

# SOLEAD



Dhanuka Agritech Limited  
Annual Report 2013-14



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**Mr. Amitabh Bachchan**  
Brand Ambassador



**INDIA'S AGRICULTURE SECTOR IS PERHAPS  
ITS MOST CRITICAL AND ALSO ITS MOST  
VULNERABLE.**

**THE SECTOR IS EXPOSED TO PEST  
CONDITIONS, ERRATIC CLIMATES,  
GLOBAL WARMING, ALTERNATIVE LAND  
USE, GOVERNMENT ACTION AND  
URBANISATION.**

**DHANUKA AGRITECH LIMITED PARTNERS  
LARGE INNOVATOR COMPANIES...  
CUSTOMISES PRODUCTS... DEMONSTRATES  
APPLICATIONS... DISTRIBUTES  
EFFECTIVELY... ENHANCES AWARENESS...  
ENRICHES YIELDS...HELPS BRING  
PROSPERITY TO THE FARMER.**

**DHANUKA AGRITECH BRINGS TO ITS  
INDUSTRY SPACE A COMBINATION  
OF TWO REALITIES – SOLIDITY AND  
LEADERSHIP.**

**EXPRESSED IN A UNIQUE TERM...**

**SOLEAD.**

**THE RESULT IS THAT DHANUKA AGRITECH  
OUTPERFORMED ITS SECTORAL GROWTH OF 18% AND  
INCREASED ITS REVENUES BY 26.80% IN 2013-14.**






THIS AFFECTS FARMER RETURNS, AGRICULTURE VIABILITY,  
NATIONAL PROSPERITY AND FOOD SECURITY.

DHANUKA AGRITECH ADDRESSES THIS CHALLENGE  
THROUGH A ROBUST BUSINESS MODEL. TRANSLATING  
INTO INDUSTRY LEADERSHIP.

**SOLEAD.**



## About us

Dhanuka Agritech Limited is engaged in the manufacture of a wide range of agrochemical solutions. The Company services the growing needs of more than 10 million Indian farmers. The Company's products comprise insecticides, herbicides/ weedicides, fungicides and plant growth regulators/stimulants (liquid, dust, powder and granules).

## Presence

Dhanuka Agritech Limited (headquartered in Gurgaon) enjoys a pan-India presence through marketing offices across all major Indian states, with a network of more than 8,000 distributors/dealers marketing to over 75,000 Indian retailers. Besides, the Company possesses more than 40 pan-India warehouses to promptly service demand. The Company enjoys technical tie-ups with three American and four Japanese innovator companies for sourcing speciality molecules.

## Manufacturing facilities

**Gurgaon (Haryana):** First production facility of Dhanuka, established in 1960 under the banner of Northern Minerals Limited. Land area of around 28,700 square metres.

Equipped with latest specialised equipment for manufacturing various formulations, namely:

- EC, SC, SL, SE, EW, CS
- SP, WP, WDG

On-site NABL (Indian GLP) lab engaged in:

- Formulation development
- Soil and water testing

**Sanand (Gujarat):** Second largest capacity for manufacturing granules in India. Land

area of 62,700 square metres. Largest dedicated Cartap Hydrochloride SP formulation facility.

**Udhampur (Jammu and Kashmir):** State-of-the-art production line. 12 filling lines dedicated to liquids like EC, SC & SL. Online monitoring of quality conforming to the highest standards. Two separate lines for powder formulations. Zero water discharge facility. Enjoys excise benefit till 2017.

## Quality

Over the years, Dhanuka Agritech Limited invested in process and product excellence. The Company is ISO 9001:2008-certified across all locations. The Company's Udhampur unit is certified with ISO: 14001 and OHSAS 18001:2007. Dhanuka's R&D centre (Gurgaon) is certified by the Ministry of Science and Technology, Government of India, and National Accreditation Board for Laboratories as a certified research lab.

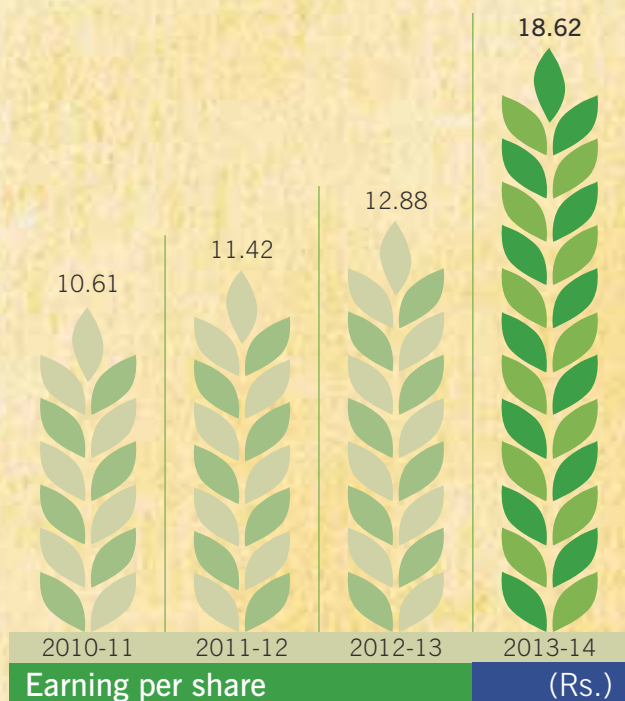
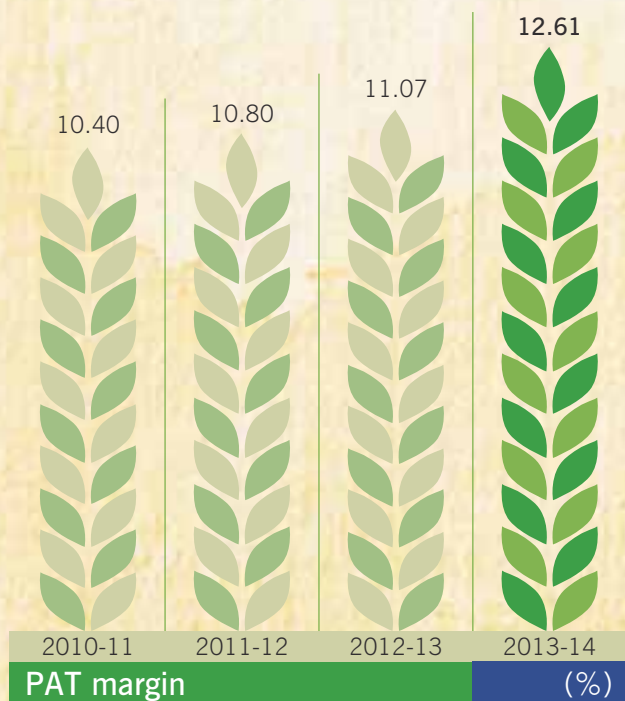
## Team

Dhanuka Agritech comprises more than 1,100 employees and more than 1,500 Dhanuka Doctors, who disseminate information to farmers on 'Dhanuka kheti ki nayi takneek'.



# CROP PROTECTION PAYS. THIS IS HOW WE HAVE GROWN OVER THE YEARS...





## THIS IS HOW WE ENHANCED VALUE IN 2013-14

### Financial highlights

Increased revenue by 26.81% from Rs. 582.31 crores in FY 2012-13 to Rs. 738.41 crores

Increased EBIDTA by 44.32% from Rs. 86.85 crores in FY 2012-13 to Rs. 125.34 crores

Increased profit after tax by 44.51% from Rs. 64.45 crores in FY 2012-13 to Rs. 93.14 crores

Strengthened EBIDTA margin by 172 basis points from 15.25% in FY 2012-13 to 16.97%

Increased PAT margins 154 basis points from 11.07% in FY 2012-13 to 12.61%

### Operational highlights

Introduced five new products – Danfuron, Defend, Maxyld, Media Super and Protocol – during FY 2013-14

Commenced the construction of a new plant in Rajasthan

### Corporate highlights

Announced dividend of 200% (Rs. 4) on a face value of share (Rs. 2 each)

## Chairman's overview



**“It would be simplistic to assume that we contribute only to India’s crop protection sector. Dhanuka Agritech is focused on protecting India’s food security.”**

R G Agarwal, *Chairman*



Dear Shareholders,

I am pleased to present our financials for 2013-14 wherein we outperformed our sectoral growth of 18% with a 26.81% growth in our topline, 44.32% growth in EBITDA and 44.51% growth in net profit, representing profitable growth where the increase in percentage revenue growth was exceeded by the percentage increase in profits.

This outperformance was not one-off; it was the fourth straight year when we outperformed the growth of the broad Indian crop protection industry, correspondingly accounting for a 6% market share of the Rs. 12,000 crores domestic plant protection chemical sector.

### National overview

It would be simplistic to assume that we contribute only to India's crop protection sector. In reality, Dhanuka Agritech is focused on protecting India's food security.

There are a number of realities that make our business relevant and perhaps even critical. One, what used to be an Indian population of 43.92 crore five decades ago, is now a national population of approximately 1.24 billion, making it imperative to increase food production to feed the growing number of mouths.

Two, India has the second largest farmland stretch in the world at 179.9 mn hectares but one of the lowest yields per hectare across majority of crops.



**We outperformed our sectoral growth of 18% with a 26.81% growth in our topline, 44.32% growth in EBITDA and 44.51% growth in net profit**

Three, India loses around Rs. 2,50,000 crore worth of crops annually owing to pest attacks, making it imperative to plug systemic leakages.

It is increasingly evident that the country needs focused crop protection players that increase farm output, boost farmer incomes and augment food availability. As a result, rationale for the existence of a corporate like ours is only expected to assume greater significance.

### The Dhanuka difference

At Dhanuka, we have outperformed the Indian crop protection sector by virtue of a business model that is as relevant as it is robust, that is as customised as it is enduring.

**The principal elements of our business model comprise the following:**

■ **Asset-light:** At Dhanuka, we resolved to be a marketing (more than a manufacturing) company. The core manufacturing activity that we undertake is formulations (processing technical chemicals into a usable format like powder, granule or liquid) entailing a correspondingly lower capital and research investment. The consequent asset-lightness made it possible for

the Company to maintain an ROCE in excess of 30% in each of the three years leading to 2013-14 (34.32% in 2013-14).

■ **Solutionise:** At Dhanuka, we do not market products; we provide solutions. That is because we extend beyond merely pushing our inventory; our 1,500 Dhanuka Doctors (field staff) possess an in-depth understanding of crop allocations, harvest patterns, farm risks, projected farmer incomes. On the basis of these variables, Dhanuka suggests pertinent crop protection solutions that improve incomes and profitability. These recommendations are validated through field demonstrations, enhancing product acceptance.

■ **Trusting relationships:** At Dhanuka, our business superstructure is built on the foundation of trusting and enduring relationships with technical partners at one end and customers on the other. Seven global innovators, who chose to partner us while launching their molecules in India, continue to engage with us over the years for the IPR-respecting confidence we have provided. To the customers we bring a deep sense of value emanating from

our wide-spread marketing network, in-depth terrain knowledge and efficacious product customisation. This all-pervasive expertise in the field of agrochemicals has helped us boost product penetration for our partners. Consider this: we launched the first molecule for DuPont in 1992; we distribute a number of molecules for the international giant despite the fact that DuPont is also independently present in India.

■ **Everywhere:** At Dhanuka, we are present at an arm's length convenience for farmers. This convenience is the result of more than 8,000 channel partners servicing the needs of more than 75,000 pan-India retailers who, in turn, address the growing needs of more than 10 million consumers.

■ **Packaging:** At Dhanuka, we recognise that India's agricultural landscape is dominated by marginal farmers. These farmers cannot invest in crop protection products of large packaging sizes for reasons of affordability. In response, Dhanuka introduced products in smaller SKUs (20 grams to 200 litres), enhancing affordability and convenience.

■ **Formulations:** At Dhanuka, we are formulations-driven. Since no Indian crop protection entity is working in the area of new molecular innovation for reasons of capital expenditure and time intensity, the Company has chosen to focus on the timely access of molecules from strategic partners and the captive development of formulations at its R&D centre backed by extensive distribution capabilities – a win-win approach.

■ **Demonstrations:** At Dhanuka, we acknowledge that packaging, marketing and distribution need to be

reinforced by confidence-enhancing demonstrations at the farmer's door step. The effectiveness of what we package inside our plants must be demonstrated unambiguously across the farms. In response, the 'Dhanuka - kheti ki nayi takneek' programme trains farmers from sowing to harvesting; it demonstrates how farmers can improve yield and grain quality; more importantly, it showcases how Dhanuka products can help generate higher realisations. We collaborated with state agri-universities and *krishi vigyan kendras* to implement training programmes for farmers and channel partners; we implemented a PPP agricultural project in 2001 wherein we adopted the Hoshangabad district in Madhya Pradesh that made it possible for soil and water tests to be conducted proximate to farms with reports delivered within a week coupled with informed plant protection chemicals or fertiliser recommendations. Within just three years, farmers reported a 30% growth in productivity.

## Outlook

The outlook for our business is attractive: plant protection agro-chemicals use in India is pegged at only around 600 grams compared to 11 kilograms in Japan.

Dhanuka Agritech expects to increase its presence over the foreseeable future through the following initiatives:

■ We intend launch to two novel molecules in each of the next three years, enhancing the number of our specialty products to eight. We expect to generate profitable revenue growth from these margin-accretive products through a multi-year marketing exclusivity with

our principals. Besides, we expect to sustain the launch of three to four generics each year.

■ We expect to commission a new Rs. 50 crore plant (Keshwana, Rajasthan) with an installed capacity of 25,500 KL of liquids and 7,100 MT of wettable/soluble powder, starting from the last quarter of 2014-15.

■ We intend to develop our presence in Eastern India where the consumption of crop protection chemicals lags the national average.

## Overview

A fair measure of the potential that exists within our sector can be derived from the reality that even as the number of villages across India are more than 6,00,000, Dhanuka is present in only approximately 2,00,000 villages.

In such a context, growth for our Company is likely to be derived from an increase in the number of villages that we are able to access, the widening range of products we are able to provide, the growing number of crops we are able to address, the diverse SKU range we are able to create and the extent to which we are able to boost the use of crop protection chemicals to correct decades of under-consumption.

A combination of these initiatives is expected to sustain our sectoral outperformance over the foreseeable future.

Regards,

**R G Agarwal**  
Chairman