

Issue Highlights

India Pesticides Ltd. (IPL) was originally incorporated as 'India Pesticides Private Limited', at Bareilly, Uttar Pradesh on December 13, 1984. It manufactures Generic Technicals that are used in manufacturing fungicides and herbicides as well as APIs with applications in dermatological products. Moreover, the company manufactures and sells various ready-to-use formulations of insecticides, fungicides, and herbicides, growth regulators, and acaricides.

Business Segments

Technicals: Certain key fungicide Technicals IPL manufacture include: (i) Folpet - used to manufacture fungicides that control fungal growth at vineyards, cereals, crops, and biocide in paints; and (ii) Cymoxanil - used to manufacture fungicides that control downy mildews of grapes, potatoes, vegetables, and several other crops. Major herbicide Technicals the company manufactures include Thiocarbamate herbicides are globally used in the field crops such as wheat and rice.

Formulations: As of March 31, 2021, IPL manufactures over 30 Formulations that include Takatvar, IPL Ziram-27, IPL Dollar, IPL Soldier, and IPL Guru.

Manufacturing Facilities

IPL currently has two manufacturing facilities located in Lucknow and Hardoi in Uttar Pradesh. As of March 31, 2021, its aggregate installed capacity for agrochemical Technicals stands 19,500 MT while that for Formulation is 6,500 MT. It Has also commenced construction of two manufacturing units which are proposed to be used for herbicide Technicals.

IPL has a strategic focus on R&D and the capabilities include two well-equipped in-house laboratories. Its R&D efforts have led to the development of processes to manufacture 3 generic off-patent Technicals since FY18 and it is currently developing processes for certain Technicals, including 2 fungicides, 2 herbicides, 2 insecticides, and 2 intermediates.

Product registrations in the domestic and international markets

The company has obtained registrations from the CIBRC for 22 agrochemical Technicals and 125 Formulations for sale in India and 27 agrochemical Technicals and 35 Formulations for export. It also has a license to manufacture 49 agrochemical Technicals and 158 Formulations and for APIs, the company has obtained a license for manufacturing two drugs. Currently, it manufactures 8 Technicals, 2 APIs, and over 30 Formulations. Of the 8 Technicals, 6 Technicals are categorized under the 'Blue Category' while the remaining 2 are categorized under the 'Green Category', indicating 'moderately toxic' and 'slightly toxic', respectively.

Objects of the Issue

The net proceeds of the Fresh Issue are proposed to be utilized to fund 1) Working capital requirements 2) Expenditures towards general corporate purposes.

Financial Summary

(Rs Cr)	FY19	FY20	FY21
Equity Share Capital	3	3	11
Reserves & Surplus	184	254	378
Net Worth	187	257	517
Net Sales	341	480	649
EBITDA	65	94	183
EBITDA Margin (%)	19	20	28
Net Profit	44	71	134
Net Profit Margin (%)	13%	15%	21%
EPS	4.0	6.4	12.1
ROE (%)	23%	28%	34%

Source: Company, Axis Research

Issue highlights

Fresh Issue of Equity Shares aggregating upto Rs 100 cr and Offer for sale of aggregating upto Rs 700 cr.

Issue size: Rs 800cr

No. of shares: 27,586,210 Equity Shares

Face value: Rs 1/-

Issue summary

Price band: Rs 290 – Rs 296

Bid Lot: 50 units and in multiple thereafter

Issue opens: June 23rd, 2021

Issue closes: June 25th, 2021

Lead Managers: JM Financial, Axis Capital

Registrar: KFin Technologies Pvt. Ltd

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	82.68%	72.00%
Public	17.32%	28.00%
Total	100	100

Indicative Timetable

	Date	
Finalization 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	
	Pre issue	Post issue [#]
No. of shares (in cr)	11.1	11.5
EPS	25.1	25.1

- Lower Price Band/ Upper Price Band

Issue break-up

Category	Shares (in cr)	% of issue	Rs In Cr
QIB	1.3	50	400.00
Non-Institutional	0.4	15	120.00
Retail	0.9	35	280.00

- Lower Price Band/ Upper Price Band

Gaurav Uttrani

Research Analyst
 email: gaurav.uttrani@axissecurities.in

Suvarna Joshi

Sr. research Analyst
 email: suvarna.joshi@axissecurities.in

Company Overview

Company background

India Pesticides Ltd. (IPL) was originally incorporated as 'India Pesticides Private Limited', at Bareilly, Uttar Pradesh on December 13, 1984. It manufactures Generic Technicals that are used in manufacturing fungicides and herbicides as well as APIs with applications in dermatological products. Moreover, the company manufactures and sells various ready-to-use formulations of insecticides, fungicides, and herbicides, growth regulators, and acaricides.

Exhibit 1: Pre-Issue paid-up Equity Share capital

Name	Number of Equity Shares Held (Pre-Issue)	% of pre-Issue paid-up equity share capital
Promoters		
Anand Swarup Agarwal	44,789,850	40.1%
ASA Family Trust	7,717,117	6.9%
Promoter Group	39,917,550	35.7%
Total	92,424,517	82.7%
Public	19,360,613	17.3%
Total	111,785,130	100%

Source: Company, Axis Securities

Objects of Issue

Exhibit 2: Utilisation of Funds

Objects	Amount (Cr)
To fund working capital requirements	80
To fund expenditures towards general corporate purposes	-

Source: Company, Axis Securities

Offers Detail

Exhibit 3: Number of shares offered

Particulars	Amount (Rs cr)
Fresh Issue	100.00
Offer for sale by	
Anand Swarup Agarwal- Promoter Selling Shareholder	281.4
Sanju Agarwal- Other Selling Shareholders	22.7
Mahendra Swarup Agarwal - Other Selling Shareholders	73.4
Virendra Swarup Agarwal	29.0
Pramod Swarup Agarwal	32.9
Vishwas Swarup Agarwal	18.9
Vishal Swarup Agarwal	21.7
Sudha Agarwal	38.3
Other Selling Shareholders	181.7
Total	800

Source: Company, Axis Securities

Business Overview

India Pesticides Limited (“IPL”) is an R&D-driven agrochemical manufacturer of Technicals with a growing Formulation business. The company is one of the fastest-growing agrochemicals companies in terms of volume of Technicals manufactured. It manufactured 15,003 MT of Technicals in FY21, recording 37.2% YoY volume growth and reaching over 75% plant operating utilization. IPL is the only Indian manufacturer of five Technicals and among the leading manufacturers globally for Captan, Folpet, and Thiocarbamate Herbicide (in terms of production capacity). Since commencing operations in 1984, the company has diversified into manufacturing herbicide and fungicide Technicals and active pharmaceutical ingredients (“APIs”).

R&D capabilities: IPL has a strategic focus on R&D and R&D capabilities include two well-equipped in-house laboratories registered with the DSIR. The company has a competent and a dedicated R&D team comprising PhDs and Master graduates in chemistry and a biotechnological engineer. R&D efforts have led to the development of processes to manufacture 3 generic off-patent Technicals since FY18 and the company currently is in the process of developing processes for certain Technicals, including 2 fungicides, 2 herbicides, 2 insecticides, and 2 intermediates.

Technicals and Formulations: Technicals are primarily exported to over 25 countries including Australia and other countries in North and South America, Europe, Asia, and Africa. Technical export sales contributed 56.7% to the company’s revenue in FY21. Formulations products are primarily sold domestically through their extensive network of dealers and distributors. The company 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., ConquestCrop Protection Pty Ltd, Sharda Cropchem Limited, and Stotras Pty Ltd.

Product registrations: IPL’s core focus is on quality and sustainability and none of the key Technicals are classified as ‘red triangle’ or highly toxic products. As of the date, the company has obtained registrations from the CIBRC for 22 agrochemical Technicals and 125 Formulations for sale in India and 27 agrochemical Technicals and 35 Formulations for export while it has a license to manufacture 49 agrochemical Technicals and 158 Formulations from the Department of Agriculture, Uttar Pradesh. Furthermore, for APIs, it has obtained a license for manufacturing two drugs for sale at Dewa Road from the Drug Licensing and Controlling Authority under the Drugs and Cosmetics Rules, 1945. Currently, it manufactures 8 Technicals, 2 APIs, and over 30 Formulations. 6 Technicals of the 8 Technicals are categorized under the ‘Blue Category’ while the rest 2 are categorized under the ‘Green Category’, indicating ‘moderately toxic’ and ‘slightly toxic’, respectively, as determined by Central Insecticide Board & Registration Committee.

Key Business Segment

- **Technicals:** The company manufactures generic Technicals that are used in the manufacture of fungicides and herbicides as well as APIs with applications in dermatological products. Certain key fungicide Technicals IPL manufacture include: (i) Folpet, used to manufacture fungicides that control fungal growth at vineyards, cereals, crops, and biocide in paints; and (ii) Cymoxanil, used to manufacture fungicides that control downy mildews of grapes, potatoes, vegetables, and several other crops. the company manufactures major herbicide Technicals including Thiocarbamate herbicides that have application in field crops such as wheat and rice and are used globally. The APIs IPL manufactures have anti-scabies and anti-fungal applications. In FY19, FY20, and FY21, revenues from the Technicals segment amounted to Rs 257 Cr, Rs 383 Cr, and Rs 507 Cr, respectively, which constituted 75.4%, 80.2%, and 78.9%, of the revenue from the sale of products respectively.
- **Formulations:** The company manufactures and sells 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. In FY19, FY20, and FY21, revenues from the Formulation segment amounted to Rs 84 Cr, Rs 95 Cr, and Rs136 Cr, respectively, which constituted 24.6%, 19.8%, and 21.1%, respectively, of the revenue from the sale of products.

Covid-19 Impact

As per the government directives for Covid-19, the Agrochemical industry was categorized under essential commodities and was allowed to operate during the lockdown. At the factory level, the company undertook multiple monitoring and control measures such as travel ban, thermal screening, and conducting sanitation and awareness campaigns through digital channels like video, mailers, and posters, etc. to ensure the safety and well-being of its employees. Operations slowed down significantly in the first week of lockdown with the government streamlining processes for cargo and personnel movement. However, it normalized rather swiftly post the first week of lockdown. Accordingly, both of the company's 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 the impact of the Covid-19 pandemic, revenue from operations increased by 35.3% from Rs 479 Cr in FY20 to Rs 649 Cr in FY21.

Exhibit 4: Revenue Mix - Geography-wise

Particulars	March 31, 2019		March 31, 2020		March 31, 2021	
	Amount	% of Revenue from operations	Amount	% of Revenue from operations	Amount	% of Revenue from operations
Sale of Product						
Domestic	169	49.7	180	37.5	275	42
Exports	171	50.0	298	62.1	368	57
Export Incentives	0.43	0.3	1.7	0.40	6.3	1
Total for Revenue from operations	341	100%	480	100%	649	100%

Source: Company, Axis Securities

Exhibit 5: Revenue Mix—Category-wise

Revenue from Operations:	March 31, 2019		March 31, 2020		March 31, 2021	
	Amount	% of Revenue from operations	Amount	% of Revenue from operations	Amount	% of Revenue from operations
Technicals	257	75	383	80	507	79
Formulations	84	25	95	20	136	21
Total for Revenue from operations	341	100	478	100	643	100

Source: Company, Axis Securities

Exhibit 6: Revenue Mix

Geographical segment-wise	March 31, 2019	March 31, 2020	March 31, 2021
Business in Australia	10.2	30.5	35.4
Business in Europe	22.9	21.2	14.7
Business in Asia (including India)	60.3	43.5	46.3
Total for Revenue from operations	50.13	62.1	56.7

Manufacturing Facilities

The company operates two manufacturing facilities located at Dewa Road, Lucknow, and Sandila, Hardoi in Uttar Pradesh, India that are spread over 25 acres. As of March 31, 2021, facilities have a combined installed capacity of 26,000 MT for manufacturing Technicals and Formulations. The facilities are equipped with modern plant and machinery to produce quality Technicals and Formulations.

An audit and review process is undertaken by certain customers from time to time. IPL is in the process of subscription to a CSR-related accreditation platform, which will enable it to share its performance score provided by such an accreditation platform with prospective and current customers. In addition, the Department of Agriculture, Uttar Pradesh also makes periodic visits to inspect agro-chemical Technicals and Formulations as well as the infrastructure facilities available at manufacturing facilities.

Manufacturing facilities include effluent treatment plants, which treat industrial wastewater and recycles it for reuse or safe disposal to the environment. The power requirements for facilities are met through the local state power grid through interstate open access while water is procured from bore wells. Each of the manufacturing facilities has the ability to manufacture a wide range of products and consists of multiple production blocks for individual products with common utilities like steam and cooling water and specific utilities including chilled water, chilled brine, and inert gas. Depending on the demand for a particular product, individual manufacturing blocks may also be used for manufacturing other similar products.

Manufacturing facilities are all situated close to highways which provide logistical advantages to operations. IPL generally sources raw material from suppliers that are closely located to the manufacturing facilities to minimize inward freight costs, maintain optimum inventory, and contain the cost of materials. The company has a competent in-house R&D team for product development and improvisation and is well supported by the product registration team. R&D facilities at Unit I and II are DSIR recognized.

Exhibit 7: Installed and Utilised Capacity

Manufacturing Facility	Technicals			Formulations
	Herbicides	Fungicides	APIs	
Dewa Road, Lucknow, Uttar Pradesh	-			
Sandila, Hardoi, Uttar Pradesh				



denotes that the product is manufactured at the relevant facility

Exhibit 8: Installed and Utilised Capacity

	FY19			FY20			FY21		
	Installed Capacity in TPA	Actual Production in Tonnes	% Utilization	Installed Capacity in TPA	Actual Production in Tonnes	% Utilization	Installed Capacity in TPA	Actual Production in Tonnes	% Utilization
Agro-chemical Technicals									
Dewa Road	2,100	1,910	91	2,100	1,806	86	2,100	2,000	95
Sandila	7,900	6,064	77	12,400	9,222	74	17,400	13,003	75
Total	10,000	7,964	80	14,500	11,028	76	19,500	15,003	77
Formulations									
Dewa Road	3,000	1,918	64	3,000	2,128	71	3,000	2,677	89
Sandila	3,000	1,615	54	3,500	1,656	47	3,500	2,047	58
Total	6,000	3,533	59	6,500	3,784	58	6,500	4,724	73

Source: Company, Axis Securities

Product Diversification

Technicals

Fungicides: 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 including a) Protection of seed grain during storage, shipment, and germination, b) Protection of mature crops, berries, seedlings, flowers, and grasses in the field, in storage and during shipment; c) Suppression of mildews that attack painted surfaces and control of slime in paper pulps.

Exhibit 9: Product Portfolio across Segments

Product	Particulars
Folpet	Controls fungal growth at vineyards, cereals, crops, biocide in paints.
Cymoxanil	Controls 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.

Source: Company, Axis Securities

Herbicides: 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 affect public health.

Exhibit 10: Product Portfolio across Segments

Product	Particulars
Thiocarbamate	Thiocarbamate herbicides have application in field crops such as wheat and rice and are used globally.

Source: Company, Axis Securities

APIs: 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.

Exhibit 11: Product Portfolio across Segments

Product	Usage
Anti-scabies drug	Dermatology - Used in the treatment of scabies and pediculosis.
Anti-fungal drug	Dermatology - Fungicidal drug that acts on fungal hyphae and inhibits squalene epoxidase

Source: Company, Axis Securities

Formulations: The company's Formulations are sold as branded products to customers through its distribution partners. Active ingredients are mixed with other auxiliary materials to produce Formulation products in a form that can be used by the customers. The active ingredients used for making formulations are manufactured in-house or purchased from external suppliers. The type of Formulations manufactured depends on seasons, crops, and soil and includes wettable powder, water dispersible granules, granules, emulsion concentrates, soluble concentrate, capsule suspension, and suspension concentrate.

Exhibit 12: Usage of Key Formulations

Product	Usage
Crotax – 36	Used on paddy, Bengal gram, black gram, green gram, tea, red gram, sugarcane, and cotton, against pests such as brown planthoppers, green leafhopper, leaf roller/folder, yellow stemborer shoot fly, pod borer, leaf minor, early shoot borer, mealybug, pyrilla, scale insect, stalk bore, American bollworm, aphid, leafhopper, grey weevil, spotted bollworm, pink bollworm, thrips, and whitefly.
Chlorax – 20	Used on paddy, cotton, brinjal, cabbage, onion, apple, and citrus against pests such as hispa, leaf roller, gall midge, stem borer, whorl maggot, aphid, bollworm, whitefly, shoot, and fruit borer, diamondback moth, root grub, aphid, leafhopper, black citrus, and aphid.
Tridev	Used on cotton for controlling bollworm
IPL 505	Used on cotton and paddy against pests such as aphid, whitefly, jassid, thrips, whitefly, American bollworm, spotted bollworm, and leaf hopper.
IPL Soldier	Used on grapes, red gram, cotton, cabbage, chickpea, brinjal, okra, chilies against pests such as thrips, pod borer, bollworms, diamond black moth, pod borer, fruit, and shoot borer, and mites.
IPL Tara	Used on mango, potato, cotton, wheat, tea, cumin, tomato, rice, citrus brinjal, okra, and mustard against pests such as hopper, aphid, jassid, whitefly, mosquito bug, stem borer, gall midge, leaf folder, brownplant hopper, white-backed planthopper, greenleaf hopper, thrips, and psylla.
Immediator	Used on cotton, paddy, chilies, sugarcane, mango, sunflower, and okra against pests such as aphid, whitefly, jassid, thrips, brown planthopper, white-backed planthopper, greenleaf hopper, termite, and hopper.
Agni	Used on transplanted rice against weeds such as Echinochloa Crusgalli, Echinochloa Colonom, Cyperus Difformis, Cyperus Isra, Fimbirstylis Miliacea, Eclipta Alba, Ludwigia Pulviflora, LeptochloaChinensis, Monochorea Vaginalis, and Panicum Repens.
Takatvar	Used on chilies and potatoes against pests such as fruit rot (anthracnose), early blight, and late blight.
Ziram – 80	Used on grapes, apples, beans, potatoes, and tomatoes against pests such as downy mildew, anthracnose, scab, anthracnose, and early blight.
Ziram – 27	Used on the grape, apple, bean, potato, tomato against pests such as downy mildew anthracnose, scab, anthracnose, early blight.
Captax – 50	Used on apples, cherries, grapes, potatoes, tomatoes, chilies, tobacco, and coffee against pests such as scab, brown rot, downy mildew, early blight, late blight, damping off, and leaf spot.

Source: Company, Axis Securities

Key Competitive Strengths

Strong R&D and product development capabilities:

- The company has substantial experience in undertaking R&D activities as part of manufacturing operations. R&D places significant emphasis on the identification of appropriate complex Technicals that are suitable for commercialization, improving production processes and the quality and purity of the present products, and manufacturing new off-patent products. R&D team comprises PhDs, master's graduates in chemistry, and biotechnological engineers.
- IPL has two well-equipped R&D laboratories, each of which is registered with the DSIR. Analytical capabilities include critical quality control measures, non GLP-5 batch analysis, stability studies, method validation, and method development. R&D efforts also focus on determining the optimal production process for the Technicals it manufactures and the reduction of energy consumption. IPL continuously seeks to innovate to develop alternate production processes for existing Technicals and for Technicals that are expected to go off-patent in the near future. As part of these measures, the company undertakes pilot studies of new technologies.
- R&D enables the company to identify higher-margin products and that require specialized manufacturing and handling capabilities. Since 2018, 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 42.1% of the FY21 revenue. It is currently in the process of developing processes for certain Technicals, including two fungicides, two herbicides, two insecticides, and two intermediates, and has also commenced construction of two manufacturing units at Sandila that are proposed to be used for herbicide Technicals.

Diversified portfolio of niche and quality specialized products

- The company has diversified its product portfolio over the years and has grown into a multi-product manufacturer of Formulations, herbicide, and fungicide Technicals as well as APIs. This diversification across products and sectors has allowed derisking of its business operations. The product portfolio comprises primarily in-house products that cater to a wide range of both domestic and international customers.
- At present, IPL has obtained registrations from the CIBRC for 22 agrochemical Technicals and 125 Formulations for sale in India and 27 agrochemical Technicals and 35 Formulations for export while they have a license to manufacture from the Department of Agriculture, Uttar Pradesh for 49 agrochemical Technicals and 158 Formulations. For APIs, they have obtained a license for manufacturing two drugs for sale at Dewa Road from the Drug Licensing and Controlling Authority under the Drugs and Cosmetics Rules, 1945.
- Products are exported to regulated markets including Australia and other countries located in Europe, Africa, and Asia, and have received product registrations either through customers or by the company itself. Technicals herbicides exported led to an EBITDA margins increase from 21.6% in FY20 to 29.2% in FY21. Exports limit the impact on the cyclical and monsoon trends in the agriculture industry.
- A 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. IPL is the only Indian manufacturer of 5 Technicals and among the leading manufacturers globally for Captan, Folpet, and Thiocarbamate Herbicide, in terms of production capacity.

Long-term relationship with key customers:

- The company has developed strong and long-term relationships with various multinational corporations that have helped it to expand product offerings and geographic reach for the Technicals business. Multinationals across the globe are taking advantage of cost-effective manufacturing in India along with the availability of skilled labor. In FY21, exports accounted for 56.7% of the company's operating revenue.
- Customer relationships are led primarily by the IPL's ability to manufacture complex Technicals that go off-patent in a cost-effective, safe, and environmentally conscious manner as well as its ability to meet stringent quality specifications. Many customers have been associated with the company for over 10 years and certain key customers include crop protection majors such as Syngenta Asia Pacific Pte. Ltd. and UPL Limited. Revenues generated from sales to top 10 customers constitute a significant proportion of revenues and represented 56.8% of the revenue from operations in FY21.

Strong sourcing capabilities and extensive distribution network

- IPL has developed relationships with multiple vendors within and outside India for major raw materials to ensure timely and adequate supply. Raw materials imported from China as a percentage of total raw material purchases was 30.3% in FY21, while FY19, FY20, and FY21, 64.98%, 65.44%, and 61.96% of raw materials were sourced locally.
- Vendor selection is based on pre-determined criteria to ensure all raw materials procured meet stringent regulatory and quality checks. IPL typically holds a minimum inventory of 20 days supplies of raw materials. Sourcing raw materials directly from suppliers enables IPL to plan production and allocate resources effectively. As part of the Formulations segment, it has a pan-India sales and distribution presence with a dedicated sales force that provides customer service and undertakes product promotion through various channels including advertisements in print media, participation in industry conferences and exhibitions, and interactions with farmers. Business development efforts are led by experienced individuals in Europe and the United States whose primary responsibilities include identification of potential customers, marketing their products, facilitating sales in these regions, and assisting with registration of the products.

Key Business Strategies

Continue to focus on R&D and process innovation to expand product portfolio, customer base, and revenue share

- The company intends to continue to expand its 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, the company believes there will be significant opportunities to develop a number of off-patent/generic active intermediates. It intends to leverage R&D capabilities and manufacturing expertise and focus investment in process innovation.
- In particular, the company continues to focus on investing in automation, modern technology, and equipment to continually improve the processes to manufacture products and address changing customer preferences. IPL aims to increase its market share both in the Technicals and Formulations segments and expect to launch new products relating to these segments in the near future. 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, weeds or insects becoming resistant to such chemicals poses a downside. The company is in the process of manufacturing products that it believes will be of high value and will be able to address resistive and unwanted pests and diseases.

Focus on cost optimization:

- IPL intends to undertake a number of strategic initiatives including the expansion of the existing manufacturing capacity that will allow it to benefit from economies of scale and improve process efficiency in the manufacturing process. The company intends to review the product portfolio to either include or eliminate products based on costs incurred, profits generated, and processes involved in manufacturing such products.
- Another key area IPL intends to focus on will be to further reduce dependence on import of raw materials and source raw materials indigenously. The company will identify suppliers of the key raw materials and enter into long-term supply contracts to ensure the availability of such raw materials at viable prices.

Capitalize on industry opportunities

- The growth in the world population has led to higher demand for food crops. This had led to greater crop production for which advanced agricultural practices are necessary. Using chemicals on land to fight diseases, insects, and weeds increases the productivity per acre or hectare, thus feeding the growing population.
- Owing to the growing population, there is also a threat that agricultural land areas may have no or limited growth. With limited growth in land and high demand, increasing productivity is imperative and thus chemicals are used to reduce damage to the crops of interest.
- The total agrochemicals market is projected to grow from \$ 62.5 Bn in 2019 to \$ 86 Bn by the 2024 end. India has been ranked fourth globally in the production of agrochemicals (crop protection chemicals/ pesticides) after the USA, Japan, and China. The Indian crop protection chemicals market is valued at \$2.1 Bn which is anticipated to grow at 4% in the next five years to \$2.6 Bn by 2024. The 'China plus one' strategy avoids overinvesting in one country, i.e. China, and promotes diversification of business in other countries.

Grow a portfolio of Formulations products

- The company intends to grow a portfolio of Formulation products and 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, it believes the growth in the Technicals segment will lead to a growth of Formulations products as well. For instance, the company manufactures Cymoxanil, a fungicide Technical that is used in the manufacture of certain 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:

- Around 19 Technicals are expected to go off-patent between 2019 and 2026 and an opportunity size of over \$4.2 Bn is expected due to this by 2026 (Source: F&S Reports). To be able to cater to the demand growth, the company intends to scale up its manufacturing capacities for the existing products and has obtained approval from the MoEF to expand its manufacturing capacity at Sandila to 30,000 MT. In addition, it is continually exploring new markets for the existing products.

Competition

The Indian agrochemicals market is highly fragmented with many formulators with the competition being fierce within large organized players as well as with spurious manufacturers. In 2019, the company dominated the Indian pyrethroids market, commanding a share of 19.5% of the total Indian Pyrethroids production value. 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.

Exhibit 12: Major Players in the industry

Name of the company	Net Sales	Face Value per Equity Share	P/E	EPS (Basic)	EPS (Diluted)	RoNW	NAV per equity share
Dhanuka Agritech Limited	1,145	2.0	31.7	30	30	19	149
Bharat Rasayan Limited	1,232	10.0	36.1	371	371	28	1,328
UPL Limited	35,860	2.0	35.1	23	23	10	252
Rallis India Limited	2,286	1.0	32.9	10	10	13	72
PI Industries Limited	3,415	1.0	79.2	33	33	15	190
Sumitomo Chemical India Limited	2,435	10.0	78.9	4	4	16	24
Atul Ltd	4,171	10.0	38.2	225	225	19	1,064

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.

Key Risk Factors

- Agro-chemicals business is subject to climatic conditions, the overall area under cultivation and the cropping pattern adopted by the farming community. Seasonal variations and unfavorable local and global weather patterns may have an adverse effect on the business, results of operations and financial condition
- The company derive its revenues from the sale of Technicals and Formulations in the agro-chemicals industry and any reduction in the demand for such products or the agro-chemicals industry could have an adverse effect on the business.
- There is a growing consumption of bio-pesticides globally and in India. The use and adoption of biopesticides by may affect competitive position and thereby have an adverse effect on the business, results of operations, and financial condition.
- Significant portion of the revenue is generated from certain key customers, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for the products could adversely affect the business, results of operations, financial condition and cash flows.

Brief Details on Directors

- **Anand Swarup Agarwal** is the Chairman and non-executive Director of the company. He holds a bachelor's degree in law from the University of Lucknow. He has over 35 years of experience in agrochemical manufacturing and is one of the Promoters and one of the founders of the company. In 2003, the Government of India, Ministry of Finance (Department of Economic Affairs – Banking Division) nominated him as a part-time non-official director on the board of directors of Punjab National Bank for a period of three years from November 25, 2003.
- **Rajendra Singh Sharma** is a whole-time Director of the Company. He holds a bachelor's degree of science in agriculture from the University of Meerut. He has been associated with the company for the last 22 years and was initially appointed as a director of the company on June 10, 1998. He has experience in agrochemical manufacturing.
- **Rahul Arun Bagaria** is the Non-Executive Director of the company. He holds a bachelor's degree in commerce from the University of Mumbai and is a Qualified Chartered Accountant. He has more than five years of professional experience and expertise in corporate law and taxation.
- **Adesh Kumar Gupta** is an Independent Director of the company. He holds a bachelor's degree in commerce from the University of Jodhpur and is a qualified chartered accountant. He is a registered insolvency professional with the Insolvency and Bankruptcy Board of India. He previously held the position of whole-time director and Chief Financial Officer at Grasim Industries Limited and has also been a director at Ultra Tech Cement Limited.
- **Mohan Vasant Tanksale** is an Independent Director of the company. He is a member of the Institute of Cost and Works Accountants of India. He was previously the chairman and managing director of the Central Bank of India and was an executive director on the board of Punjab National Bank till June 2011.
- **Madhu Dikshit** is an Independent Director of the company. She holds a master's degree in science (biochemistry) from the University of Allahabad and a Ph.D. in chemistry from the Chhatrapati Shahuji Maharaj University, Kanpur. In the past, she has been associated with the CSIR – Central Drug Research Institute, Lucknow as a director and has been a visiting professor of the Indian Institute of Technology, Jodhpur. She has also been appointed as the national chair of the Transitional Health Science and Technological Institute, Faridabad.

Key Managerial Person

- **Dheeraj Kumar Jain** is the Chief Executive Officer of the company for a period of five years from January 23, 2021. He holds a bachelor's degree and a master's degree in chemical engineering from Osmania University, Hyderabad India. 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 holds a bachelor's degree in commerce from the University of Allahabad. He is an associate member of the Institute of Cost Accountants of India and an associate of the Institute of Chartered Accountants of India. He has over 27 years of experience in the field of finance. Before joining the company, he has worked at Delite Commercial Limited and Trimurtee Fertilisers Limited.
- **Ajeet Pandey** is the Company Secretary and Compliance Officer of the company. He holds a bachelor's in commerce from Dr. Ram Manohar Lohia Awadh University, Faizabad, and a bachelor's degree in law from the Chhatrapati Shahu Ji Maharaj University, Kanpur. He is an associate member of the Institute of Company Secretaries of India and has prior experience in secretarial services.
- **Ajai Kumar Sinha** is the general manager of - formulation marketing of the company. He holds a master of technology degree (chemical technology) from Kanpur University and a master's degree in business administration from Punjab Technical University, Jalandhar. He joined the company on April 1, 1991, and has experience in the field of marketing.
- **B.T. Hanumantha Reddy** is the general manager - manufacturing of the company. He holds a bachelor's degree in engineering from Bangalore University. Prior to joining the company, he has previously worked with Balaji Amines Limited, Insecticides (India) Limited, Kanoria Chemicals & Industries Limited, Nagarjuna Agrichem Limited, Rallis India Limited, Watsol Organics Limited, Vantech Pesticides Limited, NetMatrix Crop Care Limited, and Chemagro International Limited and has experience in the field of operations and project management.

Financials (Standalone)
Profit & Loss
(Rs Cr)

Y/E March	FY19	FY20	FY21
Total Net Sales	341	480	649
% Change	-	40.8	35.3
Total Raw material Consumption	187	253	310
Staff costs	13	16	23
Other Expenditure	75	117	133
Total Expenditure	88	133	155
EBITDA	65	94	183
% Change	-	43.3	95.7
EBITDA Margin %	19.2	19.5	28.2
Depreciation	4	5	6
EBIT	61	88	177
% Change	-	44.3	100.0
EBIT Margin %	18.0	18.4	27.3
Interest	6	5	3
Other Income	5	10	6
PBT	61	93	180
Tax	17	23	46
Tax Rate %	28.1	24.2	25.2
APAT	44	71	134
% Change	-	61.2	89.4

Source: Company, Axis Securities

Balance Sheet
(Rs Cr)

Y/E March	FY19	FY20	FY21
Share Capital	3	3	11
Reserves & Surplus	184	254	378
Net Worth	187	257	389
Total Borrowings	55	24	30
Deferred Tax Liability	8	7	8
Long Term Provisions	0	1	1
Other Long Term Liability	-	0	0
Capital Employed	250	289	428
Gross Block	79	106	142
Less: Depreciation	4	5	6
Net Block	75	101	136
Other Non Current Assets	9	10	14
Investments	-	-	-
Sundry Debtors	178	183	214
Cash & Bank Bal	3	8	43
Loans & Advances	-	-	-
Inventory	36	39	70
Other Current Assets	17	25	40
Total Current Assets	233	255	367
CurrLiab&Prov	67	77	89
Net Current Assets	166	178	278
Total Assets	250	289	428

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY19	FY20	FY21
PBT	61	93	180
Depreciation & Amortization	4	5	6
Net Finance Interest and other expenses	6	5	3
Other Changes	(2)	(3)	1
Chg in Working cap	(54)	(3)	(62)
Direct tax paid	17	22	45
Cash flow from operations	-3	75	83
	0	0	0
Chg in Gross Block	-7	-31	-42
Chg in Investments	0	(1)	(5)
Others	0	0	(37)
Cash flow from investing	(7)	(31)	(84)
	0	0	0
Proceeds / (Repayment) of ST Borrowings (Net)	15	(33)	3
	-	-	-
Finance Cost paid	-5	-5	-3
Dividends paid	(1)	(1)	(4)
Cash flow from financing	9	(39)	(4)
Chg in cash	(1)	5	(5)
Cash at start	2	2	7
Cash at end	2	7	2

Source: Company, Axis Securities

About the analyst


Analyst: Gaurav Uttrani

Contact Details: gaurav.uttrani@axissecurities.in

Sector: Agrochemical & Consumer sector

Analyst Bio: Gaurav Uttrani is Chartered Accountant (ICAI) with about 2 years of experience in Equity market and research

About the analyst


Analyst: Suvarna Joshi

Contact Details: suvarna.joshi@axissecurities.in

Sector: FMCG, Consumption sector, Mid-Caps, Agrochemical

Analyst Bio: Suvarna Joshi is MBA (Finance) from Mumbai University with about 10 years of experience in Equity market and research

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, Gaurav Uttrani, Chartered Accountant & Suvarna Joshi PGDBM-Finance author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period. Any holding in stock – No
5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or; Managed or co-managed public offering of the securities from the subject company of this research report and / or;

Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report; ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Term & Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 022-40508080/ 022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582. SEBI-Portfolio Manager Reg. No. INP000000654