



# Indian Emulsifiers Limited

IPO Note

Recco - **AVOID**



IPO Details	
<b>Opening Date</b>	May 13, 2024
<b>Closing Date</b>	May 16, 2024
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1,000 Shares
<b>Issue Price</b>	₹125 to ₹132 per share
<b>Issue Size</b>	Aggregating up to 42.39 Cr.
<b>Fresh Issue</b>	Aggregating up to 42.39 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹1,32,000

IPO Objective	
1.	Funding of capital expenditure requirements of the Company towards Plant & Machinery, Civil work and installation cost thereon;
2.	To meet working capital requirements
3.	General Corporate Purposes

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	58,80,050	65.25%
Public	31,31,172	34.75%

Promoter of the Company	
1.	Yash Tikekar

Competitive Strengths	
1.	Experienced Promoter & Management Team
2.	Scalable Business Model
3.	Wide and diverse range of product offerings
4.	In-house manufacturing facility with equipped machines and processes, in-house Quality Control and R&D facility

Company Background	
○	Incorporated in 2020, Indian Emulsifier Limited has its registered office in Mumbai, Maharashtra.
○	It is a manufacturer and supplier of Specialty Chemicals and has its manufacturing plant in Maharashtra having production capacity of 4800 metric tons/p.a. and primarily caters to B2B segment.
○	The Company serves specialty chemicals to industries such as Mining, Textile, Cleaning Industry, PVC/Rubber, Personal Care, Food and Other Industries.
○	The company's main products are Esters, Amphoteric, Phosphate esters, Imidazolines, Wax emulsions, SMO & PIBSA emulsifiers.
○	The Company has its own R&D facility.
○	The company had 34 full time employees including Key Managerial Personal as on Dec 31, 2023, as well as contracts with third-party manpower and services firm for supply of contract labour for certain services.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 119	₹161

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
<b>Total Assets</b>	59.72	1,910.22	3,433.27	6,176.64
<b>Net Assets</b>	0.63	814.94	1,204.35	2,636.34
<b>Total Borrowing</b>	58.91	1,068.54	2,030.44	58.91
<b>Total Revenue</b>	-	1,768.31	4,118.35	4,870.17
<b>Profit After Tax</b>	(0.37)	4.31	389.44	675.03

Tentative Timeline	
<b>Opening Date</b>	May 13, 2024
<b>Closing Date</b>	May 16, 2024
<b>Basis of Allotment</b>	May 17, 2024
<b>Initiation of Refunds</b>	May 21, 2024
<b>Credit of Shares to Demat</b>	May 21, 2024
<b>Listing Date</b>	May 22, 2024



## Company Background and Analysis

Incorporated in December 2020, Indian Emulsifier Limited manufactures, and supplies specialty chemicals, including esters, amphoteric, and wax emulsions. Their production capacity is 4,800 metric tons per annum.

### **Product Portfolio:**

**Esters:** Derived from fatty acids and alcohols, esters find applications in fragrances, solvents, plastics, pharmaceuticals, and lubricants. They serve various purposes across industries, with different types catering to specific needs.

**Amphoteric:** Ideal for industrial cleaning formulations, amphoteric compounds excel in pressure washer applications, offering hydrotropic and dirt-lifting properties. They exhibit low toxicity and enhance detergent systems for both personal care and industrial cleaning.

**Phosphate Esters:** These versatile surfactants provide stability in alkaline systems, widely used in cleaners, detergents, lubricants, and flame retardants across industries, contributing to fire safety and cleaning efficacy.

**Imidazolines:** Used extensively in corrosion inhibition, cleaning, personal care, and agriculture, imidazolines transform surfaces into hydrophobic barriers, exhibiting unique properties beneficial for various applications.

**Wax Emulsions:** Enhancing durability and moisture resistance, wax emulsions find applications in construction, paper coatings, personal care products, and agriculture, serving as protective coatings, softeners, and lubricants.

**SMO & PIBSA Emulsifiers:** These polymeric surfactants contribute to emulsion explosives, metalworking fluids, and engine oils in mining, lubricants, and automotive industries.

Behind these products lie domestically sourced raw materials, including petroleum/synthetic, agricultural/fatty oil, and agrochemical sources, ensuring quality and competitiveness in procurement.

(Amount in Lakhs)

Particulars	Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%
Mining	371.55	21.01	961.40	22.99	1,315.80	27.02
Personal Care	407.51	23.05	919.90	22.00	1,169.80	24.02
PVC / Rubber	335.45	18.97	711.10	17.01	1,022.30	20.99
Textile	300.49	16.99	753.60	18.02	681.20	13.99
Cleaning	158.80	8.98	335.85	8.03	341.00	7.00
Other Industries	194.51	11.00	499.50	11.95	340.16	6.98
<b>Total</b>	<b>1,768.31</b>	<b>100.00</b>	<b>4,181.35</b>	<b>100.00</b>	<b>4,870.26</b>	<b>100.00</b>

Established in 2020, Indian Emulsifier Limited is a new player in speciality chemicals, showcasing a strong dedication to growth, technology, and quality. Its manufacturing facility in Ratnagiri, Maharashtra features advanced process control, R&D facilities, and quality labs, emphasizing tailored solutions. As of December 2023, mining contributes 27.02% of revenue, followed by personal care and PVC/rubber. ISO 9001:2015 certification attests to its commitment to global standards. With a strategic focus on high-margin speciality chemicals, technological prowess, and diverse market presence, the company is primed for sustained growth in the dynamic chemicals industry.



## **Business Strategies**

### **1. Expand existing product portfolio-**

The company customer's sector is continuously growing, as the consequence for the same, Company intends to further diversify into products with prospects for increased growth and profitability. The Company plans to focus on products manufactured using continuous flow chemistry as these will be more sustainable and are good value propositions.

### **2. Expand existing manufacturing capacities to capitalise on industry opportunities-**

Consistent with past trends, the Company is looking to add capacity in a phased manner to ensure utilization of capacity at optimal levels to supply growing markets more efficiently and drive profitability.

### **3. Increasing Operational efficiency-**

Higher operational effectiveness results in greater production volumes and higher sales, and therefore allows the Company to spread fixed costs over a higher number of units sold, thereby increasing profit margins. The Company intends to continue and invest in in-house technical capabilities to develop customized systems and processes and ensure effective management control over critical resources for optimal utilization.

### **4. Continue to focus on contract manufacturing / exclusive manufacturing by developing innovative processes and value engineering-**

By leveraging the long-standing relationships and repeat orders from customers, the Company intends to capitalize on significant cross-selling opportunities that higher value products offer and focus on early-stage process innovation and development that will enable them to capitalize on the complete lifecycle of these products and give opportunity to be the initial suppliers for such customized speciality chemicals and strengthen relationships with multinational corporations.

### **5. Continue to focus on innovation and grow business across customer segments-**

The Company aims to innovate, manufacture and supply specialty chemicals which will make the processes for customers more efficient, environmentally more sustainable and cost efficient. They seek to improve agility and flexibility in offering customized products to customers at short notice and want to continue to promote and strengthen formulation and application expertise which is led by R&D team.



## Competitive Scenario and Peer Mapping

### Competition

The specialty chemicals industry faces moderate competition, primarily from existing players offering similar products. Technological advancements drive innovation, but also necessitate ongoing investments to remain competitive. Social trends, such as the demand for eco-friendly products, influence product development. Macroeconomic factors like raw material costs and global economic conditions impact profitability. Suppliers generally have moderate bargaining power, while customer power is higher due to alternatives and potential for price negotiations. The threat of new entrants is significant, but reputation and quality can mitigate this. While the industry is growing, price-based competition remains a constant pressure. Companies with experience and efficient operations can leverage economies of scale for a competitive advantage.

### Peer Analysis

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

Particulars	Indian Emulsifier Ltd.	Fine Organic Industries Ltd.	Finetox Chemical Ltd.
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	9.46%	20.02%	16.85%
EBITDA Margin	19.09%	28.94%	22.87%
Return on Capital Employed	24.47%	54.83%	32.22%
Return on Equity	24.38%	40.10%	25.33%
EPS (INR)	4.80	201.60	7.97

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

Particulars	Indian Emulsifier Ltd.	Fine Organic Industries Ltd.	Finetox Chemical Ltd.
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.24%	13.60%	14.76%
EBITDA Margin	4.50%	20.76%	20.53%
Return on Capital Employed	2.06%	36.18%	27.34%
Return on Equity	0.53%	27.06%	21.05%
EPS (INR)	0.05	84.67	4.98

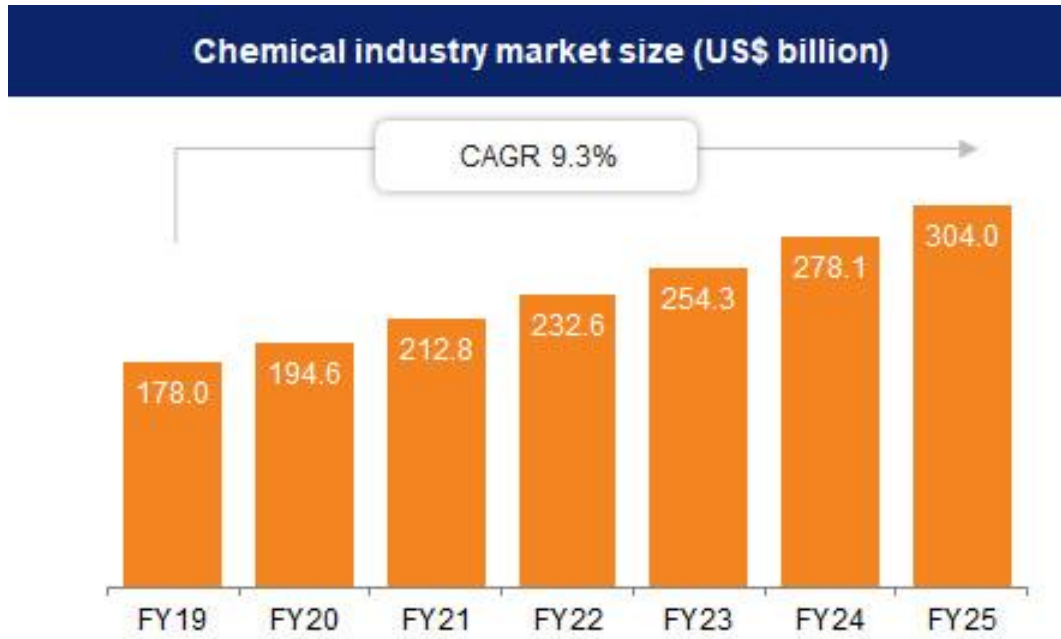
**The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –**

Particulars	Indian Emulsifier Ltd.	Fine Organic Industries Ltd.	Finetox Chemical Ltd.
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-	10.46%	18.05%
EBITDA Margin	-	18.70%	24.60%
Return on Capital Employed	-48.68%	-21.23%	26.04%
Return on Equity	-58.73%	16.45%	20.34%
EPS (INR)	-	39.25	3.84



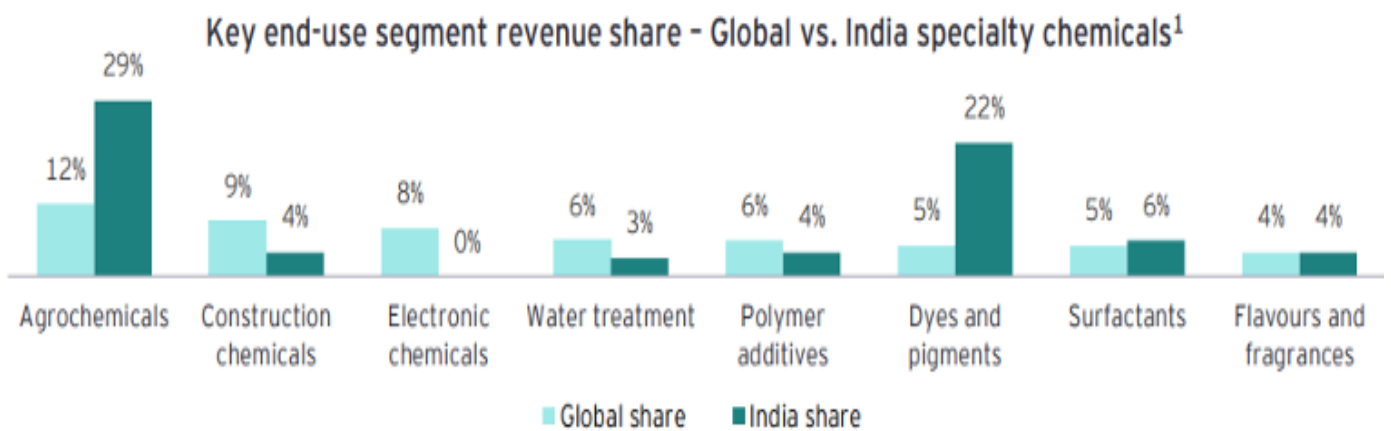
**Industry Overview**

Exhibit 1: Indian Chemical Industry market size (US\$ billion):



(Source: ibef.org)

Exhibit 2: Division of Logistics Sector in India in FY22:



(Source: Axis Capital)



### **Indian Economy:**

India has emerged as the fastest-growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years and witness GDP growth of 6% to 6.8% in 2023-24. Economic survey 2022-23 projects a baseline GDP growth of 6.5% in real terms in FY24.

### **Chemical Industry Overview:**

Specialty chemicals are renowned for their exceptional outputs, excellent performance and high functional qualities. Unlike the commoditized chemical sector, these substances result from substantial research and development, which is a key distinction.

Asia-Pacific is predicted to have the largest market share overall. For international investors, the region offers significant investment options. Furthermore, the market for specialty chemicals is anticipated to offer attractive prospects due to the economies of Singapore, Malaysia, Thailand and India's increasing industrialization & diversification.

### **Market Size:**

The Indian chemicals industry stood at US\$ 178 billion in 2019 and is expected to reach US\$ 304 billion by 2025 registering a CAGR of 9.3%. The demand for chemicals is expected to expand by 9% per annum by 2025.

### **Growth in Speciality Chemical Market and Market Opportunity:**

Domestic market for specialty chemical has seen a year on year increase for the last decade. The domestic Industry is expected to grow at 5 to 6% year on year on a regular basis. Further key industries such as Food, Cosmetics, Personal Care and Mining, which all requires chemicals, will be seeing a continual growth domestically for the next 10 years.

In India, the food industry is a major consumer of emulsifiers due to the increasing demand for processed foods, bakery products, confectionery, and ready-to-eat meals. Emulsifiers play a crucial role in improving the texture, appearance, and shelf life of these products.

### **Chemical Industry in India:**

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. 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.

The Indian specialty chemicals industry is undergoing a transformative phase driven by innovation, investments, and evolving market dynamics. With a focus on sustainability, innovation, and global competitiveness, the industry is expected to continue its growth trajectory in the coming years.

(Source: prospectus)



### Key Managerial Personnel

**Yash Tikekar**, aged 37 years is the Promoter, Founder, Chairman and Managing Director of the Company. He completed a Bachelor of Arts in Economics in 2008 and a Post Graduate Diploma in Finances Management from NMIMS School of Distance Learning in 2013. He leads the product development team in developing components & looks after the Production in the Company along with the overall business operations of the Company. He has an experience of more than 10 years in this field of work of speciality chemicals.

**Abhay Tikekar**, aged 64 years is the Whole Time Director of the Company. He completed a Bachelor of Commerce in 1978. He looks after the overall business operations of the Company. His functional responsibility in the Company is mainly focused on company growth and finances. He has an experience of 9 year in the industry.

**Rajesh Madhukar Joshi**, aged 60 years is the Non-Executive Director of the Company. He has completed LLB in 1996 and became a member of the Bar Council of Maharashtra and Goa in the year 1998. He is a practicing advocate dealing with criminal, civil, environment, revenue, insurance, consumer cases/suits / appeals etc. He has the experience of more than 20 years in legal field.

**Vaishali Dipen Tarsariya**, aged 32 years is the Non-Executive Independent Director of the Company. She has completed Bachelor of Commerce in Financial Accounting and Auditing in 2014. She worked with J M Mehta & Co. as an Associate Accountant till April, 2021. She brings to the Company her work experience in the field of finance to guide the Company towards development in the industry.

**Rajaram Gordhanlal Agarwal**, aged 60 years is the Non-Executive Independent Director of the Company. He has completed the course of Chartered Accountancy from the Institute of Chartered Accountants of India in 2008 and was admitted as an Associate of the Institute in the same year. He has been a part of the Specialty Chemical Industry for the last over 30 years. He was associated with DCW Limited till May, 2021. He has experience in varied sectors including Auditing, accounting & Financing.

To conclude, the company has one promoter with very good experience in the industry, one whole time director and three NEDs. They bring in various perspective, experience, and knowledge of different sectors into the Company. They are well qualified and have good experience in their respective fields.



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## Financial Snapshot

<b>Profit and Loss Statement</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23</b>
Revenue from Operations	-	1,768.31	4,117.97	4,867.36
Other Income	-	-	0.38	2.81
<b>Total Income</b>	<b>-</b>	<b>1,768.31</b>	<b>4,118.35</b>	<b>4,870.17</b>
<b>Expenses</b>				
Cost of materials purchased	-	1,450.21	3,239.89	3,555.99
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	-	-87.56	-225.72	-137.52
Employee Benefit Expenses	0.13	97.30	51.40	40.53
Roaming and access charges	-	-	-	-
Finance Costs	-	46.60	204.63	188.66
Depreciation and amortisation expenses	-	20.85	118.21	119.50
Other expenses	0.24	228.87	266.22	289.12
<b>Total Expenses</b>	<b>0.37</b>	<b>1,756.27</b>	<b>3,654.63</b>	<b>4,056.28</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>-0.37</b>	<b>79.49</b>	<b>786.18</b>	<b>1,119.24</b>
<b>EBITDA Margin</b>	<b>-</b>	<b>4.50%</b>	<b>19.09%</b>	<b>22.99%</b>
<b>Profit/(Loss) before tax</b>	<b>-0.37</b>	<b>12.04</b>	<b>463.72</b>	<b>813.89</b>
Tax Expense				
Current Tax	-	-	74.80	139.59
Deferred Tax Expense / (credit)	-	7.73	-0.52	-0.73
Total Tax Expense	-	7.73	74.28	138.86
<b>Profit/(Loss) for the year</b>	<b>-0.37</b>	<b>4.31</b>	<b>389.44</b>	<b>675.03</b>
<b>Net Profit Margin</b>	<b>-</b>	<b>0.24%</b>	<b>9.46%</b>	<b>13.86%</b>

<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23</b>
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
a) Property, Plant and Equipment	-	978.66	1,271.99	1,407.03
b) Capital work-in-progress	-	-	-	70.00
c) Financial Assets-				
(ii) Other Financial Assets	-	-	2.50	82.03
(i) Investments	-	5.04	5.45	0.55
<b>Total Non-Current assets</b>	<b>-</b>	<b>983.70</b>	<b>1,279.94</b>	<b>1,559.61</b>
<b>Current Assets</b>				
a) Inventories	-	120.18	875.13	1,931.41
b) Financial Assets				
(ii) Trade Receivables	-	291.55	804.98	1,618.74
(iii) Cash and Cash Equivalents	3.58	2.70	2.75	9.99
(vi) Other Financial Assets	-	-	72.88	20.77
c) Other current assets	56.14	512.09	396.59	1,036.12
<b>Total Current assets</b>	<b>59.72</b>	<b>926.52</b>	<b>2,152.33</b>	<b>4,617.03</b>
Assets held for sale				
<b>Total Assets</b>	<b>59.72</b>	<b>1,910.22</b>	<b>3,432.27</b>	<b>6,176.64</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share Capital	1.00	811.01	811.01	901.12
Other Equity	-0.37	3.93	393.34	1,735.22
<b>Total Equity</b>	<b>0.63</b>	<b>814.94</b>	<b>1,204.35</b>	<b>2,636.34</b>
<b>Non-current liabilities</b>				
a) Financial Liabilities				





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<b>Balance Sheet</b>					<b>(In Lacs)</b>
(i) Long term borrowings	-	769.68	1,162.71	1,346.51	
b) Deferred Tax Liabilities (Net)	-	7.73	7.21	6.48	
c) Provisions	0.13	1.08	2.34	3.75	
<b>Total Non-Current Liabilities</b>	<b>0.13</b>	<b>778.49</b>	<b>1,172.26</b>	<b>1,356.74</b>	
<b>Current liabilities</b>					
a) Financial Liabilities	-	-	-	-	
(i) Short term borrowings	58.91	298.86	867.73	897.94	
(ii) Trade Payables					
-total outstanding dues of creditors other than micro enterprises and small enterprises	0.05	0.53	90.72	1084.42	
(iii) Other Financial Liabilities	-	-	16.20	19.20	
b) Other current liabilities	-	17.41	9.86	40.00	
c) Short term provisions	-	-	71.13	141.99	
<b>Total Current liabilities</b>	<b>58.96</b>	<b>316.80</b>	<b>1,055.64</b>	<b>2,183.55</b>	
<b>Total Liabilities</b>	<b>59.09</b>	<b>1,095.29</b>	<b>2,227.90</b>	<b>3,540.29</b>	
<b>Total Equity and Liabilities</b>	<b>59.72</b>	<b>1,910.23</b>	<b>3,432.25</b>	<b>6,176.63</b>	

<b>Cash Flow Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23</b>	
Net Cash Flow from Operating Activities	2.58	-576.00	18.95	-613.85	
Net Cash Flow from Investing Activities	-	-234.88	-18.90	-135.85	
Net Cash Flow from Financing Activities	1.00	810.01	-	756.94	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23*</b>
<b>Per Share Data</b>				
Diluted EPS	-	0.05	4.80	7.74
BV per share	0.01	6.67	9.85	53.01
<b>Operating Ratios</b>				
EBITDA Margins	-	4.50%	19.09%	22.99%
PAT Margins	-	0.24%	9.46%	14.57%
Inventory days	-	24.81	77.57	144.84
Inventory days	-	24.81	77.57	109.12
Debtor days	-	60.18	71.35	91.46
Creditor days	-	0.13	8.79	66.64
<b>Return Ratios</b>				
RoCE	-48.68%	3.68%	28.11%	16.52%
RoE	-58.73%	0.53%	32.34%	14.61%
<b>Valuation Ratios (x)*</b>				
EV/EBITDA	-	23.66	4.11	6.00
Market Cap / Sales	-	9.12	3.92	2.49
P/E	-	-	27.50	17.05
Price to Book Value	-	19.80	13.40	2.49
<b>Solvency Ratios</b>				
Debt / Equity	93.51	1.31	1.69	0.38
Current Ratio	1.01	2.92	2.04	2.11
Quick Ratio	1.01	2.55	1.21	1.23
Asset Turnover	-	0.93	1.20	0.79
Interest Coverage Ratio	-	1.26	3.26	5.30

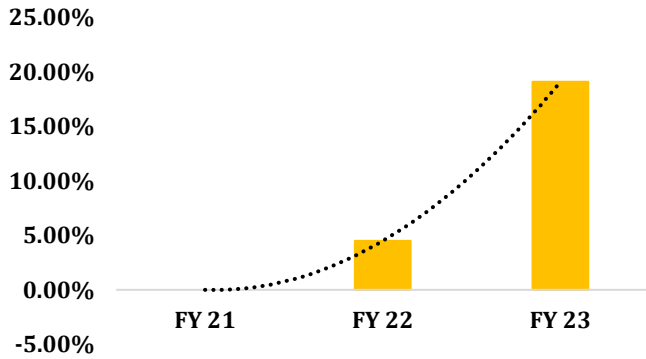
\*Annualized Figures

\*Valuation Ratios are calculated using the current Issue Price.

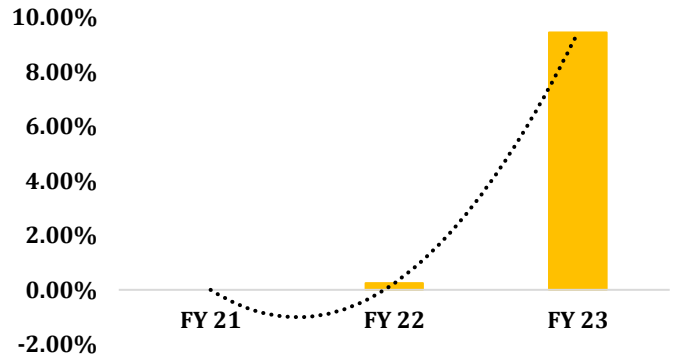


Financial Charts

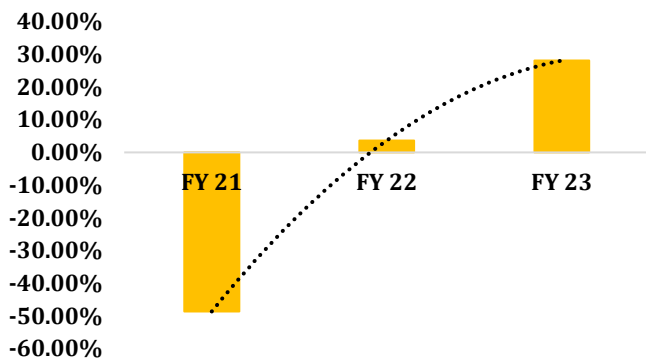
EBITDA Margin



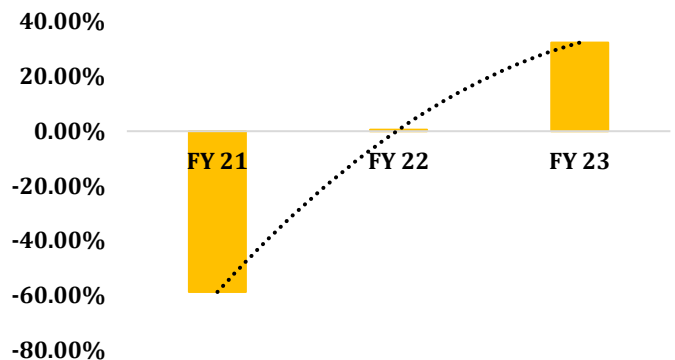
Net Profit Margin



Return On Capital Employed



Return on Equity





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## Key Risk Factors

1. There are certain outstanding legal cases (Tax Matters) involving the Company amounting to Rs. 29.40 Lakhs. An adverse outcome of which may adversely affect the business, reputation, and results of operations.
2. Top 5 Customers contributed to 78.70% of the Total Revenue in FY 2023. The loss of any one of them would adversely affect the business's profitability and operations.
3. Top Five suppliers contributed to approximately 94.36%, 91.68%, and 91.58% of total purchases for the period ended December 31, 2023, and for the financial year ended 2023 and 2022.
4. The Company has negative operating cash flows in FY22 and for the period ended Dec 23.
5. One of the company's group companies has incurred losses during the FY 2021.

## Track Record of Lead Manager

The lead manager to the issue is Ekadrisht Capital Pvt Ltd. , the Lead Manager has not filed any issue till date. Indian Emulsifier Ltd will be the first company mandated by Ekadrisht Capital Pvt. Ltd.



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## Recommendation

The company has been in the industry since 2020 and is fairly new to the industry. It has only one Promoter, and while he possesses a good amount of industry-related experience, the management overview is still not satisfactory.

The P/E on a post-IPO and annualised basis is around 17.05 times and the Industry P/E is 34.6 times which makes it fairly priced in the industry.

The company operates in a competitive environment. From the Net proceeds, the Company will be utilizing 20.9 Cr. Funding of Capital Expenditure requirements of the Company towards the purchase of Plant & Machinery, Civil work and installation cost thereon which can drive growth for the company. The company doesn't have enough reliable operational history to be able to truly gauge its performance though, along with that negative cashflow in FY 2024 and the sudden increase in the top line of the financials raises concerns. Thus, we recommend to **AVOID** this IPO.



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