20th May, 2024

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G. Block,
Bandra- Kurla Complex,
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 17th May, 2024 with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Year Ended on 31st March, 2024.

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 17th May, 2024, which was hosted by Antique Stock Broking Limited via telephonic mode with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Year Ended on 31st March, 2024.

Please take above information in your record.

Thanking You,
Yours faithfully,

For Dhanuka Agritech Limited

JITIN SADANA
Digitally signed by JITIN SADANA
Date: 2024.05.20 18:36:01 +05'30'

Jitin Sadana
Company Secretary and Compliance Officer
FCS-7612

"Dhanuka Agritech Limited

Q4 FY '24 Earnings Conference Call"

May 17, 2024

MANAGEMENT:	**MR. M.K. DHANUKA – VICE CHAIRMAN AND MANAGING DIRECTOR – DHANUKA AGRITECH LIMITED** **MR. HARSH DHANUKA – EXECUTIVE DIRECTOR – DHANUKA AGRITECH LIMITED** **MR. V.K. BANSAL – CHIEF FINANCIAL OFFICER – DHANUKA AGRITECH LIMITED**
MODERATOR:	**MR. MANISH MAHAWAR -- ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to Dhanuka Agritech Limited Q4 FY '24 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, sir.

Manish Mahawar: Thank you, Manuja. On behalf of Antique Stock Broking, warm welcome to all the participants on the 4Q FY '24 earnings call of Dhanuka Agritech. Today, we have Mr. M.K. Dhanuka, Vice Chairman and Managing Director; Mr. Harsh Dhanuka, Executive Director; Mr. V.K. Bansal, CFO, on the call.

Without further ado, I would like to hand over the call to Mr. M.K. 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. I am M.K. Dhanuka, Vice Chairman and 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 the results of Q4 FY '23-'24. I have with me Mr. Harsh Dhanuka, Executive Director; and Mr. V.K. Bansal, CFO of the company.

First of all, I would like to give you a brief outlook on the industry scenario and then talk about the organization results for the financial year '24 and plans for financial year '25. Last year, the industry went through a lot of challenges severely impacted by El Niño conditions that caused lower rainfall resulting in a moderate year for farmer demand in India.

The global demand for agrochemicals was also down due to continued destocking in the US and Brazil. This resulted in the drastic reduction in prices of generic molecules. In both India and China, new plant capacities have come online in the last 2 years, resulting in overcapacity and oversupply, keeping the prices on the lower carve for more than a year now. Many of the products are at historic lows, resulting in low revenue growth in spite of increase in volumes.

As you are aware, Dhanuka Agritech is a leading agrochemical company in India, focusing on brand sales in the market. The company's strength lies in manufacturing and marketing of formulated products. Also in FY '24, Dhanuka has commenced operations at our Dahej chemical synthesis plant, and we are working to create breakthroughs in chemical synthesis with our new R&D laboratory with 30 chemists for research and chemical processes. Dhanuka is working with the vision of transforming India through agriculture.

We have a pan-India presence to reach out to more than 10 million farmers with our products and services. Dhanuka have more than 1,000 techno-commercial team supported by a strong sales and marketing team to promote and develop new products. Introduction of novel chemistries and extensive product development has been the key focus of the organization, distinguishing Dhanuka from the rest of the industry.

Dhanuka has world-class NABL-accredited laboratory, along with our recently established Dhanuka Agriculture Research and Technology Center at Palwal along with an excellent team for new product registration and development. Dhanuka has international collaboration with 10 leading global agrochemical companies from Japan, US and Europe, which helps us to introduce the latest technology in India.

Now moving on to the financial results for the year. This year due to continuous decline in prices of generic products, ranging from 5% to 40%, there is a significant gap in volume growth and value growth. While the volume has grown by 9.07%, the value has grown by only 3.43%, representing an overall value reduction of 5.64% on the entire portfolio.

Our revenue from operations during Q4 of FY '23-'24 is INR368.31 crores with a reduction of 0.8% as compared to the corresponding quarter of previous year. For the financial year '23-'24, the revenue is INR1,758.54 crores, which is 3.4% up over previous year. EBITDA is stood at INR80.09 crores in Q4 of FY '23-'24, representing an increase of 2.9% as compared to the corresponding quarter of previous year and for the financial year '23-'24, it is INR327.44 crores, which is higher by 17.5% on Y-o-Y basis.

Profit after tax is INR59.02 crores in Q4 of FY '23-'24, representing a reduction of 9.6% as compared to the corresponding previous year quarter and for the financial year '23-'24, it is INR239.09 crores, which is an increase of 2.4%. The zone-wise percentage share of turnover was: For North India for Q4 '23-'24, it was 26%, and for the full year, it was 25%. For East zone, for Q4, it was 14%, and for FY '23-'24, it was 12%. West zone, for Q4, it was 20%, and for full year, it was 31%. For South zone, for Q4, it was best quarter, 40%, and for FY '23-'24, total was 32%.

Product category-wise share of turnover was: Insecticides in Q4, 44%, and for the whole year, 38%; fungicides, Q4, 16%; and for whole year also 16%; Herbicides, for Q4, 28%, for the whole year, 34%; and others, both Q4 as well as for FY '23-'24, 12%.

In last challenging year, where the industry was facing significant headwinds and pressure on both topline and bottom line, Dhanuka has been able to show significant resilience. The company has already rewarded its members by paying an interim dividend at a rate of 400%. That is INR8 per equity share, having face value of INR2 per share, which has absorbed INR36.47 crores. The Board of Directors has further recommended 300% final dividend that is INR6 per equity share. The final dividend will be subject to the approval of the members in the 39th Annual General Meeting scheduled to be held on 2nd August, 2024.

Now let us talk about the projections for FY '25. This year, the weather conditions have shifted significantly and already the effects of El Niño have subsided. The major weather forecasters have predicted above 100% rainfall this year on the back of developing La Niña conditions. Therefore, this year, the demand for all our products are expected to be very good.

Further, the price reduction of previous year have bottomed out, and we are seeing an upward movement in few product. Trends, this year, we are expecting very strong growth. And to power this growth, I'm very excited to announce the launches of some of the biggest products from Dhanuka in recent times.

Firstly, LaNevo , a powerful broad spectrum insecticide that effectively controls both sucking and chewing pests. This product is launched in collaboration with Nissan Chemicals, Japan. As you would have seen in the slide deck shared by us, this product has a huge market potential of over INR1,000 crores, which has developed only in last 2 years with only 3 products competing for market share and growing rapidly.

I'm confident that LaNevo will create new benchmarks in product scale-up in Dhanuka's history. I myself have attended the LaNevo launch program on Monday at Ahmedabad, on Tuesday at Indore and on Wednesday at Aurangabad. Considering the potential of this product, we are conducting more than 20 launches all over India for LaNevo.

Second product is Purge. It is a post-emergence herbicide to control both narrow leaf and broad leaf weeds in soybean and groundnut crop. It Is very powerful herbicide developed again in collaboration with Nissan Chemical, Japan. This product also has one of the best results among the competition in this segment, With Dhanuka's strong channel in these crops, we are confident of driving the volumes for this product also.

The third product is MYCORe Super. It is a premium and advanced MYCORe as a Fertilizer developed in-house at Dhanuka Agricultural Research Center. This product is manufactured by Dhanuka and already, we have received excellent feedback on the product performance from the market. It has enhanced the yield of the farmers wherever the demonstration has been conducted.

I'm also happy to share that we have established a new chemical R&D lab with 30 chemists to build speed in our product and process development capabilities at Sanand. This will help us in developing new products for manufacturing in Dahej and capture contract manufacturing opportunities. We are committed to create breakthroughs in chemical synthesis and continue to invest in R&D.

Thank you very much for your kind attention. We would now like to open the session for question and answer. Thank you.

Moderator: The first question is from the line of Himanshu Binani from Anand Rathi.

Himanshu Binani: So sir, my first question is largely pertaining to the guidance side. So we have like -- we have guided for an 18% plus sort of like revenue growth. So maybe if you can like elaborate further in terms of like what sort of growth once you would assume from the traditional or the formulation business? And how much of incremental revenues are we targeting from a technical synthesis plant? And is this 18% plus 18% sort of growth is both the revenues included? Or is it solely from the formulation side?

Harsh Dhanuka: Right. So thanks for your question. The revenue forecast given of 18%, around 16% is from the brand sales and about 2% is some technical sales from Dahej and the number includes both the businesses.

Himanshu Binani: So sir, if you can quantify in terms of like how much of incremental revenue or any revenue targets from the technical synthesis for this year?

Vinod Kumar Bansal: It's around INR40 crores incremental?

Himanshu Binani: INR40 crores incremental?

M.K. Dhanuka: Yes.

Himanshu Binani: Okay. And sir, secondly, again, on the guidance side, so we have been riding off an approximately 18% sort of like EBITDA margins. So we have like already done somewhere around an 18.5% sort of margins in FY '24. While we have like now starting the year, we have a low-cost inventory benefit. And now we have been like focusing more on the differentiated products. So why is such a lower margin guidance? Or are we trying to be conservative? Or maybe you can help us understand that?

Vinod Kumar Bansal: You see this year, the gross margins were exceptionally high in the last 5 years. But you see, as compared to the previous improvement in the gross margin was more than 464 basis points. So you see we are of the opinion 38% gross margin appears to be sustainable. As against 39%, we are expecting 39% -- 38% gross margin because of which we are expecting EBITDA at around 18% this year.

Himanshu Binani: Okay. 38% gross margins.

Vinod Kumar Bansal: The same Is inclusive of Dahej as well.

Himanshu Binani: Okay. And sir, what was the revenue from Dahej for FY '24?

Vinod Kumar Bansal: It's around INR7.5 crores.

Himanshu Binani: Sorry, sir?

Vinod Kumar Bansal: INR7.5 crores.

Himanshu Binani: INR7.5 crores. Okay. And sir, my last question was largely on the capex side. So how much of capex you have done in FY '24 and the incremental capex guidance for FY '25?

Vinod Kumar Bansal: You see as far as the incremental capex for '24-'25, normal capex could be around in the range of INR20 crores. This year, the major capex was pertaining to the Dahej. And other than Dahej, it was around INR20 crores, INR25 crores.

Moderator: The next question is from the line of Prashant Biyani from Elara Securities.

Prashant Biyani: Sir, you planned to launch 8 new 9(3) products in the next 2 years. So sir, would these be -- most of these would be in-license? Or there could be some in-house developed also?

Harsh Dhanuka: So the 9(3) products are the registration by Dhanuka. And we have already launched 2 products in the first 45 days and expecting to launch 1 more 9(3) plus in this quarter itself.

Prashant Biyani: No, my question is would most of these be in-licensed or they might be in-house developed also?

M.K. Dhanuka: They will be in-licensed only.

Prashant Biyani: Okay. Mr. Bansal, these 8 new molecules may require a good amount of marketing expenses or promotional expenses. Sir, how much was marketing and promotion this year and what could be the trajectory for '25 and maybe a year beyond that?

Vinod Kumar Bansal: You see our marketing spend is in the range of around 6% to 7%. And this year, it will be around 1% higher than the previous year.

Prashant Biyani: Sir, with just 1% higher marketing spend and again, 100 bps of gross margin decline, would you still see only 18% EBITDA margin because you have a very decent operating leverage benefit that kicks in with good volume growth. So again, I'm repeating the last participant's question. Would you be -- are you being very conservative in your margin guidance?

Vinod Kumar Bansal: You see, when I'm saying our gross margin, we are expecting 38%. And you see currently our expense in the employee benefit cost and other expenses are 20%. EBITDA remains only 18%.

Prashant Biyani: Okay. So you would be giving 20% employee growth, which we haven't seen in any year except maybe...

Vinod Kumar Bansal: Around 20% employee growth. When we are increasing disproportionate expenses in the case of marketing expenses, it has to be compensated by some other part. I'm just saying all expenses plus employee cost remains to be in the same range in terms of percentage. It doesn't mean the employee benefit cost would increase like that, or yes, it will increase by around 15%. Still it was 10%, 11% is a normal increase and 4% increase on account of the number of increase in the employee count.

Prashant Biyani: Okay. Sir, how is the channel inventory right now for the industry?

Harsh Dhanuka: The channel inventory for the industry in the month of March has again gone up to some extent. However, in the current quarter, we see a little slow uptake. And I think once the rains arrive from the month of June onwards, we should see faster movement. But currently, the channel inventories are normally at a higher level.

Prashant Biyani: Okay. Sir, with the significant decline in raw material price last year, how much of it was passed on to the trade and farmers? And going forward, do you expect any further price correction?

Vinod Kumar Bansal: I think the price correction has already been arrested.

Prashant Biyani: No, I mean the price of the branded products, do you expect further price correction in that?

Vinod Kumar Bansal: I think not.

Prashant Biyani: And has the entire price correction in technical was passed on to the traders -- or the trade channel?

Vinod Kumar Bansal: If it would have been then there could not be such a fantastic growth in the GP margins. It is not?

Prashant Biyani: Yes, there is. And sir...

Moderator: Sorry to interrupt, Mr. Prashant, I request you to rejoin the queue for your follow-up questions.

Prashant Biyani: Sure.

Moderator: The next question is from the line of Darshita from Antique Stockbroking.

Darshita: If you could repeat the price volume mix for the fourth quarter, that would be helpful?

Vinod Kumar Bansal: Fourth quarter?

Darshita: Yes, price and volume mix for the fourth quarter for topline growth.

Vinod Kumar Bansal: Fourth quarter in terms of value is negative less than 1%, and the volume is around 6.5%.

Darshita: Volume is?

Vinod Kumar Bansal: 6.5% growth.

Darshita: 6.5%. Okay. My second question was regarding the 18% topline growth. How did we derive on the 18% number if you -- I mean, is there -- are we expecting some product-related revenue coming through? Is it largely volume growth, Dahej growth? If any commentary on that? So how did we derive to that 18% number?

Harsh Dhanuka: So Darshita, there are 3 factors behind that. One is, of course, the La Niña factor, which we are expecting very good rainfall last year. And with El Niño impact, in the previous year, we had 9% volume growth. And with La Niña, we are expecting the volume growth to be in the range of 15%. Plus, as we announced, we have 3 very powerful product launches already done and more product launches planned in the coming months. So these are the 2. And third is, of course, revenue increase from Dahej and also from exports.

Darshita: Perfect. Okay. In the fourth quarter and for full year FY '24, how much of the gross margin expansion that we saw was because of product mix? And how much was because of the low-cost RM that we would have had in the -- with us?

Vinod Kumar Bansal: I think, around 100 to 150 basis points because of the low cost of inventory and around 300 basis points because of the product mix.

Darshita: Right. This is for full year '24?

M.K. Dhanuka: Yes.

Darshita: Okay, got it. And apart from that, I think that's about it.

Moderator: The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking.

Bhavya Gandhi: Sir, if you can throw some light on the 3 products that you mentioned, 3 new products. So you've given the addressable market size, but what sort of revenue are we looking at? And does it include that 18% revenue growth -- is it included in that revenue growth as well? Or is it over and above that?

M.K. Dhanuka: Our new product sales are included in the revenue growth target of 18%. The products which we have launched is LaNevo, which we are expecting around 3% growth in the total sales of the company. Overall, we are expecting around 5% growth from the new products.

Bhavya Gandhi: Okay. 5% contribution -- 5% from the overall revenue -- 5% of the overall revenue, right?

Vinod Kumar Bansal: Revenue from new products.

M.K. Dhanuka: That's right.

Bhavya Gandhi: Okay. And also, if you can throw some light on the margins, are they better than the company level margins? Or are they in line with the company-level margins? If you can throw some light on that as well.

Vinod Bansal: You see, of course, and we are launching any 9(3)s, normally, the margins are better than the average margins. So we are expecting the same case here as well.

Bhavya Gandhi: Okay. And what -- I mean, if we are talking about the peak revenue, when can we expect the peak revenue for all these 3 products? And what could it be in terms of absolute number?

M.K. Dhanuka: Absolute number, we don't share with the investors, please. But we expect that after 3 to 5 years, basically, it will be at peak.

Bhavya Gandhi: Okay. And what sort of market share are we looking in each of the products, at least if you can share that?

Harsh Dhanuka: Mr. Gandhi, I would just like to share these 3 products are very promising. We have launched them right now. Already, the products will be in the market within this first quarter. So in terms of market share, we are targeting at least a double-digit market share in these segments. But the time cycle for product development is quite long. The challenge is taking the message to the large number of farmers spread across India.

So while we make efforts to do a lot of product development activities, both with the farmer, digital media and connect with them, pass the technology to them, sometimes it takes time to build on the volumes, but we are confident because we have done good preparation work for the product launches.

Bhavya Gandhi: Perfect. Just one last thing. If you can name the competitors who are there? You mentioned that there are 3 players in this product. So you can name the competitor, that would be great?

Harsh Dhanuka: Okay. So first is technical named broflanilide, second is technical name Isocycloseram and third is technical name fluxametamide.

Moderator: The next question is from the line of Hussain Bharuchwala from Carnelian Capital.

Hussain Bharuchwala: Sir, I just wanted to understand, is there any further capex that we need in our technical plant?

Harsh Dhanuka: Yes, Mr. Hussain. This FY '25, we are planning further capex for a new herbicide plant, and it will come in H2.

Hussain Bharuchwala: On the technical side, are we looking for anything?

Harsh Dhanuka: Yes, this is on the technical side that I shared.

Hussain Bharuchwala: Okay. So what will be the capex amount?

Vinod Kumar Bansal: You see it is still not finalized the capex amount. We are working on it. Probably we'll share the next con call.

Hussain Bharuchwala: Okay. And also wanted to understand, is there any opportunity which has come to us so far in discussion for manufacturing because we started with fighter ROIC then were looking at certain opportunity from some Japanese players to customers. So is there any update on that front?

Harsh Dhanuka: Yes. There are -- discussions are going on. We will come back to you when something matures.

Moderator: The next question is from the line of Bharat Gupta from Fair Value Capital.

Bharat Gupta: Sir, a couple of questions. First, in your opening remarks, you mentioned about the capacity addition, which is second phase out there in the China. So going by the current range, how do you factor the pricing of the RM side as well as for the generics and the branded side to behave over FY '25?

Harsh Dhanuka: I think it is very unpredictable to comment on the prices. Right now, we already see that most of the generic products have bottomed out and few products, the increase is already seen due to unavailability of raw materials or increase in the prices of raw materials. So we feel that this upward trend is started in a few products and maybe in more products over the next 1 year.

But as you highlighted that the capacities which are there in India and China are quite significant. And still, we are seeing destocking in the U.S. and Brazil markets. So once U.S. and Brazil markets start in earnest, we feel that the supply and demand will balance out. And the prices will become more stable and moving upwards.

Bharat Gupta: Right. So we haven't seen any sort of a -- you can say, softness across our branded products in terms of pricing.

Harsh Dhanuka: Could you repeat your question, please?

Bharat Gupta: Have you seen any kind of a pricing correction taking place across the branded product category?

M.K. Dhanuka: Wherever the technical prices have increased, we have also increased the prices of our branded products. We are passing on the increase as well as the decrease of raw material prices to the ultimate customers on a monthly basis.

Bharat Gupta: Right. Sir, you mentioned that generics there has been a price erosion to a tune of 5 to 40-odd percent. I was just referring to the branded products. So in that product category, have you seen any sort of a softness in realization?

M.K. Dhanuka: You're talking about the specialty portfolio?

Bharat Gupta: Specialty, right.

Harsh Dhanuka: Okay. Understood. So yes, in specialty portfolio, most of the products which are coming from our exclusive partners like Japanese companies and American companies, there is no significant price increase and no decrease. So they are very much stable. And going forward also, we expect them to remain stable.

Bharat Gupta: Right. And sir, secondly, coming on the -- like you mentioned that there has been inventory destocking, which is there in the global market. And the commentaries of the innovator seems also on the -- like there will be such situation until H1 FY '25. So in regard to it, has there been any kind of aggression because the Indian market continues to see on a positive side, so has there been any kind of aggression which has been shown by the global MNCs or the global, you can say, innovators who are dealing across both the specialty and the generics side?

Harsh Dhanuka: I think, Bharat, all the multinational companies have had global challenges and faced some situation challenges in India also. Having said that, I feel that the domestic demand in India has been quite good in terms of volume and consumption at the farmer level. So that I feel will continue to drive the demand for both Indian companies and multinational companies, and that is why we are also quite confident of volume growth for Dhanuka in the current FY.

Moderator: The next question is from the line of Rohan Gupta from Nuvama Wealth Management.

Rohan Gupta: Sir, you mentioned that definitely, in China, there is supplies and raw material sizes are quite low. And even in India, also some capacities have been added. Sir, we are in a formulation business. So actually, this scenario pans out in our favour, right? And then we should be seeing with the easy availability of raw materials if the pricing remains there, then we should be seeing the margin expansion. Just wants your comment on that.

Harsh Dhanuka: So Rohanji, regarding your first part of the question, you are asking about the situation of China and how it impacts availability. So of course, availability is smooth for us in most of the products, barring 2 or 3 products, which are facing temporary shortage. We are hearing some challenges around shipping because of the disruption in the shipping line and that causing some increase in the cost of the shipping But other than that, I don't see any challenge with respect to the availability of the product.

The next point around the impact on gross margin I think when the prices are on an increasing curve, the gross margins go under some pressure. That's why we mentioned earlier, lower gross margin is expected in the current financial year.

Rohan Gupta: Okay. So -- but sir, still the cost or the raw material prices, still remains on a lower side so you are expecting that the prices will start going up. That's what you are expecting so far on the raw materials?

Vinod Kumar Bansal: Yes, it is already started. Most of the raw material price stopped declining and many of them are increasing now.

Harsh Dhanuka: Due to declining trends, Rohanji, the companies have not made a huge inventory of the technical and the traders who were importing raw materials supplying in the Indian market to Indian formulators, they have also not built too much inventory because every month, the prices are going down. So that's why now the situation of demand and supply gap is there and the demand is increasing and now the supply is a little short. So that's why the prices have started is increasing for various molecules now.

Rohan Gupta: Okay. So, sir, on the contrary side, I mean, maybe the global situation is different because many of these technicals manufacturer, they are talking about that the global inventories of chemicals and our intermediates are still on a higher side and the prices are still likely to remain on a muted in near term. So maybe I think the domestic market scenario may be slightly different than what it is in the global market? So I was alluding from there that the global situation in agrochemical pricing trend still remains quite muted.

Harsh Dhanuka: Yes, Rohanji, you're absolutely correct. And the general understanding in the industry is globally, the demand remains muted. And in my interactions with the companies in China also there is no dearth of supply right now. I think the current trend that we are seeing in the price increase is due to the momentary factor as Dhanukaji said around low inventory of technical and intermediates with Indian manufacturers. So I think this current phase of price increase is maybe slightly temporary. We'll see more after -- I think in Q2, we'll get a better clarity on the price increase in Indian market.

Rohan Gupta: Okay. So that's very helpful. Sir, second is on the group guidance. So you're talking about roughly 15% kind of volume growth next year, given that 2% to 3% extra growth coming from the new product. So can you give some sense on the current year industry growth in terms of volume? How was it this year? And how much is the volume growth for our...

Harsh Dhanuka: For Dhanuka, volume growth was 9.07%. For the industry, it was low single digits.

Rohan Gupta: Sir, next year on our manufacturing plant in Dahej. So we were definitely trying to get some contract manufacturing opportunity with some global players. So I just wanted to know and understand that in the current environment, when the capacity is, as you already mentioned, that in China also is surplus. And in Indian market, also many capacities are listed on a higher side. So global players are interested right now in talking terms for manufacturing for them under any grand kind of model?

And also the other products which we are making on our plant to fill the capacity in the current weak pricing scenario, are we losing money or we are able to, I mean, able to recover the cost from our manufacturing plant? That's it from myself.

Harsh Dhanuka: Yes, Rohanji, I'll divide your question into two parts. First, around the current operations. So on the current operations, gross margins are positive. But the EBITDA is negative for us as the revenue was quite low.

And the second part of the question around contract manufacturing in the current scenario, there is definitely some challenge in the market, but I see the contract manufacturing business for the multinational companies doesn't depend on the short-term price fluctuations, they are more long term in nature. And there are -- there is interest by both Japanese companies and other international companies to look for increasing their sourcing from India, and there is definitely positive interest, which we are trying to capitalize.

Moderator: The next question is from the line of Viraj from SiMPL.

Viraj: First one is the clarification. For the B2B business, what will be the loss at the EBITDA FY '24? And for FY '25, when you say we're expecting around INR40 crores, INR45 crores of sale, could it be breakeven or it's still early for that?

Vinod Kumar Bansal: You see in the current financial year, which is '23-'24, the EBITDA loss was around INR15 crores. And in the current financial '24-'25, we are expecting EBITDA loss of around INR20 crores.

Viraj: What explains the increase, sir?

Vinod Kumar Bansal: Pardon?

Viraj: What explains the increase in loss?

Harsh Dhanuka: Sorry, could you repeat your question? Are you asking about the increase in loss?

Viraj: Yes.

Vinod Kumar Bansal: So the EBITDA loss?

Viraj: Yes, I was asking what explains the increase in loss in '25?

M.K. Dhanuka: Actually, last year, the operation has started in the mid of the year, right? This year, it will be full year operation. So we have to incur the operating expenses for the full year, while the last year, it has started from the month of August. So that's why 4 months expenses will increase in this year that will add to the increase in the loss.

Vinod Kumar Bansal: And a lot of investment in R&D layer, a lot of manpower has increased in the current financial year, which are working very hard on the new product development. Because of which, there is an enhancement in the EBITDA loss. But next financial year, '24-'25, we are certain breakeven.

M.K. Dhanuka: '25-'26.

Vinod Kumar Bansal: '25-'26 -- sorry, '25-'26, we are certain it should be a year of breakeven for Dahej.

Viraj: Okay. So one question I had was on the gross margin. If you look at our inventory position, right, we have a sizable amount of inventory ending the year. We are expecting a very sizable increase in new product contribution. And typically, these come at a very healthy contribution margins. And the whole RM -- or the pricing environment is not too adverse for us.

So one would possibly think that the contribution margins even in, say, '25 would be at a similar level as '24, if not further expanding. So what explains the moderation in contribution margin? And given that you now expect prices to be either stable or temporarily increasing, why not take -- I mean what is stopping us for taking an inventory call and maximizing the spread in the B2C business?

M.K. Dhanuka: So Virajji, first aspects around your question about new product contribution, yes, definitely, new products have a good contribution. But in the initial few years to build up the volume, they require a lot of investment. In fact, huge investment is required on the product development on the farms. We have more than 1,000 techno-commercial staff who are working with the farmers to develop the product. We are conducting thousands of farmer meetings and product demonstrations and online promotion -- ATL promotion on television, radio.

So all of this is significant investment, especially in the new products. So the additional contribution from new products is taken away by the increased marketing expense. And with respect to the low-cost inventory, yes, we try to build up inventory as we are seeing some increase in the prices. But will it result in the gross margin expansion? I don't see that happening.

Viraj: No, actually, my question was on the gross margin on the corporate. So if you look at the year ended March 31, 2024, we have a sizable inventory already on our books. You have -- you're seeing an increase in share from new products. And given the launches which you have made in the first quarter expect, the share of new products will further increase. And these new products typically come at the gross margin level, they come at a much more higher gross margin, especially the 9(3) molecules.

And given the way the RM prices are, one would think that gross margin would either expand further or at least be at a similar level as 2024, right? But what you're saying in the commentary is that we're expecting a further moderation in gross margin, say, by around 100 basis points. So I was not able to connect the two?

Vinod Kumar Bansal: You are absolutely right, Viraj. Then you see we are expansion in the gross margin on account of the new production. But at the same time, there are certain molecules, one, then there is a dip in the margin. For example whole molecule Targa Super. So for Targa Super, we are not maintaining the same margin. Every year, our margin is declining. The margin which we have in 2023 that was not there in the '23-'24. And the same cannot be maintained in the '24-'25. So there are a few brands where we are losing the margin as well because of the rich competition.

But keeping in mind all these things, we are expecting 38% gross margin. And in terms of the lot of inventory, last year, which was '23-'24 was a very exceptional year. We have never seen such a huge decline month-on-month basis on Targa prices, which is not partial, full year trade. This year that is not possible. Already, the declining trend is arrested. Now the price is at stable.

And you see that by the announcement of the La Niña year, once the Monsoon arrives on 1st of June in Kerala, I'm sure price increase will further happen. Therefore, we are not expecting to maintain this last year level of gross margin appears to be difficult. But if it happens, it happens.

Viraj: Okay. Just two more questions. Sir, one is, if you can just give some colour on the scale of, say, Defend, Decide side or Implode? I think these are products which are launched in last 1 or 2 years -- last 2, 3 years. So would these now be above INR50 crores or above INR100 crores brand for us. And on LaNevo, right, so it's a combination molecule. And the combination molecules, which we are sourcing from Nissan, they're already selling that in Indian market through 2, 3 other players already.

So there, the question is what will be the market share of, say, Defend, Decide in this INR1,050 crores. And when we are looking to compete in a market, what is our expectation from this brand given the competition is already there?

Harsh Dhanuka: So first talking about LaNevo. The combination that we have is much more effective than the competitive products. And we are expecting a very good performance. We have already registered the product in 3 crops and 1 more crop is in line of -- in line of registration within this financial year. And in terms of capturing market share, I think in first year, from this product, we can capture about 5% market share in -- from LaNevo. And talking about the earlier products, which you were referring, they were actually not 9(3) products.

Viraj: So Defend, Decide, Implode?

Harsh Dhanuka: Decide, we were definitely 9(3) plus. But Defend and Implode were not 9(3) plus. They were co-marketed in-licensed products.

Viraj: Yes. So would this now be more than INR50 crores brand or above INR100 crores brand for us?

Vinod Kumar Bansal: Yes, yes, Decide is coming in top 5.

Viraj: Okay. Just last question. On the biological and the export division...

Moderator: Mr. Viraj, I request you to rejoin the queue. The next question is from the line of Prashant Biyani from Elara Securities.

Prashant Biyani: Sir, what would be the mix of your generic and specialty business revenue for this year and last year?

Vinod Kumar Bansal: This year, generic and specialties, we are expecting around 1/3, 2/3.

Prashant Biyani: No. You were saying for FY '24?

Vinod Kumar Bansal: '25.

Prashant Biyani: Sir, how much was it for '24?

Vinod Kumar Bansal: '24, it was around 60, 40.

Prashant Biyani: And '23 would you have the data handy?

Vinod Kumar Bansal: Not now.

Moderator: The next question is from the line of Shubham Sehgal from Skill Ventures.

Shubham Sehgal: Could you just provide an update on your biological and exports division?

Vinod Kumar Bansal: Biological was very insignificant, not worth sharing even. And as far as the export is considered, we are expecting good growth in the coming -- in this current financial year in export.

Shubham Sehgal: Okay. And so the higher opex and employee cost for this year, what was it driven by for this quarter, I would say?

Vinod Kumar Bansal: Higher cost in terms of -- because you see the significant growth in the lifeline category. So incentive of the sales team are significantly higher, number one. Two, the manpower count has increased because of these 2 reasons, the more increase was there in the Q4.

Shubham Sehgal: Okay, sir. And lastly, on your JV, could you give any update like what has been going on and any activity you've done there?

Vinod Kumar Bansal: Which JV you are talking?

Shubham Sehgal: Your joint venture with Kimitec.

Harsh Dhanuka: So that is Mr. Shivam not a joint venture. It actually is right now only a letter of intent. And the idea is for research, development, marketing and manufacturing of the product. And right now, it is under work and it will take some time for it to commercialize.

Shubham Sehgal: So are we expecting any launches in this year, like in collaboration with them?

Vinod Bansal: As such, no significant developments over now.

Shubham Sehgal: Okay. okay. Got it. And just one last thing. So Kimitec, they already announced the marketing tie-up with another company. So like, do you have any update on that?

Harsh Dhanuka: Right now, we don't have any update on that.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Management: Good evening, once again, friends. To summarize at last, Dhanuka continues to demonstrate its ability to overcome challenges and emerge the stronger despite uncertain business environment.

Dhanuka will aggressively roll out new formulations in the upcoming quarters 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.

Being El Niño year and introduction of so many new molecules, I am confident that we will be able to deliver the envisaged growth of around 18% in the current financial year. We hope that the monsoon should remain good as forecasted by IMD and Skymet around 106%. And we have a very good agriculture season. I wish you all the best. Thank you very much. Keep healthy and safe. Thank you very much.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.