

Q3-FY21 Result Update

Target: ₹ 1030

- ❑ 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 7,200 distributors & approximately 75,000 dealers. The company's product portfolio is largely distributed across Insecticides, Herbicide, Fungicides and Plant Growth Regulators segment.
- ❑ The company reported moderate set of numbers for the quarter under review with revenue growth of 8.9% year-on-year to ₹2957 million on a reported basis. The company reported moderate revenue growth because of prolonged rainfall especially in southern India (which contributes 1/3rd of the industry 's agrochemicals sales) and two cyclones in Nov'20 have resulted in lower consumption of agrochemicals. Further, the insecticide category got impacted severely due to lower pest infestations. However, herbicide and fungicide categories continue to do well. The company has witnessed a healthy performance in few top-selling products like Targa Super, Chempa, Em-1, & Lustre.
- ❑ The company's revenue mix is well diversified, segment wise – Insecticides(37%), Fungicides(19%), Herbicide(31%) & others(13%) of the revenues respectively & geography wise – North(20%), South(39%), East(13%), West(27%) for Q3FY21.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 46.2% year-on-year at ₹502 million with an operating margin of 17%. The company achieved the reported PAT of ₹400 million, a growth of 44.7% year-on-year with a net margin of 13.5% translating into EPS of ₹8.54 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 **₹1030 per share**.

Standalone Financials:

(In ₹ mn)	Q3-FY21	Q3-FY20	Chg	9M-FY21	9M-FY20	Chg
Net Sales	2,957	2,715	8.9%	11,119	8,925	24.6%
Operating Expense	2,454	2,371	3.5%	9,074	7,649	18.6%
EBITDA	502	343	46.2%	2,045	1,276	60.3%
Other Income	94	78	19.5%	250	164	52.1%
Depreciation	41	42	-1.8%	105	126	-16.8%
EBIT	555	380	46.0%	2,189	1,314	66.7%
Interest	10	4	182.2%	16	12	34.9%
PBT	545	376	44.7%	2,174	1,302	66.9%
Tax	144	100	44.9%	555	279	99.1%
Exceptional Items	-	-		-	-	
PAT	400	277	44.7%	1,619	1,023	58.2%
Minority /Other Adj.	-	-		-	89	
Consolidated PAT	400	277	44.7%	1,619	1,112	45.5%

Margins	Q3-FY21	Q3-FY20	Chg BPS	9M-FY21	9M-FY20	Chg BPS
Operating Margin %	17.0%	12.6%	434	18.4%	14.3%	410
Net Margin %	13.5%	10.2%	335	14.6%	11.5%	309

Standalone Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	10,058	11,201	13,554	15,215
Operating Expense	8,597	9,466	11,239	12,616
EBITDA	1,461	1,735	2,316	2,599
Other Income	212	251	304	341
Depreciation	123	164	189	212
EBIT	1,550	1,822	2,430	2,728
Interest	10	17	18	19
Misc. items	-	-	-	-
PBT	1,540	1,805	2,412	2,709
Tax	414	392	523	588
Minority Interest	-	-	-	-
PAT	1,126	1,413	1,889	2,121

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	4.5%	11.4%	21.0%	12.3%
Operating Margin %	14.5%	15.5%	17.1%	17.1%
Net Margin %	11.2%	12.6%	13.9%	13.9%

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Liabilities				
Equity Share Capital	95	95	95	95
Reserves & Surplus	6,327	6,981	8,869	10,990
Total Shareholder's Funds	6,422	7,076	8,964	11,085
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	177	217	217	217
Deferred Tax Liability	122	53	53	53
Short-term Liabilities	1,632	1,976	2,391	2,684
Total	8,353	9,322	11,626	14,040
Assets				
Net Fixed Assets	1,179	1,211	1,288	1,317
Long-Term L&A	231	231	231	231
Non Current Investments	898	991	991	991
Other Non-Current Assets	102	225	225	225
Current Asset	5,943	6,664	8,891	11,275
Total	8,353	9,322	11,626	14,040

Key Ratios	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	24.2	30.3	40.5	45.5
P/E (x)	31.2	24.8	18.6	16.6
P/B (x)	5.5	5.0	3.9	3.2
ROE	17.5%	20.0%	21.1%	19.1%

Source: Company, Anand Rathi Research

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 (₹)
18-09-2020	Buy	1030	822
11-12-2020	Buy	1030	746
05-02-2021	Buy	1030	754

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 5 February 2021 close.

Source: Bloomberg, Anand Rathi Research

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