



## IPO Note

# Dhanlaxmi Crop Science Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Dhanlaxmi Crop Science Limited was originally incorporated as "Dhanlaxmi Agrichem Private Limited" on Nov 28, 2005. The registered office is located at Gujarat, India.
- **Business Activity:** The company is engaged in the business of producing and selling field crops and vegetables.
- **Revenue Stream:** The company derives majority of its revenue from cotton seeds.
- **Human Resource:** The company has 67 full-time employees as on Dec 02, 2024.

### Objects of the Issue -

- To meet working capital requirements
- To meet the issue expenses
- General Corporate Purposes

### Promoters Name -

Kamleshkumar Jayantilal Patel, Alpeshbhai Jayantibhai Patel and Meet Kamleshkumar Patel

### Rationale for recommendation -

- ✓ The company's top line has seen a sudden increase in Sep-2024.
- ✓ The company's bottom line and profitability margins have seen a huge jump in FY2023.
- ✓ The DE ratio of the company is very low indicating that the company is not utilizing its debt opportunity.
- ✓ The company is highly dependent on cotton for their revenue generation.
- ✓ The company has high concentration for customers.
- ✓ The company is not looking for any capital expenditure through IPO proceeds.
- ✓ The post issue promoters shareholding is low.
- ✓ The industry is highly fragmented and competitive.

### IPO Details

|                       |                           |
|-----------------------|---------------------------|
| Opening Date          | Dec 09, 2024              |
| Closing Date          | Dec 11, 2024              |
| Allotment Date        | Dec 12, 2024              |
| Listing Date          | Dec 16, 2024              |
| Stock Exchange        | NSE SME                   |
| Lot Size              | 2,000 Shares              |
| Issue Price Per Share | ₹52 to ₹55                |
| Issue Size            | 23.80 Cr.                 |
| Fresh Issue           | 23.80 Cr.                 |
| Offer for Sale        | -                         |
| Application Amt       | ₹ 1,10,000 (2,000 shares) |

### INDUSTRY - Agriculture Avg. P/E ratio of peers - 21.03

| KPI's      | KPIs (In Lakhs) |          |          |          |
|------------|-----------------|----------|----------|----------|
|            | FY 22           | FY 23    | FY 24    | Sep-24   |
| Revenue    | 3,543.06        | 4,661.07 | 6,371.03 | 11,995.0 |
| EBITDA     | 155.32          | 449.11   | 684.96   | 1,144.58 |
| Net Profit | 58.27           | 299.56   | 465.35   | 820.81   |
| RoCE       | 11.68%          | 30.52%   | 37.73%   | 43.95%   |
| ROE        | 9.44%           | 26.29%   | 28.87%   | 33.75%   |
| P/E        | 50.46           | 22.00    | 14.18    | 3.99*    |

\*Annualized

### Promoter Share Holding Pattern

|           |            |
|-----------|------------|
| Pre-Issue | Post-Issue |
| 76.70%    | 56.37%     |

### Valuation Parameters

| Particulars     | Pre-Issue | Post Issue* |
|-----------------|-----------|-------------|
| EPS             | 3.88      | 10.12       |
| BVPS            | 17.91     | 29.48       |
| P/E             | 14.18     | 5.43        |
| P/BV            | 3.07      | 1.87        |
| Mkt Cap (In Cr) | 66.00     | 89.80       |

\*Annualized

### Lead Managers -

Finshore Management Services Limited

### Registrar -

Bigshare Services Private Limited

**Business Overview -**

Dhanlaxmi Crop Science Limited is engaged in the business of developing, producing, processing and selling seeds of field crops and vegetables. They integrate traditional breeding techniques with biotechnology tools and seek to produce hybrid and open pollinated variety field crops and vegetable seeds that deliver higher yields, enhanced product quality and higher levels of pest and disease tolerance over naturally occurring varieties.

As of Sep 30 2024, they produced seeds for 24 different field crops and vegetables and have operations in 5 states across India. The product portfolio includes field crop and vegetable seeds for Cotton, Wheat, Cumin, Bajra, Maize, Gram, Okra, Green Gram, SSG, Soyabean, Milky, Mustard, Groundnut, Black Gram, Guar, Castor, Sesame, Jowar, Coriander, Red Gram, Green Pea, Multifeed, Onion etc. They have 1,185 Authorized Dealers/Distributors present across 4 states i.e. Gujarat, Rajasthan, Haryana and Maharashtra.

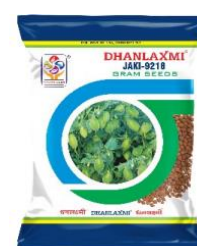
As of Sep 2024, the company has produced 725 MT of raw seeds, comprising hybrids and open pollinated variety of field crops and vegetables and had access to farmland in 4 states in India, primarily through contractual arrangements with over 45 Seed Growers/Organizers.

**Manufacturing Unit and Capacity Utilization:** The company has 1 manufacturing unit located at Gujarat. The capacity utilization in FY2022, FY2023, FY2024 and Sep-24 of producing toughened glass remained at 51%, 58%, 64% and 72% respectively.



**Product Portfolio:**

| Product             | Varieties   |
|---------------------|---|
| <b>Cotton</b>       | 25D39 BGII, 888 BGII (ZCH-1101), 25D33, 25D55, 2025 BGII (ZCH-1102), 25D51, Advance (ZCH 545), D551 (502 super king), Dhanvarsha (ZCH 547) and Prachand Pro (ZCH 511) |
| <b>Wheat</b>        | 46D44, 46D46, 46D55, 46D50, Sarvottam, GW-173, GW-273, GW-451, GW-496, LOK-1 and Raj 4037   |
| <b>Cumin</b>        | 33D61 and Phoenix   |
| <b>Bajra</b>        | 14D14, 14D14 Gold, 14D24, 14D88, 14D99 and 14D41  |
| <b>Maize</b>        | 32D12, 32D55, Purnima (32D111), 32D65 and 32D33   |
| <b>Gram</b>         | Gujrat-3, JAKI-9218, Phule Vikram and Phule Vikrant   |
| <b>Okra</b>         | GJOH-04   |
| <b>Other Gram</b>   | Green Gram (11D11, Mandhata Gold and Mandhata Virat), Red Gram (27D27), Black Gram (Shyamal)  |
| <b>SSG</b>          | 19D19 and 19D55   |
| <b>Soyabean</b>     | JS-335, KDS726 (Phule Sangam), KDS-753 (Phule Kimaya) and Maus-612  |
| <b>Feeder Seeds</b> | Milky, EECO and Milkmade  |
| <b>Mustard</b>      | 23D23, 41D46 and 23D25  |
| <b>Ground Nut</b>   | G 20 and 24D24  |
| <b>Guar Seeds</b>   | 54D54 and 12D12   |
| <b>Castor</b>       | 28D28, 28D31, 28D32 and 28D55   |
| <b>Coriander</b>    | Dhanraj and Dhanshri  |
| <b>Others</b>       | Green Pea (Lalita), Onion Seeds (Bhima Shakti), Jowar (Chetak), Sesame (17D18)  |



**Revenue Bifurcation Product-wise –**

| Particulars  | FY 2022         |               | FY 2023         |               | FY 2024         |               | Sep-2024         |               |
|--------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|------------------|---------------|
|              | Amt             | %             | Amt             | %             | Amt             | %             | Amt              | %             |
| Cotton Seeds | 2,293.48        | 64.73         | 3,331.10        | 71.47         | 4,891.97        | 76.78         | 11,472.40        | 95.64         |
| Other Seeds  | 1,249.58        | 35.27         | 1,329.97        | 28.53         | 1,479.06        | 23.22         | 522.61           | 4.36          |
| <b>Total</b> | <b>3,543.06</b> | <b>100.00</b> | <b>4,661.07</b> | <b>100.00</b> | <b>6,371.03</b> | <b>100.00</b> | <b>11,995.01</b> | <b>100.00</b> |

**Competition -**

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of availability of product, product range, product traits, including disease and pest resistance, plant quality and other factors, as well as on the basis of price, reputation, customer service and customer convenience.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

**Business Strategies –**

- The company has recently forayed into development of seeds i.e. Paddy.
- The company intends to expand its geographic presence in other states which include Andhra Pradesh and Uttar Pradesh.
- The company constantly work to improve operational output through technological development, quality assurance, and ongoing process improvements.
- The company intends to take full advantage of the opportunity for customization and commercialization of new products through continued breeding and R&D efforts.
- The company has entered into Bollgard II Technology Sub-License Agreement and Bollgard II Trademark Sub-License Agreement on May 20, 2015 with Mahyco Monsanto Biotech (India) Private Limited for the use of Monsanto Technology and related BOLLGARD II Trademark for the purposes of integrating Bt. Trait into Cotton Hybrid Products. The Sub-License has been granted to develop, test, produce and sell Genetically Modified Hybrid Cotton Seeds in India.
- The company intends to expand marketing and distribution network throughout India, through setting up of marketing offices, go-downs and creating awareness among farmers and dealers.

**Risk Factors –**

The seeds business is highly seasonal and usually occurs during Kharif season.

The company highly relies on cotton for its revenue generation where it contributed to 64.73%, 71.47%, 76.78% and 95.64% in FY2022, FY2023, FY2024 and Sep-24 respectively.

The company is highly dependent on top 10 customers for its revenue contributing to 51.88%, 62.45%, 67.36% and 87.99% for FY2022, FY2023, FY2024 and Sep-24 respectively.

The company has filed 129 cases regarding criminal and other litigations amounting to Rs. 512.98 lakhs and has 5 cases against them.

The directors/ promoters have 3 cases against them regarding tax and other matters amounting Rs. 0.75 lakhs

The company had negative cash flow from operations for Sep-24.

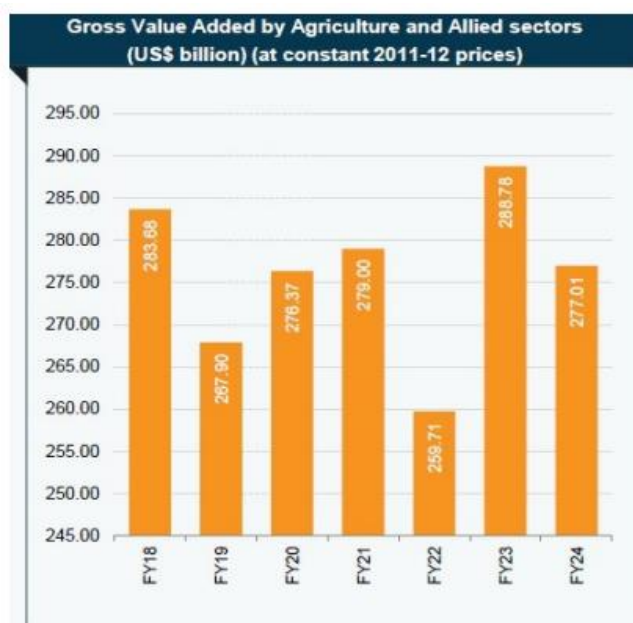
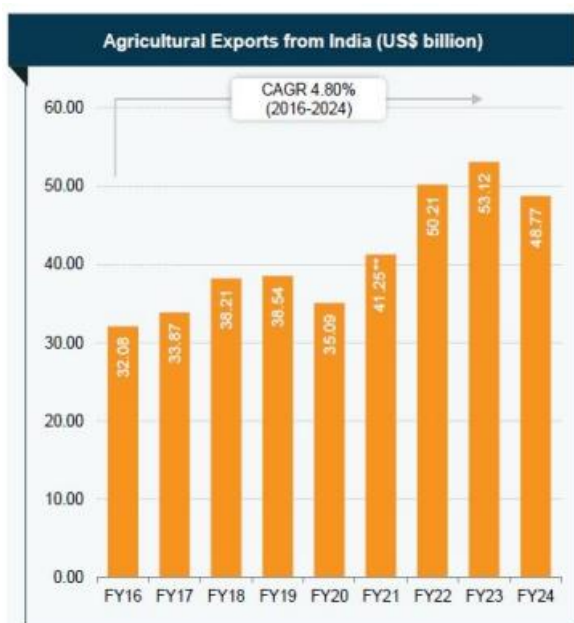
**INDUSTRY OVERVIEW -**

**Agriculture Industry –**

India is one of the major players in the agriculture sector worldwide and it is the primary source of livelihood for ~55% of India’s population. Over 70 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture along with fisheries and forestry accounts for one-third of the nation’s Gross Domestic Product (GDP) and is its single largest contributor. The Indian food processing industry accounts for 32% of the country’s total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

According to Inc42, the Indian agricultural sector is predicted to increase to US\$ 24 billion by 2025.

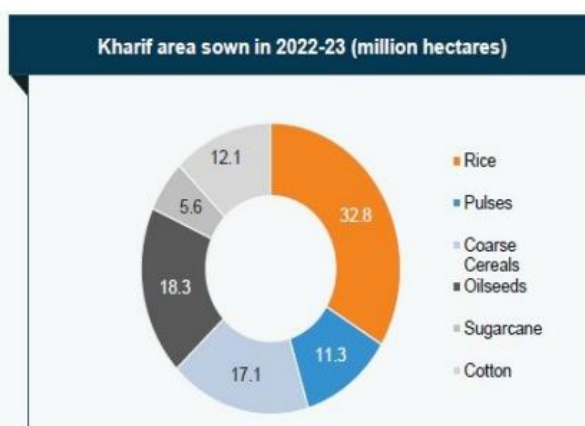
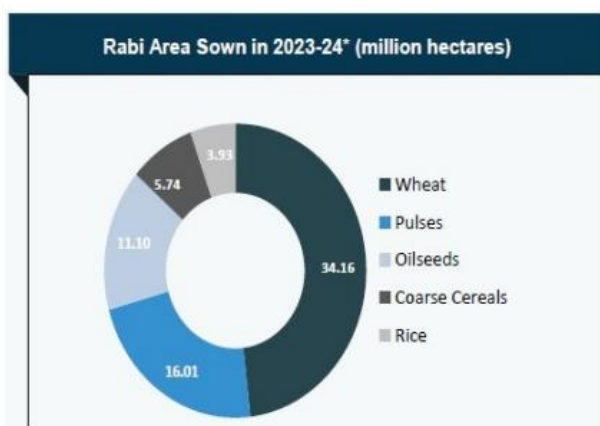
During 2023-24 (April-March), processed vegetables accounted for US\$ 652.42 million, miscellaneous processed items accounted for US\$ 1,652.22 million and processed fruits & juices accounted for US\$ 970.93 million. India’s agricultural and processed food products exports stood at US\$ 35.18 billion in 2023-24 (April-December).



(Source:RHP)

There are 2 major agricultural seasons in India: Kharif and Rabi.

- Kharif season lasts from April to September (summer) - rice (paddy) is the season’s main crop and rabi season lasts from October to March (winter) - wheat is the season’s main crop.
- Monitoring of rabi crop sowing revealed that as of December 9, 2022, the area sown under rabi crops has increased from 457.80 to 526.27 lakh hectares.



(Source:RHP)



**Key Management -**



|                                      |   |
|--------------------------------------|---|
| <b>Key Management Persons Name -</b> | <b>Kamleshkumar Jayantilal Patel</b>  |
| <b>Age</b>                           | 49  |
| <b>Designation</b>                   | Promoter, Chairman and Managing Director, 20+ years of experience in agriculture industry |
| <b>Qualification</b>                 | Higher Secondary  |
| <b>Other Ventures</b>                | Pratham Square (Partnership Firm)   |

|   |   |
|---|---|
| <b>Key Management Persons Name -</b>              | <b>Alpeshbhai Jayantibhai Patel</b>   |
| <b>Age</b>  | 46  |
| <b>Designation and No. of years of experience</b> | Promoter and Joint Managing Director, 15+ years of experience in agriculture industry   |
| <b>Qualification</b>                              | B. Sc. (Chemistry)  |
| <b>Responsibility</b>                             | Strategic Planning and also day-to-day business operations and overall management of the Company                              |
| <b>Other Ventures</b>                             | Global Hybrid Seeds Co (Partnership Firm), Jay Hind Seed Science LLP (Partnership Firm) and Pratham Square (Partnership Firm) |

|   |  |
|---|--|
| <b>Key Management Persons Name -</b>              | <b>Pankaj Dahyabhai Patel</b>  |
| <b>Age</b>  | 51   |
| <b>Designation and No. of years of experience</b> | Whole Time Director, 15+ years of experience in agriculture industry |
| <b>Qualification</b>                              | B.A. (Special)   |
| <b>Other Directorships</b>                        | -  |

|   |   |
|---|---|
| <b>Key Management Persons Name -</b>              | <b>Meet Kamleshkumar Patel</b>  |
| <b>Age</b>  | 27  |
| <b>Designation and No. of years of experience</b> | Promoter and Whole Time Director - Executive Director (Marketing), 3+ years of experience in agriculture industry |
| <b>Qualification</b>                              | MBA (Agribusiness Management)   |
| <b>Responsibility</b>                             | Marketing, promotion and overall supervision of the Company   |
| <b>Other Ventures</b>                             | Global Hybrid Seeds Co (Partnership Firm) and Jay Hind Seed Science LLP   |

|   |   |
|---|---|
| <b>Key Management Persons Name -</b>              | <b>Tejalben Bankimchandra Patel</b>   |
| <b>Age</b>  | 46  |
| <b>Designation and No. of years of experience</b> | Independent Director, 20+ years of experience   |
| <b>Qualification</b>                              | B.Sc. (H.SC) (Special) (Food & Nutrition), Post Graduate (Diploma in Computer Science), Diploma in Health & Sanitary Inspection and AMFI registered mutual fund distributor |
| <b>Other Directorships</b>                        | -   |

|   |  |
|---|--|
| <b>Key Management Persons Name -</b>              | <b>Pankajkumar Narshinbhai Pate</b>  |
| <b>Age</b>  | 41   |
| <b>Designation and No. of years of experience</b> | Independent Director, 15+ years of experience  |
| <b>Qualification</b>                              | BBA, MBA, Certificate of Planning and Entrepreneurship in Marketing Management and Financial Management and Qualified Intermediate Examination of ICSI |
| <b>Previous Experience</b>                        | India Bulls Ltd, Tanu Motors Pvt. Ltd, Balaji Entertainment (Guj.) Private Limited and Krishna Maruti Limited etc.                                     |

|   |   |
|---|---|
| <b>Key Management Persons Name -</b>              | <b>Ashokkumar Amritlal Kateshia</b>   |
| <b>Age</b>  | 64  |
| <b>Designation and No. of years of experience</b> | Independent Director, 40+ years of experience   |
| <b>Qualification</b>                              | B.Sc. (Agriculture), M.Sc (Agriculture) and Post Graduate Diploma in Agricultural Extension Management (PGDAEM) |
| <b>Other Directorships</b>                        | -   |

- The overall management of the company is decent.
- The promoter and management have vast experience in the industry.
- Pooja Vimal Dave (CFO) has 8+ years of experience in accounts and finance industry.
- The senior management includes Head of R&D, Production Manager and Accounts Manager has decent experience in the industry.

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

| Particulars                           | FY 22           | FY 23           | FY 24           | Sep-24           |
|---------------------------------------|-----------------|-----------------|-----------------|------------------|
| Revenue from Operations               | 3,543.06        | 4,661.07        | 6,371.03        | 11,995.01        |
| Other Income                          | 0.02            | 3.10            | 4.04            | 1.26             |
| <b>Total Income</b>                   | <b>3,543.08</b> | <b>4,664.17</b> | <b>6,375.07</b> | <b>11,996.27</b> |
| <b>Expenses</b>                       |                 |                 |                 |                  |
| Cost of Material Consumed             | 3,148.32        | 3,438.40        | 4,986.79        | 9,957.04         |
| Changes in stock-in-trade             | -236.32         | 304.61          | -131.90         | 45.84            |
| Employee Benefit Expenses             | 173.90          | 185.93          | 230.31          | 119.88           |
| Finance Cost                          | 55.02           | 21.23           | 24.92           | 29.73            |
| Depreciation and Amortization Expense | 21.26           | 21.59           | 23.06           | 11.92            |
| Other expenses                        | 301.84          | 283.02          | 600.87          | 727.67           |
| <b>Total Expenses</b>                 | <b>3,464.02</b> | <b>4,254.78</b> | <b>5,734.05</b> | <b>10,892.08</b> |
| <b>EBITDA</b>                         | <b>155.32</b>   | <b>449.11</b>   | <b>684.96</b>   | <b>1,144.58</b>  |
| <b>EBITDA Margin</b>                  | <b>4.38%</b>    | <b>9.64%</b>    | <b>10.75%</b>   | <b>9.54%</b>     |
| <b>Profit/(Loss) before tax</b>       | <b>79.06</b>    | <b>409.39</b>   | <b>641.02</b>   | <b>1,104.19</b>  |
| <b>Tax Expense</b>                    |                 |                 |                 |                  |
| Current tax                           | 19.53           | 109.03          | 169.42          | 279.93           |
| Tax related to prior years            | -               | -               | 7.24            | 4.43             |
| Deferred Tax                          | 1.26            | 0.80            | -0.99           | -0.98            |
| <b>Total Tax</b>                      | <b>20.79</b>    | <b>109.83</b>   | <b>175.67</b>   | <b>283.38</b>    |
| <b>Profit/(Loss) for the year</b>     | <b>58.27</b>    | <b>299.56</b>   | <b>465.35</b>   | <b>820.81</b>    |
| <b>Net Profit Margin</b>              | <b>1.64%</b>    | <b>6.43%</b>    | <b>7.30%</b>    | <b>6.84%</b>     |

## Statement of Assets and Liabilities

Amt in Lakhs.

| Particulars  | FY 22           | FY 23           | FY 24           | Sep-24          |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>EQUITY AND LIABILITIES</b>                            |                 |                 |                 |                 |
| <b>1. Shareholders' funds</b>                            |                 |                 |                 |                 |
| Share Capital  | 177.50          | 400.00          | 900.00          | 1,200.00        |
| Reserves and surplus                                     | 439.76          | 739.63          | 712.07          | 1,232.30        |
| <b>Total Equity</b>                                      | <b>617.26</b>   | <b>1,139.63</b> | <b>1,612.07</b> | <b>2,432.30</b> |
| <b>2. Non-current liabilities</b>                        |                 |                 |                 |                 |
| Long-term borrowings                                     | 474.56          | 204.89          | 70.03           | 65.95           |
| Deferred Tax Liabilities                                 | 11.91           | 12.70           | 11.72           | 10.74           |
| Long-term provisions                                     | 8.47            | 8.53            | 16.48           | 20.49           |
| Other Non-Current Liabilities                            | 35.28           | 35.18           | 43.90           | 47.50           |
| <b>Total Non-current liabilities</b>                     | <b>530.22</b>   | <b>261.30</b>   | <b>142.13</b>   | <b>144.68</b>   |
| <b>3. Current liabilities</b>                            |                 |                 |                 |                 |
| Short-term Borrowings                                    | 438.60          | 53.43           | 34.21           | 702.66          |
| Trade Payables   |                 |                 |                 |                 |
| (i) Total outstanding dues of MSME                       | 124.95          | 67.52           | 18.80           | 19.10           |
| (ii) Total outstanding dues of creditors other than MSME | 79.69           | 17.44           | 53.35           | 1,195.49        |
| Other Current Liabilities                                | 273.08          | 350.91          | 1,461.42        | 298.45          |
| Short-term provisions                                    | 22.53           | 112.50          | 174.18          | 345.24          |
| <b>Total Current liabilities</b>                         | <b>938.85</b>   | <b>601.80</b>   | <b>1,741.96</b> | <b>2,560.94</b> |
| <b>Total Liabilities</b>                                 | <b>1,469.07</b> | <b>863.10</b>   | <b>1,884.09</b> | <b>2,705.62</b> |
| <b>Total Equity and Liabilities</b>                      | <b>2,086.33</b> | <b>2,002.73</b> | <b>3,496.16</b> | <b>5,137.92</b> |
| <b>ASSETS</b>  |                 |                 |                 |                 |
| <b>1. Non-current assets</b>                             |                 |                 |                 |                 |
| Property, Plant and Equipment                            | 223.07          | 203.25          | 226.65          | 234.64          |

| Particulars                     | FY 22           | FY 23           | FY 24           | Sep-24          |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| Non-Current Investments         | 0.20            | 0.20            | -               | -               |
| Other Non-current Assets        | 0.39            | 0.39            | 0.59            | 1.04            |
| <b>Total Non-Current assets</b> | <b>223.66</b>   | <b>203.84</b>   | <b>227.24</b>   | <b>235.68</b>   |
| <b>2. Current assets</b>        |                 |                 |                 |                 |
| Inventories                     | 700.63          | 473.04          | 972.72          | 1,547.09        |
| Trade Receivables               | 853.63          | 870.48          | 894.23          | 2,939.23        |
| Cash & Cash equivalents         | 143.79          | 322.69          | 109.89          | 23.09           |
| Short term loans and advances   | 142.67          | 88.33           | 1,164.40        | 357.49          |
| Other Current Assets            | 21.95           | 44.36           | 127.67          | 35.33           |
| <b>Total Current assets</b>     | <b>1,862.67</b> | <b>1,798.90</b> | <b>3,268.91</b> | <b>4,902.23</b> |
| <b>Total Assets</b>             | <b>2,086.33</b> | <b>2,002.74</b> | <b>3,496.15</b> | <b>5,137.91</b> |

**Cash Flow Statement**

Amt in Lakhs.

| Particulars                             | FY 22   | FY 23   | FY 24   | Sep-24  |
|---|---------|---------|---------|---------|
| Net Cash Flow from Operating Activities | 202.93  | 629.75  | 8.27    | -701.09 |
| Net Cash Flow from Investing Activities | 0.02    | -0.09   | -46.31  | -20.35  |
| Net Cash Flow from Financing Activities | -120.16 | -450.76 | -174.76 | 634.63  |

**Key Ratios**

| <u>Per Share Data</u>          | FY 22  | FY 23  | FY 24  | FY 25* |
|--------------------------------|--------|--------|--------|--------|
| Diluted EPS                    | 1.09   | 2.5    | 3.88   | 13.77  |
| BV per share                   | 34.78  | 28.49  | 17.91  | 40.11  |
| <b><u>Operating Ratios</u></b> |        |        |        |        |
| EBITDA Margins                 | 4.38%  | 9.64%  | 10.75% | 15.36% |
| PAT Margins                    | 1.64%  | 6.43%  | 7.30%  | 6.89%  |
| Inventory days                 | 72.38  | 37.14  | 55.88  | 23.60  |
| Debtor days                    | 87.94  | 68.17  | 51.23  | 44.84  |
| Creditor days                  | 29.90  | 8.82   | 4.92   | 21.01  |
| <b><u>Return Ratios</u></b>    |        |        |        |        |
| RoCE                           | 11.68% | 30.52% | 37.73% | 75.13% |
| RoE                            | 9.44%  | 26.29% | 28.87% | 34.34% |

| <u>Valuation Ratios (x)</u>   | FY 22 | FY 23 | FY 24 | FY 25* |
|-------------------------------|-------|-------|-------|--------|
| EV/EBITDA                     | 8.93  | 2.39  | 2.35  | 1.51   |
| Market Cap / Sales            | 2.53  | 1.93  | 1.41  | 0.37   |
| P/E                           | 50.46 | 22.00 | 14.18 | 3.99   |
| Price to Book Value           | 1.58  | 1.93  | 3.07  | 1.37   |
| <b><u>Solvency Ratios</u></b> |       |       |       |        |
| Debt / Equity                 | 1.48  | 0.23  | 0.06  | 0.16   |
| Current Ratio                 | 1.98  | 2.99  | 1.88  | 1.91   |
| Quick Ratio                   | 1.24  | 2.20  | 1.32  | 0.77   |
| Asset Turnover                | 1.70  | 2.33  | 1.82  | 2.33   |
| Interest Coverage Ratio       | 2.44  | 20.14 | 26.56 | 61.57  |

**INTERPRETATION –**

1. The top line has consistently increased over the years. It increased by 32% in FY2023 and by 37% in FY2024 which was mainly due to increase in demand of products and optimizing the customer base, improving customer relations, marketing and payment cycles.
2. The net profit had seen a sudden increase by 414% in FY2023 and increased by 55% in FY2024.
3. The EBITDA margin and PAT margin have also seen a sudden increase in FY2023.
4. The PE ratio has improved over the years.
5. The company had negative cash flow from operations for Sep-24.
6. The RoCE and RoE has improved over the years.

**PEER ANALYSIS –**

| Particulars   | Dhanlaxmi Crop Science Limited |        |        | Mangalam Seeds Limited |        |        | Upsurge Seeds of Agriculture Limited |        |        |
|---------------|--------------------------------|--------|--------|------------------------|--------|--------|--------------------------------------|--------|--------|
|               | FY 22                          | FY 23  | FY 24  | FY 22                  | FY 23  | FY 24  | FY 22                                | FY 23  | FY 24  |
| NP Margin     | 1.64%                          | 6.43%  | 7.30%  | 12.64%                 | 16.93% | 11.73% | 5.24%                                | 5.72%  | 5.45%  |
| EBITDA Margin | 4.38%                          | 9.64%  | 10.75% | 20.27%                 | 24.53% | 18.38% | 7.48%                                | 10.03% | 10.28% |
| RoCE          | 11.68%                         | 30.52% | 37.73% | 14.19%                 | 23.81% | 20.60% | 37.19%                               | 17.02% | 20.19% |
| ROE           | 9.44%                          | 26.29% | 28.87% | 11.39%                 | 19.55% | 18.91% | 35.48%                               | 12.25% | 15.81% |
| EPS (INR)     | 1.09                           | 2.50   | 3.88   | 4.71                   | 10.08  | 12.01  | 11.14                                | 7.77   | 10.28  |
| P/E           | 50.46                          | 22.00  | 14.18  | 18.35                  | 16.10  | 21.17  | -                                    | 61.97  | 28.70  |

**Interpretation –**

- Upsurge Seeds of Agriculture has not shown any trajectory of growth over the years and Mangalam Seeds has shown a decrease in their NP margin in FY2024. So, the peer's performance is not comparable to the company on an apple-to-apple basis.
- The market cap of the company is less compared to peers.
- The RoE and RoCE of the company is high compared to its peers.
- The PE ratio of the company is better compared to its peers.
- The company has better cash conversion cycle than its peers.



**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is Finshore Management Services Limited.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Finshore Management Services Limited –**

| Sr. No. | Company Name                      | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date | CMP* (INR) |
|---------|-----------------------------------|-------------------|----------------------------|--------------|------------|
| 1.      | Pelatro Limited                   | 55.98             | 200.00                     | Sep 24, 2024 | 100.05     |
| 2.      | Solve Plastic Products Limited    | 11.85             | 91.00                      | Aug 21, 2024 | 48.50      |
| 3.      | Sylvan Plyboard (India) Limited   | 28.05             | 55.00                      | Jul 01, 2024 | 87.50      |
| 4.      | Mayank Cattle Food Limited        | 19.44             | 108.00                     | Feb 05, 2024 | 225.75     |
| 5.      | HRH Next Services Limited         | 9.57              | 36.00                      | Jan 03, 2024 | 104.00     |
| 6.      | Presstonic Engineering Limited    | 23.20             | 72.00                      | Dec 18, 2023 | 102.45     |
| 7.      | Holmarc Opto-Mechatronics Limited | 11.40             | 40.00                      | Sep 25, 2023 | 155.05     |
| 8.      | Alphalogic Industries Limited     | 12.88             | 96.00                      | Jul 14, 2023 | 230.00     |
| 9.      | ITCONS E-Solutions Limited        | 8.67              | 51.00                      | Mar 13, 2023 | 669.60     |
| 10.     | Indong Tea Company Limited        | 13.01             | 26.00                      | Feb 21, 2023 | 28.00      |

The company has handled 20 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 5<sup>th</sup> Dec 2024.

As per the offer document, the above-mentioned mandates ITCONS E-Solutions and Indong Tea Company have opened at a discount and remaining all have opened at a premium on the listing day.

## Recommendation -

Dhanlaxmi Crop Science Limited has been in the industry since 2005 and has vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 5.43 times which makes it fairly priced.

The company's top line has seen a sudden increase in FY2024. The bottom line and profitability margins have seen a sudden increase in FY2023. These sudden increase raises concern over its sustainability in future. The liquidity ratios have decreased consistently.

The company's DE ratio is very low which indicates that they are not utilizing their debt opportunity.

The company has 1 concentrated product i.e., cotton from which they are generating majority of their revenue even though they have 24 variety of seeds. They also have high concentration for customers and loss of any may have adverse effects on the business.

The post issue promoters shareholding is low which reduces the investor's confidence in the company.

Also, the company is not utilizing the net proceeds from IPO for expansion purposes.

The company is operating in a very highly fragmented and competitive industry which already has dominant players.

Thus, investors can **AVOID** this IPO.

## Disclaimer

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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