17th February, 2023

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 10th February, 2023 with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Nine Month Ended on 31st December, 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 10th February, 2023, which was hosted by Antique Stock Broking Limited through virtual mode with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Nine Months Ended on 31st December, 2022.

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

jitin sadana
Digitally signed by jitin sadana
Date: 2023.02.17 15:57:05 +05'30'

Jitin Sadana
Company Secretary and Compliance Officer
FCS-7612

“Dhanuka Agritech Limited Q3FY23 Earnings Conference Call”

February 10, 2023

MANAGEMENT: **MR. M. K. DHANUKA – MANAGING DIRECTOR, DHANUKA AGRITECH LIMITED**
MR. RAHUL DHANUKA – JOINT MANAGING DIRECTOR, DHANUKA AGRITECH LIMITED
MR. VINOD BANSAL - CFO, DHANUKA AGRITECH LIMITED
MR. HARSH DHANUKA – EXECUTIVE DIRECTOR (ALLIANCES & SUPPLY CHAIN), DHANUKA AGRITECH LIMITED

MODERATOR: **MS. DARSHITA SHAH – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Dhanuka Agritech Q3 FY23 Earnings Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in listen-mode only 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 conference over to Ms. Darshita Shah from Antique Stock Broking. Thank you and over to you, ma'am.

Darshita Shah: Thank you Zico. Welcome all. On behalf of Antique Stock Broking, we would like to welcome all the participants in the third quarter and 9-month FY23 Earnings call of Dhanuka Agritech.

On the call with me, we have Mr. M. K. Dhanuka – Managing Director, Mr. Rahul Dhanuka – Joint Managing Director, Mr. Vinod Bansal – CFO and Mr. Harsh Dhanuka –Executive Director-Alliances & Supply Chain. Without any further ado, I would like to hand over the call to Mr. Dhanuka for his opening remarks. Post which, we can open the floor for Q&A. Thank you and over to you, Mr. Dhanuka.

M. K. Dhanuka: Thank you, Dharshita. 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 Q3 FY22-23 of Dhanuka Agritech. I have with me Mr. Rahul Dhanuka – Joint Managing Director and Mr. Harsh Dhanuka – Executive Director and Mr. V. K. Bansal – CFO of the company.

I would like to draw the attention of the participants that in today's board meeting, Mr. Rahul Dhanuka has been elevated from the post of COO to Joint Managing Director and Mr. Harsh Dhanuka from Whole-Time Director to Executive Director - Alliances & Supply Chain. So, these are the elevation of Rahul and Harsh because in times to come, they will have to take the charge from the older generation.

Dhanuka Agritech is a leading Agrochemical company in India focusing on branded sales in the market. The company's strength lies in the manufacturing and marketing of formulated products. The product portfolio is spread across insecticides, herbicides, fungicides and plant growth promoter. 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 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. We have a pan India presence through our marketing team and warehouses in all major states across India. With Four manufacturing units and 41 warehouses across India we cater to around 6,500 distributors and dealers and around 80,000 retailers.

Through this extensive network, Dhanuka reaches out to approximately 10 million Indian farmers with its products and services. Dhanuka has more than 1,000 techno-commercial staff supported by strong sales and marketing team to promote and develop new products. Dhanuka's strong R&D division has world-class NABL accredited laboratory as well as an excellent team for new product registration and development. Dhanuka has international collaboration with 10 leading global agrochemical companies from the US, Japan and Europe which helps us to introduce the latest technology in India.

Before moving further with a heavy heart, I would like to inform you about the untimely demise of our Whole-Time Director, Mr. Arun Kumar Dhanuka who left to his heavenly abode on 30th January 2023. Mr. Arun Kumar Dhanuka played a pivotal role in successfully running the operations of erstwhile Gurugram factory and setting the best center for Dhanuka operation. He was a man of honor and a master of managing industrial relations. His contribution will be surely missed. We pray for peace and strength to his family.

This year, the rainfall has been uneven and although the overall rainfall is above average, East and North region has suffered from very less rainfall whereas South and West had seen unprecedented rains resulting in flooding in many regions.

Coming to the financial performance for the quarter 3 of FY22-23, revenue from operations stood at Rs. 393.37 crores in Q3 of FY22-23 versus Rs. 356.86 crores in Q3 of FY21-22. EBITDA stood at Rs. 51.83 crores in Q3 of FY22-23 versus Rs. 55.02 crores in Q3 of FY21-22. Profit after tax stood at Rs. 46.07 crores in Q3 of FY22-23 versus Rs. 42.52 crores in Q3 of FY21-22.

The zone wise percentage share of turnover for Q3 FY22-23 is as follows, North zone 22%, East zone 11%, West zone 29% and South zone 38%. Product category wise share of turnover for Q3 of FY22-23, insecticides 29%, fungicide 20%, herbicide 39% and others 12%. So, you will notice that the South zone has contributed the highest 38% in the topline of the company and herbicide has contributed highest 39% in the overall turnover. I would like to inform you that SEBI has approved the buyback of 1,000,000 equity share of the company at Rs. 850 per equity share aggregating to Rs. 85 crores on 11th December 2022 in the first go without any observation. The buyback offer was opened from 26th December 22 to 6th January 23 through the tender offer route. Post completion of the offer period, all the formalities including extinguishment of shares completed on 17th January 2023 and the same shall be accounted for in the quarter ended 31st March 2023.

I am happy to share with you that Dhanuka has set up Dhanuka Agritech Research and Technology Center at Palwal Haryana on 6-acre land equipped in an advanced laboratory and research farm for faster commercialization of new products. The R&D center is able to facilitate the demonstration of package of practice of various crops as per the season for increasing the quality, yields and income of the farms. The center was inaugurated on 4th November 2022 by the Chief Minister of Haryana, Shri. Manohar Lal Khattarji. After initiation of the export department in September, we have started receiving queries from international market for our current product portfolio and we expect these leads to be used for exports of our products coming from Dahej plant as well. Further, we are ready for launching our new range of biological products under the sub brand Biologic with an initial portfolio of 6 products. These products will allow Dhanuka to offer sustainable and environment trendy solution to farmers. Under CSR initiative, Chiranji Lal Dhanuka Charitable Trust has constructed a healthcare center at Govardhan in Mathura district in UP in the name of Dhanuka Healthcare which was inaugurated by Smt. Hema Malini, MP from Mathura on 20th November 2022. I regret to inform that there is a delay of around 3 months in completion of the Dahej plant and now we are expecting production to start from July 2023. The delay is mainly because of late delivery of plant and machinery by the suppliers, although the orders were placed well in advance, but suppliers are delaying the supply and delivery of these plant and machinery.

The agriculture sector is one of the main spaces of the Indian economy as it accounts for around 19% of the growth value added of the economy and employs more than 50% of the country's workforce**.** The Government of India recognizes the importance and potential of digital agriculture to improve the productivity and sustainability of the country's agricultural sector and launched the Digital Agriculture Mission. Dhanuka through its vision of transforming India through agriculture is focusing in technology and digitization. We are promoting the use of drone technology in the agriculture sector and tying up with various agricultural universities as part of its effort to boost crop production and contribute to fulfilling the national mission of making India a USD 5 trillion economy. We consider ourselves responsible towards securing the farmer's welfare and preserving food security of the nation. We continue to strengthen our association with the Farmer Producer Organization i.e. FPOs, Krishi Vigyan Kendra that is KVK 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 Mr. Prashant Biyani with Elara Securities. Please go ahead.

Prashant Biyani: Congratulations to Mr. Rahul and Mr. Harsh, sir, Rahul Sir, how do you see the channel inventory in the market right now?

Rahul Dhanuka: So, Rabi has been pretty good in terms of the consumption especially in South India, so to that extent the channel inventory has significantly moved forward; however, Toor crop in Maharashtra and the gram crop in Madhya Pradesh and Gujarat has had a setback and similarly East India has also not received larger consumption. Again, North India channel inventory in terms of wheat herbicide has been moving fast. So, overall, for South and North, I don't foresee channel inventory to be high yet West and East are still stabilizing in terms of what is the consumption and what could be stuck as channel inventory.

Prashant Biyani: And sir, the excess inventory in West and may be to some extent in the Eastern part and for the crops in North, how do you see them stabilizing or getting normalized and is it going to be an overhang for the next season?

Rahul Dhanuka: Now, this will depend upon what practices are adopted by different companies in the industries. Some of the channel inventory will be pulled back by the industry, so that would probably reflect within this quarter and if the companies are not going to pull back that inventory, then it will reflect in the next quarter.

Prashant Biyani: And sir, on the Dahej plant side, if you can share some broad numbers as to how much should we predict in terms of financials for F.Y. 24 and year after, I mean to what utilization do you target to operate the plant, the asset turns and some margin numbers if you have calculated?

Harsh Dhanuka: So, we are expecting in the near months production value of around Rs. 50 crores, some of which will be used for captive consumption and part of it will be sold to other customers.

Prashant Biyani: And sir, for the captive consumption, how much will be the cost saving for us?

Harsh Dhanuka: The cost saving will be in the range of 10%.

Prashant Biyani: Only 10%?

Management: Yes.

Prashant Biyani: Is it because the technical prices have fallen or otherwise 10% is pretty low in terms of cost saving?

Harsh Dhanuka: Yes, definitely as we can see in last 3 to 4 months the prices of major direct technicals has been coming down, so that is one of the reasons.

Prashant Biyani: And on the third-party sale that we will do, how much could be the margins on that?

V.K. Bansal: Mr. Prashantji, in terms of margin, it will take little time because this would be our first year, so as Mr. Harsh is saying 10% is minimum, it could be better, so case of third party in the year

1, margin may be little shaky, little less. We are working hard on this, the rest probably will be better after two quarters basically because Mr. Dhanuka has informed there is a delay of 3 months i.e. 1 quarter, so we start in July, so we would be better to answer to your queries sometime in September.

Moderator: Thank you. Our next question is from the line of Mr. Rohit Nagraj with Centrum Broking. Please go ahead.

Rohit Nagraj: Congrats on the new generations for elevating in the management cadre further**.** Sir first question, in terms of high cost inventories for last 2-3 quarters we had seen this issue, now that this high cost inventory is completely depleted and from Q4 onwards, we will come back to the normal inventories at lower cost?

V.K. Bansal: Yes, a very significant, large part is already liquidated, but whatever is left we are hoping almost everything will be liquidated in the Q4. From the new financial year, new billing will start and I am sure that there should be a significant improvement in the gross margin in the next financial year.

Rohit Nagraj: Sure, sir. That is encouraging. Sir second on the volume growth, so in Q3 what was the volume growth and pricing and the same for 9 months where we have grown by about 6%-7%?

V.K. Bansal: Yes, volume growth in Q3 is around 2.5% and in 9 months, we are expecting around 5.5 to 6%.

Rohit Nagraj: So, that in 9 month entire 6.5% growth, majority of it is through volumes?

V.K. Bansal: Right.

Rohit Nagraj: Sir third question, on the Dahej project, so as I understand earlier we had total CAPEX of Rs. 300 crores with Rs. 160 crores in the phase 1 and now since it has got deferred till July, what would be the CAPEX number for Dahej during FY24 and then in FY25?

Management: By the end of this financial year, our CAPEX would be in the range of Rs. 200 Cr and in the year 23-24, it might be around Rs. 60 Cr**.**

Rohit Nagraj: So, FY23, Rs. 200 Cr will be in CWIP, right?

V.K. Bansal: Right.

Rohit Nagraj: And then next year, additional 60 will get added, so by end of FY24, the total capitalization for this project would be closer to Rs. 250-Rs. 260 crores?

V.K. Bansal: Yes, that is right.

Rohit Nagraj: Sir, just one last question, in terms of channel inventories, so last time in Q2 concall we had indicated that for other player the channel inventories were high and for us they were relatively lower, so what is the situation from Dhanuka's perspective?

Rahul Dhanuka: So, as a matter of practice we will be cleaning our channel from the inventory within this quarter, we would normally not carry forward the inventories to impact the next quarter performance and that is also part of our relationship with the channel that we try to unblock them from unsalable stock which opens them up for taking up lifting fresh stocks for the seasonal demand.

Moderator: Thank you. Our next question is from the line of Mr. Ankit Gupta with Bamboo Capital. Please go ahead.

Ankit Gupta: Sir from the Dahej plant, how much can be the external sales for our company at optimum capacity utilization?

M.K. Dhanuka: Sir, you should see the Dahej project as a startup. It is basically at infant stage. We are basically interested in getting the specialty molecules from our Japanese partner and for this purpose, we have put up this facility at initial stage, we are entering this technical manufacturing segment for the generic molecules, so the margins and the sales volume etc., from the initial one plant will be negligible. It is only a startup. We have put one step ahead in basically showing our capabilities that Dhanuka can also manufacture the technical grade pesticides. We will get the Japanese visitors to visit our plant and see our facilities and then share some specialty molecule or intermediates with Dhanuka to manufacture at this Dahej plant. So, ultimately the benefit will start coming at a later date when we will start manufacturing the specialty molecules. Initially with the generics, it is just like a startup and we don't expect any major chunk of sales and major profitability from the generic molecules.

Ankit Gupta: So, what you are saying is that our long-term plan is to get into patented products which currently in the formulation that we do and the technical are our patented partner supplies from Japan or some of the other plants across the world?

M.K. Dhanuka: Most likely, you are right.

Ankit Gupta: Our plan will also be to not just manufacture technical for our requirement in Indian market, but also to sell it to other parts of the world?

M.K. Dhanuka: It will depend from time to time, if the margins are good even in generic of some of the products, then definitely we would like to manufacture those molecule in our plant because there is space to put up 9 plant over there. Right now, we are putting up the first plant only, so the new plants will be installed once we get we basically tie up with the Japanese partners.

Ankit Gupta: But, sir Rs. 260 crores of CAPEX for this one plant seems a bit on the higher side, so is it that we have the infrastructure for the entire 9 plants and subsequent CAPEX for plant second and third plant will be much lower? Is it like that or how is it?

M.K. Dhanuka: Yes, we have created the huge capacities for storages because there was requirement also from the GIDC that we have to construct at least 25% of the area, so the warehouse facility has been created for most of the plants. Similarly, the chilling plant and the boiler, that facility has been created for other number of plants, so we will have not to spend money on chilling plant, on boiler and warehousing facilities etc., for future plants, only the new plant and machinery and the building for the new plant will be required. So, definitely the CAPEX will be much less in comparison to the first plant.

Ankit Gupta: And sir, any timeline that you can give us by when we can expect some supplies of patented product to start, let us say 24 will be our first year of operations, so let us say 25 or 26 can we expect to start some of the molecules for our Japanese clients in 25 or 26?

M.K. Dhanuka: It is too early to basically commit anything because until and unless we have a written agreement with any of the Japanese partner, we cannot commit the timeline. Once we will have the agreement with any of the Japanese partner, definitely we will inform in the next concall with the investors.

Ankit Gupta: Sir, normally what we are seeing that the companies who do manufacture technicals, very few have been able to get breakthrough for patented product, there are few like PI, Deccan, only those have been able to get some breakthrough for manufacturing of patented products and we have been a formulation player, so although we have relationship with the Japanese customers for decades now through formulations, but getting the technical manufacturing for patented products is not that easy, so how confident are we of securing some orders from them?

Rahul Dhanuka: So, that is a very profound statement, what is the question?

Ankit Gupta: Sir my question was that very few technical players in India have been able to get entry into Japanese patented products, mostly are manufacturing largely generic products, so how confident are we of getting some relationship with the Japanese customers for manufacturing of technical products?

Management: We are getting into this space with a very committed approach and relatively holistic and a long-term plan, so with that commitment I think so the initial steps are the one that we are taking, setting up a chemical plant in a chemical zone, starting manufacturing some generic agrochemicals, establish our credibility and capability both in that space and grow and build up from there. This is obviously not a quarter-to-quarter gain, but it will take its own time. It is time for India, it is time for chemical industry in India and Dhanuka is absolutely well placed to take advantage of the available opportunities in Indian space as well as in global space. So, we are going to do our best to leverage that.

Ankit Gupta: Just last question on the generic products that will be manufacturing, how many products are ready at the lab scale and I think we will be largely manufacturing parasitoids, if I am not wrong?

Rahul Dhanuka: So, more about that probably in next quarter call.

Moderator: Thank you. Our next question is from the line of Mr. Parth with Alpha Plus Capital. Please go ahead.

Parth: Sir, I have 2 questions, one is, we had a product launch for the sugarcane herbicide which is Halosulfuron Methyl and Metribuzin combination, so one how is the launch? Have we launched a product? Is it an encouraging response from the market?

Rahul Dhanuka: That launch will be coming up next year, probably Q1 FY24 and probably sugarcane acreages are growing with ethanol mixing being made mandatory and wide scale acceptance of that, we are really expecting looking forward to a good play of our brand Tizon in sugarcane.

Parth: And secondly, sir we have been reading reports of El Nino probability being high for India this year, how do you see impacts if any of the same?

Rahul Dhanuka: My request to all the participants on the concall, please pray for the Indian farmers and Indian agriculture. I hope it is taken seriously.

Parth: And if I could just squeeze in one last question regarding the China re-opening, are we seeing dumping from China or probably cost pressure from China because of the re-opening phenomenon or the market is just as usual?

Rahul Dhanuka: No, I don’t think we are seeing dumping from China, but yes China has its own play. China is out of the lockdown, but it is not out of the erraticity, so that erratic nature allows sometimes the manufacture or sometimes the trader to play on the prices which still continues and in the whole situation, Indian technical manufactures, Indian chemical manufactures are receiving good acceptance which is pretty evident from the performance of various other chemical companies in the country, so I think so India will have its own space and play when it comes to agrochemicals and chemical industry at large. Now India being an agrarian economy would certainly continue to depend upon rainfall and El Nino or La Nina as the situation would be.

Yet the powers that we at the center or at the state level have invested significantly in irrigation projects both in terms of Greenfield irrigation projects, the way they are being done like the Kaleshwaram dam in Telangana and many other such projects which have come up over last 3 years and also in terms of reviving the dead irrigation canals or irrigation tanks and storage facilities and recharging the wells. So, overall, a large area has come under water storage and water holding which will certainly help Indian farmer walk through dangerous situation over a unpredictable situation of El Nino, so El Nino could be a game changer, yet availability of irrigation facilities would certainly help. In addition to that, Indian scientist have come up with broad resistance seeds in many crops, farmer is being educated to adopt those seeds and technologies which will also help Indian farmer wade through a difficult situation if such a difficult situation was to emerge. Yet it is still a forecast and that too not a closer forecast. It is as of now a distant forecast. We are still waiting for more inputs to come from different country's metrological department to really confirm El Nino situation and then form up our forecast or plans for the year.

Moderator: Thank you. The next question is from the line of Resham Jain with DSP Investment Managers. Please go ahead.

Resham Jain: So, my question is from the agri-economics perspective, how are you seeing the overall farmer economics playing out specifically given that lot of crop prices have been moving up and obviously Indian farmers got benefit because of lower fertilizer prices compared to lot of other places globally, export also has been quiet good in some of the key crop, so generally on farmer economics over last 2-3 years, how are you seeing the overall situation?

Rahul Dhanuka: Farmer economic actually is really in terms of macro has been positive and favorable like you said, yet crop to crop, it keeps varying on sometimes within the crop it varies for geography, so for example the onion farmers economics this year has not been good because of the onion prices being significantly lower with imports being opened and exports being restricted. Our poor crop was in for a setback in Maharashtra, which again took the farmer economics to a lower end. You would have seen recently appearing news of edible oil prices going down, again because of free imports. Now, these things put a challenge on the Indian farmers economics while on the other side we see various other horticulture crops being in demand and being favored by the farmer. Sugarcane farmer is doing pretty well because of faster turnaround from sugar mill and also because of ethanol mixing in petrol being driven very strongly both by the government, petrol companies and the private players. Then, wheat is certainly showing bright signs of prices going up favoring the farmer economics, so it would certainly vary from crop to crop and geography to geography. Overall, the commitment of the central government and the state government towards supporting the farmer in the time of distress and protecting the farmer is favorable for almost all agri-input players. Yet our right balance is sought in terms of how to support the inflation dependent country versus how to support the farmer in getting the right remuneration for his produce which is a tricky balance yet to be achieved by the central or the state governments.

Resham Jain: Sir, my second question is on, this is a broader question from the product perspective, I think few years back, we had few products which we grew very fast and quiet large, but I think in last 2 years the scale up of the products from let us say Rs. 10 crores to Rs. 50 crores to Rs. 100 crores or higher than that, that number of products scaling up seems to be lower. There were quite a few promising products which we have launched, but somehow I think those have not done well after a point, so as an assessment how do you see some of the successes which we have seen in the past versus what we have done in the last few years? How will you assess it and any comments if you have on that front?

Rahul Dhanuka: So, I would take certain examples here, for example, we launched a total grass killer Terminal weedicide this year and it was ramped up pretty fast within the launch in the current financial year. Last year, we launched a soybean herbicide Tornado which really moved fast in soybean geographies of Madhya Pradesh and Maharashtra. Our earlier launch Conika which is a Japanese product has done really well. Sempra, a sugarcane and maize herbicide which had a slow start after launching in 2014 has done extremely well over last 4 years and Largo and Apply our 2 insecticides Largo for thrips in chilly and cotton and Apply for BPH in paddy has also done extremely well. This year, we launched a Japanese combination insecticide by the name Decide which is very good for cotton and chilly, whitefly and sucking pest control. It has moved almost like a lightning speed beyond our imagination and we are looking at ramping up its volume in coming 2 years very fast. So, yes, there would have been some misses like our Cornex launch last year, but most of our products are really moving well and moving fast. So, where are your feelings coming from I think so some differ statistics launch balance that.

Resham Jain: No, sir what you are saying is absolutely perfect, what I was hinting towards is that are there any products which can scale up to significantly because when we look at some of the other companies, the one or two product has a very large contribution to the overall revenue. In your case we have I don't know the top product or top 5 product is how large because when you can get an operating leverage out of it that was something which I was talking about, earlier I think Targa Super was one many years back, but after that we have not seen such a large product that is what I was hinting towards?

Rahul Dhanuka: Right, I think so beyond Targa Super, Rynaxypyr chemistry and Cartap Chemistries are which are pretty big with us and would be almost third larger as Targa, yet I think so, yes, to match up to one single product being that large I think so you will be seeing some coming up till next 2 years indeed. We have a good pipeline lined up for such growth over next 2 years.

Moderator: Thank you. Our next question is from the line of Himanshu Binani with Prabhudas Lilladher. Please go ahead.

Himanshu Binani: So, my first question was largely on the inventory side again, so sir we have been like reading that in the global as well as into the domestic companies, commentaries in terms of higher inventory, so may be like if we can like comment and we can like deep digger into this, so just wanted to have a sense in terms of like the molecule wise, if you can give us some sense that how are the molecules seeing the inventories basically, so any sense on that would be like quite…

Rahul Dhanuka: I will take broadly 2 examples and then some built up will has to be done from there. So, in East India particularly for example Uttar Pradesh, Bengal and Bihar has seen significantly lower consumption of fungicide like Mancozeb. So, Mancozeb inventories are significantly lined up in market that is on the Eastern side. On the Western side, with non-consumption in Toor and Bengal gram, product like Emamectin which is an insecticide has got stuck, so Emamectin and related insecticides are probably lined in large volumes in the market or within company warehouses. So, these two are examples both from the Eastern and Western side and the portfolio would be similar to that would be stuck up in the inventories. Dhanuka as a portfolio has a relatively higher percentage of herbicides. Overall herbicides in Kharif as well as in Rabi have performed really well, so our herbicide portfolio has been really moving well.

Himanshu Binani: And sir secondly, we have commented in our presentation for towards the launch of these 6 bio products, so any sense on the targeted revenue potential basically of these products going forward?

Rahul Dhanuka: So, this is what we have introduced as early stage mentioning into the bio space which we feel is growing at a higher CAGR, so we are just trying to understand this market and we will have a small single digit plan for the next year to explore and understand the markets as we try and bring in better and beautiful products in these portfolio over next few years. So, the market size is as of now pretty small in this space, but it will be growing at a higher rate I believe.

Himanshu Binani: So, any sort of revenue target basically from these products?

Rahul Dhanuka: Say about Rs. 10 crores in next financial year.

Himanshu Binani: And sir, any sense on the margin profile for this bio products? What is the margin differentiation between the traditional products and the bio products on a general?

Rahul Dhanuka: Margin profile is much higher as compared to the traditional products. Margin profile is much higher, CAGR is much higher, but the market size and the absolute value is much lower.

Moderator: Thank you. Our next question is from the line Ms. Niharika with Aequitas Investment. Please go ahead.

Niharika: I just started covering your company, I have just one or two basic question on it, so if I take only top 5 brands for Dhanuka so how much will be concentrating our revenue from them?

V.K. Bansal: It is around 21%.

Niharika: And these would be catering to what crops, like top 5 products of Dhanuka?

Rahul Dhanuka: So, this is really a wide portfolio, these would be catering to soybean, onion, black gram, jute, Bengal grams, cotton, sugarcane, horticulture, grapes, onion, paddy, wheat, something like that.

Niharika: And as our product ratio, what is our product ratio for Rabi versus Kharif like how our product skewed towards**?**

V.K. Bansal: Rabi versus Kharif, you see normally our Kharif ranges between 54% to 58% and Rabi is around 42% to 46% type.

Niharika: How much of cash and investments do we have in our books as of December?

V.K. Bansal: So, our inventories in line with the previous year, they are around Rs. 322 crores versus Rs. 303 crores last year December.

Niharika: No, I am talking about cash and investments?

V.K. Bansal: I don't get, your question is not clear.

Niharika: I am asking about the cash and investments in the book?

V.K. Bansal: Cash investment you are saying?

Niharika: Yes.

V.K. Bansal: It is around Rs. 200 crores.

Niharika: Sir, this is my last question, so how much of revenue comes from specialty and how much is from generic in our revenue?

Rahul Dhanuka: How much from specialty and how much from generic is that the question?

Niharika: Yes.

V.K. Bansal: It is around 50:50.

Moderator: Thank you. Our next question is from the line of Dhruv Muchhal with HDFC Mutual Funds. Please go ahead.

Dhruv Muchhal: Sir probably a bit early into the next season, but if you can give some indication now that we are seeing technical prices from China declining significantly, do you think given the price correction is that we will have to take and the pricing benefit that was probably visible in the last 6 months or probably more than 1 year, there could be a muted sales growth over the next one or two years or do you think they are significant volume levers that you can drive through?

Rahul Dhanuka: Sales growth and volume lever is that what you are saying?

Dhruv Muchhal: Yes, I mean we are seeing the technical prices are following, so probably one has to pass on this to the market and which will influence our sales growth is one concern, so just wanted to understand can that be a picture thing for us or we will have some of such that?

Rahul Dhanuka: So, the reducing sizes of generics obviously we will try and pass on to the farmer, that advantage if the prices are reduced that is one and there would be volume growths which would be coming in. So, the right balance could emerge between value and volume growth over the year. Yet the ergativity in chemical supplies from China and the overall pipeline instability, overall supply chain instability is expected to continue. So, over the entire portfolio it will have a wavering impact which we are still trying to ascertain.

Dhruv Muchhal: So, broadly saying there are still levers for revenue growth next year even if the generic prices decline?

Rahul Dhanuka: Yes, absolutely there are.

Dhruv Muchhal: And sir, secondly, we are also hearing from the markets that the collection has become a bit sticky or become difficult from dealers, distributors and also the inventory levels are high, just wanted to understand your situation and the broader market situation, how can that influence us?

Rahul Dhanuka: Right, so collections have kind of slowed over last few months, yet it is a short-term challenge I believe. For us, it is really in control and I think so this will turn around in couple of weeks.

Dhruv Muchhal: Not much of a worry then?

Rahul Dhanuka: Not much of a worry indeed.

Moderator: Thank you. Our next question is from the line of Resham Jain with DSP Investment Managers. Please go ahead.

Resham Jain: So, sir, my question is on just the organizational structure given that we have focused approach on multiple crops, now we have biologic, I think few couple of years back we had a very high focus on horticulture, so from an organizational standpoint over the last few years, has there been any major change which has happened just to focus on various kind of divisions and segments, so that was because each segments needs a different way of marketing approach towards market and all?

Rahul Dhanuka: Absolutely, so happy about that question. So, we have completely restructured our marketing organization with an approach of crop and farmer centric structure, so we have created crop business manager who are responsible for the one entire crop and farmers practice, both in terms of the technicality of the crop as well as the technicality of the products fitment and product communication to the farmer. Within the marketing team, we have portfolio managers of insecticides, herbicides, fungicides and bio products. At the same time, we have a bio products leader added to the organization who has a wide and deep experience of bio products and agri-input industry over last 20 years. So, we have added this kind of a resource to generate a knowledge base and create a futuristic approach. In addition to that, we have set up Dhanuka Agriculture Research and Technology center, DART which was inaugurated by Chief Minister of Haryana Mr. Manohar Lal Khattar on 4th of November 2022, where we are going to do research around lab to farm practical application of agrochemicals, agri technologies and bio products. So, these 2 wings put together especially the marketing wing and the R&D wing would be working closely to move lab research to farm and commercialize it faster.

Resham Jain: So, the related question is if we look at some of your expenses line item, specifically employee cost and other expenses it has seen a good control and it has come down by almost like 200-300 basis point over the last 4-5 years which has helped us in terms of margins, so I was just thinking from that perspective that just from margin perspective, even like the company is investing less on marketing or is there anything else which we are not able to read from numbers because your employee cost as a percentage of revenue has seen a very good improvement, so that was another question related to this only?

V.K. Bansal: You see, in terms of investments, we are quiet aggressive that is not the case, but yes in the last 2 years the expenses were lower on account of because of COVID and this year you have seen the increase in expenses as compared to the increase in revenue is more, but for say employee perspective yes, we have made some structural change 2 years ago because of this there is significant impact in the revenue and we are more focused on the product side, so therefore there is improvement in the employee cost.

Resham Jain: Sir, does this mean that without sacrificing on investment, this number is going to…..

V.K. Bansal: Of course, we cannot compromise on that part and this year the impact is because of less profitability, the Director remuneration is significantly low as compared to the previous year. That is one of the reasons in the improvement in the employee cost this year. Other than Director commission, the employee cost has increased actually in line with the increase in the turnover almost.

Moderator: Thank you. Our next question is from the line of Mr. Manish Mahawar with Antique Broking. Please go ahead.

Manish Mahawar: Product portfolio perspective, how do you see the gaps in our product portfolio may be herbicide, insecticide, fungicide perspective or may be crop perspective?

Rahul Dhanuka: So, we see our portfolio to be really rich and powerful and also our pipeline to be very strong over Japanese partners like Nissan, Nippon Soda, Hokko with whose support we launched Zanet, a fungicide last year; Decide, a very versatile insecticide and Cornex our main herbicide last year. Yet, what we see is two gaps in our portfolio which could be covered up are Phalaris Minor in wheat and BPH in paddy rice, these 2 portfolio gaps I think so is what we are focusing on to fill our gaps. Although we do have generic offerings in both the categories, Apply in BPH and Dynofop and Fenox in wheat phalaris minor yet these products are relatively generic or older in nature. We are looking for modern and newer chemistries in these segments.

Manish Mahawar: And in terms of wheat, when you said wheat crop is across wheat in the subsegment terms of may be the fungicide or may be insecticide, herbicide across because very specific use of BPH, but wheat crop can you highlight which side we are weaker?

Rahul Dhanuka: It is a weedicide. We are weakest for weedicide in wheat and we weakest for insecticide in paddy.

Manish Mahawar: And second in terms of export because we are just now focusing we started the export department separately from September onwards, how do you see going forward may be next 2-3 years, our size of business and our thought process in terms of registration and process going forward?

Harsh Dhanuka: So, we hired the Export Manager late this financial year and we are looking at ramping up our exports both in regulated global markets as well as unregulated global market. We are going to invest in registrations in the regulated markets and we are going leverage our formulation capacities and capabilities to enter the unregulated markets. So, that is one area for which we are going to leverage our formulation facilities and then Dahej plant which is coming up would add to our strength in terms of playing in the regulated as well as unregulated formulation markets with our own technical production.

Manish Mahawar: So, any number possible for the next 3 years we see in terms of export? I can understand it will be a smaller number or so, but any number you want to put up?

Rahul Dhanuka: Yes, I think so we will be able to share a better plan in the next concall next quarter that would be a good thing to share.

Manish Mahawar: And some book keeping question from Bansalji from you, what is the volume and price growth in this quarter?

Vinod Bansal: In this quarter, the volume growth is around 2.5% and the remaining is the value growth because it is around 7.5% to 8%.

Manish Mahawar: And tax rate is a bit lower for the quarter, so any specific reason and can you highlight for our FY23?

Vinod Bansal: Because of the reversal of the excess provision of previous year because of the tax impact is here otherwise tax liability is similar to the previous year.

Manish Mahawar: What could be the full tax rate for the full year, for this year perspective?

Vinod Bansal: Full tax rate, it is around 24%, but because of reversal it would be around 22.5% this year.

Moderator: Thank you. Due to time constraint, that was the last question for our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

M.K. Dhanuka: Thank you very much. To summarize Dhanuka continues to demonstrate its ability to overcome challenges and emerge stronger despite uncertain business environment. Dhanuka will aggressively roll out new formulations in the upcoming quarters and would ensure that it reaches to the consumer. We hope to introduce 2 new 9(3) molecules in the next financial year along with three 9(4) molecules, so overall we hope that Dhanuka will be able to introduce 5 new molecules in FY23-24. 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 the 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 lines.