8th November, 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 6th November, 2024 with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Half-Year ended on 30th September, 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 6th November, 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 and Half-Year ended on 30th September, 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: 2024.11.08 19:12:02 +05'30'

Jitin Sadana
Company Secretary and Compliance Officer
FCS-7612

Encl: a/a

"Dhanuka Agritech Limited
Q2FY25 Earnings Conference Call"
November 06, 2024

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

MODERATOR: **MR. MANISH MAHAWAR -- ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to Dhanuka Agritech Q2 FY '25 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 star then zero 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: Thank you. On behalf of Antique Stock Broking, a warm welcome to all the participants on the 2QFY25 earnings call of Dhanuka Agritech. Today, we have Mr. M.K. Dhanuka, Chairman; Mr. Rahul 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. M.K. Dhanuka for opening remarks. Post which, we will open the floor for Q&A. Thank you and over to Mr. Dhanuka.

M.K. Dhanuka: Thank you, Mr. Manish. Good evening, ladies and gentlemen. Myself, M.K. Dhanuka, Chairman of Dhanuka Agritech Limited, welcome you all to the Q2 earnings call. I hope all of you are doing well and keeping safe. I have with me Mr. Rahul Dhanuka, Managing Director of the company; Mr. Harsh Dhanuka, Executive Director of the company; 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 FY '24, Dhanuka has commenced operations at our Dahej Chemicals synthesis plant. 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 distinguishing us from the rest of the industry. We have a pan-India presence in all major states across India. With 4 manufacturing units and 41 warehouses across India, we cater to around 6,500 distributors and around 80,000 retailers. Dhanuka has a strong sales and marketing team to promote and develop new products.

Dhanuka's strong R&D division has world-class laboratory as well as an excellent team for new product registration and development. Dhanuka's international collaboration with 10 leading global agrochemical companies from Japan, U.S. and Europe, which helps us to introduce the latest technology in India.

While the overall rainfall has been very good, the sales returns from Q1 has impacted significantly in this quarter. Continuous rainfall in the month of August and September, resulting in skipping of sprays of insecticide in many crops. On a positive note, the water level in most reservoirs is very good to support the Rabi drop. There was continued pressure on revenue due to price reduction with an impact of almost 5% versus Q2 of last year.

Our new introductions, Purge, LaNevo, and MYCORe Super, continue to receive great pull from the market. LaNevo already entering our list of top 10 products for the first half of the year. Also, we have introduced 9(4) "me-too" products, Miyako and Roxa in this quarter. We are committed to keep bringing new products and technologies for the Indian farming community to support them in their endeavour to increase farm productivity and safety of the food.

Coming to the financial performance for the quarter 2 of FY '24-'25. Revenues from operations stood at INR654.28 crores versus INR617.92 crores in Q2 of FY '23-'24 having a growth of 6%. EBITDA stood at INR159.58 crores in Q2 FY '24-'25 versus INR141.58 crores in last year having a growth of 13%. PAT was INR117.52 crores in Q2 FY '24-'25 versus INR101.77 crores in Q2 of FY '24-'25, with an increase of 15.5%.

The zone-wise percentage share of turnover for Q2 FY '24-'25 is as follows: North India, 29%, East India 12%, West India, 28% and South India 31%. Product category-wise percentage share of turnover for Q2 of FY '24-'25 insecticide 43%; fungicides 21%, herbicides 17%, others including PGR 19%.

We consider ourselves responsible towards securing the farmers' welfare and preserving food security of the nation. We continue to strengthen our association with the agriculture universities, Krishi Vigyan Kendra and other critical institutions to impart knowledge and latest technology to the farmers.

Thank you very much for your kind attention. And now we would like to open the forum for taking question and answer. Thank you very much.

Moderator: Thank you very much. The first question is from the line of Prashant Biyani from Elara Securities.

Prashant Biyani: My question is to Mr. Rahul Dhanuka. Sir, how is the agriculture scenario right now post-monsoon in your view? How has been the harvest crop quality across all states? Any material crop damage that your team might have seen or -- and consequently, how do you see the demand for H2?

Rahul Dhanuka: So agriculture is under watch from the leaders, politicians and economists all. So we are quite well aware that the reservoir levels all over the country are almost highest of last 10 years, almost a decade. Heavy rains in the maturity stage of the crop certainly caused some damage in some parts of the country. So some soybean was impacted. Some parts of cotton was impacted in Gujarat and Northern India also. Paddy being a hardy crop was not significantly impacted, and there was some high moisture at the time of purchase, which delayed lifting and purchase from FCI, subsequent drying of paddy has resulted in activating procurement also. So overall, not a significant damage. We are looking at almost 6% to 7% higher paddy yield over last year.

And overall Kharif production should be higher by about 5% for the country, which puts us in a good situation when it comes to the harvest from Kharif. With good reservoir position and groundwater situation being very favourable we are looking at very positive Rabi acreages coming up, including paddy in South India, very high acreages of over Bengal gram, red gram, and black gram in almost entire South and Maharashtra. We are also looking at positive paddy acreages in East India, although West Bengal and Odisha were impacted by Dana as cyclone, but it does not again cause a negative impact on the paddy acreages.

Potato acreages have certainly been impacted. Early potato has been impacted, which has caused higher price of potato and farmer still has time to go for resowing of potatoes, so potato acreages will be coming up again, higher prices will make it lucrative for the farmer to invest in potato.

Similarly, early onion sowing was impacted in Maharashtra and Karnataka in the month of early October and late September, onion acreages would also be coming up significantly with onion prices being all-time high. I feel that farmer is going to have a good recovery for Kharif sales and Rabi acreages, and Rabi opportunity is appearing very positive, in fact, very bright.

Prashant Biyani: Right. Sir, like we had seen at the start of Kharif, the seed shortage, which impacted us due to last year's Rabi rainfall. Any risk of any sort of that in this Rabi due to crop damages in Kharif?

Rahul Dhanuka: So farmer is proactively able to see the shortage of seeds and then is able to plan sometimes, most of the times is able to plan for crop diversification, alternate crops. As of now, what we see is maize seed significantly being in demand. So practically, all maize seed companies seed is sold out. Rabi maize acreages are appearing very bright. So maize seed is coming up really well. Paddy seed has no shortages. Toor sowing was already complete.

So again, no problem. And onion seed is one which could cause problem and potato seed is another, which could cause problem to the farmer in terms of seed availability of onion bulbs and potato. Other than that, for the larger crop acreages of wheat, paddy, black gram and yes, we don't see any problem with that.

Prashant Biyani: Right. Lastly, sir, if you can give some colour on the sales contribution of launches and the new launch pipeline for the next 12 months?

Rahul Dhanuka: Yes. So we had 3 major launches so far. MYCORe Super, which is a soil conditioner mycorrhizae, it improves the soil health across all crops, and it has received really good acceptance from the market across all the geographies and across all the crops, including wheat, paddy, sugarcane and horticulture crops like brinjal, tomato.

And another one is LaNevo, which is Nissan Chemicals, Japan, insecticide. We have launched it for chilli, tomato, cabbage, and brinjal. This product has also received very wonderful acceptance. It's a very innovative product in a new category, and we are seeing huge traction for LaNevo.

And third product, which we launched was Purge, which is a soybean and groundnut herbicide, again from Nissan, Japan. This product has also done exceedingly well, and we were able to complete our volume significantly. In Kharif, soybean and groundnut was well received. We are looking at upcoming opportunity in Rabi groundnut also for Purge. We launched turmoil, our total weed killer. So this product received some movement in Kharif already. We are looking at a major movement of turmoil in Rabi which would also be a replacement of glyphosate in times to come. So all these 4 products were well received, especially LaNevo, Purge, MYCORe Super have done beyond our expectations in many markets.

Prashant Biyani: Sir, pipeline for next 12 months?

Rahul Dhanuka: Come again, I couldn't get you.

Prashant Biyani: New launch pipeline for the next 12 months?

Rahul Dhanuka: New launch, we have recently just launched Roxa, a wheat herbicide. And before that, in October, we launched Miyako, a miticide. And I think so I will hold on for a while to share for next year launches. Let me come back.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Yes. Congrats on good set of numbers. Sir, first question on the performance. So we've been delivering exceptionally good performance over the last 4 quarters, and this is barring the conditions which are prevailing in the market. So what could be the major reasons for the same in terms of the margin expansion that we are seeing how has been the mix between specialty and generics and is there any benefit which is coming from the new products. So what has been the trend in terms of margins across the portfolio? And do we see that the margin trend will continue henceforth for the rest of the year and for next year?

Vinod Kumar Bansal: You see margin expenses largely because of product mix and the new reductions. As discussed just now in Largo -- LaNevo, MYCORe Super and Purge. And there is significant growth in our superstar category and Navratri in this financial year because we have been able to deliver better margins. And in the coming quarter and the whole full year basis, we are expecting at least 100 basis points growth in gross margin.

Rohit Nagraj: Sure. That is really helpful. Sir, second question is for our manufacturing business at Dahej. So what was the performance during Q2 and first half? And what has been the negative contribution at the EBITDA level for the same.

Harsh Dhanuka: So EBITDA is negative for Dahej in Q2, and the contribution in revenue was INR8 crores.

Rohit Nagraj: And what would be the negative EBITDA contribution.

Vinod Bansal: Negative EBITDA contribution is around INR4.75 crores.

Moderator: The next question is from the line of Darshita from Antique Broking.

Darshita: My first question is regarding the sales returns that we had highlighted that we see during the second quarter. Could we quantify the amount of the sale?

Vinod Kumar Bansal: Yes, the sales return has increased significantly as compared to previous year, the sales return has increased by more than 40%. It's more than INR100 crores in quarter 2. It's largely because of the less consumption of weedicide in July and August because of delayed monsoon and continuous monsoon.

Darshita: Got it. Could we get the volume growth for the -- volume growth and pricing growth for the quarter?

Vinod Kumar Bansal: Yes, volume growth is around 10% in quarter 2.

Darshita: And if we adjusted for the sales returns, then our growth would have been much higher, I think.

Vinod Kumar Bansal: Absolutely, absolutely.

Darshita: Would have been some 20%-plus kind of growth. Okay. With respect to our -- how much -- I mean, are we expecting a lot of sales returns to happen in the third quarter or the cleanup is already done?

Vinod Kumar Bansal: Most of the material is taken in quarter 2 itself.

Darshita: Got it. Okay. And I just had one question regarding the higher receivable days -- higher receivables. It's up almost 44% on Y-o-Y basis -- sorry, receivables and inventory, both in fact. Could we get the reason behind the same?

Vinod Kumar Bansal: You see, in terms of receivable inventory put together, you are right, but large increase is only in the inventory side, not in receivables. Inventory, you see because of continuous rain in the month of September, there were many sprays or missing pesticides because of which we have left a little more inventory, one, and another is the high return of weedicide which was sold in quarter 1 and taken back in the quarter 2. But I'm expecting the inventory would be in line with our expectation by the end of this financial year.

Darshita: Got it. And just 1 last question regarding the impact of pricing that we've been seeing. I suppose we've seen about 5, 6 odd percent decline during the quarter with respect to pricing. Do we expect this to continue in the third quarter as well or the base has normalized now?

Vinod Kumar Bansal: We see pricing impact in quarter 2 is around 4%, in quarter 1 was more than 6%. And on year-end basis, we are expecting the gap should be around 3%, not much, beyond 3%.

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

Viraj: Just a clarification. You said for sales return, we had a sales return of INR100 crores in Q2. Am I right?

Vinod Kumar Bansal: Yes.

Viraj: So adjusting for that, the growth would have been around 21% in sales, had it not happened?

Vinod Kumar Bansal: It is very unlikely. Sales return is happening every year.

Viraj: So in a normal year, what will be the normal sales return we typically see in a year or in this particular quarter?

Vinod Kumar Bansal: Maybe around in the range of INR60 crores to INR70 crores.

Viraj: Okay. So my question is on the margin side, especially gross margin. Last year, we talked about a very high base in terms of gross margin in Q2 of last year. And even in Q1, our view was that we may see a moderation and EBITDA margin probably because the contribution margin what we had of the high base may not continue going forward. And our view was that the old molecules would continue to see a very large price erosion. So just trying to understand what will change in terms of in just 1 quarter of which aided such a high gross margin for us.

Vinod Kumar Bansal: You see, I have already shared this high margin because of exceptional growth in our 5-star category and navratna category, right? And in case of generic, there was a negative turnover in quarter 2. So even within the generic category, high-margin product volume was a little better as compared to the low-margin products.

Viraj: So the ITI index, can you just share what will be the share of ITI in this spot.

Vinod Kumar Bansal: ITI index is 16.3% -- 16.09% in this half year basis as compared to last year's 16.39%.

Viraj: Okay. So the products which we launched in last 2, 3 years, the likes of Implode, Defend, Decide. What would be the scale of those products and the new products which we talked about, which we'll be launching, which we have already launched in H1, and which will be launching, can you just give some perspective in terms of potential addressable market in each of these.

Rahul Dhanuka: So earlier, we talked about Decide and Defend. So Defend is a rice BPH product. It finds opportunity in North India, Punjab, Haryana, as well as entire South, Andhra Pradesh, Telangana, Karnataka and Tamil Nadu. This year, North India has seen very low BPH attack because of very heavy rains at the -- during the attack opportunity. So Defend has not done that well in North India. It is also part of one of our market return category products.

Decide, which is a sucking pest product on tomato, brinjal, okra, cotton, chilli, like crops, again, has done well, but not as well as our expectation, again, due to various rain opportunities, which did not -- which help the farmer skip the insecticide spray. So sucking pest was not as big a challenge for the farmer to use Decide as many times.

So these are the 2 products which did not receive the traction as desired. Whereas Purge, the soybean herbicide finds opportunity in almost entire 9 million hectares of soybean and vast acreages of groundnut across the country, especially in Gujarat. And we have seen that Purge is performing well in other crops also. So we will probably be going for label expansion and explore crop opportunities like black gram, where the government has a major thrust in terms of increasing pulse acreages.

Then LaNevo, which is a Japanese insecticide. We have launched it for chilli, tomato, brinjal, and cabbage. So this product has done really well, extremely well in chilli acreages and tomato in Maharashtra, in Karnataka, in Tamil Nadu -- sorry, not Tamil Nadu -- Karnataka, Andhra Pradesh, and Telangana. The performance of LaNevo has superseded farmers' expectation as compared to various other insecticide options that were available to the farmer. LaNevo has really wonderful opportunities going forward because we have vast chilli acreages and good chilli prices for the state of Maharashtra and later Madhya Pradesh also in future.

And we have vast brinjal acreages for the Northeast. Cabbage and cauliflower opportunities in North India as well. LaNevo, which is a very versatile insecticide will find future opportunities when we do label expansion in various other crops, which have caterpillar attack. For example, even maize has Fall Army Worm attack; cotton has Pink Bollworm problems. Many other crops have lepidopteran attack and LaNevo can find opportunity in various crops subject to label expansion.

And MYCORe SUPER is a very versatile soil health improver. It improves the soil health organically. It improves the soil health biologically. So it has been really accepted by the farmer across all crops, especially in paddy, wheat, sugarcane, tomato, grapes and various other horticulture crops. And this has happened across the country so much so that we could not meet the demand at certain point of time.

Last year, we also launched Zanet. Zanet is a very unique product as a combination from Nippon Soda and Hokko Chemicals of Japan, a combination product launched by Dhanuka. Zanet is also seeing good traction after heavy rainfalls, including many crops across the geography yet it finds wonderful opportunity in tomato, so far in Kharif and upcoming opportunity in potato seed treatment.

Viraj: Just one query for these products which you talked about, would we be the exclusive distributor in India? And when does the exclusivity end?

Rahul Dhanuka: LaNevo from Nissan, Dhanuka is exclusive. Purge again from Nissan, Japan, Dhanuka is exclusive. MYCORe SUPER is Dhanuka's exclusive product. Zanet is exclusively available to Dhanuka. So all the products that I talked about are exclusive with Dhanuka for a good time.

Moderator: The next question is from the line of Bhavya Gandhi: from Dalal & Broacha Stock Broking.

Bhavya Gandhi: Congratulations on a good set of numbers. Sir, my first question is regarding the total revenue that we generate from partnership products. So if you were to dissect the entire revenue in 3 parts. One, revenue from partnership products, what is it, revenue from our specialty products and revenue from generic products for the quarter, if you can provide.

Vinod Kumar Bansal: Yes, you see in case of our percentage from our partners is around 1/3. And generic is also around 1/3.

Bhavya Gandhi: Partnership. Okay. So all are 1/3, 1/3, 1/3 right now.

Vinod Kumar Bansal: Yes.

Bhavya Gandhi: So let's assume, sir, for next 2, 3 years, if you were to extrapolate our total revenue, what would be the total revenues from partnership products.

Vinod Kumar Bansal: I think it would be in the range between 33% to 36%.

Bhavya Gandhi: So the range percentage would still be the same. That is what you're trying to say?

Vinod Kumar Bansal: 33% to 36%.

Bhavya Gandhi: 33% to 36%. Okay. And what sort of gross margins do we make on the exclusive partnership products? Is it, I mean, like a 5%, 10% incremental to the normal product?

Vinod Kumar Bansal: You see it depends. Even within the partnership, there is a huge difference in the margins, some molecules are very big margin, and some is average, some is moderate, right?

Bhavya Gandhi: So when we say exclusive products, so I believe that the gross margins should be on the higher side, right? If you can give some range?

Vinod Kumar Bansal: Absolutely, in most of the cases, that's true, but in a few cases, moderate as well.

Bhavya Gandhi: If you can give some range of gross margin, what would be the range?

Vinod Kumar Bansal: Range, you can say whatever our average gross margin, the range is more than 1,000 basis points to 1,500 basis points.

Bhavya Gandhi: Okay. And the exclusivity period, if you can throw some light, is it renewed like every year or every 3 years or how is it?

Rahul Dhanuka: At the time of introduction, the exclusivity period to begin with varies from 3 to 5 years minimum and is extendable after that.

Bhavya Gandhi: Okay. Okay. And when we say exclusivity, is that Nissan themselves also cannot sell it in the Indian market?

Rahul Dhanuka: Nissan cannot directly sell in the Indian market without Dhanuka as a partner only, right?

Bhavya Gandhi: I mean the -- yes -- the molecule innovator also cannot sell. That is what we try to say, right?

Rahul Dhanuka: The molecule innovator cannot sell it themselves without Dhanuka as the partner.

Bhavya Gandhi: And any product which we have on the patented side which we have introduced in the partnership?

Rahul Dhanuka: Yes. So we have Mortar as our patented product, which we launched few years back got the patent early 2023. And LaNevo is a patent applied for and there are a couple of other products which are patent applied for.

Bhavya Gandhi: Okay. Fair enough. And also, just wanted some clarity on the margin, 100 basis point improvement that we are expecting. So initially, we had told about 100 basis points. On the lower side, so there -- in fact, we are looking at a 200-basis point improvement from the previous guidance.

Mahendra Kumar Dhanuka: Yes, from previous guidance, you can say we are now revising our guidance, 200 bps improvement. Overall, last year margin, 100 bps improvement.

Bhavya Gandhi: Got it. Fair enough. And just last thing, if I can squeeze in. On the Dahej revenue, if you can give some guidance for next 2 years, what sort of revenue are we expecting from there? And are you looking for any CRAMS partner over there.

Harsh Dhanuka: So yes, we are looking for CRAMS partner for Dahej. But as of now, we do not have any breakthroughs in that segment. And revenue guidance, we will maintain the similar as we have shared in the past.

Bhavya Gandhi: If you can just reiterate the number.

Harsh Dhanuka: Yes. So over 3 years, we'll be doing to INR250 crores.

Bhavya Gandhi: INR250 crores.

Moderator: The next question is from the line of Shubham Sehgal from Skill Ventures.

Shubham Sehgal: Yes. I just wanted to confirm that for our B2B business in Dahej, you stated that the revenues and the EBITDA, so the revenue is around INR8 crores and EBITDA is negative INR4.7 crores, right?

Harsh Dhanuka: Yes, that's correct.

Shubham Sehgal: Okay. So of the production that we're doing, how much are we using captively? And any update on new molecules that we're introducing in B2B.

Harsh Dhanuka: So about 25% to 30% is in-house consumption, rest is sold in the market. And in B2B sales, we have added a lot of products not manufactured by Dhanuka, but some of the products that we are importing from China that we have added in the B2B portfolio and from local products also. We have added in the B2B portfolio to increase our customer base. The second part of your question about new products from Dahej we've developed several products. But looking at the current challenges in the market for manufacturing, we have not decided to introduce any of them as yet.

Shubham Sehgal: Okay. Okay. Got it. And so -- on new business initiatives, so like a few quarters back, we talked about us looking at new segments in agri inputs like seeds, etc. So any update on that? Have we thought about any new segments to enter in?

Harsh Dhanuka: Come again? What was that?

Shubham Sehgal: So a few quarters back, we were talking about to enter into newer segments, for example, seeds. So do we have any update on that?

Harsh Dhanuka: At the right time, we'll certainly love to come back to you on that one.

Shubham Sehgal: Okay. All right. So my last question is that in the inventory side, if you see. So the buildup in September is due to what? And how are we placed in the inventory in terms of system versus the industry.

Harsh Dhanuka: You see inventory was built on September largely on account of 2, 3 reasons. One, because of heavy return in the month of July and August, which were sold in quarter 1 of weedicides. Another is, they were insecticide spray were missed because of continuous rain, right? And we are expecting by the end of this financial year, our inventory in line with the previous year.

Moderator: The next question is from the line of Priyank Chheda from Vallum Capital.

Priyank Chheda: I hope I'm audible. Rahul ji, you talked about the list of products. If you can help me in terms of brand sales and the size of the sales that each brand does, I believe Targa Super was a brand which is a flagship brand, which we had launched 2 decades ago and it's right now doing somewhere around INR150 crores of sales, correct me if I'm wrong. And if you can also highlight, which are the other large brands that we're looking out in terms of sales size to reach more than INR50 crores, INR100 crores?

Rahul Dhanuka: Right. Thanks for your question. Normally, we do not talk about the brand size, we call it. So I will not be correcting you on Targa Super numbers. yes, Targa Super, a wonderful product, still continues to command that wonderful position in our portfolio as well as in the market. Various other products, which have enjoyed that kind of a position is Caldan. LaNevo, another recent introduction appears to be really catching up with that position.

Sempra, a sugarcane, maize herbicide, which we introduced a few years back has again received wonderful response and is going to be -- Mortar, EM-1 are 2 other insecticides in that category. So what I've told you are some of the top 10 products, including Decide another insecticide side in our portfolio.

Priyank Chheda: Right. So other than Targa, I believe all would get -- are yet to cross INR100 crores. Is that understanding, correct?

Rahul Dhanuka: Yes, that would be correct.

Priyank Chheda: Okay. Okay. And then what -- if you can help me what leads to this a strong 2 decades of leadership in Targa Super, which the competition has yet -- has not yet cracked which Dhanuka still commands on leadership position. If you can just highlight a few points on that.

Rahul Dhanuka: So our trust and comfort with the channel as well as with the farmer is what gives a repeatability of the user case. Then our continuous effort to reach out to new market opportunities, to new crop opportunities, to new farmers give us avenues where we are able to continuously expand and cover a further loss of the business, if any. This is what we achieved by intense demand generation activity, Dhanuka doctors, which we have almost 1,500 people on ground which continue to do demand generation activities for this 2-decade old product also because it is as much opportunity in the market with hardly 30% of the country being chemically protected. We have 70% of the agriculture chemically unprotected. And that is where we continue to reach out to the farmer and educate them repeatedly about right use of Targa Super and various other new products that we continue to launch.

Priyank Chheda: Perfect. That was very clear and helpful coming on the pricing front...

Rahul Dhanuka: I really hope competition is not able to crack that code.

Priyank Chheda: Kudos to your team and great marketing efforts. Sir, coming to the pricing front quarter-on-quarter, we have seen that decline remaining at 5%. So I believe that pricing has stabilized somewhere right now in at least last 6 months. How do you see that moving ahead over the next

6 months? And should we see some mix and price benefits coming up in FY '26 along with the volume growth.

Mahendra Kumar Dhanuka: You see the capacities in China and India has increased like anything. And unfortunately, due to uneven rainfalls, the season has not peaked as was anticipated. So due to which there was inventory in the channel and demand was less. You see economic principle is there demand and supply will rule the prices. So because of less demand and excess supply, the prices were reducing on a month-on-month basis and the higher capacity. So now I think that the bottom has come, and the prices are now stable, but there is possibility that prices can further reduce by 2%, 3% in the next 6 months.

Priyank Chheda: So when we think about FY '26....

Moderator: Sorry to interrupt you sir. May we request that you return to the question queue for follow-up questions?

Priyank Chheda: No problem.

Moderator: The next question is from the line of Rohan Gupta from Nuvama.

Rohan Gupta Sir, my first question is what would have been the industry growth in this first half, if you can give some sense on that?

Rahul Dhanuka: Rohan ji, thanks for that question. You must be attending so many other investor con calls also. I think so it's a question. I would like to ask you what according to you would be the industry growth in H1.

Rohan Gupta: We have yet not been able to gather the data on that, but I thought I'll just check with you. I mean...

Rahul Dhanuka: It's a very uneven season. While we have faced very intense goods return because of our immense push with our new products launches and focus on herbicides, I think so many in the industry are still struggling to get the right balance of goods return versus sales and the industry has still not completed that work, whereas Dhanuka very aggressively cleans up the market aligns with the channel in the true spirit of partnership and cleans up.

So our numbers are true reflection of wherever business, wherever sales, wherever inventory stands. I believe the rest of the industry has probably not done that cleanup. So the numbers could be significantly camouflaged or masked.

Rohan Gupta: I understand, sir, the season was more importantly for the herbicide where the collection -- I mean, returns would have been more. So now with the herbicide market only probably will be picking up next year before the monsoon. So do we see that we had to live with the higher inventories, or we were able to place in the other markets and year-end inventory would not be, I mean, significantly high.

Rahul Dhanuka: Some of the products will still find good opportunity going forward. For example, Purge will find opportunity in the Rabi groundnut in South and East India. Targa Super will find opportunity in onion and black gram and East India jute. So we have good opportunity for some of the herbicides, including Sempra and Tizom in sugarcane and ever highest acreage of maize, which is going to come up. Whereas there could be some herbicides, which may not have a repeat opportunity in Rabi and that will land for the next 1 -- next cycle. But we are taking various other steps to kind of optimize our inventory levels, and we should see normalization by the next quarter end.

Rohan Gupta You had a solid volume growth, almost 38% in Q1 and even in this quarter, if I adjust for the sales return, you had almost 20% growth. It means our first half growth has been more than 25% to 28%, which certainly is not the industry number. So we would have gained significant market share. My question is, sir, that it is all contributed by the new product and the significant market acceptance that has led to this kind of market share gain in current first half? And can it continue with the current product pipeline for the next year as well?

Rahul Dhanuka: Right. So even to assume that it could have looked like 25% is a misnomer. At Dhanuka, we really don't believe in that, and that's why we do aggressive material take back from the market in the spirit of partnership with our channel, that's why I'm very confidently able to say that my Q2 closing numbers are the real sales numbers because I have already cleaned the market of unsold inventory. So that 25% is an imaginary number I would not subscribe to.

Going forward, the products and the technologies, which we have introduced are like extremely powerful, very stable and unmatched as compared to the competition in their respective categories. We see huge growth opportunity in the remaining 6 months as in the H2 of this year.

And we see wonderful traction in the coming year also with our product -- with our product development, field work and demand generation activity which we are doing on ground also and which we are doing through digital and social media as well. So I see a wonderful growth coming in from the demand generation and the product portfolio of Dhanuka.

Moderator: The next question is from the line of Hussain Bharuchwala from Carnelian Capital.

Hussain Bharuchwala: Sir, just wanted to check with you any change in the guidance in terms of revenues that you'd like to give currently considering good set of numbers in Q2. So you had a download you have your guidance earlier. So what is the guidance that you would like to give now to the street?

Mahendra Kumar Dhanuka: You see, earlier, we had given the guidance of 18% for the full year, but now we are revising the top line guidance to 16% approximately for the next quarter as well as for the whole year. However, the EBITDA margin, Earlier, we have given the guidance of 100 bps reduction. But now we have revised the EBITDA margin guidance, 100 bps improvement over last year. So overall, there will be 200 bps improvement in the EBITDA margin over the last guidance.

Hussain Bharuchwala: Got it. The 200-basis improvement over last guidance? And basically, you're saying which is your thing. So compared to last year, you were earlier guiding 100% drop in EBITDA margin. Now you are guiding 100% increase in EBITDA margins compared to last year.

Mahendra Kumar Dhanuka: You're absolutely right. Absolutely right.

Hussain Bharuchwala: And 16% in terms of revenue growth.

Mahendra Kumar Dhanuka: Yes, revenue growth 16% approximately.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: So just 1 question or rather 2 questions. One is what was the split between specialty and generic during first half -- and I think you answered this earlier, but I missed it. What is the gross margin differential between specialty and generic products.

Vinod Kumar Bansal: So you see the specialty and generic, we are not sharing the margin, but there is a difference. You can say it depends on product to product, right? On a category basis, there should be a reasonable difference. And with regard to the question, split is around 2/3 specialty, 1/3 generic.

Rohit Nagraj: Okay. Sure. And sir, second question is in terms of the current pricing, particularly for the generic products. So is it largely stabilized now and here on, if we were to -- I mean, given that you also mentioned in terms of the inventories by the competitors or in the channel, incremental growth, again, for us would be predominantly propelled by volumes and the product mix? Also just your thoughts on this.

Mahendra Kumar Dhanuka: Yes. I think that the prices are now stabilized they have bottomed out, and I don't foresee further reduction in the prices of generic products. Specialty, you know that those specialty molecule prices are usually decided at the beginning of the year, and they remain stable throughout the season. So there is no change in the specialty molecule price trend. Only the generic prices are having reduction trend.

But now I think they are stabilized, and I don't foresee. But there can be a possibility in few molecules where the inventory levels are high, 2%, 3% further reduction in the prices is possible in the next 2 quarters. But -- regarding the volume and value growth by the end of the year, we expect that there will be 3% variation at the end of the year between volume and value.

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

Viraj: I just had 2 questions. First one on the B2B business, the INR8 crores sales we did, you indicated that there were a good amount of third-party traded business in that. So the question is on INR8 crores of sales, even if you adjust for the third-party sales, we've done an EBITDA loss of INR4.5 crores, INR5 crores. So is it purely due to subscale of operations or even in the gross level, you're seeing a negative margin for us?

Harsh Dhanuka: No. So gross level, there is a positive margin for sure. But the operational expenses are on the higher side, and we invested significantly in the chemistry R&D. So that has a good ongoing monthly expenses. So that is causing the lower negative EBIT on the Dahej business. And the INR8 crores revenue, as I mentioned, is only for the Dahej products, the traded product revenue is over and above this.

Viraj: So what scale of operation you will have to do to just breakeven from the Dahej facility?

Harsh Dhanuka: Yes. So for breakeven, our estimate is close to a revenue of INR150 crores to INR200 crores on an annual basis.

Viraj: Okay. And if you look at the commentary of various major B2B players and even at the global AgChem MNC majors, everyone is talking about recovery in volumes and inventory in key end markets normalizing. So even on the pricing front, the view is somewhere in the first half of next year, we should expect a price recovery. So from our pipeline and scale-up point of view, how are we looking at from Dahej facility going into 2026.

Harsh Dhanuka: I'll try to break the question into 2 parts. One around the global prices and supplies resuming. So my understanding and learning from my interaction with various people in the industry and also with companies in China is that the global inventory levels have definitely come down, but some of the countries and some of the companies are still having good levels of inventory for specific products.

Second scenario is the very significant increase in capacities in a number of products in China. So these 2 factors combined are leading to the continued low demand from global markets and creating pressure for all technical manufacturers in India as well as in China. Having said that, the future for Dahej, when we look 2 years beyond the line, of course, we are working with our international partners for contract manufacturing opportunities and looking forward further partnerships over there. Secondly, we are looking at developing some of the newer molecules in our laboratory where we can get good margins and commercialize them by '26.

Moderator: This was the last question for the day. I now hand the conference over to management for closing comments.

Mahendra Kumar Dhanuka: Thank you. Once again, I would like to thank all the investors and analysts 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 the landscape of agriculture and farmers in India. India ka pranaam har kisan ke naam. Thank you, and goodbye until next time. Thank you very much.

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