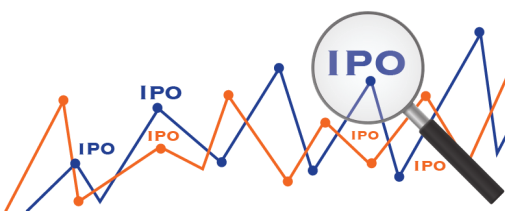




## India Pesticides Limited

Issue Opens	Wednesday, June 23, 2021
Issue Closes	Friday, June 25, 2021
Price Band (in Rs)	290/296
Bid Lot	50 shares and multiples thereafter



## IPO UPDATE

### India Pesticides Limited

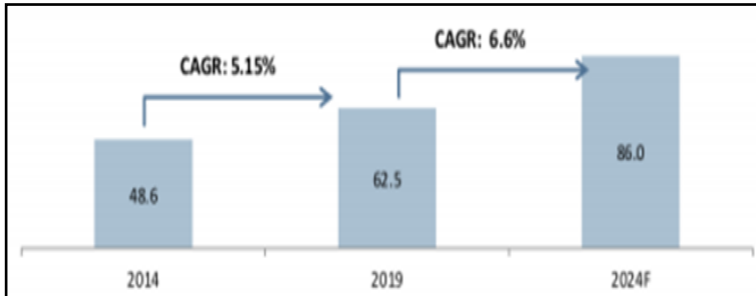
#### Industry Overview:

Crop protection chemicals are primarily classified into insecticides, herbicides and fungicides followed by nematicides and rodenticides. This classification is based on the fact that a crop needs protection from insects, herbs, fungus, nematodes or rodents.

#### Global Agrochemical Market Overview

The global agrochemicals market was valued at USD62.5bn in 2019 and is forecasted to reach USD86bn by 2024 growing at a 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.

**Exhibit 01: Global Agrochemical Market (in USD bn)**



Source: Company RHP

The primary demand drivers for the crop protection chemicals market are increasing demand for food security in order to meet needs of growing population. Due to instances across the world of increased pest attacks, crop protection chemicals are expected to see rapid growth. However, the demand inhibitors include increased restrictions and government regulations on usage of pesticides. A key success factor for the crop protection chemicals in the market is extensive research and development capabilities of a company to develop new molecules satisfying the government norms and stringent environment regulations.

Following are some of the critical success factors for the players involved in crop protection chemicals:

- Backward integration of technical active ingredient
- Comprehensive product portfolio
- Strong distribution network

#### Key Growth Drivers

There is a high growth rate in the world population, which results in an increase in demand for food crops. This further leads to a greater crop production for which advanced agricultural practices are necessary. Using chemicals on land to fight diseases, insects and weeds, increase the productivity per acre or hectare, and therefore, help in feeding the growing population. It is estimated that the world population is growing at the rate of 70 to 80mn per year. A majority of this growth occur in the economically developing nations, such as, India, China, and other countries in Africa and Asia. Being a high-impact driver, this will influence the market to a very great extent.

- Limited growth of farm acreage
- Farmers look to maximize profits
- Increase in the purchasing power of farmers

SNAPSHOT		
Issue Opens	Wednesday, June 23, 2021	
Issue Closes	Friday, June 25, 2021	
Price Band (Rs)	290/296	
Bid Lot	50 shares and multiples thereafter	
Face Value	Rs1	
Listing	BSE & NSE	
Type of Issue	Fresh Issue & OFS	
Offer Size (Rs Mn)	Fresh Issue	1000
	OFS	7000
	<b>Total</b>	<b>8000</b>
*Implied Market Cap (Rs Mn)	34,088	
P/E (based on FY21 Earnings)*	25.34	

\*Note: Implied Market Cap & P/E are calculated at upper price band of Rs296

Issue Allocation	
Reservations	% of Net Issue
QIB	50
NIB	15
Retail	35
<b>Total</b>	<b>100</b>

Object of the Offer
<ul style="list-style-type: none"> <li>• To finance the working capital requirements of the company</li> <li>• To meet general corporate purposes</li> </ul>



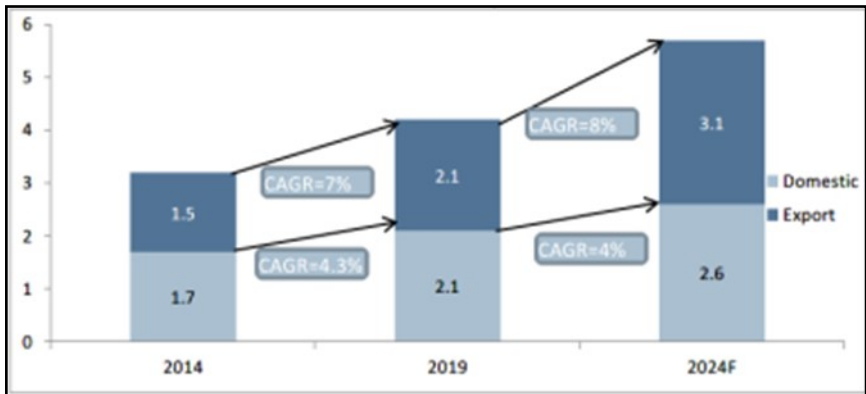
**IPO UPDATE**  
**India Pesticides Limited**

**Industry (contd.):**

**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 USD3.1bn contributing 55% of total domestic production which is expected to be valued at USD5.7bn. 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.

**Exhibit 02: Indian Crop Protection Chemicals Market Consumption (USD bn)**



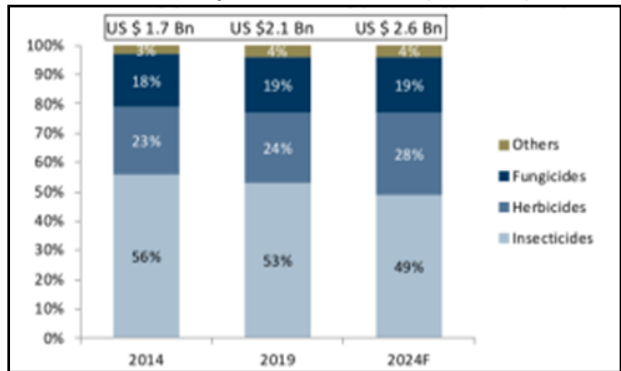
Source: Company RHP

India has been ranked fourth globally in the production of agrochemicals (crop protection chemicals/pesticides) after the United States, Japan and China, as per IBEF Report, 2019. The domestic Indian crop protection chemicals market is valued at USD2.1bn which is expected to grow at 4% in the next five years to USD2.6bn by 2024.

**Indian Crop Protection Chemicals Market Segmentation (by product type)**

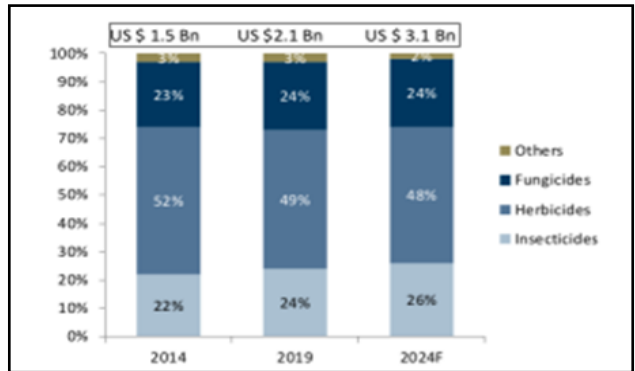
Insecticides contribute the highest market share in the Indian crop protection chemicals market accounting for approximately more than half of the total market. India has almost 10,000 types of plant eating insects. In the agriculture value chain, agrochemicals are the final external stimulus provided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

**Exhibit 03: India Crop Protection Market (Domestic)**



Source: Company RHP

**Exhibit 04: India Crop Protection Market (Exports)**



Source: Company RHP

**Trends and Drivers: Indian Crop Protection Chemicals Market**

100% FDI is allowed in agriculture in India. In addition, increase in demand for food grains with high emphasis on food grain self-sufficiency is promoted by the Government of India, which is expected to drive crop protection chemicals market in India favourably.

**Few of the demand drivers of crop protection chemicals market are as follows:**

- Government initiative to double farmer's income
- Increasing shortage of labour and shrinking agriculture land
- Increasing food demand due to increasing population
- Increased usage of bio-pesticides



**IPO UPDATE**  
**India Pesticides Limited**

**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 namely:

1. Technicals (used in the manufacture of fungicides and herbicides as well as Active Pharmaceutical Ingredients (APIs) with applications in dermatological products).
2. Formulations (formulations of insecticides, fungicide and herbicides, growth regulators and Acaricides, which are ready-to-use products).

It manufactures herbicide, fungicide Technicals, and APIs. The company also manufactures 30+ formulations of insecticides, fungicides, and herbicides. The company manufactured 15,003MT of Technicals in FY21. IPL 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. Since commencing its operations in 1984, the company has diversified into manufacturing herbicide and fungicide Technicals and APIs. It also manufactures herbicide, insecticide and fungicide Formulations. The company has a strategic focus on R&D and its R&D capabilities include two well-equipped in-house laboratories registered with the DSIR.

The company's efforts are led by a dedicated R&D team that comprises PhDs, masters graduate in chemistry and biotechnological engineer. Its R&D efforts have led to the development of processes to manufacture three generic off-patent Technicals since FY18 and are currently in the process of developing processes for certain Technicals, including two fungicides, two herbicides, two insecticides and two intermediates.

IPL's Technicals are primarily exported and its revenue generated from exports contributed to 56.71% of revenue from operations in FY21. As of March 31, 2021, its Technicals are exported to over 25 countries including Australia and other countries in North and South America, Europe, Asia and Africa. The company's Formulations products are primarily sold domestically through its extensive network of dealers and distributors. It 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. The company has established relationships with customers many of whom have been associated with it for over 10 years.

**Strengths:**

- Company is among the top 5 global players of Folpet, Thiocarbamate, and Herbicide Technicals
- Strong R&D and product development capabilities
- Diversified portfolio of niche and quality specialized products
- Domestic as well as international market presence
- Long-term relationship with key customers
- Strong sourcing capabilities and extensive distribution network

**Strategies:**

- Continue to focus on R&D and process innovation to expand the product portfolio, grow customer base and revenue share with existing customer
- Focus on cost optimization
- Capitalize on industry opportunities
- Grow the portfolio of Formulations products
- Expand the business and geographical footprint through inorganic growth

**Financials:**

On the financial performance side, revenue from operations for FY19, FY20 and FY21 stood at Rs3,407mn, Rs4,796mn and Rs6,490mn, respectively. EBITDA margins for FY19, FY20 and FY21 came in at 19.2%, 19.5% and 28.2%, respectively. ROE for FY19, FY20 and FY21, stood at 23.46%, 27.48% and 34.63%, respectively. PAT came in at Rs439mn, Rs708mn and Rs1,345mn for FY19, FY20 and FY21, respectively, while PAT margins stood at 12.9%, 14.8% and 20.7%, respectively for similar periods. The company has paid a dividend at the rate of 20% for FY19 and FY20 and at 110% for FY21. For the current fiscal, it has already paid a dividend at 0.32% till the filing of RHP. The company will follow a prudent dividend policy post listing.

**Exhibit 05: Financials Snapshot**

Revenues (Rs mn)	FY19	FY20	FY21
Sales	3,407	4,796	6,490
EBITDA	653	936	1,831
EBITDA Margin %	19.2	19.5	28.2
Net Profit After Tax	439	708	1,345
Net Profit Margin %	12.9	14.8	20.7
Earning Per Share	3.9	6.4	12.1
RoNW (%)	23.5	27.6	34.5

Source: Company RHP, Progressive Research



## IPO UPDATE

# India Pesticides Limited

### Risks & Concerns:

- The company requires certain approvals and licenses in the ordinary course of business. Any failure in getting them can impact the business.
- Company business is subject to strict technical specifications, quality requirements, regular inspections and auditors. Any failure to comply with quality standards can lead to loss of business.
- Company is required to comply with applicable regulars of international markets where it exports its products. Its international operations are subject to regulatory risks which can impact its business and operations.
- Company derives almost all its revenue from sale of technicals and formulations in the agro-chemicals industry and any reduction in demand of such products could have an adverse effect on company business.
- The agro-chemicals business is subject to climatic conditions, overall area under cultivation and cropping pattern adopted by the farming community. Seasonal variations and unfavourable local and global weather patterns can have adverse effect on its business and operations.
- Company may be subject to significant risks and hazards when operating and maintaining its manufacturing facilities, including the manufacture, usage and storage of various flammable, corrosive or hazardous substances.

### Outlook and Recommendations:

India Pesticides Ltd. (IPL) is an R&D driven agrochemical manufacturer of Technicals with a growing formulations business. It is one of the fastest-growing agrochemical company with over 56% export revenues. It gives a major thrust of R&D based customer-centric products. The company has performed well over the last 2-3 years inspite of the pandemic. It is a regular dividend paying company. As per F&S Reports, IPL 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. As per the offer document, the company has shown Dhanuka Agri, Bharat Rasayan, UPL Ltd., Rallis India, PI Industries, Sumitomo Chemical and Atul Ltd. as its listed peers. The issue seems reasonably priced. The key strength lies in the diversified portfolio of products, long term customer relationship, strong sourcing capabilities, extensive distribution network and consistent track record of financial performance. **We recommend Subscribe to the IPO from a long-term perspective with our inclination towards agrochemicals and specialty chemicals.**



## IPO UPDATE

# India Pesticides Limited

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