



IPO Note

Paramount Dye Tec Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Paramount Dye Tec Limited was originally incorporated in the year 2014. The registered office is located at Punjab, India.
- **Operations:** The company is engaged in the manufacturing and trading of synthetic fibre and yarn.
- **Business Model:** The company operates through B2B segment in the textile industry.
- **Product Portfolio:** The company offers a range of products including synthetic fibre and yarns which includes acrylic yarn, polyester yarn, nylon yarn, wool yarn, hand-knitting yarn, and etc.
- The company had 37 fulltime employees as of September 24, 2024.

Objects of the Issue -

- Setting up of Manufacturing Unit
- Repayment/Prepayment of Certain Debt Facilities availed by the Company.
- Expenses towards Registration of Land purchased from Promoter.
- General Corporate Expenses.

Promoters Name -

Kunal Arora and Palki Arora

Rationale for recommendation -

- ✓ The company's P/E is fairly priced
- ✓ The company has high concentration with its suppliers and customers.
- ✓ The company is operating at a very high margin.
- ✓ The company's financial outlook is not very satisfactory.
- ✓ The company has unsustainable top line and bottom-line growth.
- ✓ The company operates in an highly competitive and fragmented business environment.

IPO Details

Opening Date	Sep 30, 2024
Closing Date	Oct 03, 2024
Allotment Date	Oct 04, 2024
Listing Date	Oct 08, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹111 to ₹117
Issue Size	28.43 Cr.
Fresh Issue	28.43 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,400 (1,200 shares)

INDUSTRY - Textile Industry

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	2,363.32	4,600.08	5,305.87
EBITDA	115.76	610.45	1,035.19
Net Profit	15.95	316.14	632.74
RoCE	11.51%	69.86%	31.39%
ROE	6.16%	57.09%	20.87%
P/E	-	-	14.89

Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.97%	64.98%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	7.86	9.11
BVPS	25.27	84.62
P/E	14.89	12.84
P/BV	4.63	1.38
Mkt Cap (In Cr)	52.80	81.23

Lead Managers -

Gretex Corporate Services Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Paramount Dye Tec Limited was originally incorporated in the year 2014 as a partnership firm indicating a good experience in the industry. It is a Ludhiana, Punjab-based company engaged in the manufacturing and trading of synthetic fibre and yarn. The company specializes in manufacturing yarns serving the B2B segment in the Textile Industry.

Company's Product Portfolio -

Synthetic Fibers -

- The company manufactures this in Manufacturing Unit 1 which is located at Village Mangarh in Punjab.
- The company has an installed capacity of 3,600 MT per annum. The capacity utilization as of 16, May 2024 is 95%.
- The raw material used by the company for this would be waste procured by manufacturers of virgin synthetic fibres.

Manufacturing Facilities -

Unit 1 Mangarh and Unit 2 Koom Khurd respectively



Yarns -

- The company manufactures this in Manufacturing Unit 2 which is located at Village Koom Khurd in Punjab.
- The company has an installed capacity of 1,440 MT per annum. The capacity utilization as of 16, May 2024 is 97%.
- The company manufactures and trades different types of yarns such as Acrylic Yarn, Polyester Yarn, Wool, Hand Knitted Yarn, Acrylic Blend Yarn and Nylon Yarn.
- The raw material required to manufacture yarn is unique synthetic waste fiber.



Hand Knitting Yarns



Acrylic Blend Yarns

Financial Performance -

The company currently operates and generates revenue only in the state of Punjab.

The company generates revenue through two types of Revenue Manufacturing and Revenue from Trading activity.

The company used to source its raw materials from the international market for FY 2021 and 2022. Since FY 2023 the raw materials are directly sourced from the domestic market.

Net Proceeds Utilization –

The company is utilizing its net proceeds are as follows –

Particulars	Amount in Lakhs
Setting up of Manufacturing Unit	Rs. 2,402.42
Repayment/Prepayment of Certain Debt Facilities availed by the Company	Rs. 451.35
Expenses towards Registry of Land purchased from Promoter	Rs. 114.42
General Corporate Expenses	Not more than 25% of Gross Proceeds

Competition -

Market Competition: High, the market is saturated with both organized and unorganized sectors, and intense competition from well-established companies and smaller manufacturers.

Barriers to entry: Moderate, Entry barriers are moderate due to the need for cost-effective production and technological advancements, but lower entry barriers exist for smaller, flexible manufacturers.

Bargaining Power of Suppliers: High, fluctuating raw material prices, like acrylonitrile, can increase supplier power, especially when materials become scarce or expensive.

Bargaining Power of Buyers: High, Buyers can switch to competitors offering lower prices, better quality, or specialised products, especially in a highly fragmented market with many options.

Threat of Substitutes: Moderate, Natural fibers such as wool, cotton, and silk, and eco-friendly alternatives, provide strong substitutes that appeal to environmentally conscious consumers.

Strategies -

- The company is initiating the use of cotton cloth cuttings to venture into new markets.
- The company aims to enhance its production capabilities to meet the growing demand and to capitalize on market opportunities.
- The company intends to enhance its distribution network
- The company aims to access new growth opportunities, increase market penetration, and effectively serve diverse customer segments.

Risk Factors -

The company's top 10 suppliers contributed 100%, 96.67%, 84.95%, and 85.93% for the FY ended 2024, 2023, 2022, and 2021 respectively.

The company's top 10 customers contributed to 78.18% of the FY ended 2024.

There are 6 outstanding cases against the promoters, directors, and the company amounting to Rs. 2.57 Lakhs. Any adverse decision in such proceedings may have an adverse effect on the business, results of operations and financial condition.

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

PEER ANALYSIS

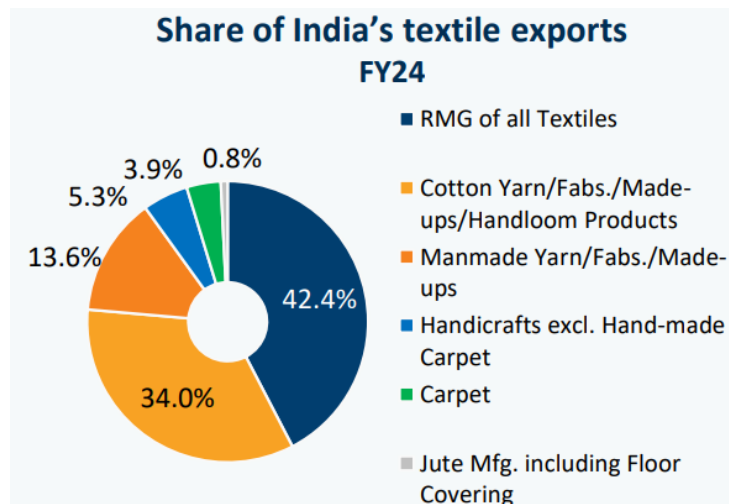
The company's there can be no listed peer's comparison due to the company getting converted from proprietorship on Jan 2024. Thus, peer comparison cannot be calculated.

Indian Textile Industry -

Introduction -

India's textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, with the capital-intensive sophisticated mills sector at the other end. The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre/yarns from natural fibres like cotton, jute, silk and wool, to synthetic/man-made fibres like polyester, viscose, nylon and acrylic.

The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India's textiles industry has a capacity to produce a wide variety of products suitable for different market segments, both within India and across the world.



Source: *ibef.org*

Manufacturing Sector India -

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India's GDP pre-pandemic and is projected to be one of the fastest growing sectors. The machine tool industry was literally the nuts and bolts of the manufacturing industry in India. Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market. Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity. India has the capacity to export goods worth US\$ 1 trillion by 2030 and is on the road to becoming a major global manufacturing hub.

Road Ahead -

India is an attractive hub for foreign investments in the manufacturing sector. Several mobile phone, luxury, and automobile brands, among others, have set up or are looking to establish their manufacturing bases in the country. The manufacturing sector of India has the potential to reach US\$ 1 trillion by 2025. The implementation of the Goods and Services Tax (GST) will make India a common market with a GDP of US\$ 3.4 trillion along with a population of 1.48 billion people, which will be a big draw for investors. The Indian Cellular and Electronics Association (ICEA) predicts that India has the potential to scale up its cumulative laptop and tablet manufacturing capacity to US\$ 100 billion by 2025 through policy interventions.

Key Management -

Key Management Persons Name -	Kunal Arora
Age	36
Designation and No. of years of experience	Promoter, Managing Director & Chief Financial Officer, a decade of experience in yarn production and marketing.
Qualification	Bachelor of Business Administration
Roles and Responsibility	Oversees all manufacturing operations, including quality control and supply chain management
Other Directorships	Welldone Cottex Private Limited
Key Management Persons Name -	Palki Arora
Age	35
Designation and No. of years of experience	Promoter and Executive Director with 8 years of experience
Qualification	Master of Arts
Roles and Responsibility	Expertise in human resources
Other Ventures	Welldone Cottex Private Limited
Key Management Persons Name -	Rupesh
Age	40
Designation and No. of years of experience	Executive Director, 3 decades of experience in Hospitality and Real Estate Industry and 2 decades in Metal Trading Industry.
Qualification	Higher Secondary
Roles and Responsibility	Supervising financial operations, developing tax and financial policies and managing budgeting processes and capital requests.
Other Directorships	-
Key Management Persons Name -	Divya
Age	33
Designation	Non-Executive Director
Qualification	Company Secretary from the Institute of Company Secretaries of India and Master of Commerce
Roles and Responsibility	-
Other Venture	Company Secretary of Bhawani Industries Private Limited
Key Management Persons Name -	Manish
Age	29
Designation and No. of years of experience	Independent Director, 3 years of experience in the field of law and compliance
Qualification	Company Secretary from the Institute of Company Secretaries of India
Roles and Responsibility	-
Other Venture	Company Secretary of Amtech Esters Private Limited
Key Management Persons Name -	Prabir Singh
Age	53
Designation and No. of years of experience	Independent Director, 20 years of experience
Qualification	Chartered Accountant from the Institute of Chartered Accountants of India
Roles and Responsibility	-
Other Directorships	Director at Offshore Infosystems Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	2,363.32	4,600.08	5,305.87
Other Income	3.99	0.15	17.94
Total Income	2,367.31	4,600.23	5,323.81
Expenses			
Cost of Material Consumed	596.46	1,856.52	1,674.75
Purchase of traded goods	1,530.85	2,153.46	3,185.96
Changes in Inventories of Stock in Trade	46.08	-208.62	-726.63
Employee Benefit Expenses	33.21	36.79	54.00
Finance Cost	47.41	29.99	93.14
Depreciation and Amortization Expense	54.89	59.43	58.34
Other expenses	40.96	151.48	82.60
Total Expenses	2,349.86	4,079.05	4,422.16
EBITDA	115.76	610.45	1,035.19
EBITDA Margin	4.90%	13.27%	19.51%
Profit/(Loss) before tax	17.45	521.18	901.65
Tax Expense			
Current tax	3.77	205.20	270.41
Deferred Tax	-0.09	-0.16	-1.50
MAT Credit entitlement	-2.18	-	-
Total Tax	1.50	205.04	268.91
Profit/(Loss) for the year	15.95	316.14	632.74
Net Profit Margin	0.67%	6.87%	11.93%

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	258.78	553.77	2.25
Reserves and surplus	-	-	3,029.81
Total Equity	258.78	553.77	3,032.06
2. Non-current liabilities			
Long-term borrowings	269.32	233.61	75.82
Long-term provisions	0.74	1.38	4.44
Total Non-current liabilities	270.06	234.99	80.26
3. Current liabilities			
Short-term borrowings	628.85	735.58	1,551.54
Lease Liabilities			
Trade Payables			
Total outstanding dues of MSME	-	-	187.57
Total outstanding dues of creditors other than MSME	259.95	69.09	359.68
Other Current Liabilities	36.98	33.39	50.76
Short-term provisions	3.77	203.03	287.79
Total Current liabilities	929.55	1,041.09	2,437.34
Total Liabilities	1,199.61	1,276.08	2,517.60
Total Equity and Liabilities	1,458.39	1,829.85	5,549.66
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	451.83	427.02	1,679.08
Deferred Tax Assets	0.19	0.35	1.85
Other Non-current Assets	11.78	8.96	11.73
Total Non-Current assets	463.80	436.33	1,692.66
2. Current assets			
Inventories	573.50	627.31	1,756.92

Particulars	FY 22	FY 23	FY 24
Trade Receivables	204.47	667.27	605.35
Cash & Cash equivalents	3.86	12.93	1,238.66
Short term loans and advances	130.93	19.40	225.47
Other Current Assets	81.84	66.61	30.59
Total Current assets	994.60	1,393.52	3,856.99
Total Assets	1,458.40	1,829.85	5,549.65

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-202.03	20.84	117.53
Net Cash Flow from Investing Activities	-189.46	-31.65	-31.30
Net Cash Flow from Financing Activities	304.63	19.87	1,139.51

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	-	-	7.86	EV/EBITDA	9.96	2.47	3.30
BV per share	-	-	25.27	Market Cap / Sales	3.44	1.77	1.53
<u>Operating Ratios</u>				P/E	-	-	14.89
EBITDA Margins	4.90%	13.27%	19.51%	Price to Book Value	-	-	4.63
PAT Margins	0.67%	6.87%	11.93%	<u>Solvency Ratios</u>			
Inventory days	88.57	49.77	120.86	Debt / Equity	3.47	1.75	0.54
Debtor days	31.58	52.95	41.64	Current Ratio	1.07	1.34	1.58
Creditor days	40.92	6.73	38.47	Quick Ratio	0.45	0.74	0.86
<u>Return Ratios</u>				Asset Turnover	1.62	2.51	0.96
RoCE	11.51%	69.86%	31.39%	Interest Coverage Ratio	1.28	18.37	10.49
RoE	6.16%	57.09%	20.87%				

*EPS and BVPS cannot be calculated due to the company being a proprietorship till January 2024.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Gretex Corporate Services Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

Gretex Corporate Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rapid Multimodal Logistics Limited	8.49	84.00	Aug 30, 2024	69.05
2.	Akme Fintrade India Limited	132.0	120.00	Jun 26, 2024	113.20
3.	Associated Coaters Limited	5.11	121.00	Jun 06, 2024	231.80
4.	Owais Metal and Mineral Processing Limited	42.69	87.00	Mar 04, 2024	1,351.80
5.	Zenith Drugs Limited	40.68	79.00	Feb 27, 2024	141.40
6.	Interiors and More Limited	42.00	227.00	Feb 23, 2024	342.00
7.	AMIC Forging Limited	34.80	126.00	Dec 06, 2023	1,505.75
8.	Kalyani Cast Tech Ltd	30.11	139.00	Dec 06, 2023	566.45
9.	Transtee Seating Technologies Limited	49.98	70.00	Nov 06, 2023	74.40
10.	Shelter Pharma Limited	16.03	42.00	Aug 23, 2023	47.50

The company has handled 26 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 27th September 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at a discount and the remaining mandates have opened at premiums on the listing day.

Recommendation -

Paramount Dye Tec Limited has been in the industry since 2014 and has good experience in the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO basis is around 12.84 times which makes it fairly priced by looking at the performance of the company.

The company operates in a competitive and highly fragmented industry. The company has seen an unsustainable increase in the top line and bottom line of its financials. The management overview is not very satisfactory. The company is operating at a very high margin. Due to these reasons mentioned we recommend **AVOID** to this IPO.

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