



Dharmaj Corpgaurd Limited

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Offer Details

IPO Size	Rs. 251.15 Cr.
Shares Face Value	Rs.10 per share
Shares price band	Rs.216 to Rs.237 per share
Lot	60 shares
Opening Date	November 28, 2022
ClosingDate	November 30, 2022

Company Overview

- The company is an **agrochemical company** engaged in the business of manufacturing, distributing, and marketing of a wide range of agro chemical formulations such as insecticides, fungicides, herbicides, plant growth regulator, micro fertilizers and antibiotic to the B2C and B2B customers.
- It provides **crop protection solutions** to the farmer to assist them to maximize productivity and profitability.
- The **company exports its products to more than 25 countries** in Latin America, East African Countries, Middle East and Far East Asia.
- It also sell its agrochemical products in granules, powder and liquid forms our customers. Additionally, it manufacture and sell general insect and pest control chemicals for Public Health and Animal Health protection.
- It has obtained **464 registrations for agrochemical formulations** from the CIB&RC, out of which **269 agrochemical formulations** are for sale in India as well as for export and **195 agrochemical formulations are exclusively for exports.**
- They have also **applied for registrations of 18 agrochemical formulations and 17 agrochemical technical** from the CIB&RC, which are pending at various stages.
- As of September 30, 2022, it had more than **154 institutional products** that sold to more than 600 customers based in India and in the international markets. As of September 30, 2022, **it exported our products to more than 66 customers across 25 countries.**
- **Product portfolio:**
 - 1) **Insecticides:** It manufacture a wide range of insecticides to suit the requirement of farmers in preventing and curating different crops from being damaged by insects. It develops effective, safe, and sustainable range of insecticides to help farmers and prevent the crops from damage. Certain of top branded insecticides products are Padgham, Lubrio, Nilaayan, Dahaad, Prudhar and Remora amongst others.
 - 2) **Fungicides:** It manufacture a wide range of fungicides that protect the crop from the diseases caused by pathogenic organisms. Fungicide is a specific type of pesticide that is responsible for controlling fungal. Certain of the top

branded fungicides products are Gagandip, Sajaag, Lokraj, Rishmat and Kaviraj amongst others.

- 3) **Herbicides:** Certain of their top branded herbicides products are Dharozar, Aatmaj, Rodular, Dharolik, Kohha, Kawayat Super and Sadavirum amongst others.
 - 4) **Plant growth regulator:** It also manufacture plant growth regulator which are also known as plant hormones and helps in increasing the crop yield and improving its quality. Certain of our top branded plant growth regulator products are Rujuta, Greenoka, and Stabilizer amongst others.
 - 5) **Micro Fertilizers:** In order to increase the production of crops and to make the soil more fertile, we manufacture micro fertilizers such as sulphur, zinc, boron and ferrous. Micro fertilizers are required for crops to reap the maximum yield from crops. Under this category it sells branded products such as Zeekasulf, Aakuko, Thandaj and Zusta amongst others.
 - 6) **Antibiotic:** Antibiotic is a major tool to treat the bacterial issues of plants and tree fruits. Antibiotic boost and develop immune system of plants. Under this category it sells brand product namely Retardo.
- **The aggregate installed capacity of its manufacturing facility for agro-chemical formulations was 25,500 MT. The Company manufactured 7,577.21 MT of agrochemical formulations in Fiscal 2021.**

What is working for the company?

- The company has experienced promoters and management team. The promoter, Rameshbhai Ravajibhai Talavia who is our Chairman and Managing Director, has over 28 years of experience in the agrochemical industry.
- In the short period of 7 years from the incorporation and into commercial manufacturing, it has reached revenue of over Rs 3,942.08 million in Fiscal 2022. It has built its business organically and have demonstrated consistent growth in terms of revenues and profitability. From Fiscal 2020 to Fiscal 2022, the revenue from operations, EBITDA and profit after tax for the year has grown at a CAGR of 41.02%, 57.68% and 63.30%, respectively.
- The key brands, which it owns or license include Padgham, Lubrio, Nilaayan, Dahaad, Prudhar and Remora in Insecticides, Gagandip, Sajaag, Lokraj, Rishmat and Kaviraj in Fungicides, Dharozar, Aatmaj, Rodular, Dharolik, Kohha, Kawayat Super and Sadavirum in Herbicides, Rujuta, Greenoka, and Stabilizer as plant growth regulators, Zeekasulf, Aakuko, Thandaj and Zusta as Micro Fertilizers and Retardo as Antibiotic. For Fiscals 2020, 2021 and 2022 and four months period ended on July 31, 2022, sales from its branded business was Rs 633.57 million, Rs 904.39 million, Rs 1,208.96 million and Rs 587.24 million, respectively, and constituted 31.96%, 29.91%, 30.67% and 26.58% of its total revenue from operations for those periods.
- As a part of its expansion plans and in order to achieve backward integration for its operations, they have also acquired around 33,489.73 sq. mtrs of land at Saykha Industrial Estate, Bharuch, Gujarat, India on leasehold basis for 99 years from GIDC to set up a manufacturing facility for Agrochemical technical and its intermediates which will be used for internal consumption as well as for sales in domestic and international market.
- The company has also installed solar power panels at our manufacturing facility to generate green power in order to optimally use the electricity which is sourced from third party during the manufacturing process. The aggregate capacity of the installed solar power panels is 85,320 KW per annum which caters to its electricity requirements at its manufacturing facility and helps to reduce its dependency on third party electricity requirements.
- The company plans to expand its share in public health and animal health segment. It supplies these products under its own brands like Dhoofon, Dharmexo Gel and

Podcast 25WP, amongst others and it intend to further increase its market share by increasing its product portfolio in public health segment. Further, the technical that will be produced in the proposed new manufacturing facility of its Company will also be used in public health and animal health segment.

- With a vision to create its brand awareness and promote sales of its branded products through digital platform, it has made a strategic investment in an agritech company “Khetipoint Private Limited” which has developed an online digital marketplace platform “Khetipoint” which aims to connect Farmers from across India to their retailers and company experts. On this platform, farmers can share their farming related practical problems / issues with the experts and get the solution. Farmers can also compare the products and prices on this platform and then buy the best suitable product as per their need online.
- The manufacturing facility is fully integrated formulation facility with processes starting from procurement of raw materials, stringent quality checks, mixing, blending, pre-delivery inspection and final dispatch.



(Source: Company DRHP)

- As of September 30, 2022, they have more than 4,362 dealers supported by 16 stock depots in the India such as Gujarat, Madhya Pradesh, Chattisgarh, West Bengal, Rajasthan and Assam, in order to meet the demand of our branded products from farmers. In addition to the strong retail distribution network, it also

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has 195 members in its sales team that reaches out to institutional buyers to recommend its trusted products.

What is not working for the company?

- The company is required to obtain and maintain various statutory and regulatory permits, approvals, licenses and registrations to operate its business, certain of which have been applied for and certain of which are due to expire in the near future.
- As an agrochemical company, the business is sensitive to weather conditions such as rains, drought, floods, cyclones and natural disasters, as well as events such as pest infestations.
- The agro-chemical industry is subject to strict regulations with respect to a range of environmental matters including limitations on land use, licensing requirements, management of materials used in manufacturing activities, the storage of inflammable and hazardous substances and associated risks, the storage, treatment and disposal of wastes, remediation of contaminated soil and groundwater, air quality standards, water pollution and discharge of hazardous materials into the environment.
- The company faces credit risk. The operations involve extending credit for extended periods of time to its customers, dealers and distributors in respect of its products, and consequently, it faces the risk of non-receipt of these outstanding amounts in a timely manner or at all, particularly in the absence of long-term arrangements with customers, dealers and distributors.
- Zero budget natural farming is another such alternative to crop protecting chemicals which is a farming methodology that involves no use of chemical fertilizers. The concept was referred to in the Union Budget for Fiscal 2019 of the Government of India. Implementation of the said program may impact the sale of agrochemical formulations, thereby causing a decline in the business operations and revenue of this Company.

Financial Statements

Profit & Loss

Figures in Rs. Crores

	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Sales +	136	193	298	388
Expenses +	126	175	267	344
Operating Profit	10	18	31	44
OPM %	8%	9%	10%	11%
Other Income +	1	1	1	2
Interest	2	2	1	3
Depreciation	2	2	3	5
Profit before tax	7	14	28	39
Tax %	28%	26%	26%	26%
Net Profit	5	11	21	29
EPS in Rs	25.10	6.54	12.74	11.62

Balance Sheet

CORPORATE ACTIONS

Figures in Rs. Crores

	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Share Capital +	2	16	16	25
Reserves	9	19	40	60
Borrowings +	20	20	27	37
Other Liabilities +	17	37	46	98
Total Liabilities	48	93	129	220
Fixed Assets +	12	22	39	40
CWIP	-0	2	1	18
Investments	-0	-0	-0	0
Other Assets +	36	68	89	161
Total Assets	48	93	129	220

Cash Flows

Figures in Rs. Crores

	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Cash from Operating Activity +	3	2	13	16
Cash from Investing Activity +	-4	-15	-18	-24
Cash from Financing Activity +	0	12	6	7
Net Cash Flow	-0	-1	1	-0

Our recommendation

- The company has wide geographical presence and is backed by experienced management.
- It is also planning to enter new segments like public health and animal health.
- However, the nature of business is cyclical. Hence one cannot expect consistency in the revenue and the margins.
- **Our recommendation is to subscribe this IPO with medium to long term horizon.**

Subscribe for the IPO:

<http://ipo.jainam.in/#/home>