



Issue Details

Listing	BSE & NSE
Open Date	23rd June, 2021
Close Date	25th June, 2021
Price Band	Rs.290-296
Market Lot	50 shares
Minimum Lot	1 Lot

India Pesticides Ltd (IPL) is an R&D driven agro-chemical manufacturer of Technicals with a growing Formulations business. As per an F&S report, it is among the fastest growing agro-chemical companies in India in terms of volumes in FY20. IPL is also the sole Indian manufacturer and among the top five manufacturers globally for several Technicals, such as Folpet and Thiocarbamate Herbicide.

The business verticals of IPL include:

- **Technicals - Fungicide Technicals, Herbicides Technicals;**
- **Formulations - Formulations of insecticides, fungicide and herbicides, growth regulators and Acaricides;**
- **APIs – substances used for manufacturing drug products.**

Issue Structure

Offer for sale	87.5%
Fresh Issue	12.5%
Issue Size	Rs.800 cr
Total shares in cr	2.70
QIB share (%)	≤ 50%
Non Inst share (%)	≥ 15%
Retail share (%)	≥ 35%

Technicals & APIs: IPL manufactures generic Technicals used in the manufacture of fungicides, herbicides as well as APIs with applications in dermatological products.

Formulations: It sells various formulations of insecticides, fungicides and herbicides, growth regulators and Acaricides, which are ready-to-use products. As of 1HFY20, IPL manufactures over 30 Formulations that include Takatvar, IPL Ziram-27, IPL Dollar, IPL Soldier and IPL Guru.

Shareholding Pattern

	Pre (%)	Post(%)
Promoters	82.7	72.0
Public	17.3	28.0

Over FY19-21, IPL’s revenues/ EBITDA / PAT grew at a CAGR of 38.0%/ 67.5% / 74.7% to Rs.649.0 cr / Rs.183.1 cr / Rs.74.7 cr, respectively. It derives most of its revenues from exports, which can be seen from the fact that exports contributed to 62.1% and 65.7% of the total revenues in FY20 and 1HFY21, respectively. The company’s Technicals are exported to over 20 countries while the formulations products are primarily sold domestically, through its extensive network of dealers and distributors.

Valuation

At the upper band of Rs 296, the company is valued at 32.1x FY21 PE on a post issue basis.

Key Financials (in ₹ crores)

	Sales	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)
FY19	340.7	65.3	43.9	19.2	12.9	3.0	12.8	23.5	18.3	98.1	23.0	66.8
FY20	479.6	93.6	70.8	19.5	14.8	4.9	17.6	27.6	23.7	60.9	16.8	46.2
FY21	649.0	183.1	134.1	28.2	20.7	9.2	26.8	34.4	31.7	32.1	11.1	23.5

PE, P/BV and EV/EBITDA are calculated at upper price band

❖ Key highlights

Strong R&D and product development capabilities

IPL has substantial experience in undertaking R&D activities as part of its manufacturing operations. The R&D team helps in identification of appropriate complex Technicals that are suitable for commercialization. The R&D team comprises PhDs, masters and graduates in chemistry and a biotechnological engineer.

The company has two well-equipped R&D laboratories, each of which is registered with the DSIR (Department of Scientific and Industrial Research).

The company's ability to manufacture complex products is among the key factors that has contributed to its growth over the years. Since 2018, the R&D efforts have resulted in the development of processes for products that are not highly toxic and commercialization of 3 Technicals, the sales of which contributed to 39.4% and 55.4% of revenue from operations in FY20 and 1HFY21 respectively.

The company is currently in the process of developing processes for certain Technicals, including two fungicides, two herbicides, two insecticides and two intermediates.

Diversified portfolio of niche and quality specialized products

The company has diversified its product portfolio over the years and has grown into a multi-product manufacturer of Formulations, herbicide and fungicide Technicals as well as APIs. This diversification across products and sectors has allowed the company to de-risk its business operations.

IPL's portfolio comprises primarily of products that are manufactured in-house allowing it to cater to a wide range of customers in both domestic and international markets.

It has obtained registrations and licenses to manufacture 22 agro-chemical Technicals and 124 Formulations for sale in India and 27 agro-chemical Technicals and 34 Formulations for export.

For APIs, it has obtained a license for manufacturing two drugs for sale from the Drug Licensing and Controlling Authority.

IPL is the sole Indian manufacturer and among the top five globally, for several Technicals, including Thiocarbamate herbicide and Folpet. The Formulations business includes a variety of herbicides, fungicides and insecticides and includes over 30 products, as of 1HFY21 that are sold primarily in India.

The company's strength is that its products have low toxicity and none of its key product in the Technicals segment are classified in the 'red triangle' category. This helps to avoid uncertainties associated with these products, including the use or import of such products being banned by regulators in India and abroad.

Long-term relationship with key customers

India is currently the 4th largest producer of crop protection chemicals in the world and MNCs 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 crop protection chemicals manufacturing in the future.

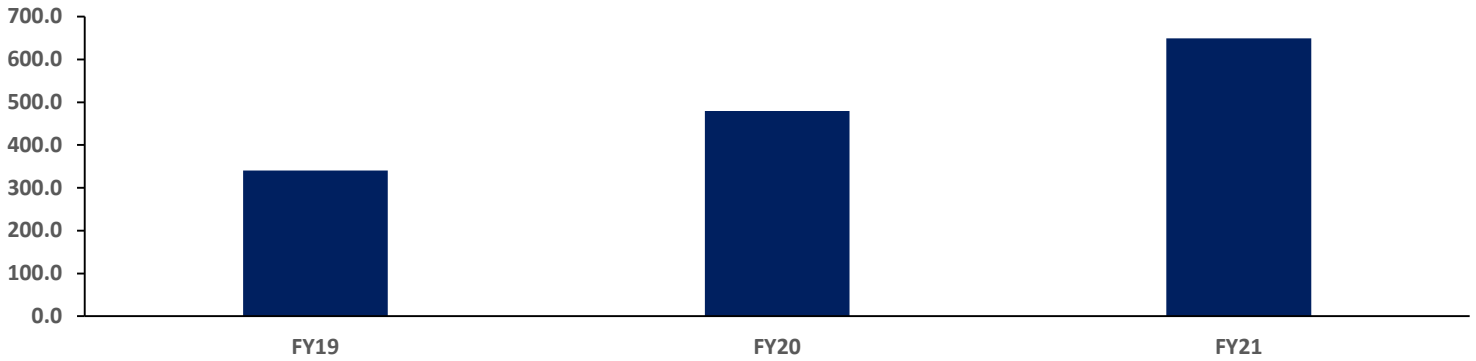
IPL has in its kitty various MNCs that look to collaborate with active ingredient manufacturers in India, by leveraging on their cost effective manufacturing supported with cheaper labour force and stronger R&D capabilities.

The company's customer relationships are led primarily by its ability to manufacture complex Technicals that go off-patent in a cost effective manner as well as by its ability to meet stringent quality specifications.

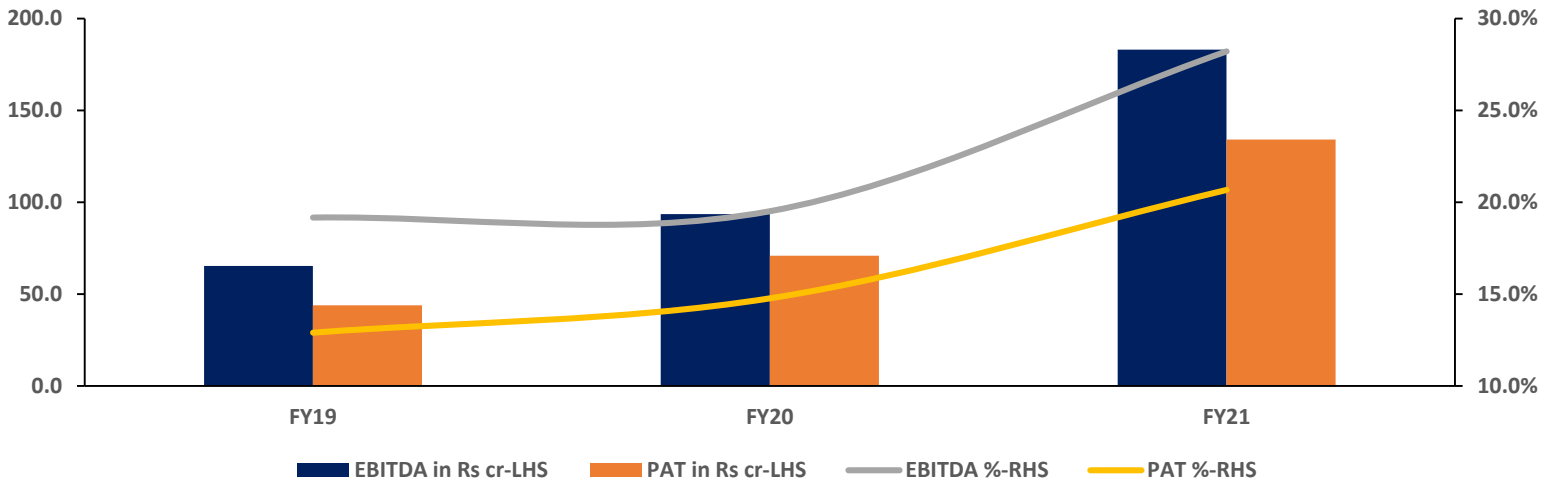
IPL has a diverse customer base that includes crop protection product manufacturing companies, such as, Syngenta Asia Pacific Pte. Ltd, UPL Limited, Ascenza Agro, S.A., Conquest Crop Protection Pty Ltd, Sharda Cropchem Limited and Stotras Pty Ltd, many of whom have been associated with the company for over 10 years.

IPL story in charts

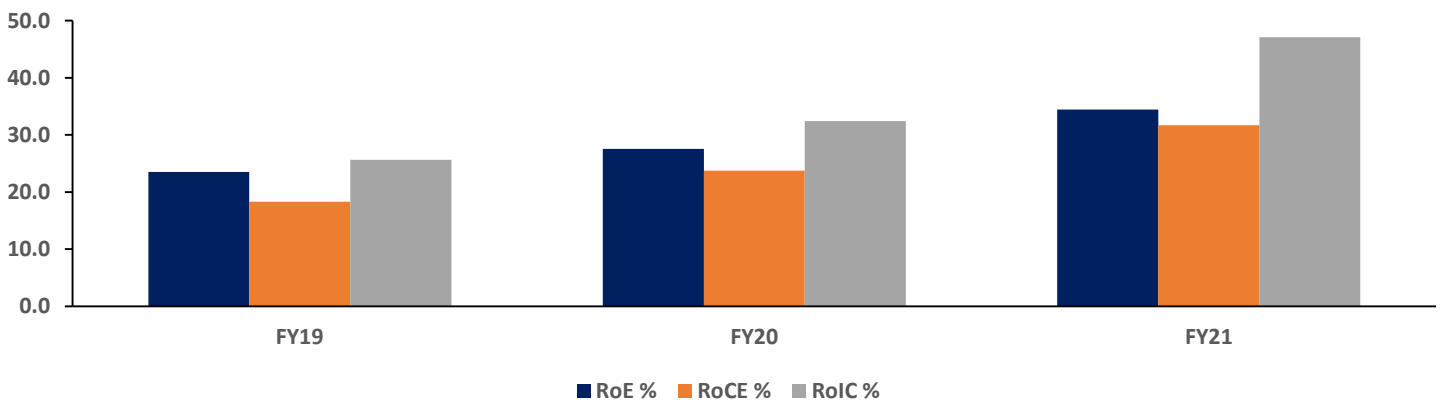
Revenues have grown at 38% CAGR over FY19-21



EBITDA/PAT has grown at 67.5%/74.7% CAGR over FY19-21



RoE/RoCE/RoIC has increased by 1,094/1,340/2,146 bps over FY19-21



Source: Company Reports and Ventura Research

❖ **Key risk and concern areas**

Intense competition in the industry

IPL faces competition from domestic and global manufacturers. Competitors in the domestic market include UPL Ltd, PI Industries Ltd and Jubilant Lifesciences Ltd while in the international markets, they face competition from companies such as China National Corporation Ltd, Sumitomo Chemicals Co. Ltd and BASF SE, in the manufacture of agro-chemicals.

Some of the competitors in the agro-chemicals industry may have greater financial resources, technology, research and development capability, greater market penetration and operations in diversified geographies and product portfolios, which help them to better respond to market trends.

❖ **Issue Structure and Offer Details**

The proposed issue size of IPL is ~Rs.800 cr consisting of Rs 100 cr as fresh issue while the rest is offer for sale. The price band for the issue is in the range of Rs.290-296 and the bid lot is 50 shares and multiples thereof.

Issue Structure at upper price band		
Category	No. of shares offered	No of shares Offered
QIB	Not more than 1,35,13,513	Not more than 50% of public issue
Non-Institutional Bidders	Atleast 40,54,054	Atleast 15% of public issue
Retail	Atleast 94,59,459	Atleast 35% of public issue

* No of shares based on higher price band of Rs.428

Source: Company Reports & SEBI

Shareholding Pattern		
Category	Pre-issue	Post-issue
Promoters	82.7%	72.0%
Public	17.3%	28.0%

Source: Company Reports and SEBI

Financial Analysis

Figures in INR Crores	FY19	FY20	FY21	Figures in INR Crores	FY19	FY20	FY21
Income Statement				Per Share Data & Yield			
Revenue	340.7	479.6	649.0	Adjusted EPS	3.0	4.9	9.2
YoY Growth (%)		40.8	35.3	Adjusted Cash EPS	3.3	5.2	9.6
Raw Material Cost	187.1	253.1	310.4	Adjusted BVPS	12.8	17.6	26.8
YoY Growth (%)		35.3	22.6	CFO per share	(0.2)	5.2	5.7
Gross Profit	153.6	226.5	338.5	CFO Yield (%)	(0.1)	1.7	1.9
YoY Growth (%)		47.5	49.4	FCF per share	(0.4)	3.3	3.0
Margin (%)	45.1	47.2	52.2	FCF Yield (%)	(0.2)	1.1	1.0
Employee Cost	13.4	16.4	22.7	Solvency Ratio (X)			
YoY Growth (%)		22.0	38.7	Total Debt to Equity	0.3	0.1	0.1
Other Expenses	74.9	116.6	132.7	Net Debt to Equity	0.3	0.1	(0.0)
YoY Growth (%)		55.7	13.9	Net Debt to EBITDA	0.8	0.2	(0.1)
EBITDA	65.3	93.6	183.1	Interest Coverage Ratio	11.0	17.0	51.5
YoY Growth (%)		43.3	95.7	Return Ratios (%)			
Margin (%)	19.2	19.5	28.2	Return on Equity	23.5	27.6	34.4
Depreciation & Amortization	4.0	5.1	6.1	Return on Capital Employed	18.3	23.7	31.7
EBIT	61.3	88.5	176.9	Return on Invested Capital	25.6	32.4	47.1
YoY Growth (%)		44.3	100.0	Working Capital			
Margin (%)	18.0	18.4	27.3	Inventory Days	69	56	82
Other Income	5.4	10.1	6.4	Receivable Days	191	139	120
Finance Cost	5.6	5.2	3.4	Payable Days	107	89	87
PBT	61.1	93.4	179.9	Net Working Capital Days	153	106	116
YoY Growth (%)		52.8	92.7	Net Working Capital to Sales	46.7	33.4	32.4
Margin (%)	17.9	19.5	27.7	Valuation (X)			
Reported Tax	17.2	22.6	45.8	P/E Ratio	98.1	60.9	32.1
Tax Rate (%)	28.1	24.2	25.5	P/BV Ratio	23.0	16.8	11.1
PAT	43.9	70.8	134.1	EV/EBITDA	66.8	46.2	23.5
YoY Growth (%)		61.2	89.4	EV/Sales	12.8	9.0	6.6
Margin (%)	12.9	14.8	20.7	Cash Flow Statement			
Balance Sheet				Profit Before Tax	61.1	93.4	179.9
Share Capital	3.2	3.2	11.2	Adjustments	2.9	5.6	(0.8)
Total Reserves	183.8	253.7	378.3	Change in Working Capital	(50.2)	(1.3)	(50.0)
Shareholders' Fund	187.0	256.8	389.5	Less: Tax Paid	(17.2)	(22.6)	(45.8)
LT Borrowings	11.3	10.4	7.4	Cash Flow from Operations	(3.4)	75.2	83.3
Other LT Financial Liabilities	0.0	0.1	0.1	Net Capital Expenditure	(7.2)	(30.8)	(41.9)
LT Provisions	0.4	0.5	0.7	Change in Investments	0.5	(0.2)	(41.3)
Deferred Tax Liabilities	7.6	7.3	8.1	Cash Flow from Investing	(6.6)	(31.1)	(83.2)
Total Liabilities	206.2	275.2	405.8	Proceeds from issue of equity	0.0	0.0	0.0
Gross Block	73.6	103.8	134.9	Change in Borrowings	15.1	(31.0)	6.0
Less: Accumulated Depreciation	3.9	8.8	14.9	Dividends Paid (incl tax)	(0.8)	(0.8)	(3.5)
Net Block	69.8	95.0	120.0	Less: Finance Cost	(5.6)	(5.2)	(3.4)
Right of use assets	0.0	4.3	4.4	Change in Other Liabilities	0.5	(2.0)	(3.1)
Capital WIP	4.7	1.2	11.9	Cash Flow from Financing	9.3	(39.0)	(4.1)
Intangible Assets	0.2	0.2	0.1	Net Cash Flow	(0.7)	5.1	(4.0)
Intangible Assets under developme	0.3	0.0	0.0	Opening Balance of Cash	2.4	1.6	6.7
Non Current Investments	3.1	3.0	9.1	Closing Balance of Cash	1.6	6.7	2.7
Other LT Financial Assets	3.8	4.9	2.8				
Other Non Current Assets	2.0	2.1	1.2				
Net Current Assets	122.4	164.7	256.4				
Total Assets	206.2	275.2	405.8				

Source: Company Reports & Ventura Research

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