



12th November, 2023

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

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

Symbol- DHANUKA

Scrip Code : 507717

Sub: Transcript of Conference Call held on 7th November, 2023 with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Half-Year Ended on 30th September, 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 7th November, 2023, which was hosted by Antique Stock Broking Limited through virtual mode with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Half-Year Ended on 30th September, 2023.

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

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by jitin sadana
Date: 2023.11.12
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Jitin Sadana
Company Secretary and Compliance Officer
FCS-7612



“Dhanuka Agritech Limited
Q2 FY '24 Earnings Conference Call”
November 07, 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,
ALLIANCES AND SUPPLY CHAIN – DHANUKA
AGRITECH LIMITED**
**MR. V.K. BANSAL – CHIEF FINANCIAL OFFICER –
DHANUKA AGRITECH LIMITED**

MODERATOR: **MR. MANISH MAHAWAR -- ANTIQUE STOCK BROKING**



Moderator:

Ladies and gentlemen, good day, and welcome to the Dhanuka Agritech Q2 FY '24 Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Manish Mahawar:

Thank you, Rohit. On behalf of Antique Stock Broking, I would like to welcome all the participants on the Q2 FY '24 Earnings Call of Dhanuka Agritech. From the management, we have Mr. M.K. Dhanuka, Vice Chairman and Managing Director; Mr. Rahul Dhanuka, Joint Managing Director; Mr. Harsh Dhanuka, Executive Director, Alliances and Supply Chain; 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 Mr. Dhanuka.

M K Dhanuka:

Thank you, Manishji. Good afternoon, ladies and gentlemen. Myself M.K. Dhanuka, Vice Chairman and Managing Director of Dhanuka Agritech Limited. I hope all of you are doing well. Thank you for joining us in this conference call for results of Q2 FY '23/'24 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 is a leading agrochemical company in India, focusing on branded sales in the market. The company's strength lies in 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 farmers by enhancing their productivity and quality and in turn, enhancing their income, we are making a small contribution to transforming India.

We work in all major crops in India and have implemented the best-in-class technology to ensure a smooth and efficient supply chain. Dhanuka has a pan-India presence through its marketing team and warehouses in all major states across India. With four manufacturing units and 41 warehouses across India, Dhanuka cater to around 6,500 distributors and dealers and around 80,000 retailers. Through this extensive 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.

Dhanuka's 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 US, Japan and Europe, which helps us to introduce our latest technology in India.

As per the recent report of CRISIL rating, agrochemical makers will see a 3% drop in revenue in FY '23, '24 for the first time in a decade. Due to falling prices globally, we would see demand for export owing to destocking by global manufacturers and the impact of lower reservoir level on Rabi sowing, especially in southern and western part of India. However, I'm happy to share that Dhanuka has shown good growth during the last quarter in spite of the above challenges.

We maintain a constant focus in reaching to our customers and understanding their requirements dynamically. Accordingly, we are able to change our plans quickly with our flexible supply chain system. Further excellent demand for our product Decide introduced in last year as well as some powerful product introduction in the current financial year supported the revenue growth. Our insecticide portfolio has grown substantially due to these introductions and contributed to the growth in Q2.

Dhanuka has also commenced operations at its new chemical plant in Dahej and it started production of bifenthrin technical with effect from 8 August 2023, which was 43rd Founders Day of Dhanuka.

Coming to the financial performance for quarter 2 of FY '23, '24, revenues from operations stood at which INR617.92 crores in Q2 of FY '23, '24 against INR542.9 crores in Q2 FY '22, '23, having a growth of 13.82%. EBITDA stood at INR141.58 crores in Q2 FY '23, '24 against INR97.52 crores in Q2 of FY '22, '23, having a growth of 45%. Profit after tax was at INR101.77 crores in Q2 FY '23, '24 versus INR73.02 crores in Q2 FY '22, '23, having a growth of 39.37%. Considering all the constraints, I would like to place on record my appreciation for the total Dhanuka team, who has been able to deliver such good results.

The zone-wise percentage share of turnover for Q2 FY '23, '24 is as under: North 24%, East 11%, West 34% and South 31%. Product category-wise share of turnover for Q2 of FY '23, '24 is: insecticides 44%, the highest share in this category. Fungicides 18%; herbicides 25% and others, including PGR.

During this quarter, the company has launched 2 products. First is Tizom. Tizom is a 9(3) product type for sugarcane crop that has effective control over sedges, broad leaf and narrow leaf weeds. Tizom is launched in collaboration with Nissan Chemicals, Japan. The second product is SEMACIA. SEMACIA is a co-marketing product, a broad-spectrum insecticide with excellent efficacy against lepidopteran insect pest on a range of crops.

I would like to inform that Dhanuka Agri Solutions Private Limited, the company's wholly owned subsidiary, which was incorporated in Bangladesh, has been liquidated with effect from 10th August 2023. This company was incorporated in the year 2011. However, it was not in operation since its inception. Further, the Board in its today's meeting has also approved the dissolution sale transfer of Dhanuka Chemicals Private Limited, the company's wholly own subsidiary incorporated for undertaking the Dahej project of the company.



The Dahej plant operations is started in Dhanuka Agritech Limited itself. Therefore, there is no requirement to exist/continue with this company. I would like to inform you that Mr. Mridul Dhanuka has tendered his resignation from the Office of Non-Executive Director of the company with effect from the close of business hours of November 7, 2023, stating the reason that due to his preoccupation in Orchid Pharma Limited, he is unable to give the time for the company.

The Board place on record its appreciation for the invaluable contribution made by Mr. Mridul Dhanuka during his tenure as Executive Director and Non-Executive Director of the company and accepted his resignation.

I would like to inform you that the Board has approved the appointment of Mr. Manish Dhanuka as Additional Director, under the category of Non-Executive Director and further recommended to the members for their approval for his appointment as Non-Executive Director, who will be liable to retire by rotation.

Mr. Manish Dhanuka has wide-ranging experience in handling operations, marketing and finance in the manufacturing industry. He excels in creating economical, pharmaceutical, technologies and accelerated evaluation processes for improving health care. He has experience of 25 years in the pharmaceutical industry and has expertise in chemical synthesis. He holds B-Tech in Chemical Engineering from IIT New Delhi and MS in Chemical Engineering from the University of Akron, U.S.A. He is on the Board of Dhanuka Laboratories Limited, Orchid Pharma Limited, Orchid Biopharma Limited, Otsuka Chemical India Private Limited and M/S Synmedic Private Limited.

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

Thank you very much for your kind attention. We would now like to open the forum to take the questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Himanshu Upadhyay from O3 PMS.

Himanshu Upadhyay: Congratulations on a very good set of numbers and performance. My first question was we are hearing from many agrochemical companies that who are into more backward integrated -- that the prices of -- their products have fallen far below the cost of production also in certain categories, okay?

What type of opportunities as a formulator does that bring for us? Because -- and can we benefit over the intermediate term by having inventory buildup of certain goods where the price of commodities have fallen quite significantly what we understand from other peers? And do you think the situation to continue for pretty long period of time?

M K Dhanuka: Thanks for your query. Your question is not clear, both in terms of audio and in terms of the question itself. So probably the audio itself is playing. So, could you make it better?



Himanshu Upadhyay: Yes. So, my question was what we are hearing that the agrochemical prices have fallen quite significantly, okay? And some of the companies have stated that the cost of production in the fall has been such that the price of commodity or agrochemical is below the cost of production. What type of opportunities does that bring for us, okay?

And can we -- do we think that we can hold on to larger inventory because the prices are so low? Or do you think this situation will continue for quite some period of time, and hence, it does not make any sense in buying inventory or building inventory? Some of your thoughts on this.

Rahul Dhanuka: The situation has continued now for almost 9 months that the prices are optimizing month-on-month. Almost for all the products, they have optimized over the last 9 months. And the uncertainty continues for a while. So, it's a tricky balance as to which product inventory to keep in anticipation of good sales and which product inventory not to keep in anticipation of further reduction.

So, it's a tricky balance, and we are doing that tightrope work already. So, there is no straight situation as to should we keep high inventory or not. We choose it product by product. Dhanuka has a huge range of more than 90 brands. And we reach out to the farmer with comprehensive solutions, and we reach out to the farmer based on the seasonality and changing crop portfolio. We modify our inventory holding accordingly.

Himanshu Upadhyay: But you don't think the -- because of significant fall in commodity prices, we can hold on to the higher inventory in the top 10 products what we sell?

Rahul Dhanuka: No, I don't think so. I can say that with certainty because the price correction is still happening. The inventory that I will hold for top 10 products will not correct in next month is not guaranteed.

Himanshu Upadhyay: Okay. And are we seeing the prices of the finished goods also fall in the domestic market? Or - and you are saying that because of being more branded, we are able to maintain our prices on majority of our portfolio.

Rahul Dhanuka: We have to pass on the benefits to the farmer in a market, which is optimizing at the back end. And Dhanuka follows a dynamic pricing mechanism and we try to offer the best value to the farmers. So, we do correct the prices every month, sometimes increase, sometimes decrease.

Himanshu Upadhyay: In the first 6 months, how much would be the volume increase and value increase?

Moderator: May we request you to return to the question queue for a follow-up.

Himanshu Upadhyay: Last question, Last question. I'm sure our other audience will be interested in this response specifically. So, the volume increase is close to more than 10%, and the value increase is already there, is about 5.5%.

Moderator: The next question is from the line from Darshita from Antique Stock Broking.

Darshita: So just one clarification. The volume growth of 10%, was it for first half or was it for 2Q?

Vinod Kumar Bansal: It is for first half. In Q2, the volume growth was around 20%.



- Darshita:** Okay. Got it. And have you taken any price hike on a sequential basis?
- M K Dhanuka:** Could you repeat?
- Darshita:** Have you taken any price hike on a sequential basis on overall portfolio? Have you taken any price hikes?
- Rahul Dhanuka:** We have modified our prices month-on-month as and when required. Sometimes there is price hike also.
- Darshita:** Okay. Could you quantify -- I mean, if it's possible, on an overall portfolio basis, what kind of price hike or price corrections have taken on sequential basis?
- Rahul Dhanuka:** There may not be a standard response to that. But if you could kind of compare the 2 that the volume increase is close to -- is more than 10%. And the value increase is 5.5%. So actually, there is a delta where the overall portfolio price would have gone down. So, product-by-product, there has been price in fees. But overall, if you look at over 6 months, prices have actually gone down.
- Darshita:** Got it. Got it. My second question is regarding the gross margin expansion. If you could help us out with the reason behind what has led to the strong gross margin expansion?
- Vinod Kumar Bansal:** Yes, you see expansion in the gross margin in Q2, two things. One is the product mix. In Q2, our entire growth is coming from the Lifeline portfolio and generates just like flat. And secondly, last year, there was a huge loss on account of the carryover inventory, which is not there in the particular year. Because of this, we were able to deliver very good gross margin in Q2.
- Darshita:** Got it. Could you quantify the gross margin expansion between these 2? How much was because of product mix and how much was because of the phasing of the impact of high-cost inventory?
- Vinod Kumar Bansal:** You see the impact of the product mix is large on account of the, say, you can say 2/3 is because of the product mix and 1/3 is because of the elementary cost in the previous year, which is not there in that case.
- Darshita:** All right. And just one last question on the product Decide. What we hear and what we've gathered from the -- from a channel checker site, insecticides and fungicides as the portfolio has not done very well during Kharif. So, if you could provide us some idea as to how did Decide do so well, firstly, especially for the second quarter and the market size and the market opportunity that we are seeing for this particular product?
- Rahul Dhanuka:** Decide is a very versatile insecticide coming from Mitsui Chemicals of Japan to Dhanuka. And this is our 9(3) registration product. And this has done extremely well because of its huge opportunity on the major targeted crop chilli. So, Chili has a major opportunity in the country, especially this year because of the chilli commodity prices also being very high.
- Other than chilli, Decide has been accepted by farmers in various other crops also, which get impacted by sucking pests like whitefly, green aphids, mites and thrips and Decide's performance is superlative across various crops. And we are going in for label expansion on



many other crops based on pharma experience. So, it's a favourable product across all geographies.

- Darshita:** And an approximate opportunity phase, if it could help us out with some numbers?
- Rahul Dhanuka:** Well, cotton itself is 12 million hectares. And chilli would be what, less than half of that. And almost all horticultural crops like brinjal, okra, tomato. So, everything put together, the sucking pest opportunity is really huge.
- Moderator:** The next question is from the line of Resham Jain from DSP Asset Managers.
- Resham Jain:** So first of all, congratulations on a good set of numbers. So, I have 2 questions. The first one is with respect to the new Dahej plant and it got commissioned during 2Q. So, I presume that this quarter, number would have some element of that. And obviously, initial period, there would be some losses into that. So, would you be able to quantify what was that number for start-up cost if it would have been a part of your P&L?
- Vinod Kumar Bansal:** Yes. You see the Dahej plant was capitalized on the 8th of August because production was started on 8th of August. So, in terms of revenue, no revenue in the Q2. In terms of cost, basically around INR5 crores, INR6 crore, which is part of this cost.
- Resham Jain:** Okay. So, which means the margin which we are seeing actually would have been even better in -- on a like-to-like basis because last year...
- Vinod Kumar Bansal:** Right. exactly, exactly.
- Resham Jain:** Okay, okay. And also, the second one is if you can just give an update on -- you mentioned that you have started with first product, but let's say, going forward, what kind of visibility you are having beyond bifenthrin, which you are manufacturing? And any update on new contracts from innovator companies?
- Harsh Dhanuka:** Right. So, with respect to first part, new products, so we are working in our R&D to develop more products. And as the products get developed in the R&D will evaluate them for introduction. That is first. And with respect to the contracts from the multinational companies, we have initiated some visits from some of our partners and talking to them about the opportunity for manufacturing in Dahej. But as of now, no opportunity is in hand.
- Resham Jain:** Okay. Okay. But any -- like -- so beyond this current one product, are you planning any other product in the same plant? Or how are you thinking about it?
- Rahul Dhanuka:** Yes. In the current plant, we can manufacture up to 4 to 5 products because it is a multipurpose plant. And parallelly, we can manufacture 2 different products. So next financial year, definitely, they will be adding more products in this plant itself.
- Moderator:** The next question is from the line of Hussain from Carnelian Capital.
- Hussain:** I just wanted to understand from you, sir, on the current quarter, what is the mix that we see in terms of the growth? First of all, I think the new molecules have contributed big time in terms



of the sales growth in the first half. But how do you see that's panning out in the second half? And how is the base business doing? And so that was the first question, sir.

Rahul Dhanuka:

Right. So, our new products, which are Implode, Mesotrax, Decide, Defend, all these products have huge opportunities, especially the 2 main herbicides that we launched Mesotrax and Implode. So, Rabi maize is a good opportunity going forward. South is going to have an upcoming chilli season, which will be spanning through entire November to February. That chilli would also have a good opportunity for us. BPH opportunity is ahead of us for our product Defend in the month of November for sure and then probably again in March.

So, these opportunities are certainly going to be very powerful. SEMACIA, which is our recent introduction, with help of Syngenta is going to find opportunity in almost all horticulture crops. And Tizom, the sugarcane herbicide will also find space in the March North India sugarcane business. So overall, we see next 5 months very promising for all of our new offerings.

Hussain:

Okay. And sir, I just wanted to understand on the CDMO part. So, any talks with these some of the key clients that you would have? Any update on that front that you would like to share with us?

Rahul Dhanuka:

Right. So, we are having really intense discussions with our partners. And there is a huge opportunity that we see going forward, and we'll be very happy to come developments in this forum at the right time.

Moderator:

The next question is from the line of Viraj from SIMPL.

Viraj:

Congratulations on good set of numbers. Just 3 specific questions. First is on the sales part. So, if you just -- specifically on the volume side, if you can just give some perspective in terms of the growth for us and the end consumption level, of the retail level which is really top of mind. And do you see any risk of sales return in H2 given the way the monsoons have played in first half and still some uncertainty in the Rabi so far. So that is one.

Rahul Dhanuka:

So, you are talking about the risk of sales return, right?

Viraj:

Yes. And generally, how is the growth has been at the retail level for our products in H1, especially Q2?

Rahul Dhanuka:

So, the growth has been good. Volume growth in Q2 has been 20%. And we try to keep our channel clean. So, whatever is the good return opportunity, we try to do that on an ongoing basis and we do it kind of season to season. We do not leave our channel stuck with unsold inventories. So, our Dhanuka channel is almost clean with unfolded stocks.

So, we have right now is stocks, which are going to be consumed in the month of November. So, the risk of good return is not there, and that's why we are pretty confident that we'll be ending the year on a similar note.

Viraj:

Okay. Second question is on the mix part, especially the one which you've talked about in terms of the gross margin improvement. Now if you look at the new product share in the Q1, it was



somewhere around 20%. And if you look at H1, we talked about 16%. So even when we say the new products which are traditionally more high margin, especially at the gross level. Sequentially, that seems to be at the lower end of revenue contribution. Still, we have seen a very healthy jump in the gross margin.

So is it largely due to the inventory gain or the whole raw material rather than the product mix. I think this kind of give more elaborate colour on the product mix part. What is driving this gross margin improvement?

Rahul Dhanuka:

So, the gross margin is driven by our proactive shift on the products, which were required in the stress situation. So, we kind of drove our marketing campaigns around selected products to drive the stress -- to take care of the stress condition in the field of the Kharif due to low rainfall and high temperatures. That is the shift we made and those products were accepted well by the farmers as compared to weedicides or fungicides, which were are not being consumed. And of course, our new products like Defend and Decide, they have healthy food for us.

Viraj:

Okay. And in terms of, say, was there any element of captive consumption from the technical plant or there was no production basically for the -- from August to September?

Rahul Dhanuka:

Yes, there is captive consumption, but that is, as of now, too small to be of impact.

Viraj:

Okay. And just last question. You talked about Defend, Implode and even the new product that ties on, right, in terms of the opportunity, which you see in, say, over the next 1 or 2 years or 3 years. So, if I have to just kind of put an analogy in terms of, say, our earlier top product sales Sempra or Targa Super. These over a period have turned out to be more than INR50 crores or INR100 crores kind of a brand for us.

So, when we now talk about these products, what kind of a similarity or you see between these products and the one which we -- the top products which we had? So, if you can just kind of more talk about what you're exactly looking at in terms of what gives you that confidence that this has a potential to be a much more larger brand products for us?

Rahul Dhanuka:

See, if history was any evidence, then the way Defend has moved in Kharif and the way Decide has moved in Kharif, gives me confidence of how they will perform going forward. Defend is a Corteva noble chemistry. It is an insect growth regulator; it controls dreaded dangerous BPH of paddy rice across the country.

So, with 42 million hectares of rice and BPH being a very resistant pest, this is the best solution farmer has today. So, DEFEND opportunity is ahead of us in East and in South India for the month of October and November. And again, in February, March, Decide, a sucking pest product, has a good opportunity in chilli and various other horticulture crops, grand sucking pests in all the opportunities.

Now these 2 products themselves are like very powerful. Mesotrax and Implode, our introductions are maize herbicides. Maize is becoming a huge commercial crop across the country with acreages touching cotton acreages. So that again -- and you know the farmer -- maize farmer is becoming pretty progressive in use of herbicides like no other crop. So, we are



pretty hopeful of Decide crossing all imaginable levels in times to come. And then various other products trying to compete for top 10 position.

Viraj: So, we would have still another 3, 4 years before...

Moderator: Sir, may we request...

Viraj: Yes, just one last query on this. For all these 3, 4 products, would we be the exclusive partner or these will also be co-marketed by other players in the Indian context? So typically, the partnership...

Rahul Dhanuka: For Decide and Tizom, Dhanuka is the exclusive partner. These are our 9(3) registration. Decide from Mitsui Chemicals, Japan and Tizom from Nissan Chemicals, Japan, and these are our exclusive tie-ups.

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

Rohan Gupta: Congrats on a very solid set of numbers. So just a few clarifications, sir. We have been capitalization of roughly INR170 crores, I think from the commissioning of Dahej plant, but the depreciation seems to be on a Q-on-Q basis quite high, roughly INR5 crores. So that leads to annual -- annualized depreciation on the new plant of roughly INR20 crores. Is that number be right? And what dividend -- what depreciation policy we are at around?

Vinod Kumar Bansal: You said capitalization INR170 crores, yes absolutely, okay. And what was your last question?

Rohan Gupta: Sir, depreciation incrementally on Q-on-Q seems to be roughly INR5 crores. That means annualized depreciation of roughly INR20 crores on INR170 crores, right?

Vinod Kumar Bansal: No, it is not only INR170 crores. There was capitalization last year on certain capitalization account as well, all inclusive.

Rohan Gupta: I'm asking the depreciation for the quarter is roughly INR10 crores versus the previous quarter, Q1 was INR4.6 crores. So that is roughly incremental of almost INR5.3 crores. Is this a normal number, normal depreciation going forward because that depreciation rate seems to be quite high on the capitalized asset?

Rahul Dhanuka: No, I -- without Dahej, depreciation was bound to increase this year in quarter 2 because there was a -- last year capitalization in Sanand, Udhampur and Keshwana, right? So, on account of Dahej, this year would be the incremental in this quarter 2 is not a significant amount because only 2 months depreciation has come.

Rohan Gupta: Okay. I'll clarify this for the later. Sir, in terms of the monsoon, definitely, we have seen a very solid growth in the Q2 with 20% you mentioned is the volume growth. However, the realization growth is still negative, I think that even the falling raw material prices. We have seen that October so far now has not been that great for the monsoon and the Rabi crop outlook has been slightly like lesser. So how do you see that the second half of the year panning out? That is one.



And second, sir, your earlier EBITDA margin guidance, you were talking about roughly 150 to 200 basis points -- 150 basis point actually incremental. How does that margin stand now after a solid performance in Q2?

Rahul Dhanuka: So, we are looking at a good Rabi with rainfalls, especially in South India, and we are also looking at East India as a good opportunity in the next 5 months, or H2 so to say. And we are pretty confident of delivering a similar number by end of the year in terms of top line growth and EBITDA margin growth of 200 bps is looking sure -- gross margin upgrade of 200 bps is looking sure.

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

Prashant Biyani: Sir, decide stocks that we would have play in the consumption would have happened by now or it will happen in Q3?

Rahul Dhanuka: All Decide, which has been involved in Q2 is consumed.

Prashant Biyani: Okay. And on the technical side, how much prices of bifenthrin or any other products which we want to start maybe in the next few months? How much price increase should happen in those products to make it profitable at gross level or it is already profitable because the spreads are maintained?

Harsh Dhanuka: So bifenthrin is already profitable at gross level. And some of the other products that we want to manufacture, we are looking for a correction of about 10% to 15% in the prices for them to become profitable at gross level.

Prashant Biyani: Right. And for Q3, we would be -- we are continuing with normal production for the entire quarter. That is what we would have planned for bifenthrin?

Harsh Dhanuka: Yes. For Q3, we will be achieving our production target for this quarter.

Moderator: The next question is from the line of Archit from B&K Securities.

Archit: Sir, just from picking up from the last con call, we were looking at close to INR50 crores of revenues from bifenthrin and by Lambda cyhalothrin and maybe close to INR8,200 crores in FY '25. Do we still stick to that target?

Harsh Dhanuka: For FY '24, I feel we had some -- we are behind in the last quarter on our numbers from bifenthrin. So, FY '24 number, I have my doubt. But FY '25, I am confident of delivering INR100 crore revenue from this.

Archit: Sure, sir. Sir, just one more question, rather a small confusion that I had. While our receivables in the semi-annual balance sheet have gone up close to INR80 crores, INR90 crores. And we mentioned about sales returns not been a challenge. Would it be safe to assume that almost half a quarter down the line, whatever we have placed in the 2Q has been more or less consumed in the current quarter, the receivables must not be a problem going ahead?



- Rahul Dhanuka:** Right. So good return is happening on the season basis. So, I'm not saying good return is not a problem. We don't like good return. Yet, at Dhanuka, we keep the channel clean. So, if there's unfold stock, we try to turn it around very fast, right? So that is about good return. And our receivables are being managed very neatly, I would say, and very micro. So yes, in terms of the proportionate increase in our outstanding is there, but that is very much in control.
- Archit:** Sure, sir. So just one last. So, there is a INR50 crore loan facility that we have created for Dhanuka Laboratories. Could you explain or rather elaborate the terms or what kind of -- what's been given for and anything on that front, sir?
- Vinod Kumar Bansal:** Dhanuka Lab, you see, that approval have already taken. It is just for the sake of approval. At times, they need we just approve. That's it.
- Moderator:** The next question is from the line of Kunal from Centrum Broking Limited.
- Kunal:** Congratulations on the good set of numbers. So just one question from my end. Just wanted some guidance on FY '24 and '25 numbers for revenue and EBITDA margin.
- Vinod Kumar Bansal:** '24, '25, this is a good opportunity for us to start working on FY '24, '25 numbers. So, we are still working on that and probably will ready by the next quarter call.
- Moderator:** The next question is from the line of Yash Dantewadia from Dante Equity.
- Yash Dantewadia:** Yes, I just have one question. Regarding the new technical plant in Dahej, what is the asset turnover that we can expect and by when?
- Vinod Kumar Bansal:** You'll see it is a little early to comment. Our team is working very hard day and night. It DEFENDs on product mix. It's -- you, it's little early to answer this question.
- Yash Dantewadia:** So, when can I get back to you with this question?
- Vinod Kumar Bansal:** Probably in the financial year-end, after 6 months.
- Moderator:** The next question is from the line of Sagar Shah from Piper Serica.
- Sagar Shah:** First of all, sir, congratulations for excellent set of numbers and great results by Dhanuka actually in such, you can say, weak environment actually. So, my first question was related to that only that in the month of July, we saw robust rainfall again in August and September. There was scattered rainfall. And again, there are something like doubts regarding rainfall in Southern India, especially in November and December and -- where there is actually a major market for spices, as you said in the introductory call.
- So basically, my view was in spite of that, your product Decide did very well actually. But my question is whether -- are we actually really confident of a good performance in H2 also in spite of the Rabi reservoirs are not fully built also. And there are -- there could be some significant headwinds actually going ahead for the -- at least for the entire industry. That is one thing.



My second question was some thoughts or you can say a data keeping that Decide constituted how much or in absolute terms, what was the turnover Decide's actually out of the total revenue? And the last question was basically almost your new launches have contributed around 16% of total portfolio. You have already explained the kind of, you can say, the new products performance that you are actually expecting in H2 and going ahead also. But I wanted to -- I wanted some part that can we see the new products revenue crossing 20% or so going ahead in FY '25, '26 and overall view on -- even on the biopesticide products? So, these are my 3 questions, sir.

Rahul Dhanuka:

Thank you for that question. And I absolutely appreciate the preview to your question in terms of the headwinds. And we are absolutely facing a difficult situation when it comes to El Nino, the predicament of poor rainfall in the most important month of August and the low reservoir levels in various parts of the country. So, these absolutely are the challenges faced by us and Dhanuka by entire agri input industry, but worst of all by the Indian farmers.

I can only say that we at Dhanuka are doing whatever little we can do to make an impact to the farmers who have some opportunity to make -- to get the best value out of their crop, to get the best value out of their land. So, our efforts, our contribution on that front translates into our financial results, which we are discussing here. But what we are not discussing here is the plight of the farmer and nothing more to add over there too.

Talking about our product opportunity, then the opportunities are actually becoming better because farmers will be growing -- going for crops like maize, which will be relatively consuming lesser water. There, our Implode and Mesotrax, which are powerful herbicides, we'll find opportunity in the Rabi. The water levels in the paddy fields, where farmer is growing paddy, will be challenged due to lack of rainfall. So BPH effect will be more intense.

And when the BPH effect will be more intense, then this will give opportunity for Defend, which is our BPH product from Corteva. Low moisture conditions and dry situations in the fields will give rise to mice and sucking pest challenges in chilli and almost all horticulture crops, which is having high price and high value today, onion prices, tomato prices, chilli prices are all time high again.

So, farmer will need good solutions, effective solutions, reliable solutions to control those menace. And then he will fall back on Dhanuka's good quality products. So that is how I think we are absolutely confident of standing our ground in H2 also and year after year.

Sagar Shah:

Okay. Sure, sir. So, my just one data keeping question that Decide constituted in absolute terms was how much to our total top line in this quarter, sir? Or maybe in H1?

Rahul Dhanuka:

I really thought you will forget that one. But we do not share specific numbers on the products in the call.

Sagar Shah:

Okay, okay, okay.

Rahul Dhanuka:

Yes. Maybe in a one-to-one meeting. Yes, thanks.



- Sagar Shah:** Okay. So basically -- so is it fair to assume -- my just last question is that in FY '25, '26, at least we will see -- if we get a decent rainfall. So, our new product introduction revenue would cross about 25%?
- Rahul Dhanuka:** Oh, yes. New product NPA index will certainly be much higher. We are absolutely sure of the NPA index being much higher in H2 as well as in FY '25.
- Moderator:** The next question is from the line of Ajay Surya from Niveshaay.
- Ajay Surya:** Congratulations on a good set of numbers. Sir, my question is, if I look at the overall share from innovative products, it has been constantly increasing. And even from this H1, it has been around 16%. So, sir, what share of overall revenue do we foresee from these innovative products in coming 2, 3 years? And what sort of margin differential do we have apart from the other non-innovative products and lead innovative products?
- Vinod Kumar Bansal:** You see ITI index; we are expecting the year-end similar improvement. In the first half, improvement over previous year is around 2%, 200 basis points. We are expecting by the year-end similar percentage. In terms of margin, yes, definitely margin is better as compared to the overall margin in ITI products. Absolutely.
- Ajay Surya:** And sir, really innovative products are also on the herbicide side or would that be on fungicides?
- M K Dhanuka:** I could not get your question.
- Ajay Surya:** In the innovative products, which we have, sir, are you more inclined towards herbicides? Or are those maybe fungicides or what are those?
- Vinod Kumar Bansal:** These ITI indexes in the current year plus previous 3 years. So, it is a combination of our herbicides, insecticides and fungicides, all 3 type categories are appearing. And this year, we have introduced 3 herbicides. Mesotrax, Implode and Tizom are 300 herbicides. DEFEND and SEMACIA are 2 insecticides.
- Ajay Surya:** Okay. Sir, my next question is on the -- sir, what capacity do we currently have on the formulation side? And at what capacity organization are we operating?
- Rahul Dhanuka:** See, formulation is a relatively simpler operation, and we do not have a capacity constraint. We have 3 units, one at Sanand, one at Udampur and one at Keshwana. All 3 units are doing really good in terms of the capacity utilization, not being too high. And we can almost double the revenue from our existing capacities.
- Moderator:** Next question is from the line of Viraj from SIMPL.
- Viraj:** Yes. I just have one query. So, when should be -- receivables kind of normalizes at the end of the year, the cash on the balance sheet would be like significantly higher. So, any thoughts in terms of deployment of this?
- Vinod Kumar Bansal:** You see we are already in this process. We are spending everything -- we see all investment of the internal approvals and we are doing -- we already moved and we are paying handsome



dividend. So now the cash is being maintained at a similar level in the last few years, it's not insignificant. The movement it crosses certain level, some investments are happening and the buyback is happening and dividend is happening.

Moderator: The next question is from the line of Manish Mahawar from Antique Stock Broking.

Manish Mahawar: Yes, sir. Just in terms of your product right, Decide, which chemistry has replaced actually in terms of overall market perspective?

Rahul Dhanuka: Sucking pest is a huge segment. This product would have replaced the neonicotinoid chemistry in the market, like imidacloprid, acetamiprid, clothianidin. So, these are some of the examples of the sucking pest products being used in chilli, cotton, tomato, brinjal, okra.

Manish Mahawar: So -- Understood. And same in terms of DEFEND, right, which is more of a BPH as a segment. So, it is same? Which are the connection because BPH is very, very old. I think base which on your chemistry is coming, which are replacing the older one, right, which have a chemistry of replacing. And do we have an existing product which are supplying to our BPH?

Rahul Dhanuka: This one is not replacing any BPH. So, Decide is not a BPH product.

Manish Mahawar: No DEFEND, sorry.

Rahul Dhanuka: Yes, DEFEND is a BPH product. And DEFEND is doing really well, and it's just probably going to replace a large part of 5 metros in consumption.

Manish Mahawar: Okay. So basically, earlier, I think it's somewhere and now it's came to your -- this one, right, DEFEND...

Rahul Dhanuka: Yes, yes.

Manish Mahawar: Okay. Understood. And last one, again, in terms of your product Tizom, which is a combination of, I think, your old product Sempra and I think you are bearing Sempra, a combination of these 2, right? So, it is replacing...

Rahul Dhanuka: It's a combination product, yes.

Manish Mahawar: Yes. These 2 products, right, of our portfolio? So, it is more effective in terms of combination or just filling the gaps in the portfolio?

Rahul Dhanuka: So, when we try to bring in the combination, the idea is to identify the segments of farmer, which need that combination. So, there is a particular set of farmers which needs the combination in terms of the differentiated weed profile in the field. So our scientist, our field R&D team, they continuously interact with the farmer, they survey the fields and they try to identify the gaps farmer is facing, and we try to offer solutions to the farmer, one, to meet those gaps; two, meet those gaps effectively; and three, have a product, which is very efficient. So as Tizom, we are trying to offer sugarcane. Farmers are very efficient solution of total weed control in its field, and the results are absolutely, absolutely amazing.



- Manish Mahawar:** Okay. But it's the same pace, right, for the same pace, what the Sempra we launched about, right?
- Rahul Dhanuka:** So yes, the weeds which are controlled by Sempra because it's a combination of Sempra, but it controls many other weeds, which was not controlled by Sempra.
- Moderator:** The next question is from the line of Resham Jain from DSP Asset Managers.
- Resham Jain:** So, 2 questions. The first one is at Dahej plant, you earlier mentioned that you have 2 phase of - in which you will be doing capex. So, second phase of capex should start next year or maybe in 2026. And will it be -- you will wait for innovator kind of CDMO projects to come in? Or you will start with your own technical kind of own products in Phase 2?
- Harsh Dhanuka:** Yes. So, we have several products in our development pipeline. As and when they reach the maturity stage, we'll be introducing them. In the current plant, we have capacity to add another 2, 3 products, but we will not wait for collaboration with international partners or contract manufacturing to go for fresh capex. As more and more products come from our R&D, we will be doing fresh capex, probably next FY also, but it will all depend on how quickly the R&D is able to get products developed.
- Resham Jain:** Okay, understood. And the second question is, we have investment in a drone company. So, if you can just give some update on the same. And any further stake increase over there? Any possibility? Any update over there would be helpful.
- Rahul Dhanuka:** Yes. So, drones are being received really well by the farmer. The drone company that we are working with had earlier launched version. Original version was the first one to be approved by the DGCA. That version required a 4-wheeler to carry it around in a big heavy box. Now the drone company, IoTech has come up with a lighter version, which required a box on motorcycle to be carried along.
- And they have further upgraded the drone into a backpack, motorcycle carried backpack version to move around so -- which has needed really handy to reach the interior villages and up to the field of the farmer as compared to a 4-wheeler, which was acquired a year ago. So, the company is working on a strong supply chain and offering upgraded solutions and versions to be partnered. We are working very closely with the farmer side and doing various projects and experiments in different crops and with different products. I think so drones really has a very promising future.
- Resham Jain:** Okay. Any numbers over there?
- Rahul Dhanuka:** I think it will not be an appropriate space to talk about their numbers. That's an independent company. They'll be doing their numbers on their own.
- Resham Jain:** What stake you will be having after maybe second or third round or whatever stake you have currently is the final stake?



Rahul Dhanuka: We have what we have right now that's stable. And as of now, no decisions on the next round of the stake change.

Moderator: Thank you. Ladies and gentlemen, we'll take that as the last question. And I would now like to hand the conference over to the management for closing comments.

M K Dhanuka: Friends, in the end, I would like to thank all the participants for joining us today. We are looking forward to a great quarter. Dhanuka is committing to transform India through agriculture. Our purpose is to strengthen the nation by providing sustainable agricultural solutions and bring honour, pride and abundance for the farmers and farming community. Thank you very much. Goodbye.

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