

**IPO Details**

<b>Opening Date</b>	Mar 06, 2023
<b>Closing Date</b>	Mar 10, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	3000 Shares
<b>Issue Price</b>	₹ 40 per share
<b>Issue Size</b>	17,10,000 Equity Shares
<b>Application Amount</b>	₹ 1,20,000

**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	42,01,161	91.45%
Public	3,92,589	8.55%

**Promoter of the Company**

1 Mr. Mahesh Ravji Bhanushali

**Competitive Strengths**

- 1 Comprehensive product portfolio
- 2 Diverse customer base
- 3 In-house research and development of products
- 4 Strategic location of manufacturing units
- 5 Quality Standard Certifications & Quality Tests
- 6 Experienced Promoter and senior management team

**Company Background**

- Company was incorporated in the year 2016 in Maharashtra.
- Company is in the business of manufacturing, marketing and selling of modern building materials and construction chemicals with a suite of more than 80 products.
- Company products are marketed and sold under the “MCON” brand.
- Company has manufacturing plants, one each in Valsad and Navsari, Gujarat.
- Company’s third plant is a greenfield project under-construction at Ambethi, Valsad and is expected to be operational by the end of FY 2023.
- Company have obtained certifications viz. ISO 9001:20152 (QMS), ISO 14001:2015 (EMS) and ISO 45001:2018 (OHSMS)
- As on the date of prospectus, the company had 105 employees on its payroll.

**Financial Summary**

	(In Lacs)		
For the Period Ended	Sept-22	Mar-22	Mar-21
<b>Total Assets</b>	1,777.53	1,446.31	831.81
<b>Net Assets</b>	456.93	221.29	178.40
<b>Total Borrowings</b>	642.63	740.85	346.58
<b>Total Revenue</b>	1,304.67	1,922.36	899.78
<b>Profit After Tax</b>	85.64	44.40	18.68

**Tentative Timeline**

<b>Opening Date</b>	Mar 06, 2023
<b>Closing Date</b>	Mar 10, 2023
<b>Basis of Allotment</b>	Mar 15, 2023
<b>Initiation of Refunds</b>	Mar 16, 2023
<b>Credit of Shares to Demat</b>	Mar 17, 2023
<b>Listing Date</b>	Mar 20, 2023

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## Company Overview

MCON Rasayan India Limited was incorporated in the year 2016. Company is in the business of manufacturing, marketing and selling of modern building materials and construction chemicals with a suite of more than 80 products which includes a range of construction materials and construction chemicals in both powder and liquid forms. Company products are marketed and sold under the “MCON” brand. Company has manufacturing plants, one each in Valsad and Navsari, Gujarat. Company’s third plant is a greenfield project under-construction at Ambethi, Valsad and is expected to be operational by the end of FY 2023. Company have obtained certifications viz. ISO 9001:20152 (QMS), ISO 14001:2015 (EMS) and ISO 45001:2018 (OHSMS) and IS 15477:2019 for Adhesives. Company undertakes in-house research and development from our Navi Mumbai, Maharashtra based R&D facility.

## Analysis

Being incorporated in the year 2016 the company has decent track record of existence. Company offers a range of construction materials and construction chemicals in both powder and liquid forms.

1. Powder products include ready mix plaster, tile adhesives, block adhesives, wall putty, micro concrete & polymer mortar, engineering non shrink grouts and floor hardeners are widely used in the building construction segment.
2. liquid portfolio has products such as poly-urethane (PU) based liquid membrane, bonding agents, paints, anti-corrosive coatings, concrete admixtures and curing compounds.

Company has good growth and improvement in top line and bottom line on restated financial statement. Company supplies their products to more than 100 distributors and dealers which in turn supply them to more than 1300 retailers based in the States of Maharashtra, Gujarat and Rajasthan who serve various developers, contractors and architects in these western regional markets. Company undertakes in-house research and development from our Navi Mumbai, Maharashtra based R&D facility. Company’s top 10 products which are widely sold and distributed are:

MCON Magic Coat WP	MCON Mortar	MCON Micro Mortar	MCON Ready plaster	MCON Magic Coat PU White
				
MCON Ultra Gyp Bond	MCON Hard	MCON Block Fix	MCON Wall Putty	MCON Polymer Mortar EP
				

## CAPACITY AND CAPACITY UTILIZATION

Details of manufacturing unit	Particulars	Fiscal 2021	Fiscal 2022	September 30, 2022
Unit I (Powder)	Installed Capacity(in MTPA)	2,000	2,000	2,000
	Utilised Capacity(in MTPA)	1,745.60	2,344.00	2051.4
	Utilised Capacity(%)	87.28	117.20	102.57
Unit I (Liquid)	Installed Capacity(in MTPA)	250	350	500
	Utilised Capacity(in MTPA)	285.50	560.30	427.4
	Utilised Capacity(%)	114.20	160.10	85.48
Unit II (Powder)	Installed Capacity(in MTPA)	10,000	12,500	12500
	Utilised Capacity(in MTPA)	8,182.70	16,408.20	8206
	Utilised Capacity(%)	81.83	131.27	65.64

To conclude, the company has fared very well in terms of 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: Segment-wise break-up of NIP investments over FY20-25 (~Rs. 111 trillion)

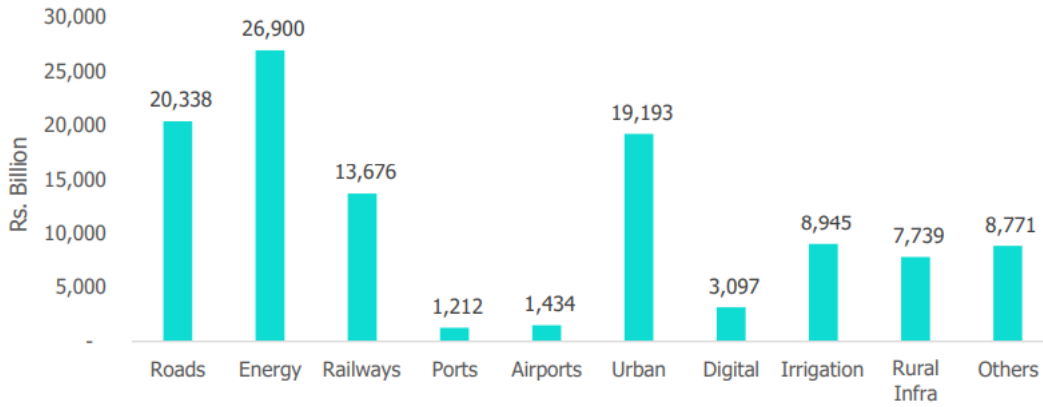


Exhibit 2: Trends in Real estate projects

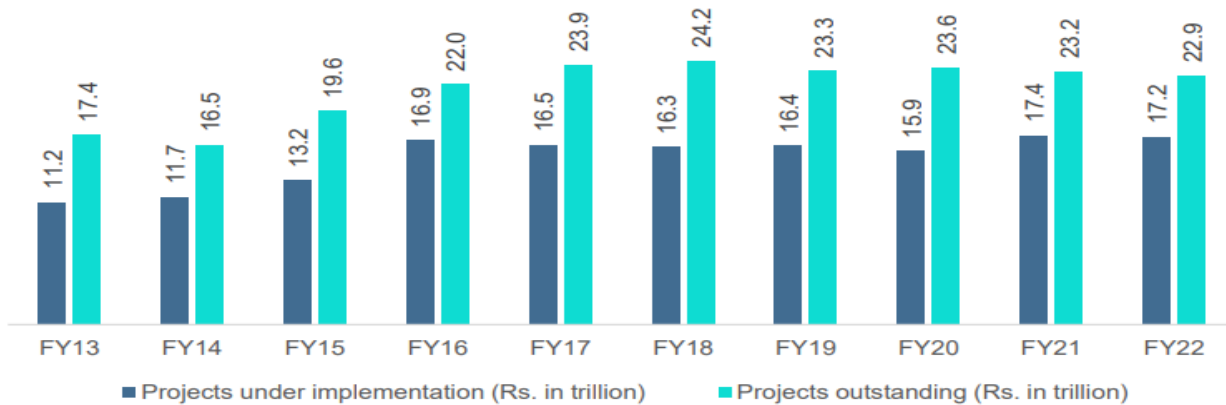
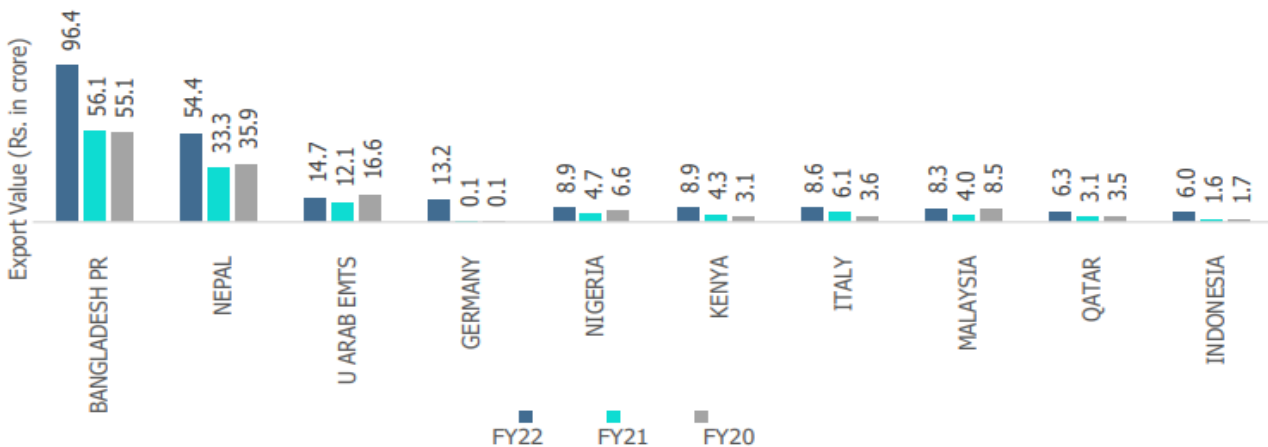


Exhibit 3: Export of Prepared admixture for Cements-Mortars (Rs. in crore)



(Source: Prospectus)

## Investment Overview

### **Construction Chemicals Industry**

Construction chemicals, as the name suggests, are chemicals formulation used to hold construction materials at the time of construction. The construction chemical market in Asia-Pacific region has been fastest growing in the global market. This region is estimated to generate revenue of ~USD 11 million by FY26. With increase in average age of the population and urbanization, significant growth can be foreseen for the construction chemical sector, especially in the Asian countries such as India and China.

Over the few years, investment in commercial and residential housing and renovation activities of historical monuments, water retention structure, bridges, and other civil structures have led to significant consumption of construction chemicals across India. The Indian market is still small when compared with global market, but the growth prospects are very bright. With increase in construction spending, the Indian construction chemical market is estimated to grow at the CAGR of ~13% by FY29.

The Indian Construction chemicals market majorly consists of admixtures, flooring chemicals, waterproofing compounds, adhesives & sealants and repair and rehabilitation. The adhesives, sealants and admixtures segment own the majority of the share in this market, preceded by repair and rehabilitation segment.

The concrete admixture segment is projected to occupy major share in the construction chemical industry with revenue generation of ~USD 12 million by FY26 at CAGR of ~4%. In FY22, total exports of prepared admixture are valued at Rs. 307 crores. The largest share of prepared admixture export in FY22 has been Bangladesh with ~31%.

(Source: Prospectus)

## **Addressable Market for MCON Rasayan India Limited**

The company is operating from Maharashtra, and have its all manufacturing facility in Gujarat which are amongst the major business hubs of India. The company is currently supplying its product in the States of Maharashtra, Gujarat and Rajasthan. Company intends to expand their product offerings across the country and the overseas markets like Bangladesh where economic development is happening at a fast pace. Company have already initiated steps for domestic and overseas expansion and will be participating in an exhibition of building materials to be held in Surat in February 2023, Dhaka in March 2023 and Pune in April, 2023 to be organised by ACETECH REFLECT.

## **Competition**

Modern building materials and construction chemicals is a competitive industry in India with various large and small domestic and manufacturers companies. The organised players in the industry compete with each other by providing high quality, consistent and time bound products and value-added services. Company has a number of competitors offering products similar to them. The major Competitors in the industry are Asian Paints, Pidilite, Astral and Ultratech.

## **Peer Analysis**

As Mentioned in the prospectus, the company has 3 listed company as its peer viz. Asian Paints Limited, Kansai Nerolac Paints limited and Pidilite Industries Limited. A summary on the key financial parameters of these companies is given in the table below –

<b>Company</b>	<b>MCON Rasayan India Limited</b>	<b>Asian Paints Limited</b>	<b>Kansai Nerolac Paints limited</b>	<b>Pidilite Industries Limited</b>
Net Profit (INR Cr)	0.44	3,030.57	358.86	1,207.56
EBITDA (INR Cr)	1.36	5,099.49	674.77	1,895.47
Return on Capital Employed	22.63%	28.33%	11.52%	22.86%
Return on Equity	20.06%	21.94%	8.68%	18.85%
EPS#(INR)	1.54	31.59	6.66	23.76
P/E* (Times)	26.01	89.66	61.33	97.23

\*PE as on 03/03/2023

#EPS is based on post-IPO

## Promoters' Profile and Management Analysis

### Mr. Mahesh Ravji Bhanushali



- Mahesh Ravji Bhanushali, aged 38 years, is Promoter and is also the Chairman and Managing Director of the Company.
- He has more than 14 years of experience in dealing in business of construction chemical.
- He has completed his higher secondary education from Maharashtra State Board of Secondary and Higher Secondary Education, Pune, Maharashtra.



### **Analysis on the Company's Promoter and Board of Directors**

**Mr. Mahesh Ravji Bhanushali** is the Promoter of the Company and Chairman & Managing Director of the Company. He has more than 14 years of experience in dealing in business of construction chemical. He has completed his higher secondary education from Maharashtra State Board of Secondary and Higher Secondary Education, Pune, Maharashtra.

**Mrs. Puja Mahesh Bhanushali** is a Non- Executive Director in the Company. She holds a master's degree in Commerce from University of Mumbai. She has been associated with the Company since incorporation. She looks after human resource related activity in the Company.

**Mr. Chetan Ravji Bhanushali** is a Whole Time Director of the Company. He has an experience of 11 years in construction & chemical industry. He looks after the sales and receivables of the Company. He has completed his higher secondary education from Maharashtra State Board of Secondary and Higher Secondary Education, Pune, Maharashtra.

**Mr. Nandan Dilip Pradhan** is a Whole time Director of the Company. He holds master's degree in Business Administration from North Maharashtra University and Bachelor's degree in Science from Maharaja Sayajirao University of Baroda. He has an experience of more than two decades.

To conclude, the company's promoters are very well experienced. However, the promoter does not hold any education qualification in the field in which company operates. 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
<b>Profit and Loss</b>			
Revenue from operations	897.77	1,921.65	1,304.39
Other income	2.01	0.71	0.28
Total Revenue	899.78	1,922.36	1,304.67
Expenses	806.81	1,785.77	1,144.37
Depreciation and Amortisation Cost	27.76	32.55	15.70
Finance Cost	39.93	44.21	28.91
Total Expenses	874.50	1,862.53	1,188.98
PBT	25.28	59.83	115.69
PBT Margin	2.82%	3.11%	8.87%
EBITDA	90.96	135.88	160.02
EBITDA Margin	10.13%	7.07%	12.27%
Net Profit	18.68	44.40	85.64
Net Profit Margin	2.08%	2.31%	6.57%
<b>Balance Sheet</b>			
Total Borrowings	346.58	740.85	642.63
Net Worth	178.40	221.29	456.93
Fixed Assets	129.11	245.89	288.09
Net Working Capital	186.96	187.84	357.18
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	3.72	4.44	4.78
Receivables Turnover Ratio	2.48	3.72	4.25
Payables Turnover Ratio	1.94	3.00	2.83
Fixed Assets Turnover Ratio	6.95	7.82	10.16
Return on Capital Employed	18.99%	22.63%	20.83%
Return on Equity	10.47%	20.06%	13.96%
Debt-Equity Ratio	1.94	3.35	0.49

(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. 90.96 lacs in 2021 to Rs. 135.58 lacs in 2022 and on 30<sup>th</sup> Sept 2022 it was Rs.160.02 lacs and if we annualise the same it would be around Rs. 320.04 lacs. The EBITDA on annualised basis has grown at a CAGR of 87.58%. The EBITDA margin in 2021 was 10.13%, 7.07% in 2022 and 12.27% on 30<sup>th</sup> Sept 2022. The EBITDA margin has seen an increase due to considerable decrease in other expenses.

### **Net Profit**

The net profit of the company has grown from Rs 18.68 lacs in 2021 to Rs. 44.40 lacs in 2022 and on 30<sup>th</sup> Sept 2022 it was Rs. 85.64 lacs and if we annualise the same it would be around Rs. 171.28 lacs growing at a CAGR of 202.81% which seems quite abnormal. The net profit margin in 2021 was 2.08%, 2.31% in 2022 and 6.57% 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**

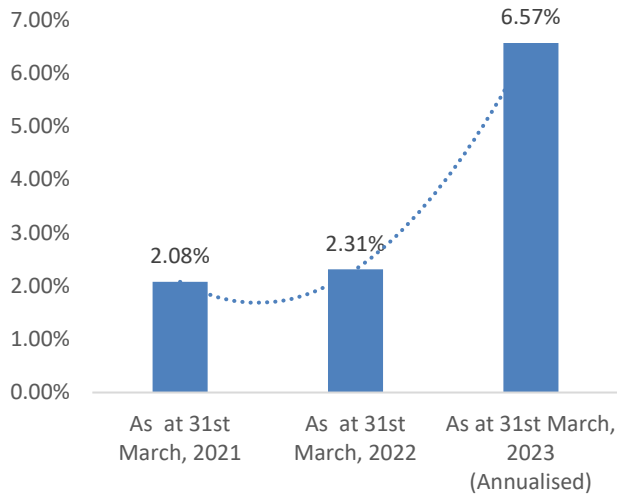
RoCE of the company up to 30<sup>th</sup> Sept 2022 is 21.36% vs 22.63% in 2022 and 18.99% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 20.83%. The RoCE has fallen on annualised basis due to increase in equity base of the company through IPO.

ROE of the company in 2021 was 10.47%, 20.06% in 2022 and 18.74% in Sept 2022, if annualised, ROE would be around 13.96%. The ROE is estimated to fall due to new capital being brought in by the company through IPO.

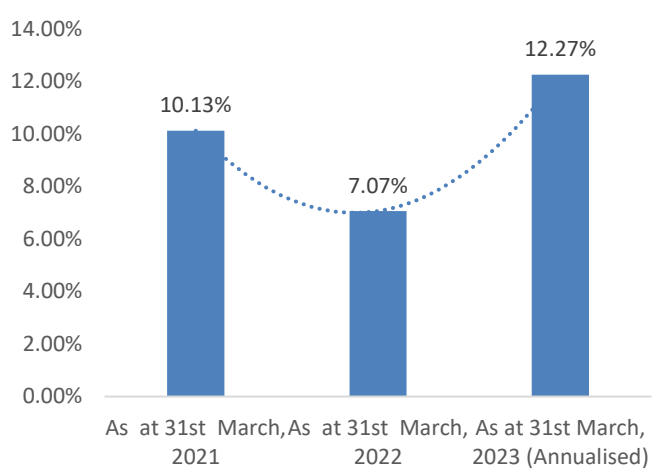
The company has a debt-equity ratio of 1.41 which shows the company is decently leveraged but could better utilise debts in their favour. The debt-equity ratio is going to go further down to around 0.49 post IPO.

## Financial Charts

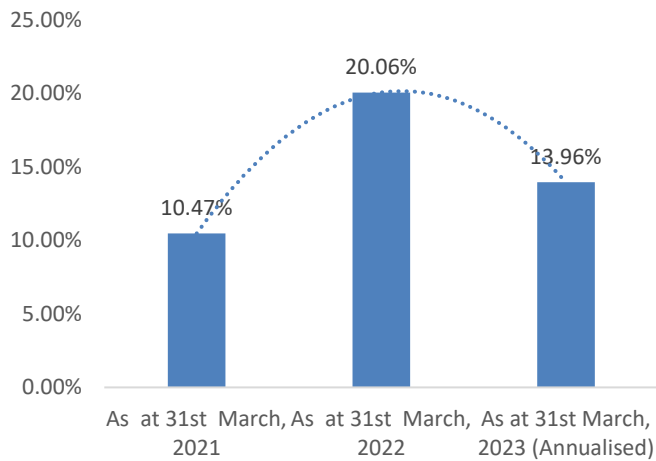
### Net Profit Margin



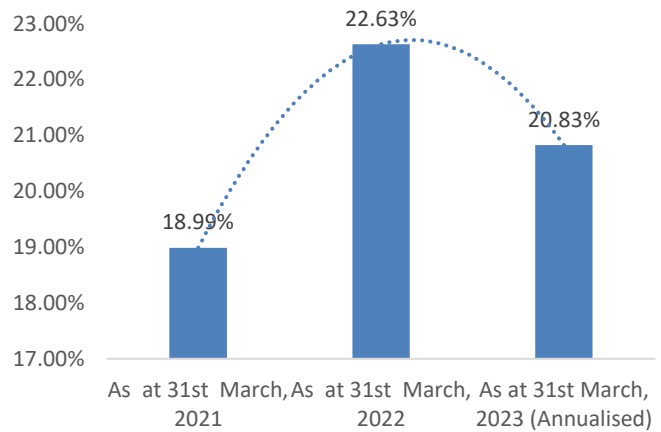
### EBITDA Margin



### 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. 5.87 Lakhs, 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's business requires significant amount of working capital.
4. Company have experienced negative cash flows in the past.
5. **Company has related party transactions of sale of goods amounting to Rs. 646.79 lakhs as on September 30, 2022 and Rs. 1098.22 lakhs as on March 31, 2022.**

## Track Record of Lead Manager

The lead manager to the issue is GYR Capital Advisors. 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 –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	Naapbooks Limited	3.99	74/-	15/09/2021	78.25
2.	Ascensive Educare Limited	2.26	26/-	12/01/2022	39.60
3.	Achyut Healthcare Limited	3.60	20/-	30/03/2022	36.90
4.	Dhyaani Tile and Marblez Limited	2.45	51/-	12/04/2022	123.70
5.	Veekayem Fashion and Apparels Limited	4.44	28/-	22/08/2022	41.15
6.	Sabar Flex Limited	4.48	11/-	21/08/2022	13.75
7.	Mafia Trends Limited	1.28	28/-	06/10/202	15.21
8.	Pritika Engineering Components Limited	9.42	29/-	08/12/12	31.05
9.	Anlon Technology Solutions Limited	15.00	100/-	10/01/2023	151.00
10.	Agarwal Float Glass India Limited	9.20	42/-	23/02/2023	41.75

### #CMP is taken as on 2<sup>nd</sup> March 2023

This is the 13th mandate from GYR Capital in the last two fiscals (including the ongoing one). Out of the last 10 listings, all opened at premiums ranging from 2.45% to 15.11% on the day of listing.

## Recommendation

Company is operating in the construction chemicals industry from almost last 7 years, therefore the track record of the company is decent. 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 decent outlook as they have relevant experience in their respective field of business. However, the promoter does not hold any education qualification in the field in which company operates.

The sector PE is around 47.58 times and the company is getting listed at a PE of around 26.01 times which makes it a fairly priced issue.

Company has related party transactions of sale of goods amounting to Rs. 646.79 lakhs as on September 30, 2022 and Rs. 1,098.22 lakhs as on March 31, 2022 which constitute almost 50% of Revenue of the Company.

To conclude, the company is operating in a good industry, the company has good experience and is also planning to open 3<sup>rd</sup> Manufacturing plant and has performed well in its top line except for the fact that 50% of revenue is from related party. This leads us to have mixed reviews and makes it a risky investment. **So, risk averse should avoid and risk seekers may 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.**