

INDIA PESTICIDES LIMITED

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. In Technicals company manufacture Fungicide Technicals, Herbicides Technicals for the export market and on Formulation side company manufacture insecticides, fungicide and herbicides, growth regulators and Acaricides for domestic market. IPL has also diversified itself in APIs manufacturing in recent times.

Positives: (a) Company has done capacity expansion of 62.5% in the last three years, in which Technical capacity has almost doubled and formulation capacity has increased by 8.3%. (b) Diversified portfolio of niche and quality specialized agro chemical products. (c) Company having very high ROCE & ROE of 45% & 34% in FY2021 along with very high EBITDA margins of 29.2%.

Investment concerns: (a) Indian agro-chemicals industry is fragmented in nature and faces competition from different domestic and global manufacturers for different products that we manufacture. (b) Top-10 customers contribute 57% of companies overall revenue, largest customer represent 30% of revenue to maintain relations will be challenging for the company. (c) Any change in categorization of key technical in the red triangle will affect the company performance.

Outlook & Valuation: Based on FY-2021 PE of 24.5x and EV/EBITDA of 18.2x at upper band of the IPO price, which is slightly better than the peers companies. Similarly company having one of the best ROE & ROCE of 34% and 45% respectively. Company having a very healthy balance sheet with negative Net Debt to Equity. We expect the upcoming expansion plan and higher capacity utilisation will be the growth drivers for the company in future. We are assigning a “**Subscribe**” recommendation to the issue.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Net Sales	340.7	479.6	649.0
% chg	-	40.8	35.3
Net Profit	43.9	70.8	134.5
% chg	-	61.2	90.0
EBITDA (%)	19.2	19.5	28.2
EPS (Rs)	3.9	6.4	12.0
P/E (x)	75.1	46.6	24.6
P/BV (x)	5.0	12.8	8.5
ROE (%)	23.5	27.6	34.5
ROCE (%)	32.3	35.8	45.2
EV/EBITDA	48.9	33.7	18.2
EV/Sales	9.4	6.6	5.1

Source: Company, Angel Research

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Issue Open: June 23, 2021
 Issue Close: June 25, 2021

Issue Details

Face Value: ₹ 1

Present Eq. Paid up Capital: ₹ 11.18 Cr

Offer for Sale: ₹ 700 Cr

Fresh issue: ₹ 100 Cr.

Post Eq. Paid up Capital: ₹ 11.5 Cr

Issue size (amount): ₹800 Cr**

Price Band: ₹ 290- 296

Lot Size: 50 shares and in multiple thereafter

Post-issue mkt. cap: *₹ 3342 cr - **₹ 3409 cr

Promoters holding Pre-Issue: 82.68%

Promoters holding Post-Issue: 72%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	72.0%
Others	28.0%

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Company background

IPL 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. Anand Swarup Agarwal is the Chairman and non-executive Director of the company. He has over 35 years of experience in agrochemical manufacturing. Company has have two distinct operating verticals, namely, (i) Technicals; and (ii) Formulations.

Technicals: Company manufacture generic Technicals that are used in the manufacture of fungicides and herbicides as well as APIs with applications in dermatological products. Technical contributes 78.8% of companies revenue for the year 2021.

Formulations: Company manufacture and sell various formulations of insecticides, fungicide and herbicides, growth regulators and Acaricides, which are ready-to-use products. Company manufacture over 30 Formulations that include Takatvar, IPL Ziram-27, IPL Dollar etc. Formulation contributes 21.2% of companies revenue for the year 2021.

Key Details about the company

- IPL is one of the fastest growing agro-chemicals company in terms of volume of Technicals manufacturing.
- Company are the sole Indian manufacturer of five Technicals and among the leading manufacturers globally for Captan, Folpet and Thiocarbamate Herbicide, in terms of production capacity
- Company have a strategic focus on R&D and our R&D capabilities include two well-equipped in-house laboratories registered with the DSIR.
- Technicals are primarily exported and revenue generated from exports contributed to 56.71% of revenue from operations in Fiscal 2021. Technicals are 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 our extensive network of dealers and distributors. Company has a diverse customer base that includes crop protection product manufacturing companies, such as, Syngenta Asia Pacific Pte. Ltd, UPL Limited.
- Company currently have 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.

Issue details

- The issue size is ₹ 800 Cr, which comprises of fresh issues of ₹ 100 crore & offer for sale of ₹ 700 Cr in the price band of ₹290-₹296 per share.

Pre & Post Shareholding

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	9,24,23,945	82.68%	8,29,17,726	72.00%
Public	1,93,61,185	17.32%	3,22,45,782	28.00%
Total	11,17,85,130	100.00%	11,51,63,508	100.00%

Source: Company, Angel Research

Objectives of the Offer

- 80 Crores out of 100 crores will be used to fund working capital requirements of the company.
- General corporate purposes.

Revenue Mix – Companies revenue mix has changed from 75.4% to 78.9% for Technicals, this also helps the company in increasing the margins as majority of technicals are exported to Australia, Europe etc.

Revenue Mix

Product	FY 2020-21		FY 2019-20		FY 2018-19	
	Revenue (Cr)	% of Revenue	Revenue (Cr)	% of Revenue	Revenue (Cr)	% of Revenue
Technicals	506.8	78.9%	383.2	80.2%	256.6	75.4%
Formulations	135.7	21.1%	94.6	19.8%	83.6	24.6%
Total	642.5	100%	477.8	100%	340.2	100%

Source: Company, Angel Research

Capacity Utilisation – Company has increase its overall capacity from 16000 Mt to 26000 Mt in last 3 years, as of now capacity utilisations are at 75.9%.

Capacity Utilisation

Products	FY 2020-21		FY 2019-20		FY 2018-19	
	Capacity	Utilisation	Capacity	Utilisation	Capacity	Utilisation
Technicals	19500	76.9%	14500	76.1%	10000	79.7%
Formulations	6500	72.7%	6500	58.2%	6000	58.9%
Total	26000	75.9%	21000	70.5%	16000	71.9%

Source: Company, Angel Research

Key Management Personnel

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.

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.

Consolidated Profit & Loss Account

Y/E March (₹ Cr)	FY2019	FY2020	FY2021
Total operating income	341	480	649
% chg	-	40.8	35.3
Total Expenditure	275	386	466
Cost of Materials Consumed	195	257	330
Changes in inventories	-7	-4	-20
Employee Benefits Expense	13	16	23
Other Expenses	75	117	133
EBITDA	65	94	183
% chg	-	43.3	95.7
(% of Net Sales)	19.2	19.5	28.2
Depreciation & Amortisation	4.0	5.1	6.1
EBIT	61	88	177
% chg	-	44	100
(% of Net Sales)	18.0	18.4	27.3
Finance costs	5.6	5.2	3.4
Other income	5.4	10.1	6.4
(% of Sales)	1.6	2.1	1.0
Recurring PBT	61	93	180
% chg	-	53	93
Exceptional item	-	-	-
Tax	17	23	45
PAT (reported)	44	71	135
% chg	-	61	90
(% of Net Sales)	12.9	14.8	20.7
Basic & Fully Diluted EPS (Rs)	3.9	6.4	12.0
% chg	-	61.2	89.5

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ Cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	3.2	3.2	11.2
Other equity (Retained Earning)	184	254	378
Shareholders Funds	187	257	389
Total Loans	55	24	30
Other liabilities	8	8	9
Total Liabilities	250	289	428
APPLICATION OF FUNDS			
Property, Plant and Equipment	70	95	120
Right of Use Assets	-	4	4
Capital work-in-progress	5	1	12
Current Assets	233	255	367
Inventories	36	39	70
Trade Receivables	178	183	214
Cash and Cash Equivalents	2	7	2
Other Balances with Banks	1	1	41
Other Financial Assets	1	1	0
Other Current Assets	16	25	39
Current Liability	67	77	89
Net Current Assets	166	178	278
Other Non Current Asset	9	10	14
Total Assets	250	289	428

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ Cr)	FY2019	FY2020	FY2021
Operating profit before working capital changes	68	101	190
Net changes in working capital	-54	-3	-62
Cash generated from operations	14	97	128
Direct taxes paid (net of refunds)	-17	-22	-45
Net cash flow (used in)/from operating activities (A)	-3	75	83
Purchase of property	-7	-31	-42
Others	1	0	-42
Cash Flow from Investing	-7	-31	-84
Proceeds from term Borrowings	13	0	1
Repayment of term Borrowings	-9	-3	-7
Proceeds from short-term borrowings (net)	11	-30	9
Dividend (including dividend tax)	-1	-1	-4
Interest paid (net)	-5	-5	-3
Cash Flow from Financing	9	-39	-4
Inc./ (Dec.) in Cash	-1	5	-5
Opening Cash balances	2.4	1.6	6.7
Closing Cash balances	1.6	6.7	1.9

Source: Company, Angel Research

Financial Ratio

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	75.1	46.6	24.6
P/CEPS	64.9	41.4	23.5
P/BV	5.0	12.8	8.5
EV/Sales	9.4	6.6	5.1
EV/EBITDA	48.9	33.7	18.2
Per Share Data (₹)			
EPS (Basic)	3.9	6.4	12.0
EPS (fully diluted)	3.9	6.4	12.0
Cash EPS	4.6	7.2	12.6
Book Value	58.8	23.1	34.9
Returns (%)			
ROE	23.5	27.6	34.5
ROCE	32.3	35.8	45.2
Turnover ratios (x)			
Receivables (days)	191.0	139.4	120.5
Inventory (days)	38.1	29.4	39.4
Payables (days)	-	-	-
Working capital cycle (days)	229.1	168.8	159.9

Source: Company, Angel Research

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