

# INDIA PESTICIDES LIMITED

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IPO NOTE



# OVERVIEW

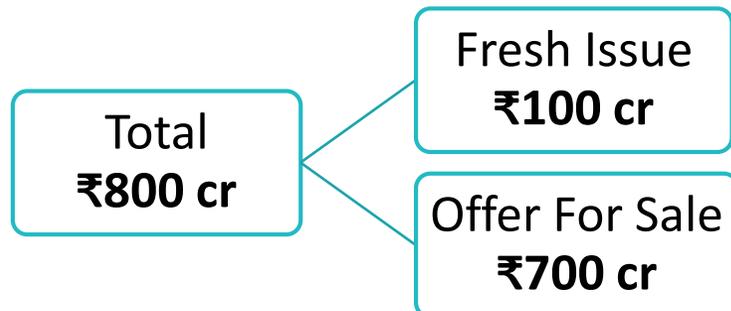
India Pesticides Limited is an **R&D driven agro-chemical manufacturer of Technicals** and also has a **Formulations business**. It is also the **sole Indian manufacturer** and **among top five manufacturers globally** for several Technicals, such as, **Folpet** and **Thiocarbamate Herbicide**. Since commencing operations in 1984, it has diversified into manufacturing **herbicide, fungicide** and **active pharmaceutical ingredients (“APIs”)**. It also manufactures **herbicide, insecticide and fungicide Formulations**. 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 will primarily utilise the IPO proceeds to fund working capital requirements.

## FINANCIAL HIGHLIGHTS

	FY19	FY20	FY21
Revenue from Operations	341	480	649
EBITDA	71	104	189
Net Profit	44	71	135

₹ crore

## ISSUE SIZE



## ISSUE DETAILS

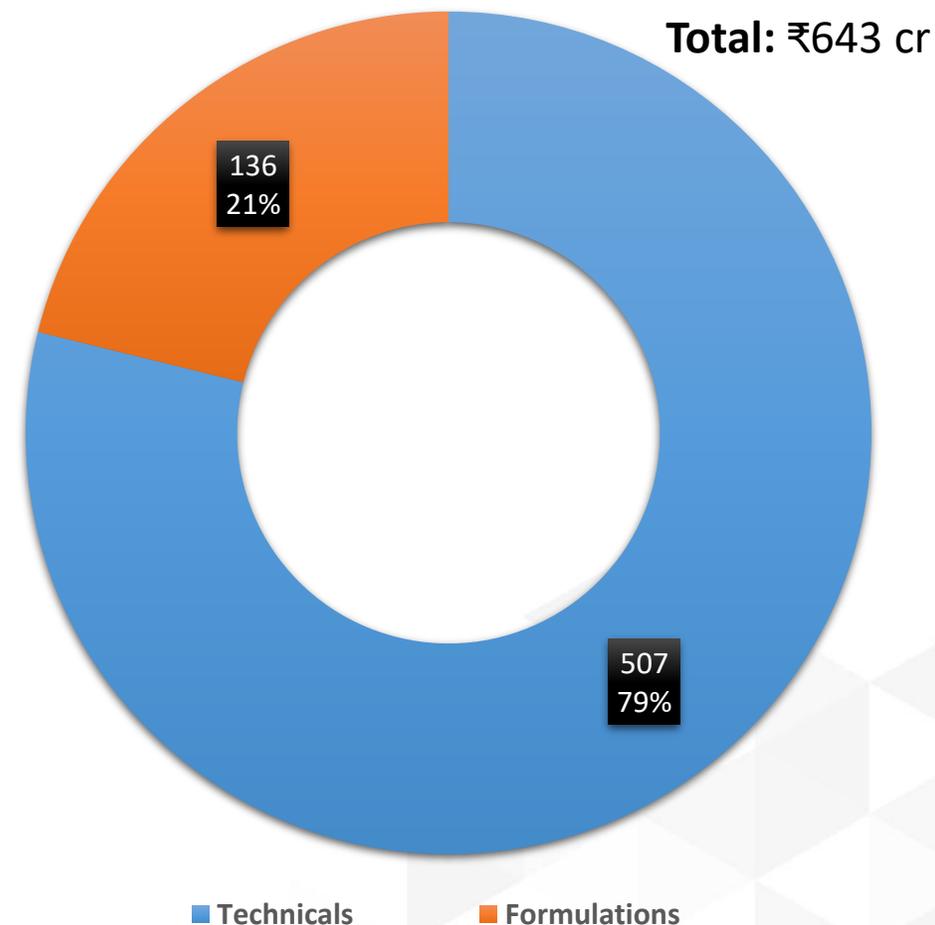
Issue Date	23 Jun'21 to 25 Jun'21
Price Band	₹290-₹296
Bid Lot	50
Issue Size	₹800 cr
No. of Shares (Post Issue)	11.51 cr
Post-Issue Implied Market Cap*	₹3,409 cr
Price to Earnings Ratio (FY21 earnings)*	~25.35x

\* At upper price band

# ABOUT THE COMPANY

- It currently has two 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 31<sup>st</sup> March, 2021, its aggregate installed capacity of its manufacturing facilities for agro-chemical Technicals was 19,500 MT and Formulations was 6,500 MT. It manufactured 15,003 MT of Technicals in FY21.
- Technicals are primarily exported and the exports contributed to 56.71% of the total revenue from operations in FY21. As of 31<sup>st</sup> March, 2021, Technicals were exported to over 25 countries including **Australia** and other countries in **North and South America, Europe, Asia and Africa**. Formulations products are primarily sold domestically through its extensive network of dealers and distributors.
- The Indian agro-chemicals industry is fragmented in nature and it faces competition from different domestic and global manufacturers for different products that it manufactures. In the domestic markets, the competitors include companies such as **UPL Limited, PI Industries Limited and Jubilant Lifesciences Limited**, while in the **international markets**, it faces competition from companies including **China National Corporation Limited, Sumitomo Chemicals Co. Limited** and **BASF SE**, in the manufacture of agro-chemicals.

## REVENUE FROM PRODUCTS MIX (FY21)



# BUSINESS VERTICALS

## Technicals

### Fungicides

**Folpet:** It controls fungal growth at vineyards, cereals, crops, biocide in paints.  
**Cymoxanil:** Controls downy mildews of grapes, potatoes, vegetables and other crops.  
**Ziram:** Caters to scab on apples, pears, peaches, almonds, apricots & cherries. It is also used as an additive ingredient in industrial adhesives and paint.  
**Captan:** Controls fungal growth on fruits, vegetables and cereals.

### Herbicides

These are pesticides designed specifically to kill weeds and are applied to the foliage of unwanted plants or soil beneath.  
**Thiocarbamate herbicides:** It has its applications mainly in wheat and rice.

### APIs

These are substances which when used in the production of a drug becomes an active ingredient of the drug/product.  
**Anti-scabies drug:** It is a dermatology used in the treatment of scabies and peduclosis.  
**Anti-fungal drug:** A fungicidal dermatology drug that acts on fungal hyphae and inhibits squalene epoxidase.

# BUSINESS VERTICALS

Formulations

**Crotax-36:** Used on paddy, tea, sugarcane, cotton & grams against pests like brown plant hopper, leaf roller/folder and yellow stemborer shoot fly.  
**Chlorax-20:** Used on paddy, cotton, onion, apple & citrus against pests like hispa, stemborer, white fly, blackmoth, etc.

**Tridev:** Used on cotton for controlling bollworm.  
**IPL 505:** Used on cotton and paddy against pests such as aphid, whitefly, jassid, thrips, leaf hopper and bollworm.

**IPL Soldier:** Used on grapes, cotton, cabbage, chickpea, okra & chilies against pests like thrips, pod borer, mites, bollworms and diamond blackmoth.  
**IPL Tara:** Used on mango, potato, cumin, tea, wheat, rice, tomato, & mustard against pests like hopper, aphid, jassid, whitefly, psylla, blackmoth, etc.

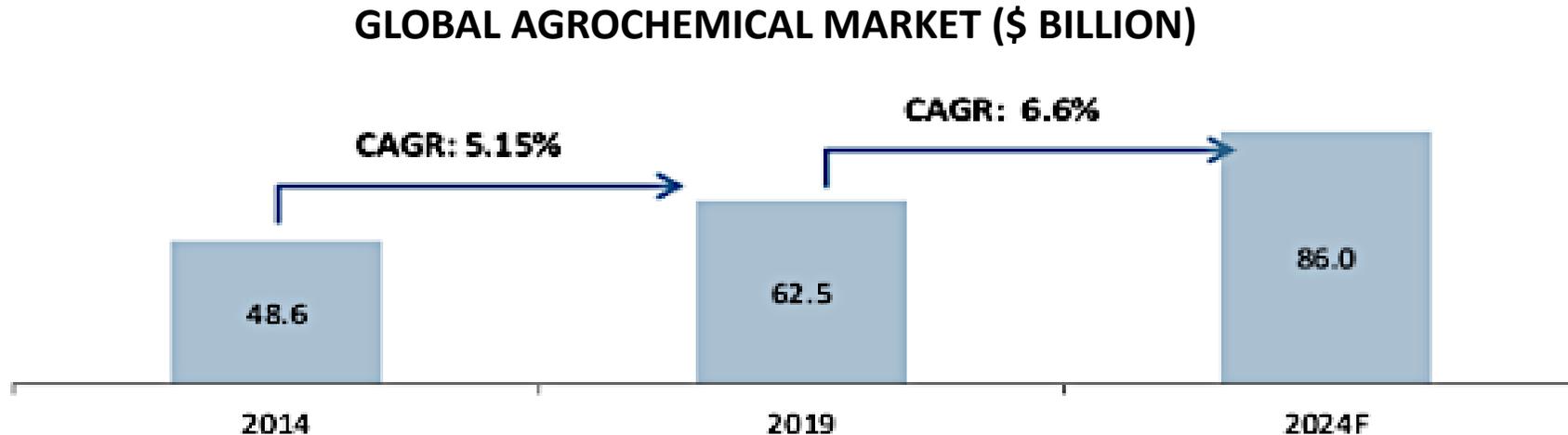
**Immidiator:** Used on sugarcane, cotton, chilies, sunflower, okra & paddy against pests like whitefly, jassid, thrips, termite and hopper.  
**Agni:** Used on transplanted rice against weeds like Panicum Repens, Echinochloa Colonum, Eclipta Alba, etc.

**Takatvar:** Used on chilies & potato against early blight, late blight and fruit rot.  
**Ziram-27:** Used on grapes, apple, beans, potato & tomato against pests like scab, early blight, fruit rot and downy midew.

**Ziram-80:** Used on grapes, apple, beans, potato & tomato against downy mildew, fruit rot, early blight and scab.  
**Captax-50:** Used on apples, cherries, chilies, tomato, tobacco & coffee against scab, brown rot, leaf spot, blight and downy mildew.

# SECTOR OUTLOOK

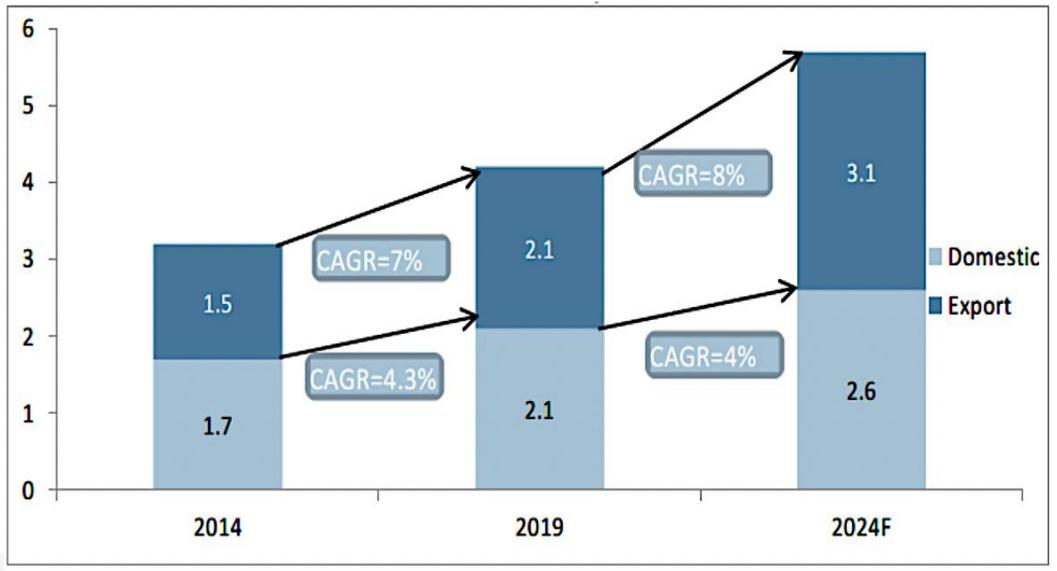
- **Agrochemical section** covers crop protection products, such as, herbicides, insecticides and fungicides. **Global agrochemicals market** is projected to grow from \$62.5 billion in 2019 to \$86 billion by the end of 2024. It can further be segmented into **synthetic pesticides** and **bio-pesticides**. Bio-pesticides are expected to be growing at 16% over the next half decade, compared to 5% growth rate recorded by synthetic pesticides globally.
- The **drivers** for growth of crop protection chemicals in India include the following: **lowest per capita consumptions** of crop protection chemicals per hectare, **increasing agricultural productivity** and **compensating the shortage of farm labour** by extensive use of herbicides. **India crop protection chemicals export** have grown at a CAGR of ~9% during the years 2015-2019.
- The market for **pharmaceutical intermediates** in India for 2019 was estimated to be ~\$4.5 billion, growing at a CAGR of 8% during 2014 to 2019. The **Indian API domestic consumption market** is expected to grow at a CAGR of ~10% from FY16-FY24.



# INDIAN AGROCHEMICAL INDUSTRY

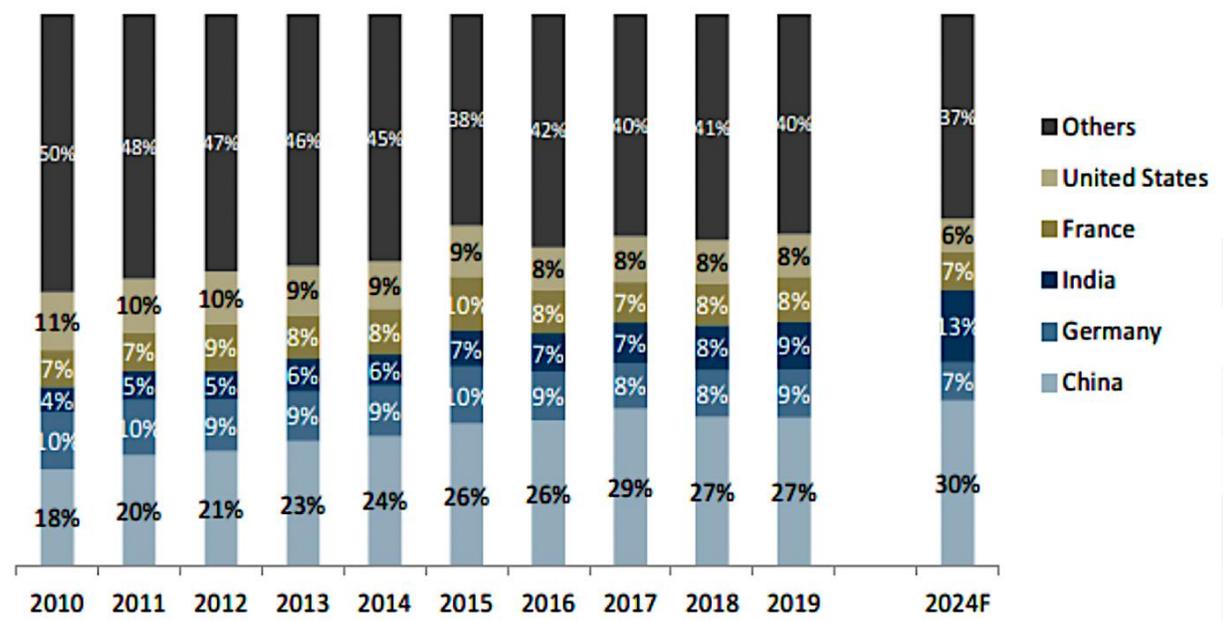
- India is emerging as an **export destination** due to **cheaper manufacturing costs, skilled labour, research and development expertise, chemistry capabilities and environmental, health & safety compliances**. In addition to exports to the top **eight countries**, i.e., United States, Brazil, France, Japan, Australia, Belgium, China and Netherlands, which contribute ~50% of the total agrochemical exports from India, manufacturers could also explore countries in South East Asia, Latin America and selected countries in Middle East and Africa.
- In 2024, **exports** are expected to grow to \$3.1 billion contributing 55% of **total domestic production** and is expected to be valued at \$5.7 billion.

**INDIAN CROP PROTECTION CHEMICALS MARKET (\$ BILLION)**



Source: Frost & Sullivan Research & Analysis

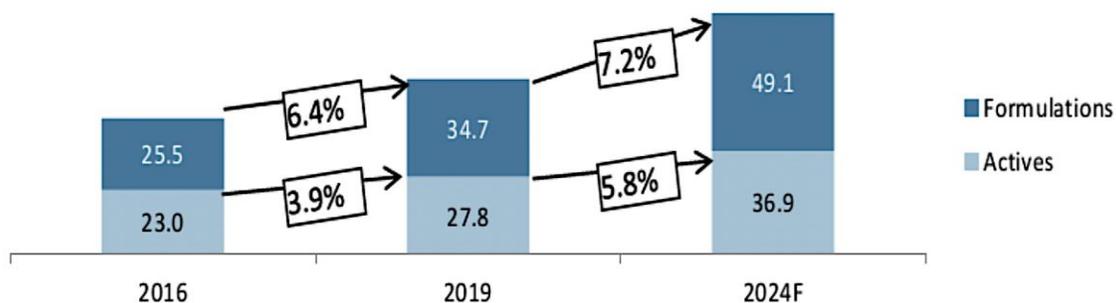
**GLOBAL AGROCHEMICAL EXPORT BY COUNTRIES (VOLUME)**



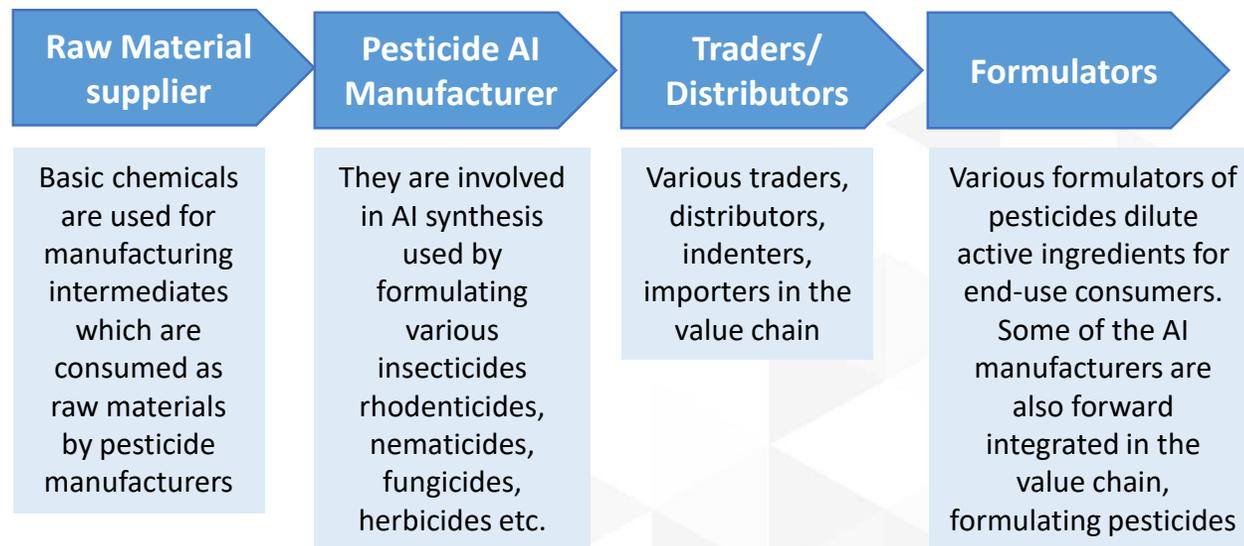
# INDIAN AGROCHEMICAL INDUSTRY

- **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.
- **Agrochemical actives** are also known as **technical material**, serve as a pre-cursor to the formulations. The crop protection active ingredients market was 3.1 million tons globally in 2019 and is expected to grow to ~4 million tons by 2024. Herbicides occupy the highest share in the crop protection active ingredients market due to farm labour shortage predominantly internationally.
- There are ~**19 technicals** which are expected to lose patent protection between 2019 and 2026 and as a result the global demand is expected to increase, particularly in regulated markets.
- A **formulator** accepts the active ingredient, measures out the proper amount, mixes it with carrier if it is to be a liquid pesticide or with inert powders.

**GLOBAL AGROCHEMICAL MARKET  
(\$ BILLION)**



## INDIA CROP PROTECTION CHEMICALS VALUE CHAIN



# CROP PROTECTION CHEMICALS MARKET

## INDIAN COMPANIES

Company Name	Business Segments
<b>PI Industries Ltd.</b>	Pesticides/ Agro-chemicals Sector
<b>Astec Lifesciences</b>	Pesticides/ Agro-chemicals Sector
<b>Bharat Rasayan</b>	Crop Protection
<b>Indofil Chemicals</b>	Crop Protection product
<b>Gharda Chemicals</b>	Agrochemicals, Speciality Pesticides
<b>UPL</b>	Agrochemicals, industrial chemicals, chemical intermediaries, specialty chemicals and crop protection solutions
<b>Tagros</b>	Crop Protection Chemicals
<b>Sumitomo Chemicals Ltd.</b>	Crop Protection, Environmental Health, Professional Pest Control and feed
<b>Meghmani Organics</b>	Pesticides, etc.

## MULTINATIONAL COMPANIES

Name
China National Corporation Ltd.
Sumitomo Chemicals Co. Ltd.
BASF SE
Yara International ASA
AMVAC Chemical Corporation
FMC Corporation
Bayer AG
Corteva Inc.

# COMPETITIVE LANDSCAPE



## HERANBA INDUSTRIES LIMITED

- Market Cap: ₹2,857 cr
- Revenue: ₹1,219 cr
- Net Profit: ₹154 cr
- EBITDA Margin: 18.2%
- PAT Margin: 12.6%
- TTM P/E: 18.5x



## RALLIS INDIA LIMITED

- Market Cap: ₹6,628 cr
- Revenue: ₹2,429 cr
- Net Profit: ₹229 cr
- EBITDA Margin: 13.3%
- PAT Margin: 9.4%
- TTM P/E: 29.0x



## DHANUKA AGRITECH LIMITED

- Market Cap: ₹4,451 cr
- Revenue: ₹1,387 cr
- Net Profit: ₹211 cr
- EBITDA Margin: 19.4%
- PAT Margin: 15.2%
- TTM P/E: 21.1x



## BHARAT RASAYAN LIMITED

- Market Cap: ₹5,535 cr
- Revenue: ₹1,215 cr
- Net Profit: ₹158 cr
- EBITDA Margin: 18.9%
- PAT Margin: 13%
- TTM P/E: 36.1x



## INDIA PESTICIDES LIMITED

- Market Cap: ₹3,409 cr
- Revenue: ₹649 cr
- Net Profit: ₹135 cr
- EBITDA Margin: 29.2%
- PAT Margin: 20.6%
- P/E: 25.4x

# PROMOTER BACKGROUND AND SHAREHOLDING

The promoters of the company hold a total of 46.97% and their shareholding are as follows:

- **Anand Swarup Agarwal (40.07%)**
- **ASA Family Trust (6.90%)**

Additionally, the **promoter group** holds a total of **35.71%** of the total share holdings. The promoter group includes Mahendra Swarup Agarwal, PSA Family Trust, MSA Family Trust, Virendra Swarup Agarwal and Asha Agarwal among others.

**Anand Swarup Agarwal** is the **Chairman and non-executive Director** of the company. He has over 35 years of experience in agrochemical manufacturing.

Shareholding	Pre IPO	Post IPO
Promoter & Promoter Group	82.68%	59.75%
Public	17.32%	40.25%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Selling Shareholder	Share in Issue (₹ crore)	% of OFS
Anand Swarup Agarwal	281.4	40.20%
Others	418.6	59.80%
<b>Total</b>	<b>700</b>	<b>100%</b>

Buyers	Share in Issue (₹ crore)	% of Issue
Qualified Institutional	400	50%
Non Institutional	120	15%
Retail Individual	280	35%
<b>Total</b>	<b>800</b>	<b>100%</b>

# RISK FACTORS

- In FY21, the **top 10 customers** represented 56.83% of the total revenues from operations of which **seven customers** were from international jurisdictions. Its **largest** customer represented 19.23% of the total revenues from operations.
- Given the industry is **working capital intensive**, an insufficient cash flow from operations to meet its working capital requirements, may materially impact the business.
- There is a growing consumption of **bio-pesticides** globally and in India and the company does not manufacture it which limits its ability to address the growing demand for such products.
- The manufacturing facilities are located in **UPSIDC Industrial Area at Dewa Road, Lucknow** and **Sandila, Hardoi in Uttar Pradesh, India** along with the registered office and corporate office, which are also located in **Uttar Pradesh**. Any materially adverse social, political or economic development, natural calamities, civil disruptions, or changes in the policies of the state government or local governments in this region could impact the company.
- It is subject to a **stringent quality control mechanism** at each stage of the manufacturing process and for each product. As a result, it is required to incur expenses to maintain its quality assurance systems in the manufacturing facilities and processes.
- Further, the **agro-chemicals industry** is characterised by **technological advancements, introduction of innovative products, price fluctuations** and **intense competition**. The laws and regulations applicable to the products, the customers' product and service needs change from time to time and regulatory changes may render its products and technologies non-compliant or obsolete.
- It has **not entered into any hedging arrangements** and hence, face foreign exchange risks.

# STATEMENT OF PROFIT AND LOSS

Particulars	Data as on 31 <sup>st</sup> March (₹ crore)		
	2019	2020	2021
<b>Revenue From Operations</b>	<b>340.7</b>	<b>479.6</b>	<b>648.9</b>
Other Income	5.3	10.1	6.4
<b>Total Income (I)</b>	<b>346.0</b>	<b>489.7</b>	<b>655.3</b>
Cost of Materials Consumed	194.5	256.6	330.1
Changes in inventories of finished goods, Stock-in-trade and work-in-progress	(7.4)	(3.5)	(19.6)
Employee Benefit Expenses	13.4	16.4	22.7
Finance Costs	5.6	5.2	3.4
Depreciation and Amortization Expense	3.9	5.1	6.1
Other Expenses	74.9	116.6	132.7
<b>Total Expenses (II)</b>	<b>284.9</b>	<b>396.4</b>	<b>475.4</b>
<b>Profit Before Tax (III) = (I-II)</b>	<b>61.1</b>	<b>93.3</b>	<b>179.9</b>
Total Tax Expense (IV)	17.2	22.5	45.4
<b>Net Profit for the Period (III-IV)</b>	<b>43.9</b>	<b>70.8</b>	<b>134.5</b>

# STATEMENT OF ASSETS AND LIABILITIES

Particulars	Data as on 31 <sup>st</sup> March (₹ crore)		
	2019	2020	2021
Property, plant and equipment	69.7	95.0	120.0
Other Non-Current Assets	14.1	15.5	29.5
Inventories	35.5	38.5	70.0
Trade Receivables	178.3	183.1	214.2
Cash & Cash Equivalents	1.6	6.7	2.6
Other Current Assets	18.0	26.9	80.7
<b>Total Assets</b>	<b>317.2</b>	<b>365.7</b>	<b>517.0</b>
Total Equity	187.0	256.8	389.4
Borrowings (Current and Non-Current)	55.0	23.9	30.0
Other Non-Current Liabilities	7.9	7.9	8.9
Trade Payables	54.9	61.5	74.0
Other Current Liabilities	12.4	15.6	14.7
<b>Total Liabilities and Equity</b>	<b>317.2</b>	<b>365.7</b>	<b>517.0</b>

# STATEMENT OF CASH FLOW

Particulars	Data as on 31 <sup>st</sup> March (₹ crore)		
	2019	2020	2021
Net cash generated from / (used in) operating activities (A)	(3.3)	75.0	83.2
Net cash generated from / (used in) investing activities (B)	(6.6)	(31.0)	(83.2)
Net cash generated from / (used in) financing activities (C)	9.2	(39.0)	4.0
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(0.7)	5.0	4.0

## KEY METRICS

Particulars	Data as on 31 <sup>st</sup> March		
	2019*	2020*	2021
EPS (Basic) (₹)	3.94	6.35	12.1
Return on Net Worth (%)	23.5	27.6	34.5
Net Worth (₹ crore)	187	257	389
Debt to Equity Ratio	0.09	0.06	0.02
EBITDA (₹ crore)	70.6	104	190
EBITDA Margin (%)	20.7	21.6	29.2
PAT Margin (%)	12.7	14.4	20.6
Return on Equity (%)	23.5	27.5	34.6
Return on Capital Employed (%)	32.3	35.8	45.2
Research & Development (₹ crore)	1.46	1.63	2.02

\*restated figures

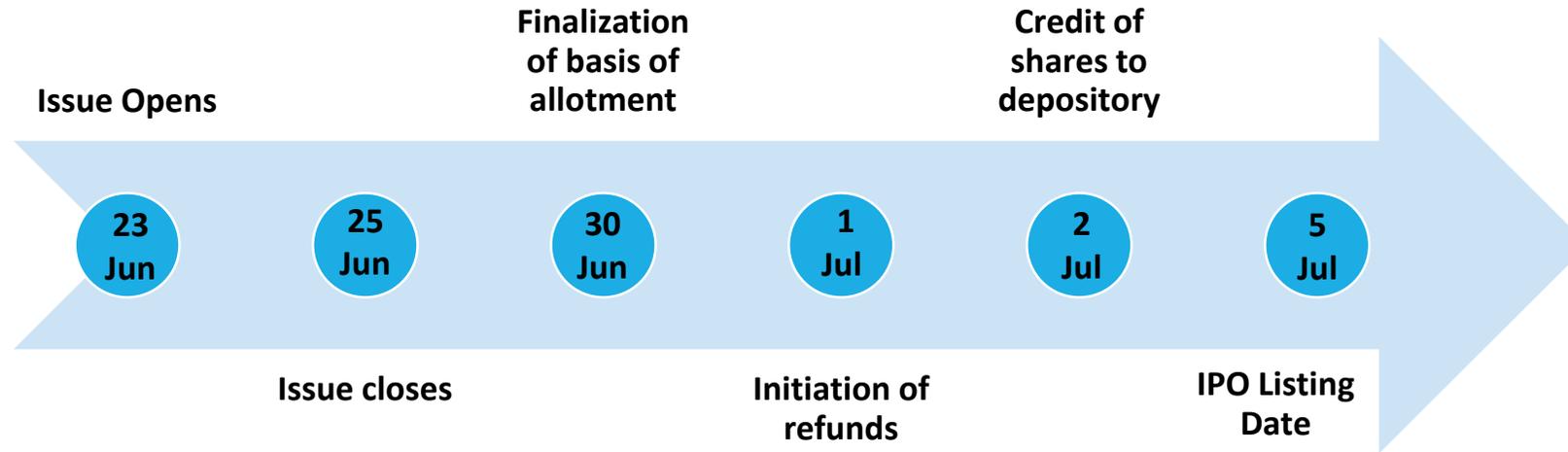
# SWOT ANALYSIS



- 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.
- It is dependent on a limited number of customers with **top 10 customers** represented 56.8% in FY21. Its **largest customer** represented 19.23% of the total revenues from operations in FY21.
- It is currently developing processes for certain technicals, including **two fungicides, two herbicides, two insecticides** and **two intermediates**. It has also commenced construction of **two manufacturing units** at its facility at **Sandila** that are proposed to be used for herbicide technicals.



# TIMELINES



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