



**SMC Ranking**  
 ★★☆☆☆ (2/5)

### Issue Highlights

Industry	Fertilisers
Offer for sale (Shares)	7,758,620
Fresh Issue (Shares)	27,317,073
<b>Net Offer to the Public</b>	<b>35,075,693</b>
Issue Size (Rs. Cr.)	136-144
Price Band (Rs.)	39-41
Offer Date	22-Jan-24
Close Date	24-Jan-24
Face Value	2
Lot Size	365

### Issue Composition

Issue Composition	In shares
Total Issue for Sale	35,075,693
QIB	17,537,847
NIB	5,261,354
Retail	12,276,493

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	87.63%	61.04%
QIB	12.37%	19.48%
NIB	0.00%	5.84%
Retail	0.00%	13.64%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The net proceeds of the Fresh Offer, i.e. gross proceeds of the Fresh Offer less the offer expenses apportioned to the company ("Net Proceeds") are proposed to be utilised in the following manner:

- Investment in the subsidiary, Nova Agri Sciences Private Limited for setting-up a new formulation plant;
- Funding Capital Expenditure in the Company, towards expansion of the existing formulation plant;
- Funding of working capital requirements of the company;
- Investment in the subsidiary, Nova Agri Sciences Private Limited, for funding working capital requirements; and
- General corporate purposes.

#### Book Running Lead Manager

- Keynote Financial Services Limited
- Bajaj Capital Limited

#### Name of the registrar

- Bigshare Services Private Limited

### About the company

Founded in 2007, Nova AgriTech empowers farmers by providing a diverse range of crop-growth solutions. The company manufactures, distributes, and markets products spanning seven categories: soil health, nutrition, biostimulants, biopesticides, IPM, new technologies, and crop protection. A dedicated subsidiary, Nova Agri Sciences, spearheads crop protection product line. Through its relentless innovation, it has secured 629 product registrations by January 2023, categorized into soil management, plant nutrition, biopesticides, and crop protection. Its commitment to farmer education is evident through their network of 13 Kisan Mitras (farmer friends) and 253 Kisan Sevaks (farmer advisors), further strengthening its support and guidance.

### Strength

**One-Stop Solution for Soil Health Management:** Nova AgriTech empowers farmers by offering a comprehensive range of products across soil health management, crop nutrition, and crop protection. Imagine a toolbox filled with everything you need for a thriving farm – organic fertilizers, biofertilizers, soil conditioners, micronutrient fertilizers, beneficial element fertilizers, straight nitrogen and potash fertilizers, water-soluble NPK fertilizers, insecticides, fungicides, herbicides, and plant growth regulators. To simplify application and boost yields, the company has created unique combinations of two or more active ingredients in several products.

**Established Distribution Network:** Reaching remote corners of India isn't a problem for Nova AgriTech. The company has built a robust distribution network with over 11,700 dealers spread across 16 states. This ensures timely delivery of essential products to farmers, crucial in the seasonal world of agriculture.

**Strengthening Farmer Outreach:** Education is key to sustainable farming. Nova AgriTech's Nova Kisan Seva Kendra (NKSK) program educates farmers on best practices through a dedicated team of agri-graduate coordinators. But their reach extends further. The company collaborates with Kisan Mitras and Kisan Sevaks at the grassroots level, ensuring personalized guidance for each farmer. As on November 30, 2023, its NKSK team comprises of 24 NKSK Coordinators who are all agri-graduates and are on the payrolls of the Company. As on November 30, 2023, the Company is associated with 96 Kisan Mitras and 142 Kisan Sevaks at a grass root level. Its three tier NKSK programme comprising of NKSK Coordinators, Kisan Mitras and Kisan Sevaks ensures that it is able to penetrate at the grass root level of the agricultural ecosystem and have a personalised connect with the farmer network.

**Technology-Driven Growth:** From understanding market trends to anticipating farmer needs, Nova AgriTech leverages technology at every step. Tools like Bhuparikshak, Nova Agribot, and the NKSK App empower them to adapt to the ever-changing agricultural landscape. The company actively engage in social media outreach and technology transfer partnerships with universities, solidifying its commitment to innovation.'

**Well-Equipped Research & Development:** Nova AgriTech invests heavily in R&D. Its dedicated in-house facility focuses on new product development and quality control. Collaborations with universities and a research incubation center in Andhra Pradesh fuel its pursuit of groundbreaking solutions.

## Strategy

**Expanding Product Portfolio and Production Capacity:** Nova AgriTech is gearing up to expand product portfolio. It is also gearing to introduce advanced, safe, and efficient products through a proposed expansion of their manufacturing capacity. This includes increasing the capacity for Suspension Concentrate (SC) formulations and adding new types like Capsule Suspension (CS), Suspo Emulsion (SE), and Mixed formulations.

**Continued Focus on Product Registrations:** Innovation is key for Nova AgriTech. They actively seek registrations for new formulations and products to offer a complete solution for the agricultural sector. As of November 30, 2023, they have over 720 registrations with plans for 14 new NASPL registrations and 22 new NATL registrations.

**Reaching New Geographies:** Nova AgriTech aims to reach more farmers across India and expand their NKSK program nationwide. The company also has plans to enter new export markets, starting with Bangladesh, Sri Lanka, Vietnam, and exploring potential in Africa.

**Deepening Farmer Interface:** Nova AgriTech wants to connect with farmers at the grassroots level by providing holistic solutions and expert crop advisory. The company plans to introduce a subscription model for access to modern technologies like Agribot and Bhuparikshak, empowering farmers with data and information.

**Collaborations for Innovation:** Nova AgriTech prioritizes partnerships with academic institutions and businesses to drive innovation and acquire the best talent. Its "REACH" program fosters collaboration for sustainable growth and market leadership.

**Focus on Modern Technologies:** Nova AgriTech embraces cutting-edge technologies like DGCA-approved agricultural drones (AGRIBOT) for precision farming. The company also plans to establish training centers to equip farmers with the skills to utilize these tools effectively.

**Distributorship of Technicals:** On April 15, 2022, NASPL has entered into a Registration and Distribution Agreement with a Taiwanese entity to act as the distributor for sales and formulation of Butachlor 85% Tech in India for a period of 5 years. Nova AgriTech aims to import and distribute technicals in India like Butachlor, a vital herbicide. This move strengthens its position in the growing Indian agricultural sector.

## Risk factor

- While the company experienced negative cash flow in some fiscal years, continued losses could threaten its operations, financial health, and profitability.
- The company's operations rely on obtaining and maintaining necessary licenses and permits, any breach of which could affect its business.
- Due to significant working capital demands, the company might require additional financing to sustain its operations.
- The company's success hinges on its research and development efforts, as they drive product development and market competitiveness.

## Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcaps
Aimco Pesticides	198.70	-11.26	0.00	0.00	2.90	42.23	10	122.40	117.29
Basant Agro Tech	464.80	6.75	0.74	30.43	1.21	18.67	1	22.52	204.09
Madras Fertilize	2635.83	67.34	4.18	26.73	-7.86	-14.23	10	111.75	1800.29
Best Agrolife	2005.08	207.58	87.79	9.48	2.84	293.06	10	832.35	1968.07
Aries Agro	488.53	12.98	9.99	20.67	1.03	199.57	10	206.45	268.39
Bhagiradha Chem.	470.59	28.73	27.61	53.70	4.85	305.63	10	1482.60	1542.72
Heranba Inds	1235.71	45.09	11.27	34.22	1.87	206.62	10	385.70	1543.32
India Pesticides	819.23	99.75	8.66	43.76	5.46	69.44	1	379.00	4364.70
Dharmaj Crop	589.35	44.29	13.10	20.18	2.49	106.21	10	264.40	893.60
Nova Agritech Limited	206.43	20.76	2.31	17.77	1.88	21.84	2	41.00	369.08

\*Peer comparisons are based on TTM

\*\* Nova Agritech Financials are based on estimated Annualised FY24.

## Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.41, the stock is priced at pre issue P/E of 12.38x on estimated annualised FY24 EPS of Rs.3.31. Post issue, the stock is priced at a P/E of 17.77x on its EPS of Rs.2.31. Looking at the P/B ratio at Rs.41, pre issue, book value of Rs. 13.49 of P/Bvx 3.04x. Post issue, book value of Rs. 21.84 of P/Bvx 1.88x.

Considering the P/E valuation, on the lower end of the price band of Rs.39, the stock is priced at pre issue P/E of 11.78x on estimated annualised FY24 EPS of Rs.3.31. Post issue, the stock is priced at a P/E of 16.91x on its EPS of Rs.2.31. Looking at the P/B ratio at Rs.39, pre issue, book value of Rs. 13.49 of P/Bvx 2.89x. Post issue, book value of Rs. 21.84 of P/Bvx 1.79x.

## Industry Outlook

### Agriculture continues to remain the backbone of Indian Economy

Agriculture is the primary source of livelihood for about 58% of India's population. As a result, the share of agriculture and allied sectors to the total economy's Gross Value Added (GVA) has been significant and has increased over the years. The agriculture sector has experienced steady growth in the past two years. As of 2022-23, the sector is the largest employer of the workforce and accounted for a sizeable 15.1% of the in Gross Value Added (GVA) of the country. Growth in allied sectors including livestock, dairying and fisheries has also been a major growth driver in the sector. The expansion in the share of agriculture and allied sector's GVA is backed by an upward trend in the GVA of agriculture activities. During the five-year period 2018-19 to 2022-23, the GVA for agriculture increased at a CAGR of 4.3% from ₹ 18,871 billion in 2018-19 to ₹ 22,343 billion in 2022-23.

Crop nutrition industry primarily consists fertilizers (chemical, organic and bio-fertilizers) and bio-stimulants.

### Overview and types of fertilizers

Fertilizer is any material of natural or synthetic origin that is applied to plant tissues or soil to supply plant nutrients. For most modern agricultural practices, fertilization focuses on three main macro nutrients: Nitrogen, Phosphorous and Potassium. Fertilizers are mainly classified as – i. Chemical fertilizers ii. Organic fertilizers iii. Biofertilizers.

### Overview and key types of bio-fertilizers

As per several studies conducted by the Centre of Science & Environment, crops no longer respond to chemical fertilizers as they used to. The fertilizer response ratio used to be 13.4 in 1970 which further reduced to 2.7 by 2015. Due to heavy subsidies provided for nitrogen, the nitrogen-

phosphorous-potassium ratio has been skewed towards nitrogen. However, the continuous use of nitrogenous fertilizers adversely affected the soil health in India. The crops displayed symptoms in deficiencies of macro and micro nutrients. This became a growing concern and led to the search for alternative non-chemical choices which included biofertilizers and organic fertilizers. Bio fertilizers contain microbes that enhance plant nutrition or increase nutrient availability in soils. E.g. azospirillum, rhizobium, etc. They are regulated under the Fertilizer Control Order.

## Outlook

Nova Agritech presents a compelling growth story with a diversified product portfolio, strong distribution network, and commitment to R&D. However, it's crucial to consider the competitive market, weather dependence, debt burden, and recent performance before making an investment decision. Investors should be aware of potential margin pressures and the inherent risk associated with the business. A longer-term perspective is recommended.

## An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	22-January-24
BID/ISSUE CLOSES ON	24-January-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	25-January-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	29-January-24
Credit of Equity Shares to demat accounts of Allottees	29-January-24
Commencement of trading of the Equity Shares on the Stock Exchanges	30-January-24

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	103.22	210.56	185.57
Total expenditure	83.86	171.84	157.79
<b>Operating Profit</b>	<b>19.35</b>	<b>38.72</b>	<b>27.78</b>
OPM%	1.87	1.84	1.50
Other Income	0.03	0.38	0.04
<b>PBDIT</b>	<b>19.38</b>	<b>39.10</b>	<b>27.82</b>
Depreciation	1.00	2.36	2.23
<b>PBIT</b>	<b>18.38</b>	<b>36.74</b>	<b>25.60</b>
Interest	4.35	8.57	7.15
<b>Profit before tax</b>	<b>14.03</b>	<b>28.16</b>	<b>18.44</b>
Tax	3.65	7.67	4.76
<b>PAT</b>	<b>10.38</b>	<b>20.49</b>	<b>13.69</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	14.77	15.58	16.82
Capital work-in-progress	0.73	0.63	0.05
Goodwill	1.16	1.16	1.16
Other intangible assets	0.10	0.12	0.03
<b>Financial Assets</b>			
Investments	0.00	0.00	0.00
Other financials assets	0.31	0.31	0.73
Deferred Tax Assets (Net)	4.94	4.57	4.18
<b>Total non-current assets</b>	<b>22.02</b>	<b>22.37</b>	<b>22.97</b>
<b>Current assets</b>			
Inventories	50.46	41.72	36.80
<b>Financial Assets</b>			
Trade Receivables	116.15	105.68	92.99
Cash and Cash Equivalents	1.32	3.35	1.64
Loans	0.04	0.04	0.03
Other current assets	6.39	7.62	5.87
<b>Total current assets</b>	<b>174.35</b>	<b>158.41</b>	<b>137.33</b>
<b>Total Assets</b>	<b>196.37</b>	<b>180.78</b>	<b>160.30</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Long-term borrowings	12.20	16.36	23.64
Other financial liabilities	0.48	0.71	0.72
Provisions	0.99	0.89	0.93
<b>Total non-current liabilities</b>	<b>13.68</b>	<b>17.96</b>	<b>25.29</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Short-term borrowings	56.30	54.60	40.63
Trades Payable - MSME	15.24	6.82	18.16
Trade Payables - other than MSME	16.15	20.46	14.32
Other financial liabilities	6.31	5.95	7.06
Other current liabilities	0.99	1.71	2.48
Provision	1.35	1.29	0.97
Current tax liabilities (net)	12.12	8.12	8.20
<b>Total current liabilities</b>	<b>108.47</b>	<b>98.94</b>	<b>91.82</b>
<b>Total</b>	<b>122.14</b>	<b>116.90</b>	<b>117.11</b>
Net worth represented by:			
Equity Share Capital	12.54	12.54	12.54
Other equity	61.69	51.34	30.65
<b>Net Worth</b>	<b>74.23</b>	<b>63.88</b>	<b>43.19</b>

## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★★
<b>FAIR</b>	★★★
<b>GOOD</b>	★★★★
<b>EXCELLENT</b>	★★★★★

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