Dhanuka Agritech Limited

AN ISO 9001 : 2008 COMPANY

Online

Date: July 23, 2019

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

Symbol- DHANUKA

The Department of Corporate Services-Listing
The Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
Scrip Code : 507717

Sub: Outcome of Conference Call with Analysts/ Investors

Dear Sir,

Please find enclosed transcript of Conference call organized with Analysts/ Investors held on 19th July, 2019 post declaration of Unaudited Financial Results of the Company for the quarter ended 30th June, 2019 .

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

DHANUKA AGRITECH LTD.

Jyoti Verma
Company Secretary/ Compliance Officer
FCS-7210

Encl: a.a

"Dhanuka Agritech Limited
Q1 FY2020 Results Conference Call"

July 19, 2019

ANALYST:	**MR. VARSHIT SHAH – EMKAY GLOBAL FINANCIAL SERVICES**
MANAGEMENT:	**MR. MAHENDRA KUMAR DHANUKA – MANAGING DIRECTOR – DHANUKA AGRITECH LIMITED** **MR. RAHUL DHANUKA – DIRECTOR (MARKETING) - DHANUKA AGRITECH LIMITED** **MR. V.K. BANSAL – CHIEF FINANCIAL OFFICER – DHANUKA AGRITECH LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2020 results call of Dhanuka Agritech Limited, hosted by Emkay Global Financial Services. We have with us today, Mr. Mahendra Kumar Dhanuka, Managing Director, Mr. Rahul Dhanuka, Director (Marketing) and Mr. Vinod Kumar Bansal, Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Varshit Shah from Emkay Global. Thank you and over to you Sir!

Varshit Shah: Thanks Neerav. Good evening everyone. I would like to welcome the management of Dhanuka and thank them for giving us this opportunity. I will hand over the call to the management for any opening remarks. Over to you Sir!

M.K. Dhanuka: Thanks Mr. Varshit. Good evening friends. I, M.K. Dhanuka, Managing Director of Dhanuka Agritech Limited along with Mr. Rahul Dhanuka, Director (Marketing) and Mr. V.K. Bansal, Chief Financial Officer of the Company welcome you all to discuss the unaudited financial results of the company for the quarter ended June 30, 2019.

Most of you are aware about Dhanuka. However, for the benefit of our new audience, I would like to share the background of the company. Dhanuka is a part of Crop Care Industry. Dhanuka manufactures and market wide range of pesticides. Agrochemicals work as plant nutrients and protectants from enemies like insects, pests, diseases, and weeds that affect the crop yield.

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

Dhanuka has pan India presence through our marketing offices in all major states in India with a network of around 7000 distributors and dealers selling to approximately 80000 retailers across India and reaching out to more than 10 million farmers. Dhanuka has technical tie up with four American and six Japanese companies for sourcing specialty molecules, proprietary technology and new products.

About performance of the company during quarter ended June 30, 2019, I would like to submit that for Q1 2020, revenue from operation was Rs.218.97 Crores as compared to Rs.212.97 Crores in Q1 2019 registering a growth of 2.82%. Earnings before interest, depreciation and tax i.e. EBITDA for Q1 2020 was at Rs.23.74 Crores as compared to 24.44 Crores in Q1 2019 reflecting a decline of 2.86%. PBT for Q1 2020 has shown a decline of 1.37% and EPS is lower by 5.71%.

I would like to draw the kind attention of the audience that the sowing was delayed due to late onset of monsoon this year. The season is also delayed by 15 to 20 days and the sales of June month has been postponed to July. As on date, there is 16% deficit in rainfall. The whole South India, Vidarbha and Marathwada in Maharashtra, Saurashtra in Gujarat are facing water availability crisis. This Sawan month has started from 17th of this month and it is expected that there will be good rains in the next two months. Dhanuka hopes to do much better performance in Q2.

Coming to the turnover share from various zones, the north has delivered 30.92% in this quarter, the west zone has contributed 46.03%, the east zone has contributed 10.47% and south zone has contributed 12.58%.

Coming to category wise, insecticides has contributed 30.78%, fungicides has contributed 11.9%, herbicide has contributed 49.54% and others have contributed 7.78%.

Thank you very much for your kind attention. Now you are welcome to ask questions on the results of the company. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nihal Jham from Edelweiss Securities Limited. Please go ahead.

Nihal Jham: Good evening Sir. Sir, my first question was on the topline growth that you have reported this quarter. Obviously this is a placement quarter and you might have said that the season has delayed, but in the ensuing 20 days after the quarter, have we seen a pickup and you know what is the kind of revenue growth that we are expecting for the year ahead?

Rahul Dhanuka: In the ensuing 20 days, we have not seen the required pickup. It has not been as loud as we expected it to be. So, as of now, the rainfall in the season appears to be going muted.

Nihal Jham: Absolutely, if I understand that obviously, I think at the end of last year, we were looking at double-digit growth, but if the current situation persists, then you know the kind of growth we have seen in the first quarter is something that we expect would be for the Kharif season, would that be the right way to look at?

M.K. Dhanuka: You are well aware that first quarter is very low for Dhanuka, so overall topline is much lesser in comparison to the second quarter. So, we do hope that we will pickup in the second quarter, but everything will depend on the monsoon. As I shared, if the monsoon in the major states like Telangana, Andhra, Karnataka, Maharashtra and Gujarat etc., that is impacted then it has a major role to play on the topline and bottomline of the company. If the smaller states Bengal, Bihar, Orissa are impacted, then that much impact is not there on the results of the company. But I would like to say that Dhanuka is not doing any kind of placements, so that is why we have not made any placements in the first quarter, so we hope that the actual sales will start picking up by July end onwards.

Nihal Jham: Sir, the second question was we obviously have been speaking a lot of one of our recent launches which is Largo, so considering this is the season time which is beginning, has there been any response to how is the placement of that product has been?

Rahul Dhanuka: Yes Largo is a product which is finding its space in cotton markets. It is also finding opportunity in chilli and in the fall armyworm segment of maize and in all these segments, Largo has been received favorably by the market.

Nihal Jham: So the main placement of the sales for Largo would obviously be in Q2, is not that we have done too much of placement of that in the first quarter?

Rahul Dhanuka: Largely, it would be in Q2, there are only some indicative movements, sample movements so to say in Q1.

Nihal Jham: How is the feedback of that sample movement been for you all?

Rahul Dhanuka: Feedback is really positive and really exciting, because this is the only product which is providing a wonderful trips control in cotton and chilli and fall armyworm, which is the most dreaded pest right now in maize is also getting a very strong and powerful control from Largo's positioning. All these crops have shown wonderful results and the farmer and local market is really satisfied with that.

Nihal Jham: Any target we have in terms of the kind of size of revenue we are expecting for Largo from this Kharif season?

Rahul Dhanuka: We have our expectations with Largo; however, we are not sharing any product specific numbers here, but Largo is probably going to be one of the core drivers.

Nihal Jham: Last question on the EBITDA side, we see that we have obviously done an EBITDA expansion higher than what we are guiding for, but if I had understood you right, one other thing is that the driver margin that were carrying high cost inventory which would have been used up and we would have seen an improvement in gross margin also which has not come in. So, first wanted your comments on that and secondly what has led to the fall in other expenses compared to last year?

M.K. Dhanuka: You see that there are always inventory in the channel, so the prices are coming down for most of the generic molecules. So the inventory which we were having with the company, that bars off higher prices and while we have to offer the prices in the market as per the current rate and that is one reason due to which we could not improve our margins. Secondly, one or two major molecules like cartap hydrochloride, the prices of that molecule have skied up rocketing and the market is not accepting such high prices. So there we had to compromise on our margins. These are the two main reasons of not expansion of margins in this quarter, but we do hope since the prices have more or less stabilized now, improvement will be seen in the second quarter.

Nihal Jham: Just on the other expenses, is there any impact change in accounting or which cost item has reduced because I see you have done a saving of around 3 Crores compared to last year?

M.K. Dhanuka: Employee cost has reduced and since employee cost has reduced, number of employees has been reduced so overall the travelling cost and other expenses of the employees that has been reduced in this quarter.

Nihal Jham: So basically cost related to sales and promotion to an extent do you would say?

M.K. Dhanuka: This is sales expenses.

Nihal Jham: Sure. I will get back in the queue for further questions. Thank you.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: Sir, just a question on the other expenses. I am not sure if you had answered it in the previous one. Why are the other expenses come down?

M.K. Dhanuka: Actually, we have streamlined our manpower, so due to which the number of employee has been reduced, that is why our employee cost has come down and the travelling budget for the employees has also come down. These are the two major heads on which the expenses have been reduced.

Madhav Marda: That is the only question. Thank you.

Moderator: The next question is from the line of Nitin Agarwal from IDFC Securities Limited. Please go ahead.

Nitin Agarwal: Thanks for taking my question. Sir, on the margin, what gives you comfort that incrementally you will be able to show margin improvement going forward, your gross margin level?

V.K. Bansal: Gross margin level I think it would be only on the basis of last year at max.

Nitin Agarwal: We will not see improvement in the gross margin Sir?

V.K. Bansal: I am not seeing any improvement in this year as compared to the previous year.

Nitin Agarwal: Sir, why would that be because the assumption clearly in the market has been that the spike which happened in China last year, that is beginning to normalize, so why should there be continued pressure in the gross margin, because this is below our historical gross margin levels?

V.K. Bansal: When the CL is not good, then there is always pressure on the margins. If the demand picks up significantly, then there could be a scenario of improvement in margins, now in this scenario, it is difficult to maintain even the last year margin is not even hit us.

Nitin Agarwal: From the impact of the monsoon for the current season, in your planning cycle, what is the time period which is a critical bit here from here now where monsoon has to normalize for the business to pickup from here on, another 15 to 20 days or the whole of August just for understanding Sir?

V.K. Bansal: I would say whole of August.

Nitin Agarwal: That is essentially the peak period for us in terms of incremental sales from hereon?

V.K. Bansal: Absolutely, incremental sales as well as consumption of the basically pesticides, which have been built so far.

Nitin Agarwal: Lastly one of the competitors has talked about some bit of crop rotation happening in the market because of delay in the monsoon, how is that in your assessment playing out and is it playing out in any favorable or unfavorable way for our product portfolio?

Rahul Dhanuka: We are expecting crop rotation to be happening in the favor of oil seeds, in favor of pulses and maize. If it happens in favor of these three segments, then it is going to be favoring our portfolio. However, if the crop rotation happens towards millets and sorghum then that would negative cycle for the agri input industry because these crops millets and sorghum, they are investment non-intensive, farmer does not invest too much there so the crop rotation could be happening on both sides depending upon how the rainfall is in each segment.

Nitin Agarwal: Sir, linked to that since you have raised the point, have you seen any initial trends on towards either side on these issues?

Rahul Dhanuka: Towards?

Nitin Agarwal: Towards you know either people going more towards millets or more towards oil seeds and all the kind of crops in the two categories which are favorable and unfavorable categories, have you seen any distinctive move already happening or is it too early right now to call it?

Rahul Dhanuka: Conventionally dry pockets like Rajasthan and dry pockets of Karnataka for example, they are showing an inclination towards millets; however, most other pockets, for example the paddy intensive pockets, government is encouraging maize. So farmer is taking a direction towards maize and in most of the markets there is an overall inclination towards oil seeds and pulses. Wherever moisture or water is available, the inclination is towards oil seeds and pulses.

Nitin Agarwal: Even with these delay in the monsoons, there is still inclination to go towards oil seeds and pulses even at this point of time?

Rahul Dhanuka: Even at this point of time. Actually in many pockets, there is a possibility that the farmer who has gone in for say for example paddy nursery, the nursery is crossing the maturity level where it can be transplanted into main fields, so farmer may not go for rice at all and would suddenly switch to oil seeds and pulses. This is the trend I am getting from various markets.

Nitin Agarwal: Sir just to push on that point, this has been aided by better MSP pricing which is there or what is driving it?

Rahul Dhanuka: MSP of course is one of the influences, but I think at this point of time, farmer has to take a call on which crop to go for. If at all he is to go for a crop. If he is not able to go for paddy, then in a given pocket, farmer does not have too many options. When we are talking, we are generalizing over a country as a whole and country as a whole, also this gets broken down into pockets of moisture level and the crop choices. So, after paddy, paddy is going out of favor in many pockets. That is true, because paddy is the largest, 42 million hectare, but each pocket pickup a different crop segment depending upon the moisture available and probably not the MSP at that this point of time.

Nitin Agarwal: Sir just to conclude this point, you raised a point about the millets and I guess some days back there has been a couple of press statements by different government ministers and functionaries about encouraging farmers to move more towards millets and other crops which require less water, a) do you see government actually pushing hard for it and giving incentives for the farmers to do that and b) does it have any long lasting implications for the agrochemical industry in general?

Rahul Dhanuka: One thing is systematically, as a country we got to move away from intensive agriculture of paddy and paddy wheat rotation. At the same time, there are many logical and economically viable options available. Millets, which is our conventional food crop is absolutely one option, however it is not economically as remunerative for the farmers. If the government comes in with programs which makes it economically viable by giving some subsidies or dolling out some other facilities to the farmers then yes it can make sense. At the same time, maize and oil seeds and pulses are three other segments India has been a net importer especially oil seeds and pulses and maize is a very low moisture intensive crop. So, altogether these crops should be favored by the government and the policymakers to reduce water consumption. If this happens, overall it would be good for the country's economy, it would be good for the water table, and I think so as long as farmer is doing commercial agriculture, he would need modern tools, modern inputs and there is where all the input industry would stand to favor.

Nitin Agarwal: Got it. Thank you very much.

Moderator: The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Very good evening and thanks for your time Sir. The first question is on the cost of the technicals which you source from China. You did make some comments on that, if you could just repeat that and just wanted to know how do you see the next one or two years of that trend or at least whatever you hear from the Chinese at this point?

Rahul Dhanuka: This is I think so would be a favorite question and probably every chemical call or even a non-chemical call. What stand China is taking or will take is not clear. That is within China and beyond that how the China-US relationship is impacting the local production and prices is another uncertainty. So, the status is that we as China being a chemical supplier there is huge uncertainty product by product, some product prices are extremely high technical prices and some technical prices are on a lower trend. So it is a mixed bag and a huge state of flux there.

Vishnu Kumar: Mr. Dhanuka Ji obviously mentioned that some of the costs are coming off, so are you seeing some benefit at least from that side?

Rahul Dhanuka: Yes, some product technical prices are coming down, absolutely right, so which does bring down our technical cost for sure.

Vishnu Kumar: Secondly, just wanted to understand from your perceptive, which regions you think are completely distressed if the current rainfall does not do that well, any particular pockets you think are not going to see a good monsoon, obviously it is progressing, but just wanted to hear your thoughts on that and the followup in terms of the acreages that farmers have still not started plantation or something of that sort?

Rahul Dhanuka: I think so except for Gujarat which is completely distressed and the hope of revival goes down by every passing day, I would not say that any other part is completely distressed. South has so far received least rainfall, yes south is the most late in entering Kharif cycle. So we are absolutely safe as far as south is concerned and the forecasts are pretty good for the next three to four days for south rainfalls. It has already rained in Karnataka and Rayalaseema belt of Andhra Pradesh, so we are looking forward to some rains in Telangana and upper Andhra. It has rained well in the catchment area of Maharashtra which is going to feed the paddy fields of Andhra and Telangana which is also favorable. So I think it is only Gujarat where we feel we are distressed, other than that I think so it has rained well in most pockets and we are on track.

Vishnu Kumar: Just one final question, the capital expenditure plans, if you could just highlight. Is there any plan for any further investments and any plans or any of that sorts?

V.K. Bansal: Not too really to any significant, 3 to 5 Crores in this year.

Vishnu Kumar: Okay, 3 Crores to 5 Crores.

V.K. Bansal: Yes.

Vishnu Kumar: Just one final point, if you just give the zone wise split and category wise split again, sorry I missed that part?

V.K. Bansal: Zone wise, north 31%, east is 10%, west is 46% and south is 13%. In terms of category, insecticides 31%, fungicides 12%, herbicide 50% and others 8%.

Vishnu Kumar: Thank you Sir.

Moderator: The next question is from the line of Varshit Shah from Emkay Global Financial Services. Please go ahead.

Varshit Shah: Sir just wanted to take the question further on the areas of affected. So amongst your product category, which you think are the most affected at this point in time if the rain does not recover significantly, any category of product which you can highlight and second is on the input prices. So, as you mentioned some technical prices are going lower and some are going higher, so what percentage of our total RM cost is moving higher and what percentage would be moving lower, any colour on that?

Rahul Dhanuka: This is about the segments, which get impacted because of the rainfall. I think so if at all the rain remains on track then our herbicides is one portfolio which starts pretty early and needs these early rainfalls to remain on track. Insecticides and fungicides normally appear later in the cycle, so subsequent rainfalls would still be good enough to keep them up afloat or even see some increases. Herbicide gets the earliest and the fastest impact. Could you repeat the second part of the question?

Varshit Shah: Yes, you mentioned earlier on the call that some technical prices in China are moving higher and some are moving lower, so in terms of our total raw material requirement, what percentage of in terms of value I am asking would be moving higher and what percentage would be moving lower or on what percentage it would stabilize. Some colour on that will help us to know the overall picture.

V.K. Bansal: You see broadly around 20% of the raw material are on increasing trend and around 30% to 40% might be declining and rest is settled.

Varshit Shah: So the whole idea is that the increases that are actually sharp which is negating the benefits from the declining RM, is that a right assessment?

V.K. Bansal: Could you repeat that again?

Varshit Shah: So the 20% which is increasing, the increase is so sharp that it is negating the sanguine effect on other raw material prices.

V.K. Bansal: That is right.

Varshit Shah: Thank you. I will get back it the queue.

Moderator: The next question is from the line of Levin Shah from ValueQuest Investment Advisors. Please go ahead.

Levin Shah: Thanks for the opportunity. My question is on this raw material prices of the gross margin now that we are seeing that it would be flat at best, but if you see at the end of the last call, which was somewhere in May end, we had said that we will see a gross margin expansion this year. So is it that the situation post May has really become worse or bad and that is why we are seeing the pressure on the margins for this year as well?

V.K. Bansal: That is right.

Levin Shah: Okay and like you said, 30% to 40% of our raw material we are seeing sharp increases in price?

V.K. Bansal: No. We are seeing around 20% raw material price increase is very sharp.

Levin Shah: On this product launches, last time we had planned for around two to three products for this year. Where we are in terms of product launch and how many have we launched during this quarter?

Rahul Dhanuka: We have already launched three important products. Largo and CHEMPA and the third one APPLY is on the horizon, so we have launched two Largo and CHEMPA. Largo is an insecticide finding positing in cotton, chilli and maize largely. It will find position in many other crops; however, these are the three primary crops. CHEMPA is a paddy herbicide which we have launched in Q1 and has been received very well in the market. APPLY is a paddy insecticide again, will be launched pretty soon, say by the end of this month or early August. This will find space in north paddy to begin with and then all over the country. These are the three products and then we are coming up with bio-micronutrient and two other insecticides.

Levin Shah: Those two also will be reveling this year?

Rahul Dhanuka: During this year, yes.

Levin Shah: Lastly on what we have been reading on this fall armyworm is that it has really causing a lot of damage to the maize crop across the country now, so in terms of generally from the industry perceptive, are there any products which are able to cater to that pest particularly and like you said that we have this Largo which is catering to the fall armyworm issue, so where do you see our positioning in terms of overall market?

Rahul Dhanuka: Fall armyworm is a dreaded pest which is impacting maize all over the country and all over the world. In India, it has largely impacted crops in Karnataka, entire Andhra, Telangana, and Maharashtra and is gradually moving upwards into Madhya Pradesh, Uttar Pradesh and Bihar as well. Government of India has given emergency registrations to four products to control fall armyworm. Out of these four, we have position in three products, number 1 EM1 as our brand is already present in maize market. Second one is Cover, which is rynaxypyr that also is approved by the Government of India and is well positioned in the maize markets. Third one our recent introduction Largo, which is natural extract product and is a very recent introduction, it is very strong in resistance management and is very powerful on fall armyworm control and is also being offered from Dhanuka portfolio. So we have a very strong position when it comes to fall armyworm control in maize and if it encroaches other crops also, we are strongly placed to assist our farmers in checking that.

Levin Shah: So the government has basically approved only four products and out of that we have three products, right?

Rahul Dhanuka: That is right.

Levin Shah: I understand from whatever I have read, it seems that the conventional pesticides are not able to make a big dent to this pest, so is there any other solution that needs to be worked out for this particular pest or you feel that this product Largo which we have would be damaging the pest?

Rahul Dhanuka: Largo is extremely powerful. It is systemic by nature so when the pest is pretty small to when it goes much bigger in the size, Largo is able to control almost all stages of the pest very, very effectively and much better than most conventional products. That is why Largo is finding huge favor with the maize growers all over the country. Talking about conventional products and other practices, I think the pest is relatively new for our scientist as well. Scientist from all agricultural universities across the country and even are collaborating globally to understand this pest, its behavior and its working in the tropical environment of India as a country. Another threat with the pest is that it is **(inaudible) 32.42** which mean that if it is not finding the host plant of maize, then it can migrate to other crops which could still be more dangerous for the country as a whole. So, we are already looking into maize shortages and maize imports being planned to facilitate poultry which could be really bad if this pest migrates to other crops. I really hope and pray that we are able to check this pest in maize itself with Largo and the farmer is able to follow the exact practices to control it.

Levin Shah: So what we have seen is this pest has been causing a lot of problem to the maize crop, so the growth from Largo should be very good this year, right?

Rahul Dhanuka: Yes, we hope so.

Levin Shah: How has been the response till now?

Rahul Dhanuka: Response so far has been really, really fantastic.

Levin Shah: Okay Sir, thank you and all the best.

Moderator: The next question is from the line of Prashant Biyani from Prabhudas Lilladher Pvt. Ltd. Please go ahead.

Prashant Biyani: Thanks for the opportunity. Sir, how much was the volume growth for the quarter?

V.K. Bansal: Volume growth was flat, no growth.

Prashant Biyani: Given the current situation and the competitive intensity, do we have any headroom for price increase?

M.K. Dhanuka: Price increase, I do not foresee because the season is not as good as it was expected. If the monsoon in the coming two weeks is very good and the season pick up, then there is a possibility of improving the prices, but otherwise general trend is declining in the prices.

Prashant Biyani: In the annual report this time we had mentioned about nine 9(4) technicals for which we have got approval, I mean 9(4) formulation products, so out of that between FY2019 and FY2020 till date, we have launched only one. So is it fair to assume that the remaining eight will be launched may be this year and next year?

Rahul Dhanuka: What is that, I did not get it, you talking about?

Prashant Biyani: In annual report of FY2019, we had mentioned name of nine formulation products or technical names of nine formulations for which we have got approval from CIB. Out of those nine, only one we have launched till date between FY2019 and FY2020, so for the remaining eight, is it fair to assume that they will be launched this year and next year?

Rahul Dhanuka: We continue to engage ourselves with CIB in terms of various potential candidates for introduction; however, it is not necessary that we will be introducing all of them. After about three launches that I have talked about which is Largo and CHEMPA, we have already launched and APPLY, which we are going to launch. We will be introducing one bio-nutrient and two more insecticides. So that is the launch pipeline for this year. Two we have already launched four more to come.

Prashant Biyani: Okay Sir, thanks.

Moderator: The next question is from the line of Nitin Agarwal from IDFC Securities Limited. Please go ahead.

Nitin Agarwal: Thanks for taking my question again Sir. Sir, I have just one sort of non-business related question, there was this news about we buying at the family level the Orchid Chemical business, I just want to check one thing in that regard. I know there is no connection with this listed entity, but does this envisage any amount of leverage at the promoter level or at the holding company level for this entity?

Rahul Dhanuka: Could you clarify your question there?

Nitin Agarwal: The business as a family getting into acquiring Orchid Pharma Business from a restructuring process, so my question was will this business acquisition while it does not really pertain to our listed business per se, agrichem business, will it involve any leverage at the promoter entity level?

M.K. Dhanuka: I could not get your question.

Nitin Agarwal: I mean in terms of will we need to take any loans to fund that business, to run that business, any large amount of loans that we require. The reason I am asking that is off late, we have seen multiple situations where while the listed entity businesses are not directly…?

Rahul Dhanuka: Loan will be taken by Dhanuka Laboratories only which is the different entity, so they will be taking a loan in their SPV to handle this acquisition.

Nitin Agarwal: This will not involve any pledging of any promoter holding in Dhanuka Agritech?

M.K. Dhanuka: Pledge would be there.

Nitin Agarwal: Has that already happened Sir?

M.K. Dhanuka: It has not happened for now.

Nitin Agarwal: Does it mean that once you are going to start doing the manufacturing business in that entity, earlier we had talked about doing or exploring some manufacturing options in Dhanuka Agritech, are we still open to pursue those opportunities in this business or all of them will happen outside?

Rahul Dhanuka: I think these are two completely different opportunities. Pharmaceutical and agrochemical do not find much of a synergism, so that is a completely different opportunity out of the growth opportunities and frame work of Dhanuka Agritech, so all the opportunities which are there for Agritech business to explore are all of them are open and worth exploring.

Nitin Agarwal: Okay, thank you very much Sir.

Moderator: The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Thank you again for the time Sir. Just wanted to understand exactly change in strategy in terms of distribution or any new schemes or anything that has changed in the distribution model in the last six months to one year?

Rahul Dhanuka: We have only in the last couple of years done some tail cutting of our distribution channel, so we have come down from you know about 8500 to 7000 and so we are just optimizing our channel and removing the unproductive or high cost channel partners. No other major change.

Vishnu Kumar: Anything that you think are differentiated versus peers you are trying to do something new in terms of the distribution model which you have some kind of mote that side?

Rahul Dhanuka: We are working on that plan. However, there is some more time probably before I can talk about this in this forum. We are trying to you know select our channel partners in a way that we service them very deeply and strongly and we use this word partnership in its true sense wherein they partner with us to grow their business holistically and when you use the word mote, so yes that is what we are trying to do, we are trying to create a mote so that we can leverage our channel partner's local strength to increase our market reach and penetration.

Vishnu Kumar: Currently how the inventory is in the system according to you, I mean how does one look at it?

Rahul Dhanuka: I think so over the last few weeks the inventory would have gone up in the system as a whole.

Vishnu Kumar: Versus historical, would it be like 1% to 1.58%, so you think it is normative.

Rahul Dhanuka: This is very difficult to say because I am talking about at the retailer level, at the distributor level, at the company level, at the technical manufacturer level, so across the board the inventory levels would have gone up.

Vishnu Kumar: Final one, a very generic question, but wanted to pretty much understand this, how will you move inventory when suddenly lets say the demand picks up in a region or how do you plan an inventory in a region, when something, either some pest attack or the demand is in a different region, how do you plan the entire inventory through the Kharif season so that you keep your distributors happy by shipping products at the same time keeping the inventory levels right? So just wanted to get you thoughts on this?

Rahul Dhanuka: We have our 45 warehouses which are served from our service warehouses and these service warehouses they stock based upon historical data and future plans as to how much quantities would be required and then we use local transports to service our warehouses actively. These branch warehouses 45 of them service the distributors in the local market with small transport tools which includes auto rickshaws to whatever local transports are available and service them as fast as possible. We try and capture the order of our channel on hand held devices which is mobile phones so that the order input is really fast no lead time is there between order input and availability for service and that is how we manage in terms of speed and try and track the changes in season. Whatever is the unsold stock in the market, we try and pull it back because that means recovery of material and so that is how we keep our channel aligned with us.

Vishnu Kumar: One more question on the same point, lets say suddenly there is a demand spike in Punjab, would you have enough lead time to shift products say you have more product of that in Southern India, I mean I am just questioning hypothetical situation, so how fast is it to move from south to north?

M.K. Dhanuka: You see if the growth is in the range of 20% to 30% then we are prepared. Say suddenly the demand is 100% just we cannot fit.

Vishnu Kumar: Sir that was pretty much useful. Thank you.

Moderator: The next question is from the line of Himang Khanna from Kotak Securities Limited. Please go ahead.

Himang Khanna: Thank you for taking my question. Firstly I wanted to have some idea about what is the kind of revenue guidance that we are seeing for this year. Earlier we are indicated that it would be sort of high single digit to probably lower double-digit, what is the kind of guidance that we are seeing right now. I understand that this is completely monsoon driven, but with the kind of visibility that you have right now, how do see that trend forward?

M.K. Dhanuka: The things will be clear I think by first week of August because still the monsoon scenario is not clear and somewhere the monsoon has come, the rainfall has come in the last two to three days and it is expected because as I said earlier some has just started and as per Hindu mythology, the rainfall comes in Sawan and **(inaudible) 41:11** so these two months we are confident that the rainfall should remain good and the season should also be good, but exact forecast for the year can be possible I think somewhere in August month.

Himang Khanna: Lastly, you mentioned on the pledging of the shares, could you give us some colour on that, what would be the timelines or the quantum of the pledging of shares that you are considering?

M.K. Dhanuka: It has not yet been finalized, we are in the negotiation and once it is finalized, we will definitely inform the stock exchanges.

Himang Khanna: Sure Sir, thank you.

Moderator: The next question is from the line of Rohit Nagaraj from Sunidhi Securities and Finance Limited. Please go ahead.

Rohit Nagaraj: Thanks for taking my question Sir. Sir, my question pertains to pesticides, I mean we have been stocking for arresting the pesticides in the market, what is the current status and how do we foresee the moves from the government on this regard going forward?

Rahul Dhanuka: Could you clarify you question, there was a lot of background noise.

Rohit Nagaraj: The fake pesticides on which we have been trying to workout with the government a policy to arrest those in the market, so what is the current status and how do you foresee this particular area going forward?

Rahul Dhanuka: Dhanuka just collaborated with FICCI to bring in this sensibilization across the board from the consumer which is the farmer segment to the channel policymakers and scientists and industry at large to highlight this plight of the farmer where he is fleeced by fly by night operators in selling spurious, fake and duplicate products. This has been a bane of our economy where on side the farmer faces the challenges from the vagaries of the weather, pest attack and then shells out the hard earned money and in turn gets a fake product which is not effective on the crop. Government has taken a very serious view and just this week we organized a seminar in collaboration with FICCI where Secretary, Ministry of Chemicals and Fertilisers, Mr. Ragavendra Rao also participated and took a strong note of the fact that this fake pesticides is a menace should be dealt with strongly and clearly and government is planning to take a stringent note of this and will probably come up with an action plan. FICCI, industry and the government will be working together to create an action plan on this so that we can save the farmers from this plight. At the end of it, industry and farmer both would stand to gain with results on this front.

Rohit Nagaraj: Thank you Sir. That is helpful.

Moderator: Thank you very much. Ladies and gentlemen, as there are no further questions, I would now hand the conference to the management for closing comments.

Rahul Dhanuka: Thanks for the attention given to us during the entire duration of the call. I think we have seen a muted performance here because of the rainfall situation and the price fluctuations happening on the technical side. Given the upcoming forecasts, which are favorable for the monsoon rains, and various government initiatives coming around for agriculture, we would be seeing some traction in the next few weeks and Q2 is very important for the farmer for agriculture and for the Dhanuka guys and organization. Thank you all for your attention and patience.

Moderator: Thank you. On behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining us. You may now disconnect your lines.