

IPO Details	
Opening Date	April 23, 2024
Closing Date	April 25, 2024
Stock Exchange	BSE SME
Lot Size	3,000 Shares
Issue Price	₹44 per share
Issue Size	Aggregating up to 20.18 Cr.
Fresh Issue	Aggregating up to 20.18 Cr.
Offer for Sale	-
Application Amount	₹1,32,000

IPO Objective	
1.	Funding Working capital requirements in the Company.
2.	Investment in Subsidiary Co. M/s Shivam Chemicals & Minerals Pvt Ltd. for financing the augmentation of its working capital capabilities.
3.	General corporate purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,23,99,998	99.99%
Public	2	N/A

Promoter of the Company	
1.	Sanjiv Girdharlal Vasant
2.	Soham Sanjiv Vasant
3.	Shivam Sanjiv Vasant

Competitive Strengths	
1.	Well educated and experienced board of directors and management team.
2.	In house manufacturing through 100% owned subsidiary.
3.	Technological competitive advantage.
4.	Logistic Efficiency .

Company Background	
○	Incorporated in 2010, Shivam Chemicals Limited has its registered office in Mumbai, Maharashtra, India.
○	The company is a manufacturer of Hydrated Lime (Calcium Hydroxide) & a distributor of various products such as Poultry feed supplement (MBM), Di-Calcium Phosphate (Feed Grade), Magnesium Oxide, Limestone Powder, etc.
○	The company has supplied a quantity of over 2.50 lakh metric tons of various products.
○	The company has 12 contract labourers in the subsidiary company i.e. Shivam Chemicals and Minerals Private Limited.
○	As of December 31, 2023, the company had a total of 25 employees on a consolidated basis on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 55	₹ 75

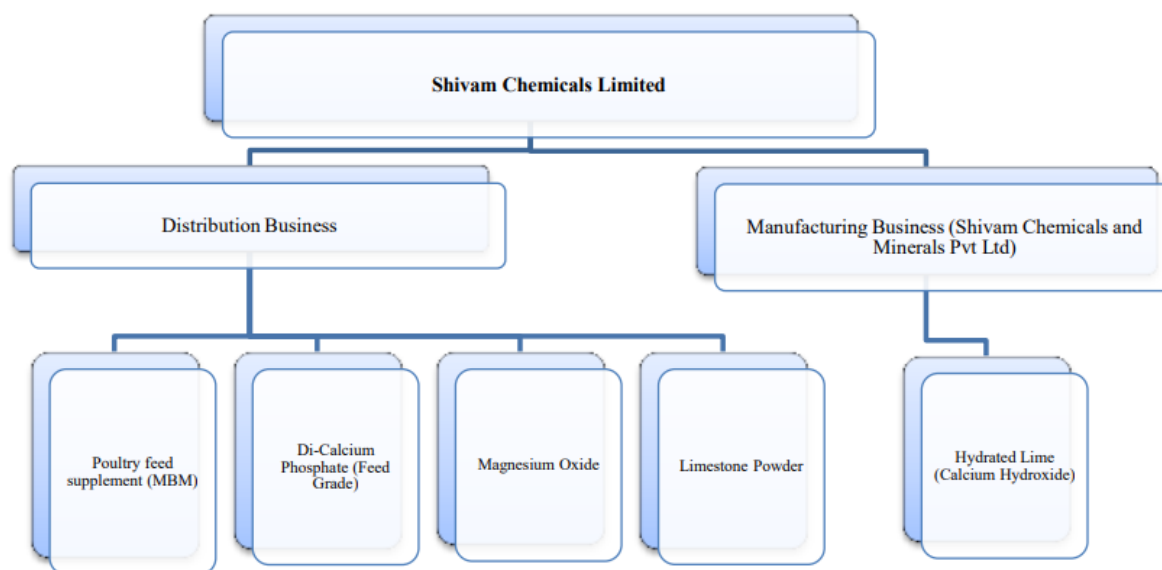
Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
Total Assets	993.66	2,368.55	3,117.11	3,881.91
Net Assets	527.71	971.41	1,328.85	1,399.64
Total Borrowing	153.39	509.50	1,351.37	1,638.20
Total Revenue	9,557.75	17,798.8	15,658.33	10,710.7
Profit After Tax	86.50	443.71	357.43	70.79

Tentative Timeline	
Opening Date	April 23, 2024
Closing Date	April 25, 2024
Basis of Allotment	April 26, 2024
Initiation of Refunds	April 29, 2024
Credit of Shares to Demat	April 29, 2024
Listing Date	April 30, 2024

Company Background and Analysis

Shivam Chemicals Limited was originally incorporated on October 12, 2010. The company is a manufacturer of Hydrated Lime (Calcium Hydroxide) & a distributor of various products such as Poultry feed supplement (MBM), Di-Calcium Phosphate (Feed Grade), Magnesium Oxide, Limestone Powder, etc. The company has supplied an impressive quantity of over 2.50 Lakh metric tons of various products, reflecting the commitment to meeting the demands of the market.

The chart regarding the product bifurcations is given below -



The company products such as MBM are used in the formulation of animal feed – to enhance the feeds’ amino acid profile, digestibility, etc, Feed Grade is used as a supplement in animal feed. It is a source of both calcium and phosphorus. Magnesium Oxide has applications in Animal Husbandry, Limestone Powder and Hydrated Lime the most common source of Calcium used in feeding livestock, and is Calcium hydroxide is an inorganic compound with the chemical formula Ca(OH)_2 respectively.

The company’s wholly owned subsidiary company Shivam Chemicals and Minerals Private Limited is located at Dahej Gujarat with a manufacturing capacity of 60,000 MT. They are engaged in the manufacturing of Hydrated lime (Calcium hydroxide) product

Revenue bifurcation is given below -

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Manufacture Goods	-	-	-	-	-	-	579.61	5.42
Trading Goods	9,549.77	100.00	17,794.49	100.00	15,651.68	100.00	10,113.71	94.58
Total	9,549.77	100.00	17,794.49	100.00	15,651.68	100.00	10,693.32	100.00

To conclude, since the company was incorporated in 2010 it has good experience in the industry. The company has recently acquired its subsidiary company named Shivam Chemicals and Minerals Private Limited which is also involved in the manufacturing of Hydrated Lime and has been added to the revenue generation for the Period ending December 2023.

Business Strategies

1. The manufacturing capacities in existing product categories are to leverage industry growth drivers –

The company aims to strategically invest in both physical and operational infrastructure. The company aspires to diversify the product portfolio by introducing innovative offerings to the market. To achieve this, the company has invested in the manufacturing unit which is located in Dahej, Gujarat.

2. Continue to focus on maintaining operational efficiency and profitability -

The Company prioritizes cost efficiency by implementing innovative measures to improve productivity and streamline manufacturing processes. By leveraging advanced solutions, the company aims to optimize resource utilization and minimize wastage.

3. Continue to build the domestic customer base and enter new geographical markets –

The company aims to focus on deepening its penetration in the existing markets and thereby increase its domestic presence by expanding the customer network. The company aims to focus on increasing the customer base by exploring domestic markets other than the above states mentioned.

4. Continue to focus on quality, environment, health and safety –

The Company believes in prioritizing sustainability by accentuating quality, environmental considerations, and health and safety. The company firmly believes that upholding an elevated standard of product quality is pivotal to both brand integrity and sustained growth.

Competitive Scenario and Peer Mapping

Competition

The industry is highly competitive. The company faces competition from various domestic and other players in the market. The competitors at the regional level are even from the unorganized sector of the industry. The company believes that the principal factors affecting competition in the business include client relationships, reputation, market focus and the relative quality, and price of the products and any ancillary service provided. The company has medium entry barriers. The bargaining power with the suppliers is high and the bargaining power with the customer is also slightly high in the industry 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	Shivam Chemicals Limited	Narmada Agrobases Limited	Godrej Agrovet Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	2%	1%	3%
EBITDA Margin	3%	4%	7%
Return on Capital Employed	26%	11%	16%
Return on Equity	27%	4%	13%
EPS (INR)	2.88	0.49	15.71

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

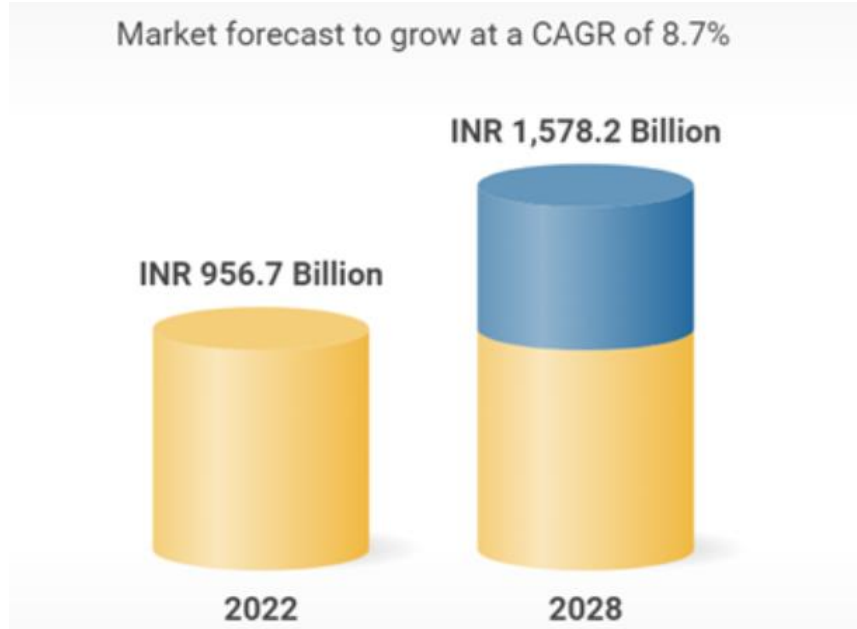
Particulars	Shivam Chemicals Limited	Narmada Agrobases Limited	Godrej Agrovet Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2%	2%	5%
EBITDA Margin	4%	6%	9%
Return on Capital Employed	62%	11%	21%
Return on Equity	46%	4%	18%
EPS (INR)	3.58	0.44	20.96

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

Particulars	Shivam Chemicals Limited	Narmada Agrobases Limited	Godrej Agrovet Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1%	1%	5%
EBITDA Margin	2%	4%	10%
Return on Capital Employed	27%	12%	18%
Return on Equity	16%	5%	15%
EPS (INR)	0.70	0.51	16.34

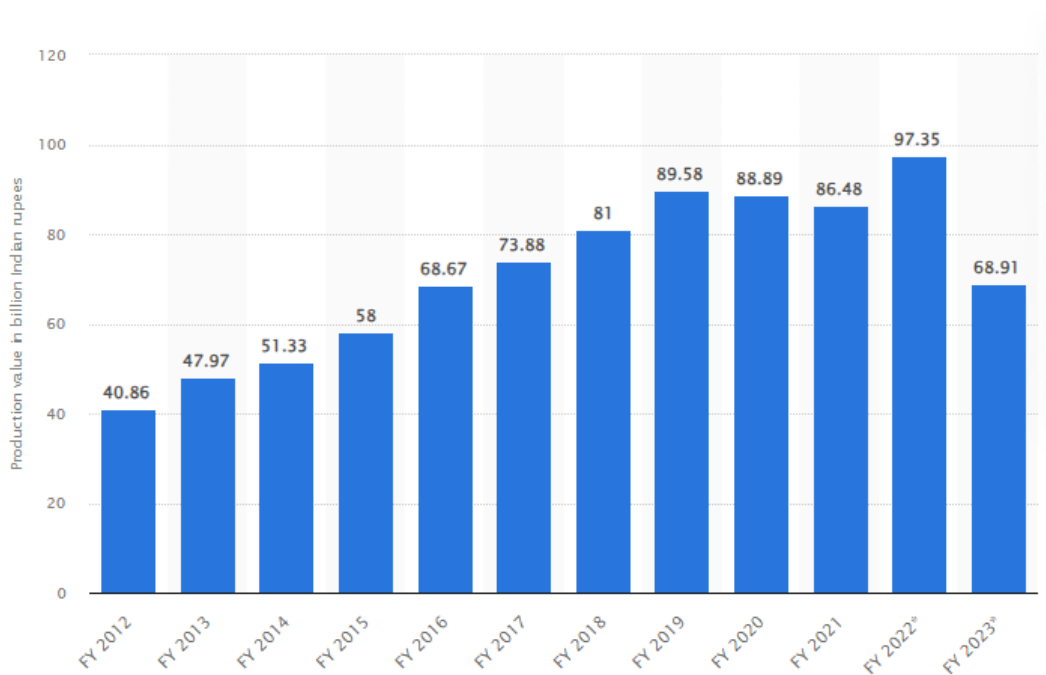
Industry Overview

Exhibit 1: Indian Animal Feed Market.



(Source: researchandmarkets.com)

Exhibit 2: Production value of limestone in India from financial year 2012 to 2021, with estimates until 2023(in billion Indian rupees)



(Source: statista.com)

Indian animal feed market -

The Indian animal feed market size reached INR 956.7 Billion in 2022. Looking forward, IMARC Group expects the market to reach INR 1,578.2 Billion by 2028, exhibiting a growth rate (CAGR) of 8.2% during 2023-2028. India currently represents one of the largest feed producers in the world. Animal feed includes various raw, processed and semi-processed products that are fed to livestock. Some of the most common feeds include pasture grasses, cereal grains, hay and silage crops, and other by-products of food crops, such as brewers' grains, pineapple bran and sugar beet pulp. These products are carefully formulated with the help of nutritional additives, like vitamins and minerals, to maintain the overall health of animals and improve the quality of various end-products, including eggs, meat and milk. In this country, there has been a rise in public concern regarding the safety of animal-origin food products due to the prevalence of food-borne bacterial infections, bovine spongiform encephalopathy (BSE) and dioxin contamination. These concerns have prompted regulatory organizations to inspect and improve feeding practices in the country.

Recently, it was noted that raw materials used in the production of animal feed, like soybean meal, sorghum and maize, are being diverted for the consumption of humans, leading to a shortage in the feed industry. Furthermore, the expensive nature, and price and supply volatility of these raw materials is encouraging industry players to switch to sustainable and lower-cost ingredients for livestock production. Some of these novel ingredients include insect meal and Distiller's dried grain with solubles (DDGS). Besides this, currently has a separate set of livestock policies that focus on increasing the overall productivity. Some of the schemes that are acting in favor of the animal feed market include E-Pashu Haat, Livestock Insurance Scheme, Rashtriya Gokul Mission, and National Livestock Mission.

Chemical Industry – Limestone Power –

The global limestone market size reached US\$ 82.4 Billion in 2023. Looking forward, IMARC Group expects the market to reach US\$ 116.2 Billion by 2032, exhibiting a growth rate (CAGR) of 3.9% during 2024-2032.

Limestone acts as an agricultural additive that aids in improving the quality of the soil by supplying calcium for plant and soil nutrition. Furthermore, widespread adoption of limestone for wastewater treatment, preparation of drinking water and removal of acid gas from flue gases is also providing a boost to the market growth. Additionally, extensive utilization of limestone as a filter additive, coating pigment, brightening agent and surface finish additive for paper and pulp processing, is contributing to the market growth. Other factors, including the implementation of infrastructural development initiatives and the construction of smart cities, along with rapid industrialization, are projected to drive the market further.

By the end of financial year 2022, the value of India's limestone production amounted to an estimated 97.4 billion Indian rupees. This figure is estimated to have decreased to approximately 68.9 billion Indian rupees in financial year 2023. The India production of lime is projected to record a CAGR of 3.2% during the forecast period. According to FAO, lime production accounts for 3.14 million metric tons in 2018 as compared to last year where the production of lime accounts for 2.3 million metric tons. Production of lime is increasing in India due to an increase in the area of production which accounts for 286 thousand hectares in 2018.

(Source: prospectus)

Key Managerial Personnel

Sanjiv Girdharlal Vasant, aged 60 years, is one of the Promoters and Managing Director of the Company. He has completed his Bachelor's degree in Bachelor of Commerce. He has completed his Bachelor's degree in Bachelors of Commerce. He has more than 3 decades of experience in Chemical Industry. He is currently responsible for the overall working of the Company and is instrumental in making strategic decisions.

Soham Sanjiv Vasant, aged 35 years, is one of the Promoters, Whole-Time Director, and CFO of the Company. He has obtained his degree in Bachelor of Commerce, and he has done Post Graduate Programme in Family Managed Business. He has over a decade of experience in Chemical Industry. He primarily handles Sales Operations. He is also looking into Banking and handles the entire finance and operation of the Company.

Shivam Sanjiv Vasant, aged 28 years, is one of the Promoters and Whole-Time Director of the Company. He has obtained his degree in Bachelor of Engineering (Mechanical Engineering), and a Master's degree in Entrepreneurship. He is responsible for infusing fresh ideas into the business and developing new products. He also manages the entire supply chain for the Company.

Manish Tarachand Pande, aged 36 years, is the Non-Executive Independent Director of the Company. He holds a Bachelor's degree in Commerce. He has over 8 years of experience in the field of compliance, legal and secretarial. He is currently the Company Secretary of Fortune Biotech Limited.

Himani Bhootra, aged 31 years, is the Non-Executive Independent Director of the Company. She has completed Bachelor's degree in Commerce. Further, she has been a member of Institute of Company secretaries of India since 2018. She also completed her Bachelor of Legislative Law (LLB). She has an experience of over 5 Years in the field of legal, Compliance and Secretarial.

Kunal Bharat Shingala, aged 29 years, is the Non-Executive Independent Director of the Company. He has completed Bachelor of Mechanical Engineering, and 1 Year programme of Master of Science International Business. His work experience includes Leading the marketing team, strategically developed the HR department, overlooking the overall operations of the organization.

To conclude, the company has 3 promoters, and two of them have vast experience in the industry. The Remaining Directors of the company also have decent 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	Dec-23
Revenue from Operations	9,549.77	17,794.49	15,651.68	10,693.32
Other Income	7.98	4.36	6.65	17.43
Total Income	9,557.75	17,798.85	15,658.33	10,710.75
Expenses				
Raw Material Consumed	-	-	-	527.32
Purchases of Stock in Trade	8,367.23	15,750.95	14,020.08	8,984.23
Changes in Inventories	14.10	3.49	4.56	-32.94
Employee benefits expense	205.93	262.15	197.53	143.12
Finance costs	34.38	28.36	39.38	50.57
Depreciation and Amortization expense	9.98	9.58	8.55	87.36
Other expenses	798.12	1,145.51	899.93	812.65
Total Expenses	9,429.74	17,200.04	15,170.03	10,572.31
Earnings Before Interest, Taxes, Depreciation & Amortization	164.39	632.39	529.58	258.94
EBITDA Margin	2%	4%	3%	2%
Profit/(Loss) before exceptional items and tax	128.01	598.81	488.30	138.44
Exceptional items	-	-	-	5.32
Profit/(Loss) before tax	128.01	598.81	488.30	143.76
Tax Expense				
Current Tax	42.07	155.49	131.20	69.33
Deferred Tax	-0.56	-0.39	-0.33	3.64
Total Tax Expense	41.51	155.10	130.87	72.97
Profit/(Loss) for the year	86.50	443.71	357.43	70.79
Net Profit Margin	0.91%	2.49%	2.28%	0.66%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	40.00	40.00	40.00	1,240.00
Reserves and surplus	487.71	931.41	1,288.85	159.64
Total Equity	527.71	971.41	1,328.85	1,399.64
2. Non-current liabilities				
Long Term Borrowings	14.40	5.96	677.22	522.18
Deferred tax liability/ (Assets) (Net)	0.15	-0.24	-0.57	3.07
Long term Provisions	31.83	30.60	30.56	30.56
Total Non-current liabilities	46.38	36.32	707.21	555.81
3. Current liabilities				
Short-term borrowings	138.99	503.54	674.15	1,116.02
Trade payables				
(i) MSME	-	-	-	-
(ii) Other than MSME	203.41	640.34	201.77	676.22
Other current liabilities	8.84	1.48	23.24	31.49
Short-term provisions	68.33	215.46	181.89	102.73
Total Current liabilities	419.57	1,360.82	1,081.05	1,926.46
Total Liabilities	465.95	1,397.14	1,788.26	2,482.27

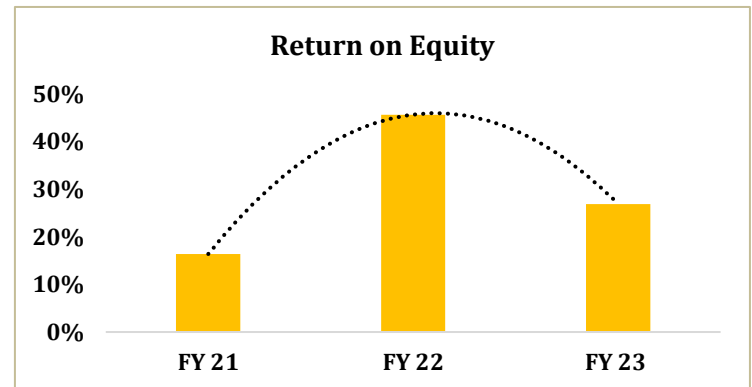
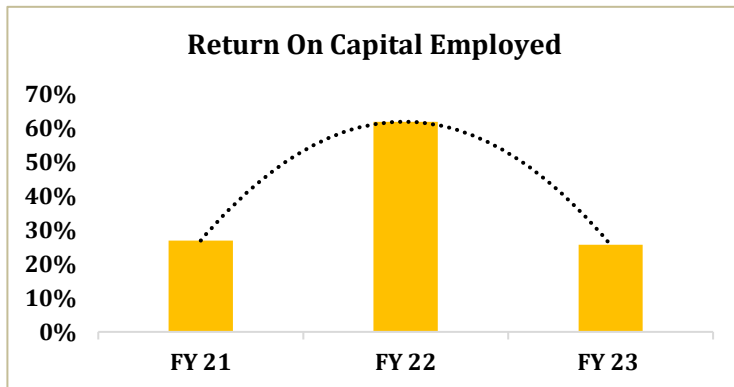
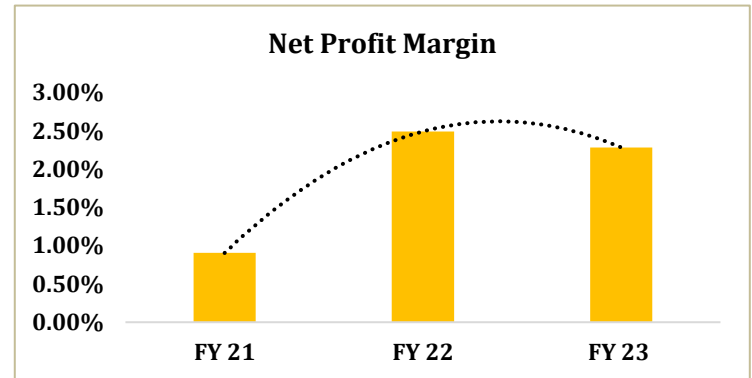
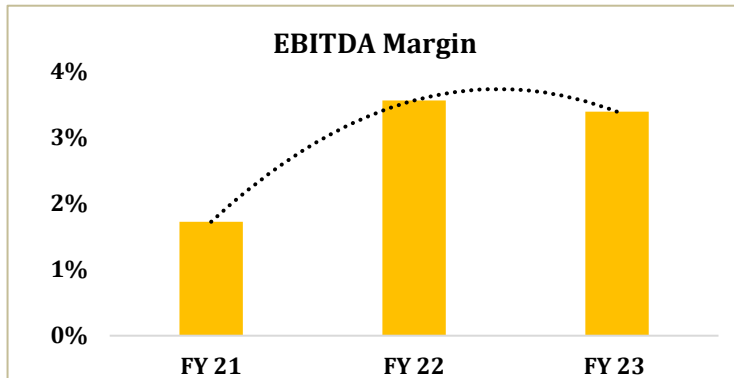
Balance Sheet					(In Lacs)
Total Equity and Liabilities	993.66	2,368.55	3,117.11	3,881.91	
ASSETS					
1. Non-current assets					
Fixed Assets					
a) Tangible Assets	45.77	44.91	423.14	1,535.41	
b) Intangible Assets	-	-	0.13	0.13	
c) Capital work in progress	-	-	1,000.28	-	
Long term Loans and Advances	-	225.00	30.11	0.60	
Total Non-Current assets	45.77	269.91	1,453.66	1,536.14	
2. Current assets					
Inventories	8.05	4.56	-	37.45	
Trade receivables	718.23	1,405.20	1,207.89	1,939.85	
Cash and cash equivalents	7.38	26.61	34.84	32.75	
Short-term loans and advances	139.46	431.23	125.02	42.14	
Other Current Assets	74.77	231.04	295.71	293.58	
Total Current assets	947.89	2,098.64	1,663.46	2,345.77	
Total Assets	993.66	2,368.55	3,117.12	3,881.91	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
Net Cash Flow from Operating Activities	150.32	-300.06	591.59	-39.71	
Net Cash Flow from Investing Activities	44.48	-8.46	-1,385.85	-198.64	
Net Cash Flow from Financing Activities	-200.89	327.76	802.49	236.26	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	0.7	3.58	2.88	0.79
BV per share	3.11	5.72	7.82	20.49
Operating Ratios				
EBITDA Margins	1.72%	3.55%	3.38%	2.42%
PAT Margins	0.91%	2.49%	2.28%	0.94%
Inventory days	0.31	0.09	-	0.96
Debtor days	27.45	28.82	28.17	49.89
Creditor days	8.87	14.84	5.25	19.57
Return Ratios				
RoCE	27%	62%	26%	7%
RoE	16%	46%	27%	4%
Valuation Ratios (x)				
EV/EBITDA	4.10	2.30	5.00	14.25
Market Cap / Sales	0.78	0.42	0.48	0.53
P/E	62.86	12.29	15.28	55.82
Price to Book Value	14.16	7.69	5.62	2.15
Solvency Ratios				
Debt / Equity	0.29	0.52	1.02	1.17
Current Ratio	2.26	1.54	1.54	1.22
Quick Ratio	2.24	1.54	1.54	1.20
Asset Turnover	9.61	7.51	5.02	2.75
Interest Coverage Ratio	4.49	21.96	13.23	3.39

*Annualized Figures

Financial Charts



Key Risk Factors

1. The Income from the Top 10 customers contributed to 63.81%, and 58.50% for the Period Ended December, and FY March 2023. The loss of any one or more of such customer may have a material effect on the business operations and profitability.
2. The company has had negative operating cash flow for the FY ended March 2022, and the Period Ended December 2023.
3. The company has 01 material civil litigation against the group company for which the amount is unascertainable.
4. For the financial year ended March 31, 2023, the top five suppliers and top ten suppliers accounted for approximately 62.02% and 83.22%.

Track Record of Lead Manager

The lead manager to the issue is Aryaman Financial Services 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 –

Aryaman Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Arrowhead Separation Engineering Limited	13.00	233.00	November 28, 2023	137.00
2.	Mish Designs Limited	9.76	122.00	November 07, 2023	113.00
3.	Sunita Tools Limited	22.04	145.00	October 11, 2023	344.00
4.	Master Components Limited	15.43	140.00	September 29, 2023	145.00
5.	HMA Agro Industries Limited	480.00	585.00	July 04, 2023	63.00
6.	CFF Fluid Control Limited	85.80	165.00	June 12, 2023	428.00
7.	Command Polymers Limited	7.09	28.00	March 29, 2023	25.40
8.	Rex Sealing and Packing Industries Limited	8.09	135.00	January 12, 2023	104.00
9.	Abans Holdings Limited	345.60	270.00	December 23, 2022	430.00
10.	EP Biocomposites Limited	6.35	126.00	September 13, 2022	150.00

The company has had 22 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 20th April 2023.

As per the offer document, from the above-mentioned mandates, HMA Agro Industries Limited, Command Polymers Limited, and Abans Holdings Limited have opened at discounts and the remaining mandates have opened at premiums on the listing date.



Shivam Chemicals Limited

IPO Note

Recco – **AVOID**



Recommendation

The company has been in the industry since 2010 and has good experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 55.82 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 29.2 times.

The company operates in a competitive environment. The business is not unique. The company has seen a sudden hike in revenues for FY 22 which may or may not be sustaining going forward and has fallen for FY 23. The company also has negative operating cash flows. The company is not utilising its net proceeds for anything unique or expansion. Thu, at the current P/E, we recommend **AVOID** to this IPO



Shivam Chemicals Limited

IPO Note

Recco – **AVOID**



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