

9th August, 2022

Listing Department
National Stock Exchange of India
Limited
Exchange Plaza,
Plot No. C/1, G. Block,
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Bandra East, Mumbai-400 051

Corporate Relationship Department
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

Symbol- DHANUKA

Scrip Code : 507717

Sub: Transcript of Conference Call held on 2nd August, 2022 with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter Ended on 30th June, 2022.

Dear Sir,

In pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, Please find enclosed the Transcript of Conference Call held on 2nd August, 2022, which was hosted by Antique Stock Broking Limited through virtual mode with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter Ended on 30th June, 2022.

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited


Jitin Sadana
Company Secretary and Compliance Officer
FCS-7612





“Dhanuka Agritech Limited
Q1 FY2023 Earnings Conference Call”

August 02, 2022



ANALYST: MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING LIMITED

**MANAGEMENT: MR. M. K. DHANUKA – MANAGING DIRECTOR – DHANUKA AGRITECH LIMITED
MR. RAHUL DHANUKA – CHIEF OPERATING OFFICER - DHANUKA AGRITECH LIMITED
V. K. BANSAL – CFO - DHANUKA AGRITECH LIMITED**



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Moderator: Good day and welcome to Dhanuka Agritech Limited Q1 FY2023 Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in 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. Manish Mahawar from Antique Stock Broking Limited. Thank you and over to you, Mr. Mahawar!

Manish Mahawar: Thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants' on the call of Dhanuka Agritech. From the management, we have Mr. M. K. Dhanuka – Managing Director, Mr. Rahul Dhanuka – Chief Operating Officer; and V. K. Bansal – CFO on the call. Without any delay, I would like to handover the call to Mr. Dhanuka for opening remarks. Post which we will open the floor for Q&A. Thank you and over to you, Mr. Dhanuka.

M. K. Dhanuka: Thank you, Mr. Manish. Good afternoon ladies and gentlemen. Myself, M. K. Dhanuka, Managing Director of Dhanuka Agritech Limited. I hope all of you are doing well and keeping safe. Thank you for joining us in the conference call for results of Q1 of FY2022-23. I have with me Mr. Rahul Dhanuka – COO of the company and Mr. V. K. Bansal – CFO of the company.

Dhanuka Agritech Limited is a leading agrochemical company in India focusing on branded sales in the market. The company's strength lies in the manufacturing and marketing of formulated products. The product portfolio is spread across insecticides, herbicides, fungicides and plant growth regulators. Dhanuka Agritech is working with the vision of transforming India through agriculture. Our belief is that when we transform the lives of farmers by enhancing their productivity and quality in turn enhancing their income, we are making a small contribution in transforming India. We work in all major crops in India and have implemented the best-in-class technology to ensure a smooth and efficient supply chain. Dhanuka has a pan India presence through its marketing team and warehouses in all major states across India. With three manufacturing units and 41 warehouses across India, Dhanuka caters around 6500 distributors and dealers and around 80,000 retailers. Through its extensive network Dhanuka reaches out to approximately 10 million Indian farmers with its products and services. Dhanuka has more than 1000 techno commercial staff supported by a strong sales and marketing team to promote and develop new products. It was due to the efforts of this team that Dhanuka was able to secure higher growth in the focused products in comparison to generic products portfolio, which in turn help us to protect the bottom line to a certain degree in a challenging quarter. Dhanuka's strong R&D division has world-class NABL accredited laboratories, as well as an excellent team for new products registration and development. Dhanuka has international collaboration with 10 leading global agrochemical companies from the US, Japan and Europe, which helps us to introduce the latest technology in India.



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This year the rainfall has been uneven and although the overall rainfall is above average, east and north region have suffered from very less rainfall whereas south and west has seen unprecedented rains resulting in flood. Now the rainfall has covered most of India in July except for the east region and July lifting and consumption was up to the mark. Now moving on to the financial performance for the last quarter, our revenue from operations stood at Rs.392.73 Crores in Q1 of FY2022-23 versus 363.79 Crores in Q1 of FY2021-22 representing an increase of 8% over the corresponding period of last year. EBITDA stood at Rs.68.33 Crores in Q1 of FY2022-23 versus Rs.68.86 Crores in Q1 of FY2021-22. Profit after tax stood at Rs.49.11 Crores in Q1 of FY2022-2023 against 48.6 Crores in Q1 of FY2021-2022. The zone wise percentage share of turnover for Q1 FY2021-22 is north 30%, east zone 9%, west zone 44% and south zone 17%. Products category wise share of turnover for Q1 of FY2022-23 insecticide contribution 27%, fungicide contribution 11%, herbicide which grows at initial stage 52% and others 10%. The shareholders of the company in the 37th Annual General Meeting held today at 11:00 am declared 300% final dividend that is Rs.6 per equity share having face value of Rs.2 per share. The board has already paid 400% interim dividend to the shareholders as declared in its board meeting dated February 2, 2022. The total amount absorbed in the payment of dividend for this year is Rs.65.21 Crores. We are happy to inform that the company has obtained approval of CIB RC Government of India under section 9(3) of the insecticide act for two new molecules one is herbicide and another is fungicide for formulation indigenous manufacturing. The one product is Cornex which is herbicide which is combination of two molecules Halosulfuron methyl plus Atrazine which will be used for the control of weeds in the crop meals. The second product is Zanet which is a fungicide which is a combination of Thiophenate Methyl plus Kasugamycin for the control of powder mildew and bacterial leaf spot in tomato crop. Further the approval has been granted by the CIB & RC to the company for three herbicide molecule and PGR for formulation indigenous manufacture under section 9 (4) of the insecticide act. Setting up of Dahe Plant is as per scheduled time and we hope that the initial production will start from March 2023. Being India's leading agrochemical company Dhanukas as forefront of introducing digital solution and innovation streamlining policies and collaborating with indigenous entities to boost the integration of technology across business segment. In the same endeavor we have tried to boost our reach through online farmer interactions and aggressive use of TV advertisements for all our key products. We are focused on expanding our market coverage through our network of distributors and our digital platforms where we engage with the end consumer. In the same endeavor Dhanuka has tied up with upcoming online platforms like AgroStar, DeHaat, Gramophone, and Plenty for online sales of Dhanuka products through their platform. We consider ourselves responsible to securing the farmers welfare and preserving food security of the nation. We continue to strengthen our association with the farmer producer organizations FPO, Krishi Vigyan Kendra (KVK) and other critical institutions to increase our business expertise and boost our market presence. I am happy to inform that the July month for the company has gone well and we had very good growth in the month of July and we expect similar trend to continue in the months of August and September so we are confident that we will be able



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to deliver much better growth and much better performance in the second quarter in comparison to the first quarter.

Thank you very much for your kind attention. We would now take the questions from you which you may have. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Varshit Shah from Veto Capital. Please go ahead.

Varshit Shah: Good evening Sir. Sir my first question is innovation turnover index has shortened dramatically in Q1 versus last couple of years and you had been promising that you guys are working especially Rahul ji to indicate multiple new product initiatives so my question is this enables 18% or maybe the range near to sustainable or is it just mainly because of some timing shift out of Q1 for some products which are low end and hence the ITI is looking optically higher.

Rahul Dhanuka: Responding to the ITI thing yes like we have said we have been aggressively on this front and again with our strength on the Weedicide front this is how the Q1 has taken a jump on the ITI index because this was a very good period for this new product that we had introduced to take position, this ITI index has certainly jumped up. It will correct to some extent through the year yet as committed the ITI index will now be only going upwards.

Varshit Shah: And Sir one thing which I have absorbed was that you have increased your gross profit in absolute terms which I think has come as a result for ITI because I think the volumes Y-o-Y would have been tad lower if I am not wrong. This is purely on account of change in mix and which is reflecting in ITI. Am I connecting the dots right.

V.K. Bansal: You see in terms of percentage GP declined bit absolute you are right.

Varshit Shah: Exactly so absolute has grown so it has to come from either volume or product mix. There is only two ways to increase absolute GPs.

V.K. Bansal: Yes it is impact of product mix definitely.

Varshit Shah: Product mix right so what is the actually comparable volume if you can share it in Q1.

V.K. Bansal: Q1 volume growth is not there only applied income is there, value growth.

Varshit Shah: I understood I think Dhanuka Sir earlier mentioned that July has picked up so do you think that H1 to H1 seasonal volume growth could further industry or may be could be in the range of 3 to 4% or that might be some challenges to achieve that and the volume growth number.

V.K. Bansal: Volume growth number in the first half should be either higher single digit or lower double digit.



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- Varshit Shah:** Okay so connecting that your annual guidance of double-digit growth and it seems slightly conservative because even if you achieve mid single digit kind of volume growth then you can easily touch 13 to 14% revenue growth given that you have taken price hikes.
- V.K. Bansal:** Yes absolutely right.
- Varshit Shah:** Fair enough. I think I will wait in the queue. I have more questions. All the best Sir.
- Moderator:** We have our next question from the line of Viraj from SIMPL. Please go ahead.
- Viraj:** Hi thanks for the opportunity. Just couple of questions. First is I did not understand the explanation on gross margin compression so was it more due to the RN pressure or it was largely because of product mix and any perspective you can share in terms of how much of the raw material cost inflation has been passed through in the market that is one.
- Rahul Dhanuka:** Mr. Viraj which is around the explanation on GT we will get that answer and then come to your second question Sir. Please could you repeat your question?
- Viraj:** My question was the gross margin compression which we saw was it largely only due to product mix or there was an element of raw material cost inflation and in that perspective you can explain what are the drivers for it has been larger factor behind compression and the RN inflation which we are seeing across industry how much of that has been passed on in the market.
- V.K. Bansal:** You see it is the impact of both. The proposition because of RN inflation which could probably pass it fully to the consumer and it is slight compensated because of the product mix the contraction could have not been better because of GP assets could be around 300 basis points and all.
- Viraj:** Sir can you repeat the last part, GP what?
- V.K. Bansal:** The reduction in GP could be more than 300 basis points.
- Viraj:** You mean if not for product mix the GP contraction could have been 300 basis points so any action on the pricing point which would have taken in the second quarter to just recover the RM inflation?
- V.K. Bansal:** We have demonstrated that ability in the Q1 itself we have been able to pass on to a great extent; however, in Q2 we should be able to pass on fully.
- Viraj:** Okay. Second question is on the other expenses, we have seen a sharp jump year-on-year so are there any one of them, anything you can share what is the driving jump?



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- V.K. Bansal:** If you compare from the previous year absolutely right, but you will realize, you will appreciate because of COVID in the June 2020 and June 2021 many expenses were not required because of COVID, like traveling and medical maintenance, expenses, regular meeting, pharma meetings, distributor meetings, so the expenses were low in the year 2021 and June 2020 but if you compare from June 2019 or June 2020, so they are in line with our expectations, they are bound to increase because everything is normalized, so this year the full traveling is happening for dealers meetings, farmer meetings.
- Viraj:** So, it is normalized now?
- V.K. Bansal:** It is normalized now. That is right.
- Viraj:** And on the Dahej project, can you just provide an update by when do we expect the commissioning?
- Rahul Dhanuka:** Commissioning as M.D communicated we are expecting the production in the March 2023.
- Viraj:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity. First question is again on the Dahej project, so how much of capex are we envisaging to capitalize during this year and whether we will be able to fund the entire capex through internal accruals or we will have to take some debt for the same? Thank you.
- V.K. Bansal:** So far now we are not just taking any debts, we are making the entire capex from the internal accruals and in the current financial year we are expecting a capex of around Rs. 130 Crores for Dahej.
- Rohit Nagraj:** Got it. Second question is in terms of our guidance, so on EBITDA we have said that EBITDA we are expecting almost similar growth in line of previous year, but if I check on a year-on-year basis in FY2021, our EBITDA was about Rs.269 Crores and FY2022 was Rs.263 Crores, so are we expecting kind of a flattish EBITDA for FY2023? Thank you.
- V.K. Bansal:** We are saying the average should be in terms of percentage in line with FY2022.
- Rohit Nagraj:** Okay, so we had the margins of closure to about 18%, we will be having similar kind of margins for FY2023 as well?
- V.K. Bansal:** You are right.



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- Rohit Nagraj:** On the ITI, during first quarter our ITI has jumped significantly, but it seems that the volume growth as you indicated has been not there, so is it the new products which are coming at a higher price or these are relatively high margin and high pricing products, because of which the ITI has jumped significantly?
- V.K. Bansal:** In the case of the products which are covered under ITI, they have delivered a significant growth value as well as volume, but when we are saying there is no volume growth, the total market of 80 plus brands, but the product selected very, very few molecules are coming under the current year introduction plus three years, so those products are delivered a good volume growth.
- Rohit Nagraj:** Right, got it. Just last clarification on the new product launches, so if I heard it rightly we have launched Zanet, Cornex, Decide and we have received three approvals for 9(4) herbicides and one for PGR which probably we have not launched is that understanding correct?
- Management Speaker:** These three products that we talked about Cornex, Bicide and Zanet, these are the 9(3) registrations we have got and in Q1 Cornex were launched and activated. One more herbicide which is Terminal was also launched in Q1 and activated. Decide and Zanet and other products will be commercialized in Q2.
- Rohit Nagraj:** And the 9(4) products?
- Rahul Dhanuka:** Will also be launched in Q2.
- Rohit Nagraj:** Okay, as of today's pipeline will be launching about eight odd products, four of these?
- Rahul Dhanuka:** Five for sure, two we have launched, three more we will launch, so at least five for sure.
- Rohit Nagraj:** Got it. Thank you so much. I will come back in the queue.
- Moderator:** Thank you. We have the next question from the line of Saurabh from Asian Market Securities. Please go ahead.
- Saurabh:** Thank you for the opportunity. Sir, if you can talk about the channel inventory at the end of the quarter and how has been the liquidation in month of July?
- M K Dhanuka:** Our channel inventory is not high because Dhanuka do not believe in making placement with the distributor. The inventory is definitely high with the company because the month of April and May were good then the company was having growth, but June has gone bad because of the delay in monsoon and some sales of June has been postponed to the July month so that is why the inventory levels with the company are higher, but general inventories are in line with the industry norms only.



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- Saurabh:** Okay. The raw material cost inflation, so have you passed on or now with the price coming down you will take the price correction in Q2 and also if you can give is that a specific crop where the passing of the higher cost, it is difficult compared to the other crops?
- Rahul Dhanuka:** Like our CFO already said that we have tried to pass on the cost period that was possible in Q1 and Q2 also whatever market can absorb we will pass on the cost increase as well. In the products where there is a price correction of course that cannot be passed on. In terms of the crops which are able to absorb is depending upon the commodity prices and probably in the last call we were talking about wheat prices have already gone up, paddy prices will also go up and in July we are already witnessing that, so practically commodity pricing going up means if paddy can absorb which is the largest consumer of agrochemical in the country today. All other crops commodities are on an upswing, so the cost absorption by the crops is very much clear. It is in the competition and price correction that we may not be able to pass on the cost to the partner.
- Saurabh:** Okay Last thing on the other income side, so there is a jumping other income, so is there any one-time element?
- V.K. Bansal:** Yes, it is one time element, because of selling of two properties of company.
- Saurabh:** So what was the contribution?
- V.K. Bansal:** Contribution is around Rs. 12 Crores.
- Saurabh:** Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Good evening. Thank you very much. Sir, first question is on a significant increase in stock so you mentioned that definitely after a solid growth in April and May, June was muted and that is the main reason, prime reason that there has been significant increase of almost close to Rs.100 Crores increase in stocks is that getting reflected sir?
- M.K. Dhanuka:** There are other reasons also, the prices were increasing because of the Chinese reason, the number of factories in China were closed down, shipment was not taking place, Shanghai, Port was closed for one month and there was a delay in getting the consignment from China and the other countries from Japan, etc, so in anticipation of a good season we basically built up the inventory intentionally considering the price rise and known availability like situation in the coming season. We geared up for the season, but unfortunately because June has gone bad, so we left over with the inventory, some inventory was created intentionally for the July, August, etc actually in earlier, but some inventory has been left out because of the bad season of June month,



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but we are confident as July has gone very well. We hope that we will be able to come to the normal inventory situation by the end of the second quarter.

Rohan Gupta: Okay and Sir since we have seen some softening of the raw material prices, so the inventory built up which has taken place in the last quarter, how do you see that the current pricing scenario, you definitely mentioned that you will be able to match the last year EBITDA margins, what we have enjoyed in FY2022, but with the weakening in the prices of raw material and the softening in the prices in the market and since we are sitting on a huge inventory, do you see that the margin pressure still will be very much visible in Q2 also, because of the high cost inventory?

M K Dhanuka: I do not foresee much problem because of the reduction in prices, because the reduction is nominal. It is not a hefty reduction. The price increase was very high, but the reduction in the prices is nominal, so I do not foresee that it will have major impact on the EBITDA margin, but definitely as Mr. Rahul has just informed that wherever the price correction has taken in the raw material prices it will be difficult to pass on the cost to the consumer so there the cost has to be absorbed by the company, but we are basically working in approach with more trust on focus product change, so that way our product mix will basically take care of the erosion in the margin in some of the generics where the price correction has taken place.

Rohan Gupta: Okay and how is the availability of the raw material now and in terms of the logistics challenge which was pretty much there from China almost couple of months back, so if you can just give some sense that how the logistics is working out and especially the shipment from China and raw material availability, how it is now?

M.K. Dhanuka: It is much better in comparison to the initial April, May etc and the shipments are also taking place. There are some delays happening in getting that consignment earlier from China we used to get the containers in 15 days time at Nhava Sheva Port but now it is taking around 20 days time, so some time has increased, but otherwise the supply situation is normal and we are getting the regular supplies, there is a scarcity of in some of the products, but that is always going to remain that some products will always be in scarcity of some products, Propergite is one Azoxystrobin is another product so these are in short supplies.

Rohan Gupta: Third question is on this market scenario, though you mentioned that August, July has seen a significant pickup in the demand, because of the monsoon activities have picked up. How do you see this farmers position in terms of cash profitability though we understand agri community prices still remains buoyant, but definitely there has been some weakness I think that compared to last two to three months, so how do you see that the farmers cash position is right now and their ability to spend on crop protection, how do you see that the current scenario?

Rahul Dhanuka: Before I attempt on that concept when you said weakness so you were talking about weakness of what?



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Rohan Gupta: Agri commodity prices like that we have seen like soya bean and some crop prices have weakened in a global market also in Indian markets also a little bit in last three months?

Rahul Dhanuka: And which commodities are those?

Rohan Gupta: So if you look at the global agri commodity prices Sir I think that the cotton definitely has weakened in a global scenario and so as the corn also has seen some weakness in a global scenario even wheat prices also have seen some weakness in a global scenario that is what I was just referring that, are we also seeing that the domestic markets also are seeing and how the farmers cash profitability?

Rahul Dhanuka: Right, my understanding is that the commodity prices are reasonably high enough for these farmers and the agricultural investors in the rural world to be buoyant about it. The **wheat** price corrections if any is like still much better than what it was before the Ukraine situation and all other commodities are really way ahead of their normal benchmark levels in the country. In fact because of the wheat shortage we were anticipating that paddy prices will also jump up with the global demand coming in and we are witnessing paddy price jumps significantly happening in July especially with Middle East demand coming in. Overall speaking the commodity prices remain at a level where farmers should look forward to a good harvest and a good income. Now when in the middle of monsoon, farmers mostly have to depend upon rural credit to invest in fertilizers and in agrochemicals and the rural credit system both structured and unstructured as of now buoyant and capable enough of taking required needs of farmers credit requirements. So farmers will be making his investment requirements from the credit which he takes.

Rohan Gupta: Okay, just last one, if I am allowed and Dhanuka ji mentioned in his opening remark about this online platform like Agrostar and DeHaat and all, so the sales and providing your product through these channels online platform itself, so Rahul ji, do you see that there is an emergence of such online platform in a rural area and a creation of a third market, third party platform that can affect the existing distribution system like how that your company have a dealers and distributor network, do you see that in next three to five years there can be significant change with this emergence of online platform or it will be just only very miniscule and how you are gearing up for that ?

Rahul Dhanuka: Though not in next three to five years but on a longer horizon, farmer will be shifting towards technology use for resolution of his problems and probably for procurement needs also and we are witnessing that shift having started at a very small level already. Yet there are two aspects to it. One that still only 35% of the agriculture remains chemically protected so a large portion 65% being not chemically protected, there is a huge scope of expansion and consumption increasing in the country. Multiple channels will be active to service the farmer and deliver the last mile rural connectivity. Technology platforms like Agrostar and DeHaat are going to be such platforms offering such solution to the farmer, yet Brick and Mortar is going to remain relevant for a relatively longer time to come. As Dhanuka we are looking forward to these new players as



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possible partners of growing the business at the same time not discounting the opportunity of direct reach to the consumer and face-to-face interaction through our Dhanuka **doctors** and through our trade retailers, right now the situation is emerging for us to learn. We are playing on both the sides and we are gearing up to play aggressively on the technology side.

- Rohan Gupta:** Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.
- Bhavya Gandhi:** I just wanted to know what is structurally wrong from FY2017, we had gross margins of 43%, 44% we are down to 36% in FY2022, so is it because backward integrated companies are able to price their products better or is there something else?
- V.K. Bansal:** Probably there was inventory largely and over a period in the last four years, because of competition, there has a impact on margins undoubtedly. The competition has increased in general market as compared to 2017-18.
- Bhavya Gandhi:** Okay and sorry if it is a repetitive question. Just wanted to know the asset for Dahej facility which is coming up?
- V.K. Bansal:** Could you repeat your question?
- Bhavya Gandhi:** I wanted asset turnover for Dahej facility which is coming up in FY2023?
- V.K. Bansal:** FY 2023, there is no revenue from Dahej.
- Bhavya Gandhi:** No revenue from Dahej, okay and for FY2024 what kind of assets are we looking at?
- V.K. Bansal:** FY2024 would be the first year, so we are expecting a revenue in the first year around Rs.50 Crores.
- Bhavya Gandhi:** Okay and just wanted to know if you could share cash flow from operations for this quarter, I know you do not give the balance sheet for this, but if at all you could provide that figure?
- V.K. Bansal:** Which share do you want?
- Bhavya Gandhi:** Cash flow from operations for this quarter?
- V.K. Bansal:** Cash flow from operation this quarter will communicate, we will send on email.
- Bhavya Gandhi:** Thank you so much.



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

Varshit Shah: Again thanks for the opportunity. Sir, my question is on, how do you see the equilibrium price on the technical side, so as we mentioned earlier that largely prices are stable or some big marketing in certain cases, so do you think that the demand supply equilibrium is largely now established at the global level for most technical and now the incremental rate of change will be more a function of RFID rather than the disruptions on the supply chain front?

Rahul Dhanuka: Supply chain equilibrium assessment is too early, because the situation has just eased in July, so we really do not know if this ease situation will continue number one. Number two the news flowing in from China is not very clear that this ease of supply chain is just because of the stuck inventory in the logistics or if the backend also everything in this move so we absolutely understand that this is the inventory which was stuck in pipeline which is now flowing in out of China into India and globally, yet this is the complete picture of there is more to it, so that is yet to be discovered which will help understanding supply chain situation in a better way, so this is just an immersion for one part of the story and not the complete. Talking about the global level I think so the values of weather are playing their role in the corn and soya bean markets globally and that will really decide the demand side which is not really clear as of now. Even in India the demand side is just opening up so we are yet to discover how it will open up completely, paddy is looking up, cotton opportunity is robust, soyabean opportunity, groundnut opportunity is robust in India so how the demand will pan out all India, how the demand will pan out globally is yet to be seen. Talking about the global level, could be too early.

Varshit Shah: That was really helpful and on the domestic front, we have seen a lot of companies adding capacities especially on herbicide side, fungicide side across the board, so from an alternative supply chain perspective, Is India kind of stepping up at least in terms of supply albeit maybe at a slightly higher cost, but do you see these kind of capacities could lay a stronger foundation for the future three to five years, I am asking a very broad question not pertaining to the Dhanuka itself?

Rahul Dhanuka: We can make it broader in terms of looking at the chemical industry in general, so India is certainly emerging as a chemical manufacturing hub from the agrochemical perspective, from fine chemicals perspective, from pharmaceutical perspective so chemical industry is looking going ahead in terms of India emerging as a seller, large seller on a global front. Now I will not go to the credit of government pushing the Aatmanirbhar Bharat campaign and then supporting with PLIs on various fronts. As also is the demand supply arbitrage which came from COVID link situation in China, supply chain issues coming in from China, yet for India to emerge as a leader and to be to be talked in the the same language, same sentence with China is a long way to go. Now if we were to expand this discussion then long way to go means that India is a long distance to cover at the same time a huge opportunity to encash.



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- Varshit Shah:** I think that is helpful, so if I were to stretch this question a bit. In terms of the competitiveness of manufacturing since we are also evaluating a lot of projects at Dahej and in terms of molecules from a competitive landscape perspective has that bridge narrowed at least in a lot of molecules if not all and typically we see that molecules where there is very high complexity involving processes, involving the tends to do better on the cost curve, so at least in those molecules do you see that the gap is narrowing between the cost of production between India and China or I think that the waste is large and trying to settle down on this COVID and then see VSS how it stands out?
- Rahul Dhanuka:** I know one thing for sure that costs in China has significantly gone up over last three years and one of the factors towards that was environmental regulations being strengthened in China and the elasticity of campaigns, environmental campaigns run by the government there. Now how the cost is panning out is yet to be defined, yet if we look at if we generalize this to an extent that lot of capacity is coming up in India for different chemicals Dahej just being one example, many chemical plants are coming up in India and there is a lot of buzz around investments in petrochemical industry, fine chemical industry that buzz certainly talks of one thing that the demand from Indian market is absolutely existing. How much is the gap between Chinese and Indian cost or how much is the gap between Chinese and Indian reliability are the two factors which India can leverage as a country so that is something will vary either industry by industry or if there is a country advantage here then that becomes too macro to be responded too.
- Varshit Shah:** Absolutely may be I will take this over a cup of coffee with you someday.
- Rahul Dhanuka:** Absolutely, most welcome sir.
- Varshit Shah:** Thank you so much. I think all the best to you for the upcoming season.
- Moderator:** Thank you. We have the next question from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** Thanks for the followup. Again on the Dahej project so we had earlier indicated that we will be having the formulation plant, one insecticide MPT and one MPT for Weedicide; however, we were constrained from the customer side because the plant was not radiant obviously they were awaiting the entire commissioning of the plant, so any positive vibes from the customer in terms of orders or any headways from that point? Thank you.
- Rahul Dhanuka:** I am wondering on this question because we never brought in anything in reference to the customers here, so well no relation to that. Our Dahej project is on track in terms of its commissioning plan of March 2023 and that continues to be there.
- Rohit Nagraj:** Right I did not ask the right question, so basically earlier we were an asset like model and given that our customers were situated outside of India and they want someone to manufacture or sold



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their products, we have now put up this facility and probably given our long term relationships, we will be able to capitalize on those relationships to get such kind of orders, so I was just referring from that perspective that any customers who have approached us now that we have clarity in terms of when the plant is going to be coming up and we will be able to serve them better from that perspective? Thank you.

Rahul Dhanuka: Right. Now I got your point. When we are pushing up this Dahej facility then it is multi-dimensional of course we are setting it up for to some extent for captive consumption then for domestic and export market and also for toll manufacturing for our various global opportunities and those are like in talks, some of them are moving forward with different speeds and as and when they shape up along with the Dahej projects designed then probably would be a good time to bring to this forum.

Rohit Nagraj: This is very useful. So one again last question in terms of guidance, so based on the guidance on revenue and EBITDA and what we have done in first quarter it seems that we will have to make about average Rs.75 Crores EBITDA for the next three quarters so what gives us confidence that we will be able to achieve it, is it based on the new products which are introduced based on the ITI which has gone to about 18% during Q1 so what are the parameters with which we are so confident that we will be able to achieve this particular guidance? Thank you.

V.K. Bansal: We are quite confident in terms of the seasonality if we are actually confident of believing with growth so I am sure we should be able to deliver that much of EBITDA.

Rohit Nagraj: That is really helpful. Thanks a lot and best of luck Sir.

Moderator: Thank you. We have the last question from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

VP Rajesh: Thanks for the opportunity. I was saying that most of my questions have been answered. I just wanted to ask about your view on the monsoons and in this month and September are you seeing them getting better and therefore by the time season ends it will be more normal or you see some deficiencies in these territories?

Rahul Dhanuka: You are equally dependent on IMD and Skymet so please do not take a moment. We are really happy the way monsoon has exhibited its performance in the month of July that has been really heartening the soil moistures and water levels have gone up. The sentiments in the markets have really boosted, inventories have really moved, farmer is looking forward to a good crop, so all that is really turning out favorable. We are looking out to a very robust Q2 and we are very positive about it. Some of the indicators are that monsoon will continue to be good in the month of August and September, although East India might face some slowed or delayed rain still, so East India is lagging behind in general and the forecast might still lag behind somewhat. Other than that the country is expected to continue to receive good monsoon rains.



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- VP Rajesh:** Okay, that is very helpful and my second question is on the paddy prices you said that they have shot up, so do you see them pulling off if the monsoon is good or do you think the sowing season has already passed for that crop and therefore the prices will remain high?
- Rahul Dhanuka:** The sowing season is largely passed for majority of the country; however, south and east is still there are sowing opportunities number one. Number two in general India has been a paddy excess country, we normally have excess paddy, so overall farmer can benefit if the prices remain high at the time of selling also or India is able to offload a large chunk of excess inventory in the global market, so both situations India can really benefit. The farmer can really benefit.
- VP Rajesh:** Understood. Okay, thank you so much. That is all.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Manish Mahawar from Antique Stock Broking Limited for closing comments. Over to you Sir!
- Manish Mahawar:** Thank you. On behalf of Antique Stock Broking, I would like to thank the team of Dhanuka Agritech for providing us an opportunity to host the call. Dhanukaji, would you like to make a closing comment Sir.
- M K Dhanuka:** To summarize, Dhanuka continues to demonstrate its ability to overcome challenges and among stronger despite uncertain business environment. We will aggressively roll out new formulations in the upcoming quarter and would ensure that it reaches to the consumer. I reassure our stakeholders that we are committed to the task of transforming the landscape of agriculture in India and will play an integral role in rewriting the future of a better and new India. I once again ensure that the second quarter is going to be a fantastic quarter for the company and the industry because of the good rainfall and July has shown the positive path ahead. So we expect that similar performance, we will be able to do in August and September month and by end of September, we will be able to show much better performance. Wishing you all the health and safety. Thank you very much.
- Moderator:** Thank you. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.