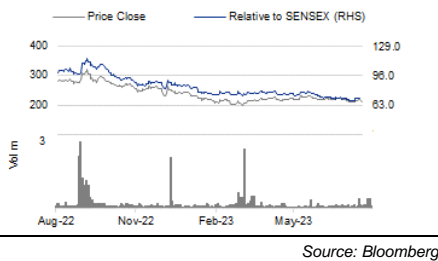


India

REDUCE (no change)

Consensus ratings*:	Buy 0	Hold 1	Sell 0
Current price:	Rs212		
Target price:	Rs189		
Previous target:	Rs220		
Up/downside:	-10.8%		
InCred Research / Consensus:	-5.5%		
Reuters:	IPL IN		
Bloomberg:	IPL IN		
Market cap:	US\$336m	Rs24,386m	
Average daily turnover:	US\$0.5m	Rs32.9m	
Current shares o/s:	115.2m		
Free float:	24.0%		

*Source: Bloomberg



Price performance	1M	3M	12M
Absolute (%)	(3.8)	(3.2)	(25.0)
Relative (%)	(1.2)	(8.0)	(31.1)

Major shareholders	% held
Promoter & Promoter Group	76.0
Quant Money Managers	1.6
Others	22.4

Analyst(s)



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India Pesticides Ltd

Volume to come under pressure, REDUCE

- We expect a sustained reduction in export volume across products in the coming quarters amid inventory destocking.
- Prosulfocarb, folpet & captan form 80% of the exports of IPL. These three are witnessing a sharp fall in volume along with reduced pricing.
- We value India Pesticides at 20x (15% discount) one-year forward EPS to arrive at a lower target price of Rs189. We retain our REDUCE rating.

Uncertain times for agrochemicals business

The agrochemicals sector is grappling with a challenging external landscape marked by fluctuating raw material prices, resulting in pricing challenges and increased inventory cost. This situation is further compounded by higher finished good inventory in the distribution channel. Amid such market pressure, pricing adjustments seem to be inevitable, and we believe the impact will be witnessed in the coming quarters.

Headwinds seen going ahead as volume pressure persists

Indian Pesticides or IPL's primary revenue drivers are three key products: prosulfocarb, folpet, and captan. However, the outlook for all the three products is challenging, with a declining export volume observed over the past few quarters. Additionally, pricing pressure resulting from increased inventory levels is expected to lead to lower realization. Prosulfocarb, captan, and folpet —accounted for approximately 80% of its total export sales of IPL in FY23. Going forward at the most, there may be a 10-12% growth in domestic revenue and but exports are likely to decline by 8-10%. It's worth noting IPL is generic agrochemical supplier hence lacks a strategic advantage compared to its competitors in this segment.

Maintain REDUCE rating with a lower target price of Rs189

Our valuation of IPL is based on a 15% discount to the one-year forward FY25F EPS, leading to a lower target price of Rs189 (Rs220 earlier). Our REDUCE rating on the stock is attributed to decelerating volume growth, lower export volume and realization. Upside risks: 1) Potential recovery in prices and the ease in destocking agrochemicals. 2) Success in multiple formulations for the company.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	7,161	8,849	8,741	9,399	10,113
Operating EBITDA (Rsm)	2,138	1,969	1,387	1,536	1,700
Net Profit (Rsm)	1,580	1,432	982	1,086	1,202
Core EPS (Rs)	13.9	12.4	8.5	9.4	10.4
Core EPS Growth	(25.7%)	(10.6%)	(31.4%)	10.6%	10.6%
FD Core P/E (x)	15.21	17.02	24.82	22.45	20.29
DPS (Rs)	1.7	1.5	1.1	1.2	1.3
Dividend Yield	0.97%	0.88%	0.60%	0.67%	0.74%
EV/EBITDA (x)	10.81	12.09	16.46	14.36	12.47
P/FCFE (x)	(32.91)	235.59	34.58	80.13	54.64
Net Gearing	(14.5%)	(7.4%)	(18.3%)	(24.3%)	(29.6%)
P/BV (x)	3.82	3.15	2.87	2.54	2.26
ROE	30.7%	20.3%	12.1%	12.0%	11.8%
% Change In Core EPS Estimates			(45.66%)	(43.10%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Volume to come under pressure, REDUCE

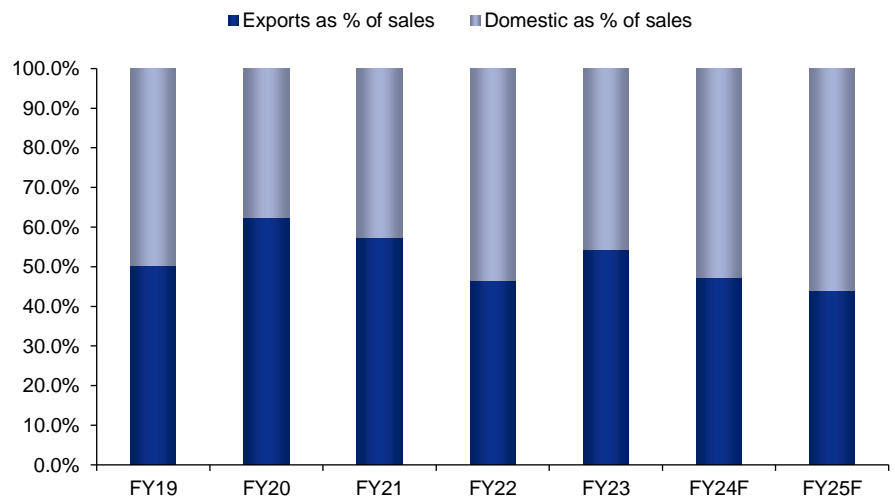
Key products come under pressure with competition intensifying >

India Pesticides or IPL holds its position as a leading agrochemicals manufacturer in India. The company is the exclusive Indian producer and ranks among the top five companies globally in various herbicides such as prosulfocarb, aclonifen, and fungicides like captan and folpet, along with pesticides like gajab and astron. However, all are basic agrochemical products. Approximately 80% of the company's total revenue is derived from its primary products: prosulfocarb, captan, and folpet. Nevertheless, all three key products are currently facing pressure on the pricing as well as volume fronts, which is likely to impact their realization adversely.

A decline in export volume is likely amidst a challenging environment >

IPL sells technicals to crop protection product manufacturing companies such as, Syngenta Asia Pacific, UPL, Ascenza Agro, S.A., Conquest Crop Protection, Sharda Cropchem and Stotras Pty. IPL has an export-oriented approach, with approximately 54% of its revenue being predominantly derived from exports.

Figure 1: IPL's FY24F export volume is expected to constitute around 47%, down from 54% in FY23, following the decline of approx. 17% in 1QFY24...

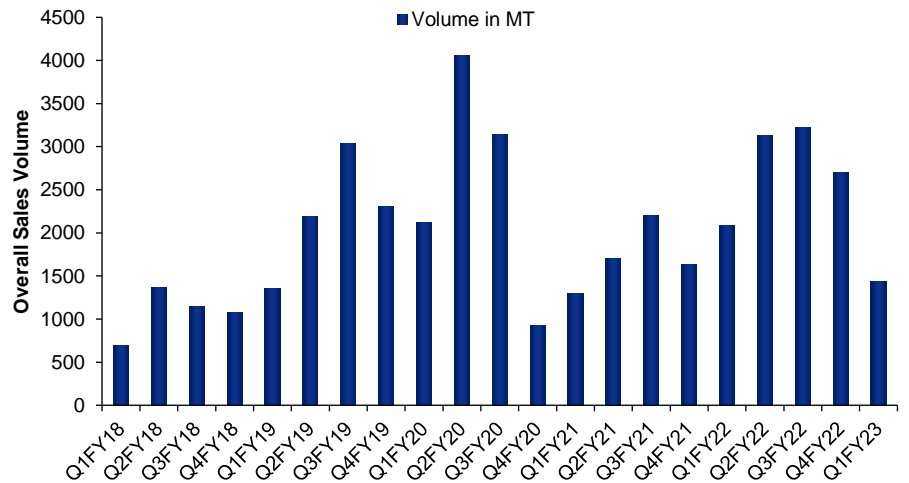


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Reduced demand driven in export markets ➤

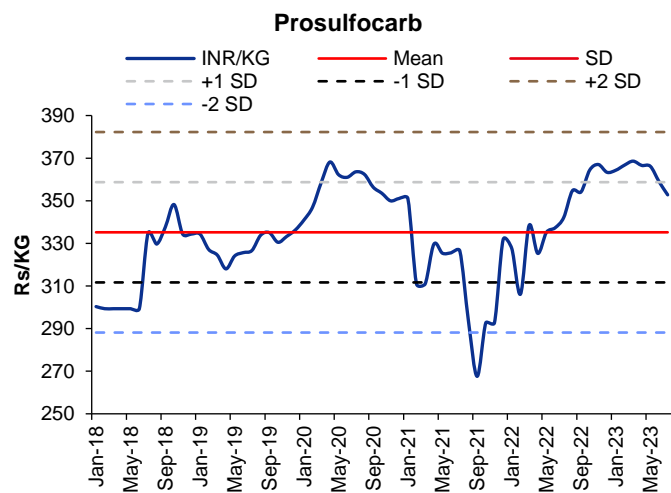
Due to persistent oversupply from China, overseas customers are exhibiting reduced demand. In such circumstances, it is common for customers to opt for lower price quotations.

Figure 2: ...resulting in decreased export volume, with an overall decline in volume largely influenced by prosulfocarb and folpet, close to 1QFY21 level



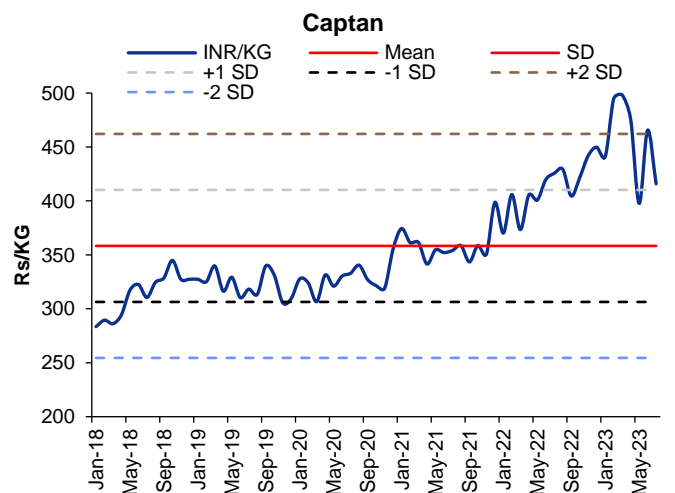
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: IPL experienced a favourable price trend for prosulfocarb, but it appears that the ride is coming to an end and its price to see a downward pressure in the coming quarters...



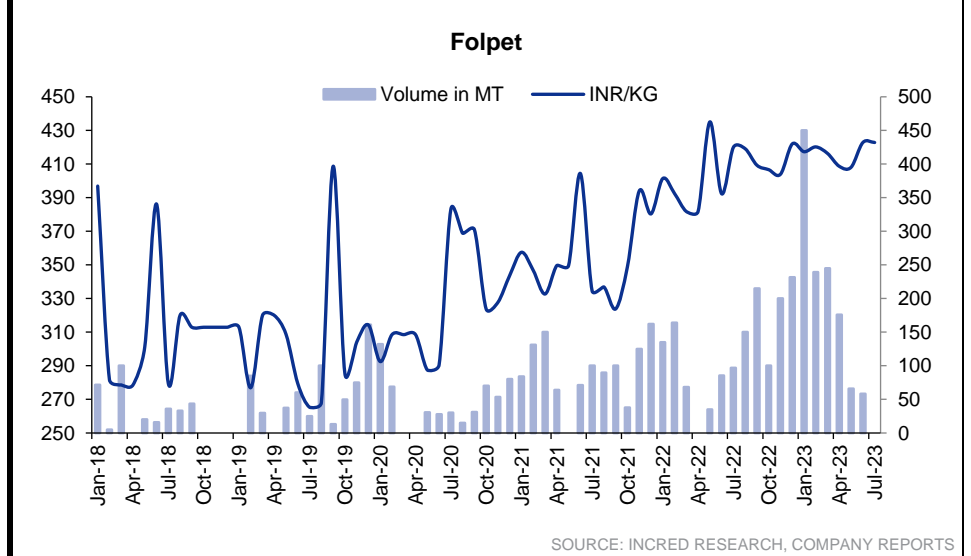
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: ... and a similar trend is expected for captan as well, as the favourable price trend is diminishing due to panic at the distributor-end



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Export volume decline witnessed since 1QFY23, despite folpet price hike



We value India Pesticides at 20x FY25F EPS; retain REDUCE rating ➤

We expect IPL's gross margin to decline further to 40%, We value the stock at 20x FY25F EPS (15% discount to one-year forward FY25F EPS) to arrive at a lower target price of Rs189 (from Rs220 earlier). We maintain our REDUCE rating on the stock.

Figure 6: We have valued IPL at 20x FY25F EPS to arrive at our target price of Rs189 (15% discount to one-year forward FY25F EPS)

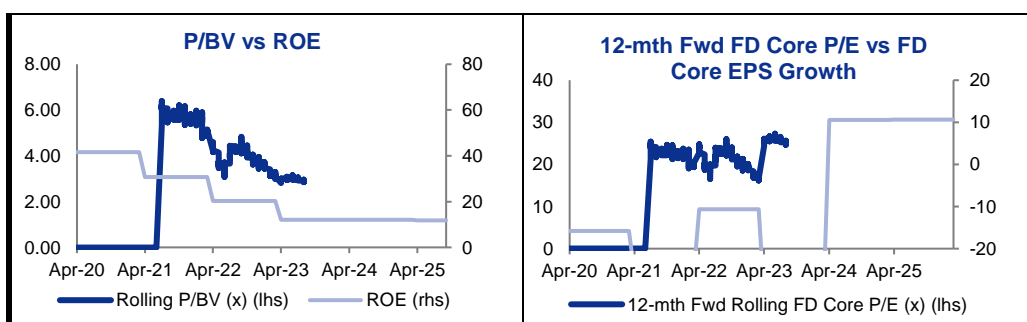


Figure 7: IPL's valuation

FY24F EPS	Rs/share	8.5
FY25F EPS	Rs/share	9.4
P/E (one-year forward on FY25F EPS)	x	20.0
Target price	Rs/share	188.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	7,161	8,849	8,741	9,399	10,113
Gross Profit	3,896	4,000	3,496	3,760	4,045
Operating EBITDA	2,138	1,969	1,387	1,536	1,700
Depreciation And Amortisation	(85)	(114)	(146)	(156)	(166)
Operating EBIT	2,053	1,856	1,241	1,380	1,534
Financial Income/(Expense)	(69)	(72)	(34)	(34)	(34)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	132	132	107	107	107
Profit Before Tax (pre-EI)	2,116	1,916	1,313	1,452	1,607
Exceptional Items					
Pre-tax Profit	2,116	1,916	1,313	1,452	1,607
Taxation	(536)	(484)	(331)	(366)	(405)
Exceptional Income - post-tax					
Profit After Tax	1,580	1,432	982	1,086	1,202
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,580	1,432	982	1,086	1,202
Recurring Net Profit	1,580	1,432	982	1,086	1,202
Fully Diluted Recurring Net Profit	1,580	1,432	982	1,086	1,202

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	2,138	1,969	1,387	1,536	1,700
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(980)	(1,125)	282	(268)	(290)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	39	(39)			
Other Operating Cashflow	173	192	107	107	107
Net Interest (Paid)/Received	(69)	(72)	(34)	(34)	(34)
Tax Paid	(544)	(472)	(536)	(536)	(536)
Cashflow From Operations	758	454	1,205	804	946
Capex	(820)	(760)	(500)	(500)	(500)
Disposals Of FAs/subsidiaries	2	2			
Acq. Of Subsidiaries/Investments					
Other Investing Cashflow	(515)	516			
Cash Flow From Investing	(1,334)	(243)	(500)	(500)	(500)
Debt Raised/(repaid)	(155)	(108)			
Proceeds From Issue Of Shares	1,000				
Shares Repurchased					
Dividends Paid	(36)	(86)	(147)	(163)	(180)
Preferred Dividends					
Other Financing Cashflow	(98)	(54)			
Cash Flow From Financing	711	(248)	(147)	(163)	(180)
Total Cash Generated	136	(37)	558	141	266
Free Cashflow To Equity	(730)	104	705	304	446
Free Cashflow To Firm	(507)	283	739	339	481

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	1,068	611	1,742	2,512	3,368
Total Debtors	2,479	2,621	3,026	3,254	3,501
Inventories	1,397	2,250	1,705	1,833	1,972
Total Other Current Assets	559	366	366	366	366
Total Current Assets	5,503	5,847	6,839	7,966	9,208
Fixed Assets	2,181	2,756	2,810	2,854	2,889
Total Investments	172	121	121	121	121
Intangible Assets					
Total Other Non-Current Assets	66	485	485	485	485
Total Non-current Assets	2,418	3,361	3,416	3,460	3,494
Short-term Debt	108	19	108	108	108
Current Portion of Long-Term Debt					
Total Creditors	962	1,031	1,174	1,263	1,358
Other Current Liabilities	264	211	211	211	211
Total Current Liabilities	1,334	1,261	1,493	1,581	1,677
Total Long-term Debt	36	17	74	74	74
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	79	81	81	81	81
Total Non-current Liabilities	114	98	156	156	156
Total Provisions	93	118	95	95	95
Total Liabilities	1,542	1,477	1,744	1,833	1,928
Shareholders Equity	6,379	7,731	8,511	9,593	10,774
Minority Interests					
Total Equity	6,379	7,731	8,511	9,593	10,774

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	10.4%	23.6%	(1.2%)	7.5%	7.6%
Operating EBITDA Growth	16.8%	(7.9%)	(29.6%)	10.7%	10.7%
Operating EBITDA Margin	29.9%	22.3%	15.9%	16.3%	16.8%
Net Cash Per Share (Rs)	8.03	4.99	13.54	20.23	27.66
BVPS (Rs)	55.39	67.13	73.90	83.30	93.55
Gross Interest Cover	29.95	25.94	36.14	40.19	44.69
Effective Tax Rate	25.3%	25.3%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	15.0%	15.0%	15.0%	15.0%	15.0%
Accounts Receivables Days	117.77	105.18	117.90	121.94	121.91
Inventory Days	117.23	137.22	137.61	114.50	114.47
Accounts Payables Days	95.15	75.02	76.75	78.85	78.83
ROIC (%)	40.8%	25.4%	12.8%	14.7%	15.7%
ROCE (%)	37.7%	25.6%	14.9%	14.8%	14.7%
Return On Average Assets	24.9%	17.3%	10.4%	10.3%	10.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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