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Certified Company
CIN: L24100GJ2015PLC081941

DHARMAJ®
CROP GUARD LIMITED
Limitless GROWTH

November 06, 2023

To,

BSE Limited Corporate Relationship Department PJ Towers, 25th Floor, Dalal Street, Mumbai- 400 001	~~National Stock Exchange of India Limited Exchange Plaza, Plot No.C/1, G-Block Bandra Kurla Complex, Bandra (East), Mumbai- 400 051.~~
BSE Scrip Code No. 543687	~~**NSE Symbol:-DHARMAJ**~~

Dear Sir/Madam,

Subject: - Transcript of Earning Call of Q2/FY2024 Financial Results [Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

With reference to our previous intimation for the Q2FY24 Earnings Conference call of the Company held on November 04, 2023 at 12.00 PM IST and further in accordance with the requirement of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule-III Part-A thereof, we hereby inform you that the transcript of the Earning Conference call of Q2/FY24 Financial Results is attached as **Annexure –A;**

The same is also being made available on the Company's website at:

https://www.dharmajcrop.com/investors-disclosures-under-regulation-46-and-62-of-sebi-lodr-regulations-2015/ - **Investor Analysts Meet/Conference call.**

We request you to kindly take note of the same and consider for official records.

Thanking you,
For Dharmaj Crop Guard Limited,

Malvika Bhadresh Kapasi

Digitally signed by Malvika Bhadresh Kapasi
DN: c=IN, o=Personal, title=9031, pseudonym=431A1AA5D3B52BC38BF0D4D43E43B296804FFD45, 2.5.4.20=e3fb076f7740c9bf2203559ac865bad6099bcac47dab23804e4f6ce4893b46ee, postalCode=380052, st=Gujarat, serialNumber=7C7ECCB695B5C31FBA7721B9BAAEEA08B651BAEB3C1289D0D835B1B54E2CAAD0, cn=Malvika Bhadresh Kapasi
Date: 2023.11.06 11:31:45 +05'30'

Malvika Bhadreshbhai Kapasi
Company Secretary & Compliance Officer
A52602

"Dharmaj Crop Guard Limited
Q2 & H1 FY '24 Earnings Conference Call"
November 04, 2023

MANAGEMENT: **MR. RAMESHBHAI TALAVIA – CHAIRMAN AND MANAGING DIRECTOR – DHARMAJ CROP GUARD LIMITED**
MR. JAMAN TALAVIA – WHOLE-TIME DIRECTOR – DHARMAJ CROP GUARD LIMITED
MR. VISHAL DOMADIA – CHIEF EXECUTIVE OFFICER – DHARMAJ CROP GUARD LIMITED
MR. VINAY JOSHI – CHIEF FINANCIAL OFFICER – DHARMAJ CROP GUARD LIMITED

MODERATOR: **MR. SAYAM POKHARNA – TIL ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Dharmaj Crop Guards Limited Q2 and H1 FY24 Earnings Conference Call. As a reminder, all participants lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Sayam Pokharna from TIL Advisors Private Limited. Thank you and over to Mr. Pokharna.

Sayam Pokharna: Thank you Neerav. Welcome everyone and thanks for joining this Q2 and H1 FY24 Earnings Conference Call of Dharmaj Crop Guards Limited. The investor updates have already been uploaded on the stock exchange company website and emailed to you.

In case you do not have a copy of the same, please feel free to reach out to us. To take us through the discussion we have with us from the management team, Mr. Ramesh Talavia, Chairman and Managing Director, Mr. Jaman Talavia, Full-time Director, Mr. Vishal Domadia, Chief Executive Officer and Mr. Vinay Joshi, Chief Financial Officer. We will start with the opening remarks on the financial performance of the quarter and the strategic updates followed by the Q&A session.

I would like to remind you all that everything said in this call that represents any outlook for the future that can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties have been mentioned in our prospectus. With that said, I would now like to hand over the call to Mr. Ramesh Talavia. Over to you, sir.

Rameshbhai Talavia: Good afternoon and welcome to the Q2 and H1 FY24 Earnings Conference Call of Dharmaj Crop Guards Limited. We appreciate your presence on this call and look forward to discussing our company's performance for the period under review. I will start with the quarterly performance.

Q2 highlights. As you can see, Dharmaj continues with its healthy financial performance in the challenging industry environment. This quarter, we reported a top-line growth of 14% year-on-year, reaching revenue from operations of INR2,527 million. This has been primarily driven by volumetric growth, as the realisation trend for the agrochemical industry in Q2 has been stabilising and not much volatility was recorded in product pricing this quarter as compared to the last few quarters. Growth has been witnessed in all three verticals we operated in.

While branded business showed modest growth of 5% this quarter, it was primarily due to the monsoon deficit in August and this affected our momentum in the western markets like Rajasthan and Gujarat. However, growth from our newly entered state has been promising and we are witnessing a good first season in this market. We will continue to build on this performance.

Institutional business has remained robust even this quarter. We witnessed a 14% growth this quarter in the domestic institutional vertical. Export institutional performance has also been encouraging, especially given the current export market environment for the industry.

And Q2 particularly we saw some orders being spilled over from Q1, however, even if we evaluate H1 FY24, the company has reported a growth of 5% year-on-year in exports. Margins have remained healthy in Q2 as well. We have witnessed year-on-year improvements in EBITDA margins and maintained a trend we witnessed the last quarter.

It is important to note that these margins are despite two reasons. Q1 had higher sales contribution from brand business and second we showed slightly more aggressions in pricing for the newly entered state where we are establishing our foothold this year. Our Saykha project updates, new coming to Saykha project updates, as you can see from our investor presentations, the project is almost ready and commissioning of the plant is just around the corner.

We expect to commission the plant by end of this month. So December onwards we will start trial production at that site. This project has been completed as per our originally communicated timeline despite all sort of on-ground challenges, all thanks to our team who has really worked hard on this project.

And another update on the Saykha project is that we will witness some increase in capex as opposed to the originally estimated INR200 crores. There were two elements on this. First, we witnessed some cost escalations in material, labour, and some equipment cost.

Second, we have installed some additional plant and equipment in the technical block. This is keeping in mind higher product mix flexibility. Although this will not lead to increase in tonnage capacity, it will enhance our ability to move beyond synthetic [firewood] in future.

Third, lastly, although this is a smaller cost, we shifted our boiler plant to an adjacent site. We acquired this site recently and decided to switch to the boiler from a safety and risk management perspective. Our outlook for the rest of the year remains optimistic.

We will continue to perform as we have done in H1 so far. The commissioning of the Saykha project and our entry into active invariants will strengthen our ability business model and positioning in the industry. I would now like to open the floor for questions.

With these opening remarks concluded, thank you very much. We will now begin the question-and-answer session.

Moderator: Thank you very much. The first question is from Lion of Marsal, an individual investor. Please go ahead.

Marsal: Good morning. My first question is regarding this Saykha plant. You said that the capacity is going to increase. How much amount is the capacity going to increase? Number one. Number two, once this plant is operational, how much time will it be required to stabilize to have this regular production?

And then what will be the revenue increase from this plant? What will be the EBITDA margin considering that 60%-70% of this product will be our backward integration? So we believe that this will really give a boost to the EBITDA margin because currently if you are buying those 70% from the market, so that much of this contribution we will retain within ourselves.

Rameshbhai Talavia: Thank you for your question. The second plant which is in progress, we are expecting that the plant will stabilize by Q3 and from Q4 of the current year, we will have some commercial production. And for this current year, we are expecting not more than 10% utilization.

And this will be stabilized from FY25 onwards and we can reach an optimum level by FY26. Now, coming to the margins, once this plant will be at optimum utilization, then we are expecting EBITDA margin enhancement by 3%-4%. But initially, it will be around 1%-2% in the first year.

Marsal: And then how much is the capacity going to increase? Because you only mentioned that it is actually 200 crores, but nobody mentioned that what is the amount that capacity is going to increase?

Rameshbhai Talavia: Yes, as mentioned already, because of escalation in the cost of the material, cement, labor costs, there was some escalation and certain machinery is added. So, we are expecting this will be around INR220 crores and near about that. Certain machinery, advanced machinery will be added here.

So, that is going to increase the overall cost of the project.

Marsal: So, by having those machines, will it increase the productivity or will it reduce the cost of the...

Rameshbhai Talavia: It is not going to increase the capacity. It is more on the efficiency side. Whatever machineries we are using here, they are going to increase the efficiency and also going to help us in the environment maintenance because certain machines have advanced technology.

And earlier what we projected was conventional models. But now, in last two years, what we identified that we should go for some advanced machinery. So, it is going to increase the efficiency of the plant, but of course not the capacity.

Marsal: And sir, like you mentioned that during this Q2, certain orders from Q1 were spilled over. So, what is the amount of that one and how much we can see that normal secular turnover for the Q2? And whether this Q2 turnover will be sustained in the Q3, Q4 or is it mainly because of the season of the Q2 that our turnover is higher compared to Q1, because Q1 is only INR162 crores and now it is INR253 crores?

Rameshbhai Talavia: So see, normally the export turnover is in the same range, quarter-on-quarter. But this Q1, whatever orders we have in export in Q1, because of availability of vessels, we could not export. So, that spill over to the Q2. Otherwise, normally it remains in the same range.

Marsal: What is the amount for that one, approximately?

Management: Around INR5 crores to INR7 crores.

Rameshbhai Talavia: INR7 crores around the amount like that.

Moderator: Thank you. Marsal, sorry to interrupt you. I will request you to come back in the question queue for a follow-up question. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: Good morning, sir.

Rameshbhai Talavia: Good morning.

Ayush Mittal: First of all, congratulations on the good performance. And I am a bit new to the company. So, sir, I might have some repetitive questions. Sir, first of all, it is very good to see that our performance is coming in this challenging time, there is a challenging time in this industry. Here, best of the players have not been able to deliver.

So, if you give a little overview of the industry, what are your thoughts? Why is it such a challenging time? What is the situation today? And what are we doing a little differently so that we can grow in this environment? Sir, please give a little bit of your thoughts on this? And what domestically have we done, what product portfolio have we worked on, what changes have we made? So, this is my first key question.

Second is, we are also seeing a very, very sharp jump in your receivables. And we used to see that there was a lot of strong control over our working capital. So, what is the reason for this sharp jump? So, this is my first question and then I will come back again.

Rameshbhai Talavia: Our difference model with this industry is that we manage inventory properly. We purchase according to the time-to-time requirements. Generally, our procurement system is such that the cheapest thing is purchased first. And the last, the most expensive thing is the technical ingredient. We purchase it from the last minute, process it immediately, pack it and sell it out. So, we manage inventory within time. So, this has been our biggest difference model.

And in the market also, we are expanding our B2B segment all over Pan-India. We are approaching small customers and giving them services all over India level. Which is not being given by any big company till-date. So, that has been our main peak point that our business has grown. And as we manage our inventory, then automatically we can manage our operating capital in a properly way. And the self-policy that we have, like our NCR, Net Cash Rate, we operate more business in cash. And in B2B, we give service to the customers who work in the discipline of 90 days to 120 days. We give service to the same customers.

Ayush Mittal: Okay. We have made changes in the product expansion and because of which we have grown? And secondly, we are talking about small formulators, small B2B customers, so, sir, given the size of our company, which has come on the scale of size by five years, will this strategy help us continue the growth that you are aiming for, of a high growth of 25%, 30%, which is your aim. Will we continue that growth based on this model?

Rameshbhai Talavia: There are two categories in this. Like in B2B, there is a B-level customer, which is a small formulator. And the big one is corporate level. We have entry in both places. So, till now, we were not able to serve these small customers. But this year, we started to focus on them, increased the employees. So, we are getting good growth from there too. And the corporate level, we started the activity last year. Its quality improvement is linked with the QC department. So, we started getting results from this year. For example, we started a business on Rallis. We started a business on Coromandel. So, these are some models, because of which we are seeing more growth in B2B. And it will continue in the coming year too. There will be growth in it too.

And secondly, our Active Ingredients will come, because of this, our product range will increase. And we have also added new products. So, by adding new products and new customers, we are getting double-story growth.

Ayush Mittal: Sir, these large customers like Rallis and Coromandel, are already very entrenched players in the market, one. Second, there is a lot of competition in this too. So, to penetrate and grow them, what is our value proposition? Why are they buying from us? Why is our growth coming from them? What are we doing differently? What is the value proposition versus the competition?

Rameshbhai Talavia: Demand, generally, we provide the materials at the right time for them as they demand. Secondly, the procurement process of Rallis is such that it does not purchase goods from everyone in the market. Its QC department will approve it. It will purchase from the same vendor. So, for a year, we have approved six to seven products from Rallis QC. So, from this year, it started buying a little bit.

For example, its system is such that, if a material needs 50 tons, it will not buy 50 tons from a new vendor. First, it will buy 5 tons, then 10 tons, then 50 tons, even if it is in L1. So, we started this system last year. This year, we got an entry. We have sent six to seven products in the priority stage. From next year –from next time, our growth will be more impressive.

Ayush Mittal: Okay, great. Sir, my second question is, we are doing such a big capex to put a manufacturing plant. Till now, our strengths were farmer market formulation, distribution. It was more of a different kind of business. Sometimes, we see, when someone comes from this background and goes into manufacturing, it is not an easy journey. Initially, there are a lot of troubles in terms of getting efficiency and all those things. But given that we have done such a big capex, and it is on completion, can you share more about it as to what gives you confidence that we will be able to operate it well, scale up, or our efficiencies will come in it?

Rameshbhai Talavia: Whenever we do a new project, there are always issues and problems. Every problem has a solution. Six years ago, we decided that we want to go into active ingredients. Today, we are doing it. There are in-and-outs. We have set up multiple projects so that if anyone comes in the future, we can do it. Because what is needed in a technical grade plant? What temperature do we take it to? What processing is there? We have established all these infrastructures. We had a major plan of synthetic pyrethroid. We have added five, seven more products in parallel so that we can do production together.

As I told you, there is CTPR, Dimethomorph, Thiamethoxam. We will be able to make all these routine products parallelly in this plant. Because of this, we will be able to serve the market based on the demand of the product. We have developed a plant facility of this level.

Moderator: Thank you. Next question is from the line of Harsh, a Professional Investor. Please go ahead.

Harsh: Congrats for the good set of results. I have two questions. First thing is, we see an increase in receivables. Is this because we have done higher B2B formulation sales this quarter? Where our receivable cycle is longer?

Management: Receivable mainly, as you know that quarter 2 is always the best month in terms of sales. Our normal credit periods are around 90 days to 120 days. In August month, we have maximum sales. That collection will come in the month of October and November. It is a normal pattern. In Q2 and on 30, September, our receivables are always high. It is not an extraordinary feature for this.

Harsh: Is there a receivable difference in our B2B and B2C business?

Management: In terms of credit?

Harsh: Yes, in terms of credit, I mean.

Management: No, there is not much difference. We have same terms of credit for both kinds of verticals.

Harsh: Okay. My next question was about the fire incidents which we had in our technical plant. Can you talk about how that happened? And why did we have fire in a plant which was only under construction and not operational?

Rameshbhai Talavia: There was a fire incident where the main insulation material and the parallel activities were going on. Due to the parallel activities, the welding was going on and that is why there was a minor fire.

Harsh: In terms of production or our plants, that didn't affect anything, right?

Management: Yes, it is during construction of activities and welding, some spark caused a minor fire. It doesn't cause much loss to us. It is under control. Within half an hour, it is under control. So nothing much, it is a small fire.

Harsh: Okay. Perfect. And sir, a last question, I think, in the last question that you were responding, you mentioned something about CTPR. So if we have plans to manufacture CTPR, but we don't have licenses currently, right? Can you talk a little bit more about registrations for CTPR in India?

Management: Yes. CTPR, actually, Chlorantraniliprole, technically it's a patented molecule. In last August, they have off-patent. And we have -- meanwhile, we have taken licenses and that is why we have planned for this product in the immediate basis.

Harsh: So, we already have the license?

Management: Yes.

Moderator: Thank you. Next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good morning, sir. First of all, congratulations for very good numbers. Sir, my first question is looking at our branded formulation site, we have been able to grow by 5% even after the erratic monsoon. But historically, we have been able to grow by 20%-plus. So, sir, given whatever is the current situation, how are we seeing the growth this year? Can you tell us a little bit about it?

Management: In branded formulation, we opened some new states last year, North India and Maharashtra. So, we have seen growth from there. As sir said, we have been able to grow by 5% in the second quarter. The reason for that was the dry spell, the drought condition in the west zone, where we already have an established market, so, there was a little setback from there. But from the new opening state and where we are an established state, we can see good growth. Because our strategy is of demand generation at the field level.

If we look at the volume wise growth, we have grown by more than 25%. But the market price was very low because of that, the revenue wise growth is less in branded.

Dhwanil Desai: Okay. So, the volume growth was 25% even in this quarter.

Management: Yes, the volume growth is high.

Dhwanil Desai: Okay. Sir, how are you seeing the Rabi season? Are you getting the feedback from the ground level? Is the pricing situation stable, or are the prices still falling?

Management: The pricing situation is stable. And Rabi's concern is that in the last August drought, then in September, there was a good rain in the west zone. So, Rabi's credit is optimistic. And we are seeing a good business opportunity.

Dhwanil Desai: Okay. Is 15% growth possible at the revenue level? Or how should it be see that?

Management: The routine growth is expected.

Dhwanil Desai: Okay. Sir, my second question is on the technical side. In the Saykha plant, we have written that we have already received 13 registrations. And two, three registrations in the export market. So, in this segment, have we received any registrations other than synthetic pyrethroid, or is it all synthetic pyrethroid?

Rameshbhai Talavia: Other than synthetic pyrethroid, we have also put other molecules in registration. So, 13 registrations have already been done. And the rest 29 are still in the process.

Dhwanil Desai: Because sir, we are very close to starting our commercial production. So, can you tell us what type of product basket we will start our commercial production with? Because the overall in industry level, in export market and in domestic market is a very challenging situation. So, can you tell us about our product market strategy?

Rameshbhai Talavia: According to our product market strategy, we have decided that other than synthetic pyrothread, the CTPR, which is Chlorantinifol, Dimethomorph and Thiomethoxam, we have selected Thiomethoxam because it has a very high internal consumption. We use 150 200 tons yearly.

So, it will be 100% in-house. And we are looking at both the verticals in Dimethomorph. Export is also good and domestic market is growing.

There are new molecules. And third one is CTPR, which I mentioned earlier, has recently been discontinued. So, it will also have a growing domestic market. And it has three, four different formulations. So, it will have an internal consumption like brand, B2B. And we have also started the registration process in export. And other than this, the synthetic pyrothread molecules like Permethrin, Alpha-Methrin and Permethrin are continuing.

And we have already started the export tie-up with corporate level as well as multinational companies. So, this will be our multiple strategy. We will enter with five to six products by December. And from January-February, we will start planning for the New Year season.

Dhwanil Desai: According to the current pricing scenario, will it be possible to have a 33%, 35% gross margin in the five to six products that we will launch? Or will we have to work on a lower gross margin when the pricing situation improves?

Rameshbhai Talavia: We will have to compromise in the starting time.

Dhwanil Desai: Okay. So, we will also work on a lower gross margin to get entry into the market.

Rameshbhai Talavia: But in this, the generic molecules, like Cypher, Alpha, Permethrin, we will have to compromise margin to get entry. But in the new molecules like TPR, Dimethomorph, there is no need to compromise. Because they are all new. They are not ours. So, it will be good in terms of margin.

Moderator: Thank you. The next question is from line of Jainam Ghelani from Svan Investments. Please go ahead.

Jainam Ghelani: Good afternoon, sir. Thanks for giving this opportunity. And congratulations for great set of numbers. I have a few questions. Sir, you were saying that there will be new products in our technical plant. So, what is the mix that we are expecting? How many new molecules will be there and how many generic ones?

Rameshbhai Talavia: I have already told you about the new molecules. Like CTPR, Dimethomorph, Thiamethogram, which we did not plan earlier. We have already decided that in the first phase. In the next phase, there will be more molecules that will be in demand in the market. For example, there will be Tolfen Pyroid, Pymetrizone, Denodifuron. We will keep planning such products in the next phase.

Jainam Ghelani: So, all the products will be generic. In the second phase, there will be specialized products?

Rameshbhai Talavia: We have made multiple projects so that we can set up any product in it. Insecticide and Fungicide should be there. We cannot do the insecticide type molecules because we have to do a separate project for that.

Jainam Ghelani: Sir, I want to know that our receivables have increased so much. Will this trend continue? Or will we try to reduce it?

Rameshbhai Talavia: Sir, in this business, if you look at any company, the second quarter is only for sales. Sales is the highest. The sales that will be there in August, September, the payment will come in October, November, December. The payment term is generally 90 to 120 days. So, our second quarter is always focused on sales. And the third quarter is always focused on collection majorly. Sales is always parallel. So, this is the trend of this business. In the last phase, our sales have increased. Generally, the harvesting starts in September. So, the collection starts in October. October, November is the collection period.

Jainam Ghelani: Sir, our main market is still Maharashtra and Gujarat, right? For technical terms, initially that will be the focus area, right?

Rameshbhai Talavia: Gujarat, MP and Rajasthan are well established markets. And we are establishing day by day in Maharashtra. So, in the western zone, we have an established level. And in the eastern part, we have a presence. We have started in North India last year. And we are going to start in South India next year. So, we have a block-wide strategy. And B2B business is all over India. We don't have any state in that area. But in B2B, we are strong in the western zone and we are operating in the north and south.

Jainam Ghelani: Thank you, sir. And wishing the whole team a happy Diwali. Thank you.

Rameshbhai Talavia: Thank you. Happy Diwali.

Moderator: Thank you. Next question is from the line of Nirav Jimudia, from Anvil Research. Please go ahead.

Nirav Jimudia: Good afternoon, sir. I have two questions. The first question is, in our B2C formulation business, our product launches are quite aggressive in last two to three years. In the last three, four years, we have launched close to 72 products. 21 products were launched last year. Like you mentioned, we launched CTPR, Kyamaksham, Brahmos, Lokhandi, and Lithox in September.

So, I wanted to know that, in B2C business, where there is a lot of competition, and we need to be very close to the farmers, connected to the farmers, how are we improving our penetration level? In India, there are close to 11 to 12 crores farmers. So, if you give a perspective, where we are getting more B2C sales from the western belt, how much is our farmer penetration there? Because, as it increases, the acreage increases, the crops increase.

So, what are we doing there? You have mentioned in your annual report that you have strengthened the marketing team. So, what are we doing other than that so that our farmer penetration increases and our sales increase?

Vishal Domadia: Good afternoon, Vishal here. In B2C, we are serving more than three lakh farmers. The strength of our B2C team is that we have fixed field level demand generation. We have to go to the farmer's field, do demonstrations, do farmer meetings, and show our product to other farmers. We are able to grow through publicity. So, this is the key strategy of field level demand generation. This is the main reason why we are growing in B2C.

Secondly, we have more than 400 CIB licenses. So, we do an analysis on which molecule the farmer's cost will be less or will be competitive. In this analysis, we choose the product according to the margin of the channel and the margin of the company. Then we do demand generation activity on that. So, our gross margin improves and we are able to sustain in the competition.

Secondly, as MD sir said, we have a good disciplinary and control system in inventory and debtor. So, you will see sales returns from other companies. So, our competitiveness is low. That is one reason why we are able to do sustainable business.

Nirav Jimudia: Sir, our western belt like Gujarat, NP, our branded formulation business which has sold INR110 crores in the first half, what is the break-up like? How much is the market of Gujarat? How much can we penetrate in it? How much can we grow? Because it takes time for a product to mature. So, every product of ours, like Padgam, which we launched two, three years ago and it is doing very well now. So, how much time does it take for a product to mature and generate sizable revenue?

Vishal Domadia: It takes two years to develop any product. In the first year, we do demand generation activity and in the second year, we get the volume of it and we get a good contribution from it. In five states, Gujarat, Maharashtra, NP and our 70% business is coming out of it. The rest of the new launching states are in the developing stage. In Gujarat, there is a market of approximately INR2000 crores and we are doing INR60 to INR70 crores business and we are in a good position. We can plan for INR70 to INR80 crores next year.

Moderator: The next question is from line of Shikhar Mundra from Vivog Commercial. Please go ahead.

Shikhar Mundra: Hi, sir. First of all, congrats on a good set of numbers. So, I wanted to know how is the economics of this INR220 crores capex and what is its revenue potential and how much will it be used and how much will it be sold? And what is the incremental EBITDA and what is the optimum utilization?

Management: So, as I mentioned earlier, our EBITDA margin will be optimal and we will get 3% to 4% additional margin from this new plant. We have already incurred capex of INR220 crores so we are targeting almost three times asset-to-turn ratio when it reaches the optimum utilization capacity.

Shikhar Mundra: So, around INR650, INR670 crores revenue potential how much would you say like 60%, 70% would be capital consumption?

Management: No, capital consumption will be around 25%. 25% to 30%will be capital consumption and other will be mostly relating to the we are targeting export market and domestic institutional market.

Shikhar Mundra: So, around INR150, INR200 crores production will be used capitally and the rest will add to the top line INR350, INR400 crores?

Management: Correct.

Management: So, the utilization it will be in the outside sales other than capital we are targeting around INR600 crores.

Shikhar Mundra: That is outside sales other than capital?

Management: Yes. When it reaches the optimum capacity utilization.

Shikhar Mundra: So, we are planning for a turnover of about INR1000 crores total on a company level is that right? when it reaches optimum utilization?

Management: So, outside sale will be around INR600 crores and around INR100 INR750 crores we are using capital consumption. So, INR800 crores will be the total turnover.

Shikhar Mundra: Okay. So, what is the capacity utilization of the existing plant?

Management: It is around 50%. In the range of 45% to 50%

Shikhar Mundra: Okay. Right. I want to understand your product life cycle when a product launches how much is the sales in the first five years and how much is the taper down? Or rather you can tell me how much is the sales in the last five years?

Rameshbhai Talavia: The product life cycle depends on the market. If a new product is launched and if we get a new option which is cheaper and has more efficiency than it will taper down and start again. But on an average if we introduce a new product then it will have a good margin wise and will be gross for the next two to three years. After that, if we get a new option then we plan based on the contingency.

But we have made a strategy that each and every year we conduct a market analysis and survey and we find out two to three products that we can launch based on the market understanding. And we decide the segment that we want to launch this product for this crop, this crop or this crop. On the same page we do the market demanding and launching and introduction. Next year, we get the output for that. If the product life is good then it will continue.

Otherwise, it will be less volumetric but it will continue. It will not stop after two years or 2-5 years. But it will continue according to the market. Because in the market, in the last 30 years, there is no product that has stopped 100% and there is no demand for it. The one that comes, it spreads it and the product continues.

Shikhar Mundra: Okay. Fine. All right. Thank you, sir.

Moderator: Thank you. Next question is from the line of Shreya Pokharna from Niveshaay.

Shreya Pokharna: Yes. Thank you for the opportunity and congratulations for good set of numbers. Sir, I wanted to ask in our technical plant what guidance can you give on export and how much can we target at optimum utilization?

Rameshbhai Talavia: On optimum utilization export is not a short gain, ma'am, it is a long-term gain. We have started the registration process from the last year. Whichever countries we get our registration done; we will set up it. At present level, our domestic will be strong and the countries with less regularities our entry will start. In the next phase, as we get the registration done and we will increase the export in those.

Shreya Pokharna: Do you have a timeline for the export registration for under process?

Rameshbhai Talavia: It is not in our hands; it is in the hands of the country to country regulatory. It might take six months or a year. At the end of this year, we will have a lot of products approvals and we can get the benefit from the next year. We can't say for sure that we will get it tomorrow because it is a government process and we can take time for the queries that may come.

Shreya Pokharna: Okay. Thank you, sir.

Moderator: Thank you. Next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Hello, good afternoon sir. Sir, you have capex of INR220 crores a Greenfield project and you have told us about its potential, so how long will you expect the optimum utilization?

Management: The plan will be in the optimum utilization by 2027.

Rahil Shah: So in FY27 financial year, so in the initial stage and in FY '26 what can we expect in that?

Rameshbhai Talavia: '24, '25, '26 and '27, so in four years, it will be in the optimum utilization.

Rahil Shah: So in the current scenario, how is the business environment in Q3? How is the demand been in the remaining years?

Rameshbhai Talavia: Generally in this agrochemical business, the Kharif business is very strong Q1 and Q2, in that 60%- 70% around 60% is in Kharif and 40% is in Rabbi. And Rabbi business is generally sure because there is no in and out like rain is not there and all and Kharif business only depends on the rain. So now the price is mostly stable and the crop sowing after harvesting is also in the optimum level. So the Rabi season is going to be normal and we will maintain our growth rate optimistically.

Rahil Shah: So you are talking about the growth on year-on-year or throughout the year? You will maintain it?

Rameshbhai Talavia: Quarter to quarter. As I told you.

Rahil Shah: And margins will be in this range?

Rameshbhai Talavia: Yes. Margin will be in that range.

Rahil Shah: Okay. I will get back in queue. Thank you and all the best.

Moderator: Thank you Next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Hi, thank you for the opportunity. Thank you, sir, a lot of questions have been answered. One first question needed clarification. So as we see your numbers Q1 and Q2 are very strong, first half is very good. Q2 is also good. So as you were explaining that you are entering new markets adding on and launching new products. So can we assume that going forward our Q2 and Q3 numbers will be better than first half? Or do we still think that first half will be better and second half comparatively less?

Rameshbhai Talavia: No, like our Indian agrochemical industry depends on cropping patterns and seasons. In rainy season, pest attack is more. So naturally, 60% is Kharif in cropping and in Rabbi, it is less. It does not depend on product but on crop. Highest pesticide consuming crop is paddy or cotton, so as you can see the highest crop is wheat and not so much pest in that.

So by changing cropping pattern the tendency to use pesticides also changes. So comparatively to Kharif, Rabbi is still low. You will see year-on-year growth. There is no doubt about it. But it will not happen that business will increase in Q1, Q2 than Q3, Q4, in any company.

Yogansh Jeswani: Sir, wanted one clarification. You gave an answer to a previous participant that you have got approval of CTPR. So CTPR comes under 9-4 category. So are the registrations clear? Or will you make it for someone else? Or will you give some other arrangement? Please throw some light over there.

Rameshbhai Talavia: CTPR, we have our own license. We have 13 licenses of CTPR.

Management: We have already received the technical license also.

Yogansh Jeswani: Sir, CTPR has many products. So can you tell us the range of those products?

Rameshbhai Talavia: I didn't understand your point.

Yogansh Jeswani: Sir, in CTPR there are many categories in products…

Rameshbhai Talavia: So in that, CTPR has 18.5% formulation. Second formulation is CTPR plus 5% CTPR plus Lambda. There are three molecules. We have started two of them, we have not started the one.

Management: Our brand has started it in the last year, itself B2C.

Yogansh Jeswani: Sir, the license you are talking about, I might have some misunderstanding. Do we have manufacturing license CTPR or 9-4 registration?

Rameshbhai Talavia: We have manufacturing license, 9-3, 9-4. 9-4 is for technical.

Yogansh Jeswani: Sir, you said, we have CTPR technical license?

Rameshbhai Talavia: Technical license is in 9-4.

Management: The first one is 9-3.

Rameshbhai Talavia: License is of two types, Formulation and Technical. Earlier, we had 9-4. We already have that 42 from one year. Now we have 9-4 Technical license. We have that two months- three months. 9-3 is the first one and it has lengthy process.

Yogansh Jeswani: Thank you, sir. And all the best to you.

Moderator: Thank you. Next question is from Souresh Pal from Peace Wealth. Please go ahead.

Souresh Pal: Thanks for the opportunity. My question is most of the questions have been answered. I have two questions. Sir, since we are doing a new capex, so will there be any operating leverage benefit going ahead? And sir, what will be our growth guidance for this full year? Financial year 2024. These are my two questions. Thank you.

Rameshbhai Talavia: Can you please repeat your question?

Souresh Pal: My first question is, we have done a capex, which is going to come live next quarter. So will there be any operating leverage benefit? And my second question is, what will be the growth guidance for this year? I am talking about full year.

Management: You are asking about the margins?

Souresh Pal: Yes, both, sir, margins only?

Management: We will definitely have the operating benefit in terms of margin as well as operation. We are saying that, around 25% we are using for the capital consumption. It is going to help us in both, in operation as well as in margins.

Souresh Pal: What about our growth outlook for this full financial year?

Management: We are targeting around 20%, overall year-on-year growth in this calendar year.

Souresh Pal: That is volume level growth or top line level growth?

Rameshbhai Talavia: Both.

Souresh Pal: And sir, one more question. Since our capex is coming live in Q3- Q4 What will be the effect In terms of depreciation cost in our P&L segment?

Management: Depreciation will be around INR24 crores will be the overall yearly depreciation, we are targeting.

Souresh Pal: That will be additional depreciation or total?

Management: In total.

Souresh Pal: Total. That is for full year, INR24 crores.

Management: Yes.

Moderator: Thank you. Next question is from line of Nirvana Laha, an individual investor.

Nirvana Laha: Sir, my question is about Employee cost. If we look this quarter employee cost, INR2.6 crores increase from last quarter, around 50% increase. Is it because of new plant employees? And how will it be in the quarterly level? For the remaining two quarters

Management: Employee cost is mostly added in our sales team and the other. This will be stable now going forward because we added…

Rameshbhai Talavia: Last year when we launched the new state, the recruitment that happened between the year, that impact is visible now. There will be no change in that. The additional will be for the Sayakha project. The employee cost of the sales team remains the same.

Nirvana Laha: So for the technical plant, how much additional you expect, quarterly it is INR7.7 crores employee cost is there. So if the plant becomes commercial, how much additional will it be per year?

Management: Yearly INR2 crores, it will be additional cost.

Nirvana Laha: That has not come in the books, right now. So it will be additional from the current level?

Management: It will come from next quarter. It is not coming correctly in our books. Once the plant is operational, it will come to our profit and loss account.

Nirvana Laha: You said that the INR20 crores capex increase in the proprietary of budget, is it because of the cost increase and you have added additional equipment to increase the efficiency. Can you give us a split of the cost escalation on the INR20 crores?

Management: The cost escalation is around INR20 crores- INR25 crores, material and cost escalation. And certain machinery also, we added and it is in process. Around INR20 crores- INR25 crores, we have spent on this capex till date.

Nirvana Laha: Out of that, how much pertains to the equipment and the boiler shifting cost, etcetera?

Management: So that shifting cost is as of now INR5 crores additional for the boiler shifting cost.

Nirvana Laha: And for the equipment?

Management: Equipment almost around INR15 crores to INR16 crores. We incurred on the additional equipment, till date.

Nirvana Laha: Okay. All right. And sir last question, you explained the seasonality of receivables, if we see now, your receivables are running for 160 days. If we see the figure of one year ago December '22. You can tell us about the inventory in crores wise? Just for a rationalize comparison?

Management: Receivable, if you see, already in this presentation we have been given, it was around INR169 crores receivables last year as on 30th September, which is around…

Nirvana Laha: 169? Sir, you said 169?

Management: Yes, it is already given in our presentation.

Moderator: Next question is from the line of Shreya Pokharna from Niveshaay. Please go ahead.

Shreya Pokharna: Hello, hi sir, thank you for the opportunity again. I wanted to know whether the capex of INR220 crores that we have done, is it the amount spent till now or is it the amount of the total capex for the technical plant?

Management: It is the amount spent till now.

Shreya Pokharna: Okay. Are we expecting any further increase in this?

Management: Yes, some more amount we are expecting and so we are already this installation work is in process. A certain addition will be there in our total capex.

Moderator: Thank you. Next follow-up question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir, thanks for the opportunity again. Sir, I wanted to know that the new technical plant that we are putting up, the products, we are also putting up [Anti VDN CMSC 0:56:45] capacity. So, in the future, the new products that will come will be through backward integration. We will make the intermediates and we will make the technical. That will be used for our formulations. And additionally, I wanted to ask how much is the fixed cost of our plant annually? Just to understand the breakeven level of the plant?

Management: The new product that we are buying, there are many products like the [inaudible 0:57:21], we have to import one or two raw materials and the rest we can make in that sector. And as CTP is coming, we import the main key home materials and the rest, the small ones, we manage from here and make it. It depends on the product-to-product nature. So how well can we manage internally in our plant that the lowest import is well managed at the local level.

Nirav Jimudia: So that's why we selected this product. Sir, we will not make Permethrin here because India is the only producer of Permethrin. So, that is also a good product?

Management: We have already made that. We are doing additional. The synthetic plant we have planned like Cypermethrin, Alphamethrin, Permethrin, Bifenthrin and other products are already there. There are no changes in that.

Nirav Jimudia: Sir, if you tell us the breakeven cost of the plant, how much will be the fixed cost at the annual level? So that we can know from which level our plant will start profiting. If you can give us some perspective on that.

Management: So it will be around INR70 crores once we reach within the next one or two years. Our fixed cost will be around INR70 crores.

Nirav Jimudia: Okay. So whenever we sell for INR600 crores to INR800 crores, our fixed cost will be INR70 crores. Shall we assume this?

Management: If we do INR600 crores, then our fixed cost will be around INR70 crores, INR80 crores.

Nirav Jimudia: Okay. And, like we are talking about next year, FY '24 and FY '25, how will our fixed cost move? Can you give us an idea?

Management: In this current year, it will be around INR35 crores to INR40 crores.

Moderator: Thank you. Next question is from the man of Vivek Chaturvedi, an Individual Investor. Please go ahead.

Vivek Chaturvedi: Sir, hi. Just to follow up on the last question, you said that next year, I am assuming FY '25, fixed cost will be INR35 crores to INR40 crores for the new plant. Is that correct?

Management: The current year it will be like this. Next year with all the slightly it will increase.

Vivek Chaturvedi: Okay. And sir, how much is the sales that we are expecting from the new plant in the next year? Assuming whatever 30%, 40%, 50% capacity utilization next year, sales can be expected from this plant planned sir?

Management: The new plant you are saying?

Vivek Chaturvedi: Yes sir.

Management: Next year?

Vivek Chaturvedi: Yes sir.

Management: So next year around INR150 crores we are targeting for FY '25.

Vivek Chaturvedi: Okay INR150 crores and we would have a gross margin of about 20%-25% in the first year?

Management: Yes, around 25%.

Vivek Chaturvedi: Around 25%. So, sir, would it be fair to say that this cost that you mentioned, INR70 crores, for next year, fixed cost for the new plant, does this include the additional depreciation which is going to come online once we operationalize the plant?

Management: Pardon me sorry, I missed out. This is the cost I told INR70 crores, it will not be INR70 crores, it will be INR50 crores for next year.

Vivek Chaturvedi: Sorry, how much will be the cost next year?

Management: INR50 crores fixed cost for this new plant only.

Vivek Chaturvedi: Okay sir INR50 crores is the fixed cost for the new plant In FY '25 and how much is the depreciation is over and above the additional INR20 crores depreciation that you had mentioned in the previous question?

Management: The depreciation will be overall, depreciation will be INR24 crores.

Vivek Chaturvedi: Correct, so sir currently we are trending at about INR4 crores, INR5 crores depreciation. So we are having INR20 crores additional depreciation plus about INR50 crores of additional fixed cost. So about INR70 crores of additional cost, would be included to our cost base in FY '25? Is that understanding correct?

Management: Yes.

Vivek Chaturvedi: Okay and since we are going to be doing about INR150 crores at 25% gross margin. So we will be basically doing 37-38-40 odd crores of contribution. So does that mean that our PBT level margin would be going down next year compared to the current year?

Management: You are asking about only new plant or overall?

Vivek Chaturvedi: Sir overall. Because if you are saying that we will be doing a INR40 crores contribution margin and apart from that our INR70 crores cost will be additional. So sir INR30 crores additional cost is what I am calculating. Is there a mistake in my understanding?

Management: See if your overall total plant means existing plant plus new plant overall if you see then our PBT will anyway increase, what we are targeting. So it will be increased by around INR20 crores from FY '24 onwards.

Vivek Chaturvedi: Sorry sir I did not get you. So now your PBT trailing for 12 months is INR60 crores, so you are saying in FY '25 broadly how much do you think would be your PBT, in a rough range?

Management: It will be around INR60 crores, INR65 crores.

Vivek Chaturvedi: In FY '25.

Management: Second plant is operational, that we are projecting.

Vivek Chaturvedi: Sorry I missed your reply. So you are saying in FY '25 assuming all the factors that you just outlined, what is your broad projection for PBT in FY '25?

Management: Sir it is INR60 crores to INR65 crores will be my broad PBT projections

Moderator: Thank you. Next question is from the line of Marsal, Individual Investor. Please go ahead.

Marsal: My question is regarding this turnover or we can say projection for this current year. So you mentioned that certain states we have launched recently. So can you please advise that which state currently we are not present for example, especially in the northern, eastern and western south India? And what are our plan to cover those states?

Management: Mainly south India, we are absent and next year we have planned it.

Marsal: No you mean next year you plan to launch south India or which part?

Management: South India.

Marsal: So currently we are not available in south India?

Management: Yes.

Marsal: So since our current plant is only 50%. So why don't we just launch it immediately, why are we waiting for the next 6 months or 1 year?

Management: Because in south India, if we want to start the operation. It is not an easy task. We have already started the preparation. To find the employees, set the main power and networking. So we have started it now and next year we can start the business.

Marsal: Very good…

Management: If we start it in all the places there are chances of problems. So we have started in west, east and north and now we are planning in south.

Marsal: So, now the whole state is covered in North India. What are the percentages of sales we are getting there and what are they doing to increase it? Because, as you said, this year we are growing 20% 20% growth means year on year. So, to increase it further, because as we have seen the second quarter, it's the best one. So, how can we increase it further? We can increase it further by increasing the number of sales that we are getting in the predominant agricultural states. How can we increase that? What are the strategies for that?

Management: Our story is like this it is not from one direction. In B2B and B2C both. We increase the number of customers, develop new areas and add new products. If we do a new state, there is more weightage of a particular molecule, so we should have those molecules. So based on that we take decisions. How to fulfill all the three aspects. If we develop new areas new customers will increase and we have to manage the requirements.

So in this way we have three-way angle, new product, new customer and new areas. So they will increase -- suppose we started in north India. So this year we will have grip and next year we can go in a good way. It takes three years to establish.

Marsal: So which states did we launch in H1? What has happened from there?

Management: This year we didn't do any new state. We are establishing the last year state. North India and Maharashtra, we are establishing that. And we are preparing for south India.

Marsal: Haryana, Punjab and UP are fully covered?

Management: We have started business last year.

Marsal: So all three states are fully covered Haryana, Punjab and UP?

Management: Yes.

Marsal: My second question was, we have launched certain products during Q2. So what products are we going to launch in the coming quarter?

Management: We don't have any product in the coming quarter.

Management: We have already launched CTPR plus availability will start. So this is a major product plan.

Marsal: Okay. Just one question In Q3 are we seeing growth in Q3? Compared to Q2 of this year are we seeing growth in Q3?

Management: Year-on-year, we are seeing growth. Like sir said in the previous question 40% total year 60% is in Kharif, 40% is in Rabi. So year-on-year obviously we will see growth. But we are not expecting quarter-to-quarter.

Marsal: Okay and in capex is there any scope to optimize the cost?

Management: Please repeat your question.

Marsal: In our new plant there is a lot of work to be done. So is there any scope to optimize the cost?

Management: Can you repeat?

Marsal: I was saying that our INR200 crores project has been incurred. So is there any scope to optimize the cost? Is there any scope, there will not be any reduction in the cost?

Management: But the remaining payment will be around INR25 crores that's all.

Marsal: Okay.

Management: We are targeting for the next 8 to 10 years. We need not do any further capex and this expenditure is one time only. Because once we install, we cannot change again and again. So that's why we decided to do that capex at this initial stage only.

Marsal: I just want to give you a small value input here. Suppose the cost increases, suppose the company takes some other initiative to make cost reduction across other heads for example, employment has increased from INR5.5 crores to INR7.5 crores, the remaining heads if we save INR2 crores-INR5 crores, it will be really helpful. Because the size of the company is very small

Management: Cost optimization is our continuous process. Everyday means every – continuously, we are targeting and we are focusing on this cost optimization. So that activity is ongoing and we are always exploring any area where we can optimize.

Marsal: To give targets to our employees and to renegotiate with the vendors and so on, by doing this I think, whatever we can save this will be helpful for our company.

Management: Yes, yes, that we are always doing and we continue to do. Thanks for your suggestion as well.

Moderator: Thank you. As there are no further questions I will now hand the conference over to Mr. Sayam Pokharna for closing comment.

Sayam Pokharna: Thank you all for participating in the call. Should you have any additional questions or wish to engage with us further. Please do not hesitate to contact us. Our email address can be found at the end of the presentation. We look forward to our next conversation. Thank you.

Moderator: Thank you very much. On behalf of the Dharmaj Crop Guard Limited that concludes this conference thank you for joining us. You may now disconnect your lines.