



IPO Note

Dhariwalcorp Limited

Recommendation: **AVOID!**

Company Background -

- Originally formed and incorporated as 'Dhariwalcorp Private Limited' on June 14, 2020. The registered office is located at Jodhpur, Rajasthan.
- The Company is engaged in the business of trading of comprehensive range of waxes, industrial chemicals, and petroleum jelly.
- They have established their presence in 21 states and 3 union territories.
- The company had 7 employees as of March 31, 2024.

Objects of the Issue -

- Funding Capital Expenditure towards Construction of Warehouse
- Funding Working Capital Requirement
- General Corporate Purposes

Promoters Name -

Manish Dhariwal, Shakshi Dhariwal and Dilip Dhariwal

Rationale for recommendation -

- ✓ The company's P/E is 21.06 times on post-issue basis making it slightly highly priced.
- ✓ There is a sudden increase in the bottom line and profitability margins which doesn't look sustainable.
- ✓ The company doesn't have enough experience in the industry.
- ✓ The chemical industry is highly fragmented.

IPO Details

Opening Date	Aug 01, 2024
Closing Date	Aug 05, 2024
Allotment Date	Aug 06, 2024
Listing Date	Aug 08, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹102 to ₹106
Issue Size	25.15 Cr.
Fresh Issue	25.15 Cr.
Offer for Sale	-
Application Amt	₹ 1,27,200 (1,200 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	15,857.73	19,392.76	22,880.29
EBITDA	175.49	31.49	437.67
Net Profit	142.40	59.84	450.63
RoCE	65.49%	6.94%	38.60%
ROE	74.33%	23.80%	51.50%
P/E	0.74	1.77	15.47

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.49%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.85	5.03
BVPS	13.30	37.87
P/E	15.47	21.06
P/BV	7.97	2.80
Mkt Cap (In Cr)	69.74	94.88

Lead Managers -

Shreni Shares Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Dhariwalcorp Limited was originally incorporated as ‘Dhariwalcorp Private Limited’ on June 14, 2020. The registered office is located at Jodhpur, Rajasthan.

The Company is engaged in the business of trading of comprehensive range of waxes, industrial chemicals, and petroleum jelly. They are involved in processing, purchasing, selling, importing, and trading various types of wax. They also trade in industrial chemicals such as Rubber Process Oil, Light Liquid Paraffin (LLP), Citric Acid Monohydrate, Refined Glycerine, Bitumen, Stearic Acid and petroleum jelly.

Dhariwalcorp Limited sell their products both domestically and internationally. They have their presence in 21 states and 3 union territories in India and initiated export division where they are supplying products to Nepal.



They have 1 processing unit situated at Jodhpur, Rajasthan and 3 warehouses located at Maharashtra and Gujarat.

Conclusion – The net proceeds will be utilized for funding capital expenditure towards construction of warehouse (Rs. 810 lakhs), working capital requirements (Rs. 800 lakhs) and remaining for general corporate purposes.

Revenue Bifurcation –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Wax	13,967.13	88.08	17,116.21	88.26	21,338.83	93.26
Industrial Chemicals	797.94	5.03	924.70	4.77	999.79	4.37
Petroleum Jelly	1,092.66	6.89	1,351.85	6.97	541.60	2.37
Total	15,857.73	100.00	19,392.76	100.00	22,880.22	100.00

Product Portfolio –

- 1. Wax** – Paraffin wax, Slack wax, Carnauba wax, Microcrystalline wax, Semi Refined Paraffin wax, Yellow Beeswax, Hydrocarbon wax, Montan wax, Polyethylene wax, Vegetables wax, Residue wax, Palm wax and Sova wax.



- 2. Industrial Chemicals** – Rubber process oil, LLP Light Liquid Paraffin, Citric Acid Monohydrate, refined Glycerine, Bitumen and Steric Acid.



- 3. Petroleum Jelly** – White petroleum jelly.



Competition -

Market Competition: The chemical industry is highly competitive where the key factors of competition primarily comprise quality of product, price, service and new product introduction.

Geographic Competition: The company faces competition from organized as well as unorganized players in both domestic and international market.

Barriers to entry: Low barriers to entry.

Bargaining Power of Suppliers: The bargaining power is high with the suppliers.

Bargaining Power of Buyers: The bargaining power is high with the customers.

Business Strategies -

Invest in centralized warehouse facility and increase storage capacity: The company intends to centralize both storage and processing capabilities in Jodhpur to enhance operational efficiency, reduce costs associated with logistics and transportation, and capture additional revenue opportunities.

Expand relationship with existing customers: The company intends to focus on timely and accurate delivery of quality services which will help in forging strong relationships with customers and gaining increased business from them.

Focusing on increase in volume of sales: The Company intends to focus on increasing sales volume and expanding product portfolio.

Improving Functional Efficiency: The Company intends to implement process improvements across our organization, streamlining internal operations, optimizing inventory management, and enhancing logistics and distribution networks.

Risk Factors -

The company's is majorly dependent on domestic sales for revenue which contributed to 98.91%, 98.97% and 99.72% for FY 2024, 2023 and 2022 respectively.

The company is majorly deriving its revenue from one segment of business i.e. wax which accounted to 88.08%, 88.26% and 93.26% for FY 2024, 2023 and 2022 respectively.

PEER ANALYSIS

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

Indian Wax Industry -

The India wax market size is projected to exhibit a growth rate (CAGR) of 4.5% during 2024-2032. The expanding packaging sector requires waxes for coatings and laminations, while the cosmetics industry utilizes waxes in lipsticks, lotions, and creams. Moreover, the automotive sector requires car waxing and polish. Furthermore, in the agricultural sector, waxes find use in fruit coatings to extend shelf life and maintain freshness. Additionally, the demand for food-grade waxes is rising due to the growing focus on food safety and hygiene, thereby acting as a growth-inducing factor.

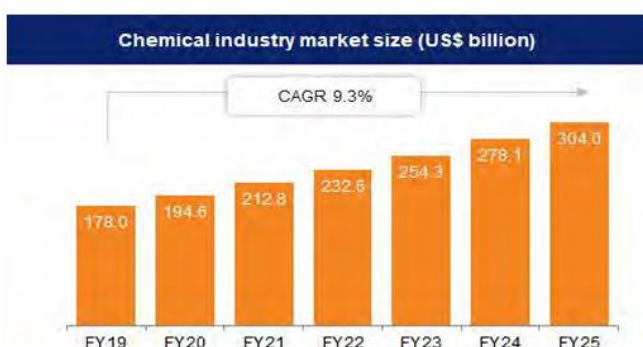
Indian Trading Industry -

The Indian retail e-commerce market, which amounted to \$72 billion in 2021, is also set to grow at an annual growth rate of 30% for a gross value of goods of \$350 billion by 2030. Retail is India's largest industrial sector, currently accounting for over 10% of India's GDP and 8% of total employment.

Indian Chemical Industry -

India's chemical sector, which was estimated to be worth US\$ 220 billion in 2022, is anticipated to grow to US\$ 300 billion by 2025 and US\$ 1 trillion by 2040. The demand for chemicals is expected to expand by 9% per annum by 2025. The chemical industry is expected to contribute US\$ 383 billion to India's GDP by 2030.

An investment of Rs. 8 lakh crore (US\$ 107.38 billion) is estimated in the Indian chemicals and petrochemicals sector by 2025. Specialty chemicals account for 20% of the global chemicals industry's US\$ 4 trillion, with India's market expected to increase at a CAGR of 12% to US\$ 64 billion by 2025. This gain would be driven by a healthy demand growth (CAGR of 10-20%) in the export/end-user industries.



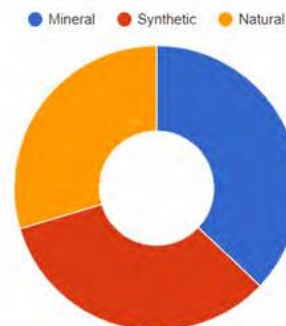
(source: RHP)

Global Scenario -

Wax Industry -

Wax Market size was valued at USD 9.69 billion in 2019 and is poised to grow from USD 10.1 billion in 2023 to USD 14.16 billion by 2031, growing at a CAGR of 4.3% in the forecast period (2024-2031).

Global Wax Market By Product Type, 2023 (%)



(source: RHP)

Chemical Industry -

Global chemical production (excluding pharmaceuticals) is expected to grow by 2.7% in 2024, faster than in the previous year (2023: +1.7%). It is anticipated that there will be weak growth in production in the advanced economies following the sharp decline in the previous year (2024: +0.8%, 2023: -4.9%). Growth in the emerging markets is expected to slow slightly (2024: +3.5%, 2023: +4.8%).

Government Initiatives -

- Under the Interim Budget 2024-25 the government allocated Rs. 192.21 crore (US\$ 23.13 million) to the Department of Chemicals and Petrochemicals.
- Government to open 25,000 Jan Aushadhi Kendras to make medicines available at affordable prices.
- The Department of Chemicals & Petrochemicals intend to bring PLI in the chemical & petrochemical sector and will redraft the Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) guidelines.
- PLI schemes have been introduced to promote Bulk Drug Parks, with a budget of Rs. 1,629 crore (US\$ 213.81 million).

Key Management -

Key Management Persons Name -	Manish Dhariwal
Age	42
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 17+ Years of experience
Qualification	B. Com degree
Roles and Responsibility	Responsible for implementing overall strategy, management and administration of the company.
Other Directorships	-

Key Management Persons Name -	Shakshi Dhariwal
Age	41
Designation and No. of years of experience	Promoter and Whole-Time Director, 16+ years of experience
Qualification	M. Com Degree
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Dilip Dhariwal
Age	35
Designation and No. of years of experience	Promoter and Executive Director, 9+ years of experience
Qualification	MBA
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Monu Rathi
Age	30
Designation and No. of years of experience	Non-Executive Independent Director, 7+ years of experience
Qualification	Passes CA Finals, Passed CFA Level-1
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Ashish Mathur
Age	48
Designation and No. of years of experience	Non-Executive Independent Director, 15+ years of experience
Qualification	Post Graduate Diploma in Business Management (Marketing)
Roles and Responsibility	-
Other Directorships	Qnano Advanced Materials Private Limited

Key Management Persons Name -	Amit Sankhla
Age	41
Designation and No. of years of experience	Non-Executive Independent Director, 9+ years of experience
Qualification	Bachelor of Architecture, Master's degree of Architecture
Roles and Responsibility	-
Other Directorships	G M Buildprojects Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	15,857.73	19,392.76	22,880.29
Other Income	62.38	126.67	231.06
Total Income	15,920.11	19,519.43	23,111.35
Expenses			
Purchase if stock-in-trade	15,222.48	19,464.02	22,261.42
Changes in Inventories of finished goods, work-in-progress	121.51	-309.80	-40.12
Employee Benefit Expenses	131.00	66.45	64.18
Finance Cost	41.66	62.24	57.44
Depreciation and Amortisation	8.42	10.53	8.96
Other expenses	207.25	140.60	157.14
Total Expenses	15,732.32	19,434.04	22,509.02
EBITDA	175.49	31.49	437.67
EBITDA Margin	1.11%	0.16%	1.91%
Profit/(Loss) before tax	187.79	85.39	602.33
Tax Expense			
Current tax	45.39	21.56	149.85
Deferred Tax expense/(benefit)	-	3.99	1.85
Total Tax	45.39	25.55	151.70
Profit/(Loss) for the year	142.40	59.84	450.63
Net Profit Margin	0.90%	0.31%	1.97%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	10.00	10.00	657.90
Reserves and surplus	181.58	241.42	217.10
Total Equity	191.58	251.42	875.00
3. Non-current liabilities			
Long-term borrowings	61.96	44.89	228.23
Deferred Tax Liabilities (Net)	1.58	5.57	7.41
Total Non-current liabilities	63.54	50.46	235.64
4. Current liabilities			
Short-term borrowings	509.47	573.24	650.53
Trade Payables			
Total outstanding dues of MSME	-	-	48.63
Total outstanding dues of creditors other than MSME	388.45	955.85	188.60
Other Current Liabilities	167.93	129.01	80.29
Short-term provisions	30.07	1.08	52.61
Total Current liabilities	1,095.92	1,659.18	1,020.66
Total Liabilities	1,159.46	1,709.64	1,256.30
Total Equity and Liabilities	1,351.04	1,961.06	2,131.30
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	161.03	153.16	163.60
Capital Work-In-Progress	0.10	0.19	0.28
Intangible Assets	-	-	313.90
Non Current Investments	-	-	1.53

Particulars	FY 22	FY 23	FY 24
Total Non-Current assets	161.13	153.35	479.31
2. Current assets			
Inventories	162.43	472.23	512.35
Trade Receivables	864.32	1,108.08	772.56
Cash & Cash equivalents	6.50	8.94	11.79
Short term loans and advances	0.25	0.25	0.25
Other Current Assets	156.41	218.21	355.03
Total Current assets	1,189.91	1,807.71	1,651.98
Total Assets	1,351.04	1,961.06	2,131.29

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	95.50	80.02	29.65
Net Cash Flow from Investing Activities	-37.37	1.73	-325.64
Net Cash Flow from Financing Activities	-53.71	-79.31	298.85

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	142.41	59.84	6.85	EV/EBITDA	4.31	27.33	3.98
BV per share	2.91	3.82	13.30	Market Cap / Sales	0.60	0.49	0.41
Operating Ratios				P/E	0.74	1.77	15.47
EBITDA Margins	1.11%	0.16%	1.91%	Price to Book Value	36.40	27.74	7.97
PAT Margins	0.90%	0.31%	1.97%	Solvency Ratios			
Inventory days	3.74	8.89	8.17	Debt / Equity	2.98	2.46	1.00
Debtor days	19.89	20.86	12.32	Current Ratio	1.09	1.09	1.62
Creditor days	9.31	17.92	3.89	Quick Ratio	0.94	0.80	1.12
Return Ratios				Asset Turnover	11.74	9.89	10.74
RoCE	65.49%	6.94%	38.60%	Interest Coverage Ratio	4.01	0.34	7.46
RoE	74.33%	23.80%	51.50%				

The lead manager to the issue is Shreni Shares 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 –

Shreni Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Prizor Viztech Limited	25.15	87.00	July 22, 2024	218.55
2.	Effwa Infra & Research Limited	51.27	82.00	July 12, 2024	278.75
3.	Visaman Global Sales Limited	16.05	43.00	July 01, 2024	41.45
4.	GSM Foils Limited	11.01	32.00	May 31, 2024	44.70
5.	Quest Laboratories Limited	43.16	97.00	May 23, 2024	134.35
6.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	93.15
7.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	241.10
8.	Yash Optics & Lens Limited	53.15	81.00	April 08 2024	99.00
9.	Gabriel Pet Straps Limited	8.06	101.00	Feb 07, 2024	144.30
10.	DelaPlex Limited	46.08	192.00	Feb 02, 2024	260.15

The company has handled 31 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 30th July 2024.

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

Recommendation -

Dhariwalcorp Limited has been in the industry since 2020 and doesn't have enough experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 21.06 times which makes it slightly highly priced by looking at the performance of the company and sector.

The company has seen increase in the top line for FY 2024 mainly due to operational efficiency, product offerings as per demand of the customers. In FY 2024, there was a sudden increase in bottom line and profitability margins as the company had taken corrective measures and revised its trade payables days in FY 2023, thus earned the cash and quantity discounts which made company to keep its EBITDA margin and PAT margin. There was dip in the bottom line and profitability margins in FY 2023 due to sale of its products at a lower margin. Thus, this shows their bottom line and profitability margins are not sustainable.

The chemical industry is highly fragmented and there are many players in this industry.

Thus, knowledgeable investors can **AVOID** this IPO.

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