



IPO Note

Unilex Colours and Chemicals Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** Unilex Colours and Chemicals Limited was originally incorporated as "Unilex Exports Limited" on March 23, 2001. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is engaged in the business of manufacturing of Pigment, and the trading of chemicals and food colours.
- **Revenue Stream:** The company's majority revenue is generated from pigment blue 15:3 (Rs. 3,717.83 lakhs) and green 7 (Rs. 2,735.43 lakhs) and blue 15:4 (Rs. 1,790.12 lakhs) for FY2024.
- **Human Resource:** The company has 54 full-time employees as on March 31, 2024.

Objects of the Issue -

- To meet Working Capital Requirements
- Repayment of a portion of certain borrowing availed by the Company
- General Corporate Purposes

Promoters Name -

Purushottam Brijlal Sharma, Narendra Parameswarappa Kotehall, Aditya Sharma, Manojkumar Shyamsunder Sharma, Rohit Krishnakumar Sharma and Kabir Radheyshyam Sharma

Rationale for recommendation -

- ✓ The PE ratio post-issue is 19.21 which makes it fairly priced.
- ✓ The top line has been slightly inconsistent which should not be a major concern as similar trend was seen among peer.
- ✓ The bottom line and profitability margins have increased over the years and looks sustainable.
- ✓ The CCC is low compared to its peer Kesar Petroproducts Limited.
- ✓ The company has vast experience in the industry.
- ✓ The management of the company is satisfactory.
- ✓ The company has a good global presence.

IPO Details

Opening Date	Sep 25, 2024
Closing Date	Sep 27, 2024
Allotment Date	Sep 30, 2024
Listing Date	Oct 03, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹82 to ₹87
Issue Size	31.32 Cr.
Fresh Issue	31.32 Cr.
Offer for Sale	-
Application Amt	₹ 1,39,200 (1,600 shares)

INDUSTRY - Chemical - Pigments

P/E Average - 27.57

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	14,527.46	13,939.03	14,385.01
EBITDA	126.37	292.10	441.53
Net Profit	471.16	497.07	616.67
RoCE	2.58%	7.22%	10.20%
ROE	16.79%	15.52%	16.73%
P/E	18.51	17.54	14.12

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.56%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.16	4.53
BVPS	36.80	50.07
P/E	14.12	19.21
P/BV	2.36	1.74
Mkt Cap (In Cr)	87.15	118.47

Lead Managers -

Hem Securities Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Unilex Colours and Chemicals Limited is engaged in the business of manufacturing of Pigment, and the trading of chemicals and food colours. The pigments manufactured by them find diverse applications across various industries such as plastic, rubber, textiles, paper, printing inks, paints and coating. The products are marketed under the brand name “Unilex”. The exporting products to countries including Vietnam, Brazil, Mexico, Nigeria, Russia, Turkey, Netherlands, Poland, China, Spain etc. They also provide flexible packing options such as Multi-Layer Paper Bags, Corrugated Boxes, HDPE and HDPE Coated Bags, Multi-Layer Abetted Liners and HM Covers, Wooden Pallets and Jumbo Bags among others.

The company specializes in Pigment Blue 15:3 and 15:4, with an annual production capacity of 1878 mtpa. They trade various pigments and food colours such as Pigment Green 7, Middle Chrome, Lemon Chrome, Pigment Violet 3, 23, and 27, Ultramarine Blue, and other Azo pigments like Red 57:1, 53:1, Orange 5, 13, and Yellow 12, 13, 14 as well as food colours such as Tartrazine, Sunset Yellow, Allura Red, Ponceau 4R, Carmoisine, and Brilliant Blue etc., which are sourced from third-party manufacturers.

The net proceeds of the issue will be utilized for repayment of loan availed by the company (Rs. 1,500 lakhs), funding working capital requirements (Rs. 1,000 lakhs) and remaining for general corporate purposes.

Manufacturing Facility and Capacity Utilization -

The manufacturing unit is situated at MIDC – Tarapur, Palghar, Maharashtra and the capacity utilization remained at 80%, 85% and 95% for FY2022, 2023 and 2024 respectively.



Product Portfolio of Top 6 Products-

Product	Description and Uses	Application	Image
Blue 15:0	Phthalocyanine Blue BN is a vibrant and stable pigment with strong coloring properties.	Paint, Ink, Plastic and Textile.	
Blue 15:1	It is a variant of phthalocyanine blue family known for its brilliant blue hue and robust physical properties.	Paint, Ink and Plastic.	
Blue 15:3	It is a variant of phthalocyanine blue family known for its vibrant, deep blue hue and superior stability. It has good lightfastness and dispersion properties.	Paint, Ink and Plastic.	
Blue 15:4	It is a variant of phthalocyanine blue family known for its excellent lightfastness, heat stability, and dispersion properties.	Ink	
Green 7	It is known as Phthalocyanine Green G is a vibrant, bright green pigment widely used across various industries.	Paint, Ink and Plastic.	
Violet 27	It is a synthetic organic pigment recognized for its deep, intense violet hue. It is utilized due to its strong color strength and stability.	Ink	

Revenue-Bifurcation of Top 5 products -*(Amt in Lakhs)*

Industry	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Pigment Blue 15:3	5,704.47	39.27	4,378.93	31.41	3,717.83	25.85
Pigment Green 7	3,158.00	21.74	3,063.31	21.98	2,735.43	19.02
Pigment Blue 15:4	1,175.55	8.09	1,892.14	13.57	1,790.12	12.44
Pigment Blue 15:0	979.37	6.74	573.73	4.12	590.98	4.11
Pigment Blue 15:1	595.18	4.10	589.70	4.23	536.37	3.73
Total	11,612.57	79.94	10,497.81	75.31	9,370.73	65.15

Competition -

- 1. Market Competition:** The chemical industry is highly competitive where the key factors of competition primarily comprise of quality, price and availability of the product and variety of products 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 -

- The company intends to enhance branding, promotional and marketing activities by participating in international conferences for pigments and dyes, as well as regional and state Expos and Exhibitions.
- The company intends to expand their geographic presence by entering into untapped markets like USA, Mexico, Peru, Columbia, Japan etc.
- The company intends to expand their product portfolio by developing new formulations and variants of the existing products.

Risk Factors -

The company's significant portion of revenue is derived from top 5 products which contributed to 79.94%, 75.31% and 65.15% for FY2022, 2023 and 2024 respectively.

The company is dependent on top 10 suppliers which contributed to 88.41%, 89.38% and 91.85% of the revenue generated for FY2024, 2023 and 2022 respectively.

The company is highly dependent on few industries for the revenue generation and the top 3 industries (Paints & Coating, Plastic and Printing Inks) contributed to 77.74%, 72.73% and 79.15% respectively.

The company derives majority of its revenue from exports which contributed to 88.39%, 88.39% and 79.44% for FY2022, 2023 and 2024 respectively.

The company has 1 outstanding cases regarding tax matters amounting to Rs. 1.88 lakhs.

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

The company has contingent liabilities of Rs. 53.91 lakhs.

PEER ANALYSIS -

Particulars	Unilex Colours and Chemicals Limited			Kesar Petroproducts Limited			Sudarshan Chemical Industries Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.24%	3.57%	4.29%	1.73%	0.40%	3.18%	5.89%	1.94%	12.45%
EBITDA Margin	0.87%	2.10%	3.07%	5.98%	6.64%	6.38%	12.83%	9.45%	22.66%
RoCE	2.58%	7.22%	10.20%	2.62%	1.49%	3.90%	14.93%	7.47%	34.34%
ROE	16.79%	15.52%	16.73%	2.24%	0.40%	4.00%	15.60%	5.40%	31.11%
EPS (INR)	4.70	4.96	6.16	0.28	0.05	0.52	18.78	6.46	51.63
P/E	18.51	17.54	14.12	0.00	116.40	16.44	28.48	60.57	11.81

Interpretation -

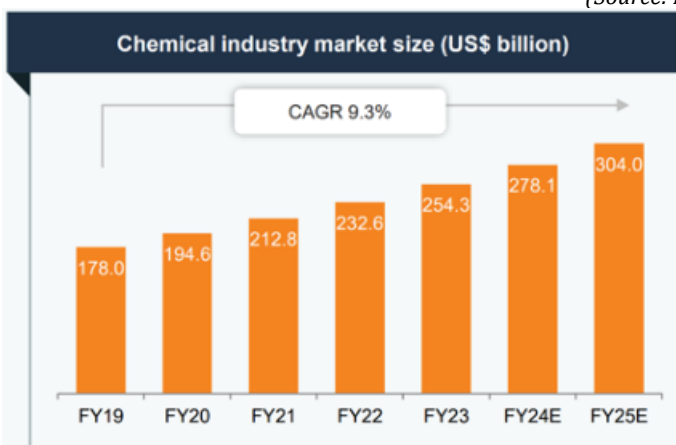
- The company is not comparable to Sudarshan Chemical Industries on an apple-to-apple basis as the market cap is very large and products offered is different for the company.
- The company’s market cap is less compared to its peers.
- The cash conversion cycle of Unilex Colours and Chemicals is less compared to Kesar Petroproducts and more than Sudarshan Chemicals Industries.
- The NP margin and EBITDA margin of the company has been consistent and looks sustainable compared to peers.
- The RoCE and RoE of the company is high compared to Kesar Petroproducts and lower than Sudarshan Chemicals Industries.

INDUSTRY OVERVIEW -

Chemical Market in India -

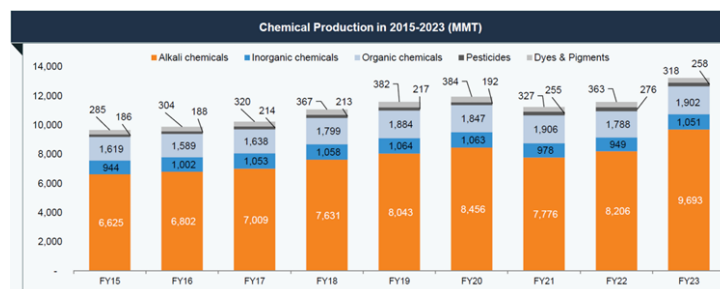
Globally, India is the fourth-largest producer of agrochemicals after the United States, Japan and China. India accounts for 16-18% of the world production of dyestuffs and dye intermediates. The domestic chemicals sector’s small and medium enterprises are expected to showcase 18-23% revenue growth in FY22, owing to an improvement in domestic demand and higher realisation due to high prices of chemicals. 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. India’s proximity to the Middle East, the world’s source of petrochemicals feedstock, enables it to benefit on economies of scale.

(Source: RHP)



Government Initiatives -

- Under the Interim Budget 2024-25 the government allocated ₹ 192.21 crore (US\$ 23.13 million) to the Department of Chemicals and Petrochemicals.
- The PLI plan for the National Programme on Advanced Chemistry Cell Battery Storage has been approved by the Union Cabinet as of May 2021.
- PLI schemes were introduced to promote Bulk Drug Parks, with a budget of ₹ 1,629 crore (US\$ 213.81 million).
- Government to open 25,000 Jan Aushadhi Kendras to make medicines available at affordable prices.



(Source: RHP)

Key Management -

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



Key Management Persons Name -	Purushottam Brijal Sharma
Age	75
Designation and No. of years of experience	Promoter, Chairman and Whole-Time Director, 37+ years of experience in the chemical industry (dyes and pigments)
Qualification	Chartered Accountant
Responsibility	Oversees the overall business operations of the company, including the Business Development and Finance departments.
Other Directorships	Unisynth Overseas Limited

Key Management Persons Name -	Aditya Sharma
Age	50
Designation and No. of years of experience	Promoter and Managing Director, 32 years of experience in the chemical industry (dyes and pigments)
Qualification	Master of Science (Organic Chemistry)
Responsibility	Oversees the implementation and execution of the company's strategy.
Other Directorship	Greenviro Environmental Systems Private Limited, Vardhaman Dye-Stuff Industries Private Limited, Unisynth Overseas Limited etc.

Key Management Persons Name -	Narendra Parameswarappa Kotehall
Age	62
Designation and No. of years of Experience	Promoter and Whole-Time Director, 31 years of experience in the chemical industry (dyes and pigments)
Qualification	B.E. (Chemical)
Responsibility	Looking towards the technical and manufacturing operations of the company.
Other Directorship	-

Key Management Persons Name -	Manojkumar Shyamsunder Sharma
Age	54
Designation and No. of years of experience	Promoter and Executive Director, 32 years of experience in the chemical industry (dyes and pigments)
Qualification	Bachelor of Commerce
Responsibility	Focuses on cost management and finance for the company
Other Directorship	Greenviro Environmental Systems Private Limited, Vardhaman Dye-Stuff Industries Private Limited, Unisynth Overseas Limited etc.

Key Management Persons Name -	Kabir Radheyshyam Sharma
Age	33
Designation and No. of years of experience	Promoter and Executive Director, 9 years of experience in the chemical industry (dyes and pigments)
Qualification	Master of Science (International Business)
Responsibility	Focuses on international marketing and strategy formulation for the company.
Other Directorship	Greenviro Environmental Systems Private Limited, Vardhaman Dye-Stuff Industries Private Limited and Unisynth Overseas Limited

Recommendation: **APPLY**

Key Management Persons Name -	Rohit Krishnakumar Sharma
Age	33
Designation and No. of years of experience	Promoter and Executive Director, 9 years of experience in the chemical industry (dyes and pigments)
Qualification	Master of Science (International Business and Management)
Responsibility	Focuses on overall business, marketing and plant management of the company.
Other Directorship	Greenviro Environmental Systems Private Limited, Vardhaman Dye-Staff Industries Private Limited, Unisynth Overseas Limited etc.

Key Management Persons Name -	Ketan Damji Saiya
Age	53
Designation and No. of years of experience	Independent Director, 29 years of experience in Accounting, Auditing and Taxation matters.
Qualification	Chartered Accountant, DISA Qualified
Other Directorship	KDS Capital Private Limited

Key Management Persons Name -	Amit Kumar Mundra
Age	44
Designation and No. of years of experience	Independent Director, 22 years of experience in corporate finance and taxation matters
Qualification	Chartered Accountant, DISA Qualified, Forensic Accounting & Fraud Detection Qualified
Other Directorship	Rathi Mundra Rubber Manufacturing Private Limited and S S R Wealth Solutions Private Limited

Key Management Persons Name -	Daya Amit Bansal
Age	38
Designation and No. of years of experience	Independent Director, 13 years of experience in audit & assurance, tax & tax litigation, RERA etc.
Qualification	Chartered Accountant, Concurrent Auditor and Social Auditors
Other Directorship	-

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	14,527.46	13,939.03	14,385.01
Other Income	629.26	502.81	547.87
Total Income	15,156.72	14,441.84	14,932.88
Expenses			
Cost of Material consumed	3,896.48	4,388.17	3,168.57
Purchase of stock-in-trade	9,948.76	7,813.30	9,774.02
Changes in Inventories of finished goods, WIP	-501.48	257.79	-224.27
Employee Benefit Expenses	418.72	469.55	456.04
Finance Cost	67.79	79.99	100.84
Depreciation and Amortisation	52.92	56.98	60.21
Other expenses	638.61	718.12	769.12
Total Expenses	14,521.80	13,783.90	14,104.53
EBITDA	126.37	292.10	441.53
EBITDA Margin	0.87%	2.10%	3.07%
Profit/(Loss) before tax	634.92	657.94	828.35
Tax Expense			
Current tax	161.01	169.17	211.75
Deferred Tax	2.75	-8.30	-0.07
Total Tax	163.76	160.87	211.68
Profit/(Loss) for the year	471.16	497.07	616.67
Net Profit Margin	3.24%	3.57%	4.29%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	333.90	333.90	1,001.70
Reserves and surplus	2,472.08	2,868.99	2,684.30
Total Equity	2,805.98	3,202.89	3,686.00
2. Non-current liabilities			
Long-term borrowings	-	17.44	15.10
Deferred tax liabilities (net)	23.53	15.23	15.15
Long-term provisions	17.57	20.93	23.53
Total Non-current liabilities	41.10	53.60	53.78
3. Current liabilities			
Short-term Borrowings	1,135.09	1,149.39	2,146.29
Trade Payables	3,390.66	2,458.40	2,796.06
Other Current Liabilities	184.08	122.38	292.35
Short-term provisions	112.92	85.66	93.85
Total Current liabilities	4,822.75	3,815.83	5,328.55
Total Liabilities	4,863.85	3,869.43	5,382.33
Total Equity and Liabilities	7,669.83	7,072.32	9,068.33
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	1,126.34	1,132.55	1,127.84
Other Non-current Assets	43.55	40.92	71.11
Total Non-Current assets	1,169.89	1,173.47	1,198.95
2. Current assets			
Inventories	1,955.53	1,453.02	1,758.69
Trade Receivables	3,323.64	3,387.77	4,442.17
Cash & Cash equivalents	61.48	102.98	436.62

Particulars	FY 22	FY 23	FY 24
Short-term loans and advances	489.39	630.43	702.09
Other Current Assets	669.90	324.64	529.83
Total Current assets	6,499.94	5,898.84	7,869.40
Total Assets	7,669.83	7,072.31	9,068.35

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	-553.38	233.64	-407.70
Net Cash Flow from Investing Activities	-88.76	-61.07	-29.80
Net Cash Flow from Financing Activities	319.05	-131.06	771.14

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	4.70	4.96	6.16	EV/EBITDA	30.70	14.61	12.25
BV per share	84.04	95.92	36.80	Market Cap / Sales	0.82	0.85	0.82
<u>Operating Ratios</u>				P/E	18.51	17.54	14.12
EBITDA Margins	0.87%	2.10%	3.07%	Price to Book Value	1.04	0.91	2.36
PAT Margins	3.24%	3.57%	4.29%	<u>Solvency Ratios</u>			
Inventory days	49.13	38.05	44.62	Debt / Equity	0.40	0.36	0.59
Debtor days	83.51	88.71	112.71	Current Ratio	1.35	1.55	1.48
Creditor days	88.08	75.05	78.36	Quick Ratio	0.94	1.17	1.15
<u>Return Ratios</u>				Asset Turnover	1.89	1.97	1.59
RoCE	2.58%	7.22%	10.20%	Interest Coverage Ratio	1.08	2.94	3.78
RoE	16.79%	15.52%	16.73%				

INTERPRETATION –

1. The top line had seen a decrease in FY2023 by -4.05% which was mainly due to decrease in sale of pigments and increase can be seen in FY2024 by 3% which was because of increase in sale of pigment.
2. The net profit has increased over the years by 5.5% in FY2023 and 24.06% in FY2024. Though there was a decrease in revenue for FY2024, the net profit increased because purchase of stock-in-trade decreased slightly.
3. The PAT margin and EBITDA margin have also increased consistently over the years.
4. The RoCE and ROE have increased over the years.
5. The PE ratio has improved over the years.
6. The company had negative cash flow from operations for FY 2024 and 2022.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Hem Securities 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 –

Hem Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shubhshree Biofuels Energy Limited	16.56	119.00	Sep 16, 2024	245.05
2.	Vision Infra Equipment Solutions Limited	106.21	193.00	Sep 13, 2024	185.10
3.	My Mudra Fincorp Limited	33.26	110.00	Sep 12, 2024	106.30
4.	Namo eWaste Management Limited	51.20	85.00	Sep 11, 2024	156.65
5.	Aeron Composite Limited	56.10	125.00	Sep 04, 2024	142.50
6.	Sunlite Recycling Industries Limited	30.24	105.00	Aug 20, 2024	157.95
7.	Aprameya Engineering Limited	29.23	58.00	Aug 01, 2024	61.50
8.	Chetana Education Limited	45.90	85.00	July 31, 2024	92.80
9.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	383.70
10.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	430.35

The company has handled 54 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 24th Sep 2024.

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

Recommendation -

Unilex Colours and Chemicals Limited has been in the industry since 2001 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 19.21 times which makes it fairly priced compared to its peers PE.

The company's top line has seen slight inconsistency over the years but that should not be a major concern as the peer has also seen similar trend. The bottom line and profitability margins have increased over the years and looks sustainable in the long run.

The cash conversion cycle of the company is low compared to its peer (Kesar Petroproducts Limited). Also, the company has created a good global presence over the years.

The chemical industry is growing and the company caters to the needs of various industries like plastic & coating, plastic, printing inks, textiles etc.

Thus, investors can **APPLY** to this IPO.

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