

27<sup>th</sup> May, 2022

**Listing Department**  
**National Stock Exchange of India Limited**  
Exchange Plaza,  
Plot No. C/1, G. Block,  
Bandra- Kurla Complex,  
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 23<sup>rd</sup> May, 2022 with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Financial Year and Quarter Ended on 31<sup>st</sup> March, 2022.**

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 23<sup>rd</sup> May, 2022, which were hosted by Antique Stock Broking Limited through virtual mode with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Financial Year and Quarter Ended on 31<sup>st</sup> March, 2022.

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

  
  
Jitin Sadana  
Company Secretary and Compliance Officer  
FCS-7612



“Dhanuka Agritech Limited  
Q4 FY2022 Earnings Conference Call”

May 23, 2022



**ANALYST: MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING LIMITED**

**MANAGEMENT: MR. M. K. DHANUKA – MANAGING DIRECTOR – DHANUKA AGRITECH LIMITED**  
**MR. HARSH DHANUKA – EXECUTIVE DIRECTOR - DHANUKA AGRITECH LIMITED**  
**MR. RAHUL DHANUKA – CHIEF OPERATING OFFICER - DHANUKA AGRITECH LIMITED**  
**MR. V. K. BANSAL – CFO - DHANUKA AGRITECH LIMITED**



*Dhanuka Agritech Limited*  
*May 23, 2022*

**Moderator:** Ladies and gentlemen, good day and welcome to the Dhanuka Agritech Q4 FY2022 Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in 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 phone. Please note that this conference is being recorded. I now hand the call over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you, Mr. Mahawar.

**Manish Mahawar:** Thank you Renju. On behalf of Antique Stock Broking I would like to welcome all the participants’ on the call of Dhanuka Agritech. From the management, we have Mr. M. K. Dhanuka – Managing Director; Mr. Harsh Dhanuka – Executive Director; Mr. Rahul Dhanuka – Chief Operating Officer; and V. K. Bansal – CFO on the call. Without further ado, I would like to handover the call to Mr. Dhanuka for opening remarks. Post which, we will open the floor for Q&A. Thank you and over to you, Mr. Dhanuka.

**M. K. Dhanuka:** Thank you, Mr. Manish. Good afternoon ladies and gentlemen. Myself M. K. Dhanuka, Managing Director of Dhanuka Agritech Limited. I hope all of you are doing well and keeping safe. Thank you for joining us in the conference call for results of Q4 of FY2021-2022. I have with me Mr. Rahul Dhanuka – COO of the company; Mr. Harsh Dhanuka – Executive Director; and Mr. V. K. Bansal – CFO of the company.

As you know, Dhanuka Agritech is a leading agrochemical company in India focusing on brand sales in the market. The company's strength lies in the manufacturing and marketing of formulated products. The products portfolio is spread across insecticides, herbicides, fungicides and plant growth regulators. Dhanuka Agritech is working with the vision of transforming India through agriculture. Our belief is that when we transform the lives of farmers by enhancing their productivity and quality and in turn enhancing their income we are making a small contribution in transforming India. We work in all major crops in India and have implemented the best in class technology to ensure a smooth and efficient supply chain. Dhanuka has a pan India presence through its marketing team and warehouses in all major states across India.

With three manufacturing units and 41 warehouses across India, we cater to around 6500 distributors and dealers and around 80000 retailers. Through this extensive network Dhanuka reaches out to approximately 10 million Indian farmers with its products and services. Dhanuka has more than 1000 techno commercial staff supported by a strong sales and marketing team to promote and develop new products. It was due to efforts of this team Dhanuka was able to secure higher growth in its focused products in comparison to generic products, which in turn help us to protect the bottom line in a challenging year. Dhanuka's strong R&D division has world-class NABL accredited laboratories as well as an excellent team for new products registration and development. Dhanuka has international collaboration with 10 leading global agrochemical



*Dhanuka Agritech Limited*  
*May 23, 2022*

companies from the US, Japan and Europe, which helps us to introduce the latest technology in India.

There was adverse impact of weather condition in the first half of the year, which has impacted the financials of H1 of the company. However, it was reversed from September and the conditions became favorable for consumption of agrochemicals. This has helped the company to recover its performance in the second half of the last financial year. The growth in the second half of last financial year would have been much better if the South India would have not faced the three cyclones and the attack of the Black Thrips in the chilli crop. The chilli crop in South India has been destroyed because of the attack of Black Thrips and three cyclones has impacted the consumption of pesticides in South India where the company got the dent in the growth.

As per IMD report the monsoon is expected to be normal this year which has brought a smile on the faces of the farmers. Also the high commodity prices will encourage the farmers to protect their crops with higher investment and we expect higher consumption of the agrochemicals in this year.

Now moving on to the financial performance for the last quarter. I am delighted to share that our revenue from operations stood at Rs.318.30 Crores in Q4 of FY2021-2022 versus 275.56 Crores in Q4 of FY2020-2021 representing an increase of 15.51% over the corresponding period last year and for the financial year 2021-2022 it was Rs.1477.78 Crores versus 1387.46 Crores which is 6.51% up over last year. EBITDA stood at Rs.77.27 Crores in Q4 of FY2021-2022 versus Rs.73.36 Crores in Q4 of FY2020-2021 representing an increase of 5.33% over the corresponding period last year and for the financial year 2021-2022 it is Rs.296.97 Crores versus Rs.302.81 Crores last year. Profit after tax stood at Rs.54.29 Crores in Q4 of FY2021-2022 versus 48.64 Crores representing an increase of 11.6% over the corresponding period of last year and for the financial year 2021-2022 it is Rs.208.78 Crores versus Rs.210.5 Crores in FY2020-2021. The zonal wise percentage share of turnover for financial year ended March 31, 2022 is as follows for quarter four. The north India is 27.49%, East India is 12.71%, West India is 22.42% and South India is 37.38%. Products category wise share of turnover for Q4 of FY2021-2022 the insecticide is 44.56%, the fungicide share was 19.49%, the herbicide share was 24.49% and others including PGR was 11.46%.

The board of directors has recommended 300% final dividend that is Rs.6 per equity share having face value of Rs.2 per share. The board has already paid 400% interim dividends to the shareholders as declared in its board meeting dated February 2, 2022. The total amount absorbed in the payment of dividend for this year is Rs.65.21 Crores. The payment of final dividend will be subject to the approval of the shareholders in the 37th Annual General Meeting schedule to be held on August 2, 2022.

As discussed last time, the company is working on its Greenfield project at Dahej, Gujarat as per scheduled plans. Some new initiatives for business expansion that we have taken in the last



*Dhanuka Agritech Limited*  
*May 23, 2022*

financial year, our investment in drones manufacturing startup, establishment of a biological product division and a new expo division for creating new revenue streams for the company for mid to long-term growth. In the last con call we informed that the company has a strong pipeline of section 9(3) products as the CIB RC has approved three 9(3) registration for the company's products. We are happy to announce that apart from launching three 9(3) products the company is also planning to launch three new line products under category 9(4) in this financial year. This will drive the revenue growth in coming year. Being India's leading agrochemical company, we are at the forefront of introducing digital solutions and innovations streamlining policies and collaborating with indigenous entities to boost the integration of technology across business segments. In the same endeavor we have tried to boost our reach through online farmer interactions and aggressive use of TV advertisements for all our key products. We are focused on expanding our market coverage through our network of distributors and our digital platform where we engage with the end consumer. In the same endeavor Dhanuka has tied up with upcoming online platforms like AgroStar, Gramophone and Plant It for online sales of Dhanuka products through their platform. We consider ourselves responsible to securing the farmers welfare and preserving food security of the nation. We continue to strengthen our association with the former producer organizations Krishi Vigyan Kendras and other critical institutions to increase our business expertise and boost our market presence.

Thank you very much for your kind attention. We will now take the questions from you which you may have. 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 Viraj with Securities Investment Managers. Please go ahead.

**Viraj Kacharia:** Hi! Thanks for the opportunity and congratulations for a good set of numbers in a challenging environment. I have just three to four broader questions. First is if we look at our old brands or product sales performance over the last seven years, the sales have grown by around 10% CAGR between 2014 and 2021 and if we exclude the high growth of 2021, the growth has still been a healthy 7% growth. So just trying to understand where are we seeing this growth coming to us from the old product lines and products and how much of this is volume led as against price led. So any perspective you can share on this.

**Rahul Dhanuka:** This growth is actually being driven by Indian agriculture and Indian farmers I would say and there are three dimensions to it when it grows. One more and more land is coming under chemically treated or chemically protected. Two, farmer is using relatively high value products for a higher price of commodity that he is getting and three, farmer is using more of the products to ensure that the entire life cycle of the crop is well protected in terms of both quality and quantity. These three dimensions are the one which are bringing in the growth plugged in by a relevant monsoon and good commodity prices. For us this growth has been coming in from a very, very strong weedicide portfolio right from Sharda to Santra and our last year launched one kill and three more weedicide launches coming in this year. So a very strong weedicide portfolio



*Dhanuka Agritech Limited*  
*May 23, 2022*

which matches with non-availability of farm labor. So that is one and second is we have introduced couple of very powerful fungicides for export oriented crops, horticulture crops like pomegranate and grapes which have been really well accepted. So this is what is bringing in the growth. The internal dimension to add there is a strong channel which picks up Dhanuka's generic products as compared to other companies as a preferential treatment to Dhanuka's quality and Dhanuka's service which brings the growth to Dhanuka.

**Viraj Kacharia:**

Just two follow-ups on this. One is what will be the volume versus price mix when I look at this old product brand sales performance over the last say five or seven years any perspective you can share and do we have any further avenues either in terms of increased coverage or more crop applications which can help sustain this run rate, I mean why I am asking this is because what we understand is typically after any new product which we get exclusive supply for sale in domestic market after the third or the fifth year the new competition kind of creeps in and one typically sees a significant price erosion so for us when we say the major products how would have their volume versus price mix been and how should one look at the sustainable run rate for growth not in the near-term, but if I have to look at say in next three to five year kind of a view.

**Rahul Dhanuka:**

Well I cannot really answer that in terms of next three to five years because of the extreme uncertainty around the back end supply chain for now. Yet it will not remain that way for long, it will stabilize over a period. For us a large chunk of the growth is driven by our specialty products which have relatively stable supply chain and stable pricing from our principal companies. Now that is a tricky balance. Now overall as a value growth this year you know we have grown by 6.51% the volume growth this year has been about 3.13% and yes I completely understand the price erosion possibility when the generics come in one after the other and we try to refrain that by constantly upgrading the life cycle of the product by either developing new formulations or developing new variants. So that is what keeps us ahead of the competition and that is also what keeps us in the fresh view of the farmer wherein we are constantly trying to solve the farmers next problem.

**Viraj Kacharia:**

Just one more question and that is largely on the ITI index I mean as you said we have taken quite many initiatives over the last couple of years either in terms of cutting the tail into the distribution network or running incentive programs for the top performing dealers or the launch pipeline has also been quite decent, but still somehow the ITI index continues to remain low and this is before COVID as well. So is it that in terms of products which we are launching they are more niche in nature and whatever scope or opportunities we had and that has largely been utilized because incrementally whatever opportunities are there they are kind of conflicting in terms of product profile one may have and versus the potential pipeline from the partner any perspective you can share in terms of the ITI how should one look at it going forward.

**Rahul Dhanuka:**

Yes so there are two elements to the ITI index one is the 9(3) registrations, it has long gestation period of six to seven years since you put in the pipeline to when it comes out and gets commercialized. So that is one thing and second is various 9(4) or that we introduce. So when



*Dhanuka Agritech Limited*  
*May 23, 2022*

you say tail cutting this is also one thing where we kind of decided to optimize after a peak of 20% ITI in 2017-2018 where we realized that we have introduced some products which are not going to sustain beyond three years. So we kind of corrected our approach there and we are now introducing relatively more stable products which have relatively higher potential and market access and we have kind of optimized the 9(4) introductions and the 9(3) registrations have certainly got a impact of about six to ten months extra because of COVID. Few of our registrations as you are aware what delayed in this COVID cycle in 2020 and 2021 also when the registration committee did not meet or approve the registrations. So I think so that effect these two effects will wean out quickly and you will see a higher ITI index soon.

**Viraj Kacharia:** I will come back in queue. Thank you.

**Moderator:** Thank you. Next question is from the line of Varshit Shah with Veto Capital. Please go ahead.

**Varshit Shah:** Hi! Sir, thanks for the opportunity, first of all congratulations for good set of numbers in Q4 despite the challenge. My question is on during the second half of FY2023 and going in the FY2024. If my channel check is correct some of the technical prices in the forward markets appear that the prices will correct and normalize in the second half of FY2023. So in second half of FY2023 you will have in terms of revenue pressure in the form of a deflation of some sort if not a major deflation. At the same time your ITI index indicates that some of the new molecules are also lower because of the mix it is actually higher on the revenue erosion. So my question now is that do you see a kind of a flattish revenue both at the industry level in H2 of FY2023 and would that have some impact on the overall EBITDA margins because of some loss at the inventory level or is it too early to call that.

**Rahul Dhanuka:** So you answered that it is too early to call that yet my take is different. Can I get your first two questions I really did not get that.

**Varshit Shah:** I will repeat myself. So what I wanted to ask was that do you see revenue erosion in H2 because our mix is when I see the ITI index is more towards the existing molecules, which you already have over the years and the price erosion probably would be higher because of the normalization of technical prices. So do you see that H2 revenue growth could be flattish on a Y-o-Y basis because of this deflation. Of course, I mean, there is a different story at the EBITDA level.

**Rahul Dhanuka:** The deflation thing has kind of remain hanging since January. In January we were talking by after the Chinese New Year we will have deflation, in February we were talking that now in April we will see that. In April we are talking May after the Japanese golden week and in May we are already talking July and the supply chain is choked due to relative erraticism of what is moving out from the global supply chain because of the non-availability of containers and ships which are stuck in a traffic jam as is cry from all the industries not only agri input industry. So this deflation thing is relatively illusive. Now deflation apart from the pricing function, apart from the pricing is a function of two more things one is demand based upon monsoons and two is



*Dhanuka Agritech Limited*  
*May 23, 2022*

the commodity prices. Now these two things being favorable I do not see that the deflation would have significant impact if any that should be compensated by the volume growth.

**Varshit Shah:** One clarification on the presentation we have given that the guidance of similar EBITDA so is it an absolute guidance or this is the margin percentage guidance.

**M. K. Dhanuka:** It is in percentage.

**Varshit Shah:** Okay EBITDA margin percentage guidance.

**M. K. Dhanuka:** Yes, that is right.

**Varshit Shah:** And one last question from my end and I will come back in the queue. If you see our inventories it has not increased drastically from a Y-o-Y basis and going by the inventory and higher payables in the balance sheet it appears that probably we have done higher placements post 31st March in the channel is that assessment correct and if yes what is the current channel inventory versus what you want from a normalized, assuming your normalized perspective.

**M. K. Dhanuka:** We are not making any kind of placement that is not the Dhanuka's policy, Dhanuka is supplying in-time material to the dealer and distributors as per their demand. So no major placement has taken place in Dhanuka whatever supplies has been made they are basically in line with the current requirements of the farmers and dealers and distributors so I do not foresee any major inventory for Dhanuka in the channel, but you are right that some of the peer companies they definitely make placement of the material in the month of March to basically complete their target for the year so there the inventory levels will be little bit more, but overall as Rahul ji was sharing the Shanghai port was closed for one and half months and we are still dependent on China for import of our technical grade pesticides as well as the intermediate which are used by the technical manufacturers in India. So demand is more and the supply is less because of the China factor. So I do not foresee any reason that there will be less demand because of the high channel inventory.

**Varshit Shah:** Sure I think this is helpful. Just to clarify on that I think our inventory levels have been higher by 17% on a Y-o-Y basis and of course, I mean a large part of it is attributed to price rise. So from a volume bases we are largely at the same level or maybe plus minus 2%, 3% on a Y-o-Y basis is that the assessment correct.

**M. K. Dhanuka:** You see it is not on the same level you are absolutely right because of the price increase and cost increase, but in my opinion the volume level will be increase of around 5%, 7%, 10%, 15% on account of price.

**Varshit Shah:** Thank you so much, I will get back in the queue and all the best Sir.





*Dhanuka Agritech Limited*  
*May 23, 2022*

- Moderator:** Thank you. The next question is from the line of Mr. Trilok with Dymon Asia. Please go ahead.
- Trilok:** Hi! Good evening Sir thanks. Just from a gross margin perspective where do you see this settling down. So you have already said it about the EBITDA margin maintenance guidance this year but do you see any challenge in context of taking further prices and the off take by the farmers and second is what is the outlook for next year at least particularly first half so you can speak on these two aspects.
- M. K. Dhanuka:** You see as far as gross margins are concerned we are expecting the gross margin would be in line with this year's gross margin so this would be almost similar to the 2021-2022.
- Trilok:** Have you taken any further price increase, after the last quarter.
- M. K. Dhanuka:** No I am saying on an annualized basis.
- Trilok:** With respect to the outlook for the first half and how the placement has been if you can just talk about it that will be helpful.
- M. K. Dhanuka:** The outlook is really good because we see the normal monsoons. We are accepting this year the growth would be good in the first half of the financial year absolutely.
- Trilok:** When you spoke on initial comments about the 9(3) and 9(4) products do we expect any sort of sales comes through in this year or obviously what kind of targets are you sort of thinking from those products.
- Rahul Dhanuka:** Yes, so we are expecting introduction of about three new 9(3) molecules in Q1 and three new 9(4) molecules again in Q1. So total six products in Q1 we are expecting introduction so they will definitely contribute to the revenue in this financial year.
- Trilok:** Sure but obviously a large proportion will be only happening in next fiscal. Thank you I will come back in the queue.
- Moderator:** Thank you. Next question is from the line of Rohit Nagraj with Emkay Global. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity and congrats for a good Q4 and overall good performance for FY2022. The first question is in the presentation we have said that we have established a biological product division and the new exports division as well. So if you could just elaborate on when do we see the biological product division coming out with the first set of products and at the export front where have we progressed given that probably the first phase of our facility will be ready by end of this financial year. Thank you.



*Dhanuka Agritech Limited*  
*May 23, 2022*

- Rahul Dhanuka:** The biological team is right now doing the market survey and study and they are trying to pick up the right elements for enhancing our portfolio and offering the right integrated and comprehensive solution to the farmer coupled with the chemical solutions that we are already and conventionally offering I hope to see something taking shape by year end on that front and of course on one side our Dahej plant is coming up which will boost our export initiator yet we are starting it now in anticipation of Dahej as well we will be doing other generic and formulated exports this year itself. So these two divisions have just come up recently and they would contribute for the future growth of the organization.
- Rohit Nagraj:** Just one clarification on the exports front have we talked with any of our existing relationships with the global players for the opportunity given that we will be ready with the plant in next one year.
- Rahul Dhanuka:** Those are in talks yes and not that I can share something in this group but we are working on that to leverage our relationship with various multinational organizations.
- Rohit Nagraj:** Second question again on the China front so that there will be again cost inflation issues which are cropping up so have we been able to take on the price increases comparing to the increase in the cost pressure and whether we have been able to pass it on completely through the price increases.
- M. K. Dhanuka:** You see it is not passed on completely but you see it is for everyone but we are expecting to pass on some part in Q1 and remaining by Q2 definitely.
- Rohit Nagraj:** Right got it that was very helpful. Thanks a lot and best of luck.
- Moderator:** Thank you. Next question is from the line of Jay Shah with Capital PMS. Please go ahead.
- Jay Shah:** Congrats on a good set of numbers. My broad question is based on the business strategy that now this whole China Plus One is taking shape, just wanted to know how does the management think going forward do we even plan to get into procuring actives locally because now a lot of Indian companies are also making the actives for even these multinationals that we have tied up with or do we even think of going backward and make the actives on our own because formulation as such has been our strength and the key area. So what is the business strategy just going forward I just wanted to know.
- Rahul Dhanuka:** So there are two elements product one element is China Plus One so that China Plus One is for a while I would say is a myth created by some interests so let it be nothing against it yet for Dhanuka what we see is we want to leverage our opportunities very carefully and one of them being is the chemical production in India for which the current government and everyone has been working aggressively irrespective of China which goes on from the Aatm Nirbhar Bharat perspective which also goes on from the PLI being offered for various initiatives in the country



*Dhanuka Agritech Limited*  
*May 23, 2022*

so which is the efforts to boost up manufacturing in the country irrespective of what segment it is which has been really neglected for long. So manufacturing is going to take a boost and Dhanuka is going to participate there. As far as sourcing is concerned we source the right quality so long as it is available at the right prices from wherever it is, be it a big domestic suppliers which constitute a very, very large percentage of our procurement or from China and of course the exclusive products from Japan and Europe. So we are balanced out in terms of where we get the generics from. Yes the specialty products the 9(3) registrations are mostly coming from the R&D hub of Japan.

**Jay Shah:** So basically going forward even if we get into manufacturing we will be more into innovative formulations rather than going directly to the intermediate or the active state.

**Rahul Dhanuka:** Those are two different segments which will work independently for independent and exclusive of each other yet wherever synergies are possible between the two businesses we will certainly leverage that so backward integrated manufacturing setup means that we are able to service our channel and our farmers better on the selected products at the same time a strong formulation and distribution setup means that we are not disturbed by erraticism in short-term. So we are going to leverage on both the fronts.

**Jay Shah:** Got it. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Rohan Gupta with Edelweiss. Please go ahead.

**Rohan Gupta:** Hi! Sir good evening and congrats on a good set of number in a challenging environment. Rahul ji first question for you, you mentioned that volume growth for close to 3.5% for FY2022 from your estimates and being close to the market what do you think that would have been volume growth for the entire industry in the current year that is first question.

**Rahul Dhanuka:** That is really challenging one. The industry is talking of not growing in the value terms. So few companies do talk of going in the range of 8% to 9% most of them talk of negative to flat growth that is as far as the value grow goes. Now it is a guess when the volume growth is at 3% for us then my guess is and I do not have a breakup I do not have an informed guess here but the volume growth would anything be between 2% to 4%.

**Rohan Gupta:** Sir second is that raw material challenges still remains there and as you rightly mentioned that the inflation is not stopping and we have just only been expecting that the prices will fall down but they have not been even the logistics challenges have been growing and in that kind of environment that Dhanuka always had any strategy in place to procure raw material well in advance to stock, to have sufficient raw material inventories but sometimes that has led to have a negative impact on our margins earlier if the price falls. I just want to know that how you are building up your current year strategy in terms of procurement of the raw material and keeping



*Dhanuka Agritech Limited  
May 23, 2022*

the inventories in the current scenario when the raw material prices are continuously on the rise and logistics still remain a challenge.

**Rahul Dhanuka:** You have put in something there about Dhanuka which I will not take it on face value Sir. Dhanuka's strategy is neither to front load our raw material stocks nor is to run dry we try and maintain a right balance in partnership with our suppliers and vendors. So Dhanuka has really long relationship with most of the generic suppliers be it in India or China and our relationship with multinational companies run very deep when it comes to planning our procurement, listing and the price fluctuation. So have we adopt a very, very balanced approach. Yes once in a while one or the other product would hit a cycle wherein we get benefit of a price escalation due to our inventory or wherein we get a de-benefit of price de-escalation if at all in the situation. Now this is again very unpredictable. So we are going to go aggressively with one approach which is the customer-centric approach. If Indian farmer needs to protect his crop he will find a Dhanuka product on the shelf that is for sure, that is what we live with and that is what we will do.

**Rohan Gupta:** Being so close to the market and what you have already mentioned the presentation the year looks pretty strong as far as the farmers profitability and high agri commodity prices are concerned. You did mention your growth target of double digit growth on a back of volume growth of 7% to 10%, can you also share something on the industry how you see that the industry growth this year. Will it be in line that what you guided or if it is likely to be lower or higher?

**Rahul Dhanuka:** I think so industry growth is something that I really would not be able to forecast. This industry is driven by commodity prices and by the favorable monsoon. Those two things being favorable the industry should look positive in any case.

**Rohan Gupta:** So do not you think that given the current stage of the industry on a low base of last year your guidance are slightly on a conservative side with the 7% to 10% kind of growth or you think that it is going to be pretty easily meeting those targets and you will be surprising on a positive side.

**Rahul Dhanuka:** On one side you are saying are they conservative and will be meeting easy on the other side. So no take on that one what we are giving is very, very realistic what we feel we are committed to deliver what we feel the market would accept as in our customers would accept and would bring the value to the table. The customer will bring that value to the table and Dhanuka will bring that value to the customers table so that is how we look at the growth opportunity and that is how we look at a robust double digit growth.

**Rohan Gupta:** Fine Sir I will come back in queue for any further questions. Thank you so much Rahul ji. Thanks a lot.

**Moderator:** Thank you. Next question is from the line of Ankit Kumar with Alpha Capital. Please go ahead.



*Dhanuka Agritech Limited*  
*May 23, 2022*

- Ankit Kumar:** Thank you for taking my question. My first question is on growth guide, we are saying double digit growth. So will that be divided over the year or we expect one edge to be much better because of your low base last year.
- M. K. Dhanuka:** For the year we are giving the guidance.
- Ankit Kumar:** Yes Sir, I am asking whether that the growth that will be equally divided over all the four quarters or first half as well as the second half or we think first half will be much better because of the low base of last year.
- M. K. Dhanuka:** We are expecting much better in the first half of the financial year as compared to the second half of the financial year.
- Ankit Kumar:** That is nice know, and we earlier used to do buyback we did it in 2019 as well to 2020 and so now we have stopped doing that any change on policy on that front.
- M. K. Dhanuka:** I think it is to be decided in the board meeting I cannot comment just now.
- Ankit Kumar:** Last question would be on, there are a lot of commodity price hikes and then also we are saying we will be able to maintain FY2022 margin so any color how are we going to maintain those kind of good margins.
- Rahul Dhanuka:** When you say commodity prices you are talking about chemicals or you are talking about end produce agriculture commodity.
- Ankit Kumar:** Agriculture commodities and all so I think our raw materials also would have gone up so how do you think we will be able to maintain our margins.
- Rahul Dhanuka:** So there are various elements with which we are going to maintain that. One our thrust is constantly on our specialty products, our thrust is continuously on servicing the channel and servicing the farmer. Now the service to the channel and the farmer brings them back to choosing a Dhanuka product vis a vis other options available on the table or sometimes not even available. So that is how the value would come in. Now the higher commodity price is what will motivate the farmer to invest in his crop and go for additional protection and a proper protection for his crop which stands to benefit the industry which stands to benefit Dhanuka. Our raw material prices going up of course the effort here is to pass on the price increase as much as possible and we continuously create a balance between what the farmer is accepting in terms of the price increase and what it is not and we modify our approach to meet the farmer's requirement on the ground.
- Ankit Kumar:** Thank you and all the best.



*Dhanuka Agritech Limited*  
*May 23, 2022*

- Moderator:** Thank you. The next question is from Somaya V with Parth Capital. Please go ahead.
- Somaya V:** Thanks for the opportunity Sir. My first question with respect to the RM cost. So excluding freight how do you see the supply situation from China do you see that getting better in coming months that is the first part and second part what does the impact of freight cost in your overall RM.
- M. K. Dhanuka:** You see we are importing the raw materials on CIT basis that is cost, insurance and trade so Dhanuka is not directly paying freight on the imports. The freight is being paid by the exporter only in case of our import supplies however the indigenous materials are on both the terms they are on for delivered bases also and some products are on the cost basis also so we are not spending much amount on the freight cost on account of the raw material procurement. However this freight is incurred on stock transfers from factories to zonal warehouses, zonal warehouses to the branch warehouses that freight is definitely incurred and that is substantial amount.
- Somaya V:** The supply situation in China do you expect that to get better in the next few months.
- M. K. Dhanuka:** Yes, it is expected that the Shanghai port also has started working and some shipments are being taking place from Shanghai and the importers who are importing mainly from China they are talking that from June first week onwards the supply situation will be much better, the orders which were placed earlier and which was delayed now they are saying that in the month of June we will be able to execute your pending orders. So we do hope that the supplies will definitely improve from June onwards.
- Somaya V:** Understood sir, I was also trying to understand from the angle that the utilization levels in plants are you are seeing some kind of an increase and that will bring more supply so just trying to look from that angle.
- M. K. Dhanuka:** I could not get that question can you please repeat that.
- Somaya V:** I was looking from the angle that probably the utilization levels in recent months have been on the lower side, is there a possibility of that to kind of improve and then more supply coming in from China.
- Rahul Dhanuka:** In general various factors put together the supplies would increase including the utilization, opening of the ports, de-blocking of the supply channel. So all these points put together the supplies will improve.
- Somaya V:** Last question can you just help us on your Capex plan for this year and next year and also touch up on a bit on your the project status when it is expected to come online and also the asset turns which you have spoken earlier.



*Dhanuka Agritech Limited*  
*May 23, 2022*

- M. K. Dhanuka:** You see in case of Dahej the Capex plan this year is around 120 Cr and other than the Dahej our Capex plan is around 20 Cr for this financial year.
- Somaya V:** Sorry Sir I did not get the part on other than Dahej.
- M. K. Dhanuka:** 20 Cr.
- Somaya V:** And the status of the projects.
- M. K. Dhanuka:** You see project status is absolutely almost in time so we are expecting the commercial production will start from March 2023.
- Somaya V:** Also the current year revenue guidance that you have given anything is factored from the new projects also the new line of business that you had referred to.
- M. K. Dhanuka:** No it is absolutely nil.
- Somaya V:** Understood sir very helpful thank you.
- Moderator:** Thank you. Our next question is from the line of Saurabh with AMSEC. Please go ahead.
- Saurabh:** Thank you for the opportunity. If you can give the volume of growth for Q4.
- M. K. Dhanuka:** Yes Q4 volume growth is 11%.
- Saurabh:** We mentioned there will be price hike in Q1 as well as in Q2 so what quantum of price hike we are looking at over next two quarters.
- M. K. Dhanuka:** You see in the Q1 I am expecting the price hike as compared to the previous year will be into the range of 3% to 4% and Q2 might be around 2%.
- Saurabh:** Any specific part where we are finding difficult to pass on the higher cost.
- M. K. Dhanuka:** Every month we are passing on the cost to the consumer because the prices are not rising in one month, they are rising on month-to-month basis. So every month we have our price meeting in which the CFO, the COO and MD participates apart from the senior team members and we take the price decision on the basis of the prices of the competition in the market. Our increase or decrease in the costing and accordingly the volumes which we have been able to do in the last month against the clients which we have achieved in the last month. So these are the basis for taking the decision for price hike or rejection if the raw material cost is reducing we reduce the price and if the raw materials cost is increasing we increase the price, but sometimes it happens that you are not able to pass on the complete cost increase in one go, so you take 50% cost increase in one month and 50% you would defer to the next month.



*Dhanuka Agritech Limited*  
*May 23, 2022*

**Saurabh:** My other question is on export you mentioned you will start formulation export so will it be in FY2023 and have we received the registration for some of the molecules.

**M. K. Dhanuka:** Actually the person who has been basically selected for the post of GM Export, he will join by June end since he is already having exposure to the export so he will take the decision some of the registrations we already have for the export and export registration are being granted by the Ministry of Agriculture also in a shorter period. So he will advise which of the molecules can be exported on immediate basis without registration in those countries so those registrations we will apply and our R&D team is confident that within three months we will be able to get the registration for the exports.

**Saurabh:** Sir my last question on the profitability and the outlook on the e-commerce front. So what is the sales of percentage which comes from e-commerce right now and how is the profitability to this channel versus the traditional channel.

**Rahul Dhanuka:** So on e-commerce platform there is no difference in profitability as of now they are at a very nascent stage in agri-domain for now, but growing very fast. Various models are there which are servicing farmers and retailers through direct service to them and currently we are working with four or five such online platforms and many more new such platforms are coming up we do not see any immediate impact on the margins for the organization as we are working closely with them and focusing on providing the proper services to the farmers and training to the retailers.

**Saurabh:** Thank you and all the best.

**Moderator:** Thank you. Next question is from the line of Abhijit Akella with Kotak Securities. Please go ahead.

**Abhijit Akella:** Good afternoon and thank you. I have two questions, first on the Dahej project so if I recall from your previous guidance it is about 300 Crores Capex with about 350 Crores revenues and 12% to 15% EBITDA margins. So I just wanted to confirm if these numbers are correct and if so the return on capital on the investment seems to be a bit on the lower side only in the low double digits or so say 10% 12% pre-tax so is that the case and if so what is the thought process behind going for this investment.

**M. K. Dhanuka:** You see in terms of investment you are absolutely right, the investment in the same line basically up to the FY2023-2024 around 300 Crores that is there and in terms of revenue the projection in the next three years right.

**Abhijit Akella:** Sorry Sir I thought you said 350 Crores on this 300 Crores Capex.

**M. K. Dhanuka:** Yes, 350 Crores in the third year.





*Dhanuka Agritech Limited*  
*May 23, 2022*

- Abhijit Akella:** At peak.
- M. K. Dhanuka:** Right, the basis behind investment in Dahej in technical manufacturing with the low margins was that the question was whether chicken first or egg first. When we were approaching our Japanese partner to give us some specialty molecules for manufacturing in India so they were talking that you do not have any technical plant and you are discussing about the products. So we waited for some time and then finally we decided that let us just start with the journey, but our ultimate goal is to go for the specific specialty molecule of the multinational. So ultimately the good margins will be coming from those molecules which will be shared by our Japanese partners. Initially we are starting with the generics where the margins will be lower.
- Abhijit Akella:** I understand thank you and the second question I had was on the drone investment we have made IO Tech irrigation so if I have my numbers are correct I think the valuation of that company is somewhere around 150 Crores that we have made. So sort of just wanted to check if you could share the headline revenue and EBITDA numbers of the entity and also just to check whether an investment in that entity was necessary or we could have got the drone facility by just partnering with them as a technology partner or something like that.
- Rahul Dhanuka:** So I will take the second one first. We do see the drones as a very good growth opportunity and you would probably like to look at it from two different perspectives, one investment in a startup, two investment in a strategic startup where there is a possibility of leveraging these services, leveraging the technology in the existing business. So yes the board, the organization everyone felt convinced about going ahead with this investment and we are really looking forward to the drone landscape so to say drone airspace changing dramatically with huge thrust coming in from the government, industry and the farmer looking forward to it. That is absolutely necessary.
- Abhijit Akella:** Thank you and just on the financials if it is possible to share something thank you.
- M. K. Dhanuka:** Financial we will say a little later.
- Abhijit Akella:** Okay thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Himanshu Binani with Prabhudas Lilladher. Please go ahead.
- Himanshu Binani:** Thank you Sir for taking my question. My question was pertaining to the point which you have actually mentioned into the presentation of taking a 20 Crores hit into the revenues due to the red triangle products. So just wanted to have a sense that the name the product and secondly are these products to do with the 27 odd molecules which the government has actually notified in the past. So are those molecules where there were three molecules which I believe fell into the red triangle category. So are these products which we are referring to or is it something else.



*Dhanuka Agritech Limited*  
*May 23, 2022*

**Rahul Dhanuka:** Yes, thanks now I get the question I will answer that is out of those 27 products the three products which the government concluded to ban were already banned in the country for all practical purposes. I recalled methamil and phospomedon and one more product. So these products were not available in the country for last four five years in any case so that ban was a notional thing to happen and that is perfectly all right the other products the government has not moved and probably the entire thing has been shelved and closed. The product that we closed is a red triangle product and that was the only red triangle product left in our portfolio was mono protocols. So we wanted to really come out of the red triangle chemistry and we closed this. All the other products out of the 27 selected products by the government at that point of time none of them are red triangle products except for the three the government choose to ban.

**Himanshu Binani:** So this is the decision which we have taken as a company or this is a mandate from the government or something.

**Rahul Dhanuka:** No we have taken this, this is the executive decision of the company to come out of it.

**Himanshu Binani:** Sure Sir thank you.

**Moderator:** Thank you. Due to time constraints we have reached the end of question and answer session. I would now like to hand the conference over to Mr. Manish Mahawar for closing comments. Please go ahead.

**Manish Mahawar:** Thanks. Dhanuka ji, I had three questions on the company. One in terms of the price corrections situation which you are expecting from June onwards as supply chain improves. Do you think formulator or player like us will benefit in the case of price correction.

**M. K. Dhanuka:** I do not foresee because as I told you every month we take the decision on the price front so if the price is basically reduced we are passing on the reduction to the ultimate consumer and if the price is increasing we are passing on increase also so we do not foresee that there is going to be any major impact on the financials of Dhanuka because of the price increase or decrease.

**Manish Mahawar:** And second, there is one of the regulations 9(4) FIM registration. There is a consent letter will not required. So, can you highlight as what could be the impact on the industry and do you think that 9(4) as a product will come under pressure going forward.

**Rahul Dhanuka:** I think so we are still studying the impact and we are taking a legal opinion also and consulting CIB also in terms of the interpretation of that. So too early for me to respond but yes after this call and once we have understood this, we can certainly talk about it.

**Manish Mahawar:** But this has been approved by the CIB, Correct?.

**M. K. Dhanuka:** Yes.



*Dhanuka Agritech Limited*  
*May 23, 2022*

- Manish Mahawar:** Last one, can you give me a reason of higher other income for the quarter.
- V K Bansal:** The other income higher pertains the income from the insurance company on account of the keyman scheme and policy.
- Manish Mahawar:** Thanks. This is from my side. Dhanuka ji would you like to make closing comments.
- M. K. Dhanuka:** Yes, just to add that to summarize in the last Dhanuka continues to demonstrate its ability to overcome challenges and emerge stronger despite uncertain business environment. Last year was a challenging year, but in spite of that Dhanuka has done good. We will aggressively roll out new formulations in the upcoming quarters and would ensure that it reaches to the consumer. We are confident of achieving double digit growth in FY2022-2023. I reassure our shareholders that we are committed to the task of transforming the landscape of agriculture in India and will play an integral role in rewriting the future of a better and new India. Wishing you all health and safety. Thank you very much.
- Moderator:** Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your line.