9th August, 2024

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 2nd August, 2024 with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter ended on 30th June, 2024.

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 the Conference Call held on 2nd August, 2024, which was hosted by Antique Stock Broking Limited via telephonic mode with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter ended on 30th June, 2024.

Please take the above information in your record.

Thanking You,
Yours faithfully,

For Dhanuka Agritech Limited

JITIN SADANA
Digitally signed by JITIN SADANA
Date: 2024.08.09 19:47:53 +05'30'

Jitin Sadana
Company Secretary and Compliance Officer
FCS-7612

Encl: a/a

"Dhanuka Agritech Limited Q1FY25 Earnings Conference Call"

August 02, 2024

MANAGEMENT: **MR. R. G. AGARWAL – CHAIRMAN, DHANUKA AGRITECH LIMITED**
MR. M. K. DHANUKA – VICE CHAIRMAN & MANAGING DIRECTOR, DHANUKA AGRITECH LIMITED
MR. RAHUL DHANUKA – JOINT MANAGING DIRECTOR, DHANUKA AGRITECH LIMITED
MR. HARSH DHANUKA – EXECUTIVE DIRECTOR, DHANUKA AGRITECH LIMITED
MR. V. K. BANSAL – CFO, DHANUKA AGRITECH LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to Dhanuka Agritech Q1 FY25 Conference Call hosted by Antique Stock Broking.

As a reminder, all participle lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone 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, Ms. Shah.

Darshita Shah: Thank you. On behalf of Antique Stock Broking, we welcome all the participants to Dhanuka Agritech's 1st Quarter FY25 Earnings Call.

Today, we have Mr. M. K. Dhanuka - Vice Chairman and Managing Director; Mr. Rahul Dhanuka - Joint Managing Director; Mr. Harsh Dhanuka - Executive Director and Mr. V. K. Bansal - CFO on the call.

Without further delay, I would like to hand over the call to Mr. Dhanuka for opening remarks post which we can open the floor for Q&A. Thank you and over to you Dhanukaji.

M. K. Dhanuka: Thank you, Darshita ji. Good afternoon, ladies and gentlemen. I am M. K. Dhanuka - Vice Chairman and Managing Director of Dhanuka Agritech Limited.

I welcome you all to the Q1 Earnings Call of Dhanuka Agritech Limited. I hope all of you are doing well and keeping safe. I have with me Mr. Rahul Dhanuka - Joint Managing Director; Mr. Harsh Dhanuka - Executive Director, and Mr. V. K. Bansal - CFO of the Company.

As you are aware, Dhanuka Agritech is a leading agrochemical Company in India focusing on brand sales in the market. Also, in FY24, Dhanuka has commenced operation at our Dahej Chemical Synthesis plant, and we are working to create breakthrough in chemical synthesis. Dhanuka is working with the vision of transforming India through agriculture. We have a pan India presence to reach out to more than 10 million farmers with our products and services. Dhanuka's key focus has been on introduction of novel chemistries and extensive product development distinguishers from the rest of the industry.

Firstly, I would like to share a very important announcement with all of you. After attaining the age of 75 years, Mr. R. G. Agarwal, who is the Chairman of the Company, has decided to pass on the baton of the organization and step down from his operational role. I am thankful to him and the Dhanuka's Board of Directors for entrusting this responsibility to me to take on the role as the Chairman of the Company. Mr. Agarwal's leadership has been nothing short of extraordinary. His vision and foresightedness have gone through challenges and opportunities, always with an unwavering commitment to excellence. Friends, I am happy to share that Mr. Agarwal has accepted Board's request to continue, guide and mentor us to ensure that we stay in alignment with our long-term business strategy as Chairman Emeritus. We welcome him as he has been elevated from Chairman-to-Chairman Emeritus.

Further, Mr. Rahul Dhanuka will now assume the role of Managing Director of the Company. Rahul has worked dedicatedly over last 25 years in making Dhanuka brand powerful and under his leadership, Dhanuka is transforming into a sales and marketing powerhouse. I am confident that he will lead the organization into a bright future.

Now I will request Mr. R. G. Agarwal - Chairman of the Company, to share a few words with us on this transition.

R. G. Agarwal: Dear friends, at the age of 75, as I stand here today and look back at my journey of 55 years, I am filled with immense pride and gratitude towards all our stakeholders, shareholders, Directors, investors, employees, customers and vendors. With all the support, I have been able to build a great organization. Dhanuka Agritech, which is completing 44 years of operation.

Today, as approved by the Board, I am overjoyed to pass on my role as Chairman to Mr. M. K. Dhanuka to guide the organization into the next phase of growth. He has been a great pillar for the organization and working for the growth and success of the business. He has exceptional leadership skills and a remarkable entrepreneurship. Further with Rahul as the new Managing Director, I am looking at the speed of Dhanuka increasing even more. Rahul's connect with people focus on building brands for business and fostering great relationship with all principal companies has played a critical role in our growth. I am particularly delighted with the last financial year’s performance where we achieved record high profit and one of the best profitability levels in spite that last year was not good and many companies were having degrowth.

I am also pleased with the continuing success in the 1st Quarter of current financial year, which is a very proud moment. Our achievement is exciting and highly commendable. As I move on to the next stage of my life, I would like to wish both of them great success. Once again thanking all the investors and all of you on the call for your support to Dhanuka in the past and hope same you will continue in future. Thank you very much. Thank you.

M. K. Dhanuka: Thank you, Mr. Agarwal. Friends as Chairman, I pledge to honor our heritage while embracing the winds of change. We will innovate fearlessly knowing that progress is not liner. It is exponential. With your support, I am committed to build Brazil that will increase our speed further.

As we transition, let me assure everyone that this process has been years in the making. It began with Mr. Rahul's appointment as Chief Operating Officer in the year 2021, followed by my appointment as Vice Chairman and Rahul taking on the role of joint Managing Director in 2023. Through careful hand holding and seamless transition, we today mark the culmination of our efforts, the passing of the baton. Friends, transitions can unsettle businesses, but our transition will fortify us, our future is bright, and we stay committed to transforming India through agriculture, “India ka Pranam Har Kisan Ke Naam”.

Coming to the Q1 Performance of the Company:

Friends, this year the weather conditions have shifted positively, although not as per the expectation. The effects of El Nino have subsided; however, the La Nina affect is yet to be observed. There was less than 100% rainfall in 1st Quarter and uneven rainfall in several regions in the month of July till 25th July. The raw material prices have mostly stabilized now; however, there is still price reduction on the basis of Q1 FY24 versus Q1 FY25. Overall, the demand for all products was very good in this quarter. The rainfall was highly uneven in July, especially in the central region impacting herbicide liquidation.

On a positive note, the IMD has given an updated forecast of above average rainfall for August and September for most regions in India. This is a good sign for the rest of the Kharib season as well as the Rabi season. Already, the water level in reservoirs and dams is increasing. Our new introductions PURGE, LaNevo and MYCORe SUPER are receiving great response from the market with the demand exceeding our expectation. I am confident that these products will create new benchmark in Dhanuka’s history.

Further, we are going to launch two 9(4) me-too products in next three months. We are committed to keep bringing new products and technologies for the Indian farming community to support them in their endeavor to increase farm productivity and safety of the food.

Looking at the Financial Results of the year:

Our revenue from operations during Q1 FY24-25 is Rs. 493.58 crores with a significant improvement of 33.74% as compared to the corresponding quarter previous year. EBITDA stood at Rs. 71.72 crores in Q1 FY24-25, representing an increase of 64.46% as compared to the corresponding quarter of the previous year. Profit after tax is at Rs. 48.9 crores in Q4 of FY24-25 representing a growth of 48.45% as compared to the corresponding previous year quarter.

Friends, the zone-wise percentile share of turnover was North 31%, East 8%, West 42% and South 19%. Product category-wise share of turnover was insecticides 25%, fungicide 10%, herbicides 50%, others 15%. You will notice that out of 100%, 50% share was only of herbicide because initially the consumption of herbicide is the highest in the 1st Quarter, but due to less rain from 1st July till 25th July, the consumption of herbicide has been less and there will be some goods returned in the month of July because of the known consumption of herbicides.

For financial year 24, the Company has already rewarded its members by paying an interim dividend at the rate of 400% that is Rs. 8 per equity share having face value of Rs. 2 per share which has absorbed Rs. 36.46 crores. The shareholders of the Company in the 39th Annual General Meeting held today have approved the final dividend at the rate of 300% that is Rs. 6 per equity share. This will absorb an additional of Rs. 27.35 crores with a total payout of 27% over last year's PAT.

Further, the Board of Directors of the Company in its meeting held today has approved the proposal for buyback of 5 lakh equity shares of the Company for an amount not exceeding Rs. 100 crores only at a maximum price not exceeding Rs. 2,000 per equity share. Thank you very much for your kind attention.

We would now like to open the session for question-and-answers. Over to moderator. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Sir, given the strong momentum we have seen in Q1 with 34% Y-on-Y revenue growth, do you believe that this is the right time to revise that guidance from 18% for FY25 to significantly upwards to about 25% and your margin is going up by, EBITDA margins by 21%-22%?

V.K. Bansal: Yes, you see, our guidance would be we are upgrading from 18% to 20% as of now, as you are already aware, the July was not a very good month because of some less liquidation, we decided some return of the June billing.

Yash: Sir, I thought that we are seeing a very strong momentum in Q1 because typically Q2 is our largest quarter, it is very strong. So, how are you seeing Q2 going on for right now?

V.K. Bansal: We are expecting a little lower double-digit growth in Q2.

Yash: And sir, my last question would be how do you see your margins trending, sir for the next 2-3 quarters? Do you think we can go above 29% EBITDA?

V.K. Bansal: We are expecting on yearly basis around 100% decline in the gross margin, 100 bps basically and there was improvement in the Quarter 1, it was expected, but overall because last year the gross margin was exceptional. So, we are expecting a decline of around 100 BPS gross margin level and similar dip on the EBITDA margins as well.

Moderator: Thank you. The next question is from the line of Pujan Shah from Molecule Ventures. Please go ahead.

Pujan Shah: Are we planning any 9(3) product to launch in the coming quarters in herbicide or any in the fungicide segment?

Harsh Dhanuka: Yes, we are planning one 9(3) product launch in Q3 of this year.

Pujan Shah: And as of now, we are seeing herbicide demand being impacted, how the demand outlook we would be expecting in the herbicide segment and how it will be evolving in FY26?

Rahul Dhanuka: In fact, July has been a difficult month for the herbicides. Till June, it was a good run, but after the rains in the last week of July, we are looking at some of the herbicides picking up again. So, for some products, the stage is over now, the crop stage is higher, but for some other products for example, Targa Super will now have a good opportunity after the last week rains of July. So, some herbicides are still going to have a good opportunity in the month of August.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Sir, I have couple of questions. The first question is regarding our engagement going on with Innovator partners. So, with respect to the approval for manufacturing patented technical molecules, how has been the engagement going on?

Harsh Dhanuka: Yes, engagement is going on. We don't have any breakthrough as yet, but we are working on it.

Pradeep Rawat: And what kind of ROC and EBITDA margin can we expect from patented technicals?

V.K. Bansal: You see, it is very difficult to comment at this point of time because there is no such arrangement been finalized over now. So, that question cannot be answered.

Pradeep Rawat: Any ballpark number, what could be it over and above the generic technicals, so at least 50% higher than that or something like that?

V.K. Bansal: No, I can't comment at this point of time.

Pradeep Rawat: And my other question is regarding how much of our revenue comes from exclusive molecule tie ups with innovators?

V.K. Bansal: Innovators have molecules of 9(3) type is around 25% of the total turnover.

Pradeep Rawat: And one basic question, so do the generic formulation are sold under a brand name or is it sold without a brand name?

Harsh Dhanuka: They are all sold under brand name.

Pradeep Rawat: And do we have any plan to export formulation, where registrations are required?

Harsh Dhanuka: So, we have started exports of formulations, not in Dhanuka brand, but in some partner distributors in the destination countries.

Pradeep Rawat: So, there registrations are required by us or is it the registration of our partners?

Harsh Dhanuka: Registration is required by the local distributor.

Moderator: Thank you. The next question is from the line of Hussain Bharuchwala from Carnelian Capital. Please go ahead.

Hussain Baruchwala: Sir, you said you were doing some patented technical, so can you elaborate on that part? What are basically we doing on the patented technicals? Is it on the manufacturing side that we are doing in Dahej, something of that sort, if you can explain in that part?

Harsh Dhanuka: We did not mention that we have started manufacturing any patented technical. We are looking at tie-ups with the companies who are having patented technicals for manufacturing purpose. At the same time we are introducing patented technicals as formulated products in India in Dhanuka brand. So, no patented technical manufacturing, but yes, patented technical introduction as unique products for the Indian market.

Hussain Baruchwala: And sir, since you said there are returns that are happening in the month of July, so how do you see the whole financial year, if you can give us some ballpark in terms of the guidance? I think initially you explained to some extent, but if you can give some number in that field, it will be better for us to understand, for the whole year, what is the revenue guidance maybe, 18% was initially now you guide between 18% and 20%?

V.K. Bansal: Yes, that is right. We are giving the guidance of between 19% and 20%.

Hussain Baruchwala: And any update in terms of interactions with the Japanese player, any update in terms of, maybe if we had a certain site visits by the Japanese, so is there any further discussions that are happening or any of that sort that we are able to commensurate or any discussion with the Japanese you can help us out to understand that?

Harsh Dhanuka: Whenever there is any significant update, we will definitely update all the investors.

Moderator: The next question is from the line of Viraj from SiMPL. Please go ahead.

Viraj: Sir, first question is today you mentioned about sales return happening in July, if you see for the full year, we are expecting around 20% growth. Now, given the kind of growth we have seen in Q3, it would mean that for the balance three quarters of the year, the growth will be flat even if I consider 20% growth for the full year. So, why this conservatism, just trying to understand on that, so that is one? And second is similarly also the margin guidance which you gave right that on a full year basis we are expecting around 100 basis points contraction and EBITDA margin, again that would mean degrowth in PAT for the rest 3 quarters, so just trying to understand how does it add up given the environment as it is very positive and the RM price is also relatively conducive?

V.K. Bansal: You see when we are talking, we are talking as a consolidated view including Dahej. And so for now, our Dahej unit is delivering negative EBITDA. So, considering that impact I am telling you there would be an impact of around 100 basis points and as far as you are talking about the. 20% growth in the topline if we are delivering around 15% growth quarter-on-quarter basis, then only we would be able to deliver 20% annual basis.

Viraj: No, I understand, so for Dahej, what will be the revenue contribution and the profitability or the loss? How much would that be for the quarter?

V.K. Bansal: For the quarter, the contribution in the topline is around Rs. 14 crores and in terms of the EBITDA, there is a negative EBITDA is Rs. 3.75 crores.

Viraj: Even environment is so positive and the way the RM prices are still quite favorable for branded formulated players like us?

V.K. Bansal: Last year, there was an exceptional growth because the raw material price was declining every month on month basis, but similar reduction was not happening in the final price because of which some extraordinary GP was there last year. Therefore, we are saying that there could be an impact of around 100 basis points and a whole year base in the gross margins including Dahej.

Viraj: My second question was that the product mix of specialty and non-specialty portfolio and has there been any price correction in the specialty portfolio also?

V.K. Bansal: You see, major impact was in generic. Specialty portfolio, there was no much impact.

Viraj: So, what is your mix? What is the revenue contribution in specialty?

V.K. Bansal: Was almost 50:50.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Nuvama Wealth. Please go ahead.

Rohan Gupta: Sir, my first question is on break up of volume versus price-led growth in the current quarter?

V.K. Bansal: Current quarter volume versus value, there is a difference of 6%. Our volume growth is more than 39% as against value growth of 33%.

Rohan Gupta: So, you think price was negative -6% you are saying?

V.K. Bansal: Yes, but you see on an overall year basis, we are expecting the impact maximum 2% because last year the price was declining quarter-on-quarter basis, but the things have improved significantly. I am expecting the difference of value versus volume would remain around 2%-2.5% in Quarter 2 and should be 0 sometime in Quarter 3 and Quarter 4 should be little reverse and on yearly basis difference should not be more than 2%.

Rohan Gupta: Sir, with this 39% kind of fantastic volume growth, my question is Rahul, how do you see that the industry for the quarter would have grown? Also I heard that in July definitely there was in herbicide, some sales returns and slightly weakness coming back. So, just wanted to know that the industry scenario and for the year, what kind of volume growth you are anticipating in the current scenario for the industry?

Rahul Dhanuka: Well, we are just breathing out of the end of the quarter. So, it is difficult to give some industry estimates. However, my best estimate is that probably half of what we have grown would be the volume growth of the industry and our growth has been driven significantly by our recent new launches. PURGE, a very powerful Japanese herbicide for groundnut and soybean; LaNevo, a very strong insecticide for horticulture crops and horticulture crops as we have seen have received a huge impetus across the country because of their pricing, value to the farmer and also boost by the government and our launch of MYCORe SUPER, which is a biological product and soil quality enhancer. That is also offered for specialty crops, horticulture crops, sugarcane and pulses. So, these three offerings have really given us a big boost. And our couple of years back started export and domestic trade business has also given us additional boost. So, I think so what our team has achieved is a good achievement for the 1st Quarter and the industry growth would be somewhere about half of that.

Rohan Gupta: For years, sir, given the monsoon so far, now it is quite encouraging and Agri commodity prices are also benign. So, a sense for the industry growth will be similar like roughly 18% kind of number you are talking about industry growth. What would be your growth estimate for the industry for the year?

Rahul Dhanuka: I wish, but not that I can forecast for the industry right now. What I would say is that at Dhanuka we are looking at a healthy double-digit growth what we kind of estimated in the previous call, we are sticking to that estimate. We are looking at close to (+18%) growth for ourselves on the overall financial year basis.

Rohan Gupta: Sir, my second question is on the raw material prices. We are seeing that the prices have now stabilized or have actually started going up in some pockets in agrochemicals, intermediates coming from China or even domestically. Dhanukaji, my question was that how is the availability what we have understood that some of the intermediate was not coming from China and domestic prices have gone up? So, just agrochemicals intermediate or technical availability, how it is right now and how is the pricing scenario?

M. K. Dhanuka: You see, the prices have now reducing in most of the molecules there can be exceptions because there are so many pesticides available in the market. There are registrations of more than 250 products in India. So, this is going to happen every time that out of 250 molecules, 10 products prices may reduce and 20 products prices can increase. So, now the prices are more or less stable or in some of the molecules like Cartap Hydrochloride, there is heavy jump; Mancozeb there is jump; 2,4-D, there is jump. So, some of the products prices are increasing. So, overall, it is a mixed bag. Some products it is reducing, some are stable, and some are increasing. Availability from China is not a question mark. Availability is abundant because Chinese companies have increased their capacity manifold, but unfortunately because of non-availability of vessels and the container, the cost of rate has increased drastically and because of non-availability basically there is challenge and gap in supply and demand in India because the supplies are delayed. The containers which were coming in 15 days' time, it is taking minimum 1 month time in getting the supplies. So, that is why that gap is there in demand and supply in this situation.

Rohan Gupta: Sir, in terms of the non-availability, you mentioned the definitely the freight cost has gone up, so how is this scenario now? Is it still the same or it has started improving because we understand that the Red Sea crisis is still going on and container availability still remains a challenge and so freight cost challenges, when the cost is going up, are you able to pass it on to the end customer in farmers in terms of price?

Harsh Dhanuka: Yes. Sir, the shipment cost which had gone almost 3-4 times has now come down to almost like 2x for it was at the beginning of this calendar year. So, definitely the availability has improved for the containers and the freights have gone down. Talking about the passing on the cost to the consumer, the freight cost in most of the products is small component and wherever the price increase is there, we try to pass it on regularly in our product prices.

Rohan Gupta: Sir, my question is on Dahej plant. We have initially thought about making some generic products here as rights and all. So, just wanted to understand that how is that product portfolio ramping up and in the current scenario, have you identified, or have you finalized some more products in generic categories or still the utilization level in Dahej still remains lower and we are still only contemplating the CRAMs kind of opportunities only?

Rahul Dhanuka: So, Rohanji, we are contemplating both, we continue to explore CRAMs and contract manufacturing opportunities. At the same time, we are also ramping up our number of products in the existing plant, generic products. So, we have already identified, shortlisted and developed the products and soon by the end of this financial year, we will have one more product from Dahej.

Moderator: Thank you. The next question is from the line of Darshita Shah. Please go ahead.

Darshita Shah: My first question was regarding the gross margin expansion. How much of the gross margin expansion would be due to better product mix and how much of it because of the low RM price benefit?

V.K. Bansal: Large part of the gross margin expansion is because of the product mix. Very negligible impact could be on account of the raw material prices.

Darshita Shah: Secondly, are we expecting the technical prices to inch up from here on as Dhanukaji highlighted that there could be a possibility or has it settled more or less?

Harsh Dhanuka: I believe the current technical prices for most of the products have stabilized barring few products as, sir said earlier. There are few products price increase, few products still there is some price correction. So, on a financial year basis, we are not expecting more than 2%-2.5% difference in the prices on the overall portfolio for the Company.

Darshita Shah: And on the sales return front, how has the sales return trend been until now in the second quarter, if you could highlight something on that?

V.K. Bansal: There was an increase in July, but I am expecting on the overall quarter basis, there will not be any increase in the sales return.

Darshita Shah: And lastly on the low double digit growth that we guided for the second quarter, we have adjusted for the sales return impact on that, right?

M. K. Dhanuka: Absolutely.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: So, what is the average gross margin for patented formulation and generic formulation?

V.K. Bansal: We are dealing with more than 80 brands, in generic there is a great variation. There are certain generic where the gross margin is around 10%-12%, at the same time, there are generics which are having margin 20%-25% and few generics are having more than 30% margin as well. And in terms of 9(3), definitely is a good margin. You can say better than the average margin.

Pradeep Rawat: And how is the collaboration going on with Kimitec and how big can be the biopesticide business for us?

Rahul Dhanuka: Biopesticides business opportunity is actually huge and emerging and the governments continuous effort to actually encourage farming in different forms and ways. And recent budget planning of bringing Rs. 1 crore farmer in alternative methods of farming opens up new avenues on that front. Kimitec, the Spanish Company is also developing various new products for their own launches in Europe, America and in India also. We are under discussions with them for bringing various biological products as we continue to promote our own biological range. So, we do hope to bring in some of Kimitec products by the end of this financial year.

Pradeep Rawat: And how big could this be in percentage terms to our overall revenue?

Rahul Dhanuka: As of now it is insignificant in terms of our overall revenue and if we compare with the overall industry consumption, our estimate of the actual crop protection by biological is less than 5%. If we include in this biological nutrition, which includes seaweed, Mycorrhiza, then that is another 5%. At Dhanuka we are very strongly present in three formulations that we offer to farmer of Mycorrhiza including our 1st Quarter launch of MICORe SUPER. We are offering three variants of seaweed extract in name of Dhanzyme Gold and Dhanvarsha, which is our amino acid offering and we are also offering plant nutrition in some other forms. So, we are very strongly positioned along with the farmer when it comes to nutrition, soil health and plant health management. But in terms of overall biological portfolio, it is really insignificant currently, but we do hope that with the changing landscape and mindset of the farmer, this opportunity is there to stay and would probably grow at the double digit rate as compared to the conventional chemicals.

Pradeep Rawat: And one bookkeeping question. So, what is the production capacity at our formulation plant and what is the utilization currently?

V.K. Bansal: You see in formulation, plant capacity is not at all a challenge because we are making different sizes of SKUs from 50 ML, 100ML, 250ML, 500ML, 1 liter, 5 liter. So, calculation of capacity utilization is very difficult. It changes with the SKU. So, as such there is no challenge in the capacity per se.

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

Rohit Nagraj: Sir, first question is on the Dahej manufacturing fee. So, when based on our strategy and our visibility, when do we expect that this facility will be broken even? Is it probably sometimes end of FY25 or maybe sometimes mid FY26? Any timeline based on current visibility?

Harsh Dhanuka: So, we are expecting breakeven in FY27.

Rohit Nagraj: And the second question in terms of the targeted markets for the molecules from Dahej, which and all are geographies where we are currently targeting. And given that Dhanukaji also mentioned there has been an ample supply coming from China, what is our strategy or our differentiating factor when we are selling these products into or formulations into other geographies?

Harsh Dhanuka: I got the first part of your question, which I will address is the products that we are manufacturing in Dahej. So, we are targeting markets initially where the registration has to be taken by the domestic distributor, but now we have already started working on registrations in US where we are connecting with various customers to reach our products in the US market. Brazilian registrations are taking time. We have initiated those as well, but it will take longer gestation period. Could you repeat your second part of the question?

Rohit Nagraj: So, there have been aggressive supplies which are coming from China, so what maybe our selling point in terms of approaching those newer geography where probably China is currently supplying similar set of molecules?

Harsh Dhanuka: So, China definitely has a significant cost advantage in most of the products because of the scale at which they operate. To replace China as a source in most countries in the short term is definitely not visualized. But yes, we are working as developing Dhanuka as an alternate source for some of the molecules where China is present. China is present with its products all across the world. We are trying to target both some of the African Middle East markets as well as the American markets where we are trying to position our products favorably with the customers.

Moderator: Thank you. The next question is from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: So, when you talk about the contribution of the new products launched, they were to exclude the new products what would be the volume growth and the topline growth for this quarter? And how do you see the growth for the existing portfolio for to exclude the new products for the rest of the year?

V.K. Bansal: If we exclude the new product, there would be impact of around 7%-8%.

S Ramesh: So, you are saying the volume growth will be 30% this quarter?

V.K. Bansal: Yes.

S Ramesh: And what is the outlook you see for the existing portfolio for the rest of the year in terms of topline growth?

V.K. Bansal: Around 15%.

S Ramesh: So, you will get 15% plus the growth in the new products. That is the way to understand, right?

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

S. Ramesh: And what is your plan for further new product launches this year for the next 9 months?

V.K. Bansal: One is the Miyako, we are going to launch in the Quarter 2 and Dinkar in Quarter 3.

Rahul Dhanuka: And one more 9(4) product in Quarter 3.

S Ramesh: So, the second one you mentioned the 9(3) product or?

V.K. Bansal: 9(3) in Quarter 3, Dinkar would be 9(3).

S Ramesh: And the third one is 9(4)?

V.K. Bansal: Yes.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: Sir, with respect to our MNC products, just wanted to understand, are we the sole supplier or are there any other third party distributors or those companies also, formulators also supplying in the domestic market?

Harsh Dhanuka: So, we are partnering with Japanese, American and European companies. Most of the American and European companies have direct distribution in India. So, the molecules that we are distributing are core distributed along with the principal companies and there is no exclusivity agreement with most of these companies. However, with the Japanese companies, when we introduced the product for the first time in India, we have an exclusivity period which sometimes gets extended also as we continue to invest in the product and grow the volumes. So, it is different for the Japanese companies where we enjoy exclusivity for a period of time and with the American and European companies, normally there is no exclusivity.

Bhavya Gandhi: What would be the period for this exclusivity? Is it like 2-3 years, 10 years or if you can give some light on that as well?

Harsh Dhanuka: Initially, it starts from 3-5 years.

Bhavya Gandhi: And how much would be the total revenue contribution from patented products that we co-market?

Rahul Dhanuka: See, sometimes this patenting thing can be over imposing. Yet what happens is that many of our products, while we sell, are not all of them patented. Yet the Indian regulatory system does allow some safeguards in terms of a new source registration taking as much time of 5-6 years. So, while our patented products will be few in the list, yet, A, by virtue of the regulatory system itself, we get adequate protection for few years; B, in the meanwhile, when we are able to develop the brand equity for these new introductions, farmer is more akin to use this tried and trusted brand from the house of Dhanuka more committedly rather than changing it for his precious crop.

Bhavya Gandhi: If we were to put the specialty basket, the protected ones as well as the patented ones, what would be the total revenue contribution put together? Not the specialty part, the one where you can deal, the other players will have to delay their registrations and one where we have got some sort of patented molecules. So, if you were to put that in one basket, what would be the total revenue contribution?

Rahul Dhanuka: Regulatory and patented put together, so something close to Rs. 500 crores.

Bhavya Gandhi: And just one last thing, if I can squeeze in and what sort of trade margins do we earn when it comes to MNC products if the MC selling it directly, are we going to want better trade margins because of the distribution that we have or RR price not that competitive when it comes to pricing?

Rahul Dhanuka: We just addressed this point few minutes back, in terms of many MNC products that we handle have over a period become generic or had become over competitive in face of various other competition. So, as such, just being a MNC product probably is not a guarantee but is a differentiator for sure for the customer. The margin ranges from 10%-12% to 15% to 30% in various MNC products, whereas some of our 9(3) products would have margins way above 30% to 40%-50% also.

Bhavya Gandhi: And just one last thing, if I am allowed to because of the Dahej plant, our mote lies in the distribution and branded formulations whereas manufacturing is a tough business, there are already lot many players, you already addressed it, but is it a right strategy in terms of capital allocation?

M. K. Dhanuka: Well, selling branded products is an easy business is probably not my cup of tea to say, well, we have been able to do a reasonable job with our brand business is for sure. At the same time, you will see various other chemical plants doing a good job in the country. So, each of these businesses required lot of commitment, investment of money and time. We are here for a long haul and long run. We would really like to take advantage of the political economic scenario of China plus one, the consumption opportunity in the country, the consumption opportunity globally from the Indian chemical manufacturing landscape. So, we are here to stay and take advantage of all these opportunities.

Moderator: Thank you. The last question is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: I am sorry if I am being repetitive, I missed the first part wherein you had mentioned about 50% of our sales coming in from herbicide products. Sir, was there anything different during the quarter that we were able to sell more herbicides? And I recall this from what we had experienced during COVID, sales of herbicide in the 1st Quarter were pretty high due to labor shortages, is that phenomena accretive in nature or was there something else, you can give a clarification?

Rahul Dhanuka: We are happy for you to repeat that, if at all there is a repetition in my response also. Dhanuka is strongly positioned as a herbicide Company because we have introduced some powerful herbicides over last many years. Thanks to our partnership with various Japanese companies. And in this quarter also we introduced PURGE, a very powerful herbicide along with already existing very powerful herbicide portfolio. Government's impetus on making India Atmanirbhar in terms of oil seeds and pulses is a very powerful and unique opportunity and if I may add, our current Agriculture Minister comes from Madhya Pradesh with a very long stint over there, which brings in focus towards soyabean, a very important oil seed crop and various other pulse crops which are important for Madhya Pradesh. Overall, farmer has significantly increased the acreages of oil seeds and pulses wherein Targa Super, Sakura, PURGE, Tornado, some of the products which have found really good opportunity across the country including Madhya Pradesh, Gujarat, Uttar Pradesh, Karnataka, Telangana, everywhere. In addition to that significant push on increasing maize acreages purely for economic reasons by the farmer, interim water scarcity, increase for fodder has also significantly boosted Sempra sales in maize pockets. So, overall Q1 was heartening in terms of herbicide growth.

Archit Joshi: So, in a nutshell, the increase in acreages that we saw had more salience on herbicide products and we are having a strong herbicide portfolio that would be suffice to say?

M. K. Dhanuka: Absolutely.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

M. K. Dhanuka: Friends, to conclude, I would like to thank all our investors for your support and confidence in Dhanuka. With the transition in management, we have embarked on our next era of growth and business success. We continue to demonstrate our ability to overcome challenges and emerge stronger despite uncertain business environment. I reassure our stakeholders that we are committed to the task of transforming India through agriculture, and we 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 very much, sir. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.