Dhanuka Agritech

Operator: Ladies and gentlemen, good day and welcome to Dhanuka Agritech Limited Q2 FY27 post-results conference call hosted by Antique Stock Broking. As a reminder, all participants' 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, sir.

Manish Mahawar – Antique Stock Broking: Thank you, moderator. I am pleased to host today's earnings call of Dhanuka Agritech. We have the leadership team represented by Mr. M. K. Dhanuka, Chairman; Mr. Rahul Dhanuka, Managing Director; Mr. Harsh Dhanuka, Executive Director; and Mr. V. K. Bansal, CFO, on the call. Without any delay, I would like to hand over the call to Mr. M. K. Dhanuka for his opening remarks, after which we will open the floor for Q&A. Thank you, and over to you, Mr. Dhanuka.

M. K. Dhanuka – Chairman: Thank you, Manish. Good afternoon, ladies and gentlemen. I am M. K. Dhanuka, Chairman of Dhanuka Agritech Limited, and I welcome you all to the Q2 FY27 earnings conference call. I have with me Mr. Rahul Dhanuka, Managing Director; Mr. Harsh Dhanuka, Executive Director; and Mr. V. K. Bansal, CFO of the company.

On behalf of the entire Dhanuka family, I extend my heartfelt greetings to all our stakeholders and hope you have a joyful Diwali filled with happiness and togetherness. Diwali is not only a festival of lights, but also a celebration of hope, progress, and new possibilities. These values connect deeply with our journey as an organization. As we move forward, we remain focused on empowering farmers, driving innovation, and creating lasting value for our stakeholders. Together, we look forward to creating new milestones and achieving greater success in the years to come.

As you are aware, Dhanuka Agritech is among India's leading agrochemical companies, with a long-standing commitment to advancing Indian agriculture through technology-led crop solutions. Over the years, we have built a strong pan-India presence driven by deep farmer engagement, a differentiated product portfolio, and a robust distribution network. Today, we reach more than 10 million farmers across India through 6,500 distributors and over 80,000 retailers. Supported by our four manufacturing facilities and 40-plus warehouses, we continue to strengthen our ability to deliver products efficiently across key agricultural regions.

A key advantage for Dhanuka has been our consistent focus on introducing innovative products in the Indian market. Our partnerships with 10 leading multinational agrochemical innovators from Japan, Europe, and the United States continue to provide us access to advanced technologies and differentiated solutions for Indian farmers. Our 2 R&D centers, supported by NABL-accredited laboratories and a strong regulatory and product development team, remain focused on product registration, formulation development, and strengthening our future product pipeline.

The agrochemical sector in India is experiencing a weak and highly subdued earnings season for the second quarter of FY '26-'27. Performance across major players has been impacted by erratic and uneven monsoon rainfall and persistently high raw material procurement costs. Monsoon

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rainfall was lower by a sharp 13%, with significant regional and monthly variations across key agricultural belts. This has led to compressed volumes and margins across the industry. This weather disturbance significantly disrupted traditional farming cycles, delayed crop-care applications, and led to a marked contraction in consumption at the farmer level. Due to the dry weather, the performance of herbicides was significantly impacted, while the insecticide segment has shown good growth.

Despite all these challenges, I am pleased to report that our company delivered a resilient performance. Our diversified geographic footprint allowed us to capture demand from regions where water resources were available. While generic crop protection saw severe pricing pressure, our attention to specialized products and the introduction of our biostimulant product range from Q2 protected our gross margins. Unlike the high-cost inventory issues plaguing the sector, our proactive raw material sourcing and lean distributor inventory levels ensured zero channel stuffing and healthy cash generation.

Looking ahead, we remain subdued for Q3 and Q4 of this year. Channel inventories for Dhanuka are optimal. The initial movement for the upcoming rabi season looks promising in certain regions. The key for the rabi season will be the performance of the South and East zones.

In terms of financial performance for the second quarter, revenue from operations for Q2 FY '26-'27 stood at Rs. 657.51 crores, as compared to Rs. 598.24 crores in Q2 FY '25-'26, registering growth of approximately 9.91%. EBITDA for the quarter stood at Rs. 152.97 crores, as against Rs. 136.73 crores in the corresponding quarter of the previous year. Profit after tax stood at Rs. 109.22 crores, compared to Rs. 93.97 crores in Q2 FY '25-'26, reflecting healthy profitability improvement supported by product mix, operational efficiencies, and disciplined cost management. Our balance sheet and cash generation continue to remain strong, providing us with the flexibility to invest for future growth.

The zone-wise contribution to turnover for Q2 FY '26-'27 was as follows: North India contributed 31%, East India contributed 12%, West India contributed 28%, and South India contributed 29%.

From a product-category perspective, insecticides contributed 47%. As I spoke earlier, the insecticide segment has done very well, and 47% of the share came from the insecticide segment. The fungicide segment contributed 25%, herbicides contributed only 8%, and other products contributed 20%.

At Dhanuka, we continue to believe that sustainable business growth must go hand in hand with farmer prosperity and national food security. Our continued engagement with agricultural universities, Farm Science Centers, and other scientific institutions remains an important part of our farmer education and technology dissemination efforts.

Thank you very much for your kind attention. We would now like to open the floor for questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested

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to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Operator: Ladies and gentlemen, the first question is from the line of Mr. Saurav Jain from HSBC. Please go ahead.

Saurav Jain – HSBC: Hi. Thank you for the opportunity, and many congratulations on the very strong numbers. It has surprised us when we look at some of the other companies and how they have performed in the current quarter. Can you please help us understand in more detail what led to such strong growth of about 10%? Can you break it down by whether you were able to gain market share in any of the regions, or whether it was more product-specific growth? How should we read this?

Management: This is indeed product-specific growth from the insecticide segment. We all understand and appreciate that it was an El Niño year. Internally, we regrouped to understand what kind of challenges farmers would face in an El Niño year and what the opportunities would be. What we arrived at was that insecticides would have a better opportunity compared to herbicides and fungicides.

So, we placed extraordinary focus on our insecticide portfolio, such as Lanevo, Miyako, and Mortar, as well as on plant growth regulators and nutritional products for the farmer. We also focused on the opportunities where water was available and channelized our energies, our demand-generation activities, and our work with farmers in terms of education in the difficult situation. Our work with the channel was also reconfigured.

Also, looking at the situation, we did not front-load the market or the channel in Q1. Anticipating the situation, we were not front-loading in Q1. Therefore, we were able to service the channel with the required products with agility from our supply chain. These three things led us to deliver this kind of good business.

Saurav Jain – HSBC: Thank you. Would there also be an impact from the fact that, in the same quarter last year, there was a decline in revenues? Should we also believe that this might be more than what we could have delivered otherwise, and that going forward, over the next couple of quarters, growth might moderate from what you delivered in Q2?

Management: Q2 growth does, of course, reflect what we delivered in the same quarter last year. It would certainly have an impact from that. At Dhanuka Agritech, we are maintaining our single-digit growth for the year. Therefore, this 10% growth is not an indication of what we can expect in the other 2 quarters.

Saurav Jain – HSBC: That is useful. Secondly, when I look at the segmental breakdown that you have provided, it seems that the North region has grown very well, by about 22% in the quarter, and first-half growth is about 12%. Is this mirroring what is happening at the industry level, with the North doing better, or were you able to capture market share in the North region? If yes, what has driven that?

Management: The North market, especially Punjab, Haryana, and Western UP, consists of irrigated markets. Canal irrigation is relatively easily available there. I am pretty sure the industry would have

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done well overall in North India as compared to the stressed markets of Gujarat, Maharashtra, and other markets that are relatively more rain-dependent. Therefore, the North market was an industry favorite to enter.

Saurav Jain – HSBC: So, you would have grown largely in line with the industry. Is that a fair takeaway?

Management: I will not be able to anticipate that very clearly. I would certainly say that the North is the industry's favorite.

Saurav Jain – HSBC: Understood. The Chairman also mentioned that, going ahead, the South and East zones will be the key zones to watch. How should we read this better? Do you mean that the South and East zones will be more challenging for the industry and for Dhanuka because of the macro situation, while the rest of the regions are better placed? Is that the right reading?

Management: In general, in Q3 and Q4, we get returning monsoons. This returning monsoon influences Eastern India, which is mostly Bengal, some parts of Bihar, Odisha, Chhattisgarh, and the entire South India. That is why the focus and attention will be on the areas that receive this returning monsoon, and therefore there is a good business opportunity.

Saurav Jain – HSBC: So, are you more positive on Southern and Eastern India for the rest of this year, or do you have more confidence in the other regions? My sense was that—

Management: Compared to Central and Western India, we are more confident about the Southern and Eastern regions.

Saurav Jain – HSBC: Despite the fact that rainfall has been disappointing and reservoir levels are very low in those regions, I think they are the worst-affected regions.

Management: It is a relative matter. The relative situation in Western and Central India is worse than in Southern and Eastern India. The rainfall opportunity in Western and Central India is almost over, whereas the South and East still have the opportunity for rainfall. Therefore, we are upbeat and positive about these opportunities materializing better than in Southern and Western India.

Saurav Jain – HSBC: Sure, that is fair enough. Thank you very much, and all the best. I will join the queue again.

Management: Thank you.

Operator: Thank you. The next question is from the line of Mr. Rishabh Shah from {? Dalal Broacha PMS ?}. Please go ahead.

Rishabh Shah – {? Dalal Broacha PMS ?}: Hi. Thank you for the opportunity. I had 2 questions. The first one is regarding the product named Lanevo, which we launched in May 2024. We had also mentioned that this product has a market of 1,000 crores, and you mentioned that it has done well. I wanted to know how it has performed for us, specifically this product, and alongside it, the 2 products we had also launched, {? Spurge ?} and Mycore Super. Could you please let us know how these products have performed?

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Management: Certainly. Lanevo is the insecticide we were talking about. Dhanuka introduced Lanevo in collaboration with Nissan Chemical of Japan. This product has done really well this year as well. It has been a favorite product among farmers in the chilli belt of South India and in the rest of the country as well. Lanevo is one of the products leading the growth in Q2.

Pursh was a herbicide launched for soybean, and its performance has been moderate. Its season was mostly between June and July. It was affected by poor monsoon conditions in Maharashtra, Gujarat, and Madhya Pradesh. We are almost at par when it comes to Pursh.

Mycore Super is another product that has received a lot of trust and attention because it makes crops drought-resilient. Mycore Super is going to be a favorite product for the next quarter as well, and it has already done well so far.

Rishabh Shah – {? Dalal Broacha PMS ?}: Could you please let us know how much revenue Lanevo has generated? You had mentioned that this product has a market of 1,000 crores, so how much has it generated?

Management: I appreciate your interest. We are not sharing product-specific numbers on this channel.

Rishabh Shah – {? Dalal Broacha PMS ?}: Fine. My next question is regarding the Bayer products for which we were incorporating 2 companies in Brazil and Europe, and also regarding distributors. I wanted to know where we stand on those matters. The Indian business has started to reflect in the balance sheet, but I wanted to know more about Brazil and Europe.

Management: Our European subsidiary was established, and the intention of both the European and Brazilian subsidiaries is only to hold the registrations, not to conduct any commercial activity. That is the situation regarding the subsidiaries.

Regarding customer appointments, we have appointed customers in about 14 countries. We have purchase orders in hand from 5 countries, from 5 of the customers. We are in discussions with the other customers to obtain purchase orders, as well as looking for more customers in countries where we have not yet appointed any.

Rishabh Shah – {? Dalal Broacha PMS ?}: Thank you very much.

Operator: Thank you, sir. Ladies and gentlemen, a reminder to all participants: please press star and one to ask a question. We have the next question from Viraj Kacharia from SIMPL. Please go ahead.

Viraj Kacharia – SIMPL: Hi. Thanks for the opportunity. Am I audible?

Management: Yes, you are audible.

Viraj Kacharia – SIMPL: First of all, congratulations on a very good set of numbers in an environment that is very challenging. Kudos to you and the team for a very good performance.

I have a couple of questions. One is that, if you look at the quarter gone by, we have seen a very good increase in our receivables. Can you provide some color on whether there is a possibility of higher sales returns going into Q3, given the inventory in the channel and in the system for the

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industry? Is it more liquidation-driven sales that you have seen, or more channel-driven sales? Can you also provide some color on the price-volume mix for the quarter?

Management: In terms of our value-volume growth, value growth is 10% and volume growth is around 6%.

With regard to debtors, you see, we are not very aggressive in placement. We take back the material very quickly, particularly in this financial year. For now, there has been an improvement in sales returns. Therefore, we are absolutely not expecting any high sales returns in Q3.

Viraj Kacharia – SIMPL: My second question was on the royalty income that we typically book from the Bayer products, and the B2B Dahej sales and EBITDA, if you can provide those figures.

Management: This was around 6.5 crores, as against around 4.3 crores in Q2 of the previous year.

Viraj Kacharia – SIMPL: This is the income from Bayer products?

Management: Pardon?

Viraj Kacharia – SIMPL: This is the royalty income from Bayer products, right?

Management: Right, 6.5 crores in Q2.

Viraj Kacharia – SIMPL: What were the sales and EBITDA for the Dahej business?

Management: In Dahej, the EBITDA loss was not very significant. On a half-year basis, the Dahej loss was around 50% of the previous year. Last year it was around 3.5 crores; now it is around 1.79 crores in the first half.

Viraj Kacharia – SIMPL: And sales, sir?

Management: Sales were around 55 crores.

Viraj Kacharia – SIMPL: That is Q2, sorry?

Management: In H1.

Viraj Kacharia – SIMPL: 55 crores in H1. I have 2 more questions. If you look at our contribution margins, even after removing the royalty component, we have seen very good contribution and operating margins in the quarter gone by.

This is despite the fact that some of our higher-value margin segments, such as fungicides and herbicides, and even the ITI index, for which new products carry a very high gross margin, have also been on the lower side—the lowest in the last 4 or 5 years. Still, we have been able to report very good contribution margins and EBITDA margins. I am trying to understand the factors driving this.

Management: In terms of gross margin, the gross margin is slightly lower compared to Q2 of the previous year because of the GST refund and related matters. Therefore, there is no improvement in gross margin in Q2 compared to Q2 of the previous financial year.

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In terms of the EBITDA margin, the improvement is mainly because of very tight control over other expenses. Other expenses have declined, which is why the EBITDA margin increased. Gross margin has been maintained because of the product mix.

Viraj Kacharia – SIMPL: What I meant regarding gross margin is that, while we have seen moderation elsewhere, we have not seen that kind of moderation playing out for us. If I look at our own product mix for the quarter gone by or for H1, the fungicide share has moderated, herbicides, which are also a relatively higher-margin category, have moderated, and ITI and new-product shares have moderated.

On top of that, if I look at our overall volume-versus-value mix, value has seen negative realization, and still we have been able to hold on to our overall contribution margin. I am trying to understand what is really driving this.

Management: Value growth is higher compared to volume growth. Volume growth is around 6%, whereas value growth is 10% in Q2.

Viraj Kacharia – SIMPL: Understood. Just one last question. Can you provide some color on Dahej? I think we are at close to 70% utilization, which we—

Viraj Kacharia – SIMPL: —talked about. How are we looking at the ramp-up? Can you provide any color in terms of the new products, profitability, and scale-up we expect over the next 2 years from Dahej?

Management: We have recently aligned on undertaking some capacity expansion in the current plant. We will be increasing the capacity of existing products and adding 2 new products in the existing plant itself. Therefore, next year, FY28, we will have 4 products in our portfolio, up from the 2 that we are currently selling.

Viraj Kacharia – SIMPL: Which products would these be? Can you provide any color on the products and the target markets we are looking at?

Management: Currently, we are mostly looking at the Indian market. International market registrations will take time. We have not initiated the international registrations for these products. However, the market will mostly be India, and the new products being added are mostly fungicides.

Viraj Kacharia – SIMPL: I will come back in the queue. Thank you.

Management: Thank you.

Operator: The next question is from Mr. Umang Shah from Banyan Tree Advisors PMS. Please go ahead.

Umang Shah – Banyan Tree Advisors PMS: Hi, sir. Am I audible?

Management: Yes, sir. You are audible.

Umang Shah – Banyan Tree Advisors PMS: Thank you for taking my questions. You mentioned that there were 3 biostimulant products for which you obtained registrations, and I think 1 or 2 were still

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remaining. Were you able to obtain the registrations for them?

Management: We have already introduced the biostimulant products Dhanzyme Granules and Dhanzyme Gold Granules. We have also received approval for another product, Dhanzyme Gold in liquid formulation. That product is still awaiting some internal process clearance. We have already received the approval, and we will be launching it in December.

Umang Shah – Banyan Tree Advisors PMS: Understood. My second question is regarding your opening comments, where you mentioned that the industry was carrying a lot of high-cost inventory. Our understanding is that agrochemical prices have been coming down over the last 2 or 3 years. Can you explain what we did to avoid carrying this high-cost inventory? Was our understanding correct regarding whether the inventory is actually high-cost or low-cost?

Management: We are not saying that we do not have high-cost inventory in some molecules. At the same time, we became very conservative from July 2026. Our purchases have been very moderate since July. Whenever prices were decreasing, we bought materials at each lower price. There are certain molecules for which we have good inventory, where we also benefit from a price increase through carryover inventory.

Umang Shah – Banyan Tree Advisors PMS: Understood. This would be a 1- or 2-quarter phenomenon as the supply chain gets normalized, right? This is not something that will remain very different, and competitors will also catch up with us, right?

Management: Absolutely.

Umang Shah – Banyan Tree Advisors PMS: Understood. Thank you very much, and all the best.

Operator: Thank you, sir. The next question is from Mr. Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani – Elara Securities: Thank you for the opportunity. Rahul, while the North has done very well, the performance in the South and West was also quite good, given the deficit rainfall we saw. Which crops worked for us in the South, and which products or segments drove growth in these geographies?

Management: Chilli is the most important crop that worked in the South. In addition, some oilseeds and pulses also did well in the South. Cotton prices were very high, and farmers went in for repeated insecticide sprays in cotton as well.

East India, in particular, received extraordinary attention, with some vegetable prices being very high across the country. It was mostly insecticides such as Lanevo, Decide, and Mortar that did really well. The insecticide Miako, which is again a Nissan Chemical product, is in demand. Our products Mycore Super and Dhanzyme Gold, which are plant growth stimulants and plant growth influencers, have also done well.

Regarding the crop and product segments, we anticipated some of this demand and upgraded our supply chain to meet the changing local, ground-level dynamics. That agility helped us service the demand from farmers. We also rechannelized our demand-generation and brand-building activities

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into the right pockets and the right crops, which helped us capture that demand effectively.

Prashant Biyani – Elara Securities: In the chilli crop, was the demand mainly for fungicides or insecticides?

Management: Mostly insecticides. The demand was mostly for insecticides and was relatively much lower compared to the conventional demand for fungicides. Fungicide demand was lower.

Prashant Biyani – Elara Securities: While we are also cautious for the rabi season and expecting moderate growth, how are we placed on the raw material side in terms of pricing? Can moderate top-line growth still be managed while delivering gross-margin expansion? Can you share some indication regarding the pricing of our raw material inventory?

Management: It will be difficult to predict raw material pricing, which, in the uncertain situation, has moved in both directions. Some raw material prices came down further in Q2 from Q1. Many other raw material prices went up in Q2.

Wherever possible, and very selectively and carefully, we have passed on the increased costs to the market, as we were able to do, which is also visible in the numbers. Going forward, our expectation is that we will deliver low single-digit revenue growth, with, say, about a 100-bps loss in gross margin and a similar or slightly higher decrease in EBITDA.

Prashant Biyani – Elara Securities: About 100 bps lower in gross margin?

Management: Gross margin.

Prashant Biyani – Elara Securities: Is this mainly because we would like to play the volume game and accommodate lower pricing, or is the demand environment weak and, therefore, we cannot pass on any input-cost inflation? How would you attribute the margin expansion or contraction?

Management: Margin expansion was not expected to occur in the year from the beginning itself. Demand is under stress. Therefore, passing on the increased cost completely may not be possible. That is one factor.

Another factor is that revenue itself is not going to grow in that proportion. We are talking about single-digit revenue growth. That will also put some pressure, because costs will remain what they are. In fact, we are going to make increased efforts in demand generation and visibility in the right green pockets and the right crop patches.

Management: There is no reduction in the margin. The impact is mainly on account of the GST refund. If you eliminate the impact of the GST refund, then there is no impact on gross margin.

Prashant Biyani – Elara Securities: Will this GST refund impact occur entirely in Q3 or H2 as well, or was it limited to Q2?

Management: It has occurred in each quarter.

Prashant Biyani – Elara Securities: Bansal, how much was the biostimulant revenue in Q2, and how much was it in Q2 last year?

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Management: Biostimulant revenue in Q2 increased to around 11.7 crores from 8.4 crores in the previous year, an increase of around 3.3 crores.

Prashant Biyani – Elara Securities: 8.4 crores was for which quarter?

Management: I am referring to the 4 molecules: Dhanzyme, Dhanzyme Gold, Dhanzyme Granules, and Dhanzyme Gold Granules. In Q2 last year, it was 8.4 crores, and this year it is 11.7 crores. Of the 4 products, we have started only 2 molecules, Dhanzyme Granules and Dhanzyme Gold Granules. We are planning to start Dhanzyme Gold sometime in December.

Prashant Biyani – Elara Securities: Diwali wishes from my side to the management and everyone on the call. That is it from me.

Management: Same to you. Thank you very much.

Operator: Thank you, sir. The next question is from Mr. Sanjay from {? Sage Capital ?}. Please go ahead.

Sanjay – {? Sage Capital ?}: Good evening, sir, and congratulations on a good set of numbers. My question is regarding the fact that, during the previous quarter, we reduced our guidance to single-digit growth because of the rainfall problems. When we said that about a month ago, we expected that September and October might see rainfall. However, rainfall in September and October was again much lower than estimated or expected.

Are we now seeing the rabi season being impacted more than what we expected when we said that it would be single high-digit growth? You also mentioned that rainfall would continue in some areas of the country, with very few areas being the focus during Q3 and Q4. As the area reduces, competition will increase, which will affect pricing pressure and related matters. Are we still going to maintain our growth for the year in the single high-digit range, or will it be in the lower single-digit range?

Management: I think the position is that we will grow by a low single-digit percentage, and that is where we are.

Sanjay – {? Sage Capital ?}: All right. Thank you very much, and I wish you all the best.

Operator: Thank you, sir. We have a follow-up question from Mr. Viraj Kacharia from SIMPL. Please go ahead.

Viraj Kacharia – SIMPL: Thanks for the opportunity. We have seen a good number of launches in the first half, somewhere around 9(3) products. Can you provide some color on which of these you think has the potential to become a blockbuster or a megabrand over a period of time? Can you provide some color on the opportunity landscape, the market size, and which product you think has the scope to become a very large brand over time?

Management: Mr. Viraj, did we mishear you? How many product launches did you say?

Viraj Kacharia – SIMPL: We had a couple of launches in the first half, and some of them were 9(3). I wanted to understand the addressable market opportunity and whether, among these products, you

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think there are candidates that have the potential to become a large brand for us over time.

Management: We try to introduce products through our Japanese collaborations. We launched Folin, which is a paddy fungicide from Nippon Soda of Japan. It is expected to be a rice-blast fungicide. Rice, as you know, is the largest crop in the country, covering 42 million hectares. Rice blast affects a large part of South India and East India, as well as some parts of North India, including the Basmati region.

Currently, its cost and price positions are significantly higher than what the market can accept. Therefore, we are not expecting it to gain significant volumes in the short term. This is particularly the case in a stressed situation where paddy acreage has declined and farmers' propensity to spend on a relatively new and high-cost product will be lower. Therefore, we are recalibrating that product.

However, we have introduced, and are going to introduce in Q3, some other plant growth regulators and plant growth influencers, which will certainly have better traction in an El Niño year.

Viraj Kacharia – SIMPL: The second question is that we are hearing there is a significant amount of inventory in the system, particularly from other players. Given the way fertilizer prices and availability have behaved, the channel and farmers have prioritized fertilizers over crop-protection investments or purchases. Please correct me if I am wrong.

From the perspective of the channel or farmer profitability and health, can you provide some color on whether this has materially affected their ability to purchase? If the season normalizes next year, should we see faster normalization, or do you think it will take much longer for purchases and consumption to normalize?

Management: Let me first discuss this from the channel perspective. Dhanuka creates a very robust working environment for channel partners, and thereby we rotate inventory much faster. If there is immobile stock or if the season is not working in our favor, we unlock the channel's working capital and space by taking back the stock.

As for what other companies may be doing, whether they are front-loading or keeping stock in the market, sometimes we feel that this results in inflated balance-sheet numbers. At Dhanuka, we do not follow that practice.

We do this every month. It is not a quarter-end exercise for us. At Dhanuka, this is a monthly exercise that we undertake with our channel, cleaning it up and making it ready for the next month or the next season.

Talking about farmers, commodity prices are at an all-time high. Sugar prices are high. The government has imposed unusual restrictions around the ethanol policy for maize and sugarcane. Wheat prices are high. Paddy prices may also increase soon. Chilli prices are at an all-time high. Cotton prices are high.

With commodity prices being high, wherever farmers have adequate irrigation or rainfall available, they will undertake cropping and planting and will make a profit. However, the number of farmers falling into that category will decline this year because of the widespread El Niño, dry, and drought

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conditions.

Sanjay – {? Sage Capital ?}: Understood. My last question was on the ITI index. We have been launching a couple of products every year, at least 4 or 5, and some of them are 9(3). However, we have seen moderation in the ITI index. I understand that the current year is not really a benchmark, but going forward, how should one look at this new-product index evolving for us?

Management: At Dhanuka, we are strongly committed to introducing new products and new solutions to farmers that match their dynamic requirements, and that is what we remain committed to.

This year, in particular, has been a very difficult year, during which benchmarking the ITI is not possible. Given our relationship with R&D organizations at the backend—a very robust relationship, I would say—this year may not be the right indication of how things will be in the future.

Also, changing dynamics require some smaller products to become bigger in a given situation. This year, Mycore Super became a real favorite among farmers because of the El Niño conditions. Instead of pushing a fungicide or herbicide that would increase my ITI number, I am focusing more on products that will bring greater value to the farmer.

Therefore, ITI will remain a side effect of my relationship with the farmer, which comes first. The farmer relationship and farmer value creation come first.

Sanjay – {? Sage Capital ?}: Understood. Thank you, and I wish you good luck. I also wish you and the team a very happy Diwali.

Management: Thank you, and same to you.

Operator: Thank you. The next question is from Mr. Dhruv Muchhal from HDFC AMC. Please go ahead.

Dhruv Muchhal – HDFC AMC: Thank you very much. The government has implemented this e-token system for fertilizers. I am wondering whether, from an indirect perspective, it benefits the crop-protection market, possibly through less bundling by fertilizer companies. Are you seeing any initial signs of that in the market where it is already operating?

Management: I think all the state governments, as well as the central government, have taken a very serious view of this concern raised by farmer groups and channel groups. The fertilizer e-token system, intended to streamline the sale, distribution, and usage of subsidized fertilizers, is a very important and relevant step in that direction.

Whatever value the farmer is not able to unlock, especially from phosphatic fertilizer, our products such as Dhanzyme and Mycore Super help the farmer unlock the potential of the applied fertilizer, the potential of the soil, and the potential of the seed as well. We try to bring value to the farmer even from the fertilizer investment that the farmer is making.

Dhruv Muchhal – HDFC AMC: Understood. From a bundling perspective, is it not changing anything? The way fertilizer companies used to bundle or push crop-protection products along with

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fertilizers, is that dynamic not changing materially?

Management: That has changed significantly over the last 3 to 4 months because of pressure from state governments and regulatory vigilance from the central government. That has changed significantly.

Dhruv Muchhal – HDFC AMC: Is it because of the e-tokens? This practice had been occurring for many years, but nothing changed. Has it changed because of the e-token system, or simply because vigilance has improved?

Management: I do not really know the influence of the e-token system, although e-tokens will certainly bring benefits. However, vigilance has become harsher and sharper. Execution is what matters. The existence of the law versus execution of the law is what matters.

Dhruv Muchhal – HDFC AMC: Understood.

Management: Execution has been sharp across the board. In Madhya Pradesh, Uttar Pradesh, Bihar, and everywhere that we have personally travelled, we have seen that execution has been very sharp.

Dhruv Muchhal – HDFC AMC: Understood. The other question is regarding the launch of {? 20 per day ?} at Dahej. You mentioned launching 2 fungicide products. I am wondering whether the plant is still at an EBITDA loss. Is the strategy of launching 2 new products intended to achieve some scale, with that being the minimum required to make the plant economically viable? Or is the thought that you are relatively more positive on the agri-input market over the next 1 or 2 years, and therefore the idea is to expand the total addressable market for the plant?

Management: I do not think we should look at it as a short-term move. Capex would always appear negative in the short term. In addition, the chemical-synthesis industry has faced headwinds over the last {? [unclear] ?}. Therefore, we cannot look at it from a short-term perspective. We are obviously going to invest in and expand this opportunity.

Dhruv Muchhal – HDFC AMC: Can you mention the capex amount that you are undertaking?

Management: We will provide that clarity probably in the next round, but we are absolutely committed to undertaking capex.

Dhruv Muchhal – HDFC AMC: Perfect. Great. Thank you very much, and all the best.

Operator: Thank you, sir. We have the next question from Darshita Shah from DSP Asset Managers.

Darshita Shah – DSP Asset Managers: Thank you for taking my question. Rahul, you mentioned that there is sharp execution of the law. Is that also applicable to newer or smaller companies that are selling pesticides without registrations? Is it applicable there as well? Are you seeing any curtailment on that front?

Management: That front can still benefit from sharper execution and better vigilance. There is a lot more to be done on that front.

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Darshita Shah – DSP Asset Managers: Are there any steps that you are taking, or that the industry is taking? Can you provide any direction on where the conversations are going in that regard?

Management: In late September, FICCI organized a session called CASCADE, which focused on fake, spurious, and duplicate products across industries. It included a special session on agrochemicals led by Mr. R. G. Agarwal. This was the first time that FICCI included agricultural inputs as a session to fight fake and duplicate products in the country.

This is a serious issue, and farmers and Indian agriculture as a whole stand to lose when this occurs. Dhanuka, in particular, is actively pursuing this cause with all industry associations and regulators. FICCI is also taking up the cause of farmers with the government.

Darshita Shah – DSP Asset Managers: At the start of the call, you mentioned that you are seeing significant pricing pressure in generic products. Our understanding is that solvent prices have actually gone up, and freight costs are also increasing. How is it that generic prices are facing significant pricing pressure despite raw material prices increasing? Is it because of oversupply, or what could be the reason?

Management: One factor is on the demand side, because we have seen a year of tepid demand. We are able to pass on the increased cost only selectively and in a calculated manner, which we are doing. However, because of tepid demand, we cannot pass on the entire cost increase to the consumer. That is the pressure.

Darshita Shah – DSP Asset Managers: All right. Thank you very much.

Operator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to management for closing comments. Over to you, sir.

Management: Thank you. Once again, we remain committed to building a resilient, innovation-driven, and farmer-focused organization that creates sustainable, long-term value for all its stakeholders.

I would like to thank all our investors, analysts, business partners, and stakeholders for their continued trust and confidence in Dhanuka Agritech Limited. Wishing you all a very happy Diwali and a festive season ahead. India's respects to every farmer. Thank you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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