

Rating: Neutral

Issue Offer

Fresh Issue up to 27,317,073 shares and Offer for sale up to 7,758,620 equity shares

Issue Summary

Price Band (INR)	39-41
Face Value (INR)	2
Implied Market Cap (INR Mn)	3,793
Market Lot	365
Issue Opens on	Jan, 22, 2024
Issue Close on	Jan, 24, 2024
No. of share pre-issue	65,202,740
No. of share post issue	92,519,813
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≥50
NII (HNI) Portion	≤15
Retail Portion	≤35

Book Running Lead Managers

Keynote Financial Services Ltd
Bajaj Capital Limited

Registrar

Bigshare Services Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	84.27%	59.39%
Public & Others	15.73%	40.61%

Objects of the issue

- Investment in subsidiary Nova Agri Sciences Private Limited (NASPL) for new formulation plant.
- Funding Capital Expenditure by our Company, towards expansion of our existing formulation plant
- Funding of working capital requirement of our Company
- Investment in subsidiary, Nova Agri Sciences Private Limited for funding working capital requirements

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Business Overview

Nova Agritech Ltd. (NATL) incorporated in 2007 at Hyderabad, Andhra Pradesh is a prominent agri-input manufacturer with a focus on soil health management, crop nutrition, and crop protection through tech-driven farmer-centric solutions. The company's diverse product range spans soil health management, crop nutrition, bio stimulants, bio pesticides, Integrated Pest Management, new technologies and crop protection. Notably, crop protection products are manufactured by its subsidiary, Nova Agri Sciences Private Ltd (NASPL). As of November 30, 2023, NOVA has garnered a total of 720 product registrations across various categories. The distribution network spans 16 states, encompassing around 11,722 dealers, with approximately 6,769 active dealers in the current financial year. Additionally, the company has expanded its reach internationally with distributors in Nepal and strategic agreements in Bangladesh, Sri Lanka, and Vietnam, pending regulatory approvals for business initiation in these regions.

Investment Rationale

Augmenting Competencies and Expanding Manufacturing Capacities

NATL intends to invest in NASPL for setting-up a new formulation plant and funding the capital expenditure in NATL. To enhance the product range and production capacity, the company plans to increase the capacity of Suspension Concentrate (SC) formulations and can add new formulation types like Capsule Suspension (CS), Suspo Emulsion (SE), Mixed formulation of CS & SC (ZC), Water Dispersible Granules (WDG) and Granules. NATL plans to expand its product portfolio by offering new generation products created and formulated based on patented formulations, thus creating a wider catalogue of enhanced modern products ready to be offered to the farmers to cater to their farming needs at various levels.

Strategic Expansion through Technicals Distribution

NOVA AGRITECH is set to play a pivotal role in fostering the growth of the Indian agriculture sector by importing and distributing Technicals. In a strategic move, the company has inked Registration and Distribution Agreements with a Taiwanese entity for the import and distribution of Butachlor 85% Tech and with a Chinese entity for Emamectin Benzoate Technical 95%. These agreements, effective for a substantial 5-year period, signify NOVA's commitment to bringing essential agricultural technologies to India, positioning itself as a key player in the sector's development.

Innovative Growth Initiatives and R&D Focus

In addition to the existing 720 product registrations covering diverse categories, NOVA AGRITECH is poised for further expansion with 14 new product registrations under NASPL and 22 under NATL. The company is strategically positioning itself for continued innovation and excellence by seeking Department of Scientific and Industrial Research (DSIR) certification for its in-house R&D projects.

Valuation and View:

NOVA AGRITECH is promising with its diverse agri-input portfolio, strategic expansion through technical imports, and a focus on innovation and research. The company's international presence and investments in manufacturing capacities signal a forward-looking approach. At the upper band of INR 41, the issue is valued at a P/E of 18.3x based on H1FY24 EPS of INR 1.66 (post issue) which is rich valuations compared to listed Peers. Hence, we have a Neutral rating as we remain cautious on agro chemicals sector which is facing headwinds.

Financial Statements

Income statement summary

Y/E 31 Mar (INR mn)	FY21	FY22	FY23
Revenue	1,606	1,856	2,106
Operating expenses	990	1,135	1,213
Gross Profit	616	721	892
Gross Margin (%)	38.3%	38.9%	42.4%
Employee Cost	221	265	273
Other Expenses	216	178	232
EBITDA	179	278	387
EBITDA Margin (%)	11.1%	15.0%	18.4%
Depreciation	-21	-22	-24
Interest expense	-73	-72	-86
Other income	3	0	4
Exceptional item	0	0	0
Profit before tax	87	184	282
Taxes	24	48	77
PAT	63	137	205
PAT Margin (%)	3.9%	7.4%	9.7%
EPS (INR)	1.00	2.18	3.27

Balance Sheet Summary

Y/E 31 Mar (INR Mn)	FY21	FY22	FY23
Equity Capital	125.41	125.41	125.41
Reserves	168.89	306.51	513.39
Net worth	294.30	431.91	638.80
Minority Interest	0.00	0.00	0.00
Provisions	7.17	9.30	8.92
Long term borrowings	183.52	236.38	163.57
Other non-current liabilities	40.09	7.19	7.11
Total Liabilities	1474.39	1602.98	1807.83
Fixed assets	160.07	168.24	155.76
Capital Work In Progress	0.00	0.50	6.30
Other Intangible assets	0.42	0.31	1.18
Goodwill	11.62	11.62	11.62
Investments	0.00	0.00	0.00
Other non-current assets	35.69	41.75	45.73
Non Current Assets	207.80	222.42	220.59
Inventories	354.23	367.96	417.21
Sundry debtors	849.76	929.86	1056.76
Short Term borrowings	327.50	406.28	545.98
Other current assets	50.37	59.02	76.61
Sundry creditors	463.29	324.81	272.76
Other financial liabilities	65.57	70.63	59.53
Other current liabilities & Prov	92.96	116.48	111.17
Cash	3.16	16.42	33.52
Other Financial Assets	9.08	7.30	3.14
Total Assets	1474.39	1602.98	1807.83

Cashflow summary

Y/E 31 Mar (INR Mn)	FY21	FY22	FY23
Profit before tax	86.71	184.45	281.64
Depreciation	21.45	22.25	23.61
Interest	73.33	71.51	43.45
Change in Working Capital	-125.20	-226.31	-278.46
Tax paid	23.71	47.55	76.74
Operating cashflow	51.81	24.82	54.49
Proceeds from Purchase and sale of PPE	-30.73	-40.56	-22.68
Investing Cashflow	-31.23	-38.78	-18.57
Proceeds from borrowings	36.21	93.95	70.17
Interest Paid	-73.33	-71.51	-85.72
Financing Cashflow	-18.30	27.23	-18.83
Net cashflow	2.28	13.27	17.10
Opening Cash	0.87	3.16	16.42
Closing Cash Flow	3.16	16.42	33.52

Ratio Analysis

Y/E 31 Mar (INR Mn)	FY21	FY22	FY23
Growth matrix (%)			
Revenue growth		15.5%	13.4%
PAT growth		117.3%	49.7%
Profitability ratio (%)			
Net Profit Margin	3.92%	7.38%	9.73%
ROCE	29.9%	37.4%	44.4%
ROE	21.4%	31.7%	32.1%
ROA	4.3%	8.5%	11.3%
Per share ratio (INR)			
EPS	1	2.18	3.27
Cash EPS	0.83	0.40	0.87
Book value per share	4.69	6.89	10.19
Valuation ratio (x)			
P/E	41.00	18.81	12.54
P/CEPS	49.62	103.59	47.18
P/B	8.74	5.95	4.02
EV/EBITDA	18.18	11.68	8.39
Payout (%)			
Tax Payout	27.3%	25.8%	27.2%
Liquidity ratio			
Debtor days	193.08	182.87	183.19
Inventory days	130.54	118.35	125.50
Creditor days	123.96	75.85	59.57
WC days	199.66	225.37	249.12

Story in Charts

Exhibit 1: Revenue from Operations has grown at a CAGR of 16.1% from FY21 to FY23

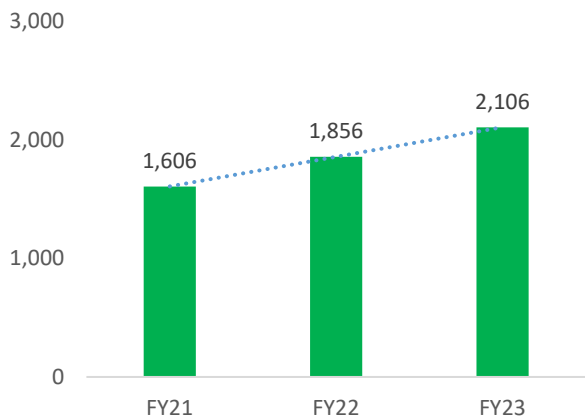


Exhibit 2: Over the past three years, the company's EBITDA margins have consistently increased

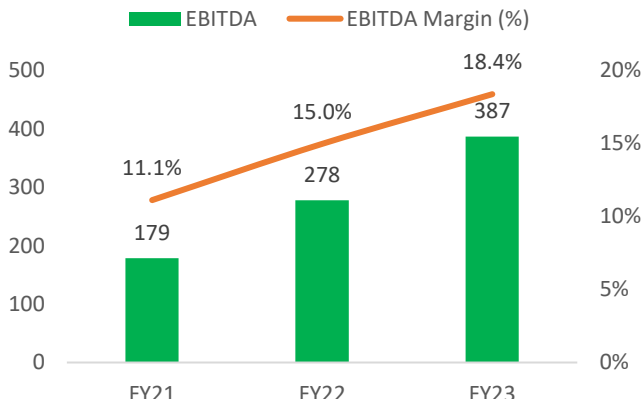


Exhibit 3: The PAT has shown consistent increase from last 3 financial years

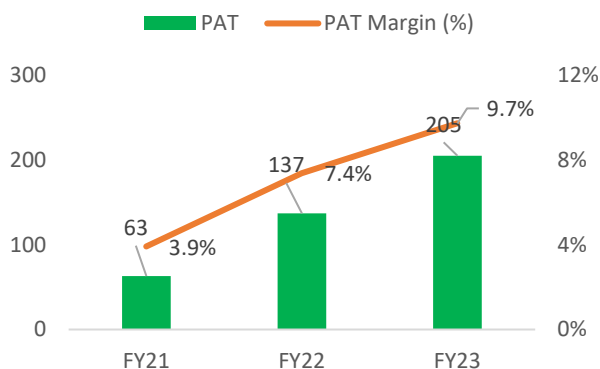


Exhibit 4: Working capital has reduced in terms of sales.

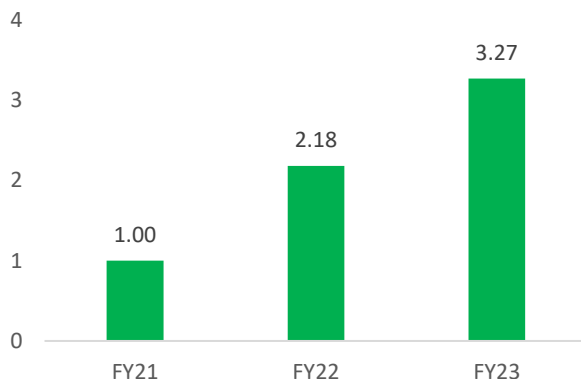


Exhibit 5: Consistent Improvement in ROCE, ROE, and ROA Trends Over Three Financial Years

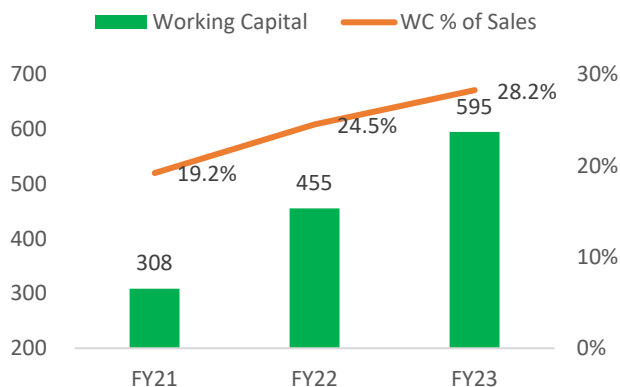
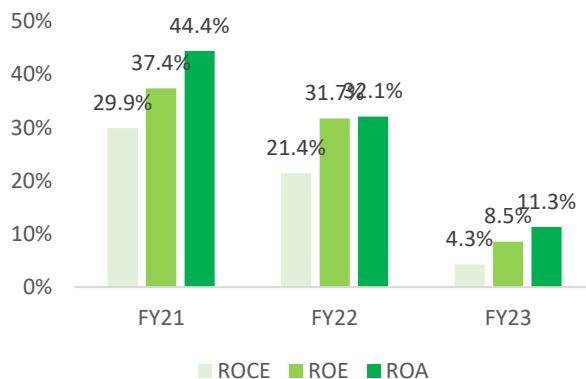


Exhibit 6: Steady Increase in EPS over last 3 Financial Years



Source: RHP, Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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