

May 23, 2022

Q4FY22 Result 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	16,102	17,712
% Chng.	1.0	1.0		
EBITDA (Rs. m)	2,975	3,415	3,092	3,454
% Chng.	(3.8)	(1.1)		
EPS (Rs.)	50.4	57.9	51.8	58.1
% Chng.	(2.8)	(0.3)		

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	0.8	1.1	1.1
RoE (%)	28.0	8.4	22.2	21.4
RoCE (%)	33.4	12.7	26.5	25.6
EV/Sales (x)	2.3	2.1	1.9	1.7
EV/EBITDA (x)	11.8	24.6	10.5	8.9
PE (x)	15.9	45.6	14.3	12.4
P/BV (x)	4.2	3.5	2.9	2.4

Key Data

DHNP.BO | DAGRI IN

52-W High / Low	Rs.1,054 / Rs.635
Sensex / Nifty	54,289 / 16,215
Market Cap	Rs.34bn/ \$ 432m
Shares Outstanding	47m
3M Avg. Daily Value	Rs.37.8m

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	(2.9)	(2.2)	(19.4)
Relative	2.3	5.6	(24.9)

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Steady show in challenging times!!

Quick Pointers:

- Volume and price growth of 11% and 4.5% YoY respectively.
- To launch 3 new 9(3) and 9(4) molecules each in 1QFY23.
- ITI for FY22 stood at 10% (FY21 11%)

Dhanuka Agritech (DAGRI) reported decent set of numbers in a seasonally lean period and cost related headwinds during the quarter. It reported Revenue/EBITDA/PAT growth of 16%/1%/12% YoY during 4QFY22 which was in-line with our estimates. Key highlights are: (a) volume and price growth of 11% and 5% YoY respectively in 4Q (FY22 3.1%/3.4% YoY); (b) Inflated RM scenario and its inability to fully pass on prices resulted into lower margins; (c) ITI for FY22 stood at 10% (FY21 11%); remains confident to improve going forward led by new product launches; (d) to launch 3 new 9(3) and 9(4) molecules each in 1QFY23; (e) NWC increased by 3 days to 135 as on March'22; (f) capex program of INR3bn for setting up of formulation and technical units at Dahej is well on track; likely to be commissioned by 4QFY23.

Going forward, citing the positive demand outlook in the domestic market led by a) expectations of normal monsoons, b) remunerative crop prices and c) lower 1H base of FY22, DAGRI remains confident of achieving double digit YoY revenue growth in FY23E with margins to be maintained at FY22 levels. We largely maintain our FY23/24 EPS and expect DAGRI to clock Revenue/PAT CAGR of 10%/14% each over FY22-FY24E. Maintain 'BUY' with an unchanged TP of INR870 based on 15x FY24E EPS.

- Inflated RM cost coupled with inability to fully pass on prices impacted margins** DAGRI reported healthy revenue growth of 16% YoY to Rs3.1bn (PLe Rs3.0bn) primarily on the back of 11% and 5% YoY growth in volume and prices. Gross margins declined 240bps YoY to 40.5% owing to higher RM prices coupled with inability to fully pass on inflated cost. Lower gross margins coupled with higher other expenses up 150bps YoY partially mitigated by lower employee cost down 90bps YoY has resulted in EBITDA margins contraction of 300bps YoY to 20.4% (PLe 21.4%). EBITDA came in at Rs651mn flat YoY (PLe Rs652mn). PAT increased by 12% YoY to Rs543mn (PLe Rs509mn). Going forward, DAGRI remains optimistic to achieve double digit revenue growth in FY23E led by a) better demand scenario; b) expectations of normal monsoon; c) remunerative crop prices and d) price hikes taken in the recent past and intend to take further price hike in subsequent quarters to aid growth.

- 3 new 9(3) and 9(4) products to be launched in 1QFY23** DAGRI has recently received registrations for 3 new 9(3) molecules which are expected to be launched in 1QFY23. Zanet (Thiophanate Methyl + Kasugamycin) is developed jointly in partnership with Nippon Soda, Japan and Hokko Chemicals, Japan for horticulture crops. Çornex (Halosulfuron Methyl + Atrazine) is developed in collaboration with Nissan Chemicals Corporation, Japan is an herbicide for

maize crop. Decide (Etofenprox + Diafentheturon) developed in collaboration with Mitsui Chemicals Ltd, Japan- is an insecticide to fight against thrips in cotton and chilly crop. Management expects revenue potential of Rs500mn from these products combined together over the next 3-4 years. Additionally, the company intends to launch 3 new 9(4) molecules in 1QFY23 namely Craze-X (Pretilachlor), Fuzi Super (Bisparibac Sodium) and Terminal (Glufosinate Ammonium).

- **Capex plans well on track:** Management has cited for INR3bn capex to be spend over FY22-24 (Rs500mn/Rs1.5bn/Rs1.1bn in FY22/FY23/FY24). The capex is 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%.

Conference Call Highlights:

Category-wise revenue mix: Contribution from Insecticides/Fungicides/Herbicides and others (PGR) stood at 46%/19%/24%/11% in 4QFY22 as against 50%/18%/20%/12% in the corresponding period last year respectively. Unseasonal rainfall during November and December'21 in parts of Southern and Eastern India coupled with lower pest infestations in-turn resulted in lower insecticide sales during 2HFY22. While, DAGRI has witnessed a healthy performance in few top-selling products like Targa Super, Chempa, Em-1, Onekill, Tornado & Lustre; expect the trend to continue in subsequent quarter as well.

Zone-wise revenue mix: North/West/East/South contributed to 28%/22%/13%/37% in 4QFY22 as against 25%/19%/12%/44% respectively in 4QFY21.

Innovation turnover index (ITI) stood at 10% in FY22 as against 11% in FY21. Going forward, DAGRI remains confident to improve it led by new product launches and robust pipeline.

Net Working capital: Net working capital increased by 3 days to 135days as on March'21.

Guidance: DAGRI had guided for a double digit revenue growth in FY23E, with margins to be flat as compared to FY22 owing to inflated RM cost.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
Revenues	3,183	2,756	15.5	3,569	(10.8)	14,778	13,875	6.5
Raw material	1,893	1,574	20.2	2,317	(18.3)	9,391	8,633	8.8
Staff costs	275	263	4.8	298	(7.6)	1,205	1,183	1.9
Others	364	272	33.8	403	(9.6)	1,548	1,368	13.2
Total expenditure	2,532	2,109	20.0	3,018	(16.1)	12,144	11,184	8.6
EBITDA	651	646	0.7	550	18.3	2,634	2,691	(2.1)
Depreciation	45	47	(4.9)	40	12.6	163	152	7.2
EBIT	606	599	1.1	511	18.7	2,471	2,539	(2.7)
Less: Interest Expense	8	11	(32.6)	9	(12.5)	32	27	18.9
Add: Other income	122	87	39.5	67	81.5	336	337	(0.3)
Profit Before Tax	721	676	6.7	569	26.6	2,775	2,849	(2.6)
Less: Provision for Tax	178	189	(6.0)	144	23.4	687	744	(7.6)
Adjusted Profit	543	486	11.6	425	27.7	2,088	2,106	(0.8)
Add: Exceptional items	0	0	NA	0	NA	-	-	NA
Reported Profit	543	486	11.6	425	27.7	2,088	2,106	(0.8)
Equity capital (FV INR 2)	93	93		93		95	95	
No. of Diluted shares outstanding (mn)	47	47		47		48	48	
Adjusted Diluted EPS	11.7	10.4	11.6	9.1	27.7	43.9	44.3	(0.8)
As % of net revenues								
Raw material	59.5	57.1		64.9		63.5	62.2	
Staff expenses	8.6	9.5		8.3		8.2	8.5	
Other expenses	11.4	9.9		11.3		10.5	9.9	
EBITDA	20.4	23.5		15.4		17.8	19.4	
Net profit	17.1	17.7		11.9		14.1	15.2	

Source: Company, PL

Exhibit 2: Zone-wise revenue Break-up

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
North	25	18	27	31	26	21	25	28	22	21	28
West	38	25	21	42	34	27	19	44	36	31	22
East	10	13	11	10	10	13	12	10	12	11	13
South	27	44	41	17	30	39	44	18	30	37	37
Total	100	100	100	100	100	100	100	100	100	100	100

Source: Company, PL

Exhibit 3: Category-wise revenue Break-up

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Herbicides	23.48	32	23	46	21	31	20	48	23	36	24
Insecticide	50.2	38	48	31	47	37	50	29	43	32	46
Fungicide	15.72	15	18	11	20	19	18	12	23	19	19
Others	10.6	15	11	12	12	13	12	11	11	13	11
Total	100	100	100	100	100	100	100	100	100	100	100

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 Network	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	15.9	45.6	14.3	12.4
P/B	4.2	3.5	2.9	2.4
P/CEPS	14.8	37.3	13.3	11.6
EV/EBITDA	11.8	24.6	10.5	8.9
EV/Sales	2.3	2.1	1.9	1.7
Dividend Yield (%)	0.3	0.8	1.1	1.1

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	08-Apr-22	BUY	870	755
2	02-Feb-22	BUY	870	777
3	12-Jan-22	BUY	870	759
4	27-Dec-21	BUY	870	735
5	31-Jul-21	Hold	1,008	949
6	06-Jul-21	Hold	996	1,005

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	5,350	4,823
2	Coromandel International	BUY	960	745
3	Dhanuka Agritech	BUY	870	755
4	Godrej Agrovet	Accumulate	614	526
5	Insecticides India	Hold	680	638
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	500	426
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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