



IPO Details

Opening Date	Jan 09, 2023
Closing Date	Jan 11, 2023
Stock Exchange	NSE SME
Lot Size	1600 Shares
Issue Price	₹ 78 per share
Issue Size	40,40,000 Equity Shares
Application Amount	₹ 1,24,800

IPO Objective

Funding Working Capital Requirement of the company
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	83,43,490	79.46%
Public	21,56,510	20.54%

Promoter of the Company

- 1 Mr. Aamer Ahmed Farid
- 2 Mrs. Hani Ahmed Farid

Competitive Strengths

- 1 Experienced & Qualified Team.
- 2 Product diversification & Wide Product Offering.
- 3 Diverse Customer Base.
- 4 Company has in- house Research & Development.

Company Background

- Company was incorporated in the year 1994 in Maharashtra.
- Company offers a range of pigment dispersions for various industries like Paints, Inks, Textile, Detergent, Paper, Rubber and Plastics.
- Currently Company is operating out of 2 units in Taloja and at third unit at Mahad (only trial run completed).
- Company is engaged in the business of manufacturing and selling of pigment dispersions, preparations, concentrates, paste colorants and master batches.
- Asian Paints Limited and Berger Paints India Limited are two of major customers from Paints Industry.
- As on Oct 31, 2022, the company had 79 employees on its payroll.

Financial Summary

For the Period Ended	(In Lacs)		
	Sept-22	Mar-22	Mar-21
Total Assets	6,055.33	6,347.51	5,710.12
Net Assets	2,540.35	2,153.14	1,689.94
Total Borrowings	1,350.01	1,991.51	1,656.68
Total Revenue	4,874.80	8,893.61	7,885.80
Profit After Tax	417.22	491.11	281.43

Tentative Timeline

Opening Date	Jan 09, 2023
Closing Date	Jan 11, 2023
Basis of Allotment	Jan 16, 2023
Initiation of Refunds	Jan 17, 2023
Credit of Shares to Demat	Jan 18, 2023
Listing Date	Jan 19, 2023



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Company Overview

Ducol Organics and Colours Limited was incorporated in the year 1994 with the business to offer a range of pigment dispersions and Colour solutions for various industries like Paints, Inks, Textile, Detergent, Paper, Rubber, Plastics, leather, soaps, and FMCG. Company is engaged in the business of manufacturing and selling of pigment dispersions, preparations, concentrates, paste colorants and master batches. They have a pan-India customer base. Currently Company is operating out of 2 units in Taloja and a third unit at Mahad, which is in process of getting established with trials currently being conducted. Asian Paints Limited and Berger Paints India Limited are two of major customers from Paints Industry.

Analysis

Being incorporated in the year 1994, the company has a good track record of existence and has been operating in the pigments industry for almost 3 decades.

Company offers following pigment dispersions and preparations:

- Dutint – water-based dispersions for decorative paints
- Duplast – (Master Batch) MB for plastic industry
- Duprint – water-based dispersion for printing ink formulations
- Dutex – pigment pastes for textile printing industry
- Dusperse – for soap and detergent industry
- Dupralin – for paper industry
- Dupren – used in rubber industry
- Ducem – Dry dispersions various general applications

Company has robust growth and improvement in top line and bottom line on restated financial statement. The Company has three decades of track record in manufacturing of pigments. Company has 2 manufacturing units in Taloja and 1 is in process of establishing in Mahad, a summary of the same is given in the table below –



Details of manufacturing unit	Particulars	Fiscal		
		2022	2021	2020
Unit – I	Installed Capacity (in MTPA)	3500	3500	3500
	Utilised Capacity (in MTPA)	2200	1750	1700
	Utilised Capacity (%)	62.86%	50.00%	48.57%
Unit – II -Master Batches	Installed Capacity (in MTPA)	2000	2000	2000
	Utilised Capacity (in MTPA)	480	490	350
	Utilised Capacity (%)	24.00%	24.50%	17.50%
Unit-II –DryDispersions	Installed Capacity (in MTPA)	10000	9000	8000
	Utilised Capacity (in MTPA)	8350	7107	6841
	Utilised Capacity (%)	83.50%	78.97%	85.51%

The details of the raw materials imported, countries of import, percentage of raw materials imported during the last three preceding financial years and stub period are as under -

Particulars	Local Purchase Amount	Import Purchase Amount	% Local Purchase	% Import Purchase	Total Purchase	Material Imported	Countries
FY 2020-21	4,385.81	58.46	98.20	1.80	4,444.27	Pomosperse, Pigment, Surfynol	China, Barbados, USA
FY 2021-22	5,442.77	280.57	95.10	4.90	5,723.34	Pigment, Titanium	China
FY 2021-22 (Apr-22 - Sep-22)	2,801.53	288.27	90.67	9.33	3,089.79	Pigment, Titanium, Delta	Hongkong, China, Egypt

As evident from the table above, the company is primarily purchasing from the domestic market. The company at present is importing from Hongkong, China, Egypt, The United States of America, etc.

To conclude, the company has fared very well in terms of revenue generation and expansion. The company has an established market and good customer base but they are into a highly fragmented Industry with lot of peer companies.



Industry Charts

Exhibit 1: Chemical Production in 2015-2022(MMT)

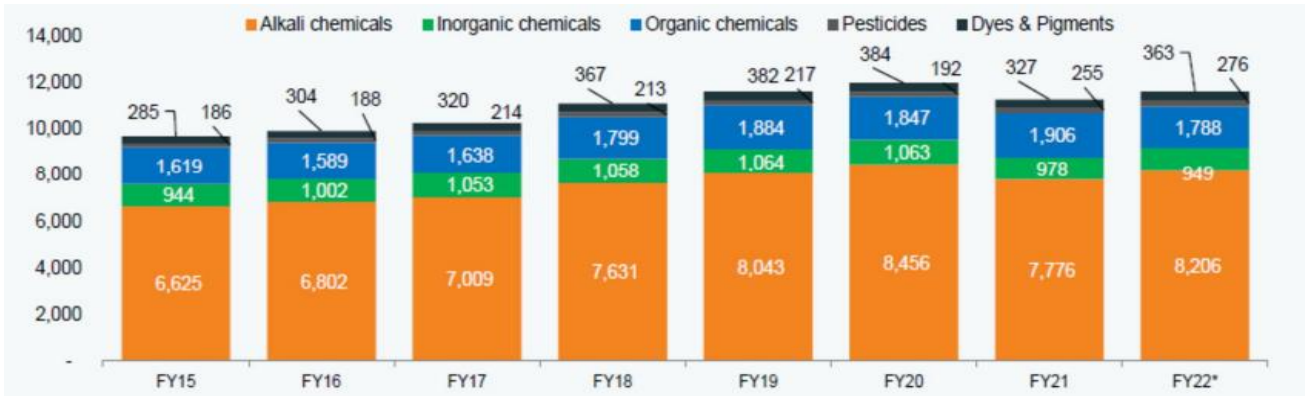


Exhibit 2: India Paints and Coatings Market by Technology 2020-2027

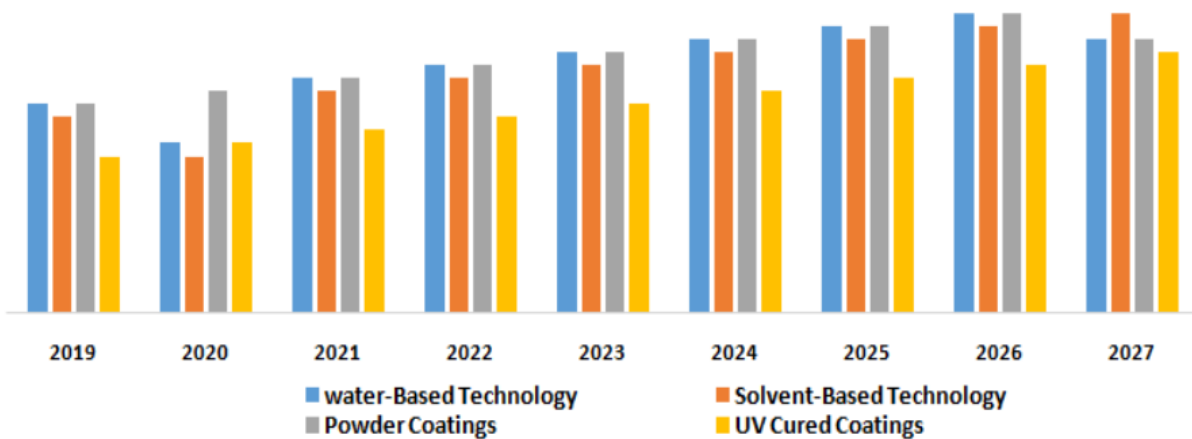
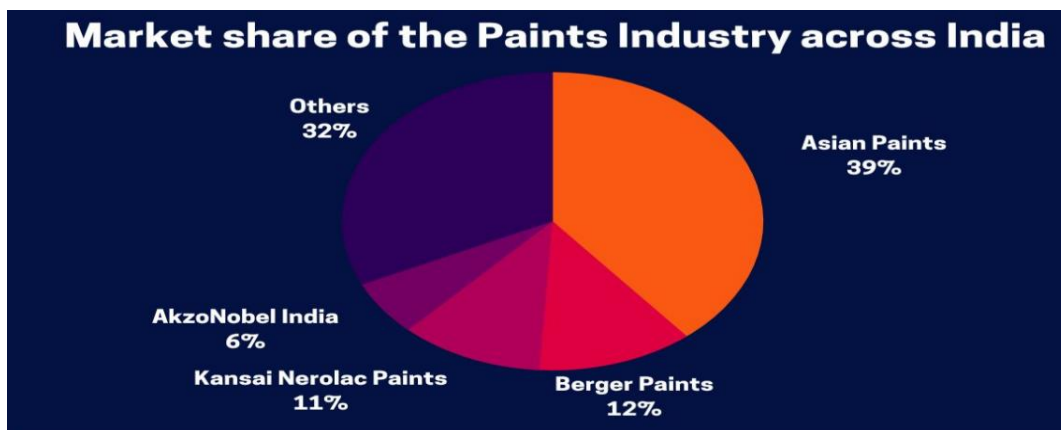


Exhibit 3: Market Share of the Paints Industry across India



(Source: Prospectus, Start-up talky, MMR)



Investment Overview

Indian Paint Industry

The Indian Paint Industry is today worth over INR 62,000 crores (USD 8 billion), and is the fastest-growing major paint economy the world over, with a consistent double-digit growth over the last 2 decades. It has over 3,000 paint manufacturers, with nearly all global majors present in the country. It has a near-75% share of architectural paints and a 25% share of industrial paints, with an equitable fast-paced growth across all segments, from Architectural to Powder, from Automotive to Coil, from High-Performance to General Industrial, from Refinish to Wood, and from Packaging to Plastic.

Besides the core Paint/Coatings segment, Paint India also represents the interests of the Printing Inks, Construction Chemicals and Adhesives-Sealants segments from a sourcing and manufacturing viewpoint, since the raw materials, production equipment and supply channels have a significant overlap, and none of these segments have dedicated world-class events for themselves. Similarly, large and important industry segments like Pigments, Resins, Plastic Master batches and Composites also find valuable sourcing avenues at the show, extending the benefits and customer engagement on offer.

Currently at just 4 kg per capita paint consumption and US \$44 million worth exports, India presents a huge opportunity for its paints and coatings industry. Coupled with the fast-changing scenarios, the market is set to unlock a huge potential for growth of both domestic and global players. To keep up with the pace of pent-up domestic demand and compete globally, it would be highly prudent for the MSMEs to adopt innovation and niche product lines for their growth.

“The Indian paint and coating industry is growing rapidly at 13-14% and the big players are growing even at much faster pace. The entry of Grasim Industries into this segment has shaken the industry and led to the change in dynamics at stock market,” says Sagar Goel, President, Indian Paint & Coating Association.

(Source: Prospectus)



Addressable Market for Ducol Organics and Colours Limited

The company is operating from Maharashtra, which is amongst the major business hubs of India. The company is currently supplying its product PAN India and may also target the export market. Increasing customer footprints across geographies will also be a simultaneous effort taken by company in direction of achieving growth.

Competition

The Indian pigment market is highly fragmented in nature with many formulators and manufacturers. The competition is fierce with large number of organized sector players and significant share of spurious pigments. Like any other company, Company also faces competition from both multinationals, having a big image in the industry and domestic corporate and other fragmented/marginal players.

Peer Analysis

As Mentioned in the prospectus, the company has mentioned 6 listed company as its peer viz. Aksharchem (India) Limited, Asahi Songwon Colors Limited, Vipul Organics Limited, Ultramarine & Pigments Limited, Sudarshan Chemical Industries Limited and Clariant Chemicals (India) Limited. A summary on the key financial parameters of these companies is given in the table below –

Company	Ducol Organics and Colours Limited	Aksharchem (India) Limited	Asahi Songwon Colors Limited	Vipul Organics Limited	Ultramarine & Pigments Limited	Sudarshan Chemical Industries Limited	Clariant Chemicals (India) Limited
Net Profit (INR Cr)	4.91	15.89	19.37	6.98	58.31	129.28	43.33
EBITDA (INR Cr)	9.05	32.36	37.57	16.61	93.15	283.00	70.32
Return on Capital Employed	22.75%	6.29%	7.78%	19.01%	8.64%	14.59%	11.69
Return on Equity	16.42%	5.68%	7.98%	13.31%	6.78%	15.59%	10.46
EPS (INR)#	3.38	19.57	16.11	5.64	19.97	18.78	18.77
P/E* (Times)	23.08	28.75	13.80	23.12	16.52	20.48	19.32

*PE as on 05/01/2023

#EPS is based on post-IPO



Promoters' Profile and Management Analysis

Mr. Aamer Ahmed Farid



- Aamer Ahmed Farid, aged 62 years is the Promoter and Managing Director of the Company.
- He holds a B.Sc. from University of Bombay.
- He has more than 25 years of experience in pigments industry.

Mr. Hani Ahmed Farid



- Hani Ahmed Farid, aged 66 years is the Promoter and Director of the Company.
- He holds a B.Com. from University of Bombay.
- He has also completed his Diploma in Export Management from Xavier Institute of Management.
- He has more than 25 years of experience in pigments industry.



Analysis on the Company's Promoter and Board of Directors

Mr. Aamer Ahmed Farid, aged 62 years is the Promoter and Managing Director of the Company. He holds a B.Sc. from University of Bombay. He has more than 25 years of experience in pigments industry. He is in charge of overall sales & marketing function with focus on continuous communication and building relationships with clients.

Mr. Hani Ahmed Farid, aged 66 years is the Promoter and Director of the Company. He holds a B.Com. from University of Bombay. He has also completed his Diploma in Export Management from Xavier Institute of Management. He has more than 25 years of experience in the pigment industry. He looks after the day-to-day business of the Company and also oversees the Production process.

To conclude, the company's promoters are very well experienced and educated. Independent directors are very well educated and could play a major role in the growth of this company.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
Profit and Loss			
Revenue from operations	7,791.63	8,798.57	4,859.19
Other income	94.17	95.04	15.61
Total Revenue	7,885.80	8,893.61	4,874.80
Expenses	7,140.22	7,893.16	4,216.85
Depreciation and Amortisation Cost	115.46	112.04	54.67
Finance Cost	290.37	267.68	98.28
Total Expenses	7,546.05	8,272.88	4,369.80
PBT	339.75	620.73	505.00
PBT Margin	4.36%	7.05%	10.39%
EBITDA	651.41	905.41	642.34
EBITDA Margin	8.36%	10.29%	13.22%
Net Profit	281.43	491.11	417.22
Net Profit Margin	3.61%	5.58%	8.59%
Balance Sheet			
Total Borrowings	1,656.68	1,991.51	1,350.01
Net Worth	1,689.94	2,153.14	2,540.35
Fixed Assets	2,004.20	2,315.60	2,447.25
Net Working Capital	1,047.74	1,055.64	1,186.74
Financial Measures (Annualised)			
Inventory Turnover Ratio	4.42	4.68	4.59
Receivables Turnover Ratio	7.97	8.60	9.35
Payables Turnover Ratio	2.21	3.11	3.23
Fixed Assets Turnover Ratio	3.89	3.80	4.16
Return on Capital Employed	16.97%	22.75%	16.94%
Return on Equity	16.65%	22.81%	13.66%
Debt-Equity Ratio	0.98	0.92	0.19

(The data has been taken and calculated from the financials given in the prospectus)



Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 651.41 lacs in 2021 to Rs. 905.41 lacs in 2022 and on 30th Sept 2022 it was Rs.643.34 lacs and if we annualise the same it would be around Rs. 1,284.68 lacs. The EBITDA on annualised basis has grown at a CAGR of 40.43%. The EBITDA margin in 2021 was 8.36%, 10.29% in 2022 and 13.22% on 30th Sept 2022.

Net Profit

The net profit of the company has grown from Rs 281.43 lacs in 2021 to Rs. 491.11 lacs in 2022 and on 30th Sept 2022 it was Rs. 417.22 lacs and if we annualise the same it would be around Rs. 834.44 lacs growing at a CAGR of 72.19% which seems quite abnormal. The net profit margin in 2021 was 3.61%, 5.58% in 2022 and 8.59% in Sept, 2022. Again, due to increase in revenue and decreases in expenses the net profit margins have increased.

Finance Cost.

The company's finance cost mainly seems to be from secured long term and short-term borrowings from bank.

Financial Measures/Ratios

RoCE of the company up to 30th Sept 2022 is 15.65% vs 22.75% in 2022 and 16.97% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 16.94%. The RoCE has fallen due to increase in equity base of the company.

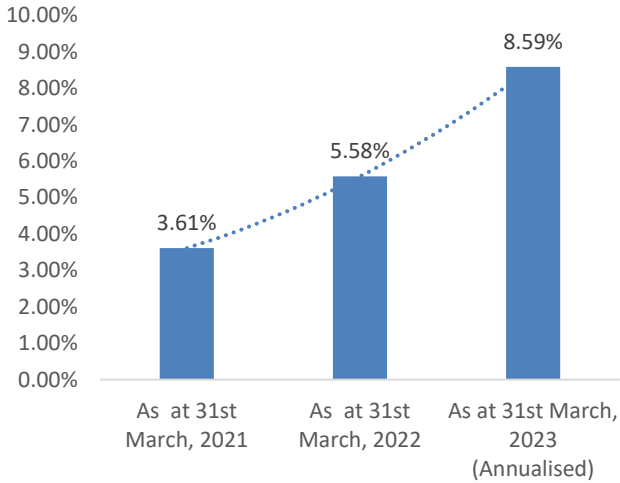
ROE of the company in 2021 was 16.65%, 22.81% in 2022 and 16.42% in Sept 2022, if annualised, ROE would be around 13.66%. The ROE is estimated to fall due to new capital being brought in by the company through IPO.

The company has a debt-equity ratio of 0.53 which shows the company is not much leveraged but could better utilise debts in their favour. The debt-equity ratio is going to go further down to around 0.19 post IPO.

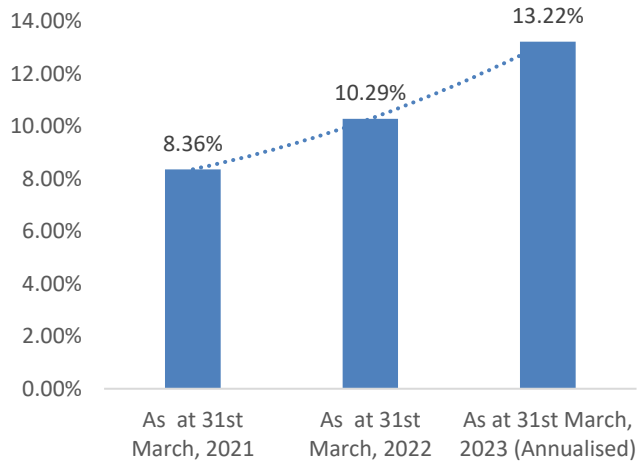


Financial Charts

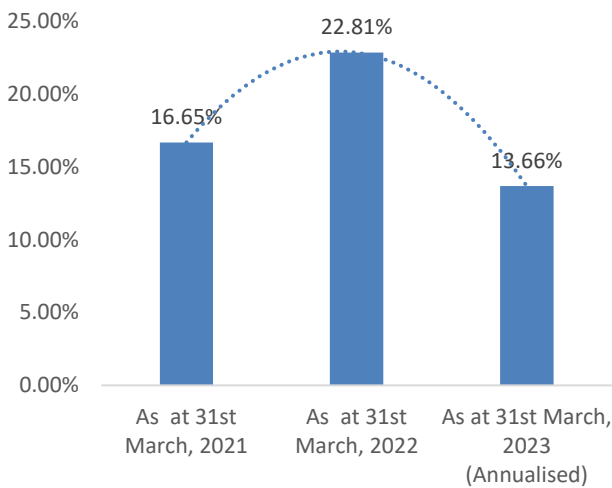
Net Profit Margin



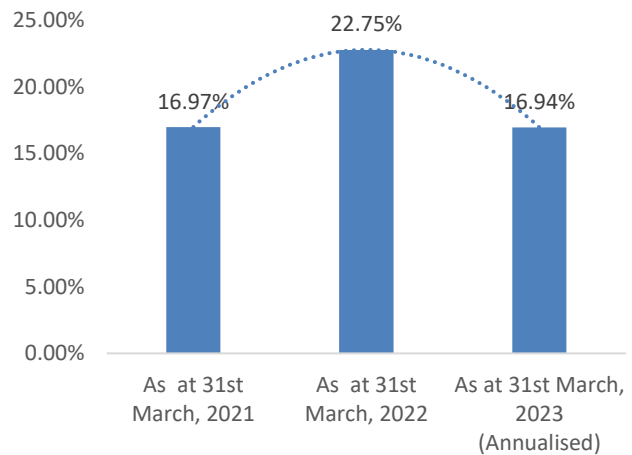
EBITDA Margin



Return on Equity



Return on Capital Employed





Key Risk Factors

1. Company, Promoters, Directors and group Companies are involved in certain litigations including tax related litigations amounting to Rs. 0.47 Cr, which if determined against the company, can affect financial conditions of the company
2. Revenue from 5 customers constituted 85.80%, 79.90% and 81.53% of revenue from operations for the 6 months period ended September 30, 2022, and financial years March 31, 2022 and March 31, 2021 respectively.
3. Company had negative cash flows in recent fiscals.
4. Company earlier was issued show cause notices and details for the same is given in prospectus at Page No. 19.
5. Company is subject to risks arising from foreign exchange rate movements.



Track Record of Lead Manager

The lead manager to the issue is First Overseas and this is the 13th mandate in the last four fiscals. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Company	Issue Size (In Cr)	Issue listing Date	IPO Price/share (INR)	CMP# (INR)
Novateor Research Laboratories Ltd	4.49	13-09-2019	24.00	20.00
Janus Corporation Ltd	7.99	06-02-2020	50.00	5.25
RO Jewels Limited	4.91	25-03-2020	36.00	53.60
Party Cruisers Limited	7.75	05-03-2021	51.00	185.90
BEW Engineering Limited	3.97	16-09-2021	58.00	615.00
Nidan Healthcare & Laboratories Limited	50.00	12-11-2021	125.00	47.80
Precision Metaliks Limited	21.93	01-02-2022	51.00	40.35
Vaidya Sane Ayurved Laboratories Limited	20.22	23-02-2022	73.00	194.50
Veerkrupa Jewellers Limited	8.10	18-07-2022	27.00	86.20
Varanium Cloud Limited	36.60	27-09-2022	122.00	1147
QMS Medical Allied Services Limited	56.87	11-10-2022	121.00	197.15

CMP is taken as on 5th January 2023

Out of the last 10 listings, 1 opened at discount, 3 opened at par and the rest with premiums.



Recommendation

Company is operating in the pigments industry from almost last 3 decades, therefore the track record of the company is good. The industry in which the company is operating has a good prospect as it has applications over numerous products and industries.

The company's management has a good outlook as they have relevant experience in their respective field of business.

The sector PE is around 30 times and the company is getting listed at a PE of around 23.08 times which makes it a fairly priced issue.

Debt-equity ratio of the company is 0.53 pre-IPO and estimated to be 0.19 post IPO indicating poor leveraging techniques used by the company.

To conclude, the company is operating in a good industry, the company has good experience and has performed well in its top line Except for the fact that that they are operating at 3/4th capacity and that they are not very well leveraged, the company looks good to have a bet on. Since the above-mentioned factors make it a right investment, on **should apply** in the IPO.



Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.