

Dhanlaxmi Crop Science Ltd IPO

About Company —

- ✦ Dhanlaxmi Crop Science Limited primarily develops, produces, processes, and sells seeds, along with other crop-related products. This aligns with the company's focus on agricultural productivity and providing high-quality seeds to farmers to enhance crop yields.
- ✦ As of September 30 2024, seeds for 24 different field crops and vegetables and have operations in 5 states across India.
- ✦ The sale of cotton seeds contributes the majority of our revenue from operations, contributing 95.64%, 76.78%, 71.47% and 64.73% of our revenue from operations in September 30, 2024, Fiscal 2024, 2023 and 2022, respectively.

Capacity Utilization —

Particulars	30th Sep 2024	FY'24	FY'23	FY'22
Utilization	72%	64%	58%	51%

Positive and Negative Points —

Positive

- ✦ The entire IPO is a fresh issue, so the funds will go to the company.
- ✦ Growth in sales.
- ✦ Stable EBITDA and PAT Margins.
- ✦ Reasonable valuation.

Negative

- ✦ Capacity Utilization is low.
- ✦ The IPO funds will be utilized for working capital requirements. Since the company is not investing in creating new assets, revenue growth can only be anticipated from the existing capacity.
- ✦ 95.64% of revenue is derived from cotton seeds, indicating a high product concentration.

Financials —

(Fig in Cr)

Particulars	30th Sep 2024	FY'24	FY'23	FY'22
Revenue	119.95	63.71	46.61	35.43
Growth	88.27%	36.69%	31.56%	19.09%
EBITDA	11.42	6.80	4.46	1.53
EBITDA Margins	9.52%	10.68%	9.57%	4.32%
PAT	8.21	4.65	3	0.58
PAT Margins	6.84%	7.30%	6.42%	1.64%
CFOA	(7.01)	0.08	6.29	2.03

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Peer Comparison —

Companies	Revenue	EBITDA	PAT	D/E Ratio	Mcap	P/E
Dhanlaxmi Crop Science (FY 2024)	63.71 Cr.	6.80 Cr.	4.65 Cr.	0.31	89.80 Cr.	19.31
Mangalam Seeds Limited (TTM)	112 Cr.	19 Cr. (17%)	13 Cr. (11.60%)	0.73	225 Cr.	17.70
Upsurge Seeds of Agriculture Limited (TTM)	111 Cr.	15 Cr. (13%)	8 Cr. (7.21%)	0.20	172 Cr.	22.90

Conclusion —

The IPO presents a mix of opportunities and challenges. On the positive side, the entire IPO being a fresh issue ensures that funds will directly benefit the company. There is observed growth in sales, along with stable EBITDA and PAT margins, and the valuation appears reasonable.

However, there are some concerns to consider. Capacity utilization is low, and the IPO funds are primarily allocated for working capital rather than asset creation, limiting the scope of future revenue growth to the existing capacity. Additionally, the company's revenue is heavily concentrated, with 95.64% coming from cotton seeds, indicating a high reliance on a single product category. Company operating in 5 states only.

Investors should weigh these factors carefully before making a decision.



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