



## IPO Note

# Nexus Petro Industries Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Nexus Petro Industries Limited was originally incorporated on Oct 05, 2021. The registered office is located at Ahmedabad, Gujarat.
- **Business Activity:** The company is engaged in trading, manufacturing and selling of Petrochem products namely Bitumen products.
- **Revenue Stream:** The company's majority revenue is generated from sale of bitumen.
- **Human Resource:** The company has 17 full-time employees as on Sep 22, 2024.

### Objects of the Issue -

- To meet Working Capital Requirements
- General Corporate Purposes

### Promoters Name -

Haresh Mohanlal Senghani, Rahul Mohanlal Senghani, Hinaben Haresh Senghani and Manishaben Rahul Senghani

### Rationale for recommendation -

- ✓ The PE ratio post-issue is 20.94 which makes it slightly highly priced.
- ✓ The top line and bottom line has seen a sudden increase in FY2023 which might not be sustainable in the long run.
- ✓ The company had negative cash flow from operations for FY2024, 2023 and 2022.
- ✓ The company has high concentration of suppliers.
- ✓ The company doesn't have enough experience in the industry.
- ✓ The DE ratio has remained quite high over the years.
- ✓ The management of the company is decent.

### IPO Details

Opening Date	Sep 26, 2024
Closing Date	Sep 30, 2024
Allotment Date	Oct 01, 2024
Listing Date	Oct 04, 2024
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹105
Issue Size	19.43 Cr.
Fresh Issue	19.43 Cr.
Offer for Sale	-
Application Amt	₹ 1,26,000 (1,200 shares)

### INDUSTRY - Chemical - Bitumen

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	4,847.02	14,280.56	23,778.48
EBITDA	81.53	356.66	614.14
Net Profit	54.06	196.21	348.47
RoCE	67.87%	105.38%	41.61%
ROE	84.39%	74.06%	40.36%
P/E	50.48	13.58	11.68

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.38%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	8.99	5.01
BVPS	16.93	40.38
P/E	11.68	20.94
P/BV	6.20	2.60
Mkt Cap (In Cr)	53.55	72.98

### Lead Managers -

Srujan Alpha Capital Advisors LLP

### Registrar -

Kfin Technologies Limited

### Business Overview -

Nexxus Petro Industries Limited is engaged in trading, manufacturing and selling of Petrochem products namely Bitumen products. Their product is widely used in infrastructure sector being road construction industry. Presently, they procure bitumen via imports from Dubai as well as purchase from other domestic importers/sellers in India. They further process the bitumen procured at their processing units. Furthermore, they also trade in bitumen by directly selling it to customers as per the requirement.

The net proceeds of the issue will be utilized for funding working capital requirements (Rs. 1,600 lakhs) and for general corporate purposes (Rs. 148.63 lakhs)

### Manufacturing Facility and Capacity Utilization -

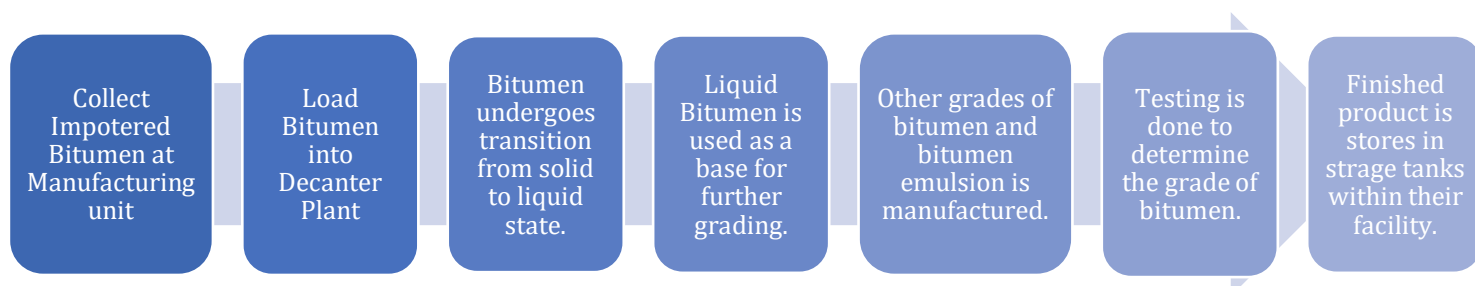
The manufacturing unit is situated at Mundra-Gujarat, Pali-Rajasthan and Bhopal-Madhya Pradesh and the capacity utilization for Mundra unit remained at 16%, 47% and 63.87% for FY2022, 2023 and 2024 respectively.



### Product Portfolio -

Product	Description and Uses
<b>Bitumen VG 10</b>	Asphalt-based adhesive used for road construction and patching.
<b>Bitumen VG 30</b>	Medium-viscosity bitumen, ideal for road construction and maintenance in various climates.
<b>Bitumen VG 40</b>	Higher-viscosity bitumen, suitable for hot-mix asphalt production and road rehabilitation in colder regions.
<b>Bitumen 60/70</b>	Stiff, high-penetration bitumen used for base layers in road construction and industrial applications.
<b>Bitumen 80/100</b>	Extremely stiff bitumen, ideal for heavy-duty applications like airport runways and industrial flooring.
<b>Bitumen Emulsion RS1</b>	Rapid-setting, cationic bitumen emulsion used for surface treatments and pothole repairs.
<b>Bitumen Emulsion RS2</b>	Medium-setting, cationic bitumen emulsion used for surface treatments and base courses.
<b>Bitumen Emulsion SS1</b>	Slow-setting, anionic bitumen emulsion used for surface treatments and base courses in various weather conditions.
<b>Bitumen Emulsion SS2</b>	Very slow-setting, anionic bitumen emulsion used for surface treatments and base courses in extreme weather conditions.

### Manufacturing Process -



## Competition -

1. **Market Competition:** The industry is highly competitive where the key factors of competition primarily comprise of quality, price and availability of the product offered.
2. **Geographic Competition:** The company faces competition from international, national, regional and niche brands and unorganized players.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.
6. **Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

## Business Strategies -

1. The company intends to enhance their client base and going forward they intend to establish their presence in few other locations in the country.
2. The company intends to develop and maintain long term sustainable relationships with suppliers, customers and employees.
3. The company intends to maintain and further increase their quality standards of the products.

## Risk Factors -

The company is dependent on top 10 suppliers which contributed to 78.66%, 49.48% and 91.02% of the revenue generated for FY2024, 2023 and 2022 respectively.

The promoters have 2 outstanding cases against them for tax matters amounting to Rs. 33.35 lakhs.

The company had negative cash flow from operations for FY 2024, 2023 and 2022.

**PEER ANALYSIS –**

Particulars	Nexxus Petro Industries Limited			Agarwal Industrial Corporation Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.12%	1.37%	1.47%	3.98%	4.56%	5.13%
EBITDA Margin	1.68%	2.50%	2.58%	6.84%	7.15%	8.36%
RoCE	67.87%	105.38%	41.61%	25.69%	24.84%	21.38%
ROE	84.39%	74.06%	40.36%	21.63%	22.85%	21.37%
EPS (INR)	2.08	7.73	8.99	54.30	65.50	73.03
P/E	50.48	13.58	11.68	12.40	8.70	10.96

**Interpretation –**

- The company is not comparable to Agarwal Industrial Corporation Limited on an apple-to-apple basis as the market cap is very large and products offered is different for the company.
- The company’s market cap is less compared to its peer.
- The cash conversion cycle of the company is at par with its peer.
- The NP margin and EBITDA margin of the company has been consistent but is low compared to its peer.
- The RoCE and RoE of the company is high compared to its peer.
- The PE ratio of the company is high compared to its peer.

**INDUSTRY OVERVIEW -**

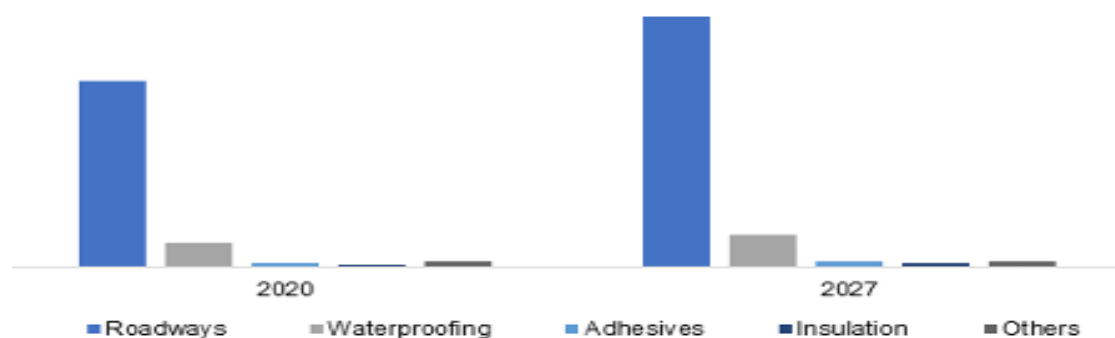
**Global Bitumen Market -**

The global bitumen market is projected to grow from USD 51.69 billion in 2021 to USD 67.14 billion in 2028 at a CAGR of 3.8% during the 2021-2028 period. The global impact of COVID-19 has been unprecedented and staggering, with witnessing a negative impact on demand across all regions amid the pandemic. The global market exhibited a lower growth of 2.91% in 2020 as compared to the average year-on-year growth during 2017-2019. The rise in CAGR is attributable to this market’s demand and growth, returning to pre-pandemic is over. The global market is projected to grow significantly, owing to the rapid growth in demand from the construction sector.

**Bitumen Market in India -**

The India bitumen market was valued at \$2.8 billion in 2018, and is projected to reach \$3.6 billion by 2026, growing at a CAGR of 2.8% from 2019 to 2026. North India accounted for the major India bitumen market share in 2018, owing to major road network development initiatives undertaken by the Government of India (GoI) in the North India Region, which include national highways projects in Uttar Pradesh and Punjab. In addition, maintenance and repair of rural roads constructed under Pradhan Mantri Gram Sadak Yojana (PMGSY) in Haryana, Rajasthan, Uttarakhand, and Himachal Pradesh is anticipated to increase the demand for bitumen across these states; thereby, driving the growth of the bitumen market across North India

**Bitumen Market, By Application (USD Billion)**



(Source: RHP)

**Key Management -**

- The overall management of the company is decent.
- The promoter and management have good experience in bitumen industry.
- There is an evidence of dual chairmanship, which is not favourable.
- The CFO has vast and relevant experience.



<b>Key Management Persons Name -</b>	<b>Haresh Mohanlal Senghani</b>
<b>Age</b>	41
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 22 years of experience
<b>Qualification</b>	-
<b>Responsibility</b>	Involved in the day to day operations and looks after the overall business of the Company.
<b>Other Directorships</b>	Nexxus Namkeen India Private Limited, Parito Industries LLP and Nexxus Petro Energy LLP

<b>Key Management Persons Name -</b>	<b>Rahul Mohanlal Senghani</b>
<b>Age</b>	40
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 21 years of experience in the Construction and bitumen industry
<b>Qualification</b>	Bachelors of Arts and Executive diploma in Export/Import Management
<b>Responsibility</b>	Oversees the operational, procurement and sales of the company.
<b>Other Directorship</b>	Nexxus Namkeen India Private Limited, Parito Industries LLP and Nexxus Petro Energy LLP

<b>Key Management Persons Name -</b>	<b>Parshwa Bhavikbhai Shah</b>
<b>Age</b>	31
<b>Designation</b>	Non- Executive Independent Director
<b>Qualification</b>	Bachelors of Commerce (B.Com), Bachelors of Law (LLB) and is a member of ICSI
<b>Other Directorship</b>	Dynamic Assignments Private Limited, Rohan Dyes and Intermediates Ltd and Jyoti Resins and Adhesives Ltd

<b>Key Management Persons Name -</b>	<b>Hussain Abdeali Bootwala</b>
<b>Age</b>	29
<b>Designation and No. of years of experience</b>	Non- Executive Independent Director
<b>Qualification</b>	Bachelor of Commerce and Bachelor of Law
<b>Other Directorship</b>	-

<b>Key Management Persons Name -</b>	<b>Dhruvi Rameshbhai Patel</b>
<b>Age</b>	30
<b>Designation and No. of years of experience</b>	Non-Executive Independent Woman Director, 7 years of experience as company secretary and holds expertise in corporate law.
<b>Qualification</b>	Bachelor of Commerce, Degree in Law and Company Secretary
<b>Other Directorship</b>	DCG Cables & Wires Limited

## FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	4,847.02	14,280.56	23,778.48
Other Income	-	3.39	59.09
<b>Total Income</b>	<b>4,847.02</b>	<b>14,283.95</b>	<b>23,837.57</b>
<b>Expenses</b>			
Cost of Material consumed	4,526.68	13,476.45	22,358.93
Employee Benefit Expenses	17.13	91.85	107.16
Finance Cost	4.38	58.44	155.47
Depreciation and Amortisation	2.75	22.01	43.71
Other expenses	221.68	355.60	698.25
<b>Total Expenses</b>	<b>4,772.62</b>	<b>14,004.35</b>	<b>23,363.52</b>
<b>EBITDA</b>	<b>81.53</b>	<b>356.66</b>	<b>614.14</b>
<b>EBITDA Margin</b>	<b>1.68%</b>	<b>2.50%</b>	<b>2.58%</b>
<b>Profit/(Loss) before tax</b>	<b>74.40</b>	<b>279.60</b>	<b>474.05</b>
<b>Tax Expense</b>			
Current tax	19.71	81.06	129.36
Deferred Tax	0.63	2.33	-3.78
<b>Total Tax</b>	<b>20.34</b>	<b>83.39</b>	<b>125.58</b>
<b>Profit/(Loss) for the year</b>	<b>54.06</b>	<b>196.21</b>	<b>348.47</b>
<b>Net Profit Margin</b>	<b>1.12%</b>	<b>1.37%</b>	<b>1.47%</b>

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	10.00	10.00	510.00
Reserves and surplus	54.06	254.93	353.40
<b>Total Equity</b>	<b>64.06</b>	<b>264.93</b>	<b>863.40</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	51.39	52.00	503.92
Deferred tax liabilities (net)	0.63	-	-
Long-term provisions	-	0.63	3.44
<b>Total Non-current liabilities</b>	<b>52.02</b>	<b>52.63</b>	<b>507.36</b>
<b>3. Current liabilities</b>			
Short-term Borrowings	318.44	783.10	1,657.51
Trade Payables			
(i) Total outstanding dues of MSME	204.74	11.27	-
(ii) Total outstanding dues of creditors other than MSME	150.31	31.37	431.17
Other Current Liabilities	132.89	437.51	389.30
Short-term provisions	10.31	64.15	43.81
<b>Total Current liabilities</b>	<b>816.69</b>	<b>1,327.40</b>	<b>2,521.79</b>
<b>Total Liabilities</b>	<b>868.71</b>	<b>1,380.03</b>	<b>3,029.15</b>
<b>Total Equity and Liabilities</b>	<b>932.77</b>	<b>1,644.96</b>	<b>3,892.55</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	66.21	100.85	331.51
Deferred Tax Assets (Net)	-	1.70	5.47
Other Non-current Assets	-	-	201.91
<b>Total Non-Current assets</b>	<b>66.21</b>	<b>102.55</b>	<b>538.89</b>
<b>2. Current assets</b>			
Inventories	118.49	320.12	876.79



Particulars	FY 22	FY 23	FY 24
Trade Receivables	504.62	584.33	1,321.27
Cash & Cash equivalents	52.37	25.74	279.85
Short-term loans and advances	169.45	611.17	735.55
Other Current Assets	21.63	1.05	140.20
<b>Total Current assets</b>	<b>866.56</b>	<b>1,542.41</b>	<b>3,353.66</b>
<b>Total Assets</b>	<b>932.77</b>	<b>1,644.96</b>	<b>3,892.55</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-254.12	-376.81	-892.38
Net Cash Flow from Investing Activities	-68.96	-56.65	-274.37
Net Cash Flow from Financing Activities	375.45	406.83	1,420.86

**Key Ratios**

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	2.08	7.73	8.99	EV/EBITDA	4.68	3.01	4.47
BV per share	64.06	264.93	16.93	Market Cap / Sales	1.51	0.51	0.31
<b><u>Operating Ratios</u></b>				P/E	50.48	13.58	11.68
EBITDA Margins	1.68%	2.50%	2.58%	Price to Book Value	1.64	0.40	6.20
PAT Margins	1.12%	1.37%	1.47%	<b><u>Solvency Ratios</u></b>			
Inventory days	8.92	8.18	13.46	Debt / Equity	5.77	3.15	2.50
Debtor days	38.00	14.94	20.28	Current Ratio	1.06	1.16	1.33
Creditor days	27.90	1.14	6.87	Quick Ratio	0.92	0.92	0.98
<b><u>Return Ratios</u></b>				Asset Turnover	5.20	8.68	6.11
RoCE	67.87%	105.38%	41.61%	Interest Coverage Ratio	17.99	5.73	3.67
RoE	84.39%	74.06%	40.36%				

**INTERPRETATION –**

1. The top line had seen a sudden increase in FY2023 by 195% increase can be seen in FY2024 by 67% which might not be sustainable in the long run.
2. The net profit has also seen a sudden increase by 262.95% in FY2023 and 77.60% in FY2024.
3. The PAT margin and EBITDA margin have increased consistently over the years.
4. The RoCE and ROE have seen a dip in FY2024.
5. The PE ratio has improved over the years.
6. The DE ratio is quite high.
7. The company had negative cash flow from operations for FY 2024, 2023 and 2022.

**LEAD MANAGER TRACK RECORD –**

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

**Srujan Alpha Capital Advisors LLP –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Popular Foundations Limited	19.87	37.00	Sep 24, 2024	36.74
2.	Sodhani Academy of Fintech Enablers Limited	6.12	40.00	Sep 23, 2024	61.35
3.	Espirit Stones Limited	50.42	87.00	Aug 02, 2024	99.40
4.	Kontor Space Limited	15.62	93.00	Oct 10, 2023	168.90
5.	DHARNI Capital Services Limited	10.74	20.00	Jan 31, 2023	43.10

The company has handled 5 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 26<sup>th</sup> Sep 2024.

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



## Recommendation -

Nexxus Petro Industries Limited has been in the industry since 2021 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 20.94 times which makes it slightly highly priced compared to its peers PE.

The company's top line and bottom line has seen a sudden jump for FY2023 which might not be sustainable in the long run. The profitability margins have increased consistently over the years. The company had negative cash flow from operations for FY 2024, 2023 and 2022. Also, the DE ratio has remained quite high over the years.

The company has high concentration of suppliers.

The chemical industry is highly competitive and fragmented and there are many big and established players.

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

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