

Company Name: Insecticides India Limited

General

One of the top 10 players in the domestic Indian agrochemical industry, with around 7% market share (Source: CRISIL Report)

Engaged in Branded Formulation Sales as well as Institutional Sales

Diverse portfolio of 99 formulations, 18 active ingredients and over 350 SKUs as at March 31, 2015

In 2014 and 2015, Branded Formulations Sales accounted for 74.61% and 70.16%, respectively, of gross revenue, and Institutional Sales accounted for 25.39% and 29.84% for the same periods

'Navratna' range of branded formulation products, including 'Lethal', 'Victor', 'Thimet', 'Hakama', 'Pulsor', 'Monocil', 'Hijack', 'Xplode' and 'Nuvan' are well-recognized in the agrochemical industry, particularly in the insecticides and herbicides segments, and eight 'Navratna' products are among the top five products of their respective categories (Source: CRISIL Report)

Commenced operations at formulation plant in Chopanki (Rajasthan) in fiscal 2002. Presently operate seven manufacturing facilities, with five formulation plants located at Chopanki (Rajasthan), Udhampur and Samba (Jammu & Kashmir) and Dahej (Gujarat) and two technical synthesis plants located at Chopanki (Rajasthan) and Dahej (Gujarat)

Manufacturing facilities have an aggregate total installed capacity of 17,450 KLPa of liquid, 75,600 MTPA of granules, 16,980 MTPA of powders, 13,800 MTPA of active ingredients and bulk formulations. Technical manufacturing capacity accounted for approximately 4% of India's installed capacity in fiscal 2014 (Source: CRISIL Report). All manufacturing facilities are equipped with fully automatic lines and automatic packaging machinery which facilitate in manufacturing quality products

'Navratna' range of branded formulations 'Monocil', 'Victor', 'Lethal', 'Thimet', 'Nuvan', 'Hijack', 'Hakama', 'Pulsor/Flite 71' and 'Xplode/Pluto' accounted for 6.65%, 5.19%, 7.06%, 10.70%, 8.33%, 4.43%, 3.88%, 4.92% and 2.11%, respectively, of Branded Formulation Sales, as on March 31, 2015

| | | INR lakhs | | |
|-------------------------|-----------------|-----------|--------|--------|
| Branded Formulations | | 2013 | 2014 | 2015 |
| Insecticides | Absolute terms | 34,161 | 43,873 | 46,609 |
| | As % of revenue | 66.26% | 63.74% | 64.42% |
| Herbicides | Absolute terms | 11,548 | 17,038 | 16,575 |
| | As % of revenue | 22.40% | 24.75% | 22.91% |
| Plant growth regulators | Absolute terms | 2,308 | 2,163 | 1,715 |
| | As % of revenue | 4.48% | 3.14% | 2.37% |

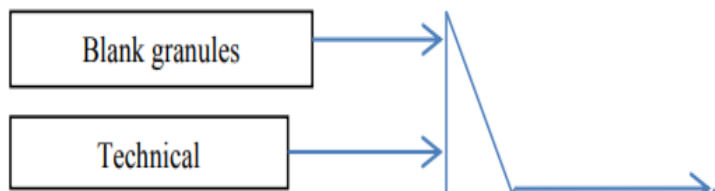
Note: Rest numbers are institutional sales

| Product Type | Brand Name | Technical Name | Particulars |
|-------------------------|--|----------------------------------|--|
| Insecticides | Xplode/Pluto | Emamectin Benzonate 5% SG | To protect pulses against bollworms |
| Insecticides | Thimet | Phorate 10% CG | To protect paddy and other crops against stem borers |
| Insecticides | Nuvan | Dichlorovos 76% liquid | To protect paddy and wheat against brown planthoppers and caterpillars |
| Insecticides | Victor | Imidacloprid 17.6 % SL | To protect cotton and other crops against sucking pests |
| Insecticides | Monocil | Monocrotophos 36% SL | To protect cotton against bollworms and sucking pests |
| Insecticides | Lethal | Chlorpyrifos 20% liquid | To protect from stem borer in paddy and white grub in sugarcane |
| Herbicides | Hijack+Flite 71 | Glyphosate 41% SL | To remove primarily all weeds in non-crop areas |
| Herbicides | Hakama | Quizalofop Etyl 5% liquid | To control grassy weeds in soybean, cotton, black and green gram |
| Herbicides | Selector | Imazethapyr 10% SL | To control selected board and grassy weeds in the initial stage in soybean |
| Herbicides | Strike | Atrazine 50% WP | To control selective weeds in crops like maize |
| Fungicides | Pulsor | Thiafluzamide 24% SC | For control of sheath blight in paddy |
| Fungicides | Force 11 | Triacyclozole 75% WP | For control of neck blast in paddy |
| Fungicides | Prism | Thiophanate Methyl 70% WP | For control of scab in apple and ringrot in tomato |
| Fungicides | Care | Carbendazim 12% + mancozeb63% WP | For control of blast in paddy |
| Fungicides | Himil | Metalaxyl 8% + Mancozeb 64% WP | For control of late blight in potato |
| Plant growth regulators | 'Milstim', 'Surya Zinc Plus', 'Mycoraja' and 'Olympic' are key branded plant growth regulators | | |

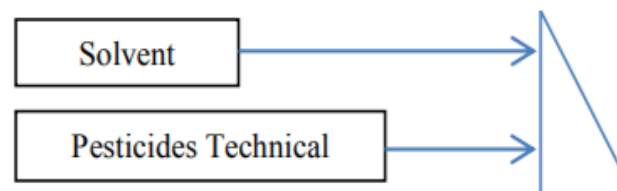
Total Utilized Capacity

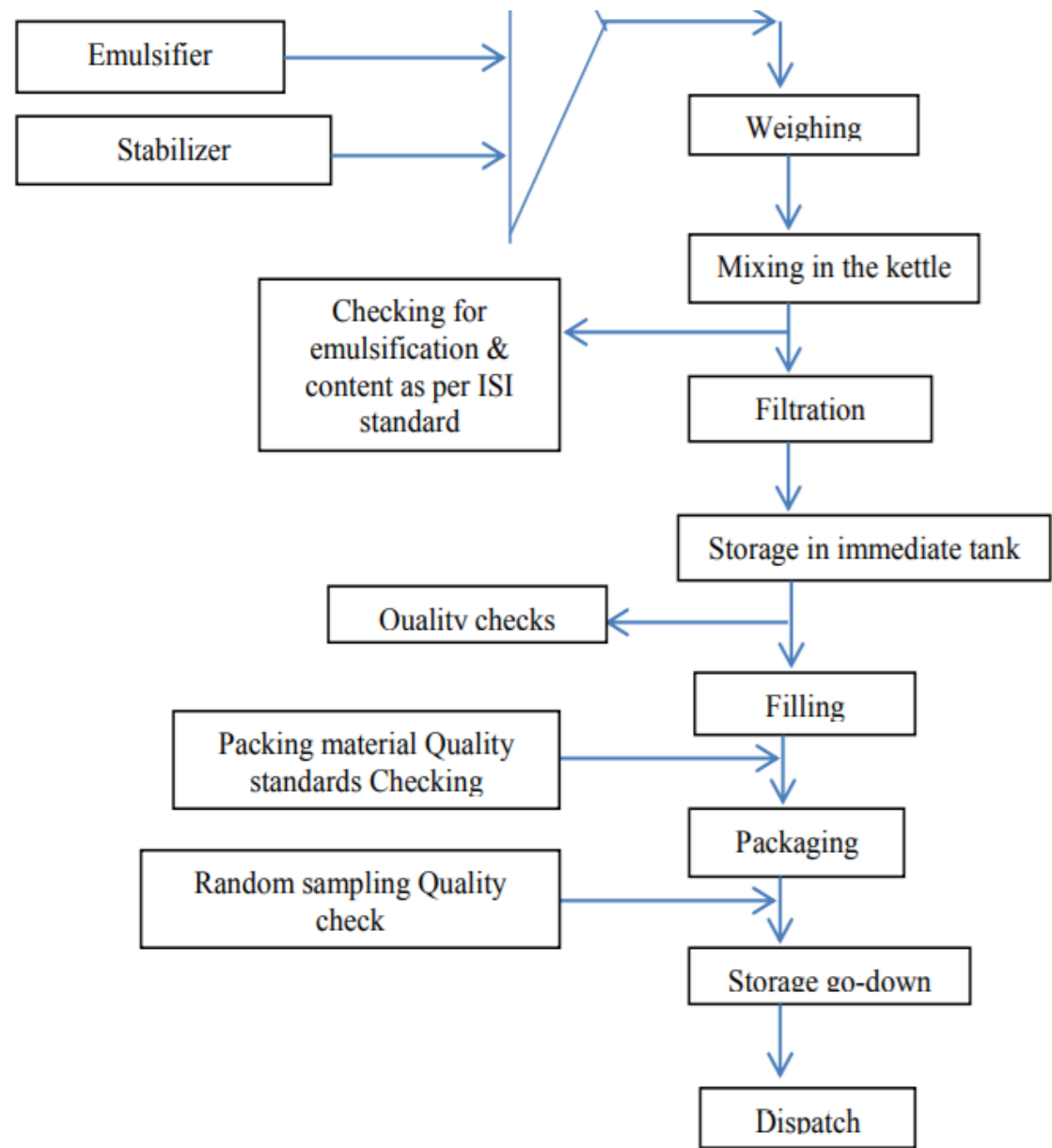
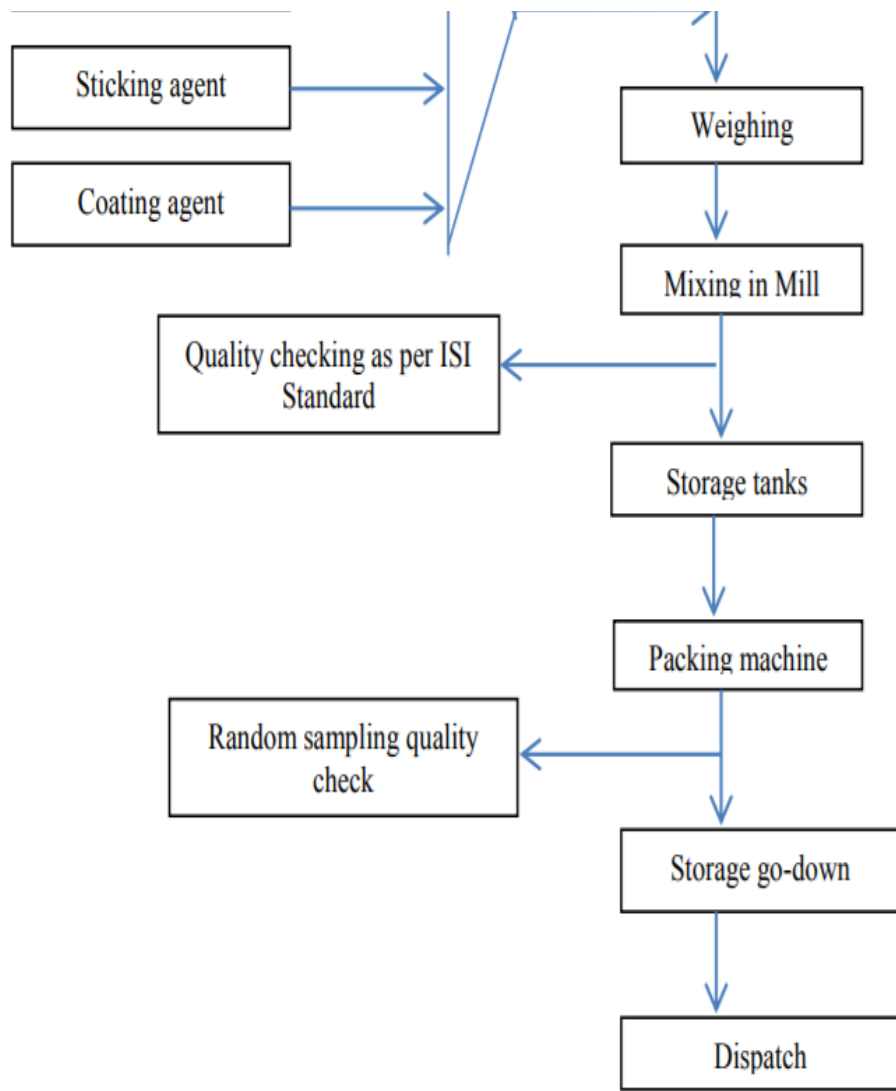
| Location | Commercial Operation Year | Total plot area (in square metres) | Built up area (in square metres) | Total Installed Capacity (in Fiscal 2015) | | | | | | | |
|--|---------------------------|------------------------------------|----------------------------------|--|-----------------|----------------|---------------------------|---------------|-----------------|----------------|---------------------------|
| | | | | Liquid (KLPA) | Granules (MTPA) | Powders (MTPA) | Active Ingredients (MTPA) | Liquid (KLPA) | Granules (MTPA) | Powders (MTPA) | Active Ingredients (MTPA) |
| Chopanki (Rajasthan) <i>(Unit-I, Formulations)</i> | Fiscal 2002 | 8,000 | 3,314 | 6,000 | 7,500 | 4,500 | - | 3,094 | 6,866 | 1,183 | - |
| Chopanki (Rajasthan) <i>(Unit-II, Active Ingredients)</i> | Fiscal 2008 | 3,958 | 1,657 | - | - | - | 3,800 | - | - | - | 1,199 |
| Chopanki (Rajasthan) <i>(Unit-III, Formulations)</i> | Fiscal 2015 | 7,094 | 4,077 | - | 20,000 | - | - | - | 2,120 | - | - |
| Samba (Jammu and Kashmir) <i>(Formulations)</i> | Fiscal 2005 | 9,358 | 6,210 | 5,450 | 6,100 | 1,880 | - | 2,690 | 2,559 | 908 | - |
| Udhampur (Jammu and Kashmir) <i>(Formulations)</i> | Fiscal 2012 | 6,070 | 5,434 | 3,000 | 2,000 | 600 | - | 1,940 | 347 | 634 | - |
| Dahej (Gujarat) <i>(Unit-I, Formulations)</i> | Fiscal 2012 | 1,17,313.74 | 11,830 | 3,000 | 40,000 | 10,000 | - | 7,059 | 7,296 | 569 | - |
| Dahej (Gujarat) <i>(Unit-II, Active Ingredients)</i> | Fiscal 2013 | | | - | - | - | 10,000 | - | - | - | 6,564 |

Flow chart for granule packing:



Flow chart for liquid formulation:





Quality certifications:

ISO 9001:2008 for Samba and Udhampur (J&K)

OHSAS 18001:2007 for Samba and Udhampur (J&K) and Chopanki (Rajasthan)

ISO 14001:2004 for Samba and Udhampur (J&K) and Chopanki (Rajasthan)

Company had 979 employees (379 are in marketing and 32 in R&D) as on 31 March 2015

R&D

Operates an advanced R&D centre located at Chopanki (Rajasthan). R&D facility is accredited with NABL and recognized by DSIR. So far, has made seven applications for process patents with the Indian Patent Office, and has been granted one process patent

Have also entered into a joint venture agreement with OAT Agrio Company Limited (20% ownership by Insecticides and 30% voting rights), pursuant to which OAT & IIL Laboratories has been set up and is engaged in the invention of new agricultural molecules for domestic and international markets. R&D centre located at Chopanki (Rajasthan) has a team of 32 personnel, including 12 scientists as at March 31, 2015

OAT & IIL Laboratories has a team of 39 personnel, including 23 scientists and three technicians as at March 31, 2015

Sales network and market outreach

As at 31 March 2015, more than 5,000 distributors with a pan-India presence

Nissan, Japan (through Nagarjuna Agrichem Limited, the company manufacturing its products in India), entered into marketing agreements with the Company in June 2012, granting the right to market their product 'Pulsor' in India and Nepal

Further, Company has an arrangement with Nissan, to market their product 'Hakama', on a non-exclusive basis

Bear case - Risk Factors

Ban on products of the company due to environmental and health concerns, specially w.r.t. Navratna products

A majority of the products manufactured by the Company are classified as 'poison', and there can be no assurance, any of these formulations will not be banned in the future

Delays in obtaining registration for new products - uncertainty in timelines. Indian bureaucracy is trained incompetent to do any work on time

Working capital intensive business - required to maintain high inventory for any unforeseen demand

Business is cyclical - QoQ sales ratio is 20-40-20-20 with Jul-Sep quarter being the main one (due to sowing season)

Dependent on climatic conditions including monsoon. Natural calamities and force majeure events may have an adverse impact on business.

Termination or cancellation of agreements by Nissan, OAT or any other brand for their products in India

Business could be adversely affected by introduction of alternative crop protection measures such as biotechnology products, pest resistant seeds or genetically modified ("GM") crops

No certainty on pricing power and margins. Ability to pass on the increased costs is ambiguous

Growth may be dependent on acquisitions. Risks remain on that aspect

Company has generated zero Free Cash Flow on a cumulative basis till date

Exposure to any liability on account of faulty products

According to the Pesticide Monitoring Unit, Government of India, there are about 125 technical grade manufacturers, including about 10 multinationals, more than 800 formulators and over 145,000 distributors in India. More than 60 technical grade pesticides are being manufactured indigenously. No apparent moat in the business

Delay in timely trademark of Company logo and brands may lead to unauthorized use include loss of trademark name to anyone else

Company dependent on financing including short term finance for working capital. May exert pressure on margins and going concern due to unfavourable policies

Risk of related party transactions e.g. Paras Agro Industries, Evergreen Mineral Industries, Vinod Metal Industries and Valves Pneumatics

More than 80% of molecules sold in India are non-patented

Risk of cheaper supplies and dumping from outside - China is the largest supplier for insecticide and pesticide imports, accounting for over 55% of the total imports. (Source: CRISIL Report)