

February 10, 2023

## Q3FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	940		940	
Sales (Rs. m)	18,869	21,256	18,869	21,256
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,378	3,805	3,378	3,826
% Chng.	-	(0.6)	-	-
EPS (Rs.)	56.9	62.8	56.7	62.9
% Chng.	0.4	(0.2)	-	-

### 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	2,663	3,378	3,805
Margin (%)	17.8	16.0	17.9	17.9
PAT (Rs. m)	2,088	2,247	2,650	2,925
EPS (Rs.)	44.8	48.2	56.9	62.8
Gr. (%)	(0.8)	7.6	17.9	10.4
DPS (Rs.)	6.0	8.0	8.0	8.0
Yield (%)	0.9	1.2	1.2	1.2
RoE (%)	23.8	21.4	21.2	19.7
RoCE (%)	28.0	23.7	25.4	24.2
EV/Sales (x)	2.0	1.8	1.5	1.3
EV/EBITDA (x)	11.3	11.2	8.6	7.1
PE (x)	15.2	14.2	12.0	10.9
P/BV (x)	3.3	2.8	2.3	2.0

### Key Data

DHNP.BO | DAGRI IN

52-W High / Low	Rs.797 / Rs.631
Sensex / Nifty	60,683 / 17,857
Market Cap	Rs.31bn/ \$ 377m
Shares Outstanding	46m
3M Avg. Daily Value	Rs.16.04m

### Shareholding Pattern (%)

Promoter's	70.19
Foreign	4.01
Domestic Institution	16.64
Public & Others	9.15
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(6.8)	(1.5)	(11.1)
Relative	(7.6)	(4.5)	(13.7)

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

### Quick Pointers:

- Volume/Price growth of 2.5%/7.5% YoY in 3QFY23.
- ITI for 9MFY23 stood at 14.3%, as against 10% in 9MFY22.

**Dhanuka Agritech (DAGRI) reported subdued set of numbers in-line with our and consensus estimates led by Revenue/EBITDA/PAT growth of +10%/-6%/+3% YoY, amid challenges related to higher channel inventory and cost pressures. The company remains confident of achieving double digit YoY revenue growth in FY23E with absolute EBITDA to be maintained at FY22 levels citing 1) positive demand outlook in domestic market led by good soil moisture and 2) healthy water reservoir levels (particularly in the Southern India) coupled with remunerative crop prices. We expect Revenue/PAT CAGR of 13%/12% over FY22-FY25E. Maintain 'BUY' with an unchanged TP of INR940 based on 15x FY25E EPS.**

- Gross margins contracted 220bps YoY led by high cost inventory:** DAGRI reported revenue growth of 10% YoY at Rs3.9bn (PLe Rs3.85bn), primarily driven by 2.5% and 7.5% YoY increase in volumes and prices during 3QFY23 (9MFY23 volume/price growth of 8.5%/6% YoY). High cost inventory coupled with inability to fully pass on inflated cost has resulted in gross margin contraction of 220bps YoY to 32.9%. Further, management alluded that RM cost continues its downward trajectory which would lead to continued margin pressure in subsequent quarter too. Going forward, on sustainable basis gross margins should be in the range of 35-36%. EBITDA margins contracted 220bps to 13.2% and was in-line with decline in gross margins (employee cost down 40bps YoY; while other expenses were up 50bps YoY). PAT stood at Rs439mn up 3% YoY (PLe Rs431mn).
- Introducing new range of Biological products in the market:** DAGRI would be launching new range of Biological products under its sub-brand named BIOLOGIQ, with an initial portfolio of 6 products. These products are currently being sourced from best third party vendors in the industry. Going forward, management intends to focus on their product offering in the segment. While on crop protection side, company intends to launch 3 new 9(4) molecules in 2HFY23 namely Craze-X (Pretilachlor) and Fuzi Super (Bisparibac Sodium).
- Capex plans of Rs3bn over FY22-24 well on track:** Management has cited for Rs3bn capex to be spend over FY22-24 (Rs500mn/Rs1.5bn/Rs1.1bn in FY22/FY23/FY24). This capex is largely towards setting up of formulation unit, 2 MPP's (Multi-purpose plant) of pesticides in Dahej. The formulation unit has been delayed by 3 months, but is now expected to be operational by July'23 (2QFY24) 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%.

## Other Highlights:

**Herbicides and fungicides contributed ~60% of the overall revenues:** Contribution from Insecticides/ Fungicides/ Herbicides and others (PGR) stood at 29%/20%/39%/12% in 3QFY23 as against 32%/19%/36%/13% in the corresponding period last year respectively.

**Better performance in North and South zone up 16%/13% YoY in 3QFY23:** North/West/East/South contributed to 22%/29%/11%/38% in 3QFY23 as against 21%/31%/11%/37% respectively in 3QFY22.

**ITI stood at 14.3% in 9FY23 as against 10% in 9MFY22.** Going forward, management opined that Innovation turnover index (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 overall revenues.

**Guidance maintained for FY23E:** DAGRI guided for a double digit revenue growth in FY23E with EBITDA to be flat as compared to FY22 owing to inflated RM cost. The company intends to launch 2 new 9(3) and 3 new 9(4) molecules in FY24.

**Exhibit 1: Q3FY23 Result Overview (Rs mn)**

Y/e March	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
<b>Revenues</b>	<b>3,934</b>	<b>3,569</b>	<b>10.2</b>	<b>5,429</b>	<b>(27.5)</b>	<b>13,290</b>	<b>11,595</b>	<b>14.6</b>
Raw material	2,639	2,317	13.9	3,581	(26.3)	8,860	7,498	18.2
Staff costs	310	298	4.2	345	(10.0)	977	930	5.1
Others	466	403	15.7	528	(11.7)	1,445	1,184	22.0
Total expenditure	3,415	3,018	13.2	4,454	(23.3)	11,282	9,612	17.4
<b>EBITDA</b>	<b>518</b>	<b>550</b>	<b>(5.8)</b>	<b>975</b>	<b>(46.9)</b>	<b>2,008</b>	<b>1,983</b>	<b>1.3</b>
Depreciation	45	40	12.7	43	4.4	125	118	5.7
<b>EBIT</b>	<b>474</b>	<b>511</b>	<b>(7.2)</b>	<b>933</b>	<b>(49.2)</b>	<b>1,883</b>	<b>1,865</b>	<b>1.0</b>
Less: Interest Expense	8	9	(11.0)	8	(1.2)	24	24	(3.7)
Add: Other income	77	67	14.1	55	39.3	300	214	40.3
<b>Profit Before Tax</b>	<b>543</b>	<b>569</b>	<b>(4.7)</b>	<b>980</b>	<b>(44.6)</b>	<b>2,160</b>	<b>2,054</b>	<b>5.1</b>
Less: Provision for Tax	104	144	(28.0)	250	(58.4)	500	509	(1.9)
<b>Adjusted Profit</b>	<b>439</b>	<b>425</b>	<b>3.2</b>	<b>730</b>	<b>(39.9)</b>	<b>1,660</b>	<b>1,545</b>	<b>7.5</b>
Add: Exceptional items	0	0	NA	0	NA	0	0	NA
<b>Reported Profit</b>	<b>439</b>	<b>425</b>	<b>3.2</b>	<b>730</b>	<b>(39.9)</b>	<b>1,660</b>	<b>1,545</b>	<b>7.5</b>
Equity capital (FV Rs 2)	93	93		93		93	93	
No. of Diluted shares outstanding (mn)	47	47		47		47	47	
<b>Adjusted Diluted EPS</b>	<b>9.4</b>	<b>9.1</b>	<b>3.2</b>	<b>15.7</b>	<b>(39.9)</b>	<b>35.7</b>	<b>33.2</b>	<b>7.5</b>
<b>As % of net revenues</b>								
Raw material	67.1	64.9		66.0		66.7	64.7	
Staff expenses	7.9	8.3		6.4		7.4	8.0	
Other expenses	11.9	11.3		9.7		10.9	10.2	
EBITDA	13.2	15.4		18.0		15.1	17.1	
Net profit	11.2	11.9		13.5		12.5	13.3	

Source: Company, PL

**Exhibit 2: Better performance from North and South zone up 16%/13% YoY; while growth in west zone remains subdued**

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
North	1,159	1,150	621	689	1,019	965	749	891	1,178	1,412	865
West	1,570	1,504	798	524	1,601	1,580	1,106	700	1,728	2,009	1,141
East	374	442	384	331	364	527	393	414	353	434	433
South	636	1,327	1,153	1,212	655	1,316	1,320	1,178	668	1,574	1,495
<b>Total</b>	<b>3,738</b>	<b>4,424</b>	<b>2,957</b>	<b>2,756</b>	<b>3,638</b>	<b>4,388</b>	<b>3,569</b>	<b>3,183</b>	<b>3,927</b>	<b>5,429</b>	<b>3,934</b>
<b>Growth(%)</b>											
North	71.2%	12.9%	27.1%	12.1%	-12.1%	-16.1%	20.7%	29.4%	15.7%	46.2%	15.5%
West	55.8%	-1.7%	17.6%	9.6%	1.9%	5.0%	38.6%	33.7%	8.0%	27.2%	3.1%
East	63.1%	10.8%	8.9%	32.1%	-2.7%	19.0%	2.1%	25.1%	-2.8%	-17.5%	10.2%
South	130.7%	23.8%	-3.5%	29.9%	3.0%	-0.8%	14.5%	-2.9%	2.0%	19.6%	13.2%
<b>Total</b>	<b>70.7%</b>	<b>10.0%</b>	<b>8.9%</b>	<b>21.1%</b>	<b>-2.7%</b>	<b>-0.8%</b>	<b>20.7%</b>	<b>15.5%</b>	<b>8.0%</b>	<b>23.7%</b>	<b>10.2%</b>

Source: Company, PL

**Exhibit 3: Herbicides and fungicides category up 19%/16% YoY in 3QFY23**

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Herbicides	1,720	929	917	551	1,746	1,009	1,285	764	2,042	1,683	1,534
Insecticide	1,159	2,079	1,094	1,378	1,055	1,887	1,142	1,464	1,060	2,009	1,141
Fungicide	411	885	562	496	437	1,009	678	605	432	1,140	787
Others	449	531	384	331	400	483	464	350	393	597	472
<b>Total</b>	<b>3,738</b>	<b>4,424</b>	<b>2,957</b>	<b>2,756</b>	<b>3,638</b>	<b>4,388</b>	<b>3,569</b>	<b>3,183</b>	<b>3,927</b>	<b>5,429</b>	<b>3,934</b>
<b>Growth(%)</b>											
Herbicides	58.5%	-1.6%	5.5%	5.3%	1.5%	8.6%	40.2%	38.6%	17.0%	66.7%	19.4%
Insecticide	71.9%	3.0%	6.0%	26.1%	-9.0%	-9.2%	4.4%	6.3%	0.5%	6.5%	-0.1%
Fungicide	57.8%	40.0%	37.9%	21.1%	6.2%	14.1%	20.7%	21.9%	-1.0%	13.0%	16.0%
Others	163.3%	24.6%	-5.6%	32.1%	-10.8%	-9.1%	20.7%	5.9%	-1.9%	23.7%	1.7%
<b>Total</b>	<b>70.7%</b>	<b>10.0%</b>	<b>8.9%</b>	<b>21.1%</b>	<b>-2.7%</b>	<b>-0.8%</b>	<b>20.7%</b>	<b>15.5%</b>	<b>8.0%</b>	<b>23.7%</b>	<b>10.2%</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>14,778</b>	<b>16,699</b>	<b>18,869</b>	<b>21,256</b>
YoY gr. (%)	6.5	13.0	13.0	12.6
Cost of Goods Sold	9,391	10,938	11,982	13,497
Gross Profit	5,387	5,761	6,887	7,758
Margin (%)	36.5	34.5	36.5	36.5
Employee Cost	1,205	1,261	1,528	1,722
Other Expenses	1,548	1,837	1,981	2,232
<b>EBITDA</b>	<b>2,634</b>	<b>2,663</b>	<b>3,378</b>	<b>3,805</b>
YoY gr. (%)	(2.1)	1.1	26.8	12.6
Margin (%)	17.8	16.0	17.9	17.9
Depreciation and Amortization	163	169	197	218
<b>EBIT</b>	<b>2,471</b>	<b>2,494</b>	<b>3,180</b>	<b>3,587</b>
Margin (%)	16.7	14.9	16.9	16.9
Net Interest	32	31	30	30
Other Income	336	437	393	354
<b>Profit Before Tax</b>	<b>2,775</b>	<b>2,900</b>	<b>3,543</b>	<b>3,911</b>
Margin (%)	18.8	17.4	18.8	18.4
Total Tax	687	652	893	985
Effective tax rate (%)	24.8	22.5	25.2	25.2
<b>Profit after tax</b>	<b>2,088</b>	<b>2,247</b>	<b>2,650</b>	<b>2,925</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>2,088</b>	<b>2,247</b>	<b>2,650</b>	<b>2,925</b>
YoY gr. (%)	(0.8)	7.6	17.9	10.4
Margin (%)	14.1	13.5	14.0	13.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,088</b>	<b>2,247</b>	<b>2,650</b>	<b>2,925</b>
YoY gr. (%)	(0.8)	7.6	17.9	10.4
Margin (%)	14.1	13.5	14.0	13.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,088	2,247	2,650	2,925
<b>Equity Shares O/s (m)</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>
<b>EPS (Rs)</b>	<b>44.8</b>	<b>48.2</b>	<b>56.9</b>	<b>62.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>2,419</b>	<b>2,619</b>	<b>2,919</b>	<b>3,219</b>
Tangibles	2,404	2,604	2,904	3,204
Intangibles	15	15	15	15
<b>Acc: Dep / Amortization</b>	<b>832</b>	<b>1,002</b>	<b>1,199</b>	<b>1,417</b>
Tangibles	832	1,002	1,199	1,417
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>1,587</b>	<b>1,617</b>	<b>1,720</b>	<b>1,802</b>
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	-	-	-	-
<b>Current Assets</b>				
Investments	1,961	1,961	1,961	1,961
Inventories	3,472	4,044	4,430	4,990
Trade receivables	2,825	3,192	3,607	4,063
Cash & Bank Balance	24	82	685	2,703
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>13,122</b>	<b>15,466</b>	<b>18,172</b>	<b>21,289</b>
<b>Equity</b>				
Equity Share Capital	93	93	93	93
Other Equity	9,511	11,310	13,511	15,988
<b>Total Networkth</b>	<b>9,604</b>	<b>11,403</b>	<b>13,604</b>	<b>16,081</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	10	-	-	-
Trade payables	1,747	2,035	2,229	2,511
Other current liabilities	1,705	1,973	2,283	2,642
<b>Total Equity &amp; Liabilities</b>	<b>13,122</b>	<b>15,466</b>	<b>18,172</b>	<b>21,289</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	2,775	2,900	3,543	3,911
Add. Depreciation	163	169	197	218
Add. Interest	32	31	30	30
Less Financial Other Income	336	437	393	354
Add. Other	(250)	(437)	(393)	(354)
Op. profit before WC changes	2,720	2,663	3,378	3,805
Net Changes-WC	(1,018)	(384)	(297)	(376)
Direct tax	(660)	(652)	(893)	(985)
<b>Net cash from Op. activities</b>	<b>1,043</b>	<b>1,627</b>	<b>2,188</b>	<b>2,444</b>
Capital expenditures	(192)	(1,517)	(1,500)	(300)
Interest / Dividend Income	221	437	393	354
Others	(456)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(426)</b>	<b>(1,080)</b>	<b>(1,107)</b>	<b>54</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(74)	(10)	-	-
Dividend paid	(502)	(449)	(449)	(449)
Interest paid	(32)	(31)	(30)	(30)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(608)</b>	<b>(489)</b>	<b>(479)</b>	<b>(479)</b>
<b>Net change in cash</b>	<b>9</b>	<b>58</b>	<b>602</b>	<b>2,019</b>
Free Cash Flow	1,043	1,627	2,188	2,444

Source: Company Data, PL Research

**Key Financial Metrics**

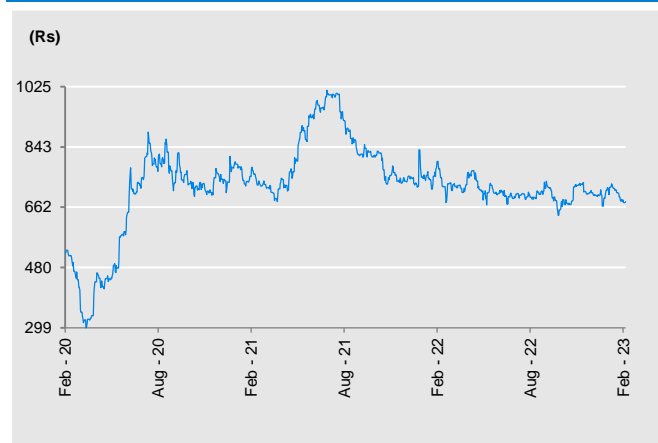
Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	44.8	48.2	56.9	62.8
CEPS	48.3	51.9	61.1	67.5
BVPS	206.2	244.8	292.1	345.2
FCF	22.4	34.9	47.0	52.5
DPS	6.0	8.0	8.0	8.0
<b>Return Ratio(%)</b>				
RoCE	28.0	23.7	25.4	24.2
ROIC	27.2	22.8	24.1	26.4
RoE	23.8	21.4	21.2	19.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	112	114	112	112
<b>Valuation(x)</b>				
PER	15.2	14.2	12.0	10.9
P/B	3.3	2.8	2.3	2.0
P/CEPS	14.1	13.2	11.2	10.1
EV/EBITDA	11.3	11.2	8.6	7.1
EV/Sales	2.0	1.8	1.5	1.3
Dividend Yield (%)	0.9	1.2	1.2	1.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Net Revenue</b>	<b>3,183</b>	<b>3,927</b>	<b>5,429</b>	<b>3,934</b>
YoY gr. (%)	15.5	8.0	23.7	10.2
Raw Material Expenses	1,893	2,640	3,581	2,639
Gross Profit	1,290	1,287	1,848	1,295
Margin (%)	40.5	32.8	34.0	32.9
<b>EBITDA</b>	<b>651</b>	<b>515</b>	<b>975</b>	<b>518</b>
YoY gr. (%)	0.7	(15.8)	18.7	(5.8)
Margin (%)	20.4	13.1	18.0	13.2
Depreciation / Depletion	45	38	43	45
<b>EBIT</b>	<b>606</b>	<b>477</b>	<b>933</b>	<b>474</b>
Margin (%)	19.0	12.1	17.2	12.0
Net Interest	8	8	8	8
Other Income	122	169	55	77
<b>Profit before Tax</b>	<b>721</b>	<b>637</b>	<b>980</b>	<b>543</b>
Margin (%)	22.6	16.2	18.0	13.8
Total Tax	178	146	250	104
Effective tax rate (%)	24.7	23.0	25.5	19.1
<b>Profit after Tax</b>	<b>543</b>	<b>491</b>	<b>730</b>	<b>439</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>543</b>	<b>491</b>	<b>730</b>	<b>439</b>
YoY gr. (%)	11.6	1.1	15.2	3.2
Margin (%)	17.1	12.5	13.5	11.2
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>543</b>	<b>491</b>	<b>730</b>	<b>439</b>
YoY gr. (%)	11.6	1.1	15.2	3.2
Margin (%)	17.1	12.5	13.5	11.2
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>543</b>	<b>491</b>	<b>730</b>	<b>439</b>
Avg. Shares O/s (m)	47	47	47	47
<b>EPS (Rs)</b>	<b>11.7</b>	<b>10.5</b>	<b>15.7</b>	<b>9.4</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-23	BUY	940	700
2	01-Nov-22	BUY	940	728
3	04-Oct-22	BUY	850	658
4	02-Aug-22	BUY	850	695
5	04-Jul-22	BUY	870	687
6	20-Jun-22	BUY	870	672
7	23-May-22	BUY	870	720
8	08-Apr-22	BUY	870	755

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,630	4,493
2	Chambal Fertilizers & Chemicals	BUY	360	297
3	Coromandel International	BUY	1,350	905
4	Dhanuka Agritech	BUY	940	700
5	Godrej Agrovet	Accumulate	570	472
6	Insecticides India	Hold	700	715
7	P.I. Industries	BUY	4,350	3,328
8	Rallis India	Hold	240	224
9	Sharda Cropchem	BUY	660	507
10	Sumitomo Chemical India	BUY	590	434
11	UPL	BUY	1,070	757

**PL's Recommendation Nomenclature (Absolute Performance)**

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



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