



INDIA PESTICIDES LIMITED

Issue highlights

- ❑ **India Pesticides Limited (“IPL”)** was incorporated on December 13, 1984. IPL is an R&D driven agro-chemical manufacturer of Technicals with a growing Formulations business. IPL is the fastest growing agro-chemical companies in India in terms of volume of Technicals manufactured. They have recorded 37.17% year-on-year growth in Technicals manufacturing (by volume) between Fiscal 2020 and Fiscal 2021. They are the sole Indian manufacturer of 5 Technicals and among the leading manufacturers globally for Captan, Folpet and Thiocarbamate Herbicide, in terms of production capacity.
- ❑ IPL also diversified into manufacturing herbicide and fungicide Technicals and active pharmaceutical ingredients (“APIs”). They also manufacture herbicide, insecticide and fungicide Formulations.
- ❑ The business verticals includes:
 - **Technicals** - Fungicide Technicals, Herbicides Technicals;
 - **Formulations** - Formulations of insecticides, fungicide and herbicides, growth regulators and Acaricides;
 - **APIs** – substances used for manufacturing drug products.
- ❑ As of March 31, 2021, company’s Technicals are exported to over 25 countries. The revenue generated from exports contributed to 56.71% of their revenue in Fiscal 2021.
- ❑ IPL currently has 2 manufacturing facilities located at Lucknow and HarDOI in Uttar Pradesh. As of March 31, 2021, their aggregate installed capacity of their manufacturing facilities for agro-chemical Technicals was 19,500 MT and Formulations was 6,500 MT. They have also commenced construction of 2 manufacturing units which are proposed to be used for herbicide Technicals.
- ❑ IPL has a strategic focus on R&D and their R&D capabilities include 2 well-equipped in-house laboratories. Their R&D efforts have led to development of processes to manufacture 3 generic off-patent Technicals since Fiscal 2018 and they are currently developing processes for certain Technicals, including 2 fungicides, 2 herbicides, 2 insecticides and 2 intermediates.

Brief Financial Details*

(₹ In Cr)

| | As at Mar’ 31, | | |
|---------------------------|----------------|--------|--------|
| | 2021 | 2020 | 2019 |
| Equity Share Capital | 11.18 | 3.18 | 3.18 |
| Reserves as stated | 378.32 | 253.66 | 183.84 |
| Net worth as stated | 389.50 | 256.84 | 187.02 |
| Revenue from Operations | 648.95 | 479.63 | 340.69 |
| Revenue Growth (%) | 35.30% | 40.78% | - |
| EBITDA as stated | 189.52 | 103.66 | 70.63 |
| EBITDA (%) as stated | 29.20% | 21.61% | 20.73% |
| Profit Before Tax | 179.95 | 93.37 | 61.10 |
| Net Profit for the period | 134.53 | 70.80 | 43.92 |
| Net Profit (%) as stated~ | 20.53% | 14.46% | 12.69% |
| EPS (₹) | 12.07 | 6.35 | 3.94 |
| RoNW (%) | 34.54% | 27.57% | 23.48% |
| NAV(₹) | 34.94 | 23.05 | 16.79 |
| Return on Equity (%) | 34.63% | 27.48% | 23.46% |
| ROCE (%) | 45.18% | 35.82% | 32.33% |

Source: RHP *Restated Consolidated Summary, ~Net Profit % calculated on Total Income

Issue Details

Issue of Equity Shares aggregating up to of ₹ 800 Cr

(Fresh Issue of Equity Shares aggregating up to ₹ 100 Crore and Offer for sale aggregating up to ₹ 700 Crore)

Issue size: ₹ 800 Cr

No. of shares: 27,586,206 – 27,027,026

Face value: ₹ 1/-

Price band : ₹ 290 – 296

Bid Lot: 50 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 3,342 – 3,409 Cr

BRLMs: Axis Capital, JM Financial

Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Wednesday, 23rd Jun’2021

Issue closes on: Friday, 25th Jun’2021

Indicative Timetable

| Activity | On or about |
|------------------------------------|-------------|
| Finalisation of Basis of Allotment | 30-06-2021 |
| Refunds/Unblocking ASBA Fund | 01-07-2021 |
| Credit of equity shares to DP A/c | 02-07-2021 |
| Trading commences | 05-07-2021 |

Issue break-up

| | No. of Shares (Approx) [^] | ₹ In Cr | % of Issue |
|--------------|-------------------------------------|---------------|-------------|
| QIB | 13,513,512 | 400.00 | 50% |
| NIB | 4,054,054 | 120.00 | 15% |
| Retail | 9,459,460 | 280.00 | 35% |
| Total | 27,027,026 | 800.00 | 100% |

[^] at Upper Price Band

Listing : BSE & NSE

Shareholding (No. of Shares)

| | Pre issue | Post issue [~] | Post issue [^] |
|--|-------------|-------------------------|-------------------------|
| | 111,785,130 | 115,233,405 | 115,163,508 |

[~]Lower price Band [^]Upper Price Band

Shareholding (%)

| | Pre-Issue | Post-Issue |
|-------------------------|----------------|----------------|
| Promoters & Promoter Gr | 82.68% | 72.00% |
| Public | 17.32% | 28.00% |
| Total | 100.00% | 100.00% |

BACKGROUND

Company and Directors

The company was originally incorporated as 'India Pesticides Private Limited', on December 13, 1984 at Bareilly, Uttar Pradesh. Anand Swarup Agarwal and the ASA Family Trust are the Promoters of the company. As on the date, the Promoters, in the aggregate, hold 52,506,967 Equity Shares, which aggregates to 46.97% of the pre-Offer, issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Anand Swarup Agarwal is the Chairman and non-executive Director of the company. He has over 35 years of experience in agrochemical manufacturing. He is one of the Promoters and one of the founders of the company. In the past he was the part time non-official director on the board of directors of Punjab National Bank. He has also a director on the board of directors of PNB Gilts Ltd.

Rajendra Singh Sharma is the whole-time Director of the company. He has been associated with the company since last 22 years and has experience in agro-chemical manufacturing.

Rahul Arun Bagaria is the Non-Executive Director of the company. He has more than 5 years of professional experience and expertise in corporate law and taxation.

Adesh Kumar Gupta is the Independent Director of the company. He previously held the position of whole time director and chief financial officer at Grasim Industries Ltd. and has also been a director at Ultra Tech Cement Ltd.

Mohan Vasant Tanksale is the Independent Director of the company. He was previously the chairman and managing director of Central Bank of India and was an executive director on the board of Punjab National Bank till June 2011.

Madhu Dikshit is the Independent Director of the company. In the past, she has been associated with the CSIR – Central Drug Research Institute, Lucknow as a director.

Key Managerial Personnel

Dheeraj Kumar Jain is the Chief Executive Officer of the company. He has more than 25 years of experience with the company and has been responsible for product development, international business development and project engineering.

Satya Prakash Gupta is the Chief Financial Officer of the company. He has over 27 years of experience in the field of finance.

Ajeet Pandey is the Company Secretary and Compliance Officer of the company.

Ajai Kumar Sinha is the General Manager - Formulation Marketing of the company.

B.T. Hanumantha Reddy is the General Manager - Manufacturing of the company.

OBJECTS OF THE ISSUE

| | (₹ In Cr) |
|---|--------------|
| Objects | Amount |
| Funding working capital requirements of the company | 80.00 |
| General Corporate Purposes | [•] |
| Total | [•] |

OFFER DETAILS

| The Offer | Amount | No. of Shares |
|--|-------------|--|
| Fresh Issue (₹ 100 Cr) | ₹ 100.00 Cr | Upto 3,448,275 [^] - 3,378,378 [~] Equity Shares |
| * Offer for sale (₹ 700 Cr) by the Selling Shareholder: | | |
| Anand Swarup Agarwal – The Promoter Shareholder | ₹ 281.40 Cr | Upto 9,703,448 [^] - 9,506,756 [~] Equity Shares |

| | | |
|---|-------------|--|
| Sanju Agarwal - The Selling Shareholder | ₹ 22.70 Cr | Upto 782,758 [^] - 766,891 [~] Equity Shares |
| Mahendra Swarup Agarwal - The Selling Shareholder | ₹ 73.40 Cr | Upto 2,531,034 [^] - 2,479,729 [~] Equity Shares |
| Virendra Swarup Agarwal - The Selling Shareholder | ₹ 29.00 Cr | Upto 1,000,000 [^] - 979,729 [~] Equity Shares |
| Pramod Swarup Agarwal - The Selling Shareholder | ₹ 32.90 Cr | Upto 1,134,482 [^] - 1,111,486 [~] Equity Shares |
| Vishwas Swarup Agarwal - The Selling Shareholder | ₹ 18.90 Cr | Upto 651,724 [^] - 638,513 [~] Equity Shares |
| Vishal Swarup Agarwal - The Selling Shareholder | ₹ 21.70 Cr | Upto 74,8275 [^] - 733,108 [~] Equity Shares |
| Other Selling Shareholders | ₹ 220.00 Cr | Upto 7,586,206 [^] - 7,432,432 [~] Equity Shares |

[~]Lower price Band [^]Upper Price Band

Shareholding Pattern:

| Name | Pre Issue | | Post Issue | |
|--|---------------------------|---|---------------------------|--|
| | No. of Equity Shares held | % of the pre-Issue paid- up Equity Shares capital | No. of Equity Shares held | % of the post-Issue paid- up Equity Shares capital |
| Promoters & Promoters Group | | | | |
| Promoter | 52,506,967 | 46.97% | 43,000,211 | 37.34% |
| Promoter Group | 39,917,550 | 35.715 | 39,917,550 | 34.66% |
| Total for Promoter & Promoter Gr. | 92,424,517 | 82.685 | 82,917,761 | 72.00% |
| Public | 19,360,613 | 17.32% | 32,245,747 | 28.00% |
| Total | 111,785,130 | 100.00% | 115,163,508 | 100.00% |

Based on shares issued/offered at upper price band

BUSINESS OVERVIEW

India Pesticides Limited ("IPL") is an R&D driven agro-chemical manufacturer of Technicals with a growing Formulations business. They are among the fastest growing agro-chemical companies in India in terms of volume of Technicals manufactured. They have recorded 37.17% year-on-year growth in Technicals manufacturing (by volume) between Fiscal 2020 and Fiscal 2021, reaching more than 75% plant operating rate. IPL manufactured 15,003 MT of Technicals in Fiscal 2021. They are the sole Indian manufacturer of 5 Technicals and among the leading manufacturers globally for Captan, Folpet and Thiocarbamate Herbicide, in terms of production capacity. Since commencing their operations in 1984, they have diversified into manufacturing herbicide and fungicide Technicals and active pharmaceutical ingredients ("APIs"). They also manufacture herbicide, insecticide and fungicide Formulations.

IPL has a strategic focus on R&D and their R&D capabilities include 2 well-equipped in-house laboratories registered with the DSIR. Their efforts are led by a dedicated R&D team that comprises PhDs, Masters Graduates in chemistry and a biotechnological engineer. Their R&D efforts have led to development of processes to manufacture 3 generic off-patent Technicals since Fiscal 2018 and they are currently in the process of developing processes for certain Technicals, including 2 fungicides, 2 herbicides, 2 insecticides and 2 intermediates.

Company's Technicals are primarily exported and their revenue generated from exports contributed to 56.71% of their revenue from operations in Fiscal 2021. As of March 31, 2021, their **Technicals are exported to over 25 countries** including Australia and other countries in North and South America, Europe, Asia and Africa. Their Formulations products are primarily sold domestically through their extensive network of dealers and distributors.

Company's core focus is on quality and sustainability and **none of their key Technicals are classified as 'red triangle' or highly toxic products**. Currently they have obtained registrations and license to manufacture from the CIBRC for 22 agro-chemical Technicals and 125 Formulations for sale in India and 27 agro-chemical Technicals and 35 Formulations for export while they have a license to manufacture from the Department of Agriculture, Uttar Pradesh for 49 agro-chemical Technicals and 158 Formulations. For their APIs, they have obtained a license for manufacturing 2 drugs for sale at Dewa Road from the Drug Licensing and Controlling Authority under the Drugs and Cosmetics Rules, 1945.

Currently they manufacture 8 Technicals, 2 APIs and over 30 Formulations. Of the 8 Technicals manufactured by IPL, 6 Technicals are categorized under the 'Blue Category' while 2 are categorized under the 'Green Category', indicating 'moderately toxic' and 'slightly toxic', respectively, as determined by Central Insecticide Board & Registration Committee.

IPL has 2 distinct operating verticals, namely, Technicals and Formulations. The APIs they manufacture have anti-scabies and anti-fungal applications.

IPL currently has 2 manufacturing facilities located at UPSIDC Industrial Area at Dewa Road, Lucknow and Sandila, Hardoi in Uttar Pradesh, India that are spread across over 25 acres. As of March 31, 2021, their aggregate installed capacity of their manufacturing facilities for agro-chemical Technicals was 19,500 MT and Formulations was 6,500 MT. Their manufacturing facilities are equipped with modern plant and machinery capable of producing quality Technicals and Formulations. They have also commenced construction of 2 manufacturing units at their Sandila facility, which are proposed to be used for herbicide Technicals.

Company's Promoter, Chairman and Non-Executive Director, Anand Swarup Agarwal has over 35 years of experience in the manufacturing sector. Their senior management team that includes, Dheeraj Kumar Jain, Chief Executive Officer and Satya Prakash Gupta, Chief Financial Officer have significant experience and have also been associated with the company for over 20 years.

They have a strong employee base comprising of 673 employees, as of March 31, 2021. In addition, they have entered into arrangements with third party personnel companies for the supply of contract labour.

PRODUCT OVERVIEW

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

| Technicals | IPL manufactures generic Technicals that are used in the manufacture of fungicides and herbicides as well as APIs with applications in dermatological products. | |
|--|--|--|
| | Product | Applications |
| | Fungicide Technicals | Fungicides are pesticides used to kill or inhibit fungi or fungal spores. Fungi cause serious damage in agriculture, resulting in critical losses of yield, quality and profit. Fungicides are extensively used in industry, agriculture, and the home and garden for a number of purposes. |
| | Folpet | Used to manufacture fungicides that control fungal growth at vineyards, cereals, crops and biocide in paints; |
| | Cymoxanil | Used to manufacture fungicides that control 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. |
| | Herbicide Technicals | Herbicides, also commonly known as weed-killers, are pesticides designed specifically to kill weeds and applied to the foliage of unwanted plants or the soil beneath. Weeds reduce the quality and quantity of agricultural production, and produce allergens or contact dermatitis that affects public health. |
| Thiocarbamate | Thiocarbamate herbicides that have application in field crops, such as, wheat and rice, and are used globally. | |
| <i># Ziram and Captan are part of a list of 27 products that are proposed to be banned for sale in India by the Department of Agriculture, Govt.</i> | | |
| Formulations | IPL manufactures and sell various formulations of insecticides, fungicide and herbicides, growth regulators and Acaricides, which are ready-to-use products. | |
| | As of March 31, 2021, IPL manufactures over 30 Formulations that include Takatvar, IPL Ziram-27, IPL Dollar, IPL Soldier and IPL Guru . | |
| | Product | Applications |
| Crotax – 36 | Used against pests such as brown plant hoppers, green leaf hopper, leaf roller/ folder, yellow stem borer 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 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 for controlling bollworm. |
| | IPL 505 | Used against pests such as aphid, whitefly, jassid, thrips, whitefly, American bollworm, spotted bollworm and leaf hopper. |
| | IPL Soldier | Used against pests such as thrips, pod borer, bollworms, diamond black moth, pod borer, fruit and shoot borer and mites. |
| | IPL Tara | Used 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 against pests such as aphid, whitefly, jassid, thrips, brown plant hopper, white-backed plant hopper, greenleaf hopper, termite and hopper. |
| | Agni | Used against weeds such as Echinochloa Crusgalli, Echinochloa Colonom, Cyperus, Difformis, Cyperus Isra, Fimbirstylis Miliacea, Eclipta Alba, Ludwigia Pulviflora, Leptochloa Chinensis, Monochorea Vaginalis and Panicum Repens. |
| | Takatvar | Used against pests such as fruit rot (anthracnose), early blight and late blight. |
| | Ziram – 27# | Used against pests such as downy mildew anthracnose, scab, anthracnose, early blight. |
| | Ziram – 80# | Used against pests such as downy mildew, anthracnose, scab, anthracnose and early blight. |
| | Captax – 50# | Used against pests such as scab, brown rot, downy mildew, early blight, late blight, damping off and leaf spot. |
| | <i># Ziram – 27, Ziram – 80 and Captax – 50 are manufactured using Ziram and Captan that are part of a list of 27 products that are proposed to be banned for sale in India by the Department of Agriculture, GoI.</i> | |
| API | APIs are substances or a mixture of substances intended to be used in the manufacture of a drug (medicinal) product and that when used in the production of a drug becomes an active ingredient of the drug/ product. | |
| | Product | Applications |
| | Anti-scabies drug | Dermatology - Used in the treatment of scabies and peduclosis. |
| | Anti-fungal drug | Dermatology - Fungicidal drug that acts on fungal hyphae and inhibits squalene epoxidase. |

COVID 19 - BUSINESS IMPACT

Since the manufacturing of pesticides was determined to be an essential industry pursuant to the Ministry of Home Affairs order dated March 27, 2020, IPL is allowed to resume operations in a phased manner. Accordingly, both of their facilities restarted operations in a phased manner after April 15, 2020, subject to certain adjustments in working patterns, social distancing measures and additional safety measures. Despite of the impact of the COVID-19 pandemic, their revenue from operations increased by 35.30% from ₹ 479.63 crore in Fiscal 2020 to ₹ 648.95 crore in Fiscal 2021.

REVENUE FROM OPERATIONS

Revenue from Operations: Business Segment-wise

| Particulars | Year Ended March 31, | | | | | |
|---------------------------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| | 2021 | | 2020 | | 2019 | |
| | Unconsolidated | | | | | |
| | Revenue (₹ in Cr) | % to Total | Revenue (₹ in Cr) | % to Total | Revenue (₹ in Cr) | % to Total |
| Sale of Products | 642.63 | 99.03% | 477.96 | 99.65% | 340.26 | 99.87% |
| - Home Market (Net) | 274.60 | 42.31% | 180.03 | 37.54% | 169.46 | 49.74% |
| - Exports | 368.03 | 56.71% | 297.92 | 62.12% | 170.80 | 50.13% |
| Other Operating Revenues | 6.32 | 0.97% | 1.67 | 0.35% | 0.43 | 0.13% |
| - Export Incentives | 6.32 | - | 1.67 | - | 0.43 | - |
| Total | 648.95 | 100.00% | 479.63 | 100.00% | 340.69 | 100.00% |

Revenue from Operations: Sale of Product-wise

| Particulars | Year Ended March 31, | | | | | |
|--------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| | 2021 | | 2020 | | 2019 | |
| | Revenue (₹ in Cr) | % to Total | Revenue (₹ in Cr) | % to Total | Revenue (₹ in Cr) | % to Total |
| Technicals | 506.84 | 78.87% | 383.28 | 80.19% | 256.66 | 75.43% |
| Formulations | 135.80 | 21.13% | 94.68 | 19.81% | 83.60 | 24.57% |
| Total | 642.63 | 100.00% | 477.96 | 100.00% | 340.26 | 100.00% |

Exports

As of March 31, 2021, company's products were exported to over 25 countries including Australia and other countries located in North and South America, Europe, Africa and Asia.

| Revenue from sale of products in: | Fiscal 2021 | Fiscal 2020 | Fiscal 2019 |
|---|---------------|---------------|---------------|
| Business in Australia | 35.41% | 30.48% | 10.19% |
| Business in Europe | 14.79% | 21.24% | 22.88% |
| Business in Asia (including India) | 46.33% | 43.54% | 60.33% |
| Total Revenue from operations from exports | 56.71% | 62.12% | 50.13% |

MANUFACTURING UNITS

The company operates 2 manufacturing facilities located at Dewa Road, Lucknow and Sandila, Hardoi in Uttar Pradesh, India that are spread across over 25 acres. As of March 31, 2021, their facilities have a combined installed capacity of 26,000 MT p.a. for the manufacture of Technicals and Formulations.

Their manufacturing facilities at Dewa Road are ISO 9001: 2015, ISO 14001:2015, ISO 10002: 2018, and ISO 45001: 2018 (OHSAS) certified and at Sandila are ISO 9001: 2015, ISO 14001: 2015, ISO 10002: 2018 and OHSAS 18001: 2007 certified. Each of their manufacturing facilities has the ability to manufacture a wide range of products, which provides them with the flexibility to cater to changing demands in the market, thereby reducing dependence on any one major product category. They also have pilot facilities to test commercialization of their products. Their facilities are periodically audited and appraised by their customers including various multinational corporations.

The products manufactured at their manufacturing facilities as of March 31, 2021:

| Manufacturing Facility | Technicals | | | Formulations |
|------------------------|------------|------------|------|--------------|
| | Herbicides | Fungicides | APIs | |
| Dewa Road, Lucknow | - | ✓ | ✓ | ✓ |
| Sandila, Hardoi | ✓ | ✓ | - | ✓ |

v denotes that the product is manufactured at the relevant facility.

Capacity and Capacity Utilization

(Units in MT)

| Installed Production Capacity, Actual Production and Capacity Utilization: | | | | | | | | | |
|--|--------------------|-------------------|---------------|--------------------|-------------------|---------------|--------------------|-------------------|---------------|
| Unit | Fiscal 2021 | | | Fiscal 2020 | | | Fiscal 2019 | | |
| | Installed Capacity | Actual Production | % Utilization | Installed Capacity | Actual Production | % Utilization | Installed Capacity | Actual Production | % Utilization |
| Agro Chemical Technicals | | | | | | | | | |
| Dewa Road | 2,100 | 2,000 | 95% | 2,100 | 1,806 | 86% | 2,100 | 1,910 | 91% |
| Sandila | 17,400 | 13,003 | 75% | 12,400 | 9,222 | 74% | 7,900 | 6,064 | 77% |
| Total | 19,500 | 15,003 | 77% | 14,500 | 11,028 | 76% | 10,000 | 7,974 | 80% |
| Formulations | | | | | | | | | |
| Dewa Road | 3,000 | 2,677 | 89% | 3,000 | 2,128 | 71% | 3,000 | 1,918 | 64% |
| Sandila | 3,500 | 2,047 | 58% | 3,500 | 1,656 | 47% | 3,000 | 1,615 | 54% |
| Total | 6,500 | 4,724 | 73% | 6,500 | 3,784 | 58% | 6,000 | 3,533 | 59% |

MAJOR CLIENTELE

Company's customer base currently comprises a number of multinational, regional and local companies that includes crop protection product manufacturing companies such as **ASCENZA AGRO, S.A., Conquest Crop Protection Pty Ltd, Sharda Cropchem Ltd, Syngenta Asia Pacific Pte. Ltd., Stotras Pty Ltd and UPL Ltd**. They have strong and long established relationships with most of their customers, many of whom have been associated with the company for over 10 years. In recognition of their efficient services and products, they have received several awards from their customers. They were awarded "Most Cooperative Partner" in Fiscal 2018 – 2019 by one of their customers, Rallis India Ltd.

However, **they are dependent on a limited number of customers for a significant portion of their revenues**. In Fiscals 2019, 2020 and 2021, their **top 10 customers represented 54.35%, 58.59% and 56.83%, respectively**, of their total revenues from operations in such periods. Their largest customer represented 29.63%, 16.75% and 19.23% of their total revenues from operations for the same period.

RESEARCH AND DEVELOPMENT

R&D is critical in maintaining company's competitive position in their various business lines, and to address changing customer trends, industry developments and business models. Their R&D laboratories focus on costs and operating efficiencies, product design and development, production processes, technology development and environmental management.

They have established R&D laboratories at both their manufacturing facilities that are registered with the DSIR and have a dedicated R&D team. The main R&D activities undertaken by the company are technical development and enhancement of new and existing production techniques, formulation development and registration.

Technical development involves the manufacture of new products and technology, the improvement and upgrade of existing products and processes in order to improve the yield of the respective product or to reduce the cost of its production and the development of alternative process and technologies with a focus on reducing discharges and emissions to the environment and recycling of waste.

Formulation development involves the manufacture of user-friendly and safe formulations and the manufacture of new mixture formulations.

Registration involves the synthesis and stabilisation of impurities, checking impurity levels of agro-chemicals for the registration process and the preparation and filing of dossiers.

Company's R&D has and will continue to assist the company in developing newer technologies and manufacturing processes for existing as well as new products, which will help reduce the cost of production, simplify manufacturing processes to improve safety, reduce environmental load and provide them with other growth opportunities. Their focus on process innovation through continuous R&D has been critical to the growth of their business and improved their ability to customize their products for their customers.

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.

The company continuously seek to innovate to develop alternate production processes for their existing Technicals and for Technicals that are expected to go off-patent in the near future. As part of these measures, they undertake pilot studies of new technologies. They also evaluate and incorporate feedback received from their customers to

manufacture Technicals. They conduct extensive research and development on Technicals at a laboratory scale to generate necessary analytical information. As a part of their broader R&D efforts, they also test commercial production of the Technicals at their pilot facility. The R&D enables them to identify products that are higher margin products and that require specialized manufacturing and handling capabilities. Their ability to manufacture such products is among the key factors that have contributed to their growth over the years. 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***

As a result of their extensive R&D efforts, they have, over the years developed a niche portfolio of agro-chemical products. They have diversified their product portfolio over the years and have grown into a multi-product manufacturer of Formulations, herbicide and fungicide Technicals as well as APIs. This diversification across products and sectors has allowed them to de-risk their business operations.

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 they have:

- 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.

Company's products are exported to regulated markets including Australia and other countries located in Europe, Africa and Asia and have received product registrations either through their customers or by the company. They commenced manufacturing of Technicals for herbicides in 2018 that are exported which has led to an increase in their EBITDA margins from 21.61% in Fiscal 2020 to 29.20% in Fiscal 2020. The exports limit the impact on them of cyclical and monsoon trends in the agriculture industry. Their diversified product portfolio allows for limited dependence on individual products and helps counter seasonal trends that are, in particular, a challenge for the agriculture industry in India.

- ***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.

- ***Advanced manufacturing facilities with focus on environment, health and safety***

Company's manufacturing facilities at Dewa Road, Lucknow and Sandila, Hardoi in Uttar Pradesh are equipped with sophisticated equipment and machinery that enables them to manufacture quality technical grade products and formulations and helps minimize the number of employees required to operate them, thereby reducing costs. They have dedicated teams for pollution prevention and recovery of by-products. They have also installed online monitoring system at their facilities.

An audit and review process is undertaken by certain of their customers, which may involve inspection of their manufacturing facilities and equipment, review of the manufacturing processes and raw materials, technical review

of the specification of the proposed product, review of their logistical capabilities, and inspections and reviews of prototypes of the product. The finished product delivered by them is further subject to laboratory validation by certain customers. In addition, the Department of Agriculture, Uttar Pradesh also makes periodic visits to inspect the infrastructure facilities available at their manufacturing facilities as well as their agro-chemical Technicals and Formulations.

IPL has historically made significant investments to increase their manufacturing capacity. They have invested ₹ 7.23 crore and ₹ 30.84 crore and ₹41.92 crore in Fiscals 2019, 2020 and 2021. They are currently in the process of constructing 2 manufacturing units at their facility at Sandila that are proposed to be used for herbicide Technicals.

- ***Strong sourcing capabilities and extensive distribution network***

The company source their primary raw materials from sources within and outside India and have developed relationships with multiple vendors for their major raw materials to ensure timely delivery and adequate supply. The raw materials imported from China as a percentage of total raw material purchases was 30.29% in Fiscal 2021. In Fiscals 2019, 2020 and 2021, 64.98%, 65.44% and 61.96% of their raw materials were sourced locally. Company's ability to procure raw material domestically enables them to withstand volatility in raw material prices and ensures continuous supply for their operations. They typically hold a minimum inventory of 20 days' supply of raw materials.

They are focused on direct sales to their customers. For their Technicals and Formulations segment, they have a pan-India sales and distribution presence with a dedicated sales force. **As of March 31, 2021, they have a network of over 20 sales depots consisting of branches, carrying and forwarding agents, and warehouses spread across 15 states in India** and their distribution network comprised a number of dealers and distribution partners across India.

- ***Consistent track record of financial performance***

IPL has demonstrated consistent growth in terms of revenues and profitability over the last 3 Fiscals. Their total revenue from operations increased by 90.48% from ₹ 340.69 crore in Fiscal 2019 to ₹ 648.95 crore in Fiscal 2021. The Net worth has increased from ₹ 187.02 crore in Fiscal 2019 to ₹ 389.48 crore in Fiscal 2021. As of March 31, 2019, 2020 and 2021, the debt position and the long term debt to equity ratio was 0.09, 0.06 and 0.02. The ROCE was 32.33%, 35.82% and 45.18%, respectively, while the ROE was 23.46%, 27.48% and 34.63%, respectively.

The EBITDA for Fiscals 2019, 2020 and 2021 was ₹ 70.63 crore, ₹ 103.66 crore and ₹ 189.49 crore, respectively while the EBITDA margin was 20.73%, 21.61% and 29.20%, respectively, for similar periods.

- ***Experienced promoters and strong management team***

IPL is led by an experienced promoter and the Chairman and Non-Executive Director, Anand Swarup Agarwal with significant experience in the agro-chemical industry. Anand Swarup Agarwal has been associated with IPL since inception and has an experience of over 35 years in the agro-chemical manufacturing business. Dheeraj Kumar Jain, Chief Executive Officer, Satya Prakash Gupta, Chief Financial Officer and Ajai Kumar Sinha, General Manager-Formulation Marketing, each have been associated with the company for over 20 years.

They are assisted by experienced team of personnel including an organic chemist, an agronomist, a project advisor, and advisors on environmental and toxicological studies. Their industry experience has enabled them to anticipate and address market trends, manage and grow their operations including expanding globally, enhance their manufacturing capabilities, leverage customer relationships, innovate continuously and respond to changes in customer preferences.

KEY BUSINESS STRATEGIES

- ***Continue to focus on R&D and process innovation to expand the product portfolio, grow customer base and revenue share with existing customers***

IPL intends to continue to expand their product portfolio by manufacturing complex off-patented Technicals. **Between 2019 and 2026, 19 Technicals are expected to go off patent protection and as a result, the demand for these Technicals globally is expected to increase, particularly in regulated markets.** With a number of products coming off patent, there will be significant opportunities to develop a number of off-patent/generic active intermediates.

IPL intends to continue to focus on investing in automation, modern technology and equipment to continually improve the processes to manufacture their products and address changing customer preferences.

With growing chemical-resistant crops, there is a growth in the use of agrochemicals usage too that acts as a driver for the crop protection chemicals industry. However, a downside being that there are instances where weeds or insects become resistant to such chemicals. IPL is in the process of manufacturing products that will be high value and will be able to address resistant and unwanted pests and diseases.

Going forward, they intend to continue to leverage their sales and marketing network, diversified product portfolio and their industry standing to establish relationships with new multinational, regional and local customers and expand their customer base. Export sales provide them with higher margins on their products. They intend to grow their sales within the existing geographies where their customers are present.

- ***Focus on cost optimization***

The company intends to undertake a number of strategic initiatives including expansion of their existing manufacturing capacity that will allow them to benefit from economies of scale and improve process efficiency in their manufacturing process. They intend to review their product portfolio to either include or eliminate products based on costs incurred, profits generated and processes involved in manufacturing such products.

Another key area that they intend to focus on will be to further reduce their dependence on import of raw materials and source their raw materials indigenously. They will identify suppliers of their key raw materials and enter into long-term supply contracts to ensure availability of such raw materials at viable prices. They will also endeavour to improve their production process, skill up-gradation of workers, modernization of equipment to further optimize the utilization of resources. They intend to analyse their existing material procurement policy and production processes to identify the areas of bottlenecks and take corrective measure wherever possible. They intend to further optimize order quantities for their raw materials. This will help them in improving efficiency and putting resources to optimal use.

- ***Capitalize on industry opportunities***

The total agro-chemicals market is projected to grow from US\$ 62.5 billion in 2019 to US\$ 86 billion by the end of 2024. India has been ranked 4th globally in the production of agro-chemicals (crop protection chemicals/ pesticides) after USA, Japan and China. The Indian crop protection chemicals market is valued at US\$ 2.1 billion which is anticipated to grow at 4% in the next five years to US\$ 2.6 billion by 2024.

The 'China plus one' strategy avoids overinvesting in one country, i.e. China, and promotes diversification of business in other countries. A number of multinationals are taking proactive steps to reduce dependence on China for their manufacturing operations and looking at India as an alternative option. IPL also intends to work with their existing customers to identify new products that will be mutually beneficial.

With the proposed expansion of their manufacturing capacity, the R&D capabilities, their advanced manufacturing facilities, their experience in manufacturing products that adhere to stringent guidelines and their ability to register products in India and abroad, IPL is well-positioned to capitalize on these opportunities in the agro-chemicals sector.

- ***Grow the portfolio of Formulations products***

For products that they intend to launch as part of their Formulations segment, they undertake brand building activities including conducting dealer training, field demonstrations and product promotion through advertisements and other publications and participation in various national and international exhibitions. In addition, the growth in their Technicals segment will lead to a growth of their Formulations products.

For instance, they manufacture Cymoxanil, a fungicide Technical that is used in the manufacture of certain of their Formulations, including Takatvar, which is used to control downy mildews of grapes, potatoes, vegetables and several other crops.

- ***Expand the business and geographical footprint through inorganic growth***

To cater to the growth in demand for the products they manufacture, IPL intends to scale up the manufacturing capacities for their existing products. They have obtained approval from the Ministry of Environment, Forest and Climate Change ("MoEF") to expand their manufacturing capacity at Sandila to 30,000 MT. In addition, they continually explore new markets for their existing products. Their expansion and diversification of their product portfolio would allow them to service new clients, meet existing demand and consequently, enhance their business prospects.

They intend to augment their organic growth by pursuing selective acquisitions and strategic alliances. They may consider other acquisition opportunities acquiring divisions of existing companies to selectively expand in their verticals, provided such opportunities offer the synergies.

COMPETITION

The Indian agro-chemicals industry is fragmented in nature and IPL faces competition from different domestic and global manufacturers for different products that they manufacture. In the domestic markets, their competitors include companies such as **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 their 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 may allow their competitors to better respond to market trends.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2020)

| Name of the Company | Consolidated/ Standalone | Face Value | Total Income (₹ Cr) | EPS (Basic) | NAV [^] | P/E [~] | RoNW (%) |
|-----------------------------|-----------------------------|---------------|------------------------|----------------|------------------|------------------|---------------|
| India Pesticides Ltd | Consolidated | 1 | 655.38 | 12.07 | 34.94 | [•] | 34.54% |
| Peer Group | | | | | | | |
| Dhanuka Agritech Ltd | Consolidated | 2 | 1,145.16 | 29.71 | 148.72 | 31.70 | 19.45% |
| Bharat Rasayan Ltd | Consolidated | 10 | 1,231.87 | 371.03 | 1,327.73 | 36.12 | 27.83% |
| UPL Ltd | Consolidated | 2 | 35,860.00 | 23.24 | 252.37 | 35.06 | 9.95% |
| Rallis India Ltd | Consolidated | 1 | 2,286.15 | 9.51 | 72.48 | 32.90 | 12.90% |
| PI Industries Ltd | Consolidated | 1 | 3,415.40 | 33.08 | 189.64 | 79.15 | 15.31% |
| Sumitomo Chemical India Ltd | Consolidated | 10 | 2,435.46 | 4.10 | 24.48 | 78.90 | 16.34% |
| Atul Limited | Consolidated | 10 | 4,171.10 | 224.69 | 1,063.63 | 38.23 | 19.26% |

Source: RHP; All the financial information for listed industry peers mentioned above is on a consolidated basis or the year ended March 31, 2020; Financial information for India Pesticides Limited is derived from the Restated Consolidated Financial Information for the year ended March 31, 2021. P/E Ratio has been computed based on the closing market price of the equity shares (Source: BSE) on May 31, 2021.

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India Pesticides Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the RHP with the RoC and thereafter with SEBI and the Stock Exchanges. The RHP is available on the website of Securities and Exchange Board of India at www.sebi.gov.in, on the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com as well as on the websites of the BRLMs, Axis Capital Limited at www.axiscapital.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

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