



May 25, 2021

**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 May 21, 2021 with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Financial Year and Quarter Ended on 31<sup>st</sup> March, 2021.**

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 Conference Call held on May 21, 2021, which were hosted by Antique Stock Broking Limited through virtual mode with Analysts/ Investors to discuss Audited Standalone & Consolidated Financial Results of the Company for the Financial Year and Quarter Ended on 31st March, 2021.

Please take above information in your record.

Thanking You,

Yours faithfully,

**For Dhanuka Agritech Limited**

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

Enc/-



“Dhanuka Agritech Limited Q4 FY2021  
Earning Conference Call”

May 21, 2021



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

**MANAGEMENT: MR. MAHENDRA KUMAR DHANUKA – MANAGING  
DIRECTOR - DHANUKA AGRITECH LIMITED  
MR. RAHUL DHANUKA – DIRECTOR (MARKETING) -  
DHANUKA AGRITECH LIMITED  
MR. HARSH DHANUKA – DIRECTOR - DHANUKA AGRITECH  
LIMITED  
MR. VINOD KUMAR BANSAL – CHIEF FINANCIAL OFFICER  
- DHANUKA AGRITECH LIMITED**



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**Moderator:** Ladies and gentlemen, Good day and welcome to Dhanuka Agritech Q4 FY2021 Earnings 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 from Antique Stock Broking. Thank you and over to you Sir!

**Manish Mahawar:** Thanks Mallika. 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, Director, Mr. Rahul Dhanuka, Director (Marketing) 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. Over to you Mr. Dhanuka!

**M.K. Dhanuka:** Thank you Mr. Manish. Good afternoon ladies and gentlemen. Thank you for joining us for the Q4 FY2021 results conference call. I have with me Mr. Rahul Dhanuka, Director (Marketing), Mr. Harsh Dhanuka, Executive Director, and Mr. V.K. Bansal, CFO of the company.

I would like to start with a message on the pandemic situation which has been topic to save the leads, the current second wave has affected each and every family across India in some way or the other. I hope you all are doing well and keeping safe along with your near and dear ones during this unprecedented situation.

Dhanuka Agritech is the leading agrochemical company in India. The company strength lies in the manufacturing and marketing of branded formulated products. The products portfolio is largely distributed across insecticides, herbicides, fungicides, and plants growth aspects.

Insecticides contribute a significant portion of the overall revenues.

Dhanuka Agritech is working towards the goal of transforming India through agriculture by working with farmers' closely to improve their production and quality in terms of enhancing their income. We cater to 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 farmers the company has a wide range of products in its portfolio with over 80 brands with us such granules and dust. Dhanuka have a pan India presence through our marketing offices in all major states across India. The three manufacturing units, 40 warehouses and 14 branch offices across India we cater to about 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 staff, supported by a strong marketing team to promote manufacturing and its R&D division has world class



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NABL Accredited Laboratory as well as an excellent team for new product registration and development.

Dhanuka has incremental international collaboration with nine leading global agrochemical companies from US, Japan and Europe which helps us to introduce the latest technology in Indian farmlands. Agrochemicals was declared an essential commodity by the Government of India, and we were able to start our operations in first weeks of April 2020 unlike to any other business.

During the current lockdowns also we are running our operations smoothly except few challenges in some locations. Safety of our operations and team is our number one priority and we have taken several steps throughout of healthcare including 100% reimbursement of vaccination fees for those opting for vaccination as private establishment. We have also called 100% pay to those employees who are not in a position to work from home.

Now moving onto financial performance for the last quarter, I am delighted to share that our 4QFY21 results with revenues increase of 21.09% over the corresponding period last year and for the financial year 2020-2021 it is Rs.1387.47 Crores which is 33.87% up over last year.

EBITDA stood at Rs.73.36 Crores in Q4 of FY2021 up 34.73% and for the FY2020-2021 which is Rs.302.81 Crores up 52.50% over last year. EBITDA margin improved from 23.93% in Q4 of FY2019-2020 to 26.62% in Q4 of FY2020-2021 and improved from 17.73% in FY2019-2020 to 21.82% in FY2020-2021 which is an improvement of 409 bps inclusive of other incomes.

Profit after tax is at Rs.68.64 Crores in Q4 FY2020-2021 up 24.78% compared to the corresponding period last year and it is Rs.210.56 Crores in FY2020-2021 up 48.85% year-on-year basis. PAT margin improved from 17.13% in Q4 of FY2019-2020 to 17.65% in Q4 of FY2020-2021 and improved from 12.63% in FY2019-2020 to 15.8% in FY2020-2021 an increase of 250 bps.

I would like to place and record my deep appreciation to all the stakeholders for their continued support to the company and due to their good wishes Dhanuka is able to perform all time record results in topline and bottomline.

The board of directors has recommended 100% dividend that is Rs.2 per equity share having face value of Rs.2 per share this will absorb Rs.9.32 Crores compared to more of the share price this annual general meeting scheduled out 29th July 2021.

Hence the zone wise percentage share of turnover on 31st March 2021 is North zone 25.84%, East zone 11.14%, West Zone 31.76% and South zone 31.26%. Segment-wise break-up of Q4FY2021 stood at Herbicides 21%, Insecticides 50%, Fungicides 17%, and others 12.39%. The last year monsoon was above normal and as per IMD report the monsoon is expected to be



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normal in this year as well this has given the smile in the faces of the farmers the monsoon onset dated June 1, 2021 in Kerala and it is expected to progress fast to Karnataka, Goa, and other states gradually. Area under summer crops has shown an increasing trend in the country this year, the Ministry of Agriculture and Farmers Welfare has informed that sowing of summer crop is 21.5% higher this year in comparison to corresponding period last year. The total crop area has increased to 7.37 million hectares from 6.07 million hectares the area sown under pulses, oilseeds and rice have increased this year sowing of pulses has increased to 1.28 million hectares they show nearly a 100% increase. Area sowing under oilseeds have increased to 1505 million hectares which is 16% higher from previous year. Sowing of rice has also increased to over 3.9 million hectares which is an increase of around 16% in comparison to last year it is expected that in this Kharif season the sowing of the soya beans, pulses and other oilseeds will be higher because the farmers are getting very good rates for these crops and they are sowing for cottons acreages they reduced to some extent. The company will work towards on engaging with all the participants across the value chain both upstream and downstream to deliver a strong Kharif season and build a solid momentum for the FY2021-2022. As discussed last time the company has also started working on its projects situated at Dahej.

I am just finishing the company has a strong pipeline of section 9(3) products which should drive the revenue growth in coming years we have received the 9(3) registration which is the herbicides which the company will launch in quarter two and another 9(3) registration is expected to be launch in quarter three of the financial year Mr. RB Agarwal Chairman of the company has received an award as business leader of the year by World Leadership conclude on 17th February 2021 and Mr. VK Bansal, CFO had been invested this year for 100 award in March 2021. Thank you very much for your kind attention, we will now take the question from you which you may have. Thank you very much.

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

**Rohit Nagraj:** Congrats for a very good set of numbers during the COVID affected year. Sir my first question is in terms of our in-license products used in molecules so how the revenue from in-license molecules that changed over the last maybe four, five years what is the proportion will be in FY2021 and how do you see it over the next maybe three to five years, because we have garnered a significant amount of relationships with few of the global agrochemical majors and introduced state of products in the Indian market so how has been the performance if you could just take through the journey and how are we expecting in next few years. Thank you so much.

**M.K. Dhanuka:** Bansal you would like to reply the question.

**V.K. Bansal:** 80% share from the major molecule is around 40% and it has improved over a period of time by 2%, 3% by 300 basis points basically.



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- Rohit Nagraj:** And sir how are we seeing this in the next three to five years so will there be any significant focus from our own R&D and to introduce 99 Crores or would there be more focus of in-license molecule. Thank you.
- M.K. Dhanuka:** I think in-license molecule percentage share will remain basically in-line with the current percentage share it may improve by around 100 basis points.
- Rohit Nagraj:** Sir the second question is in terms of the Greenfield Capex for Dahej any development and if you could just share a little more on this particular aspect thank you.
- M.K. Dhanuka:** Yes, in case of Dahej the work has already been started was because of the COVID situation there was little bit delay, but we are accepting our phase I shall be completed by March 2022 and phase II must be completed by March 2023.
- Rohit Nagraj:** And have we already received the EC for the same or is it under progress.
- M.K. Dhanuka:** Could you repeat your question please.
- Rohit Nagraj:** The environmental clearance have we already received it or is it under progress as of now.
- M.K. Dhanuka:** I think it is under progress.
- Rohit Nagraj:** Thank you sir I will come back to you and best of luck.
- Moderator:** Thank you. The next question is from the line of Saleel Dalal from JM Financial. Please go ahead.
- Saleel Dalal:** Sir I had a question on distribution margin on your products. So sir if you are typically what would that be for example if you sell a particular product at Rs.100 what is the price the farmer would pay to the retailer.
- M.K. Dhanuka:** Bansalji you are replying the question.
- V.K. Bansal:** Yes, you see you are saying if the distributor price is Rs.100 what he prices to farmers right.
- Saleel Dalal:** Yes, correct sir.
- V.K. Bansal:** You see it again depends normally on distributor to farmer there should be a difference of around 20% to 25% but in some molecule the difference is very less those are very much generic of what big brands and in case of blended molecules like 93 and all the margin is slightly higher, but on an overall basis there should be a difference of around the price including GST to distributor and the farmer price there should be a difference between 25% to 30%.



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- Saleel Dalal:** And sir for the products that we have your chemicals and insecticides and this thing what are the direct substitutes that are available in the market and how are they priced relative to Dhanuka Agritech.
- M.K. Dhanuka:** Could you repeat the question.
- Saleel Dalal:** Sir the typical product portfolio that we have what are the direct substitutes available in the market and how are they priced relative to our product portfolio.
- M.K. Dhanuka:** Yes, so there are many substitutes available for the products we are marketing except there maybe a few products which are especially available with Dhanuka you would be aware Dhanuka is having tie-up with several multinational companies and through these multinational companies we have some specialty molecules which are available with few companies only and they are for specific segments but most of the products they have some or the other substitutes available in the market.
- Saleel Dalal:** And so the product that had substitute in the market how would be they priced relative to them.
- M.K. Dhanuka:** Again there would be a very wide range because of the same problem the generic product would be lower priced and specialty molecules would be double of the price of the generic molecules.
- Saleel Dalal:** Thank you so much. That is it from me. Thank you.
- Moderator:** Thank you. The next question is from the line of Varun Gupta from RA Securities. Please go ahead.
- Varun Gupta:** Congratulations for the good set of number and thank you for taking my question. Just wanted to know have you received any tie-ups with Japanese company to manufacture special molecule in India at your new facility at Dahej.
- M.K. Dhanuka:** No we have not received any Japanese product for manufacturing at Dahej because there was question chicken first or rice first so we were basically discussing for providing the product but the Japanese companies were talking that you do not have any plans they really will manufacture the product so now we have decided to put up the family and Japanese are very basically you can say perceive so they would first lie to visit the plant and then they will decide to share the molecule with Dhanuka.
- Varun Gupta:** But we are in talks with them on this.
- M.K. Dhanuka:** Yes, because we have very good relationship with number of Japanese companies, so we are in talks with them.



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- Varun Gupta:** And what is the new on bio-pesticides and any future plans to venture in the bio-pesticides.
- M.K. Dhanuka:** Bio-pesticides can be divided into two segments one is bio-nutrients or bio-fertilizers which Dhanuka is already marketing since quite many years last year the government has introduced a new guidelines wherein all these products will be covered under the FCO the fertilizer control order other than that the bio controls which control the infect or the fungus are at a very nascent stage in the Indian market but definitely they will have a play going forward in the near future.
- Varun Gupta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Himanshu Upadhyay from PGIM Mutual Fund. Please go ahead.
- Himanshu Upadhyay:** Congratulations on good set of numbers. My first question is we have seen a significant issues on the rural side because of COVID, what are you seeing on the cropping and how do you see this will impact the business can you elaborate more on this.
- M.K. Dhanuka:** This is really indeed unfortunate that COVID link situation has a spread in to rural markets and we are facing the challenge of healthcare facilities available in the hinterland now while it is happening, it is happening in the middle of offseason of agriculture, April and May are just pre monsoon and farmer is just getting ready for the agriculture I really hope that as monsoons approach and looking at the current commodity prices and trend and government's effort to catch-up on COVID control measures we will be much better of by the time sowing is happening and farmer is ready for agri import.
- Himanshu Upadhyay:** Is it currently impacting the demand in the market means what so are the spends are you think.
- M.K. Dhanuka:** These are not relevant months for demand what we saw last year was pretty unlike situation where there was aggressive and speculative purchase so that speculative purchase is not happening, yet the business is not bad.
- Himanshu Upadhyay:** And the backward integration or API so the Capex what we are doing have we fix the products or what is the thought process means can you elaborate on that you did announced that.
- M.K. Dhanuka:** Initially we are putting up the formulation unit which will we hope that will be completed by March 2022 then we will be putting up one multipurpose insecticide plant where we would like to manufacture Synthetic Pyrethroids which includes Fenprothrin, Bifenthrin, Lambda-Cyhalothrin, etc., and after that we will be putting up a multipurpose herbicide plant and later on since we have a huge land available 142000 square meter area is available with Dhanuka so we will therefore our Japanese collaborators to basically have some tie-up with us and then we would like to go for some backward integration for intermediates or some other technical on custom synthesis basis and on basically you can say job work basis etc. So we hope that a lot of





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exports will also happen once we enter into the technical manufacturing because exports are increasing the overall exports are higher in comparison to domestic consumption.

**Himanshu Upadhyay:** Sir currently the focus would be on the formulation so we from next two years in Capex and after that the backward integration will get into or will start spending on backward integration would that be the right thing to say.

**M.K. Dhanuka:** Yes, from FY2022-2023 formulations will start and FY2023-2024 the technical production will start.

**Himanshu Upadhyay:** And the overall Capex what you are getting for FY2022-2024 next three years.

**M.K. Dhanuka:** Overall the Capex will be in the range of around 300 Cr.

**Himanshu Upadhyay:** Thank you from my side sir.

**Moderator:** Thank you. The next question is from the line of Viraj from Securities Investment Management. Please go ahead.

**Viraj:** Congratulations for a good set of numbers I just have three questions. First is last year in the same quarter we have seen some postponements of sale in the Q1 so how much that sale was if you can give any...

**M.K. Dhanuka:** It was approximately 10 to 12 Crores.

**Viraj:** Just a related question is you talked about overall demand still not being that great compared to last year, but so just trying to understand this a little better is that is there a normalization in terms of placement cycle you see or there is still some kind of preponement in the placement cycle we are seeing it was a rising rural cases, COVID cases in rural market.

**M.K. Dhanuka:** Could you repeat that question.

**Viraj:** So are we seeing any still seeing any acceleration in placements and pickup at the retail formal level or there is still kind of or compared to the previous cycle it is still kind of normal right now.

**M.K. Dhanuka:** I think so last year was an unprecedented year when there was postponement of March sales into Q1 and preponement of some Q2 sales into Q1 and also some panic buying by the channel. So all these three things are not happening this year and what we are witnessing this is normal season driven by commodity prices rainfall and irrigation availability.

**Viraj:** And just last questions were on the RM inflation what we understand is a lot of players have taken price increase in Q4 as well so for us what kind of price increase we would have taken in the generic and the specialty portfolio.



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- M.K. Dhanuka:** So as a matter of practice we review our RM cost cycle and then the effort is to pass on the cost to the end user farmer and that is what we have done in Q4 also and ongoing we will be doing it this quarter as well.
- Viraj:** So typically what was the price increase we would have taken and would have the sufficient to cover the RM inflation we have seen so far.
- M.K. Dhanuka:** Oh yes, absolutely it is more than sufficient to cover the RM cost increase and its impact.
- Viraj:** Thank you.
- Moderator:** The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.
- Resham Jain:** Congratulations on very good year. So I have two questions so first is on the crop side soya we are seeing a very good year and expected as you mentioned in the opening remarks as well it had some increase and historically we have a very good market share within the soya portfolio which somehow it not done well over last few years in terms of the soya acreage itself. So any expectation from your soya portfolio especially Targa Super which was a kind of a blockbuster product earlier so any thoughts over there.
- M.K. Dhanuka:** Thanks for bringing up the brand name Targa Super an all time favorite with the farmer a with me also Targa Super has done really well last year because it finds favor with oilseed and pulses and cotton and groundnut and soya beans. Now government of India has made a special effort every year especially for increasing pulses and oil seed area and recent announcements you would have seen that there is a special effort being made to increase oilseed acreages including soya bean and groundnut, so we foresee good traction on Targa Super, Sakura, and Max Soya our opportunity offering for soya bean, cotton and almost all pulses and oil seeds increase area of pulses and oil seeds is extremely favorable for Dhanuka portfolio.
- Resham Jain:** And sir even that the last two years question we will have 18 months has been a very strong year for us compared to the whole industry so if you can share general increase in your market share within the industry and also your expectation for FY2022 how you see the overall growth on a good base which we have seen in the last 18 months. That is it, thank you.
- M.K. Dhanuka:** It is in the difficult times that the real test of the processes and the relationship is tested and it was in last financial year 2021 that our relationship with our channel was put up to test and vice versa we were able to reach out over channel partners very aggressively and support them in the situation of pandemic Dhanuka was one of the first few companies towards activated operations in early April as an outcome we did probably much better than the markets and our market share has grown in 2021 we are expecting a good performance of monsoon we are expecting a good performance on commodity prices front and eventually we really hope to be performing



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extremely well and above average in this year as well. We are completely prepared and really optimistic about FY2022.

**Resham Jain:** Thank you.

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

**Varshit Shah:** Congratulations on a good set of numbers, I think our margin performance is really commendable despite all the challenges. My question is sir on the Dahej front so you mentioned that you will have the formulation unit Capex going consistent in FY2022 so can you breakup with timeline of spending 300 Crores so I see there is a 50 Crores increase in the gross block this year so is that also pertaining to Dahej or is it not pertaining with Dahej and would split the Capex spend on year wise.

**M.K. Dhanuka:** You see this year the very insignificant amount of Dahej is nothing just like that and this year the increase in percentage coming only because if the lease of this our corporate office so there the provision now we have to create a right to use asset in the corresponding liability in the noncurrent liability you will see there. So major increase is around 35 Crores is on account of the new office and in terms of you see breakup of the investment in Dahej, so we are in the year current financial year 2021-2022 we are expecting an investment of around 80 to 90 Crores and around 130 Crores in the year two that is 2022-2023 and remaining is 2023-2024.

**Varshit Shah:** That is helpful, and my second question is sir on the FY2023 Capex for technical manufacturing of largely product wise and you mentioned some of the name, alluded to some of the name, what is the key reason for getting it selecting this kind of molecules is it because of early that your raw materials in the vicinity or and would that be fully backward integrated that is my first question.

**M.K. Dhanuka:** No they will not be fully integrated basically these molecules are also basically consumed by Dhanuka in its own branded formulations so we foresee that 40%, 50% of the basically production will be consumed by Dhanuka in its own formulation only 50% capacity we will have to basically market to the other companies so one is that reason the second one is the technology is easily available with the Vice President which we have appointed and he is get quite familiar with the production of the molecules so that is why initially we have chosen these molecules to start with but gradually we would like to go for some specialty molecules by tying up with Japanese companies.

**Varshit Shah:** And one last question from my side so do you think that the industry not specifically asking in guidance, but industry can probably we cross a double-digit margin from the revenue growth for FY2022.

**M.K. Dhanuka:** Yes, definitely we are expecting double digit growth in FY2022 also.



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- Varshit Shah:** That is great and all the best.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Kotak Securities. Please go ahead.
- Ritesh Gupta:** Hi sir this is Ritesh Gupta from Kotak. Sir just two questions from my side, one is on the margin side because this year the margins have been strong so if you could just give me some sense in terms of how the raw material prices have behaving in near-term and how do you expect them to deliver over next two, three quarters and then the second one is if you could just highlight some of the key molecules that we have in this piton of a time when license is there so these are the two questions from my side.
- Moderator:** Sorry to interrupt Mr. Gupta sir there is a disturbance coming from your line request you to mute your line when the management answers your question.
- Ritesh Gupta:** I had two questions this is Ritesh from Kotak one is on the margin side how do you expect the next year to pan out especially given that last one or two years have been reasonably a good so in terms of our raw material prices at least at the industry level how they are behaving especially the imports from China etc., and the second one is on the in-licensing share of 40% if you could just highlight what are the key molecules that you are, what are the key molecules that formed this quarter 40% I would understand the other people would be one of the largest but what are the other one in that.
- M.K. Dhanuka:** You see as far as margins are concerned in terms of gross margin we are expecting the same level of margin in the year 2021-2022 despite significant increase in some of the molecules or some of the raw materials in terms of EBITDA we would like to see basically have same kind of EBITDA there could be a little bit 10% decline in terms of the margins and second part of your question with regard to the could you repeat your second question.
- Ritesh Gupta:** Yes, in-licensing share of 40% so what are the key molecules there in that 40%.
- M.K. Dhanuka:** Key molecules are normally Targa Super, Sakura, Sempra, Konica, Luster, Mortar, Caldan 4G and then the liquid cover these are the main molecules.
- Ritesh Gupta:** And this would be in the same order right I mean in terms of the size these molecules will be in the similar order kind of size.
- M.K. Dhanuka:** Yes, you are right.
- Ritesh Gupta:** And just on the gross margin question you said that some raw material prices have increased but you still expect your margins to remain pretty much intact as last year on the gross margin it is so



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if you can just elaborate a bit on that is it because of the product mix for you or how does it work I mean would you take price hike.

**M.K. Dhanuka:** You see it is two way one is just product mix is always there number two we have been able to pass on that increase to the customer.

**Ritesh Gupta:** Thank you so much that is it from my side.

**Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

**Pritesh Chheda:** Just a couple of clarification the line was not audible, so we are looking at the margins the EBITDA margins to expand that is how we have put it right.

**M.K. Dhanuka:** No, we are not looking but what we are saying we will try to maintain that same level of EBITDA so there is a significant improvement in the EBITDA margin this year so we are saying we will try to maintain that new level of EBITDA margin in the current financial year.

**Pritesh Chheda:** And second clarification I was seeking was if they were common then there was some channel filling and preponement which happened in quarter one last year so you are referring to a high base for quarter one but for FY2022 we expect to grow the business that is how you mentioned I have got confusing these two if you can comment sir.

**M.K. Dhanuka:** Could you repeat your question please.

**Pritesh Chheda:** I said sir you have mentioned to one of the participant that Q1 last year had a channel filling and some preponement of business of Q2 into Q1 and some postponement of business from Q4 into Q1 that is how you have mentioned so you are referring to a high base of Q1 that is how you are putting it and you expect 2022 to grow or I was confusing this comment actually.

**M.K. Dhanuka:** Yes, you see that is right last year Q1 was unprecedented and this year we are not expecting many growth in Q1 because last year the growth was more than 70% in the Q1 because of the postponement of the Q4 of the previous year and the preponement have received in the Q2 of that fiscal year so this year there should be some decline in the Q1 numbers in terms of the topline.

**Pritesh Chheda:** And lastly sir one more question, now what the status on is that 27 products we band which you suppose to be revived and band in India so any update there.

**M.K. Dhanuka:** Yes so that project is on hold and the government is not moving on the banning of those 27 products which was also according to us was not a rationale approach we had directly and through our associations represented to the government to take a rationale approach towards



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offering farmer variety of choice of the specialty products as well as generic products and as of now that is what is prevailing, and all the products are available to the Indian agriculture.

**Pritesh Chheda:** Thank you very much and all the best and stay safe sir. Thank you very much sir.

**Moderator:** Thank you. The next question is from the line of Pritesh Vora from Mission Holdings. Please go ahead.

**Pritesh Vora:** You have mentioned about the double digit growth is it based on the number of acreage sowing more or what are the criteria actually lead to double digit growth.

**M.K. Dhanuka:** See the primary criteria around double digit growth are two, one is good irrigation opportunity so we have a good monsoon forecast and lot of irrigation opportunity which has been activated by recharging of ground water and expansion of canal irrigation and expansion of electricity availability so that is number one availability of irrigation through monsoon and otherwise. Number two is commodity prices so we are looking at commodity prices already moving up and in future also expanding especially when we are looking at oilseeds and pulses Dhanuka has a special position in oilseeds and pulses portfolio and we are looking at these two segments expanding significantly in the country because of one direct demand we are aware that India imports lot of crude oil which is palm oil from Malaysia and Indonesia so we want to substitute that from local production of oilseeds and you also import lot of pulses for the protein consumption of largely vegetarian population so India is also working on lot of substitution of pulse import by increasing acreages Government of India all the State Governments are supporting that this time that is what we are banking our growth plans on.

**Pritesh Vora:** My second question is about the Japanese tie-up you mentioned that once the plant will be ready then the Japanese will come for inspection and then something can happen so what the quantum are we are talking about what the size of this business from Japanese is.

**M.K. Dhanuka:** As of now we are sticking to the fact that we are putting up a technical plant which will support us good time our own captive consumption and growth in the domestic market it will also give us opportunity to look into export markets and export opportunity you would appreciate that formulation business versus a diversified backward integration business is completely different that is a different opportunity which we will explore as we go forward.

**Pritesh Vora:** But I could not see any major CWIP in your balance sheet so is this the plan still early stage or...

**M.K. Dhanuka:** Yes, you will see CWIP in the current financial year which means the next year basically because investment has to be made in this financial year last year there was hardly any investment.

**Pritesh Vora:** Wish you all the best thank you very much sir.



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- Moderator:** Thank you. The next question is from the line of Chintan Modi from Haitong Securities. Please go ahead.
- Chintan Modi:** Sir my question is on the receivable days improvement that we have seen during the year do you expect that to kind of remain at same levels during the next year or there could be some reversal.
- M.K. Dhanuka:** You see there was a big improvement in the last year our average acquisition periods were reduced by quantity the momentum is maintained and we are expecting to maintain a same level but yes the 5, 7 days the deterioration cannot overruled however we are trying to maintain at same level.
- Chintan Modi:** And secondly sir can you quantify what is the average price hike that you would have taken.
- M.K. Dhanuka:** Average price for what.
- Chintan Modi:** Price hike recently to compensate for the cost increase.
- M.K. Dhanuka:** The cost increase was basically in few generics not all the brands so in some molecules we were able to pass on the entire increase to the customer in some molecules there is a delay of 15 days or one month so overall we have been able to pass on because of that only we were able to maintain our gross margins otherwise it is very difficult to maintain the same level.
- Chintan Modi:** No I understand that sir, sir for the next year for the coming kharif season what is the effective price hike that you would have taken is what I am trying to understand.
- M.K. Dhanuka:** Effective price for what purpose you are telling I could not get your question.
- Chintan Modi:** Sir products that we sell, the average price hike across.
- M.K. Dhanuka:** See average price will normally take the same as the prevailing price in the previous year normally.
- Chintan Modi:** And just sir could you give what was the split last year, so of the 24% growth what was the volume growth rate and what was the price related growth rate.
- M.K. Dhanuka:** The price that was less than 1% as a whole.
- Chintan Modi:** Sorry I did not catch that sir can you please.
- M.K. Dhanuka:** See our overall growth was 23.87% times, the volume growth was little lower by around 0.5% so the price increased by at 0.5%.



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- Chintan Modi:** So the same price hike that I am talking about this year how much effective price hike that we can expect that is what I am talking about.
- M.K. Dhanuka:** So basically I am expecting another 1% to 1.5% increase in the price as a whole.
- Chintan Modi:** And that will be sufficient to kind of maintain your gross margins that you are saying okay.
- M.K. Dhanuka:** Yes, absolutely.
- Chintan Modi:** Sure sir, that is it from my end. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Deepak Kolhe from B&K Securities. Please go ahead.
- Deepak Kolhe:** Congratulations for good set of numbers. Sir my first question, sir can you please guide on like which are the products you are going to launch in the next one or two years and how do you see the envision turn on index moving currently.
- M.K. Dhanuka:** Yes, so in current year we are expecting to launch 293 products and in next financial year also we will be launching 293 products and other than this when I see plus there would be certain in-license products as well talking about ITI index so financial year 2021 our ITI index is close to 10.5% and in next year that is FY2021-2022 we are expecting it to be close to 12%.
- Deepak Kolhe:** And sir also can you please once again repeat the zone wise, and segment wise the revenue breakup for fourth quarter.
- M.K. Dhanuka:** You see zone wise they are in the immediate number revenue for the year North contribution is 26%, East is 11%, West is 32% and the South is 31%.
- Deepak Kolhe:** And segment wise sir.
- M.K. Dhanuka:** Segment wise see if we talk about the year insecticide contributes 41%, fungicide is 17%, herbicide 30% and now others are 12% if you talk about the quarter insecticide 50%, fungicide 17%, herbicide 21%, others are 12%.
- Deepak Kolhe:** Thank you sir that is from my side.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Sir first question is update now you must came that in current year definitely the rural market is impacted by COVID but there is a lot of support given by the government similarly like last year we are also seeing that agri commodity prices across have gone up and sale also to likely to benefit to the farmers in such a condition just wanted to understand from you how net, net





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farmers cash positions are vis-à-vis last year or we are still better off or it is a poorer than last year that is one and second do you see that the rise in commodity prices is going to have a much positive impact on overall agri input industry demand.

**M.K. Dhanuka:**

That is a very encumbering question Rohan and you would notice that the government is literally going all out to support the farmer and the agriculture in terms of the cash flow which we look at means a big chunk of cash flow comes to farmer from the direct purchases by food Corporation of India or cotton commission of India now in North India what we are witnessing is that government is doing direct transfer to the farmers bank account and so if we were to take this piece as an example then the cash flow is improving for the farmer with the direct money flowing into his bank account and he has a better say and control on this money as compared to in past that the commission agent would have a first say and control on the money so farmer cash flow to that extent would increase opening of e-norm and weekly markets and other mechanisms being adopted by the government would also actually improve the cash flow now if we look at commodity prices going up now commodity prices going up would also improve the farmers cash flow COVID will continue to run like a wave from one state it will go down in another state it will catch up and this is going to remain there for about another 30 to 45 days as most exports are predicting by the time central government and the state governments they catch up with medical facilities and vaccination programs. What we are witnessing now the COVID wave and actions of agriculture activity is coinciding, April and May and mid June are not the high activities of agri input or agriculture activity so if we witness right sowing in the month of June then agri input industry will certainly witness a upside in the coming monsoons.

**Rohan Gupta:**

And the guidance of Dhanukaji give roughly double digit growth in the current year so can you be more specific like what kind of volume growth one is looking, or you are looking for the current year sir.

**M.K. Dhanuka:**

So we are looking at a reasonable volume growth like our MD explained it would be lower double digit growth for the year I think so I can just simply add there in terms of the government support if the fertilizer prices were going up the government has banded up with significantly increased subsidy if the subsidy would not have increased then the cash flow of the farmer would have diverted towards fertilizer and other agri inputs like pesticides would have less wanting if this is still being visible the cart is again balanced and agri inputs like agrochemicals and other agri inputs will certainly send to gain with opening of pockets by the government and we certainly expect double digit volume growth in our portfolio.

**Rohan Gupta:**

And just a last question from my side sir in last two to three years w have seen that our other expenditures has been almost averaging at close to Rs.130 Crores every year I understand that last year we have also because of the pandemic we have tried to control it as much as possible so despite a very solid revenue growth our other expenses did not increase too much it has been just averaging it almost 130 Crores from last four years do you see that the current year we make decent year for the agri activities and revenue growth is already back now are we focusing on



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increasing the farm level activity and the kind of rural spending in terms of advertising branding which may use to do earlier is going to come back in a big way or still it is going to be control and is likely to remain in the same level in absolute term like 130 to 135 Crores in this year also.

**M.K. Dhanuka:** You see last year there is a significant improvement in the expenses in terms of traveling and all but on an overall basis yes you are right because this one because of office and all but this year we are expecting some increase in the other expenses side in the year 2021-2022 because last year lot of saving on account of because we could not do any farmer meeting and the distributor meeting but again this year the situation of COVID is still persist so I think and increase must be in some sort of corporate bonding otherwise all other expenses would remain in line with the last year.

**Rohan Gupta:** That is it sir for my side, thank you I will come back in the queue for any follow-up question sir thank you so much.

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

**Resham Jain:** Just one more question on the Dahej project we are investing like 300 Crores in phase I so what are the general financial metric which you feel you are looking at with this 300 Crores Capex in terms of revenue, asset turns, return ratios, broadly if you can explain once they sold project gets stabilized let us say two three years down the line what kind of topline return ratios you typically look at.

**M.K. Dhanuka:** You see the investment of 300 Crores not in one phase we have said that we are going to invest at 300 Crores of three financial years which is 2021-2022, 2022-2023, and 2023-2024 once this money is invested the revenue will start coming in 2023-2024 itself and with this investment we are expecting a revenue, it is an estimate in the year 2023-2024 around 200 Cr and by 2024-2025 and 2025-2026 it is up to 350 Crores or more and secondly once we are see know the market with regard to export and the captive consumption, the incremental capacities can be increased there is any minimal investment, in terms of margin we have not very concrete idea so far but we are expecting around 12% to 15% sort of EBITDA on this turnover.

**Resham Jain:** Thank you. That is it from my side.

**Moderator:** Thank you. The last question is from the line of Probel Sen from Centrum Broking. Please go ahead.

**Probel Sen:** Dhanuka sir just wanted to understand the first phase that you have explained about the Dahej expansion FY2023 what can you sort of look forward to in terms of actual impact on the business this is from what I could understand it is not so much get incremental revenue but it is also about improvement in terms of the raw material cost mix so for FY2023 from phase I can we expect a



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material change in terms of margin profile to the extent of formulations that will be replaced for internal use and plus you said 50% of that would be sort of sold to outside parties as well so how do we look at this for one or two years down the line.

**M.K. Dhanuka:** You see you are saying what should be the improvement in our margin because of captive consumption of condition if I correctly understood your question right.

**Probel Sen:** Yes, you said sir for the phase I you mentioned that 50% or what we will manufacture in terms of the formulation will be consumed in-house so I presume that the intension to do this is that we can make them at a cheaper cost then what its case through to purchase of credit correct.

**M.K. Dhanuka:** You see when we are saying see we are able to, we will be able to generate around 12% to 15% EBITDA on the technical plant which means assuming if there will not be any impact in Dhanuka because we add margin there so we cannot add margin both sides number one number two as far as see one consumption is a very rough estimate could be lower then that is right it depends if we consume 40% or 50% we are assuming see while consuming in Dhanuka Agritech we are taking the price as per the saving back to others am I able to answer your question.

**Probel Sen:** Yes, got it and sir the second last question from my side was when it comes to the growth guidance which we are talking about double digit anything that can change in the next three months I mean what I mean is that as you mentioned that you are building in estimate based on the next 30 to 45 days being the peak to be sort of being hit in most of the states or in the rural part so if the vaccination drive is slower if the same in the rural area prolongs there is a small downside risk with these growth guidance.

**M.K. Dhanuka:** Well COVID related uncertainty is extremely difficult to forecast we do hope that agriculture would continue to be leaver of economy and would not let us down. So rest of it is speculated.

**Probel Sen:** Thank you so much for your time, appreciated and congratulations on a great set of numbers.

**Moderator:** Thank you. Ladies and gentlemen this was the last question for today I would now like to hand the conference over to Mr. Manish Mahawar for closing comments.

**Manish Mahawar:** Thank you Mallika. 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 a closing comment sir.

**M.K. Dhanuka:** Yes, I would like to repeat that due to good monsoon projection and availability of water in the reservoirs Dhanuka is expecting very good growth in financial year 2021-2022 also we continue our endeavor so the Dhanuka perform better than the industry average and delivers that to meet the expectation of all stakeholders including the farmers and shareholders against that the monsoon remains very good as per the forecast of the IND and the Indian farmer community



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reach a good harvest in the ensuing Kharif season was based in the last Rabi season agriculture is the backbone of the Indian economy and Indian farming community is dependent on agriculture for their bread and butter so even if COVID pandemic pertains basically farmer do not have the choice he has to basically go for sowing and do agriculture so I do not foresee any major impact because of the Covid on agriculture sector even the government is talking that there will be all time food grain production will be all time required high in this year as well as the coming year so I hope that in times to come the Indian farming community will be benefited from the governments initiative and the agri input industry will also get the advantage of that. Wishing you all health and safety thank you very much.

**Moderator:**

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