



## INDIA PESTICIDES LTD.

Sector

Jan 08, 2024

Buy at CMP: Rs 376 | Target: Rs 436 (16%) | SL: Rs 336

Chemicals

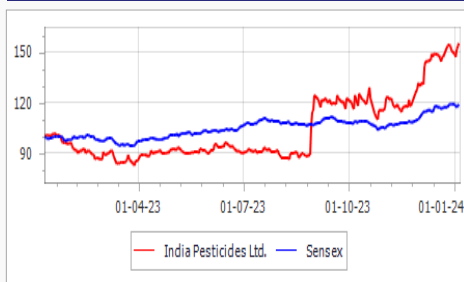
## Script Details

BSE Group	B
BSE Code	543311
NSE Code	IPL
Bloomberg Code	IPL IN
Market Cap (INR Cr.)	4,323
Free Float (%)	36.4%
52wk Low/High	378/198
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.2
Total paid Up Shares (Mn.)	115.2

## Share Holding Pattern (%)

Promoters	Public	Others
63.6%	36.4%	-

## Share Price Relative Performance



India Pesticides Limited is an agro-chemical company focused on R&D-driven Technicals and a growing Formulations business. It's rapidly growing in Technicals production and holds the distinction of being India's sole producer of five Technicals. Globally, it's a significant manufacturer of Captan, Folpet, and Thiocarbamate Herbicide. The company operates in two segments: Technicals and Formulations, manufacturing essential chemicals for fungicides/herbicides and APIs for dermatological products, alongside selling various ready-to-use insecticides, fungicides, herbicides, growth regulators, and Acaricides.

Investment Rationale

- ◆ **Capacity expansion and new product launches fuel revenue and earnings growth:** IPL operates two manufacturing units in Lucknow and Hardoi, with expansions underway, including a dedicated herbicide block at Sandila (capex: INR70cr) and a new project in Hamirpur (capex: INR100cr). The Hamirpur facility, under its subsidiary Shalvis Specialty, has received clearance from the Ministry of Environment, Forest, and Climate Change, aiming to begin operations by H2FY24, with optimization expected in FY25.
- ◆ **Strong Product Portfolio and R&D Driven Operations:** IPL is an R&D-focused agrochemical company, specializes in herbicides, fungicides, and APIs. With 19 technical losing patents, it's poised for market opportunities. Expanding registrations globally and entering Latin America, particularly Brazil and Mexico, enhances its market presence and product range.
- ◆ **Robust Operating Margin Guidance of 22%:** The company aims for an EBITDA margin between 20% to 22% starting from the upcoming year, signalling a focus on stronger profitability. It anticipates stability without additional inventory losses and predicts an EBITDA margin of 16% to 18% for the following two quarters. This indicates a transitional period before achieving the targeted margin, likely due to ongoing adjustments or factors impacting short-term performance.
- ◆ **Outlook and Valuations:** We estimate IPL to report PAT of INR 152 Cr on revenue of Rs 1246 Cr by FY26E. Which implies forward PE of 28.4(x) for FY26E. We value it with a Price to Earnings of 32x to FY25E EPS which results per share value of INR 436. We recommend BUY on SUPRIYA at CMP of INR 376 with Target price of INR 436 (16%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY23	819	138	100	43.3	27.9
FY24E	942	159	115	37.6	26.9
FY25E	1,083	183	132	32.7	23.4
FY26E	1,246	211	152	28.4	20.4

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- ◇ The IPL stock is currently experiencing strong momentum, reaching its all-time highs. This upward trend is supported by a notable increase in trading volume, surpassing the 21-week average volume. The stock's structural development appears robust, with a continued upward movement following a flag and pole breakout.
- ◇ On the daily scale, a change in polarity is evident, where the previous resistance from January 2022 has now become a support zone as on December 2023. This support zone aligns coincidentally with the 61.80 extension level. Following this development, the stock has consistently formed higher highs and higher lows.
- ◇ Additionally, the stock has maintained its position above the 12-week and 26-week Exponential Moving Averages (EMAs), indicating a positive trend alignment. This suggests that the stock's overall trajectory is favorable.
- ◇ Analyzing the Moving Average Convergence Divergence (MACD), it reveals a bullish momentum. The MACD has consistently remained in positive territory and is steadily increasing, further supporting the positive outlook for the stock.



### Inference & Expectations

- Considering these factors, it can be inferred that IPL stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 432 level.
- The stop loss must be at 336 level, strictly on the closing basis.

**Invest Now** ➡➡

Source: Tradingview.in, GEPL Research



Name	Designation	Email	Contact
Mr. Vidnyan Sawant	Assistant Vice President (AVP), Technical Desk	vidnyan@geplcapital.com	+91 (22) 66182687
Mr. Harshad Gadekar	Research Analyst, Fundamental Desk	harshadgadekar@geplcapital.com	+91 (22) 66142685

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**Reg./Corp. Office:** D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

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