Dhanuka Agritech Limited

September 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00	CARE AA; Stable	Reaffirmed
Long-term / Short-term bank facilities	33.00	CARE AA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings affirmation of bank facilities of Dhanuka Agritech Limited (DAL) continues to reflect its established position in the agrochemical sector, backed by long operating track record, experienced management, and enduring partnerships with reputed multinational players that provide access to specialty molecules and also support the company's operating margins to a large extent. A diversified product portfolio across insecticides, herbicides, and fungicides, with a wide geographical footprint, enables the company to serve a large farmer base and reduce concentration risks.

Ratings also draw comfort from DAL's strong financial risk profile, characterised by a robust capital structure, low gearing, strong debt coverage metrics, and healthy profitability. Liquidity remains strong, supported by sizeable cash accruals, surplus liquid investments, low dependence on external debt, and sufficient headroom to fund growth requirements. CARE Ratings Limited (CareEdge Ratings) further notes DAL's recent acquisition of active ingredients Iprovalicarb and Triadimenol from Bayer AG which is expected to strengthen DAL's global positioning and widen its product base, though revenue contribution from these molecules will remain a key monitorable in the near term.

However, ratings remain constrained by the company's exposure to the inherently competitive and regulated crop protection industry, vulnerability to climatic variations, and risks associated with raw material price volatility and policy changes. Profitability was partly moderated by underutilisation at the newly commissioned Dahej plant, with improvement in capacity utilisation remaining a key monitorable. CareEdge Ratings also takes note of the government-imposed stay on bio-stimulants in July 2025; however, the impact is expected to be limited given the segment's small revenue share.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to diversify and significantly enhance its scale of operations with sustained level of operating (profit before interest, lease rentals, depreciation and taxation [PBILDT]) margin over 20% on a sustained basis

Negative factors

- Sharply declining revenue and fall in operating profitability at levels of 10-12% materially impacting cash generation.
- Significant debt-funded capex leading to moderating liquidity profile and deteriorating capital structure with total debt to PBILDT of over 0.50x.
- Regulation by the government putting ban on molecules produced by the company which may adversely impact the company's operations.

Analytical approach: Standalone

Outlook: Stable

'Stable' outlook assigned to the long-term rating of DAL reflects CareEdge Ratings' expectation that the company's financial risk profile will continue to remain strong in the near-to-medium term considering expected growth in revenue, profitability and cash accruals on the back of ramp-up of technical manufacturing facility at Dahej, Gujarat.
This is supported by the increasing contribution of new molecules, long-term association with MNCs for developing and marketing new specialty molecules having great demand potential and low competition.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Longstanding relations with reputed MNCs driving strong margin

DAL has an established track record of collaboration with leading global technical manufacturers and continues to focus on launching new molecules (9[3] registrations) in association with technical partners such as Nissan Chemicals, Japan. These partnerships provide access to specialty molecules, support product innovation, and enable DAL to derive superior margins, which are expected to be key growth drivers going forward. Such tie-ups have also facilitated the introduction of eco-friendly and highly effective pesticides, benefiting the farming community across India. Currently, these alliances contribute ~50% of the company's revenue and act as a cushion to profitability.

Diversified products portfolio with moderate geographical presence

The company has built a broad product portfolio with over 300 registrations and over 90 products across insecticides, herbicides, and fungicides, catering to a large farmer base of ~10 million. This diversification reduces dependence on single crop and mitigates the adverse impact of seasonal variations or localised crop diseases. In FY25, sales were well-distributed regionally, with the south, west, north, and east each contributing meaningfully, reflecting balanced market presence. DAL also sources raw materials from countries including the USA, Japan, and China, with imports accounting for ~25%–35% of total requirements, while exports remain modest. However, the absence of a formal hedging policy exposes the company to foreign exchange risk. The company's wide distribution reach and balanced geographical mix provide revenue stability even in periods of regional demand weakness.

Healthy profitability margin with growing scale of operations

DAL delivered strong performance in FY25, with total operating income (TOI) rising to ₹2,035.15 crore from ₹1,758.54 crore in FY24, reflecting year-on-year (y-o-y) growth of ~16%. This was largely driven by higher sales volumes and successful launch of new products, including Purge, Lanevo, Mycore, Miyako, and Roxa, with Lanevo emerging among the company's top 10 revenue contributors. The contribution of new molecules also improved, rising from 13.29% of total revenue in FY24 to 14.93% in FY25, underscoring the company's focus on product innovation and portfolio expansion. Profitability strengthened in FY25, with PBILDT margins increasing to 20.47% from 18.62% in FY24 and gross margins improving to 39.34% from 38.13%, aided by a more favourable product mix and a higher share of 9(3) molecules. However, margin gains were partly offset by subdued performance at the newly commissioned Dahej facility due to low-capacity utilisation. Going forward, scaling up operations at this plant will be critical for sustaining profitability, as improved utilisation is expected to support operating leverage. From a credit perspective, DAL's ability to maintain PBILDT margins above 20% while expanding scale remains a key monitorable.

Strong financial risk profile with robust capital structure and coverage indicators

DAL's overall financial risk profile remains comfortable, supported by low leverage and strong coverage metrics. The company reported an overall gearing of 0.06x as on March 31, 2025, reflecting its limited reliance on external borrowings. Debt protection indicators remained robust, with total debt to gross cash accrual (TD/GCA) at 0.21x in FY25 (PY: 0.10x) and an exceptionally high interest coverage ratio of 81.50x in FY25 (PY: 106.08x). The company continues to generate healthy internal accruals, which are partly reinvested in the business to fund growth initiatives and partly returned to shareholders. As on March 31, 2025, DAL reported a net worth of ₹1,241.39 crore, marginally lower than ₹1,254.97 crore in FY24. In the last fiscal, the company executed buy back of shares for an amount aggregating to ₹100.00 crores. DAL continues to maintain a strong capital base and ample financial flexibility.

Key weaknesses

Exposure towards highly competitive crop protection industry

The agrochemical sector in India remains highly fragmented, with no single player holding a dominant market share. Intense competition from organised and unorganised players exert pricing pressure, often resulting in moderated profit margins. While Indian companies largely focus on marketing generic and off-patent products with relatively lower R&D intensity, multinational corporations continue to lead in developing patented molecules, further heightening competitive pressures. However, DAL mitigates part of this risk through its ongoing investment in research and development. The company operates the Dhanuka Agritech Research and Technology Centre at Palwal, Haryana, equipped with 11 advanced laboratories, a dedicated farmer training centre, and a comprehensive research farm. The centre focuses on applied and adaptive research aimed at developing new solutions and addressing evolving agricultural challenges, supporting DAL's product pipeline and strengthening its competitive positioning.

Revenue and profitability susceptible to climatic conditions, regulatory changes, and price volatility

The agrochemical and crop protection industry faces several risks, including irregular monsoon patterns, outbreaks of fungal or pest attacks on crops, fluctuations in farm income, complex registration requirements across different countries, and stringent environmental regulations. The delayed and prolonged monsoon in August and September 2025 led to reduced consumption of weedicides, resulting in a significant increase in sales returns by over 40%. Consequently, sales returns exceeded ₹100 crore in Q2FY25. Ban on key products could pose a threat to companies such as DAL. However, DAL's extensive and diversified product portfolio helps mitigate the potential impact of such bans.

Liquidity: Strong

DAL's liquidity position remains strong, underpinned by healthy GCA of ~₹350.00 crore in FY25 against modest scheduled obligations in FY26, including term debt repayments of ₹37.50 crore and lease liabilities of ₹5.30 crore. The company also maintains sizeable surplus liquidity, with investments in debentures, bonds, mutual funds, and fixed deposits exceeding ₹200 crore as on March 31, 2025, of which ₹24.28 crore is lien-marked against an overdraft facility. In addition, DAL has sanctioned working capital limits of ₹50 crore, with average maximum utilisation at a comfortable 24.08% in the 12 months ending June 2025. With a conservative capital structure reflected in overall gearing of 0.06x as on March 31, 2025, DAL retains significant financial flexibility to raise additional debt for capex or growth initiatives if required. While the company has a long track record of dividend distribution, which partially moderates retained cash flow, internal accrual generation remains strong enough to comfortably fund operations, investments, and shareholder payouts without straining liquidity.

Environment, social, and governance (ESG) risks

Agro-chemical manufacturers have a high impact on environment primarily driven by high power consumption done in their manufacturing process. The sector also has a significant social impact because of its large workforce across its operations and value chain partners, and due to its operations affecting the local community and health hazards involved. DAL has been focusing on mitigating its environmental and social risks.

Environmental:

- All facilities, including Sanand, Keshwana, Udhampur, and Dahej, have achieved ISO 14001-2015 (Environmental Management) certification.
- In FY25 DAL undertook upgradation of Effluent Treatment Plant (ETP) and Sewage Treatment Plant (STP) infrastructure to improve wastewater treatment efficiency, comply with environmental norms, and enable water recycling.
- DAL generated 1086 metric tonne hazardous waste, of which 1014 metric tonne were recycled in FY25.

Social:

- The company also engages in different social initiatives; it organises employee engagement programmes regularly with outcomes reviewed by management and the board of directors. In FY25, DAL spent ₹56.24 crore on CSR activities, focusing on supporting rural children's education and promoting healthcare for disadvantaged, vulnerable, and marginalised segments of society.

Governance:

- DAL's board comprises ten directors of which five are independent directors, the board also has 10.00% women representation.
- The company has stakeholders' relationship committee, whistle blower policy, and adequate internal controls to address grievances of all its stakeholders

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Pesticides & Agrochemicals
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Fertilizers & agrochemicals	Pesticides & agrochemicals

Incorporated in 1985, DAL is promoted and managed by Ram Gopal Agarwal (Chairman Emeritus and Founder) and his brother, Mahendra Kumar Dhanuka (Chairman and Executive Director). DAL is engaged in manufacturing formulations (~99%) and technical in agro-chemicals segment such as insecticides, pesticides, and herbicides, among others, through its manufacturing facilities at Sanand (Gujarat), Udhampur (Jammu and Kashmir), Keshwana (Rajasthan), and Dahej (Gujarat), respectively.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY25 (UA)
Total operating income	1,758.54	2,035.15	528.29
PBILDT	327.45	416.61	83.19
PAT	239.09	296.96	55.50
Overall gearing (times)	0.05	0.08	NA
Interest coverage (times)	106.08	81.50	63.99

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	30.00	CARE AA; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	33.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Working Capital Limits	LT	30.00	CARE AA; Stable	-	1)CARE AA; Stable (17-Jul-24)	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	33.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (17-Jul-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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