



IPO Note

Indian Phosphate Limited

Recommendation: **AVOID!**

Company Background -

- Indian Phosphate Limited was originally formed and incorporated on Dec 14, 1998. The registered office is located at Udaipur, Rajasthan.
- The Company is mainly engaged in the production of Linear Alkylbenzene Sulphonic Acid (LABSA 90%) and manufacturing of "Single Super Phosphate" (SSP) fertilizer and "Granules Single Super Phosphate" (GSSP) Fertilizer.
- The company had 105 permanent employees as of March 31, 2024.

Objects of the Issue -

- For Setting up a new manufacturing facility at SIPCOT Industrial Park Phase-I, Kudikadu Village, Cuddalore District ('C' District) Plot(s) - Plot No.C-17/A, Tamil Nadu for manufacturing of Sulphuric Acid, LABSA 90%, and Magnesium Sulphate
- To meet working capital requirements
- General Corporate Purposes

Promoters Name -

Ravindra Singh, Mamta Arora and Rushil Arora

Rationale for recommendation -

- ✓ The top line, bottom line and EBITDA margin have been inconsistent over the years.
- ✓ The PAT margin has decreased over the years.
- ✓ The company had negative cash flow from operations for FY 2024 and 2022.
- ✓ The company's revenue is highly concentrated with one customer i.e. HUL accounting to 78.66%.
- ✓ They derive majority of their revenue from UP, Punjab and Uttarakhand.
- ✓ Their revenue is highly concentrated in LABAS 90%.
- ✓ The chemical industry is highly fragmented.

IPO Details

Opening Date	Aug 26, 2024
Closing Date	Aug 29, 2024
Allotment Date	Aug 30, 2024
Listing Date	Sep 03, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹94 to ₹99
Issue Size	67.36 Cr.
Fresh Issue	67.36 Cr.
Offer for Sale	-
Application Amt	₹ 1,18,800 (1,200 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	55,715.20	76,869.36	70,417.94
EBITDA	2,362.15	2,476.40	2,303.43
Net Profit	1,616.61	1,659.53	1,347.34
RoCE	42.47%	33.16%	25.74%
ROE	31.75%	24.58%	16.64%
P/E	11.14	10.84	13.36

Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.99%	72.77%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	7.41	5.39
BVPS	44.54	59.36
P/E	13.36	18.36
P/BV	2.22	1.67
Mkt Cap (In Cr)	180.04	247.40

Lead Managers -

Beeline Capital Advisors Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

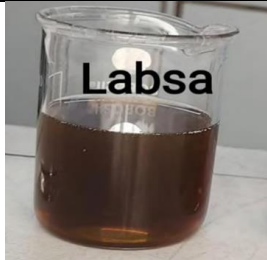


Indian Phosphate Limited is mainly engaged in the production of Linear Alkylbenzene Sulphonic Acid LABSA 90%, popularly known as LABSA, is an anionic surfactant and it is used in the formulation of all types of detergent powders, cakes, toilet cleaners and liquid detergents. They are also engaged in the manufacturing of “Single Super Phosphate” (SSP) fertilizer and “Granules Single Super Phosphate” (GSSP) Fertilizer which is manufactured and supplied as per the standards of Fertilizer Control Order of India in powder and granulated form as well as fortified with zinc and boron. The Company has a presence in the major states like, Punjab, Bihar, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh, Himachal Pradesh, West Bengal and Uttarakhand.

The company operates from its manufacturing facility located at Plot No. 5056, Village: Umarda, Girwa district, Udaipur, Rajasthan which is in the proximity of supply of both the raw materials (a) Sulphuric Acid 98% (b) Rock Phosphate used in manufacturing of products. The other major raw material Linear Alkylbenzene (LAB) is sourced from IOCL, Vadodara, Nirma Ltd., Vadodara and Reliance Industries Ltd., Patalganga.



Manufacturing Plant

Products -

Particulars	
Linear Alkyl Benzene Sulphonic Acid (LABSA 90%) - Worked as a Raw material for Washing powder, Detergent powder, Detergent cake, Liquid Soap, cleaning powder, Scouring Bar, Oil soaps etc.	
Spent Sulphuric Acid (By-product of LABSA 90%) - Synthetic detergent industries in formulation of washing powder, Detergent powder, Detergent cake, Liquid Soap, cleaning powder, Scouring Bar, Oil soaps etc.	
Single Super Phosphate (SSP) - It is used across different crops particularly in oil seeds base crops for plant growth and is available in minimal quantity lots which is convenient to the farmers. SSP utilises mineral rock phosphate from domestic mines / reserves.	

Subsidiaries -

Udaipur Poly Sacks Limited (UPSL)- The company has 26% shareholding of the UPSL.

Revenue Bifurcation -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Finished Goods Sold						
Single Super Phosphate (Powdered/ Granulated)	10,819.33	19.42	9,473.68	12.32	2,674.39	3.90
Linear Alkyl Benzene Sulphonic Acid (LABSA 90%)	44,230.55	79.39	66,394.67	86.37	64,485.19	94.07
Dilute Sulphuric Acid (Spent)	665.31	1.19	1,001.01	1.30	977.20	1.43
Total Finished Goods Sold	55,715.19	100.00	76,869.36	100.00	68,136.78	99.40
Traded Goods Sold						
Chicory	-	-	-	-	36.39	0.05
Sulphuric Acid	-	-	-	-	374.66	0.55
Total Traded Goods Sold	-	-	-	-	411.05	0.60
Total Traded Goods Sold	55,715.19	100.00	76,869.36	100.00	68,547.83	100.00

Competition -

Market Competition: The chemical sector is highly competitive where the key factors of competition primarily comprise quality and price of the product.

Geographic Competition: The company faces competition in regional, national, and international players.

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 -

Optimal Utilization of Resources: The company intends to improve manufacturing unit and further invest in the activities to develop customized systems and ensure effective management control.

Backward integration and diversification: The Company will be the first entity having captive Mine with manufacturing of its Fertilizer. The Company also proposes to venture into manufacture of NPK complex Fertilizer.

To build-up a professional team for future expansion: The Company initiated the process to identify and engage a team of young talent as well as experienced professionals for future projects coming up in next five years to chart the future growth trajectory.

Risk Factors -

The company's top 10 customers contributed to 93.50%, 88.70% and 81.38% of the revenue from operations in FY 2024, 2023 and 2022 respectively. Also, it derives most of its revenue from one customer i.e. HUL which accounted for 78.66%, 67.96% and 62.29% for FY 2024, 2023 and 2022 respectively. Loss of any of the key customers may materially and adversely affect the business and financial performance.

The company's top 10 suppliers contributed to 99.29%, 99.53% and 98.77% for FY 2024, 2023 and 2022 respectively, for total purchase of raw materials. Loss of any of the key supplier may materially and adversely affect the business and financial performance.

The company derives substantial portion of revenue from 3 states Uttar Pradesh, Punjab and Uttarakhand which accounted for 89.63%, 75.34% and 66.43% respectively.

The company has 4 outstanding cases against it for taxation matters amounting to Rs. 309.73 lakhs. Also, there are 5 outstanding criminal cases against the company and 3 criminal cases filed by the company.

The company has contingent liabilities of Rs. 11,574.07 lakhs.

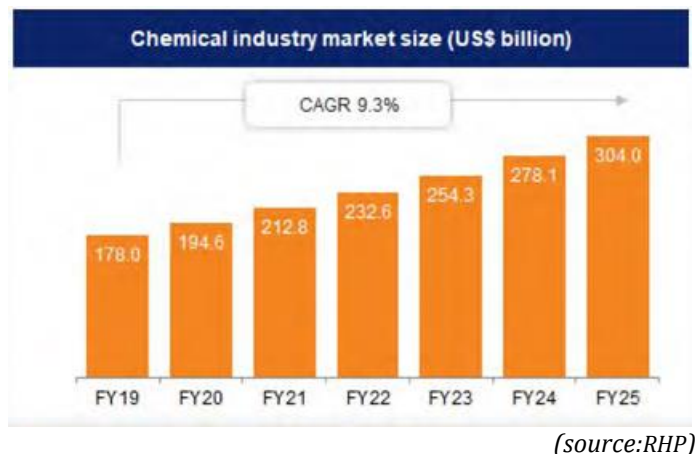
The company has had negative operating cash flow for FY 2024 and FY 2022.

PEER ANALYSIS

Particulars	Indian Phosphate Limited			Rama Phosphates Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2.9%	2.2%	1.9%	7.9%	4.7%	-5.1%
EBITDA Margin	4%	3%	3%	13%	8%	-3%
RoCE	42%	33%	26%	38%	20%	-8%
ROE	32%	25%	17%	26%	13%	-9%
EPS (INR)	8.89	9.13	7.41	39.63	23.16	-17.58
P/E	11.14	10.84	13.36	-	7.54	-

Indian 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. 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.



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. The chemical industry is expected to contribute US\$ 383 billion to India’s GDP by 2030.

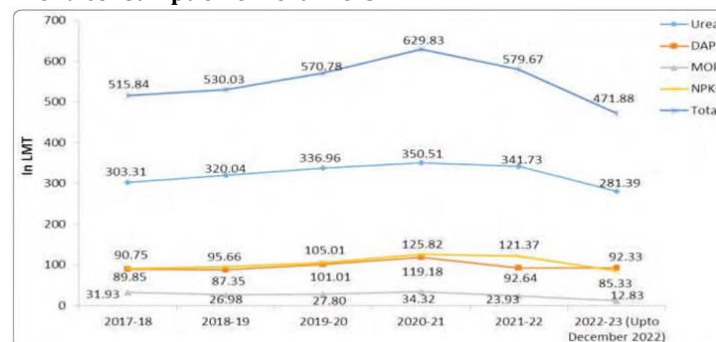
An investment of Rs. 8 lakh crore (US\$ 107.38 billion) is estimated in the Indian chemicals and petrochemicals sector by 2025. The specialty chemicals constitute 22% of the total chemicals and petrochemicals market in India. The demand for specialty chemicals is expected to rise at a 12% CAGR in 2019-22.

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). Revenue growth is likely to be 19-20% YoY in FY22, up from 9-10% in FY21, driven by recovery in domestic demand and higher realisations owing to rising crude oil prices and better exports.

Indian Fertilizers Industry -

Amongst the major fertilizers, against the total requirement, around 75% of Urea, 40% of DAP, and 85% of NPKs are produced in the country by PSUs and private companies. The rest is imported on account of Government of India (as in case of Urea) & by the companies in case of P&K (under Open General Licenses) to bridge the gap between requirement & production of fertilizers. The actual production of all the Fertilizers during the Year 2022-23 (Upto December 2022) was 362.73 LMT.

Trend consumption of Fertilizers



Government Initiatives –

- The Department of Chemicals & Petrochemicals intend to bring PLI in chemical & petrochemical sector and will redraft the Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) guidelines.
- Under the Union Budget 2023-24, the government allocated Rs. 173.45 crore (US\$ 20.93 million) to the Department of Chemicals and Petrochemicals.
- In October 2020, the government urged players in the agrochemicals industry to come out with new molecules of global standards for the farmers' benefit, while Crop Life India, the industry body, pitched for stable policies and regulatory regimes to boost growth in the sector.

Key Management -

Key Management Persons Name -	Ravindra Singh
Age	55
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 28 Years of experience in manufacturing of Phosphatic Fertilizer, Surfactants, HDPE Woven bags and Logistics of bulk liquid cargo
Qualification	Graduation in Commerce
Roles and Responsibility	-
Other Directorships	Indian Surfactants Limited, Avantika Phosphates Limited, Irenic Hotels Private Limited, Elysian Hotels Private Limited etc.

Key Management Persons Name -	Rushil Arora
Age	27
Designation and No. of years of experience	Promoter and Executive Director, 2 years of experience in manufacturing operations, marketing management and administration
Qualification	Bachelor of Arts- Major in Theatre
Roles and Responsibility	-
Other Directorships	Avantika Phosphates Limited, Udaipur Poly Sacks Ltd, Elysian Hotels Private Limited and Alaia Hotels Private Limited

Key Management Persons Name -	Rohit Paragbhai Parmar
Age	55
Designation and No. of years of experience	Executive Director, 28 years of experience in the field of manufacturing of chemicals.
Qualification	Bachelor of Engineering- Chemical, MBA, Diploma in Russian Language, Certificate Course in French Language and Certificate from Army Infantry
Roles and Responsibility	-
Other Directorships	GTC Zenshin Alloys Private Limited, Udaipur Chemicals and Surfactants Private Limited, Conic Metal and Mining Private Limited and Graphene Composites LLP

Key Management Persons Name -	Purushotam Dass Siwal
Age	64
Designation and No. of years of experience	Non-Executive Independent Director, 34 years of experience in power sector
Qualification	Bachelor of Engineering (Mechanical) and Bachelor of Law
Roles and Responsibility	-
Other Directorships	Aadyant Social Foundation

Key Management Persons Name -	Rohini Avchar
Age	29
Designation and No. of years of experience	Non-Executive Independent Director, 3 years of experience in the field of finance and corporate compliances
Qualification	Qualified CA and qualified CS
Roles and Responsibility	-
Other Ventures	GR Phagwara Expressway Limited

Key Management Persons Name -	Shailesh Kumar Jain
Age	36
Designation and No. of years of experience	Non-Executive Independent Director, 5 years of experience in the field of corporate governance and compliances
Qualification	Qualified CS
Roles and Responsibility	-
Other Ventures	Krishival Foods Limited

Key Management Persons Name -	Hatim Hussain Kankroli Wala
Age	33
Designation and No. of years of experience	Non-Executive Independent Director, 11 years of experience in managing the overall accounting, auditing & financial needs of corporate & non corporate entities
Qualification	Bachelor of Commerce, Master of Commerce and qualified CA
Roles and Responsibility	-
Other Ventures	-

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	55,715.20	76,869.36	70,417.94
Other Income	123.36	223.84	207.59
Total Income	55,838.56	77,093.20	70,625.53
Expenses			
Cost of Materials Consumed	47,668.48	70,871.97	64,557.97
Purchase if stock-in-trade	3.99	5.33	326.04
Changes in Inventories of finished goods, work-in-progress	3.43	-1,893.07	-968.44
Employee Benefit Expenses	563.19	536.95	558.17
Finance Cost	252.95	365.95	466.55
Depreciation and Amortisation	58.81	95.29	144.30
Other expenses	5,113.96	4,871.78	3,640.77
Total Expenses	53,664.81	74,854.20	68,725.36
EBITDA	2,362.15	2,476.40	2,303.43
EBITDA Margin	4.24%	3.22%	3.27%
Profit/(Loss) before tax	2,173.75	2,239.00	1,900.17
Tax Expense			
Current tax	552.26	550.16	455.24
Deferred Tax	4.88	29.31	39.01
Previous year Tax	-	-	58.58
Total Tax	557.14	579.47	552.83
Profit/(Loss) for the year	1,616.61	1,659.53	1,347.34
Net Profit Margin	2.90%	2.16%	1.91%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	271.43	271.43	1,818.56
Reserves and surplus	4,820.84	6,480.37	6,280.56
Total Equity	5,092.27	6,751.80	8,099.12
3. Non-current liabilities			
Long-term borrowings	250.91	317.00	131.58
Deferred Tax Liabilities (Net)	60.12	89.43	128.43
Long-term provisions	19.63	21.44	30.44
Total Non-current liabilities	330.66	427.87	290.45
4. Current liabilities			
Short-term borrowings	1,579.67	1,218.48	3,883.34
Trade Payables			
(i) Total outstanding dues of MSME	735.52	58.86	37.86
(ii) Total outstanding dues of creditors other than MSME	478.26	7,000.03	2,879.47
Other Current Liabilities	1,511.05	1,146.92	632.69
Short-term provisions	1,062.51	803.51	518.64
Total Current liabilities	5,367.01	10,227.80	7,952.00
Total Liabilities	5,697.67	10,655.67	8,242.45
Total Equity and Liabilities	10,789.94	17,407.47	16,341.57
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	837.47	1,919.33	2,355.86
Capital Work-In-Progress	325.08	17.72	429.67
Non Current Investments	0.06	0.06	819.06

Long term loans and advances	371.36	248.89	303.07
Other Non- current Assets	361.72	580.03	611.71
Total Non-Current assets	1,895.69	2,766.03	4,519.37
2. Current assets			
Inventories	1,637.09	4,865.53	5,154.48
Trade Receivables	5,131.50	8,685.76	5,615.75
Cash & Cash equivalents	14.07	4.18	29.27
Short term loans and advances	1,888.51	988.03	934.95
Other Current Assets	223.09	97.93	87.75
Total Current assets	8,894.26	14,641.43	11,822.20
Total Assets	10,789.95	17,407.46	16,341.57

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-605.37	1,707.03	-191.11
Net Cash Flow from Investing Activities	-532.48	-1,057.68	-1,805.67
Net Cash Flow from Financing Activities	1,147.60	-659.24	2,021.89

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	8.89	9.13	7.41	EV/EBITDA	2.92	3.34	5.25
BV per share	28.00	37.13	44.54	Market Cap / Sales	0.44	0.32	0.35
Operating Ratios				P/E	11.14	10.84	13.36
EBITDA Margins	4.24%	3.22%	3.27%	Price to Book Value	3.54	2.67	2.22
PAT Margins	2.90%	2.16%	1.91%	Solvency Ratios			
Inventory days	10.72	23.10	26.72	Debt / Equity	0.36	0.23	0.50
Debtor days	33.62	41.24	29.11	Current Ratio	1.66	1.43	1.49
Creditor days	9.21	35.69	16.67	Quick Ratio	1.35	0.96	0.84
Return Ratios				Asset Turnover	5.16	4.42	4.31
RoCE	42.47%	33.16%	25.74%	Interest Coverage Ratio	9.11	6.51	4.63
RoE	31.75%	24.58%	16.64%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Beeline 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 –

Beeline Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Positron Energy Limited	51.21	250.00	Aug 20, 2024	549.80
2.	Ashapura Logistics Limited	52.66	144.00	Aug 06, 2024	160.10
3.	V.L. Infraprojects Limited	18.52	42.00	Jul 30, 2024	115.25
4.	Sati Poly Plast Limited	17.63	130.00	Jul 22, 2024	203.25
5.	Dindigul Farm Product Limited	34.83	54.00	Jun 27, 2024	98.85
6.	United Cotfab Limited	36.29	70.00	Jun 24, 2024	67.50
7.	Beacon Trusteeship Limited	32.52	60.00	Jun 04, 2024	109.75
8.	Rulka Electricals Limited	26.40	235.00	May 24, 2024	473.00
9.	Piotex Industries Limited	14.47	94.00	May 17, 2024	73.00
10.	Winsol Engineers Limited	23.36	75.00	May 14, 2024	342.65

The company has handled 36 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 23rd Aug 2024.

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

Recommendation -

Indian Phosphate Limited has been in the industry since 1998 and has a vast experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 18.36 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 26.4 times.

The company has seen inconsistency in the top line of their financials over the years which is due to an increase in crude prices due to Russia-Ukraine war in FY 2023 and it had come down & stabilized in FY 2024. Since LAB prices are associated with crude oil prices, it led to an increase in LABSA 90% sales price in FY 2023, while in FY 2024 LAB price has decreased leading to reduction in total sales revenue. Also, there was a reduction in subsidy on fertilizer, which further contributed to lower revenue in FY 2024. The bottom line has also seen inconsistency over the years for the above reason. The PAT margin has decreased over the year and EBITDA margin remained inconsistent for the same reason.

The concentration of buyers and suppliers of the company is very high, and the major client of the company is Hindustan Unilever Limited contributing to 78.66% of total revenue. Also, company has negative cash flow from operations for FY 2024 and 2022. If this continues in the future then it will adversely affect the results of operations, liquidity and financial condition of the company.

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

Disclaimer

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