

DHANUKA AGRITECH

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,398
12 month price target (INR)	2,215
52 Week High/Low	1,926/934
Market cap (INR bn/USD bn)	63/0.7
Free float (%)	25.0
Avg. daily value traded (INR mn)	62.1

SHAREHOLDING PATTERN

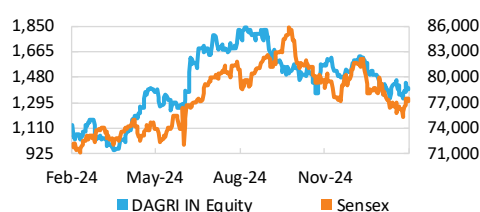
	Dec-24	Sep-24	Jun-24
Promoter	70.29%	70.29%	70.19%
FII	2.16%	2.01%	1.53%
DII	18.73%	19.03%	19.29%
Pledge	%	%	%

FINANCIALS

(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	17,585	20,575	26,073	30,165
EBITDA	3,274	4,053	5,084	5,882
Adjusted profit	2,391	2,984	3,756	4,356
Diluted EPS (INR)	52.5	65.5	82.4	95.6
EPS growth (%)	2.4	24.8	25.9	16.0
RoAE (%)	20.6	21.7	22.9	22.0
P/E (x)	26.7	21.4	17.0	14.6
EV/EBITDA (x)	20.7	15.9	12.4	10.3
Dividend yield (%)	0.9	0.9	0.9	0.9

PRICE PERFORMANCE



Boldly outpacing slowdown

Dhanuka Agritech's impressive volume growth of 12% and EBITDA margin expansion of 160bp YoY in Q3 in a tough working environment led to a beat on our EBITDA/PAT estimates. The company's product funnel remains strong, now more so, supported by two newly acquired brands from Bayer.

There seems to be teething issues on scaling up the technical plant, which we believe shall catch up with consequential and imminent registrations from other geographies. Notwithstanding the same, we continue to like Dhanuka's asset-light business model fuelled by product launches; reiterate 'BUY' with a revised target price of INR2,215/share, valuing at 24x Dec-27 EPS.

Impressive volume growth

Dhanuka reported ~12% YoY volume growth in Q3FY25 though pricing impact affected margins by ~1%. The Dahej manufacturing plant contributed INR40mn in revenue for the quarter but posted a negative EBITDA of INR42.5mn. Dhanuka has only one product in its technical manufacturing plant – Bifenthrin, which can derive sales of ~INR700mn in FY26. The company continues to guide for 15% revenue growth, largely led by volumes (ex-Bayer products) for FY26E. We forecast stabilisation in AI's pricing, which should aid flattish to marginally better margins going ahead.

Focus on product launches continues

Dhanuka is actively expanding its product portfolio, with new products gaining traction in the market. The innovation turnover index continues to improve and stood at 16.55% for 9mFY25. The company has lined up multiple new product introductions in FY26, including two 9(3) products (rice herbicide and grape fungicide) and two 9(4) products to bridge portfolio gaps. The recently acquired brands—Iprovalicarb generated INR300mn in revenue from India while Triadimenol is yet to enter the Indian market.

Impact of acquisition and outlook

Dhanuka recently acquired Iprovalicarb and Triadimenol from Bayer, financing the deal with a INR600mn borrowing, which will be repaid by Dec-25. The acquisition, valued at INR1.6bn, will be capitalised in Q4FY24 and is likely to contribute significantly to revenue FY26 onwards. The revenue potential is estimated at INR2.5bn, with expected royalty income in FY26 and INR1.75bn contribution in FY27. FY26 revenue growth is projected at 15%, primarily volume-driven, with a sustainable 15% CAGR over the next five years.

Financials

Year to March	Q3FY25	Q3FY24	% Change	Q2FY25	% Change
Net Revenue	4,453	4,032	10.4	6,543	(31.9)
EBITDA	756	622	21.5	1,596	(52.7)
Adjusted Profit	550	454	21.3	1,175	(53.2)
Diluted EPS (INR)	11.8	9.7	21.3	25.2	(53.2)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	17,585	20,575	26,073	30,165
Gross profit	6,864	7,242	9,125	10,558
Employee costs	1,554	1,440	1,825	2,112
Other expenses	2,035	1,749	2,216	2,564
EBITDA	3,274	4,053	5,084	5,882
Depreciation	406	424	464	504
Less: Interest expense	31	35	35	35
Add: Other income	350	385	423	465
Profit before tax	3,188	3,979	5,008	5,808
Prov for tax	797	995	1,252	1,452
Less: Other adj	0	0	0	0
Reported profit	2,391	2,984	3,756	4,356
Less: Excp.item (net)	0	0	0	0
Adjusted profit	2,391	2,984	3,756	4,356
Diluted shares o/s	46	46	46	46
Adjusted diluted EPS	52.5	65.5	82.4	95.6
DPS (INR)	12.0	12.0	12.0	12.0
Tax rate (%)	25.0	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Net sales growth	3.4	17.0	17.0	17.0
Gross margin (%)	39.0	35.2	35.0	35.0
Tax rate(%)	25.0	25.0	25.0	25.0
EBITDA margin (%)	18.6	19.7	19.5	19.5
Net profit margin (%)	13.6	14.5	14.4	14.4
Revenue growth (% YoY)	3.4	17.0	26.7	15.7
EBITDA growth (% YoY)	17.4	23.8	25.4	15.7
Adj. profit growth (%)	2.4	24.8	25.9	16.0

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	5.8	6.3	6.3	6.3
Repo rate (%)	5.5	5.0	5.0	5.0
USD/INR (average)	78.0	77.0	77.0	77.0
FCFF (INR Mn)	99.5	3,586.1	1,804.4	2,800.1
Capex (INR Mn)	734.1	500.0	500.0	500.0

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	26.7	21.4	17.0	14.6
Price/BV (x)	5.1	4.3	3.5	2.9
EV/EBITDA (x)	20.7	15.9	12.4	10.3
Dividend yield (%)	0.9	0.9	0.9	0.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	91	91	91	91
Reserves	12,468	14,793	17,890	21,588
Shareholders funds	12,559	14,884	17,982	21,679
Minority interest	0	0	0	0
Borrowings	5	411	521	603
Trade payables	1,495	2,094	2,662	3,080
Other liabs & prov	1,333	2,119	2,671	3,082
Total liabilities	15,791	20,389	24,952	29,736
Net block	3,212	3,571	3,606	3,602
Intangible assets	9	9	9	9
Capital WIP	282	0	0	0
Total fixed assets	3,504	3,580	3,615	3,611
Non current inv	1,678	1,678	1,678	1,678
Cash/cash equivalent	731	4,415	6,059	8,713
Sundry debtors	3,468	4,057	5,141	5,948
Loans & advances	260	825	1,045	1,208
Other assets	5,800	5,813	7,387	8,547
Total assets	15,791	20,389	24,952	29,736

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	2,391	2,984	3,756	4,356
Add: Depreciation	406	424	464	504
Interest (net of tax)	22	25	25	25
Others	(350)	(385)	(423)	(465)
Less: Changes in WC	(1,644)	1,027	(1,528)	(1,130)
Operating cash flow	834	4,086	2,304	3,300
Less: Capex	(734)	(500)	(500)	(500)
Free cash flow	100	3,586	1,804	2,800

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	20.6	21.7	22.9	22.0
RoCE (%)	27.7	28.8	29.8	28.7
Inventory days	130	128	127	133
Receivable days	71	67	64	67
Payable days	55	49	51	53
Working cap (% sales)	38.4	31.8	31.8	31.8
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	(0.3)	(0.3)	(0.4)
Interest coverage (x)	93.0	103.7	132.0	153.7

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	2.4	24.8	25.9	16.0
RoE (%)	20.6	21.7	22.9	22.0
EBITDA growth (%)	17.4	23.8	25.4	15.7
Payout ratio (%)	22.9	18.3	14.6	12.6

Exhibit 1: Quarterly financial snapshot (INR mn)

Year to March	Q3FY25	Q3FY24	% change	Q2FY25	% change	FY25E	FY26E
Revenues	4,453	4,032	10.4	6,543	(31.9)	20,575	26,073
Raw material	2,674	2,476	8.0	3,783	(29.3)	13,333	16,947
Staff costs	423	400	5.8	467	(9.4)	1,440	1,825
Others	600	534	12.3	697	(13.9)	1,749	2,216
Total expenditure	3,697	3,411	8.4	4,947	(25.3)	16,522	20,989
EBITDA	756	622	21.5	1,596	(52.7)	4,053	5,084
Depreciation	131	129	1.4	127	3.1	424	464
EBIT	625	493	26.8	1,469	(57.5)	3,629	4,620
Less: Interest Expense	14	7	95.1	11	36.5	35	35
Add: Other income	70	73	(3.6)	108	(35.1)	385	423
Profit Before Tax	681	558	21.9	1,567	(56.5)	3,979	5,008
Less: Provision for Tax	130	105	24.6	391	(66.7)	995	1,252
Add: Exceptional items	0	0	NA	0	NA	0	0
Reported Profit	550	454	21.3	1,175	(53.2)	2,984	3,756
Adjusted Profit	550	454	21.3	1,175	(53.2)	2,984	3,756
Equity capital (FV INR 2)	93	93		93		95	95
No. of Diluted shares outstanding (mn)	47	47		47		46	46
Adjusted Diluted EPS	11.8	9.7	21.3	25.2	(53.2)	65.5	82.4
As % of net revenues							
Raw material	60.1	61.4	(135.9)	57.8	2.2	64.8	65.0
Gross margins	39.9	38.6	135.9	42.2		35.2	35.0
Staff expenses	9.5	9.9		7.1	2.4	7.0	7.0
Other expenses	13.5	13.2		10.7	2.8	8.5	8.5
EBITDA	17.0	15.4	155.2	24.4	(7.4)	19.7	19.5
Net profit	12.4	11.3	111.0	18.0	(5.6)	14.5	14.4

Source: Company, Nuvama Research

Q3FY25 conference call: Key takeaways

Financial performance and growth

- Q3FY25 volume growth stood at ~12% though pricing impact had a slight negative effect of ~1%.
- The Dahej manufacturing plant contributed INR40mn in revenues for 3QFY24 but posted a negative EBITDA of INR42.5mn.
- For 9mFY24, Dahej reported INR260mn in revenues and INR120mn in EBITDA.
- The company witnessed a margin improvement in in-licensed molecules.

Business performance and product portfolio expansion

- New products are gaining traction, and the company expects further growth in the coming quarters.
- Dahej plant currently manufactures Bifenthrin, with plans to expand into a basket of products targeted for international markets.
- Iprovalicarb generated INR300mn in revenues from the Indian market while Triadimenol is not yet present in India.
- FY26 product pipeline:
 - Two 9(3) products: A rice herbicide and a grape fungicide.
 - Two 9(4) products aimed at bridging portfolio gaps.
- No major changes in raw material (RM) prices are likely in the near term.
- Generic products have experienced pressure on both volume and pricing.

Market trends and demand outlook

- Rabi season demand was lower in December and January.
- Disease pressure remained low in North and East India, hurting demand.
- No channel inventory concerns for Dhanuka, indicating a strong supply chain position.
- Growth entirely driven by the domestic market, with export performance remaining flat.

Acquisition of Iprovalicarb and Triadimenol from Bayer

- The company has borrowed INR600mn for this acquisition, with plans to repay the amount by Dec-25.
- Iprovalicarb and Triadimenol are likely to contribute significantly to revenue growth.
 - Revenue mix: 55% Iprovalicarb, 45% Triadimenol.
 - Potential to generate INR2.5bn in revenue.
 - Acquisition cost: INR1.6bn, to be capitalised in Q4FY24.
 - Four formulations included, with 30 registrations being transferred to Dhanuka.

- EBITDA margins from this acquisition are likely to be in line with the company's current levels.
- Revenue contribution from the acquisition:
 - FY26: Revenue contribution in the form of royalty.
 - FY27: Expected to contribute INR1.75bn.
 - Growth drivers: New registrations planned for 2025/26.

Future outlook and financial guidance

- The company expects 14% YoY revenue growth, along with a 100bp YoY increase in EBITDA margins.
- FY26 gross margin is likely to be similar to FY25, in the range of 38–39%.
- Dahej plant contribution for FY26: Estimated revenues of INR600–700mn.
- FY26 revenue growth forecast: 15%, primarily driven by volume expansion.
- FY27 and beyond: The company anticipates sustaining a 15%

Company Description

DAL manufactures a wide range of agrochemicals covering herbicides/weedicides, insecticides, fungicides, and plant growth regulators in various forms—liquid, dust, powder, and granules—and reaches out to more than 10mn farmers. The company has a pan-India presence (via marketing offices in all major states of the country) with a network of more than 8,000 distributors/dealers, which sell to over 75,000 retailers. It also has technical tie-ups with three US and four Japanese companies. Dhanuka has three manufacturing units—Gurgaon (Haryana), Sanand (Gujarat) and Udhampur (J&K).

Investment Theme

DAL, an established agrochemical player in India, boasts a unique asset-light business model underpinned by its focus on marketing and distribution network, giving it an edge over competitors. The unique business model makes DAL the preferred partner of global innovators to venture into the rapidly surging Indian agrochemicals market. Moreover, a promising pipeline of six exclusive product launches over the next three years is bound to propel the company's growth into higher gear. Out of these, three products will be herbicides, the fastest-growing category in the domestic agrochemicals industry. Thus, a vibrant distribution network, tie-ups with innovators and products launches place DAL in a sweet spot to capture emerging opportunities in the domestic agrochemicals market.

Key Risks

Weather: The crop protection industry is vulnerable to the vagaries of the weather since weather can trigger pest infestations as well as affect demand for crop protection products. In the domestic market, sales are highly seasonal, primarily during monsoon. Any adverse weather changes will negatively affect DAL's sales.

Genetically modified (GM) crops: The use of crop protection products is significantly less in case of GM crops. Hence, growth and acceptance of GM crops by consumers may adversely affect DAL's business.

Dependency on global innovators for technical sourcing: DAL is dependent on global innovators for the supply of technical/active ingredients in its key products. Any supply disruption in technical would adversely impact the company's earnings. Adverse currency movement: Imports account for 30% of Dhanuka's raw material costs. Hence, a sharp INR movement would impact the company's earnings adversely. However, we believe the company has the ability to pass through costs with a lag.

Additional Data

Management

CEO	Mahendra K. Dhanuka
CFO	Vinod K. Bansal
Chairman	Ram G. Agarwal
ED	Rahul Dhanuka
Auditor	M/s. S.S. Kothari Mehta & Co

Holdings – Top 10*

	% Holding		% Holding
DSP Invest.	8.24	Aditya Birla AM	0.40
Kotak AMC	2.98	Baroda Mutual F	0.32
HDFC AMC	2.31	Black rock	0.18
JM Financial as	0.80	Axis AMC	0.12
Dimensional Fun	0.49	Motilal Oswal A	0.09

*Latest public data

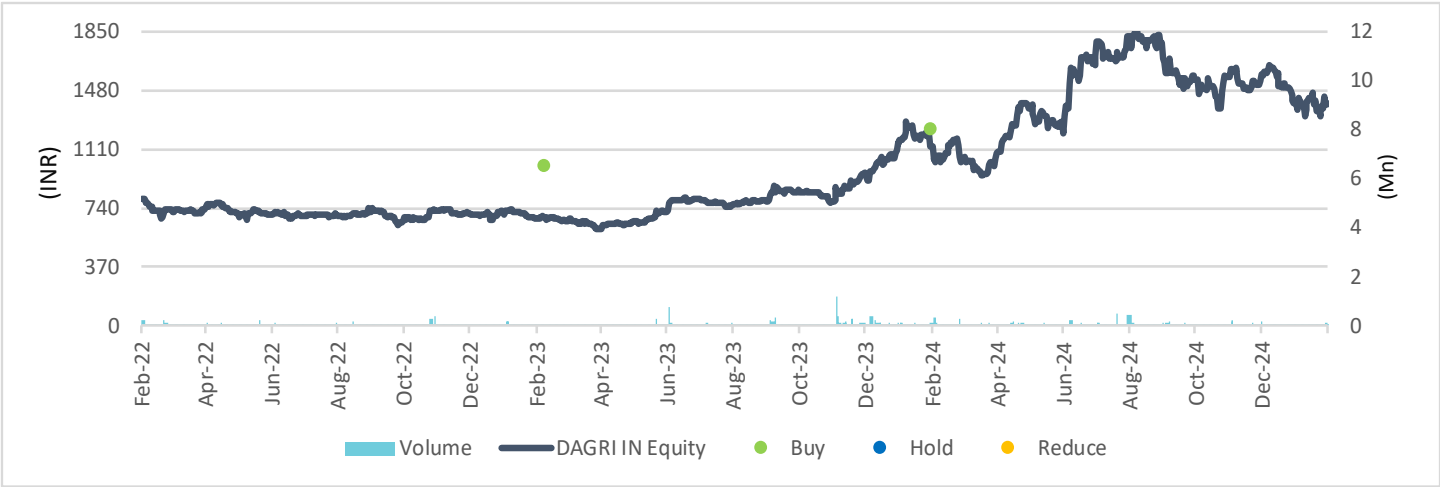
Recent Company Research

Date	Title	Price	Reco
24-Dec-24	A step forward, but summit awaits; <i>Visit Note</i>	1,517	Buy
06-Nov-24	Margin guidance revised upwards; <i>Result Update</i>	1,616	Buy
02-Aug-24	Strong volume growth boosts profits; <i>Result Update</i>	1,821	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
31-Jan-25	UPL	Signs of revival; guidance maintained; <i>Result Update</i>
31-Jan-25	Coromandel Int'l	Market share gain in NPK positive ; <i>Result Update</i>
24-Jan-25	Sharda Cropchem	Volumes and margins both improve ; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	226
Hold	<15% and >-5%	64
Reduce	<-5%	27

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com
