

FINANCIAL MODEL

PLANT VISIT

Rising Stars

2024

IMPORT
SUBSTITUTION

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

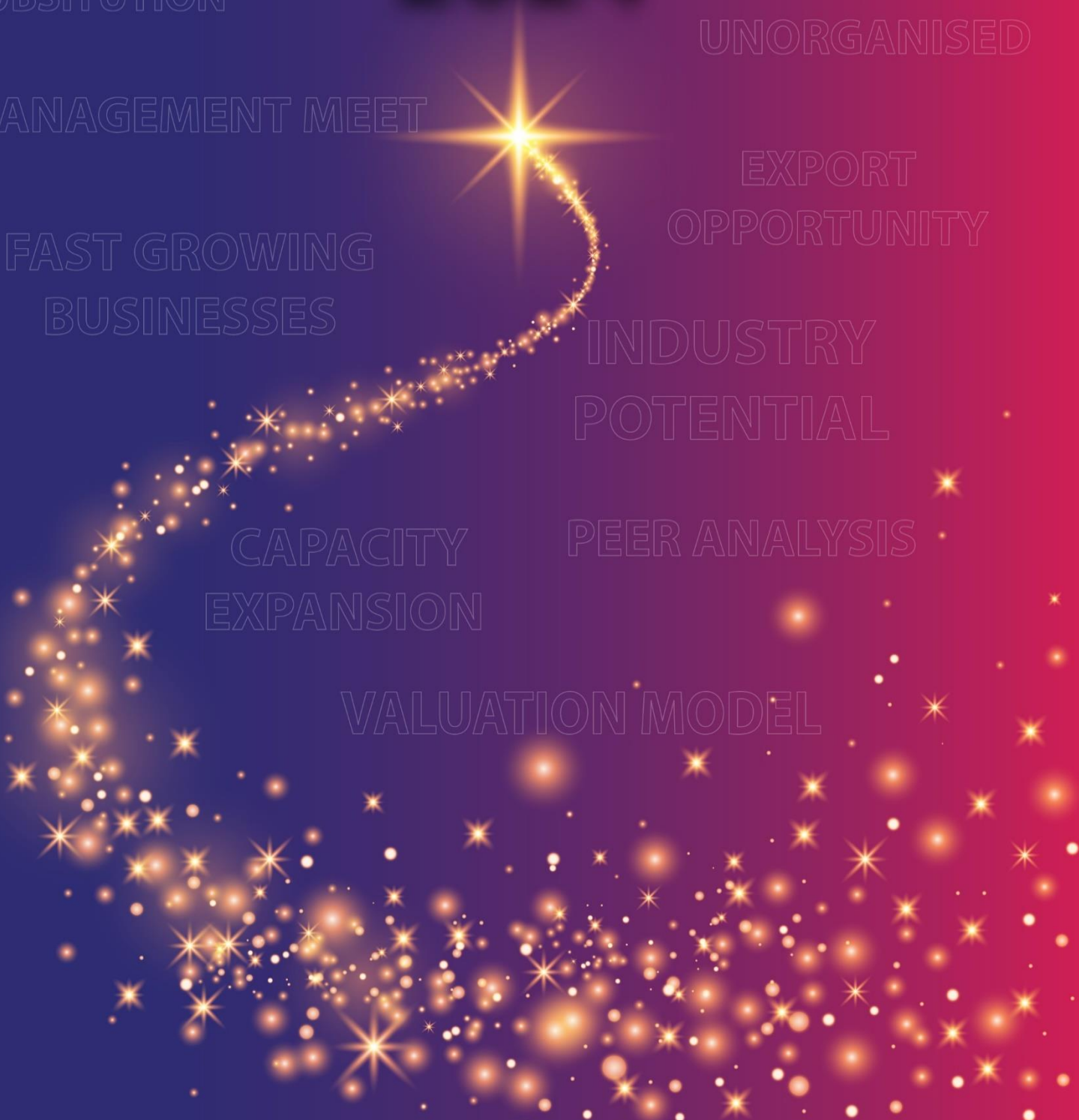
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Dhanuka Agritech Ltd.

Current Price*	Rs.1,035.0
Target Price	Rs.1,244.0
Upside	20.2%

*Current Price is live as of as on 5th Feb 2024

STOCK DATA

Industry Segment	Agro-Chemicals
BSE Code	507717
NSE Code	DHANUKA
Bloomberg Code	DAGRI IN
52 Week High / Low (Rs.)	1,289/609
Face Value (Rs.)	2.0
Diluted Number of Shares (Crore.)	4.6
Market Cap. (Rs Crore.)	4,732
Avg. Yearly NSE Volume	55,325

Share Holding Patterns (%)

Particulars	Mar-23	Jun-23	Sep-23	Dec-23
Promoters	70.2	70.2	70.2	70.2
FII	4.1	3.6	2.2	1.3
Other Institution	16.6	17.2	18.2	18.4
Public & Others	9.1	9.0	9.4	10.1
Total	100.0	100.0	100.0	100.0

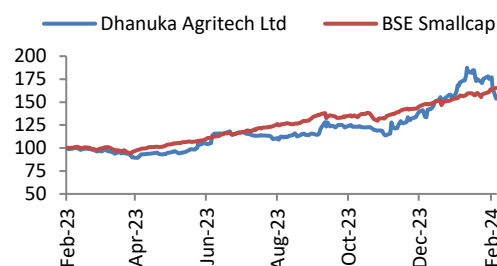
Return Statistics (%)

Particulars	1M	3M	6M	12M
Dhanuka Agritech Ltd	11.3	55.6	60.0	77.8
Bse Small Cap	6.1	22.5	31.0	61.8

Valuation and return ratio

Y/E March	2021A	2022A	2023A	2024E	2025E
PE (x)	22.9	23.1	20.2	17.9	14.6
P/BV (x)	6.1	5.0	4.4	3.7	3.1
EV/EBITDA (x)	17.9	18.3	16.9	14.1	11.5
EV/Sales (x)	3.5	3.3	2.8	2.5	2.1
Mcap/Sales (x)	3.5	3.3	2.8	2.5	2.0
ROE (%)	28.0	23.8	23.1	22.7	23.1
ROCE (%)	35.8	30.0	28.9	29.1	29.4

Price Chart (1-year)



Rajesh Gupta (Rajesh.Gupta@sbcapsec.com)

Key highlights of the 3QFY24 Result

Performance is weak but better than industry growth

The Company during quarter reported muted 2.5% YoY growth in net sales to Rs 403 cr but profit dropped 1.5% YoY to Rs 45.4 cr. The industry continued to remain sluggish but Dhanuka was able to weather out the situation through rich product mix. The company has registered 9% volume growth during the quarter but price erosion led to flat sales number for 3QFY24. The margin on YoY basis improved 220 bps to 15.4% on account of softening raw material prices.

Invested Rs 10 cr in agritech startup 'Kisankonnect'; Entering into biological products:

The company, in addition to its strategic investment in drone technology, has invested Rs 10 cr in agritech startup 'Kisankonnect Safe Food Pvt. Ltd. Kisankonnect delivers farm produce directly to customers through its application and farm stores. It also entered into a non-binding, LoI, with Spain-based Kimitec to explore development and commercialization of biological products using natural molecules & derived from natural sources. The bio-products market size is Rs 5,000 cr and has been currently growing at 15% CAGR.

Expect double digit FY25E growth and high single digit growth for FY24E:

With normal monsoon forecast, management expect a double-digit growth for FY25E and higher single digit growth for FY24E. For 4QFY24, management expect overall EBITDA margin to be improve by 200 bps. Going ahead, new launches especially in Herbicides and Fungicides will help to boost the specialty volume growth. Commercial production of Dahej plant has commenced and management expects it to turn EBITDA positive once utilization picks up.

Valuation still attractive; Maintain buy rating- Target Rs 1,244.0/-

At the current price, the company is trading at 17.9x/14.6x of its FY24E/FY25E earnings respectively. We maintained our buy rating on the stock with upgraded price target of Rs 1,244.0/- thus providing an upside potential of 20.2%.

Financial Summary (Rs cr)

Particulars	2021A	2022A	2023A	2024E	2025E
Net Sales	1,387.5	1,477.8	1,700.2	1,875.2	2,308.2
Growth (%)	23.9	6.5	15.1	10.3	23.1
EBITDA	269.1	263.5	278.7	334.0	412.8
Growth (%)	55.2	(2.1)	5.8	19.8	23.6
Net Profit	210.6	208.9	233.5	264.2	324.2
Growth (%)	49.0	(0.8)	11.8	13.1	22.7
EPS (Rs)	45.2	44.8	51.2	57.9	71.1
Growth (%)	52.2	(0.8)	14.2	13.1	22.7
DPS (Rs)	3.0	3.0	3.0	3.0	3.0
Div. Yield (%)	0.2	1.4	0.2	1.0	1.0

Source: Company, SSL Research

3QFY24 Result

Figures in Rs. Cr.

Quarter Ended	3QFY24	2QFY24	Q-O-Q % Change	3QFY23	Y-o-Y % Change	Comments
Net Sales	403.2	617.9	(34.7)	393.4	2.5	Subdued growth due to price erosion
Other Income	7.3	5.8	26.4	7.7	(5.0)	
Total Income	410.5	623.7	(34.2)	401.0	2.4	
Total Operating Expenditure	341.1	476.3	(28.4)	341.5	(0.1)	
Material Cost	247.6	369.0	(32.9)	263.9	(6.2)	
As % of Sales	61.4	59.7		67.1		
Other Exp.	93.4	107.4		77.7		
As % of Sales	23.2	17.4		19.7		
EBDITA (Excl OI)	62.2	141.6	(56.1)	51.8	19.9	Product mix change
EBDITA (Incl OI)	69.4	147.3	(52.9)	59.5	16.7	
Interest & Finance Cost	0.7	0.8	(2.9)	0.8	(4.8)	
PBDT	68.7	146.6	(53.1)	58.7	17.0	
Depreciation.	12.9	9.9	30.3	4.5	189.1	
PBT	55.8	136.7	(59.2)	54.3	2.9	
Tax	10.5	34.9	(70.1)	8.2	27.6	
Net Profit	45.4	101.8	(55.4)	46.1	(1.5)	Lower growth in revenue
Operating Margins (%)	15.4	22.9		13.2		
Net Profit Margins (%)	11.3	16.5		11.7		
Tax Rate (%)	18.7	25.6		15.1		
Equity (Rs Cr)	9.1	9.1		9.3		
FV (Rs)	2.0	2.0		2.0		
EPS (Rs)	10.0	22.3		9.9		
Cash EPS (Rs)	12.8	24.5		10.8		

Estimate Revision

Particulars (Rs. Crore)	New Estimate		Old Estimate		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	1,875.2	2,308.2	1,875.2	2,308.2	-	-
EBITDA	334.0	412.8	334.0	412.8	-	-
EBITDA Margin (%)	17.8	17.9	17.8	17.9	-	-
PAT	264.2	324.2	264.2	324.2	-	-
EPS (Rs. Per share)	57.9	71.1	57.9	71.1	-	-

Source: SSL Research

Financial Statements

Income Statement

Figures in Cr.

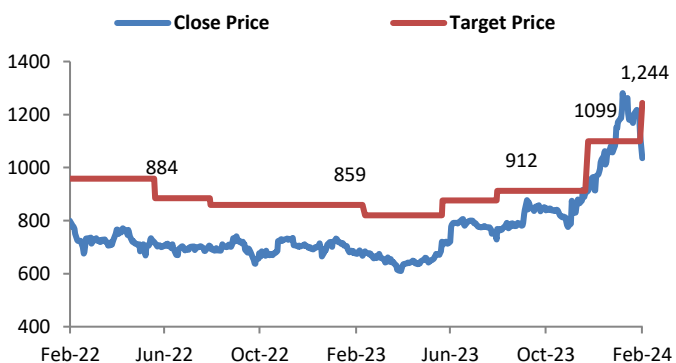
Particulars	2021A	2022A	2023A	2024E	2025E
Net Sales	1,387.5	1,477.8	1,700.2	1,875.2	2,308.2
Other Income	33.7	33.6	44.8	46.9	57.7
Total Income	1,421.2	1,511.4	1,745.0	1,922.0	2,365.9
Total Expenditure	1,118.4	1,214.3	1,421.5	1,541.2	1,895.4
Raw Material Consumed	863.3	939.1	1,115.5	1,205.6	1,485.3
As % of Sales	62.2%	63.5%	65.6%	64.3%	64.3%
Other Operating Cost	255.1	275.2	306.1	335.6	410.1
As % of Sales	18.4%	18.6%	18.0%	17.9%	17.8%
EBDITA (Excl OI)	269.1	263.5	278.7	334.0	412.8
EBDITA (Incl. OI)	302.8	297.1	323.4	380.9	470.5
Interest	2.7	3.2	3.1	3.2	3.2
PBDT	300.1	293.9	320.3	377.7	467.3
Depreciation	15.2	16.3	17.6	25.5	35.1
PBT	284.9	277.6	302.7	352.2	432.3
Tax	74.4	68.7	69.2	88.1	108.1
Net Profit	210.6	208.9	233.5	264.2	324.2

Cash Flow Statement

Figures in Cr.

Particulars	2021A	2022A	2023A	2024E	2025E
PBT	284.9	277.6	302.7	352.2	432.3
Depreciation	15.2	16.3	17.6	25.5	35.1
Interest (Net)	2.7	3.2	3.1	3.2	3.2
Direct Taxes Paid	(74.4)	(68.7)	(69.2)	(88.1)	(108.1)
Change in WC	22.2	(53.9)	(71.0)	(21.4)	(147.2)
Cash flow from op. activities	250.6	174.5	183.3	271.4	215.2
(Incr.) / Decr. Capex	(59.8)	(47.9)	(128.7)	(101.2)	(51.5)
Free Cash Flow	190.8	126.6	54.6	170.3	163.7
(Incr.) / Dec. in Investment	(119.1)	(57.9)	81.2	(107.4)	(122.9)
Cash flow from inv. activities	(178.9)	(105.8)	(47.5)	(208.5)	(174.4)
Change in R&S	(99.8)	-	(84.8)	-	-
Change in Debt	0.4	(7.4)	2.8	7.6	22.9
Interest Paid	(2.7)	(3.2)	(3.1)	(3.2)	(3.2)
Dividend	(11.2)	(78.6)	(11.0)	(55.0)	(55.0)
Cash flow from fin. activities	(113.4)	(89.2)	(96.1)	(50.5)	(35.4)
Other Adjustment (Net)	12.2	21.4	(37.9)	(4.2)	2.9
Net Change in cash	(29.4)	0.9	1.8	8.2	8.3
Opening Balance	30.9	1.5	2.4	4.3	12.4
Closing Balance	1.5	2.4	4.3	12.4	20.7

Recommendation History



Balance Sheet:

Figures in Cr.

Equities & Liabilities	2021A	2022A	2023A	2024E	2025E
Share capital	9.3	9.3	9.1	9.1	9.1
Reserves and surplus	786.9	951.1	1,052.2	1,261.4	1,530.6
Total Shareholder's Fund	796.2	960.4	1,061.3	1,270.5	1,539.7
Non-current liabilities					
Long Term Provision	1.0	0.2	2.9	7.5	9.2
Long-term borrowings	-	-	-	-	-
Other Non-Current Liabilities	58.0	47.2	43.2	40.1	49.1
Current liabilities	275.8	304.4	297.9	333.8	404.0
Total Liabilities	1,131.1	1,312.2	1,405.3	1,652.0	2,002.0
Assets					
Net Fixed Assets	174.5	207.0	317.8	399.3	423.6
Non-current investments	90.3	139.8	158.9	188.3	233.5
Long-term loans and advances	4.0	4.5	26.3	7.5	9.2
Other non-current assets (Incl. Fin)	3.9	6.2	6.1	14.4	13.9
Current Assets	31.7	85.4	261.9	477.1	608.3
Current Investment	187.7	196.1	95.8	173.8	251.5
Inventories	295.5	347.2	345.1	384.2	472.5
Trade receivables	242.7	282.5	339.0	354.5	436.3
Cash and bank balances	1.5	2.4	4.3	12.4	20.7
Short Term Loans and Advances	39.7	0.7	0.5	9.4	11.5
Other Current Assets (Incl Fin)	91.3	125.8	111.5	108.2	129.2
Total Current Assets	858.3	954.7	896.1	1,042.5	1,321.8
Total Assets	1,131.1	1,312.2	1,405.3	1,652.0	2,002.0

Key Ratios

Particulars	2021A	2022A	2023A	2024E	2025E
(A) Growth (%)					
Net Sales	23.9	6.5	15.1	10.3	23.1
EBITDA	55.2	(2.1)	5.8	19.8	23.6
PBT	57.8	(2.6)	9.1	16.4	22.7
Net Profit	49.0	(0.8)	11.8	13.1	22.7
Cash Profit	43.1	(0.3)	11.5	15.3	24.0
(B) Measures of Performance					
Operating Profit Margin (%)	19.4	17.8	16.4	17.8	17.9
Gross Profit Margin (%)	37.8	36.5	34.4	35.7	35.7
Total Tax Rate (%)	26.1	24.7	22.9	25.0	25.0
Net Profit Margin (%)	15.2	14.1	13.7	14.1	14.0
(C) Measures of Financial Status					
Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Net Debt / Equity (x)	0.0	(0.0)	(0.0)	(0.0)	0.0
Debtors Period (days)	63.8	64.9	66.7	69.0	69.0
Creditors Period (days)	36.2	42.6	44.9	45.0	40.0
Inventory Period (days)	63.8	64.9	66.7	69.0	69.0
Cash Conversion Cycle (Days)	91.4	87.1	88.5	93.0	98.0
(D) Measures of Investment					
EPS (Rs)	45.2	44.8	51.2	57.9	71.1
Book Value (Rs)	170.9	206.2	232.9	278.6	337.7
Dividend Yield (%)	0.2	1.2	0.2	0.9	0.9
ROA (%)	20.4	17.1	17.2	17.3	17.7
Return on Net Worth (%)	28.0	23.8	23.1	22.7	23.1
Return on Cap. Employed (%)	35.8	30.0	28.9	29.1	29.4
Interest Coverage (x)	106.8	87.7	98.1	111.8	134.2
(E) Measures of Valuation					
P/E (x)	22.9	23.1	20.2	17.9	14.6
M. Cap to Sales (x)	3.5	3.3	2.8	2.5	2.0
EV/Sales (x)	3.5	3.3	2.8	2.5	2.1
EV/EBDITA (x)	17.9	18.3	16.9	14.1	11.5

Source: Company, SSL Research

SBICAP Securities Limited

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