

February 09, 2022

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Symbol- DHANUKA

Scrip Code : 507717

Sub: Transcript of Q3 FY2022 Earnings Conference Call with Analysts/Investors

Dear Sir,

Please find enclosed transcript of Q3 FY2022 Earnings Conference Call organized with Analysts/Investors held on 02nd February, 2022 post declaration of Un-audited Financial Results of the Company for the Quarter and Nine Months ended on 31st December, 2021.

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
Q3 FY2022 Conference Call”

February 02, 2022



ANALYST: MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING

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



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Moderator: Ladies and gentlemen, good day and welcome to the Dhanuka Agritech Limited Q3 FY2022 conference call 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. Thank you and over to you!

Manish Mahawar: Thank you. On behalf of Antique Stock Broking I would like to welcome all the participants on the call of Dhanuka Agritech. From the management, we have Mr. M.K. Dhanuka, Managing Director, Mr. Harsh Dhanuka, Executive Director 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 post which will be opened for the floor for Q&A. Thank you and over to you Mr. Dhanuka.

M.K. Dhanuka: Good afternoon ladies and gentlemen. Myself M.K. Dhanuka, Managing Director of Dhanuka Agritech Limited welcome all of you. I hope all of you are doing well and keeping safe. Thank you very much for joining us in this Q3 FY2021-2022 results conference call of Dhanuka. I have with me Mr. Harsh Dhanuka, Executive Director of the company and Mr. V.K. Bansal, CFO of the company. Dhanuka Agritech is a leading agrochemical company in India focusing on branded sales in the market. The company's strength lies in the manufacturing and marketing of formulated products. The products portfolio is spread across insecticides, herbicides, fungicides and plant growth promoters.

Dhanuka Agritech is working for transforming India through agriculture by working with farmers closely to improve their productivity and quality in turn enhancing their income. We work in all major crops in India and have implemented the best in class technology to ensure a smooth and efficient supply chain. To service the diversity of Indian crops and needs of the farmers, the company has a wide range of products in its portfolio with over 80 brands in pack sizes ranging from 2 grams to 20 liters. These products are in various forms like liquids powders and granules.

Dhanuka have a pan-India presence through its marketing team and warehouses in all major states across India. With three manufacturing units 40 warehouses and 14 branch offices across the India we cater to around 6500 distributors and dealers and around 80000 retailers. Through this extensive network Dhanuka reaches out to approximately 10 million Indian farmers with its products and services. Dhanuka has more than 1000 techno-commercial



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staff supported by a strong marketing team to promote and develop new products. Dhanuka's strong R&D division has world-class NABL Accredited Laboratory as well as an excellent team for new product registration and development.

Dhanuka has international collaboration with eight leading global agrochemical companies from the US, Japan and Europe which helps us to introduce the latest technology in India. The government of India is taking several initiatives to enhance the role of agriculture in the growth of the Indian economy such as increasing MSPs, eNAM portal, direct benefit transfer and PM-Kisan Nidhi. This is helping to create a robust foundation to enhance farmer's income, encourage wider adoption of high quality seeds and judicious use of pesticides and fertilizer.

In the budget announced yesterday, the Government of India has given emphasis on promotion of drone for spray-off insecticides in the former field as well as for encouraging the pest attack at particular place so that the spray can happen only where the pest attack is there. So incidentally Dhanuka has invested in a drone company and this will basically help Dhanuka in times to come. In advance we envisage that this drone business will flourish in India and Dhanuka has invested in a drone company.

There was an adverse impact of weather condition in the first half of the year which has impacted the finances of H1 of the company; however, it was reversed from September and the conditions became favorable for consumption of agro chemicals. This has helped the company to recover its performance. Coming to the financial performance for Q3 revenues from operations stood at Rs.356.86 Crores in Q3 of FY2021-2022 versus Rs.295.66 Crores in Q3 of FY2021 representing an increase of 20.70%. EBITDA is stood at Rs.61.74 Crores in Q3 of FY2021-2022 versus Rs.59.59 Crores in Q3 of FY2021 up 3.61%. Profit after tax was at Rs.42.51 Crores in Q3 of FY2021-2022 versus Rs.40.04 Crores in Q3 of FY2021 up 6.17%.

Coming to zone wise share of turnover for the Q3 of FY2021-2022, the north zone contributed 21%, the east zone contributed 11%, west zone contributed 31% and south zone contributed 37%. Regarding product category by share turnover for Q3 FY2021-2022 insecticides contributed 32%, fungicides contributed 19%, herbicides contributed 36% and others including PGR contributed 13%. The board of directors have declared 400% interim dividend that is Rs.8 for equity share having face value of Rs.2 per chair which will absorb Rs.37.28 Crores. As discussed last time the company is working on its Greenfield project at Dahej, Gujarat as per scheduled plan.



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Friends, I am happy to inform you that CIB and RC have approved 9(3) Registration for a product Thiophanate-methyl plus Kasugamycin in its meeting held in December 2021. This product is developed jointly in partnership with Nippon Soda Company Limited, Japan and Mesasoco Chemicals Company Limited, Japan.

Dhanuka will market this product under brand name Zanet which will be mainly used in horticulture crops for control of powdery mildew. Further CIBRC has also approved a 9(3) Registration for Halosulfuron Methyl in its meeting held in January 2022. This product is developed in collaboration with Nissan Chemical Japan and Dhanuka will market this molecule under brand name Cornex, it is an herbicide to be used in maize crop.

Friends, the third CIBRC have also approved a 9(3) Registration for Etofenprox plus Diafenthiuron crops in its meeting held in January 2022. This product is developed in collaboration with Mitsui Chemicals Limited Japan. We will market this molecule under the brand name Decide which will be used for control of trips in cotton and chilli. We are planning to launch all these three products in Q1 of FY2022-2023. As shared earlier we have committed that Dhanuka will launch 29(3) molecules every year and this will be the first time that Dhanuka will be launching 39(3) molecules in one quarter which is a great achievement.

The company has signed a MoU on December 20, 2021 with Govind Ballabh Pant Agriculture University and Technology, Pantnagar to jointly conduct research in co-production chemicals and also signed one MoU with Chaudhary Charan Singh Haryana Agricultural University, Hisar for the same purpose. Dhanuka regularly organized various seminars Krishak Goshtis, 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 the integration of technology across business segments.

In the same endeavor we have tried to boost our reach through online farmer interactions and aggressive use of TV advertisements for our key products such as Sempra, Targa Super, Mycore etc., we are focused on expanding our market coverage through our network of distributors and our digital platforms where we engage with the end consumer. We consider ourselves responsible towards securing the farmers welfare and preserving food and nutrition security of the nation. We continue to strengthen our association with the Farmers Producer Organization, Krishi Vigyan Kendra and other critical institutions to increase our business expertise and boost our market presence. On this note I would like to hand it over to the operator to enable us to take the question and answer session. Thank you very much.



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- Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Varshit Shah from Vito Capital. Please go ahead.
- Varshit Shah:** Good evening and thanks for the opportunity. First of all congratulations that the good sort of numbers given the environment in the market. Sir, my first question is if I look at the gross profit expansion of 14% and your ITI naturally is lower Y-o-Y, so the growth is coming from old molecules but you have done much better volumes, is that the right way to understand in terms of flavor of the improvement of the business?
- M.K. Dhanuka:** The growth has come by virtue of both, one is our new introduction that is Onekill and Tornado and in Q3 largely growth is driven by herbicides.
- Varshit Shah:** So largely it is come from more of legacy products and hence the ITI is lower but they have got better volumes in our legacy products that are the right will conclude?
- M.K. Dhanuka:** Yes and ITI is lower because of more reason because there was no new product introduction in the year 2018-2019 and when we calculate ITI, it is current year plus previous three years.
- Varshit Shah:** Okay I understand. Second is my question on the Q4, so if you see that there is some moderation in some technical process or across the board, but from a currency's preparation perspectives channel filling might be tricky because prices may go down subsequently in Q1 so how are you approaching this trickier situation I think this is true for every player in the industry, but it is how do you plan to tackle this and some update on Dahej project when you plan to start phase one?
- M.K. Dhanuka:** You are right at your place, normally we are not replacing material aggressively in the Q4 for the next financial year, but yes you are right. The prices are now basically in some of the molecules are on very high stage, it is very difficult to sustain on that level, so we are basically procuring few of the molecules very cautiously and I hope the price will basically improve in the beginning of the March, basically start in the beginning of the March.
- Varshit Shah:** So just to add to that do you think that probably your Q4 wholesale sales might be lower than last year and probably might shift to Q1, is there a possibility at least of course nobody knows it, but from a possibility perspective?



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- M.K. Dhanuka:** I think because we are not placing the material of generics in the Q4 every year, therefore there is no chance to our understanding but there should be a reasonable growth in Q4 as well.
- Varshit Shah:** Okay and lastly Sir update on Dahej project in terms of timeline, is there any change in timeline?
- M.K. Dhanuka:** There is no significant change in timeline, as we have given our estimate key our production will start in the FY2022-2023 in the end, but then normally revenue will come in the 2023-2024.
- Varshit Shah:** I will get back in the queue, I have more follow-ups.
- Moderator:** Thank you. We have the next question from the line of Bharat Gupta from Edelweiss Securities. Please go ahead.
- Bharat Gupta:** Good evening. Sir, couple of questions from my side, so first definitely in the Q3 performance, so definitely a strong topline growth I just want to get a sense, what has been the volumetric growth during the quarter?
- M.K. Dhanuka:** During the quarter our volume growth of 18%.
- Bharat Gupta:** Right and subsequently we have taken pricing hikes right during the middle of the quarter itself?
- M.K. Dhanuka:** Yes partly, not fully.
- Bharat Gupta:** Okay and secondly like you can say we are introducing 39(3) products so what kind of a growth potential are we envisaging and these are our exclusive products for which we have a 9(3) Registration right?
- M.K. Dhanuka:** Yes all these three products, 9(3) products, we have the exclusivity with us and we are expecting revenue of about Rs.50 Crores from these products in next three to four years.
- Bharat Gupta:** Like just wanted to get more sense on the drone business particularly what kind of investments we have made in this business and can you share some colors about how we are trying to differentiate with respect to the other competitors who are already present out there in this particular field?



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M.K. Dhanuka: No, we have basically invested in a startup to begin with we have made a commitment of investment of Rs.30 Crores out of that we have invested already Rs.20 Crores.

Bharat Gupta: Right and earlier also some couple of players who entered into this business so like in terms of our differentiation like how are you seeing this kind of opportunity coming in place and what kind of a growth potential are you looking at in terms of the drone like what kind of outlook you have in mind with respect to this business?

M.K. Dhanuka: Globally the pesticide spray is happening through drones while in India the sprays are being done manually by keeping on the back of the labor so that is not good for the health of the labor who is doing the spray in the field manually, so now the drone technology which is used world over will come to India gradually and the drones will take the sizable business of spraying in the field. Apart from this, the drone has the facility of camera being installed in the drones and it takes the photograph of the field and there is computerized programming from which it can be known that exactly at which place in the farm, the pest attack is there and the spray can happen at that particular place so that way the labor course will be basically saved by using drones and there will be uniform spray throughout the field and we will save the coast of the pesticide also because only spray will happen where the problem is there not on the whole field so these will be the saving on the part of the farmer which will help in increasing his income.

Bharat Gupta: Right Sir and this is last question from my side like pertaining to the unseasonal dreams which we have seen in most parts of the country particularly towards the end of December, in first week of January, so just to get a sense is there any like disruption in terms of the demand which we are getting out from Rabi or how do you see Q4 panning out for us?

Harsh Dhanuka: Yes of course the late rains and the cyclones towards the end of November and the beginning of December did impact the business especially in the south and the east zone and there was a lot of crop damage in south zone with respect to paddy and chilli and in east zone with respect to potato which are the important Rabi crops for these regions and the business did get impacted in Q3 for these crops and in Q4 also there might be some impact in this region.

Bharat Gupta: But we are confident in delivering the volumetric growth during the quarter?

M.K. Dhanuka: Yes we are definitely expecting double digit growth even in the fourth quarter.

Bharat Gupta: Thank you Sir. Wish you all the best.



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Moderator: Thank you. We have the next question from the line of Prashanth Biyani from Elara Capital. Please go ahead.

Prashanth Biyani: Thanks for the opportunity. How has been the liquidation in Q3 in January month?

M.K. Dhanuka: The liquidation because we are not making any placement in the market, so whatever supplies are made by Dhanuka they are liquidated in the market, because the distributor does not keep the inventory with themselves. If the season is over and the product remains unsold that is being returned back to the company, so there is no inventory piled up in the market and in January due to some unseasonal rains definitely the consumption has impacted to some extent, but we are confident to deliver double digit growth in Q4 also and we do hope that the February and March will be good month for Rabi season and we will be able to get the desired volumes.

Prashanth Biyani: Sure and secondly Sir, the extended and colder, winter is it a good from agrochemical consumption point of view or it would be adverse for us as an industry?

Harsh Dhanuka: I do not see any adverse or positive impact of this extended cold spell although from the farmer's perspective especially for the wheat farmers it is very helpful to increase their output and the yield so whatever the losses might have been there because of the rains in the December, wheat farmers in North and Central India I think they would be able to recover with this extended cold spell and they will have good money in their pocket for the next Kharif season which will help consumption in the next financial year.

Prashanth Biyani: Initial rains in south that has delayed the season or that has made some sort of permanent damage for this Rabi season I mean could that sale be spelled over in Q4?

Harsh Dhanuka: No we do not foresee much of the sales of Q3 moving into Q4 because of the rain so besides the rain there was a pest outbreak as well in south India in chili crop of black thrips which impacted the application of several products in the crop and chilli is a very important export-oriented crop which is a good sale for Dhanuka products and for the industry in general so that got impacted severely in the Q3 and we do not see this being recovered in Q4.

Prashanth Biyani: Okay, that is it from my side. Thanks.

Moderator: Thank you. We have the next question from the line of Dhruv Muchhal from HDFC AMC. Please go ahead.



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- Dhruv Muchhal:** Thank you so much. The question was we see some margin pressure, EBITDA margin pressure from year-on-year or quarter-on-quarter basis and this is despite your volume growth is quite strong, 18% volume growth earlier I thought it is because of pricing so that absolute number is more relevant but it seems despite the volume growth, the margin has come down a bit so and if you understand correctly larger portion of your business is more of specialty where the global raw material price fluctuation does not impact you much, because the technical suppliers are generally fixed in nature so the impact on margins then is it because of the generic portfolio which is getting significantly impacted or probably you are focusing more on market share gain and hence the margin pressure?
- M.K. Dhanuka:** No it is mainly because of generic, increase was very steep in Q3 and we could not pass on because of the lot of inventory available in the system, because of the bad season in Q2 because of this it is impacted and because of the impact of the gross margin everything is impacted.
- Dhruv Muchhal:** If the understanding is right, the generic is primary?
- M.K. Dhanuka:** That is right.
- Dhruv Muchhal:** The specialty should broadly be similar?
- M.K. Dhanuka:** Yes absolutely.
- Dhruv Muchhal:** Sir if you can probably comment on for example if the price increase for the generic, the cost increase you would say x, how much of 10, how much of the price increase have you already taken and how much is remaining for the next quarters?
- M.K. Dhanuka:** There are two part of it. One, there is a delay in the passing over of the increase. Secondly if the increase is 10, we could not pass on first stage Rs.2 and the second stage again Rs.2 to Rs.3 so in few molecules is still 50% is pending and few of the molecules is around 70% pass on 25% is pending and in few molecules we have been able to pass on 100%.
- Dhruv Muchhal:** Okay, got it, so the next quarter should be relatively better as you pass on the remaining portion, there is still some?
- M.K. Dhanuka:** With FPS it is difficult because now we are staying in the month of February, even in January because this time the problem is that is still a lot of inventory available in the system. We fully passing on appears to be very difficult because it increases so steep, the farmers are looking for a change, for example he will disappear, price have increased like



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anything so we cannot procure the new raw material for supplying the under the brand name of Novel. There is a big problem in few of the molecules.

- Dhruv Muchhal:** Thank you so much Sir.
- Moderator:** Thank you. We have the next question from the line of Rohit Nagraj from Emkay Global. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity and congrats on good Q3. What was the volume growth for nine months for this quarter you indicated 18% for nine months?
- M.K. Dhanuka:** Nine month is around 1.85%.
- Rohit Nagraj:** So hardly a couple of percent, half by volume growth and half by pricing growth?
- M.K. Dhanuka:** Nor in the half even.
- Rohit Nagraj:** Fair enough. Second question is on the channel inventory, so you indicated that the channel inventories are currently higher and that is predominantly I suppose is for the other manufacturers and not for Dhanuka?
- Harsh Dhanuka:** Yes that is right.
- Rohit Nagraj:** Okay, so we will be keeping the inventories only to the tune of we find that will be placed in the market and will not flood the market with inventories in Q4?
- Harsh Dhanuka:** Absolutely, in our case distributors having a normal inventory which normally we are having every year.
- Rohit Nagraj:** Correct and in Q3, was there any impact due to unavailability of materials from China?
- M.K. Dhanuka:** No. The availability of raw material was not an issue, but the prices was the issue where the increase in the prices was to the extent of even more than 100%, for example Glyphosate, for example Atrazine, Paraquat, Pendimethalin, Imidacloprid, all the products the price increase was to the extent of more than 100% which is not acceptable to the farmers, so the farmers are shifting to other products instead of using these products, because of the price increase, the sales volumes of these molecules has impacted, but the availability was in one or two products it may be but in general there was no availability question.



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- Rohit Nagraj:** Got that, given that in nine months we have done topline growth of about 4% and EBITDA is actually 3% decline given the Q4 volume growth that we are looking at in double digits, would our FY2022 EBITDA will be flattish on a Y-o-Y basis or we still may have some decline on Y-o-Y basis?
- Harsh Dhanuka:** Definitely there would be a decline in Y-o-Y basis. 2021 was an exceptional year and EBITDA gross margin was highest in the Q4 of the last year, but this year there is a challenge so I am expecting EBITDA should be range of around 18% in FY2022.
- Rohit Nagraj:** And FY2023, what are we expecting in terms of the volume growth and EBITDA margin?
- M.K. Dhanuka:** It is slightly earlier command because we are dependent on monsoon. If the monsoon is good we are very much sure our growth must be in double digit and the growth in double digit then EBITDA should be improved upon the next financial year.
- Rohit Nagraj:** Got it and on the Dahej expansion if I am right we have indicated that our formulation a plant in phase one will be ready by March 2022 and then the rest of the plants will be coming by March 2023 so is the understanding right or is there some change in it?
- Harsh Dhanuka:** Your understanding is absolutely right, but we got an extension of one year so therefore we will start the production by March 2023.
- Rohit Nagraj:** So effectively in FY2023, there will not be any contribution from Dahej project, however in terms of capex by March 2022 we will be investing about Rs.80 Crores and by March 2023 another Rs.130 Crores that particular capex outlook remains the same right?
- Harsh Dhanuka:** Overall capex will remain the same, but in the year FY2022, the capex would be in the range of around Rs.50 Crores right and next year it should be around Rs.130 Crores.
- Rohit Nagraj:** Thank you so much Sir and best of luck.
- Moderator:** Thank you. We have the next question from the line of Varshit Shah from Vito Capital. Please go ahead.
- Varshit Shah:** Thanks for the followup. Sir, given that we have the revised capex you just alluded and we have already declared an interim dividend of Rs.8, do we envisage as to where our cash payout to shareholders might further increase in the next year given that we have strong cash flows already in place?



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M.K. Dhanuka: Dhanuka is having the dividend payout policy of minimum 25% but it depends on the board we may consider if the board approves a higher payout to the shareholders in the next board meeting.

Varshit Shah: That is very helpful and my last question is given that we have actually survived the bad year of 2022 in terms of growth because of the high base, do you expect that given that the generic prices have gone up significantly, our specialty portfolio should have more flip at least in going in FY2023 because the price differentials in some of the alternatives actually have reduced by more than 25% so is it something which you can actually push more of specialty products in 2023 and I have one followup also on that.

M.K. Dhanuka: Actually farmers use both kinds of products specialty as well as generic, there are small land holdings and the small farmers, they use the generic products and the progressive farmers use the specialty and costly molecules. So both kind of farmers are available in India, we have more than 13 Crores of the farmers so both generics will be prevailing as well as the specialty will continue to prevail in the market. Definitely generic prices are higher at present, but we do hope that after the Winter Olympics in China is over the situation will change and the prices will start reducing and I do not foresee that they will come to the previous level, but definitely there will be correction in the generic prices after the Winter Olympics in China.

Varshit Shah: Another question is on the plant growth nutrients in the PGR category, we had done very well in actually Q2 because of the shortage of fertilizer and high purchase of fertilizers and that seems like a very interesting portfolio, my channel checks indicate that you have done well even in Q3 as well. Can you just throw some light on exactly I think Rahul ji was alluding in the previous quarter, how aggressive we are on that space and do you see that growth sustainable going into FY2023 as well assuming that fertilizer prices and supply normalized can still sustain these levels?

M.K. Dhanuka: One of the molecule Mycore we have introduced in technical collaboration with the Agrinos which is a multinational company so this product is doing very well and we have doubled our turnover in this year in comparison to the last year for Mycore and we do hope that in next year also we will be increasing our volumes for Mycore. The other PGR, are stable, we are not able to have much growth in the other PGRs like Dhanzyme etc.

Harsh Dhanuka: Add to that I would just like to inform that the government has come up with new guidelines where all these products like our brands Dhanvarsha Dhanzyme, they will be covered under the FCO and we have already invested in this year substantial amount to do



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all the efficacy trials along with the agriculture universities and generating all the data so that all these products Granules Dhanzyme Gold Dhanvarsha, they will be covered under the FCO and in future we will not face much problem in selling these products, right now they face certain issues in some of the states.

Varshit Shah: My question was specifically more on Mycore because they have done exceedingly well, so you think you can sustain or even grow in FY2023 specifically to Mycore at least?

Harsh Dhanuka: Yes absolutely.

Varshit Shah: Great. All the best. I will get back in the queue.

Moderator: Thank you. We have the next question from the line of Prashanth Biyani from Elara Capital. Please go ahead.

Prashanth Biyani: Sir, what would be the share of specialty molecule revenue in Q3?

Harsh Dhanuka: Q3 is around 60% specialty, 40% generic.

Prashanth Biyani: And how much would be the growth in specialty molecules in Q3?

Harsh Dhanuka: Growth in specialty molecules and generic not significant difference, it is almost similar.

Prashanth Biyani: Is it that generic molecule portfolio would broadly be loss making in this quarter even though we do not bifurcate segment wise but just an observation?

Harsh Dhanuka: No, it is not loss making because we are having the inventory, old inventory in the system as well, but yes margin has reduced significantly, margins are eroded but not loss making provision at all.

Prashanth Biyani: Okay, thanks.

Moderator: Thank you. We have the next question from the line of Saurabh Kapadia from AMSEC. Please go ahead.

Saurabh Kapadia: Thank you for the opportunity. This is from your three new products launched next year, so you mentioned the peak potential avenue.



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- Harsh Dhanuka:** Not the peak potential this is the potential that we are talking in next three to four years, of course for new products it takes some time to take the message to the farmers across India, so in future the peak potential may be double of this.
- Saurabh Kapadia:** But for all the three combined product side?
- Harsh Dhanuka:** Yes.
- Saurabh Kapadia:** Okay and what is the period of exclusivity for all these products?
- Harsh Dhanuka:** Minimum five years.
- Saurabh Kapadia:** Sir just one more question, your investment in IoTechWorld so by when you are planning to use your own technology to provide services to farmer or how we should look in terms of your investment in this company?
- Harsh Dhanuka:** It is just an investment in a startup company.
- Saurabh Kapadia:** At least for next one-and-a-half year we do not see any meaningful, no tie up with that and I know using our providing services to farmer for spreading?
- Harsh Dhanuka:** That is altogether a different question. We can definitely use drones for providing services to our farmers that is only it is very early to comment, it is under consideration, but it is nothing to do with the drone investment. Investment is a startup but now the government has allowed the spray of insecticide through drones, so now that unfortunately has arisen, it is in front of us and any company and government is giving subsidy on purchase of drones to the societies so this will help in basically increasing the usage of drones by the societies and FCOs.
- Saurabh Kapadia:** Do you see the possibility of using the more mechanization then there will be more demand for the specialized product and your genetic products or volume will may be stagnant in a specialized product demand will go up?
- Harsh Dhanuka:** Possibility is there.
- Saurabh Kapadia:** Okay and last thing on any cost escalation in your new projects because we have heard many companies talking about cost escalation because of the logistic issues and also, is there thing with Dhanuka?



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- Harsh Dhanuka:** Could you repeat your question I could not get you?
- Saurabh Kapadia:** The capex as you said, any cost escalation as compared to our earlier estimates?
- M.K. Dhanuka:** Cost escalation in the Dahej project you are talking?
- Saurabh Kapadia:** Yes.
- M.K. Dhanuka:** It will be too early because right now we have not made much investment and we do not foresee we have kept 10% to 15% in contingencies so we do hope that we will be able to manage within the contingency plan, but if any escalation happens, we will come to know after a certain period of time once the project takes more shape.
- Harsh Dhanuka:** Just to add that to that per our current estimates I think we must be able to manage within our budget because we have already planned such contingencies.
- Saurabh Kapadia:** That was very helpful. Thank you.
- Moderator:** Thank you. We have the next question from the line of Rohit Nagraj from Emkay Global. Please go ahead.
- Rohit Nagraj:** Thanks for the followup. Did we see any working capital stress during the quarter?
- Harsh Dhanuka:** Yes definitely NWC has increased by six days excluding the current investment. It has increased from 102 days to 108 days.
- Rohit Nagraj:** But we do not foresee any bad debts come, it is just a delay?
- M.K. Dhanuka:** Yes.
- Rohit Nagraj:** Correct and the second question is in terms of the collaboration in your MoUs that we have signed, any specific projects that we will be working on with those universities or any particular area of the agrochemical that we will be working on?
- Harsh Dhanuka:** Yes, these MoUs that we are signing with the universities, so several of them are focused around the application of pesticides through drones, so we are trying to do a lot of research on drone application because the water volume is less, so we need to be very careful about the any crop damage with drone applications so these are the areas where we are tying up



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with the universities as well as for the trial of new products of Dhanuka for various crops and diseases.

Rohit Nagraj: Got it and just last clarifications on the biologicals, we had indicated that we will also be given the traction that is seen not only in the western world but in India as well, what are the steps that we will be taking during FY2023 to tap this particular opportunity?

Harsh Dhanuka: We have already done some market research and we are looking up at appointing a separate team for a biological division, it appears to be a very positive opportunity going in the future; however, the initial growth is quite slow in India due to a lot of biological products in India we marketed actually spurious products so it is a very challenging space to enter in the market but definitely the two biological microbials, this is a very exciting space for the future and we are looking at market entry strategy for this segment.

Rohit Nagraj: Got it, my last clarification given that Dhanuka, it has been very vocal on the spurious products, anything that has been coming from the government in terms of how to tackle this issue or any material steps that have been taken by the government? Thank you.

M.K. Dhanuka: You know Mr. R.G. Agarwal who is the chairman of the company, he is also chairman of the committee of FICCI on agro chemicals and as he is the chairman of the committee, so he happens to meet to the government officials at senior level, secretary level, joint secondary level, etc in the government on FICCI platform, so he is taking up this issue because the farmers are being impacted because they do not know what is genuine and what is spurious, they pay for the genuine product and get the spurious material so which is basically very harmful for our poor farming community. They are being cheated by some of these unwanted basically people, so he is taking up this issue and some action has been taken by the government like QR code is made mandatory on every product so that it will be easy to identify whether the product is genuine or not so that QR code is making mandatory by the government so this is one initiative taken by the government to stop this maintenance of these spurious pesticides.

Rohit Nagraj: Got it. Thank you so much and best of luck Sir.

Moderator: Thank you. We have the next question from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.



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Bhavya Gandhi: Thank you for taking my question. Sir as I understand we are more of a domestic player and right now there is a resurgence in global demand for agro chemicals, we do not want to tap this market like are we focusing on exports?

M.K. Dhanuka: Dhanuka is purely a brand sales company, we are in formulations only, we are not manufacturing technicals. Now we have started work on our Dahej project where we will be going for backward integration that is manufacturing of technical grade pesticides. The exports are mainly happening for technical grade pesticides not for the formulation, so there was a very little opportunity available for formulation for export once we will enter into technical manufacturing definitely there will be opportunity available for exports and you are absolutely right that exports are increasing much more in comparison to the domestic convention because of this China issue, the companies want to have one more reliable source and India seems to be more reliable in comparison to China, so the eyes are on India and the government is also supporting Make in India concept and a lot of investments are happening in India and we do hope that the capacities for technical manufacturing will increase in next two to three years and Dhanuka will be also in exports once we enter into the technicals.

Bhavya Gandhi: But for technicals, we also need a lot of registration globally, but any registrations in pipeline for export market?

M.K. Dhanuka: Not right now, there are some countries where export registrations are not required undeveloped nations like African countries etc. but developed nation definitely the registrations are required and once we have the technical factory, plant ready only then basically we will be able to get the registration for exports in those countries.

Bhavya Gandhi: You mentioned that Glyphosate prices have risen, have skyrocketed, so farmers have started having cost seeds, so what are those costly seeds product for compounds if you could name them?

M.K. Dhanuka: Your voice was breaking, question is not clear to me.

Bhavya Gandhi: Substitute for example in Glyphosate, Paraquat one substitute.

Harsh Dhanuka: Another question is Glyphosate was Glufosinate which is being sold by only one or two companies in India as of now and they got good advantage because of that.

Bhavya Gandhi: Okay, fair enough Sir. I will get back to you.



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Moderator: We have the next question from the line of Ananda Padmanabhan from PGIM India Mutual Fund. Please go ahead.

Ananda Padmanabhan: Thanks for taking my question. Government has been quite vocal about chemical free farming and organic farming, zero budget farming and even in yesterday's budget they had spoken about taking some five kilometer corridor around Ganga at first stage for promotion of chemical free farming, so over a medium to longer term do you think that could be a big risk to this sector, could this particular focus of government be a big risk to the sector?

Harsh Dhanuka: Government has been talking about natural farming or chemical free farming for a long time and if we see the bigger picture it is definitely not a sustainable mode of agriculture on large scale, example Sri Lanka last year we know went suddenly overnight to completely chemical free farming and they had severe impact on their economy where the crop prices shot up very sharply and they had to revert their decision within three months or four months after taking such a decision so it is definitely not a long term prospect to completely shift all the agriculture; however, definitely there will be space for organic farming or as there is a zero budget farming or natural farming it will create its space but we do not see it becoming a mainstream form of agriculture.

M.K. Dhanuka: If someone is ill, he has the option to go to homeopathy doctor, allopathic doctor and ayurvedic, so most of the people are basically opting the allopathic medicines because the treatment from the ayurvedic and allopathic is slow, it takes time so when there in the field, farmer go for the insecticide to spray to safeguard the crop from pests and disease. Globally less than 1% area is under organic farming. We are not against organic farming but the cost of the farming goes very high and the Indian population they will not be able to afford only the elite class in the big cities. They will be able to afford such organic farming otherwise the general public cannot afford, so definitely organic farming government wants to promote, but ultimately without the uses of chemical fertilizer and pesticides, sustainable agriculture and growth is not possible. We are adding one Australia in our population every year and our agriculture land is shrinking because of the industrialization and urbanization. The biggest challenge is how to feed this increasing population with the lesser land. The only alternate is to increase the productivity and for increasing the productivity we need chemical fertilizer and pesticides and in India we are consuming one of the lowest pesticides in the world, so there is huge opportunity for this industry to go by more usage of pesticides.

Ananda Padmanabhan: Thank you for answers my question.



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

Manish Mahawar: Thank you Mike. 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. Dhanuka ji would you like to make a closing comment?

M.K. Dhanuka: Dhanuka continues to demonstrate our ability to overcome challenges and emerge stronger despite uncertain business environment. We will aggressively roll out new formulations in the upcoming quarter and would ensure that it reaches to the consumers. I reassure our shareholder that we are committed to the task of transforming India, the landscape of agriculture in India and will play an integral role in rewriting the future of a better and new India. We do hope that in fourth quarter also we will have minimum double digit growth and Rabi is expected to be good because of the moisture in the soil and these reservoir are full of water so irrigation is not a challenge for the farmer and when irrigation is certain, farmers basically opt for the sowing and we are confident that we will be able to deliver double digit growth in Q4. Thank you very much.

Moderator: Thank you Sir. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.