

May 19, 2020

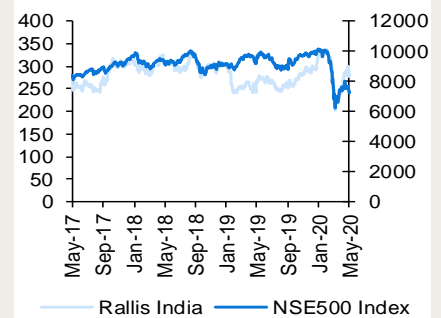
Key technicals in domestic crop protection market but still in ban list

The central government had constituted an expert committee to identify the neo-nicotinoid insecticides registered in India in August 2013 and mandated the committee to expand the identification list to 66 technicals, which are banned in other countries but registered for domestic use in India. In that regard, the expert committee, in consultation with the central government, came up with a draft document to ban 27 technicals, which involves the risk to the human. The list has around 10 insecticides, 11 fungicides while the remaining six are from the herbicides portfolio.

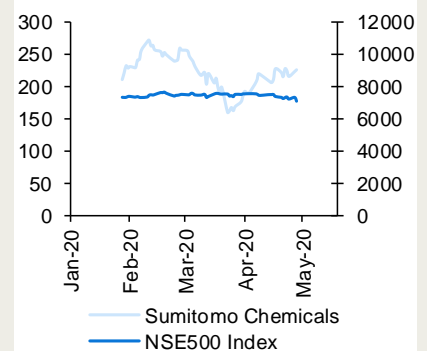
Key molecules such as Acephate, Chlorpyrifos, 2,4-D, Malathion, Dimethoate, Mancozeb, Butachlor, Pendimethalin, Altrazine are in the list of ban portfolio. We believe the aforementioned technicals along with other listed technicals in the ban list, have around ~40-50% market share in the domestic crop protection consumption market. Thus, this is an imminent risk to the domestic generic agrochemical industry given the country could have to import patented/branded formulation resulting in an increase in the agri input cost to farmers. The government plans to ban consumption of 27 technicals in India. However, we believe the same can be exported if the destination country has no objection towards its use. Thus, the domestic agrochemical companies would be immune, to a certain extent, given that the domestic agrochemical market has a sizeable market share in the global genetic crop protection industry (**however we need some more insights from the government given that this is just a draft document and many provisions are still unclear**). The ban list of 27 technicals is estimated to have a market size of around ₹ 5000 crore, of which ~70% is consumed in the domestic market while the rest is exported.

We have Rallis and Sumitomo Chemical in our crop protection chemical coverage basket. Acephate and Pendimethalin are key products in the Rallis portfolio while for Sumitomo Chemical it is Chlorpyrifos. Even if the above technical is banned for domestic market consumption, we do not expect the same to impact the earnings of both these companies adversely given that these technicals may not be sizeable compared to the domestic revenue pie of both players. They can still export those molecules. Thus, overall earnings should not be impacted. We believe there is a high probability that domestic agrochemical/farmer associations would challenge this outcome legally. It would take at least a year for any positive or negative outcome to emerge.

Price Chart (Rallis India)



Price Chart (Sumitomo Chemicals)



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Exhibit 1: List of molecule & manufacturer

List of molecule	Type of pesticide	Indian manufacturer
Acephate	Insecticide	UPL, Bayer cropscience, Meghmani organics, Rallis
Altrazine	Herbicide	Meghmani organics, Rallis
Benfuracarb	Insecticide	Coromandel international
Butachlor	Herbicide	Insecticide India, Coromandel international
Captan	Fungicide	Bayer cropscience
Carbendazim	Fungicide	Bayer cropscience, Atul, Meghmani organics
Carbofuran	Insecticide	Rallis
Chlorpyrifos	Insecticide	Sumitomo chemical, Coromandel international, Insecticides India, Meghmani organics
2,4-D	Herbicide	Atul, Meghmani organics, Insecticides India
Deltamethrin	Insecticide	Bayer cropscience, Meghmani organics
Dicofol	Fungicide	Indofil
Dimethoate	Insecticide	Coromandel international, Rallis
Dinocap	Fungicide	
Diuron	Herbicide	Bayer cropscience, Atul, Hikal
Malathion	Insecticide	Rallis, Sumitomo chemical, Coromandel international
Mancozeb	Fungicide	Rallis, Coromandel international, UPL
Methomyl	Fungicide	
Monocrotophos	Insecticide	Coromandel international, UPL, Meghmani organics
Oxygluorfen	Herbicide	Bayer cropscience
Pendimethalin	Herbicide	Rallis, UPL
Quinalphos	Insecticide	Hikal, Coromandel international
Sulfosulfuron	Fungicide	Atul, Sumitomo chemical, UPL, Meghmani organics
Thiodicarb	Insecticide	Bayer cropscience, Insecticides India
Thiophanate methyl	Fungicide	Rallis, Insecticides India
Thiram	Fungicide	UPL
Zineb	Fungicide	
Ziram	Fungicide	

Source: Company, ICICI Direct Research

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