

Company Overview

Incorporated in 1984, IPL is one of the fastest growing agrochemical company operating in Technicals and Formulations business verticals. It is the sole Indian manufacturer of five Technicals and among the leading manufacturers globally for Captan, Folpet and Thiocarbamate Herbicide, in terms of production capacity. It also manufactures herbicide, insecticide and fungicide Formulations. The company has a strategic focus on R&D with capabilities including two well-equipped in-house laboratories. Their R&D efforts have led to development of processes to manufacture 3 generic off-patent Technicals since FY18. IPL's Technicals are primarily exported to over 25 countries including Australia, America, Europe, Asia and Africa and its revenue generated from exports contributed to 56.71% of revenue from operations in FY21. The company currently has 2 manufacturing facilities located at Lucknow and Hardoi in Uttar Pradesh. As of March 31, 2021, their aggregate installed capacity of their manufacturing facilities for agro-chemical Technicals was 19,500 MT and Formulations was 6,500 MT. They have also commenced construction of 2 manufacturing units which are proposed to be used for herbicide Technicals.

Objects of the issue

The IPO proceed will be used towards the following purposes;

- ⇒ Funding working capital requirements.
- ⇒ General corporate purposes.

Investment Rationale

Strong R&D, Product development capabilities and a diversified product portfolio

IPL places significant emphasis on R&D, constantly seeking to develop new products and alternate production process for their existing Technicals and for those that are expected to go off-patent in the near future. Their R&D team comprises of PhDs, masters graduates in chemistry and a biotechnological engineer with two well-equipped in-house laboratories. As a result of their R&D efforts, they have developed a niche portfolio of agro-chemical products over the years. They have diversified their product portfolio and grown into a multi-product manufacturer of Formulations, herbicide, fungicide Technicals and APIs. The company has obtained registrations from the CIBRC for 22 agro-chemical Technicals and 125 Formulations for sale in India and 27 agro-chemical Technicals and 35 Formulations for export. This diversification across products and sectors has allowed them to de-risk their business operations. IPL's Technicals are exported to over 25 countries which limits the impact of cyclical and monsoon trends in the agriculture industry.

Long term relation with key customers

IPL has developed strong long term relations with various multinational companies in India as well as abroad that has helped them to expand their product offerings and geographic reach. Several of their customers have been associated with the Company for over 10 years and certain of the key customers include crop protection majors, such as, Syngenta Asia Pacific Pte, UPL, ASCENZA AGRO, S.A., Conquest Crop Protection Pty and Sharda Cropchem. The company's customer relationships are led primarily by their ability to manufacture complex Technicals that go off-patent in a cost effective, safe and environmentally conscious manner as well as their ability to meet stringent quality specifications.

Valuation and Outlook

India Pesticides Ltd (IPL) is an R&D driven agro-chemical manufacturer based in India catering to domestic as well as International markets. It is one of the fastest-growing agrochemical company with over 56% export revenue. Moreover, the company has a diversified range of products, loyal customer base, high focus on R&D and strong brand recognition that provides further growth visibility. On the valuation front, considering the diluted equity shares, FY21 earnings and upper price band, the company is valued at 24.5x P/E, which is at a discount compared to its listed industry peers (i.e, Dhanuka Agritech 21.4x, Bharat Rasayan 34x, Rallis India 30.2x and PI industries 60.1x). Considering the factors such as consistent track record of financial performance, strong sourcing capabilities, distribution network and further expansion plans we give a "SUBSCRIBE" rating on this issue for the long term.

Issue Details	
Offer Period	23rd June - 25th June, 2021
Price Band	INR.290 to INR.296
Bid Lot	50
Listing	BSE&NSE
Issue Size (no. of shares in mn)	27
Issue Size (INR. in bn)	8.0
Face Value	1

Issue Structure	
QIB	50%
Retail	35%
NIB	15%
BRLM	Axis Capital Ltd JM Financial
Registrar	KFIN Technologies Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter	82.7	72
Public	17.3	28
Total	100	100

(Assuming issue subscribed at higher band)

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Income Statement (In mn)

Particulars	FY19	FY20	FY21
Revenue			
Revenue from Operations	3,407	4,796	6,490
Other Income	54	101	64
Total Income	3,460	4,897	6,554
Expenses			
Raw Material Consumed	1,945	2,566	3,301
Changes in Inventories of Finished Goods, Stock-In-Trade and Work-In-Progress	(74)	(35)	(197)
Employee Benefit Expenses	134	164	227
Other Expenses	749	1,166	1,327
Total Operating Expenses	2,754	3,861	4,659
EBITDA	706	1,037	1,895
Depreciation and Amortisation Expense	40	51	61
EBIT	667	986	1,834
Finance Costs	56	52	34
PBT	611	934	1,799
Current Tax	170	231	448
Deferred Tax Charge	2	(2)	8
Current Taxes Relating to Earlier Years	-	(3)	(2)
Total Tax	172	226	454
PAT	439	708	1,345
Diluted EPS	4	6	12

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21
Cash Flow from Operating Activities	(34)	752	833
Cash Flow from Investing Activities	(66)	(311)	(840)
Cash Flow from Financing Activities	93	(390)	(41)
Net Increase/(Decrease) in Cash and Cash Equivalents	(7)	51	(48)
Cash and Cash Equivalents at the Beginning of the Period	24	16	67
Cash and Cash Equivalents at the End of the Period	16	67	19

Source: RHP, BP Equities Research

Balance Sheet (In mn)

Particulars	FY19	FY20	FY21
Liabilities			
Share Capital	32	32	112
Other Equity	1,838	2,537	3,783
Net worth	1,870	2,568	3,895
Long-Term Borrowings	113	104	74
Other Financial Liabilities	-	1	1
Long Term Provisions	4	5	7
Deffered Tax Liabilities (Net)	76	73	81
Total Non-Current Liabilities	192	184	164
Trade Payables	549	615	740
Borrowings	438	135	225
Other Financial Liabilities	92	82	56
Other Current Liabilities	28	63	54
Short Term Provisions	0	1	32
Current Tax Liabilities (Net)	3	8	5
Total Current Liabilities	1,110	905	1,112
Total Equity & Liabilities	3,172	3,657	5,171
Assets			
Property, Plant & Equipment	698	950	1,200
Right of Use Assets	-	43	44
Capital Work in Progress	47	12	119
Intangible Assets	2	2	1
Intangible Assets Under Development	3	-	-
Investments	31	30	99
Other Financial Assets	38	49	28
Other Non-Current Assets	20	21	12
Total Non-Current Assets	838	1,106	1,503
Inventories	355	386	701
Trade Receivables	1,783	1,832	2,142
Cash and Cash Equivalents	16	67	19
Bank Balances	12	13	411
Other Financial Assets	10	7	1
Other Current Assets	158	247	394
Total Current Assets	2,334	2,551	3,668
Net Current Assets	1,224	1,647	2,556
Total Assets	3,172	3,657	5,171

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company requires certain approvals and licenses in the ordinary course of business, including certain registrations from the Central Insecticides Board and Registration Committee ("CIBRC") for their products manufactured and sold in India as well as for exports to other jurisdictions. Any failure to successfully obtain such registrations or renew or maintain their statutory and regulatory permits and approvals would adversely affect their operations.
- ⇒ India Pesticides Ltd (IPL) derives almost all of their revenues from the sale of Technicals and Formulations in the agro-chemicals industry and any reduction in the demand for such products or the agro-chemicals industry could have an adverse effect on their business.
- ⇒ There is a growing consumption of bio-pesticides globally and in India. The use and adoption of bio-pesticides by their customers may affect their competitive position.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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