

India Pesticides Ltd : Very Good Issue

IPO Note :Fastest-growing agrochemicals company in terms of volume of Technicals manufactured : Net Profit grew at a CAGR of 75% in two years: Negligible Debt: Reasonably Prices Issue: Ranking****



Issue details

Price band (Rs)	Rs.290-296
IPO Opening Date	23/06/21
IPO Closing Date	25/06/21
Issue Size	Rs.800 Cr.

Recommendation

On the financial performance front, on a consolidated basis, IPO has posted turnover/net profit of Rs. 346.04 cr. / Rs. 43.92 cr. (FY19), Rs. 489.73 cr./ Rs. 70.80 cr. (FY20) and Rs. 655.38 cr. / Rs. 134.51. (FY21). **Thus it has posted spectacular performance and outperforms year after year. It reported 37.62% in Sales and 75.02% PAT CAGR growth in two years.** If we attribute FY21 earnings on fully diluted equity post issue, then the asking price is at a **P/E of 25.36** against an industry average of **47.44**. Thus issue appears reasonably priced. As per the offer document, IPL has shown Dhanuka Agri, Bharat Rasayan, UPL Ltd., Rallis India, PI Industries, Sumitomo Chemical and Atul Ltd. as its listed peers. They are currently quoting at a P/E of 21.41, 33.97, 271.12, 30.19, 60.13, 54.73 and 41.85. The issue appears reasonably priced. We are witnessing fancy for speciality chemicals and agrichemicals counters. The company has posted constant growth despite pandemic periods that is remarkable. The issue worth considering for short to long term rewards.

Highlights

- India Pesticides Ltd. (IPL) is an R&D driven agrochemical manufacturer of Technicals with a growing Formulations business.
- It is one of the fastest-growing agrochemicals company in terms of volume of Technicals manufactured.
- The company has 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 is the sole Indian manufacturer of five Technicals and among the leading manufacturers globally for Captan, Folpet and Thiocarbamate Herbicide, in terms of production capacity;
- The company has paid a dividend at the rate of 20% for FY19 and FY20 and at 110% for FY 21.

Company Introduction

Incorporated in 1984, India Pesticides Limited (IPL) is one of the leading agrochemicals manufacturers in India. The company operates in two business verticals; 1 Technicals and 2. Formulations. It manufactures herbicide, fungicide Technicals, and Active Pharmaceutical Ingredients (APIs). It is the sole Indian manufacturer of several Technicals i.e. Folpet, Thiocarbamate, and Herbicide. The company also manufactures 30+ formulations of insecticides, fungicides, and herbicides.

Its Technicals are majorly exported to 20+ countries including Australia, Asia, Africa, and European countries, contributed 62% of technical segment revenues in Fiscal 2020. However, agrochemical formulations are primarily sold to domestic crop protection manufacturers i.e. Syngentia Asia Pte Ltd, UPL Ltd, ASCENZA AGRO, S.A., Conquest Crop Protection Pty Ltd, Sharda Cropchem Limited, and Stotras Pty Ltd.



India Pesticides Limited

An ISO 9001:2015, 14001:2015, 45001:2018 and 10002:2018 Company

www.indiapesticideslimited.com

Currently, the firm has two manufacturing plants UPSIDC Industrial Area at Dewa Road, Lucknow and Sandila, HarDOI in Uttar Pradesh, India with an installed capacity of 19,500 MT for agrochemicals and 6500 MT for formulations.

Company Promoters:

Anand Swarup Agarwal and the ASA Family Trust are the company promoters.

Objects of the Issue:

- To finance the working capital requirements of the company.
- To meet general corporate purposes.

IPO Issue Proceed

To part finance its needs for working capital (Rs. 80.00 cr.) and general corpus fund, IPL is coming out with a maiden IPO to mobilize Rs. 800.00 cr. (total 27027200 shares) combo book building offers having fresh equity issue as well as offer for sale (OFS). The company has fixed the price band of Rs. 290 - Rs. 296 for this issue for the equity shares having face value of Re. 1 per share. At the upper market cap, it will issue approx. 3378400 fresh equity shares (for Rs. 100 cr.) along with OFS for 23648800 equity shares (for Rs. 700 cr.). The issue opens for subscription on June 23, 2021, and will close on June 25, 2021. Minimum application is to be made for 50 shares and in multiples thereon, thereafter. The issue constitutes 23.47% of the post issue paid-up equity capital of the company. Post allotment, shares will be listed on BSE and NSE. Post issue, company's current paid-up equity capital of Rs. 11.18 cr. will stand enhanced to Rs. 11.52 cr. Based on the upper price band, IPL is looking for a market cap of Rs. 3408.84 cr.

Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	655.37	489.72	346.04
Net Profit	134.53	70.79	43.92
EPS (Rs)	11.67	6.14	3.81

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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