5th February, 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 2nd February, 2024 with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Nine-Months Ended on 31st December, 2023.

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 2nd February, 2024, which was hosted by Antique Stock Broking Limited through virtual mode with Analysts/ Investors to discuss Un-Audited Standalone & Consolidated Financial Results of the Company for the Quarter and Nine-Months Ended on 31st December, 2023.

Please take above information in your record.

Thanking You,
Yours faithfully,

For Dhanuka Agritech Limited

jitin sadana
Digitally signed by jitin sadana
Date: 2024.02.05 18:53:46 +05'30'

Jitin Sadana
Company Secretary and Compliance Officer
FCS-7612

"Dhanuka Agritech Limited Q3 FY'24 Earnings Conference Call"

February 02, 2024

MANAGEMENT: **MR. M.K. DHANUKA – VICE CHAIRMAN AND MANAGING DIRECTOR – DHANUKA AGRITECH LIMITED**
MR. RAHUL DHANUKA – JOINT MANAGING DIRECTOR – DHANUKA AGRITECH LIMITED
MR. HARSH DHANUKA – EXECUTIVE DIRECTOR, ALLIANCES AND SUPPLY CHAIN – DHANUKA AGRITECH LIMITED
MR. V.K. BANSAL – CHIEF FINANCIAL OFFICER – DHANUKA AGRITECH LIMITED

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Dhanuka Agritech Q3 FY '24 Earnings Conference Call hosted by Antique Stockbroking. 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 Stockbroking. Thank you, and over to you, sir.

Manish Mahawar: Thank you, Yusuf. On behalf of Antique Stockbroking, I would like to welcome all the participants on the 3Q FY '24 earnings call of Dhanuka Agritech. From the management, we have Mr. M.K. Dhanuka, Vice Chairman and Managing Director; Mr. Rahul Dhanuka, Joint Managing Director; Mr. Harsh Dhanuka, Executive Director, Alliances and Supply Chain; 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.

Mahendra Kumar Dhanuka Thank you, Mr. Manish. Good afternoon, ladies and gentlemen. I'm M.K. Dhanuka, Vice Chairman and Managing Director of Dhanuka Agritech Limited. I hope all of you are doing well. Thank you for joining us in the conference call for results of Q3 FY '23-'24, I have with me Mr. Rahul Dhanuka, JMD, Mr. Harsh Dhanuka, ED and Mr. V.K. Bansal, CFO.

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.

As you are aware, now Dhanuka has commenced operations at our Dahej chemical synthesis plant, and we are working on our capability with the establishment of new R&D laboratory for research on chemical processes.

Dhanuka Agritech is working with the vision of transforming India through agriculture. Our belief is that when we transform the lives of farmers by enhancing their productivity and quality and in turn, enhancing their income. We are making a small contribution to transforming India.

This year, Dhanuka has taken a special initiative to increase our collaboration with various educational institutes with the purpose of transferring new technology to the farmers of India. Dhanuka has pan-India presence with warehouses in all major states across

India, with 4 manufacturing units and 41 warehouses across India, we cater to around 6,500 distributors and dealers and around 80,000 retailers. Through this extensive network, Dhanuka reaches out to around 10 million Indian farmers with our products and services.

Dhanuka have more than 1,000 techno-commercial staff, supported by a strong sales and 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 the U.S., Japan and Europe, which helps us to introduce the latest technology in India.

In terms of the financial performance for the Q3, revenues from operations stood at INR403.24 crores in Q3 of FY '23-'24 versus INR393.37 crores in Q3 of FY '22-'23, representing an increase of 2.5%. EBITDA stood at INR62.16 crores in Q3 of FY '23-'24 versus INR51.83 crores in Q3 of FY '22-'23, up 19.9%.

Profit after tax at INR45.37 crores in Q3 of FY '23-'24 versus INR46.07 crores in Q3 of FY '22-'23. Zone-wise share percentage of turnover for Q3 FY '23-'24 was North India, 22%; East India, 12%; West India, 27%, and highest was from South India, 39%. Product category-wise percentage share of turnover for Q3 of FY '23-'24; insecticide, 32%; fungicide, 21%; herbicide, 35%; and others, including plant growth promoter, 12%.

This year due to continuous decline in prices of generic products ranging from 5% to 40%, there is a significant gap in volume growth and value growth. The volume has grown by 8.55%, while the value has grown by only 2.51% in quarter 3, representing an overall value reduction of 6% on the entire portfolio.

In this challenging year, where the industry is facing significant headwinds and pressure on both top line and bottom line, Dhanuka has been able to show significant resilience. This performance is empowered by our continued emphasis on bringing new technology for the farmers and Dhanuka's diverse product portfolio with focus on specialty molecules. This has helped Dhanuka to move forward, albeit at a slower pace, even in such trying circumstances.

To share our enthusiasm for the current year and the future prospects, we are happy to announce that the Board of Directors has declared 400% interim dividend that is INR8 per equity share, having face value of INR2 per share, which will absorb INR36.47 crores.

Dhanuka has also invested INR10 crores in the Agritech start-up, namely in Kisankonnect Safe Food Private Limited. Kisankonnect delivers farm produce directly to customers through its application and farm stores. It works with farmers to grow food sustainability by using its in-house technology to deliver customers fresh vegetables and fruits through its delivery channel.

Further, I would like to share that Dhanuka has signed a non-binding letter of intent with Spain-based Kimitec to explore various business opportunities for the development and commercialization of biological products using the sugar molecules and derived from natural sources. Kimitec is a biotech company and Founder of MAAVi Innovation Center, the largest European biotech innovation hub dedicated to natural molecules.

With great pleasure, I would like to share that our Group Chairman, Mr. R.G Agarwal has been bestowed with honorary Doctorate for his exemplary contribution to the Indian farming community by the Vice Chancellor of Amity University, Noida on 13th December 2023. So now Mr. R.G. Agarwal is Dr. R.G. Agarwal.

Friends to summarize, Dhanuka continues to demonstrate our ability to overcome challenges and emerge stronger despite uncertain business environment. We will aggressively roll out new products in the upcoming quarters and would ensure that it reaches to the consumer with the right technology. I reassure our shareholders that we are committed to the task of transforming India through agriculture.

On this note, I would like to hand it over to the operator to enable us to take question and answer. Thank you.

Moderator: First question is from the line of Himanshu Binani from Anand Rathi.

Himanshu Binani: Congratulations for a very decent set of numbers. So sir, my first question was largely on the gross margin side. So we have seen a very considerable improvement into the gross margin during this quarter. So maybe if you can throw some light on the reasons on improvement into the gross margins?

Vinod Kumar Bansal: Yes, you see the significant improvement in gross margin is largely on account of product mix. So there is a significant growth in the specialty molecules driven by our new introductions, 9(3), last year as well as the previous year. Second, there are significant drop in rates of generics and same was not passed on to the customer to at an extent. These are 2 main reasons for the improvement in the gross margin.

Himanshu Binani: Got it. Got it. And sir, secondly, if I again look at your guidance for FY '24. So I believe that, that math is actually not matching. So we intend to post or deliver a double-digit sort of revenue growth. However, if I actually work out with the max 9 months, we have posted somewhere around the 4.5%, 5% sort of numbers. But on the margin side also, we intend to deliver somewhere around the 50 to 100 basis points of margin improvement on a year-on-year basis.

However, till 9 months, what I can see is that we have already done somewhere around a 270 basis point improvement into the margins as compared to the last year, 9 months. So going forward, by this sort of run rate and the annual guidance by 4Q -- in 4Q, the run rate for revenue growth would be coming upwards of 40%, while there would be a margin contraction. So maybe if you can correct me.

Vinod Kumar Bansal: You see as far as margins are concerned, since the beginning of this year, we were saying there should be an improvement of at least 200 basis points of the gross margins and which we are delivering is more than that. And even in the Q4, we are expecting an improvement of 200 basis points improvement in the gross margin in Q4 as well, right.

In terms of the growth yes, value growth is not double digit, but our volume growth is almost large single digit, near to double digit. Q4, we are expecting similar growth.

Himanshu Binani: But then, sir, the run rate – the ask comes to somewhere around 40% plus sort of number or are you like that confident of a 40% of overall revenue growth for Q4 as compared to last year's Q3?

Mahendra Kumar Dhanuka: So you see Mr. Binani, the double-digit growth guidance was on the basis of the normal monsoon. But the monsoon was erratic. we are well aware that because of it the -- not Dhanuka overall, industry has not been able to perform. So if the last monsoon would have been normal then definitely, Dhanuka would have delivered double-digit growth. But overall, industry also is not able to perform because of the weak monsoon. And also Dhanuka is not able to deliver the initial forecast which we made at the beginning of the year considering a normal monsoon.

Moderator: Next question is from the line of Hussain Bharuchwala from Carmelian Asset Management.

Hussain Bharuchwala: Am I audible.

Moderator: Yes, you are audible.

Hussain Bharuchwala: Sir, I want to understand that tie-up, I want you to understand. How does this tie up with Spain-based company. So we are already doing biological products, but the biological product contribution is less than 5%. And I remember in the earlier calls, you have said the biological products will be maximum contributing to the 10% of the overall top line. So how this new tie-up with the Spanish company will actually help us in terms of scaling?

And will be these products will be margin accretive, so if you can give us some color on the type of products that we are doing with the Spain-based company and how it will help us -- how would the revenue mix will change with this new biological product that you are launching or working with Spanish company?

Rahul Dhanuka: Right. So there are 3 spaces of biologicals, biological nutrition, biological control and biological stimulants. These are sometimes fungi-based or sometimes plant-based extracts, which influence growth and independence of the crop against the challenges of insect or disease. Kimitec is an R&D organization, doing research on all the key domains. And we hope to try their products pretty soon in upcoming kharif for biological control as well as for biological nutrition.

Based upon their fitment for the Indian market, we'll be introducing those products. Some of their nutrition products are already approved in the Indian market, and we might be introducing them pretty soon, yet after our own internal trials. This market is pretty big -- market is pretty small in terms of, say, about INR5,000 crores in the country, but the growth rate is pretty high. We imagine the growth rate to be close to 15%, 16% CAGR. And that's the way that we intend to ride with introduction of our own biologicals and with tie-up of this R&D company Kimitec.

Rahul Dhanuka: So how will your margins with these new products coming in? If you can give us some sense on the margins as well as what could be the revenue contribution to the overall revenue in next 3, 4 years, how do you see that ceiling up.

Rahul Dhanuka: I'm not looking at just getting monetized for sure in next financial year. So that would be about a couple of years down the line. But certainly, these products are non-generic super specialty and have a significantly higher margin. My imagination is their margins will be much higher than our current gross margins.

Hussain Bharuchwala: Got it. got it. And sir, just last one question. So will you revise your guidance considering the current market scenario. So can you remind your initial guidance was a double-digit growth, so will you say that based on the Q3 numbers, you revised your guidance. So low highering of the single-digit all continue to guide on the double-digit growth that you've earlier guided? And how will you guide on the in FY '25 to you give some sense on that?

Rahul Dhanuka: So revenue growth is expected to be single-digit growth. We are not expecting it to be a double-digit growth. And we are certainly committed to the improvement in gross margin and EBITDA.

Hussain Bharuchwala: Okay. And sir, if you can guide us for next year, FY '25.

Rahul Dhanuka: So yes, we are still evolving that and pretty hopeful because the monsoon forecast are coming good. We have some very beautiful launches coming up in herbicides category, even in insecticide category. So I'm pretty hopeful that we'll have a double-digit growth.

Moderator: Next question is from the line of Resham Jain from DSP Asset Managers.

Resham Jain: So I have 2 questions. First one is just on numbers. If you can give Dahej site revenue. And last quarter, you had an EBITDA loss of INR5.5 crores. What would be that number this quarter?

Vinod Kumar Bansal: So, this quarter is, again, EBITDA loss is around INR5 crores.

Resham Jain: And revenue?

Vinod Kumar Bansal: Revenue is only INR3.75 crores.

Resham Jain: Okay. So in fact, your actual EBITDA growth is significantly higher than the reported one, if I compare like-to-like because that is not there.

Vinod Kumar Bansal: Absolutely.

Resham Jain: Understood. Okay. And any progress, sir, on Dahej site in terms of our own product, we are already doing, but the whole purpose of doing it for contract manufacturing. Are you seeing any traction there? How far are we from winning any contracts? If you can give some color on this, that would be helpful.

Harsh Dhanuka: Yes. So contract manufacturing right now not in near future. But our own product development has moved forward, and we are developing more number of products in our R&D laboratory.

Resham Jain: And in terms of your own products, given that there is a lot of pressure on generic molecules. How are you seeing and how are you selecting incremental products in the new facility?

Harsh Dhanuka: Yes. So we have set a criteria of the minimum contribution from products which -- for product selection. And based on that, we are selecting the products for the research. Once the products are established in the R&D laboratory, then we take them for commercialization. So we have analyzed based on the products being sold in India right now and also exported from India, and looking at the product selection from that perspective. Currently, I cannot share which products we are working on, as and when the products get commercialized, we'll come back with more information.

Resham Jain: Yes, that's fair. And another question is on you have earlier invested in a drone company, IoTech, and now you've invested in Kisankonnect. And I know these are small investments, but it seems you are looking at newer areas, new ventures. Will this be like a minority investment or eventually you have plans to have a larger control over this company. How are these agreements in all these incremental investments? Or these are just like investment into new areas? And eventually, you will divest it.

Rahul Dhanuka: These investments we feel are relatively strategic in nature in terms of creating an agri technology ecosystem. So while the drone company provides us access to the first approved agriculture drones in the country, which are now a motorbike mounted and easily accessible to the farmer in the deeper winter lands. Kisankonnect provides us access to progressive vegetable farmers who are trying to service Pune and Mumbai consumers bypassing or cutting the middle man and the channel in between.

These progressive farmers could be right grounds for creating a critical mass of our new introductions in terms of, a, understanding the product and, b, advocating the product. So we look at this as a strategic investment. And as of now, as we speak, divestment is not on cards and neither is taking control of these ecosystems. We would want start-up ecosystem to allow these organizations to thrive on their own while creating mutually beneficial opportunities and synergies.

Resham Jain: Understood. Those are enablers for your existing business in a way, if I put it -- okay. And lastly, sir, obviously, last 2 years, what we have seen is that you have continuously improved in terms of gross margins and overall EBITDA margins. And when I look at the overall competitive landscape where things are not as good as what you have done. So and you have also mentioned initially that you have launched several new products over the last few years.

They are also contributing. So are you seeing any of those products scaling up to kind of a slightly larger revenue pool? Or you are seeing them like INR20 crores, INR30 crores in stopping there. How are you getting that confidence of scaling up any of those products? If you can give examples that would help.

Rahul Dhanuka: See, scale up is certainly the opportunity of the market as well as the power of the technology that we introduced. So for example, in last financial year, we had introduced a Japanese insecticide by the name Decide, which found opportunity in Chillie and other sucking pest crop opportunities. Now Chile incidentally, over the last few years has been significantly on the uptrend, both in terms of acreage in terms of sucking pest problem and in terms of the commodity prices, which made Chillie attractive investment opportunity for the farmer and our product Decide had a perfect fit in controlling a spectrum of insects troubling the crop.

Now going forward, we are going to launch a very powerful insecticide, again, in horticulture crops, we're going to launch a herbicide in soybean and ground nut. So we are looking at, obviously, scaling up these products to a larger proportion and have a better speed as well.

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

Rohit Nagraj: Congrats on very good set of numbers. Sir, first question is in terms of Q3 revenues. So you mentioned that out contributed significantly to overall revenues. And what we understand is that the reservoir levels, particularly in South have been relatively lower than that of the other areas of country. So will there be any challenge in terms of higher returns coming in Q4 or might be in Q1? What is your sense on this?

Rahul Dhanuka: Returns you are saying goods return, material return?

Rohit Nagraj: Yes. Yes, sir.

Rahul Dhanuka: So I've shared in the past also at Dhanuka, we work very closely with our channel, and we keep a very close watch on the momentum of the business of our products and the crops and we regularly clean up the channel of any unsalable stocks. So we are not expecting any returns in Q4, disproportionate or excessive or anything.

Rohit Nagraj: Sure. That's helpful. Sir, my second question is again on the Dahej facility. So during the first 9 months, what was the revenue what has been the EBITDA? And even on depreciation front, we have moved to almost INR13 crores this quarter. So would that be a continuous run rate hereafter based on the CapEx that we have done?

Vinod Kumar Bansal: In terms of depreciation, this quarter, the overall depreciation is only INR13 crores. It's not INR30 crores.

Rohit Nagraj: INR13 crores, INR13 crores. I meant INR13 crores, 1-3.

Vinod Kumar Bansal: Right, What is your question is about depreciation?

Rohit Nagraj: So will this run rate be INR13 crores incrementally given that until the time we do not go ahead with Phase 2 expansion for Dahej.

Vinod Kumar Bansal: Yes. Till that period, it will remain a little reducing every quarter-on-quarter basis?

Rohit Nagraj: Fair enough, sir. And just first 9 months, I mean, we have started the plant in Q2. So what has been the revenue till now and what has been the EBITDA?

Vinod Kumar Bansal: Till now the revenue is only INR3.75 crores. And in terms of EBITDA, cumulatively is around negative INR11 crores.

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

Rohan Gupta: Congratulations on a decent improvement in margins. So Sir, my question is basically on this Kimitec and advise, which you have signed up with that company. What are the future expectations from this we are looking at in area of bio products? So what are the USP Kimitec brand brings in India? And you're also talking about setting up a separate R&D in the country for Kimitec. So will this be similar to what you are putting in the existing facilities, R&D facility in Ahmedabad or you separate line of the R&D that we are talking about?

Rahul Dhanuka: The R&D that we have set up in Ahmedabad is synthetic chemistry R&D, which is working for Dahej chemical unit. The LOI, which we have signed with Kimitec is around looking at biological opportunity in the country.

In India, we have opportunity on the front of biological nutrition, like phosphorus, solubilizers, nitrogen fixing bacterias, zinc solubilizers, secondary nutrition solubilizers. These are the plant nutrition products. Then there are biological stimulants, which influenced plant growth, plant flowering and fruiting. And then there are biological control products, which protect the plant from insects and diseases. .

So these are the various biological opportunities, which we wish to work upon with Kimitec. Kimitec is a Spain-based R&D organization, which has tied-up with various other multinational companies for offering biological control products in developed markets and Dhanuka will be their chosen partner for the Indian market.

Rohan Gupta: So it will be only for the Indian market or you also will start manufacturing for the global requirement? Or any kind of such arrangement can be set up where you would be manufacturing for their global operations. And can you size -- if you can give what Kimitec does globally in terms of revenue.

Rahul Dhanuka: So in India, the market size of biological control, biological nutrition and biological stimulants is about INR5,000 crores with a CAGR of about 16%, varying between 15% and 16% for all the 3 categories. And we see this as a growth opportunity given that the government has a lot of stress on organic farming subsidies around urea and DAP non-availability of urea and DAP, soil health and residue level consciousness in the consumer in general. .

So we are looking at the growth coming significantly from the Indian consumption itself. Then of course, there is opportunity for doing R&D for global markets and also manufacturing for global markets. And these are some of the discussions under way, will take shape in a couple of weeks.

Rohan Gupta: Sir, we have done decent volume growth in 9 months of close to 9% to 10%. Any idea, sir, what was the industry growth for this time frame?

Rahul Dhanuka: Industry volume growth at best has been small single digits to at par.

Rohan Gupta: Okay. Sir, just last one from my side then I'll come back in queue. Sir, we have launched multiple projects in last 1 year in 4 to 6 quarter. Any of those products have crossed INR100 crores, I mean, club or has been included in INR100 crores club. The revenue contribution or innovation turnover index definitely has improved significantly in the current year. So I'm assuming that this has been primarily driven by the new product launches. So I just want to know the product which has done well and has been included INR100 crores club?

Rahul Dhanuka: Rohan, I would just share the products which have done well. So for example, Decide has done really well. ZANET, which we launched recently has done really well. And Defend and Implode our 2 other products, Defend is a paddy BPH insecticide and Implode is our maize herbicide. These 2 products have done extremely well. And these new products have actually pulled the overall performance of the organization because we are able to reach out to the farmers with these new products really aggressively and promptly and our upcoming introductions would also be driving that growth, I believe, in terms of any one product doing a substantial differentiated revenue, I would say, Decide is one such product, which has done extremely well and holds very high hope for the next year as well.

Moderator: Next question is from the line of Darshita from Antique Stockbroking.

Darshita: My first question is with respect to gross margin contribution. I mean if you could quantify how much gross margin expansion was due to product mix.

Vinod Kumar Bansal: Gross margin expansion as we have already communicated, it is mainly because of the change in the product mix. And secondly, the significant drop in the raw material prices, which were not passed on to the consumer fully.

Darshita: Right. So I just want to understand how much -- if you could quantify the gross margin expansion due to product mix?

Vinod Kumar Bansal: I think due to product mix overall gross margin in the range of around 300 basis points.

Darshita: In the range of around -- sorry.

Vinod Kumar Bansal: 200 to 300 basis points.

Darshita: Okay. Okay. Got it. And with respect to Dahej, for FY '25, we have given a guidance of around to INR80 million to INR100 million odd -- sorry, INR80 crores to INR100 crores of business coming from Dahej. But do we stick to that guidance? Or is there any change there?

Harsh Dhanuka: Yes. Looking at the current situation in the technical market, there are significant headwinds. So we'll be revisiting that commitment and revising it slightly downwards.

Darshita: Got it. Okay. And just last question with respect to the Dahej again that I think bifenthrin, we've already started manufacturing or providing commercially. Any update on the same with respect to lambda-cyhalothrin, I think that was another product that we wanted to set up a land for.

Harsh Dhanuka: Yes. So lambda-cyhalothrin and some more products in the laboratory are almost at completion stage. So once they get commercialized, we'll share some updates.

Moderator: Next question is from the line of S. Ramesh from Nirmal Bang Equities.

S Ramesh: The first thought is we have stepped up the dividend payout to about 20% on the 9-month numbers. So given that and the kind of uncertain environment in the business, and the margin losses you're making in Dahej. Is this a payout, which you expect to sustain over the next 2, 3 years?

And secondly, in terms of the Dahej losses, which are reported about INR9 crores -- INR11 crores for the 9 months. Do you see that run rate continue for FY '25 when you see that breaking even or return positive.

Harsh Dhanuka: So regarding the EBIT from Dahej plant, in the next 2 years -- 2 to 3 years, we can expect it to become EBITDA positive. And regarding the -- your first question was around the dividend payout, correct?

S Ramesh: Yes, indeed, yes.

Harsh Dhanuka: Yes. So we will maintain it in the future also.

Rohit Nagraj: Okay. So this -- Sorry?

Management: Usually, we are doing buyback in 1 year and higher dividend in the second year. So we will say that as per the approval of the Board of Directors. We will try to continue the same trend that 1 year we will do buyback and 1 year; we'll give good dividend to the shareholders.

S Ramesh: Okay. Going back to the Dahej loss, 2 to 3 years, I mean, in terms of the longer term, it's fine, but in FY '25, specifically, do you see it turning around at least by second half or this sort of run rate will still continue in terms of EBITDA loss?

Vinod Kumar Bansal: You see our R&D team is working on many molecules. Once it is final, then the more clarity will come. It's very difficult to answer this question as of now. Right. Maybe in one week.

S Ramesh: So in terms of the current rabi -- in current quarter, what is the outlook? Is it going to be similar to third quarter -- and how do you see the outlook for the coming kharif assuming normal monsoon based on the kind of good performance you've shown year-to-date when the rest of the industry has been struggling.

Harsh Dhanuka: So if you look at the forecast for the current quarter, we are looking at an average quarter, not really good, not very bad. For the next financial year, the initial forecast for the monsoon are positive with El Niño effects subsiding. So we are quite hopeful of double-digit growth in the next year. And I think it's -- with the product portfolio that Rahul Jee was talking about earlier, some very powerful new products coming up in the next year, we should be able to deliver that.

Moderator: Next question is from the line of Aditya from Securities Investment Managers.

Aditya: Sir, if you can just talk about the inventory situation so how is the inventory currently at the dealer level? Is it high? Or is it at normal levels considering uneven rainfall which we have witnessed.

Rahul Dhanuka: So in general, we expect the channel inventories to be relatively high for the industry. However, at Dhanuka, we really continue to pull back any unsold stocks very promptly. So we do not have large quarters carryforward inventories in this month, and we do not expect it going forward also.

Aditya: Okay. And sir, was there any sales return on inventory write-off in the 9 months?

Rahul Dhanuka: I could not get your question. Could you repeat that?

Aditya: So were there any sales return or inventory write-off in the 9 months of FY '24?

Vinod Kumar Bansal: Yes, it is very, very insignificant, nominal, that's it.

Aditya: Got it. And sir, in terms of pricing, have the prices now stabilized? Or we expect further price cuts in some of our molecules.

Rahul Dhanuka: Your question is not clear. It's about pricing, but what?

Aditya: Had the prices now and product prices now stabilized? Or we expect some further price cuts in some of our generic molecules.

Rahul Dhanuka: So this, I would say, is the million dollar question. If the prices have stabilized. So yes, we are yet to understand the price trend of the chemicals for now. And every few weeks, new global developments create our turmoil in the overall chemical market, production, upstream and challenges.

So while we feel that prices for some products are stabilized, few other molecules are yet to see their bottom or have larger inventories at the manufacturers end in China. Also, consumption in some of the large global markets have not been very good. So there is still a possibility of some product prices coming down.

So it's a mixed bag, I would say. Some product prices have stabilized. They've hit their bottom and the ways going forward up. But for some other products, it is not the case right now. So it's a guesswork only.

Aditya: So are we confident of maintaining this double-digit growth, which we have guided for next year, considering...

Rahul Dhanuka: Yes. Yes, yes, absolutely. See, the important point here is that our growth for this year is also driven by our specialty products and our branded products. And next year also, including our last couple of years new launches, and some very powerful launches coming up for the next financial year.

We are absolutely confident of delivering double-digit growth with the good rainforce and high commodity prices, attention towards agriculture, higher disposable income available in the rural stream, we are pretty confident of delivering double-digit growth.

Aditya: Got it. And sir, just 1 last question with regards to our LOI with Kimitec group. So the scope is purely for the manufacturing or it is just the marketing arrangement for the Indian market?

Rahul Dhanuka: The scope is in R&D, manufacturing, Indian market and some export opportunities.

Moderator: Next question is from the line of Dhruv Muchhal from HDFC AMC.

Dhruv Muchhal: Yes. Sir, I was saying across the board, we are seeing that the B2C companies have been reporting reasonably or better margins, gross margins, probably because of the lower technical prices and the final product prices have not fallen as much. So and this is despite the overall weaker market and excess inventory, as you mentioned.

So just wanted to understand, is this a temporary phase where probably the final product prices will catch up as to the technical price levels? Or this is more sustainable that the B2C players have been able to retain that portion -- a higher portion of the fall in price?

Rahul Dhanuka: Eventually, the demand/supply economics do catch up. The differentiation here is in terms of how we reach to our channel and how do we service our farmer. So we have been able to maintain our margins because we were able to assess the changed market scenario and so modify our product mix proactively. This modified product mix eventually leads to higher gross margin.

Also, we were able to service the market to the best possible demand with the modified product mix also in the middle of the season. And then we were able to leverage all our new product launches and higher commodity prices to reach the right set of crops and right set of farmers. I would not like to generalize this.

Yet at Dhanuka, our constant effort is -- being a B2C organization of a constant effort is to maximize the value for the farmers as well as for the organization. So we are happy to say that we've been able to create that right balance, even though the revenue growth has not been very high.

Dhruv Muchhal: Got it. So probably for us, of course, the new product launches and the mix has done well. But for the industry as a whole, there could be some normalization in this -- the improvement in spreads that you have seen, particularly on the generic side for the B2C players.

Rahul Dhanuka: Yes, absolutely. I think if our product price is going to be brand down at the back end, technical prices are going to be dragged down at the back end month-on-month, then eventually, it will reflect on the brand price also. So at Dhanuka, we try to kind of manage that to our services.

So farmer or the channel would prefer our prices even -- will prefer our products even though we are high priced. And we also continue to cut our tail products so that we are removing obsolete products, obsolete technologies and low value, low-margin contributing products from our portfolio.

Moderator: We have a next follow-up question from the line of S. Ramesh from Nirmal Bang Equities.

S Ramesh: Yes. So in terms of the global situation and your own ability to withstand that, I know it's a bit difficult to take a call on the pricing. But is there a sense you get in terms of any capacity closures, particularly in China?

And what is the sense? Because it's a bit difficult to track because there's so many molecules. So is there any sense you get in terms of some of the key activities where you see some capacity rationalization happening and thereby the extra supply being taken out, what is your sense?

Rahul Dhanuka: No, I don't think so that we are expecting any supply chain closures in China. We do expect a short-term disruption in view of upcoming Chinese New Year and extended holidays beyond the new year holidays. And we do expect some disruptions again, due to disturb container movement and ships movement in the Red Sea and disturbances -- on and off disturbance in the South China Sea. Otherwise, we don't see any capacity constraints emerging in short term in China and actually any of the products.

S Ramesh: Okay. Okay. So which means that you continue to expect the excess supply to continue. Is that a correct understanding?

Rahul Dhanuka: I expect the supply chain to be open and available.

Moderator: Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for the closing comments.

Mahendra Dhanuka: Thank you. Friends as informed earlier by Mr. Rahul Dhanuka, Mr. Bansal and Harsh that Dhanuka is poised to introduce some very good new molecules in the coming year. So we are confident that these new molecules they are ecofriendly and less toxic, safer for environment, having less residue. And in our R&D trial, they have given very much better performance in comparison to the existing product in that segment.

So we are confident that with the introduction of new molecules, and the existing molecules like Decide, ZANET, Defend, etc, Dhanuka will be able to deliver double-digit top line growth in next financial year and since we have already given guidance for 200 bps improvement in gross margin this year.

So it will be difficult to basically further make improvement on the gross margin front, but definitely double-digit growth we will be doing, and we will try to maintain these margins in next financial year or so. So with this note, I close the con call. Thank you very much, and thank you for participating in the Dhanuka Q3 results conference call. Thank you, everyone. Thank you, Manishji.

Moderator: Thank you very much. On behalf of Antique Stockbroking, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.