



Nov 24, 2022

# DHARMAJ CROP GUARD LTD

## IPO

*Dharmaj Crop Guard Ltd, an agrochemical company having niche portfolio of agro-chemical products, said it will launch its initial public offer (IPO) on Nov 28, 2022. The offer will close on Nov 30, 2022 and the company has fixed the price band at ₹216-₹237 per equity share.*

Rating: **Subscribe**

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## Company's Overview

- Dharmaj Crop Guard Ltd 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.
- The product portfolio of the company includes Insecticides (prevents crop damage), Fungicides (prevents diseases caused by pathogenic organisms), Herbicides (eliminates weeds and prevents soil erosion), plant growth regulator (increasing crop yield), Micro Fertilizers (ensure fertility) and Antibiotic (treat bacterial issues).
- The company is also engaged in the marketing and distribution of agrochemical products under brands in-licensed by them, owned by them and through generic brands, to Indian farmers through its distribution network.
- The company exports its products to more than 66 customers across 25 countries in Latin America, East African Countries, Middle East and Far East Asia.
- The company 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. Additionally, the company has also applied for registrations of 18 agrochemical formulations and 17 agrochemical technicals from the CIB&RC, which are pending at various stages.
- As of September 30, 2022, the company had over 118 branded formulations that are sold to farmers. The company sells bulk products to institutional customers domestically and in the international markets. Further, as of September 30, 2022, it had more than 154 institutional products that were sold to more than 600 customers based in India and in the international markets.

## Valuations

- Considering the FY22 / FY23 Annualized EPS of Rs.8.49 / Rs.16.30 on a post issue basis, the company is going to list at a P/E of 27.92x / 14.54x with a market cap of Rs.8,010 mn whereas its peers namely Rallis India Ltd and Bharat Rasayan Ltd are trading at P/E of 28.7x and 23.7x.
- We assign "Subscribe" rating to this IPO as the company has established distribution network with strong branded products and stable relationship with institutional customers. Also, it is available at reasonable valuation as compared to its peers.

## Financial Snapshot

Particulars (in millions)	FY22	FY21	FY20
Revenue	3,942	3,024	1,982
Other Income	21	12	9
Total Income	3,963	3,036	1,992
Total Expenses	3,578	2,754	1,847
EBITDA	443	311	179
EBITDA Margin	11.25%	10.27%	9.05%
PAT	287	210	108
PAT Margins	7.28%	6.93%	5.43%
EPS	11.62	12.74	8.62

<b>Issue Open</b>	Nov 28, 2022, Mon
<b>Issue Close</b>	Nov 30, 2022, Wed
<b>Issue Type</b>	Book Built Issue IPO
<b>Issue Size</b>	<b>Fresh Issue:</b> 9.11 mn Eq Shares (₹2,160.00 mn) <b>OFS:</b> 1.48 mn Eq Shares (₹351.47 mn)
<b>Face Value</b>	₹10
<b>Issue Price Band</b>	₹216-₹237
<b>Listing at</b>	NSE, BSE
<b>Minimum Lot Size</b>	60 shares

### Objects of the Issue

- Funding capital expenditure towards setting up of a manufacturing facility at Saykha, Bharuch, Gujarat
- Funding incremental working capital requirements of the Company
- Repayment and/or pre-payment, in full and/or part, of certain borrowings of the Company
- General corporate purposes

### Issue Break-Up

Category	No of shares (Mn)	In Million	% of issue
<b>QIB</b>	5.27	1,249.22	50.00%
<b>NIB</b>	1.58	374.77	15.00%
<b>Retail</b>	3.69	874.45	35.00%
<b>Employees</b>	0.06	13.04	-

### Shareholding Pattern

	Pre- Issue	Post- Issue
<b>Promoters and Promoters' Group</b>	100.00%	68.65%
<b>Public</b>	-	31.35%
<b>Total</b>	100.00%	100.00%

### Capital Structure

Particulars	Aggregate value
<b>Authorized Equity Share Capital</b>	350.00 mn
<b>Paid -Up Capital (Pre-Offer)</b>	246.83 mn
<b>Paid- Up Capital (Post-Offer)</b>	337.97 mn



## Competitive Strengths

- Diversified portfolio of products and consistent focus on quality and innovation
- Strong R&D capabilities with focus on innovation and sustainability.
- Established distribution network with strong branded products and stable relationship with institutional customers
- Experienced Promoters and management team
- Track record of strong operational and financial performance

## Key Business Strategies

- Enhance manufacturing capabilities through backward integration and expand product portfolio
- Targeting new customers, expanding existing customer business and increase market share in domestic and international markets
- Expanding Public Health and Animal Health product segment
- Strengthening up business through effective branding, promotional and digital activities

## Key Risks

- The business is sensitive to weather conditions such as rains, drought, floods, cyclones and natural disasters, as well as events such as pest infestations and is cyclical in nature.
- The manufacture of agrochemical formulations is complex, and the company may experience problems during the manufacture of agrochemicals for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, manufacturing quality concerns, problems with raw materials, lack of technical know-how, natural disaster related events or other environmental factors.

## Peer Comparison:

Company Name	Consolidated/ Standalone	Face Value (₹ Per Share)	Total Revenue (in ₹ mn)	EPS(₹)	NAV(₹per share)	RoNW(%)
Dharmaj Crop Guard Ltd	Standalone	10	2,209.4	7.44	40.99	18.15%
Rallis India Ltd	Consolidated	1	26,039.3	8.44	87.25	9.68%
India Pesticides Ltd	Consolidated	1	7,161.4	13.78	55.39	24.76%
Punjab Chemical & Crop Protection Ltd	Consolidated	10	9,334.6	68.07	184.00	36.99%
Bharat Rasayan Ltd	Consolidated	10	13,011.6	423.52	1,853.11	22.85%
Astec Lifesciences Ltd	Consolidated	10	6,765.7	45.85	202.33	22.66%
Heranba Industries	Standalone	10	14,503.7	47.25	178.55	26.46%

## Promoters and Management Details

Name	Designation
Rameshbhai Ravajibhai Talavia	Chairman and Managing Director
Jamankumar Hansarajbhai Talavi	Whole time Director
Jagdishbhai Ravajibhai Savaliya	Whole time Director

