

November 1, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	940		850	
Sales (Rs. m)	18,869	21,256	18,381	20,719
% Chng.	2.7	2.6		
EBITDA (Rs. m)	3,378	3,826	3,382	3,937
% Chng.	(0.1)	(2.8)		
EPS (Rs.)	56.7	62.9	56.8	64.9
% Chng.	(0.3)	(3.1)		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	14,778	16,699	18,869	21,256
EBITDA (Rs. m)	2,634	2,730	3,378	3,826
Margin (%)	17.8	16.4	17.9	18.0
PAT (Rs. m)	2,088	2,206	2,639	2,931
EPS (Rs.)	44.8	47.4	56.7	62.9
Gr. (%)	(0.8)	5.6	19.6	11.1
DPS (Rs.)	6.0	8.0	8.0	8.0
Yield (%)	0.8	1.1	1.1	1.1
RoE (%)	23.8	21.0	21.2	19.8
RoCE (%)	28.0	24.4	25.5	24.4
EV/Sales (x)	2.2	1.9	1.7	1.4
EV/EBITDA (x)	12.1	11.7	9.3	7.7
PE (x)	16.2	15.4	12.8	11.6
P/BV (x)	3.5	3.0	2.5	2.1

Key Data

DHNP.BO | DAGRI IN

52-W High / Low	Rs.855 / Rs.631
Sensex / Nifty	61,121 / 18,145
Market Cap	Rs.34bn/ \$ 410m
Shares Outstanding	47m
3M Avg. Daily Value	Rs.22.76m

Shareholding Pattern (%)

Promoter's	70.00
Foreign	3.99
Domestic Institution	16.65
Public & Others	9.38
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.4	2.0	(2.0)
Relative	4.7	(4.8)	(3.5)

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Dhanuka Agritech (DAGRI IN)

Rating: BUY | CMP: Rs728 | TP: Rs940

Margin pressure likely to persist in near term...!!

Quick Pointers:

- Volume and Price growth of 16%/7% YoY respectively
- ITI for 1HFY23 stood at 15% as against 10% in 1HFY22

Dhanuka Agritech (DAGRI) reported strong set of numbers amid challenges related to adverse weather conditions in the domestic market and volatile RM scenario. It reported Revenue/EBITDA/PAT growth of 24%/19%/15% YoY during 2QFY23 which was above our and consensus estimates. Key highlights are: (a) volume/Price growth of 16%/7% YoY; (b) Inflated RM scenario and its inability to fully pass on prices resulted into lower margins; (c) ITI for 1HFY23 stood at 15% as against 10% in 1HFY22; remains confident to improve going forward led by new product launches; (d) to launch 6 new Bio-logical products in 2HFY23; (e) 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 good soil moisture and healthy water reservoir levels (particularly in the Southern India) coupled with remunerative crop prices, DAGRI remains confident of achieving double digit YoY revenue growth in FY23E with margins to be maintained at FY22 levels. We broadly maintain our FY23/24 EPS and expect DAGRI to clock Revenue/PAT CAGR of 13%/12% each over FY22-FY25E. We introduce FY25 estimates and roll forward our valuations to FY25E. Maintain 'BUY' with a revised TP of INR940(earlier Rs850) based on 15x FY25E EPS.

- High cost inventory coupled with inferior product mix resulted into GM's contraction of 290bps YoY:** DAGRI reported revenue growth of 24% YoY to Rs5.4bn (PLe Rs5.04bn) primarily driven by 16% and 7% YoY increase in volumes and prices during 2QFY23. High cost inventory coupled with inferior product mix has in turn resulted into gross margin contraction of 290bps YoY to 34% in 2QFY23. Further, management alluded that the RM cost continues its southward trajectory which would result into continued margin pressure in the subsequent quarter as well. While, going forward on a sustainable basis gross margins should be in the range of 35-36%. While, lower employee expense down 130bps YoY coupled with lower operating expenses down 70bps YoY has restricted EBITDA margin contraction of 70bps YoY to 18.0% (PLe 16%). EBITDA came in at Rs975mn up 19% YoY (PLe Rs805mn). PAT stood at Rs730mn up 15% YoY (PLe Rs617mn).
- Remains confident of achieving double digit growth in FY23E:** Going forward, DAGRI remains optimistic on the remaining half of the year citing healthy soil moisture and water reservoir levels aided by remunerative crop prices which in turn should augur well for the upcoming rabi season.

- **Introducing new range of Biological products in the market:** DAGRI would be launching a new range of Biological products during November'22, with an initial portfolio of 6 products. These products are currently being sourced from the best third party vendors in the industry. Going forward, the management intends to focus on their product offering in the segment. While on the crop protection side, the company intends to launch 3 new 9(4) molecules in 2HFY23 namely Craze-X (Pretilachlor), Fuzi Super (Bisparibac Sodium).
- **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 37%/21%/31%/11% in 2QFY23 as against 43%/23%/23%/11% in the corresponding period last year respectively. Erratic monsoons during the kharif season has in turn resulted into slower placements and ground level activities which has restricted growth to mid-single digits.

Zone-wise revenue mix: North/West/East/South contributed to 26%/37%/8%/29% in 2QFY23 as against 22%/36%/12%/30% respectively in 2QFY22.

Innovation turnover index (ITI) stood at 15% in 1HFY23 as against 10% in 1HFY22 respectively. Going forward, the management opined that ITI index is likely to inch up further led by launching of new products and robust new product pipeline coupled with their increasing contribution to the overall revenues.

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: Q2FY23 Result Overview (Rs mn)

Y/e March	Q2FY23	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	H1FY23	H1FY22	YoY gr. (%)
Revenues	5,429	4,388	23.7	3,927	38.2	9,356	8,026	16.6
Raw material	3,581	2,770	29.3	2,640	35.6	6,221	5,181	20.1
Staff costs	345	338	1.9	322	7.1	667	632	5.5
Others	528	458	15.3	450	17.3	978	781	25.3
Total expenditure	4,454	3,567	24.9	3,413	30.5	7,866	6,593	19.3
EBITDA	975	822	18.7	515	89.4	1,490	1,433	4.0
Depreciation	43	41	4.9	38	12.8	80	79	2.2
EBIT	933	781	19.4	477	95.5	1,409	1,354	4.1
Less: Interest Expense	8	7	14.2	8	(1.9)	16	16	0.3
Add: Other income	55	69	(20.6)	169	(67.3)	224	147	52.3
Profit Before Tax	980	843	16.2	637	53.7	1,617	1,485	8.9
Less: Provision for Tax	250	210	19.0	146	70.5	396	365	8.4
Adjusted Profit	730	634	15.2	491	48.7	1,221	1,120	9.1
Add: Exceptional items	0	0	NA	0	NA	0	0	NA
Reported Profit	730	634	15.2	491	48.7	1,221	1,120	9.1
Equity capital (FV INR 2)	93	93		93		93	93	
No. of Diluted shares outstanding (mn)	47	47		47		47	47	
Adjusted Diluted EPS	15.7	13.6	15.2	10.5	48.7	26.3	24.1	9.1
As % of net revenues								
Raw material	66.0	63.1		67.2		66.5	64.5	
Staff expenses	6.4	7.7		8.2		7.1	7.9	
Other expenses	9.7	10.4		11.5		10.5	9.7	
EBITDA	18.0	18.7		13.1		15.9	17.9	
Net profit	13.5	14.4		12.5		13.1	14.0	

Source: Company, PL

Exhibit 2: Zone-wise revenue Break-up

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
North	27	31	26	21	25	28	22	21	28	30	26
West	21	42	34	27	19	44	36	31	22	44	37
East	11	10	10	13	12	10	12	11	13	9	8
South	41	17	30	39	44	18	30	37	37	17	29
Total	100	100	100	100	100	100	100	100	100	100	100

Source: Company, PL

Exhibit 3: Category-wise revenue Break-up

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Herbicides	23	46	21	31	20	48	23	36	24	52	31
Insecticide	48	31	47	37	50	29	43	32	46	27	37
Fungicide	18	11	20	19	18	12	23	19	19	11	21
Others	11	12	12	13	12	11	11	13	11	10	11
Total	100	100	100	100	100	100	100	100	100	100	100

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	14,778	16,699	18,869	21,256
YoY gr. (%)	6.5	13.0	13.0	12.6
Cost of Goods Sold	9,391	10,871	11,982	13,497
Gross Profit	5,387	5,828	6,887	7,758
Margin (%)	36.5	34.9	36.5	36.5
Employee Cost	1,205	1,261	1,528	1,722
Other Expenses	1,548	1,837	1,981	2,211
EBITDA	2,634	2,730	3,378	3,826
YoY gr. (%)	(2.1)	3.7	23.7	13.3
Margin (%)	17.8	16.4	17.9	18.0
Depreciation and Amortization	163	169	197	218
EBIT	2,471	2,561	3,180	3,608
Margin (%)	16.7	15.3	16.9	17.0
Net Interest	32	32	30	30
Other Income	336	420	378	340
Profit Before Tax	2,775	2,949	3,528	3,918
Margin (%)	18.8	17.7	18.7	18.4
Total Tax	687	743	889	987
Effective tax rate (%)	24.8	25.2	25.2	25.2
Profit after tax	2,088	2,206	2,639	2,931
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,088	2,206	2,639	2,931
YoY gr. (%)	(0.8)	5.6	19.6	11.1
Margin (%)	14.1	13.2	14.0	13.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,088	2,206	2,639	2,931
YoY gr. (%)	(0.8)	5.6	19.6	11.1
Margin (%)	14.1	13.2	14.0	13.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,088	2,206	2,639	2,931
Equity Shares O/s (m)	47	47	47	47
EPS (Rs)	44.8	47.4	56.7	62.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	2,419	2,619	2,919	3,219
Tangibles	2,404	2,604	2,904	3,204
Intangibles	15	15	15	15
Acc: Dep / Amortization	832	1,002	1,199	1,417
Tangibles	832	1,002	1,199	1,417
Intangibles	-	-	-	-
Net fixed assets	1,587	1,617	1,720	1,802
Tangibles	1,571	1,602	1,705	1,787
Intangibles	15	15	15	15
Capital Work In Progress	483	1,800	3,000	3,000
Goodwill	-	-	-	-
Non-Current Investments	1,398	1,398	1,398	1,398
Net Deferred tax assets	(56)	(56)	(56)	(56)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,961	1,961	1,961	1,961
Inventories	3,472	4,019	4,430	4,990
Trade receivables	2,825	3,192	3,607	4,063
Cash & Bank Balance	24	53	632	2,656
Other Current Assets	-	-	-	-
Total Assets	13,122	15,412	18,119	21,242
Equity				
Equity Share Capital	93	93	93	93
Other Equity	9,511	11,268	13,458	15,941
Total Network	9,604	11,361	13,552	16,034
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	10	-	-	-
Trade payables	1,747	2,023	2,229	2,511
Other current liabilities	1,705	1,973	2,283	2,642
Total Equity & Liabilities	13,122	15,412	18,119	21,242

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	2,775	2,949	3,528	3,918
Add. Depreciation	163	169	197	218
Add. Interest	32	32	30	30
Less Financial Other Income	336	420	378	340
Add. Other	(250)	(420)	(378)	(340)
Op. profit before WC changes	2,720	2,730	3,378	3,826
Net Changes-WC	(1,018)	(372)	(309)	(376)
Direct tax	(660)	(743)	(889)	(987)
Net cash from Op. activities	1,043	1,615	2,180	2,463
Capital expenditures	(192)	(1,517)	(1,500)	(300)
Interest / Dividend Income	221	420	378	340
Others	(456)	-	-	-
Net Cash from Invt. activities	(426)	(1,097)	(1,122)	40
Issue of share cap. / premium	-	-	-	-
Debt changes	(74)	(10)	-	-
Dividend paid	(502)	(449)	(449)	(449)
Interest paid	(32)	(32)	(30)	(30)
Others	-	-	-	-
Net cash from Fin. activities	(608)	(490)	(479)	(479)
Net change in cash	9	29	579	2,025
Free Cash Flow	1,043	1,615	2,180	2,463

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	44.8	47.4	56.7	62.9
CEPS	48.3	51.0	60.9	67.6
BVPS	206.2	243.9	290.9	344.2
FCF	22.4	34.7	46.8	52.9
DPS	6.0	8.0	8.0	8.0
Return Ratio(%)				
RoCE	28.0	24.4	25.5	24.4
ROIC	27.2	22.6	24.1	26.5
RoE	23.8	21.0	21.2	19.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	112	113	112	112
Valuation(x)				
PER	16.2	15.4	12.8	11.6
P/B	3.5	3.0	2.5	2.1
P/CEPS	15.1	14.3	12.0	10.8
EV/EBITDA	12.1	11.7	9.3	7.7
EV/Sales	2.2	1.9	1.7	1.4
Dividend Yield (%)	0.8	1.1	1.1	1.1

Source: Company Data, PL Research

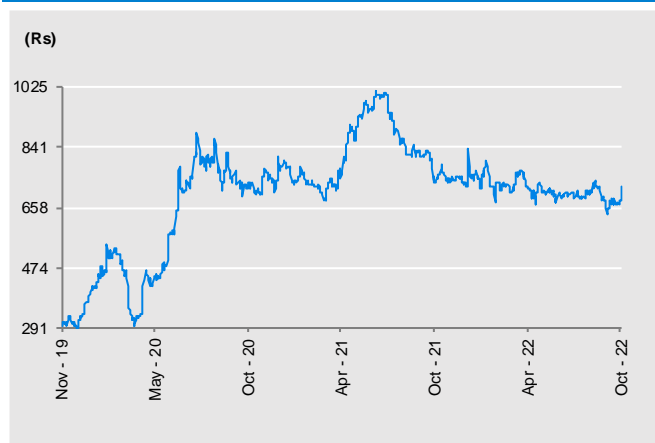
Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	3,569	3,183	3,927	5,429
YoY gr. (%)	20.7	15.5	8.0	23.7
Raw Material Expenses	2,317	1,893	2,640	3,581
Gross Profit	1,251	1,290	1,287	1,848
Margin (%)	35.1	40.5	32.8	34.0
EBITDA	550	651	515	975
YoY gr. (%)	9.6	0.7	(15.8)	18.7
Margin (%)	15.4	20.4	13.1	18.0
Depreciation / Depletion	40	45	38	43
EBIT	511	606	477	933
Margin (%)	14.3	19.0	12.1	17.2
Net Interest	9	8	8	8
Other Income	67	122	169	55
Profit before Tax	569	721	637	980
Margin (%)	16.0	22.6	16.2	18.0
Total Tax	144	178	146	250
Effective tax rate (%)	25.3	24.7	23.0	25.5
Profit after Tax	425	543	491	730
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	425	543	491	730
YoY gr. (%)	6.2	11.6	1.1	15.2
Margin (%)	11.9	17.1	12.5	13.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	425	543	491	730
YoY gr. (%)	6.2	11.6	1.1	15.2
Margin (%)	11.9	17.1	12.5	13.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	425	543	491	730
Avg. Shares O/s (m)	47	47	47	47
EPS (Rs)	9.1	11.7	10.5	15.7

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Oct-22	BUY	850	658
2	02-Aug-22	BUY	850	695
3	04-Jul-22	BUY	870	687
4	20-Jun-22	BUY	870	672
5	23-May-22	BUY	870	720
6	08-Apr-22	BUY	870	755
7	02-Feb-22	BUY	870	777
8	12-Jan-22	BUY	870	759
9	27-Dec-21	BUY	870	735

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,650	4,803
2	Chambal Fertilizers & Chemicals	BUY	480	320
3	Coromandel International	BUY	1,200	973
4	Dhanuka Agritech	BUY	850	658
5	Godrej Agrovet	Accumulate	570	520
6	Insecticides India	Hold	920	701
7	P.I. Industries	BUY	3,450	2,956
8	Rallis India	BUY	250	226
9	Sharda Cropchem	BUY	660	446
10	Sumitomo Chemical India	BUY	610	493
11	UPL	BUY	1,020	700

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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