Dhanuka Agritech Ltd. (DHANUKA)

13 August 2021

CMP: ₹ 900

Q1-FY22 Result Update

Target: ₹ 1115

- Dhanuka Agritech Ltd. is one of India's leading agrochemical Company, having Pan-India presence with 3 manufacturing units, 40 ware houses and network of over 14 branch offices across the Indian geography and caters to 6,500 distributors & approximately 80,000 retailers. The company's product portfolio is largely distributed across Insecticides, Herbicide, Fungicides and Plant Growth Regulators segment.

- The company reported stable set of numbers for the quarter under review with revenue decline of 2.7% year-on-year to ₹3638 million on a consolidated basis. Product category wise, share of turnover, insecticides has contributed 29%, fungicides has contributed 12%, herbicides highest contribution 48%, and others 11%. The company has launched its co-marketing product under brand name, TORNADO containing quizalofop ethyl plus imazethapyr to control broad leaf as well as narrow leave weeds in soybean and other crops. The company has also received registration of new 9(3) molecule ONEKIL, which is a combination herbicide for the control of all type of weeds in onion crop.

- The management highlighted that the opening month of monsoon performed quite well in overall outlook with 110% of the long period average. However, there was a slowdown in the rainfall activity from 15th June to 15th July. This has resulted in slowdown in herbicide consumption during this period. There is a recovery in the rainfall activity across India after 15^{th} July, with almost all regions receiving good rainfall and this makes up positive about the prospects of the second quarter.

- On profitability front, the EBITDA from operations for the quarter declined by 6.4% year-on-year at ₹611 million with an operating margin of 16.8%. The company achieved the reported PAT of ₹486 million, a decline of 6.2% year-on-year with a net margin of 13.4% translating into EPS of ₹10.43 per share for the quarter.

- The Company has approved for setting up a plant for Technical Manufacturing of Pesticides i.e. Backward Integration Process, at Dahej, Gujarat. The setting up of this unit will involve an investment outlay of approx. ₹2000 million, which will be managed from internal accruals of the Company. The setting up of said unit will reduce the dependency of the Company on other players for procuring the raw molecules. It will help the Company to expand its market share and to open new avenues for the export of the Company 's products

- We are positive on Dhanka Agritech Ltd. due to its asset light model, tie up with global agrochemical companies, high operating margins, strong balance sheet and growing product pipeline. We maintain our **BUY** rating on the stock with a target price of **₹1115 per share.**

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Standalone Financials:

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg	3M-FY22	3M-FY21	Chg
Net Sales	3,638	3,738	-2.7%	3,638	3,738	-2.7%
Operating Expense	3,027	3,086	-1.9%	3,027	3,086	-1.9%
EBITDA	611	653	-6.4%	611	653	-6.4%
Other Income	77	74	5.2%	77	74	5.2%
Depreciation	38	32	20.7%	38	32	20.7%
EBIT	651	695	-6.4%	651	695	-6.4%
Interest	9	3	224.8%	9	3	224.8%
PBT	642	692	-7.3%	642	692	-7.3%
Tax	156	174	-10.7%	156	174	-10.7%
Exceptional Items	-	-		-	-	
PAT	**486**	**518**	**-6.2%**	**486**	**518**	**-6.2%**
Minority /Other Adj.	-	-		-	-	
Consolidated PAT	**486**	**518**	**-6.2%**	**486**	**518**	**-6.2%**

Margins	Q1-FY22	Q1-FY21	Chg BPS	3M-FY22	3M-FY21	Chg BPS
Operating Margin %	16.8%	17.5%	-66	16.8%	17.5%	-66
Net Margin %	13.4%	13.9%	-49	13.4%	13.9%	-49

Dhanuka Agritech Ltd. (DHANUKA)

Standalone Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	11,201	13,875	15,262	16,788
Operating Expense	9,466	11,182	12,300	13,530
EBITDA	1,735	2,693	2,962	3,258
Other Income	251	337	371	408
Depreciation	164	152	145	160
EBIT	1,822	2,878	3,187	3,506
Interest	17	28	29	29
Misc. items	-	-	-	-
PBT	1,805	2,849	3,158	3,477
Tax	392	744	824	908
Minority Interest	-	-	-	-
PAT	**1,413**	**2,106**	**2,334**	**2,569**

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	95	93	93	93
Reserves & Surplus	6,981	7,869	10,203	12,772
Total Shareholder's Funds	7,076	7,962	10,296	12,865
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	217	507	507	507
Deferred Tax Liability	53	83	83	83
Short-term Liabilities	1,976	2,758	3,034	3,338
Total	**9,322**	**11,310**	**13,920**	**16,793**
Assets				
Net Fixed Assets	1,211	1,745	1,502	1,563
Long-Term L&A	231	58	58	58
Non Current Investments	991	903	903	903
Other Non-Current Assets	225	21	21	21
Current Asset	6,664	8,583	11,435	14,247
Total	**9,322**	**11,310**	**13,920**	**16,793**

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	11.4%	23.9%	10.0%	10.0%
Operating Margin %	15.5%	19.4%	19.4%	19.4%
Net Margin %	12.6%	15.2%	15.3%	15.3%

Key Ratios	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	30.3	45.2	50.1	55.2
P/E (x)	29.7	19.9	18.0	16.3
P/B (x)	5.9	5.3	4.1	3.3
ROE	20.0%	26.4%	22.7%	20.0%

Source: Company, Anand Rathi Research

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Key Risks:

- Adverse governmental & regulatory changes.
- Foreign currency exchange & interest rate volatility.
- Technological & legislative developments.

Rating and Target Price history:

DHANUKA's rating history & price chart

DHANUKA's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
18-Sep-2020	Buy	1030	822
11-Dec-2020	Buy	1030	746
05-Feb-2021	Buy	1030	754
09-Jun-2021	Buy	1115	928
13-Aug-2021	Buy	1115	900

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 13 August 2021 close.

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