it may impact our profitability?

Vishal Chavda: Even in Gujarat we do have three different clusters which are in place. And each of the cluster is at a distance of around 80 kilometers to 100 kilometers from each other. But we understood always is like we should not have the entire piece of our land at one place and that is the reason

why we have maintained a distance of 80 kilometers to 100 kilometers between each of those clusters.

Because whenever the flood or something goes wrong it goes in one specific part of 5 kilometers, 10 kilometers, 15 kilometers of some specific area but definitely not in 500 kilometers of area. This is one part. Another part is till now we could understand see agriculture is fully depended on the nature part. So till now in last three years we are able to understand the nature which is prevailing near in the Saurashtra or Gujarat regions. But definitely just around a week back me and Darshak Bhai both were together in Lonavala looking for one specific piece of land.

So as the days goes by we will definitely try to find out few because even when we talk of Gujarat we cannot grow rice to that good amount in our specific area. So if I want to have organic rice for my own I have to plan something in Maharashtra or may be in Madhya Pradesh. So that is why we are open to such expansion but may not in a very fast manner. We will analyze the nature and accordingly we will take a call of going outside Gujarat. But yes, we are open to it.

Darshak Rupani: To add on to that last year when we witnessed heavy rainfall in Banaskantha, Gujarat our lands are 20 kilometers away from that area but our lands were not even flooded. So whatever natural calamity comes does not come in the whole state, it comes in one region. That is the reason our farms are always geographically separated from each other. We have within 500 acres of land in one area and not more than that. We are planning to expand in Maharashtra as well. So we will be expanding in let us say Diwali this year.

Raju Basani: And can I ask one more question? Is there any possibility of the investors they are getting in to the company because that will give good capital push also?

Darshak Rupani: We cannot really comment on that. If any FIIs are there and if we are in the need of funds we might, otherwise not. But at the moment it does not look like because promoters are cash rich we ourselves will be increasing the funds if that is required. Our internal situation is very good.

Raju Basani: And as of now the cash flow is quite positive it is like we do not need any cash that is what your comment is, right?

Darshak Rupani: Hopefully yes, we would not need. We do not need, and we would not need.

Moderator: Thank you. The next question is from the line of Sudhir Jhangiani from Amserje Investments. Please go ahead.

Sudhir Jhangiani: This is a follow up question on the retail part of the business. As Mr. Chavda mentioned that you know 64 stores in Mumbai which sell organic products. Has the company thought of tying up with these big supermarkets chains like Star Market of Tatas, Reliance Fresh, Future Big

Bazaar, HyperCity etcetera where you all can get the shelf space for the organic products and since the cities are the places urban areas are the places where there is more demand for these so has the company considered that or is it pushing in that direction as well?

Vishal Chavda:

No, not now. The reason is when we approach to such big organizations and if we are not established in a big way the brand usually the margins what they offer are so thin that it does not gives us enough of motivation to carry on the business. So we had always a strategy of never approaching any of those big companies as of now.

See when if I could establish myself as a big brand that would be a good phase for me to approach them and to negotiate or bargain on the margins that they offer to me. But otherwise as a novice if I will approach them then they will shrink my margins so that we are very clear of not approaching those big companies at this stage.

Sudhir Jhangiani:

Next question is once again on the EBITDA margins. Last quarter when the sales were around Rs. 10 crores I mean last year. You had Rs. 1.3 crores profit in the last year. This year the sales are Rs. 88 odd crores and the margin has come down 5.5%. When the margin normally comes down it is a reason basically that the input cost has gone up or the items which you are selling is not getting the actual the value which you were getting on the last time. So the reason the margins has come down so much from 13% to 5.5% this quarter?

Darshak Rupani:

Again as I said earlier the net revenue if you see when you mentioned EBITDA margins of the last Q4 FY17 Rs. 1.3 crores the revenue was Rs. 10.19 crores. It was just the second quarter of our operations because we have just started the company in Q3 FY17. So Rs. 10 crores were the revenue and Rs. 1.3 crores was the EBITDA. Now the company is well-established, and we have revenue of Rs. 88 crores and an EBITDA of Rs. 4.9 crores.

If you see the percentage drop, there is a percentage drop, but the figures have increased from 1 to 5. PAT if you see the PAT in the same period the PAT has increased from Rs. 1.23 crores to Rs. 3.67 crores. So the figures have drastically increased because the revenue has gone up.

Sudhir Jhangiani:

I do appreciate that totally that the volume of sales has picked up as well as the sales commensurate. However, the margin on the products you are selling is shrinking that is the question, why the reason the margin is coming down it is not the question of the sales I understand the sales has gone up tremendously and the PAT has gone up as well as the EBIT profit has gone up value wise, but the percentage of margin is shrinking. So that may be the input cost has gone up on the same product?

Darshak Rupani:

There are mainly two segments, one is the self-cultivation what we do and one is the trading activity what we do. In the Q4 it was very easier for us because already future farm was in place and we grabbed few of the land which started giving us the returns but that is till the cultivation part was contributing more towards the entire figure. And as a result of it the profit

margins are far better. In this Rs. 88 crores of the total sales what we have done is a major part being contributed by the trading activity.

So trading activity does not offer us that much amount of margins. So that is how it is but if you compare that whether the cultivation activities have increased or not yes, it has increased. Whether the profit from cultivation has increased, yes it has increased. Whether the trading activity has gone up, yes it has gone up. But when the segmental effect is different so accordingly it is showing EBITDA percentage wise different but otherwise we are prospering in each of the segments that we are working on.

Vishal Chavda: Again adding to that once we reach the IC3 level in the agriculture business it would be drastic increase in the margins.

Sudhir Jhangiani: So currently what is the margin on the agriculture business EBIT margin for agriculture and what is it in the trading and once you get IC3 what will be the percentage of margin in the agriculture segment?

Darshak Rupani: The EBITDA margins in the agriculture business it is roughly about 30% to 40% and the trading business roughly about 3% to 5% and once we get the IC3 it is 30% to 40% might increase to 40% to 50%. Because Vishal Bhai has already mentioned that per acre if our investment, Vishal Bhai, can you just throw some light on per acre margins?

Vishal Chavda: Usually we are expecting a topline of around Rs. 1.75 lakhs per acre and bottom line of around Rs. 1 lakhs per acre as of now when we are in IC2. But once we get certified we are expecting that we shall prosper our bottom line by 30%. That is topline would be Rs. 1.75 lakhs and my profit would be around Rs. 1.3 lakhs. So that is the kind of margins what we are expecting at a later stage.

Moderator: Thank you. The next question is from the line of Nitesh Mishra, an individual investor. Please go ahead.

Nitesh Mishra: In one of our last Conference Call it was mentioned that we are targeting a profit of Rs. 20 crores in FY19. So are we getting there?

Darshak Rupani: Yes certainly.

Nitesh Mishra: So we will be able to achieve Rs. 20 crores of profit in FY19?

Darshak Rupani: Yes, certainly may be more than but we do not give any guidance at the moment we are being very conservative. Let us deliver first and then speak.

Nitesh Mishra: My question is at around 70% of your revenue come from organic trading segments. So can you please explain to me that what is the organic trading segment in simple words?



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- Darshak Rupani:** Yes, the 70% of the revenues are from the 2,800 acres of land that 530 farmers cultivate for us. So it is basically the trading activity of taking the produced from the farmers and selling it to B2B model.
- Nitesh Mishra:** Okay that is 2,800 acres?
- Darshak Rupani:** Yes, 2,800 acres of land.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Darshak Rupani for closing comments.
- Darshak Rupani:** We thank each and every shareholder and the participants of the Conference Call. If you have any kinds of queries do let us know and do contact our Investor Relations team that is Bridge Investor Relations. I request every participant who is interested to know more about the company to visit our farms based in Rajkot.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of White Organic Agro Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.