Choice

IPO Report

"**Subscribe with Caution**" to

Dharmaj Crop Guard Ltd.

All positives priced-in

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25th Nov. 2022

Salient features of the IPO:

- Agrochemical company, **Dharmaj Crop Guard Ltd.** (DCGL) is coming up with an IPO to raise Rs. 250cr, which opens on 28th Nov. and closes on 30th Nov. 2022. The price band is Rs. 216 - 237 per share.
- The IPO is a combination of fresh and OFS issue. DCGL will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, around Rs. 105cr will be used for setting-up a new facility; Rs. 45cr will be utilized for funding the incremental working capital requirement and Rs. 10cr will be used for the repayment/prepayment of certain borrowings availed by the company. Residual funds will be used for general corporate purposes.

Key competitive strengths:

- Diversified product portfolio and consistent focus on quality and innovation
- Strong R&D capabilities with focus on innovation and sustainability
- Established distribution network with strong branded products and stable relationship with institutional customers
- Experienced promoters and management team
- Track record of strong operational and financial performance

Risk and concerns:

- Unfavorable government policies & regulations
- Lower demand of its products
- Business seasonality
- Unfavorable product-mix
- Difficulty in maintaining profitability
- Delayed commissioning of the proposed facility
- Competition

Below are the key highlights of the company:

- During 2017-21, the global pesticides market is estimated to have grown by 2.3% CAGR from USD 62bn in 2017 to USD 68bn in 2021. Going forward it is expected to grow by 1.6% CAGR over 2021-27 to reach a size of around USD 75bn. In the global market, India is the 4th largest agrochemical producer and the 13th largest exporter of pesticides. On the back of demand growth in the international markets and increased usage in the domestic market, the Indian pesticides & other agrochemicals market is estimated to grow by 7.5-8.5% CAGR by FY27 (Source: RHP).
- Incorporated in 2015, DCGL is an agrochemical company engaged in the business of manufacturing, distributing and marketing of a wide range of agrochemicals such as insecticides, fungicides, herbicides, plant growth regulator, micro fertilizers and antibiotic; to the B2C and B2B customers. Within its differentiated business model, the company provides agrochemical products and manufacturing services to multinational corporations. Currently, it derives all the business from the sale of formulations.
- DCGL is also engaged in the marketing and distribution of owned and generic branded agrochemical products to farmers through its distribution network. Additionally, the company manufactures and sells general insect and pest control chemicals for public & animal health protection. For the sales of its branded products, it has an extensive pan-India distribution network comprising of over 4,362 dealers across 17 states (as of 30th Sept. 2022).
- DCGL classifies its operations into own brands business, domestic institutional business and exports institutional business. Over FY19-22, the company generated around 55.9%, 11.9% and 32.2% of the total business from Institutional - Domestic, Institutional - Exports and Non-Institutional clients, respectively.

Issue details	
Price band	Rs. 216 - 237 per share
Face value	Rs. 10
Shares for fresh issue	0.911 - 1.000cr shares
Shares for OFS	0.148cr shares
Fresh issue size	Rs. 216cr
OFS issue size	Rs. 32.0 - 35.1cr
Total issue size	1.060 - 1.148cr shares (Rs. 248.0 - 251.1cr)
Employee reservation	0.006cr shares (Rs. 1.2 - 1.3cr)
Net issue size	1.054 - 1.143cr shares (Rs. 246.8 - 249.8cr)
Bidding date	28th Nov. - 30th Nov. 2022
MCAP at higher price band	Rs. 801cr
Enterprise value at higher price band	Rs. 621cr
Book running lead manager	Elara Capital (India) Pvt. Ltd. and Monarch Networth Capital Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Pesticides & Agrochemicals
Promoters	Mr. Rameshbhai Ravajibhai Talavia, Mr. Jamankumar Hansarajbhai Talavia, Mr. Jagdishbhai Ravjibhai Savaliya and Mr. Vishal Domadia

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.527 - 0.571cr shares
Non institutional portion	15%	0.158 - 0.171cr shares
Retail portion	35%	0.369 - 0.400cr shares

Indicative IPO process time line	
Finalization of basis of allotment	5th Dec. 2022
Unblocking of ASBA account	6th Dec. 2022
Credit to demat accounts	6th Dec. 2022
Commencement of trading	8th Dec. 2022

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	100.00%	68.65%
Public	0.00%	31.35%
Total	**100.00%**	**100.00%**

Retail application money at higher cut-off price per lot	
Number of shares per lot	60
Employee discount	A discount of up to 5% on the offer price (i.e. Rs. 10.8 - 11.9 per share)
Application money	Rs. 14,220 per lot

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Key highlights of the company (Contd…):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				Total operating revenue (Rs. cr)	EBITDA (Rs. cr)	PAT (Rs. cr)	Gross margin	EBITDA margin	PAT margin
					1 M	3 M	6 M	1 Y						
Dharmaj Crop Guard Ltd.	**10**	**237**	**801**	**621**					**394.2**	**44.3**	**28.7**	**21.7%**	**11.2%**	**7.3%**
Aimco Pesticides Ltd.	10	174	167	158	-20.4%	20.6%	43.5%	77.4%	312.0	17.9	10.7	20.8%	5.7%	3.4%
Astec Lifesciences Ltd.	10	2,147	4,209	4,446	-0.1%	15.2%	16.9%	61.0%	676.6	153.8	89.9	42.8%	22.7%	13.3%
Best Agrolife Ltd.	10	1,665	3,937	4,151	9.2%	84.8%	103.4%	39.0%	1,210.8	165.8	104.8	18.6%	13.7%	8.7%
Bhagiradha Chemicals & Industries Ltd.	10	1,440	1,498	1,571	2.4%	13.2%	72.8%	103.8%	435.7	68.3	35.7	37.3%	15.7%	8.2%
Bharat Rasayan Ltd.	10	9,996	4,153	4,321	-5.3%	-15.6%	-11.4%	2.5%	1,301.0	255.4	176.0	35.2%	19.6%	13.5%
Dhanuka Agritech Ltd.	2	705	3,283	3,086	5.2%	0.6%	-3.2%	-5.2%	1,477.8	263.7	208.9	42.1%	17.8%	14.1%
Excel Industries Ltd.	5	1,170	1,471	1,397	-3.0%	-11.8%	-11.4%	35.0%	1,178.0	231.5	161.2	50.1%	19.7%	13.7%
Heranba Industries Ltd.	10	509	2,036	1,968	1.3%	-9.3%	-11.3%	-22.1%	1,450.4	259.8	189.1	35.8%	17.9%	13.0%
India Pesticides Ltd.	1	243	2,795	2,702	-10.6%	-13.7%	-3.4%	-19.3%	716.1	213.8	158.0	56.8%	29.9%	22.1%
Insecticides (India) Ltd.	10	756	1,492	1,503	4.3%	12.4%	44.0%	79.3%	1,504.0	169.7	107.4	33.0%	11.3%	7.1%
NACL Industries Ltd.	1	88	1,750	2,144	16.9%	17.7%	17.2%	30.8%	1,640.2	137.5	73.4	30.7%	8.4%	4.5%
PI Industries Ltd.	1	3,336	50,610	48,515	7.4%	-1.3%	27.5%	16.2%	5,299.5	1,149.6	843.8	44.8%	21.7%	15.9%
Punjab Chemicals & Crop Protection Ltd.	10	1,115	1,368	1,435	-1.5%	-14.1%	-10.9%	-22.4%	933.5	139.7	83.5	39.0%	15.0%	8.9%
Rallis India Ltd.	1	229	4,461	4,243	-1.8%	2.8%	14.3%	-11.7%	2,603.9	273.8	164.2	42.0%	10.5%	6.3%
Sharda Cropchem Ltd.	10	383	3,459	3,197	-14.1%	-23.4%	-45.8%	22.6%	3,579.8	695.7	349.3	30.2%	19.4%	9.8%
Shivalik Rasayan Ltd.	5	768	1,113	1,080	-6.6%	-16.1%	-1.1%	-8.2%	214.7	47.3	25.6	56.2%	22.0%	11.9%
Sumitomo Chemical India Ltd.	10	451	22,511	22,076	-13.6%	-4.1%	2.1%	22.5%	3,064.6	601.7	423.6	43.7%	19.6%	13.8%
Average												**38.8%**	**17.1%**	**11.1%**

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Dharmaj Crop Guard Ltd.	**41.4%**	**61.6%**	**78.8%**	**9.5%**	**5.8%**	**58.6%**	**71.2%**	**45**	**8.6**	**2.1**	**31.2%**	**23.0%**
Aimco Pesticides Ltd.	16.5%	38.8%	11.6%	4.6%	3.0%	6.0%	31.2%	6	8.8	1.6	16.3%	12.7%
Astec Lifesciences Ltd.	16.2%	26.2%	36.0%	19.2%	10.6%	24.2%	15.5%	41	2.1	0.9	20.1%	20.5%
Best Agrolife Ltd.	22.2%	146.3%	181.5%	5.8%	3.7%	28.8%		26	24.0	1.7	18.2%	17.5%
Bhagiradha Chemicals & Industries Ltd.	4.3%	18.3%	25.0%	12.0%	5.7%	16.3%	-50.6%	40	2.5	1.2	13.2%	15.0%
Bharat Rasayan Ltd.	9.5%	10.9%	16.4%	19.9%	13.2%	19.6%	7.8%	135	5.4	1.3	25.2%	25.4%
Dhanuka Agritech Ltd.	13.7%	21.8%	22.9%	16.8%	13.3%	8.1%	98.7%	94	8.2	1.2	21.4%	21.3%
Excel Industries Ltd.	12.6%	-2.4%	1.6%	21.1%	13.9%	18.8%	-7.0%	19	2.4	0.8	14.5%	20.7%
Heranba Industries Ltd.	13.0%	25.5%	35.9%	15.7%	10.9%	40.8%	3.8%	28	9.4	1.5	29.8%	31.0%
India Pesticides Ltd.	28.1%	48.5%	53.2%	24.2%	17.6%	39.5%		75	4.3	1.1	27.6%	26.4%
Insecticides (India) Ltd.	8.0%	-3.2%	-4.4%	12.3%	7.6%	8.0%		93	4.7	1.0	13.6%	15.1%
NACL Industries Ltd.	23.7%	212.6%		5.9%	2.4%	25.8%		77	4.7	1.1	7.4%	6.6%
PI Industries Ltd.	23.1%	26.4%	27.2%	21.3%	15.0%	30.5%	10.6%	30	1.9	0.6	15.7%	13.6%
Punjab Chemicals & Crop Protection Ltd.	13.2%	28.1%	70.7%	11.8%	5.2%	33.2%	-20.6%	4	3.6	1.5	25.1%	23.7%
Rallis India Ltd.	9.5%	3.9%	1.9%	12.0%	7.9%	8.0%	27.4%	28	3.1	0.9	12.3%	11.2%
Sharda Cropchem Ltd.	21.5%	27.7%	25.6%	17.2%	9.1%	18.0%	-21.7%	65	3.7	0.8	14.5%	13.1%
Shivalik Rasayan Ltd.	8.0%	25.9%	23.5%	17.7%	9.1%	32.0%		20	1.4	0.5	8.7%	9.1%
Sumitomo Chemical India Ltd.	11.2%	27.4%	36.7%	16.2%	10.7%	14.8%	41.8%	78	7.6	1.1	19.2%	19.3%
Average	**15.0%**	**40.2%**	**35.3%**	**14.9%**	**9.3%**	**21.9%**	**11.4%**	**51**	**5.8**	**1.1**	**17.8%**	**17.8%**

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	MCAP / EBITDA (x)	MCAP / Sales (x)	Earning yield
Dharmaj Crop Guard Ltd.	**8.5**	**89.0**	**0.0**	**0.1**	**6.7**	**0.9**	**9.5%**	**33.6%**	**27.9**	**2.7**	**1.6**	**14.0**	**2.0**	**3.6%**
Aimco Pesticides Ltd.	11.2	52.7	0.9	0.0	10.6	1.8	21.2%	30.4%	15.6	3.3	0.5	8.9	0.5	6.4%
Astec Lifesciences Ltd.	45.9	202.2	1.5	0.6	1.9	0.8	22.7%	29.5%	46.8	10.6	6.6	28.9	6.2	2.1%
Best Agrolife Ltd.	44.3	139.5	1.9	0.8	6.6	1.2	31.8%	42.9%	37.6	11.9	3.4	25.0	3.3	2.7%
Bhagiradha Chemicals & Industries Ltd.	34.3	182.5	0.8	0.4	2.7	1.3	18.8%	28.9%	42.0	7.9	3.6	23.0	3.4	2.4%
Bharat Rasayan Ltd.	423.6	1,853.1	1.4	0.2	5.4	1.2	22.9%	29.7%	23.6	5.4	3.3	16.9	3.2	4.2%
Dhanuka Agritech Ltd.	44.8	206.2	10.0	0.0	7.1	1.1	21.8%	30.6%	15.7	3.4	2.1	11.7	2.2	6.4%
Excel Industries Ltd.	128.2	914.3	11.3	0.0	2.6	0.8	14.0%	16.7%	9.1	1.3	1.2	6.0	1.2	11.0%
Heranba Industries Ltd.	47.3	178.6	0.7	0.1	7.0	1.4	26.5%	39.5%	10.8	2.8	1.4	7.6	1.4	9.3%
India Pesticides Ltd.	13.7	55.4	0.3	0.0	3.3	0.8	24.8%	37.2%	17.7	4.4	3.8	12.6	3.9	5.7%
Insecticides (India) Ltd.	54.4	440.7	0.0	0.1	4.4	1.1	12.4%	16.1%	13.9	1.7	1.0	8.9	1.0	7.2%
NACL Industries Ltd.	3.7	24.6	0.5	1.0	4.6	1.1	15.0%	18.9%	23.8	3.6	1.3	15.6	1.1	4.2%
PI Industries Ltd.	55.6	403.4	5.0	0.0	2.1	0.6	13.8%	20.0%	60.0	8.3	9.2	42.2	9.5	1.7%
Punjab Chemicals & Crop Protection Ltd.	68.1	184.0	2.0	0.3	4.3	1.5	37.0%	39.6%	16.4	6.1	1.5	10.3	1.5	6.1%
Rallis India Ltd.	8.4	87.2	3.0	0.0	2.9	0.9	9.7%	13.2%	27.2	2.6	1.6	15.5	1.7	3.7%
Sharda Cropchem Ltd.	38.7	212.0	6.0	0.0	4.5	0.8	18.3%	20.3%	9.9	1.8	0.9	4.6	1.0	10.1%
Shivalik Rasayan Ltd.	17.7	198.2	0.5	0.1	1.0	0.4	8.9%	12.0%	43.5	3.9	5.0	22.8	5.2	2.3%
Sumitomo Chemical India Ltd.	8.5	38.6	0.8	0.0	7.2	1.0	22.0%	35.9%	53.1	11.7	7.2	36.7	7.3	1.9%
Average			**2.7**	**0.2**	**4.6**	**1.0**	**20.1%**	**27.1%**	**27.4**	**5.3**	**3.2**	**17.5**	**3.2**	**5.1%**

Note: Financial data is for FY22 with IPO related adjustments; Source: Choice Broking Research

Key highlights of the company (Contd…):

- As of 21st Nov. 2022, DCGL has obtained 464 registrations for agrochemical formulations from the CIB&RC (Central Insecticides Board and Registration Committee), of which 269 formulations are for sale in India as well as for export and 195 formulations are exclusively for exports. The company has also applied for registrations of 18 formulations and 17 technicals, which are pending at various stages.
- It has 157 trademark registrations for its branded products. Further, as of 30th Sept. 2022, DCGL had more than 154 institutional products, which are sold to more than 600 customers based in India and in the international markets. The company exports its products to more than 66 customers across 25 countries in Latin America, East African Countries, Middle East and Far East Asia. Certain of its key customers include Atul Ltd., Heranba Industries Ltd., Innovative Agritech Pvt. Ltd., Meghmani Industries Ltd., Bharat Rasayan Ltd., Oasis Ltd., United Insecticides Pvt. Ltd. and Sadik Agrochemicals Co. Ltd.
- The company has one manufacturing facility in the state of Gujarat with an installed capacity of 25,500 tonnes per annum. It also has an installed solar power generation capacity of 85,320KW per annum. To achieve backward integration of the operations and augment the manufacturing capabilities, DCGL currently is in the process of setting-up a new facility for manufacturing agrochemicals technical and its intermediates. Production from this unit will be consumed by the company and surplus will be sold in the open market. It has already obtained six agrochemical techincals registrations which will be manufactured in this new facility, which is expected to commissioned by the end of H1 FY24. An estimated cost of this project is around Rs. 173cr, of which Rs. 51cr is already spend (as of 30th Sept. 2022). The company will be utilizing around Rs. 105cr from the IPO net proceeds to partly fund the expansion plans. Normally agrochemical technicals fetch relatively higher profitability margins as compared to formulations. Thus once the proposed plant starts commercial production, DCGL is likely to report relatively better profitability margins.
- In a short period of around seven years since incorporation and commercial production, DCGL has reported a consistent growth in the revenue and profitability. On the back of 43.5% and 37.4% CAGR rise in the business from the B2B and B2C route, respectively, over FY19-22, the company reported a 41.4% CAGR rise in consolidated revenue to Rs. 394.2cr in FY22. Net cost of production increased by 41.9% CAGR, a rate marginally higher than top-line growth, thereby leading to an 84bps contraction in gross profit margin. However, relatively lower other operating expenses resulted in a 371bps expansion in the EBITDA margin to 11.2% in FY22. Consolidated EBITDA increased by 61.6% CAGR to Rs. 44.3cr in FY22. With expansion in capacity & business, depreciation charge and finance costs increased by 37.6% and 8% CAGR, respectively. Consequently, reported PAT increased by 78.8% CAGR to Rs. 28.7cr in FY22. PAT margin expanded by 367bps from 3.6% in FY19 to 7.3% in FY22.
- DCGL reported positive operating cash flow during the period which increased by 71.2% CAGR over FY19-22. Average operating cash flow stood at Rs. 8.7cr. Financial liabilities increased by 21.9% CAGR, however with better profitability, debt-to-equity ratio improved from 1.9x in FY19 to 0.4x in FY22. Pre-issue average RoIC and RoE stood at 27.4% and 37.3%, respectively, during the period.
- Based on our conservative estimate, we are forecasting a 20.9% rise in consolidated revenue over FY22-24E to Rs. 576cr. We are not factoring any major contribution from the commissioning of the agrochemical technical facility. EBITDA margin to expand by 52bps, while lower finance cost would expand the PAT margin by 132bps during the period. Post-issue RoIC and RoE is expected to expand by 312bps and 351bps, respectively, to 12% and 13% in FY24E.

Peer comparison and valuation: At higher price band, DCGL is demanding a P/E multiple of 27.9x (to its FY22 EPS of Rs. 8.5), which seems to be in-line to the peer average. Thus the issue seems to be fully priced. However considering the growth outlook and its ability to expand the profitability margin post the commissioning of the agrochemical technical facility (around H2 FY24), we are assigning a "**Subscribe with Caution**" rating for the issue.

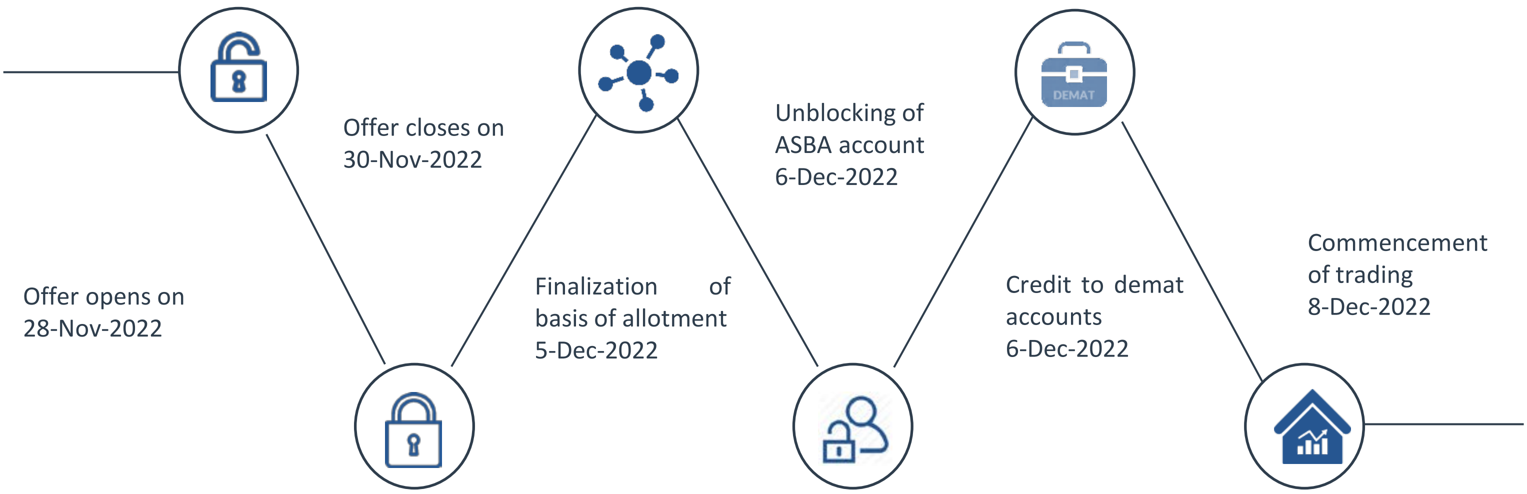
About the issue:

- DCGL is coming up with an IPO with 1.060 - 1.148cr shares (fresh issue: 0.911 - 1.0cr shares; OFS shares: 0.148cr shares) in offering. This offer represents around 31.35% - 33.11% of the post issue paid-up equity shares of the company. Total IPO size is Rs. 248.0 - 251.1cr.
- The issue will open on 28th Nov. 2022 and close on 30th Nov. 2022.
- The issue is through book building process with a price band of Rs. 216 - 237 per share.
- 0.006cr shares are reserved for eligible employees. The company is also offering a discount of upto 5% on the offer price (i.e. Rs. 10.8 - 11.9 per share).
- The net issue size is Rs. 246.8 - 249.8cr.
- The IPO is a combination of fresh and OFS issue. DCGL will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, around Rs. 105cr will be used for setting-up a new facility; Rs. 45cr will be utilized for funding the incremental working capital requirement and Rs. 10cr will be used for the repayment/prepayment of certain borrowings availed by the company. Residual funds will be used for general corporate purposes.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 100.00% stake in the company and post-IPO this will come down to 68.65%. Public holding will increase from current nil to 31.35%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	100.00%	68.65%
Public	0.00%	31.35%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY19-22: In a short period of around seven years since incorporation and commercial production, DCGL has reported a consistent growth in the revenue and profitability.

On the back of 43.5% and 37.4% CAGR rise in the business from the B2B and B2C route, respectively, over FY19-22, the company reported a 41.4% CAGR rise in consolidated revenue to Rs. 394.2cr in FY22. Domestic and export sales increased by 41.9% and 36.4%, respectively, during the period.

Net cost of production increased by 41.9% CAGR, a rate marginally higher than top-line growth, thereby leading to an 84bps contraction in gross profit margin. However, relatively lower other operating expenses resulted in a 371bps expansion in the EBITDA margin to 11.2% in FY22. Consolidated EBITDA increased by 61.6% CAGR to Rs. 44.3cr in FY22.

With expansion in capacity & business, depreciation charge and finance costs increased by 37.6% and 8% CAGR, respectively. Consequently, reported PAT increased by 78.8% CAGR to Rs. 28.7cr in FY22. PAT margin expanded by 367bps from 3.6% in FY19 to 7.3% in FY22.

DCGL reported positive operating cash flow during the period which increased by 71.2% CAGR over FY19-22. Average operating cash flow stood at Rs. 8.7cr. Financial liabilities increased by 21.9% CAGR, however with better profitability, debt-to-equity ratio improved from 1.9x in FY19 to 0.4x in FY22. Pre-issue average RoIC and RoE stood at 27.4% and 37.3%, respectively, during the period.

Pre-issue proforma consolidated financial snapshot (Rs. cr)	FY19	FY20	FY21	FY22	4M FY23	CAGR over FY19-22	Y-o-Y (Annual)
Revenue from operations	139.4	198.2	302.4	394.2	220.9	41.4%	30.4%
Gross profit	31.4	46.9	69.5	85.6	42.9	39.7%	23.2%
EBITDA	10.5	17.9	31.1	44.3	26.9	61.6%	42.8%
Reported PAT	5.0	10.8	21.0	28.7	18.4	78.8%	36.9%
Restated reported EPS	1.5	3.2	6.2	8.5	5.4	78.8%	36.9%
Cash flow from operating activities	3.3	2.0	12.9	16.4	(2.3)	71.2%	27.4%
NOPLAT	6.1	11.7	21.2	29.1	18.9	68.5%	37.5%
FCF		2.0	(15.3)	(8.0)			
RoIC (%)	22.3%	31.7%	29.0%	26.5%	13.1%	416 bps	(253) bps
Revenue growth rate (%)		42.2%	52.6%	30.4%			
Gross profit growth rate (%)		49.2%	48.3%	23.2%			
Gross profit margin (%)	22.6%	23.6%	23.0%	21.7%	19.4%	(84) bps	(127) bps
EBITDA growth rate (%)		70.8%	73.2%	42.8%			
EBITDA margin (%)	7.5%	9.0%	10.3%	11.2%	12.2%	371 bps	98 bps
EBIT growth rate (%)		85.9%	80.6%	37.3%			
EBIT margin (%)	6.1%	7.9%	9.4%	9.9%	11.4%	383 bps	50 bps
Restated reported PAT growth rate (%)		114.2%	94.8%	36.9%			
Restated reported PAT margin (%)	3.6%	5.4%	6.9%	7.3%	8.3%	367 bps	35 bps
Inventory days	51.6	51.7	55.8	63.0	54.6	6.9%	12.9%
Debtor days	44.4	46.3	41.9	56.6	79.0	8.4%	34.8%
Payable days	(43.6)	(55.6)	(56.7)	(77.2)	(95.1)	21.0%	36.2%
Cash conversion cycle	52.4	42.4	41.1	42.3	38.6	-6.9%	3.1%
Fixed asset turnover ratio (x)	12.0	8.2	7.5	6.7	3.2	-17.4%	-10.3%
Total asset turnover ratio (x)	2.9	2.1	2.3	1.8	0.7	-15.0%	-23.5%
Current ratio (x)	1.9	1.3	1.7	1.5	1.5	-7.3%	-9.0%
Quick ratio (x)	1.0	0.7	0.8	0.9	1.0	-4.5%	13.2%
Total debt (Rs.)	20.4	20.2	27.0	37.0	51.7	21.9%	37.2%
Net debt (Rs.)	19.6	19.9	26.0	36.0	50.7	22.6%	38.5%
Debt to equity (x)	1.9	0.6	0.5	0.4	0.5	-39.2%	-9.0%
Net debt to EBITDA (x)	1.9	1.1	0.8	0.8	1.9	-24.2%	-3.0%
RoE (%)	47.7%	30.4%	37.2%	33.8%	17.8%	(1,393) bps	(341) bps
RoA (%)	10.5%	11.6%	16.3%	13.1%	6.0%	253 bps	(320) bps
RoCE (%)	29.1%	36.2%	36.7%	33.6%	17.2%	452 bps	(305) bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

Competitive strengths:

- Diversified product portfolio and consistent focus on quality and innovation
- Strong R&D capabilities with focus on innovation and sustainability
- Established distribution network with strong branded products and stable relationship with institutional customers
- Experienced promoters and management team
- Track record of strong operational and financial performance

Business strategy:

- Enhance manufacturing capabilities through backward integration and expand the product portfolio
- Targeting new customers, expanding existing customer business and increase market share in domestic and international markets
- Expand public health & animal health product segment
- Strengthening business through effective branding, promotional and digital activities

Risk and concerns:

- Unfavorable government policies & regulations
- Lower demand of its products
- Business seasonality
- Unfavorable product-mix
- Difficulty in maintaining profitability
- Delayed commissioning of the proposed facility
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)	FY19	FY20	FY21	FY22	4M FY23	CAGR over FY19 - 22	Annual growth over FY21
Revenue from operations	**139.4**	**198.2**	**302.4**	**394.2**	**220.9**	**41.4%**	**30.4%**
Cost of material consumed	(110.0)	(156.7)	(240.5)	(320.7)	(195.4)	42.9%	33.3%
Purchases of stock-in-trade	(0.2)	(0.3)	(0.9)	(0.6)		33.0%	-39.1%
Changes in inventories of finished goods, work-in progress and stock-in-trade	2.3	5.6	8.5	12.6	17.4	77.0%	48.4%
Gross profit	**31.4**	**46.9**	**69.5**	**85.6**	**42.9**	**39.7%**	**23.2%**
Employee benefits expense	(6.1)	(8.2)	(12.0)	(13.7)	(5.7)	30.6%	13.8%
Manufacturing & operating costs	(2.8)	(4.0)	(6.5)	(5.7)	(1.9)	25.9%	-12.8%
Other expenses	(12.0)	(16.7)	(19.9)	(21.9)	(8.4)	22.4%	10.0%
EBITDA	**10.5**	**17.9**	**31.1**	**44.3**	**26.9**	**61.6%**	**42.8%**
Depreciation & amortization	(2.0)	(2.2)	(2.6)	(5.3)	(1.6)	37.6%	102.7%
EBIT	**8.5**	**15.8**	**28.5**	**39.1**	**25.3**	**66.4%**	**37.3%**
Finance costs	(2.1)	(2.2)	(1.4)	(2.6)	(0.9)	8.0%	84.3%
Other income	0.6	0.9	1.2	2.1	0.2	51.7%	80.1%
PBT	**7.0**	**14.5**	**28.2**	**38.5**	**24.6**	**76.6%**	**36.7%**
Tax expenses	(2.0)	(3.7)	(7.2)	(9.8)	(6.2)	70.9%	36.1%
Reported PAT	**5.0**	**10.8**	**21.0**	**28.7**	**18.4**	**78.8%**	**36.9%**

Consolidated balance sheet statement (Rs. cr)	FY19	FY20	FY21	FY22	4M FY23	CAGR over FY19 - 22	Annual growth over FY21
Equity share capital	2.0	16.5	16.5	24.7	24.7	131.1%	50.0%
Other equity	8.5	19.0	39.9	60.2	78.6	91.9%	51.0%
Non current borrowings	18.5	6.9	20.2	29.7	41.0	17.0%	46.9%
Non current provisions	0.1	0.2	0.3	0.4	0.5	65.5%	22.2%
Net deferred tax liabilities			0.0				
Other non current liabilities	0.9	1.2	1.7	2.2	2.9	37.4%	32.2%
Trade payables	12.9	33.2	39.1	91.4	141.1	92.1%	133.5%
Current borrowings	1.8	13.2	6.7	7.3	10.5	57.9%	7.9%
Other current financial liabilities	0.1	0.0	0.0	0.1	0.1	6.8%	36.7%
Current provisions		0.0	0.0	0.0	0.0		66.7%
Current net tax liabilities	0.2	0.3	0.3	0.4	4.9	41.1%	59.9%
Other current liabilities	2.7	2.1	4.1	3.2	1.4	5.0%	-22.8%
Total liabilities	**47.7**	**92.6**	**128.9**	**219.5**	**305.8**	**66.4%**	**70.4%**
Property, plant and equipment	11.6	21.7	38.7	38.9	38.5	49.9%	0.7%
Intangible assets	0.1	0.1	0.4	1.1	1.1	119.0%	167.0%
Capital work-in-progress		2.3	1.1	17.7	28.3		1448.4%
Intangible assets under development				0.7	1.0		
Non current investments				0.5	0.5		
Other non current financial assets	1.0	1.0	1.0	1.0	0.6	1.9%	0.2%
Net deferred tax assets	0.1	0.2		0.2	0.3	24.2%	
Other non current assets	1.6	5.6	4.6	5.5	2.7	51.4%	21.2%
Inventories	15.3	27.6	43.6	62.9	81.1	60.4%	44.3%
Trade receivables	17.0	33.3	36.2	86.0	145.5	71.8%	137.6%
Cash and cash equivalents	0.8	0.3	1.0	1.0	0.9	4.3%	-0.1%
Other current financial assets	0.0	0.1	0.1	0.1		65.9%	47.9%
Current loans	0.0	0.0	0.1	0.1	0.1	53.5%	7.0%
Other current assets	0.2	0.3	2.2	3.8	5.1	164.2%	74.4%
Total assets	**47.7**	**92.6**	**128.9**	**219.5**	**305.8**	**66.4%**	**70.4%**

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd…):

Consolidated cash flow statement (Rs. cr)							
	FY19	FY20	FY21	FY22	4M FY23	CAGR over FY19 - 22	Annual growth over FY21
Cash flow before working capital changes	11.0	18.8	31.4	46.1	26.8	61.2%	46.7%
Working capital changes	(5.8)	(13.1)	(11.6)	(19.8)	(27.4)	50.8%	70.8%
Cash flow from operating activities	**3.3**	**2.0**	**12.9**	**16.4**	**(2.3)**	**71.2%**	**27.4%**
Purchase of fixed assets and CWIP	(3.2)	(14.6)	(19.2)	(23.7)	(12.1)	95.0%	23.5%
Cash flow from investing activities	**(4.0)**	**(14.6)**	**(17.7)**	**(23.9)**	**(11.6)**	**82.1%**	**34.6%**
Cash flow from financing activities	**0.4**	**12.1**	**5.5**	**7.5**	**14.0**	**159.2%**	**35.5%**
Net cash flow	**(0.3)**	**(0.5)**	**0.7**	**(0.0)**	**(0.0)**	**-84.2%**	
Opening balance of cash	1.1	0.8	0.3	1.0	0.9	-4.5%	219.1%
Closing balance of cash	**0.8**	**0.3**	**1.0**	**0.9**	**0.9**	**4.3%**	**-0.1%**

Consolidated financial ratios					
Particulars	**FY19**	**FY20**	**FY21**	**FY22**	**4M FY23**
Profitability ratios					
Revenue growth rate (%)		42.2%	52.6%	30.4%	
Gross profit growth rate (%)		49.2%	48.3%	23.2%	
Gross profit margin (%)	22.6%	23.6%	23.0%	21.7%	19.4%
EBITDA growth rate (%)		70.8%	73.2%	42.8%	
EBITDA margin (%)	7.5%	9.0%	10.3%	11.2%	12.2%
EBIT growth rate (%)		85.9%	80.6%	37.3%	
EBIT margin (%)	6.1%	7.9%	9.4%	9.9%	11.4%
Restated reported PAT growth rate (%)		114.2%	94.8%	36.9%	
Restated reported PAT margin (%)	3.6%	5.4%	6.9%	7.3%	8.3%
Turnover ratios					
Inventories turnover ratio (x)	9.1	9.2	8.5	7.4	2.7
Trade receivable turnover ratio (x)	8.2	7.9	8.7	6.5	1.5
Accounts payable turnover ratio (x)	10.8	8.6	8.4	6.0	1.6
Fixed asset turnover ratio (x)	12.0	8.2	7.5	6.7	3.2
Total asset turnover ratio (x)	2.9	2.1	2.3	1.8	0.7
Return ratios					
RoIC (%)	22.3%	31.7%	29.0%	26.5%	13.1%
RoE (%)	47.7%	30.4%	37.2%	33.8%	17.8%
RoA (%)	10.5%	11.6%	16.3%	13.1%	6.0%
RoCE (%)	29.1%	36.2%	36.7%	33.6%	17.2%
Per share data					
Restated adjusted EPS (Rs.)	1.5	3.2	6.2	8.5	5.4
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0
BVPS (Rs.)	3.1	10.5	16.7	25.1	30.6
Operating cash flow per share (Rs.)	1.0	0.6	3.8	4.9	(0.7)
Free cash flow per share (Rs.)		0.6	(4.5)	(2.4)	
Dividend payout ratio	0.0%	0.0%	0.8%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.
Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.
Avoid: Concerns on both fundamentals and demanded valuation.

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