



Dhanuka Agritech Limited

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Online

Date: February 17, 2020

**Listing Department
National Stock Exchange of India Limited
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**The Department of Corporate Services-
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Scrip Code : 507717**

Symbol- DHANUKA

Sub: Outcome of Conference Call with Analysts/Investors

Dear Sir,

Please find enclosed transcript of Conference call organized with Analysts/Investors held on 13th February, 2020 post declaration of Unaudited Financial Results of the Company for the quarter ended 31st December, 2019.

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

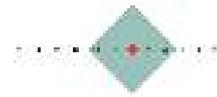

**Jitin Sadana
Company Secretary/Compliance Officer
FCS-7612**

Encl: a.a



“Dhanuka Agritech Limited
Q3 FY2020 Post Results Conference Call”

February 13, 2020



ANALYST:

MR. MANISH MAHAWAR- ANTIQUE STOCK BROKING

MANAGEMENT:

**MR. MAHENDRA KUMAR DHANUKA –
MANAGING DIRECTOR – DHANUKA AGRITECH
LIMITED
MR. RAHUL DHANUKA – DIRECTOR
(MARKETING) - DHANUKA AGRITECH LIMITED
MR. VINOD KUMAR BANSAL – CHIEF FINANCIAL
OFFICER – DHANUKA AGRITECH LIMITED**



*Dhanuka Agritech Limited
February 13, 2020*

Moderator: Ladies and gentlemen, good day and welcome to 3Q FY2020 post results conference call of Dhanuka Agritech hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you Sir!

Manish Mahawar: Thank you Tanvi. On behalf of Antique Stock Broking, I would like to welcome all the participants in the earning call of Dhanuka Agritech. From the management, we have Mr. M. K. Dhanuka, Managing Director, Mr. Rahul Dhanuka, Director (Marketing) and Mr. V. K. Bansal, CFO of the Company. Without further delay, I would like to hand over the call to Mr. M. K. Dhanuka. Over to you Sir!

M. K. Dhanuka: Thank you Mr. Manish. Good evening friends. Myself, M. K. Dhanuka, Managing Director of Dhanuka Agritech Limited along with Mr. Rahul Dhanuka, Director (Marketing) and Mr. V. K. Bansal, Chief Financial Officer of the Company. Welcome all of you to share the unaudited financial results of the company for the quarter and 9 months ended December 31, 2019.

As you know, Dhanuka is part of plant protection, agrochemical industry. Agrochemicals work as plant nutrients and protectants from enemies like insects, pests, diseases, and weeds that affect the crops.

Dhanuka is a technology company that offers products to protect all major crops across all geographies of India. Dhanuka model is almost rural FMCG model. To service the diversity of Indian crops and needs of the farmers the Company has wide range of products in its portfolio, over 80 brands in pack sizes ranging from 2 grams to 200 litres. These products are in various forms liquids, dust, powder, and granules.

Dhanuka has pan India presence through our marketing offices in all major states across India. The three manufacturing units with 40 warehouses and network of over 14 branch offices across the Indian geography caters about 7000 distributors and dealers and approximately 80000 retailers. Dhanuka has more than 1500 technocommercial staff supported by a strong R&D division and a robust distribution network, which has Dhanuka to reach out to approximately 10 million Indian farmers with its products and services. Dhanuka's R&D division has world class NABL accredited laboratories and has international collaboration with the world's nine leading agrochemical companies from US, Japan and Europe, which helps Dhanuka to introduce the latest technology in Indian farmlands.



*Dhanuka Agritech Limited
February 13, 2020*

Coming to the results, the company has registered turnover of Rs.271.48 Crores for the third quarter and Rs.892.50 Crores for the nine months ended December 31, 2019 compared to Rs.216.79 Crores for the corresponding quarter and Rs.813.12 Crores for the corresponding nine months in the last year. Profit before tax for the quarter ended December 31, 2019 is Rs.37.62 Crores and Rs.130.32 Crores for nine months as against Rs.22.14 Crores for quarter and Rs.117.85 Crores for nine months in comparison to corresponding last year. The EBITDA is Rs.42.18 Crores for Q3 and Rs.144 Crores for nine months ended on December 31, 2019 in comparison to Rs.25.28 Crores during the Q3 and Rs.127.72 Crores for nine months in the corresponding last year. Dhanuka Agritech reported a net profit of Rs.27.67 Crores for the quarter and Rs.102.46 Crores for nine months ended December 31, 2019 compared to Rs.14.60 Crores for the quarter and Rs.85.82 Crores for nine months ended December 31, 2018. I am happy to inform that the Board of Directors have declared 600% interim dividend that is Rs.12 per equity share having face value of Rs.2 per share, which will absorb Rs.68.83 Crores inclusive of DDT.

Coming to the zone wise percentage share of turnover for Q3 and nine months ended December 31, 2019. The north has contributed 18% in Q3 and for nine months 24%. East zone contribution for Q3 is 13% and for nine months it is 11%. West zone contribution is 25% for Q3 and 36% for nine months and south zone contribution is highest in this quarter, which is 44% and for 9 months it is 29%.

Product category wise percentage share of turnover for Q3 and nine months ended December 31, 2019 is insecticides for Q3 is 38% and for nine months it is 42%, fungicides for Q3 is 15% and for nine months it is also 15%, herbicide is also similar for Q3 32% and for nine months it is 32%, others Q3 is 15% and for nine months it is 11%. As per latest information available on sowing of Rabi crops around 90% of the normal area under Rabi crops has been sown up to December 27, 2019. Area sown under all Rabi crops taken together has been reported 57.84 hectare at all India level as compared to 536.35 lakhs hectare in the corresponding period of last year and 554.66 lakh hectare normal area as on date. The Indian meteorological department has forecasted a normal monsoon for the coming monsoon season at 96% of long period average, which has brought smile on the faces of the farmers so it will be the second continuous year for a good monsoon. Therefore it is expected that the production of food grain expected to be much higher in the coming year also. Friends thank you very much for your kind attention. Now you are welcome to ask questions on the results of the company. Thank you.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Prashant Biyani from Prabhudas Lilladhar. Please go ahead.

Prashant Biyani: Yes Thanks for the opportunity. Sir can you confirm whether north has grown by 5% only or the number is incorrect?



*Dhanuka Agritech Limited
February 13, 2020*

- M. K. Dhanuka:** You want to know north's turnover share?
- Prashant Biyani:** Yes share I have got so I was calculating the rate of growth for northern region is 5% so actually the query was that despite we have seen decent acreage expansion particularly in wheat even then the share of growth in northern India is only 5% so what would be the reason for that?
- Rahul Dhanuka:** North India is one of the lowest consumer of agrochemicals in this quarter so a lot of sales of December has actually moved into January for north India to that extent so I would not say quarter-on-quarter, but December versus the movement has been the consumption has moved to January this can be attributed to lot of rainfall and a slight change in the consumption pattern of wheat weedicide.
- Prashant Biyani:** So then Q4 again we are likely to see sharp growth in herbicide sales for us?
- Rahul Dhanuka:** Q4 at least north India wheat consumption has certainly gone up, wheat herbicide consumption has gone up moved from December to January.
- Prashant Biyani:** Which region to contribute to 40% growth in herbicide sales in Q3?
- Rahul Dhanuka:** 44% share of the south zone, which includes herbicide and rest of the portfolio as well.
- Prashant Biyani:** Right and for the longest time we are now seeing gross margin contraction and it has been quite a while that even the agrochemical prices from China are also declining so despite that we have still seen some bit of margin contraction this quarter so some kind of visibility on when can this reverse and we can again see the trend of gross margin expansion, some kind of light from your side would be very helpful?
- M. K. Dhanuka:** Yes you are absolutely right. The position is already changed and the trade is already arrested. In Q3 negative is definitely there, but from December things have changed significantly so I will say in Q4 the gross margin should be maintained at last year level.
- Prashant Biyani:** Sir do you also perceive this threat of coronavirus to disrupt this or derail this reversal again or what would be your view on that?
- Rahul Dhanuka:** So this is as unpredictable as anything else as of now, but certainly the supply chain will have its impact. What we are seeing in last few days a bit of China supplies opening up, but I think the entire stabilization will take at least one to two weeks more.
- Prashant Biyani:** These cost control measures should we expect this to continue in FY2021 as well or we can see some bit of relaxation there as the growth picks up?
- M. K. Dhanuka:** Not as sharp as this year. That cannot be continued for year-on-year basis.



*Dhanuka Agritech Limited
February 13, 2020*

- Prashant Biyani:** Right. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Varshit Shah from Emkay Global. Please go ahead.
- Varshit Shah:** Thanks for the opportunity and congratulations for great show in the quarter. Sir my question is more structural in nature going forward in FY2021, FY2022, FY2023, you must be having some internal of course plans for the future so to accelerate this revenue growth provided the weather support of course I understand that what will be the key driver will that be solely driven by new product launches or there is still scope for some market expansion, which can contribute to that growth?
- Rahul Dhanuka:** You would notice that a large part of the growth would certainly be driven by the new products that we launch and the new segments that we try to capture in the next year. However we also have some other initiatives lined up to increase our reach and penetration in the market next year. In addition to that I think so it is our overall policies at Dhanuka by a virtue of which we are going to empower our channel and also empower our farmer to move onto higher value products and new technology, so this is what we are going to do in 2021 to drive our business.
- Varshit Shah:** Right because you have already created a business and probably you have to start laying the foundation or already doing that for the next level of growth next new segments and newer services so from that angle one is your new product launches, second is from a servicing angle for example there are lot of competitors also coming up with end-to-end solutions and consulting on their farm practices and I have seen on my ground checks that Dhanuka has also engaged in some of these, so elaborate your initiatives in that side?
- Rahul Dhanuka:** As of now I can not really elaborate on those initiatives, but we are running some pilots and we are looking at what kind of results are being thrown up from these pilots and we will be optimizing and then scaling up some of the pilots next year while some would still continue at that stage.
- Varshit Shah:** Right because the strength of Dhanuka has been actually to replicate whatever others and new product launch or a new service and Dhanuka has been successful in marketing the same across pan India and this is the strength of Dhanuka that their ability to take any new initiative and then commercialize it, so I think I am looking more color maybe in the next quarter on that angle if there is a new growth engine, which you are preparing for the company.
- Rahul Dhanuka:** Absolutely coming back with more soon. Thank you.
- Varshit Shah:** Thank you.



*Dhanuka Agritech Limited
February 13, 2020*

- Moderator:** Thank you. The next question is from the line of Rajat Setia from Vrddhi Capital. Please go ahead.
- Rajat Setia:** Sir in the last conference call we had talked about launches on 9(4) molecules can you talk about that?
- Rahul Dhanuka:** Yes we have already launched two products this year Zapak, which is an insecticide and Mycor which is a plant nutrient mycorrhiza based so these are the two products, which we have already launched in Q3.
- Rajat Setia:** Okay.
- Rahul Dhanuka:** Zapak is finding space in the dreaded fall armyworm with maze and as a general insecticide in other crops where as Mycor is finding space as a mycorrhiza based soil nutrient, which encourages plant growth in a very natural and almost an organic way.
- Rajat Setia:** What is the market opportunity for both the products?
- Rahul Dhanuka:** Well Zapak since it find space in the fall armyworm of maze, which has good 8 to 9 million hectare that is where the Zapak will find space and Mycor is a very versatile product finding opportunity in paddy, sugarcane and almost all fruits and vegetables.
- Rajat Setia:** Sure. It could be helpful to understand this in terms of how big is the market?
- Rahul Dhanuka:** I am not talking about numbers on the concall.
- Rajat Setia:** In terms of new products how many have been launched so far and what is the plan for next quarter as well as the next year?
- Rahul Dhanuka:** This year we primarily introduced 5 new products. First one being APPLY which is a paddy BPH product, then another insecticide by the name Largo, which again was insecticide and found opportunity in fall armyworm and thrips control of cotton, chilli and various other crops and Zapak and Mycor and third one being a Nissan Chemicals paddy herbicide by the name of CHEMPA.
- Rajat Setia:** Alright and going forward how many products do we plan to launch?
- Rahul Dhanuka:** Q1 we are looking at introducing three more products Q1 next year, so one of them being soya bean herbicide another is new formulation in insecticide category and third one I will have to confirm to you.
- Rajat Setia:** When you said in new formulation in insecticide this will be 9 Crores?



*Dhanuka Agritech Limited
February 13, 2020*

- Rahul Dhanuka:** And a cotton herbicide yes, so all these three offerings are 9 Crores offerings.
- Rajat Setia:** Collecting high products that we have launched in this year can we say the collective market opportunity note the revenue opportunity for us, but the market opportunity the market size of those five products will be upwards of 500 Crores.
- Rahul Dhanuka:** Come again.
- Rajat Setia:** These 5 products that we have launched into this year, collective market size of those products, will that be upwards of 500 Crores or it will be less than that?
- Rahul Dhanuka:** No certainly much more than that.
- Rajat Setia:** More than that and how is the competition in those products?
- Rahul Dhanuka:** Competition is not significant in two products for sure which is Zapak and Largo; however, APPLY which is a paddy herbicide product is relatively crowded it is a BPH product so that is one is relatively crowded. Again rice herbicide CHEMPA from Nissan, which we have launched, is a very unique solution that we are offering to the farmer so that space is not crowded and we have huge opportunity there.
- Rajat Setia:** Okay alright. Alright Sir thank you so much.
- Moderator:** Thank you. The next question is from the line of Vihang Subramanian from Samsung Asset Management. Please go ahead.
- Vihang Subramanian:** Thank you for taking my questions. Sir just on the industry the question I had was when I look at 2013 to 2017 it was like a great period for you where you saw good revenue growth along with margin expansion as well to like almost 20% EBITDA margin and now kind of like it has tapered off over the last two years to like the 15% level, so my question is basically like do you kind of see any, you had a very good quarter right now so do you kind of see any structural change in the industry, which is going to like drive this performance going ahead or do you just feel that this was like a very good quarter after a few bad quarters and that industry overall is still in a lot of problems and lot of stress, which will take time to solve so like basically how structural is this number that we have seen today?
- Rahul Dhanuka:** Well you would see that at Dhanuka our numbers have kind of followed the trend in terms of the monsoon's impact or the commodity prices impact, but some of the other parameters at the backend are really very strong, for example one of them being that we have been a debt free company for a long period and then with our asset like model we have been able to deliver this growth, which not only impacts the topline and the bottomline, but some other fundamentals and parameters. In addition to that the way at Dhanuka we manage our account receivables and



Dhanuka Agritech Limited
February 13, 2020

inventories is also very different as compared to what is happening out there and we do not load our channel with the inventories and do not run the huge risk of heavy goods return or frontloading the channel to meet the quarter so these are some of the structural differences that at Dhanuka we have.

Vihang Subramanian: Okay.

Rahul Dhanuka: When we talk of industry I think so the industry would probably face challenge in terms of frontloading the channel and inability to handle the price fluctuations as sharply and as deftly, so at Dhanuka we are able to handle the price fluctuation challenge really very deftly.

Vihang Subramanian: But all these other indicators are there right like water levels are higher and equators are up, etc, so this was not the case like in the last few quarters at least. Right now there is a lot of positive commentary around that so do you think that this performance that you have seen can like probably sustain on to the next kharif as well?

Rahul Dhanuka: Of course so the significant depend upon the moisture content either through rainfalls or reservoir levels or ground water these water availability being favorable certainly ensures that the growth story remains favorable and positive very strongly, so while we are looking at Q4 to be really good in continuation to Q3 we are very hopeful of Q1 and Q2 next year also panning out really well with the reservoir water levels and ground water level being good.

Vihang Subramanian: Okay Sir the water level has a lag impact then is it like that once it is high then basically it means that the next two, three quarters are automatically your availability issues are sorted out at least?

Rahul Dhanuka: Absolutely.

Vihang Subramanian: That is the right understanding and other thing on products like I basically like lot of people speak in the industry at least they complain a lot about the price competition and how intensely competitive the domestic agrochem industry is so do you see that for yourself as well or do you feel that your products are more differentiated?

Rahul Dhanuka: Well I cannot discount the price competition and we have a relevant generic portfolio, which competes in the market at pricing level; however, with our field force of 1500 Dhanuka doctors we are able to educate the farmer on using our speciality products. We are continuously making an effort to move the farmer to a low environmental impact and high efficacy product, which we try and bring in from our multinational partners and Japanese collaborators so there is lot of education and goodwill generated at the farmer's level whereby he prefers Dhanuka products over other choices, so while we compete in generics on price front; however, there is a brand pool created by the demand generation being done at the ground level at the grass route level.



Dhanuka Agritech Limited
February 13, 2020

Vihang Subramanian: So do you sort of see these farmers then like coming back to you then because of the goodwill is created they should be coming back to you for the same product, right?

Rahul Dhanuka: Absolutely so not only he comes back for the same product, which is being advocated by our team, but then he expands his purchase with Dhanuka as an upward purchase and lateral purchase of other requirements as well.

Vihang Subramanian: Okay and Sir lastly just on the raw material side there was lot of gross margin pressure I believe from China over the last one, two years again like across the industry not only for you, but do you think that has kind of abated and it will remain at low levels considering obviously that the virus has no role to play in this, but if the virus subsides and do you kind of see raw material prices that like they have currently softened and do you feel that whole period of having raw material inflation is behind you now?

Rahul Dhanuka: I think so there will be a blip on the annual cycle of availability because of the logistics challenges that are going to be seen in China and likewise. We do not see the prices really going up at the backend; however, there could be a short-term jump because of delayed supplies.

Vihang Subramanian: Okay Sure sir. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Monika Joshi from Hornbill Capital. Please go ahead.

Monika Joshi: Sir we really appreciate your views on the pesticide bill that has been tabled, your thoughts on the individual parts of the bill would be appreciated on pricing, on restrictions in marketing, on packaging, whatever you know of the bill?

Rahul Dhanuka: Well this bill has been in offering for quite sometime and the government has had an initiative towards making it favorable for the farmer in many ways so while on one side the label leaflet guidelines are already notified to be changed so that farmer has easy readability. It increases compliance load on the organization. Now organizations like Dhanuka, which were already compliant it is not that challenging to tweak ourselves to one align with the act as well as to make it easier for the farmer; however, it puts a lot of load on the noncompliant or unregulated markets, which is favorable for us. Then we also fear that there is a lot of unregulated spurious material and misbranded material available in the market, with the enactment of the new law and its formal execution I think so that would also be checked and the spurious products and the misbranded products would probably reduce in the markets if the law is executed and later in its spirit, which will again favor organized players like Dhanuka. It is more so because we are reaching out to the farmer and educating him with our powerful new products, which are low environmental impact and low residue impact on the main crop, I think so the pesticide management bill is overall going to favor the regulated industry.



*Dhanuka Agritech Limited
February 13, 2020*

- Monika Joshi:** There was some talk on putting some cap on pricing of the product?
- Rahul Dhanuka:** So that at some point of time it was just a talk and as of now we are not aware if that is part of the pesticide management bill.
- Monika Joshi:** That is good to hear. Sir any view because you do not disclose the balance sheet in December, but any color on the inventory and receivable days as of December 2019 and what was the comparable number in December 2018?
- M. K. Dhanuka:** The inventory is declined by around 13 Crores as compared to December 2018, which means the inventory is lower as compared to December 2018 and debtor increased by around 7%, 8% as against the growth in that turnover is more than 25% in Q3 and overall is around 10% in the nine months.
- Monika Joshi:** Sir the debtor days are lower is that correct is that understanding correct?
- Rahul Dhanuka:** Your understanding is right.
- Monika Joshi:** When you outlined your product launches for the coming quarter and probably the coming years if you could just give some color on what are your strategies in inlicensing products and expanding your pipeline across more MNCs and expanding more than the nine companies that you have already tied up with?
- Rahul Dhanuka:** We are in a continuous endeavor to bring in new technology and new products to the farmer because in the ever changing landscape of agriculture our farmer has faced with new challenges and our effort is to help him deal with those challenges very cost effectively with the least impact on the environment and with the lowest residue on the consumable so in that direction we are brining in new products every year and this year also three products are lined up, two of them being herbicide and one of them being insecticide then there are some segments, which we feel farmer can benefit with our better offerings in future so we are planning to go aggressively in some of these segments where we feel we are relatively weakly present so that is going to be an effort in licensing products as well as in new 9(3) products are there in pipeline and as we see better visibility will be sharing on the concall 2.
- Monika Joshi:** Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.
- Madhav Marda:** Sir just wanted to understand of course we are seeing raw material price pressure having come off more recently from the last two, three months, but you are indicating that the cost control, which we have done in the previous year might not be as tight as the sales picks up, so combining



*Dhanuka Agritech Limited
February 13, 2020*

the two how much EBITDA margin can we expect in the coming years any broad expectations at for the first half given that the raw material prices are and how the employee and other expenses line items would move?

M. K. Dhanuka: You see as far as gross margin is concerned it is very difficult to mention, but we can say in the first half of financial year there should be definitely improvement in the EBITDA margins as compared to the year 1920.

Madhav Marda: This is mostly led by decline in the raw material prices over the last year?

Rahul Dhanuka: Yes.

Madhav Marda: How is the growth being so far in Rabbi, is it proceeding well for us, the fourth quarter how is that going?

Rahul Dhanuka: In Q4?

Madhav Marda: Yes Q4.

Rahul Dhanuka: Yes we are expecting a good Q4 this year.

Madhav Marda: Sir momentum of Q3 is continuing basically for us?

Rahul Dhanuka: So far yes.

Madhav Marda: Got it. Great Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Saurabh Kapadia from AMSEC. Please go ahead.

Saurabh Kapadia: Congratulations on your good set of number. Sir firstly on the growth in the west zone so if I am looking you have grown about 46% in the west zone, was it because of the comarketing was allowed in Maharashtra?

Rahul Dhanuka: I think so that was pretty late, comarketing opportunity opening up was pretty late, nonetheless I think so it is the rainfall and the overall opportunity in the market because of the rainfalls, which through up Maharashtra and also Gujarat as a huge opportunity. In fact comarketing opening up was notified earlier, but eventually translated into revenues in January.

Saurabh Kapadia: How much was our revenue for comarketing prior to this restriction on annual basis?

Rahul Dhanuka: That would be around for Maharashtra alone or for all India basis?



*Dhanuka Agritech Limited
February 13, 2020*

- Saurabh Kapadia:** For Maharashtra.
- Rahul Dhanuka:** About 7% 8% of the Maharashtra business.
- Saurabh Kapadia:** So definitely next year we will have this business coming in right?
- Rahul Dhanuka:** Of course yes.
- Saurabh Kapadia:** So if you look at in this 7%, 8% will be definitely there was growth and apart from this doing few new launches can we look at double digit growth happening next year?
- Rahul Dhanuka:** We are quite hopeful of the double digit growth given the IMD forecast for the monsoon has been favorable and of late with the new acquired technology IMD has become relatively more reliable also, so that is favorable and overall some of the commodity prices are also showing an upward trend so these two things combined I feel we should look at a double digit growth for next year.
- Saurabh Kapadia:** For the Q3 was there any impact due to inventory loss or something?
- Rahul Dhanuka:** Come again.
- Saurabh Kapadia:** Any inventory loss reported in Q3?
- Rahul Dhanuka:** No absolutely not.
- Saurabh Kapadia:** How many months we are holding the inventory so that are we looking any disruption happening because of coronavirus?
- Rahul Dhanuka:** Well in Q4 certainly no disruptions are foreseen; however, the supply chain at least is disturbed since January 15, 2020 now that will come back and hit us in a weak quarter of Q1, Q1 is as it is not expected to be a very impactful quarter, I think so the impact would eventually pass off because we have good 26 weeks before we hit Q2 and before monsoon hits India so we have good time to really catch up on the logistics loss if any.
- Saurabh Kapadia:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rajat Setia from Vrddhi Capital. Please go ahead.
- Rajat Setia:** Sir what would be the innovation turnover index number for us right now?
- Rahul Dhanuka:** ITI is 13% in the first 9 months as against last year 17% plus 3 years introductions.



*Dhanuka Agritech Limited
February 13, 2020*

- Rajat Setia:** With the launches of new products in this year and we are expecting some launches next year as well, where do you see this number moving to?
- M. K. Dhanuka:** Number should be in the range of around 15 plus.
- Rajat Setia:** The three new products in Q1 of next year that you said you will be launching they are 9(3) or 9(4)?
- Rahul Dhanuka:** 9(4) two herbicides and 1 insecticide we are launching.
- Rajat Setia:** Sir with the launches of these new products does our share of speciality segments also goes up, are there any speciality products for us?
- Rahul Dhanuka:** Yes these are going to be speciality products so our speciality share would certainly grow up.
- Rajat Setia:** In terms of gross margins speciality versus the other what kind of difference between the two categories?
- M. K. Dhanuka:** It depends on brand to brand and within the category there is a huge gap. The generic products are ranging in the 10% margin, 20% margin, 30% margin, likewise in case of specialty overall category margin is more, but there is a huge difference between one plant and the other plant.
- Rajat Setia:** Sir in terms of the overall strategy of launching new products and we have some 9 partners, so is it correct to expect that a product, which is 9(3) will have probably better margins and better market opportunity than 9(4) product?
- Rahul Dhanuka:** Well it can be done both ways I would say. Of course the new product introductions have relatively higher margin. When I talk about 9(4) introductions although they might still be me to; however, with our huge expense of the country and the gap of reaching the rural hinterland and the last mile connect there is a huge gap and that is what throws up huge opportunity even with 9(4) products where our constant endeavor is to make this last mile connectivity better, reach to the farmer who is either not getting the right product, right quality of product or the product in the right time, so that is where we are putting a strong effort in improving our channel reach and penetration to deepest corners of Indian villages and unattended crops in unattended geographies. Talking about 9(3) products usually the effort is to solve an unsolved problem in a very different in a very unique way, so there are some of the farmers who have moved up the value curve, they really look forward to these products, which are solving their unsolved problems in a very different way that is where the 9(3) products comes in with of course higher investment, higher marketing spend, higher education and higher margins.
- Rajat Setia:** Alright and in terms of the revenue share of products, which we have launched in partnership with the global players what could be share of those products?



*Dhanuka Agritech Limited
February 13, 2020*

- M. K. Dhanuka:** Share of those products is around 45%.
- Rajat Setia:** Alright Sir. Thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Deepak Gole from B&K Securities. Please go ahead.
- Deepak Gole:** Thank you Sir for this opportunity and congratulations for good set for numbers. Sir this 25% growth is it driven by only volume or have you seen any price or so in that?
- M. K. Dhanuka:** It is actually other way round. Value growth is 25 and volume growth is 27.
- Deepak Gole:** What is the speciality and a generic mix currently for the 9 months and for this quarter?
- M. K. Dhanuka:** You see 9 months it is around two third, one third type, two third speciality and one third generic.
- Deepak Gole:** Which are the major products this quarter has seen a strong growth?
- Rahul Dhanuka:** Could you repeat the question?
- Deepak Gole:** Sir which are the products have seen a strong growth in this quarter?
- Rahul Dhanuka:** Of course some of the herbicide and insecticides have shown a strong growth, but I will specify the names which we are working for.
- M. K. Dhanuka:** Superstar, Targa Super, CHEMPRA, Largo, APPLY, M1, these are major.
- Deepak Gole:** What is our percentage of raw material we import from the China?
- Rahul Dhanuka:** Our direct import from China is around 5% while the products, which we are buying from the traders who are importing from China that share is around 30% is of the total imports.
- Deepak Gole:** There was some news regarding two products, which were banned in India like Buprofezin and Tricyclazole. Sir can you just give some like color on this product?
- Rahul Dhanuka:** Well there are two ways again on this. One Buprofezin and Tricyclazole both are paddy products. We had both products in our portfolio, I think so the ban has not been imposed as of now; the government has called in for inputs from industry and other users. The impact is largely on north union basmati, which is exported to Europe. Secondly, not all over the country their use at a stage where they would have residue impact. Thirdly, there are ways of checking the residue in the country before exporting, so I think the thought of ban is ill placed and the government will be able to see the reasons and would allow the farmer to continue with the opportunity of



*Dhanuka Agritech Limited
February 13, 2020*

Buprofezin and Tricyclazole. Having said that at Dhanuka we have better offerings in shape of Pymetrozine, which is a replacement of Buprofezin and Tricyclazole. We have Pymetrozine, which is a replacement of Buprofezin. We have launched Pymetrozine for controlling BPH and we received very good traction from our customers for APPLY brand in BPH control in rice which is a systemic product and control BPH like almost no other product. Similarly for Tricyclazole we have our Japanese product Kasu-B which is very effective control for blast and in our future pipeline also we have two very good rice fungicide offerings shaping up couple of years down the line, so at Dhanuka we would be insignificantly impacted if at all the ban takes shape.

- Deepak Gole:** How is the dealer network currently?
- Rahul Dhanuka:** We have direct channel partners of about 6600.
- Deepak Gole:** Sir what is the capex plan for FY2020 and FY2021?
- M. K. Dhanuka:** FY2020-FY2021 would be around 10-12 Crores.
- Deepak Gole:** That is from my side. Thank you very much Sir!
- Moderator:** Thank you. The next question is from the line of Somaiah V from Spark Capital. Please go ahead. The line for Somaiah has got disconnected it seems. We will move to the next question, which is from the line of Hemang Khanna from Kotak Securities. Please go ahead.
- Hemang Khanna:** In regard to the new product launches you said that there are new plants for 1Q FY2021 what about for the rest of the entire year, could you give us some color on that and the second one was related to the Orchid Pharmaceuticals acquisition and the pledged shares over there, could you have some color on that please?
- M. K. Dhanuka:** You see with regard to Orchid, share pledge is very insignificant with regard to the Yes Bank against the bank guarantee otherwise all these shares are unpledged within a week's time and with regard to your new launches in the next financial year.
- Rahul Dhanuka:** So we are looking at 3 new 9(3) products coming in, in the next financial year, two of them fungicides and one of them herbicide. I did not pitch for it very strongly because we are waiting for our regulator Central Insecticide Board to really push the cases, they have been waiting in the wings, these two powerful fungicides are for grapes and are coming from Japan and another one is insecticide, which is also coming from a multinational partner, so we are looking at these three products coming in by the end of second quarter.
- Hemang Khanna:** Right. Sure thank you so much Sir.



Dhanuka Agritech Limited
February 13, 2020

- Moderator:** Thank you. The next question is from the line of Varshit Shah from Emkay Global. Please go ahead.
- Varshit Shah:** Can you just give us a cash flow situation for 9 months the opening cash flow and capex?
- M. K. Dhanuka:** Could you repeat your question?
- Varshit Shah:** Can you share the operating cash for 9 months and capex for 9 months?
- M. K. Dhanuka:** Capex for 9 months is around 5 Crores and the profit is absolutely free cash flow whatever the profits are there.
- Varshit Shah:** Cash flow fully there is a free cash flow, so Sir considering that you had opening cash of around 120 odd Crores right if I am right?
- M. K. Dhanuka:** Right.
- Varshit Shah:** You would have generated another 115, 120 Crores and so you have 240 Crores of cash as on date and you are paying out 68 Crores as dividend.
- M. K. Dhanuka:** You are right.
- Varshit Shah:** You still have 80 odd Crores cash, which is dragging your ROCE, so any color either on how many opportunity or how do you plan to utilize this cash?
- M. K. Dhanuka:** We are always open for the opportunities.
- Varshit Shah:** Any plans to over higher payouts going next year?
- M. K. Dhanuka:** I think it is almost double as compared to the previous year.
- Varshit Shah:** Yes already you have increased the payout, which is 44% of your EPS and I think can it go even further next year?
- M. K. Dhanuka:** I cannot comment.
- Varshit Shah:** Sure thanks. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Somaiah V from Spark Capital. Please go ahead.



*Dhanuka Agritech Limited
February 13, 2020*

- Somaiah V:** On the China keeping aside what is happening now you had mentioned starting from December the prices have started coming down, so what is the driver behind this, is it the new plants that that have been previously shut down they have started coming up or is the existing plants they have gone through the environmental process and they have restarted so what has been the driver behind improving prices from China in December?
- Rahul Dhanuka:** Largely, the impact was because of the old plants having coming around and stabilized either in the new location or with better environmental compliances in their previous locations, which stabilize the supply chain for them and eventually for us, so that brought in the biggest impact I would say.
- Somaiah V:** Okay so this is more of a structural thing and this is likely to stay keeping aside what is happening now?
- Rahul Dhanuka:** Absolutely I think so this is a structural thing which China had embarked on a very, very structural way over the last decade and they have significantly achieved that with the huge consolidation, I think so China will continue to maintain their leadership in the chemical industry and be the global chemical factory for long time to come.
- Somaiah V:** Got it Sir and you mentioned you are planning to launch three new products in Q1, so what would be the full year plan for the next year?
- M. K. Dhanuka:** So we are planning to launch three products in Q1 and we are expecting three 9(3) registrations by end of Q2 so in all six product launches next year.
- Somaiah V:** In this pricing scenario for this quarter you mentioned of the 25% growth 27% from volume and 2% price decline so is the pricing scenario at least for the last quarter relatively was better when compared to the previous quarter given the Rabbi was better or you see still the pricing scenario to remain weak?
- M. K. Dhanuka:** Because of the coronavirus I do not foresee that now prices has to come a level that beyond this the prices will go further down.
- Somaiah V:** Sir I am asking more from your product sales, for this quarter in terms of your topline growth you had mentioned price contribution was negative 2%, so asking more from the season was relatively better at the domestic end on the Rabbi side so despite that you saw that because of competition we had to go through this pricing decline is that the reason?
- Rahul Dhanuka:** Because of the raw material prices reduction we have to reduce the prices of our finished product also.



*Dhanuka Agritech Limited
February 13, 2020*

- Somaiah V:** Got it sir. Sir you also mentioned in terms of your sourcing so 5% is direct from China and 30% from traders who import from China so what would be the rest of the mix Sir?
- M. K. Dhanuka:** Rest of the imports are from Japan and we are buying locally from local manufacturers.
- Somaiah V:** Sir any proportions that you give sir on Japan and what we source domestically?
- M. K. Dhanuka:** You see total 25% is the imports of the total raw material consumption so out of which 5% is directly from China and say 6-7% may be other Chinese imports and rest is around 13% will be imports from Japan and rest 75% we are procuring locally indigenously.
- Somaiah V:** Got it. Helpful Sir. thank you.
- Moderator:** As there are no further questions, I now hand the conference to back to Mr. Manish Mahawar from Antique Stock Broking for closing comments.
- Manish Mahawar:** Thank you Tanvi. I thank management for providing us an opportunity to host this call. Mr. Dhanuka would you like to make any closing comments Sir?
- Rahul Dhanuka:** I would just like to say that at Dhanuka Agritech we have been able to manage with as a debt free organization and is a very asset like model we have been able to deliver this kind of a growth because of a powerful team and deep penetration in the rural markets. I think so we are really geared up to take advantage of the upcoming kharif, which is forecasted to be a good monsoon and with higher reservoir levels and higher ground water level we really hope that Indian farmer and Indian agriculture is up for a big jump. Wishing all the best to my listeners also and thank you so much for being connected and giving your attention to Dhanuka.
- Moderator:** Thank you so much Sir. On behalf of Antique Stock Broking we conclude this conference. Thank you for joining us. You may now disconnect your lines.