

Agro Chemicals

Channel Check Update

June 4, 2020

Exhibit 1: PL Coverage Universe

Company Name	Rating	CMP (Rs)	TP (Rs)
Bayer Cropscience	BUY	5,284	6,010
Dhanuka Agritech	BUY	570	656
Godrej Agrovet	BUY	372	461
Insecticides India	BUY	384	730
P.I. Industries	Hold	1,539	1,430
Rallis India	Acc	226	246
Sharda Cropchem	Acc	183	218
Sumitomo Chemical India	Acc	272	259
UPL	BUY	419	497

Source: Company, PL

Industry set for +20% growth in 1QFY21

Domestic agrochemical industry is expected to grow +20% YoY in Q1 driven by massive surge in herbicide sales, pre-buying led by robust demand expectation and ~5% price increase in generic molecules. Geographically, North India followed by South is expected to drive growth. Also, crop wise Rice will be the single largest growth driver for the industry driven by acreage expansion and shift from transplanting rice to Direct Seeded Rice (DSR). Molecules like Bispyribac Sodium (Key player PI Ind- Nominee Gold), Pyrazosulfuron (UPL- Saathi, Dhanuka- Cempa) Pendimethalin (UPL- Dost Super; Rallis- Panida), etc are set to clock robust growth driven by demand from DSR in Punjab, Haryana and other rice growing regions. Likewise, all the domestic focussed companies are expected to clock sharp growth especially PI Ind, UPL's India business and Dhanuka Agritech.

Switch to DSR aids massive sales growth in Herbicides: Labour shortage in key rice growing markets of Punjab and Haryana lead to switch from transplanted rice to DSR. Adoption of DSR technology leads to shift in weed flora composition towards difficult-to-control weeds. Timely weed control by proper application of herbicides is imperative for productivity improvement and profitability of DSR.

As per our channel checks, as against nil penetration till last year, DSR penetration can increase +10% in the ongoing Kharif season leading to massive surge in demand for post emergent segment molecules like Bispyribac Sodium, Pyrazosulfuron, Pendimethalin, etc thereby benefitting companies like PI Industries, Insecticides India, UPL, Dhanuka Agritech, Rallis India etc.

As per our channel checks, Nominee Gold (Bispyribac Sodium) placement this season by PI Industries has been highest ever. UPL has seen huge sales surge of Saathi (Pyrazosulfuron) and Dost Super (Pendimethalin) and infact sales have multifold in a few states. Rallis's Panida (Pendimethalin) also saw a good traction, but it hit bottleneck in some production areas and wasn't able to fully capitalise the demand surge.

Glyphosate continues to be in short supply in India: Glyphosate has been in short supply in India since COVID hit China. Despite being seasonally banned in many states of India like AP, TG, Punjab, etc. the short supply persists. Bayer (~6-10% of rev), Sumitomo Chemicals (~10-15%), UPL (offering Glufosinate Ammonium as an alternative; brand name- Sweep power) are expected to be a beneficiary of the same. Glyphosate prices have also shot up in India from Rs 235/ltr to ~Rs 260/ltr in a few states.

Overall lower discounts and ~5% price increase in generic molecules: Few companies have offered lower discounts to their dealer/distributors on select brands. Generic molecules have seen ~5% price increase due to short supply in India as a result of COVID outbreak impacting production in China.

Rice, Cotton and Pulses acreages are expected to increase, Maize may remain flat despite sharp price decline: Rice, Cotton and Pulses acreage are expected to increase driven by better realisations for Rice & Pulses. Cotton crop acreages are expected to increase despite price decline as the crop continues to be remunerative for farmers. Sharp decline in maize price is unlikely to impact maize acreages materially as many states like Karnataka, AP, TG, Haryana, etc. are offering incentives to grow it (positive for Bayer Cropscience).

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☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	656		519	
Sales (Rs. m)	12,775	13,925	11,825	12,889
% Chng.	8.0	8.0		
EBITDA (Rs. m)	2,197	2,507	2,011	2,256
% Chng.	9.2	11.1		
EPS (Rs.)	36.6	41.0	32.7	37.0
% Chng.	12.0	10.7		

Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. m)	10,058	11,013	12,775	13,925
EBITDA (Rs. m)	1,460	1,685	2,197	2,507
Margin (%)	14.5	15.3	17.2	18.0
PAT (Rs. m)	1,126	1,341	1,741	1,950
EPS (Rs.)	23.7	28.2	36.6	41.0
Gr. (%)	(8.0)	19.1	29.9	12.0
DPS (Rs.)	0.5	6.3	8.0	10.2
Yield (%)	0.1	1.1	1.4	1.8
RoE (%)	17.6	19.6	22.1	21.1
RoCE (%)	20.5	21.8	25.3	24.9
EV/Sales (x)	2.7	2.4	2.0	1.7
EV/EBITDA (x)	18.5	15.5	11.6	9.7
PE (x)	24.1	20.2	15.6	13.9
P/BV (x)	4.2	3.7	3.2	2.7

Key Data

DHNP.BO | DAGRI IN

52-W High / Low	Rs.605 / Rs.261
Sensex / Nifty	34,110 / 10,062
Market Cap	Rs.27bn/ \$ 359m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.42.94m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	-
Domestic Institution	12.07
Public & Others	12.93
Promoter Pledge (Rs bn)	2.66

Stock Performance (%)

	1M	6M	12M
Absolute	27.5	96.1	50.1
Relative	26.0	133.9	77.3

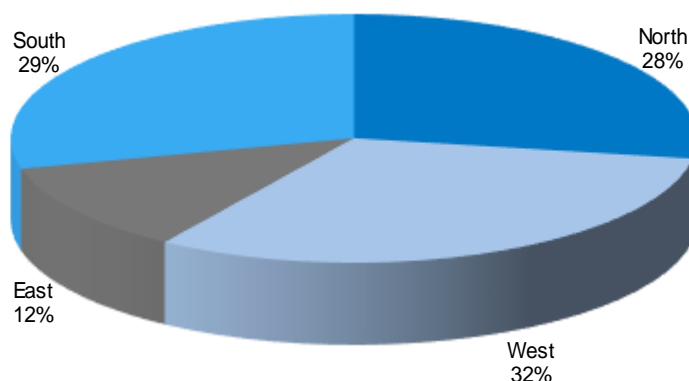
Dhanuka Agritech (DAGRI IN)

Rating: BUY | CMP: Rs570 | TP: Rs656

Growth triggers ahead!!

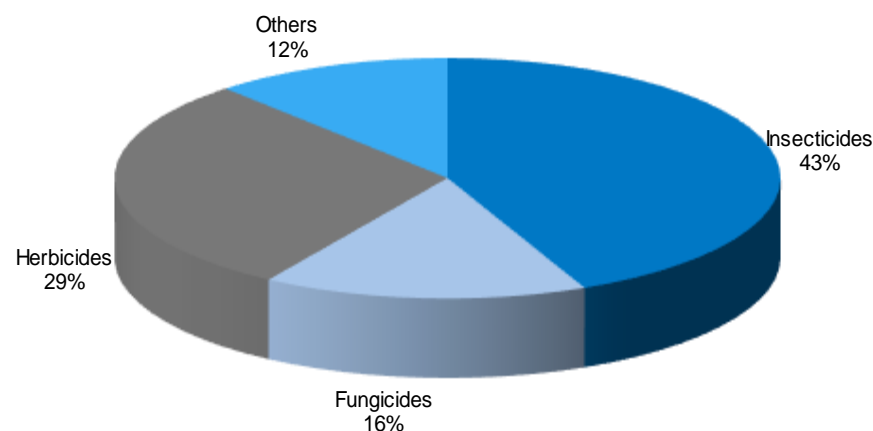
We have upgraded Dhanuka's Revenue/EBITDA/APAT estimates by 8%/9%/12% for FY21E and 8%/11%/11% for FY22E to factor in accelerated earnings growth driven by robust demand for herbicides (29% of sales mix) and demand traction in both North India (28% of rev) & South India (29%). Our revised target price stands at Rs 656 based on 16x FY22E earnings (Previous 519 @ 15x). Business momentum will also be driven by the 6 new launches planned in FY21. Since Dhanuka's fortunes are entirely dependent on domestic agchem industry with underlying tailwinds for the sector, earnings growth has a potential to surprise on the upside.

Exhibit 2: North and South contribute ~29% of revenue each



Source: Company, PL

Exhibit 3: ~29% of revenue from Herbicides



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	10,058	11,013	12,775	13,925
YoY gr. (%)	4.5	9.5	16.0	9.0
Cost of Goods Sold	6,167	7,015	7,921	8,494
Gross Profit	3,891	3,998	4,855	5,431
Margin (%)	38.7	36.3	38.0	39.0
Employee Cost	1,047	1,046	1,188	1,323
Other Expenses	1,385	1,267	1,469	1,601
EBITDA	1,460	1,685	2,197	2,507
YoY gr. (%)	(12.1)	15.4	30.4	14.1
Margin (%)	14.5	15.3	17.2	18.0
Depreciation and Amortization	123	166	178	184
EBIT	1,336	1,519	2,019	2,323
Margin (%)	13.3	13.8	15.8	16.7
Net Interest	9	18	18	12
Other Income	212	229	263	295
Profit Before Tax	1,539	1,730	2,265	2,606
Margin (%)	15.3	15.7	17.7	18.7
Total Tax	414	389	523	656
Effective tax rate (%)	26.9	22.5	23.1	25.2
Profit after tax	1,126	1,341	1,741	1,950
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,126	1,341	1,741	1,950
YoY gr. (%)	(10.8)	19.1	29.9	12.0
Margin (%)	11.2	12.2	13.6	14.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,126	1,341	1,741	1,950
YoY gr. (%)	(10.8)	19.1	29.9	12.0
Margin (%)	11.2	12.2	13.6	14.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,126	1,341	1,741	1,950
Equity Shares O/s (m)	48	48	48	48
EPS (Rs)	23.7	28.2	36.6	41.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	1,554	1,594	1,644	1,694
Tangibles	1,516	1,553	1,600	1,644
Intangibles	37	41	44	50
Acc: Dep / Amortization	385	551	729	912
Tangibles	373	541	717	899
Intangibles	12	10	12	13
Net fixed assets	1,169	1,043	915	781
Tangibles	1,143	1,012	883	744
Intangibles	25	31	32	37
Capital Work In Progress	10	10	10	10
Goodwill	-	-	-	-
Non-Current Investments	933	942	949	953
Net Deferred tax assets	(122)	(122)	(122)	(122)
Other Non-Current Assets	298	319	354	377
Current Assets				
Investments	305	905	1,505	2,105
Inventories	2,068	2,293	2,660	2,899
Trade receivables	2,187	2,354	2,730	2,976
Cash & Bank Balance	13	179	283	763
Other Current Assets	387	251	294	325
Total Assets	8,353	9,319	10,888	12,485
Equity				
Equity Share Capital	95	95	95	95
Other Equity	6,327	7,146	8,439	9,837
Total Network	6,422	7,241	8,534	9,932
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	24	22	26	28
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	222	75	88	95
Trade payables	775	905	1,015	1,106
Other current liabilities	634	679	784	853
Total Equity & Liabilities	8,353	9,319	10,888	12,485

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	1,539	1,730	2,265	2,606
Add. Depreciation	123	166	178	184
Add. Interest	9	18	18	12
Less Financial Other Income	212	229	263	295
Add. Other	(119)	(246)	(324)	(308)
Op. profit before WC changes	1,552	1,669	2,137	2,493
Net Changes-WC	(969)	(148)	(651)	(405)
Direct tax	(542)	(374)	(502)	(630)
Net cash from Op. activities	42	1,147	984	1,458
Capital expenditures	(47)	(83)	(92)	(99)
Interest / Dividend Income	88	229	263	295
Others	681	(600)	(600)	(600)
Net Cash from Inv. activities	721	(454)	(429)	(404)
Issue of share cap. / premium	(825)	-	-	-
Debt changes	175	(147)	13	8
Dividend paid	(207)	(353)	(446)	(570)
Interest paid	(9)	(18)	(18)	(12)
Others	2	-	-	-
Net cash from Fin. activities	(864)	(518)	(452)	(575)
Net change in cash	(101)	175	103	480
Free Cash Flow	(19)	1,064	892	1,359

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20E
Net Revenue	2,190	4,020	2,715	2,081
YoY gr. (%)	2.8	4.9	25.2	8.0
Raw Material Expenses	1,443	2,612	1,761	1,197
Gross Profit	746	1,408	954	885
Margin (%)	34.1	35.0	35.1	42.5
EBITDA	200	734	343	405
YoY gr. (%)	25.9	(3.0)	59.9	22.7
Margin (%)	9.1	18.3	12.6	19.5
Depreciation / Depletion	27	57	42	40
EBIT	173	676	301	365
Margin (%)	7.9	16.8	11.1	17.6
Net Interest	2	6	4	6
Other Income	38	48	78	65
Profit before Tax	208	719	376	424
Margin (%)	9.5	17.9	13.9	20.4
Total Tax	60	119	100	112
Effective tax rate (%)	29.0	16.5	26.5	26.5
Profit after Tax	148	600	277	312
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	148	600	277	312
YoY gr. (%)	(8.6)	9.0	89.8	16.5
Margin (%)	6.8	14.9	10.2	15.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	148	600	277	312
YoY gr. (%)	(8.6)	9.0	89.8	16.5
Margin (%)	6.8	14.9	10.2	15.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	148	600	277	312
Avg. Shares O/s (m)	48	48	48	48
EPS (Rs)	3.1	12.6	5.8	6.5

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	23.7	28.2	36.6	41.0
CEPS	26.3	31.7	40.3	44.8
BVPS	135.0	152.2	179.4	208.7
FCF	(0.4)	22.4	18.7	28.6
DPS	0.5	6.3	8.0	10.2
Return Ratio(%)				
RoCE	20.5	21.8	25.3	24.9
ROIC	15.8	20.0	25.1	26.9
RoE	17.6	19.6	22.1	21.1
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	126	124	125	125
Valuation(x)				
PER	24.1	20.2	15.6	13.9
P/B	4.2	3.7	3.2	2.7
P/CEPS	21.7	18.0	14.1	12.7
EV/EBITDA	18.5	15.5	11.6	9.7
EV/Sales	2.7	2.4	2.0	1.7
Dividend Yield (%)	0.1	1.1	1.4	1.8

Source: Company Data, PL Research

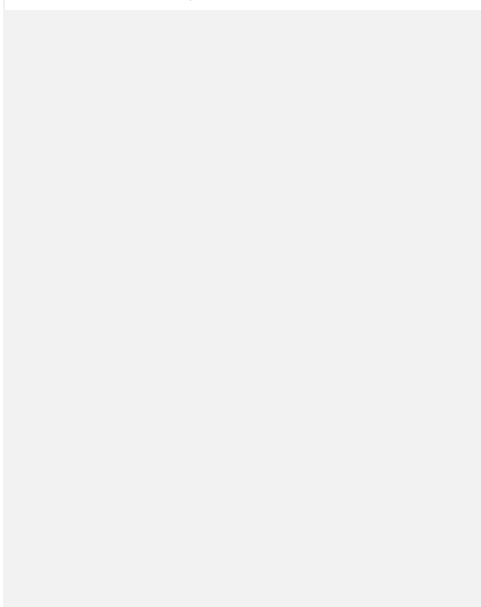
Exhibit 4: PL Valuation Matrix

Company	CMP (Rs)	TP (Rs)	M Cap		Net Sales (Rs mn)				EBITDA (%)				Adjusted PAT (Rs mn)			
			(Rs mn)	(\$ mn)	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E
BYRCS	5,284	6,010	2,37,490	3,144	31,673	36,094	40,100	43,709	15.2	20.1	22.1	21.6	3,371	6,047	6,959	7,717
DAGRI	570	656	27,125	359	10,058	11,013	12,775	13,925	14.5	15.3	17.2	18.0	1,126	1,341	1,741	1,950
GOAGRO	372	461	71,464	946	58,707	69,641	64,995	72,629	7.8	7.0	7.3	8.2	3,290	3,062	2,512	3,458
INST	384	730	7,933	105	11,919	13,173	14,267	14,595	15.6	13.7	15.2	15.5	1,224	1,020	1,394	1,510
PI	1,539	1,430	2,12,184	2,809	28,409	34,325	41,780	50,457	20.2	21.4	21.1	21.5	4,077	4,787	5,622	7,045
RALI	226	246	44,025	583	19,840	22,515	25,579	28,649	12.1	11.6	13.2	14.0	1,554	1,743	2,249	2,658
SHCR	183	218	16,537	219	20,011	18,391	19,539	21,208	16.5	13.1	16.0	17.3	1,764	1,018	1,326	1,506
SUMICHEM	272	259	1,35,967	1,800	22,117	23,956	26,953	30,996	11.9	11.7	14.3	16.1	1,658	1,949	2,617	3,397
UPL	419	497	3,20,199	4,239	2,18,370	3,57,560	3,86,165	4,17,058	17.5	18.9	19.7	19.9	19,420	23,990	29,170	34,317

Company	Adjusted EPS (Rs)				Total Debt (Rs mn)				Net debt/Equity (x)				RoCE (%)			
	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E
BYRCS	98.2	134.6	154.9	171.7	-	15	-	-	-0.3	-0.4	-0.5	-0.6	21.8	27.5	27.1	22.5
DAGRI	23.7	28.2	36.6	41.0	222	75	88	95	-0.0	-0.1	-0.2	-0.3	20.5	21.8	25.3	24.9
GOAGRO	17.1	15.9	13.1	18.0	3,877	6,185	5,185	3,204	0.2	0.3	0.2	0.1	18.6	15.2	12.4	15.9
INST	59.2	49.3	67.5	73.0	2,965	1,418	-	-	0.4	0.2	-0.1	-0.1	20.6	16.9	21.1	20.9
PI	29.6	34.7	40.8	51.1	492	3,500	3,500	2,000	-0.1	0.1	0.1	-0.0	22.2	23.7	24.8	27.2
RALI	8.0	9.0	11.6	13.7	688	620	570	570	-0.1	-0.2	-0.2	-0.2	15.2	14.1	17.1	18.3
SHCR	19.5	11.3	14.7	16.7	0.9	0.9	0.9	0.9	-0.3	-0.3	-0.3	-0.3	17.8	7.2	10.2	10.8
SUMICHEM	6.0	3.9	5.2	6.8	197	-	-	-	-0.0	-0.0	-0.1	-0.2	23.2	21.2	26.8	31.5
UPL	38.1	31.4	38.2	44.9	2,88,610	2,86,690	2,55,690	2,24,690	1.8	1.1	0.9	0.8	9.9	10.4	11.5	13.1

Company	RoE (%)				P/E (x)				Price/Book Value (x)				EV/EBITDA (x)			
	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E
BYRCS	16.8	25.1	23.2	20.2	53.8	39.3	34.1	30.8	8.1	9.2	6.9	5.6	36.5	31.2	24.9	22.6
DAGRI	17.6	19.6	22.1	21.1	24.1	20.2	15.6	13.9	4.2	3.7	3.2	2.7	18.5	15.5	11.6	9.7
GOAGRO	21.5	17.6	12.8	15.7	21.7	23.3	28.4	20.7	4.3	3.9	3.4	3.1	16.5	15.8	16.0	12.5
INST	20.3	14.4	16.9	16.1	6.5	7.8	5.7	5.3	1.2	1.0	0.9	0.8	5.8	5.1	3.4	3.1
PI	19.5	20.3	21.8	23.2	52.0	44.3	37.7	30.1	9.3	8.7	7.8	6.4	36.8	29.2	24.4	19.5
RALI	12.5	12.9	14.9	15.7	28.3	25.3	19.6	16.6	3.4	3.1	2.8	2.5	17.9	15.8	12.3	10.1
SHCR	14.6	7.8	9.5	10.0	9.4	16.2	12.5	11.0	1.3	1.2	1.1	1.1	4.0	5.2	3.8	3.0
SUMICHEM	16.6	17.2	20.4	23.6	45.1	69.7	52.0	40.0	7.1	11.2	10.1	8.9	28.3	48.5	34.7	26.8
UPL	16.3	14.1	14.6	16.0	11.0	13.3	11.0	9.3	1.5	1.7	1.6	1.4	12.4	8.0	6.8	5.9

Source: Company, PL





Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	6,010	4,450
2	Dhanuka Agritech	BUY	519	457
3	Godrej Agrovet	BUY	461	387
4	Insecticides India	BUY	730	401
5	P.I. Industries	Hold	1,430	1,454
6	Rallis India	Accumulate	246	222
7	Sharda Cropchem	Accumulate	218	149
8	Sumitomo Chemical India	Accumulate	259	211
9	UPL	BUY	497	371

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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