



Dhanuka Agritech Limited

ONLINE

April 6, 2020

The Manager (Listing)
Bombay Stock Exchange Limited
P J Towers
Dalal Street
Mumbai-400 001
Scrip Code: 507717

The Manager (Listing)
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex, Mumbai-400051
Symbol: DHANUKA

Subject: Outcome / transcript of Conference Call with Analysts/Investors.

Dear Sir,

Please find enclosed transcript of Conference call organized with Analysts/Investors held on 1st April, 2020, to discuss Current Agrochemicals trends (including Covid 19 impact).

Please take above information in your record.

Thanking you,

Yours faithfully

For Dhanuka Agritech Ltd.

S/d

Jitin Sadana

Company Secretary

Mobile No. 9810504866



“Phillip Connect Conference Call hosted by PhillipCapital (India) Private Limited to Understand Current Agrotech trend including impact of COVID-19”

April 01, 2020



SPEAKERS: **MR. MK DHANUKA – MANAGING DIRECTOR**
 MR. RAHUL DHANUKA – DIRECTOR MARKETING
 MR. VK BANSAL – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. DEEPAK CHITRODA – PHILLIPCAPITAL (INDIA)**
 PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Phillip Connect Conference Call on agro chemical trend including COVID-19 impact. 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 “*” then “0” on your touchtone telephone. I now hand the conference over to Mr. Deepak Chitroda, from PhillipCapital. Thank you and over to you sir.

Deepak Chitroda: Thank you and hello everyone and welcome to Phillip Connect Conference Call Series. So today we have with us management of Dhanuka Agritech Limited, represented by Mr. MK Dhanuka – Managing Director, Mr. Raul Dhanuka is a Director of Marketing and Mr. VK Bansal, who is a Chief Financial Officer. Basically to understand the current agrochemical trend, including the impact of COVID-19. So without wasting any further time, I now hand over call to Mr. Raul Dhanuka for his opening remark and then we can start with the Q&A session. Thank you and over to you sir.

Raul Dhanuka: Thanks Deepak. Good evening friends, this is Raul Dhanuka, Director Marketing, Dhanuka Agritech Limited. I along with my CFO, Mr. VK Bansal, join our MD Mr. MK Dhanuka on this call and take the opportunity to welcome you on this call. Thank you friends for joining in. A quick take from my side on performance is that, till the COVID-19 slow down and log down hit us we are going full steam and overall Q4 performance has been good. CFO will be sharing the micro details of the numbers soon. Overall Rabi has been good for the country and crop yields and crop status down south in paddy and up North in wheat looks favorable and positive. Upcoming monsoon is also forecasted to be good. So, according to me the Kharif outlook is favorable and positive. In short term, it seems it is the domestic consumption of agriculture commodity which is going to drive the demand for agro chemicals. Export oriented crops have taken a hit in last few days and will continue to have a slow take off in few weeks to come. Till globally the COVID-19 situation settles down. Domestic consumption of food products is stable and is expected to increase although no recent data is there. However, it seems that the domestic consumption in terms of per capita consumption is not going to come down significantly. Of course, animal feed market might be impacted. However, there is not a favorable assessment around that, meat and chicken consumption probably would come down which could reduce the maize consumption, which is a major ingredient for animal feed. Which means people might move in for more vegetarian choices and vegetarian options. So maize could be replaced by fruits and vegetables wherever it can be, and by cereal crops.

LSP support by the government is very loud and clear. So farmer has good choice to sell this product on MSP to the government or would sell to the private players. I think so private players will not be losing the opportunity of doing their part of the procurement in agriculture because that would be necessary to run the plants. the food processing units. Of course harvesting has been delayed due to shortage of labor, labor is not available for doing harvesting or vegetable picking in many markets, that is a cause of concern for the farmer harvesting could be delayed and this delay in harvesting could have some impact on Kharif sowing. And I will talk about it a bit more later. Liquidity cash flow is going to be a challenge in the market because of this

lockdown, money flow has slowed even in rural markets. However, various initiatives taken by the government in terms of putting cash in hands of the farmer, direct benefit transfers and other measures taken for supporting SME and MSME will help money circulation getting restored sooner than later. It is this restoration of money circulation which will eventually boost all businesses and agricultural and agro chemicals also. At Dhanuka we help the food and nutritional security of the country. And I think so even in these testing times when the country is impacted by COVID-19 the food and nutritional security will hold utmost important, which is also pretty evident from the fact that the government has incorporated food, fertilizers, seed and agro chemicals in essential commodities. And it has these facilities which are being offered are opening amidst of lockdown. So that's being important for the country, I think so agriculture will be back on track pretty fast. Talking about delayed sowing, the primary Kharif crop, which comes first very importantly, is cotton. So probably some sowing of May could be delayed by a couple of weeks, but that won't impact cotton significantly because cotton is a hardly a summer crop only in highly irrigated areas farmer goes for early sowing, which is not really recommended because it causes insect attack, it causes increased insect attach. So, this delayed sowing will not negatively impact much in terms of cotton acreages or cotton yield. However, cotton acreages might come down depending upon the global demand of cotton yarn or fiber, if at all, if it moves into a discretionary spending that could have a spiraling slowdown impact. In short term, however wheat, pulses, sugar, fruits and vegetables and all domestic consumption would hold the agriculture as in a strong position and will also lead the economic recovery of the country in short term. At Dhanuka we run almost a rural FMCG model. We are significantly geared up to service our trade channel and eventually the farmer as soon as the lockdown opens up across the country. As I talk we have more than 81 consignments, which moved out from our facilities about a week ago. And now with the relaxations offered by the government, these consignments are reaching their destination. Our warehouses are opening up for a few hours and shops in the market are also opening up for few hours, resulting in movement of agrochemicals in short term. With that, I would request all of you to be safe wherever you are, and pray for safety for everyone around you. Thank you and handing over the call back to you Deepak.

Deepak Chitroda:

Thank you. Now we can start with the Q&A session.

Moderator:

Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Varshit Shah from Emkay Global. Please go ahead.

Varshit Shah:

Sir my question is around, is more around the supply chain. So, what we understand from my understanding from the channel is that, the imports are all and the ports are working and the materials are delivered. Now, I know that you will of course be procuring some raw materials from China and some of it is locally procured. So what is the status there in terms of making the products available in the market at the right time during the Kharif, assuming that we can move the products before Kharif, that's my first question?

Raul Dhanuka:

Hi, Varshit this is Rahul, and thanks for your question. You got the piece right that a lot of material has already moved from China earlier and our customs is working overtime to clear

these consignments. As of now, as I understand though, the custom is supposed to work probably 24X7, lot of export consignments are facing challenge, almost anything which gets exported from India is facing some challenge. And so our input consignments, they are coming in relatively slower. Once these consignments they move in, then processing them in our formulation units is not going to be a tough task and then delivering them back to the market is going to be easier. Now, as of now the supply chain would involve basic technical grade material, then intermediate, emulsifiers and solvents. The supply chain will also include the manufacturers of duplex boxes, paper labels, corrugated boxes, HDPE and PET bottles and so on. The entire supply chain is practically in a shutdown mode. So, which is going to cause the delay in restoring the ecosystem. Our plants in this period normally in Feb, March, April they are stocked up with off season production technical material as well as lot of packing material. So, while the plants have been in shutdown mode for the month since long down happen since after 22nd. We are hoping our plants to get activated soon and they have sufficient raw material and packing material to run for a while, after which we will be dependent on our supply chain to get active and get active faster, so that we can churn out the protection chemicals to the farmer. Did I answer your question Varshit?

Varshit Shah:

Yes, Rahul, thank you so much that's a bang on. So maybe if I would just follow up on that. So, what I understand is we have some stock of technical and packaging, probably we can move something in the interim. But then I think maybe lockdown beyond say 15, 20 days in the April probably could then cause disruption and the supply chain has to be restored before that is my understanding correct?

Raul Dhanuka:

Okay, so for Dhanuka we had as I shared with you 81 shipments waiting in transit. As these shipments they reach their destination, they will activate the consumption. Now, the consumption itself is in a slowdown mode for a while. Incidentally as you might be aware, wheat is ready for harvest in North India and Central India and paddy is ready for harvest in South Indian and East India. Agro chemical activity is at it's minimal as of now, fruits and vegetables and sugarcane and there are very few crops which are active as of now. So, yes pocket-by-pocket farmer is in need of crop protection chemicals. But otherwise, for all practical purposes, we take March, April and even May as the offseason period. So talking about economic numbers, I don't think so our business would largely be impacted, assuming that we will be up and running soon after the lock down, so lock down is till 14th and even for next 10, 15 days if it takes our supply chain, our indigenous supply chain to activate, it will not cause any problem or any disruption to our channel and our farmers in sourcing the product, there will be sufficient in the pipeline.

Varshit Shah:

Right and just in case if it takes longer in the domestic supply to review, can you substitute that with the enforced maybe with a slight hit on the margin but it can keep our engine running. So at what point will you have to decide that is it middle of May or still take the call at the end of the May. I know it's a tricky question?

Raul Dhanuka:

Call regarding what?

Varshit Shah: Yes, so what my question is that whatever you procure domestically, you will also have the option to import, right. So it will generally be a choice between either import or procure locally, assuming that the local supply chain takes longer time. Will you be open to importing it and still get your stocks ahead of the competitors in the market or you think you have sufficient time the domestic supply is ramp up by say middle of the May?

Raul Dhanuka: I think so at Dhanuka we are really well placed when it comes to the supply chain of technical grade material, either imported or domestic. That is not something I am worried about. I am more worried about the SMEs and MSMEs is ancillary units servicing us. Technical grid material is not a concern as far as I see. In the period defined by you, it is not a big concern. The bigger concern is the SMEs, MSMEs, the ancillary units activating themselves.

Moderator: Thank you, Mr. Shah. We have the next question from the line of Levin Shah from Valuequest. Please go ahead.

Levin Shah: Sir firstly on this. So, how are we placed in terms of raw material procurement. So are we able to get material from China from other regions where we are importing?

Raul Dhanuka: I lost you in between for few seconds. Could you please repeat?

Levin Shah: Yes, sir. I just wanted to know about our raw material situation or procurement currently. So, are we able to get material from China and from other markets. Are we basically able to import raw material?

Raul Dhanuka: Thanks for that question. And I'm very sure if my distributors, my channel partners are listening to my answer, they would be extremely delighted. At Dhanuka we run an asset-light model and we are a debt free organization. We normally use this period for procuring the material, raw material in offseason and also pack them in our production units. So that's what our factories were busy with as the lock down happened. So we really have good stocks of the raw material available with us in short term. Supply from China have restored to a great extent and shipments have started happening from China. A lot of our material which was already in pipeline is landing at ports and is in the process of clearance from customs or is in the process of transport from ports to our factories. And it is this transportation which is taking more time than the actual supply from China. Apart from China, lot of our supplies are specialty and key products were coming in from Japan. Japan has not gone in for any kind of a shutdown, it's only Tokyo where they are controlling the or restricting the movement. Practically all other **(Inaudible) 16:57** of Japan all of the manufacturing units are under operation. And we are expecting all our Japanese products to come to us in time and complete quantity. And we're hoping to have a good business opportunity with all these products. Third element of our supplies comes from the domestic manufacturers. So domestic manufacturers which were impacted by shutdown will take their time to restore operations, you must be in touch with many of them. And I'm very sure as soon as they restore operations, we will benefit because of our relationship with each one of them and the being a good paymaster also. So in four parts, I have sufficient inventories in my plant I have

sufficient inventories in pipeline from me to my channel. I have sufficient inventories coming in from China and from Japan, so I'm left only with the concerns on domestic manufacturer, the picture will become clear in another week 10 days.

Levin Shah: Okay. Sir this was on the ability front but if you were to see prices so how have the raw material prices moved recently, so we had China shutdown last month and the month before that, so has that been anywhere impacted our raw material prices?

Raul Dhanuka: Raw material prices are probably at an all-time low or sinking because of heavy inventory pile up in China, they had their material available but the transportation was the first thing to get. So, raw material prices are not going up subsequently crude prices got a hit, which is the basic raw material for almost all chemical products. So that is not going to help increase the raw material prices. So, I don't see any raw material prices increase. However, some traders might be using this opportunity to make a quick buck in short term and a short while. So something in terms of real emergency will only see a price hike which will be very temporary and very localized and case to case. Otherwise in general no price increase.

Levin Shah: Okay. Sir and one last follow up is on this, so if we were to see the current situation if this lockdown continues let's say till the month of, for the entire month of April and maybe into May worst case scenario so then how will this impact our demand or if in the current state of lockdown if this continues, will we be able to maintain our growth or there would be some issues transporting material to the last mile?

Raul Dhanuka: See last mile connectivity in this peak lockdown government has allowed agrochemicals. So the supply chain is just stabilizing to that opening. I don't see that government can take any chances with agriculture and we all know the age everything else can wait but not agriculture. So, I think so after health, after basic food, it is agriculture which has duly received government attention, which has dually received logistical attention, which has dually received all the support from district and state authorities. I don't foresee the last mile connect being a challenge.

Levin Shah: Okay. So, do you mean to say that if there are let say normal monsoon this time around and situation stays as it is, we will be able to grow basically there would be some growth in the industry as well?

Raul Dhanuka: Absolutely. And what I would do is, I would request my CFO Mr. Bansal to take on this question a bit and also explain our situation and our understanding on the numbers. So Deepak can we request Mr. Bansal to take on that one and more details.

VK Bansal: Yes, for sure. So, you see if the monsoon is normal and the lockdown just to say by April end and early end. So we are sure those growth would be there definitely.

Moderator: Thank you. Mr. Chitroda would you like to proceed with your question while we wait for questions and participants?

Deepak Chitroda: Sure. So, basically, I have a two question. One is obviously on the COVID-19 impact basically, you talk about a lot on the supply side of it. But what if, obviously so far we haven't seen any spreading of COVID-19 in the rural area, so far and the good part, but what do you see in the worst case scenario, if that basically extended towards the rural area. So what kind of impact it can have on the demand side. And of course, if you see a lot of migration has happened in terms of the workers in the rural area, so do you think it can have kind of a negative impact on the agrochemicals because ultimately always we talk about labor shortages and high labor cost and all right, so this time there will be a plenty of labors available in the rural area?

Raul Dhanuka: So, the last part is, there would be plenty of what available?

Deepak Chitroda: I am saying labor's shortages will not be there because you have like a lot of people to rural areas?

Raul Dhanuka: Absolutely. So this migration has happened at a very cut of peak labor demand because harvesting is a key activity. Wheat harvesting is transformed Central India and comes up to North India and paddy harvesting of Rabbi, paddy in South and Boro paddy in East India is about to start in couple of weeks and they will need a lot of labor to do this harvesting. So this labor migration away from the heart of Punjab or Haryana back to UP and Bihar, will create labor shortage in Punjab and Haryana and of course, excess labor in UP and Bihar and Chhattisgarh. So, labor shortage would be happening in the hearts of Madhya Pradesh or in heart of Telangana or Godavari where the labor would have migrated to their hometowns which are relatively poor in agriculture, which means the labor has migrated to Chhattisgarh or Orissa, or Bihar, Jharkhand and UP. So, there we will see excess labor and in some states, we will see shortage of labor. A lot of mechanization has happened. So in North India largely we see combines for harvesting wheat, but still farmer needs labor to manage the whole situation, now these combine harvesters would be operating in Central India and then moving to North India for harvesting needs. So that might not be significantly impacted. And similarly, we have harvesting equipment's coming in for Paddy harvesting but it is still significantly labor intensive. So, those are mixed challenges and how the dynamics will work out I'm not too sure. Increased offering on MGNREGA is another dimension which comes in. So how this is going to impact with the migration of here there's too many variables at play. And each of these variables will have a social, economic and agricultural impact. It will be too early for me to pack down and look at each one having its impact. So MGNREGA offering has gone up, which should ideally make labor availability difficult, and which can ideally increase the -24:56 consumption significantly. So, I do foresee **(Inaudible) 25:01** consumption going up for this year. And in upcoming Paddy season for sure because of not available labor in the short term. And, again, we are really well placed our **(Inaudible) 25:14** offering in paddy from Nissan. So we are really well placed for Paddy, and in sugarcane, we will have Sempra to take on the sugarcane weeds. As an amazingly farmer has come down in the middle of lockdowns requested for the shutters to be opened and taken up the **(Inaudible) 25:34** in this window because they don't want to go ahead with their sugarcane sowing and sugarcane growing up where they cannot control their

weeds. This is going to be a mixed thing and I would request for prayers that this settles down quickly.

Deepak Chitroda: Sure. And the second question sir is on the, quick takeaway from your side about the pesticide management bill announced last month or so. So, if you can just highlight what kind of impact it can have on the sector parse?

Raul Dhanuka: So pesticide management bill is increasing these regulatory means around all the agro chemical producers, which will actually make it difficult for the fly-by-night operators for fake and scurrilous products to play in the market. My audience would appreciate any law is only as good as its execution. So, even the execution which will really matter it has been given a lot of –26:36 however, lot of delegation is being done to the states. Now that has been a challenge agriculture has been a state subject however, the regulation was central. After passing on these authority at the state level. I foresee execution all the more slower or difficult. If that doesn't happen, if the execution is true to the spirit then this is going to boost the business of companies like Dhanuka which invest in brand building, which invest in farmer education and companies like Dhanuka which invest in creating brand equity over a longer period.

Moderator: Thank you. We have the next question from the line of Madhav Marda from Fidelity Investment. Please go ahead.

Madhav Marda: It's a different question, just from the Orchid Pharma is there any update that you could share with us in terms of the promoter pledge in terms of what's happening there?

MK Dhanuka: Yes, I am happy to inform the audience that on 31st March that is yesterday Dhanuka has made the complete payment and from today onwards now, Orchid Pharma belongs to Dhanuka Group.

Madhav Marda: I am sorry sir belong to Dhanuka Laboratories is it?

MK Dhanuka: Yes Dhanuka Laboratories is also basically not the part of Dhanuka Agritech Limited, but group is same. Now Orchid Pharma will be controlled by Dhanuka Laboratories Limited.

Madhav Marda: Sir in terms of the promoter pledge, does that gets released anytime soon or what's the thought on that?

MK Dhanuka: Pardon, your voice is not clear?

Madhav Marda: Sir Dhanuka Agritech shares the promoter pledge, does that gets released anytime soon?

MK Dhanuka: Sorry, there is disturbance in the line.

VK Bansal: Yes, I'm just responding. There is no pledge seen towards this loan. However we have pledge certain CS towards the bank guarantee which is going to be released in a day or two, so therefore the pledge of CS would be released with regards to the bank guarantee given to Yes Bank.

Moderator: Thank you. We have the next question from the line of Viraj Acharya from Securities Investments. Please go ahead.

Viraj Acharya: I just have two, three questions. First is, what is the inventory either with us or in the channel, the overall or the industry inventory as of 31st March?

Raul Dhanuka: Ideally industry goes for some inventory positioning in March end. So, I think so, organizations would have missed that opportunity at Dhanuka we hardly do any placements. So we do not have significant pipeline inventory. Like I shared earlier, we had 81 shipments waiting from our plants or zonal warehouses moving into some of our customers or branch warehouses. So, I think so almost all the companies would have their inventories stuck at different stages of logistics and supply chain. And China thing happened way back in January. So that would certainly cause some inventory constraint in the ecosystem for March and April requirements. However, we will discuss this in February concall also, that this is not a high consumption period. This is largely off season production and inventory building period. So I think so, technical inventory and raw material inventory should not be a constraint in the industry. Finished goods eventually would be a constraints due to shutdown of the plants. And assuming that we'll be opening up in action pretty soon it will not take Industry lot of time to build up finished goods or stocks and move it quickly to the market. At Dhanuka we have three formulation units at Keshwana, Udhampur and Sanand. And at all the three formulation units, we will be up and running pretty soon and really fast we'll be able to service our channel and our farmers really quickly.

Viraj Acharya: Sir my question was actually about a year back the industry including us, we're kind of saddled with a lot of finished good inventory in the market. With the monsoons being good and the liquidation also being good I was just trying to get a sense in terms of our inventory is there compared to normal demand how much more or how much less the inventory is down?

Raul Dhanuka: Compared to last year its significantly lower. As compared to last year significantly lower inventory in the pipelines at all stages.

Viraj Acharya: Okay. And second question was related to the pricing since inventory has been low and the supply chain, I do understand the key consumption period is still not kicked in yet but it comes much later in the Southern the input chain. But, given the inventory is really low, the supply chain is probably trying to get back. Is there, now companies are better able to hold down to the prices so that kind of low raw material which we have managed to get, there is no –32:39 to actually share the market or just trying to understand, how should one understand the pricing part?

Raul Dhanuka: See there would be a short term blip or I would say a short term blip we can assume from mid-March to mid-April, where the inventory constraint would certainly be felt. However, if we consider the backward chain that material coming in from China, or China as the chemical plant of the world would not be raising prices. In fact, the government has doled out subsidies, export subsidies in China, then a lot of liquidity has been formed into the ecosystem in China. And

there is a lot of logistic facilitation being done. Which comes on to say that with the crude prices going down and subsidies in place, the global factory which is called China will not be increasing prices. So, any northward movement of prices if at all, could be short term or product-to-product. It cannot be generalized in terms of prices going up.

Viraj Acharya: Okay. And last question was on other agri input chain especially seeds or fertilizers. So for seeds know the production usually happens a year in advance the planning and everything, it's usually largely localized so are we seeing any impact in terms of availability say of seeds at the farmer level, major crop say cotton, rice or maize. Are we seeing any issues on those parts yet?

Raul Dhanuka: Yes, absolutely. So seed outreach, pocket-to-pocket has been slow and the farmer has not bought access to seed in many markets for a while. However, this is not exactly the time of cotton seeds sowing, cotton seed sowing earliest to the happening in mid-May or later and about 15, 20 days of delayed sowing will not impact cotton acreages, will not impact cotton yield. Fruits and vegetables seeds, especially the cucurbits in this period, muskmelon, watermelon, cucumber, tomato, and other fruits and vegetables which are sown in March and harvested in this period of March and April, these fruits and vegetables will certainly be hit in terms of availability of their seeds, availability of labor and availability of the freedom to move around.

Viraj Acharya: Any color on rice and maize as a product?

Raul Dhanuka: Rice is normal, rice shouldn't be seeing any challenges this is largely harvesting time in South Indian and East India. North Indian rice sowing will be coming up in June, the Punjab and Haryana government have normally imposed restriction of not starting transplanting before 10th of June. So, we have sufficient time for rice sowing to happen. Maize sowing has taken a hit in some pockets, somewhere due to seed availability. Somewhere due to maize prices going down, earlier at one point of time they had touched Rs.2000 and now in some markets is Rs.1200 a quintal. Maize prices have gone down, maize seed availability has been hit in some pockets and maize acreages might overall reduce.

Moderator: Thank you. We have the next question from the line of Ashish Thakkar from Motilal Oswal Asset Management. Please go ahead.

Ashish Thakkar: Sorry, I got into the call a bit late. Sir on in-licensed portfolio would that get impacted because of this logistics issue?

Raul Dhanuka: In-licensed portfolio, the products which we get from various multinational companies. So, Japan as I shared earlier, all the **-36:42** of Japan are operational, offices are on, factories are on. We are expecting very normal supplies of Charga, or CANPA or all over Japanese products, we are expecting really normal supplies and other in licensing products which come from Europe or America. Till our discussions way back in first week of March, the insight was that the supplies could be slow because of the China being hit in terms of however China now pulling

along, I think so supplies could be delayed, but would we restore before the Kharif starts in June, July.

Ashish Thakkar: Okay. And sir what is the capacity utilization at our factories currently, and proposing on April 14th the long term gets withdrawn, then how quickly can we ramp up?

Rahul Dhanuka: Right, so I will request my CFO Mr. Bansal to take on both the questions.

VK Bansal: Yes, you see it depends upon the availability of the labor after the lockdown is over. Normally we run two shifts during the season. But however, we have the opportunity to run the three shifts, so we can really pick up everything very quickly, but it depends on the availability of the labor basically. That could be a problem little bit.

Ashish Thakkar: But the capacities are now down currently as on the ground like?

VK Bansal: Currently the factory is closed.

Ashish Thakkar: And you expect by April 14th the lock will get over?

VK Bansal: See it's a very difficult question everybody is expecting the lockdown could be extended but since our agro chemical pesticides are coming under the CGL category, so we are hopeful our factories would be operational by next week, by Monday probably.

Ashish Thakkar: Okay. The government has already put a notification right. that these are essential in nature?

VK Bansal: Yes, it's already there.

Ashish Thakkar: Okay. And so assuming that everything by next Monday, the permissions are on and the capacity starts taking place. For the FY21 fiscal since the monsoon were also very good and we are expecting a good Kharif season, broadly what kind of industry growth do you anticipate and what could be the growth for our company?

Rahul Dhanuka: For industry and our company growth should be in double digit, the government has declared this agrochemical pesticides under CNGL category, but thing is that still the transportation is not standard fully, until and unless this transportation is fully available, things will not move in that speed which we need actually. But however, the goal we see production of the normal monsoon. We are hopeful the industry growth, should be in two digit between 12%, 15% type and Dhanuka definitely should be more than the industry average.

Ashish Thakkar: On the raw material availability, how are we placed now?

Rahul Dhanuka: Raw material availability, the as some of this is already shared the by and large it's okay because China has already started and as far as technical availability is concerned, we assure that they

should not be in a difficulty. But however once the lockdown is over, we can face some difficulty with regard to the packaging material supplies.

Ashish Thakkar: Okay, so in other sense the lockdown remains very crucial for the entire agrochemical industry. And the sooner it opens the better it is?

VK Bansal: For the entire country, for all industries. Yes, it is very crucial.

Ashish Thakkar: Can you believe the government is cognizant of the fact, right?

VK Bansal: Yes.

Moderator: Thank you. We have the next question from the line of Bharat Gupta from Edelweiss Security. Please go ahead.

Bharat Gupta: Hello Rohan here. Rahul just wanted to, thanks for summarizing in very acute way and giving the current scenario. My question is on this though we may be able to manage on the supply side given the government is allowing us to operate, my question is more on the demand side given the cash flows of the farmers will be impacted in the current scenario as we have seen that fruits and vegetables market would have been disrupted which was giving them very regular cash flows. Also non-farm income and labor income which they were getting that has also been impacted. Also we are seeing that some of the crops like you rightly mentioned that maize crop and even maybe cotton for that parse may see drop in prices, in maize we have already seen a significant reduction in prices and we believe that prices may remain under pressure. So, given this current scenario with the cash flows of the farmers remain under pressure, do you see that there is a risk to demand farmers may assume less and may in fact less in agri input overall?

Raul Dhanuka: Thanks Rohan for that follow up. And what I would like to put it here is that, it will really depend upon how the commodity consumption happens. So the larger commodities are being backed up very, very strongly by the government through MSP for example, wheat is being backed up by MSP, there is stock of some bonus or distress subsidy of Rs.50 to Rs.120 in different states. Paddy remains our favorite crop of MSP channel and cotton also which is not our MSP favorite has received support from the procurement body. Now, MSP being in place that could be a big boost to the Indian farmer and Indian agriculture. As of now, nationwide efforts are on to service the migrant labor, daily labor and other people who procure food on their own and are out of job as of now. It is at this moment that the NSTP, MSP, public distribution system, the logistics system of the country and the collaboration, public private collaboration of delivering the food is being tested. And I feel as of now, as a country we are faring above average on that food delivery. Now as long as we have mouths to feed, agriculture will be in demand. Yes, crop-to-crop it will vary, cotton prices will come under pressure, maize acreages and maize prices will come under pressure, export oriented agriculture commodity will come under pressure and to that extent demand will also get impacted. However, normal paddy acreage is not coming under pressure, normal soybean acreage is not coming under pressure, normal cotton and even other

crops, fruits and vegetables especially are also not coming under demand pressure, once the seed availability happens farmers will go back to vegetables because that will be the easiest to grow and fastest to move and convert to cash.

Rohan: Okay. Sir second question on this credit crunch in the market and have you started seeing that your collection has already been impacted though it's very early, but maybe in next three to four months, when our business goes on full swing, you may see some collections not coming on time and there the company may see requirement for the additional working capital to put in the system?

Raul Dhanuka: Absolutely you are bang on, that collections are the first thing to take a hit in such a scenario. I would like to say cash is king whenever the times are tough. So we are as a country going through a tough time and cash is going to be the king Dhanuka which runs on a very asset like model and also being debt free. We are really well placed when it comes to slowdown in collection, we are going to reach out to our channel and we are going to support them in the time of need by offering required credit. And I think as an organization, we are significantly well placed to meet such requirements in short term as well as in substantial long term. Credit crunch is going to hit the industry overall because the slowdown of inventory would mean probably slower turnaround time for the inventory as well as the channel is going to pay up a bit slow. So, companies which are able to manage with their internal working capital, internal cash flows would be able to float higher.

Rohan: So, generally sir we see that this kind of tough time, sometime also abused by the dealer or the system, we have a Kohinoor scheme which I think that very adequately placed the inventories to the dealers and also helped us in terms of collections from the dealers. So, do you see that there will be blanket policies that relaxation in a working capital like beyond 30 days no interest charge or no credit blocking, those kinds of measures you plan to take or it will be very case specific dealer-to-dealer like differential treatment for Kohinoor dealers or small dealers will have a differential treatment?

Raul Dhanuka: Wonderful study that you have on Dhanuka and our channel Rohan I must appreciate that. Thank you for putting in that way. We work with our channel as partners and when we work with partner we kind of reach out to them in a very customized way. So we will assess what crop, what cash flow situation individual channel partner is facing and we'll customize our offering to them. We are not bringing in anything blanket or standardized. We are also waiting for the situation to actually unfold and become clearer. We are going through not only a lockdown; a normal slowdown March and April is a normal slowdown period for us. Farmer trade channel is busy with harvesting and collecting grains. Adadhia, commission agent system is busy in harvesting and post-harvest activities, so this is a slowdown period. COVID-19 coronavirus has happened for in Indian agriculture at a time when Indian agriculture was going through its annual lowest tab. This is the offseason for farmers, this is the offseason for trade channel, this is the offseason for Dhanuka and the entire agrochemical industry. And this offseason is going to rescue us as a country when it comes to our food and nutrition security.

Rohan: Thanks. And just last question from my side, though a little bit hypothetical, this labor migrant generally this labor migrant do happens in month of June or May, June period. I think that this time it has happened early, it has happened little bit early given the current scenario. What is your thought process on that, as you rightly very adequately mentioned that UP, Bihar and these markets may see some excess labor and the shorter may be seen in MP, Telangana, Punjab these market. But it has happened in a very quick time. It has hardly taken three to five days this kind of moment to happen. So, if the situation normalizes If we expect that the normalcy will be achieved and by 14th of April the lockdown is lifted. Then you see that equally, soon that labor will be able to come back to the work and we may not see too much impact on the activities, which are dependent on labor or it is going to take time, or they may spend more time in their hometown or given whatever the reason or the fear of the corona coming back again, it may continue for a little bit longer. I mean, this is slightly hypothetical, but I just want your view on that.

Raul Dhanuka: Thanks, Ron. Before I take on that question, I'll need Deepak permission because we are overrun the time. So I'll take a quick start at that if Deepak allows. Deepak are you there with your permission I will take on this question?

Deepak Chitroda: Yes, sir you can go ahead on that.

Raul Dhanuka: Right, thank you. So as you yourself qualified the questions thankfully by saying it is qualified, well it remains to be seen. They have the opportunity of MGNREGA in their hometowns. At the same time they would be overcrowded for want of food, for want of medicine, for want of hospitals. So, they would probably with the enterprising effort, they would probably want to come back as soon as possible. Now that would be impacted by demand and supply, how much money they can make in their hometowns or home villages. And what is the sense of security they have over there. Versus what is the sense of security is restored in Delhi, Noida, Gurgaon or in the harvesting fields of Punjab, Haryana and Madhya Pradesh. The sense of security needs to be established for a while. We really don't know right now, this migration has happened only from towns and construction sites or this migration has happened even from the rural hinterlands. We really don't know, what we have seen is only pictures of labor migrating. And we've seen this pictures on the border, what is yet to be disclosed is this migration has happened from where, from the construction sites of Delhi, Mumbai, Noida, Gurgaon or from farming land. If it is not happened from farming lands, will not see any impact, if it happens at farming land this will give another boost to farm mechanization. So your speculative question will remain speculative Rohan. And I would just top it off with my speculations.

Moderator: Sir it looks like the participant has got disconnected. Should we move to the next question?

Raul Dhanuka: I think so we at 5:06 and call time probably would like to call off.

Moderator: No problem sir. Would you like to make any closing comments?

Raul Dhanuka:

Thanks to PhillipCapital and kudos for organizing this call. And thank you for all the friends and the officials who came on this call trying to understand the Indian agriculture situation. I must appreciate and acknowledge the kind of homework my audience comes with. You are really rich with information and ground reality. Thanks for the honor in terms of trying to understand the situation from our perspective. I'm very sure we'll be connecting pretty soon. With good set of results and outlook for Kharif after our board meeting in mid-May. Till then, wishing you all a very safe period, have a happy time with your families. Thank you and bye, bye.

Moderator:

Thank you, gentlemen. Ladies and gentlemen on behalf of PhillipCapital. That concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.