

Shikher Jain
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Issue Details

Issue Details	
Issue Size (Value in ` million, Upper Band)	8000.00
Fresh Issue (No. of Shares in Lakhs)	33.78
Offer for Sale (No. of Shares in Lakhs)	236.49
Bid/Issue opens on	25-June-21
Bid/Issue closes on	25-June-21
Face Value	Rs. 1
Price Band	290-296
Minimum Lot	50

Objects of the Issue

The Fresh Issue: ₹1,000 Million

- Funding working capital requirements.
- General corporate purposes.

Offer for Sale: ₹7,000 Million

- Achieve the benefits of listing the Equity shares on the stock exchanges.
- The company will not receive any proceeds from the Offer for Sale.

Book Running Lead Managers	
Axis Capital Limited	
JM Financial Limited	
Registrar to the Offer	
KFin Technologies Private Limited	

Capital Structure (₹ Million)	Aggregate Value
Authorized share Capital	150.00
Subscribed paid up Capital (Pre-Offer)	111.79
Paid up capital (Post - Offer)	115.16

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	82.68%	59.72%
Public	17.32%	40.28%
Total	100%	100%

Financials

Particulars (Rs. In Million)	FY21	FY20	FY19
Revenue from operations	6489.5	4796.3	3406.9
Operating expenses	4658.6	3860.7	2754.1
EBITDA	1830.9	935.6	652.8
Other Income	64.2	101.0	53.5
EBIDT	1895.2	1036.6	706.3
Interest	34.3	52.2	55.8
Depreciation	61.4	50.7	39.6
PBT	1799.5	933.7	611.0
Tax	454.2	225.7	171.8
PAT	1345.3	708.0	439.2
Minority/other adj.	3.8	-2.1	-0.5
Consolidated PAT	1349.1	705.9	438.7
Ratio	FY21	FY20	FY19
EBITDAM	28.2%	19.5%	19.2%
PATM	20.8%	14.7%	12.9%
Sales growth	35.3%	40.8%	

Company Description

India Pesticides Ltd is a R&D driven agro-chemical manufacturer of Technicals with a growing Formulations business. The company is one of the fastest growing agro-chemicals company 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. The Company manufactured 15,003 MT of Technicals in Fiscal 2021. The company 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. Since commencing the operations in 1984, the company have diversified into manufacturing herbicide and fungicide Technicals and active pharmaceutical ingredients (APIs). They also manufacture herbicide, insecticide and fungicide Formulations.

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

The Company's Technicals are primarily exported and their revenue generated from exports contributed to 56.71% of the revenue from operations in Fiscal 2021. As of March 31, 2021, the company's Technicals are exported to over 25 countries including Australia and other countries in North and South America, Europe, Asia and Africa. The Formulations products are primarily sold domestically through their extensive network of dealers and distributors. The company have 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. They have established relationships with their customers many of whom have been associated with the Company for over 10 years.

The revenue from operations for Fiscals 2019, 2020 and 2021 was ₹ 3,406.88 million, ₹ 4,796.27 million and ₹ 6,489.54 million, respectively. The EBITDA for Fiscal 2019, 2020 and 2021 was ₹ 706.34 million, ₹ 1,036.56 million and ₹ 1,894.91 million, respectively while our EBITDA margin was 20.73%, 21.61% and 29.20%, respectively, for similar periods. The Return on Equity for Fiscals 2019, 2020 and 2021, was 23.46%, 27.48% and 34.63%, respectively. The Profit after Tax was ₹ 438.71 million, ₹ 705.85 million and ₹ 1,348.89 million for Fiscals 2019, 2020 and 2021, respectively, while the Profit After Tax margin was 12.68%, 14.41% and 20.58%, respectively for similar periods. Despite of the impact of the COVID-19 pandemic, the revenue from operations increased by 35.30% from ₹ 4,796.27 million in Fiscal 2020 to ₹ 6,489.54 million in Fiscal 2021.

Valuation

At the upper end of the IPO price band, it is offered at 25.3x of its FY21 earnings, demanding ₹34,091 million market cap as compared to its other listed peers like Dhanuka Agritech, Bharat Rasayan and Rallis India which are currently trading at a PE of 31.7x, 36.2x and 32.9x respectively. We believe that due to the lower valuations as compared to its peers, India Pesticides is placed at an attractive valuation.

The Company is the sole Indian manufacturer of technicals which are exported to over 25 countries and their revenue generated from exports contributed to 56.71% of the revenue from operations in Fiscal 2021. Further 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., Conquest Crop Protection Pty Ltd, Sharda Cropchem Limited and Stotras Pty Ltd.

Going forward with the planned expansion and lowering debt, we are also confident that company will maintain the growth levels which is mirroring in the pricing of the IPO.

Further in the recent past, Company has a robust track record of performance and has been generating positive cash flow. We are positive on the long-term prospects of the Company. Hence, we recommend a "**Subscribe**" rating to this IPO.

Business Highlights:

- India Pesticides Ltd is a R&D driven agro-chemical manufacturer of Technicals with a growing Formulations business. The company is one of the fastest growing agro-chemicals company 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. The Company manufactured 15,003 MT of Technicals in Fiscal 2021. They 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. Since commencing the operations in 1984, the company have diversified into manufacturing herbicide and fungicide Technicals and active pharmaceutical ingredients (APIs). They also manufacture herbicide, insecticide and fungicide Formulations.
- The company have a strategic focus on R&D and their R&D capabilities include two well-equipped in-house laboratories registered with the DSIR. Their efforts are led by a dedicated R&D team that comprises PhDs, master's graduates in chemistry and a biotechnological engineer. The company's R&D efforts have led to development of processes to manufacture three generic off-patent Technicals since Fiscal 2018 and they are currently in the process of developing processes for certain Technicals, including two fungicides, two herbicides, two insecticides and two intermediates. Their Technicals are primarily exported and their revenue generated from exports contributed to 56.71% of the revenue from operations in Fiscal 2021. As of March 31, 2021, the company's Technicals are exported to over 25 countries including Australia and other countries in North and South America, Europe, Asia and Africa. The Formulations products are primarily sold domestically through their extensive network of dealers and distributors. The company have 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. They have established relationships with their customers many of whom have been associated with the Company for over 10 years.
- The core focus of company is on quality and sustainability and none of their key Technicals are classified as 'red triangle' or highly toxic products. As of the date of this Red Herring Prospectus, the company have obtained registrations 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 company's APIs, as of the date of this Red Herring Prospectus, 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. As of the date of this Red Herring Prospectus, the company have manufactured eight Technicals, two APIs and over 30 Formulations. Of the eight Technicals manufactured by them, six Technicals are categorized under the 'Blue Category' while two are categorized under the 'Green Category', indicating 'moderately toxic' and 'slightly toxic', respectively, as determined by Central Insecticide Board & Registration Committee.
- The company have two distinct operating verticals, namely,
 - Technicals: We manufacture 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 the company 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 manufacture include Thiocarbamate herbicides that have application in field crops, such as, wheat and rice, and are used globally. The APIs the company manufacture have anti-scabies and anti-fungal applications.
In Fiscals 2019, 2020 and 2021, revenues from the company's Technicals segment amounted to ₹ 2,566.59 million, ₹ 3,832.81 million and ₹ 5,068.35 million, respectively, which constituted 75.43%, 80.19% and 78.87%, respectively, of the company's revenue from sale of products.
 - Formulations: The Company manufacture and sell various formulations of insecticides, fungicide and herbicides, growth regulators and Acaricides, which are ready-to-use products. As of March 31, 2021, the company manufacture over 30 Formulations that include Takatvar, IPL Ziram-27, IPL Dollar, IPL Soldier and IPL Guru.
In Fiscals 2019, 2020 and 2021, revenues from company's Formulations segment amounted to ₹ 836.01 million, ₹ 946.77 million and ₹ 1,357.99 million, respectively, which constituted 24.57%, 19.81% and 21.13%, respectively, of the revenue from sale of products.
- The 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. As of March 31, 2021, the company's aggregate installed capacity of company's manufacturing facilities for agro-chemical Technicals was 19,500 MT and Formulations was 6,500 MT. The Company manufactured 15,003 MT of Technicals in Fiscal 2021. The manufacturing facilities are equipped with modern plant and machinery capable of producing quality Technicals and Formulations. The 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 for quality management system, environment management system, customer satisfaction and complaint management system, and occupational health and safety management system, respectively. Each of the manufacturing facilities has the ability to manufacture a wide range of products, which provides us with the flexibility to cater to changing demands in the market, thereby reducing dependence on any one major product category. The company 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 company have also commenced construction of two manufacturing units at our Sandila facility, which are proposed to be used for herbicide Technicals.
- The company's Promoter, Chairman and Non-Executive Director, Anand Swarup Agarwal has over 35 years of experience in the manufacturing sector. The 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 have been associated with the Company for over 20 years. They have a strong employee base comprising of 673 employees, as of March 31, 2021 and the attrition rate of their employees was 6.36% in Fiscal 2021. The revenue from operations for Fiscals 2019, 2020 and 2021 was ₹ 3,406.88 million, ₹ 4,796.27 million and ₹ 6,489.54 million, respectively. The EBITDA for Fiscal 2019, 2020 and 2021 was ₹ 706.34 million, ₹ 1,036.56 million and ₹ 1,894.91 million, respectively while our EBITDA margin was 20.73%, 21.61% and 29.20%, respectively, for similar periods. The Return on Equity for Fiscals 2019, 2020 and 2021, was 23.46%, 27.48% and 34.63%, respectively. The Profit after Tax was ₹ 438.71 million, ₹ 705.85 million and ₹ 1,348.89 million for Fiscals 2019, 2020 and 2021, respectively, while the Profit After Tax margin was 12.68%, 14.41% and 20.58%, respectively for similar periods. Despite of the impact of the COVID-19 pandemic, the revenue from operations increased by 35.30% from ₹ 4,796.27 million in Fiscal 2020 to ₹ 6,489.54 million in Fiscal 2021.

Key Strategies:

- **“Continue to focus on R&D and process innovation to expand the product portfolio, grow customer base and revenue share with existing customers:** The Company intend 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, the company believe there will be significant opportunities to develop a number of off-patent/generic active intermediates. The company intend to continue to leverage their R&D capabilities and manufacturing expertise and focus their investment in process innovation. In particular, they plan 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.
The company aim to increase their market share both in the Technicals and Formulations segments and they expect to launch new products relating to these segments in the near future. With growing chemical-resistive 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. The company is in the process of manufacturing products that they believe will be high value and will be able to address resistive and unwanted pests and diseases.
Going forward, the company 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. They intend to focus on leveraging their relationships with the customers to improve their existing products and also increase the number of Technicals that the company currently manufacture for such customers. In addition to the periodic audits undertaken by the customers of company’s manufacturing facilities, the company also intend to facilitate additional audits to assure them of the quality, safety standards and certifications in respect of the business. As of March 31, 2021, the company export a significant portion of their products to various international markets, which include over 25 countries globally. Exports have been an important part of their growth and the company intend to continue to focus on sales in international markets. Between Fiscal 2019 and Fiscal 2021, the percentage of revenue generated from exports increased from 50.13% of the revenue from operations to 56.71% of the revenue from operations. Export sales provide the company with higher margins on their products. The company intend to grow their sales within the existing geographies where their customers are present. Within India, the company intend to expand their distribution network to cover additional states including states in south India and also increase the number of branches in states where they are currently present. The company believe that with the extensive distribution network they will be able to supply the products directly to their customers in the geographies where they are present.
- **Focus on cost optimization:** The Company intend 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. The company 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 the company intend to focus on will be to further reduce their dependence on import of raw materials and source our raw materials indigenously. The company 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 endeavor to improve their production process, skill up-gradation of workers, modernization of equipment to further optimize the utilization of resources. The company intend to analyze their existing material procurement policy and production processes to identify the areas of bottlenecks and take corrective measure wherever possible. The company 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:** It is estimated that the world population is growing at the rate of 70 to 80 million per year. 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 area may have no or limited growth. With limited growth in land and high demand, there is a necessity to increase productivity and thus, chemicals are used to reduce damage to the crops of interest. 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 fourth 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. Recent border issues with China have triggered the self-reliant India initiative, reducing the sourcing dependence on China by the Indian agro-chemical industry. 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. The company also intend to work with their existing customers to identify new products that will be mutually beneficial. With the proposed expansion of manufacturing capacity, company’s R&D capabilities, their advanced manufacturing facilities, the company’s experience in manufacturing products that adhere to stringent guidelines and company’s ability to register products in India and abroad, the company believe they are well positioned to capitalize on these opportunities in the agro-chemicals sector.
- **Grow the portfolio of Formulations products:** The Company intend to grow their portfolio of Formulations products. For products that the company intend to launch as part of our Formulations segment, they intend to 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 company believe that the growth in their Technicals segment will lead to a growth of their Formulations products. For instance, the company 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:** Approximately 19 Technicals are expected to go off-patent between 2019 and 2026 and an opportunity size of over US\$ 4.2 billion is expected due to this by 2026. To be able to cater to the growth in demand for the products the company manufacture, they intend to scale up the manufacturing capacities for their existing products. The company have obtained approval from the MoEF to expand their manufacturing capacity at Sandila to 30,000 MT. In addition, the company continually explore new markets for their existing products. The company believe that their expansion plans would strengthen and diversify the customer base. They believe that their expansion and diversification of the product portfolio would allow them to service new clients, meet existing demand and consequently, enhance the business prospects. The company intend to augment their organic growth by pursuing selective acquisitions and strategic alliances that provide the company access to better infrastructure, industry knowledge, technology expertise and geographical reach and allow the company to expand their product offerings and customer base. The company may consider other acquisition opportunities acquiring divisions of existing companies to electively expand in their verticals, provided such opportunities offer the synergies the company look for and are available at competitive prices. The company believe such acquisitions will support their long-term strategy, strengthen their competitive position, particularly in acquiring technical expertise and provide greater scale to grow their earnings and increase shareholder value.

Key Strengths:

- **Strong R&D and product development capabilities:** The Company have 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 production processes and the quality and purity of their present products and manufacturing new off-patent products. The company's R&D team comprises PhDs, master's graduates in chemistry and a biotechnological engineer. The company have two well-equipped R&D laboratories, each of which is registered with the DSIR. The 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. Their analytical capabilities include critical quality control measures, non GLP-5 batch analysis, stability studies, method validation and method development. The R&D efforts also focus on determining the optimal production process for the Technicals the company 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, the company undertake pilot studies of new technologies. The company also evaluate and incorporate feedback received from the customers to manufacture Technicals. The company conduct extensive research and development on Technicals at a laboratory scale to generate necessary analytical information. As a part of the broader R&D efforts, they also test commercial production of the Technicals at their pilot facility. The R&D enables the company to identify products that are higher margin products and that require specialized manufacturing and handling capabilities. The company believe that their ability to manufacture such products is among the key factors that has contributed to the growth over the years. Since 2018, the company's 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. The company is currently in the process of developing processes for certain Technicals, including two fungicides, two herbicides, two insecticides and two intermediates. The company has also commenced construction of two manufacturing units at company's facility at Sandila that are proposed to be used for herbicide Technicals.

- **Diversified portfolio of niche and quality specialized products:** As a result of extensive R&D efforts, the company 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 the company to de-risk their business operations.

The product portfolio comprises primarily of products that the company manufacture in-house allowing them to cater to a wide range of customers in both domestic and international markets. As of the date of this Red Herring Prospectus, the company have obtained registrations 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 company's APIs, as of the date of this Red Herring Prospectus, 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. As of the date of this Red Herring Prospectus, the company manufactured eight export grade Technicals, two APIs and over 30 Formulations. The 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 them. The company commenced manufacturing of Technicals for herbicides in 2018 that are exported which has led to an increase in the EBITDA margins from 21.61% in Fiscal 2020 to 29.20% in Fiscal 2021. The exports limit the impact on the company of cyclical and monsoon trends in the agriculture industry. The 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. The company 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's Formulations business includes a variety of herbicides, fungicides and insecticides and includes over 30 products, as of March 31, 2021, that they sell primarily in India. The products are primarily characterized by their quality, levels of toxicity that are not high which the company believe is one of their core strengths and none of their key products that are a part of the Technicals segment are classified in the 'red triangle' category. This also helps the company to avoid uncertainties associated with these products including the use or import of such products being banned by regulators in India and abroad.

- **Long-term relationship with key customers:** The Company have developed strong and long-term relationships with various multinational corporations that has helped them expand their product offerings and geographic reach for their Technicals business. 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. The 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. In Fiscal 2021 the revenue generated from exports accounted for 56.71% of the revenue from operations in such period.

The customer relationships are led primarily by the company's ability to manufacture complex Technicals that go off-patent in a cost effective, safe and environmentally conscious manner as well as the ability to meet stringent quality specifications. The company undertake exports of their products, and either the customers get the company's products registered with the relevant regulatory authority or the company register their products with the respective regulatory authority directly. The name of the Company appears on the label of the package of the product as the "source" or "manufacturer" of these products meant for sale in a country. In addition, prior to placing orders, there is an audit and review process undertaken by certain of the customers. Several of company's customers have been associated with the Company for over 10 years and certain of the key customers include crop protection majors, such as, Syngenta Asia Pacific Pte. Ltd. and UPL Limited. Revenues generated from sales to company's top 10 customers constitute a significant proportion of the revenues and represented 56.83% of the company's revenue from operations in Fiscal 2021. The company was able to address requirements of their multinational corporation customers who have diverse operations spread across various segments and geographies and are therefore able to mitigate risks associated with a particular geography or industry. The long term relationships have allowed the company to plan their capital expenditure (including through provisions in certain customer agreements entitling them to an enhancement in price for future off take of their products by the customer if stipulated minimum quantities are not purchased), enhance the company's ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base, thereby ensuring a competitive cost structure to achieve sustainable growth and profitability.

- **Advanced manufacturing facilities with focus on environment, health and safety:** The manufacturing facilities at Dewa Road, Lucknow and Sandila, Hardoi in Uttar Pradesh have an aggregate installed capacity for agro-chemical Technicals of 19,500 MT and Formulations of 6,500 MT, as of March 31, 2021 and are spread across over 25 acres. Further, the company have obtained permission from the MoEF to expand their manufacturing capacity at Sandila to up to 30,000 MT. The 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 for quality management system, environment management system, customer satisfaction and complaint management system, and occupational health and safety management system, respectively. An audit and review process is also undertaken by certain of the company's customers, which may involve inspection of company's manufacturing facilities and equipment, review of the manufacturing processes and raw materials, technical review of the specification of the proposed product, review of logistical capabilities, and inspections and reviews of prototypes of the product. The finished product delivered by the company 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 company's manufacturing facilities as well as their agro-chemical Technicals and Formulations. Both the company facilities are equipped with sophisticated equipment and machinery that enables the company to manufacture quality technical grade products and formulations and helps minimize the number of employees required to operate them, thereby reducing costs. Each of the facilities has the ability to manufacture a wide range of products and allows the company the ability to address the requirements of customers. The technological processes the company utilize at their facilities have been developed on the basis of the R&D efforts. The company have dedicated teams for pollution prevention and recovery of by-products. The manufacturing processes contribute towards reducing raw material consumption, solvent consumption and water consumption resulting in reduced effluent and solid hazardous waste. The company's manufacturing units have implemented water re-cycling systems and have become zero discharge units. The company have also installed online monitoring system at their facilities. Solid hazardous wastes are sent to a common hazardous waste treatment and disposal facility. They are committed to safeguard the health and safety of their employees. To this end, the company have conduct periodic preventive maintenance of equipment at their facilities. The employees and workers are trained in the operation and maintenance of plant and equipment and those whose duties involve the handling of chemicals are also educated on safety methods for handling chemicals. Pre-employment and routine medical examinations are carried out to ensure the health of all employees. The company also review the effectiveness of the safety systems at the facilities as well as assess safety risks and evaluate for improvement. The company have historically made significant investments to increase their manufacturing capacity and invested ₹ 72.33 million, ₹ 308.37 million and ₹ 419.15 million in Fiscals 2019, 2020 and 2021. They are currently in the process of constructing two manufacturing units at our facility at Sandila that are proposed to be used for herbicide Technicals. Once operational, the proposed facilities are expected to expand the company's Technicals manufacturing capacity.

Particulars	Unit	As of and for the financial year ended March 31,								
		2019			2020			2021		
		Annual Installed Capacity ^{(1)*}	Annual Actual Production ⁽²⁾	Capacity Utilisation (%) ^{(3)*}	Annual Installed Capacity ⁽¹⁾	Annual Actual Production ⁽²⁾	Capacity Utilisation (%) ^{(3)*}	Annual Installed Capacity ⁽¹⁾	Annual Actual Production ⁽²⁾	Capacity Utilisation (%) ^{(3)*}
Agro-chemical Technicals										
Dewa Road	MT	2,100	1,910	91%	2,100	1,806	86%	2,100	2,000	95%
Sandila	MT	7,900	6,064	77%	12,400	9,222	74%	17,400	13,003	75%
Total	MT	10,000	7,974	80%	14,500	11,028	76%	19,500	15,003	77%
Formulations										
Dewa Road	MT	3,000	1,918	64%	3,000	2,128	71%	3,000	2,677	89%
Sandila	MT	3,000	1,615	54%	3,500	1,656	47%	3,500	2,047	58%
Total	MT	6,000	3,533	59%	6,500	3,784	58%	6,500	4,724	73%

*As certified by Amir Husain Rizvi, Chartered Engineer, by certificate dated May 25, 2021.

- **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 company have had long-standing business relations with their vendors. This reduces the dependence of company on a single or limited number of suppliers. The company's 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 company's raw materials were sourced locally. The company believe that their ability to procure raw material domestically enables them to withstand volatility in raw material prices and ensures continuous supply for their operations. The company's vendor selection is based on pre-determined criteria and the company ensure that all raw materials procured meet stringent regulatory and quality checks. The company typically hold a minimum inventory of twenty days' supply of raw materials. The ability of company to source raw materials directly from suppliers enables them to plan their production and allocate resources effectively. The company is focused on direct sales to customers and leverage their existing relationship with them for the sale of the Technicals. For Technicals, the company have a dedicated sales team. The team also provides dedicated customer service and after-sales services and grievance redressal. As part of Formulations segment, the company have 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. The business development efforts are led by experienced individuals in Europe and the United States whose primary responsibilities include identification of potential customers, marketing products, facilitating sales in these regions and assisting with registration of its products. As of March 31, 2021, the company have a network of over 20 sales depot consisting of branches, carrying and forwarding agents, and warehouses spread across 15 states in India and distribution network comprised a number of dealers and distribution partners across India. The company have a marketing team that coordinates with dealer network on a regular basis to understand demand patterns and also offer them various incentive structures and fixed payment terms to grow product sales.
- **Consistent track record of financial performance:** The Company have demonstrated consistent growth in terms of revenues and profitability over the last three Fiscals. The total revenue from operations increased by 90.48% from ₹ 3,406.88 million in Fiscal 2019 to ₹ 6,489.54 million in Fiscal 2021. The company have witnessed consistent improvement in balance sheet position over the last three Fiscals and net worth has increased from ₹ 1,870.20 million in Fiscal 2019 to ₹ 3,894.79 million in Fiscal 2021. The company have been able to maintain their debt position and their long term debt to equity ratio was 0.09, 0.06 and 0.02 as of March 31, 2019, 2020 and 2021. During Fiscals 2019, 2020 and 2021, ROCE was 32.33%, 35.82% and 45.18%, respectively, while ROE was 23.46%, 27.48% and 34.63%, respectively. The company believe that their strong operating ratios and their healthy debt equity ratio have allowed them to grow their operations and will allow the company to pursue other growth opportunities and fund strategic initiatives. In addition, EBITDA for Fiscals 2019, 2020 and 2021 was ₹ 706.34 million, ₹ 1,036.56 million and ₹ 1,894.91 million, respectively while EBITDA margin was 20.73%, 21.61% and 29.20%, respectively, for similar periods.
- **Experienced promoters and strong management team:** The company 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 Company 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. Under their leadership, the company have been able to expand their operations and established a significant presence in India. The company is 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 the company to anticipate and address market trends, manage and grow their operations including expanding globally, enhance manufacturing capabilities, leverage customer relationships, innovate continuously and respond to changes in customer preferences. The company will continue to leverage on the experience of their management team and their understanding of the specialty chemicals and pharmaceutical industries in order to take advantage of current and future market opportunities.

Key Risks:

- The failure of company to comply with the quality standards and technical specifications prescribed by customers may lead to loss of business from customers and could negatively impact the reputation, which would have an adverse impact on business prospects and results of operations.
- The inability of company to identify and understand evolving industry trends, technological advancements, customer preferences and develop new products to meet customers' demands may adversely affect their business.
- The Company derive almost all of their 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, results of operations and financial condition.
- The 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 business, results of operations and financial condition.
- There is a growing consumption of bio-pesticides globally and in India. The use and adoption of bio-pesticides by the customers of company may affect the competitive position and thereby have an adverse effect on the business, results of operations, and financial condition.
- A 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 company's products could adversely affect business, results of operations, financial condition and cash flows.
- The company face competition from both domestic as well as multinational corporations and inability of company to compete effectively could result in the loss of customers, which could have an adverse effect on the business, results of operations, financial condition and future prospects.
- Any change in Government policies towards the agriculture sector or a reduction in subsidies and incentives provided to farmers could adversely affect the business and results of operations.

Company Portfolio:

- The company have two distinct operating verticals, namely, Technicals and Formulations.

The following table sets forth the revenue from operations contributed by each of company's verticals and the percentage of total revenue from sale of products for the periods indicated:

Products	Fiscal 2019		Fiscal 2020		Fiscal 2021	
	Revenue from Sale of Products	As % of Total Revenue from Sale of Products	Revenue from Sale of Products	As % of Total Revenue from Sale of Products	Revenue from Sale of Products	As % of Total Revenue from Sale of Products
	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)
Technicals	2,566.59	75.43%	3,832.81	80.19%	5,068.35	78.87%
Formulations	836.01	24.57%	946.77	19.81%	1,357.99	21.13%
Total	3,402.60	100.00%	4,779.58	100.00%	6,426.34	100.00%

- Some of the key products and their application are given below:

Product	Application
Technicals	
Fungicides	
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.
Herbicides	
Thiocarbamate Herbicides	Wheat and rice
APIs	
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.

Product	Application
Formulations	
Crotax - 36	Used on paddy, Bengal gram, black gram, green gram, tea, red gram, sugarcane and cotton, against pests such as brown plant hoppers, green leaf hopper, leaf roller/folder, yellow stemborer 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 on paddy, cotton, brinjal, cabbage, onion, apple and citrus, 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 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, brown plant hopper, white-backed plant hopper, 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 plant hopper, white-backed plant hopper, greenleaf hopper, termite and hopper.
Agni	Used on transplanted rice against weeds such as Echinochloa Crusgalli, Echinochloa Colonum, Cyperus Difformis, Cyperus Isra, Fimbirstylis Miliacea, Eclipta Alba, Ludwigia Pulviflora, Leptochloa Chinensis, Monochorea Vaginalis and Panicum Repens.
Takatvar	Used on chilies and potato against pests such as fruit rot (anthracnose), early blight and late blight.
Ziram – 27	Used on grape, apple, bean, potato, tomato against pests such as downy mildew anthracnose, scab, anthracnose, early blight.
Ziram – 80	Used on grapes, apples, beans, potatoes and tomato against pests such as downy mildew, anthracnose, scab, anthracnose and 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.

Key Growth Drivers:

- Increase in the Purchasing Power of Farmers.
- Limited Growth of Farm Acreage.

Valuation:

At the upper end of the IPO price band, it is offered at 25.3x of its FY21 earnings, demanding `34,091 million market cap as compared to its other listed peers like Dhanuka Agritech, Bharat Rasayan and Rallis India which are currently trading at a PE of 31.7x, 36.2x and 32.9x respectively. We believe that due to the lower valuations as compared to its peers, India Pesticides is placed at an attractive valuation.

The Company is the sole Indian manufacturer of technicals which are exported to over 25 countries and their revenue generated from exports contributed to 56.71% of the revenue from operations in Fiscal 2021. Further 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., Conquest Crop Protection Pty Ltd, Sharda Cropchem Limited and Stotras Pty Ltd.

Going forward with the planned expansion and lowering debt, we are also confident that company will maintain the growth levels which is mirroring in the pricing of the IPO.

Further in the recent past, Company has a robust track record of performance and has been generating positive cash flow. We are positive on the long-term prospects of the Company. Hence, we recommend a "**Subscribe**" rating to this IPO.

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