



**Dhanuka Agritech Limited**

AN ISO 9001 : 2015 COMPANY

**Online**

**Date: November 11, 2020**

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

**The Department of Corporate Services-  
Listing  
BSE Ltd.  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai- 400 001**

**Symbol- DHANUKA**

**Scrip Code : 507717**

**Sub: Transcript of Q2 FY2021 Earnings Conference Call with Analysts/Investors**

Dear Sir,

Please find enclosed transcript of Q2 FY2021 Earnings Conference Call organized with Analysts/Investors held on 30<sup>th</sup> October, 2020 post declaration of Un-audited Financial Results of the Company for the Quarter and Half Year ended 30<sup>th</sup> September, 2020.

Please take above information in your record.

Thanking You,

Yours faithfully,

**For Dhanuka Agritech Limited**

  
**Jitin Sadana**  
**Company Secretary/Compliance Officer**  
**FCS-7612**



**Encl: a.a**



“Dhanuka Agritech Limited  
Q2 FY2021 Earnings Conference Call”

October 30, 2020



**ANALYST: MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

**MANAGEMENT: MR. M. K. DHANUKA – MANAGING DIRECTOR –  
DHANUKA AGRITECH LIMITED  
MR. HARSH DHANUKA - WHOLE TIME DIRECTOR -  
DHANUKA AGRITECH LIMITED  
MR. V. K. BANSAL – CHIEF FINANCIAL OFFICER –  
DHANUKA AGRITECH LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2021 Earnings Conference Call of Dhanuka Agritech hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you Sir!

**Manish Mahawar:** Thanks Steven. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Dhanuka Agritech. From the management, we have Mr. M. K. Dhanuka, Managing Director, Mr. Harsh Dhanuka, Whole Time Director and Mr. V. K. Bansal, CFO on the call. Without further ado, I would like to hand over the call to Mr. Dhanuka for opening remarks. Over to you DhanukaJi!

**M. K. Dhanuka:** Thank you Mr. Manish. Good afternoon ladies and gentlemen. Hope you are all doing well and keeping safe. I M. K. Dhanuka, Managing Director of Dhanuka Agritech Limited would like to welcome all of you to Dhanuka Agritech Limited’s Q2 FY2021 results conference call. I have with me Mr. Harsh Dhanuka, Whole Time Director and Mr. V. K. Bansal, Chief Financial Officer of the Company.

Dhanuka is a leading agrochemical company in India. We specialized in formulated products and have a solution for almost every crop and every pest. We have a strong diversified product portfolio, which is well distributed across insecticides, herbicides and fungicides segment. We have a pan India presence with over 7000 distributors and dealers and approximately 80000 retailers. Dhanuka have three State of Art manufacturing facilities in Rajasthan, Gujarat and Jammu & Kashmir.

Coming to the quarterly operating performance in the first quarter of 2020-2021 ended on June 30, 2020, the company reported unprecedented financial results with a growth of 70% in topline. However in second quarter the company has performed moderately because of deficit rainfall in the month of July and excessive and continuous rainfall in the month of August and September. Lot of crops has been damaged in the states of MP, Gujarat, Maharashtra, Andhra Pradesh, Telangana and Karnataka. The farmers were not able to get chance to go to the field because of the continuous rain and the pest attack was also very low due to which the consumption of pesticides was also low in second quarter. It is expected that Rabi crops would be very good due to moisture in the soil and all reservoirs being full of water, so farmer will be certain that they will get water for irrigation. As per



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government data it is expected that in Kharif also there will be all time record food grain production and the farmer will be having good money in their pocket, so they will be ready to spend money to safeguard their crop from pests and diseases in the Rabi season. Some of the ambitious steps taken by the Government of India to receive the role of agriculture in the growth of Indian economy such as increasing MSPs. eNAM portal, distribution of soil and crop and direct benefit transfer via PM Kisan Samman Nidhi has created robust foundation to enhance farmers income, encourage wider adoption of high quality seeds and judicious use of fertilizers. These initiatives would transform Indian agriculture and make it competitive globally.

Coming to the financial performance for the quarter revenues from the operations stood at 442.39 Crores in Q2 FY2021 versus Rs.402.03 Crores in Q2 of FY2020 representing an increase of 10%. EBITDA stood at Rs.88.98 Crores in Q2 of FY2021 versus Rs.73.38 Crores in Q2 of FY2020 up 21.26%. EBITDA margins improved from 18.25% in Q2 FY2020 to 20.11% in Q2 FY2021 led by strong operating leverage. Profit after tax was at Rs.70 Crores in Q2 FY2021 versus Rs.60 Crores in Q2 FY2020 up 16.81%. PAT margin improved from 14.75% in Q2 FY2020 to 15.55% in Q2 of FY2021. Coming to zone wise share of turnover for Q2 FY2021 North has contributed 26%, East has contributed 10%, West has contributed 34% and South has contributed 30%. Products category wise percentage share of turnover for Q2 FY2021, the insecticide share was 47%, fungicide share was 20%, herbicide share was 21%, and others 12%. The Board has already approved buyback of equity shares of the company using funds of Rs.100 Crores at a maximum price of Rs.1000 per share in the last Board meeting. The said buyback is open from October 20, 2020 to November 3, 2020.

We would like to highlight that during the last quarter we have launched two new 9(3) products by the name of Kirari and Nissodium, which are both fungicides for grapes segment. Kirari has been launched in technical collaboration with Nissan Chemicals Japan and it will control the Downey Mildew pests in grape crops and the Nissodium has been launched in technical collaboration with a new Japanese company Nippon Soda and this will control the Powdery Mildew in the grape crop. We would also like to inform that Dhanuka has shifted its corporate office to new premises at Global Gateway Towers near Guru Dronacharya Metro Station, MG Road, Gurugram. We hope that with the shifting of new office the productivity of the stock will further improve because of the better working environment.

During the quarter, our Udhampur unit has received NABL accreditation, which is valid till September 29, 2022. Further the company has decided to make a R&D center at Palwal in



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Haryana. Dhanuka regularly organize various Seminars/Krishak Goshti(s)/Sammelan to educate our farmers about new innovative techniques of farming. Being India's leading agrochemical company we are at the forefront of introducing digital solutions and innovations, streamlining policies and collaborating with indigenous entities to boost integration of technology across business segments. In the same endeavor we have tried to boost our reach to all line farmer interactions and aggressive use of TV advertisements for our key products such as Sempra and Targa Super. We are focused on expanding our market coverage through our network of distributors and our digital platform where we engage with our end consumer. We consider ourselves responsible towards securing the farmers welfare and preserving food security of the nation. We are strengthening our association with Farmer Producer Organization that is FPOs, online sales channel Krishi Vigyan Kendra and other critical institutions to increase our business expertise and boost our market presence.

To summarize Dhanuka Agritech Limited continues to demonstrate its ability to overcome challenges and emerge stronger despite uncertain business environment. We will aggressively rollout new formulations in the upcoming quarters and would ensure that its reaches to the consumer. I reassure our shareholders and our investors 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. On this note I would like to hand over the mike to the operator to enable us to take questions from you. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

**Rohit Nagaraj:** Congrats on good set of numbers. Sir the first question is in terms of availability of intermediates and AIs from China, so how has it been over the last maybe three to six months and how the pricing has also behaved over the last six months and what is our outlook on pricing in forthcoming future? Thank you.

**M. K. Dhanuka:** The availability from China is good, there was some time during the lockdown period at initial level when there was problem and delay in clearance of the consignment from China, but after April things streamlined and the availability from China became easy rather the availability has become more smooth, in the first quarter there was very good demand so the prices increased, but in the second quarter because of the sluggish demand, because of the excessive rainfall in August and September demand was low so the prices also were basically reduced by most of the companies in maximum number of products, only very few products have increased in the prices otherwise the prices are either stable or they have



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reduced. I do not foresee that in near future any increase in the prices for the imports from China and I foresee that prices will remain in stable or they will further reduce in the next quarter also.

**Rohit Nagaraj:** Thanks that is quite encouraging. Sir second thing is on the balance sheet, so balance sheet we have seen that the inventories have resumed as well as the debtors have also resumed so any specific reasons for the same? Thank you.

**M. K. Dhanuka:** The debtors have not risen, you see the growth of the company is 31% in the first half of this financial year while the debtors have increased by 4% only so basically we have been able to manage our debtors in a very nice way because I guess sales growth of 31% debtors have increased by only 4% definitely the inventory levels have increased because the planning was very good the growth plan for the second quarter was also very good, but unfortunately the season did not behave as per the planning and we were left over with the inventory as we could not liquidate the insecticides, farmer could not get the chance to basically consume the products in the field, so insecticide sales has been badly impacted in the second quarter that is the reason of higher inventory and we hope that out of this risen inventory we will be able to liquidate in the third quarter.

**Rohit Nagaraj:** Thank you so much Sir and best of luck.

**Moderator:** Thank you. The next question is from the line of Probal Sen from Centrum Broking Limited. Please go ahead.

**Probal Sen:** Congratulations on a good set of numbers. As you rightly mentioned the H1 growth based on the first quarter results is now already at more than 30% and if I look at the EBITDA and PAT growth that is obviously trending in almost 60% range, so just was wondering would you like to revisit the earlier guidance, earlier conversations and guidance you have given have been much more conservative than this and I know that you like to be conservative, but in face of this kind of a performance in H1 and you mentioned about the better water availability, which can probably improve the H2 prospects also more than earlier years, is it fair to assume that 20% is extremely conservative guidance in this kind of a scenario?

**M. K. Dhanuka:** Last year Q3 was very good, so basically base is good, last year Rabi was extremely well, so therefore we are expecting good growth, but you see growth should be nearly in the line of Q2 level or slightly better than Q2 because the base is high.

**Probal Sen:** Understand, what I meant to say Sir was that for the full year FY2021 now if I really look at it based on H1 growth...



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- M. K. Dhanuka:** For the full year you can expect the growth should be more than 22%.
- Probal Sen:** Right, so 22% to 25% kind of a range is what we should now be working with it, is that a fair assumption?
- M. K. Dhanuka:** Yes, that is right.
- Probal Sen:** Sir the second question was with respect to the product apologies if I missed I think Dhanuka Sir was mentioning about some of the products launched I just wanted to know clarity in terms of what is the section 9(3) and section 9(4) product launch guidance for the next 12 months if you can throw some colour Sir?
- M. K. Dhanuka:** Yes we launched two in-licensed products in the first quarter and in the second quarter we have launched two 9(3) products which are Kirari and Nissodium, in the coming year we are expecting to launch another two 9(3) products and maybe 3 to 4 in-license or 9(4) products.
- Probal Sen:** Okay so four have been launched so far in H1 and we would expect another six to be launched in the next year 12 months or so is that a fair way to look at it?
- M. K. Dhanuka:** Yes, so next financial year I was talking about on the six products, in this financial year maybe another two products are expected in H2.
- Probal Sen:** Another small question of how have we sort of got this 44 Crores negative entry in terms of the inventory that is there in the reported numbers can you just update us in terms of how that is played out Sir?
- M. K. Dhanuka:** Negative entry in inventory?
- Probal Sen:** 44 Crores...
- M. K. Dhanuka:** That is basically increase in inventory.
- Probal Sen:** That is all from me Sir. I will come back if I have more questions. Thank you for the opportunity.
- Moderator:** Thank you. The next question is from the line of Prashant Biyani from Prabhudas Lilladher. Please go ahead.



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- Prashant Biyani:** Sir how much was the volume growth in second quarter?
- M. K. Dhanuka:** Second quarter volume growth and value growth almost similar there is a difference of only 5, 10 bps, value growth was 10.04 and the volume is 9.94 times.
- Prashant Biyani:** Other expenses increased by around 25% despite I would assume that marketing or corporate travel would be very limited so any reason for increase in other expenses?
- M. K. Dhanuka:** Yes, other expense has increased is that you are saying how much?
- Prashant Biyani:** By 25%.
- M. K. Dhanuka:** Basically the significant increase one is on account of adjustment of office rent, the last year the adjustment was made of Ind-AS in Q2 so there is an impact of 2 Crores on account of the office and 1 Crore impact of the CSR expenses were incurred largely in Q1 and Q2 as against your L1 obligation, which means in the second half the CSR expenses would be quite low because of COVID our expenses of CSR was significantly less, the 1 Crore impact in Q2 on account of CSR and thirdly we have shifted our office in a new location from Cyber City to that place so we have made an arrangement of the new office and we have made a provision of around 4 Crores to 4.25 Crores on account of the renovation of the new office.
- Prashant Biyani:** Sir the renovation of new office or the erstwhile office?
- M. K. Dhanuka:** Not renovation new construction, a new office is going to come basically; because of the rented property therefore we have made provision revenue basically not capitalized.
- Prashant Biyani:** How much is the amount?
- M. K. Dhanuka:** Amount is around 4.25 Crores.
- Prashant Biyani:** So Sir this 4.25 would be one time I hope to be?
- M. K. Dhanuka:** It is one time that is right.
- Prashant Biyani:** For this adjustment of office spend of 2 Crores what could be the impact in the second half will it result in lower rental exposes in second half or how could we see?





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**M. K. Dhanuka:** The impact is adjusted in the first half, second half there will be no impact because our Ind-AS adjustment of last year maybe in the Q2, which means Q3, Q4 as per the Ind-AS arrangement so the amount is basically appearing in the account of depreciation in that because as per Ind-AS arrangement any leads, which we are aspiring more than one year so that we have to right to use we have to create effect and on effect we have to create a depreciation and on the liability side we have to make a provision of interest.

**Prashant Biyani:** On the marketing side what is the current status have we resume the on-ground marketing activity to what level we have resumed and going into second half how do you see this totally traveling, marketing expenses and activity?

**M. K. Dhanuka:** Our field activities have resumed in a phased manner in last three months and now our team is able to access more and more in the rural market and in terms of our marketing and branding investment we have not curtailed any expenses and we are containing our expenses on this front to ensure our presence is there in the market.

**Prashant Biyani:** Just one thing more on the fungicide sales we have seen around 40% growth in Q2, I would assume that west would be a big fungicide market, but western region for us has seen around 2% decline in YoY sales, so could you explain this mismatch, which region have seen more growth in fungicide and why it is not getting reflected in western region particularly?

**M. K. Dhanuka:** In terms of you see as a whole of in Q2 the south zone has delivered a significant growth and there was a low growth in case of west zone because of continuous rain in Gujarat and MP and Maharashtra, largely growth driven by south zone in Q2 and normal growth in north and east India as a whole. In case of fungicides I think largely contribution from the south and west. Conika has done well.

**Prashant Biyani:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Varshit Shah from Emkay Global. Please go ahead.

**Varshit Shah:** Congratulations to the management for great set of results considering the high base of last year as well as growth in Q1 so it is heartening to see this kind of growth. Sir my question is more long-term beyond FY2021 so I think FY2021 that we will end probably at the multiyear high going in FY2022 assuming that the rainfall is normal what kind of growth you think is possible for the industry it is not Dhanuka at a higher level considering the high base of FY2021 itself so that is my first question and my second question is I think there



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has been even after the adjustments there has been improvement in our overall working capital so what is driving this overall improvement in working capital can you just share some thoughts on that?

**M. K. Dhanuka:** There is a huge opportunity available throughout this industry to grow even in 2022 and beyond because we are consuming one of the lowest pesticide in India in comparison to the developed nation so once the technology reaches to the farmer this industry has huge potential for growth, but as the farmers are illiterate the land holdings are small so we expect that the industry should go around 10% to 12% in FY2022 and Dhanuka should go between 15% to 20%.

**Varshit Shah:** My question on working capital so is there a significant improvement in overall working capital I think largely driven by debtors can you just throw some light is there a policy change or maybe more stricter implementation on the collection timelines?

**M. K. Dhanuka:** Yes, definitely there is basically change in the policy. For working capital we are assuming in terms of debtors we have reached to a reasonable level we will try to maintain that level in the next year as well. In terms of inventory it is basically a one quarter impact, in one quarter it could increase then it is managed in the second quarter because of very high expectation and level increase so we are expecting some improvement on account of the inventory levels.

**Varshit Shah:** If I could just squeeze in one more last one, on the gross margin we are seeing good improvement in gross margin I think this will be largely because of the foreign raw material prices, but I think since you were carrying higher raw material inventory in Q1 I think all the benefit would have not flow in Q2, will there be some more benefit in the raw material which will flow in Q3 is my assessment correct?

**M. K. Dhanuka:** Not really significant, not really very much because you see the impact of gross margin is because of its change in product mix largely in Q2, likewise in Q3 because the last year was also very significant improvement in the gross margin in Q3 the base is good so we are not expecting significant improvement year-on-year basis in this year in Q3, there could be some improvement on opportunity, but not very significant.

**Varshit Shah:** Sur that is helpful I will get back in the queue all the best.

**Moderator:** Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investments. Please go ahead.



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**Shanti Patel:** I just want to know whether we are dependent on China, what steps we are going to take to mitigate that particular dependence that is number one, number two as regards this new products which we are going to introduce or we have introduced what will be the approximate turnover and what will be the impact on profitability of the company during the year that is all?

**M. K. Dhanuka:** You see for pharma and agrochemicals India is dependent on China in a big way because even the companies who are manufacturing API that is technical grade pesticides in India they are importing chemicals and intermediates from China only though some of the companies are going for backward integration, but it will take time for India to become self sufficient and basically till then most of the products, which we are imported from China not Dhanuka the industry itself is dependent on China for the procurement of agrochemical technical so I do not foresee that any issue should come because of the India-China basically relationship because business is separate and the relationship is separate, but going forward two companies are creating base for the basically backward integration and we hope in times to come the situation will change and our dependence from China will reduce regarding second question I will request Mr. Harsh to answer.

**Harsh Dhanuka:** Around new product introduction for the next three years we are expecting about 50 to 60 Crores of revenue from these four products and the impact on margins so every year we are introducing new products some of them have a better margin than our existing average and some have lower margins so I think that will continue to happen, in case of these specific four products I do not think they will have any significant impact on the overall gross margin.

**Shanti Patel:** Sir only a followup question suppose there is a war with China and import stops what will be the company's position?

**M. K. Dhanuka:** You see Dhanuka is having technical tie up with mainly Japanese companies and around 40% of the basically products we are selling of Japanese companies so only balance products we are procuring raw material indigenously from various technical manufacturers, we are importing only three, four technicals directly from China so if any war basically I do not foresee that war should be there between India and China, but if at all war is there then definitely to some extent the production of those three, four molecules will have the impact.

**Shanti Patel:** Thank you.

**Moderator:** Thank you. The next question is from the line of Chetan Thakkar from ASK Investment Managers. Please go ahead.



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- Chetan Thakkar:** Sir just one question there is an increase in other financial liabilities from 60 Crores to 173 Crores?
- M. K. Dhanuka:** Basically you see this is because of the change in the product mix where the schemes are more, there is a growth of 41% in the sales we are basically settling the customer account in the year end so significant increase on account of the provisioning of the credit growth on the customer side and because of COVID certain vendor accounts are not settled the corresponding provisions being made in there and increase in expenses they have got a significant increase in expense there and largely will be settled in Q3, significant amount of those will be settled in Q3.
- Chetan Thakkar:** Region wise revenue contribution for Q2 FY2020?
- M. K. Dhanuka:** Region wise you see of the north zone the contribution was 25%, east was 11%, west zone 33% and south was 31% for FY2019 for the full year.
- Chetan Thakkar:** For Q2?
- M. K. Dhanuka:** For Q2 last year north was 25%, east was 10%, west 38% and south 27%.
- Chetan Thakkar:** Thank you so much all the best.
- Moderator:** Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.
- Viraj Kacharia:** Congratulations for good set of numbers I just have two questions first is if you can just provide some colour in terms of inventory in the channel for us in the industry how has that been at the end of September 30, 2020 so how was that compared to the normal cycle?
- M. K. Dhanuka:** You see inventory in the channel is not much in our case, basically if I compare inventory level as of September 30, 2020 this year versus last year it would be almost similar.
- Viraj Kacharia:** For the industry Sir?
- M. K. Dhanuka:** Industry could be little high because we are not pushing the inventory as you know over the many years three, four years in the case of other company it could be little more as compared to us.
- Viraj Kacharia:** For Q2 what will be the volume versus the price kind of a growth?



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- M. K. Dhanuka:** It is almost similar 10% versus 9.9 the difference is only 10 bps, volume growth can be slow.
- Viraj Kacharia:** So we were commenting that since the inventory being higher for the industry and you also said the overall RM environment is also quite big do you see any chances or do you see any activity in terms of say competition being more aggressive in terms of pricing actions to clear out that inventory in Q3 so far?
- M. K. Dhanuka:** That happens generally because when the season is not favorable and any company is basically stuck with the inventory the prices are reduced by the company to basically liquidate the inventory and that definitely have some impact on the margin so that competition you have to face when you are in the field to some of the generic molecules have this kind of challenges and Dhanuka is not an exception we have to face the challenge and we have to also reduce the prices in line with the market prices.
- Harsh Dhanuka:** Just to add on to that so we keep on getting regular feedback from the market and whatever is required we are geared up to take that up and not loose and earn any volumes.
- Viraj Kacharia:** Whether we are seeing the molecules where we have seen a price correction and is the spreads in those molecules still intact?
- M. K. Dhanuka:** The price correction is largely in case of generics not stability molecule we have significant price correction.
- Viraj Kacharia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.
- Tarang Agrawal:** I had a couple of questions the first question Sir this growth that you have seen on a strong base has there been a significant market share gain, which has led you to deliver this growth or generally the industry has grown in the same order?
- M. K. Dhanuka:** Yes of course there is some market share gain, but how much we will be able to attain only at the end of the year once we have the annual numbers.
- Tarang Agrawal:** So what did Dhanuka do differently in this quarter that helps you gain the market share if any?



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- M. K. Dhanuka:** We have a very flexible supply chain and very agile supply chain and we anticipated this challenge and we were able to aggressively supply material to the market, which helped us in getting these numbers.
- Tarang Agrawal:** So it has been largely on account of strong distribution in supply and not any product specific growth so that will be the right way to look at it?
- M. K. Dhanuka:** Absolutely, so many products had a substantial growth and also we were able to service them because of the supply chain.
- Tarang Agrawal:** The second thing is to an earlier participant's question you alluded that there has been some change in your working capital policy can you illustrate the changes that are there?
- M. K. Dhanuka:** Not exactly in working capital policy, we were saying in collection policy in debtors management where a significant change in our policy this year because of which we could deliver that improvement of 14 days and there is only 4% increase in receivables and there is 31% increase in the turnover.
- Tarang Agrawal:** True. So what is the change that is what I wanted to understand?
- M. K. Dhanuka:** You see basically every time whenever sort of taking the commitment with the customers and we are taking a track record invisibly the commitments and all and tightness in the credit limit policy at corporate level.
- Tarang Agrawal:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Sameer Shah from Value Quest. Please go ahead.
- Sameer Shah:** One is Sir this inventory that we said that we aim to liquidate it in Rabi season so was it all the inventory is liquidated like Rabi or some will spill over to next Kharif now?
- M. K. Dhanuka:** From last quarter the inventory would be liquidating in Rabi season and maybe some small portion less than 10% maybe carry forward.
- Sameer Shah:** The other question is we have spoken about CRAMS, etc., or usage of dried land I presume that we need to do something in the next 12, 18 months on the land anything on that?



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**M. K. Dhanuka:** Yes, definitely the management is considering, initially we are putting up a facility for formulation at Dahej and we have appointed one Vice President to basically work on the project and we hope that by the year end we will be able to share the exact information about Dahej with the investor.

**Sameer Shah:** Okay Sir thank you so much.

**Moderator:** Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.

**Kunal Mehta:** Sir I just wanted to revisit the scenario, which happened this quarter so could you please give us more understanding of what situation happened in this quarter if I have to summarize it is that we were ready for a better pickup in the market, but given the rainfall happened the farmers are not in a position to use those pesticides could you please elaborate more and what happened this quarter exactly and now going forward in the coming quarter is there anymore buying left or it is now all Rabi focus buying will happen in Q3 because it is very unprecedented now it is only Rabi focused procurement, which will happen in the channel and that is my first question?

**M. K. Dhanuka:** This quarter what we saw was initial period was little drought in the month of July, which impacted in herbicide sales and then August and September were continuous rains especially in west and south region where there was a substantial consumption expected so this change the product mix also and in the coming third quarter there is some Kharif sales of south region, which is still less, but rest would be Rabi would be starting for north and west.

**Kunal Mehta:** So the positive momentum positive pickup, which we are expecting just because the acreage numbers were so high and very positive that did not materialize to the extent that we were accounting and still the topline is still good for us but it could have been better therefore you are suggesting is that the correct way to put it?

**M. K. Dhanuka:** We are expecting higher revenue especially from MP, Gujarat and Maharashtra.

**Kunal Mehta:** The second question I have is regarding the inventory that is there, which we have in the channel and plus the inventory, which we have in the balance sheet so far for the inventory on the balance sheet you mentioned that you would be able to liquidate most of it in the coming two quarters so the inventory, which we have in the channel is it a meaningful portion I am sure you mentioned that just to reiterate on that can we see some sort of a reversal happens and also the money that is there in trade receivables, which is yet to be



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collected do you see that given the situation, which the farmer has gone through where the expectations were high, so anything in the major states where farmers are expecting more money to be made this season so any problem is there do you foresee?

**M. K. Dhanuka:** I think I break that in two parts one is around collection so our collections are much better than last year and as previously mentioned our outstanding has increased by 4% against revenue increase of 31% so our collections are certainly better and we are not expecting any undue increase in bad debts or delays in payments. Second part of the question is around the farmers getting their money delayed or any kind of that traction so I think the recent increase in several crop prices would probably support our farmers in getting a better income and in coming Rabi season we can expect farmers to spend more on crop imports and we can expect a good Rabi season.

**Kunal Mehta:** Despite the current situation farmers are still well placed to spend on Rabi it is not a problem at least as compared to past years where the things were a bit difficult I think lot more difficult, the relative portion of the farmer is much better than was very worse maybe 12 months back that is the right way?

**M. K. Dhanuka:** As per Agriculture Minister if you have read or ad in the TV they are expecting all time core production in the Kharif this year so overall maximum number of farmers have benefited, but wherever the excessive rain or flood situation was there where the crop has damage those farmers have definitely been impacted, but that is a number because in India we have 14 Crores of farmers so that numbers, which have been impacted by the floods or the excessive rainfall that will be to the extent of 5%, 7% so definitely that will have the impact, but major farmers will have the benefit of the MSP and the bumper crop.

**Kunal Mehta:** That is very helpful Sir and all the best for the next two quarters.

**Moderator:** Thank you. The next question is from the line of Bharat Gupta from Edelweiss. Please go ahead.

**Bharat Gupta:** I have couple of questions in regard to our new products so can you explain me what has been the innovation turnover index for this quarter?

**M. K. Dhanuka:** Around 11%.

**Bharat Gupta:** It was loss what was the ITI portion last year in same quarter?

**M. K. Dhanuka:** 13%.





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- Bharat Gupta:** Going forward Sir we have seen that there has been an increase in the product launches so we expect the ITI levels to improve to 15% going forward 13% to 15% range?
- M. K. Dhanuka:** Yes, in FY2021-2022 that is right we are expecting this much, this year this number will appear to be a little difficult.
- Bharat Gupta:** Just one more question Sir can you explain about the products which we have launched so for these products we have the exclusive license for distribution right?
- M. K. Dhanuka:** For Kirari and Nissodium we have.
- Bharat Gupta:** What can be a possible market size for both the products?
- M. K. Dhanuka:** The possible market size total potential because there are several products so could be anywhere in the range of 300 to 400 Crores, but for one individual product it will not be more than 30 to 50 Crores in the next five to 10 years.
- Bharat Gupta:** We have the co-marketing rights for these products right?
- M. K. Dhanuka:** For Kirari and Nissodium we have the exclusive rights to market in India.
- Bharat Gupta:** That is really helpful thank you so much.
- Moderator:** Thank you. The next question is from the line of Dipak Kole from B&K Securities. Please go ahead.
- Dipak Kole:** Congratulations for good set of numbers. Can you give a split about the specialty and generics in the total revenue for this quarter?
- M. K. Dhanuka:** You see normally our product mix like specialty contributes two third and generic is one third and this year in Q2 the specialty has got a better growth as compared to generic therefore change in product mix is around 1% or 2% spike.
- Dipak Kole:** Sir can you just guide on the depreciation cost?
- M. K. Dhanuka:** Depreciation cost?
- Dipak Kole:** Yes Sir.



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**M. K. Dhanuka:** Depreciation would remain almost similar to the last year there would not be a significant change in the depreciation.

**Dipak Kole:** Thank you Sir that is it from my side. Thank you very much Sir.

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

**Resham Jain:** I have to ask the question, which you mentioned about Dahej Facility so formulation as I presume will not have a very large side, but when you are developing this site is there any thoughts of getting into technical manufacturing also and if so if you can just share around your thoughts around like on the technical manufacturing side?

**M. K. Dhanuka:** Resham as I shared earlier the management is considering the same regarding getting into the technical production, we have appointed one Vice President and we are waiting for the project report, once the project takes shape then definitely we will be able to come out and inform the investors so that is why I say the things will be clear by the end of the year and we will be able to hear the exact information with the investors by end of this financial year.

**Resham Jain:** Because in the past many years our overall capex intensity has never been so high I was just asking from that perspective like in technical you might need to invest like 200 odd Crores that should not be a constraint that is what I was just asking.

**M. K. Dhanuka:** No, Dhanuka is a cash rich company and we have ample balances available in mutual funds, etc., so I do not foresee there will be any constraint or any problem for Dhanuka to make investment even in the fixed assets.

**Resham Jain:** Right Sir, thank you very much and all the best.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Manish Mahawar for closing comments.

**Manish Mahawar:** Thank you Steven. On behalf of Antique Stock Broking, I would like to thank the team of Dhanuka Agritech for providing us an opportunity to host the call. DhanukaJi would you like to make any closing comments?

**M. K. Dhanuka:** Again I would like to reiterate that because of the moisture in the soil and the reserves are all full of water farmers is certain that they will get water for the irrigation in the Rabi season. Last year also the Kharif was bad, but the Rabi was good, but this year the Kharif is



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good and Rabi is also expected to be very good since the base was higher in Rabi last year so that is why we are basically expecting moderate growth in the next two quarters, but still since the crop is expected to be very good and sowing is going to be there and farmer will be having money in their pocket so he will be ready to spend the money for safeguarding their crops from pests and diseases we expect a good second half also and we hope by the year end Dhanuka will be able to deliver one of the best performance. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen on behalf of Antique Stock Broking that concludes this conference. Thank you all for joining us and you may now disconnect your lines.