



IPO Note

Petro Carbon and Chemicals Ltd.

Recommendation: **AVOID!**

Company Background -

- Incorporated in 2007, Petro Carbon and Chemicals Limited is an ATHA Group Company and has its registered office in West Bengal.
- Company engaged in the business of manufacturing and marketing of Calcined Petroleum Coke ("CPC") in the carbon industry.
- The company's production facility is in Purba Medinipur, West Bengal, and has a capacity of around 93,744 tons of CPC per annum; the plant is spread over an area of around 30 acres.
- The company employs around 73 people and 290 contract laborers on its payroll at various levels in the areas of production, maintenance, marketing, sales, administration and corporate services.

Objects of the Issue -

- Achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- Carry out the Offer for Sale of up to Equity Shares by the Selling Shareholders.

Promoters Name -

Kishor Kumar Atha, Dilip Kumar Atha, Gaurav Atha, Vishal Atha, and Bharat Atha.

Rationale for recommendation -

- ✓ The company operates in a competitive segment
- ✓ The company is not utilising its opportunity for growth.
- ✓ The company has seen an exponential growth in its bottom line which may or may not sustain going forward.
- ✓ The company has high concentration of buyers
- ✓ The company's performance has grown exponentially, while the industry has not kept pace, raising concerns.

IPO Details

Opening Date	June 25, 2024
Closing Date	June 27, 2024
Allotment Date	June 28, 2024
Listing Date	July 02, 2024
Stock Exchange	NSE SME
Lot Size	800 Shares
Issue Price Per Share	₹162 to ₹171
Issue Size	113.16 Cr.
Fresh Issue	-
Offer for Sale	113.16 Cr.
Application Amt	₹ 1,36,800 (800 shares)

KPIs

KPI's	Amt in lacs		
	2022	2023	Dec-23
Revenue	27,696.83	51,550.67	44,570.06
EBITDA	1,331.21	2,415.84	10,658.10
Net Profit	570.99	672.20	7,031.16
RoCE	10.71%	17.39%	66.03%
ROE	7.54%	8.24%	46.88%
P/E	59.76	13.55	36.38

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.21%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	40.46	40.46
BVPS	72.72	72.72
P/E	4.23	4.23
P/BV	2.35	2.35
Mkt Cap (In Cr)	422.37	422.37

Lead Managers -

GYR Capital Advisors Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Originally Incorporated on November 05, 2007, Petro Carbon and Chemicals Limited has its registered office in Kolkata, West Bengal.

The company is an ATHA Group company which is engaged in the business of manufacturing and marketing of Calcined Petroleum Coke (CPC) in the carbon industry. The company's business model is fundamentally a B2B model wherein they majorly supply to the end product CPC, to the renowned, aluminum manufacturing government companies, graphite electrodes and titanium dioxide manufacturers as well as other users in the metallurgical, chemical industries and other steel manufacturing companies.

The company's competitive strengths –

- Well positioned to capture the growth potential of the Indian carbon industry.
- Track record of growth and efficient operations.
- Strategic location of the plant.
- Strong track record of financial performance.
- Experienced senior management and large pools of skilled manpower.

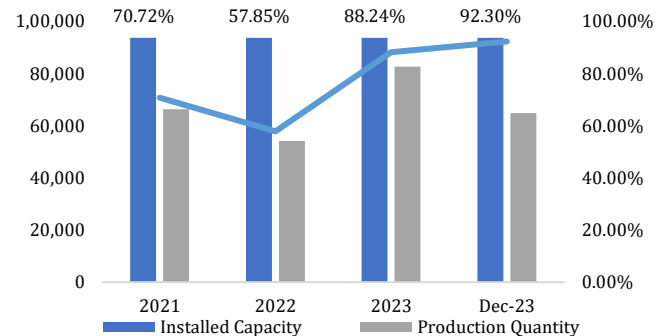
Product of the company –

Calcined Petroleum coke is one of the purest forms of carbon, which is used in the manufacture of electro, metallurgical metals and graphite electrodes, midget electrodes for dry cell batteries. CPC is used for making anodes for the production of basic aluminium metal as a recarburizer for steel mills and foundries, for the production of titanium oxide and in various chemical industries for miscellaneous uses.

The company's manufacturing unit –
The company has one manufacturing unit located at Haldia West Bengal.



Capacity Utilization



To conclude, the company operates in the chemical industry. The company is utilizing is 92% of capacity as on Dec-2023. The company's utilization of capacity has shifted as per product to specify the company has installed capacity for Raw Petroleum Coke and has been moved to Calcined Petroleum Coke (CPC) for Dec – 2023. The company is not raising any fresh issue.

Revenue Bifurcation Segment-wise for the Period Ended 2021, 2022, 2023, and Dec-2023-

(Amt in Lakhs)

Segment	FY 21	FY 22	FY 23	Dec-23
Aluminium	13,408.88	27,668.45	51,189.61	44,570.06
Steel	440.03	28.38	341.18	-
Others	1,351.45	-	19.88	-
Total	15,200.36	27,696.83	51,550.67	44,570.06

Competition -

The CPC industry is competitive and is witnessing a consolidation wave.

The company faces fair competition from international calciners.

The main use of CPC is in the Aluminium Industry, steel Industry, Tio2 and in small amounts in the foundry market.

The company has moderate barriers to entry.

The company faces competition from domestic competitors and to name a few are Rain Commodities Limited, Goa Carbon Limited and other players operating in the same line of business.

Business Strategies -

Adopt Environment-friendly technologies: The company continuously strives to minimize the generation of wastewater, air emissions & solid waste. The Company will continue to comply with all environmental laws and regulations which are in force, at all times.

More focus Research & Development: The company intends to continue its focus on R & D, which it believes to be the threshold of discovery of processes & efficient control of Pollution. This will help the company in the development of more efficient production processes etc.

Risk Factors -

The company's top 1 customer contributed to 56.81%, 78.45%, 85.30%, and 61.85% for the FY Ended 2021, 2022, 2023, and period ended Dec-23.

The company, its directors, and promoters are party to certain litigations and claims amounting to Rs. 6.72 lakhs. Any adverse decision may make the company liable to liabilities/penalties and may adversely affect the reputation, business and financial status.

The company has had negative operating cashflows for the FY ended 2021, and 2022.

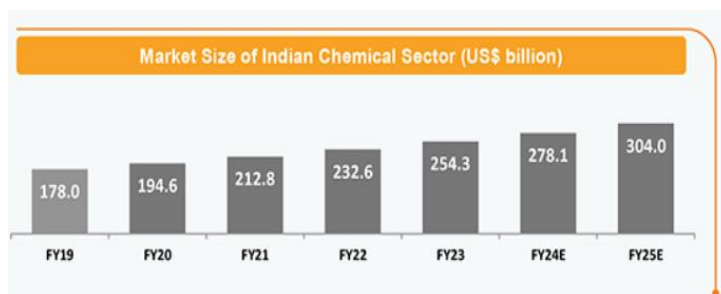
PEER ANALYSIS

Particulars	Petro carbon and chemicals limited			Goa Carbon Limited		
	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23
NP Margin	0.08%	2.06%	1.30%	-1.36%	4.91%	5.86%
EBITDA Margin	1.02%	4.81%	4.69%	1.95%	7.71%	11.38%
RoCE	-	10.71%	17.39%	6.22%	45.35%	78.62%
ROE	0.16%	7.54%	8.24%	-6.31%	32.97%	43.41%
EPS (INR)	0.84	2.86	12.62	-5.26	41.28	88.24
P/E	91.67	26.92	6.10	-57.02	12.92	4.64

Indian Chemical and Petrochemical Industry -

Introduction and Market Size -

In recent years, India is emerging as one of the competitive and high-quality manufacturing destinations in the global market, attracting foreign investments. Presently, India’s chemical and petrochemical (CPC) industry holds a significant position in the world market, worth US\$ 178 billion, and it is expected to grow to about US\$ 300 billion by 2025. The strategic geographical location of India has enabled the country to maintain its key position in the international market.

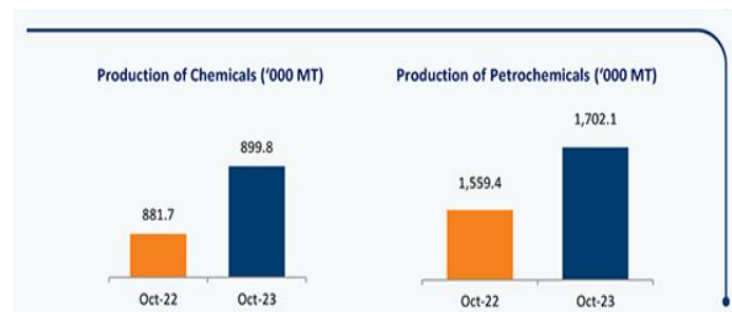


Production -

Alkali chemicals and polymers have the highest share of production among all the major chemical and petrochemical segments, respectively. They also recorded a CAGR of 5.22% and 6.36% between 2016-17 and 2020-21, among all. Overall, the industry’s production showed a growth rate of 4.52% over the same period. Basic organic chemicals and Inorganic chemicals form the largest share of the production as well as the sales in the chemical sector.

Growth Drivers -

- Influx of domestic demand from linked industries as well as direct consumers.
- High expected growth of the market size of the connected industries like this textile (US\$ 350 billion by 2024-25), automotive (from US\$ 350 billion by 2024-25), automotive (from US\$ 222 billion to US\$ 300 billion by 2026)
- Expected increase in the disposable income of the consumer.
- Increase in export demand.



Policy Support -

- US\$ 18.48 billion FDI inflow in chemicals other than fertilizers during April 2000-March 2021 as per FDI policy for the chemical sector.
- Sustainability and circular economy principles being promoted.
- Prioritizing and promoting innovation through schemes like the National Petrochemical Awards and Centres for Excellence (CoE’s).
- Increase in skilled and competent manpower.

Key Management -

Key Management Persons Name -	Vishal Atha
Age	41
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 20+ Years of experience.
Qualification	B. Com Degree, CFA-Foundation Course from ICFAI
Roles and Responsibility	-
Other Directorships	Amalgam Steel Private Limited, Shakti Finvest Pvt Ltd

Key Management Persons Name -	Bharat Atha
Age	38
Designation and No. of years of experience	Promoter, and Non-Executive Director, 16+ years of experience.
Qualification	B. Com Degree
Roles and Responsibility	-
Other Directorships	Amalgam Steel Private Limited, Energia Steel Private Limited

Key Management Persons Name -	Rudra Sen Singh
Age	74
Designation and No. of years of experience	Director, 16+ years of experience
Qualification	Master's degree in Organic Chemistry
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Mamta Binani
Age	51
Designation and No. of years of experience	Non-Executive Non-Independent Director, 25+ years of experience
Qualification	B. Com Degree, Company Secretary
Roles and Responsibility	-
Other Ventures	Advocate with Bar Council of West Bengal

Key Management Persons Name -	Amit Ganatra
Age	44
Designation and No. of years of experience	Non-Executive Independent Director, 19+ years of experience
Qualification	Bcom Degree
Roles and Responsibility	-
Other Ventures	-

Key Management Persons Name -	Ramya Hariharan
Age	45
Designation and No. of years of experience	Non-Executive Independent Director, 20+ years of experience
Qualification	Degree in Law
Roles and Responsibility	-
Other Ventures	Founder of Citadel Law Chambers

Key Management Persons Name -	Viral Kishorkumar Shah
Age	42
Designation and No. of years of experience	Non-Executive Independent Director, 10 years of experience
Qualification	MBA
Roles and Responsibility	-
Other Ventures	Periscope Financial Services Private Limited ii. Endurance Insurance Brokers LLP

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	Dec-23
Revenue from Operations	27,696.83	51,550.67	44,570.06
Other Income	295.87	210.32	141.05
Total Income	27,992.70	51,760.99	44,711.11
Cost of Material Consumed	22,814.21	48,443.01	30,311.43
Changes in Inventories of WIP, Finished Goods & Stock in Trade	595.73	-3,518.69	427.07
Employee benefits	312.95	446.13	423.16
Finance costs	687.41	1,498.51	608.93
Depreciation and Amortization expense	108.25	178.03	154.79
Other expenses	2,642.73	3,764.38	2,750.30
Total Expenses	27,161.28	50,811.37	34,675.68
EBITDA	1,331.21	2,415.84	10,658.10
Prior Period Item	26.81	-	-
Profit/(Loss) before tax	804.61	949.62	10,035.43
Tax Expense	233.62	277.42	3,004.27
Profit/(Loss) for the year	570.99	672.20	7,031.16

Statement of Assets and Liabilities

Amt in Lakhs.

Equity	FY 22	FY 23	Dec-23	Assets	FY 22	FY 23	Dec-23
Share Capital	2,600.00	2,600.00	2,470.00	Tangible Assets	8,526.05	8,845.22	8,670.89
Other Equity	4,973.20	5,560.61	12,528.2	Capital WIP	101.51	198.25	1,113.92
Total Equity	7,573.20	8,160.61	14,998.2	Other Non-Current Assets	379.17	1,091.17	1,799.50
Liabilities	20,130.36	18,218.06	12,434.1	Investments	800.00	500.98	299.95
Long Term Borrowings	3,271.38	5,000.51	2,000.51	Inventories	11,076.27	8,890.14	9,306.60
Deferred tax liability	-	69.30	159.51	Trade receivables	2,847.55	1,462.56	5,090.36
Long Term Provisions	32.47	48.89	60.66	Cash and cash equivalents	1,637.14	3,803.96	828.14
Short Term Borrowings	16,146.62	12,582.27	6,062.51	Short-Term Loans and Advances	2,324.95	1,569.33	308.72
Trade Payables	107.18	12.34	1,173.02	Other Current Assets	10.92	17.06	14.27
Other Current Liabilities	564.76	499.85	2,282.75	Total Assets	27,703.56	26,378.67	27,432.35
Short Term Provisions	7.95	4.90	695.18				
Total Equity and Liabilities	27,703.56	26,378.67	27,432.3				

Key Ratios

Per Share Data	FY 22	FY 23	Dec-23	Valuation Ratios (x)	FY 22	FY 23	Dec-23
Diluted EPS	2.20	2.59	40.46	EV/EBITDA	19.05	9.08	1.21
BV per share	30.66	33.04	72.72	Market Cap / Sales	1.52	0.82	0.71
Operating Ratios				P/E	77.73	66.02	4.23
EBITDA Margins	4.81%	4.69%	23.91%	Price to Book Value	5.58	5.18	2.35
PAT Margins	2.04%	1.30%	16.80%	Solvency Ratios			
Inventory days	145.97	62.95	51.16	Debt / Equity	2.56	2.15	0.45
Debtor days	37.53	10.36	27.98	Current Ratio	1.11	1.24	1.55
Creditor days	1.34	0.11	9.22	Quick Ratio	0.45	0.56	0.64
Return Ratios				Asset Turnover	1.00	1.95	1.62
RoCE	10.60%	17.38%	70.03%	Interest Coverage Ratio	0.77	3.36	17.25
RoE	7.54%	8.24%	55.64%				

LEAD MANAGER TRACK RECORD -

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

GYR Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Naman In-Store (India) Limited	25.35	89	April 02, 2024	117.60
2.	Koura Fine Diamond Jewelry Limited	5.50	55	March 14, 2024	52.50
3.	Thaai Casting Ltd	47.20	77	February 23, 2024	210.85
4.	Maxposure Limited	20.26	33	January 23, 2024	100.60
5.	Kay Cee Energy & Infra Limited	15.93	54	January 05, 2024	303.65
6.	Trident Techlabs Limited	16.03	35	December 29, 2023	415.10
7.	Maitreya Medicare Limited	14.89	82	November 07, 2023	173.00
8.	Basilic Fly Studio Limited	66.35	97	September 11, 2023	353.80
9.	Srivari Spices and Foods Limited	9.00	42	August 18, 2023	324.00
10.	Essen Speciality Films Limited	66.33	107	July 06, 2023	152.25

The company has handled 23 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 25th June 2024.

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

Recommendation -

The company has been in the industry since 2007 and has vast experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 4.23 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 11.30 times.

The company has seen exponential growth in the top line and bottom line of its financials which may or may not be sustainable going forward. The company operates in a very competitive industry. The company has concentrated buyers. The company is not issuing any fresh issues opting for a complete offer for sale and not utilising the opportunity for growth. That being said we believe one can **AVOID** applying to this IPO.

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