Dhanuka Agritech Limited

Online

28nd December, 2020

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G. Block,
Bandra- Kurla Complex,
Bandra East, Mumbai-400 051

Symbol- DHANUKA

Corporate Relationship Department
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

Scrip Code : 507717

Sub: Outcome of Investor Group Meet held on December 23, 2020 hosted by Antique Stock Broking Limited.

Dear Sir,

In furtherance to our letter dated December 22, 2020 with respect to **"Investor Group Meeting"** held on December 23, 2020 hosted by Antique Stock Broking Limited through virtual mode, please find enclosed the outcome of the aforesaid meet in pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015,

Please take above information in your record.

Thanking You,

Yours faithfully,

For Dhanuka Agritech Limited

Jitin Sadana

Jitin Sadana
Company Secretary / Compliance Officer
FCS-7612

Enc/-

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR737
Target Price	:	INR990
Potential Return	:	34%

Manish Mahawar
+91 22 4031 3433
manish.mahawar@antiquelimited.com

Himanshu Binani
+91 22 4031 3417
himanshu.binani@antiquelimited.com

Amit Zade
+91 22 4031 3395
amit.zade@antiquelimited.com

Market data

Sensex	:	46,974
Sector	:	Agrochemicals
Market Cap (INRbn)	:	35.1
Market Cap (USDbn)	:	0.477
O/S Shares (m)	:	47.6
52-wk HI/LO (INR)	:	936/261
Avg Daily Vol ('000)	:	64
Bloomberg	:	DAGRI IN

Source: Bloomberg

Valuation

	FY21e	FY22e	FY23e
EPS (INR)	41.1	48.1	55.1
BVPS (INR)	181.3	219.8	265.2
P/E (x)	18.0	15.3	13.4
P/BV (x)	4.1	3.4	2.8
RoE (%)	24.9	24.0	22.7

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	5	(4)	5	90
Relative	(1)	(25)	(22)	68

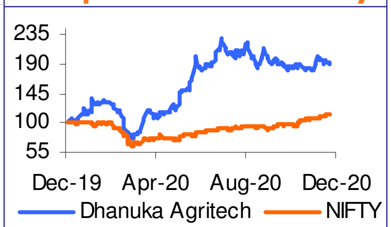
Source: Bloomberg

Shareholding pattern

Promoters	:	75%
Public	:	25%
Others	:	0%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg Indexed to 100

MANAGEMENT MEET UPDATE

Dhanuka Agritech

Confident to achieve growth guidance; Maintain Buy

We interacted with Mr. M. K. Dhanuka, Managing Director of Dhanuka Agritech (Dhanuka) to understand the current business environment. Key highlights are 1) confident to achieve 2HFY21/FY21 revenue growth guidance of 10%+/22% YoY 2) healthy performance of few top selling products like Targa Super, Chempa, M1, & Luster; (3) RM prices specially generic have started inching up (4) product launches well on track, launched 4 new products in 1HFY21; (5) Innovation turnover index to be in the range of 13-15% by FY22 versus 12% in FY20; (6) formulation unit in Dahej to come in 12-18months. Dhanuka has strong distribution led business model with robust RoE (>21%) as well as balance sheet. We expect that Dhanuka to clock revenue/PAT CAGR of 14%/23% over FY20-FY23E led by improved demand scenario and ramp-up in margins. We maintain 'BUY' with TP of INR990 based on 18xFY23E EPS (10-year high/low 34x/5x, average 19x).

Confident to achieve FY21 revenue growth guidance albeit on slow 3Q

Dhanuka has shown stellar performance in 1HFY21 with revenue/EBITDA/PAT growth of 35%/65%/63% YoY. However, industry growth was muted in Oct/Nov led by a) prolonged rainfall especially in the southern India (contributes 1/3rd of the industry's agrochemicals sales) and b) two cyclones in Nov'20 has resulted into lower consumption of agrochemicals. Further, insecticide category got impacted severely due to lower pest infestations. However, herbicide and fungicide categories are continues to do well. The company has witnessed healthy performance in few top selling products like Targa Super, Chempa, M1, & Luster. **Dhanuka expects to grow 10%+ YoY in 2HFY21 and confident to achieve revenue growth guidance of 22% YoY in FY21.**

Raw materials have started inching up; likely to take final product price hike during 4QFY21

Raw material prices especially generic started inching up led by (1) depreciating Chinese Yuan against USD; and (2) sharp jump in freight cost from China (almost 3x recently) on account of lower container availability at ports. The company is passing on the higher raw material prices to farmers. However, it will reflect from 4QFY21 onwards. **Overall, management remains confident to expand EBITDA margin by 100bps+ YoY in FY21 on a conservative basis.**

Dahej formulation capex to come on stream in 12-18months, API capex is yet to finalise

Dhanuka is setting up its 4th formulation unit in GIDC, Dahej with capex of INR0.5-0.6bn and it is expected to come on stream over 12-18months. It could have asset turnover of 5-6x at optimal utilisation. Moreover, Dhanuka is planning to set up API manufacturing unit in Dahej. However, it is at early stage of consideration and is expected to be finalised in the next 3-4months.

Product launches to continue

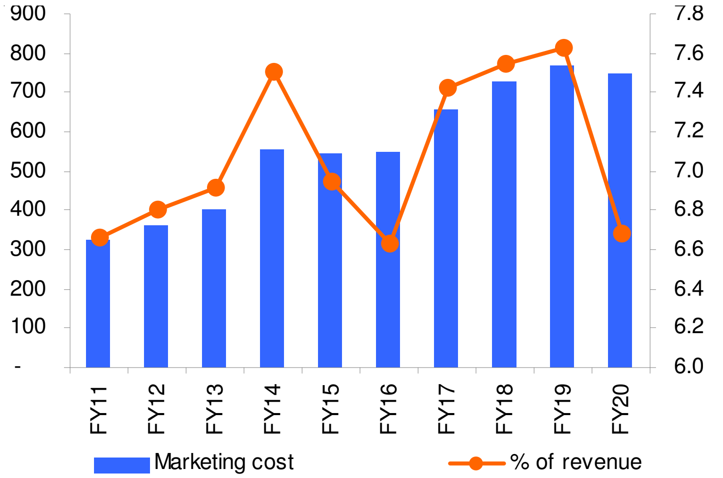
During 1HFY21, Dhanuka has launched 4 products as against a guidance of 4-5 products in FY21. Out of this, 2 products are in 9(3) category (Kirari and Nissodium) and rest two products are in 9(4) category (Dabooch and Dozo Maxx). The company envisaged to launch 4-5 products per annum going forward. Further, Innovation turnover index (ITI) for FY21 is likely to be lower YoY basis considering high base of last year (Cover and Luster were included in last year's ITI). **Dhanuka remains confident to improve ITI to 13-15% by FY22E (v/s 12%/11% in FY20/2QFY21) led by robust pipeline of new launches.**

Table 1: Products launched over FY15-1HFY21

FY15	Sakura - 9(3)	Weedicide
	Mortar	Insecticide
	Pager	Insecticide
	Jackal	Insecticide
FY16	Dhanvarsha	Plant Growth Enchancer
	Dozo	Herbicide
	Goldy - 9(4)	Fungicide
	Cover	Insecticide
	Thiram	
FY17	Maxx-Soy	Herbicides
	Conika	Fungicide
	Fujita	Fungicide
	Hi-Dice Super	Fungicide
	Bullon	Insecticide
	Aashito	Insecticide
	Delight	Fungicide
FY18	Dumil	Herbicides
	Fenox - 1000	Herbicides
	Godiwa	Fungicide
	Godiwa Super	Fungicide
	Marker Super	Insecticide
	D-one	Insecticide
	Suelo	Soil Health Enhancer
	Domar	Insecticide
FY19	Apply	Insecticide
	Largo	Thripicide
	Chempa	Herbicide
FY20	Mycore	Soil Health Enhancer
	Zapac	Insecticide
	Pro-rin	Insecticide
	Prodhan	Insecticide
1HFY21	Dabooch	Herbicide
	Dozo Maxx	Herbicide
	Kirari	Fungicide
	Nissodium	Fungicide

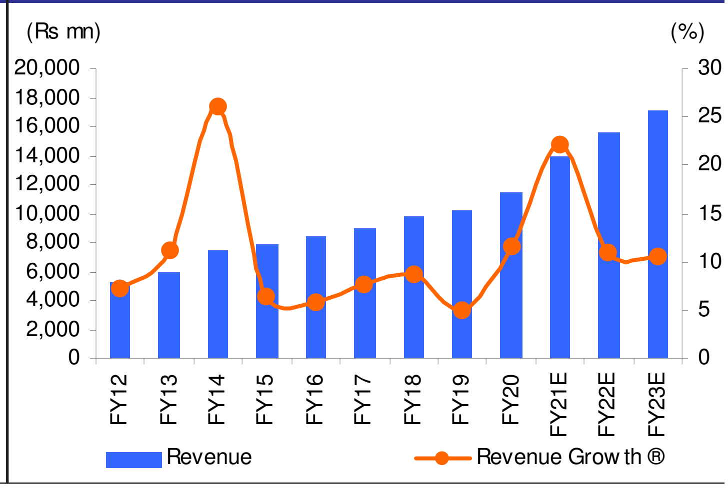
Source: Company; Antique

Table 2: Continued with marketing activities



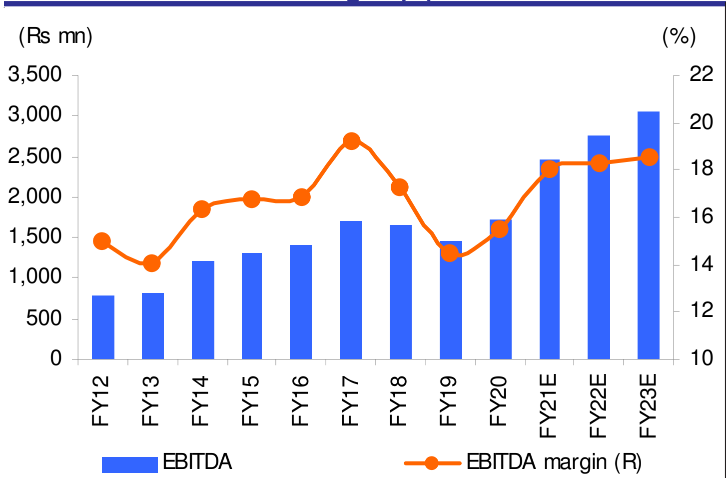
Source: Company; Antique

Table 3: Revenue and revenue growth



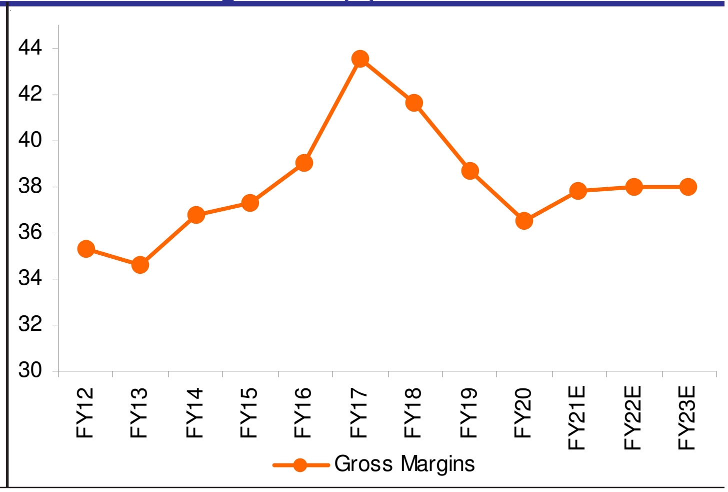
Source: Company; Antique

Table 4: EBITDA & EBITDA Margins (%)



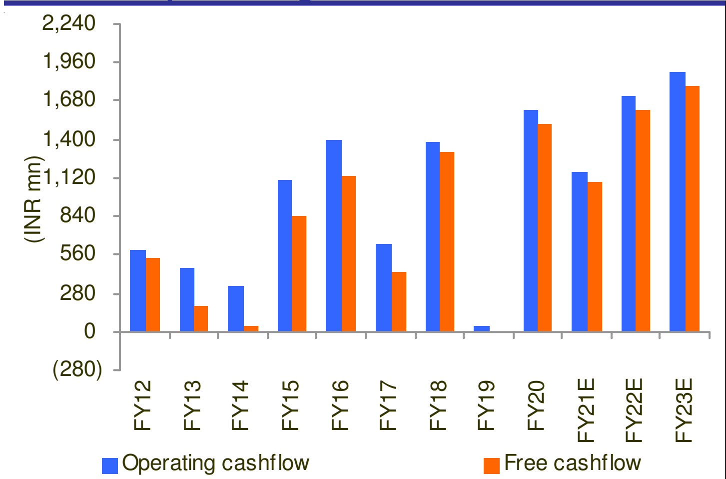
Source: Company; Antique

Table 5: Gross margins trend (%)



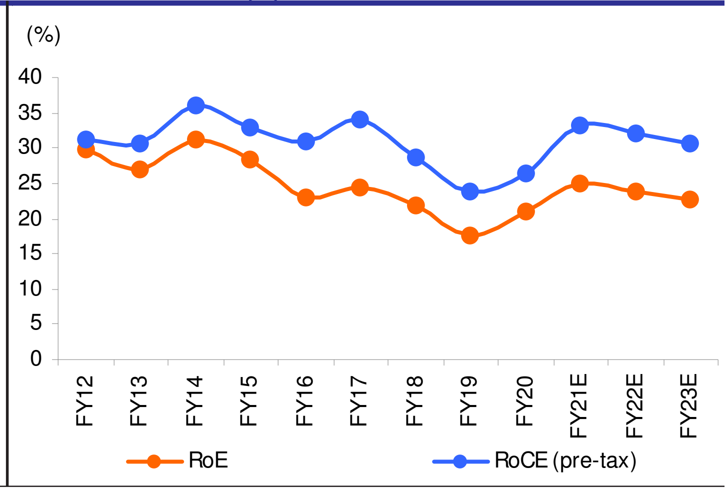
Source: Company; Antique

Table 6: Steady cash flow generation



Source: Company; Antique

Table 7: Return ratios(%)



Source: Company; Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
Net Revenue	**10,058**	**11,201**	**13,665**	**15,031**	**16,534**
Op. Expenses	8,598	9,466	11,205	12,281	13,475
EBITDA	**1,460**	**1,735**	**2,460**	**2,751**	**3,060**
Depreciation	123	164	159	168	177
EBIT	**1,336**	**1,571**	**2,300**	**2,583**	**2,883**
Other income	212	251	326	489	636
Interest Exp.	9	16	15	15	15
Reported PBT	**1,540**	**1,806**	**2,612**	**3,057**	**3,504**
Tax	414	392	658	770	883
Reported PAT	**1,126**	**1,415**	**1,953**	**2,286**	**2,621**
Net Profit	**1,126**	**1,415**	**1,953**	**2,286**	**2,621**
Adjusted PAT	**1,126**	**1,415**	**1,953**	**2,286**	**2,621**
Adjusted EPS (INR)	**23.7**	**29.7**	**41.1**	**48.1**	**55.1**

Balance sheet (INRm)

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
Share Capital	95	95	95	95	95
Reserves & Surplus	6,327	6,981	8,533	10,361	12,524
Networth	**6,422**	**7,076**	**8,628**	**10,456**	**12,619**
Debt	222	80	-	-	-
Net deferred Tax liabilities	122	53	53	53	53
Capital Employed	**6,766**	**7,209**	**8,682**	**10,510**	**12,672**
Gross Fixed Assets	1,542	1,692	1,792	1,892	1,992
Accumulated Depreciation	373	518	677	845	1,023
Capital work in progress	10	37	10	10	11
Net Fixed Assets	**1,179**	**1,211**	**1,125**	**1,057**	**981**
Investments	1,203	1,589	1,589	1,589	1,589
Non Current Investments	898	991	991	991	991
Current Investments	305	597	597	597	597
Current Assets, Loans & Adv.	**5,972**	**6,522**	**8,459**	**10,669**	**13,270**
Inventory	2,068	2,499	2,984	3,272	3,599
Debtors	2,187	2,424	2,957	3,253	3,578
Cash & Bank balance	14	263	1,181	2,808	4,756
Loans & advances and others	1,703	1,337	1,337	1,337	1,337
Current Liabilities & Prov.	**1,587**	**2,113**	**2,491**	**2,805**	**3,167**
Liabilities	775	1,132	1,352	1,482	1,631
Provisions	812	981	1,139	1,323	1,537
Net Current Assets	**4,385**	**4,409**	**5,968**	**7,864**	**10,103**
Application of Funds	**6,766**	**7,209**	**8,682**	**10,510**	**12,672**

Per share data

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
No. of shares (m)	48	48	48	48	48
Diluted no. of shares (m)	48	48	48	48	48
BVPS (INR)	135.0	148.7	181.3	219.8	265.2
CEPS (INR)	26.3	33.2	44.4	51.6	58.8
DPS (INR)	0.6	12.0	7.0	8.0	8.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
PBT	**1,540**	**1,805**	**2,612**	**3,057**	**3,504**
Depreciation & amortisation	123	164	159	168	177
Interest expense	9	16	15	15	15
(Inc)/Dec in working capital	(969)	158	(641)	(269)	(290)
Tax paid	(542)	(363)	(658)	(770)	(883)
Less: Interest/Div. Income Received	(87)	(142)	(326)	(489)	(636)
Other operating Cash Flow	(30)	(16)	-	-	-
CF from operating activities	**43**	**1,621**	**1,161**	**1,711**	**1,887**
Capital expenditure	(47)	(94)	(73)	(100)	(101)
Inc/(Dec) in investments	681	(361)	-	-	-
Add: Interest/Div. Income Received	88	12	326	489	636
CF from investing activities	**721**	**(443)**	**253**	**389**	**535**
Inc/(Dec) in debt	175	(142)	(80)	-	-
Dividend Paid	(207)	(772)	(401)	(458)	(458)
Others	(834)	(16)	(15)	(15)	(15)
CF from financing activities	**(866)**	**(930)**	**(496)**	**(473)**	**(473)**
Net cash flow	**(101)**	**247**	**918**	**1,627**	**1,948**
Opening balance	119	17	265	1,182	2,810
Closing balance	**17**	**265**	**1,182**	**2,810**	**4,758**

Growth indicators (%)

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
Revenue(%)	4.5	11.4	22.0	10.0	10.0
EBITDA(%)	-12.1	18.8	41.8	11.8	11.2
Adj PAT(%)	-10.8	25.7	38.1	17.0	14.6
Adj EPS(%)	-8.0	25.7	38.1	17.0	14.6

Valuation (x)

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
P/E	31.1	24.8	18.0	15.3	13.4
P/BV	5.5	5.0	4.1	3.4	2.8
EV/EBITDA	24.7	20.4	14.0	11.9	10.1
EV/Sales	3.6	3.2	2.5	2.2	1.9
Dividend Yield (%)	0.1	1.6	0.9	1.1	1.1

Financial ratios

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
RoE (%)	17.7	21.0	24.9	24.0	22.7
RoCE (%)	23.3	26.1	33.1	32.0	30.4
Asset/T.O (x)	2.0	2.0	2.1	1.9	1.7
Net Debt/Equity (x)	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)
EBIT/Interest (x)	173.4	117.0	175.1	204.8	234.6

Margins (%)

Year ended 31 Mar	FY19	FY20	FY21e	FY22e	FY23e
EBITDA Margin(%)	14.5	15.5	18.0	18.3	18.5
EBIT Margin(%)	13.3	14.0	16.8	17.2	17.4
PAT Margin(%)	11.0	12.4	14.0	14.7	15.3

Source: Company Antique

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Antique Stock Broking Limited
20th Floor, A Wing, Naman Midtown
Senapati Bapat Marg, Elphinstone (West)
Mumbai 400013
Tel. : +91 22 4031 3444 • Fax : +91 22 4031 3445
www.antiquelimited.com