

August 2, 2023

Q1FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	950		950	
Sales (Rs. m)	19,202	21,623	19,202	21,623
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,303	3,827	3,303	3,827
% Chng.	-	-	-	-
EPS (Rs.)	57.5	63.5	57.5	63.5
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	14,778	17,002	19,202	21,623
EBITDA (Rs. m)	2,634	2,787	3,303	3,827
Margin (%)	17.8	16.4	17.2	17.7
PAT (Rs. m)	2,088	2,335	2,620	2,896
EPS (Rs.)	44.8	51.2	57.5	63.5
Gr. (%)	(0.8)	14.3	12.2	10.6
DPS (Rs.)	6.0	2.0	6.0	6.0
Yield (%)	0.8	0.3	0.8	0.8
RoE (%)	23.8	23.1	22.3	20.4
RoCE (%)	28.0	25.8	25.7	24.9
EV/Sales (x)	2.2	1.9	1.7	1.4
EV/EBITDA (x)	12.4	11.8	9.6	7.8
PE (x)	16.6	14.6	13.0	11.7
P/BV (x)	3.6	3.2	2.6	2.2

Key Data

DHNP.BO | DAGRI IN

52-W High / Low	Rs.818 / Rs.603
Sensex / Nifty	65,783 / 19,527
Market Cap	Rs.34bn/ \$ 412m
Shares Outstanding	46m
3M Avg. Daily Value	Rs.38.54m

Shareholding Pattern (%)

Promoter's	70.19
Foreign	3.55
Domestic Institution	17.24
Public & Others	9.03
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.8)	10.2	7.0
Relative	(8.3)	0.4	(5.5)

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Weak quarter; all hopes pinned on 2Q'24 performance

Quick Pointers:

- Volume and price decline of 3.5%/2.5% YoY.
- ITI for 1QFY24 stood at 19.6% as against 12.75% in FY23.

DAGRI reported subdued results (in-line with our estimates but below consensus estimates) with Revenue/EBITDA/PAT decline of 6%/15%/33% YoY amid challenges related to higher channel inventory and cost pressure. Management remains confident of achieving double digit revenue growth in FY24E with 50-100bps YoY improvement in EBITDA margins given new product introductions (launched 2/1/6 new products in herbicide/insecticides and biological range; intends to launch 2-3 new 9(3) and 3-4 new 9(4) molecules in FY24E) coupled with better portfolio mix. Further, expect ~Rs500mn revenue contribution from technical plant at Dahej in FY24E (to be commissioned in August'23-delayed by a month) with initial loss at EBITDA level due to lower utilization. We haven't factored this in our estimates, as the impact would be insignificant during FY24E. We broadly maintain our FY24/25E EPS estimates and expect Revenue/PAT CAGR of 13%/11%. Maintain 'Buy' with an unchanged TP of Rs950 based on 15x FY25E EPS.

- Gross margins flat YoY led by higher sales return and inventory provisions:** DAGRI reported revenue decline of 6% YoY to Rs3.7bn (PLe Rs3.77bn) primarily led by volume and price decline of 3.5% and 2.5% respectively. Superior product mix on the back of higher ITI at 19.6% in 1Q'24 (FY23 at 12.75%) was offset by higher sales return of Rs240mn in 1Q'24 (Rs140mn in 1Q'23) and provisions of high cost inventory which in turn has restricted gross margins at 32.8% (flat YoY). Further, management alluded that RM cost has been largely stable currently, with few molecules witnessing upward trend which in turn should provide some stability to the margin profile going forward. EBITDA margins contracted by 130bps to 11.8% due to higher employee cost (up 100bps YoY) and lower absorption of fixed cost (opex up 30bps). While, lower other income at Rs66mn (Rs169mn in Q1'23- includes one-off of Rs120mn pertaining to sale of 2 properties) have resulted into PAT decline of 33% YoY to Rs329mn (PLe Rs377mn).
- Ramping up of Biological products to drive growth:** During 4QFY23, DAGRI had launched a new range of Biological products under the sub-brand name BIOLOGIQ, with an initial portfolio of 3 products. Further, the company launched 3 more products in 1QFY24. These products are currently being sourced from the best third party vendors in the industry. While on the crop protection side, DAGRI launched 2 new 9(4) molecules in 1QFY24 namely Implode- maize herbicide and Mesotrax- selective herbicide for maize and sugarcane. Going forward, management intends to launch 2-3 new 9(3) and 3-4 new 9(4) molecules in FY24 to drive growth.
- Capex plans well on track:** Management had earlier guided for Rs3bn capex to be spend over FY22-24 (Rs500mn/Rs1.5bn/Rs1.1bn in FY22/FY23/FY24). Capex is largely towards setting up of formulation unit and 2 MPP's (Multi-purpose plant)

of pesticides in Dahej. The formulation unit is delayed by 4 months and is now expected to be operational by August'23 (2QFY24) and technical unit by FY24. DAGRI targets to achieve Rs500mn of revenues in FY24 with loss at EBITDA levels, as the plant would be underutilized in FY24. Going forward, they intend to gradually improve the plant utilization and are in continuous talks with Japanese partners for supply of intermediates. On a longer term they intend to do Rs3bn/PA from the technical plants with EBITDA margins in the range of 12-15%.

Other Highlights:

Insecticides and Herbicides contributed >80% of the overall revenues:

Contribution from Insecticides/ Fungicides/ Herbicides and others (PGR) stood at 27%/10%/54%/9% in 1QFY24, as against 27%/11%/52%/10% in the corresponding period last year respectively.

Better performance from South India up 11% YoY in 1QFY24:

North/West/East/South contributed to 30%/41%/9%/20% in 1QFY24 as against 30%/44%/9%/17% respectively in 1QFY23.

ITI stood at 19.6% in 1QFY24 (highest in the last 5 years) :

Innovation turnover index (ITI) stood at 19.6% in 1QFY24 as against 12.75% in FY23. Going forward, management opined that ITI index is likely to inch up further led by new product launches, robust pipeline of new products and increased overall revenues.

Revenue growth and EBITDA margin guidance maintained for FY24E:

DAGRI maintains its earlier guidance for double digit revenue growth in FY24E, with EBITDA to improve by 50-100bps as compared to FY23 to be led by better contribution of new products (higher margin products). Further, the management alluded that pick-up in rainfall activity from the last week of June'23 has in turn resulted into a decent up-tick in ground level activities. Month of July'23 has been very decent for them and going by the current sentiments/trends they remain confident of achieving a double digit revenue growth in the subsequent quarter too.

Exhibit 1: Q1FY24 Result Overview (Rs mn)

Y/e March	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Revenues	3,691	3,927	(6.0)	3,712	(0.6)	19,202	17,002	12.9
Raw material	2,479	2,640	(6.1)	2,295	8.0	12,482	11,155	11.9
Staff costs	341	322	5.9	285	19.5	1,402	1,263	11.0
Others	434	450	(3.6)	353	22.9	2,016	1,798	12.1
Total expenditure	3,255	3,413	(4.6)	2,934	10.9	15,900	14,215	11.8
EBITDA	436	515	(15.3)	779	(44.0)	3,303	2,787	18.5
Depreciation	46	38	22.3	51	(9.4)	275	176	56.2
EBIT	390	477	(18.3)	728	(46.4)	3,028	2,611	16.0
Less: Interest Expense	9	8	11.8	8	16.6	28	31	(10.2)
Add: Other income	66	169	(60.6)	147	(54.9)	403	448	(10.0)
Profit Before Tax	447	637	(29.8)	867	(48.4)	3,403	3,027	12.4
Less: Provision for Tax	118	146	(19.4)	214	(45.0)	783	692	13.1
Adjusted Profit	329	491	(32.9)	653	(49.6)	2,620	2,335	12.2
Add: Exceptional items	0	0	NA	0	NA	-	-	-
Reported Profit	329	491	(32.9)	653	(49.6)	2,620	2,335	12.2
Equity capital (FV Rs 2)	93	93		93		93	93	
No. of Diluted shares outstanding (mn)	47	47		47		47	47	
Adjusted Diluted EPS	7.1	10.5	(32.9)	14.0	(49.6)	56.2	50.1	12.2
As % of net revenues								
Raw material	67.2	67.2		61.8		65.0	65.6	
Staff expenses	9.2	8.2		7.7		7.3	7.4	
Other expenses	11.8	11.5		9.5		10.5	10.6	
EBITDA	11.8	13.1		21.0		17.2	16.4	
Net profit	8.9	12.5		17.6		13.6	13.7	

Source: Company, PL

Exhibit 2: Better performance from South India up 11% YoY in 1QFY24

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
North	1,159	1,150	621	689	1,019	965	749	891	1,178	1,412	865	1,077	1,107
West	1,570	1,504	798	524	1,601	1,580	1,106	700	1,728	2,009	1,141	705	1,513
East	374	442	384	331	364	527	393	414	353	434	433	408	332
South	636	1,327	1,153	1,212	655	1,316	1,320	1,178	668	1,574	1,495	1,522	738
Total	3,738	4,424	2,957	2,756	3,638	4,388	3,569	3,183	3,927	5,429	3,934	3,712	3,691
Growth(%)													
North	71.2%	12.9%	27.1%	12.1%	-12.1%	-16.1%	20.7%	29.4%	15.7%	46.2%	15.5%	20.8%	-6.0%
West	55.8%	-1.7%	17.6%	9.6%	1.9%	5.0%	38.6%	33.7%	8.0%	27.2%	3.1%	0.7%	-12.4%
East	63.1%	10.8%	8.9%	32.1%	-2.7%	19.0%	2.1%	25.1%	-2.8%	-17.5%	10.2%	-1.3%	-6.0%
South	130.7%	23.8%	-3.5%	29.9%	3.0%	-0.8%	14.5%	-2.9%	2.0%	19.6%	13.2%	29.2%	10.6%
Total	70.7%	10.0%	8.9%	21.1%	-2.7%	-0.8%	20.7%	15.5%	8.0%	23.7%	10.2%	16.6%	-6.0%

Source: Company, PL

Exhibit 3: Insecticides and Herbicides contributed to >80% of the overall revenues

(Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Herbicides	1,720	929	917	551	1,746	1,009	1,285	764	2,042	1,683	1,534	965	1,993
Insecticide	1,159	2,079	1,094	1,378	1,055	1,887	1,142	1,464	1,060	2,009	1,141	1,708	996
Fungicide	411	885	562	496	437	1,009	678	605	432	1,140	787	631	369
Others	449	531	384	331	400	483	464	350	393	597	472	408	332
Total	3,738	4,424	2,957	2,756	3,638	4,388	3,569	3,183	3,927	5,429	3,934	3,712	3,691
Growth(%)													
Herbicides	58.5%	-1.6%	5.5%	5.3%	1.5%	8.6%	40.2%	38.6%	17.0%	66.7%	19.4%	26.3%	-2.4%
Insecticide	71.9%	3.0%	6.0%	26.1%	-9.0%	-9.2%	4.4%	6.3%	0.5%	6.5%	-0.1%	16.6%	-6.0%
Fungicide	57.8%	40.0%	37.9%	21.1%	6.2%	14.1%	20.7%	21.9%	-1.0%	13.0%	16.0%	4.4%	-14.6%
Others	163.3%	24.6%	-5.6%	32.1%	-10.8%	-9.1%	20.7%	5.9%	-1.9%	23.7%	1.7%	16.6%	-15.4%
Total	70.7%	10.0%	8.9%	21.1%	-2.7%	-0.8%	20.7%	15.5%	8.0%	23.7%	10.2%	16.6%	-6.0%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	14,778	17,002	19,202	21,623
YoY gr. (%)	6.5	15.1	12.9	12.6
Cost of Goods Sold	9,391	11,155	12,482	13,947
Gross Profit	5,387	5,848	6,721	7,676
Margin (%)	36.5	34.4	35.0	35.5
Employee Cost	1,205	1,263	1,402	1,578
Other Expenses	1,548	1,798	2,016	2,270
EBITDA	2,634	2,787	3,303	3,827
YoY gr. (%)	(2.1)	5.8	18.5	15.9
Margin (%)	17.8	16.4	17.2	17.7
Depreciation and Amortization	163	176	275	292
EBIT	2,471	2,611	3,028	3,535
Margin (%)	16.7	15.4	15.8	16.3
Net Interest	32	31	28	25
Other Income	336	448	403	363
Profit Before Tax	2,775	3,027	3,403	3,872
Margin (%)	18.8	17.8	17.7	17.9
Total Tax	687	692	783	976
Effective tax rate (%)	24.8	22.9	23.0	25.2
Profit after tax	2,088	2,335	2,620	2,896
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,088	2,335	2,620	2,896
YoY gr. (%)	(0.8)	11.8	12.2	10.6
Margin (%)	14.1	13.7	13.6	13.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,088	2,335	2,620	2,896
YoY gr. (%)	(0.8)	11.8	12.2	10.6
Margin (%)	14.1	13.7	13.6	13.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,088	2,335	2,620	2,896
Equity Shares O/s (m)	47	46	46	46
EPS (Rs)	44.8	51.2	57.5	63.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	2,419	2,655	4,755	5,055
Tangibles	2,404	2,643	4,743	5,043
Intangibles	15	12	12	12
Acc: Dep / Amortization	832	1,009	1,284	1,576
Tangibles	832	1,009	1,284	1,576
Intangibles	-	-	-	-
Net fixed assets	1,587	1,646	3,471	3,479
Tangibles	1,571	1,634	3,459	3,467
Intangibles	15	12	12	12
Capital Work In Progress	483	1,532	50	50
Goodwill	-	-	-	-
Non-Current Investments	1,398	1,589	1,589	1,589
Net Deferred tax assets	(56)	(24)	(24)	(24)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,961	958	958	958
Inventories	3,472	3,451	3,933	4,394
Trade receivables	2,825	3,390	3,946	4,443
Cash & Bank Balance	24	43	1,239	3,281
Other Current Assets	-	-	-	-
Total Assets	13,122	14,053	16,629	19,637
Equity				
Equity Share Capital	93	91	91	91
Other Equity	9,511	10,522	12,813	15,380
Total Network	9,604	10,613	12,904	15,471
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	10	38	-	-
Trade payables	1,747	1,752	1,881	2,102
Other current liabilities	1,705	1,626	1,820	2,041
Total Equity & Liabilities	13,122	14,053	16,629	19,637

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	2,775	3,027	3,403	3,872
Add. Depreciation	163	176	275	292
Add. Interest	32	31	28	25
Less Financial Other Income	336	448	403	363
Add. Other	(250)	(429)	(403)	(363)
Op. profit before WC changes	2,720	2,806	3,303	3,827
Net Changes-WC	(1,018)	(711)	(714)	(518)
Direct tax	(660)	(733)	(783)	(976)
Net cash from Op. activities	1,043	1,362	1,806	2,334
Capital expenditures	(192)	(992)	(618)	(300)
Interest / Dividend Income	221	168	403	363
Others	(456)	850	-	-
Net Cash from Invt. activities	(426)	26	(215)	63
Issue of share cap. / premium	-	(1,048)	-	-
Debt changes	(74)	28	(38)	-
Dividend paid	(502)	(318)	(329)	(329)
Interest paid	(32)	(31)	(28)	(25)
Others	-	-	-	-
Net cash from Fin. activities	(608)	(1,368)	(395)	(354)
Net change in cash	9	20	1,196	2,042
Free Cash Flow	851	370	1,188	2,034

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	44.8	51.2	57.5	63.5
CEPS	48.3	55.1	63.5	70.0
BVPS	206.2	232.9	283.1	339.4
FCF	18.3	8.1	26.1	44.6
DPS	6.0	2.0	6.0	6.0
Return Ratio(%)				
RoCE	28.0	25.8	25.7	24.9
ROIC	27.2	22.1	24.3	26.6
RoE	23.8	23.1	22.3	20.4
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	112	109	114	114
Valuation(x)				
PER	16.6	14.6	13.0	11.7
P/B	3.6	3.2	2.6	2.2
P/CEPS	15.4	13.5	11.7	10.7
EV/EBITDA	12.4	11.8	9.6	7.8
EV/Sales	2.2	1.9	1.7	1.4
Dividend Yield (%)	0.8	0.3	0.8	0.8

Source: Company Data, PL Research

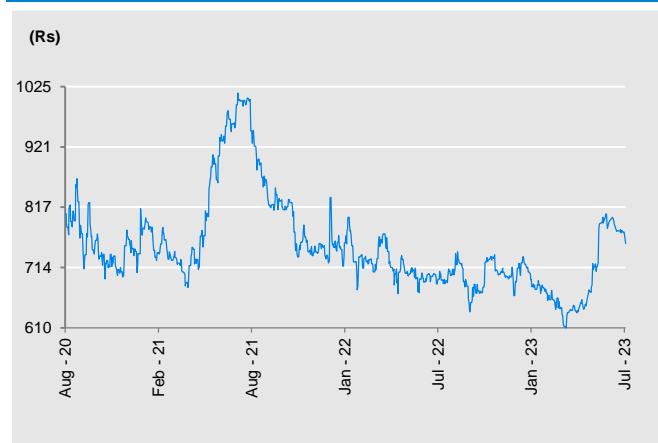
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	5,429	3,934	3,712	3,691
YoY gr. (%)	23.7	10.2	16.6	(6.0)
Raw Material Expenses	3,581	2,639	2,295	2,479
Gross Profit	1,848	1,295	1,418	1,211
Margin (%)	34.0	32.9	38.2	32.8
EBITDA	975	518	779	436
YoY gr. (%)	18.7	(5.8)	19.7	(15.3)
Margin (%)	18.0	13.2	21.0	11.8
Depreciation / Depletion	43	45	51	46
EBIT	933	474	728	390
Margin (%)	17.2	12.0	19.6	10.6
Net Interest	8	8	8	9
Other Income	55	77	147	66
Profit before Tax	980	543	867	447
Margin (%)	18.0	13.8	23.4	12.1
Total Tax	250	104	214	118
Effective tax rate (%)	25.5	19.1	24.7	26.4
Profit after Tax	730	439	653	329
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	730	439	653	329
YoY gr. (%)	15.2	3.2	20.3	(32.9)
Margin (%)	13.5	11.2	17.6	8.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	730	439	653	329
YoY gr. (%)	15.2	3.2	20.3	(32.9)
Margin (%)	13.5	11.2	17.6	8.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	730	439	653	329
Avg. Shares O/s (m)	47	47	47	47
EPS (Rs)	15.7	9.4	14.0	7.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	950	794
2	26-May-23	BUY	950	720
3	11-Apr-23	BUY	940	639
4	10-Feb-23	BUY	940	683
5	05-Jan-23	BUY	940	700
6	01-Nov-22	BUY	940	728
7	04-Oct-22	BUY	850	658

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	4,720	4,582
2	Chambal Fertilizers & Chemicals	Hold	300	273
3	Coromandel International	BUY	1,330	980
4	Dhanuka Agritech	BUY	950	794
5	Godrej Agrovet	Hold	420	464
6	Insecticides India	Accumulate	550	448
7	P.I. Industries	BUY	4,560	3,857
8	Rallis India	Reduce	180	221
9	Sharda Cropchem	Accumulate	540	481
10	Sumitomo Chemical India	BUY	500	413
11	UPL	Hold	650	625

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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