Annexure -A

"Dharmaj Crop Guard Q4 FY23 Earnings Conference Call"

May 17, 2023

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IR ADVISORS: **MR. SAYAM POKHARNA – TIL ADVISORS**

Note: Please note the transcript has been corrected for factual errors in facts & figures where needed. In addition, the transcript has been translated from Hindi to English where needed.

Moderator: Ladies and gentlemen, good day and welcome to Dharmaj Crop Guards Q4 and FY23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sayam Pokharna from TIL Advisors Private Limited. Thank you and over to you, Mr. Pokharna.

Sayam Pokharna: Good afternoon everyone and a very warm welcome to each and every one of you. Thanks for joining the maiden Earnings Conference Call of Dharmaj Crop Guard Limited. The Investor Updates, Presentation, Press Release has already being submitted to the stock exchange, in case anyone does not have a copy, please feel free to reach out to me.

To take us through today's Result, we have with us from the Management Team, Mr. Ramesh Talavia – Chairman and Managing Director, Mr. Jaman Talavia – Whole-Time Director, Mr. Vishal Domadia – Chief Executive Officer and Mr. Vinay Joshi – Chief Financial Officer.

Since it is our first call, we will be starting with a brief overview of the Company followed by remarks on "Financial Performance" for the quarter and for the whole financial year.

I would like to remind you all that anything and everything said on this call that represents any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that we face. These risks and uncertainties have been mentioned in detail in our prospectus.

Now I would like to hand over the call to Mr. Ramesh. Over to you, sir.

Ramesh Talavia: Thank you Mr. Sayam. Good afternoon and warm welcome to the Q4 and FY23 Earnings Conference Call for Dharmaj Crop Guard Limited. We appreciate your presence on this call and look forward to discussing our Company's performance for the past financial year. As this is our maiden Earnings Conference Call, we would like to take this opportunity to provide a comprehensive overview of our Company, its journey, business verticals and future outlook. **Journey and overview** – as many of you would already know that Dharmaj Crop Guard Limited is a relatively new player in the agrochemical industry. Has been incorporated in 2015 by first generation promoters with extensive experience in various agrochemical companies including the likes of Coromandel, Sumitomo, Cheminova, UPL, etc. We began commercialize operations in 2016 with our formulation manufacturing unit in Kerala GIDC on the periphery of Ahmedabad in Gujarat.

At the time, we began marketing formulations within the 2 sub verticals: B2C via our own distribution network and B2B institutional verticals. Over the last 7 years we have built distribution network of 13,500 plus touch point 4,500 plus dealer and distributors in 20 states supported by 16 stock depots. While on the institutional side, we have built a customer based on

730 plus clients wherein we are actively engaged with small formulators. Our split between B2B and B2C has remained at approximately 70: 30 ratio over the last 7 years and this fiscal year, we achieved a topline Rs. 534 crores which has grown at a CAGR of 40% over the past 5 years only from the formulation business.

IPO and object of IPO – coming back to 2022 and more recently our listing. Ever since our incorporation, our Company was focused on eventually being an integrated agrochemical Company with its own active ingredients operations. This we believe is essential to build strong and resilient business model. To that effect, last year in December-22, the Company went public with an IPO of Rs. 251 crores out of which Rs. 216 crores was the first issue of the equity share. The core object of our IPO was to partially finance the upcoming plant at Sayakha, which will be manufacturing technical and intermediates. This will be around Rs. 200 crores project expected to go live in Q3 FY24 and with the potentials of generating 3X asset turns at full utilization. Moreover, part of production out of this unit will be used captively for our formulation business verticals while rest will be third party sales, thus this will help us establish cost competitiveness in our existing business and improve the blended EBITDA margins of the Company.

Strategy going forward, moving forward our strategy will be to pursue growth in all 3 fronts. Branded formulation with our newly added 6 states in 2022 while strengthening the position in existing market. Institutional formulations were we will become more cost competitive post backward integration. Further we plan to meaningfully engage in export which is currently only 10% out of the topline.

Active ingredients – the first goal is to commission the plant in Q3 FY24, which is on track as we have commenced the machinery installations in the intermediate block. As we reflect on our Company's history and track record, one can see that Dharmaj has outpaced industry growth in last 7 years of our commercial operations. As we move forward, we aim to maintain this growth path by doubling our topline every 3 years. Moreover, we anticipate that the additions of active ingredients to our operations will enable us to increase our EBITDA margin as we achieved optimum capacity utilizations.

Q4 and FY23 financial highlights - as many of you may be aware the agrochemical industry is going through a serious slump in the last couple of quarter in both domestic and export market. Several factors have contributed to this including the global supply chain, destocking repeat and continuous fall in both inputs and output price. All of these have contributed to muted business in FY23. Coming more specifically to the Company, on average we have witnessed 25% reduction in price realization in last 5 months which is true across the industry. Thus, despite volume growth in H2 FY23, compared to the correspondening period in previous year we witnessed lower sales growth. Movement is expected to pick up with the upcoming seasons, however, so far in April things have been relatively slow. We are hopeful of better off take with the onset of the new season as the buying of upcoming seasons kicks in.

All in all, FY23 ended on a good note for us. Despite all the industry headwinds, we reported Rs. 536 crores in topline registering a 35% growth over the previous year. EBITDA margins witnessed some compressions from 11% in FY22 to 9% in FY23 which is mainly on account of higher institutional sale where margins are some less. Business expansion activity like advertising, sales promotion expenditure couples with significantly higher on ground marketing team i.e., 109 to 186 last year. Going forward, we will reap the benefit to this investment and margins will normalize as sales from the new market is gained.

The PAT from year stood at Rs. 33 crores registering at growth of 15% over the previous year. As we enter the new financial year, we look forward to growth on all fronts, that is our existing branded business, institutional formulation business, and commencing our upcoming active ingredients business also. Tanvi we can start with the question and answers please.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Sir my first question is we have done very well on the B2C side, but if I look at your product portfolio, that is largely very mature product like Fipronil, Chlorpyriphos, Glyphosate 2, 4-D, so there are many large players which are already present and has captured this market, so can you talk a bit about how you have been able to grow in such mature products well typically the growth rate of these products is not very high?

Management: Every year we keep on adding new product molecules in our existing product portfolio by identifying the markets need. We are not dependent on generic only. You must have seen our portfolio in that many new molecules and many combinations product are there like Fipro plus Imida, Thia plus Lambda and ZC technology CS technology is there, all these new product we keep on adding and every year we keep on making improvement in this. It is not like that we continue in our old variants, old generic products. Otherwise according to the market share whatever new product is required, we identify it and introduce it every year. Like last year we introduced 3 new products on which we work separately from the market and some products are nutrition based products like we added one product of Zinc plus Sulphur (ZeekaSulf), so we keep on doing this new innovative product introduction & marketing.

Dhwanil Desai: So, can you tell that our portfolio of B2C there how much is the contribution of top 5 or top 10 products? Can you give some sense on this?

Vishal Domadia: Sir it is 17% from our top 15 products contributes in it.

Dhwanil Desai: That means yours is pretty broad based.

Vishal Domadia: If we look at it, it is not like that any single product is contributing more, and our dependency is not more in any single product. Secondly, what you told that generic portfolio is there like Glyphosate 2, 4-D, so in that our strategy is generally we gain volume in that and some are different products from the market and in which realization contribution is good we promote it through demand generation activity and our margins average-out over these two categories.

Dhwanil Desai: And sir our gross margins are around 20%, but some of the other formulators who are in B2C like Rallis of course their scale is very different, but their gross margins are quite good, so is it one of your strategy that working on high volumes, but low gross margins you want to gain market shares? Is it our strategy?

Vishal Domadia: Sir ours is a combination based, so along with formulation ours is a B2B business and if you see gross margins is low for that, what you see is both combined, if simply you see for B2C then it is parallel to industry of about 30%.

Dhwanil Desai: One more question sir, that the new CAPEX which we are doing, so the general understanding is that on technical side active ingredient manufacturing is more complex in terms of the chemical reaction processes, manufacturing setup, since we have experience in formulation, but not in technical, so how do we counter the risk that there is no delay in its ramp up, or in its stabilization? And according to you in Q3 this plant after being commercialized how much time will it take to stabilize and what time frame do you think will be needed to reach the optimal capacity to 60, 70%?

Management: For this new active ingredient we have already acquired new production and R&D team, so they are working on that. Our R&D center will be activated in June and we have planned that in Q3 FY24 this plant will be fully established and in the last quarter we can commercialize it by converting it into some sales. Means we would catch 10% to 15% of our capacity in Q4.

Dhwanil Desai: And sir to reach 60%, 70% is 2 years what you are thinking.

Management: Yes, 2 years 60-70%. In 3 years we will reach to the optimum level of the capacity utilization.

Dhwanil Desai: And, sir on the technical side typically the gross margins are 35 to 37%, so are we also thinking that our gross margins will also be near that number?

Management: Yes, definitely.

Moderator: Thank you The next question is from the line of Aashav Patel from Molecule Ventures. Please go ahead.

Aashav Patel: Sir I wanted to broadly understand that in this financial year Q3 and Q4 were quite flattish and in fact we have seen de-growth, so can you please give some more color on the current demand situation? Currently how is the demand because margins have also been impacted in the last 2 quarters, so going forward in new season do you expect that all these things will get normalize or this pain will be there for few more couple of quarters?

Management: The main reason for the slowdown in Q3 and Q4 is that the Rabi season was slightly down both domestically and internationally, so the export could not be that much. If you look at other peers of the agrochemical industry, this is the same condition of the entire industry. This is temporary, it is not permanent. It is getting normalized in our Q1means in April, May and June it will become a normal situation, so on that basis it will come on way, so let us hope next year will be better.

Aashav Patel: So, from the very next quarter Q1 itself the change should be visible? Things should come to normalcy.

Management: Q1 will be a bit slow, but there is a pickup always in Q2, so Q2 will get normalize. And in Q1 there will be an effect of the downfall in prices and its effect can last till Q2. And volumes will get matched as per industry.

Aashav Patel: And in domestic market how is the demand visibility compared to export market?

Management: As per Q1 and Q2 of last year, it is getting normalized as per routine.

Aashav Patel: Sir coming to the institutional formation segment, do we sell Pyrethroid in B2B? How much is the proportion of Pyrethroid formulation in B2B sales?

Management18:45: As on date our market for formulation in that 25% to 30% is of synthetic Pyrethroid formulation.

Aashav Patel: And going forward what is your plan within B2B formulation segment? Efforts will be more in domestic or in export.

Management: We are bringing the synthetic Pyrethroid, our focus will be on both places. We have made our strategy such a way that we should have our presence in B2B in PAN India. Each and every formulators. We did a survey all over India, there are more than 1,500 small formulator, so our target is to touch each and every one. We don't want to miss any business opportunity and secondly there are players at corporate level, so from the last year we have started talking to them so our business has begun with mostly big corporate like Coromandel, UPL, Hemani, Heranba, Bharat even Rallis, Nagarjuna, so in the coming years there will be a good benefit of it and relation with it will be bounded, then we can barter also like our synthetic Pyrethroid is coming, so our discussion is going on with Coromandel that we are giving you this and we are taking your technical, so that kind of bartering is also going on with Rallis and Coromandel.

Aashav Patel: It is understood if you are targeting small players, but if you try to capture bigger players so the pricing pressure there isn't too much, in bigger corporates?

Management: We can do bartering, technical is there we are purchasing from them and in return we are giving them, so the pricing is as per the price they are purchasing from others. It is an open market so we have to work according to market realization.

Aashav Patel: But if you mix or change or if you try aggressively to grow in B2B formulation even if you are targeting bigger players would not be there a big pricing pressure in bigger corporates?

Management: We can do bartering, technical is there we are purchasing from them and in return we are giving them, so the pricing price they are purchasing from others. It is market so we have to work according to market realization.

Aashav Patel: But if you mix or change or if you try aggressively to grow in B2B formulation even if you are targeting bigger players then also the existing margins will remain intact?

Management: See the existing margins let's suppose take a company for example who makes cypermethrin then we also make cypermethrin inhouse then there will be no difference in cost competitiveness. Our margins will also be maintained how the other companies are taking margins. So, we have to work according to the market. It is not a hundred percent monopolized product. If two companies are selling it, we also have to sell at nearby their prices which is in corporate customers, and those which are smaller or B category players there we can maintain a good margin. That is why we have kept a two-way system so that an average EBITDA will be maintained.

Aashav Patel: Okay and sir if we ask about branded formulation segment, historically you have targeted 2 states but last year you have targeted 6 states, so why there is a change in strategy and how you can see the growth in branded formulation segment?

Management: We have opened 6 states in branded formulation last year and going forward we are also going to do a PAN India expansion, the reason behind this is in future if any company wants to do a tie-up then we have to have a PAN India customer base. If we have to launch a monopoly molecule in India, if an R&D company ties-up with us we should have a customer base, that is why we are going a aggressively into that.

Moderator: Mr. Patel, may I request you to please come back in the queue. The next question is from the line of Himanshu Binani from Prabhudas Lilladher, please go ahead.

Himanshu Binani: Thank you sir for taking my question. So, sir my first question was largely pertaining to the gross margin side. So, what we have seen in the domestic agrochemical companies, whichever companies has reported their numbers till date, as well as the global companies, everyone has actually witnessed some sort of like contraction into the gross margin and there has been an immense pricing pressure in India as well as in the global market. However, we have seen a 500-basis points sort of gross margin expansion. So, what would be the reason basically for this, despite being into the generic side of the portfolio,

Management: So, you are asking about the Q4 margin?

Himanshu Binani: Yes.

Management: So, looking at the market conditions, we have a changed our strategy and we have focused on the high margin portfolio and we sold high value products in Q4, which really helps very well to increase the margin in this Q4 compared to earlier quarters..

Himanshu Binani: So, sir going forward, how should actually one look at the gross margin profile going forward?

Management: Going forward we will maintain the margin as per industry level and what we are doing, and as we are seeing that there was a pricing pressure around the sales and so we focus mainly on the high margin products, both in B2C and B2B and we managed to get this margin because there sales volumes are less and so that was strategically we focus on the high margin products and that paid well during this downward trend.

Himanshu Binani: So, the margin range would be somewhere in the range of

Management: 20-21%, we will maintain.

Himanshu Binani: 21% okay and sir now the second question was again in connection with the first question only, so, what we have seen is that if we bifurcate the revenues so our domestic formulation which is somewhere around 30% well the balance 70% is from the institution business and the export business. Now, if I actually look into the EBITDA margin profile, so EBITDA margin has dragged and that was largely led by despite a 500-basis point expansion in the gross margin, the higher other expenses and that was largely led by the increased advertisement and promotional expenses, which has actually led to a drag in the EBITDA margins. So, sir I need to understand this one thing in domestic B2C is where we are spending on the A&P side Institution do we do more advertisement and promotion.

Management: Institutional we are spending much less on the sales promotion activity, our major focus is on the B2C business, we are in competitive to last year and earlier quarters will aggressively spend on this B2C segment and that we are hoping that this is going to give benefits in coming quarter of this upcoming season as we also mentioned that now we are expanding our network in six additional states so those are the pretty new states for us and that's why we focus this on promotional activity in all those states and that majorly happens in this Q4 and we are going to see in coming quarters.

Himanshu Binani: So, going forward how do one look into the split between the domestic B2C and institution and the export business what should be the ration in the next two years ?

Management: Of course, the B2C ratio will improve what is currently it is around 30%, but we are hoping that it will improve gradually and it will go up to 32 to 35% in coming years, and once we go to a maturity level it may further increase because all this promotional activities going on.

Himanshu Binani: Because of this disconnect basically in the numbers that was this the branded formulation which used to be somewhere around 31% In FY22, we just came down to 27%. So, despite a lower contribution in the branded formulation, we have increased the A&P spends and the labor force. So, going forward sir logically this number should increase substantially, because in the last four-year CAGR number which we have given 30% growth is coming from this segment, while the other two segments which is the Domestic Institutional and export institutional, which is increasing upwards of 40% CAGR so the segments which are already growing, how should actually one look into this what is going to be the focus?

Management: We are growing aggressively on B2C segment as well and once the technical part is operational, then again, it is going to help in the B2B because the contribution of B2C is very less in the technical part. So, therefore, the portion will not be that much as a whole, but Yes, of course, it is going to increase health in the margin, because B2B is growing faster compared to B2C and once we have this new plant.

Himanshu Binani: And sir one last question, if I may squeeze in. So, when we actually look into the balance sheet, so what we have seen is that there has been an increase in the working capital, overall working capital and despite we have reduced the inventories and the receivables, however, there is a drastic decline in the payable days. So, any reason basically for that.

Management: As we mentioned that, our prices are going downward and now we are getting ready for the new seasons and so we are procuring and we are getting a good cash discount on the procurement side. So, we try to procure maximum raw material at this lower prices at the very handsome rate and so we are getting good discounts also. So, we paid upfront here and that is the reason our creditors are reduced substantially in this last quarter.

Himanshu Binani: Got it sir. Thank you and all the best sir.

Moderator: Thank you. The next question is from line of Satyan Wadhwa from Profusion Investment Advisors, please go ahead.

Satyan Wadhwa: Sorry joined in a little late. Can you just shed some light on the new project in terms of when it will be ready and what is the revenue potential in the first year and total revenue potential of that project and what sort of margin do you expect out of it?

Management: Sir new project is on the way of commissioning stage. Civil work has completed 90% and it will come into production in 3rd quarter in production we have already hacked R&D and production, process in going on and on first year it will be done 10 to 15% utilization.

Satyan Wadhwa: 10 to 15% utilization and how long will it take to ramp up to full capacity?

Management: Two years sir.

Satyan Wadhwa: And what is the total revenue potential sir and what is the sort of expected EBITDA margin.

Management: Okay, once we reach the maximum capacity utilization that is post '27, we are expecting an EBITDA margin of around 20% plus once it is fully realized from this technical point.

Satyan Wadhwa: And what will be the expected revenue from total top line from the project.

Management: As this is a technical plant we will be also using for the captive consumption. So, for outside sales, we see it will be around (+450) crores once it is fully utilized.

Satyan Wadhwa: And for internal use how much?

Management: Internal use we will be using around 30% of the total production.

Satyan Wadhwa: Right roughly around Rs. 200 crore or so.

Management: Correct.

Satyan Wadhwa: And how much will this add to the margin of the existing business

Management: As we are having currently we are of course, this would Q4 of the exception so normally our margins are for the first time so, once it is fully operational, it will be around 14%.

Satyan Wadhwa: Okay, so margins of existing business we go to 14% and new business will be at about 20% on full capacity, but roughly from say FY25 what was the margin of the new business the quantum of the new business.

Management: Sorry, can you please repeat.

Satyan Wadhwa: Sir this year to us just start the project right so it will be at 10 to 15% utilization. For next year, which is financial year FY25 what sort of revenue do you expect from the new project and what sort of market in terms of rupees like 150 crores or thereabouts and what kind of margin should you expect at the capacity utilization that you achieve next year.

Management: So, as we are saying that around 15% capacity utilization will be there and all sales will start, it will stabilize by Q4 of the current financial year. So, we are expecting around 50 crores in the first year, because sales will be mostly in Q4. Q3 it will be getting stabilized. So, for the current year it will be around 50 crore from this technical plant and the margin will be slightly improved if we compare it to the current year.

Satyan Wadhwa: Right but for next year, we will be at like 150 crores to 200 crores sales in FY25.

Management: Yes it will be around 150 crores.

Satyan Wadhwa: What sort of margin would you be able to do 12% to 15% or better than that?

Management: It will be around 13% to 14%.

Satyan Wadhwa: 13% to 14%, okay great. All right. Thank you.

Moderator: The next question is from the line of Karan Dubey from Anubhuti Advisors LLP. Please go ahead.

Karan Dubey: Thank you for the opportunity. I think just finally two questions from my end rest have been answered. So, firstly, on the formulation plant, I think this year we have done roughly about 50% of the total capacity utilization levels. What are we targeting for FY24 and maybe four FY25 also if you can guide us on that.

Management: So, around 60% to 65% capacity we can utilize because this is a seasonal business. That is why once machinery we have to install for single product that it can also only one time season in one year for that machine. That is why in formulation industry maximum 60 to 65% capacity we can utilize.

Karan Dubey: Okay so 60% to 65% utilization we can assume that our margins can range in that 11% to 14% range, I think for branded and industrial across, the optimum margins which we have given in presentation. Understood and that was from my end. Thank you, sir.

Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. This is with regards to the technical name of products which we have given in the presentation. I am sorry, I have missed the initial commentary in case if you have shared about that. So, most of these products I think the prices have been down in the last six to nine months to the extent of 20% to 40%. So, whether it is Lambda Cyhalothrin or Alphamethrin or Cypermethrin and the demand is an issue and there is lot of destocking happening as we speak today, at what stage we are in terms of the destocking and the price elevation and considering that China is also a very large producer in most of these products. So, how is the behavior from their side?

Management: First of all, China is not there in synthetic pyrethroids, this is not China's product So, as I told you earlier that rabi season was a bit weak. Because of that we have used this price down to liquidate inventory. This is not permanent. Next season on the onset of monsoon it will normalize and will come in routine business. Industry is coming out of this slowly. This is not permanent and there is same issue on China based products also. So, synthetic pyrethroids maximum 70 percent is manufactured in India and it serves world. The Lambda acid is the only one raw material which comes to India and Lambda cyhalothrin is made after processing here. Rest is indigenous and is made in India.

Rahul Jain: Sir I understand this is not something which will last forever, but given your understanding of the markets and on the ground situation do you think these prices destocking situation will get over soon and when are of the prices are stabilized now or they are still going down?

Management: Yes nowadays pricing day-by-day stabilize, then from somewhat less and up to the next quarter it will be stabilized

Rahul Jain: And sir the figures given by you with regards to the revenue from the technical plant in this current year, more so not of the current year, but next year. So, when you are saying that you will take top line of 150 crores to 200 crores. So, is that revenue figure at today's prices of the technical or ?

Management: No market price.

Rahul Jain: Are you saying on today's market that you will do 150 crores to 200 crores of topline.

Management: No today's market price will be variable. There will be day-to-day changes. Based on that there will be a change with the raw material price. Price has no stability, there are changes in raw material price , finished goods and raw material.

Rahul Jain: Agreed sir, that is why my question is this like last six months prices got down by 20% to 25% the thing which was of Rs 100 today its selling price is Rs 75.

Management: What we are saying is average. If we go product-to-product there is 10% down in some, in some it is 5% down, in some it is 30% down, in some there is 40% down. This synthetic product which we are going to make technical in that if you see on an average you will see 15% to 20% downfall. In some product if you see there is no downfall in alpha cypermethrin, no downfall in permethrin. In deltamethrin there is no such downfall. Major downfall is in cypermethrin and in Lambda Cyhalothrin, and there is downfall in Bifenthrin. There is some key raw material which are dependent on China like to make Lambda cyhalothrin the main key raw material is Lambda acid and Lambda acid is not made in India as it comes from China and there is downfall of price in China, so naturally it will be down here and if you compare it to alpha cypermethrin it not so much down because it is not dependent on China. So, it varies from product to product and if you go with today's market price as we said we can commercialize from this technical plant and next year we are expecting 150-200 crores.

Rahul Jain: Sure sir, thank you.

Moderator: Thank you. The next question is from the line of Yogesh Tiwari from Arihant capital, please go ahead.

Yogesh Tiwari: Sir my question is how much CAPEX we had in the new plan which we are having and how much we had already spent?

Management: So, total our initial plan was around 173 crore for this project and now because that was the estimate one or two years back and now what we are seeing that we already increased to 2 year plan of 200 crores to be spent on this project because of two reason because there is escalation of metal or cement price in last two years. The other thing is we are now initially whatever machines we have planned for now we are going for some advanced machines which is going to give a better purity and better results. So, with this price will grow overall and it will be around 200 crores and we are fully geared to cater through our internal accruals as well.

Yogesh Tiwari: Sir this plant which is coming up in Q3 the CAPEX is 200 crores. How much we have spent on this till now?

Management: We have spent around 120 crores

Yogesh Tiwari: Sir so the balance 80 crores if I look at the balance sheet like we have 100 crores on cash and cash equivalents and looking at the cash flow from operation how we are planning to fund those balance 80 crores?

Management: See we have internal accruals as IPO funds are already parked in the FDs here and so we are going to liquidate those FDs and also we are going to need balance amount from internal accruals.

Yogesh Tiwari: So, the remaining 80 crores they are not going to be any external debt taken, this will all be funded through our internal accruals?

Management: See we have FDs in place, as of now it is not utilized. So, what fund we have FDs is on date. Of course, the major payments are going in this current quarter in April and May we have made a lot of payments but as on 31st March it was not but today it is this much paid.

Yogesh Tiwari: So, finally, are we looking to raise any long-term debt going forward?

Management: No.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: My question is around near term that as you have told in your commentary that Q1 you feel is slow then you said momentum is expected with new season buying will go up and things will normalize by Q2 so then what can we expect in terms of let's say margins. As sir you said that your spending on A&P is high in Q4 and we will get benefits of that. So, what can be expect in margins and revenue in the near term, let's say Q2.

Management: You can see in this, in our agro chemical industry in this Q2 and Q3 is major consumption, at ground level. Q1 is totally preparation for Q2. There is no such consumption in Q1. If we see the present situation product is normalizing, stability is coming, based upon that at our level it will be better compared to the last quarter. It will take Q1's time to industry to normalize but from Q2 everything will normalize and in Q2 margins and everything will stabilize.

Rahil Shah: So, what are these margins which you told about normalization of industry, EBITDA margins?

Management: EBITDA margins are 20% around, industry margin in around 11% to 12%. We are already seeing improvement compared to the last quarter, and as we mentioned that our margins were lower because of expense but now EBITDA margins will normalize in the coming quarters and we are already seeing improvement compared to last year.

Rahil Shah: So, previous let's say will it go down till quarter three level FY23.

Management: Quarter three level as I mentioned I think in my earlier answer, see quarter three when volumes were less we focused more on the high margin

Rahil Shah: On high margin yes, yes.

Management: Blended because this market is picking up so our institutional sales as well as the branded both will contribute. So, the margin will not be as Q4 higher margins but it will be normal margins as per industry.

Rahil Shah: Okay, let's now focus on if we focus on FY24, if we see on overall levels if we let go new plan which is going to be towards the end of the year, correct. If we let go that revenue so the way you have been growing up to 35%-40%, which on CAGR basis growing annually, will it continue you expect?

Management: Definitely.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital, please go ahead

Dhwanil Desai: Sir a question is on the new plan to technical we make. So, it's major focus market will be export or in how we will plan to sell that in Indian market because the reason I am asking is the Pyrethroid in the last couple of years there is a lot of capacity which has come up. So, how we will capture the market?

Management: If I tell you about synthetic Pyrethroid, majorly it is exported. Out of the whole consumption of India, 70% is being exported and India exports synthetic Pyrethroid to whole world. Our major focus will be export, and apparently our domestic or our branded maybe captive consumption and thirdly we have started division of the household insecticide also in our brand range, in that also it will be consumed. In that also there is synthetic Pyrethroid. That is why we are not dependent on one segment parallelly we have export now; brand business may be B2B and that public healthcare division which we have started so everywhere there will be consumption of that and majorly it will be on large volume export. Volume will be less but margin will be high.

Dhwanil Desai: Correct sir, we have seen the same trend everywhere. So, sir, which markets we are targeting in export and in registration process where are the in terms of the targeted market.

Management: Export we have started from day one. Presently last year we had good export. So, in some countries like our export is Asia Pacific, Middle East and African countries and from one year back these European, Brazil and USA we have already started registration process now GLP data generating is in end stage. So, in next one two months registration applications will start from Brazil, USA and Europe so in the coming six months, one year, two year, depending on the country policies registration will begin likewise. We will target those countries because we will get good margins there because it is a registration product. Rest where there is easy registration, we have already taken registration in many countries and our formulation export is going on and where there is scope of technical export we will start there also. So, we are working on country-to-country policies of the whole world. Those which are Asia Pacific there major formulation works and in that synthetic Pyrethroid is used. Cypermethrin or Lambda Cyhalothrin is used so it will be used in captive consumption so it will be combo market of that.

Dhwanil Desai: So, sir we are saying we can grow 35% to 40% from the base and again we will grow in 25%. So, for that do we need to put up any extra capacity on the formulation side or we have enough that we will be able to cater to next three years of growth.

Management: We have full capacity for formulation. There will be no need for extra investment if we utilize that for the next two years and if there will be need then also it will be very negligible. There is no need of investment for formulation and we have planned a three-way model for our growth path. First is a brand business which we are growing and second is the B2B business in that domestic as well as internationally both are growing and public health division there will be growth on that. So, basically the growth on sales revenue will be coming and capacity utilization will be used in the coming 2 to 3 years and if there will be minor need, there is no need of any large investment in formulation. If any new product comes whose chemistry or formulation is different, we need some in that case, rest we have full facility and capacity of the running product.

Dhwanil Desai: And one question on balance sheet right. So, can you throw some light on the credit terms and the inventory requirements both for B2C and B2B?

Management: Sorry, can you please repeat?

Dhwanil Desai: On B2C side what will be our trade terms in terms of receivable days or inventory, how many days of inventory we need to keep and on B2B side if you can say

Management: As per industry market, our brand business which is B2C it has been 90 to 120 days credit is there and inventory days we have 30 to 45 days of inventory period?

Dhwanil Desai: And what about B2B.

Management: In B2B inventory days are very less marketing to 15 to 30 days and credit period is same 90 to 120 days.

Moderator: The next question is from the line of Aashav Patel from Molecule Ventures, please go ahead.

Aashav Patel: Sir the existing formulations capacity which is around 25,000 metric ton our of which backward integration plan is not online out of which how much revenue we can do.

Management: Around 30 to 40% of the total. The total revenue we can do 1000 crores to 1100 crores we can do with formulation plant.

Aashav Patel: From existing formulation plants,

Management: Yes existing formulation plan.

Aashav Patel: And for that you will not need investments.

Management: A minor CAPEX is required in formulation plan there is CAPEX such as suppose there is modification only minor CAPEX is needed. There is no major CAPEX.

Aashav Patel: Sir aggressively which you have spent on B2C branded business advertisements and all so a few years down the line three to five years down the line can we expect the formulation mix to be equally divided between B2B and B2C or it will be same as 75% around will be B2B.

Management: 30% to 35% will be B2C and 65% to 70% will be B2B because there will be parallel growth in B2B will also show growth. Second thing, growth in B2C in which we have opened six states, we will see growth from there. So, both will increase parallelly.

Aashav Patel: Okay, sir can you give state wise mix like you said 70% of top line is coming from 15 products can you say state-wise like which will be to top three top five states and how much revenue proportion comes from them.

Management: B2C if I say 40% comes from Gujarat, around 12% is Rajasthan, around 15% MP, Maharashtra as we have recently started it is 7%. Chhattisgarh and Bihar as they are minor states it comes around 5 to 7%.

Aashav Patel: Okay. So, coming back to the CAPEX of active ingredients. Basically sir we have seen this situation many times wherein backward integration makes logical sense that margin profile will increase, stability will come, RM sourcing will be stable, but many a times when company backward integrate in commodity products, there comes many issues that market could be not favorable so they won't be able to sell it so have you not thoughts before doing the active ingredients and putting it other way around what was your thought process how you got confidence that you will be ramp up.

Management: If you see the goal which we made that we have to make this a 2000 crores company, so it will not be happen by only formulation so active ingredient path is necessary, in that why we have chosen only synthetic Pyrethroid as of now, because synthetic Pyrethroid in not only agriculture based. It goes in agriculture, household as well as veterinary and its market is all over world and it gets only from India because India has mastery in its chemistry. So, this product is not season based that it will run now and then it will not run. If you see the history this product is running from long, new products are being added to it. So, now the fashion which is in trend is organophosphorus synthetic pyrethroids combination, at the moment is running well. If you see technically Profenofos plus Cypermethrin, Ethion plus Cypermethrin, Chloro plus Cypermethrin so there are such product or Thia plus Lambda is there. So, these products are ongoing and demanding and export is also good so this way the synthetic pyrethroids which is there this in combination in different if goes on so we do not have to depend on one agriculture the other sector also runs and second thing for that we have kept a plan B ready also. So, the plant which we are making is totally a multiple plant it is not that only single product will be made there. It is not like that we if it is pyrethroids, we cannot make anything other than that. So, from now we have kept the provision like this like in Captive consumption we have thought that thiamethoxam is there so we need 200 ton for captive so as soon as this plant will start we can make thiamethoxam in it one and Profenofos, chlorpyrifos which is group of organophosphorus we can make it by doing minor changes, so there is no product dependence and on today's date if you take this sector doing investment depending on only one product will be a foolish decision. So, we will use it for multiple products. So, this strategy is our thought process and in future also if a new chemistry comes. This is a chemical plant, if in any chemical plant to how much temperature you can go to which height and how much cooling you can do, all reaction change depends on that. We can increase the change for new chemistry. We have R&D for it and we have production team for it and second thing is can be international like Japanese companies are entering India so out discussion is ongoing for those companies also. If they come up with new technology, we are ready to make technological partner. So, this type of strategy we are running internationally, domestic or product to product. Then this is not one time, one product or for one sector. This is multiple for multiple uses.

Aashav Patel: Okay, okay. So, the product profiles you mentioned in backward integration for that all R&D is already in place have you done hiring and all already.

Management: Yes, yes the whole team is ready with us.

Aashav Patel: And sir which you are mentioning in presentation that we are targeting close to 20% margins in active ingredients. So, within that are these margin expectation based on current demand scenario or historically these much margins we make in this segment?

Management: You can see average historically. If you see any business, any product, there will not be stability, it will keep on changing depending on the market. If you see the last five years we are taking like that because in business you get some good opportunities and sometime there is decline of such kind, we have to manage.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Sayam Pokharna for closing comments.

Sayam Pokharna: Thanks a lot everyone for joining the call. If there are any further queries or if you want to reach out to us for any further interactions, please feel free to do so. Our email addresses has been given at the back of the investor presentation. Look forward to speaking you next time. Thank you.

Moderator: Thank you. On behalf of Dharmaj Crop Guards Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.