

Dhanuka Agritech Ltd

Analyst: Tarun Lakhotia and Hemang Khanna (Email: kspcg.research@kotak.com; Contact: +91 22 6218 6427)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
380	435	14.5%	620 / 351	18080

Key Highlights:

- Dhanuka Agritech's 4QFY19 results were well ahead of our estimates, led by higher-than-expected improvement in margins.
- The management remained optimistic on its guidance of double-digit growth in revenues and improvement in margins in FY2020-21 assuming a normal monsoon and new product launches.
- A normal monsoon may encourage farmers to increase spends on crop protection.
- The management expects to deliver at least 100 bps yoy improvement in EBITDA margins, which has moderated since 3QFY19 guidance of ~200 bps expansion in margin.
- The management indicated that three new 9(4) category products have been launched and they are hopeful of getting three more registrations in FY2020.
- Of the new launches, two cater to rice—Kempa, a herbicide and Apply, an insecticide, which caters to the control of the brown planthopper pest. Largo, the third product is a multi-crop insecticide.
- The management is positive on securing registrations for a 9(3) grape fungicide and two new 9(4) multi-crop fungicides in FY2020. Dhanuka currently has nine 9(3) products in their portfolio.
- We revise our EPS estimates to Rs 24.6 (+2%) in FY2020E and Rs 27.3 (-4%) in FY2021E, factoring in (1) modestly higher margins at 15.5%-16%, respectively and (2) other minor changes.
- Our fair value remains unchanged at Rs 435, as we roll forward to March 2021E EPS.

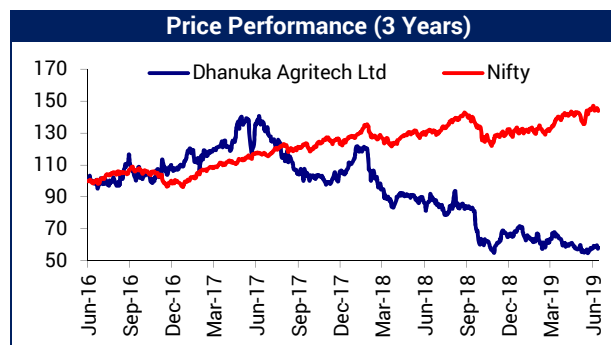
Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	10,058	11,114	12,110
Growth (%)	4.5	10.5	9.0
EBITDA	1,460	1,719	1,922
EBITDA margin (%)	14.5	15.5	15.9
PBT	1,540	1,724	1,937
Net profit	1,126	1,172	1,297
Adjusted EPS (Rs)	23.7	24.6	27.3
Growth (%)	(7.8)	3.8	11.0
P/E (x)	16.0	15.4	13.9

Book value (Rs/share)	135	154	174
ROE (%)	15.2	15.4	14.9
ROCE (%)	14.3	16.4	16.8
Net Debt/equity (%)	(0.0)	(0.2)	(0.2)

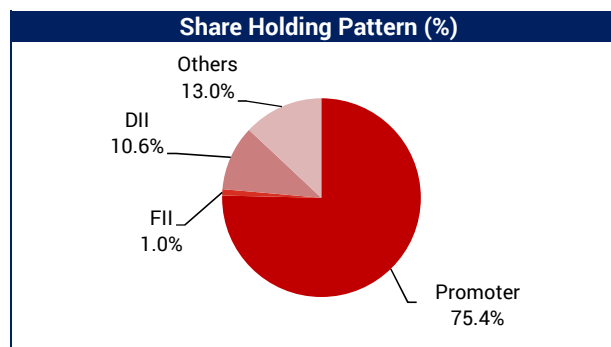
Source: Company; Kotak Institutional Equities *Consolidated

Financials (Rs mn)	Q4FY18	Q4FY19	% Chg
Revenues	1,851	1,927	4.1
EBITDA	314	330	5.1
EBITDA Margin (%)	17.0%	17.1%	
PAT	286	268	(6.3)
PAT Margin (%)	15.5%	13.9%	
EPS (Rs)	5.8	5.6	(3.4)

Source: Company; Kotak Institutional Equities



Source: Bloomberg



Source: Bloomberg

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Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM

Rusmik Oza Head of Research rusmik.oza@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Krishna Nain M&A, Corporate actions krishna.nain@kotak.com +91 22 6218 7907	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427
Sanjeev Zarbade Cap. Goods & Cons. Durables sanjeev.zarbade@kotak.com +91 22 6218 6424	Ruchir Khare Cap. Goods & Cons. Durables ruchir.khare@kotak.com +91 22 6218 6431	Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Deval Shah Research Associate deval.shah@kotak.com +91 22 6218 6425	
Teena Virmani Construction, Cement, Buildg Mat teena.virmani@kotak.com +91 22 6218 6432	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434		

TECHNICAL RESEARCH TEAM

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Faisal Shaikh, FRM, CFTE Research Associate faisalf.shaikh@kotak.com +91 22 62185499	Siddhesh Jain Research Associate siddhesh.jain@kotak.com +91 22 62185498
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DERIVATIVES RESEARCH TEAM

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Malay Gandhi malay.gandhi@kotak.com +91 22 6218 6420	Prashanth Lalu prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTE prasenjit.biswas@kotak.com +91 33 6625 9810
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