

31st May, 2023

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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 25th May, 2023 with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Quarter and year Ended on 31st March, 2023.

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 25th May, 2023, which was hosted by Antique Stock Broking Limited through virtual mode with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Year Ended on 31st March, 2023.

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

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by jitin sadana
Date: 2023.05.31
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Jitin Sadana

Company Secretary and Compliance Officer
FCS-7612



“Dhanuka Agritech Limited
Q4 FY’23 Earnings Conference Call”

May 25, 2023



MANAGEMENT: **MR. M.K. DHANUKA – VICE CHAIRMAN AND
MANAGING DIRECTOR – DHANUKA AGRITECH
LIMITED**
**MR. RAHUL DHANUKA – JOINT 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
LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to Dhanuka Agritech Q4 FY '23 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 this conference call, please signal an operator by pressing star then zero 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. Thank you, and over to you, sir.

Manish Mahawar: Thank you, Calvin. Warm welcome to all the participants on the 4Q FY '23 Earnings Call of Dhanuka Agritech. From the management, we have Mr. M.K. Dhanuka, MD; Mr. Rahul Dhanuka, Joint MD, Mr. Harsh Dhanuka, Executive Director; and 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.

Mahendra Dhanuka: Thank you, Manish ji. Good afternoon, ladies and gentlemen. I, 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 '22/'23 of Dhanuka Agritech Limited. I have with me Mr. Rahul Dhanuka, Joint Managing Director; Mr. Harsh Dhanuka, Executive Director; and Mr. V.K. Bansal, CFO.

As you know, 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 promoters.

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 and 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 have a pan-India presence through its marketing team and warehouses in all major states across India. With 3 manufacturing units and 41 warehouses across India, Dhanuka cater to around 6,500 distributors and dealers and around 80,000 retailers. Through this extension network, Dhanuka reaches out to approximately 10 million Indian farmers with its products and services.

Dhanuka has more than 1,000 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 its focused product in comparison to the generic product, which helped us to protect the bottom line in a challenging year.



Dhanuka is a strong R&D division, has world class NABL Accredited laboratory as well as an excellent team for new product registration and development. Dhanuka has International collaboration with 10 leading global agrochemical companies from the U.S., Japan and Europe, which helps us to introduce the latest technology in India.

Recently, Dhanuka have established a modern R&D facility with a research farm in Palwal, Haryana for faster development and commercialization of new products. The rainfall was erratic, both in Kharif and Rabi season. The pest infestation was also low due to which many sprays were missed out by the farmers. This has impacted the growth plans of the industry as well as the company.

In the first half of the financial year, the prices of raw materials were on an increasing trend. But in the second half of the financial year, the prices were on a reducing trend on a monthly basis due to which the company has incurred losses on high cost inventory. This has impacted the gross margin and EBITDA margin of the company.

Now moving on to the financial performance. Our revenue from operations during Q4 FY '22-'23 is INR371.23 crores, representing an increase of 16.63% over the corresponding period last year. And for the financial year '22-23, it is INR1700.22 crores, which is 15.05% up over the last year. So first time Dhanuka has touched the mark of INR1,700 crores top line.

EBITDA stood at INR77.88 crores in Q4 of FY '22, '23, up 19.67% year-on-year basis. And for the financial year, '22, '23 it is INR278.69 crores, up 5.82% over last year. Profit after tax is at INR65.31 crores in Q4 of FY 22-'23, up 20.28% compared to the corresponding previous quarter, and it is INR233.51 crores in FY 22-23, up 11.85% year-on-year basis. First time Dhanuka has touched the earnings per share more than INR50 per equity share.

The zone-wise percentage share of turnover for Q4 FY '22, '23 was: North India, 29%; East India, 11%; West India, 19% and highest share was from South India, 41%. Product category-wise share of turnover for Q4 of FY 22-23 was: insecticides, 46%; Fungicides 17%; herbicide, 27%; and others 10%. The company has already rewarded its equity shareholders as it bought back 10 lakh equity shares at the rate of INR850 per equity share, absorbing INR85 crores.

The Board of Directors has recommended 100% final dividend. That is INR2 per equity share, having a face value of INR2 per equity share. The final dividend will be subject to the approval of the shareholders in their 38th Annual General Meeting scheduled to be held on August 2, 2023. We are happy to inform you that the company has launched the following new products, number one, IMPLODE 29.73% SC, which is a maize herbicide. MESOTRAX 24.97% SC, which is also a herbicide for maize and sugarcane.

Apart from this, the company has introduced the 3 biological products. One is DOWNIL 2% AS for controlling Downy Mildew; SPORENIL 2% AS for controlling of Wilt and Rot and WHITEAXE 1% WP for controlling of White Grub, Termites and Borers.

We are happy to inform you that the company has received patent registration for its product, "Soluble Granular Insecticidal Composition, Cartap with brand name Mortar. Our technical plant project at Dahej is progressing well, and we are expecting the production to start in third



week of July. Initially, we will start with the production of Bifenthrin Technical. Recently, we have received important government approvals for operating a factory that is factory license, PESO license, which is issued by Petroleum & Explosives Safety Organisation as well as Power connection approval. The new plant will support Dhanuka in our long-term business objectives and revenue growth.

We consider ourselves responsible towards securing the farmers' welfare and preserving food security of the nation. We continue to strengthen our association with the farmer producer organization that is FPO, Krishi Vigyan Kendra, that is KVK and other critical institutions to increase our business expertise and boost our market presence.

Thank you very much for your kind attention. We will now take the questions from you.

- Moderator:** The first question is from the line of Prashant Biyani from Elara Securities. Please go ahead.
- Prashant Biyani:** My question is for Mr. Rahul Dhanuka. Sir, in the scenario where other companies have struggled to clock margin accretive growth, what went right for you this quarter?
- Rahul Dhanuka:** Well, we really strengthened our relationship with the channel in the previous quarter, and our team took it to the next level in terms of leveraging our channel reach primary as well as secondary.
- Prashant Biyani:** Okay. And sir, for secondary sales, would you mean that even the liquidation was strong for us?
- Rahul Dhanuka:** Come again?
- Prashant Biyani:** By secondary sales, would you mean that even the liquidation was strong in this quarter?
- Rahul Dhanuka:** See when you say liquidation at the farmer level consumption, then that may not be happening immediately. But moving from the primary level to the secondary level, yes.
- Prashant Biyani:** Which channel would you mean when you say primary to secondary?
- Rahul Dhanuka:** Primary is the Dhanuka direct accounts. And the secondary channel is when they distribute it to some retailers.
- Prashant Biyani:** Okay. And sir, what is the current market situation? And how do you see the market shaping up for kharif?
- Rahul Dhanuka:** Okay. Market shaping up for kharif is from two angles. One is how the commodity prices are panning out. And second is how the product prices, agrochemical prices are appearing. So commodity prices continue to show a positive trend in terms of wheat and sugarcane. However, cotton prices have slightly eased out in the last few days. But overall, even after easing out, we are at a really good reasonable level in terms of farmer profitability. So commodity demand appears favorable.



In terms of the product prices, so far, we have witnessed in last quarter and even now, a slowdown in terms of prices cooling down for agrochemical imports. So the domestic prices are also as of now, soft. Now these two things put together will create a business outlook.

In terms of the agriculture opportunity and on ground, I think so that is very favorable given various supportive schemes from the government and farmers inclination towards moving horticulture crops.

Prashant Biyani: Right. And lastly, sir, on the technical facility front. What would be our plans for production ramp-up post commencement. And how much revenue should be penciline for this year and next?

Harsh Dhanuka: That's right. So we are expecting the production to start in third week of July. And in the current financial year, we are expecting a revenue of around INR50 crores from the technical plant. And as we move into the next financial year, definitely, the production and the revenue would be much higher.

Moderator: The next question is from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

Sudarshan Padmanabhan: Congrats on good set of numbers. Sir, my question is just taking forward from the previous participant. This is on the inventory. I mean, if we're looking at how this channel behavior has been, it has been a little slow primarily on account of the prices falling down, etc. Do you think this issue is largely soft. And if you can talk a little bit more about the inventory behavior in the panel? And also how your inventory is in the channel in that context?

Rahul Dhanuka: Yes. So the inventory in the channel is mix. Various products of Rabi are still in the pipeline. And we were looking at price going up in April, May. So in anticipation of that channel is lifted up some inventories in March. That is not yet to happen.

However, this is also an expression of solidarity that the channel has demonstrated with us in Dhanuka and also the way channel forces demand panning out in May and June. So keeping these two things together, this Q4 business has happened. Now going forward, the consumption of this product at the farmer level will decide how there is movement further.

Sudarshan Padmanabhan: Sir, is there any specific subsegments where you're seeing a little bit more challenge like, I mean, whether it is insecticide, fungicides or herbicides? Or is it across the board?

Rahul Dhanuka: I would say the segments have prop specifics that the segments of sugarcane, segments of maize and paddy and soya bean and summer pulses. These have shown traction in the month of March in anticipation of consumption in April and May. Also in terms of Agrochemicals segment, herbicides have shown more attraction.

Sudarshan Padmanabhan: And sir, with respect to the raw material prices, that high cost raw material prices. I mean, with this quarter's sales, I mean, have we been able to absorb the fair amount of high-cost inventory or how much of high-cost inventory still remaining at Dhanuka?



- Vinod Bansal:** You see high-cost inventory has become a part of life, every month, the price are declining. But yes, as on 31st of March, some high cost inventory was in the system. And again, the price is dropping again in the month of April and May as well. A significant portion of high inventory was liquidated in Q4 itself.
- Sudarshan Padmanabhan:** And one final question, if I'm looking at your raw material prices, I mean a lot of the price hikes happened post-COVID in the last 18 months or so, compare to that pre-COVID. I mean, do you think that the prices have rationalized enough to levels which are a little bit more reasonable? Or do you think that there is still significant downside less for the prices to get back to the reasonable level?
- Rahul Dhanuka:** While the uncertainty prevails, the prices have corrected this month also. And as of now, it seems that the prices would start improving sometime July onwards.
- Moderator:** The next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.
- Himanshu Upadhyay:** Yes. Congrats on good set of results. I had a question on export opportunities, okay? In our previous calls, we had stated that we have a team of export manager or a person we have hired. And what we are finding is even for our formulation business, there are opportunities, okay? Can you elaborate on how are we focusing on that business? And what are the challenges in that business? And can it be a substantial business for us in the next 2 to 3 years? Or it is not the focus area itself, the formulation and export business?
- Harsh Dhanuka:** Right. So formulation exports is definitely an important business that we are looking at. And in the next 2 to 3 years, this business will grow. We established the division last year only, and we are receiving a lot of queries and we are trying to develop relations with international customers and receiving very good response.
- Himanshu Upadhyay:** Okay. And what would be our strategy for that business if we are on the formulations business, exports?
- Harsh Dhanuka:** Currently, yes. So the scope is very high. Currently, we are addressing easy-to-reach markets as we do not have international registrations, but we are also looking at getting registrations in some of the developed markets as the business is very attractive in those markets. So we see this as a very good potential in the future, and we will continue to work for the formulation exports also.
- Himanshu Upadhyay:** And our API plant, which was to come in July, is it on time? And are trials production, etcetera, started for that plant or there is still some way to go for it to start trial production also?
- Harsh Dhanuka:** Yes. So our commercial production is expected to start from third week of July. So all the things like trial production and everything will happen in time before that.
- Himanshu Upadhyay:** Okay. And one thing, just out of curiosity, I had a question. We are investing in drones, agrochemicals and plant nutrition, etc, okay. What is our view on Seeds business? And have you evaluated that business and if we have evaluated that business and rejected? And what will be the reason for it? And why not -- which it is also a business which is very near to what we are



doing. But any specific reason whether we like it, we don't like it or -- why is it at the back of the other lower in priority versus the other businesses, which we are trying to develop? Just some of your thoughts.

Rahul Dhanuka: So you were asking about the business prospects in the seed industry?

Himanshu Upadhyay: No, I think that we have been going from agrochemicals to nearby businesses also, okay, or even plant growth -- plant nutrition and plant growth enablers and all those type of products, okay, which is some 10%, 12% of others revenue, okay? Have you evaluated Seeds business? And why not go into that business also because we are investing for exports businesses and all those businesses. What is your thought on...

Rahul Dhanuka: Right now we are seeing drones precision agriculture as the frontier technologies of Agritech. And we are also looking at nutrition and bioproducts as the current demand of the farmer and export opportunity was what we looked at as opportunity Dhanuka can explore with our technical plant also coming up.

So the focus is here. Seed is a very adjacent business, no wonder, and as of now, we are focused on what we are doing. Tomorrow, seed is not a closed door for us. And at the right time, we might like to explore that.

Moderator: Mr. Himanshu, we request that you return to the question queue for follow-up questions. The next question is from the line of Viraj from SIMPL.

Viraj Kacharia: Just a couple of questions. First is for Q4 and for FY '23, can you give some perspective in terms of price and volume mix?

Vinod Kumar Bansal: Yes. You see in terms of Q4, the value or volume growth was similar. There was hardly any difference. On annual basis, yes, there's a difference. Volume growth is around 8% as against the overall growth is 15%.

Viraj Kacharia: And you said that we have made corrections and we've taken some steps in terms of the channel part. Can you elaborate a little bit more in terms of what -- how has that network change for us and what are the initiatives we took there?

Rahul Dhanuka: Right. So Dhanuka has a pan-India network of 6,500 primary channel partners. This is spread across Northeast Assam to South India, Jammu Kashmir and Gujarat and just to give a flavour of Pan India. And this Pan-India network, we have worked over last year, especially to increase our secondary reach to the primary channel. And in the FY '23, we have increased our penetration in the secondary channel. We have increased our reach in the rural inter land. That is what has changed slightly over last year.

Viraj Kacharia: Okay. Second question was lastly in terms of the gross margins. Now if you look at our gross margin, it's at the lowest levels in the last 10 years, right? So we're all around 34.5%. And there was a margin structure you saw on back in 2030. Now and this is also one of the reasons why our operating margins are also a bit lower level. So just the question is in two parts.



One is if you were to understand the impact of high cost inventory, how much would that be? And other than that, are there any other reasons, which are more structured you say, the share of non-specialty moving up or the margins at which we used to earn in some of the larger brands or in the specialty portfolio, has that also moderated than what we used to own earlier? So you can then elaborate reasons behind the low contribution margins and how that should kind of behave over the next couple of years for us?

Vinod Bansal: You see for the year 2023, this problem is for the industrial. We were not exception to that. So the large impact on account of the price erosion and the high inventory costs. And secondly, there was a substantial growth in the weedicides segment. Normally, in the weedicides segment, competition is very high. Because of which our margins are impacted, and you are right, keeping our margin has badly hit in the year, but it's for all. And we are expecting this year, there should be some improvement in the gross margin side in the current financial year.

Viraj Kacharia: Okay. And just a related question is if you look at operating expenses, say in '23, does this fully reflect the normalized spend which we used to do towards demand creation activities like field staff or A&P spends towards new brands. So does this like a normalized spend for us?

Because it's been quite low for last few quarters, and we've been kind of unable to control. The spend has been quite in a very tight band for us. So just trying to understand, does this fully reflect the activities which we used to do pre-COVID or that is still yet to be reflected?

Vinod Bansal: It is on a full scale level this year.

Viraj Kacharia: Sorry, sir.

Vinod Bansal: Viraj, COVID impact is gone. It is on full-scale business.

Viraj Kacharia: Okay. So any other areas that we've been able to derive cost savings or we will be able to have a much better control on the cost?

Vinod Bansal: Cost control, you will see our employee cost has improved significantly over a period of last 5 years. Our productivity has increased.

Viraj Kacharia: Okay. And if I can just squeeze in one last question. In the presentation, you talked about us starting out with production for bifenthrin. Now if you look at some of these molecules, especially in the synthetic pyrethroid, given where the prices are right now, even some of the most macro integral players are not making any money, the operating below cost and in certain cases, they're shutting down facilities. So in that sense, how should we understand the profitability behaving, say, for next 1 or 2 years?

Harsh Dhanuka: So yes, currently, there is a significant price challenge in pyrethroid. And we find the situation in bifenthrin is favorable, and we are expecting positive gross contribution from bifenthrin. And we have taken a decision to start with this product for the first round.



- Moderator:** Mr. Viraj, we request that you return to the question queue for follow-up questions. We shall take the next question. The next question comes from the line of Jainam Ghelani from Svan Investments. Please go ahead.
- Jainam Ghelani:** Sir, what would be the total addressable market size for the patented product that we got?
- Rahul Dhanuka:** We have got a patent for our prelaunch product, Mortar. We had launched this product way back in 2014 or 2015. The patent was long pending. This product is finding application in Paddy, Stem Borer and Leaf Folder. And recently, we have decided to expand it in sugarcane top shoot borer also. And Paddy, Stem Borer, Paddy Leaf Folder and Sugarcane top borer is a large market size, should be close to about INR4,000 crores. This product will compete with Rynaxypyr of FMC in that segment.
- Jainam Ghelani:** And are we planning any capex post our unit at Dahej or for no plan for FY '24 and FY '25?
- Harsh Dhanuka:** Yes, in the current financial year, there will be some capex beyond the current cader. But for the next financial year, we will share the plans in forthcoming calls.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** Congrats on good Q4. So first question is, there is a lot of talk regarding El Niño impact during this kharif season. What is our history? I mean what does our history tells us in terms of whenever El Niño has occurred historically, has it impacted us severely in terms of volumes and business? Just your perspective on the same. Thank you.
- Rahul Dhanuka:** Right. So El Niño is normally associated with lower rainfall in South Asia. Yes, there have been years, which were El Niño years and still India received relevant and good rainfall. So El Niño has a mixed bag when it comes to rainfalls and uncertainty associated with it.
- In case of irraticity and abnormality in rainfall, Indian agriculture will get impacted and so will our business be. However, at Dhanuka, we are trying to make ourselves closely associated with irrigated setup of the farmers, a large section of Indian agriculture is irrigated, and with recent irrigation projects and rural electrification, irrigation opportunities have increased, and we are positioning ourselves in those segments.
- Also, Dhanuka has introduced various products, which are useful for arid application and dry application. So even in case of low rainfall situation, our product portfolio is designed to mitigate the risk.
- Rohit Nagraj:** Sure. Got it. Thank you for that explanation. Second, just some clarifications on the Greenfield capex. So I understand the overall capex would be about, say, INR260 crores, INR270 crores, which includes a formulation unit, insecticide MPP and for the bifenthrin and MPP weedicide plant. And earlier, we had guided EBITDA margins of 12% to 15%. But given that initially, the utilization levels will be lower, probably these kind of margins will be seen in FY '25 or so. Are these numbers largely in line and correct?



- Mahendra Dhanuka:** You have to take the Dahej project as a start-up. It is not possible to have those margins at initial level. The margins are possible once we have some tie-ups with Japanese product and do some contract manufacturing, etc. With the initial phase of these synthetic pyrethroid, that kind of margins are not possible. Initially, first year, we are envisaging around 20% gross margin, but EBITDA margin will be not positive this year in past year because the volumes are very less.
- Once the volumes will start picking up, then the EBITDA margin will come in positive. And initially, as the start-up companies make loss and after two, three years, they become profitable. So similarly, Dahej project should also be considered as a start-up. But for long term, once we get the Japanese product, etc. it will be a much viable project in times to come.
- Rohit Nagraj:** Right, sir. Got it. And this bifenthrin technical, we will be selling it B2B or we will be also using it captively?
- Mahendra Dhanuka:** We will be using it captively also. And apart from this, we will supply to other domestic players in India, and we would also like to export also. So it is expected that around 50-50, 50% will be export and 50% will be domestic.
- Rohit Nagraj:** Right. And just one clarification again on the product launches. So last time you had indicated in FY '24, we have two 9(3) molecules and three 9(4) molecules. So the current two launches include these which were planned for FY '24?
- Harsh Dhanuka:** Yes. Yes, that is correct.
- Rohit Nagraj:** Okay. And these two are both 9(3) molecules.
- Harsh Dhanuka:** 9(4).
- Rohit Nagraj:** Okay. Fair enough. Just one last clarification. The Greenfield project capex will be about INR260 crores, which will be completely capitalized during FY '24, is that right?
- Harsh Dhanuka:** FY '24?
- Rohit Nagraj:** Yes.
- Harsh Dhanuka:** In FY '24, entire INR267 crores will not be capitalized.
- Rohit Nagraj:** Okay. So how much would be capitalized during this year? And how much portion will go in for FY '25?
- Vinod Bansal:** This year would be around INR200 crores.
- Moderator:** Thank you. The next question is from the line of Chintan Modi from Haitong Securities India Private Limited. Please go ahead, sir.
- Chintan Modi:** Yes. Sir, can you tell me how much was the volume growth for the fourth quarter and for the full year?



- Vinod Bansal:** You see volume growth in the quarter 4 was 16.5% and full year it was 8%.
- Chintan Modi:** 8%?
- Vinod Bansal:** Yes.
- Chintan Modi:** Okay. And considering that next year, the demand on ground seems to be decent. Should we expect this 8% kind of volume growth to continue, or do you expect a higher volume growth in the next year?
- Vinod Bansal:** Of course, we are expecting a higher volume growth in this year.
- Chintan Modi:** Okay. That will be somewhere around, can we expect like in the range of 10% to 15% or approximately?
- Vinod Bansal:** We are expecting in double digits, but it does depend on monsoon. Because of reducing pricing trend, the volume growth will be higher this year in comparison with the value growth.
- Chintan Modi:** Sure, sir. Sure. And looking at the gross margins, can we directionally expect some improvement to happen in FY '24, compared to FY '23?
- Vinod Bansal:** Yes, for sure. We are very much confident that there should be some improvement this year for sure.
- Chintan Modi:** Sure. And sir, just one observation. If you look at last five years of gross margin trend, it has been gradually deteriorating. Last year, I understand it was because of the lot of raw materials or I mean, the volatility that we have seen in the raw material prices. But directionally, it has been coming down. So some highlight if you can share on that?
- Vinod Bansal:** This is not true. In the year 2021, the gross margin was on the peak.
- Chintan Modi:** Sir, your -- what I can see currently in FY '21 is about 62.2% and which has increased to 65.6% in FY '23.
- Vinod Bansal:** Gross margin in FY 2021 was one of the highest, which was 37.7% as against this year, 34.39%.
- Chintan Modi:** So that deterioration has happened. That is what I have said. And also a little bit on a longer trend also, if you look at, there has been some deterioration.
- Vinod Bansal:** Yes. Over a period of time, you know the segment I'm seeing the fear of herbicides increased. And in the case of herbicides, the competition is fierce. That way, a little bit impact is there. And this year is really, was a very, very difficult for the industry as a whole.
- Moderator:** Thank you. The next question is from the line of Prashant Biyani from Elara Securities. Please go ahead.
- Prashant Biyani:** Rahul, you mentioned in the initial question that channel is anticipating early demand. So this will be for which crop and in which segment?



- Rahul Dhanuka:** I shared that maize, sugarcane, paddy and summer pulses.
- Prashant Biyani:** Okay. But sir, otherwise, is it that in 4Q placement was a bit higher than normal or some of the products we might have been placing in Q1, we have done some early placement because of channel wanting that.
- Rahul Dhanuka:** Some placement has been higher. Yes.
- Prashant Biyani:** Okay. And one different question. Most of the fertilizer companies are now venturing into agrochemical space, even now -- planning to set up the plant. So why can't we do the same? Have we thought of either developing a nano urea or a nano DAP by ourself or entering into some sort of a tie-up with ipco if or even set up an SSP manufacturing facility for which phosphate source is available. And we also have the money power to invest.
- Rahul Dhanuka:** I could not get your question, Mr. Prashant. The question is about fertilizer companies entering agrochemical space or the question is about Dhanuka setting up fertilizers.
- Prashant Biyani:** We setting up fertilizer.
- Rahul Dhanuka:** Right. So as of now, we are looking at value-added nutrition management, what the Prime Minister has been continuously been talking about. One is soil health and second is integrated nutrition management. So that is where we are kind of focusing ourselves on the bulk fertilizer, which is a volume gain is, as of now, the rest with the fertilizer companies.
- As per the nano technology, a lot of research is yet to be done on the nano technology and how it emerges and its application and its application utility and benefits are yet to be proven. Dhanuka is watching this space closely, doing our own R&D at our newly established R&D center in Palwal. And we are evaluating the value-added to the farmer before we can commence actively and commercially.
- Moderator:** Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.
- Yogesh Tiwari:** My first question is basically, we have launched three biological products. So any long-term target, what would be the revenue contribution from biological products in next two to three years to the overall revenue?
- Harsh Dhanuka:** Well, I believe in about three years' time, this could be contributing up to 5% of our total revenue.
- Yogesh Tiwari:** Okay, 5%. And sir, in terms of guidance, you have mentioned about a 50 basis point to 100 basis point improvement on current year. So will this be trend by like cost control, like the nano and bring away with high margin, high cost inventory. So it will be more driven by that or by the product mix?
- Vinod Bansal:** It will be driven by largely the improvement in the gross margin.



- Yogesh Tiwari:** Okay. And sir, last question on the mix. Basically, we have launched two herbicides and mostly our product portfolio is like 46% insecticide. So going forward, will herbicide share increase compared to insecticide?
- Rahul Dhanuka:** Well, I believe insecticide segment is going to become richer in Dhanuka over the next three years. So our share in insecticide is going to go up. As an insecticide share in our portfolio is going to go up.
- Yogesh Tiwari:** Sure, sir. And sir, lastly, within insecticide, what would be the spread between pyrethroid and organophosphate?
- Rahul Dhanuka:** Spread between pyrethroid and organophosphate as in -- these are not the only two segments. There are at least seven different segments of insecticides that we operate on, pyrethroid and organophosphates are one small segment of the total portfolio of close to 15 insecticides that we handle.
- Yogesh Tiwari:** Okay. So which segment would be like -- I assume the organophosphate would be the major part within insecticide for our portfolio?
- Rahul Dhanuka:** What exactly is your question? Can you kind of...
- Yogesh Tiwari:** Yes. So yes, I just wanted to know what type of within insecticide, which would be the leading segment, sub-segment within insecticides?
- Rahul Dhanuka:** Yes. So actually, now as the chemistry has improved over the last two decades, there is not one segment which is dominating. Well, almost 30 years back organophosphates are dominating, 20 years back before Bt cotton came in, synthetic pyrethroid were dominating. But after Bt cotton, synthetic pyrethroid and organophosphate have become a segment in the portfolio, very important range even now out of our 50 products close to 11 or 12 brands in the syndicate pyrethroid and organophosphates. But 30 other products come from different segments.
- Some of them are neonicotinoids. Some of them are GABA inhibitors, some other are miticides. So the spread is really wide. Some of the largest insecticides that we are handling, for example, Caldan, and Rynaxypyr, which is Cover Liquid and Cover Granules. These are completely different chemistries and very powerful chemistries in their own capability. So synthetic pyrethroid and organophosphates do not dominate Dhanuka's portfolio.
- Emamectin, Largo, which is a secondary metabolite of a bioproduct extremely safe. So we have a wide, diversified across crops and different pests and diseases, different pest and insect portfolio, which we are going to only make powerful with some of our launches. Last year, we launched decide our Japanese premix product. And next year also, we are going to launch a Japanese premix product in horticulture segments. So Dhanuka is going to strengthen the insecticide portfolio significantly in next couple of years.
- Moderator:** Mr. Yogesh, we request that you return to the question queue for follow-up questions. We shall take the next question. The next question comes from the line of Viraj from SiMPL. Please go ahead.



- Viraj:** Yes. I'll just had one query. The guidance which you've given, the margin 50 to 100 which is confluent. That is after considering the impact we may have because of the very specialty commissioning, right?
- Rahul Dhanuka:** Can you repeat the question? Your voice was not audible.
- Viraj:** Improvement of 50 to 100 basis points, which you gave for FY '24, that is including the impact we may see because of the facility commission?
- Vinod Bansal:** No. We are telling the entire thing. We see standalone without Dahej over now. Dahej contribution would be very insignificant in this year.
- Viraj:** It is irrespective of the Dahej.
- Vinod Bansal:** Yes.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.
- Rohit Nagraj:** Just one question in terms of any further dialogues with Japanese customers. So we've been talking with them regarding any long-term contract or for some products. So any further development on the same? Thank you.
- Harsh Dhanuka:** Yes. So there is development and we are in continuous discussion. I think as we have informed earlier, these are long-term projects. So we are not expecting anything to close very quickly. It may take some time, but we are very confident of getting Japanese projects in the future because of our long-term relationships with the Japanese partners.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Nuvama. Please go ahead.
- Rohan Gupta:** Congratulations on the good set of numbers in the current scenario. Rahul ji, just wanted to have some clarification in terms of some channel inventory, not just only for Dhanuka but for across the industry. In a current scenario, the industry is preparing for the Kharif crop, but we have seen that the season and El Niño has been impacting the channel, and there has been some resistant also from the channel in terms of stocking the inventory.
- Also, on the contrary, we are seeing that the raw material prices are falling, which may lead to fall in end product pricing as well. So in this kind of scenario, how you see that the channel inventory is right now? Is it less, more? And I mean, yes, that is your first clarification.
- Rahul Dhanuka:** Yes. So channel inventory would be relatively higher.
- Rohan Gupta:** Okay. And this is across, and when the system or the channel is sitting on a high cost inventory, you are expecting the prices to fall. So will it lead to lower acceptance once the prices fall, raw material prices fall, suppose in July when you put the new material in the market at the lower prices. Will there be lower acceptance from the dealer or channel at the new prices because they will be sitting on a high cost inventory or how the system will pan out?



Rahul Dhanuka: Yes. So there is that risk certainly that the lifting is mitigated for a while before the liquidation happens.

Vinod Bansal: And you see in the month of March, the many companies are having a different scheme on account of the incremental discount, right? So after considering the discount, the impact should not be much.

Rohan Gupta: Okay. Sir, we have also seen that there are very significant practice now which has been continually increasing year-by-year is offering very heavy cash discounts of CDs schemes or effective schemes at the start of the season itself in the placement time, placement season. So generally, March, April, which is considered to be a placement season, we used to see earlier CDs or company offering CDs of close to 6% to 8%.

We have seen some of the new players or even the existing players in the system have offered CDs or incentive schemes as aggressive as even 12% even going up to 18% also. Do you see that this is a new trend in emerging, which is definitely making the large dealers and distributors to grab the materials starting of the season and to benefit from the schemes?

And when we are more closer to the consumption and that basically drives the -- I mean, leads to volatility or unpredictability for the players like you because we don't know how much large dealer distributors will be seeking on it or a previous inventories that is probably making your business more unpredictable and more volatile.

Rahul Dhanuka: Well, business has not become any lesser or more unpredictable or volatile. Business has always been like that, and agriculture, agrochemical has always been as unpredictable and as volatile. The need to feed 1.5 billion population in India and now 8 billion population across the globe, opportunity to export wheat and various other commodities, has only put India relatively on the forefront of balancing the global food demand and agrochemical industry in a better position to be able to service that.

Nothing about uncertainty or unpredictability has changed here. The weather and the supply chain remains as unpredictable as ever. Talking about the cash discounts, these are schemes camouflage under different titles. So like earlier we said that the balancing of the schemes allows the channel to mitigate the risk of reducing prices. So these are the schemes, which are available to the channel offered by companies by different names.

Moderator: I would now like to hand the conference over to Mr. M.K. Dhanuka for closing comments.

Mahendra Dhanuka: Good evening, friends. To summarize at last, Dhanuka continues to demonstrate our ability to overcome challenges and a more stronger despite uncertain business environment. Dhanuka will aggressively roll out new formulations in the upcoming quarters to ensure that it reaches to the consumer.

I reassure our shareholders and the -- all the 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. Wishing you all good health and safety. Thank you very much.



Dhanuka Agritech Limited
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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.