Date: November 16, 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

Symbol- DHANUKA

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

Scrip Code : 507717

Sub: Transcript of Q2 FY2022 Earnings Conference Call with Analysts/Investors

Dear Sir,

Please find enclosed transcript of Q2 FY2022 Earnings Conference Call organized with Analysts/Investors held on 30th October, 2021 post declaration of Un-audited Financial Results of the Company for the Quarter and Half Year ended 30th September, 2021.

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

Jitin Sadana
Company Secretary & Compliance Officer
FCS-7612

Encl: a.a

"Dhanuka Agritech Limited Q2FY22 Earnings Conference Call"

October 30, 2021

MANAGEMENT: **MR. MK DHANUKA - MANAGING DIRECTOR,**
MR. HARSH DHANUKA - EXECUTIVE DIRECTOR,
MR. RAHUL DHANUKA - CHIEF OPERATING OFFICER,
MR. VK BANSAL - CHIEF FINANCIAL OFFICER.

MODERATOR: **HIMANSHU BINANI FROM ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, Good day and welcome to Dhanuka Agritech Limited 2QFY22 Post-Results Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in 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 operator by pressing '*' and '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference so what Ms. Himanshu Binani from Antique Stock Broking. Thank you and over to you sir.

Himanshu Binani: On behalf of Antique Stock Broking, I would like to welcome all the participants on the Post-Results Conference Call of Dhanuka Agritech.

From the management we have Mr. MK Dhanuka - Managing Director of the company, Mr. Rahul Dhanuka - Chief Operating Officer, Mr. VK Bansal - Chief Financial Officer of the company.

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

MK. Dhanuka: Good afternoon, ladies and gentlemen. Myself MK Dhanuka, Managing Director of Dhanuka Agritech Limited. I hope all of you are doing well and keeping safe. Thank you for joining us in this Q2FY21-22 result conference call.

I have with me Mr. Rahul Dhanuka, Chief Operating Officer of the company, Mr. Harsh Dhanuka, Executive Director of the Company and Mr. VK Bansal, Chief Financial Officer of the company.

As you know Dhanuka Agritech is a leading agrochemical company in India, focusing on branded sales in the market. The company's strength lies in the manufacturing and marketing of formulated products. The product portfolio is spread across insecticides, herbicides, fungicides, and plant growth promoters. Dhanuka Agritech is working for transforming India through agriculture by working with farmers closely to improve their production and quality in term enhancing their income.

We worked in all major crops in India, and have implemented the best in class technology to ensure a smooth and efficient supply chain. To s[redacted]

Dhanuka has a Pan India presence through our marketing team, and warehouses in all major states across India. With three manufacturing units, 40 warehouses and 14 branch offices across India we cater to around 6500 distributors and dealers and around 80,000 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 and develop new products. Dhanuka's strong R&D division has world class NABL accredited laboratory, as well as an excellent team for new product registration and development. Dhanuka has international collaboration with 10 leading global agrochemical companies from U.S., Japan and Europe which helps us to introduce the latest technology in India.

The Government of India is taking several initiatives to enhance the role of agriculture in the growth of the Indian economy, such as increasing Minimum Support Price, eNAM portal, Direct Benefit Transfer, and PM Samman Nidhi, this is helping to create a robust foundation to enhance farmer's income, encourage wider adoption of high quality seeds and judicious use of pesticides and fertilizers.

Coming to the financial performance for Quarter 2 of FY21-22

reversed in the month of September and October. And currently, the conditions are favorable for consumption of agrochemicals. Unfortunately, because of the erratic behavior of monsoon, in the month of August and September, the sales and consumption of agro chemicals was impacted to a large extent. When the rains were required there was dry spell for 25 days to 30 days. And when rains were not required, there was heavy rainfall converting into the flood in a number of states, which has impacted the sales and growth of the Agchem industry.

Apart from this, the crop conditions in North India was very good and farmers reaped a good yield. But unfortunately, there was no pest impact on the crop. Because of which the sales of agrochemicals was impacted.

Coming to zone wise share of turnover for FY 21-22 for Q2, North zone has contributed 21.71%. The East zone has contributed 12.14%. West zone has contributed 35.66%. And South zone has contributed 30.49%. Product category wise share of turnover for Q2 of FY 21-22 Insecticides contributed 43.45%. Fungicide contributed 23.41%. Herbicide 22.54% and Others 10.60%.

As discussed last time, the company has also started working on its Greenfield project at Dahej, Gujarat. Further, I am happy to inform you that Dhanuka has been granted its first patent on 9th

Varshit Shah: So my first question is on the Dahej manufacturing projects any update on the progress? And is there any change or revision in timelines for the execution of the project?

MK Dhanuka: There is no change and the project will be on track. There is a delay of around four to six weeks because of heavy rains in the month of September but we are sure will be in time by March.

Varshit Shah: Secondly, in terms of the new products, which you just mentioned, for which you have been granted patent. So are there any other molecules in the pipeline where the work is going on? And probably some of some of the fruits can come in over the next two to three years? And my question pertains to the fact that our innovation turnover index has kind of suffered given COVID and then of course, we had weather challenges. So just wanted to understand are we building our own 93 strong pipeline from a two to three year perspective?

MK Dhanuka: Yes Mr. Varshit, so, we are bringing every year two new 9(3) molecules as per our commitment. And this year, we have already launched one molecule and one more molecule to be launched by end of Q4. Next year also we have two new 9(3) molecules in the pipeline. With respect to the patents, yes, this is the first patient received by Dhanuka and this product is expected to be launched in at FY23-24. And we have further patent also in the pipeline.

Varshit Shah: One last thing which I observed in your disclosure. So I think Insecticide category fields have suffered in both the quarters in Q1 and Q2 and H1 as a whole. So is this sort of weather related phenomena or they were lower number of pest attacks in probably the categories where you are present. So any color on that?

VK Bansal: You see it is largely on account of the dry spell in the month of July and weather, so missed certain states, because of which you see sale of insecticide has suffered.

MK Dhanuka: And as I share there was no pest in North zone and the Insecticide are used mainly to control the pests. So, when there was no pests so consumption of Insecticide was less in North India, which has also affected the sales of the Insecticide category.

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

Rohan Gupta: We have seen that the there is a rising input costs pressure, chemical prices across the board are going up and also there is a China power crisis which is also going to affect the availability of many intermediates. And we still have an asset light business model so, how do you see that we are prepared to handle these challenges in Rabi crop? How much kind of inventory we have? How is the availability of intermediate coming from China or even domestically and definitely it will be available at a higher cost. So, would we be in position to pass it on to the end customers?

VK Bansal: Mr. Rohan the prices of the generic technicals which are being imported from China or the companies who are manufacturing the technicals in India they are also importing by intermediates from China and the prices has increased like anything. I can say that the China has become crazy in increasing the prices.

There are four reasons behind this increase in the prices:

#1 The power shortages in China, because of which the units have been closed on by the Government and hardly the units are operating two days a week instead of seven days a week.

#2 The phosphorus price has increased by 100%. So, that is the second reason for increasing the prices of raw materials, because phosphorus is the basic raw material for manufacturing of number of intermediates and technical grade pesticides.

#3 Is basically these freight costs because of non-availability of the containers, the freight cost has gone very high three to four times that is the third reason.

#4 The Chinese President wants blue sky, during the Winter Olympics, which are supposed to be held in February 2022 in China, so because of which the Government has passed order to close down all the hazardous chemical and pesticide industry.

So, there is a gap between demand and supply, demand is more and supply is less due to which the prices have increased like anything. Although the technical prices have increased, but the brand prices have not increased, but since the season for Rabi is going to start now, it is expected that from November onwards, the price increase will happen in the market in the brands also and Dhanuka has increased these prices effective from 1st November 2021.

And I am not sure whether how much price increase we will be able to pass on it will depend on the market conditions, how the competitors behave in the market and how much inventory each company is holding. We do have inventory for at least two months for sure for November and December and some maybe for January also. But after that, we will have to procure raw material at a higher cost and presently also for some raw materials, we are procuring at new prices.

Rohan Gupta: So in case, we are not able to increase the prices. So you are still not sure whether you will be able to pass on all the costs increase or not. And then we may expect some kind of margin pressure. I also draw parallel in the current crisis in China when almost couple of years back there was a fire at the China's plant and we had a supply chain getting disrupted for almost six months and chemical prices at that time had gone up sharply and we have seen a margin pressure in our companies significantly in those three to four quarters. So do you compare that current

situation is like similar and if we are not in position to pass it on, we may see some margin pressure, like what we had witnessed earlier almost three years back?

VK Bansal: You see Rohan, as far as we believe, whenever such a steep increase is there so we always get the advantage of the inventory lying in the system even if we are not able to pass on the entire increase, we still have firm opinion that there would not be any decline in the gross margins at least in Q3. If we could have been able to pass on the entire increase, then definitely there would be a good increasing in the gross margin in the quarter because of the carry over inventory in the system. So, I don't see any possibility of declining in the gross margin in Q3 at least.

Rohan Gupta: Dhanukaji in terms of raw material challenges. So, though we have enough inventories of almost for two months, but is the material available though even at a higher price or we are facing; do you anticipate that the material itself may not be available in the market after two months and that may create the problem, even if in a good Rabi season we may not be able to produce and sell in the market to do so foresee any such situation?

MK Dhanuka: Availability is not a question only the question is of the price. Some importers are taking the situation advantage, although the cost has not increased to that extent, but they are taking the advantage of demand and supply gap. So material availability is not a question, but for future you cannot predict 100%. But 90%, I do hope that the product will be available at higher prices.

Rohan Gupta: Last question from my side, I will come back in queue again. Your investment in this technology that's a great initiative taken by the company; and the stake which you have taken in this drone company. So if you just can share a little bit more that what is the thought process behind it, is the more value-added services which you want to provide to the farmers? And taking it as a business opportunity going forward or right now it is just only on an add-on service pr

Rahul Dhanuka: Actually, the rainfall has been really good. Commodity prices are looking up. So farmer is going to be really aggressive in terms of increasing the acreages as well as investing in the crop. DAP, non-availability DAP prices shooting up, is certainly a cause of concern in terms of impacting the yield for the farmer. At Dhanukawe get an opportunity to offer alternatives to the farmer in shape of MYCORE, our Mycorrhizal product, which is an organic byproduct for nutrient support to the plant, by extracting nutrients from the ground. This also gives us opportunity to offer

[redacted]

odd only. I am just reconfirming, you already mentioned that by the March '22 project will be over. So the rest of the project will get over in the next four, five months.

MK Dhanuka: Yes, absolutely right, up to September, around Rs. 10 crores to Rs. 12 cro[redacted]

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

Rohit Nagraj: The first question is on again harping on the Dahej facility. So, when the formulation plant and the technical plant is completed by March '23, in FY24, I think earlier, we had provided guidance of about Rs. 200 crores of revenues from this facility. Would that be the right assumption to take?

VK Bansal: Yes, you are absolutely right. We expect around Rs. 200 crores turnover in FY23-24.

Rohit Nagraj: The second question is from the industry dynamics perspective. So, historically, time and again we have seen that whenever the input cost pressure arises, normally for players, Agrochemical players, it is difficult to pass on to the farmers, has there not been any change over a period of time that even the farmer income has increased, the MSPs have consecutively gone up. But whenever it comes for Agrochemicals, we always face this situation that we are not able to pass on the increase in raw material cost to the farmers. Any thoughts on this?

Rahul Dhanuka: Yes, So, I think so, I will not go with that statement and at Dhanuka almost every time we have been able to pass on the cost increase to the farmer. There are situations when the commodity prices are either low, or the market situation in terms of the crop condition is not favorable. When will not be able to pass on the cost to the farmer, and there would be very few quarters when such thing would have happened with Dhanuka. So we are able to do a lot of demand generation activity with the farmer. We do lot of branding and promotion activity with the farmer. We do a lot of ground level education activity with the farmer. So whenever there is a price increase, and we are able to pass it on to our customer, the brand conscious farmer, the quality conscious farmer goes for Dhanuka products.

Rohit Nagraj: Just one last clarification on the EBITDA margins. So on Dahej, we had indicated that we will have EBITDA margins in the range of 12% to 15%. And for FY22, the EBITDA margin guidance earlier indicated was 16% to 17.5%. Is this right to take from the calculations perspective?

VK Bansal: Yes, that's right.

Moderator: Thank you. Next question is from the line of Chintan Modi from Haitong Securities.

Chintan Modi: Just one question on the cash flow front we saw significant squeeze during the first six months. Could you explain, it seems more on the working capital side, so if you could just explain what were the actual reasons for that and do we expect some kind of reversal happening in the second half?

MK Dhanuka: You see last year was exceptional year. There was a significant improvement in the NWC. But as a matter of fact, this year, our NW cycle has increased from 89 days to 104 days, that is a

Rohan Gupta: And these you are talking in terms of volume growth, because I am sure that in second half we will see a lot of price led growth to happen, because prices have already started going up in January. So I see that at least 10% to 15% probably price increase, are you able to see or are you seeing in the across the product or it is lower than that?

Rahul Dhanuka: So I am certainly talking about the volume growth, for sure. And price increase, whatever price increase is happening, we are passing on. What's the price increase so for is?

VK Bansal: Price increase, I am expecting in Q3, and maybe in the range of 7% to 8% overall, not so much because there are many molecules on which there is no price increase. They are largely specific molecules and in terms of generic, there is a significant increase between 25% to 30%. Overall impact should be between 7% to 8% not more or rather it would be less, 5% to 6%, why is it so? Now price increase impacting is starting from November, October there is hardly any price increase. So thus Quarter 1, increase might be between 5% to 7% overall Q3.

Rohan Gupta: Any sense, Mr. Dhanuka, if you have while talking to the supplier, the China situation, because definitely the Winter Olympics are going to happen till Feb. The situation may not get addressed immediately. So any sense you see that the plant and the power crisis in China is getting over in near term, or it is going to go up for a longer period.

MK Dhanuka: Well, this crisis are very defined date of 31st December, to technically get over. So on 31st of December, the current scorecards so to say is achieved or not achieved, and then new meter it is started on 1st of January, yes the entire ecosystem will take its time to warm up and get activated. So probably another couple of months after the Chinese New Year of February, situation should be really easy and supply should become normal.

Rohan Gupta: So they have to achieve some certain numbers as well as environmental concern. They have to achieve by 31st of December, right.

MK Dhanuka: Yes.

Moderator: Thank you. Next question is a follow-up from the line of Rohit Nagraj from Emkay Global. Please go ahead.

Rohit Nagraj: In terms of our segment wise breakup, so the other segment which is PGN as well biological account for about 10% to 11%. And now we are setting up a new R&D facility as well. So any thoughts on because the biology's adoption has been increasing across the Board, maybe over a 3 to 5 year period, how much are segment revenue will be contributed from biological? And what are the new initiatives that we are taking on this time?

Rahul Dhanuka: Thanks for asking this wonderful question. Biological's growth rate is certainly higher than the conventional Agri-input growth rate. At the same time, I would like to remind the audience that in India, less than 40% of the agriculture is treated or chemically protected. So there is a huge scope for Dhanuka and agri-input industry to reach out to the farmer and protect the rest of this 60% unprotected agriculture. So there is a huge scope for the conventional agriculture. Yet, there is a huge emerging opportunity especially for fruits and vegetables and especially for export oriented crops, for biological. And at Dhanuka and at our R&D center, we are doing some really good experiments and trials of biological products. And as and when we are ready with that, will come to that.

Our current offerings certainly include biological fertilizers, biofertilizers, seaweed extract fertilizers, mycorrhizal which is again organic fertilizer. And MYCORE which we introduced very recently is finding huge traction in general, without DAP shortage. With DAP shortage, our team is absolutely gung ho, excited about MYCORE opportunity.

Rohit Nagraj: And that's interesting to know that there is a huge scope for this particular segment to proliferate further. One more question in terms of you said, on the pricing front, the pricing decision has always compared by how the competition will take price increases. So normally who do we look at in terms of competition, 'who bites the bullet first', because everyone usually says that we will look at the competition and then accordingly we will take the price hikes.

MK Dhanuka: I would really like you to go and tell the competitors, Dhanukas bites the bullet first.

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

Bhavya Gandhi: What would be our Pyrethroid percentage to the total component? And is Pyrethroid range unaffected due to China impact, is it so?

Rahul Dhanuka: Synthetic pyrethroid is one of the leading products of India Agechem production, India globally leads in synthetic pyrethroid production and exports. So synthetic pyrethroid is relatively unaffected when it comes to availability. In terms of raw material prices going up, synthetic pyrethroid prices are also going up.

Bhavya Gandhi: What would be our percentage of revenue from synthetic pyreth[illegible]

MK Dhanuka: We do Cypermethrin and four versions of Cypermethrin. Then we do Bifenthrin and two or three versions of Bifenthrin, then we do Lambda-cyhalothrin and then some versions of Lambda-cyhalothrin, yes then we also deal into pyrethroid. So these are some of the synthetic pyrethroids we deal with.

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

Saurabh Kapadia: What has been the volume and the value performance for this project?

MK Dhanuka: For Q2, you see there is a decline of around 3% in the volume, so there was a 2% gap between value and volume, in Q2.

Saurabh Kapadia: And looking over last two to three years, share of Fungicide has not increase at least in the first half. So is there any molecule doing well or it is a basket of molecular specially crops that we have seen a good growth in Fungicide portfolio.

Rahul Dhanuka: We have been able to really strengthen our Fungicide Portfolio, very aggressively. And some wonderful 93 introductions we did in last few years. We introduced Conika from Hokko Chemicals, Japan. Then we introduced Godiwa Super and Spectrum. We introduced Kirari from Nissan Industries and Nissodium from Nippon Soda. Kirari and Nissodium are very special Fungicides finding its space in grapes. Grapes as you know is one of the large horticulture crops and export oriented crops from India. Kirari and Nissodium also find a space in tomato and other horticulture crops which are again relatively high value crops.

So we were looking at this opportunity in the Indian market, especially in horticulture segment, farmer is aggressively moving towards high value-added crop. Farmer is aggressively leaving some of these cereals behind and moving towards fruits and vegetables. So we have been able to bolster our portfolio in Specialty Fungicides. And that's why that growth you can see.

Saurabh Kapadia: And last on the new product, you mentioned about one product in Q4 and couple of products in next year. So again, in which category and in which crop that would be --?

Rahul Dhanuka: So this year we introduce one Herbicide in the onion segment, the brand name is ONEKIL which we introduced again from Nissan Chemicals, Japan. And Tornado is another Herbicide we have introduce this year which finds space in soyabean and groundnut. This product is also offered from Nissan Chemical Industries, Japan. Next year, we are going to introduce towards the end of this year itself, Q4 we will be introducing Cornext which is a maize herbicide again from Nissan. And then there would be other offerings for the next year which will be, I will just tell

you that sugarcane and paddy. Sugarcane, paddy and horticulture segments we are going to introduce new products in next year.

Saurabh Kapadia: So are these all in licensing product are exclusive to Dhanuka or it's more towards the focus will

[redacted]

ther is as you are looking at the Prime Minister talking in many speeches about the soil health getting deteriorated. MYCORe which is microbe-based plant nutrient extracted, it really recharges the soil wonderfully. So almost a barren land can be reactivated by use of MYCORe and is very powerful for oil seeds and pulses growing.

Resham Jain: In terms of supplies, this product, is there a constraint in terms of how much you can produce or there is no constraint as such?

Rahul Dhanuka: As such no constraint, MYCORE production is not a big constraint, it's formulation is only a constraint, although it's imported product, but technically producing it is not a big deal.

Moderator: Thank you. Ladies and gentlemen that would be our last question for today. I now hand a conference over to the management for the closing comments. Thank you and over to you, sir.

MK Dhanuka: Good evening friends. As you know the September has seen very heavy rainfall. I think it has beaten the records of number of years and because of which there is moisture in the soil and the reservoirs are full of water. So the farmers are sure that they will get the water for irrigation for Rabi crop. So Rabi crop is expected to be very good, which is basically seen from the performance of September and October month. July and August were very bad. So we were not basically hopeful that we will be able to land up near about same turnover. But September has given the relief and October is also showing very positive response by the market.

So we hope that this trend should continue in the Rabi season and we do hope that the Rabi will remain very good. And we will be definitely able to deliver much better results in the 3rd Quarter, once we have the call for 3rd Quarter, you will see that the results for 3rd Quarter are much better. We hope that the God should remain favorable for the farming community. So that they could reap bumper harvest and their income increases. So let us hope for the best. Thank you very much.

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