

10 February 2025

## Dhanuka Agritech

*Continued traction from new products saves the show; maintaining a Buy*

Rating: **Buy**

Target Price (12-mth): Rs.1,850

Share Price: Rs.1,508

Broadly in line with consensus and our estimates, Dhanuka Agritech reported a decent set of Q3 figures. Revenue/EBITDA/PAT grew 10%/22%/21% y/y. Key highlights: a) less pest infestation restricted revenue growth to 10% y/y in Q3 FY25, b) cheaper RM and a better product mix pushed up the gross margin 130bps y/y to 39.9%, c) innovation turnover index for 9M FY25 at 16.6% (15.3% a year ago), d) introduced one 9(4) product – “Roxa” – Pyroxasulfone 85% WG for the wheat crop, e) plans to launch eight 9(3) molecules in the next two years, f) acquired international rights of Iprovalicarb and Triadimenol from Bayer AG, aiming at global expansion, including manufacturing in India.

**Revenue up 10% y/y; margins surprise positively.** Despite the agronomic situation being favorable in Q3 FY25, lower pest infestations restricted revenue growth to 10% y/y. Margins surprised positively with GM up 130bps because of the better product mix, resulting in a 160bp y/y EBITDA margin expansion to 17% (ARe: 17%). Absolute EBITDA was Rs756m, up 22% y/y (ARe: Rs720m).

**Product launches well on track; benefits to accrue ahead.** In Q3, Dhanuka launched one product, **Roxa**- Pyroxasulfone 85% WG, to control weeds in wheat crops. Further, it saw excellent sales of the newly launched products, Lanevo (an insecticide) and Mycore Super (PGR) in the year. Ahead, management is upbeat about these launches and aims to capture decent market shares along with Turmoil, Rockstar, Purge, etc.

**Outlook, Valuation.** Factoring in the 9M FY25 performance, management lowered its revenue growth guidance from 16% earlier to 14%, while it maintained the margin guidance of 100bp y/y improvement. We trim our FY25e 4% factoring in slower revenue growth, but broadly maintain our FY26e/27e. We maintain a Buy, with a revised TP of Rs1,850, 22x FY27e EPS (earlier Rs1,900). **Risks:** Adverse weather; delays in ramping up the Dahej plant.

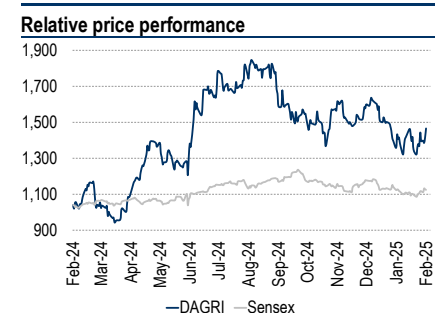
Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	17,002	17,585	20,372	23,720	27,504
Net profit (Rs m)	2,335	2,391	2,919	3,445	3,877
EPS (Rs)	51.2	52.5	64.0	75.6	85.1
P/E (x)	28.3	27.6	22.6	19.2	17.0
EV / EBITDA (x)	22.8	19.4	15.2	12.4	10.5
P/BV (x)	6.2	5.3	4.4	3.6	3.0
RoE (%)	23.1	20.6	21.1	20.6	19.4
RoCE (%)	23.1	20.6	21.1	20.6	19.4
Dividend yield (%)	0.1	1.0	0.4	0.4	0.5
Net debt / equity (x)	-0.2	-0.2	-0.3	-0.4	-0.4

Source: Company, Anand Rathi Research

Key data	DAGRI IN / DHNP.BO
52-week high / low	Rs.1,926 / 934
Sensex / Nifty	77,197 / 23,351
3-m average volume	\$0.7m
Market cap	Rs.68bn / \$777.5m
Shares outstanding	45m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	70.3	70.3	70.2
- of which, Pledged	-	-	-
Free float	29.7	29.7	29.8
- Foreign institutions	2.2	2.0	1.5
- Domestic institutions	18.7	19.0	19.3
- Public	8.8	8.7	9.0

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	(1.7)	(1.6)	(1.6)
EBITDA	(4.1)	(1.6)	(1.6)
PAT	(4.0)	(1.1)	(1.0)



Source: Bloomberg

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## Quick Glance – Financial and Valuations (consolidated)

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenues	17,002	17,585	20,372	23,720	27,504
Growth (%)	15.1	3.4	15.8	16.4	16.0
Raw material	11,155	10,722	12,182	14,351	16,778
Employee & other expen.	3,061	3,589	4,135	4,577	5,306
<b>EBITDA</b>	<b>2,787</b>	<b>3,274</b>	<b>4,054</b>	<b>4,792</b>	<b>5,420</b>
EBITDA margins (%)	16.4	18.6	19.9	20.2	19.7
- Depreciation	176	406	527	590	662
Other income	448	350	413	433	455
Interest expense	31	31	38	30	30
PBT	3,027	3,188	3,902	4,605	5,183
Effective tax rates (%)	23	25	25	25	25
+ Associates / (Minorities)	-	-	-	-	-
Adjusted income	2,335	2,391	2,919	3,445	3,877
Extraord. items (loss)/profit	-	-	-	-	-
Reported PAT	2,335	2,391	2,919	3,445	3,877
WANS	46	46	46	46	46
FDEPS (Rs)	51.2	52.5	64.0	75.6	85.1

**Fig 2 – Balance sheet (Rs m)**

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	91	91	91	91	91
Net worth	10,613	12,559	15,148	18,264	21,757
Debt	38	5	-	-	-
Minority interest	-	-	-	-	-
Deferred tax liability / (asset)	24	51	51	51	51
<b>Capital employed</b>	<b>10,675</b>	<b>12,615</b>	<b>15,199</b>	<b>18,315</b>	<b>21,808</b>
Net tangible assets	1,646	3,381	3,854	4,264	4,602
CWIP (tang. and intang.)	1,532	282	50	50	50
Investments (strategic)	1,589	1,678	1,678	1,678	1,678
Investments (financial)	958	718	718	718	718
Current assets (excl. C&CE)	8,285	9,719	10,337	11,556	12,886
Cash	43	13	2,148	4,170	6,599
Current Liabilities	3,378	3,177	3,586	4,121	4,726
Working capital	4,907	6,542	6,751	7,435	8,160
<b>Capital deployed</b>	<b>10,675</b>	<b>12,615</b>	<b>15,199</b>	<b>18,315</b>	<b>21,808</b>

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	3,027	3,188	3,902	4,605	5,183
+ Non-cash items	207	436	565	620	692
Oper. profit before WC changes	3,234	3,624	4,466	5,226	5,875
- Incr./ (decr.) in WC	711	1,208	209	684	725
Others incl. taxes	1,161	1,071	1,396	1,594	1,761
Operating cash-flow	1,362	1,344	2,862	2,948	3,389
- Capex (tangible + intangible)	992	1,125	768	1,000	1,000
Free cash-flow	370	219	2,094	1,948	2,389
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	318	501	329	329	384
+ Equity raised	-1,048	-	-	-	-
+ Debt raised	28	-33	-5	-	-
- Fin. investments	-1,018	-316	-413	-433	-455
- Misc. items (CFI and CFF)	31	31	38	30	30
Net cash-flow	20	-30	2,135	2,022	2,429

Source: Company, Anand Rathi Research

**Fig 4 – Ratio analysis**

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	28.3	27.6	22.6	19.2	17.0
EV / EBITDA (x)	22.8	19.4	15.2	12.4	10.5
EV / Sales (x)	3.7	3.6	3.0	2.5	2.1
P/B (x)	6.2	5.3	4.4	3.6	3.0
RoE (%)	23.1	20.6	21.1	20.6	19.4
RoCE (%) - after tax	23.1	20.6	21.1	20.6	19.4
RoIC (%) - after tax	22.5	20.7	21.1	21.0	21.9
DPS (Rs)	2.0	14.0	6.0	6.0	7.0
Dividend yield (%)	0.1	1.0	0.4	0.4	0.5
Dividend payout (%)	4.7	32.1	11.3	9.6	9.9
Net debt / equity (x)	-0.2	-0.2	-0.3	-0.4	-0.4
Receivables (days)	67	71	67	67	67
Inventory (days)	113	130	126	115	111
Payables (days)	57	55	48	47	47
CFO : PAT (%)	58	56	98	86	87

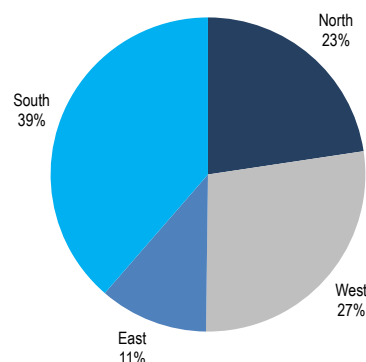
Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 6 – Zone-wise share of revenue, Q3 FY25**



Source: Company

**Fig 7 – Revenue break-up, zone- and category-wise**

(Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
<b>Zone-wise</b>								
North	1,077	1,107	1,483	887	958	1,530	1,897	1,008
West	705	1,513	2,101	1,089	737	2,073	1,832	1,228
East	408	332	680	484	516	395	785	498
South	1,522	738	1,916	1,573	1,473	938	2,028	1,720
<b>Total</b>	<b>3,712</b>	<b>3,691</b>	<b>6,179</b>	<b>4,032</b>	<b>3,683</b>	<b>4,936</b>	<b>6,543</b>	<b>4,453</b>
<b>Growth (%)</b>								
North	20.8	-6.0	5.1	2.5	-11.0	38.2	27.9	13.6
West	0.7	-12.4	4.6	-4.6	4.4	37.0	-12.8	12.8
East	-1.3	-6.0	56.5	11.8	26.3	18.9	15.5	2.9
South	29.2	10.6	21.7	5.2	-3.2	27.0	5.9	9.3
<b>Total</b>	<b>16.6</b>	<b>-6.0</b>	<b>13.8</b>	<b>2.5</b>	<b>-0.8</b>	<b>33.7</b>	<b>5.9</b>	<b>10.4</b>
<b>Category-wise</b>								
Herbicides	1,683	1,534	965	1,993	1,545	1,411	1,031	2,468
Insecticides	2,009	1,141	1,708	996	2,719	1,290	1,621	1,234
Fungicides	1,140	787	631	369	1,112	847	589	494
Others	597	472	408	332	803	484	442	740
<b>Total</b>	<b>5,429</b>	<b>3,934</b>	<b>3,712</b>	<b>3,691</b>	<b>6,179</b>	<b>4,032</b>	<b>3,683</b>	<b>4,936</b>
<b>Growth (%)</b>								
Herbicides	66.7	19.4	26.3	-2.4	-8.2	-8.0	6.8	23.8
Insecticides	6.5	-0.1	16.6	-6.0	35.4	13.1	-5.1	23.8
Fungicides	13.0	16.0	4.4	-14.6	-2.4	7.6	-6.6	33.7
Others	23.7	1.7	16.6	-15.4	34.5	2.5	8.2	122.9
<b>Total</b>	<b>23.7</b>	<b>10.2</b>	<b>16.6</b>	<b>-6.0</b>	<b>13.8</b>	<b>2.5</b>	<b>-0.8</b>	<b>33.7</b>

Source: Company

**Fig 8 – Quarterly trend**

(Rs m)	Q3 FY25	Q3 FY24	Y/Y (%)	Q2 FY25	Q/Q (%)	9M FY25	9M FY24	Y/Y (%)
<b>Revenues</b>	<b>4,453</b>	<b>4,032</b>	<b>10.4</b>	<b>6,543</b>	<b>(31.9)</b>	<b>15,931</b>	<b>13,902</b>	<b>14.6</b>
Raw material	2,674	2,476	8.0	3,783	(29.3)	9,682	8,645	12.0
Staff costs	423	400	5.8	467	(9.4)	1,319	1,182	11.6
Others	600	534	12.3	697	(13.9)	1,862	1,602	16.3
<b>Total expenditure</b>	<b>3,697</b>	<b>3,411</b>	<b>8.4</b>	<b>4,947</b>	<b>(25.3)</b>	<b>12,863</b>	<b>11,429</b>	<b>12.5</b>
<b>EBITDA</b>	<b>756</b>	<b>622</b>	<b>21.5</b>	<b>1,596</b>	<b>(52.7)</b>	<b>3,069</b>	<b>2,474</b>	<b>24.1</b>
Depreciation	131	129	1.4	127	3.1	380	274	38.8
<b>EBIT</b>	<b>625</b>	<b>493</b>	<b>26.8</b>	<b>1,469</b>	<b>(57.5)</b>	<b>2,688</b>	<b>2,200</b>	<b>22.2</b>
Less: Interest expense	14	7	94.9	11	36.4	33	24	39.2
Add: Other income	70	73	(3.7)	108	(35.1)	249	197	26.8
<b>Profit before tax</b>	<b>681</b>	<b>558</b>	<b>21.9</b>	<b>1,567</b>	<b>(56.5)</b>	<b>2,905</b>	<b>2,373</b>	<b>22.4</b>
Less: Provision for tax	130	105	24.6	391	(66.7)	690	572	20.7
<b>Adjusted profit</b>	<b>550</b>	<b>454</b>	<b>21.3</b>	<b>1,175</b>	<b>(53.2)</b>	<b>1,801</b>	<b>1,844</b>	<b>(2.3)</b>
Add: Exceptional items	0	0	NA	0	NA	0	0	NA
<b>Reported profit</b>	<b>550</b>	<b>454</b>	<b>21.3</b>	<b>1,175</b>	<b>(53.2)</b>	<b>2,215</b>	<b>1,801</b>	<b>23.0</b>
Equity capital (FV: Rs 2)	90	93		93		93	93	
No. of diluted shares outstanding (m)	45	47		47		47	47	
Adjusted diluted EPS (Rs)	12.2	9.7	25.4	25.2	(51.6)	38.7	39.7	(2.3)

**As % of net revenues**

Raw material	60.1	61.4		57.8		60.8	62.2	
Staff expenses	9.5	9.9		7.1		8.3	8.5	
Other expenses	13.5	13.2		10.7		11.7	11.5	
EBITDA	17.0	15.4		24.4		19.3	17.8	
Net profit	12.4	11.3		18.0		11.3	13.3	

Source: Company

## Valuation

**Fig 9 – Change in estimates**

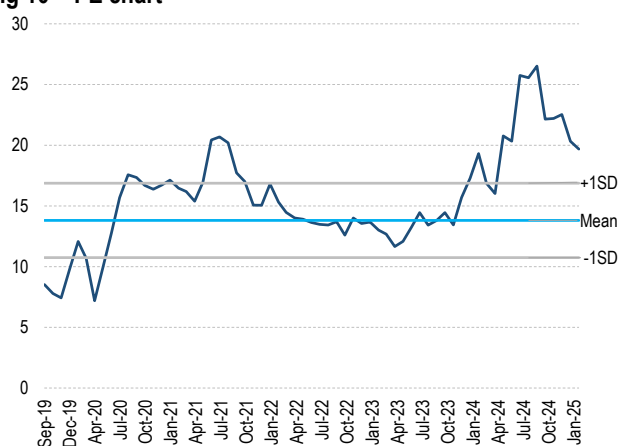
(Rs m)	FY25e			FY26e			FY27e		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Revenue	20,723	20,372	(1.7)	24,117	23,720	(1.6)	27,954	27,504	(1.6)
EBITDA	4,228	4,054	(4.1)	4,873	4,792	(1.6)	5,509	5,420	(1.6)
EBITDA margins, %	20.4	19.9	(50.0)	20.2	20.2	0.0	19.7	19.7	0.0
PAT	3,039	2,919	(4.0)	3,483	3,445	(1.1)	3,917	3,877	(1.0)
EPS (Rs)	66.7	64.0	(4.0)	76.4	75.6	(1.1)	85.9	85.1	(1.0)

Source: Anand Rath Research

Factoring in the 9M FY25 performance, management lowered its revenue growth guidance from 16% earlier to 14%. While it maintains its margin guidance of 100bp y/y improvement.

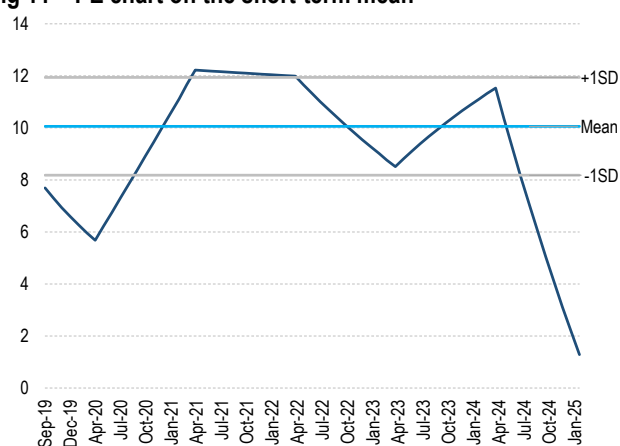
We trim our FY25e 4% factoring in slower revenue growth, but broadly maintain our FY26e/27e. We maintain a Buy, with a revised TP of Rs1,850, 22x FY27e EPS (earlier Rs1,900).

**Fig 10 – PE chart**



Source: Bloomberg, Anand Rath Research

**Fig 11 – PE chart on the short-term mean**



Source: Bloomberg, Anand Rath Research

## Risks

- Adverse weather in the home market
- Volatile commodity prices globally
- Delays in ramping up Dahej's technical synthesis plant.

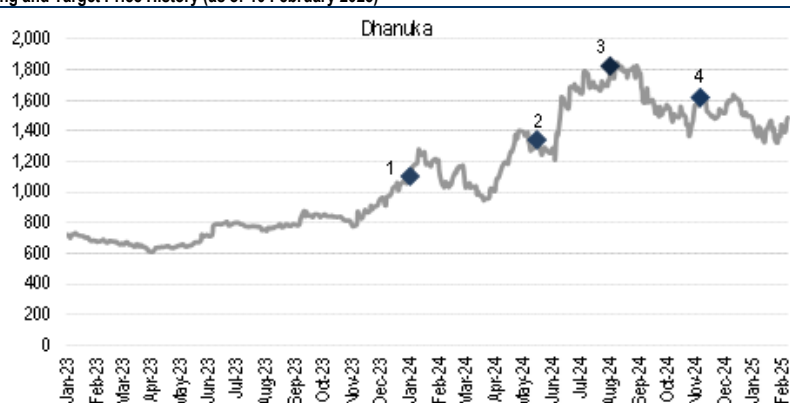
## Appendix

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	Date	Rating	TP (Rs)	Share Price (Rs)
1	1-Jan-24	Buy	1,200	1,018
2	18-May-24	Buy	1,450	1,316
3	3-Aug-24	Hold	1,900	1,821
4	6-Nov-24	Buy	1,900	1,614

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