

New Launches to Strengthen the Portfolio; Maintain BUY
Est. Vs. Actual for Q3FY25: Revenue: Broadly Inline; EBITDA: MISS; PAT: MISS
Change in Estimates post Q3FY25
FY25E/FY26E/FY27E: Revenue: -3%/-1%/-1%; EBITDA: -4%/-5%/-2%; PAT: -6%/-5%/-1%
Recommendation Rationale

- New products continue to drive growth:** During the quarter, the company experienced margin expansion on a YoY basis, primarily driven by a favorable product mix and new product introductions, strong sales, and liquidation of key products such as LaNevo and MYCORE Super. Both these products, launched this year, have been well received by farmers across India. Additionally, the company introduced a new 9(4) product, "Roxa" – Pyroxasulfone 85% WG, aimed at controlling weeds in wheat crops, which has garnered a positive market response. Looking ahead, in the next FY, Dhanuka plans to launch two 9(3) products—one for rice herbicides and another new fungicide for grapes and horticultural crops—along with several additional 9(4) products.
- Acquisition of Global rights for 2 Fungicides from Bayer:** 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. As part of this, Dhanuka plans to shift the manufacturing of at least one of the products to India, leveraging the capabilities of its manufacturing unit at Dahej, Gujarat. The overall market potential for these two molecules has a revenue potential of Rs 250 Cr. By FY27, the contribution from these two products to the top line is projected to be in the range of Rs 175-200 Cr, with a 10-15% CAGR growth thereafter.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: The company revised its revenue growth guidance for FY25 from 16% to 14%, while maintaining its margin guidance of an improvement of 100 bps. The management remains optimistic about delivering healthy growth in FY26 and improving EBITDA margins, driven by a favourable product mix and stable/improving prices. Additionally, Dhanuka is taking steps to optimise its inventory levels and expects normalisation by the end of the next quarter.

Current Valuation: 18x FY27E (Unchanged)

Current TP: Rs 1,780/share (Earlier TP: Rs 1,810/share)

Recommendation: We maintain our BUY rating on the stock.

Financial Performance: The company posted revenue of Rs 445 Cr, up 10% YoY and down 32% QoQ, largely in line with our estimate of Rs 458 Cr. EBITDA came in at Rs 76 Cr, up 22% YoY but down 53% QoQ, missing our estimate of Rs 86 Cr. The company achieved an EBITDA margin of 17.0%, elevated YoY due to better operating performance, compared to 15.4% in Q3FY24 (24.4% in Q2FY25). PAT stood at Rs 55 Cr, up 21% YoY and down 53% QoQ, missing our estimates by 8%.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	445	10%	-32%	458	-3%
EBITDA	76	22%	-53%	86	-12%
EBITDA Margin	17%	155bps	-742bps	19%	-183bps
Net Profit	55	21%	-53%	60	-8%
EPS (Rs)	12.1	111bps	-560bps	13.1	-67bps

Source: Company, Axis Securities Research

 (CMP as of 3rd February 2025)

CMP (Rs)	1,398
Upside /Downside (%)	27%
High/Low (Rs)	1,926/934
Market cap (Cr)	6,301
Avg. daily vol. (1m) Shrs.	33,283
No. of shares (Cr)	4.56

Shareholding (%)

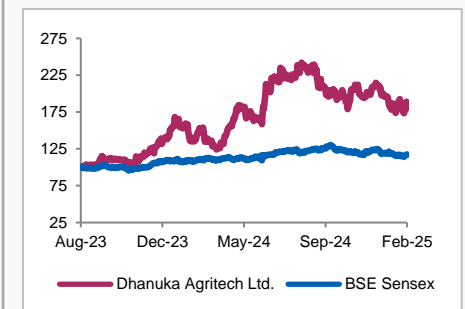
	Jun-24	Sep-24	Dec-24
Promoter	70.2	70.3	70.3
FIIs	1.5	2.0	2.2
DIIIs	19.3	19.0	18.7
Retail	9.0	8.7	8.8

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	1759	1999	2433
EBITDA	327	386	508
Net Profit	239	275	367
EPS (Rs)	52.4	60.3	80.5
PER (x)	26.7	23.2	17.4
P/BV (x)	4.9	4.0	3.3
EV/EBITDA (x)	19.3	16.1	12.3
ROE (%)	20.3%	19.1%	20.9%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	-3%	-1%	-1%
EBITDA	-4%	-5%	-2%
PAT	-6%	-5%	-1%

Relative Performance


Source: Ace Equity, Axis Securities Research

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Outlook

We expect reduced inventory levels at customers will likely lead to improved pricing and demand for Dhanuka Agritech and other agrochemical players. Additionally, the company's Dahej plant, which currently has a negative EBITDA, is expected to support revenue and margin growth as utilisation improves over the next two years.

Valuation & Recommendation

Dhanuka demonstrated its ability to withstand various industry challenges and pressure on revenues and profitability. The company's strategy of focusing on introducing new, innovative, high-margin products, supported by its robust on-ground distribution network, has been crucial to its resilient performance. With prices possibly bottoming out, Dhanuka appears well-positioned to deliver stronger performance. **Accordingly, we continue to value the stock at 18x FY27E (vs 18x FY26E), maintaining our BUY rating, with a revised target price of Rs 1,780/share. The target price implies a 27% upside from the current market price (CMP).**

Key Concall Highlights

- Performance:** Despite the challenging environment, including low pest attacks and low rainfall during the Rabi season, the company managed to deliver double-digit revenue growth and around 21% growth in profitability on a YoY basis. The 10% YoY growth in the topline was largely driven by volumes (10.67%), while pricing pressures still exist, albeit showing signs of bottoming out. For Q4, management expects growth to be driven by both volumes and pricing.
- Pricing and Volumes:** The company reported approximately 11.67% volume and 10.42% value growth in Q3. While prices seem to have stabilized, management does not expect any major change in prices in the near future. The overall volume growth was driven by specialty molecules, while generic products across the industry have faced significant challenges. The season has also not been very favorable.
- Guidance for FY25:** The management has adjusted its revenue growth guidance for FY25 from 16% to 14% and maintained its margin guidance of an improvement of 100 bps in FY25. Going ahead, it expects the gross margin to stabilize at 38-39%.
- 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. Currently, the Dahej plant is incurring a negative EBITDA of Rs 4.25 Cr, with revenue at Rs 4 Cr in Q3. For 9MFY25, it reported a negative EBITDA of Rs 12 Cr, with revenue at Rs 26 Cr. The management noted that the company has developed many products in the lab, but their commercial viability is currently low, and it is not planning any fresh capex for low-viability products. For the Dahej facility, the company is targeting a revenue range of Rs 60 to 70 Cr in FY26.
- Higher Innovation Turnover Index:** Dhanuka saw its Innovation Turnover Index rise to 16.55% in 9MFY25, compared to 15.32% in 9MFY24.

Revenue Mix

	Geography Wise				Segment Wise		
	Q1FY25	Q2FY25	Q3FY25		Q1FY25	Q2FY25	Q3FY25
North	31%	29%	22%	Insecticides	25%	43%	30%
East	8%	12%	11%	Fungicides	10%	21%	20%
West	42%	28%	28%	Herbicides	50%	17%	35%
South	19%	31%	39%	Others	15%	19%	15%

Key Risks to Our Estimates and TP

- Global recessionary environment, especially a long recession, which could affect demand for upstream players
- Any adverse developments in railfall may affect the demand for Pls products in the Indian market.
- Delay in Capex and commercialization of new molecules could affect growth. Stress on ROCE in initial phases of acquisition.

Change in Estimates

	Revised			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,999	2,433	2,827	2,072	2,463	2,849	-3%	-1%	-1%
EBITDA	386	508	622	404	537	633	-4%	-5%	-2%
PAT	275	367	451	292	388	458	-6%	-5%	-1%
EPS	60.3	80.5	99.0	64.1	85	100	-6%	-5%	-1%

Source: Company, Axis Securities Research

Q3FY25 Result Review

Particular (Rs Cr)	Q3FY24	Q2FY25	Axis Sec Est	Q3FY25	YoY (%)	QoQ %	Axis Sec Var
Net Sales	403	654	458	445	10%	-32%	-3%
Gross Profit	156	276	172	178	14%	-36%	4%
Gross Margins %	38.6%	42.2%	37.5%	39.9%	136bps	-224bps	245bps
Staff Cost	40	47	38	42	6%	-9%	13%
Other Operating expenses	53	70	48	60	12%	-14%	25%
EBITDA	62	160	86	76	22%	-53%	-12%
EBITDA margins (%)	15.4%	24.4%	18.8%	17.0%	155bps	-742bps	-183bps
Depreciation	13	13	13	13	1%	3%	0%
Interest	1	1	1	1	95%	36%	43%
Other Income	7	11	8	7	-4%	-35%	-12%
PBT	56	157	80	68	22%	-57%	-15%
Tax (incl deferred)	10	39	20	13	25%	-67%	-36%
PAT	45	118	60	55	21%	-53%	-8%
PAT margins (%)	11.3%	18.0%	13.0%	12.4%	111bps	-560bps	-67bps
EPS	10.0	25.8	13.1	12.1	21%	-53%	-8%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,700	1,759	1,999	2,433	2,827
Growth (%)	15.1	3.4	13.7	21.7	16.2
Operating Expenses	-1,422	-1,431	-1,613	-1,924	-2,205
Operating Profit	279	327	386	508	622
Other Operating Income					
EBITDA	279	327	386	508	622
Growth (%)	5.8	17.5	17.8	31.8	22.3
Depreciation	-18	-41	-51	-59	-66
Other Income	45	35	32	45	50
EBIT	306	322	367	494	606
Finance Cost	-3	-3	-5	-5	-5
Exceptional & Extraordinary					
Profit Before Tax	303	319	362	490	602
Tax (Current + Deferred)	-69	-80	-87	-122	-150
P / L from Discontinuing Operations					
Profit / (Loss) For The Period	234	239	275	367	451
P / L of Associates, Min Int, PrefDiv					
Reported Profit / (Loss)	234	239	275	367	451
Adjusted Net Profit	234	239	275	367	451

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	9	9	9	9	9
Reserves & Surplus	1,052	1,291	1,566	1,933	2,385
Shareholder's Funds	1,061	1,300	1,575	1,942	2,394
Non-Current Liabilities	46	45	45	45	45
Long-Term Borrowings	3	2	2	2	2
Other Non-Current Liabilities	43	43	43	43	43
Current Liabilities	309	287	278	290	316
ST Borrowings, Current Maturity	4	0	0	0	0
Other Current Liabilities	305	286	277	290	316
Total (Equity and Liabilities)	1,405	1,579	1,898	2,278	2,755
Non-Current Assets	509	537	603	682	741
Fixed Assets (Net Block)	318	350	373	414	473
Non-Current Investments	159	168	190	228	228
Long-Term Loans and Advances	0	0	0	0	0
Other Non-Current Assets	32	19	40	40	40
Current Assets	895	1,025	1,294	1,596	2,014
Cash & Current Investments	99	72	168	133	345
Other Current Assets	796	953	1,126	1,463	1,669
Total (Assets)	1,405	1,579	1,898	2,278	2,755
Total Debt	7	2	2	2	2
Capital Employed	1,111	1,346	1,621	1,988	2,439

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Profit Before Tax	303	319	362	490	602
Depreciation	18	41	51	59	66
Change in Working Capital	-50	-175	-182	-324	-180
Total Tax Paid	-73	-79	-87	-122	-150
Others	-42	-32	-28	-41	-46
Operating Cash Flow (a)	155	73	117	62	291
Capital Expenditure	-140	-73	-74	-100	-125
Change in Investments	81	15	-22	-29	-28
Others	23	48	11	45	50
Investing Cash Flow (b)	-35	-10	-85	-84	-103
Free Cash Flow (a+b)	120	63	32	-22	188
Equity Raised / (Repaid)	-0				
Debt Raised / (Repaid)	5	-4			
Dividend (incl. Tax)	70				
Others	-176	-3	-5	-4	-5
Financing Cash Flow (c)	-101	-7	-5	-4	-5
Net Chg in Cash (a+b+c)	19	55	27	-27	184

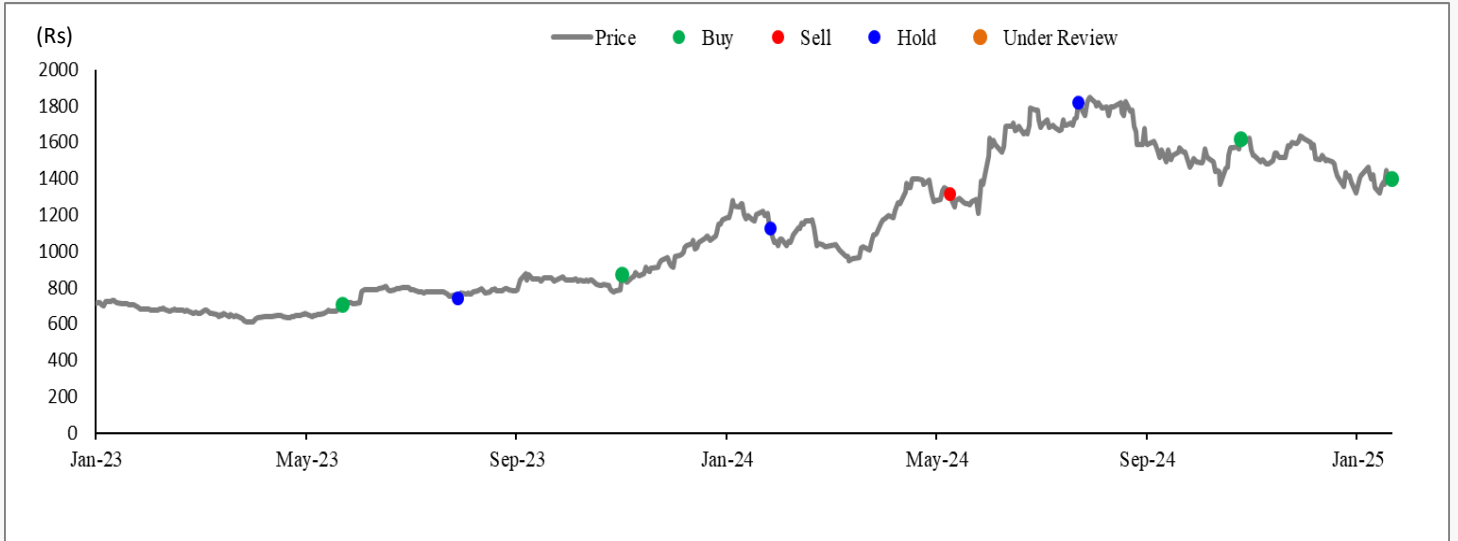
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Adjusted EPS (Rs)	50.1	52.4	60.3	80.5	99.0
<i>Growth</i>	<i>11.8</i>	<i>4.6</i>	<i>15.1</i>	<i>33.4</i>	<i>22.9</i>
Book Value / Share (Rs)	227.8	285.1	345.5	93.5	113.4
EBITDA Margin	16.4	18.6	19.3	20.9	22.0
EBIT Margin	18.0	18.3	18.3	20.3	21.4
Tax Rate	22.9	25.0	24.0	25.0	25.0
ROCE	29.3	26.2	24.7	27.4	27.4
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)
Du Pont Analysis – ROE					
Net Profit Margin	13.7	13.6	13.8	15.1	16.0
Asset Turnover (x)	1.3	1.2	1.2	1.2	1.1
Leverage Factor (x)	1.4	1.3	1.2	1.2	1.2
Return on Equity	23.4	20.3	19.1	20.9	20.8

Source: Company, Axis Securities Research

Dhanuka Agritech Price Chart and Recommendation History



Date	Reco	TP	Research
28-May-23	HOLD	800	Result Update
02-Aug-23	HOLD	800	Result Update
08-Nov-23	BUY	950	Result Update
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

Source: Axis Securities Research

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.