AXIS SECURITIES

Result Update
4th August, 2025

Dhanuka Agritech Ltd
Agro Chemicals

HOLD
Target Price
1,800

Weaker-Than-Expected Q1; Expecting to Recoup Growth in Q2

Est. Vs. Actual for Q1FY26: Revenue - MISS; EBITDA - MISS; PAT - MISS

Change in Estimates post Q1FY26

FY26E/FY27E: Revenue: 0%/0%; **EBITDA:** -5%/0% ; **PAT:** -5%/0%

Recommendation Rationale

- **Modest Start to FY26; Signs of Recovery in Q2:** Dhanuka commenced FY26 on a cautious note, posting a 7% YoY revenue growth in Q1, driven by 5% growth in volumes and a 7% improvement in realisations. The delayed and uneven onset of the southwest monsoon impacted the timely sowing of kharif crops, leading to softer demand for agri-inputs, particularly herbicides. Additionally, farmer sentiment remained conservative due to rainfall uncertainties and lower price realisations from the previous harvest. Channel inventories also remained elevated in select regions, impacting primary sales. However, the return of favourable rainfall conditions towards the end of June has improved agricultural prospects, setting the stage for a meaningful recovery in Q2.
- **New Product Launches Gaining Traction:** The company introduced a new 9(3) product—Dinkar, a herbicide for paddy—which has received a positive response, particularly in southern markets. Dhanuka also remains on track to roll out additional products from its Dahej facility in H2FY26, including Kinzan, a Japanese fungicide (licensed from Nissan Chemicals) targeted at grapes and potatoes. Furthermore, it plans to launch Melody Duo—a product acquired from Bayer CropScience—along with at least two more new products in FY26, which should support growth momentum.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: The company maintained its guidance of double-digit revenue growth for FY26, driven by contributions from recently acquired fungicides, upcoming product launches, and a favourable monsoon outlook. However, management has reiterated that rising raw material costs—after a favourable trend last year—may lead to a 100 bps contraction in gross margins, resulting in a similar 100 bps decline in EBITDA margins for the year.

Current Valuation: 18x FY27E (Unchanged)

Current TP: Rs 1,800/share (Unchanged)

Recommendation: We **downgrade our rating from BUY to HOLD on the stock as** the current valuations provide limited room for further appreciation**.**

Financial Performance: The company reported revenue of Rs 528 Cr, up 7% YoY and 20% QoQ, missing our estimate of Rs 553 Cr. EBITDA came in at Rs 83 Cr, up 16% YoY but down 24% QoQ, missing our estimate of Rs 91 Cr. The company achieved EBITDA margins of 15.7%, elevated YoY due to better operating performance, compared to 14.5% in Q1FY25 and 24.8% in Q4FY25. PAT stood at Rs 56 Cr, up 14% YoY but down 26% QoQ, missing our estimates by 11%.

Outlook: We anticipate Dhanuka to deliver on its revenue growth guidance, driven by robust domestic demand, a healthy pipeline of new product launches, and its foray into international markets. Moreover, the Dahej facility—currently operating at a negative EBITDA—is expected to contribute meaningfully to both revenue and margin expansion as capacity utilisation ramps up over the next two years.

Valuation & Recommendation: We continue to value the stock at 18x FY27E and **downgrade our rating from BUY to HOLD** with an unchanged TP of Rs 1,800/share, implying an upside of 9% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	528	7%	20%	553	-4%
EBITDA	83	16%	-24%	91	-9%
EBITDA Margin	16%	122bps	-908bps	17%	-75bps
Net Profit	56	14%	-26%	63	-11%
EPS (Rs)	12.2	60bps	-657bps	13.7	-80bps

Source: Company, Axis Securities Research

(CMP as of 1st August, 2025)

CMP (Rs)	1,646
Upside /Downside (%)	9%
High/Low (Rs)	1,926/1,092
Market cap (Cr)	7,316
Avg. daily vol. (1m) Shrs.	83,482
No. of shares (Cr)	4.56

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	70.3	70.3	69.9
FIIs	2.2	2.2	2.7
DIIs	18.7	18.1	17.6
Retail	8.8	9.4	9.8

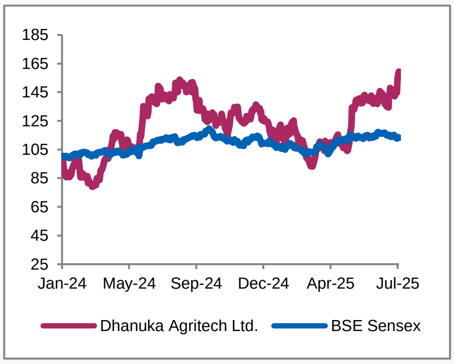
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2035	2436	2917
EBITDA	417	475	642
Net Profit	297	339	457
EPS (Rs)	65.1	74.3	100.3
PER (x)	25.3	22.2	16.4
P/BV (x)	4.9	4.4	3.5
EV/EBITDA (x)	17.8	15.4	11.3
ROE (%)	21.4%	20.9%	23.8%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0%	0%
EBITDA	-5%	0%
PAT	-5%	0%

Relative Performance



Source: Ace Equity, Axis Securities Research

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Key Concall Highlights

- **Pricing and Volume Trends:** In Q1FY26, Dhanuka reported 5% growth in volumes and a 7% increase in value terms. The value growth was partially aided by a Rs 9 Cr royalty payment received from Bayer.
- **Bayer:** During the year**,** the company has secured global rights to the active ingredients Iprovalicarb and Triadimenol (invented by Bayer AG). This acquisition positions Dhanuka to extend its presence in over 20 countries, marking a significant step in its global market expansion strategy. The total addressable market (TAM) for both molecules is estimated at around $100 Mn (one has generic substitutes). Dhanuka received Rs 9 Cr in royalties in Q1FY26.
- **Guidance for FY26:** Management remains optimistic and has guided for double-digit revenue growth in FY26. However, rising raw material costs are expected to exert pressure on margins, with an anticipated contraction of around 100 bps in gross and EBITDA margins in FY26.
- **Dahej Plant:** Dhanuka has established a new chemical R&D lab and commenced operations at its Dahej chemical synthesis plant, aiming for breakthroughs in chemical synthesis. For FY26, the company targets revenue of Rs 65 Cr from this plant, with full-year capacity utilisation expected to reach ~60%. In Q1FY26, the plant generated revenue of Rs 17 Cr but reported an EBITDA loss of Rs 3 Cr. Currently, one product is under production at the facility, with a second product scheduled for launch in H2FY26. Additionally, the R&D pipeline includes multiple molecules under evaluation, with potential product launches planned for the upcoming year.
- **Higher Innovation Turnover Index:** The company witnessed a material drop in Innovation Turnover Index to 13.4% in Q1FY26 from 19% in Q1FY25.
- **New Product Approvals and Launches:** The company launched one new 9(3) molecule in Q1FY26, Dinkar, a paddy herbicide, which received a strong response from farmers, especially in southern India. Additional launches are in the pipeline for FY26, including:
  - ✓ **Kinzan**, a fungicide for grapes and potatoes, licensed from Nissan Chemicals (Japan).
  - ✓ **Melody Duo**, acquired from Bayer CropScience.
  - ✓ At least two more product launches are planned for the remainder of the fiscal year.
- **Channel Inventory Situation:** The herbicide segment continues to face elevated inventory levels across regions such as Madhya Pradesh, Maharashtra, Karnataka, and Telangana, where soybean and cotton are major crops. Demand for herbicides in these geographies remained muted due to delayed monsoons and cautious offtake by retailers.

Revenue Mix

	Geography Wise					Segment Wise			
	Q2FY25	Q3FY25	Q4FY25	Q1FY26		Q2FY25	Q3FY25	Q4FY25	Q1FY26
North	29%	22%	34%	31%	Insecticides	43%	30%	38%	23%
East	12%	11%	12%	9%	Fungicides	21%	20%	13%	11%
West	28%	28%	20%	41%	Herbicides	17%	35%	32%	50%
South	31%	39%	34%	19%	Others	19%	15%	17%	15%

Key Risks to Our Estimates and TP

- Global recessionary environment, especially a long recession, which could affect international expansion plans.
- Any adverse developments in rainfall may affect the demand for PIs' products in the Indian market.
- Delay in Capex and commercialisation of new molecules could affect growth. Stress on ROCE in the initial phases of acquisition.

Change in Estimates

	Revised		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	2,436	2,917	2,436	2,917	0%	0%
EBITDA	475	642	499	642	-5%	0%
PAT	339	457	357	457	-5%	0%
EPS	74.3	100.3	78	100	-5%	0%

Source: Company, Axis Securities Research

Q1FY26 Result Review

Particular (Rs Cr)	Q1FY25	Q4FY25	Axis Sec Est	Q1FY26	YoY (%)	QoQ %	Axis Sec Var
Net Sales	**494**	**442**	**553**	**528**	**7%**	**20%**	**-4%**
Gross Profit	171	191	191	190	11%	0%	0%
Gross Margins %	*34.7%*	*43.2%*	*34.5%*	*36.0%*	137bps	-722bps	153bps
Staff Cost	43	40	47	47	**9%**	**16%**	**-1%**
Other Operating Expenses	57	41	53	60	**7%**	**47%**	**15%**
EBITDA	**72**	**110**	**91**	**83**	**16%**	**-24%**	**-9%**
EBITDA margins (%)	***14.5%***	***24.8%***	***16.5%***	***15.7%***	122bps	-908bps	-75bps
Depreciation	12	17	17	15	**25%**	**-12%**	**-9%**
Interest	1	2	2	1	**56%**	**-27%**	**-13%**
Other Income	7	11	9	8	**13%**	**-28%**	**-11%**
PBT	66	102	82	75	**13%**	**-27%**	**-9%**
Tax (incl deferred)	17	26	19	19	**13%**	**-27%**	**-1%**
PAT	**49**	**76**	**63**	**56**	**14%**	**-26%**	**-11%**
PAT margins (%)	**9.9%**	**17.1%**	**11.3%**	**10.5%**	60bps	-657bps	-80bps
EPS	**10.7**	**16.7**	**13.7**	**12.2**	**14%**	**-27%**	**-11%**

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net Sales	**1,700**	**1,759**	**2,035**	**2,436**	**2,917**
Growth (%)	*15.1*	*3.4*	*15.7*	*19.7*	*19.8*
Operating Expenses	-1,422	-1,431	-1,619	-1,961	-2,275
Operating Profit	**279**	**327**	**417**	**475**	**642**
Other Operating Income	-	-	-	-	-
EBITDA	**279**	**327**	**417**	**475**	**642**
Growth (%)	*5.8*	*17.5*	*27.2*	*14.0*	*35.1*
Depreciation	-18	-41	-55	-63	-77
Other Income	45	35	36	45	47
EBIT	**306**	**322**	**397**	**457**	**612**
Finance Cost	-3	-3	-5	-5	-2
Exceptional & Extraordinary	-	-	-	-	-
Profit Before Tax	**303**	**319**	**392**	**452**	**610**
Tax (Current + Deferred)	-69	-80	-95	-113	-152
P / L from Discontinuing Operations	-	-	-	-	-
Profit / (Loss) For The Period	**234**	**239**	**297**	**339**	**457**
P / L of Associates, Min Int, PrefDiv	-	-	-	-	-
Reported Profit / (Loss)	234	239	297	339	457
Adjusted Net Profit	234	239	297	339	457

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share Capital	9	9	9	9	9
Reserves & Surplus	1,052	1,246	1,516	1,702	2,126
Shareholder's Funds	**1,061**	**1,255**	**1,525**	**1,711**	**2,135**
Non-Current Liabilities	**46**	**45**	**49**	**49**	**49**
Long-Term Borrowings	3	2	1	1	1
Other Non-Current Liabilities	43	43	47	47	47
Current Liabilities	**309**	**287**	**349**	**342**	**365**
ST Borrowings, Current Maturity	4	0	42	10	5
Other Current Liabilities	305	286	307	332	360
Total (Equity and Liabilities)	**1,405**	**1,579**	**1,800**	**2,102**	**2,549**
Non-Current Assets	**509**	**537**	**636**	**788**	**961**
Fixed Assets (Net Block)	318	350	498	634	807
Non-Current Investments	159	168	107	122	122
Long-Term Loans and Advances	0	0	0	0	0
Other Non-Current Assets	32	19	32	32	32
Current Assets	**895**	**1,025**	**1,148**	**1,314**	**1,588**
Cash & Current Investments	99	72	124	179	279
Other Current Assets	796	953	1,024	1,134	1,309
Total (Assets)	**1,405**	**1,579**	**1,800**	**2,102**	**2,549**
Total Debt	7	2	44	11	6
Capital Employed	1,111	1,300	1,616	1,770	2,189

Source: Company, Axis Securities Research

Cash Flow **(Rs Cr)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Profit Before Tax	**303**	**319**	**392**	**452**	**610**
Depreciation	18	41	55	63	77
Change in Working Capital	-50	-175	-47	-85	-147
Total Tax Paid	-73	-79	-94	-113	-152
Others	-42	-32	-31	-40	-45
Operating Cash Flow (a)	**155**	**73**	**275**	**277**	**342**
Capital Expenditure	-140	-73	-203	-200	-250
Change in Investments	81	15	9	-15	-
Others	23	48	23	45	47
Investing Cash Flow (b)	**-35**	**-10**	**-170**	**-170**	**-203**
Free Cash Flow (a+b)	**120**	**63**	**105**	**107**	**139**
Equity Raised / (Repaid)	-0	-	-0	-	-
Debt Raised / (Repaid)	5	-4	41	-32	-5
Dividend (incl. Tax)	70	46	27	30	33
Others	-176	-94	-59	-188	-68
Financing Cash Flow (c)	**-101**	**-53**	**10**	**-190**	**-40**
Net Chg in Cash (a+b+c)	**19**	**10**	**115**	**-84**	**99**

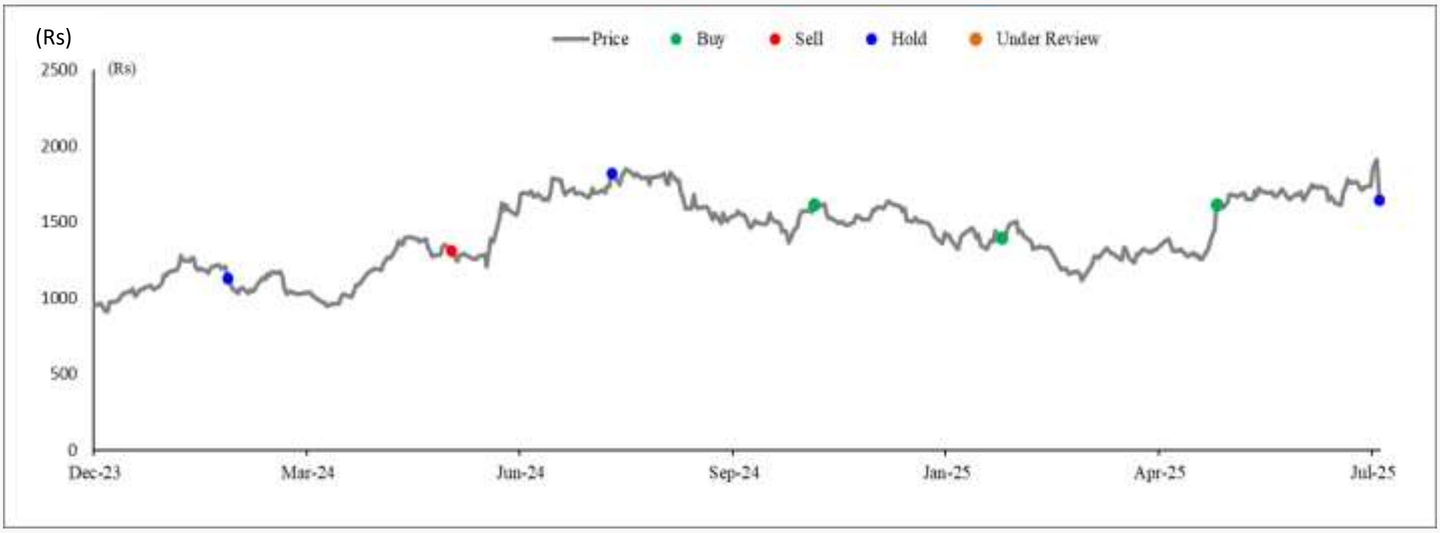
Source: Company, Axis Securities Research

Ratio Analysis **(%)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Adjusted EPS (Rs)	50.1	52.4	65.1	74.3	100.3
Growth	*11.8*	*4.6*	*24.2*	*14.1*	*35.0*
Book Value / Share (Rs)	227.8	275.1	334.5	88.2	117.2
EBITDA Margin	16.4	18.6	20.5	19.5	22.0
EBIT Margin	18.0	18.3	19.5	18.8	21.0
Tax Rate	22.9	25.0	24.3	25.0	25.0
ROCE	29.3	26.7	27.2	27.0	30.9
Total Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Net Debt / Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Profit Margin	13.7	13.6	14.6	13.9	15.7
Asset Turnover (x)	1.3	1.2	1.2	1.3	1.3
Leverage Factor (x)	1.4	1.3	1.2	1.2	1.2
Return on Equity	23.4	20.6	21.4	20.9	23.8

Source: Company, Axis Securities Research

Dhanuka Agritech Price Chart and Recommendation History



Date	Reco	TP	Research
05-Feb-24	HOLD	950	Result Update
21-May-24	SELL	1,170	Result Update
05-Aug-24	HOLD	1,763	Result Update
07-Nov-24	BUY	1,810	Result Update
04-Feb-25	BUY	1,780	Result Update
19-May-25	BUY	1,800	Result Update
04-Aug-25	HOLD	1,800	Result Update

Source: Axis Securities Research

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