

June 20, 2022

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	870		870	
Sales (Rs. m)	16,256	17,881	16,256	17,881
% Chng.	-	-	-	-
EBITDA (Rs. m)	2,975	3,415	2,975	3,415
% Chng.	-	-	-	-
EPS (Rs.)	50.4	57.9	50.4	57.9
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	13,875	14,778	16,256	17,881
EBITDA (Rs. m)	2,691	1,281	2,975	3,415
Margin (%)	19.4	8.7	18.3	19.1
PAT (Rs. m)	2,106	735	2,347	2,696
EPS (Rs.)	45.2	15.8	50.4	57.9
Gr. (%)	52.0	(65.1)	219.1	14.9
DPS (Rs.)	2.0	6.0	8.0	8.0
Yield (%)	0.3	0.9	1.2	1.2
RoE (%)	28.0	8.4	22.2	21.4
RoCE (%)	33.4	12.7	26.5	25.6
EV/Sales (x)	2.1	2.0	1.8	1.6
EV/EBITDA (x)	11.0	22.9	9.7	8.2
PE (x)	14.9	42.6	13.3	11.6
P/BV (x)	3.9	3.3	2.7	2.3

Key Data

DHNP.BO | DAGRI IN

52-W High / Low	Rs.1,054 / Rs.635
Sensex / Nifty	51,598 / 15,350
Market Cap	Rs.31bn/ \$ 401m
Shares Outstanding	47m
3M Avg. Daily Value	Rs.32.67m

Shareholding Pattern (%)

Promoter's	70.00
Foreign	3.67
Domestic Institution	17.50
Public & Others	8.83
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.6)	(10.6)	(30.6)
Relative	(2.7)	(3.3)	(29.6)

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1Q likely to be subdued; all hopes pinned on the monsoons

Quick Pointers:

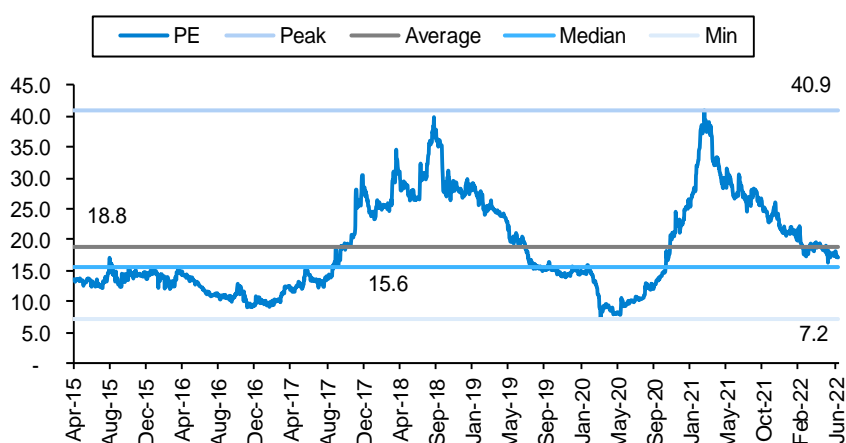
- 1QFY23 revenue growth likely to be subdued (low double digit growth).
- Monsoons on the lower side; impacting ground activities till date.

We interacted with senior management of Dhanuka Agritech (Dhanuka) to take an update on the business and outlook, going forward. Key highlights are (a) Delayed start of monsoons have kept ground sentiments lower; (b) weak rainfall in first 20 days (down 8% YoY on a PAN India basis); however major deficiency witnessed in key agricultural belts of central, western and Southern India; (c) 1QFY23 revenue growth for industry likely to be subdued (low double digit growth on a lower base of last year); (d) have taken price hikes of 3-4% across portfolio to pass on inflated cost; (e) RM prices remained stable, led by lower demand in domestic market; (f) Green-field project in Dahej remains well on track. Dhanuka sounded cautious on its 1Q performance, led by erratic monsoons. We believe that next few weeks would be crucial for the industry in terms of 1HFY23 performance (contributing ~60% of the annual revenues). However, pick-up in rainfall and sowing activities coupled with remunerative crop prices and lower base impact should bode well for the kharif season. We largely keep our estimates unchanged and would be watchful on how monsoons pan out over the next few weeks. Maintain 'BUY' with TP of INR870 based on 15x FY24E EPS. (5-year high/low 41x/7x, average 21x).

- Delayed rainfall is playing spoilsport:** Delayed start to monsoons this year (down 8% as on 19th June'22) has resulted in a decline of overall crop acreage during the ongoing kharif season (down 9% YoY as on 17th June'22). Acreages of all major crops remained subdued with Paddy/ Pulses/ Coarse Cereals /Oilseeds/ Cotton down 30%/7%/30%/18%/6% YoY respectively till 17th June'22. Further, lower acreages coupled with erratic rainfall led to a miss in sprays particularly in the herbicide category (Pre-emergent herbicides). However, the insecticides and fungicides have been impacted less till date as the consumption of these categories is generally at the later part of the season. The management cited for higher channel inventory particularly in the insecticides grades for few molecules like Monocrotophos, Acephate, Cypermethrin etc. as large players have dumped inventory in the channel. Dhanuka expects that domestic agrochemical industry to witness subdued growth in 1QFY23 (despite a lower base of last year; witnessed ~12% YoY in 1QFY22; ~+5% YoY in 1HFY22).
- Liquidation of inventories remains the key for further price hikes:** Industry has taken price hike to the tune of 3-5% across portfolio during 1QFY23 to pass on the inflated cost. However, liquidation has been on the slower side due to delayed monsoons. Hence, existing inventories needs to get liquidated for further price hikes with new inventory in the system. We believe, if inventories don't get liquidated then it can potentially pose risk to margins in the ensuing quarters. However, softer demand in the domestic market has resulted stability of RM prices.

- Dhanuka expects low double digit growth in 1QFY23:** Earlier, Dhanuka was expecting higher double digit YoY revenue growth during 1QFY23. Considering ongoing challenges, it now expects low double digit YoY revenue growth (largely driven by price led growth). While price hikes in the recent past (3-4% across portfolio) will likely support margins. Management remains hopeful for growth revival in the subsequent quarters, led by pick-up in rainfall and sowing activities aided by remunerative crop prices.
- Dahej: INR3bn capex over FY22-24 progressing well on schedule:** Management has cited for INR3bn capex to be spend over FY22-24 (Rs500mn/Rs1.5bn/Rs1.1bn in FY22/FY23/FY24) and is largely towards setting up formulation unit, 2 MPP's of pesticides in Dahej. The formulation unit is expected to be operational by FY23 and technical unit by FY24. DAGRI targets to achieve Rs2bn of revenues in FY24 and Rs3bn/PA in FY25/26 with EBITDA margins in the range of 12-15%.

Exhibit 1: One year forward Price / Earnings



Source: Company, PL

Exhibit 2: Product launches over FY16-YTDFY23

Year	Brand	Category
FY16	Jackal	Insecticide
	Dhanvarsha	Plant Growth Enhancer
	Dozo	Herbicide
	Goldy - 9(4)	Fungicide
	Cover	Insecticide
FY17	Thiram	Insecticide
	Maxx-Soy	Herbicides
	Conika	Fungicide
	Fujita	Fungicide
	Hi-Dice Super	Fungicide
	Bullon	Insecticide
	Aashito	Insecticide
FY18	Delight	Fungicide
	Dumil	Herbicides
	Fenox - 1000	Herbicides
	Godiwa	Fungicide
	Godiwa Super	Fungicide
	Marker Super	Insecticide
	D-one	Insecticide
	Suelo	Soil Health Enhancer
FY19	Domar	Insecticide
	Apply	Insecticide
	Largo	Thripicide
FY20	Chempa	Herbicide
	Mycore	Soil Health Enhancer
	Zapac	Insecticide
	Pro-rin	Insecticide
FY21	Prodhan	Insecticide
	Dabooch	Herbicide
	Dozo Maxx	Herbicide
	Kirari	Fungicide
	Nissodium	Fungicide
	Craze-D	Herbicide
FY22	Ripple	Insecticide
	Oneskill	Herbicide
YTDFY23	Tornado	Herbicide
	Zanet-9(3)	Fungicide
	Cornex - 9(3)	Herbicide
	Decide-9(3)	Insecticide
	Craze-X-9(4)	Herbicide
	Fuzi Super-9(4)	Herbicide
Terminal-9(4)	Herbicide	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	13,875	14,778	16,256	17,881
YoY gr. (%)	23.9	6.5	10.0	10.0
Cost of Goods Sold	8,633	10,743	10,273	11,229
Gross Profit	5,242	4,034	5,982	6,652
Margin (%)	37.8	27.3	36.8	37.2
Employee Cost	1,183	1,205	1,317	1,430
Other Expenses	1,368	1,548	1,691	1,806
EBITDA	2,691	1,281	2,975	3,415
YoY gr. (%)	55.1	(52.4)	132.2	14.8
Margin (%)	19.4	8.7	18.3	19.1
Depreciation and Amortization	152	163	177	188
EBIT	2,539	1,119	2,798	3,227
Margin (%)	18.3	7.6	17.2	18.0
Net Interest	27	32	30	30
Other Income	337	336	369	406
Profit Before Tax	2,849	1,422	3,137	3,604
Margin (%)	20.5	9.6	19.3	20.2
Total Tax	744	687	791	908
Effective tax rate (%)	26.1	48.3	25.2	25.2
Profit after tax	2,106	735	2,347	2,696
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,106	735	2,347	2,696
YoY gr. (%)	48.8	(65.1)	219.1	14.9
Margin (%)	15.2	5.0	14.4	15.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,106	735	2,347	2,696
YoY gr. (%)	48.8	(65.1)	219.1	14.9
Margin (%)	15.2	5.0	14.4	15.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,106	735	2,347	2,696
Equity Shares O/s (m)	47	47	47	47
EPS (Rs)	45.2	15.8	50.4	57.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	2,339	2,419	2,619	2,819
Tangibles	2,320	2,404	2,604	2,804
Intangibles	19	15	15	15
Acc: Dep / Amortization	670	832	1,010	1,197
Tangibles	670	832	1,010	1,197
Intangibles	-	-	-	-
Net fixed assets	1,669	1,587	1,610	1,622
Tangibles	1,650	1,571	1,594	1,606
Intangibles	19	15	15	15
Capital Work In Progress	76	483	1,800	3,000
Goodwill	-	-	-	-
Non-Current Investments	903	1,398	1,398	1,398
Net Deferred tax assets	(83)	(56)	(56)	(56)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,877	1,961	1,961	1,961
Inventories	2,955	3,472	3,798	4,151
Trade receivables	2,427	2,825	3,107	3,418
Cash & Bank Balance	15	24	396	1,254
Other Current Assets	-	-	-	-
Total Assets	11,311	13,122	15,442	18,177
Equity				
Equity Share Capital	93	93	93	93
Other Equity	7,870	9,511	11,409	13,656
Total Networkth	7,963	9,604	11,502	13,749
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	84	10	-	-
Trade payables	1,086	1,747	1,911	2,089
Other current liabilities	2,096	1,705	1,973	2,283
Total Equity & Liabilities	11,311	13,122	15,442	18,177

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	2,849	2,775	3,137	3,604
Add. Depreciation	152	163	177	188
Add. Interest	27	32	30	30
Less Financial Other Income	337	336	369	406
Add. Other	(276)	(250)	(369)	(406)
Op. profit before WC changes	2,752	2,720	2,975	3,415
Net Changes-WC	169	(1,018)	(177)	(176)
Direct tax	(610)	(660)	(791)	(908)
Net cash from Op. activities	2,311	1,043	2,007	2,331
Capital expenditures	(263)	(192)	(1,517)	(1,400)
Interest / Dividend Income	41	221	369	406
Others	(1,045)	(456)	-	-
Net Cash from Inv. activities	(1,266)	(426)	(1,147)	(994)
Issue of share cap. / premium	(1,232)	-	-	-
Debt changes	4	(74)	(10)	-
Dividend paid	(35)	(502)	(449)	(449)
Interest paid	(27)	(32)	(30)	(30)
Others	-	-	-	-
Net cash from Fin. activities	(1,291)	(608)	(488)	(479)
Net change in cash	(246)	9	372	858
Free Cash Flow	2,311	1,043	2,007	2,331

Source: Company Data, PL Research

Key Financial Metrics

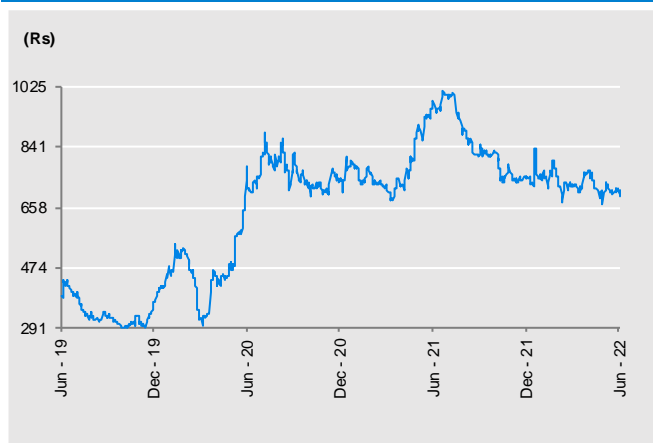
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	45.2	15.8	50.4	57.9
CEPS	48.5	19.3	54.2	61.9
BVPS	171.0	206.2	246.9	295.2
FCF	49.6	22.4	43.1	50.0
DPS	2.0	6.0	8.0	8.0
Return Ratio(%)				
RoCE	33.4	12.7	26.5	25.6
ROIC	32.9	8.4	25.5	25.7
RoE	28.0	8.4	22.2	21.4
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	113	112	112	112
Valuation(x)				
PER	14.9	42.6	13.3	11.6
P/B	3.9	3.3	2.7	2.3
P/CEPS	13.9	34.9	12.4	10.9
EV/EBITDA	11.0	22.9	9.7	8.2
EV/Sales	2.1	2.0	1.8	1.6
Dividend Yield (%)	0.3	0.9	1.2	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	3,638	4,388	3,569	3,183
YoY gr. (%)	(2.7)	(0.8)	20.7	15.5
Raw Material Expenses	2,411	2,770	2,317	1,893
Gross Profit	1,227	1,618	1,251	1,290
Margin (%)	33.7	36.9	35.1	40.5
EBITDA	611	822	550	651
YoY gr. (%)	(6.4)	(7.7)	9.6	0.7
Margin (%)	16.8	18.7	15.4	20.4
Depreciation / Depletion	38	41	40	45
EBIT	573	781	511	606
Margin (%)	15.8	17.8	14.3	19.0
Net Interest	9	7	9	8
Other Income	77	69	67	122
Profit before Tax	642	843	569	721
Margin (%)	17.6	19.2	16.0	22.6
Total Tax	156	210	144	178
Effective tax rate (%)	24.3	24.9	25.3	24.7
Profit after Tax	486	634	425	543
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	486	634	425	543
YoY gr. (%)	(6.2)	(9.6)	6.2	11.6
Margin (%)	13.4	14.4	11.9	17.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	486	634	425	543
YoY gr. (%)	(6.2)	(9.6)	6.2	11.6
Margin (%)	13.4	14.4	11.9	17.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	486	634	425	543
Avg. Shares O/s (m)	47	47	47	47
EPS (Rs)	10.4	13.6	9.1	11.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	23-May-22	BUY	870	720
2	08-Apr-22	BUY	870	755
3	02-Feb-22	BUY	870	777
4	12-Jan-22	BUY	870	759
5	27-Dec-21	BUY	870	735
6	31-Jul-21	Hold	1,008	949
7	06-Jul-21	Hold	996	1,005

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,640	5,360
2	Coromandel International	BUY	960	745
3	Dhanuka Agritech	BUY	870	720
4	Godrej Agrovet	Accumulate	614	526
5	Insecticides India	Hold	680	774
6	P.I. Industries	BUY	3,340	2,630
7	Rallis India	Hold	260	254
8	Sharda Cropchem	BUY	750	646
9	Sumitomo Chemical India	BUY	510	440
10	UPL	BUY	1,010	778

PL's Recommendation Nomenclature (Absolute Performance)

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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