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IPO Note – India Pesticides Limited

22-June-2021

RETAIL RESEARCH

India Pesticides Limited

Issue Snapshot:
Issue Open: June 23 – June 25, 2021

Price Band: Rs. 290 –296

*Issue Size: 27,027,027 eq shares
(Fresh issue of 3,378,378 eq sh (Rs.100cr)
+offer for Sale of 23,648,649 eq sh (700cr)

Issue Size: Rs.800 cr

Reservation for:

QIB	Upto	50% eq sh
Non Institutional	atleast	15% eq sh
Retail	Upto	35% eq sh

Face Value: Rs 1

Book value: Rs 34.94 (Mar 31, 2021)

Bid size: - 50 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 11.18 cr
*Post issue Equity:	Rs. 11.52 cr

Listing: BSE & NSE

Book Running Lead Manager: Axis Capital Limited, JM Financial Limited

Registrar to issue: KFIN Technologies Private Limited

Shareholding Pattern

Shareholding Pattern	**Pre issue %**	**Post issue %**
Promoter and Promoter Group	82.7	59.7
Public & Employee	17.3	40.3
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

India Pesticides Limited (IPL) is an R&D driven agro-chemical manufacturer of Technicals with a growing Formulations business. It is one of the fastest growing agro-chemicals 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 and manufactured 15,003 MT of Technicals in Fiscal 2021. 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. Since commencing its operations in 1984, it has diversified into manufacturing herbicide and fungicide Technicals and active pharmaceutical ingredients “APIs”. It also manufactures herbicide, insecticide and fungicide Formulations. Since commencing its operations in 1984, it has diversified into manufacturing herbicide and fungicide Technicals and active pharmaceutical ingredients “APIs”. It also manufactures herbicide, insecticide and fungicide Formulations..

IPL has a strategic focus on R&D and its R&D capabilities include two well-equipped in-house laboratories registered with the DSIR. Its efforts are led by a dedicated R&D team that comprises PhDs, masters, graduates in chemistry and a biotechnological engineer. R&D efforts has led to development of processes to manufacture three generic off-patent Technicals since Fiscal 2018 and is currently in the process of developing processes for certain Technicals, including two fungicides, two herbicides, two insecticides and two intermediates. IPL’s Technicals are primarily exported and its revenue generated from exports contributed to 56.71% of its revenue from operations in Fiscal 2021. As of March 31, 2021, its 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 extensive network of dealers and distributors. It has diverse customer base that includes crop protection product manufacturing companies, such as, Syngenta Asia Pacific Pte. Ltd, UPL Limited, ASCENZA AGRO, S.A., Conquest Crop Protection Pty Ltd, Sharda Cropchem Limited and Stotras Pty Ltd. The Compay has established relationships with its customers many of whom have been associated with it for over 10 years.

Core focus of IPL is on quality and sustainability and none of its key Technicals are classified as “red triangle” or highly toxic products. It has 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 it has a license to manufacture from the Department of Agriculture, Uttar Pradesh for 49 agro-chemical Technicals and 158 Formulations. The Company has two distinct operating verticals, namely, (i) Technicals; and (ii) Formulations.

Technicals: IPL 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 it manufactures 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 it manufactures include Thiocarbamate herbicides that have application in field crops, such as, wheat and rice, and are used globally. The APIs IPL manufactures has anti-scabies and anti-fungal applications.

Formulations: IPL 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, it manufactures over 30 Formulations that include Takatvar, IPL Ziram-27, IPL Dollar, IPL Soldier and IPL Guru.

Currently the Company has two manufacturing facilities located at UPSIDC Industrial Area at Dewa Road, Lucknow and Sandila, Hardoi in Uttar Pradesh, India. As of March 31, 2021, its aggregate installed capacity of manufacturing facilities for agro-chemical Technicals was 19,500 MT and Formulations was 6,500 MT. Company manufactured 15,003 MT of Technicals in Fiscal 2021. Its manufacturing facilities are equipped with modern plant and machinery capable of producing quality Technicals and Formulations. Each of its manufacturing facilities has the ability to manufacture a wide range of products, which provides with the flexibility to cater to changing demands in the market, thereby reducing dependence on any one major product category. It also have pilot facilities to test commercialization of its products. Its facilities are periodically audited and appraised by its customers including various multinational corporations. It has also commenced construction of two manufacturing units at its Sandila facility, which are proposed to be used for herbicide Technicals.

Objects of Issue:

The Offer comprises the Fresh Issue and the Offer for Sale.

Offer for Sale

The proceeds of the Offer for Sale shall be received by the Selling Shareholders. IPL will not receive any proceeds from the Offer for Sale.

Fresh Issue

The Company proposes to utilise the Net Proceeds towards funding of the following objects:

- Funding working capital requirements of the Company (Rs.80 cr); and
- General corporate purposes

Further, IPL expects to receive the benefits of listing of the Equity Shares, including to enhance its visibility and its brand image among its existing and potential customers..

Competitive Strengths

Strong R&D and product development capabilities: IP has substantial experience in undertaking R&D activities as part of its manufacturing operations. Its R&D places significant emphasis on identification of appropriate complex Technicals that are suitable for commercialization, improving its production processes and the quality and purity of its present products and manufacturing new off-patent products. Its R&D team comprises PhDs, masters, graduates in chemistry and a biotechnological engineer. The Company has two well-equipped R&D laboratories, each of which is registered with the DSIR and is 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.

IPL continuously seeks to innovate to develop alternate production processes for its existing Technicals and for Technicals that are expected to go off-patent in the near future. It also evaluate and incorporate feedback received from its customers to manufacture Technicals. It conducts extensive research and development on Technicals at a laboratory scale to generate necessary analytical information. As a part of its broader R&D efforts, it also test commercial production of the Technicals at its pilot facility. Its R&D enables to identify products that are higher margin products and that require specialized manufacturing and handling capabilities.

Diversified portfolio of niche and quality specialized products: As a result of IPL's extensive R&D efforts, it has over the years developed a niche portfolio of agro-chemical products. It 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 to de-risk the business operations. Its product portfolio comprises primarily of products that it manufacture in-house allowing to cater to a wide range of customers in both domestic and international markets. It manufactured eight export grade Technicals, two APIs and over 30 Formulations. Its products are exported to regulated markets including Australia and other countries located in Europe, Africa and Asia and has received product registrations either through its customers or by IPL. Its 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 sole Indian manufacturer of five Technicals and among the leading manufacturers globally for Captan, Folpet and Thiocarbamate Herbicide, in terms of production capacity. Its Formulations business includes a variety of herbicides, fungicides and insecticides and includes over 30 products, as of March 31, 2021, that it sells primarily in India. Its products are primarily characterized by the quality, levels of toxicity that are not high which is one of its core strengths and none of its key products that are a part of its Technicals segment are classified in the "red triangle" category. This also helps IPL 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: IPL have developed strong and long-term relationships with various multinational corporations that has helped to expand its product offerings and geographic reach for its Technicals business. Its customer relationships are led primarily by its 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. IPL undertakes exports of its products, and either its customers get its products registered with the relevant regulatory authority or it registers its 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 its customers. Several of IPL's customers have been associated with the Company for over 10 years and certain of its key customers include crop protection majors, such as, Syngenta Asia Pacific Pte. Ltd. and UPL Limited. Revenues generated from sales to its top 10 customers constitute a significant proportion of its revenues and represented 56.83% of its revenue from operations in Fiscal 2021. Its long term relationships has allowed to plan capital expenditure (including through provisions in certain customer agreements entitling to an enhancement in price for future offtake of its products by the customer if stipulated minimum quantities are not purchased), enhance its 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: 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, IPL has obtained permission from the MoEF to expand its manufacturing capacity at Sandila to up to 30,000 MT. An audit and review process is also undertaken by certain of its customers, which may involve inspection of its manufacturing facilities and equipment, review of the manufacturing processes and raw materials, technical review of the specification of the proposed product, review of its logistical capabilities, and inspections and reviews of prototypes of the product. The finished product delivered by IPL 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 its manufacturing facilities as well as its agro-chemical Technicals and Formulations. Both its facilities are equipped with sophisticated equipment and machinery that enables IPL to manufacture quality technical grade products and formulations and helps minimize the number of employees required to operate them, thereby reducing costs. Each of IPL's facilities has the ability to manufacture a wide range of products and allows the ability to address the requirements of customers

IPL has dedicated teams for pollution prevention and recovery of by-products. Its manufacturing processes contribute towards reducing raw material consumption, solvent consumption and water consumption resulting in reduced effluent and solid hazardous waste. Its manufacturing units have implemented water re-cycling systems and have become zero discharge units. Pre-employment and routine medical examinations are carried out to ensure the health of all employees. It also review the effectiveness of the safety systems at the facilities as well as assess safety risks and evaluate for improvement.

Strong sourcing capabilities and extensive distribution network: IPL source its primary raw materials from sources within and outside India and has developed relationships with multiple vendors for its major raw materials to ensure timely delivery and adequate supply. It has had long-standing business relations with its vendors. This reduces its dependence on a single or limited number of suppliers. Its 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 its raw materials were sourced locally. IPL's ability to procure raw material domestically enables it to withstand volatility in raw material prices and ensures continuous supply for its operations. Its ability to source raw materials directly from suppliers enables to plan its production and allocate resources effectively. It is focused on direct sales to its customers and leverage existing relationship with them for the sale of its Technicals. For Technicals, it has a dedicated sales team which provides dedicated customer service and after-sales services and grievance redressal. As part of 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. As of March 31, 2021, IPL have a network of over 20 sales depot consisting of branches, carrying and forwarding agents, and warehouses spread across 15 states in India and its distribution network comprised a number of dealers and distribution partners across India. It has 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 its product sales.

Consistent track record of financial performance: IPL has demonstrated consistent growth in terms of revenues and profitability over the last three Fiscals. It has witnessed consistent improvement in its balance sheet position over the last three Fiscals and its net worth has increased from Rs 1,870.20 million in Fiscal 2019 to Rs 3,894.79 million in Fiscal 2021. It has been able to maintain its debt position and its long term debt to equity ratio was 0.09, 0.06 and 0.02 as of March 31, 2019, 2020 and 2021. Its strong operating ratios and healthy debt equity ratio has allowed it to grow its operations and will allow to pursue other growth opportunities and fund strategic initiatives.

Experienced promoters and strong management team: IPL 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 the Company since inception and has an experience of over 35 years in the agro-chemical manufacturing business. It 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 to anticipate and address market trends, manage and grow its operations including expanding globally, enhance manufacturing capabilities, leverage customer relationships, innovate continuously and respond to changes in customer preferences. IPL will continue to leverage on the experience of its management team and their understanding of the specialty chemicals and pharmaceutical industries in order to take advantage of current and future market opportunities.

Business Strategy:

Continue to focus on R&D and process innovation to expand product portfolio, grow customer base and revenue share with existing customers: IPL 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 (Source: F&S Reports). With a number of products coming off patent, there will be significant opportunities to develop a number of off-patent/generic active intermediates. It intends to continue to leverage its R&D capabilities and manufacturing expertise and focus its investment in process innovation. In particular, it plans to continue 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 expects to launch new products relating to these segments in the near future. It is in the process of manufacturing products that will be high value and will be able to address resistive and unwanted pests and diseases. Going forward, it intends to continue to leverage its sales and marketing network, diversified product portfolio and its industry standing to establish relationships with new multinational, regional and local customers and expand its customer base. It intends to focus on leveraging its relationships with its customers to improve its existing products and also increase the number of Technicals that it currently manufactures for such customers. In addition to the periodic audits undertaken by its customers of its manufacturing facilities, it also intends to facilitate additional audits to assure them of the quality, safety standards and certifications in respect of the business.

Export sales provide IPL with higher margins on its products. It intends to grow its sales within the existing geographies where its customers are present. Within India, it intends to expand its distribution network to cover additional states including states in south India and also increase the number of branches in states where it is currently present. With its extensive distribution network it will be able to supply its products directly to its customers in the geographies where they are present.

Focus on cost optimization: IPL intends to undertake a number of strategic initiatives including expansion of its existing manufacturing capacity that will allow to benefit from economies of scale and improve process efficiency in its manufacturing process. It intends to review its 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 it intends to focus on will be to further reduce its dependence on import of raw materials and source its raw materials indigenously. It intends to analyze its existing material procurement policy and production processes to identify the areas of bottlenecks and take corrective measure wherever possible. It intends to further optimize order quantities for its raw materials. This will help IPL 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. 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 '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. IPL also intend to work with its existing customers to identify new products that will be mutually beneficial. With the proposed expansion of its manufacturing capacity, its R&D capabilities, its advanced manufacturing facilities, its experience in manufacturing products that adhere to stringent guidelines and ability to register products in India and abroad, it is well positioned to capitalize on these opportunities in the agro-chemicals sector.

Grow portfolio of Formulations products: IPL intends to grow its portfolio of Formulations products. For products that it intends to launch as part of its Formulations segment, it intends 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 growth in Technicals segment will lead to a growth of its Formulations products.

Expand 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 IPL manufacture, it intends to scale up the manufacturing capacities for its existing products. It has obtained approval from the MoEF to expand its manufacturing capacity at Sandila to 30,000 MT. In addition, it continually explores new markets for its existing products. Its expansion plans would strengthen and diversify its customer base. IPL intend to augment its organic growth by pursuing selective acquisitions and strategic alliances that provides access to better infrastructure, industry knowledge, technology expertise and geographical reach and allows to expand its product offerings and customer base. IPL may consider other acquisition opportunities acquiring divisions of existing companies to selectively expand in its verticals, provided such opportunities offer the synergies it look for and are available at competitive prices. Such acquisitions will support long-term strategy, strengthen competitive position, particularly in acquiring technical expertise and provide greater scale to grow its earnings and increase shareholder value.

Industry

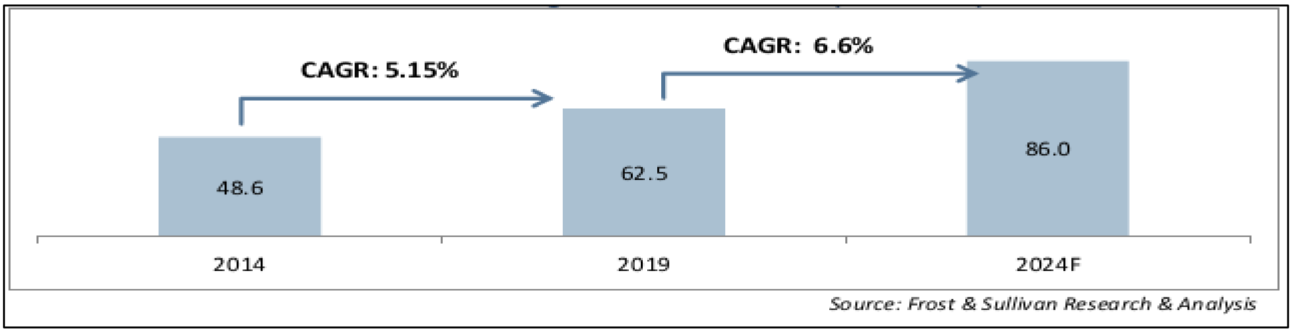
Global Agrochemical Industry

Crop protection chemicals are primarily classified into insecticides, herbicides and fungicides followed by nematicides and rodenticides. This classification is based on the fact that a crop needs protection from insects, herbs, fungus, nematodes or rodents.

Global Agrochemical Market Overview

The global agrochemicals market was valued at US $ 62.5 billion in 2019 and is forecasted to reach US $ 86 billion by 2024 growing at a compound annual growth rate ("**CAGR**") of 6.6%. The rising population across the world, accompanied by rising affluence, is seeing a shift in consumption patterns. There is a need to not just increase production to meet demand but also to ensure that the nutritional needs of an increasingly affluent population are met.

Global agrochemical market (in US$ billion)



Drivers, restraints and key success factors in the global market

The primary demand drivers for the crop protection chemicals market are increasing demand for food security in order to meet needs of growing population. Due to instances across the world of increased pest attacks, crop protection chemicals are expected to see rapid growth. However, the demand inhibitors include increased restrictions and government regulations on usage of pesticides. A key success factor for the crop protection chemicals in the market is extensive research and development capabilities of a company to develop new molecules satisfying the government norms and stringent environment regulations. Following are some of the critical success factors for the players involved in crop protection chemicals:

- **Backward integration of technical active ingredients**: Many formulators' needs to have backward integration of its technical active ingredients ('AI') in order to succeed in gaining high profit margins in the market.
- **Comprehensive product portfolio:** 'One stop solution' for farmers of all the agrochemical needs certainly drives the success of one firm over another.
- **Strong distribution network:** Distribution network plays vital role in reaching at the fragmented farmers' base across the world also enabling excellent feedback mechanism and profound customer relations.

Key Growth Drivers

There is a high growth rate in the world population, which results in an increase in demand for food crops. This further leads to a 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, and therefore, help in feeding the growing population. It i s estimated that the world population is growing at the rate of 70 to 80 million per year. A majority of this growth occur in the economically developing nations, such as, India, China, and other countries in Africa and Asia. Being a high-impact driver, this will influence the market to a very great extent.

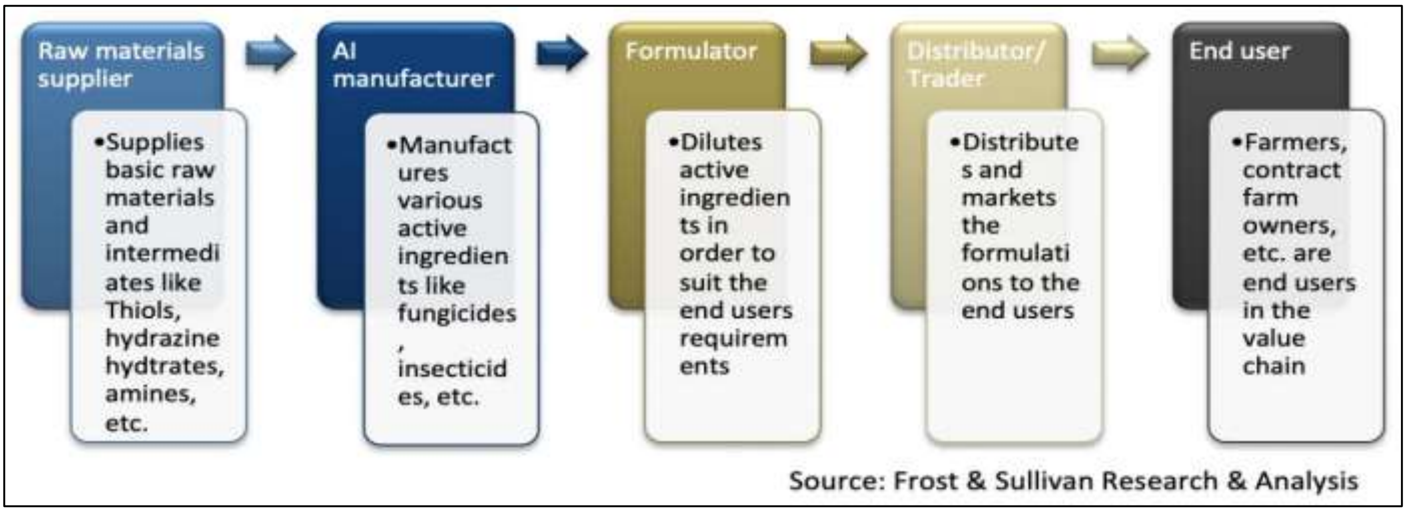
Limited Growth of Farm Acreage. Owing to the growing population, there is also a threat that the agricultural land area may have no or limited growth. With limited growth in land and high demand, there is a necessity to increase productivity and therefore, chemicals are used to reduce damage to the crops of interest.

Farmers Look to Maximize Profits. Farmers run their farms as a profit-making business and thus, they have looked to maximize the return on investment. This implies minimizing the costs while maximizing the yields.

Increase in the Purchasing Power of Farmers. Steady crop prices, increased awareness levels of the farmers, and rise in the total irrigated area have improved the general standard of living of the of the farmers. This has led to an increase in the purchasing power of farmers, which is driving the market for agricultural inputs.

Agrochemicals market value chain

The global agrochemical value chain comprises of raw material suppliers (both petrochemical derivatives as well as natural feedstock), pesticide active ingredient/technical grade manufacturers, formulators producing the end products, distributors and end use customers.



Active ingredient manufacturers

Active ingredients are also known as technical material for crop protection formulations. These are derived from intermediates, such as, thiols, hydrazine hydrate and derivatives and amines. Each class of pesticide does have a particular basic content which is responsible for controlling the intended pest group.

Major crop protection chemical active ingredients by applications

Class of pesticide	Major active ingredients	Applications	Notes
Insecticides	Monocrotophos, Permethrin, Imidachloprid, Alphamethrin, Chlorpyriphos, Cypermethrin, etc.	Cotton, rice, etc.	Applied on the leafs of the crops in pre/post emergent phase
Fungicides	Mancozeb, Ziram, Hexaconazole, Carbendazim, Thiram, Captan Folpet , Cymoxanil, Thiocarbamate, etc.	Fruits, vegetables, etc.	Applied on leafs before rains & prior/after development of fungus
Herbicides	Glyphosate, Isoproturan, Pretilachlor, Chlodinofop Propargyl, Benthiocarb , Prosulfocarb, Thiocarbamate, etc.	Rice, wheat, etc.	Applied on the ground depending on the germination status of the crop
Bio-pesticides	Spinosyns, neem derivatives, etc.	Rice, maize, etc.	
Others	Zinc phosphide, Aluminum phosphides, etc.	Grains, pulses, etc.	

Source: Industry, Frost & Sullivan Research & Analysis

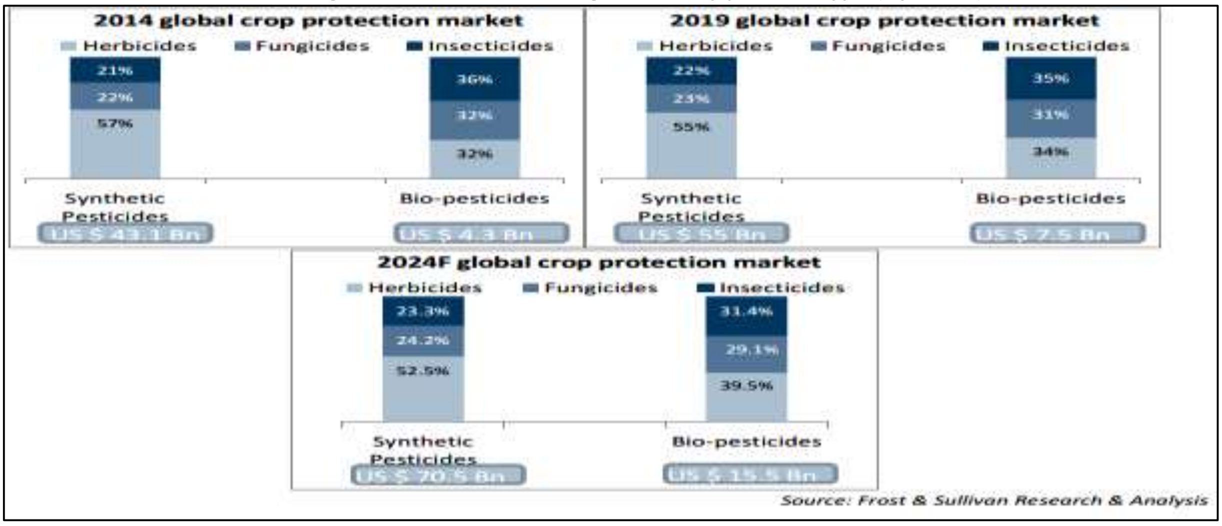
Formulators

A formulator accepts the active ingredient, measures out the proper amount, mixes it with carrier if it is to be a liquid pesticide or with inert powders. An emulsified formulation is usually concentrated to render transport easier (the active ingredient typically makes up 50% of the emulsified concentrate), but granulated and dry pesticides are ready to use.

Global agrochemicals market segmentation

Global agrochemicals market can further be segmented into synthetic pesticides and bio-pesticides. Bio-pesticides are expected to be growing with 16% growth rate over the next half decade, compared to 5% growth rate recorded by synthetic pesticides globally. Total agrochemicals market is projected to grow from US $ 62.5 billion in 2019 to US $ 86 billion by the end of 2024.

Global agrochemicals market segmented by product type (by value)



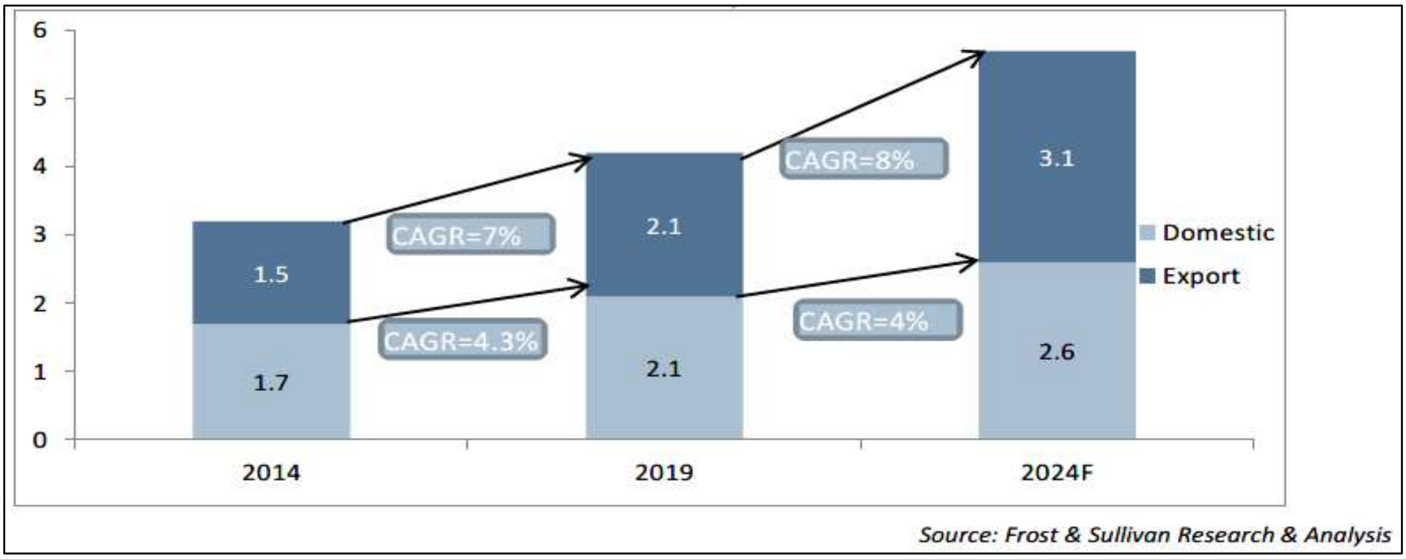
CAGR	Synthetic pesticides			Bio-pesticides		
	Herbicides	Fungicides	Insecticides	Herbicides	Fungicides	Insecticides
2014-19	4.2%	5.9%	6.0%	13.1%	11.1%	11.1%
2019-24F	4.1%	6.2%	6.3%	19.1%	14.2%	13.1%

Indian Agrochemical Industry

India crop protection industry overview

India crop protection chemicals exports have grown at an approximate CAGR of 9% during the years 2015 to 2019. The actual export contribution of crop protection chemicals was 50% of total domestic production (by value) in 2019. Exports are projected to grow to approximately 55% in 2024, in terms of value. In 2024, exports are expected to grow to US $ 3.1 billion contributing 55% of total domestic production which is expected to be valued at US $ 5.7 billion. India was the world's third largest pesticide exporter by volume in 2018. China leads the exports of pesticides with 27% of market share in the world exports, followed by Germany (8.3%), India (8%), United States, Belgium and France. Indian crop protection chemicals market by exports and domestic consumption (US $ billion)

India has been ranked fourth globally in the production of agrochemicals (crop protection chemicals/ pesticides) after the United States, Japan and China, as per India Brand Equity Foundation Report 2019. The domestic Indian crop protection chemicals market is valued at US$ 2.1 billion which is expected to grow at 4% in the next five years to US$ 2.6 billion by 2024.



Per hectare crop protection chemicals consumption in India

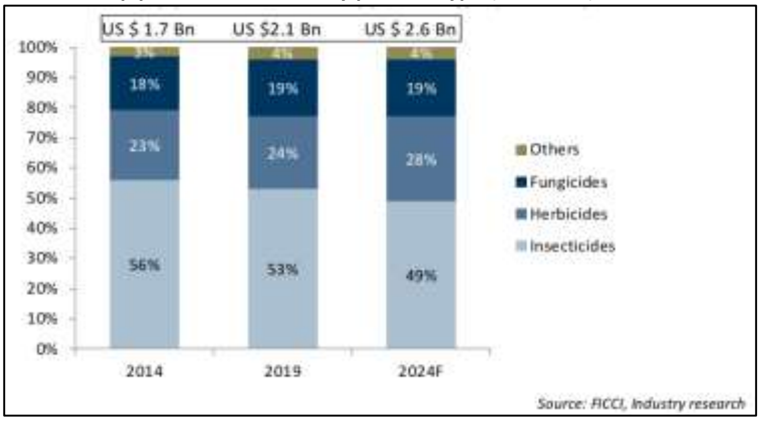
India has one of the lowest per capita consumptions of crop protection chemicals per hectare, which suggests, there is a significant scope of growth for the crop protection chemicals in India, increasing agricultural productivity and compensating the shortage of farm labour by extensive use of herbicides.

India crop protection chemicals value chain

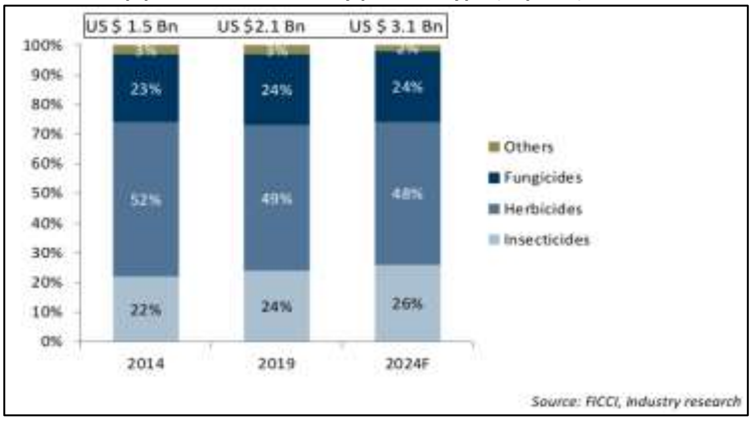
Indian crop protection chemicals market segmentation - by product type

Insecticides contribute the highest market share in the Indian crop protection chemicals market accounting for approximately more than half of the total market. India has almost 10,000 types of plant eating insects. In the agriculture value chain, agrochemicals are the final external stimulus provided to the plants.

India crop protection market by product type (domestic), 2014-2024F

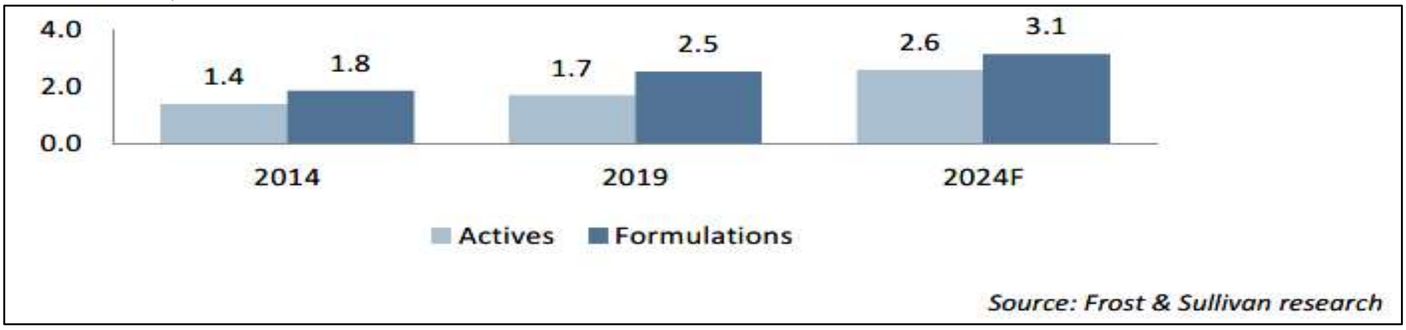


India crop protection market by product type (exports), 2014-2024F



Indian crop protection chemicals market split by business segments, 2014-24F (US$ billion)

Agrochemical technical manufacturing in India is strongly driven by export led demand and contract manufacturing in India. India is looked upon for its sizeable skilled labour force capable to possess stronger research and development capabilities and rapidly changing infrastructure developments in India.



Demand drivers for technical market

Supply chain interruptions with China on account of the COVID-19 crisis. In order to reduce the import dependence on China, several initiatives, such as, Aatma-Nirbhar Bharat, have been adopted by Government of India. This is expected to increase the domestic manufacturing over the next half decade.

Incentive program by the Government of India for manufacturing of actives. Similar incentive schemes were also launched by the Ministry of Pharmaceuticals, Government of India, for the domestic production of key starting materials for bulk drugs used in pharmaceutical industry. These incentive programs were expected to increase the domestic manufacturing of agrochemical technical in India.

Increase in export led demand. Increase in custom synthesis manufacturing/contract research and manufacturing service activities in India has helped the increase in domestic manufacturing of pesticide technical materials. Players from developed countries are looking to collaborate with active ingredient manufacturers in India, leveraging cost effective manufacturing supported by cheaper labour force and stronger research and development capabilities.

Need for increase in crop yield and crop mix. India is the largest producer of generic pesticides and is utilizing its position as a low-cost producer to increase exports. In India, only approximately 20% to 25% of the cultivated area is treated with pesticides, also the per capita consumption is approximately 300 to 400 grams per hectare as against that of 3,000 grams per hectare in developed countries. As a result, there exists a significant scope to increase consumption. Indian agriculture has the task of feeding and clothing 16% of the world's population on less than 2% of the total landmass. With already maximum gross cultivated area, the scope for bringing new areas under cultivation is severely limited. Thus, the growth will have to come from increased productivity.

Demand drivers for formulation market

- There is a significant increase in the global food demand on account of growing population. There is an urgent requirement to increase crop yields, which requires higher investments in improving research and development capabilities in crop protection.
- India's position as the fifth largest exporter of agrochemicals and lower cost of production in India compared with other exporting countries.
- Favorable initiatives by the Government of India, including new legislations on farms and schemes, such as, Fasal Bima Yojna and Kisan Credit Card.
- Promotion of higher margin businesses, such as, horticulture and floriculture, is likely to ensure that farmers are more prone to use crop protection measures.

Indian crop protection chemicals market trends and drivers

100% foreign direct investment ("**FDI**") is also allowed in agriculture in India. In addition, increase in demand for food grains with high emphasis on food grain self-sufficiency is promoted by the Government of India, which is expected to drive crop protection chemicals market in India favourably.

Few of the demand drivers of crop protection chemicals market are as follows:

Government initiative to double farmer's income. There have been budgetary provisions announced in the recent budget 2020- 2021 for farmer's welfare where Rs. 142,762 crore were allocated to the Ministry of Agriculture and Farmer's Welfare. This allocation was 30% higher than the revised estimate for 2019-2020.

Increase in horticulture and floriculture production. Fruits and vegetables contribute approximately 90% of the total horticulture produce in India. Government of India has been promoting export of horticulture products, which is expected to increase farmer's income. In order to avoid horticulture crop losses, crop protection chemicals market is expected to increase over the next half decade. Horticulture is a higher margin business and therefore, is expected to contribute more to the growth of crop protection chemicals. Floriculture is another segment which is similar to horticulture, in terms of providing growth avenues resulting in increased demand of crop protection chemicals in India.

Increasing shortage of labour. Urban population in India is expected to exceed 40% by 2030, according to a survey conducted by United Nations Department of Population. Urban population is further expected to reach 50% in India by 2050. Increasing urbanization has led to shortage of labour in the rural agriculture sector. This has further led to increase in wages for the labour. Due to this change, herbicidal usage will be boosted in order to improve the soil fertility, as against the traditional usage of labour for herb removal from farms.

Increasing food demand due to increasing population. India population is estimated at 1.35 billion in the year 2019 which is almost 18% of the world population. This population is growing with the rate of 1.32% per year, according to the World Bank sources. For such an increase in population, food security is important. In order to meet the food demand, usage of crop protection chemicals would be increased in the next half decade.

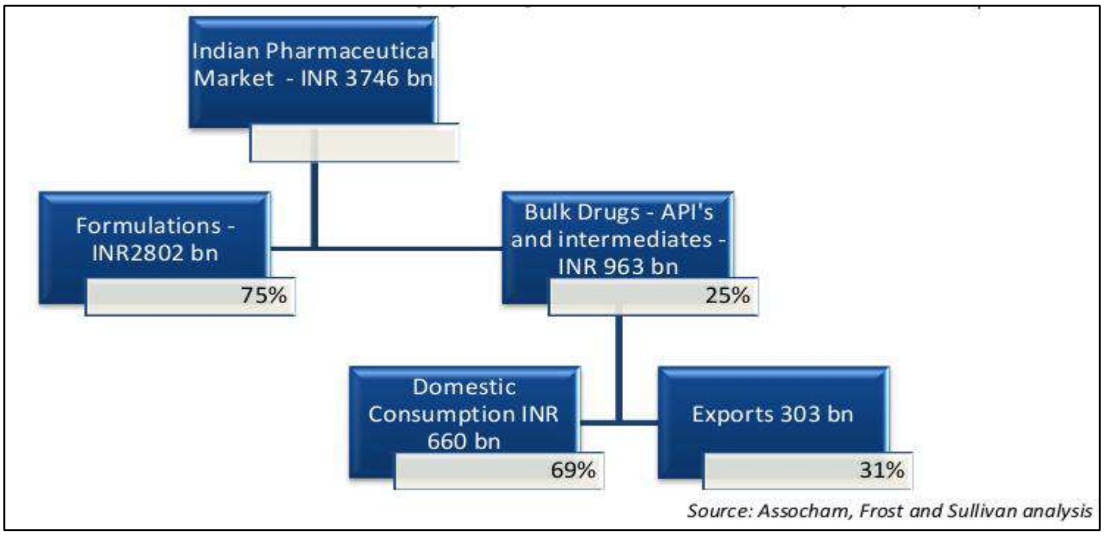
Shrinking agriculture land. Due to improved urbanization, agricultural land is reducing. This reduction in agricultural land is demanding the improved crop production per hectare. In order to have improved crop yield in the shrinking agricultural land, crop protection chemicals, such as, herbicides, insecticides and fungicides, is expected to be used extensively.

Increased usage of bio-pesticides. The current market size of Indian bio-pesticides is less than 4% of the total crop protection market in India. This approximately equals to a market size of less than US$ 84 million. The bio-pesticide market is expected to experience a double-digit growth in India in the next five years (2019 to 2024). Bio-pesticides are pesticides with biodegradable content which avoids crop losses by means of not affecting the soil fertility. These bio-pesticides are experiencing the increase in the usage due to large scale awareness and promotion funded by the Government of India

India API Industry Overview

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. The Indian API market has shown steady growth of 8% since Fiscal 2016 and is expected to further expand due to an increased focus on new geographies in the global pharmaceutical industry, the change to the specialty segment and strong domestic demand. More than 30% of the APIs manufactured in India are exported to countries such as US, UK and Japan. The market for pharmaceutical intermediates in India for 2019 was estimated to be approximately US$ 4.5 billion, growing at a CAGR of 8% during 2014 to 2019.

Indian API Industry Split Exports vs domestic consumption, 2019



At a CAGR of approximately 10% from Fiscal 2016 to Fiscal 2024, the Indian API domestic consumption market is expected to grow substantially. In addition, the Government of India is taking various initiatives to increase the industry, such as, allocating land in different states to develop API mega parks and increasing investment in research and development.

India's API import by Country, 2014-2024F, Rs. billion

The Government of India's proposition to support local manufacturing of many possible raw materials and intermediates especially in the pharmaceutical space will enhance the growth in domestic market and reduce imports, especially from China.

Key Concerns:

- IPL requires certain approvals and licenses in the ordinary course of business, including certain registrations from the Central Insecticides Board and Registration Committee ("CIBRC") for its products manufactured and sold in India as well as for exports to other jurisdictions. Any failure to successfully obtain such registrations or renew or maintain its statutory and regulatory permits and approvals required to operate its business and manufacturing facilities would adversely affect its operations, results of operations and financial condition.

- IPL is subject to strict technical specifications, quality requirements, regular inspections and audits by its customers including various multinational corporations. Its failure to comply with the quality standards and technical specifications prescribed by such customers may lead to loss of business from such customers and could negatively impact its reputation, which would have an adverse impact on the business prospects and results of operations.

- Required to comply with the applicable regulations of the international markets where IPL export its products as well as obtain registrations from international agencies through its customers to enable exports of its products to other jurisdictions. Further, its international operations are subject to regulatory risks that could adversely affect the business and results of operations.

- Inability to meet the quality standard norms prescribed by the central and state governments in India as well as governments of other countries where IPL export its products, could result in the sales of its products being banned or suspended or becoming subject to significant compliance costs, which could have a material adverse effect on the business growth and prospects, results of operations, financial condition, and cash flows.

- Required to comply with certain restrictive covenants under financing agreements. Any noncompliance may lead to, amongst others, suspension of further drawdowns, which may adversely affect the business, results of operations, financial condition and cash flows.

- Inability to identify and understand evolving industry trends, technological advancements, customer preferences and develop new products to meet IPL's customers' demands may adversely affect the business.

- The Company may be subject to significant risks and hazards when operating and maintaining its manufacturing facilities, including the manufacture, usage and storage of various flammable, corrosive or hazardous substances, for which its insurance coverage might not be adequate.

- IPL made sales to certain companies in a country that is or has been, and its customers may engage in certain transactions in or with countries or companies that are, directly or indirectly, subject to U.S. and other sanctions.

- Certain of IPL's corporate records and filings with the RoC are not traceable or have discrepancies.

- Manufacturing facilities, Registered Office and Corporate Office are concentrated in a single region and the inability to operate and grow its business in this particular region may have an adverse effect on the business, financial condition, results of operations, cash flows and future business prospects.

- Business is working capital intensive. If it experience insufficient cash flows from operations or are unable to borrow to meet working capital requirements, it may materially and adversely affect the business and results of operations.

- IPL derives almost all of 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 its business, results of operations and financial condition.

- 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.

- Any unscheduled, unplanned or prolonged disruption of IPL's manufacturing operations, such as, strikes and lockouts, could materially and adversely affect the business, financial condition and results of operations.

- There is a growing consumption of bio-pesticides globally and in India. The use and adoption of biopesticides by IPL's customers may affect its competitive position and thereby have an adverse effect on its business, results of operations, and financial condition.

- IPL has not entered into any hedging arrangements and face foreign exchange risks that could adversely affect the results of operations as its sales from exports and a portion of its expenditures are denominated in foreign currencies.

- Operations are subject to environmental and workers' health and safety laws and regulations. IPL may have to incur material costs to comply with these regulations or suffer material liabilities or damages in the event of an incidence or non-compliance of environment and other similar laws and regulations which may have a material adverse effect on its reputation, business, financial condition and results of operations.

- A significant portion of 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 the demand for its products could adversely affect the business, results of operations, financial condition and cash flows.

- Any adverse changes in regulations governing IPL's business, products and the products of its customers, may adversely impact its business, prospects and results of operations.

- IPL is subject to risks associated with rejection of supplied products, and consequential claims and associated product liability costs due to defects in its products and may have to reverse certain sales revenue if the return of its products by customers is higher than initially provided for, which may adversely affect the business, financial condition and results of operations.

- IPL will continue to depend on its distribution network for the distribution of its Formulations business. Any inability to expand or effectively manage or any disruption in its distribution network will adversely affect the business and results of operations.

- The continuing impact of the COVID-19 pandemic, or any future pandemic or widespread public health emergency could materially and adversely impact IPL's business and operations and it may be significant and continue to have an adverse effect on its business, operations and its future financial performance.

- An inability to procure the desired quality, quantity of raw materials in a timely manner and at reasonable costs, or at all, may have a material adverse effect on the business, results of operations and financial condition.

- Derives a significant portion of revenues from operations from a limited number of markets and any adverse developments in these markets could adversely affect the business.

- Faces competition from both domestic as well as multinational corporations and inability 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.

- IPL typically do not enter into long-term agreements with majority of its customers, which would have a material adverse effect on the business, results of operations and financial condition.

- Inability to effectively manage growth or to successfully implement its business plan and growth strategy could have an adverse effect on the business, results of operations and financial condition.

- Dependent upon the experience and skill of management team and a number of key managerial personnel. If IPL is unable to attract or retain such qualified personnel, this could adversely affect the business, results of operations and financial condition.

- Dependent on third-parties for certain operations, such as, transportation of raw materials, delivery of finished products and hazardous waste management.

- Failure to keep technical knowledge confidential could erode competitive advantage. Further, failure to maintain confidential information of customers could adversely affect the results of operations and, or, damage its reputation.

- Any change in Government policies towards the agriculture sector or a reduction in subsidies and incentives provided to farmers could adversely affect IPL's business and results of operations

- Any violation of the Metrology Act and the Metrology Rules by IPL may lead to fines and penalties, or seizure and forfeiture of its products which could adversely affect its business.

- Currently IPL avail benefits under certain export promotion schemes and are entitled to certain subsidies. Any change in these benefits and subsidies applicable to it or a delay in disbursement of benefits under such schemes may affect the results of operations.

- Inability to collect receivables and default in payment from customers could result in the reduction of profits and affect cash flows.

- If any of the products of the customers cause, or are perceived to cause, severe side effects, its reputation, revenues and profitability could be adversely affected.

- Increasing use of alternative pest management and crop protection measures such as bio technology products, pest resistant seeds or genetically modified crops may reduce demand for its products and adversely affect the business and results of operations.

- An inability to protect, strengthen and enhance existing brand for Formulations business could adversely affect the business prospects and financial performance.

- Any surplus production on account of inaccurate forecasting of customer requirements, failure to manage inventory and under-utilization of manufacturing capacities could adversely affect the business, results of operations, financial condition and cash flows.

- Restrictions on import of raw materials and an increase in shipment cost may adversely impact the business and results of operations.

- Ability to access capital at attractive costs depends on credit ratings. Non-availability of credit ratings or a poor rating may restrict access to capital and thereby adversely affect the business and results of operations.

- Resistance from farmers to crop protection chemicals and the inappropriate application of its products from farmers may adversely affect the business, financial condition and results of operations.

- IPL may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful.

- The occurrence of natural or man-made disasters or outbreak of global pandemics, such as the COVID- 19 pandemic, could adversely affect the results of operations, cash flows and financial condition.

- A slowdown in economic growth in India could cause IPL's business to suffer.

- Adverse geopolitical conditions such as increased tensions between India and China, could adversely affect the business, results of operations and financial condition.

- Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of IPL's Equity Shares, independent of its operating results.

Profit & Loss

Particulars (Rs in million)	FY21 Consolidated	FY21 Standalone	FY20 Standalone	FY19 Standalone
Revenue from Operations	6489.5	6489.5	4796.3	3406.9
Other Income	64.2	64.2	101.0	53.5
Total Income	**6553.8**	**6553.8**	**4897.3**	**3460.4**
Total Expenditure	**4658.9**	**4658.6**	**3860.7**	**2754.1**
Cost of material consumed	3300.9	3300.9	2566.1	1945.3
Changes in inventories of finished goods, Stock-in-trade and work-in-progress	-196.8	-196.8	-35.1	-74.4
Employee benefits expense	227.4	227.4	164.0	134.5
Other expenses	1327.3	1327.1	1165.7	748.7
PBIDT	**1894.9**	**1895.2**	**1036.6**	**706.3**
Interest	34.3	34.3	52.2	55.8
PBDT	1860.6	1860.8	984.4	650.6
Depreciation, amortization and impairment expense	61.4	61.4	50.7	39.6
PBT	**1799.2**	**1799.5**	**933.7**	**611.0**
Tax (incl. DT & FBT)	**458.3**	**458.4**	**225.7**	**171.8**
Net Current Tax	448.0	448.0	231.0	170.0
Deferred Tax	8.2	8.3	-2.1	1.8
Current taxes relating to earlier years	2.1	2.1	-3.2	0.0
PAT	**1345.1**	**1345.3**	**708.0**	**439.2**
EPS (Rs.)	12.0	12.0	6.3	3.9
Equity (Latest)	111.8	111.8	111.8	111.8
Face Value	1	1	1	1
OPM (%)	28.2	28.2	19.5	19.2
PATM (%)	20.7	20.7	14.8	12.9

(Source:RHP)

Balance Sheet

Particulars (Rs in million) As at	FY21 Consolidated	FY21 Standalone	FY20 Standalone	FY19 Standalone
Assets				
Non-current assets				
Property, plant and equipment	1199.9	1199.9	950.0	697.6
Right-of-use assets	43.5	43.5	42.6	0.0
Capital work-in-progress	118.9	118.9	11.6	47.5
Intangible assets	1.2	1.2	1.7	2.0
Intangible assets under development	0.0	0.0	0.0	2.6
Financial assets				
- Investments	91.1	99.1	30.4	30.6
- Other financial assets	28.5	28.5	48.8	37.9
Other non-current assets	11.5	11.5	20.6	19.9
Total non-current assets	**1494.6**	**1502.6**	**1105.6**	**838.0**
Current assets				
Inventories	700.8	700.8	385.7	355.3
Financial assets				
- Trade receivables	2142.2	2142.2	1831.7	1783.1
- Cash and cash equivalents	26.9	19.1	67.2	16.3
- Other bank balances	410.6	410.6	13.1	12.1
- Other financial assets	1.2	1.2	6.8	9.7
Other current assets	394.4	394.4	246.9	157.9
Total current assets	**3676.0**	**3668.2**	**2551.4**	**2334.4**
Total assets	**5170.6**	**5170.8**	**3657.0**	**3172.4**
Equity and Liabilities				
Equity				
Equity Share Capital	111.8	111.8	31.8	31.8
Other equity	3783.0	3783.2	2536.6	1838.4
Equity attributable to equity holders of the Company	**3894.8**	**3895.0**	**2568.4**	**1870.2**
Non-controlling interests				
Total equity	**3894.8**	**3895.0**	**2568.4**	**1870.2**
Liabilities				
Non-current liabilities				
Financial liabilities				
- Borrowings	74.5	74.5	104.4	112.6
- Other financial liabilities	1.1	1.1	1.1	0.0
- Provisions	6.9	6.9	5.4	3.7
Deferred tax liabilities (net)	81.0	81.0	73.1	75.9
Total non-current liabilities	**163.5**	**163.5**	**184.0**	**192.2**
Current liabilities				
Financial liabilities				
- Borrowings	225.1	225.1	135.5	437.7
- Trade payables				
total outstanding dues of micro enterprises and small enterprises	47.2	47.2	16.9	17.4
total outstanding dues of creditors other than micro enterprises and small enterprises	693.4	693.3	598.6	531.6
Other financial liabilities	55.9	55.9	82.4	92.3
Other current liabilities	53.6	53.6	62.5	27.5
Provisions	31.8	31.8	0.5	0.3
Current tax liabilities (Net)	5.5	5.5	8.4	3.2
Total current liabilities	**1112.3**	**1112.3**	**904.7**	**1110.0**
Total equity and liabilities	**5170.6**	**5170.8**	**3657.0**	**3172.4**

(Source:RHP)

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