

## Dharmaj Crop Guard Limited

- Incorporated in 2015, Dharmaj Crop Guard Limited is an agrochemical company. The company is engaged in the business of manufacturing, distributing, and marketing a wide range of agrochemical formulations such as insecticides, fungicides, herbicides, plant growth regulators, micro fertilizers and antibiotics to the B2C and B2B customers.
- The company also provides crop protection solutions to the farmer to assist them to maximize productivity and profitability. Dharmaj Crop Guard Limited export products to more than 20 countries in Latin America, East African Countries, the Middle East and Far East Asia.
- The company's manufacturing facility is located in Ahmedabad, Gujarat, India. Dharmaj Crop Guard Limited also has a research and development ("R&D") centre at the manufacturing facility.
- As of September 30, 2022, they had over 118 branded formulations that are sold to farmers. They sell bulk products to our institutional customers domestically and in the international markets.
- Further, as of September 30, 2022, they had more than 154 institutional products that they sold to more than 600 customers based in India and in the international markets. It has exported products to more than 66 customers across 25 countries.

### Objects of the Issue

- Funding capital expenditure towards setting up of a manufacturing facility at Saykha, Bharuch, Gujarat. (Rs. 1050 Mn)
- Funding incremental working capital requirements of the Company. (Rs. 450 Mn)
- Repayment and/or pre-payment, in full and/or part, of certain borrowings of the Company. (Rs. 100Mn)

### Competitive Strengths:

- **Diversified portfolio** of its products and consistent focus on quality and innovation.
  - DCGL 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, they have also applied for registrations of 18 agrochemical formulations and 17 agrochemical technicals from the CIB&RC, which are pending at various stages.
- **Strong R&D capabilities** with focus on innovation and sustainability
- **Established distribution network with strong branded products and stable relationship with Dharmaj Crop's institutional customers**
  - DCGL have established an extensive, pan-India distribution network for their domestic branded products business. Branded products are sold in 17 states through network comprising over 4,362 dealers having access to 16 stock depots in India supporting the distribution of the products, as of September 30, 2022.
- **Experienced Promoters and management team**
  - Rameshbhai Ravajibhai Talavia who is the Managing Director and Jamankumar Hansarajbhai Talavia the Whole time Director have over 28 years and 22 years of experience in the agrochemical industry respectively.
  - The management team is backed by a core technical team that has vast experience in manufacturing and also has the required technical know-how to manufacture the products which the Company is catering to.
- **Track record of strong operational and financial performance.**
  - In the short period of 7 years of incorporation and into commercial manufacturing, it has reached revenue of over ₹ 3,942.08 million in Fiscal 2022. Business is built organically and have demonstrated consistent growth in terms of revenues and profitability. From Fiscal 2020 to Fiscal 2022, 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.
- **Enhance our manufacturing capabilities through backward integration and expand our product portfolio**
  - As a part of expansion plans and in order to achieve backward integration from operations, it has acquired land around 33,489.73 sq. mtrs of land at Saykha Industrial Estate, Bharuch, Gujarat, India to set up a manufacturing facility for Agrochemical Technicals and its intermediates which will be used for internal consumption as well as for sales in domestic and international market, which will give more competitive strength.
- **Targeting new customers, expanding existing customer business and increase our market share in domestic and international markets.**
  - It has increased market share in India for agrochemical products in recent years through increasing product portfolio organically and it intend to continue to evaluate opportunities to capitalize on industry consolidation and acquire other products and brands to grow its portfolio.
  - As per industry sources, an opportunity amounting around USD 5 billion is estimated to go off-patent by FY27. This is likely to support pesticide exports from India going forward (Source: Company Commissioned CareEdge Report). We identify new generic products that have significant volume in the market and evaluate whether we ought to register such products.

## SUBSCRIBE

<b>Issue Size</b>	Rs. 2511.5 Mn
<b>Fresh Issue</b>	Rs. 2160 Mn
<b>Offer for Sale</b>	Rs. 35.15 Mn
<b>Issue Open Date</b>	28th November, 2022
<b>Issue Closing Date</b>	30th November, 2022
<b>Price Band</b>	Rs. 216 - Rs. 237
<b>Lot Size</b>	60 shares per lot
<b>Face Value</b>	Rs. 10 per share
<b>Post Issue Market Cap at Lower Price Band</b>	8480 Mn
<b>Post Issue Market Cap at higher price band</b>	9310 Mn

Source: Company's RHP

### Shareholding Pattern

PARTICULARS	PRE-ISSUE	POST-ISSUE
Promoters	100%	73.03%
Public	0%	26.97%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Source: Company's RHP

### Indicative IPO Process Timeline

PARTICULARS	DATE
Finalisation of basis of allotment	5 <sup>th</sup> December, 2022
Unblocking of ASBA Accounts	6 <sup>th</sup> December, 2022
Credit to demat accounts	6 <sup>th</sup> December, 2022
Commencement of trading	8 <sup>th</sup> December, 2022

Source: Company's RHP

### Financial Highlight

PARTICULARS	FY20 (in Mn)	FY21 (in Mn)	FY22 (in Mn)
Revenue from Operations	3942	3024	1982
EBITDA	462	320	186
EBITDA Margin	11.72%	10.58%	9.38%
Profit after Tax	286.9	209.6	107.6
PAT Margin	7.3%	6.9%	5.4%
Adjusted EPS	11.62	8.49	5.75
Debt to Equity	0.48	0.43	0.57
Return on Net Worth	34.64%	37.33%	30.55%

Source: Company's RHP

**Industry Highlights:**

- During the five-year period 2016-2020, the global pesticides market has grown at a Compounded Annual Growth Rate (CAGR) of 4.3% from USD 57 billion in 2016 to USD 67 billion in 2020.
- It is expected that the pesticides market in the regions like India and China will grow at a faster CAGR of 3.4%-3.7% by 2024 compared to other regions.
- The upward momentum in pesticides industry output is expected to continue going forward backed by a growth in food consumption in domestic market amid an expected increase in population, government support towards agriculture, demand from export markets, horticulture and floriculture market among others.
- The penetration of pesticides and agrochemicals in India is low and this poses an opportunity for growth for agrochemical producers. In addition to this, the government's aim to reduce dependency on China and improve self-sufficiency is expected to support industry's backward integration and thus its growth.

Particulars	2021-2022	2026-27P	CAGR
Insecticides	109	~134	4.0%-4.5%
Fungicides	121	~139	2.0%-3.0%
Herbicides	54	~67	4.5%-5.5%
Others	11	~14	5.0%-5.5%
<b>Total</b>	<b>295</b>	<b>~354</b>	<b>3.5%-4.0%</b>

Source: Company's RHP

**Key Concerns:**

- The business is subject to climatic conditions and is cyclical in nature, thus, seasonal variations and unfavorable local and global weather patterns may have an adverse effect on the business. Due to the fragmented nature of the industry and the commoditized nature of crop production products, most producers are price takers with limited price variation due to brand name and product quality.
- The company does not generally enter into long-term agreements with majority of its customers.
- Failure to successfully obtain required registrations or maintain statutory and regulatory permits and approvals required to operate, would affect the business and manufacturing facility operations.
- Failure to comply with the quality standards, technical specifications, regular inspections and audits prescribed by customers may lead to loss of business from such customers.
- Inability to identify and understand evolving industry trends, technological advancements, customer preferences and develop new products to meet customers' demands.
- If the company fails to meet the standard norms laid by governments locally or globally, then the products are at a risk of being banned or suspended or become subject to significant compliance costs.

**Competitive Landscape:**

Particulars (In Million)	Dharmaj Crop Guard Ltd	Rallis India	India Pesticides	Punjab Chemical and Crop Protection	Bharat Rasayan
Price on Nov 18,22	-	232	255	1,192	10,164
Revenue from Operations	3,942	26,039	7,161	9,335	13,012
EBITDA	461.9	3015.15	2269	1406	2,654
EBITDA Margin	11.72%	11.58%	31.68%	15.06%	20.40%
Profit/Loss for the Period	287	1641.99	1579.02	834.6	1,760
Profit Margin	7.28%	6.31%	22.05%	8.94%	13.53%
Adjusted EPS	7.44	8.44	13.78	68.07	432.52
RONW	18.15%	9.68%	24.76%	36.99%	22.85%
P/E	-	27.45	18.53	17.51	24

Source: Company's RHP

**Recommendation:**

- DCGL has shown consistent growth on revenue and increasing its market share over the past 4 years.
- Healthy increase in capex over the years from the promoters shows promise and confidence in management.
- Constantly growing product mix and willingness of company to diversify their product lines to increase their market share is a positive.
- The listing will give the company an approximate P/E band of 28-31 which is, compared to its peers on the higher side.
- We give this IPO a **"Subscribe"** rating.

**Balance Sheet**

Particulars	FY20 (in Mn)	FY21 (in Mn)	FY22 (in Mn)
Equity share capital	164.56	164.56	246.83
Other equity	189.73	398.89	602.35
Non-Controlling interests	0	0	0
Non-current borrowings	51.23	154.25	253.16
Non-current lease liabilities	-	-	-
Other non-current financial liabilities	12.31	16.95	22.41
Noncurrent trade payables	-	-	-
Non-current provisions	1.88	3.34	4.08
Current borrowings	150.54	116.78	116.12
Other current financial liabilities	0.05	0.49	0.67
Trade payables	332.06	391.27	913.70
Current provisions	0.01	0.12	0.2
Current net tax liabilities	2.59	2.72	4.35
Other current liabilities	20.90	40.91	31.58
<b>Total liabilities</b>	<b>925.83</b>	<b>1288.70</b>	<b>2195.45</b>
Property, plant and equipment	216.93	386.72	389.34
Intangible assets	1.21	4.21	18.72
Capital work-in-progress	23.17	11.40	176.52
Non-current investments	0	0	4.89
Other non-current financial assets	9.95	10.34	10.36
Net deferred tax assets	2.03	0	2.30
Other non-current assets	55.39	45.70	55.39
Inventories	276.11	435.75	628.78
Trade receivables	333.29	361.82	859.82
Current investment	0	0	0
Cash and cash equivalents	2.99	9.53	9.52
Current loans	0.45	0.71	0.76
Other current financial assets	0.57	0.71	1.05
Current net tax assets	-	-	-
Other current assets	3.37	21.80	38.01
<b>Total assets</b>	<b>925.83</b>	<b>1288.70</b>	<b>2195.45</b>

Source: Company's RHP

Member: BSE, NSE, MSE  
 Regd. Office: Dare House,2 (Old) # 234) N.S.C Bose Road, Chennai – 600 001.  
 Website: www.cholawealthdirect.com  
 Email id – customercarewm@chola.murugappa.com  
 CIN U65993TN1994PLC028674

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RESEARCH			
Mugilan K	Technical Analyst	+91-44 - 4004 7353	mugilank@chola.murugappa.com
Balaji H	Compliance Officer	044-30007226	balajih@chola.murugappa.com
Lakshmi Sundaram	Customer service	1800 425 4477	lakshmis@chola.murugappa.com

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 (A subsidiary of Cholamandalam Investment and Finance Company Ltd.)  
 Dare House Extn., 4th Floor, 2, N.S.C. Bose Road, Parrys, Chennai 600001, India  
 Tel: 91-44-40047370 Fax: 91-44-40047373  
 Website: www.cholawealthdirect.com CIN – U65993TN1994PLC028674