

Company Overview

Incorporated in 2007, Nova AgriTech Ltd. is a distinguished agri-input manufacturer, specializing in the development and provision of cutting-edge solutions for soil health management, crop nutrition, and crop protection. The company adopts a technology-driven, farmer-centric approach, offering ecologically sustainable and nutritionally balanced products derived from extensive research and development endeavours. With a diverse product portfolio, Nova AgriTech Ltd. encompasses soil health management, crop nutrition, bio-stimulant, bio-pesticide, Integrated Pest Management, new technologies, and crop protection categories. Currently, the production of crop protection products is facilitated by its subsidiary, Nova Agri Sciences Private Limited. As of November 30, 2023, the company boasts a commendable total of 720 product registrations. These registrations are distributed across various categories, including 7 in soil health management, 176 in crop nutrition, 4 in bio-pesticide, 7 under technical indigenous manufacturing, and 526 in the crop protection segment. Moreover, Nova has established a robust network of dealers, totalling approximately 11,722, with 6,769 active dealers facilitating the distribution and sale of products. The company's dealer network spans 16 states in India, namely Andhra Pradesh, Telangana, Maharashtra, Karnataka, Madhya Pradesh, Rajasthan, Chhattisgarh, Tamil Nadu, Uttar Pradesh, Odisha, West Bengal, Bihar, Gujarat, Jharkhand, Uttarakhand, and Jammu & Kashmir. Additionally, Nova AgriTech has expanded its presence internationally through strategic agreements in Bangladesh, Sri Lanka, and Vietnam, awaiting the necessary permissions to commence operations in these jurisdictions. Significantly, a substantial portion (~84.4%) of Nova AgriTech Ltd's revenue is derived from the distribution of products in the three southern states of Andhra Pradesh, Karnataka, and Telangana. The company's commitment to innovation, sustainable practices, and widespread market presence positions it as a key player in the agri-input sector.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ To carry Investment in the subsidiary, Nova Agri Sciences Pvt. Ltd., for setting up a new formulation plant;
- ⇒ Funding capital expenditure in the company towards expansion of the existing formulation plant;
- ⇒ Funding of working capital requirements of the company;
- ⇒ Investment in subsidiary, Nova Agri Sciences Pvt. Ltd., for funding working capital requirements; and
- ⇒ General corporate purposes.

Investment Rationale

Expanding farmer outreach for sustainable growth

Nova AgriTech Ltd. demonstrates a proactive approach to engage with farmers through its Nova Kisan Seva Kendra program (NKSK). With 24 agri-graduate NKSK coordinators and collaborations with 96 Kisan Mitras and 142 Kisan Sevaks at the grassroot level, the company ensures a robust three-tier program for personalized farmer interactions. This farmer-centric approach not only strengthens Nova's connection with the agricultural ecosystem but also establishes a broad and loyal customer base. By deepening its farmer outreach, Nova AgriTech is well-positioned for sustainable growth. The personalized connections forged through NKSK facilitate a better understanding of farmer needs, leading to informed product development and tailored solutions. This strategy contributes to Nova's resilience in the market, fostering customer loyalty and providing a solid foundation for future revenue growth.

Technological innovation driving competitive edge

Nova AgriTech distinguishes itself through technology-driven product development, leveraging innovation to address dynamic market demands. The introduction of ground-breaking devices like BHU-PARIKSHAK, capable of detecting soil health in 90 seconds, and the DGCA-approved agricultural drone, Nova AGRIBOT, showcases the company's commitment to staying at the forefront of agri-technology. The Nova Kisan Seva Kendra Application and collaborations with educational institutions further underscore Nova's dedication to technology transfer and continuous improvement. Nova's technological prowess provides it with a competitive edge in the agricultural sector. The ability to swiftly adapt to market changes and offer innovative solutions enhances Nova's market share.

Issue Details

Offer Period	22 nd Jan 2023 - 24 th Jan 2023
Price Band	Rs. 39 to Rs. 41
Bid Lot	365
Listing	BSE & NSE
Issue Size (no. of shares in mn)	35
Issue Size (Rs. in bn)	1.43
Face Value (Rs.)	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%
BRLM	Keynote Financial Services Ltd, Bajaj Capital Ltd.
Registrar	Bigshare Services Private Ltd

Particulars	Pre Issue %	Post Issue %
Promoter & Promoters Group	84.27	59.39
Public	15.73	40.61
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Nova AgriTech Ltd.

Additionally, its subsidiary NASPL has entered into an agreement for import and distribution of specialized herbicides with a Taiwanese entity to act as the distributor for sales and formulation of Butachlor 85% Tech in India for a period of five years. NASPL has also entered into an agreement with a Chinese entity to act as the distributor for sales and formulation of Emamectin Benzoate Technical 95% in India for a period of five years. With a focus on expanding manufacturing capacities, introducing new formulation types, and importing Technicals (specialized herbicides and insecticides) through strategic partnerships, Nova AgriTech is poised for market expansion and increased competitiveness. Nova is positioning itself as a forward-looking player in the agriculture industry, driven by technology-driven differentiation and continuous research and development efforts.

Valuation

Nova AgriTech is strategically positioned to capitalize on the substantial growth potential within the Indian agricultural sector, projected to grow at a CAGR of 5.1% over the next five years. The government's focus on enhancing farm productivity, coupled with initiatives like Minimum Support Price (MSP) and natural farming, creates a conducive environment for sustained growth. The company's expansion plans, funded by IPO proceeds, align with the industry's upward trajectory, emphasizing the potential for future success. In addition to the favorable market conditions, Nova AgriTech boasts two key qualitative advantages. Its well-established distribution network across cities and a robust farmer outreach program ensure a high degree of acceptance for its products. Furthermore, the company's commitment to environmentally friendly solutions, supported by a well-equipped R&D facility and experienced employees, positions Nova AgriTech as a one-stop solution provider. Financially, Nova AgriTech has demonstrated robust and steady revenue growth over the last three years. Notably, the net profit margins have experienced a significant and commendable expansion during this period. With an impressive ROE of 32.1%, ROA at 11.3%, and PAT margins of 9.7%, the company exhibits attractive financial metrics in a highly competitive segment. The comfortable asset turnover ratio and efficient asset utilization indicate the potential for sustained profitability. **Turning to valuations, the PE ratio stands at 12.3x based on the annualized diluted H1FY24 EPS which appears relatively low compared to peers in the industry. The valuation outlook hinges on Nova AgriTech's ability to maintain its current sales growth rate, preserve net margins, and gradually improve them. Based on the positives discussed, we give the issue a "SUBSCRIBE" rating.**

Key Risks

- ⇒ Seasonality: The agricultural sector is inherently seasonal, impacting demand for Nova AgriTech's products.
- ⇒ Government Policies: Changes in government policies related to the agricultural sector could impact Nova AgriTech's long-term business performance.



Nova AgriTech Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	16,064	18,559	21,056	10,322
Total Revenue	16,064	18,559	21,056	10,322
Expenses				
Cost of raw material and components consumed	9,856	12,212	11,994	6,547
Changes in inventories of finished goods	49	-863	140	-627
Employee benefit expenses	2,210	2,647	2,731	1,227
Other expenses	2,164	1,784	2,319	1,239
Total Operating Expenses	14,278	15,779	17,184	8,386
EBITDA	1,786	2,780	3,872	1,935
Depreciation and Amortization expenses	215	223	236	100
Other income	28	2	38	3
EBIT	1,600	2,560	3,674	1,838
Finance costs	733	715	857	434
Exceptional Item	-	-	-	
PBT	867	1,845	2,816	1,403
Current tax	276	536	807	401
Deferred Tax charge/ (credit)	-39	-61	-40	-36
Total tax	237	476	767	365
PAT	630	1,369	2,049	1,038
Diluted EPS	1	2.2	3.3	1.7

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash Flow from operating activities	518	248	545	504
Cash flow from investing activities	-312	-388	-186	-28
Cash flow from financing activities	-183	272	-188	-680
Net increase/(decrease) in cash and cash equivalents	23	133	171	-204
Cash and cash equivalents at the beginning of the period	9	32	164	335
Cash and cash equivalents at the end of the period	32	164	335	132

Source: RHP, BP Equities Research



Nova AgriTech Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	1,254	1,254	1,254	1,254
Other equity-attributable to the owners of the company	1,689	3,065	5,134	6,169
Total Equity	2,943	4,319	6,388	7,423
Non-Current Liabilities				
Borrowings	1,835	2,364	1,636	1,220
Other financial liabilities	401	72	71	48
Provisions	72	93	89	99
Total Non Current Liabilities	2,308	2,529	1,796	1,368
Current Liabilities				
Borrowings	3,275	4,063	5,460	5,630
Trade Payables (MSME and SME)	2,556	1,816	682	1,524
Trade Payables (Other than MSME and SME)	2,077	1,432	2,046	1,615
Other financial liabilities	656	706	595	631
Other current liabilities	178	248	171	99
Provisions	85	97	129	135
Current tax liabilities (net)	667	820	812	1,212
Total Current Liabilities	9,493	9,182	9,894	10,847
Total liabilities	11,801	11,711	11,690	12,214
Total Equity and Liabilities	14,744	16,030	18,078	19,637
Assets				
Non-Current Assets				
Property, plant and equipment	1,601	1,682	1,558	1,477
Capital Work-in-Progress	0	5	63	73
Goodwill	116	116	116	116
Other intangible assets	4	3	12	10
Investments	0	0	0	0
Other financial assets	91	73	31	31
Deferred tax assets (net)	357	418	457	494
Total Non current assets	2,169	2,297	2,237	2,202
Current Assets				
Inventories	3,543	3,680	4,172	5,046
Trade Receivables	8,498	9,299	10,568	11,615
Cash and Cash Equivalents	32	164	335	132
Loans	2	3	4	4
Other current assets	501	587	762	639
Total Current Assets	12,575	13,733	15,841	17,435
Total Assets	14,744	16,030	18,078	19,637

Source: RHP, BP Equities Research

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

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