

Dhanuka Agritech Ltd

| | |
|----------------|---------------|
| Recommendation | BUY |
| CMP (07/02/14) | Rs. 183 |
| Target Price | Rs.236 |
| Sector | Agrochemicals |

Stock Details

| | |
|-----------------------------|----------|
| BSE Code | 507717 |
| NSE Code | DHANUKA |
| Bloomberg Code | DAGRI IN |
| Market Cap (Rs cr) | 765 |
| Free Float (%) | 25.0 |
| 52- wk HI/Lo (Rs) | 218/112 |
| Avg. volume BSE (Quarterly) | 38,583 |
| Face Value (Rs) | 2.0 |
| Dividend (FY 13) | 140% |
| Shares o/s (Cr) | 5.0 |

| Relative Performance | 1Mth | 3Mth | 1Yr |
|----------------------|-------|-------|-------|
| Dhanuka | -4.8% | 23.1% | 46.9% |
| Sensex | -1.5% | -2.1% | 4.1% |



| Shareholding Pattern | 31 st Dec 13 |
|---------------------------|-------------------------|
| Promoters Holding | 74.99 |
| Institutional (Incl. FII) | 8.41 |
| Corporate Bodies | 4.00 |
| Public & others | 12.60 |

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Good results

Dhanuka Agritech reported yet again strong results with respect to margins which has improved ~370 bps yoy to 15% (sequential comparison is not relevant as Q2 is seasonally best quarter of the company). Good monsoon during the year helped the overall industry in general and Dhanuka agritech in particular. Sales grew by 19.6% yoy to Rs 167 cr with PAT growth of Rs 82% at Rs 21.3 cr led by higher other income and lower tax.

Key Highlights

- Sales growth of 20% led by 14% volume and 6% improvement in realisations
- Company's Keshwana facility is expected to be operational by Q4FY15 (delayed by a quarter). Sales potential from the facility is Rs 500 cr (10x of capex of Rs 50 cr)
- Ongoing work at Keshwana facility restricted the company to reduce the working capital which resulted in higher interest cost during the quarter. However, we expect it to normalize going forward.
- The company has launched two more products in Q3FY14 and one product in Jan'14 taking the total launches to five in year-to-date (out of which four are specialty products, having better margins). It still has 6 products (9-(3) exclusive) in pipeline which are novel products and the company is expected to launch two per year. Dhanuka was intending to launch at least one more product in FY14 however it was postponed due to approval delay from regulatory body. Management seems confident of getting approval for the product in Q4FY14.
- On back of good monsoon and continuation of high MSPs by government, management seems confident of strong next season also (only limiting factor is next year rains).
- Encouraging factor was reassurance by management to maintain 9MFY14 margins of 16% for full year and for next year

Valuation & Recommendation

Future growth would be driven by recently launched products, which are showing good traction and healthy pipeline. We have a positive outlook on the stock given the strong balance sheet, reasonable revenue visibility, sustainable margins and able to monetize innovative products due to strong relationships with global giants given its huge distribution network. **We assign a BUY rating with a price target of Rs 236, based on 10x FY15E EPS of Rs 23.6, an upside of 29%**

| Year Consolidated | Sales (Rs cr) | Growth (%) | EBITDA (Rs cr) | Margin (%) | Rep. PAT (Rs cr) | Margin (%) | EPS (Rs) | P/E (x) | ROE (%) |
|-------------------|---------------|------------|----------------|------------|------------------|------------|----------|---------|---------|
| FY12A | 529.2 | 7.8% | 79.4 | 15.0% | 57.1 | 10.8% | 11.4 | 16.0 | 29.7% |
| FY13E | 586.9 | 10.9% | 86.5 | 14.7% | 64.4 | 11.0% | 12.9 | 14.2 | 27.0% |
| FY14E | 763.0 | 30.0% | 123.6 | 16.2% | 90.5 | 11.9% | 18.1 | 10.1 | 30.5% |
| FY15E | 953.8 | 25.0% | 161.2 | 16.9% | 118.1 | 12.4% | 23.6 | 7.7 | 31.5% |

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Quarterly Result Table

| Particulars (Rs Cr) | Q3FY14 | Q3FY13 | yoy | Q2FY14 | qoq |
|-----------------------|--------------|--------------|--------------|--------------|---------------|
| Total Revenues | 167.0 | 139.7 | 19.6% | 253.4 | -34.1% |
| Cost of materials | 98.7 | 90.7 | 8.8% | 145.7 | -32.3% |
| Purchase of goods | 6.5 | 4.4 | 46.0% | 18.6 | -65.3% |
| Employees Cost | 14.2 | 11.8 | 19.8% | 16.2 | -12.4% |
| Admin & other exps | 22.8 | 16.9 | 34.3% | 29.3 | -22.2% |
| EBITDA | 25.0 | 15.8 | 57.7% | 43.7 | -42.9% |
| <i>margins</i> | <i>15.0%</i> | <i>11.3%</i> | | <i>17.2%</i> | |
| Depreciation | 1.3 | 1.2 | | 1.1 | |
| EBIT | 23.7 | 14.7 | 61.6% | 42.6 | -44.3% |
| Interest | 1.7 | 1.1 | 54.6% | 0.5 | 247.2% |
| Other Income | 1.9 | 0.5 | | 1.1 | |
| PBT | 23.9 | 14.0 | 70.3% | 43.2 | -44.6% |
| Tax | 2.6 | 2.4 | 11.5% | 11.1 | -76.3% |
| <i>Tax rate</i> | <i>11.0%</i> | <i>16.8%</i> | | <i>25.7%</i> | |
| EO items | 0.0 | 0.0 | | 0.0 | |
| PAT reported | 21.3 | 11.7 | 82.1% | 32.1 | -33.6% |
| Equity Capital | 10.0 | 10.0 | | 10.0 | |
| FV | 2.0 | 2.0 | | 2.0 | |
| EPS | 4.25 | 2.34 | 82.1% | 6.41 | -33.6% |

Change in Estimates

| | FY14E | | | FY15E | | |
|-------|-------|-------|-------|-------|-------|-------|
| | New | Old | % chg | New | Old | % chg |
| Sales | 763.0 | 745.4 | 2.4% | 953.8 | 879.6 | 8.4% |
| PAT | 90.5 | 80.9 | 11.8% | 118.1 | 100.6 | 17.4% |

Dhanuka Agritech Ltd

Financials

| P&L (Rs. Cr) | FY12A | FY13A | FY14E | FY15E |
|-------------------------|--------------|--------------|--------------|--------------|
| Net Sales | 529.2 | 586.9 | 763.0 | 953.8 |
| % change | 7.8% | 10.9% | 30.0% | 25.0% |
| EBITDA | 79.4 | 86.5 | 123.6 | 161.2 |
| EBITDA margin (%) | 15.0% | 14.7% | 16.2% | 16.9% |
| Depn & Amort | 4.5 | 4.5 | 4.8 | 6.4 |
| Operating income | 74.9 | 82.0 | 118.8 | 154.8 |
| Interest | 5.5 | 3.5 | 4.8 | 4.3 |
| Other Income | 0.6 | 2.3 | 5.0 | 5.0 |
| PBT | 70.0 | 80.8 | 119.1 | 155.5 |
| Tax | 12.9 | 16.3 | 28.6 | 37.3 |
| EO | 0.0 | 0.0 | 0.0 | 0.0 |
| Adj PAT | 57.1 | 64.4 | 90.5 | 118.1 |
| PAT margin (%) | 10.8% | 11.0% | 11.9% | 12.4% |
| Sh o/s - Diluted | 5.0 | 5.0 | 5.0 | 5.0 |
| Adj EPS | 11.4 | 12.9 | 18.1 | 23.6 |
| EPS growth (%) | 11.8% | 12.8% | 40.4% | 30.6% |
| Cash EPS | 12.3 | 13.8 | 19.0 | 24.9 |

| Quarterly (Rs Cr) | Mar.13 | Jun.13 | Sept.13 | Dec.13 |
|-------------------------|--------------|--------------|--------------|--------------|
| Net Sales | 132.8 | 166.2 | 253.4 | 167.0 |
| EBITDA | 24.3 | 25.2 | 43.7 | 25.0 |
| Dep & Amorz | 1.2 | 1.2 | 1.1 | 1.3 |
| Operating Income | 23.1 | 24.0 | 42.6 | 23.7 |
| Interest | 0.8 | 1.0 | 0.5 | 1.7 |
| Other Inc. | 0.9 | 0.4 | 1.1 | 1.9 |
| PBT | 23.1 | 23.4 | 43.2 | 23.9 |
| Tax | 5.3 | 6.1 | 11.1 | 2.6 |
| EO | 0.0 | 0.0 | 0.0 | 0.0 |
| PAT | 17.9 | 17.3 | 32.1 | 21.3 |
| EPS (Rs.) | 3.6 | 3.5 | 6.4 | 4.3 |

| Ratios | FY12A | FY13A | FY14E | FY15E |
|-----------------------|-------|-------|-------|-------|
| EBITDA margin (%) | 15.0% | 14.7% | 16.2% | 16.9% |
| PAT margin (%) | 10.8% | 11.0% | 11.9% | 12.4% |
| PAT Growth (%) | 11.8% | 12.8% | 40.4% | 30.6% |
| Price Earnings (x) | 16.0 | 14.2 | 10.1 | 7.7 |
| ROE (%) | 29.7% | 27.0% | 30.5% | 31.5% |
| ROCE (%) | 30.7% | 29.5% | 34.7% | 36.2% |
| Debt/Equity Ratio (x) | 0.2 | 0.1 | 0.2 | 0.1 |
| Price/BV (x) | 4.3 | 3.5 | 2.8 | 2.2 |
| EV / Sales | 1.8 | 1.6 | 1.3 | 1.0 |
| EV / EBITDA | 11.9 | 10.9 | 7.8 | 5.9 |

| Balance Sheet (Rs Cr) | FY12A | FY13A | FY14E | FY15E |
|--------------------------|---------------|---------------|---------------|---------------|
| Share Capital | 10.0 | 10.0 | 10.0 | 10.0 |
| Reserves & Surplus | 204.6 | 252.8 | 320.0 | 409.3 |
| Net Worth | 214.6 | 262.8 | 330.0 | 419.3 |
| Deferred Tax Liabilitie | 2.6 | 2.8 | 2.8 | 2.8 |
| Other Non-Current Lic | 13.3 | 13.3 | 15.3 | 17.6 |
| Total Borrowings | 39.4 | 33.0 | 53.0 | 48.0 |
| Trade Payables | 54.3 | 45.0 | 58.8 | 77.5 |
| Prov. & other CL | 71.49 | 63.59 | 73.15 | 84.44 |
| Total Liabilities | 395.64 | 420.48 | 532.98 | 649.59 |
| Net Fixed Assets | 39.3 | 63.9 | 79.1 | 102.7 |
| Total Investments | 15.3 | 8.2 | 8.2 | 8.2 |
| Loans & Advances | 42.4 | 32.1 | 56.2 | 65.7 |
| Inventories | 138.8 | 159.9 | 193.8 | 232.5 |
| Debtors | 151.2 | 150.7 | 186.5 | 233.1 |
| Cash & Bank | 8.7 | 5.4 | 8.9 | 7.1 |
| Total Assets | 395.65 | 420.48 | 532.98 | 649.59 |

| Cash Flow (Rs. Cr) | FY12A | FY13A | FY14E | FY15E |
|-----------------------------|--------------|--------------|--------------|--------------|
| Operating Cash Flow | | | | |
| Op CF before tax & W | 79.4 | 86.5 | 123.6 | 161.2 |
| Change in WC | -8.3 | -27.9 | -70.5 | -64.8 |
| Tax | -12.9 | -16.3 | -28.6 | -37.3 |
| CF from Operation | 58.3 | 42.3 | 24.6 | 59.1 |
| Investing Activities | | | | |
| Capex | -3.3 | -29.1 | -20.0 | -30.0 |
| Inv & Oth Income | -14.7 | 9.4 | 5.0 | 5.0 |
| CF from Investing | -17.9 | -19.7 | -15.0 | -25.0 |
| Financing | | | | |
| Dividend Paid | -12.8 | -16.3 | -23.3 | -28.8 |
| Sh Capital & Premium | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest Paid | -5.5 | -3.5 | -4.8 | -4.3 |
| Loans & Others | -20.1 | -6.1 | 20.0 | -5.0 |
| CF from Financing | -36.5 | -26.0 | -6.1 | -35.9 |
| Net Chg. in Cash | 3.8 | -3.4 | 3.5 | -1.8 |
| Cash at beginning | 5.0 | 8.7 | 5.4 | 8.9 |
| Cash at end | 8.7 | 5.4 | 8.9 | 7.1 |
| Per Share Data | FY12A | FY13A | FY14E | FY15E |
| Adj EPS | 11.4 | 12.9 | 18.1 | 23.6 |
| BV per share | 42.9 | 52.5 | 66.0 | 83.8 |
| Cash per share | 1.7 | 1.1 | 1.8 | 1.4 |
| Dividend per share | 2.2 | 2.8 | 4.0 | 5.0 |



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