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The company would trade at P/E of 24.52x for FY21 which is quite attractive as compared to listed peers. Considering the company's capacity expansion plans and growth prospectus, we recommend 'SUBSCRIBE' for listing and long term gains.



India Pesticides Limited

An ISO 9001:2015, 14001:2015, 45001:2018 and 10002:2018 Company

About the Company

Incorporated in 1984, India Pesticides Limited (IPL) is one of the leading agrochemicals manufacturers in India. The company operates in two business verticals; Technicals and Formulations. It manufactures herbicide, fungicide Technicals, and Active Pharmaceuticals Ingredients (APIs). It is the sole Indian manufacturer of several Technicals i.e. Folpet, Thiocarbamate, and Herbicide. The company also manufactures 30+ formulations of insecticides, fungicides, and herbicides.

Its Technicals are majorly exported to 20+ countries including Australia, Asia, Africa, and European countries, contributed 62% of technical segment revenues in Fiscal 2020. However, agrochemical formulations are primarily sold to domestic crop protection manufacturers i.e. Syngenta Asia Pte Ltd, UPL Ltd, ASCENZA AGRO, S.A., Conquest Crop Protection Pty Ltd, Sharda Cropchem Limited, and Stotras Pty Ltd.

Currently, the firm has two manufacturing plants UPSIDC Industrial Area at Dewa Road, Lucknow and Sandila, Hardoi in Uttar Pradesh, India with an installed capacity of 19,500 MT for agrochemicals and 6500 MT for formulations.

Issue details

Price Band (in ₹ per share)	290-296
Issue size (in ₹ Crore)	800
Offer for Sale (in ₹ Crore)	700
Total number of shares (lakhs)	275.86-270.27
Issue open date	23-06-2021
Issue close date	25-06-2021
Tentative date of Allotment	01-07-2021
Tentative date of Listing	05-07-2021
Offer Allocation	QIB - 50 %, Retail- 35%, NIB - 15%
Minimum order quantity	50
Face value (in ₹)	1
Amount for retail investors (1 lot)	14500-14800
Maximum number of shares for Retail investors at lower Band	650(13 Lots)
Maximum number of shares for Retail investors at upper band	650(13 Lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	188500-192400
Exchanges to be listed on	BSE, NSE

Promoters

Anand Swarup Agarwal and the ASA Family Trust

Objective of the Offer

The IPO proceed will be utilized towards following purposes:

1. To finance the working capital requirements of the company.
2. To meet general corporate purposes.

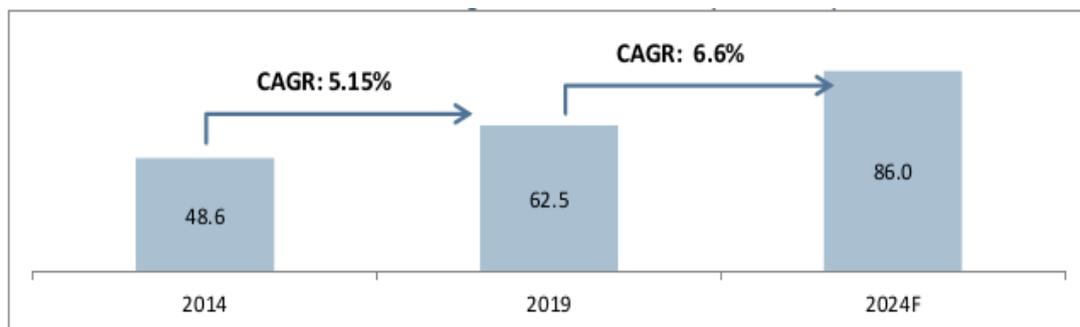
**Brief Financials**

Particulars (Rs. Cr)*	FY21	FY20	FY19
Share Capital	11.18	3.18	3.18
Net Worth	389.5	256.84	187.02
Revenue from Operation	648.95	479.63	340.69
EBITDA	189.52	103.66	70.63
EBITDA Margin (%)	29.20%	21.61%	20.73%
PAT	134.53	70.80	43.92
PAT Margin (%)	20.73%	14.76%	12.89%
EPS(Rs)	12.07	6.35	3.94
Net Asset Value (Rs)	34.94	23.05	16.79
P/E #	24.52	-	-
P/B #	8.47	-	-

Source: RHP, *Restated Consolidated, FV Rs.1/-, # Calculated at the upper price band

Industry Review**Global Agrochemical Market Overview**

The global agrochemicals market was valued at US \$ 62.5 billion in 2019 and is forecasted to reach US \$ 86 billion by 2024 growing at a compound annual growth rate ("CAGR") of 6.6%. The rising population across the world, accompanied by rising affluence, is seeing a shift in consumption patterns. There is a need to not just increase production to meet demand but also to ensure that the nutritional needs of an increasingly affluent population are met.



Source: Frost & Sullivan Research & Analysis

Source: RHP, CBSL

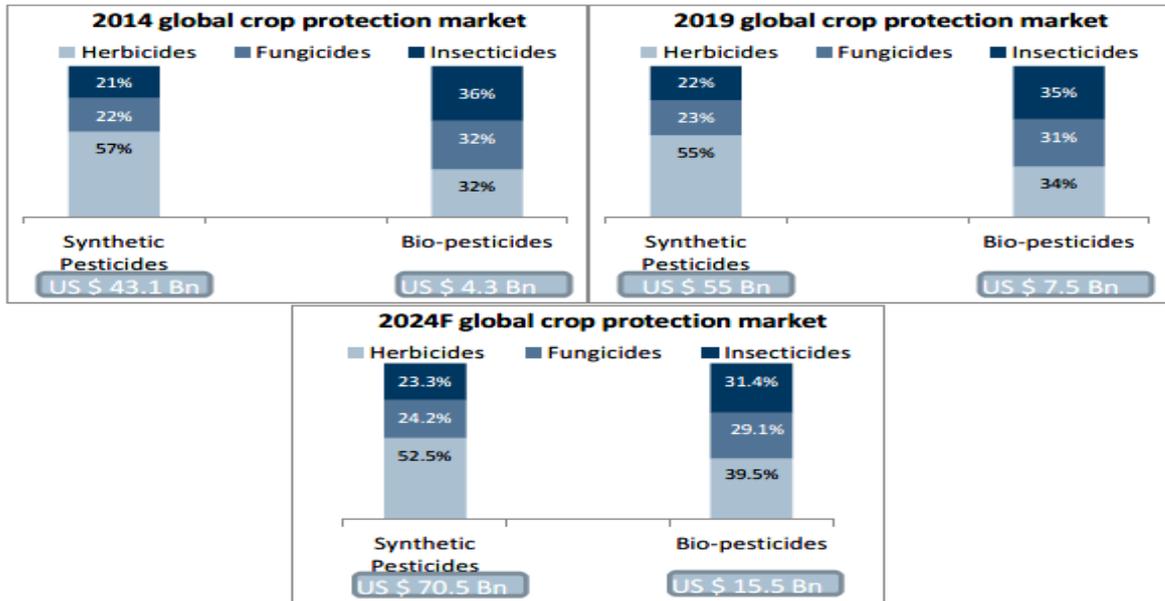
Global agrochemicals market segmentation

Global agrochemicals market can further be segmented into synthetic pesticides and bio-pesticides. Bio-pesticides are expected to be growing with 16% growth rate over the next half decade, compared to 5% growth rate recorded by synthetic pesticides globally. Total agrochemicals market is projected to grow from US \$ 62.5 billion in 2019 to US \$ 86 billion by the end of 2024.



Industry Review

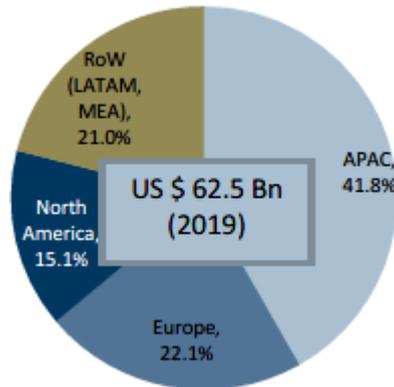
Global agrochemicals market segmented by product type (by value)



Source: Frost & Sullivan Research & Analysis

Source: RHP, CBSL

Global agrochemicals market segmentation by geography



Source: RHP, CBSL

The Asia Pacific region dominates the regional demand for agrochemicals due to agriculture consumption needed in order to feed the growing and already higher population. Countries, such as, India, China, Indonesia and Australia, dominate the usage of crop protection chemicals in the Asia Pacific region. Europe and North America are also high demand centres for agrochemicals with major imports of active ingredients from China.



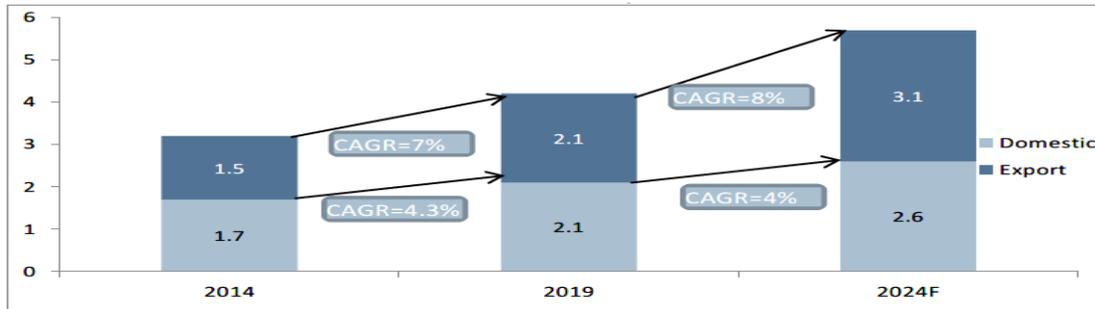
Industry Review

INDIAN AGROCHEMICAL INDUSTRY

India crop protection industry overview

India crop protection chemicals exports have grown at an approximate CAGR of 9% during the years 2015 to 2019. The actual export contribution of crop protection chemicals was 50% of total domestic production (by value) in 2019. Exports are projected to grow to approximately 55% in 2024, in terms of value. In 2024, exports are expected to grow to US \$ 3.1 billion contributing 55% of total domestic production which is expected to be valued at US \$ 5.7 billion. India was the world's third largest pesticide exporter by volume in 2018. China leads the exports of pesticides with 27% of market share in the world exports, followed by Germany (8.3%), India (8%), United States, Belgium and France.

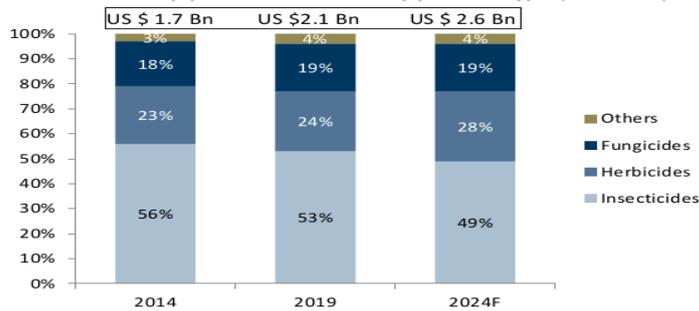
Indian crop protection chemicals market by exports and domestic consumption (US \$ billion)



Source: Frost & Sullivan Research & Analysis

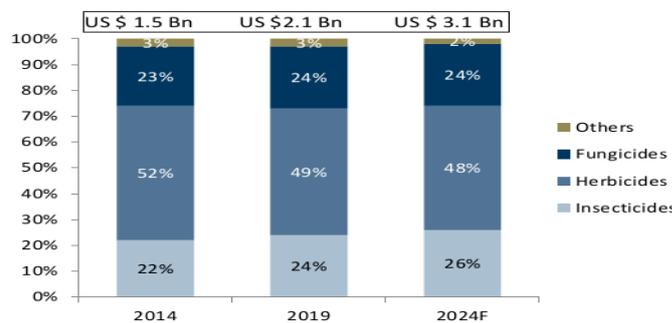
Indian crop protection chemicals market segmentation - by product type Insecticides contribute the highest market share in the Indian crop protection chemicals market accounting for approximately more than half of the total market. India has almost 10,000 types of plant eating insects. In the agriculture value chain, agrochemicals are the final external stimulus provided to the plants.

India crop protection market by product type (domestic), 2014-2024F



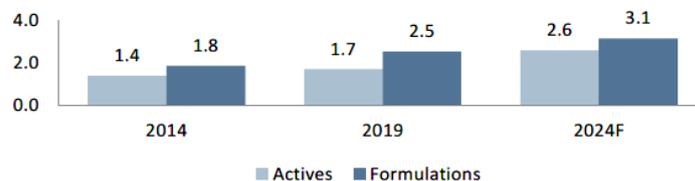
Source: FICCI, Industry research

India crop protection market by product type (exports), 2014-2024F



Source: FICCI, Industry research

Indian crop protection chemicals market split by business segments, 2014-24F (US\$ billion)



Source: Frost & Sullivan research

Source: RHP, CBSL



Company Review

IPL has two distinct operating verticals, namely, Technicals and Formulations.

Products	Fiscal 2019		Fiscal 2020		Fiscal 2021	
	Revenue from Sale of Products	As % of Total Revenue from Sale of Products	Revenue from Sale of Products	As % of Total Revenue from Sale of Products	Revenue from Sale of Products	As % of Total Revenue from Sale of Products
	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)
Technicals	2,566.59	75.43%	3,832.81	80.19%	5,068.35	78.87%
Formulations	836.01	24.57%	946.77	19.81%	1,357.99	21.13%
Total	3,402.60	100.00%	4,779.58	100.00%	6,426.34	100.00%

Product Portfolio

Technicals - Fungicides

Product	Applications (Source: F&S Reports)
Folpet	Controls fungal growth at vineyards, cereals, crops, biocide in paints.
Cymoxanil	Controls downy mildews of grapes, potatoes, vegetables and several other crops.
Ziram [#]	Addresses scab on apples, pears, peaches, almonds, apricots and cherries. Ziram is also used as an additive ingredient in industrial adhesives and paint.
Captan [#]	Controls fungal growth on fruits, vegetables and cereals.

Technicals - Herbicides

Product	Applications (Source: F&S Reports)
Thiocarbamate Herbicides	Wheat and rice

Technicals - APIs

Product	Applications (Source: F&S Reports)
Anti-scabies drug	Dermatology - Used in the treatment of scabies and pediculosis.
Anti-fungal drug	Dermatology - Fungicidal drug that acts on fungal hyphae and inhibits squalene epoxidase.

Formulations

Product	Applications (Source: F&S Reports)
Crotax – 36	Used on paddy, Bengal gram, black gram, green gram, tea, red gram, sugarcane and cotton, against pests such as brown plant hoppers, green leaf hopper, leaf roller/folder, yellow stemborer shoot fly, pod borer, leaf minor, early shoot borer, mealy bug, pyrilla, scale insect, stalk bore, American boll worm, aphid, leaf hopper, grey weevil, spotted bollworm, pink bollworm, thrips and white fly.
Chlorax – 20	Used on paddy, cotton, brinjal, cabbage, onion, apple and citrus, against pests such as hispa, leaf roller, gall midge, stem borer, whorl maggot, aphid, bollworm, white fly, shoot and fruit borer, diamond blackmoth, root grub, aphid, leaf hopper, black citrus and aphid.
Tridev	Used on cotton for controlling bollworm.
IPL 505	Used on cotton and paddy against pests such as aphid, whitefly, jassid, thrips, whitefly, American bollworm, spotted bollworm and leaf hopper.
IPL Soldier	Used on grapes, red gram, cotton, cabbage, chickpea, brinjal, okra, chilies against pests such as thrips, pod borer, bollworms, diamond black moth, pod borer, fruit and shoot borer and mites.
IPL Tara	Used on mango, potato, cotton, wheat, tea, cumin, tomato, rice, citrus brinjal, okra and mustard against pests such as hopper, aphid, jassid, whitefly, mosquito bug, stem borer, gall midge, leaf folder, brown plant hopper, white-backed plant hopper, greenleaf hopper, thrips and psylla.
Immidiator	Used on cotton, paddy, chilies, sugarcane, mango, sunflower and okra against pests such as aphid, whitefly, jassid, thrips, brown plant hopper, white-backed plant hopper, greenleaf hopper, termite and hopper.
Agni	Used on transplanted rice against weeds such as Echinochloa Crusgalli, Echinochloa Colonum, Cyperus Difformis, Cyperus Isra, Fimbirstylis Miliacea, Eclipta Alba, Ludwigia Pulviflora, Leptochloa Chinensis, Monochorea Vaginalis and Panicum Repens.
Takatvar	Used on chilies and potato against pests such as fruit rot (anthracnose), early blight and late blight.
Ziram – 27 [#]	Used on grape, apple, bean, potato, tomato against pests such as downy mildew anthracnose, scab, anthracnose, early blight.
Ziram – 80 [#]	Used on grapes, apples, beans, potatoes and tomato against pests such as downy mildew, anthracnose, scab, anthracnose and early blight.
Captax – 50 [#]	Used on apples, cherries, grapes, potatoes, tomatoes, chilies, tobacco and coffee against pests such as scab, brown rot, downy mildew, early blight, late blight, damping off and leaf spot.

Source: RHP, CBSL



Competitive Strengths

Strong R&D and product development capabilities

IPL has substantial experience in undertaking R&D activities as part of their manufacturing operations. Their R&D places significant emphasis on identification of appropriate complex Technicals that are suitable for commercialization, improving their production processes and the quality and purity of their present products and manufacturing new off-patent products. The R&D team comprises PhDs, Masters Graduates in chemistry and a biotechnological engineer. They have two well-equipped R&D laboratories, each of which is registered with the DSIR. Their laboratories are equipped with sophisticated equipment that include gas chromatography mass spectrometry and high-performance liquid chromatography machines, particle size analyzers, PH meters, Karl Fischer titrators, conductivity meters, melting point apparatus and water purification systems. Company's analytical capabilities include critical quality control measures, non GLP-5 batch analysis, stability studies, method validation and method development. Their R&D efforts also focus on determining the optimal production process for the Technicals they manufacture and the reduction of energy consumption

Since 2018, their R&D efforts have resulted in the development of processes for products that are not highly toxic and commercialization of three Technicals, the sales of which contributed to 42.13% of the revenue from operations in Fiscal 2021. They are currently in the process of developing processes for certain Technicals, including 2 fungicides, 2 herbicides, 2 insecticides and 2 intermediates. They have also commenced construction of 2 manufacturing units at their facility at Sandila that are proposed to be used for herbicide Technicals.

Diversified portfolio of niche and quality specialized products

IPL's product portfolio comprises primarily of products that they manufacture in-house allowing them to cater to a wide range of customers in both domestic and international markets.

As of the date the company has:

- Obtained registrations for 22 agro-chemical Technicals and 125 Formulations for sale in India;
- Obtained registration for 27 agro-chemical Technicals and 35 Formulations for export;
- They have a license to manufacture for 49 agro-chemical Technicals and 158 Formulations.
- For APIs, they have obtained a license for manufacturing 2 drugs for sale;
- They manufactured 8 export grade Technicals, 2 APIs and over 30 Formulations.

Long-term relationship with key customers

India is currently the fourth largest producer of crop protection chemicals in the world. Multinationals across the globe are taking advantage of cost-effective manufacturing in India along with availability of skilled labour. India is expected to emerge as an export hub for the crop protection chemicals manufacturing, which will be exported to developed and developing economies around the world. Company's major customers include multinational corporations that look to collaborate with active ingredient manufacturers in India, leveraging their cost effective manufacturing supported by cheaper labour force and stronger R&D capabilities.

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. They undertake exports of their products, and either their customers get their products registered with the relevant regulatory authority or IPL register their products with the respective regulatory authority directly. Several of their customers have been associated with the company for over 10 years and certain of their key customers include crop protection majors, such as, Syngenta Asia Pacific Pte. Ltd. and UPL Ltd.



Risk Factors

Presence in the licence and registration dependent industry

IPL is required to obtain and maintain various statutory and regulatory permits, approvals, licenses and registrations to operate the business. The company has to take obtain required approvals from the Central Insecticides Board and Registration Committee ("CIBRC") for 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 its statutory and regulatory permits and approvals required to operate business and manufacturing facilities would adversely affect operations and financial condition.

Growing consumption of bio-pesticides globally and in India could impose threat to the company

Bio-pesticides are pesticides with biodegradable content that avoids crop losses by means of not affecting the soil fertility. These bio-pesticides are experiencing increase in usage due to large scale awareness and promotion funded by the Government of India. The bio-pesticide market is expected to experience a double digit growth in India in the next five years (2019 to 2024) (Source: F&S Reports). IPL currently do not manufacture any bio-pesticides which limits its ability to address the growing demand for such products by customers. Additionally, as IPL's competitors increase in production of bio-pesticides, the company may face pricing pressures from its competitors that produce bio-pesticides at competitive costs and consequently, supply their products at cheaper prices. Accordingly, it may not be able to address its customers' requirements or compete effectively with competitors across product portfolio, which may have an adverse impact on the business, financial condition, results of operations and future prospects.

Inability to identify and understand evolving industry trends, technological advancements, customer preferences and develop new products to meet customers' demands may adversely affect business.

R&D is integral to company's business and IPL is continuously engaged in trying to develop new processes for manufacturing agro-chemical products or improve or further optimise and streamline the process of the production of various agro-chemical products. The company's R&D efforts may not result in new technologies or products being developed on a timely basis or meet the needs of customers as effectively as competitive offerings. It has invested substantial effort, funds and other resources towards R&D activities and has set-up two dedicated R&D centers. In FY2019, FY2020, FY2021, IPL's R&D expenditure was INR 14.61 million, INR 16.32 million and INR 20.15 million, respectively and such expenditure accounted for 0.51%, 0.41% and 0.42% of total expenses in such periods, respectively. Further, since 2018, its R&D efforts have resulted in the development of processes for products that are not highly toxic and commercialization of three Technicals, the sales of which contributed to 11.92%, 39.43% and 42.13% of total revenue from operations in FY2019, FY2020 and FY2021, respectively.

Peer Comparison

Name of the company	Face Value	Total Income in INR crore	Basic EPS	NAV	P/E	P/B	RoNW (%)
India Pesticides Ltd#	1	655.38	12.07	34.94	24.52	8.47	34.54%
Dhanuka Agritech Ltd	2	1145.16	29.71	148.72	32.60	6.51	19.45%
Bharat Rasayan Ltd	10	1231.87	371.03	1,327.73	33.25	9.29	27.83%
UPL Ltd	2	35860.00	23.24	252.37	34.77	3.20	9.95%
Rallis India Ltd	1	2286.15	9.51	72.48	36.24	4.76	12.90%
PI Industries Ltd	1	3415.40	33.08	189.64	86.25	15.05	15.31%
Sumitono Chemical India Ltd	10	2435.46	4.10	24.48	92.52	15.50	16.34%
Atul Ltd	10	4171.10	224.69	1063.63	39.72	8.39	19.26%

*P/E & P/B ratio based on closing market price as on June 18th, 2021, At the upper price band of IPO, financial details consolidated audited results as on FY20, # restated consolidated financials as on FY21



Our Views

IPL is one of the fastest-growing agrochemical company with over 56% export revenue. The company has posted spectacular performance for the last three fiscals. IPL is a net debt free company with profitability ratios, ROE and ROCE at 34.63% and 45.18% in FY2021, respectively. IPL has strong sourcing capabilities and extensive distribution network. IPL's R&D spends as a percentage of sales ranges in between 1.5% to 2% of total revenue for FY2021 giving rise to customer-centric diversified product portfolio. IPL has plans to scale up the manufacturing capacities for their existing products through its internal accrual. The company has obtained approval from the Ministry of Environment, Forest and Climate Change (MoEF) to expand their manufacturing capacity at Sandila to 30,000 MTs.

The company would trade at P/E of 24.52x for FY21 which is quite attractive as compared to listed peers. Considering the company's capacity expansion plans and growth prospectus, we recommend '**SUBSCRIBE**' for listing and long term gains.

Sources: Company Website and red herring prospectus



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