Dhanuka Agritech Limited

September 24, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	33.00	CARE AA; Stable / CARE A1+	Reaffirmed
Long-term bank facilities	RBI	30.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed ratings assigned to bank facilities of Dhanuka Agritech Limited (DAL) at 'CARE AA; Stable / CARE A1+'. Affirmation of ratings 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 factor in DAL's strong financial risk profile, marked by a robust capital structure, low gearing, strong debt coverage indicators, and healthy profitability. Liquidity remains strong, supported by sizeable cash accruals, surplus liquid investments, low reliance on external debt, and adequate financial flexibility to support growth requirements.

CareEdge Ratings also notes DAL's proposed capital expenditure (capex) of ₹200 crore for setting up a new manufacturing facility as part of its long-term growth and capacity expansion strategy. The project is proposed to be largely funded through internal accruals. Timely execution and cost management of the proposed capex will remain key monitorable. CareEdge Ratings expects DAL to maintain a comfortable financial risk profile in the near-to-medium term, supported by healthy internal accrual generation and low dependence on external borrowings, despite the planned capex.

Ratings remain constrained by DAL's exposure to the competitive and regulated crop protection industry, susceptibility to climatic variations, and risks arising from raw material price volatility and changes in government policies and regulations. CareEdge Ratings notes revenue growth and profitability of the company was impacted by the temporary regulatory restrictions on the sale of high margin biostimulants and biofertilizers in part of FY26. However, the company has obtained approval for the sale of three out of four biostimulants and has already began the sale, with remaining product sale expected to commence from the Q3FY27 onwards. Going forward, any significant impact of the same on the company's credit risk profile will remain a key rating monitorable.

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.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

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 considering ramp-up of technical manufacturing facility at Dahej, Gujarat. This is supported by the increasing contribution of new molecules, long-term association with multinational companies (MNCs) for developing and marketing new specialty molecules having great demand potential and low competition.

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 FY26, 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 US, Japan, and China, with imports accounting for ~30%-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.

Steady operating performance supported by a diversified product portfolio amidst a challenging external environment
In FY26, DAL reported a relatively stable operating performance, with total operating income (TOI) declining marginally by ~1% y-o-y to ₹2,019.79 crore from ₹2,035.15 crore in FY25. Moderation in revenue was primarily attributable to adverse agro-climatic conditions during the year. Abnormal and uneven rainfall patterns disrupted agrochemical application cycles, particularly for herbicides used in soybean, cotton and groundnut crops, resulting in lower demand across key markets. Weak farm economics and lower crop realisations affected farmers' spending on crop protection products. Revenue growth was also impacted by the temporary regulatory restrictions on the sale of biostimulants and biofertilizers in part of the fiscal. The contribution of recently launched molecules declined moderately to 13.93% of revenue in FY26 from 14.93% in FY25.

Profitability witnessed a moderate decline in FY26, with PBILDT margins reducing to 19.98% from 20.47% in FY25. Moderation was primarily considering lower sales of high margin biostimulant products. However, the impact was partly mitigated by higher production linked incentives, which form part of operating income, amounting to ~₹30 crore in FY26 compared to ₹8 crore in FY25. Gross margins also moderated to 38.22% in FY26 from 39.34% in the previous year. Notwithstanding the decline, the company's profitability continued to benefit from its differentiated product portfolio, particularly the proprietary 9(3) molecules, which command significantly higher margins than generic products.

Going forward, given the inadequate rainfall and sub-optimal reservoir water levels across several regions, the company expects demand conditions to remain modest in the Rabi season. Consequently, revenue growth is projected to remain in the single digits in FY27, supported by the planned launch of new products. PBILDT margins are expected to moderate due to the absence of the elevated production-linked incentives witnessed in FY26 and continued cost pressures arising from higher logistics expenses amid geopolitical uncertainties in West Asia. While the company imports ~30%-35% of its raw material requirements, it has limited export exposure and, therefore, the impact on sales is expected to remain relatively contained. CareEdge Ratings expects the company to maintain healthy profitability margins and strong cash accrual generation, which should continue to support its comfortable financial risk profile

Strong financial risk profile with robust capital structure and coverage indicators
DAL's overall financial risk profile remains comfortable, as reflected by its low overall gearing of 0.03x as of March 31, 2026. Debt coverage indicators also remain strong, with the total debt to gross cash accruals (GCA) at 0.18x (FY25: 0.30x) and an exceptionally high interest coverage ratio of 108.83x in FY25 (PY: 81.50x).

As on March 31, 2026, DAL reported a strong net worth of ₹1,537.27 crore, compared to ₹1,241.39 crore in the previous year. The company continues to generate healthy internal accruals, which are partly reinvested in the business to fund growth initiatives and partly returned to shareholders. DAL paid dividends amounting to ₹9.02 crore. The company has declared a final dividend of ₹2 per equity share, amounting to ₹9.02 crore (record date 17th July 2026), for the current fiscal year. The Board has also approved a share buyback of 500,000 equity shares at ₹1,400 per share, involving an aggregate outlay of ₹70 crore, with May 29, 2026, fixed as the record date.

The company is implementing a capacity expansion project involving an investment of up to ₹200 crore, financed through internal accruals, with expected capacity addition of ~23,000 MTPA by April 2028. The proposed automated facility is expected to strengthen operational efficiencies and support the company's growth strategy in sustainable crop protection products. Timely execution and cost management of the proposed capex will remain key monitorable.

Notwithstanding these shareholder-return initiatives and capex plans, DAL is expected to maintain a comfortable financial risk profile, underpinned by its strong net worth, healthy cash generation, and strong capital base providing 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 research and development (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 R&D. 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. Abnormal and uneven rainfall patterns disrupted agrochemical application cycles, particularly for herbicides used in soybean, cotton and groundnut crops, resulting in lower demand across key markets, impacting the revenue growth in FY26.

Liquidity: Strong
DAL's liquidity position remains strong, supported by expected healthy gross cash accruals (GCA) in the range of ₹300-320 crore in FY27, against nil term debt repayment obligations. The company only has lease repayment obligations of ₹6.31 crore in FY27. The company also maintains significant surplus liquidity, with investments in debentures/bonds, mutual funds, and fixed deposits totalling ~₹367.82 crore as of March 31, 2026 (of this, ₹20.50 crore is lien marked against OD facility availed from bank). Apart from this, the company also has sufficient buffer in its working capital limits of ₹30.00 crore. The average maximum utilisation for 12-month period ending in June 2026 was 4.41%.

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 FY26 DAL commissioned 1,200 kWp solar plant to promote renewable energy in its Dahej plant.
- DAL generated 1414 metric tonne hazardous waste, of which 46 metric tonne were recycled and 624 MT were reused in FY26.

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 expended ₹65.32 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 10 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 manufacturing 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, 2025 (A)	March 31, 2026 (A)	Q1FY27(UA)
Total operating income	2035.15	2019.79	461.93
PBILDT*	416.61	403.60	55.02
Profit after tax (PAT)	296.96	287.23	36.30
Overall gearing (x)	0.06	0.02	NA
Interest coverage (x)	81.50	108.83	67.93

A: Audited; UA: Unaudited; Note: these are latest available financial results
PBILDT: Profit before interest, lease rentals, depreciation, and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	-	30.00	CARE AA; Stable
Non-fund-based - LT/ ST-BG/LC	RBI	Simple	-		-	-	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 2026-2027	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
1	Fund-based - LT-Working Capital Limits	LT	30.00	CARE AA; Stable	-	1)CARE AA; Stable (05-Sep-25)	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+ (05-Sep-25)	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: 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: 91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Ravleen Sethi Director **CARE Ratings Limited** Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in Sahil Goyal Associate Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Sahil.goyal@careedge.in

About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information, please visit www.careratings.com