

Ronak Kotecha
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Issue Details

Issue Details	
Issue Size (Value in Rs. Crores, Upper Band)	625.2
Fresh Issue (No. of Shares in Lakhs)	9.6
Offer for Sale (No. of Shares in Lakhs)	90.2
Bid/Issue opens on	23-Feb-21
Bid/Issue closes on	25-Feb-21
Face Value	Rs. 10
Price Band	626-627
Minimum Lot	23

Objects of the Issue

Fresh Issue: ₹60 Crores

The company proposes to utilize the Net Proceeds towards funding the following:

- Fund working capital requirements.
- General corporate purposes.

Offer for Sale: ₹565.2 Crores

The company will not receive any proceeds from the Offer for Sale.

Book Running Lead Managers	
Emkay Global Financial Services Ltd.	
Batlivala & Karani Securities India Pvt. Ltd.	
Registrar to the Offer	
Bigshare Services Pvt. Ltd.	

Capital Structure (₹ Crores)	Aggregate Value
Authorized share capital	45
Subscribed paid up capital (Pre-Offer)	39.05
Paid up capital (Post - Offer)	40.01

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	98.8	74.2
Public	1.2	25.8
Total	100	100

Financials

Particulars (Rs. In Million)	6M-FY21	6M-FY20	FY20	FY19	FY18
Revenue from Operations	6183	5016	9514	10044	7451
Other Income	9	6	165	74	53
Total Income	6192	5022	9679	10118	7504
Expenses	5190	4260	8221	8730	6573
Finance Cost	35	38	88	107	118
Depreciation	66	36	82	60	50
Total Expenses	5291	4334	8391	8897	6741
Exceptional Item	-	-	-	-	-
Profit before Tax	901	688	1288	1221	763
Tax	238	156	311	467	294
Profit after Tax	663	532	977	754	469
EPS (Rs.)	16.93	13.63	25.03	19.31	12.00

Company Description

The company is a crop protection chemical manufacturer, exporter and marketing company based out of Vapi, Gujarat, with Corporate and Administration Offices in Mumbai. It manufactures Intermediates, Technicals and Formulations & is one of the leading domestic producers of synthetic pyrethroids like cypermethrin, alphacypermethrin, deltamethrin, permitherin, lambda cyhalothrin etc. Its Pesticides range includes insecticides, herbicides, fungicides and public health products for pest control.

The company's business verticals include (a) Domestic Institutional sales of Technicals: manufacturing and selling of Technicals in bulk to domestic companies; (b) Technicals Exports: Exports of Technicals in bulk to customers outside India; (c) Branded Formulations: Manufacturing and selling of Formulations under its own brands through its own distribution network in India; (d) Formulations Exports: Export of Formulations in bulk and customer specified packaging outside India; and (e) Public Health: Manufacturing and selling of general insect control chemicals by participating in public health tenders issued by governmental authorities and selling to pest management companies.

The company started its manufacturing activity in the year 1996 with production of an Intermediate product CMAC. By the FY 2001-2002, the company forward integrated its Company into the manufacturing of various Technicals like metametron, cypermethrin, alpha, permethrin and deltamethrin. By the end of the FY 2004-2005, it further expanded its product range to Formulations, which are final products sold to farmers as Pesticides, Herbicides, Fungicides for crop protection and into public health products in the FY 2010-11. The Company is present in the entire product value chain of the agrochemicals industry i.e. Intermediates, Technicals and Formulations and holds registrations for eighteen (18) Technicals for manufacture and sale in India, one hundred and three (103) Technicals & Formulations for manufacture and sale in the export markets and one hundred and sixty nine (169) Formulations registered for manufacturing and sale in India. Applications for registration of fourteen (14) Technicals & Formulations for manufacture & sale in India and seven (7) Technicals and Formulations to manufacture for the export markets have been filed with the CIB&RC and are in the process of evaluation. It has diversified its business from manufacturing and selling of Intermediates to manufacturing, marketing and selling of Technicals and Formulations. Majority of its current Intermediates production is utilized for captive consumption for the manufacturing of Technicals Products. Formulations are produced and packaged in powder and liquid forms and sold to distributors for further sales to farmers.

The company exported its products to more than sixty (60) countries in Latin America, CIS, Middle East, Africa, Asia and South East Asia in Fiscal 2020. As of November 15, 2020, its International Distribution Partners have successfully obtained three hundred and - seventy one (371) registrations of its Technicals and Formulations in forty one (41) countries across Middle East, CIS, Asia, South East Asia and Africa. Its International Distribution Partners have presently filed one hundred and seventy two (172) registration applications for its Technicals and Formulations products which are pending before the regulatory authorities in forty one (41) countries. Its International Distribution Partner in Europe has already received registration for Deltamethrin Technical. Its other International Distribution Partner has incorporated a company, Heranba Europe S.L. wherein registration of Alpha Cypermethrin Technical has been recently received. Applications for registration of Lambda Cyhalothrin Technical, and Metribuzin Technical filed by its International Distribution Partners are in process before the relevant authority in EU. (Continued in Page 2)

Valuation

At the upper end of the IPO price band, it is offered at 22.67x its TTM EPS earnings, with a market cap of Rs. 2509 crores. Considering the company's dominant position in pyrethroids market, strong balance sheet, high RoNW of 30.47% as per FY20 financial statements, strong management and reasonable valuations; we give this IPO a "Subscribe" rating.

The company's International Distribution Partner in the USA has also applied for registration of Lambda Cyhalothrin Technical manufactured by its Company as another source of supply to their existing registration for this product. It is in process of developing two (2) products of Fungicides, two (2) products of Herbicides and one (1) product of Insecticides, for which research and development tests have been initiated, for exclusive sale to the European markets after registration with the regulatory authority in EU. India has emerged as the largest pyrethroid manufacturer over the years. More than half of the global demand for Pyrethroids comes from China, after importing intermediates from India, which is used to produce pyrethroid. Yet China's adoption of the 'Blue Sky' program to realize green GDP has led to the shutdown of several chemical plants. This, in turn, is expected to result in higher volumes of Pyrethroids being exported out of India.

The company's manufacturing process mainly includes chemical reactions of ammonolysis, esterification, hydrolysis, condensation, favorski reaction, isomerisation, cyanation, friedel crafts, methoxylation, cyclisation and halogenation. It's in house R&D team for product development and improvisation which is well supported by its product registration team. Its R&D facilities at Unit I and II are recognized by the Department of Scientific and Industrial Research, Ministry of Science & Technology, Government of India (DSIR). Its new R&D facility at Unit III, Sarigam has become operational from October, 2020.

The company has an extensive distribution network in India supported by a skilled sales force. It has more than nine thousand four hundred (9,400) dealers having access to twenty-one (21) depots of the Company across sixteen (16) states and one (1) union territory in India supporting the distribution of its products. It participates in various international & domestic agrochemical exhibitions and industry conferences to market its products. Its sales & marketing teams travel extensively to maintain and strengthen existing relationships with customers and exploring new relationships with potential customers.

The company also educates farmers regarding the benefits of using its products by conducting farmer training camps, participating in village level programmes and exhibitions to establish a direct relationship with farmer communities all over India. Some of its Branded Formulations sold to farmers in the domestic markets are "Jayam", "Progress Plus", "Param", "Cyraplus", "Dyken", "Mantra", "Astron", "Signor", "Prompt", "Cypra", "Heraban", "Sarag", "Alpha Shakti", "Henoxa", "Glory", "Chakde", "Heraquat", "Zinta", "Glory 71", "Sera", "Pendant", "Atria", "Macamba", "Sulphy", "Mask", "Silicon Plus", "Propizole", "Vintage", "Exort", "Tulip", "Mandy", "Silicon", "Shado", "Heraphon", "Temper" and "Rat Kill" among others.

The company has three (3) manufacturing and packaging facilities in and around the industrial belt of Vapi, Gujarat having one hundred seventy-four (174) reactors with an aggregate manufacturing capacity of 14,024 MTPA. These facilities will manufacture Intermediates like cypermethric acid chloride, cypermethric acid and MPBD and Technicals like Cypermethrin, Alphacypermethrin, Deltamethrin, Permethrin and Lambda cyhalothrin amongst others and a range of Insecticides, Herbicides and Fungicides Formulations. From four (4) facilities earlier, it has now integrated a facility with Unit I for operational purposes which will exclusively manufacture Intermediates and Technicals and Unit II will continue to manufacture Intermediates and Technicals. Facilities which have been mainly producing Formulations in liquid and powder forms, which are then packed in various sizes as per the required dosage for each crop on a per acre basis dismantled and shifted to Unit III at Sarigam. As a part of its expansion plans, it has in the year 2018 acquired on lease from GIDC around 55,000 sq. mtrs. of land at Sarigam, near Vapi, Gujarat out of which around 22,300 sq. mtrs. is being used for Formulations facility, which will streamline its production by some new reactors and establishing an automated facility for packaging the Formulations. Its new R&D facility at Unit III at Sarigam has become operational from October, 2020. The remaining land shall be utilized at a later stage for manufacturing Intermediates, Technicals and for establishing other administrative facilities. The Sarigam Unit III also has a rooftop solar plant generating 2,66,590 units-kWh per annum for captive consumption. Its manufacturing facilities have been/are being installed with well-balanced effluent treatment systems for solid, liquid and gaseous effluents and emission generated from its processes.

The Promoters Mr. Sadashiv K. Shetty and Mr. Raghuram K. Shetty are first generation entrepreneurs and have more than three (3) decades of experience in the agrochemicals industry. They have been instrumental in the growth and management of the Company.

Strengths:

- ***Presence in a wide range of products across the entire value chain of synthetic pyrethroids:*** The company manufactures Intermediates, Technicals and Formulations which form part of the entire value chain of synthetic pyrethroids and other active ingredients in the agrochemicals business. It is one of the leading domestic producers of synthetic pyrethroids like cypermethrin, alphacypermethrin, deltamethrin, permethrin, lambda cyhalothrin etc. It started manufacturing of Cypermethric Acid Chloride (CMAC) which is a key precursor required to produce pyrethroids in the FY 1995-96 at its facility at Vapi, Gujarat. By the FY 2001-2002, it forward integrated its operations to manufacture Technicals like Metameton, Cypermethrin, Alphacypermethrin, Permethrin and Deltamethrin. In the FY 2004-05 it further expanded its product line to include Formulations to then move on to launch Formulations under its own brands in the FY 2005-06. This capability of manufacturing Intermediates, Technicals and Formulations and its presence in the entire value chain of synthetic pyrethroids provides it the flexibility to shift between products depending on the demand-supply and pricing dynamics of the domestic and international agrochemicals industry. The range of its business activities i.e. from the manufacturing of Intermediates to the sale of branded Formulations, both in the domestic and international markets, offers ample opportunities to enhance revenue and profitability of its Company. Its product pipeline will further expand once it receives necessary approvals from the CIB&RC for the manufacture and sale in India of fourteen (14) Technicals and Formulations, seven(7) Technicals and Formulations for the export markets and one hundred seventy two (172) Technicals and Formulations filed for registration by its International Distribution Partners before regulatory authorities in forty one (41) overseas jurisdictions, excluding Europe.
- ***Product registrations in the domestic and international markets enabling global outreach:*** The company's International Distribution Partners, with its product and technical support, have obtained registrations for three hundred and seventy one (371) Technicals and Formulations in forty one (41) countries across Middle East, CIS, Asia, South East Asia and Africa. Further, one hundred seventy two (172) of its Technicals and Formulations have been filed by its overseas customers which are pending registration before the regulatory authorities of forty one (41) countries in various regions across the world, excluding Europe. Its core strength lies in the R&D of Active Ingredients for creating new Formulations, preparing dossiers for national and international registrations of these new Formulations. Its in-house registration team is led by qualified personnel who facilitate the registration process in India with the CIB&RC and its

dealers/customers in overseas jurisdictions, including some highly regulated markets like Europe enabling the manufacture and export of a range of Technicals and Formulations in the international markets.

- **Strong product portfolio and wide distribution network:** The company manufactures and supplies Technicals to leading domestic and multinational agrochemical companies operating in and outside India which are used by them for manufacturing their own products. It supplies Technicals like cypermethrin, alphacypermethrin, deltamethrin, permitherin and lambda cyhalothrin to other agrochemical companies in India. Its end customers for its Formulations are the farmers who use its products for crop protection and crop care. It has more than nine thousand four hundred (9,400) dealers/distributors supported by its twenty-one (21) stock depots spread across sixteen (16) states and one (1) union territory in the country in order to meet the demand of its products from farmers. It participate in various international and domestic agrochemical exhibitions & industry conferences to market its products. Its sales & marketing teams travel extensively to maintain and strengthen existing relationships with customers and to explore new relationships with potential customers. It educates farmers on the care and protection extended by its products over their crops by conducting farmer training camps, participating in village level programmes and district exhibitions to establish a direct relationship with farmer communities all over India.
- **Diversified and stable customer base:** The company's various domestic and multinational agrochemical companies operating in and outside India are its customers for the Technicals manufactured by it. These include companies like Sumitomo Chemical India Limited, Sulphur Mills Limited, Biostadt India Limited, Crystal Crop Protection Limited, NACL Limited (Formerly Nagajuna Agrichem Limited), Sharda Cropchem Limited, Meghmani Organics Limited, PI Industries Limited, Krishi Rasayan Group, Agro Life Science Corporation and Shanghai Agricare Chemical Co. Limited, China amongst others who use its products to manufacture their own Formulations and other products. It also procures certain Technicals and Formulations from other companies depending on demand and supply and pricing dynamics. This diverse and stable base of customers provide the necessary revenue stability to its Company as not more than 20.85% and 18.57% of its aggregate sales come from its top ten (10) customers for FY 2020 and the period ended September 30, 2020, respectively.
- **Experienced Promoters and Management Team:** The company's promoters have more than thirty (30) years of individual experience in the agrochemicals sector and are adequately qualified to manage the operations of its Company from manufacturing, exports and marketing. Its promoters are completely involved in the day to day affairs of the Company and future business strategies. They are also instrumental in the development of new products and markets, both domestic and international. The second generation of its Promoters are also fully involved and taking active interest in the business activities of its Company and have become a part of its management and operations. With the right mix of youth and experience it believes that the Company is poised for growth and evolution in the near future

Key Strategies:

- **Enhancing and streamlining production capacities and operations:** The company has three (3) manufacturing and packaging facilities in and around the industrial belt of Vapi, Gujarat with one hundred seventy-four (174) reactors having an aggregate manufacturing capacity of 14,024 MTPA. These facilities manufacture Intermediates like cypermethric acid chloride, cypermethric acid and MPBD and Technicals like cypermethrin, alphacypermethrin, deltamethrin, permitherin and lambda cyhalothrin amongst others and a range of Insecticides, Herbicides and Fungicides Formulations. From four (4) facilities earlier, it has now integrated a facility with Unit I for operational purposes which will now exclusively manufacture Intermediates and Technicals and Unit II will continue to manufacture Intermediates and Technicals. Unit III at Sarigam mainly produces Formulations in liquid and powder forms, which are then packed in various sizes as per the required dosage for each crop on a per acre basis. It acquired this land parcel of around 55,000 sq. mtrs. in the year 2018 on lease basis from GIDC, out of which around 22,300 sq. mtrs. has been presently used the Formulations facility being Unit III. It has streamlined its production by adding some new reactors and establishing an automated facility for packaging the Formulations at Unit III. Its new R&D facility at Unit III Sarigam has become operational from October, 2020. The remaining land shall be utilized at a later stage for manufacturing Intermediates, Technicals and for other establishing administrative facilities. It has now have Unit I which is a dedicated facility for manufacturing Technicals, Unit II for derivatives of CMAC and Unit III for liquid and powder Formulations and packaging of Formulations in various sizes and materials.

The company's Unit III land parcel of around 55,000 sq. mtrs. is more than three (3) times the land parcel of around 17,500 sq. mtrs. at Vapi, Gujarat. The availability of land for expansion and streamlining of operations will further enhance its revenues and profitability in the near future. In addition to the Sarigam land, it has another parcel of land admeasuring around 34,600 square metres at Saykha, at GIDC – Dahej extension, Gujarat ("Saykha") which can be used for further expansion, when required. Further, the Company has applied with Ministry of Environment (Forests and Climate Change), India for the proposed expansion of manufacturing activities of the Company at Saykha for environmental clearance.

The Pyrethroids market in India is projected to grow at a CAGR of 8.5% during 2020-2025, reaching a production volume of 25,398 Tons by 2025. Moreover, the production and consumption value are expected to reach a value of US\$ 462 Million and US\$ 205 Million by 2025, exhibiting a CAGR of 12.5% and 19.6% respectively. The company believes that its infrastructure and facilities, present and future growth plans will be in line with the growth of the pesticides industry.

- **Development of new products at its R&D facility at Unit III (Sarigam Unit):** In order to enter the highly regulated markets of USA and Europe its Company has further enhanced its R&D facilities and capabilities by establishing a 2,000 sq. ft. R&D facility at Unit III (Sarigam Unit) which has become operational from October, 2020. The new R&D facility has the latest technology and processes required to conduct research on Active Ingredients and Formulations, mainly of the molecules going off-patent in the near future with some of them going off-patent in 2020 itself. The new R&D facility will focus on 3-4 such new molecules which are undergoing R&D tests out of which two (2) products are fungicides which will be effective on rice and wheat crops, two (2) are herbicides and one (1) is an insecticide which will be effective on wheat, rice, cotton and sugarcane, for exclusive sale in the European and USA markets. Once these tests and processes are successfully established, these will be documented in a dossier to be then filed for the purpose of registration in USA, Europe and other overseas jurisdictions through its International Distribution Partners. Registration in USA and EU of a new product generally takes 2-4 years and involves a lengthy and tedious process of submissions, representations and reports with the respective regulatory authorities

before approval is finally received from them. The company has its in-house R&D team for product development and improvisation which is well supported by its product registration team.

- **Entering the highly regulated markets of USA and Europe.:** Various Technicals will be going off-patent in the near future and some of them are going off-patent in the year 2020 itself, which may lead to a good demand for the generic versions of these molecules across the world, especially in the highly regulated markets of USA and Europe. To exploit these opportunities, the company will have to enhance its ability and capabilities with respect to R&D and registrations of the generic versions of these molecules and related formulations in USA and Europe. The company believes there is significant growth potential in these markets with higher margins for its existing and new line of products. It believes that its knowledge of the generic agrochemical markets, existing dossiers and registrations across the world will enable new registrations in these highly regulated markets. Its International Distribution Partner in Europe has already received registration for Deltamethrin Technical. Its other International Distribution Partner has incorporated a company, Heranba Europe S.L. wherein registration of Alpha Cypermethrin Technical has been recently received. Applications for registration of Lambda Cyhalothrin Technical, and Metribuzin Technical filed by its International Distribution Partners are in process before the relevant authority in EU. Its International Distribution Partner in the USA has also applied for registration of Lambda Cyhalothrin Technical manufactured by the Company as another source of supply to their existing registration for this product.
- **Enhancing Formulations & Technicals business in the international markets.:** Sales in the international markets require registrations of its Formulations with the respective regulatory authorities in various overseas jurisdictions. The company's International Distribution Partners are required to file the application along with various details of the Formulations with the respective regulatory authority. The Company is named in the application as the manufacturer of the Formulation and it is required to provide the chemical composition details and documents to the local dealer/customer to support the process of registration. It intends to leverage its existing relationships in the international markets where it is already present for new products and develop new relationships in the markets where it is not yet present on the strength of the quality and range of its products. Wider range of Formulations and higher number of registrations is the mantra for increased international sales. Typically, sales of Formulations in the international markets is undertaken by way of tie-ups with International Distribution Partners who import its Formulations, in bulk or final packages, after registration with the local regulatory authority, and sell them mostly under their own brands in their markets. The name of its 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. It is required to comply with the local packaging disclosure requirements for the direct export and sale of its Formulations. The manufacture and supply of Technicals is mostly based on demand and supply dynamics in the international markets. Its International Distribution Partners present in these markets regularly provide it the information on the demand and supply situation and place orders accordingly. Company officials are in regular contact with them and extensively travel to these countries and regions to understand the demand and supply patterns which are different for each region depending upon the rainfall and agriculture seasons across the world. With a total product profile of one hundred and three (103) Technicals & Formulations for export and total product profile of three hundred and seventy one (371) Technicals and Formulations registered in forty one (41) countries in the international markets by its International Distribution Partners, we are well placed for growth in the international markets. It expects the global Pyrethroids market to grow at a CAGR of 6.38% in terms of value, during 2020-2025, reaching a value of US\$ 4,068 Million by 2025. Pyrethroids serve as a cost-effective alternative to the conventionally used insecticides.
- **Branded Formulations and Public Health products segment.:** As part of its further growth strategy it intends to focus on manufacturing and sales of Formulations under its own brands in India and the manufacturing and marketing of Public Health products. Some of its Branded Formulations have already established themselves and have a high recall value amongst farmers. Some of its known brands "Jayam", "Progress Plus", "Param", "Cypraplus", "Dyken", "Mantra", "Astron", "Signor", "Prompt", "Cypra", "Heraban", "Sarag", "Alpha Shakti", "Henoxa", "Glory", "Chakde", "Heraquat", "Zinta", "Glory 71", "Shera", "Pendant", "Atria", "Macamba", "Sulphy", "Mask", "Silicon Plus", "Propizole", "Vintage", "Exort", "Tulip", "Mandy", "Silicon" among others.

On the Public Health side, its products include general insect control, termiticide, larvicide, indoor residual spray, rodenticide and cockroach gels which are Formulations of synthetic pyrethroids. Public Health products are supplied to municipal corporations and government bodies/agencies through the bidding process of tenders issued by them for public health purposes like controlling the spread of malaria, filaria, dengue and such other parasitic diseases. These products are also supplied to pest control companies which spray them at residential and commercial premises like warehouses and godowns. The Company has been able to successfully bid for government tenders issued by central and state governments agencies and municipal corporations as we meet their eligibility criteria viz. quality of products, capability of supplying large volumes and track record. The company normally supplies these products under its own brands like "Temper" and "Rat Kill" or in bulk form as maybe required by them.

Industry Snapshot:

India Pyrethroids Market

Overview

Pyrethroids serve as an economical and safe alternative for increasing crop yields for combating hunger, as well as eliminating vector borne diseases like malaria. Today pyrethroids find usage in significant applications across pest protection, environmental health and crop care as well as animal health. Since pyrethroids are significantly more effective against a broader range of insects, they are considered highly economical and beneficial by most farmers. Pyrethroids are extremely useful and fast-acting against chewing insects and have low water solubility. This implies pyrethroids are less likely to develop to environmentally hazardous levels. They are low in mammal and bird toxicity and require very low dosage as compared to organophosphate pesticides to kill insects. They maintain insecticidal activity over a prolonged period which helps to control overlapping pest generations. Finally, they are naturally readily biodegradable. Pyrethroids are safe chemistry, they have a broad spectrum of usage and are cost-effective when considering agriculture economy per hectare. There has always been a significant application of pyrethroids in the cotton industry which brought higher returns on investment. The pyrethroids market growth declined with the launch of Bt cotton in India in the early 2000s and the subsequent reduction was experienced in the need for pesticides to be sprayed onto a crop. The region under Bt cotton cultivation, which was barely 0.29 lakh ha (0.38%) out of 76.70 lakh, in

2002-03, increased to 119.40 lakh ha out of 128.19 lakh hectares in 2014-15, showing more than 93.14% adoption over a span of 13 years. The demand for pyrethroids remained stagnant until manufacturers started to look for their applications in other sectors, such as rice, fruit, and vegetables, around 2015.

Throughout 2016, the pyrethroid industry was experiencing a resurgent demand mainly caused by the need to substitute certain organophosphates (OP) and carbamates that were being investigated for their high toxicity risks. Pyrethroids, on the other hand, being safer for the environment, became an automatic option as they balanced environmental concerns and costs of production. India has emerged as the largest pyrethroid manufacturer over the years. More than half of the global demand for pyrethroids comes from China, after importing intermediates from India, which is used to produce pyrethroid. Yet China's adoption of the 'Blue Sky' program to realize green GDP has led to the shutdown of several chemical plants. This, in turn, is expected to result in higher volumes of pyrethroids being exported out of India.

Market Performance

The Pyrethroids market in India reached a production volume of 17,747 tons in 2019, growing at a CAGR of 7.2% during 2014-2019. In terms of production value and consumption value, the market reached a value of US\$ 313 Million and US\$ 110 Million in 2019, exhibiting a CAGR of 7.7% and 7.4% during 2014-2019 respectively.

Market Breakup by End Use

In 2019, Agriculture represented the largest end-use segment for Pyrethroids, accounting for 79.5% of the total market. Agriculture was followed by public health (17.1%), and animal health (3.4%).

Market Forecast

Looking forward, the company expects the Pyrethroids market in India to grow at a CAGR of 8.5% during 2020-2025, reaching a production volume of 25,398 Tons by 2025. Moreover, the production and consumption value are expected to reach a value of US\$ 462 Million and US\$ 205 Million by 2025, exhibiting a CAGR of 12.5% and 19.6% respectively.

Exports

The Indian Pyrethroids market reached an export value of US\$ 203 Million in 2019, growing at a CAGR of 7.9% during 2014-2019.

Key Players

In 2019, Heranba Industries Limited dominated the India pyrethroids market, accounting for a share of 19.5% of the total Indian pyrethroids production values. Heranba Industries Limited was followed by Tagros Chemicals India Limited (14.8%), Hemani Industries Limited (9.9%), Dhanuka Agritech Limited (8.7%), Insecticides (India) Limited (7.9%), Syngenta India Limited (6.2%), Sumitomo Chemical India Limited (5.8%), UPL Limited (4.2%), Bayer CropScience Limited (3.9%), Rallis India Limited (3.6%), Excel Crop Care (3.4%) and Others (12.1%).

Key Risk:

- There are outstanding legal proceedings involving the Company, Promoters and certain Directors which may adversely affect the business, financial condition and results of operations.
- The top ten customers constituted not more than 22.03% and 20.85% of the sales for the six months period ended September 30, 2020 and for Fiscal 2020, respectively, both in the domestic and the international markets. The top five domestic customers across product categories constituted 9.02%, 8.60%, 6.57% and 7.36% of the total revenue for six months period ended on September 30, 2020 and for the Fiscal 2020, 2019 and 2018, respectively. The top five international customers across product categories constituted 13.04%, 9.60%, 12.68% and 11.50% respectively, of the total revenue for six months period ended on September 30, 2020 and for the Fiscal 2020, 2019 and 2018, respectively. Absence of large customers and dependance on smaller customers increases uncertainty of demand which may have an adverse impact on the business operations and financial performance.
- The top five institutional customers across product categories constituted 14.89%, 11.64%, 13.05% and 11.77% of the total revenue for six months period ended on September 30, 2020 and for the Fiscal 2020, 2019 and 2018, respectively. Any reduction or loss in sales to the institutional customers could have an adverse effect on our business, financial condition and results of operations.
- The Company has not entered into long-term agreements with its customers for purchasing the products nor for the supply of raw materials with suppliers. It is subject to uncertainties in demand and there is no assurance that these customers and suppliers will continue to purchase its products or sell raw materials to it or that they will not scale down their orders. This could impact the business and financial performance of the Company.
- Raw materials constitute a significant percentage of the Company's total expenses. Any increase in prices and any decrease in the supply would materially adversely affect the Company's business.
- The Indian agrochemicals market is highly fragmented in nature with many formulators. The competition is fierce with large number of organized sector players and spurious pesticide manufacturers.

Comparison of Accounting Ratios with Industry Peers

Name of Company	Face Value (Rs. / Share)	P/E	EPS	RoNW (%)	NAV (Rs. Per Share)
Heranba Industries Ltd.	10.0	*	25.0	30.5	82.1
Peer Group					
Rallis India Ltd.	1.0	28.8	9.5	13.1	72.5
Sumitomo Chemical India Ltd.	10.0	77.4	4.1	16.8	24.5
Bharat Rasayan Ltd.	10.0	26.9	371.0	27.9	1327.7
Punjab Chemical & Crop Protection Ltd.	10.0	95.1	8.8	11.0	79.7

Source: Financial Statements for the year ending March 31, 2020 and closing market price per share as on February 3, 2021 was taken from <https://www.bseindia.com>

Valuation:

At the upper end of the IPO price band, it is offered at 22.67x its TTM EPS earnings, with a market cap of Rs. 2509 crores. Considering the company's dominant position in pyrethroids market, strong balance sheet, high RoNW of 30.47% as per FY20 financial statements, strong management and reasonable valuations; we give this IPO a "**Subscribe**" rating.

DISCLAIMER:**Analyst Certification**

- The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Ratings Methodology

- Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>₹300 Billion) and Mid/Small Caps (<₹300 Billion) or SEBI definition vide its circular SEBI/HO/IMD/DF3/CIR/P/2017/114 dated 6th October 2017, whichever is higher and as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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