

IPO Details	
Opening Date	Nov 29, 2023
Closing Date	Dec 01, 2023
Stock Exchange	BSE SME
Lot Size	1600 Shares
Issue Price	₹76 to ₹80 per share
Issue Size	Aggregating up to 23.04 Cr.
Fresh Issue	Aggregating up to 23.04 Cr.
Offer for Sale Application	-
Amount	₹ 1,28,000

IPO Objective	
Funding capital expenditure towards the installation of plant & machinery in the existing premises.	
Investment in subsidiary DCPL Speciality Chemicals Private Limited for financing its capital expenditure towards the installation of plant and machinery.	
Funding to meet working capital requirements.	
General Corporate Purposes.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	79,36,000	99.40%
Public	48,000	0.60%

Promoter of the Company	
1	Saurabh Deepak Arora
2	Trishla Baid

Competitive Strengths	
1	Wide range of products with ability to customize.
2	Long standing relationships with diversified customers across geographies.
3	In-house manufacturing facility with equipped machines and processes.
4	Focus on Quality, Environment, Health and Safety.
5	Stable and consistent financial performance.
6	Experienced Promoters and Senior Management with extensive domain knowledge.

Company Background	
○	Deepak Chemtex Limited was originally Incorporated in the year 1997 and has its registered office in Maharashtra, India.
○	The company is engaged in the business of manufacturing colorants for applications in Food, Drug, Cosmetics, Cleaning compounds, Agriculture, and other industries.
○	The company manufactures FDC (Food, Drug, and Cosmetic) colors used in confectionary, bakery, desserts, beverages, dairy products, seasonings, pet foods, pharmaceutical products, cosmetics & personal care products.
○	As of July 31, 2023, the company had 88 full time employees on its payroll.

Market Capitalization (In Cr)	
Pre-Issue	Post-Issue
₹ 64	₹87

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Total Assets	1,107.24	1,715.16	2,382.32	2,820.64
Net Assets	516.51	938.43	1,568.88	1,879.90
Total Borrowings	158.12	199.49	136.80	120.78
Total Revenue	2,972.75	5,443.68	4,783.72	2,212.94
Profit After Tax	263.48	423.09	631.01	311.18

Tentative Timeline	
Opening Date	Nov 29, 2023
Closing Date	Dec 01, 2023
Basis of Allotment	Dec 06, 2023
Initiation of Refunds	Dec 07, 2023
Credit of Shares to Demat	Dec 08, 2023
Listing Date	Dec 11, 2023

Company Background and Analysis

The Company was originally incorporated on June 10, 1997. The company is primarily engaged in the business of manufacturing of colorants finding its application in Food, Drug, Cosmetics, Cleaning compounds, Agriculture and other industries. It also manufactures salt-free dyes used in the inkjet industry, pond dyes used in ponds, lakes, swimming pools, etc, and other colorants used in car wash products, portable sanitation cleaners, detergent & soap, fuel, oil & lubricants, smoke, seed treatment, crop protection, fertilizer indicators, floral dyes, etc. It has its manufacturing unit with a production capacity of over 1200 metric tonnes per annum which is equipped with glass-lined reactors, boilers, and stainless-steel equipment.

The company provides flexible packing options like: IBC Tank Packing, HDPE Drum Packing, Cardboard Drum Packing, Carton Packaging and Container Stuffing etc and pack the offered range hygienically, so as to ensure its safety during the transit. The company has its registered office with a manufacturing facility at Maharashtra, India.

The company's product portfolio is as follows –

Sl.no	Product Categories	Industry Application
1.	Lake Colours	Food, Cosmetics and Pharmaceuticals
2.	Pond Dyes	HI&I – Household Industrial and institutional
3.	Car wash	HI&I – Household Industrial and institutional
4.	Portable Sanitation Cleaners	HI&I – Household Industrial and institutional
5.	Detergent and Soap	HI&I – Household Industrial and institutional
6.	Fuel, Oil and Lubricants	Industrial
7.	Ink and Toner	Industrial
8.	Smoke	Industrial
9.	Seed Treatment & colouring, Crop Protection Coloring, Fertilizer Indicators	Agriculture
10.	Floral Dyes	Agriculture

The Company's raw materials is as follows –

The raw material used in manufacturing are Dichlorobenzaldehyde, Solvent Green, Ortho Phosphoric Acid, Soda Ash, Ethox, Sodium Bromate, Sodium Meta Bi Sulphite, Vanadium Pentoxid, Para Cresidine Ortho Sulphonic Acid etc. The company typically source raw materials from third-party suppliers from the open market and prices of these key raw materials depend on crude oil prices.

Bifurcation of Revenue from Operations for the Financial Year ended 2021, 2022, 2023, and the Period ended September 2023 are as follows –

(In Lacs.)

Industry Segment	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	(%)	Amt	(%)	Amt	(%)	Amt	(%)
HI&I- Household Industrial and institutional	1,167.46	39.50	3,462.18	63.99	2266.71	48.53	654.03	30.08
Food	991.46	33.54	696.51	12.87	411.42	8.81	213.59	9.82
Cosmetics	195.13	6.60	135.48	2.50	181.87	3.89	171.84	7.90
Pharmaceuticals	-	-	-	-	63.25	1.35	155.35	7.14
Industrial	7.84	0.27	4.14	0.08	33.97	0.73	321.07	14.77
Agriculture	6.59	0.22	6.97	0.13	7.59	0.16	412.95	18.99
others	587.19	19.87	1,105.59	20.43	1,705.48	36.52	245.58	11.29
Total	2,955.67	100.00	5,410.87	100.00	4,670.29	100.00	2,174.41	100.00

To Conclude, the Company was originally incorporated in 1997, It has its own manufacturing unit with a production capacity of over 1200 metric tonnes per annum. They manufacture salt-free dyes used in inkjet industry. The company has experienced hike in Agricultural segment and has experienced sudden fall in the food segment when compared to other segments.

Business Strategies

1. Continue to focus on manufacturing by expanding product portfolio-

The company believes that by developing new formulations and variants of its products, it can successfully expand its product offerings to a larger customer base. It intends to continue to focus on its ability to customize the products according to the specific requirements of customers broaden its portfolio and focus on sustainable solutions.

2. Continue to reduce operating costs and improve operational efficiencies-

The company intends to focus on keeping the operating costs low, which it believes is critical for remaining profitable and continuing to enhance its operational efficiencies, increase economies of scale, better absorb the fixed costs, reduce other operating costs and strengthen its competitive position. It also intends to continue further integration of its manufacturing facilities and carry out most of the processes in-house to maximize efficiencies.

3. Continue to strengthen the presence in India and expand the sales and distribution network in international markets -

The company intends to focus on increasing its wallet share with existing customers. It has built long-standing relationships with its customers through various strategic endeavours, which it intends to leverage by selling baskets of products to the same customers. In addition, the company also intends to continue to leverage its existing sales and marketing network and diversified product portfolios.

4. Continue to focus on the manufacturing capabilities -

The company intends to install a Centrifuge Machine and Diesel Generator in its existing manufacturing facility. Installation of these machines enables it to manufacture a vast range of solutions and expand its installed capacity. This approach towards expansion will help it attain economies of scale, and improve availability and consistency of the product.

Competitive Scenario and Peer Mapping

Competition

The company faces significant competition in the industry. The company operates in a highly competitive sector, coupled with a large number of players. The company faces competition in the business based on pricing, relationships with customers, product quality, customization, and innovation. The company has moderate entry barriers. The company faces moderate competition among its suppliers. There is a huge threat of substitutes in this sector. The bargaining power with the customers is high in the sector in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -

Particulars	Deepak Chemtex Limited	Vidhi Specialty Food Ingredients Limited	Vipul Organics Limited	Kiri Industries Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	14%	9%	1%	11%
EBITDA Margin	17%	14%	9%	-4%
Return on Capital Employed	46%	20%	10%	-3%
Return on Equity	40%	15%	4%	4%
EPS (INR)	7.89	7.55	1.46	20.58

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below -

Particulars	Deepak Chemtex Limited	Vidhi Specialty Food Ingredients Limited	Vipul Organics Limited	Kiri Industries Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	8%	11%	5%	26%
EBITDA Margin	11%	16%	12%	8%
Return on Capital Employed	55%	35%	18%	3%
Return on Equity	45%	27%	13%	15%
EPS (INR)	5.30	11.73	5.45	75.00

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below -

Particulars	Deepak Chemtex Limited	Vidhi Specialty Food Ingredients Limited	Vipul Organics Limited	Kiri Industries Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	9%	14%	6%	26%
EBITDA Margin	14%	20%	14%	9%
Return on Capital Employed	63%	30%	22%	2%
Return on Equity	51%	23%	18%	12%
EPS (INR)	3.30	7.32	5.76	75.10

Based on above analysis, the company has performed slightly lower in terms of profitability margins in FY 2021 and FY 2022 and better in FY 2023 when compared to its peers. The company has performed higher in terms of ROCE and ROE, and lower than its peer companies in terms of EPS in all the subsequent financial years.

Industry Overview

Exhibit 1: Production Capacity

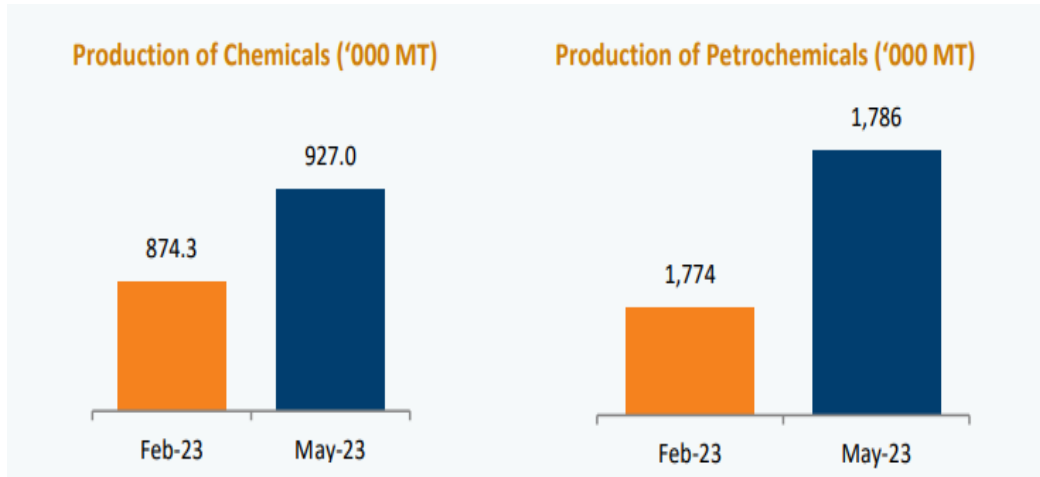
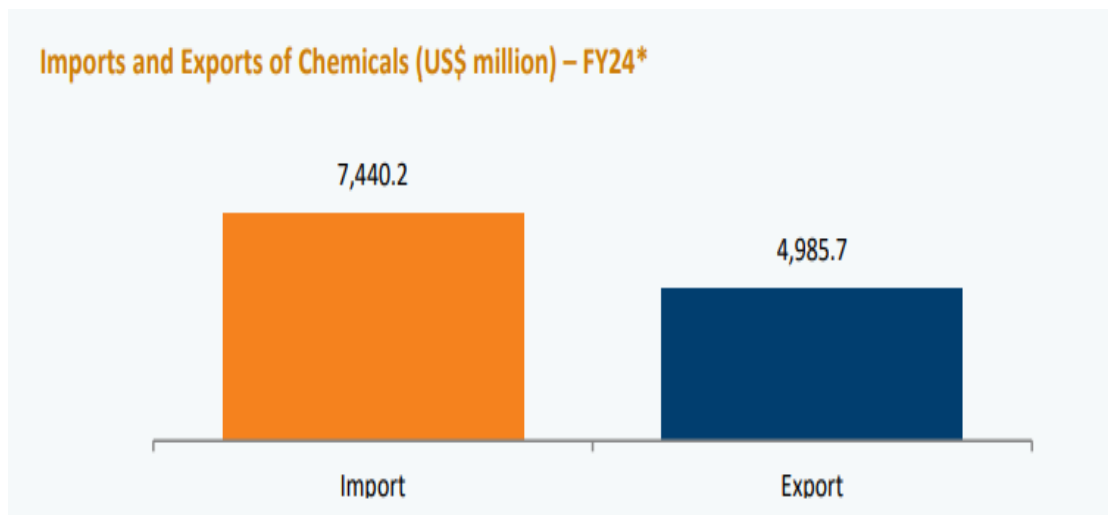


Exhibit 2: Import and Export of Chemicals



(Source: ibef.org)

Chemical Industry-

Covering more than 80,000 commercial products, India's chemical industry is extremely diversified and can be broadly classified into bulk chemicals, specialty chemicals, agrochemicals, petrochemicals, polymers, and fertilisers. India is the 6th largest producer of chemicals in the world and 3rd in Asia, contributing 7% to India's GDP. India's chemical sector, which is currently estimated to be worth US\$ 220 billion in 2022 and is anticipated to grow to US\$ 300 billion by 2025 and US\$ 1 trillion by 2040.

Globally, India is the fourth-largest producer of agrochemicals after the United States, Japan and China. India accounts for 16- 18% of the world production of dyestuffs and dye intermediates. Indian colorants industry has emerged as a key player with a global market share of ~15%. The country's chemicals industry is de-licensed, except for few hazardous chemicals. India holds a strong position in exports and imports of chemicals at a global level and ranks 14th in exports and 8th in imports at global level (excluding pharmaceuticals).

The domestic chemicals sector's small and medium enterprises are expected to showcase 18-23% revenue growth in FY22, owing to an improvement in domestic demand and higher realisation due to high prices of chemicals. Domestic demand is expected to rise from US\$ 170 billion-US\$ 180 billion in 2021 to US\$ 850 billion-US\$ 1,000 billion by 2040.

Exports -

India exports to more than 175 countries in 2022. The major export destinations are USA, China and new destinations viz. Turkey, Russia and North East Asian Countries (China, Hong Kong, Japan, Korea RP, Taiwan, Macao, and Mongolia) Around 50% of the agro-chemicals are exported from India to the world. India is the top producer and exporter of castor oil, with 85-90 % of total global exports in the world. India holds a strong position in international trading of chemicals and ranks 9th in exports and 6th in imports at a global level (excluding pharmaceuticals).

Indian Chemicals Council (ICC): Indian Chemical Council (formerly Indian Chemical Manufacturers Association) was founded in the year 1938 by Acharya P. C. Ray & Rajmitra B. D. Amin, along with a group of Industrialists for promoting the interests of the nascent chemical industry. What began as a vision, emerging from foresight and aspirations, became the Indian Chemical Manufacturers Association and was again rechristened the Indian Chemical Council (ICC).

Opportunities in specialty Chemicals: Specialty chemical companies in India have started accelerating their capex plan on the back of strong growth visibility and emerging opportunities. Due to growing environmental concerns, many chemical companies in China ceased activities in 2018; this led to an increase in manufacturing of specialty chemicals in the Indian market to ensure uninterrupted supply Indian manufacturers have recorded a CAGR of 11% in revenue between FY15 and FY21, increasing India's share in the global specialty chemicals market to 4% from 3%, according to the Crisil report. A revival in domestic demand and robust exports will spur a 50% YoY increase in the capex of specialty chemicals manufacturers in FY22 to Rs. 6,000-6,200 crore (US\$ 815-842 million).

(Source: prospectus)

Key Managerial Personnel

Saurabh Deepak Arora, aged 44, is one of the Promoters, Chairman and Managing Director of the company. He holds a bachelor's degree in science. He has been on the Board since incorporation. He has 26 years of experience in the Chemical and Colorant industry. He is currently responsible for the overall management of the business of the Company.

Trishla Baid, aged 46, is one of the Promoters, Whole-time Director and CFO of the Company. She has 21 years of experience in various sectors including accounts and Finance. She is currently looking after the Accounts and Finance function of the Company.

Rajesh Kalikaprasad Tiwari, aged 54, is the Executive Director of the Company. He has 23 years of experience in various fields including the administration field. He has completed his Management Business Administration. He is currently looking after the operations of the Company.

Narendra Kumar Baid, aged 70, is a Non-Executive Director of the Company. He has 40 years of experience in the administration field. He has completed a Bachelor of Science (B. Sc) with honours in Physics.

Gautam Lath, aged 31, is the Independent Director of the Company. He has 10 years of experience in Corporate Law and Financial Management. He is a Qualified Member of the Institute of Chartered Accountants of India.

Pinki Kedia, aged 47, is the Independent Director of the Company. She has 24 years of experience in Corporate Law and Financial Management. She is a Qualified Member of the Institute of Chartered Accountants of India.

To conclude, the company has 2 Promoters, they have vast experience in which the company operates. The Remaining Directors of the company have good knowledge and experience in their respective fields which helps in the overall growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs.)
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from Operations	2,955.66	5,410.87	4,670.29	2,174.40
Other Income	17.09	32.81	113.43	38.54
Total Income	2,972.75	5,443.68	4,783.72	2,212.94
Expenses				
Cost of Materials Consumed	1,456.37	3,258.14	2,681.66	1,046.87
Purchases of stock-in-trade	378.16	464.21	417.79	208.89
Changes in inventories	-7.90	13.85	-195.91	31.02
Employee benefits expense	168.89	195.65	222.78	140.89
Finance costs	7.68	9.46	6.82	3.25
Depreciation and Amortization expense	57.26	54.27	65.85	36.92
Other expenses	545.98	884.44	741.71	332.37
Total Expenses	2,606.44	4,880.02	3,940.70	1,800.21
Earnings Before Interest, Taxes, Depreciation & Amortization	414.16	594.58	802.26	414.36
EBITDA Margin	14%	11%	17%	19%
Profit/(Loss) before tax	366.31	563.66	843.02	412.73
Tax Expense	-	-	-	-
Current Tax	103.94	145.79	216.77	104.63
Income tax relating to earlier year	-0.46	0.00	0.00	0.00
Deferred tax	1.57	5.22	4.76	3.08
Total Tax Expense	102.83	140.57	212.01	101.55
Profit/(Loss) for the year	263.48	423.09	631.01	311.18
Net Profit Margin	9%	7.77%	13.19%	14.06%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
(a) Share Capital	49.90	49.90	49.90	798.40
(b) Reserves and surplus	466.61	888.53	1,518.98	1,081.50
Total Equity	516.51	938.43	1,568.88	1,879.90
Minority Interest	-	0.97	0.73	0.89
2. Non-current liabilities				
(a) Long Term Borrowings	30.71	27.39	4.25	-
(b) Long Term Provisions	18.19	20.37	27.33	31.13
(c) Deferred Tax Liabilities (Net)	2.03	-	-	-
Total Non-current liabilities	50.93	47.76	31.58	31.13
3. Current liabilities				
(a) Financial Liabilities				
(i) Short-term borrowings	127.41	172.10	132.55	120.78
(ii) Trade payables	324.37	380.50	426.12	575.51
(b) Other Current Liabilities	80.31	151.96	116.92	122.31
(c) Short-term provisions	7.72	23.45	105.55	90.11
Total Current liabilities	539.81	728.01	781.14	908.71
Total Liabilities	590.74	775.77	812.72	939.84
Total Equity and Liabilities	1,107.25	1,715.17	2,382.33	2,820.63
ASSETS				
1. Non-current assets				
(a) Property, Plant and Equipment				

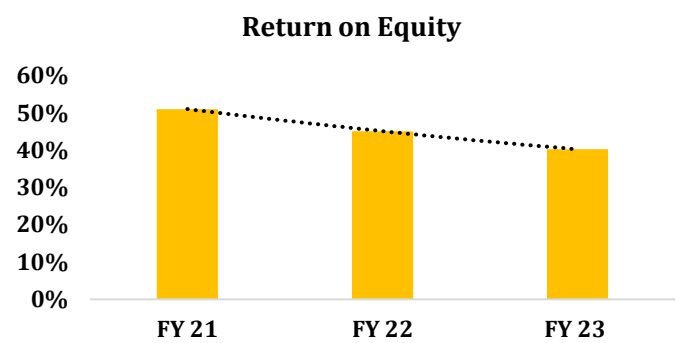
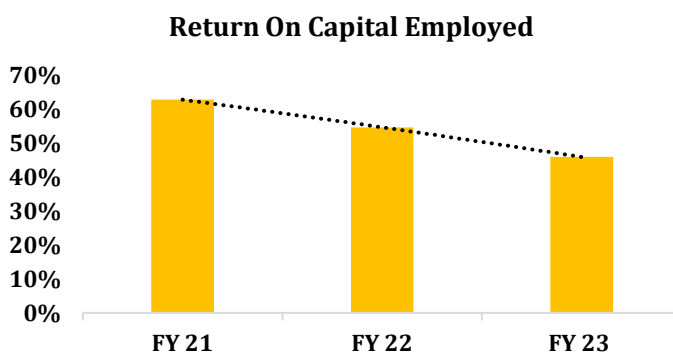
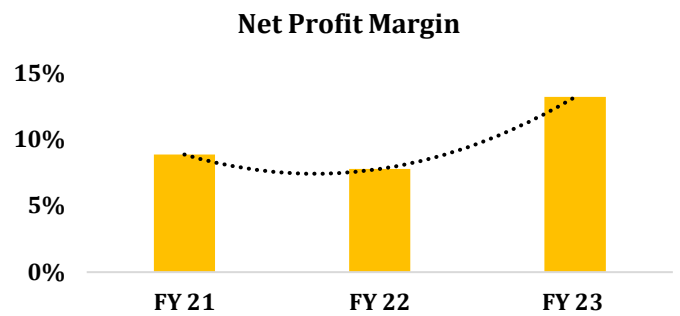
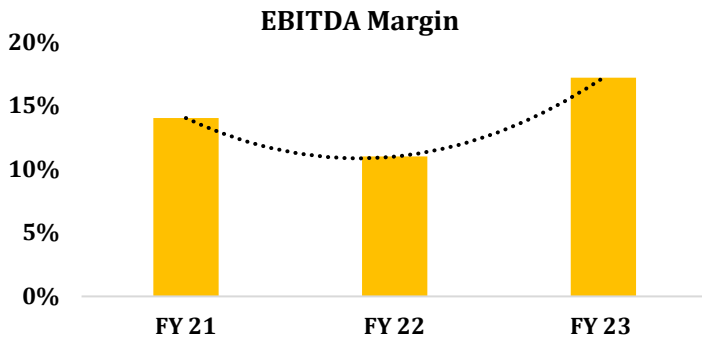
Balance Sheet				(In Lacs)
(i) Tangible Assets	264.68	297.22	436.69	505.05
(ii) Capital Work-In-Progress	-	-	9.39	57.88
(b) Deferred tax assets (net)	-	1.98	6.74	9.82
(c) Long-term loans and advances	16.41	19.22	26.42	26.62
Total Non-Current assets	281.09	318.42	479.24	599.37
2. Current assets				
(a) Inventories	218.46	215.41	429.38	496.72
(a) Trade receivables	518.13	844.22	1,113.79	1,328.02
(b) Cash and cash equivalents	16.63	42.24	100.31	223.15
(d) Short-term loans and advances	29.12	46.68	31.30	45.69
(e) Other Current Assets	43.81	248.19	228.30	127.69
Total Current assets	826.15	1,396.74	1,903.08	2,221.27
Total Assets	1,107.24	1,715.16	2,382.32	2,820.64

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23
Net Cash Flow from Operating Activities	76.92	82.29	343.69	291.62
Net Cash Flow from Investing Activities	-71.22	-89.60	-216.10	-149.69
Net Cash Flow from Financing Activities	-0.22	32.89	-69.79	-19.10

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
Per Share Data				
Diluted EPS	3.3	5.3	7.89	3.90
BV per share	4.75	8.64	14.44	48.30
Operating Ratios				
EBITDA Margins	14.01%	10.99%	17.18%	19.06%
PAT Margins	8.86%	7.77%	13.19%	14.06%
Inventory days	26.98	14.53	33.56	41.80
Debtor days	63.98	56.95	87.05	111.77
Creditor days	53.29	33.12	44.04	63.90
Return Ratios				
RoCE	63%	55%	46%	14%
RoE	51%	45%	40%	12%
Valuation Ratios (x)				
EV/EBITDA	1.59	1.84	2.00	5.95
Market Cap / Sales	2.94	1.61	1.86	2.00
P/E	24.24	15.09	10.14	20.51
Price to Book Value	16.83	9.26	5.54	1.66
Solvency Ratios				
Debt / Equity	0.31	0.21	0.09	0.06
Current Ratio	1.53	1.92	2.44	2.44
Quick Ratio	1.13	1.62	1.89	1.90
Asset Turnover	2.67	3.15	1.96	1.54
Interest Coverage Ratio	46.47	57.12	107.98	232.27

*Ratio sheet for Sep-23 is annualized.

Financial Charts



Key Risk Factors

1. The Company and promoters are involved in certain legal proceedings and potential litigations amounted to Rs. 1.78 Lakhs. Any adverse decision in such proceedings may render them liable to liabilities/ penalties/ prosecutions and may adversely affect the business and results of operations.
2. The company had contingent liabilities amounted to Rs. 18.27 Lakhs for the period ending Sep ,2023.
3. The company's top ten customers contributed 76.41%, 73.13% and 63.62% of the revenue for FY ended 2023, 2022 and 2021. If one or more of such customers choose not to source their requirements from them, business, financial condition and results of operations may be adversely affected.

Track Record of Lead Manager

The lead manager to the issue is HEM Securities Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

HEM Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Paragon Fine and Speciality Chemicals Limited	51.66	100.00	November 03, 2023	195.00
2.	E Factor Experiences Limited	25.92	75.00	October 09, 2023	166.00
3.	Arabian Petroleum Limited	20.24	70.00	October 09, 2023	105.00
4.	Saakshi Medtech and Panels Limited	45.16	97.00	October 03, 2023	239.00
5.	Madhusudan Masala Limited	23.80	70.00	September 26, 2023	134.00
6.	Kahan Packaging Limited	5.76	80.00	September 15, 2023	99.40
7.	Asarfi Hospital Limited	26.94	52.00	July 26, 2023	102.00
8.	Kaka Industries Limited	21.23	58.00	July 19, 2023	170.00
9.	Greenchef Appliances Limited	53.62	87.00	July 06, 2023	102.00
10.	Hemant Surgical Industries Limited	24.84	90.00	June 05, 2023	169.00

The company has had 32 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 23rd November 2023.

As per the offer document, from the above-mentioned mandates all have opened at premiums on the listing date.

Recommendation

The company has been in the industry since 1997 and has good experience in the industry. There is no trend in company's top line as well as in its bottom line. There is sudden increase in profit margin for the period ended September 2023. The company operates in a moderate competitive segment. The management overview is satisfactory.

The P/E on an annualized post-IPO basis is 27.93 times which seems to be slightly highly priced by looking at the performance of the company. The Sector P/E is 56.70 times.

The company operates in a competitive segment with few competitors and the company has also had a positive operating cash flows in all the subsequent years. The company manufactures a wide range product, producing nearly 100 varieties of products and it's been in the industry since 1997. Also, looking at their growth plan regarding the utilization of the funds, it will help them increase their revenue further. The company's overall performance is satisfactory. Whereas, looking at the annualized post-IPO P/E level, we recommend a well-informed investor may **APPLY** to this IPO.

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