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NATH BIO-GENES (INDIA) LIMITED



INITIATING COVERAGE REPORT

Research Analyst
MONONITA MITRA
m.mitra@smifs.com



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CMP (INR) (As on 02 nd Aug. 2018)	491
Target Price(INR)	759
Upside(%)	55
Recommendation	Strong Buy

BSE Code	537291
NSE Code	NATHBIOGEN
Reuters Ticker	NATB.BO
Bloomberg Ticker	NBGL IN

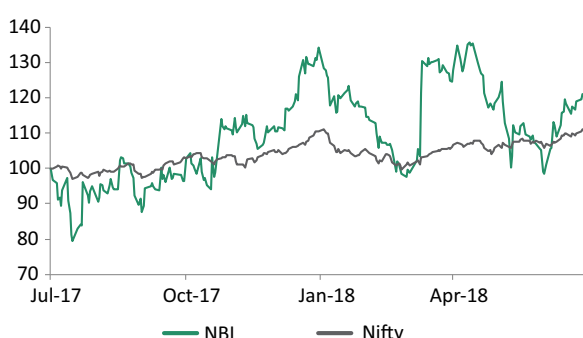
Stock Scan

Market cap (INR Cr.)	933
Outstanding Shares (Cr.)	1.9
Face Value (INR)	10
Dividend Yield(%)	0.00
TTM P/E (x)	25.9
Industry P/E (x)	22.3
Debt/Equity (FY18)	0.06
Beta vs. Sensex	1.93
52 Week High/ Low (INR)	585/305.15
Avg. Daily Volume (NSE)/1yr.	119897

Shareholding Pattern (%)

	Jun-18	Mar-18	Dec-17
Promoters	40.69	40.69	48.24
Institutions	9.30	8.63	0.31
Non-institutions	50.01	50.68	51.45

Stock vs. Nifty (Relative returns)



Nath Bio-Genes (I) Ltd: On the cusp of growth

We initiate coverage on Nath Bio-Genes(I) Ltd (NBL) with a **Strong Buy** rating. NBL is an R&D driven company engaged in the business of production, processing, and marketing of hybrid and genetically modified (GM) seeds. The company has sowed the seeds of R&D and is now focusing on marketing and distribution to achieve the desired heights. It has also raised INR136 Crore through QIP and has repaid its outstanding loans. We believe these holistic approach would add vigor to the company's performance and help it grab a decent market share in the Indian seed Industry.

Investment Rationale Highlights

- Presence across the value chain
- Production adheres to stringent quality parameters
- Strong Research & Development
- Balanced & diversified products portfolio
- Focus on marketing and distribution
- Pan India presence
- Added the best talents from the Indian seed Industry
- QIP capital will aid the company in reducing debt and in improving working capital
- Pledged shares released by ARCIL

Valuation: The company is now at an Inflection Point where it has superior products in its basket and is ready to market it. The company has a strong pipeline in each of the verticals for the next 3-4 years, with this we believe that strong marketing and distribution network will drive revenue. Considering this, we value the company on the basis of weighted average of P/E and EV/EBITDA and arrive at a Price Target of **INR759**.

Exhibit 1: Financial Performance at a glance (Standalone)

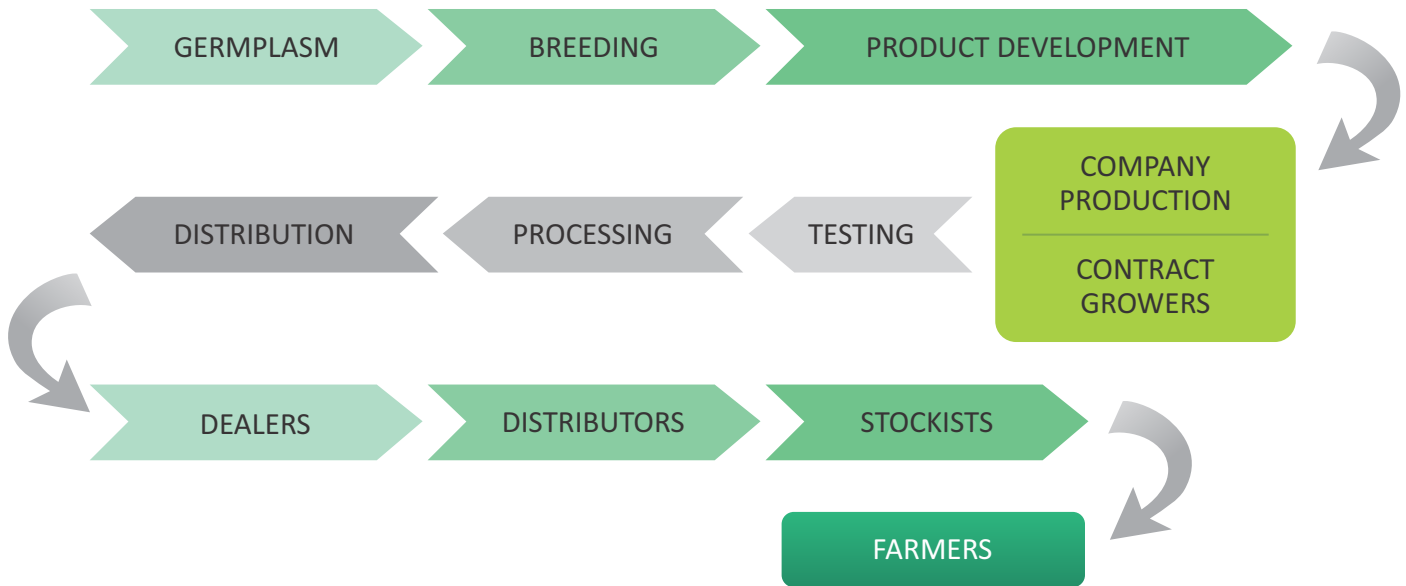
Particulars(INR Cr)	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	169.7	192.6	239.9	341.6	410.3
Growth	4.7%	13.5%	24.6%	42.4%	20.1%
EBITDA	28.9	41.3	50.3	83.3	111.1
EBITDA Margin (%)	17.0%	21.5%	21.0%	24.4%	27.1%
Net Profit	16.3	30.0	45.4	74.5	98.9
Net Profit Margin (%)	9.6%	15.6%	18.9%	21.8%	24.1%
EPS	10.18	15.79	23.91	39.18	52.05
BVPS	189.41	293.71	272.31	312.02	366.17
P/E(x)	47.7	25.9	20.3	12.4	9.3
P/BV(x)	2.6	1.7	1.8	1.6	1.3
EV/EBITDA(x)	10.3	21.3	17.5	10.6	7.9
ROAE(%)	5.4%	6.4%	8.8%	12.6%	14.2%
ROACE(%)	8.1%	8.4%	9.7%	13.6%	15.4%

Source: Company Data, ACE Equity & SMIFS Research



Investment Rationale

Presence across the value chain



Source: Company Data

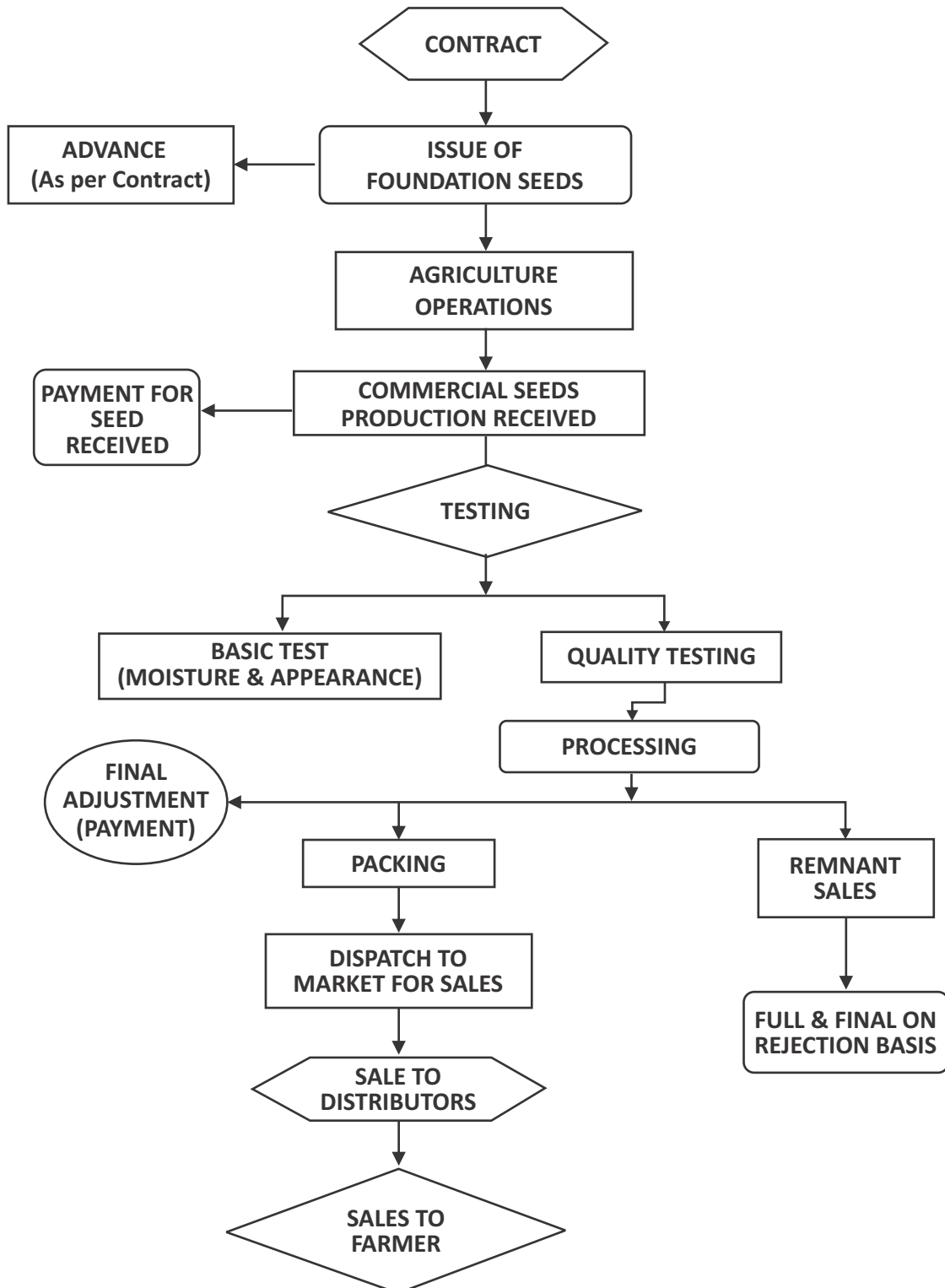
Production adheres to stringent quality parameters

The Company currently has 10 production centres and 2 processing centres in 7 states out of which the processing centre land in Aurangabad is owned by them. At production stage, the company ensures quality assurance by conducting regular on-site field visits. They ensure regular agro-cultivation practices to maintain assured quality like ensuring proper plant spacing, irrigation, fertigation, weeding and adequate insecticidal sprays.

Further, the production is also tested for quality parameters like germination and grow-out test (GOT Test) and ELISA testing for cotton which is done at their laboratory in Aurangabad processing centre.



Seed Production and processing process



Source: Company Data



With 4 decades of existence, company has created a valuable library of 18,925 germplasms

Company is also working closely with number of national / international research institutions.

Strong Research & Development

The seed industry is intensely research-oriented, where it is typical for a new trait to be developed over a number of years. The company has undergone major scientific upgradation, during the last one-decade or so. Advance breeding strategies, with novel genetic resources, gene pyramiding with molecular-aided gene tracking systems, and extensive testing of genetic stocks, breeding lines and hybrids derived thereof, are generating a range of predetermined designer products.

NBL has always believed in original research and over 4 decades of existence, company has created a valuable library of 18,925 germplasms. In addition to this, the company has affiliations and research alliances with several research institutes world over for various crops.

NBL has built a strong research team of agricultural scientists and breeders led by Dr. Raina. The company has set up 18 stations for evaluating research products across agroclimatic zones and has a dedicated team of research scientists working on each crop. The company is focusing not only on making high yields seeds, but also on creating seed embedded technologies to protect against specific biotic / abiotic stressors.

The Company has well established seed testing laboratory at Aurangabad and 250 acres of land in Aurangabad & Telangana for R&D, Grow out test and Production of breeder and foundation seed.

Company is also working closely with number of national / international research institutions.

- National Research Center on Biotechnology (IARI) Pusa Campus, Delhi
- International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Hyderabad
- International Rice Research Institute (IRRI)
- International Maize and Wheat Improvement Center (CIMMYT), Mexico
- Biocentury Transgenes Corporation (China) Ltd
- National Engineering and Technology Research Center for Semi-Arid Agriculture, Shijiazhuang, China



- Yuanlongping International Hybrid Rice Development Co. Ltd., Changsha, Hunan, China
- National Key Laboratory of Crop Genetic Improvement, National Center of Plant Gene Research, Huazhong Agricultural University, Wuhan China and AVRDC Taiwan.

The company has entered into an agreement with International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) for transfer of breeding material whereby our Company procures breeding material from ICRISAT for further product development.

The company has also entered into an MOU with Global Transgenes Limited, our Associate Company, for use of Bollgard II technology which is used for genetic modification of cotton seeds.

Balanced & Diversified Products Portfolio

The company de-risked the portfolio from dependence on a single product by opting for value-added and high-margin offerings. Its products portfolio ranges from field crops, vegetable crops to micro nutrient supplements. Its cereals range includes maize, paddy, pearl millet, wheat and jowar. It also offers fiber and oils seeds, such as cotton, mustard and sunflower. Its nutritional supplements include Win-Chi-Win and Bio-Energy. Its vegetable crop range includes chilli, okra, tomato, bottle gourd, bitter gourd, cucumber and coriander.

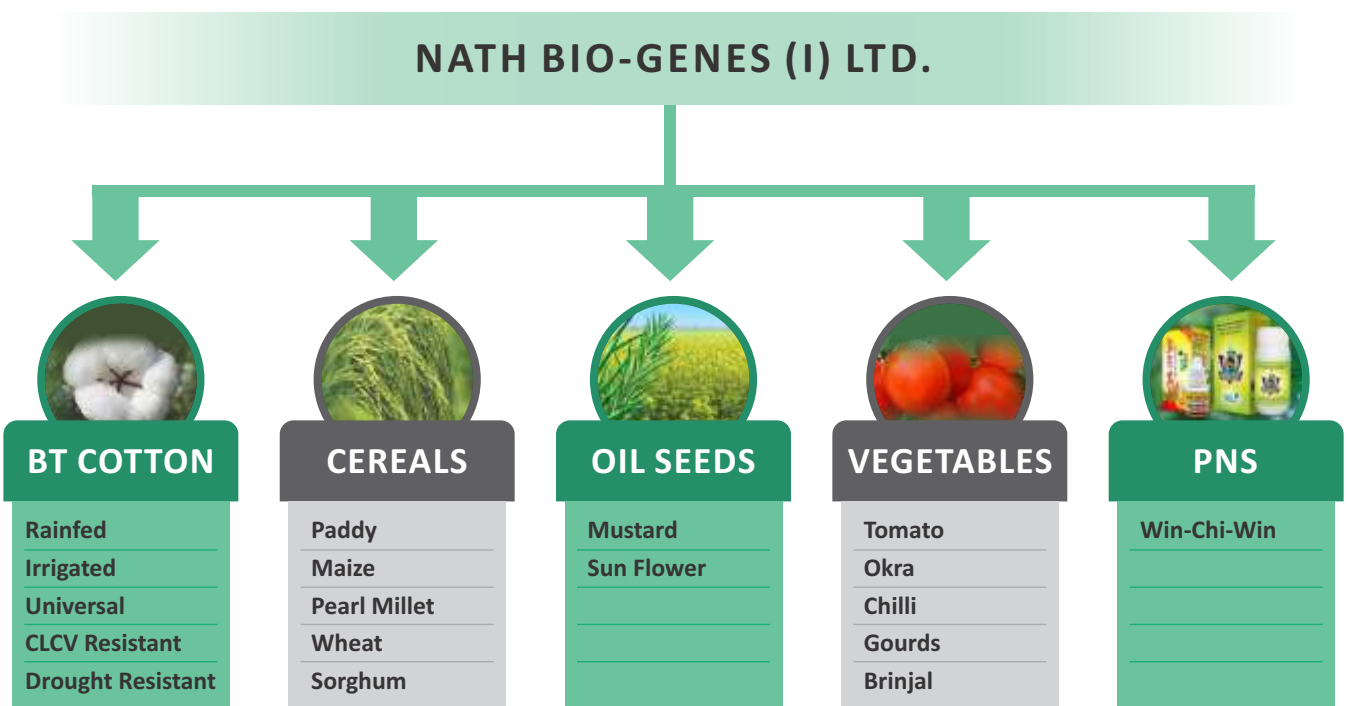
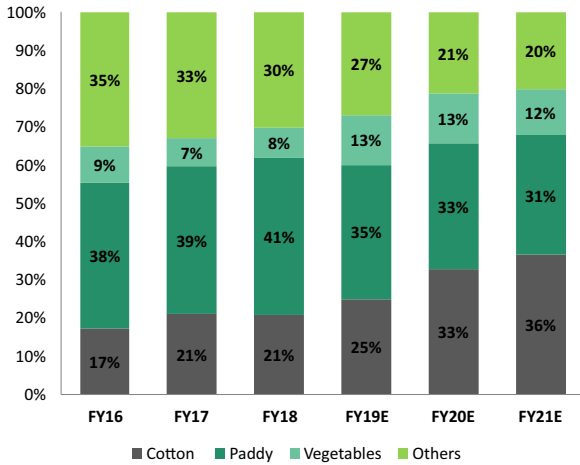




Exhibit 2: Revenue Mix



Source: Company Data & SMIFS Research

Nath's new cotton hybrids ranked in the Top 3 in South and Central zone in the trials conducted under the supervision of ICAR for the year 2017-18.

Nath Bio's vegetable seeds are also gaining acceptance and the revenue from this segment is expected to triple in the next three years.

Cotton to remain a key revenue driver followed by paddy and vegetables

NBL is mainly focusing on crops like cotton, paddy and vegetable seeds like Okra and Tomato and is aiming to establish Industry's leading products under these categories. It is building an alliance with prominent international research institutions in India, China and Philippines for further research in cotton, paddy and vegetable hybrids.

Cotton: In cotton, the company has created products such as NBC-102 and NBC-1022 that requires no spray, no irrigation and gives assured yield—resulting in a higher farmer profit per acre across climate cycles. These products are expected to drive growth and the share of cotton in total revenue is expected to increase sizably over the next 2-3 years. NBL's new cotton hybrids NBC 1111 BG II and NBC 1103 BG II is ranked first and third in South zone and third and first in Central zone respectively, in the trials conducted under the supervision of ICAR for the year 2017-18. This strengthens our believe that cotton is going to become a key contributor to the revenue of the company going ahead. Currently, cotton's contribution is 20% and we expect in the next 2-3 years the contribution is likely to increase to 40%. This would help garner market share. The company is aiming for 12-15% market share in cotton seeds by 2023.

Paddy: After cotton, Paddy is another strong opportunity. Since the company is increasing their focus on cotton the contribution of paddy is going to come down in the years to come. However, this crop will still remain a sweet spot for the company as there is a huge demand for the company's paddy products. Currently, paddy contributes 41% and the ratio is likely to stabilize at around 26-28% in next 2-3 years' time. Paddy market is still in its budding stage in India with only ~ 10% penetration, thus it poses a significant opportunity for growth. Under this category, products like Gajab, Super Duper, Ford 140 and Tehelka has been well accepted in the market and are likely to penetrate further. The company has also collaborated with International Rice Research Institute (IRRI), Philippines for rice development.

Vegetables: NBL's vegetable seeds are also gaining acceptance and the revenue from this segment is expected to triple in the next three years. The contribution to the overall revenue is also going to increase to 13% in FY19 from the previous 8%. The company witnessed strong growth in demand in the current financial year for Okra, Tomato and Chilli seeds.

The company with these products is planning to take the leadership positions in the Seed Industry. These products are likely to witness strong volume and subsequent revenue growth, margin expansion, and would ultimately result in surge of bottom-line.



Other Crops



Mustard: Company's products are widely acknowledged for their leadership in the yellow mustard category. Company is harnessing its brand equity in yellow mustard in black / brown mustard, where the market size is significantly higher. The company is also working on hybrids in mustard focusing on improving oil content and improving resistance.

Pearl Millet (Bajra): It is a regional crop, focused largely at the state of Rajasthan, and a minor contributor in the company's revenue. Company's products are well accepted in the target market and with new product introduction with enhanced yields, draught resistance and superior resistance, the company is hopeful of gains in market share.

Other Cereal Crops: The Company is also into another cereal crop like Maize, Wheat, Jowar etc. each crop has a potential to be a chart buster. Currently, these crops add a minor contribution to the sales, but company's research efforts are on to take each crop to its deserved height.

Crop Supplement: Win-chi-win is a bio growth enhancer for cereals, vegetable crops, fruits, etc. In order to diversify their product portfolio, the company forayed into the trading of this [product. It is a promising product and we believe that there is a large market for this product and market size is manifold and is yet to be tapped. Nath Bio has also introduced "Bio-energy" and organic natural nutritional supplement recommended for both soil as well as foliar spray.



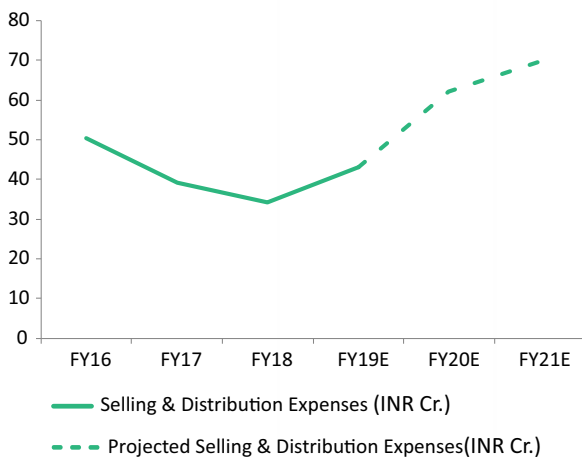
Exhibit 3: Main Products with brief description

Product Category	Product Name	Key Features with advantages
Cotton		
Cotton	NBC-102	It is an early to medium maturity (140-150 days) product. This is a low input management product which is ideal for rain-fed conditions and has superior tolerance to dehydration stress. It has an enhanced resistance to sucking pests which facilitates convenient picking due to synchronized maturity. The product has a better volume-weight with lower physical dropping and para-wilt effects which results in a superior and assured yield.
Cotton	NBC 1022	It is a full maturity (170-180 days) product. This is a high-input management product ideal for irrigation conditions. It has high tolerance to sucking pests thereby being a very high yield product with highest bolls bearing hybrid all over. It has an excellent boll opening and easy picking convenience with continuous flowering and good rejuvenation.
Paddy		
Paddy	Ghazab	It is a medium maturity (120-125 days) product. This product is a new concept in hybrid rice (Gen 3 product). It has a high-test weight (27-28 gm/1000 grains).
Paddy	Super Duper	It is an early maturity duration (110-115 days) product with very high grain fertility (95-98 %). The product shows disease-free expression in addition to high yield potential. The product is also recommended for industrial use.



Other Field Crops		
Maize	NMH 1008	It is a medium late maturity (110-115 days) product. This is a single cross full season maize hybrid with consistent high yield. It has a uniform plant height & low cob placement resulting in wider adaptability. This is suitable for both Kharif & Rabi seasons and has a high shelling percent (approximately 82%).
Pearl Millet	NBH 1717	It is an early maturity (74-78 days) product. It is an attractive plant type with medium height, non-lodging and is suitable for late planting, in case of delayed rainfall situation. This has a high degree of panicle compactness. The product has shiny grey grains (stay green) with good quality fodder after grain harvesting.
Pearl Millet	NBBH 1188	It is the tallest Pearl Millet hybrid which is non-lodging in nature. It has long thick highly compact earheads with bold and shiny light grey grains. The product is also tolerant to mid-season droughts.
Vegetables		
Tomato	NTH 1894	It is a regular maturity (50-55 days) product having 80-110 gm weight. The product has a high level of resistance to TYLCV disease thereby resulting in high yield. It is suitable for long-distance transportation and has an excellent rejuvenation capacity. Hence it is suitable for rabi and summer cultivation with wider adaptability.
Okra	NOH-05	It has an easy fruit visibility for harvesting. The product has lower incidence of sucking pest attack and is very efficient for pesticide spraying. It has a high tolerance to YVMV whereas it is also moderately tolerant to ELCV, hence resulting in good yield.
Chilli	NCH-886	It is a product with good vigor and branching. It has an attractive green fruit color and good pungency. It also has a heavy fruit bearing. The fruit is very attractive with high yield.
Other Products		
Crop Supplement	Win-Chi-Win (WCW):	WCW is a unique product that increases the enzymatic activity in the plant resulting in good metabolic process. It is seen to enhance the yield by over 50%, and also protects against diseases. It enhances resistance against Stress & Cold and also degrades the pesticides residue in plants.

Exhibit 4: Selling & Distribution Expenses



Focus on Marketing and Distribution

Mr Madhav Dhande, a veteran in seeds marketing has joined the company with over four decades of experience to head its marketing initiative. He is rejuvenating the sales team and bringing in fresh new talent at different levels in the marketing set up of the company. Over the past 12-18 months, the company has taken various steps to strengthen its marketing function –

- Focused on performance of distributors.
- Targeted marketing, instead of selling.
- Created separate teams for field crops and vegetable marketing.
- Improved co-ordination between marketing, research and production.
- Increased number of Branches & Depots.
- Made extensive demonstration and field displays .
- Created a rating mechanism for distributors and focusing on the performing and good potential distributors.
- Increased network of Nath Farm Advisors.
- Focused on Patent / Trademark registration and IT integration.



Nath has 16 branch offices and approximately 1,265 distributors as on December 2017

NBL is the only company to receive approval for Fusion Bt cotton seeds from Philippines

Pan India Presence

NBL has a Pan India presence for sales through an extensive network of distributors. The Company has approximate 30,000 acres of area under seed production and has a network of over 15,000 farmers for growing seeds. It has over 20 RRTS in different agro-climatic zones for research demonstration and evaluation. It also has over 450 Nath Farm Advisors to provide after sales service.

They have 16 branch offices and approximately 1,265 distributors as on December 2017. They have 12 strategically located distribution and storage facilities (including conditioned storage facilities) that help them meet the varying requirements of their customers in 16 states of India. The Pan- India supply chain allows them to effectively manage their inventory and provides flexibility and access to a number of production, processing and storage facilities.

NBL has SAP-based enterprise resource planning system ("ERP") and integrates barcode tracking to monitor the movement of their products and sales returns for better inventory management. They are also piloting the use of mobile applications in managing their inventory and logistics, supply chain and sales and distribution operations, as well as in their farm advisory services.

Presence in Overseas Markets

The company is currently exporting hybrid corn, hybrid millet, grain sorghum, forage sorghum, hybrid paddy, hybrid cotton, and different types of vegetable seeds to countries such as Pakistan, Bangladesh, Nepal, Bhutan, Kenya, Egypt, Saudi Arabia, and Myanmar.

The company has been exploring opportunities for marketing in SAARC countries of its existing products where soil and agro-climate condition are similar. Also the company has set up offices and trial stations at East African Countries. It has also conducted and supported trials in East Africa for 2-4 years and developed tailor crops.

Venture into Philippines:

NBL is the only company to receive approval for Fusion Bt cotton seeds from Philippines.

- Invested considerable time, effort and resources in comprehending the Philippines agro-climatic conditions.
- Developed proprietary cotton hybrid seeds, imbedded with its own Fusion BT technology to rejuvenate Philippines's cotton crop cultivation.



- Cotton hybrids reported yields much higher than the available alternative.
- Now Fusion BT on the verge of commercialisation which would enhance revenues.

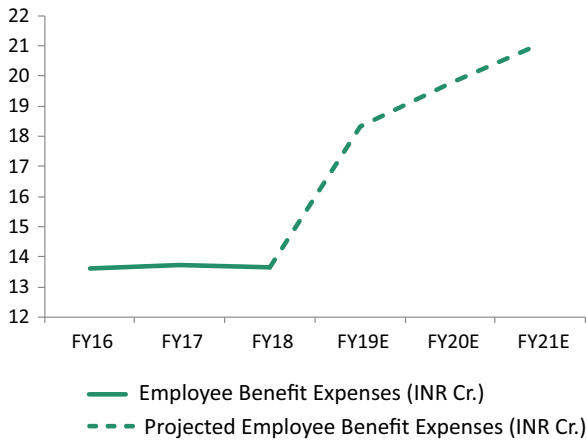
Considering such efforts, we can expect exports to grow significantly in future.



Source: Company Data



Exhibit 5: Employee Benefit Expenses



The company has hired over 30 professionals in the last 6 months

NBL raised INR136 Crore of capital through QIP in January 2018.

Added the best talents from the Indian seed Industry

NBL has heavily invested in employing best talents from various research labs both Govt. as well as private for field research, marketing, production and International business development. It has hired key personnel from research labs of renowned companies such as Monsanto, JK Agri, Kaveri Seeds, Bayer, Syngenta, etc. It has also enhanced their management strength by bringing the enthusiastic veterans of the industry.

The company has hired over 30 professionals in the last 6 months which includes some renowned names from the Industry like Shri Venkatesh N Kulkarni who joined the company as Vice President for R&D and International Business Development, Mr Anil Vidyadara joined as the production Lead and Mr Binit Kumar Singh as Vegetable Marketing Lead under Mr Madhav Dhande.

This is a major development for the company as a talented human resource is pivot to the success of seed companies. With their rich expertise, the company would be able to scale up their production and would also be able to come out with better seed technologies and grab a decent share of this market.

Pledged shares released by ARCIL

Previously, NBL's promoters had pledged 6,511,287 equity shares aggregating to 83.96% of the total equity shares held by them in the company. Out of the total equity shares pledged, 1,941,000 equity shares aggregating to 25.03% of the total equity shares held by the promoters have been pledged by them in favour of their lenders, as a security for the loan provided to their company. The shares were pledged with a financial institution (ARCIL).

Lately the company's promoters repaid their outstanding loan which made ARCIL release the entire pledge of 1,941,000 shares back to the promoters. This is a positive development not only for the company but for the entire group of companies.

QIP capital will aid the company in reducing debt and in improving working capital

NBL raised INR136 Crore of capital through QIP in January 2018. A part of the capital is used to reduce the debt and the remaining was used to ease working capital. In order to grow, this fund will help the company to strengthen its marketing network and to bring in better technology. This would also help the company grow at a time when it is planning to increase its market share.

However, the raised capital has increased the shareholder's fund and thus impacted the return ratios. But the company's new basket of products would propel margin expansion and the ratios are likely to strengthen going ahead.

Company Overview

NBL is engaged in the business of Production, Processing, and Marketing of Hybrid and Genetically Modified (GM) Seeds. The Company's segments include agricultural activities (seed production) and trading activities. The Company has products ranging from Field crops, Vegetable crops to Micro Nutrient Supplements. Its major Processing Plants are situated at Aurangabad, and Munipalli, Nizamabad (TG). The Company has approximately 30,000 acres of area under seed production and has a network of over 15,000 farmers for growing seeds. It has a Pan India presence for sales through an extensive network of distributors

Nath Bio's Journey of Growth

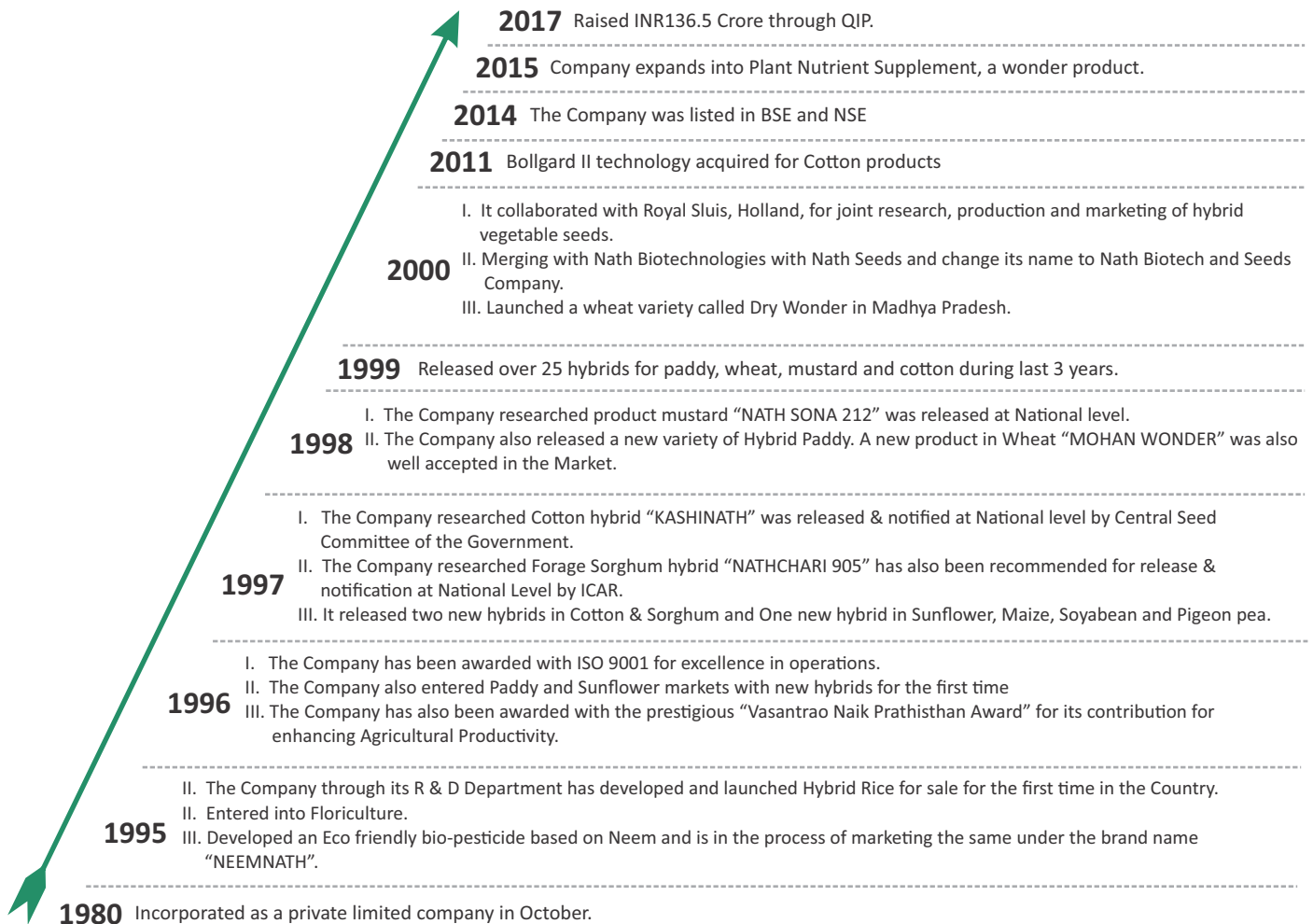


Exhibit 6: Key Management Personnel

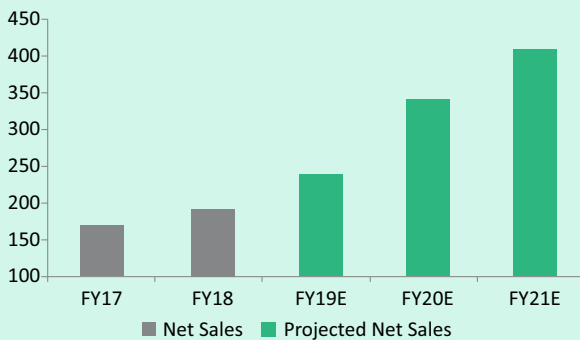
Name	Designation	Details
Mr. Nandkishor Kagliwal	Chairman (Promoter)	Mr. Nandkishor Kagliwal is the founder chairman of the Nath Group. He was the President of Maharashtra Economic Development Council (MEDC) and also served as a member of Maharashtra's planning board and western regional council of Industrial Development Bank of India (IDBI).
Mr. Satish Kagliwal	Managing Director (Promoter)	Mr. Satish Kagliwal is the Managing Director of the NBL. He is also the trustee of Nath Agro Research Foundation, an institute doing fundamental research in several crops. He is a Management Post Graduate and has studied at BITS, Pilani. He has been actively involved in the agri sector for over two decades.
Mr. Devinder Khurana	Chief Financial Officer	He has been associated with the company since August 1, 1996 and was elevated to his current position on May 30, 2015. He is a certified associate of the Indian institute of Bankers and accredited as a chartered financial analysts by the Institute of Chartered Financial Analysts of India. He looks after the financial affairs of the company. He has prior experience with State Bank of India.
Mr. Madhav A. Dhande	Business Lead	He is one of the foremost names in the marketing of agro inputs and has a rich experience of 43 years working for numerous renowned MNCs & Indian Seed companies. He has been associated with the Company since July 28, 2016 and was elevated to his current position on December 16, 2017 being responsible for looking after marketing strategies of the Company. He holds Master of Science in Entomology from PKV Akola University. Prior to joining the company, he was associated with Krishidhan Seeds Private limited.
Dr. Satish Raina	Head of Research and Development (Field Crops & Cotton)	He has been associated with the Company since September 1, 2004. He holds a Ph.D. in Botany from Agra University. He is a fellow of the Indian National Science Academy and National Academy of Agricultural Sciences. Prior to joining the company, he was a professor with National Research center on Plant Biotechnology, New Delhi and was also associated with International Rice Research Institute, Philippines.
Dr. Ish Kumar	Head of Research and Development (Paddy)	He has been associated with our Company since August 16, 2017 and is responsible for research and development for the paddy sector of the Company including overseeing research, breeding of paddy, corn, pearl millet, wheat and mustard. He holds a Bachelor's degree in science (agricultural and animal husbandry) from Punjab Agricultural University and a master's degree in science from Punjab Agricultural University as well as a Ph.D in philosophy from Punjab Agricultural University. Prior to this company, he has associated with Rasi Seeds (P) Limited.
Dr. Chandra Pathak	Head of Research and Development (Vegetable)	He has been associated with our Company since January 1, 2017. He is an agro-scientist with vast experience in seed research. Prior to joining the company, he has associated with institutions like Indian Institute of Horticultural research, Bangalore (IIHR), Asian Vegetable Research and Development Center, Taiwan (AVRDC), Seminis Vegetable Seeds (India) Limited and Global Transgenes Limited.
Mr. Samadullah Baig	International Business	He has been associated with Nath for the past 38 Years. He has an extensive experience of all technical aspects of seed industry.

New additions to the team

Shri Venkatesh N Kulkarni	Vice President for R&D and International Business Development (IBD)	He has 25 years of experience in crop improvement research and IBD in Asia-Pacific and certain countries in Africa. He has served renowned organizations like JK Agri-Genetic, ICRISAT among others. He has extensive work experience in various crops like cotton, rice, maize, pearl millet and wheat.
Mr Anil Vidyadara	Production Lead	He has over 30 years of experience in seed production and has served companies like Mahyco, ITC, Advanta India, Kaveri Seeds and other Seeds Companies of India. He has handled seed production of both field crops and vegetable crops.
Mr Binit Kumar Singh	Vegetable Marketing Lead	He has 16 years of experience and has served companies like Nuziveedu seeds, Monsanto Holdings, BASF India among others.

Key Performance Indicators

Exhibit 7: Net Sales

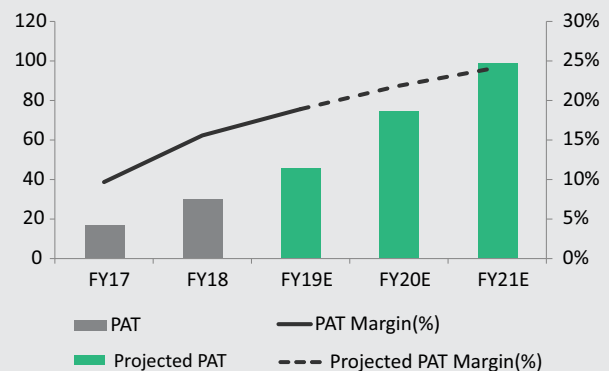


The net sales is expected to increase significantly in the coming years mainly due to rise in volumes of cotton seeds, paddy seeds and vegetable seeds. The value of vegetable seeds is to triple in the next three years.

Source : Company data & SMIFS Research

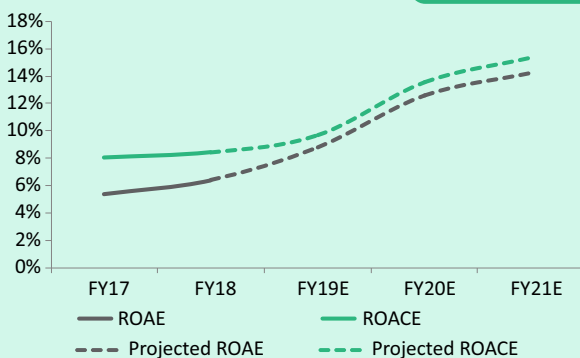
Exhibit 8: PAT & PAT Margin

Higher revenue will lead to higher net profit would increase the operating cash flow of the company. The increased cash can be used to cover all the short term expenses of the company as the accounts receivable cycle is relatively higher for seed companies



Source : Company data & SMIFS Research

Exhibit 9: Return Ratios

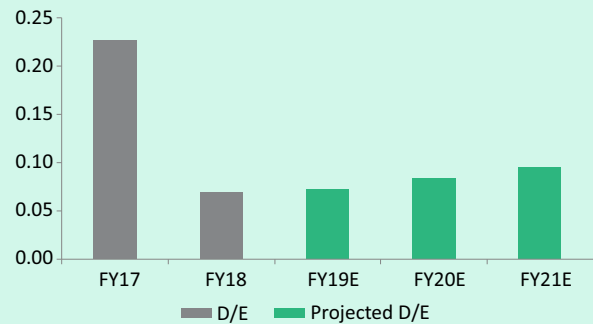


Currently the return ratios are low because the company has raised capital through QIP and because of the revaluation of land as per INDAS.

Source : Company data & SMIFS Research

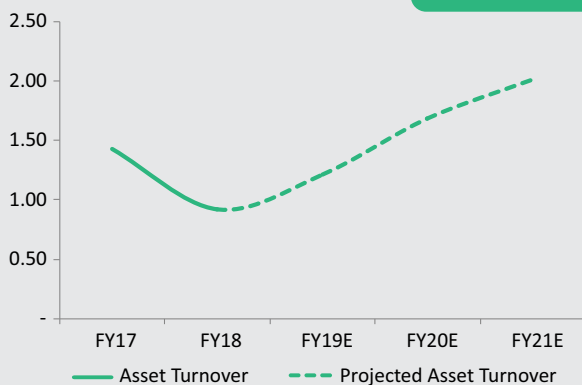
Exhibit 10: Financial Leverage

After the QIP, the debt of the company significantly came down which resulted in improved financial health of the company and a low debt to equity ratio.



Source : Company data & SMIFS Research

Exhibit 11: Asset Turnover



The company is expected to deploy its assets effectively to generate revenue in the coming years. The revenue is expected to grow significantly on the back of rise in volumes. However the asset base has been significantly higher from FY17 onwards due to the revaluation of land as per IND AS. Normalizing the impact of revaluation of land would lead to even higher asset turnover ratios.

Source : Company data & SMIFS Research



Outlook & Valuation

NBL has been in this business for more than 35 years now and the company is at an inflection point. The company has heavily invested in research and development and its differentiated products are showing outstanding performance which we believe will enhance the financial performance going forward. The company has created a valuable library of 18,925 germplasms and it also has affiliations and research alliances with several research institutes world over for various crops. The company has also repaid its debts and working capital has also been enhanced after the QIP. These will help the company scale new heights.

We valued the company on the basis of weighted average of EV/EBITDA and P/E multiple.

On the basis of EV/EBITDA, we assign a multiple of 15.2x on FY20E EBITDA and arrive at a price of INR773.

On the basis of P/E after giving a discount of 20% on the Industry average, we assign a multiple of 19x on FY20E EPS and arrive at a price of INR745.

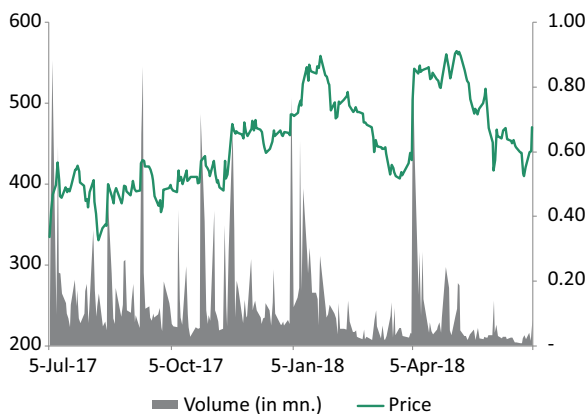
Finally on the basis of weighted average of the above two methods we arrive at a Price Target of **INR759**.

Exhibit 12: Valuation Matrix

Method	Price (INR)	Weight(%)	Weighted Price (INR)
P/E	745	0.5	372
EV/EBITDA	773	0.5	386
Target Price (INR)			759

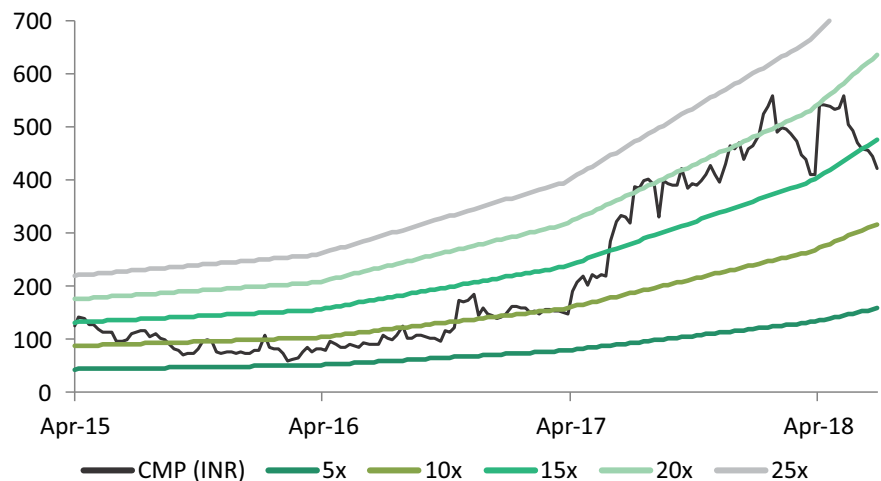
Source: SMIFS Research

Exhibit 13: Price Volume Chart



Source: NSE & SMIFS Research

Exhibit 14: P/E Band



Source: NSE & SMIFS Research



Key Risks

Monsoon: Monsoon plays a major role on the performance of agri related companies. When the monsoon is good outlay for quality seeds, fertilizers, crop protection chemicals etc. increases, however, in case of a subdued or weak monsoon condition reverses.

Revenue May Be Affected Due to Lack of Execution: The company is now at an Inflection Point where it has superior products in its basket. However, the revenue of the company may be affected if marketing of these products do not get acceptance.

Govt. policies on cotton seed pricing: Recently, the Government slashed Bt cotton seed prices, including trait value or tech fees to support distressed farmers hit by frequent pink bollworm pest attacks and crop losses. Govt. plays a major role on pricing and any adverse decision may affect the revenue of the company.

Fluctuations in commodity prices can increase costs and adversely affect sales: Nath Bio contract production with multiple growers at fair value and retain the seed in inventory until it is sold. These purchases constitute a significant portion of the processing costs for their seeds. If commodity prices increase then it may negatively affect the cost of goods sold and cause them to increase seed prices, which could adversely affect their sales.

High working capital requirement: Seed business requires a significant infusion of working capital. Working capital is required to finance the purchase of raw materials, finance the research and development process, operation of manufacturing facilities, selling and distribution. Accounts receivable collection cycle is relatively long as a result of the nature of our business and operations. Any delays and/or defaults in payments from customers could result in increase of working capital investment and/or reduction of their profits, thereby affecting our operations and financial condition.

Stringent regulations affect seed production

Extensive and stringent regulatory requirements affect the production, processing and distribution of their products, including the testing and planting of seeds containing their biotechnology traits. Any non-compliance can harm the company's sales and profitability.

Financial Details

Exhibit 15: Income Statement (Standalone)					INR Cr.
Particulars (Y/E March)	FY17A	FY18A	FY19E	FY20E	FY21E
Net Revenues	170	193	240	342	410
Cost of Material Consumed	71	84	111	156	184
Employee Cost	14	14	18	20	21
Other Expenses	56	53	60	83	94
Total Expenditure	141	151	190	258	299
EBITDA	29	41	50	83	111
[+] Other Income	1	1	3	3	3
[-] Depreciation	3	1	2	2	3
[-] Finance Cost	10	10	4	6	8
[+] Exceptional Items	-	-	-	-	-
[-] Tax Expense	0	1	1	3	4
PAT	16	30	45	74	99

Exhibit 16: Balance sheet (Standalone)					INR Cr.
Particulars (Y/E March)	FY17A	FY18A	FY19E	FY20E	FY21E
Share Capital	16	19	19	19	19
Reserves & Surplus	287	451	498	574	677
Total Net Worth	303	470	517	593	696
Long term loans	20	0	0	0	0
Long Term Provisions	2	2	2	2	2
Other non-current Liabilities	0	0	0	0	0
Total Non-Current Liabilities	22	2	2	2	2
Short Term Borrowings	49	32	37	49	66
Trade Payables	44	37	49	67	77
Other Current Liabilities	37	31	32	48	57
Total Current Liabilities	130	100	118	164	200
Total Equities and Liabilities	455	572	638	759	899
Fixed Assets	207	212	234	252	264
Non-current Investments	5	5	5	5	5
Other Non-Current Assets	1	1	1	1	1
Total Non-Current Assets	213	217	240	258	270
Inventories	130	123	164	187	225
Trade Receivables	52	82	89	121	146
Cash and bank balances	6	45	71	106	153
Other Current Assets	54	104	73	87	104
Total Current Assets	242	354	398	501	628
Total Assets	455	572	638	759	899

Source : Company data & SMIFS Research

Exhibit 17: Cashflow Statement (Standalone)					INR Cr.
Particulars (Y/E March)	FY17A	FY18A	FY19E	FY20E	FY21E
PBT	17	30	46	78	103
[+]Adjustments	13	11	6	8	11
Operating Profit Before WC Changes	30	41	53	86	114
Changes in Working Capital	(21)	(87)	(9)	(37)	(60)
Tax Paid	(0)	-	-	-	-
Extraordinary items	-	-	-	-	-
Cash From Operating Activities	7.67	(46)	43	48	53
Cash From Investing Activities	(4)	(2)	(21)	(20)	(15)
Cash from Financing Activities	1	90	1	6	9
Net Cash inflow/Outflow	5	43	23	35	48
Opening Cash & Cash Equivalents	1	5	48	71	106
Closing Cash & Cash Equivalent	5	45	71	106	153

Exhibit 18: Key Ratios (Standalone)					
Particulars (INR Cr.)	FY17	FY18	FY19E	FY20E	FY21E
Growth Ratios (%)					
Revenue growth	5%	13%	25%	42%	20%
EBITDA growth	18%	43%	22%	66%	33%
PAT growth	15%	84%	51%	64%	33%
Return ratio (%)					
EBIDTA Margin	17%	21%	21%	24%	27%
PAT Margin	10%	16%	19%	22%	24%
ROAE	5%	6%	9%	13%	14%
ROACE	8%	8%	10%	14%	15%
Valuation (x)					
P/E	47.75	25.94	20.34	12.41	9.34
P/BV	2.57	1.66	1.80	1.57	1.34
EV/EBITDA	10.31	21.29	17.48	10.55	7.91
Per Share					
EPS	10.18	18.75	23.91	39.18	52.05
CEPS	12.08	19.34	24.92	40.40	53.41
BVPS	189	294	272	312	366
Leverage Ratios					
D/E	0.23	0.07	0.07	0.08	0.10
Interest Coverage	4.1	3.1	4.0	11.8	14.5
Current ratio	1.86	3.55	3.36	3.06	3.14

Source : Company data & SMIFS Research

Research & Development Strategies

Mr. Rahul Kayan
Director
rahul.kayan@smifs.com
+91 33 66345419 / 40115419
Mobile No: +91 9831893232

Mr. Ashiwini Kumar Tripathi
Director
aswin.tripathi@smifs.com
+91 33 66345415 / 40115415
Mobile No: +91 9831155058

Mr. Ajay Jaiswal
President: Strategies and Head Research
ajaiswal@smifs.com
+91 33 66345408 / 40115408
Mobile No: +91 9836966900

Mr. Rajesh Basu Majumdar
Head Equities - Institutional
rajesh.majumdar@smifs.com
+91 33 66345400 / 40115400
Mobile No: +91 9830267133

Mr. Shivaji Roy
Sr. VP - Sales
shivaji.roy@smifs.co.in
+91 33 66345400 / 40115400
Mobile No: +91 9830173200

Research Team

Mr. Ajay Srivastava
Associate VP - Research
ajay.srivastava@smifs.co.in
+91 33 66345400

Mr. Saurabh Ginodia
Associate VP - Research & Strategies
saurabh.ginodia@smifs.com
+91 33 66345407

Mr. Dipanjan Basuthakur
Sr. Research Analyst
dbasuthakur@smifs.com
+91 33 66345486

Ms. Sutapa Biswas
Sr. Research Analyst
Economy
sutapa.biswas@smifs.com
Mobile No: +91 9836020612

Mr. Abhishek Roy
Research Analyst
FMCG/Retail/Consumer Durables
abhishek.roy@smifs.com
+91 33 40115468

Mr. Kapil Joshi
Research Analyst
Infrastructure/Power
kapil.joshi@smifs.com
+91 33 40115468

Ms. Mononita Mitra
Research Analyst
Agro/Chemicals
m.mitra@smifs.com
+91 33 40115468

Mr. Pratim Roy
Research Analyst
Oil & Gas/Textiles
pratim.roy@smifs.co.in
+91 33 40115400

Mr. Debjit Maji
Research Analyst
Auto & Auto Ancillary/Telecom
debjit.maji@smifs.co.in
+91 33 40115474

Mr. Anmol Das
Research Analyst
Metals and Mining
anmol.das@smifs.co.in
+91 33 40115474

Mr. Sarthak Mukherjee
Research Analyst
Aviation/Hospitality/Logistics
sarthak.mukherjee@smifs.co.in
+91 33 40115474

Mr. Anupam Goswami
Research Analyst
Building Products/Capital Goods/
Construction Equipment
anupam.goswami@smifs.co.in
+91 33 40115474

Mr. Anik Mitra
Research Analyst
IT/ Pharmaceuticals
anik.mitra@smifs.com
+91 33 40115400

Mr. Sudip Dugar
Research Analyst
BFSI
sudip.dugar@smifs.com
+91 33 40115400

Commodity Research

Mr. Sam Nair
AVP - Commodities
sam.nair@smifs.com
Mobile No: +91 81138 52263

Technical Research

Mr. Jaydeb Dey
Technical Analyst Equities
jaydeb.dey@smifs.com
+91 33 66345433

Sales Leadership Team

Mr. Monal Desai
Sr. VP - Institutional Sales
monal.desai@smifs.co.in
+91 2242005555
Mobile No: +91 9821137303

Mr. Vishal Prabhakar
Sr. VP - PMS & PCG
vishal.prabhakar@smifs.com
+91 33 30515400 / 40115400
Mobile No: +91 9831554477

Mr. Jaydeep Pattanayak
Plot No. 15-B, Bapuji Nagar, Unit-I,
Ashok Nagar, **Bhubaneswar - 751009**, Odissa, India.
jaydeep.pattanayak@smifs.co.in
Mobile No: +91 9583099025

Mr. Taj Mohammad
6th Floor, 654, Aggarwal Metro Heights,
Netaji Subhash Place, Pitampura,
New Delhi – 110034, India.
taj.mohammad@smifs.com
Mobile No: +91 9818754786

Mr. Sohil I Khan
Office No. 5G, New Marine Lines, Court
Chamber, **Mumbai - 400 020**,
Maharashtra, India
Mobile No: +91 9930294893

Mr. Saurasanta Biswas
Vaibhav, 4 Lee Road,
Kolkata - 700020, India.
saurasanta.biswas@smifs.co.in
Mobile No: +91 9883604672

Investor Relations and Data Support

Ms. Tania Das
Sr. Associate Client Relation
tania.das@smifs.co.in
Mobile No: +91 9836162494

Mr. Deepankar Saha
Research Assistant
deepankar.saha@smifs.co.in
Phone: +91 33 40115468
Mobile No: +91 9831260464

Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to <-10%
Neutral	No Rating

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Contact Details

REGISTERED OFFICE

Mr. Sandipan Chatterjee
Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 66345400 / 40115400
Mobile No: +91 9748899161

REGISTERED OFFICE

Ms. Debjani Sen
Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 66345401
Mobile No: +91 9748899162

MUMBAI

Mr. Vaibhav Wadke
Office No. 5G, New Marine Lines, Court
Chamber, Mumbai - 400 020,
Maharashtra, India
Mobile No: +91 -9967642795

NEW DELHI

Mr. Rajesh Kumar Jha
6th Floor, 654, Aggarwal Metro Heights,
Netaji Subhash Place, Pitampura,
New Delhi – 110034, India.
Mobile No: +91 9999243622

BANGALORE

Mr. S. Srikanth
No.153, 2nd Floor, Sheela Arcade, 7th Block
Koramangala, (Opp. – Sai Baba Mandir)
Bangalore - 560095, India.
Mobile No: +91 9845020017

CHENNAI

Mr. K.K.Raja Gopalan
New No.4/2, Bajaj Apartments,
Seethamal Colony, 1st Cross Corner, Alwarpet,
Chennai – 600018, India.
Mobile No: +91 9389331590

LUCKNOW

Mr. Ashish Verma
6 Park Road, UGF 4, Hazratganj,
Lucknow - 226001, Uttar Pradesh, India.
Mobile No: +91 9559378972

BHUBANESHWAR

Mr. Jeetendra Nath Sahoo
Plot No. 15-B, Bapuji Nagar,
Unit-I, Ashok Nagar,
Bhubaneswar - 751009, Odissa, India.
Mobile No: +91 9668257514

PATNA

Mr. Ram Singh
606/A, Ashiana Plaza, Budha Marg,
Patna – 800001, Bihar, India.
Mobile No: +91 9570507409

KANPUR

Mr. Amit Kumar Gupta
Office No.212 – 213, 2nd Floor, KAN Chamber,
Adjacent to UP Stock Exchange, 14/113, Civil
Lines, Kanpur - 208001, Uttar Pradesh, India.
Mobile No: +91 9151104767

RANCHI

Mr. Wasimur Rahman
4th Floor, Sethi Corporate,
Pee Pee Compound, Near Sujata Chowk,
Main Road Ranchi - 834001
Mobile No: +91 9534212670

PATHANKOT

Ms. Anuradha Marwaha
SCO G – 69, Netaji Market,
Opp. Hindu Co.op. Bank, Dalhousie Road,
Pathankot – 145001, Punjab, India.
Phone: 0186 – 2222201/ 2222205

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Website: www.smifs.com | Email: investors@smifs.com



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Stewart & Mackertich Wealth Management Ltd.

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Tel.: +91 33 6634 5408 /, Fax: 91 33 22893401

Website: www.smifs.com

For queries related to compliance of the report, please contact:

-Sudipto Datta, Compliance Officer

Contact No.: +91 33 66345414 / 4011 5414

Email Id.: compliance@smifs.com / sudipta@smifs.com