Dart Consultants
MACHINE DRIVEN INVESTING

HOLD

Best Agrolife Ltd

NSE: BESTAGRO

An agrochemical formulator trading below book value after a year when profit fell to ₹9 cr. H1 FY27 profit rose 67% on a lower revenue line as patented products replaced generics. At ₹14.32 it is 5x our FY28 EPS, which looks cheap. But the company has lost money in the second half of each of the last three years, and the market wants proof that this has stopped.

The call

- **HOLD, 12-month target ₹16 (+12%).** This is 0.6x our Mar-28 book value per share of ₹27 (today's multiple), or 5.6x FY28E EPS of ₹2.84.
- **The mix shift is real.** Patented products were 41% of branded sales in FY26 (9% in FY23). In H1 FY27, patented sales rose ~20% and generics fell ~30%, according to management.
- **Margins have reset higher.** Q2 FY27 gross margin was 45% (33% a year ago) and EBITDA margin 25% (15%), on revenue down 21%. H1 PAT of ₹98 cr compares with ₹9 cr for all of FY26.
- **The problem is the second half.** H2 was loss-making in each of FY24–FY26 (−₹79 cr, −₹46 cr, −₹50 cr). Management says it has provided for returns and "H2, we should not be having losses". We want to see Q3 first.
- **Upgrade trigger:** a profitable Q3 FY27 and inventory falling from ₹651 cr (Mar-26) by Feb–Mar 2027, as management expects. Our bull case is ₹25.
- **Downside risks:** another large H2 loss, returns above provisions, or more working-capital debt.

FINANCIAL SNAPSHOT (₹ CR)

	FY25	FY26	H1 FY27	Q2 FY27
Revenue from ops	1,814	1,257	803	407
Growth YoY	−3.1%	−30.7%	−11%	−21%
Gross margin	~29%	~30%	41%	45%
EBITDA	200	100	178	101
EBITDA margin	11%	8%	22%	25%
PAT	**69.9**	**8.9**	**98**	**57**
EPS (₹, FV ₹1)	1.97	0.25	2.77*	1.62*
Op. cash flow	228	97	n/d	n/d

*FY25/FY26: audited consolidated statements; EBITDA and margins as stated in the FY26 annual report. EPS adjusted for the FY26 1:10 split and 1:2 bonus. H1/Q2 FY27: Q2 call (2 Nov 2026). *screener.in. n/d = not disclosed.*

TARGET & RATING

Rating	**HOLD**
12-month target	**₹16**
CMP (23 Nov 2026)	₹14.32
Upside	+12%

KEY STOCK DATA

Market cap	₹508 cr
Shares outstanding	35.47 cr (FV ₹1)
52-week range	₹12.30 – ₹34.40
P/E (TTM)	10.5x
PEG ratio‡	n.m. (1.7x FY28E)
EV / TTM EBITDA§	5.7x
Debt / Equity	0.56x (0.54x Sep-26)
Book value / share	₹24.4 (P/B 0.59x)
ROE / ROCE (FY26)	1.2% / 5.2%
Dividend (FY26)	₹0.10 / share (0.7%)
Credit rating	CRISIL BBB/Stable

‡TTM P/E ÷ 3-year consolidated profit CAGR is not meaningful: the CAGR is −64% (screener.in). Forward figure: FY28E P/E of 5.0x ÷ our FY28E EPS growth of 3%. §Market cap plus Sep-26 borrowings of ₹466 cr (incl. leases, screener.in), less Mar-26 cash and bank balances of ₹98 cr; TTM EBITDA ₹155 cr. D/E: borrowings of ₹433 cr ÷ equity of ₹769 cr at Mar-26 (0.58x incl. leases). Sep-26 figure is ₹466 cr ÷ ₹864 cr, screener.in. Rating reaffirmed on 23 Nov 2026 (exchange filing).

SHAREHOLDING (SEP 2026)

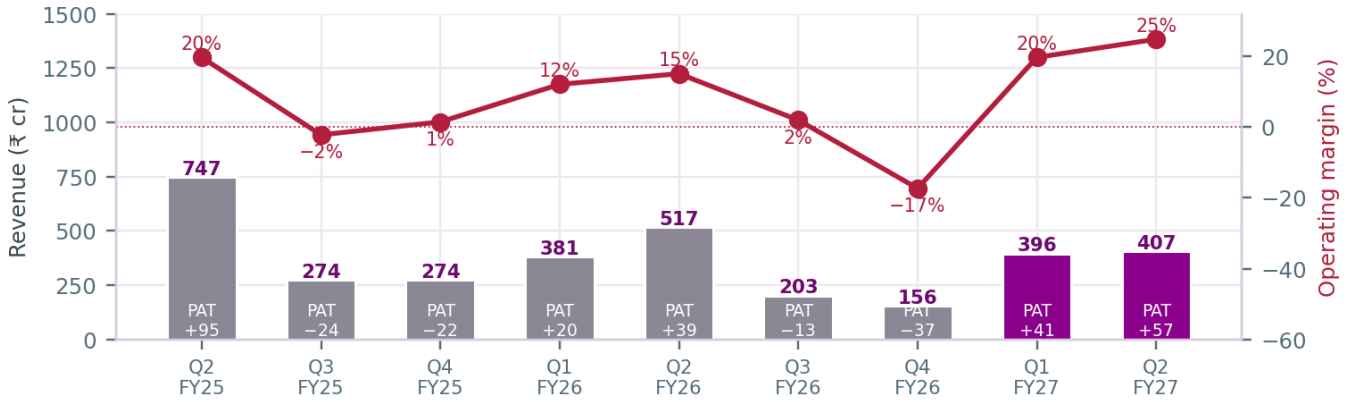
Promoter (Vimal Kumar)	50.44% (50.10% Mar-24)
FII	5.54% (8.77% Mar-24)
DII	2.13% (2.53% Mar-24)
Public (70,411 holders)	41.91%

Business summary

- **What it does.** A New Delhi-based crop-protection company that makes technicals (active ingredients), intermediates and formulations: insecticides, herbicides, fungicides and plant-growth regulators. It sells them under its own brands to farmers and in bulk to other agrochemical companies. It ranks 15th among Indian agrochemical companies (AgroPages, as cited in the annual report).
- **Branded vs institutional.** Branded sales were 63% of FY26 revenue (66% in FY25, 56% in FY23), and institutional sales the rest. Within branded, patented products rose from 9% (FY23) to 21%, 30% and 41% (FY26). The flagship is Ronfen, a cotton insecticide that management says is in India's top 10. FY26 launches were Best Man, Fetagen and Shot Down, and Midcotin and SECTOR followed in Q2 FY27.
- **Footprint.** Four manufacturing units, all held in subsidiaries. Gajraula (Best Crop Science) makes technicals, with 7,000+ MTPA. Greater Noida (Seedlings India) makes formulations, and there are two units at Jammu (Kashmir Chemicals). Group formulation capacity is 35,500 KL. The company sells through 10,000+ dealers, 40 warehouses and 21 states, and has 530+ formulation registrations and 800+ employees.
- **IP.** It was granted seven patents in FY26 (including a process patent for its Nano Urea) and has 100+ applications pending. In FY26 it also developed processes for four technical molecules, including an 18-stage route to Topramezone at Gajraula. From FY27 it intends to sell selected technicals to third parties. R&D spend was only ₹5.55 cr (0.44% of revenue).
- **Customers and geography.** No customer was more than 10% of revenue in FY26 or FY25. Revenue from outside India rose to ₹96 cr in FY26 from ₹2 cr; the annual report does not break this down. B2B customers named on the call include SWAL Corporation (a UPL subsidiary) and Adama, both buying the company's patented molecules. A Brazil step-down subsidiary was incorporated via its Mauritius arm.
- **Economics.** The business is highly seasonal: kharif (H1) earns the profit, and H2 has carried the sales returns. FY26 gross sales of ₹1,628 cr shrank to ₹1,257 cr of revenue after ₹291 cr of returns and ₹80 cr of discounts. Returns were 18% of gross sales, down from 22% in FY25 (note 27; our calculation). ROE was 36% in FY23 and 1% in FY26 (annual report KPIs).

Exhibit 1: Quarterly revenue, operating margin and PAT

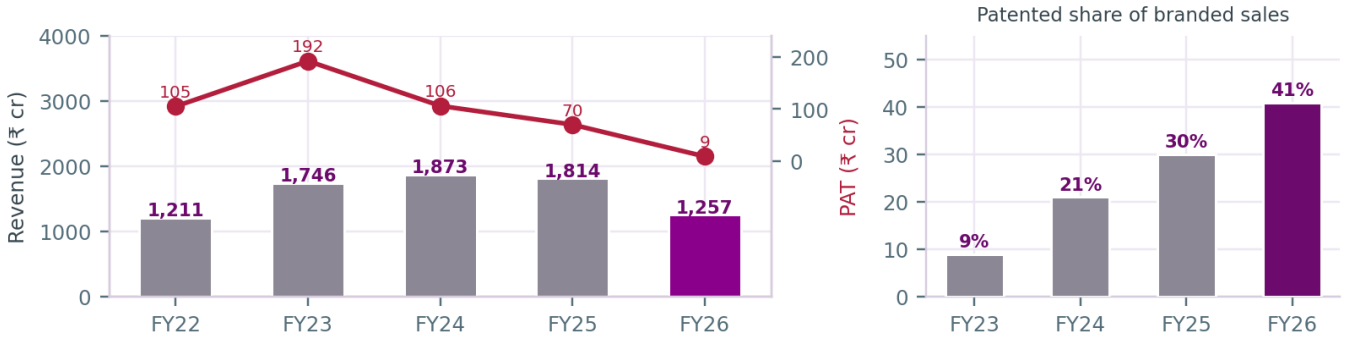
₹ cr; consolidated



Source: screener.in consolidated quarterly results (operating profit / sales). Company-stated Q2 FY27 figures: revenue ₹407 cr, EBITDA ₹101 cr (25%), PAT ₹57 cr. Q3 and Q4 were also loss-making in FY24 (PAT −₹7 cr and −₹72 cr).

Exhibit 2: Annual revenue and PAT, and patented products' share of branded sales

₹ cr; %



Source: screener.in consolidated data (FY22–FY25); FY26 audited consolidated statements; patented share from FY26 annual report, product portfolio section.

What we took from the Q2 FY27 call (2 Nov 2026)

- **Profit up, revenue down.** Revenue fell 21% to ₹407 cr. Gross profit was ₹182 cr against ₹170 cr, EBITDA rose ~30% to ₹101 cr, and PAT rose ~48% to ₹57 cr. Operating expenses (excluding interest and depreciation) fell 12% to ₹81 cr. Management blamed the revenue drop on an uneven monsoon and on deliberately pruning generics.
- **Most of the drop was institutional.** An analyst noted that only ₹22 cr of the YoY revenue decline came from B2C and ₹88 cr from institutional sales. Management said this reflected its exit from "highly generic" B2B products in favour of specialised molecules.
- **H2 buffer.** Management said it has taken "higher provision for sales return and also higher gross margin" for H2. It said 95% of expected returns had come back by the end of October under a new cut-off rule. If returns come in lower, provisions will be released and Q3 should beat Q3 FY26. It called FY26 "a bottom-out year".
- **No revenue growth guidance.** Asked about H2 revenue, the MD said FY27 should roughly match FY26 but "we cannot say it will be a very big number from the last year". The earlier 10–15% growth target is now "sometimes hard to say". Profitability is the stated priority.
- **Debt went up.** Long-term borrowings rose from ~₹27 cr to ₹73 cr. That includes ₹50 cr from a government-backed top-up (20% of existing limits) taken after input costs rose with the Middle East conflict. It is a 5-year loan with a one-year moratorium at 9.5–10%, and is all working capital. Short-term borrowings are ₹382 cr. Up to ₹20–30 cr more may be needed; capex stays deferred.
- **Stuck inventory.** One plant built up stock of a specialised product ("18 steps backwards which no one had done in India") that could not be sold in the last two seasons. Management expects it to clear between February and March. The annual report describes Topramezone's 18-stage process at Gajraula, so it is likely the same product; that link is our inference.
- **Tax search largely closed.** The CFO said ~95% of cases from the September 2023 income-tax search have closed "with any zero liability". Seedlings India has received a ~₹5 cr refund and ~₹15 cr more is pending.
- **Exports are still small.** A 47 MT Sudan shipment was worth ~₹5 cr. Ronfen is now registered in Nepal and Lambda in Mexico; 13 CIB registrations came through in the quarter.

Where the bear case has a point

- **Three straight years of H2 losses.**
  - Q3+Q4 PAT was −₹79 cr in FY24, −₹46 cr in FY25 and −₹50 cr in FY26 (screener.in). That erased 40–85% of each year's H1 profit (our calculation).
  - Sales returns are the swing factor. FY26 returns of ₹291 cr were 18% of gross sales; in FY25 they were ₹569 cr, or 22%. The auditor names the estimate of returns, discounts and schemes as a key audit matter.
  - One investor on the call: "we are not able to trust the management much".
- **The balance sheet is working-capital heavy.** At March 2026, inventory was ₹651 cr and receivables ₹490 cr against revenue of ₹1,257 cr. screener.in puts debtor days at 142 and the cash conversion cycle at 430 days. FY26 operating cash flow of ₹97 cr depended on releasing ₹122 cr of inventory and ₹64 cr of receivables, partly offset by a ₹237 cr cut in payables. Interest of ₹53 cr took more than half of FY26 EBITDA.
- **Warrant holders walked away.** 23.4 lakh warrants issued in December 2024 at ₹640 (₹42.67 after the split and bonus; our calculation) lapsed on 26 June 2026 because the holders did not pay the remaining 75%. The ₹37.5 cr upfront payment was forfeited. Holders included MD Vimal Kumar (1.72 lakh warrants) and whole-time director Surendra Sai (20,000). The promoter chose not to put in more money.
- **Tax overhang.** The auditor's emphasis of matter on the 2023 search remains. Reassessment notices for AY2017-18 to AY2020-21 are open, and the impact is "not ascertainable" for years without orders. Contingent income-tax claims fell to ₹33 cr from ₹112 cr.
- **Goodwill and intangibles of ₹123 cr** (16% of equity), mainly from acquisitions; goodwill impairment is a key audit matter.

Our estimates

₹ cr

	FY26A	FY27E	FY28E
Revenue (growth)	1,257 (−31%)	1,223 (−3%)	1,321 (+8%)
EBITDA (margin)	100 (8.0%)	226 (18.5%)	225 (17.0%)
PAT	**8.9**	**98**	**101**
EPS (₹)	0.25	2.76	2.84
P/E at ₹14.32	57x	5.2x	5.0x
Book value / share (Mar)	₹21.7	₹24.3	₹27.0

Our assumptions. FY27E = actual H1 plus a breakeven H2 on ₹420 cr revenue (H2 FY26: ₹359 cr), which is management's claim, not a track record. FY28E: 8% growth, 17% margin; D&A ₹40 cr, interest ₹55 cr, other income ₹5 cr, tax 25.5%. Book includes the forfeited ₹37.5 cr warrant money; dividend ₹0.10/share; 35.47 cr shares.

SWOT analysis

STRENGTHS

- Patented share of branded sales up from 9% to 41% in three years; Ronfen established as a leading cotton insecticide
- Backward integration into technicals (7,000+ MTPA at Gajraula), including a complex 18-stage Topramezone route
- Patented molecules supplied to SWAL (UPL) and Adama, which confirms they are useful to larger companies
- 530+ registrations; 10,000+ dealers across 21 states; no customer above 10% of revenue

WEAKNESSES

- H2 losses in each of the last three years; sales returns of 18–22% of gross sales
- Very long working-capital cycle (430 days per screener.in); interest takes about half of EBITDA
- Low R&D spend (0.44% of revenue) for a company that sells itself on IP
- Auditor emphasis of matter on the 2023 income-tax search

OPPORTUNITIES

- Four patented launches planned for FY27 (Fluzam, Midcotin, Cubax Power Extra, Trishanku)
- Third-party sales of technicals from FY27, with shorter working-capital cycles
- Registrations progressing in Nepal, Mexico, Taiwan, Sri Lanka, Vietnam and Thailand; Brazil subsidiary
- Bio-stimulants (five launched) and patented Nano Urea

THREATS

- Monsoon dependence; FY27 kharif was uneven and cotton acreage fell
- Generic price competition and channel inventory across the industry
- Input-cost spikes (the Middle East conflict pushed costs up in March 2026); FY26 foreign-exchange loss of ₹25 cr
- Open tax reassessments; possible need for more working-capital debt

Valuation: how we get to ₹16

Scenario	H2 FY27 PAT	FY28 growth / margin	FY28E EPS	Mar-28E BVPS	P/B	Per share	vs CMP
Bear: H2 loss repeats	−₹50 cr	0% / 12%	₹1.07	₹23.8	0.45x	₹11	−23%
Base: H2 breakeven	**₹0**	**8% / 17%**	**₹2.84**	**₹27.0**	**0.60x**	**₹16**	**+12%**
Bull: provisions release	+₹15 cr	12% / 19%	₹3.63	₹28.2	0.90x	₹25	+75%

Our assumptions. Implied FY28E P/E: bear 10x, base 5.6x, bull 6.9x. On March 2026 book of ₹21.7/share, the stock traded at ~1.4x at its 13 Jan 2026 closing high (₹30.11, split- and bonus-adjusted) and ~0.57x at its 30 Mar 2026 closing low (₹12.30). Prices from Yahoo Finance daily closes.

- **Why book value, and why 0.6x.** Earnings swing too much by season to anchor on P/E. 0.6x is today's multiple on Sep-26 book, so we pay for no re-rating; the base-case upside is book growth, which needs H2 to stop eroding H1 profit. The bear case (−23%) sits a little below the March 2026 low.
- **Why not BUY at 5x earnings.** The base case rests on a management claim the last three years contradict. A profitable Q3 would make the bull case's 0.9x book (below January 2026's ~1.4x) reasonable.
- **Catalysts:** Q3 FY27 results (Feb 2027); inventory and debt at March 2027; tax refunds and reassessments; first third-party technical sales; export registrations.
- **We would cut to SELL** on a Q3 FY27 loss similar to Q3 FY26, borrowings beyond the flagged ₹20–30 cr, or returns exceeding provisions.

Sources: Best Agrolife Annual Report FY2025-26 (strategic review, KPIs, MD&A, directors' report, corporate governance report, audited consolidated statements, notes 16, 17b, 27, 37, 41, 45, 51 and 52, auditor's report); Q2 and H1 FY27 earnings call transcript (2 Nov 2026, filed 4 Nov 2026); screener.in consolidated data (market cap, P/E, quarterly results, balance sheet, ratios, shareholding, announcements) and Yahoo Finance price history, fetched 23 Nov 2026. Estimates, target price, scenarios and multiples are Dart Consultants' own. Educational material only, not investment advice. Dart Consultants is not a SEBI-registered Investment Adviser or Research Analyst.