

Tech Tie-Ups with MNCs Yield a Rich Harvest for Dhanuka Agri

An asset-light model has kept debt levels low even as dividends have steadily grown over the last decade

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The ability to develop new agrochemical molecules for the farm sector has proved a key differentiator for Dhanuka Agritech, which has forged technical tie-ups with seven multinationals across the US, Europe and Japan.

The company's expansive reach with one of the largest distribution networks in the country with 7,500 distributors is a major strength. Dhanuka Agritech builds only the formulation facilities while it purchases technical grade agrochemicals from MNCs or domestic companies. For MNCs planning to reach out to Indian farmers, this offers an attractive proposition.

"The technical ties-ups are the highest for any Indian company," said MK Dha-

Dhanuka Agritech



nuka, managing director of the company. "We are among the top five companies in India in branded sales," he told ET.

"Out of our 80 products, 20 are from MNCs, while the remaining are generics," said Dhanuka. The company is planning to launch two new MNC products every year from FY15 to FY17, giving it exclusive marketing rights for the first three to five years, which could extend depending on performance, he said. Products with limited competition naturally offer higher margins.

India's agrochemical consumption is 8-10 times lower than global peers, offering immense growth potential. "We will

grow 25% annually for the next few years, provided the monsoon is not adverse," said Dhanuka.

The company is on an expansion drive. Its new unit coming up in Rajasthan being set up with an investment of ₹50 crore, will nearly triple its capacities in two phases by July 2015. "Initially we will shift our Gurgaon plant's production there, after which our 6 acre land in Gurgaon can be monetized," he said.

Apart from new product launches and growing volumes of existing products, there could be some toll manufacturing arrangements to keep the capacity fully utilised. The company's asset-light model has meant low debt levels while its dividends have steadily increased over the last decade. The proposed expansion is also going to be funded through internal accruals. "We even buy our raw materials on cash to avail discounts," Dhanuka said.

The stock has already doubled in the last four months valuing the company at ₹1,226 crore or 13.8 times its profits for past 12 months. Considering its high growth potential the valuation appears reasonable.

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