

## Agri Inputs | Q4FY23 Result Update

- Dhanuka Agritech reported a revenue growth of 16.6% YoY to Rs 3.7bn (D.est: Rs 3.6bn) with equal growth witnessed in both pricing and volumes.
- EBITDA grew by 19.7% YoY to Rs 779mn (D.est : Rs 649mn) which was led by lower employee costs (up 4% YoY) and lower Opex (down 3% YoY) translating to an EBITDA margin improvement of 53bps YoY to 21%
- PAT grew by 20.3% YoY to Rs 653mn (D.est : Rs 541mn) driven by healthy operational performance.

**Double digit growth guidance maintained despite near term uncertainties**

Agrochem industry is currently facing a downturn owing to high channel inventory situation and destocking by customers. Despite these current challenges the management is confident of delivering a double digit growth in FY24 which should be largely driven by volumes gains. Gross margins are also expected to inch upwards going forward which shall translate into improvement in EBITDA margins as well.

**Investment in Technical manufacturing to drive growth in the long term**

Company is expected to commence commercial production from its new technical plant from mid of July 23 with introduction of Bifenthrin Technical. Company's idea behind foraying into technicals is to showcase its capabilities of manufacturing technical grade pesticides and secure supply contract from Japanese Innovator companies for production of specialty molecules. Successful tie ups with Japanese partners shall open door for the company to tap into the large contract manufacturing space and will lead to solid growth both in terms of revenues and margins in the long run.

**Outlook and Valuation**

We have revised our EPS estimates upwards by 7.9/9.5% for FY24E/FY25E respectively taking into account the healthy Q4FY23 performance and positive management guidance. We however remain cautious of the weaker monsoon forecast which could have a negative bearing on FY24 performance and thus expect growth to be at the lower range of the guidance. Company has recently added 5 new products which includes 3 products in the biologicals category where the company foresees a large opportunity. We remain optimistic of the company's long term growth prospects led by foray into technicals and focus on new product introductions. We maintain our BUY rating with a revised target price of Rs 985 (17x FY25E EPS).

**Q4FY23 Result (Rs Mn)**

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Revenue	3,712	3,183	16.6	3,934	(5.6)
Total Expense	2,934	2,532	15.9	3,415	(14.1)
EBITDA	779	651	19.7	518	50.3
Depreciation	51	45	14.7	45	14.5
EBIT	728	606	20.0	474	53.6
Other Income	147	122	20.9	77	92.4
Interest	8	8	0.8	8	(1.0)
EBT	867	721	20.4	543	59.9
Tax	214	178	20.6	82	161.6
RPAT	653	543	20.3	461	41.8
APAT	653	543	20.3	461	41.8
			(bps)		(bps)
Gross Margin (%)	38.2	40.5	(236)	32.9	527
EBITDA Margin (%)	21.0	20.4	53	13.2	780
NPM (%)	17.6	17.1	54	11.7	588
Tax Rate (%)	24.7	24.7	5	15.1	961
EBIT Margin (%)	19.6	19.0	55	12.0	756

CMP	Rs 720		
Target / Upside	Rs 985 / 37%		
NIFTY	18,321		
<b>Scrip Details</b>			
Equity / FV	Rs 91mn / Rs 2		
Market Cap	Rs 33bn		
	USD 399.6mn		
52-week High/Low	Rs 750 / 605		
Avg. Volume (no)	18,559		
Bloom Code	DAGRI IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	13	8	2
Rel to NIFTY (%)	10	3	(14)

**Shareholding Pattern**

	Sep'22	Dec'22	Mar'23
Promoters	70.0	70.2	70.2
MF/Banks/FIs	16.6	16.7	16.7
FIs	4.0	4.0	4.0
Public / Others	9.4	9.2	9.2

**Valuation (x)**

	FY23P	FY24E	FY25E
P/E	87.3	13.3	12.2
EV/EBITDA	38.5	10.0	8.4
ROE (%)	3.7	21.2	19.6
RoACE (%)	3.8	20.6	19.2

**Estimates (Rs bn)**

	FY23P	FY24E	FY25E
Revenue	17.0	18.7	20.9
EBITDA	0.8	3.2	3.6
PAT	0.4	2.5	2.7
EPS (Rs.)	8.3	54.1	59.2

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**Exhibit 1: Actual vs Estimates**

Particulars (Rs Mn)	Actual	Estimated	Variance %	Comments
Revenue	3,712	3,550	4.6	In-line
EBITDA	779	649	20.0	Lower than expected Opex and employee costs.
EBITDA Margin (%)	21.0	18.3	269bps	
PAT	653	541	20.7	Better than expected operational performance.

Source: DART

**Exhibit 2: Change in estimates**

(Particulars (Rs Mn))	FY24E			FY25E		
	New	Previous	Chg. (%)	New	Previous	Chg. (%)
Revenue	18,702	18,190	2.8	20,947	19,646	6.6
EBITDA	3,160	2,995	5.5	3,598	3,349	7.4
EBITDA Margin(%)	16.9	16.5	43bps	17.2	17	13bps
PAT	2,468	2,288	7.9	2,700	2,465	9.5
EPS(Rs)	53.0	49.1	7.9	58.0	52.9	9.5

Source: DART

We have revised our FY24E/FY25E estimates taking into account the healthy Q4FY23 numbers and positive growth guidance provided by the management.

### Earning call KTAs

#### Category Wise revenue mix Q4FY23

- Insecticides – 46%
- Fungicides – 17%
- Herbicides – 26%
- Others – 11%

#### Region Wise revenue Mix Q4FY23

- North – 29%
- South – 41%
- East – 11%
- West – 19%

#### Pricing Environment

- Raw material prices are currently on a declining trend with fall in crude oil prices.
- Commodity prices continue to remain at elevated levels with positive trend witnessed in Wheat and Sugarcane.
- With moderation in raw material prices end product prices are also witnessing a downturn.

#### Technical Plant at Dahej

- Commercial production is expected to start from 3<sup>rd</sup> week of July with manufacture of Bifenthrin technical.
- Company will use divert some volumes of this product towards captive use with balance expected to be sold outside equally in the domestic and export market.
- Expects to generate ~Rs 500mn in sales in FY24 at a gross margin of ~20%.
- Synthetic Pyrethroids market is currently witnessing significant pricing pressure.

- However Bifenthrin situation remain favorable and company expects positive contribution from this product going forward.

### **Strengthening of relationship with Channel partners**

- Company expanded its reach towards both primary and secondary channel partners.
- Primary channel includes companys direct accounts while the secondary channel consists of sub retailers.

### **Channel Inventory**

- Management indicated that the channel inventory situation remains mixed rabi inventory still in the pipeline.
- Products towards Maize, Sugarcane, Paddy and Soybean are seeing a good traction.
- Company has liquidated majority of its high cost inventory in Q4FY23 with some carry over seen in Q1FY24.

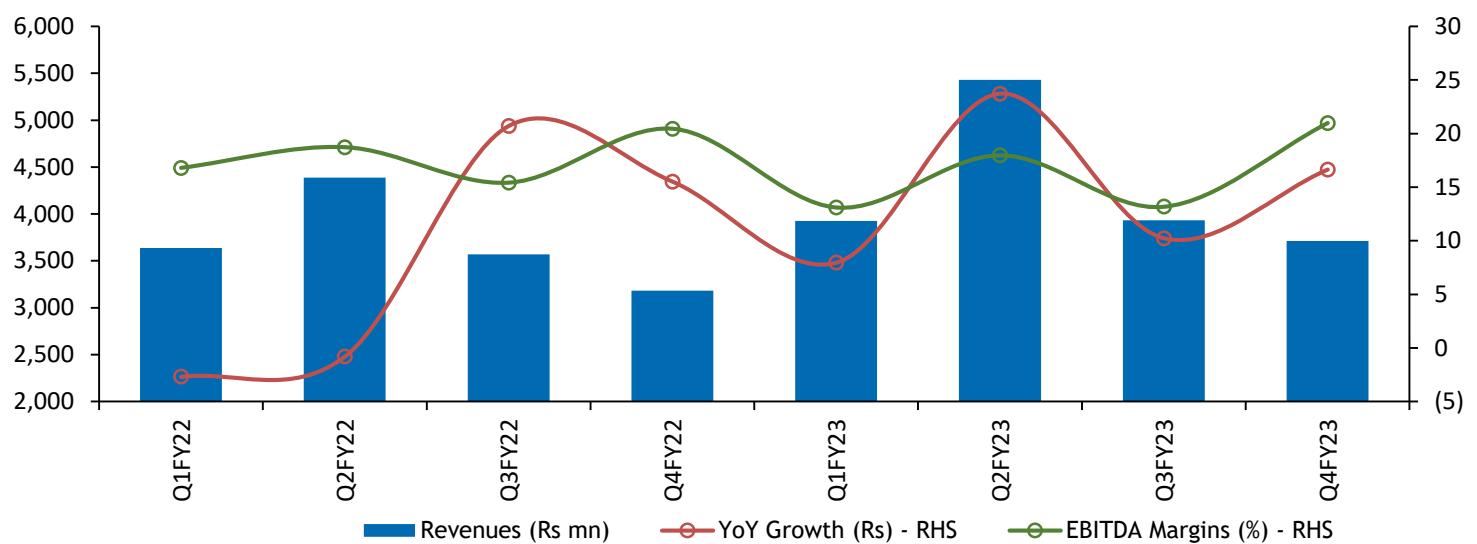
### **Export business for Formulations**

- Expected to see good growth over next 2-3 years.
- Company is receiving good response with international customers.
- Currently will be aiming to target easy to reach non regulated markets with ultimate goal to enter into regulated regions.

### **Other Highlights**

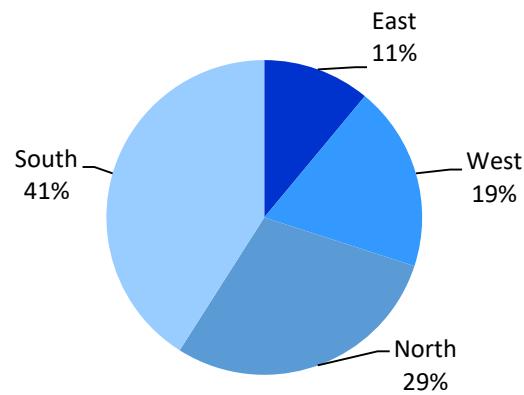
- Q4FY23 revenue growth was led by equal jump in volumes and prices.
- FY23 revenue growth was a function of 8% volume increase and balance from pricing gains.
- Company has in recent times introduced products towards arid and dry applications which would mitigate the risk of lower rainfall.
- Going forward company will continue to increase its presence in Insecticides segment and expects share of Insecticides to move up.
- Contribution of Biologicals to overall sales is expected to reach ~5% over next 3 years.

### Exhibit 3: Consolidated Revenues vs EBITDA Margin



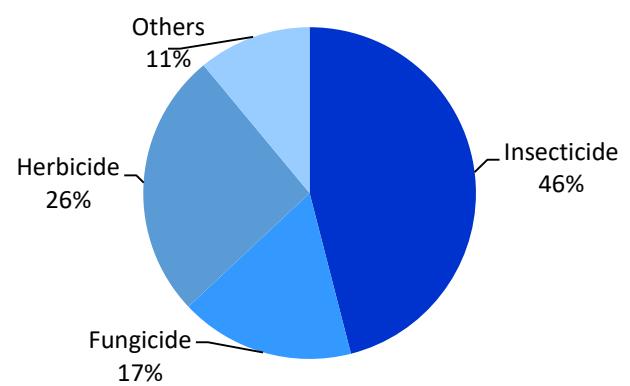
Source: DART

### Exhibit 4: Geography Wise Revenue Breakup (Q4FY23)



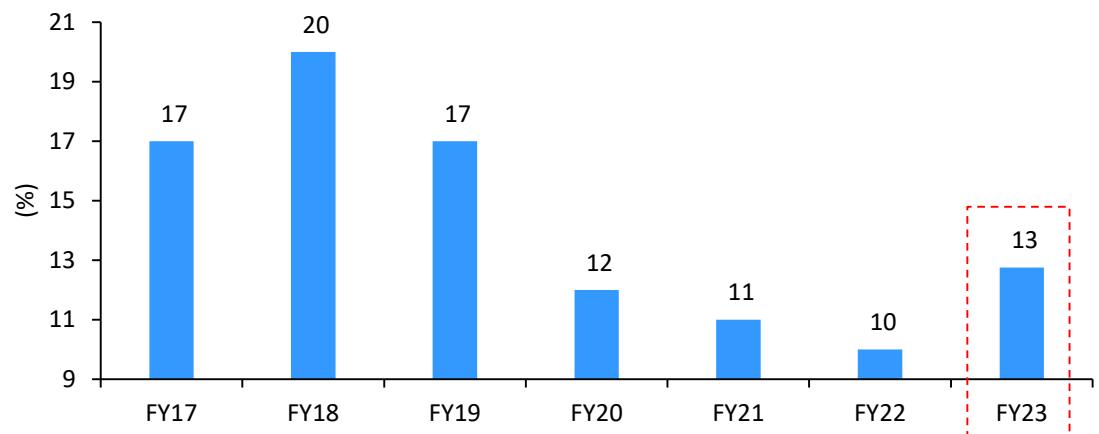
Source: DART

### Exhibit 5: Segment Wise Revenue Breakup (Q4FY23)



Source: DART

### Exhibit 6: Innovation Turnover Index (ITI) (New molecules as a % of total revenue)



Source: DART

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY22A	FY23P	FY24E	FY25E
<b>Revenue</b>	<b>14,778</b>	<b>17,002</b>	<b>18,702</b>	<b>20,947</b>
<b>Total Expense</b>	<b>12,144</b>	<b>16,174</b>	<b>15,542</b>	<b>17,349</b>
COGS	9,391	13,113	12,110	13,458
Employees Cost	1,205	1,263	1,414	1,570
Other expenses	1,548	1,798	2,018	2,321
<b>EBIDTA</b>	<b>2,634</b>	<b>828</b>	<b>3,160</b>	<b>3,598</b>
Depreciation	163	176	279	410
<b>EBIT</b>	<b>2,471</b>	<b>652</b>	<b>2,882</b>	<b>3,187</b>
Interest	32	31	40	45
Other Income	336	448	457	466
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>2,775</b>	<b>1,068</b>	<b>3,298</b>	<b>3,608</b>
Tax	687	692	830	908
RPAT	2,088	376	2,468	2,700
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>2,088</b>	<b>376</b>	<b>2,468</b>	<b>2,700</b>

### Balance Sheet

(Rs Mn)	FY22A	FY23P	FY24E	FY25E
<b>Sources of Funds</b>				
Equity Capital	93	91	91	91
Minority Interest	0	0	0	0
Reserves & Surplus	9,511	10,522	12,625	14,778
<b>Net Worth</b>	<b>9,604</b>	<b>10,613</b>	<b>12,716</b>	<b>14,869</b>
Total Debt	10	38	38	38
Net Deferred Tax Liability	474	461	461	461
<b>Total Capital Employed</b>	<b>10,088</b>	<b>11,112</b>	<b>13,215</b>	<b>15,368</b>

### Applications of Funds

Net Block	<b>1,587</b>	<b>1,646</b>	<b>3,900</b>	<b>4,590</b>
CWIP	483	1,532	700	150
Investments	1,505	1,913	1,913	1,913
<b>Current Assets, Loans &amp; Advances</b>	<b>9,547</b>	<b>8,962</b>	<b>9,886</b>	<b>12,224</b>
Inventories	3,472	3,451	3,796	4,251
Receivables	2,825	3,390	3,729	4,177
Cash and Bank Balances	24	43	283	1,718
Loans and Advances	364	674	674	674
Other Current Assets	901	446	446	446
<b>Less: Current Liabilities &amp; Provisions</b>	<b>3,034</b>	<b>2,941</b>	<b>3,184</b>	<b>3,508</b>
Payables	1,747	1,752	1,876	2,044
Other Current Liabilities	1,287	1,189	1,308	1,464
<i>sub total</i>				
Net Current Assets	6,513	6,020	6,702	8,715
<b>Total Assets</b>	<b>10,088</b>	<b>11,112</b>	<b>13,215</b>	<b>15,368</b>

E – Estimates

**Important Ratios**

Particulars	FY22A	FY23P	FY24E	FY25E
<b>(A) Margins (%)</b>				
Gross Profit Margin	36.5	22.9	35.3	35.8
EBIDTA Margin	17.8	4.9	16.9	17.2
EBIT Margin	16.7	3.8	15.4	15.2
Tax rate	24.8	64.8	25.2	25.2
Net Profit Margin	14.1	2.2	13.2	12.9
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	63.5	77.1	64.8	64.3
Employee	8.2	7.4	7.6	7.5
Other	10.5	10.6	10.8	11.1
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	77.2	20.9	72.0	70.8
Inventory days	86	74	74	74
Debtors days	70	73	73	73
Average Cost of Debt	68.7	130.7	105.0	118.2
Payable days	43	38	37	36
Working Capital days	161	129	131	152
FA T/O	9.3	10.3	4.8	4.6
<b>(D) Measures of Investment</b>				
AEPS (Rs)	45.8	8.3	54.1	59.2
CEPS (Rs)	49.4	12.1	60.3	68.2
DPS (Rs)	14.3	6.0	8.0	0.0
Dividend Payout (%)	31.2	72.7	14.8	0.0
BVPS (Rs)	210.7	232.9	279.0	326.2
RoANW (%)	23.8	3.7	21.2	19.6
RoACE (%)	22.6	3.8	20.6	19.2
RoAIC (%)	26.4	6.2	24.0	24.0
<b>(E) Valuation Ratios</b>				
CMP (Rs)	720	720	720	720
P/E	15.7	87.3	13.3	12.2
Mcap (Rs Mn)	32,837	32,837	32,837	32,837
MCap/ Sales	2.2	1.9	1.8	1.6
EV	30,862	31,874	31,634	30,199
EV/Sales	2.1	1.9	1.7	1.4
EV/EBITDA	11.7	38.5	10.0	8.4
P/BV	3.4	3.1	2.6	2.2
Dividend Yield (%)	2.0	0.8	1.1	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	6.5	15.1	10.0	12.0
EBITDA	(2.1)	(68.6)	281.6	13.8
EBIT	(2.7)	(73.6)	341.9	10.6
PBT	(2.6)	(61.5)	208.7	9.4
APAT	(0.8)	(82.0)	556.0	9.4
EPS	(0.8)	(82.0)	556.0	9.4

E – Estimates

**Cash Flow**

Particulars	FY22A	FY23P	FY24E	FY25E
<b>Profit before tax</b>	<b>2,775</b>	<b>3,027</b>	<b>3,298</b>	<b>3,608</b>
Depreciation & w.o.	163	176	279	410
Net Interest Exp	32	31	40	45
Direct taxes paid	(714)	(724)	(830)	(908)
Change in Working Capital	(534)	(694)	(441)	(579)
Non Cash	0	0	0	0
<b>(A) CF from Operating Activities</b>	<b>1,721</b>	<b>1,816</b>	<b>2,345</b>	<b>2,577</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(488)	248	(1,700)	(1,100)
<b>Free Cash Flow</b>	<b>1,233</b>	<b>2,064</b>	<b>645</b>	<b>1,477</b>
(Inc.)/ Dec. in Investments	(579)	812	0	0
Other	(11)	11	0	0
<b>(B) CF from Investing Activities</b>	<b>(1,078)</b>	<b>1,071</b>	<b>(1,700)</b>	<b>(1,100)</b>
Issue of Equity/ Preference	0	(2)	0	0
Inc./ (Dec.) in Debt	(74)	28	0	0
Interest exp net	(32)	(31)	(40)	(45)
Dividend Paid (Incl. Tax)	(466)	(273)	(365)	(547)
Other	(62)	(1,059)	0	0
<b>(C) CF from Financing</b>	<b>(634)</b>	<b>(1,337)</b>	<b>(405)</b>	<b>(592)</b>
Net Change in Cash	9	1,551	240	885
<b>Opening Cash balances</b>	<b>15</b>	<b>24</b>	<b>43</b>	<b>283</b>
<b>Closing Cash balances</b>	<b>24</b>	<b>1,575</b>	<b>283</b>	<b>1,168</b>

E – Estimates

**Notes**

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	> 20%
<b>Accumulate</b>	10 to 20%
<b>Reduce</b>	0 to 10%
<b>Sell</b>	< 0%

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-22	BUY	1,026	697
Feb-23	BUY	900	669

\*Price as on recommendation date

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