

Pratik Prajapati  
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### Issue Details

Issue Details	
Issue Size (Value in Rs. million, Upper Band)	2,511
Fresh Issue (No. of Shares in Lakhs)	91.14
Offer for Sale (No. of Shares in Lakhs)	14.83
Bid/Issue opens on	28-Nov-22
Bid/Issue closes on	30-Nov-22
Face Value	Rs. 10
Price Band	216-237
Minimum Lot	60

### Objects of the Issue

#### Offer for Sale: ₹ 351 Million

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

#### The Fresh Issue: ₹ 2,160 Million

- Funding working capital requirements of the Company
- General corporate purposes.
- Upgrading and expanding company's existing facilities

Book Running Lead Managers	
Elara Capital (India) Private Limited	
Monarch Network Capital Limited	
Registrar to the Offer	
Link Intime India Private Limited	

Capital Structure (₹ Million)	Aggregate Value
Authorized share capital	350.00
Subscribed paid up capital (Pre-Offer)	246.83
Paid up capital (Post - Offer)	337.97

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	100.0	68.6
Public	0.0	31.4
Total	100.0	100.0

### Financials

Particulars (Rs. In Million)	3M-FY23	FY22	FY21	FY20
Revenue from operations	2209.4	3,942.1	3,024.1	1,982.2
Operating expenses	1940.7	3,498.7	2,713.5	1,802.9
EBITDA	268.7	443.4	310.6	179.3
Other Income	2.3	20.8	11.6	9.4
EBIDT	271.0	464.2	322.1	188.8
Interest	9.3	26.2	14.2	22.4
Depreciation	16.0	52.7	26.0	21.8
PBT	245.7	385.3	281.9	144.6
Tax	62.1	98.4	72.3	37.0
<b>Consolidated PAT</b>	<b>183.6</b>	<b>286.9</b>	<b>209.6</b>	<b>107.6</b>
EPS	5.43	8.49	6.20	3.18
Ratio	3M-FY23	FY22	FY21	FY20
EBITDAM		11.2%	10.3%	9.0%
PATM		7.3%	6.9%	5.4%
Sales growth		30.4%	52.6%	

### Company Description

Dharmaj Crop Guard are an agrochemical company engaged in the business of manufacturing, distributing, and marketing of a wide range of agro chemical formulations such as insecticides, fungicides, herbicides, plant growth regulator, micro fertilizers and antibiotic to the B2C and B2B customers. They also engage in the marketing and distribution of agrochemical products under brands in-licensed by them, owned by them and through generic brands, to Indian farmers through their distribution network. The company provides crop protection solutions to the farmer to assist them to maximize productivity and profitability. They export their products to more than 25 countries in Latin America, East African Countries, Middle East and Far East Asia. They sell their agrochemical products in granules, powder and liquid forms to their customers. Additionally, they manufacture and sell general insect and pest control chemicals for Public Health and Animal Health protection.

With an aim to offer a wide product portfolio across the agri-value chain, Dharmaj Crop continues to expand its product portfolio by introducing new products. They manufacture and sell various formulations of insecticides, fungicides and herbicides, plant growth regulators, micro fertilizers and antibiotics. The company has obtained 464 registrations for agrochemical formulations from the CIB&RC, out of which 269 agrochemical formulations are for sale in India as well as for export and 195 agrochemical formulations are exclusively for exports. Additionally, they have also applied for registrations of 18 agrochemical formulations and 17 agrochemical technical from the CIB&RC, which are pending at various stages.

Dharmaj Crop has 157 trademark registrations including our branded products. The formulations are sold as branded products to customers. As of September 30, 2022, they had over 118 branded formulations that are sold to farmers. They sell bulk products to their institutional customers domestically and in the international markets. Further, as of September 30, 2022, the company had more than 154 institutional products that they sold to more than 600 customers based in India and in the international markets. As of September 30, 2022, they exported their products to more than 66 customers across 25 countries.

### Valuation

Dharmaj Crop has a diversified portfolio of products and consistent focus on quality and innovation. They have Strong R&D capabilities with focus on innovation and sustainability. The company is available at the upper end of the IPO price band, it is offered at 27.9x its FY22 earnings and 9.4x to P/BV with a market cap of Rs. 8,010 million. The valuation of the IPO appears to be reasonable when we compare with listed peers. The company has the agrochemical segment and has created a niche place with its B2C and B2B model.

The revenue from operations has grown at a CAGR of 41.02% from FY2020 to FY2022 and Profit after tax (PAT) has grown at a CAGR of 63.30% FY2020 to Fy2022. The company has established a distribution network, strong branded products, and stable relationships with their institutional customers. In addition to this, the government's aim to reduce dependency on China and improve self-sufficiency is expected to support industry's backward integration and thus its growth. Pursuant to the setup of this manufacturing facility, profit margins on products would resultantly increase due to backward integration. Considering the future prospect for the company we assign "Subscribe" Rating to this IPO.

**The company classify their product portfolio under the following categories:**

- ❖ **Insecticides:** Dharmaj Crop manufactures a wide range of insecticides to suit the requirement of farmers in preventing and curating different crops from being damaged by insects. They develop an effective, safe, and sustainable range of insecticides to help farmers and prevent the crops from damage. Certain of their top branded insecticides products are Padgham, Lubrio, Nilaayan, Dahaad, Prudhar and Remora amongst others.
- ❖ **Fungicides:** Dharmaj Crop manufactures a wide range of fungicides that protect the crop from the diseases caused by pathogenic organisms. Fungicide is a specific type of pesticide that is responsible for controlling fungal diseases by inhibiting the fungal growth and killing the fungus. Certain of our top branded fungicides products are Gagandip, Sajaag, Lokraj, Rishmat and Kaviraj amongst others.
- ❖ **Herbicides:** Herbicides effectively eliminate weeds and thus reduce mechanical and manual weeding. It also prevents soil erosion and the wastage of resources, ensuring optimum consumption of the resources by the desired plants. Certain of their top branded herbicides products are Dharozar, Aatmaj, Rodular, Dharolik, Kohha, Kawayat Super and Sadavirum amongst others.
- ❖ **Plant growth regulator:** Dharmaj Crop also manufactures plant growth regulators which are also known as plant hormones and helps in increasing the crop yield and improving its quality. Certain of their top branded plant growth regulator products are Rujuta, Greenoka, and Stabilizer amongst others.
- ❖ **Micro Fertilizers:** In order to increase the production of crops and to make the soil more fertile, Dharmaj Crop manufactures micro fertilizers such as sulphur, zinc, boron and ferrous. Micro fertilizers are required for crops to reap the maximum yield from crops. Under this category they sell branded products such as Zeekasulf, Aakuko, Thandaj and Zusta amongst others.
- ❖ **Antibiotic:** Antibiotic is a major tool to treat the bacterial issues of plants and tree fruits. Antibiotics boost and develop the immune system of plants. Under this category they sell brand products namely Retardo.

The company manufacturing facility is located at Ahmedabad Gujarat, India. As of November 30, 2021, the aggregate installed capacity of their manufacturing facility for agro-chemical formulations was 25,500 MT. The Company manufactured 7,577.21 MT of agrochemical formulations in Fiscal 2021. The manufacturing facility are equipped with modern plant and machinery capable of producing quality agrochemical products and have received quality control certifications such as ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 for development and manufacturing of agrochemical formulations such as insecticides, herbicides, fungicides, micro fertilizers and plant growth regulators. They have installed a soil bio reactor at its manufacturing facility which is used to treat waste/ sewage water and to remove pollutants. Dharmaj Crop have also installed solar power panels at their manufacturing facility to generate green power in order to optimally use the electricity which is sourced from third party during the manufacturing process. The aggregate capacity of their installed solar power panels is 85,320 KW per annum which caters to its electricity requirements at their manufacturing facility and helps us to reduce our dependence on third party electricity requirements.

The company has a research and development ("R&D") centre at its manufacturing facility. They also have a quality control laboratory at their manufacturing facility, which primarily monitors the quality of its raw materials and finished goods. Further, the quality control laboratory has received a certificate of accreditation from National Accreditation Board for Testing and Calibration Laboratories ("NABL") which has been assessed and accredited in accordance with the standard ISO/IEC 17025:2017. As a part of the expansion plans and in order to achieve backward integration for their operations, the company have also acquired around 33,489.73 sq. meters of land at Saykha Industrial Estate, Bharuch, Gujarat, India on leasehold basis for 99 years from GIDC to set up a manufacturing facility for Agrochemical Technical and its intermediates which will be used for internal consumption as well as for sales in domestic and international market. The company has already obtained registrations of 6 agrochemical technical and have applied for registration of 17 agrochemical technical from the CIB&RC, which will be manufactured in this new manufacturing facility.

Dharmaj Crop has established an extensive, pan-India distribution network for their domestic branded products business. The branded products are sold in 17 states through a network comprising over 4,362 dealers having access to 16 stock depots in India supporting the distribution of its branded products, as of September 30, 2022. They also carry out institutional sales of agro chemical products across India and international markets. The company participates in various 156 international and domestic agrochemical exhibitions and industry conferences to market their products. They also educate farmers regarding the benefits of using its products by conducting farmer training programs such as field demonstrations, field shows, meetings with groups of farmers, jeep campaigns and participating in village level programmes to establish direct relationship with farmer communities all over India.

**Key Financial Information and Key Performance Indicators (KPIs)**

The revenue from operations for Fiscals 2020, 2021 and 2022 and four months period ended on July 31, 2022 was ₹ 1,982.22 million, ₹ 3,024.10 million, ₹ 3,942.08 million and ₹ 2,209.40 million, respectively. The EBITDA for Fiscals 2020, 2021 and 2022 and four months period ended on July 31, 2022 was ₹ 185.77 million, ₹ 320.38 million, ₹ 461.90 million and ₹ 268.53 million, respectively while their EBITDA margin was 9.37%, 10.59%, 11.72% and 12.15%, respectively, for similar periods. The Profit After Tax was ₹ 107.59 million, ₹ 209.60 million, ₹ 286.90 million and ₹ 183.59 million for Fiscals 2020, 2021 and 2022 and four months period ended on July 31, 2022, respectively, while their Profit After Tax margin was 5.43%, 6.93%, 7.28% and 8.31%, respectively for similar periods. The gross profit was ₹ 428.55 million, ₹ 630.05 million, ₹ 799.32 million and ₹ 409.81 million for Fiscals 2020, 2021 and 2022 and four months period ended on July 31, 2022, respectively while the gross margin was 21.62%, 20.83%, 20.28% and 18.55% for Fiscals 2020, 2021 and 2022 and four months period ended on July 31, 2022, respectively. From Fiscal 2020 to Fiscal 2022, the revenue from operations, EBITDA and profit for the year has grown at a CAGR of 41.02%, 57.68% and 63.30%, respectively. The Return on Equity for Fiscals 2020, 2021 and 2022 and four months period ended on July 31, 2022, was 30.55%, 37.33%, 34.64% and 18.15%, respectively

**Strengths:****➤ Diversified portfolio of our products and consistent focus on quality and innovation**

Dharmaj Crop has developed a niche portfolio of agro-chemical products. They have diversified their product portfolio since incorporation and have grown into a multi-product manufacturer of agrochemical products such as insecticides, fungicides, herbicides, plant growth regulator, micro fertilizers and antibiotics. This diversification across products and categories has allowed them to de-risk their business operations. Additionally, they manufacture and sell general insect and pest control chemicals for Public Health and Animal Health protection. The company provides crop protection solutions to the farmer to maximize productivity and profitability. They have obtained registrations from the CIB&RC to manufacture 464 agrochemical formulations out of which 269 agrochemical formulations are for sale in India as well as for exports and 195 agrochemical formulations are exclusively for exports. They have also obtained registration from the CIB&RC for 6 agrochemical technicals for manufacturing and sales in India as well as for export. They have 157 trademark registrations including our brand products. The agrochemical formulations are sold as branded products to farmers through its distribution network. As of September 30, 2022, they had over 118 branded formulations that are sold to farmers.

**➤ Strong R&D capabilities with focus on innovation and sustainability**

The company has a research and development ("R&D") centre at their manufacturing facility. They also have a quality control 157 laboratory at their manufacturing facility, which primarily monitors the quality of its raw materials and finished goods. Further, their quality control laboratory has received a certificate of accreditation from National Accreditation Board for Testing and Calibration Laboratories ("NABL") which has been assessed and accredited in accordance with the standard. The company has been able to diversify its product range mainly due to its technological capabilities. They rely on its R&D team, which helps them to manufacture products more efficiently and to cater the demand of the overseas customers across the agro industry. The R&D efforts also focus on determining the optimal production process for the products that they manufacture and the reduction of energy consumption. The strong R&D capabilities allow them to discover new mixtures and register new formulations for their agrochemical business. New research areas are guided by the advancement of new technologies based on customer needs, technology and regulatory requirements.

**➤ Established distribution network with strong branded products and stable relationship with our institutional customers**

The company's ability to deliver sufficient quantities of agro chemical products to farmers with short lead-time is critical, particularly given the seasonal nature of cropping. They have a pan-India sales and dealer presence in 17 states with a dedicated sales force that provides customer service and undertakes product promotion. As of September 30, 2022, the network comprised over 4,362 dealers having access to 16 stock depots supporting the distribution of their branded products in 17 states of India. As of September 30, 2022, they exported their products to approximately 66 customers across 25 countries. As of September 30, 2022, they had a sales team of 195 employees, who are responsible for managing institutional sales and branded sales, the distribution channel and product promotion at the farmer level. Strong and recognizable brands are a key attribute in their industry, which increase customer confidence and influences a purchase decision. Since incorporation, they have built several strong brands by leveraging the strength of their marketing and distribution network. The key brands, which they own or license include Padgham, Lubrio, Nilaayan, Dahaad, Prudhar and Remora in Insecticides, Gagandip, Sajaag, Lokraj, Rishmat and Kaviraj in Fungicides, Dharozar, Aatmaj, Rodular, Dharolik, Kohha, Kawayat Super and Sadavirum in Herbicides, Rujuta, Greenoka, and Stabilizer as plant growth regulators, Zeekasulf, Aakuko, Thandaj and Zusta as Micro Fertilizers and Retardo as Antibiotic. The company also carries out institutional sales of agro chemical products across India and international markets. They participate in various international and domestic agrochemical exhibitions and industry conferences to market its products. They sell bulk products to their institutional customers.

**➤ Experienced Promoters and management team**

The Promoters and their management team have significant experience in the agrochemical industry. Among their Promoters, Rameshbhai Ravajibhai Talavia who is its Chairman and Managing Director, has over 28 years of experience in the agrochemical industry. Jamankumar Hansarajbhai Talavia, The Whole time Director, has over 22 years of experience in the agriculture industry and was awarded the Best Marketing Representative by Parrys, 158 Certificate of Merit at Coromandel – Godavari Meet 2007 and Diamond Market Representative Award by EID Parry-Coromandel Fertilizers. Jagdishbhai Ravajibhai Savaliya, the Whole time Director, has over 21 years of experience in the agriculture industry. Vishal Domadia who is their Chief Financial Officer has over 12 years of experience in the agriculture industry. The management team is backed by a core technical team that has vast experience in manufacturing and also has the required technical know-how to manufacture the products. The experienced Promoters supported by their management team position them to grow their business, increase their product portfolio, and help them to assess the market, enlarge their distribution footprint and improve their operating margins. The company is led by a dedicated senior management team with several years of industry experience. The senior management team have played a key role in developing its business and that benefit from their significant experience in the agro chemical industry. The management team's industry experience, knowledge and relationships with suppliers and customers have led to their growth.

**Key Strategies:****➤ Enhance our manufacturing capabilities through backward integration and expand our product portfolio**

As a part of company expansion plans and in order to achieve backward integration for their operations, They have acquired around 33,489.73 sq. meters of land at Saykha Industrial Estate, Bharuch, Gujarat, India on leasehold basis for 99 years from GIDC to set up a manufacturing facility for Agrochemical Technical and its intermediates which will be used for internal consumption as well as for sales in domestic and international market, which will give them more competitive strength. They have also obtained certain regulatory approvals such as environmental clearance for their new manufacturing facility from the Ministry of Environment. The company has obtained registration of 6 agrochemical technical from CIB&RC and applied for registration of 17 agrochemical technical to CIB&RC for manufacturing and sales in 159 India as well as for exports. Pursuant to the setup of this manufacturing facility, the profit margins on their products would resultantly increase due to backward integration. By setting up the Technical manufacturing facility they will augment that manufacturing capabilities to produce domestic grade agrochemicals, which, along with its export registrations, will allow them to complement their formulations business. The management have also focused on increasing the number of product registrations in overseas market, including in Bangladesh, Zambia, Iran, Somalia, Dubai, Vietnam, Iraq, Singapore, Pakistan, Tanzania, Uganda, Indonesia, Columbia, Bahrain, Dominican Republic and other parts of the world, as sales in these markets generally have high margins.

**➤ Targeting new customers, expanding existing customer business and increase our market share in domestic and international markets**

The overall Indian pesticides and other agrochemicals market grew at a CAGR of 4.5% from ₹368 billion in 2013- 14 to ₹439 billion in 2017-18. The overall Indian pesticides and other agrochemicals industry is estimated to increase at a CAGR of 7.5%-8.5% by 2026-27 on account of an upward growth expected in the international market and a likely increase in domestic usage of pesticides in India. They have increased their market share in India for agrochemical products in recent years through increasing their product portfolio organically and they intend to continue to evaluate opportunities to capitalize on industry consolidation and acquire other products and brands to grow their portfolio. The company identifies new generic products that have significant volume in the market and evaluates whether they ought to register such products. Any pesticide that goes off-patent provides an opportunity to the Indian industry to develop generic molecules. Such an event thus opens up opportunities for Indian manufacturers to increase their exports. As per industry sources, an opportunity amounting around USD 5 billion is estimated to go off-patent by FY27. This is likely to support pesticide exports from India going forward. They are a R&D driven company and believe that technological advancement is one of the key factors to continued success in the marketplace. They plan to actively pursue and enhance their R&D capabilities to develop new production techniques and products in addition to improving production efficiency. They intend to continue utilizing their R&D capabilities and manufacturing expertise and focus their investment in product enhancement. The management intends to continue to commit resources to increase the number of registrations to offer a wider range of products in new markets. They intend to leverage their existing relationships in the international markets where they are already present for new products and develop new relationships in the new markets on the strength of the quality and diversified range of their products.

**➤ Expanding our Public Health and Animal Health product segment**

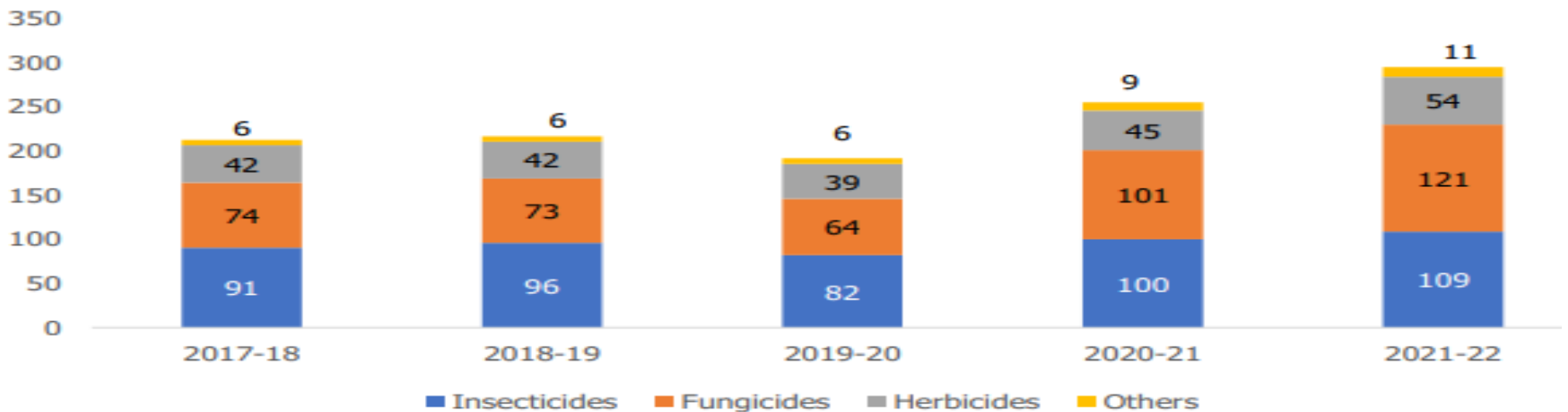
The global pyrethroids market increased at a CAGR of 4% from USD 2,678 million in 2016 to USD 3,309 million in 2021. This increase in the market is backed by agricultural requirements as the use of pyrethroids helps improve crop yield. They are also safer compared to organophosphate pesticides. In addition to this, the global pyrethroids market is also supported by public health and animal health needs. These factors are expected to aid the global 160 pyrethroids market and the industry is expected to increase by a CAGR of around 5% to touch the size of approximately USD 4,300 million by 2026. The other end users in pyrethroids markets include public health and animal health with an approximate share of 20% and 5%, respectively. As part of their further growth strategy, they intend to increase manufacturing and sales in the public health and animal health products segment. On the public health and animal health side, its products include general insect control, termiticide, larvicide, indoor residual spray, rodenticide and cockroach gels which are formulations of synthetic pyrethroids which are currently procured from third parties. They intend to supply their public health and animal health products on retail basis for purposes like controlling the spread of malaria, filaria, dengue, chikungunya and such other parasitic diseases. These products are also supplied to pest control companies which spray them at residential and commercial premises.

**➤ Strengthening up our business through effective branding, promotional and digital activities**

One of the company's strengths is the ability to develop brands. Product launches require significant investment and planning as they entail farmer education, dealers' training, field demonstrations, and product promotion through advertisements in local newspapers, magazines, television, social media, print media and other publications, generating contemporary educational content and engaging in brand associations. As their business requires them to reach out to individual farmers as well as distribution partners, the effort and the exercise around product development is logistically challenging and requires significant time and effort to make sure they are reaching out to the target audience. They also intend to strengthen their existing brand building activities including dealer training programs, field demonstrations, and field shows, farmers training programs, jeep campaigns and participation in various national and international exhibitions for marketing their products. The management believes that growth in its products segment will lead to growth of their revenues and profitability. For the four months period ended July 31, 2022 and Fiscals 2022, 2021 and 2020, the advertising expenses were ₹ 3.18 million, ₹ 10.42 million, ₹ 5.49 million and ₹ 4.66 million, respectively. With a vision to create their brand awareness and promote sales of the branded products through digital platform, we have made a strategic investment in an agritech company "Khetipoint Private Limited" which has developed an online digital marketplace platform "Khetipoint" which aims to connect Farmers from across India to their retailers and company experts.

**Industry Snapshot:****INDIAN PESTICIDES INDUSTRY**

In the global agrochemicals market, India is the 4th largest producer led by USA, Japan and China. Also, India is a net exporter of agrochemicals and has emerged as the 13th largest exporter of pesticides globally. To understand the trend better, details on Indian agrochemicals market is provided below.

**Pesticides production**

During the year 2021-22, the production of pesticides grew by 16.4% y-o-y to 295 thousand tonnes. The demand for pesticides from agriculture (which was not much affected by Covid-19 in 2020-21) and low-base effect are believed to have supported the output of pesticides in 2021-22.

It can be seen from the above chart that in terms of volume, insecticides accounted for the largest share of around 41% on an average during the period 2017-18 to 2021-22 followed by herbicides, fungicides and others that held a share of about 37%, 19% and 3%, respectively. In the five-year period, insecticides (the largest segment) grew at a CAGR of 4.7% while fungicides increased at a faster CAGR of 13.2% on account of a 58% and 20% jump in its output during 2020-21 and 2021-22, respectively. Herbicides rose at a CAGR of 6.4% in 2017-18 to 2021-22 and others increased at a CAGR of 15.6% during these five years.

**Outlook**

The upward momentum in pesticides industry output is expected to continue going forward backed by a growth in food consumption in domestic market amid an expected increase in population, government support towards agriculture, demand from export markets, horticulture and floriculture market among others. The penetration of pesticides and agrochemicals in India is low and this poses an opportunity for growth for agrochemical producers. In addition to this, the government's aim to reduce dependency on China and improve self-sufficiency is expected to support industry's backward integration and thus its growth.

**These factors are estimated to increase the pesticides industry output at a CAGR of 3.5%-4.0% by 2026-27 (Refer table below).**

Segments	2021-22	2026-27P	CAGR
Insecticides	109	~134	4.0%-4.5%
Fungicides	121	~139	2.0%-3.0%
Herbicides	54	~67	4.5%-5.5%
Others	11	~14	5.0%-5.5%
<b>Total</b>	<b>295</b>	<b>~354</b>	<b>3.5%-4.0%</b>

**INTRODUCTION TO PYRETHROIDS**

According to Biotechnology and Biological Sciences Research Council (BBSRC), natural pyrethrins are derived from Chrysanthemums, the same genus as common daisies, and are an important component of plant defenses against insect pests. For thousands of years they have been extracted and used to combat insect pests. However, the natural pyrethrins are not particularly effective when used on fields of crops as they are quite unstable, breaking down quickly when exposed to sunlight. To overcome their limitations, scientists developed synthetic compounds, called pyrethroid insecticides, based on the chemistry of the natural pyrethrins. Both work by targeting sodium channels in the cell membranes of insect nervous systems. By locking these channels open, the pyrethroids block normal nerve impulses, paralysing the insect and ultimately killing it.

Compared to natural pyrethrins, the synthetic pyrethroids are more stable in direct sunlight. They are also 146 significantly more effective against a wider range of insects, so farmers need to apply less insecticide to their crops. This also means pyrethroids are less likely to build up to dangerous levels in the environment. However, pyrethroids can harm some beneficial insects such as bees or the parasitic wasps that prey on pests, and they are also toxic to fish and other aquatic organisms. Because humans possess enzymes that quickly break down pyrethroid insecticides, the pyrethroids are only toxic to people in large quantities or over long periods of time.

## Pyrethroids market in India

Pyrethroids are found to be highly cost-effective by most farmers (which supports farm economics per acreage) and are beneficial to them as they are substantially more effective against an extensive range of insects. They act fast, are very adequate against chewing insects and have very low water solubility. This implies that pyrethroids are less likely to result in threatening levels in the environment. Pyrethroids need very low dosage to attack and kill insects in comparison to organophosphate pesticides and they are low in toxicity to mammals and birds. Their insecticidal job remains active over a longer duration that aids in controlling overlapping generations of pests. They are also easily biodegradable in nature.

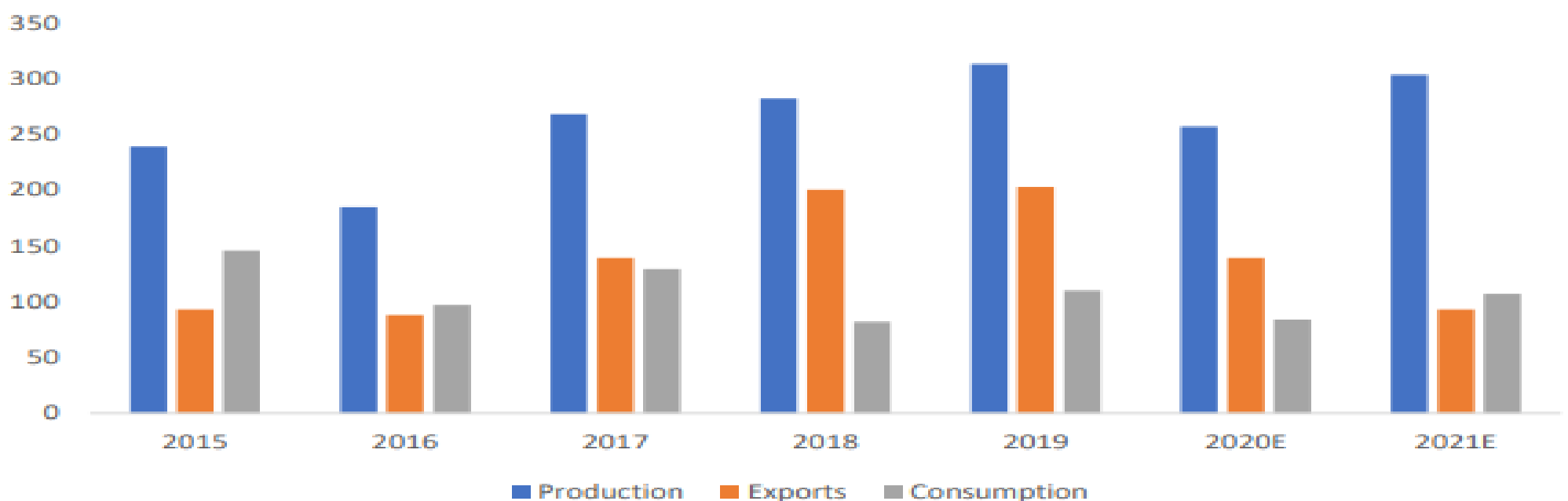
Earlier in India, pyrethroids were applied significantly on the cotton crops that provided higher returns on investment. However, when BT cotton was launched in India in initial 2000s, this resulted in reduction in pesticides to be applied to a crop. This affected pyrethroids market as the area under BT cotton cultivation increased sharply over a period of 13 years. The area under BT cotton cultivation grew to 119 lakh hectares 148 (accounting for about 93% of the total 128 lakh hectares) in 2014-15 from a marginal 0.29 lakh hectares (that accounted for a share of only around 0.4% of the total 77 lakh hectares) in 2002-03. This caused the demand for pyrethroids to remain static till about 2015 and subsequently producers started looking for pyrethroids application in rice, fruits and vegetables.

Nevertheless in 2016, pyrethroids saw a revival in demand mainly on account of the need for a substitute for some organophosphates (OP) and carbamates that were under scrutiny for their high toxicity risks. Moreover, pyrethroids found opportunity in several areas like home and garden and animal health applications. They are also utilised to impregnate bed nets, in case of vector control, that contracts the spread of malaria.

Over a period of time, India has emerged as the largest producer of pyrethroids. China that accounts for more than half of the international need of pyrethroids was accustomed to make pyrethroids after importing intermediates from India. However, China in a bid to improve air quality have led to the closure of various chemical plants. This has supported higher export volume of pyrethroids from India.

## Trend in Indian pyrethroids market

The Indian pyrethroids production value had increased at a CAGR of 10% from USD 185 million in 2016 to USD 303 million in 2021 and the production volume of pyrethroids grew at a CAGR of 11% from 10,721 tonnes in 2015 to 18,143 tonnes in 2021.



The growth in India's pyrethroids production and exports have been primarily supported by agriculture (the largest end user industry accounting for around 80% of the Indian pyrethroids market) followed by demand from user industries like public health and animal health that contributed about 17% and 3%, respectively, towards the Indian pyrethroids market. Going ahead, these factors will continue to help the pyrethroids market in India and will also provide aid to pyrethroids exports from India.

## Outlook estimates for pyrethroids market in India

Indicators	2015	2016	2017	2018	2019	2020E	2021E	2026E	Outlook CAGR
<b>Volume (in tonnes)</b>									
Production	11,415	10,721	12,525	15,155	17,747	16,877	18,143	27,938	8%-9%
<b>Value (in USD million)</b>									
Production	239	185	268	282	313	257	303	513	9%-10%
Consumption	146	97	129	82	110	84	107	246	16%-18%
Exports	93	88	139	200	203	139	93	213	16%-18%

**Key Risk:**

- ❖ The Company require certain approvals and licenses in the ordinary course of business, including certain registrations from the Central Insecticides Board and Registration Committee ("CIB&RC") for its agrochemicals and any failure to successfully obtain such registrations or maintain the statutory and regulatory permits and approvals required to operate their business and manufacturing facility would adversely affect their operations, results of operations and financial condition.
- ❖ They are subject to strict technical specifications, quality requirements, regular inspections and audits by their customers and their 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 the reputation, which would have an adverse impact on its business prospects and results of operations.
- ❖ The Company's business is subject to climatic conditions and is cyclical in nature. Seasonal variations and unfavorable local and global weather patterns may have an adverse effect on its business, results of operations and financial condition.
- ❖ Their operations are subject to environmental and workers' health and safety laws and regulations. The Company 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 their reputation, business, financial condition and results of operations.
- ❖ The Company depend on the success of their relationships with its customers. Their revenue is generated from certain of their key customers, and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for their products could adversely affect our business, results of operations, financial condition and cash flows.
- ❖ 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 their products and adversely affect our business and results of operations.
- ❖ The Company's lenders have imposed certain restrictive conditions on the company under their financing arrangements. This may limit the company's ability to pursue their business and limit its flexibility in planning for, or reacting to, changes in their business or industry.
- ❖ Their manufacturing facility is concentrated in a single region and the inability to operate and grow their business in this particular region may have an adverse effect on their business, financial condition, results of operations, cash flows and future business prospects.
- ❖ Any change in Government policies towards the agriculture sector or a reduction in subsidies and incentives provided to farmers could adversely affect their business and results of operations.

**Valuation:**

Dharmaj Crop has a diversified portfolio of products and consistent focus on quality and innovation. They have Strong R&D capabilities with focus on innovation and sustainability. The company is available at the upper end of the IPO price band, it is offered at 27.9x its FY22 earnings and 9.4x to P/BV with a market cap of Rs. 8,010 million. The valuation of the IPO appears to be reasonable when we compare with listed peers. The company has the agrochemical segment and has created a niche place with its B2C and B2B model.

**Comparison with listed industry peers**

Name of the company	Total Revenue (in ₹ Mn)	NAV(₹ per share)	EPS (₹)	P/E	RoNW
Rallis India	26,039.3	87.3	8.44	27.5	9.7
India Pesticides	7,161.4	55.4	13.78	18.5	24.8
Punjab Chemical & Crop Protection	9,334.6	184.0	68.07	17.5	37.0
Bharat Rasayan	13,011.5	1853.1	423.52	24.0	22.9
Astec Life Sciences	6,765.7	202.3	45.85	45.9	22.7
Heranba Industries	14,503.7	178.6	47.25	10.8	26.5

The revenue from operations has grown at a CAGR of 41.02% from FY2020 to FY2022 and Profit after tax (PAT) has grown at a CAGR of 63.30% FY2020 to Fy2022. The company has established a distribution network, strong branded products, and stable relationships with their institutional customers. In addition to this, the government's aim to reduce dependency on China and improve self-sufficiency is expected to support industry's backward integration and thus its growth. Pursuant to the setup of this manufacturing facility, profit margins on products would resultantly increase due to backward integration. Considering the future prospect for the company we assign "**Subscribe**" Rating to this IPO.

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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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