



IPO Note

Technichem India Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Incorporated in 1996, the company's registered office is located in Ahmedabad, Gujrat.
- **Business Activity:** Technichem Organics Limited is engaged in the business of manufacturing a various range of chemicals, Speciality Chemicals, Pigment & Dye Intermediates and Air Oxidation Chemistry.
- **Revenue Stream:** The combined contribution of Gujarat and Maharashtra exceeds **80% of total domestic sales** in most periods. **China** is the largest export destination across all years, contributing over 40% in the most recent period (as of June 30, 2024), **Switzerland** ranks second in the current period, with its share peaking at 36.68% in the same period.
- **Human Resource:** As of June 30, 2024, they had 72 employees on its payroll including 62 in manufacturing and 10 in administration.

Objects of the Issue -

- Funding of capital expenditure requirements of the Company towards setting up of a new plant named as "Plant 4".
- Repayment or prepayment, in full or in part, of certain borrowings availed by the Company from banks, financial institutions and non-banking financial companies
- General Corporate Purposes

Promoters Name -

Bharat Jayantilal Pandya and Pandya Anilkumar Jayantilal.

Rationale for recommendation -

- ✓ Volatile PAT and EBITDA Margins.
- ✓ Volatile Return Margins.
- ✓ Declining revenue.
- ✓ Export sales.
- ✓ Wait for post-listing performance.

IPO Details

Opening Date	Dec 31, 2024
Closing Date	Jan 2, 2025
Allotment Date	Jan 3, 2025
Listing Date	Jan 7, 2025
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹52 to ₹55 per share
Issue Size	₹25.25 Cr.
Fresh Issue	₹25.25 Cr.
Offer for Sale	-
Application Amt	₹1,10,000 (2,000 shares)

Industry - Indian Chemical Industry

Average P/E of peers: 93.50

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Jun-24
Revenue	6,702.06	5,035.79	4,639.11	1,469.78
EBITDA	547.83	435.78	952.88	253.88
Net Profit	342.06	172.93	472.67	140.45
RoCE	19.56%	11.01%	23.15%	6.25%
ROE	25.98%	11.61%	24.09%	6.68%
P/E	18.46	40.44	14.82	12.40*

*Annualised

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
97.64%	71.77%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.71	3.26
BVPS	77.06	29.16
P/E	14.82	16.86
P/BV	0.71	1.89
Mkt Cap (In Cr)	70.02	95.27

*Annualised

Lead Managers - Shreni Shares Ltd.

Registrar - Bigshare Services Pvt. Ltd.

Business Overview

Technichem Organics Limited specializes in manufacturing pyrazoles, pyrazolones, specialty chemicals, pigment and dye intermediates, and air oxidation chemistry. These products serve industries like pharmaceuticals, agriculture, coatings, pigments, and dyes, ensuring resilience through diversification.

Global Presence and Innovation

Operating across 11 countries, the company has a significant global footprint, with notable exports to China. Its strong R&D capabilities drive cost-effective molecule synthesis, product innovation, and process optimization.

Manufacturing and Sustainability

Technichem's Gujarat-based facility spans 26,079 square meters with an annual capacity of 950,000 kilograms. ISO-certified for quality and environmental management, the company emphasizes sustainability through advanced waste treatment systems.

Vision and Mission

Technichem aspires to be a global leader in specialty chemicals by prioritizing innovation, sustainability, and ethical practices. Its mission is to deliver high-quality, eco-friendly solutions tailored to customer needs, contributing to a sustainable future.

Product Portfolio

Company's operations are structured around three business models: (i) manufacturing proprietary specialty chemicals and intermediates, (ii) custom manufacturing, and (iii) contract or exclusive manufacturing.

(i) Proprietary specialty Chemicals

Pyrazoles

Chemical Name	CAS No.
5-Amino-3-Methyl-1-Phenylpyrazole	1131-18-6
1-(3 Sulfophenyl)-3-Methyl-5 Amino Pyrazole	23646-86-8
3,5 Dimethyl Pyrazole	67-51-6
1- Phenyl-3 Methyl-5 Imino Pyrazole	6401-97-4
1-3 Sulfophenyl-3 Methyl-5 Imino Pyrazole	68083-38-5
1-4 Sulfophenyl-3 Methyl-5 Amino Pyrazole	69075-48-5
1-(2-Chloro 5-Sulfo Phenyl)-3 Methyl-5 Amino Pyrazole	68227-68-9

Pyrazolones

Chemical Name	CAS No.
1-(4-Nitrophenyl)-3 Methyl-5 Pyrazolone	164456-7
1-(3-Chloro Phenyl)-3-Methyl-5-Pyrazolone	90-31-3
1-(2,5 Dichloro-4 Sulphonyl-3Methyl-5-Pyrazolone	84-57-1
1-(2,5 Dichloro)-Phenyl-3 Methyl-5-Pyrazolone	13102-34-6
1-(4- Sulphophenyl)-3-Methyl-5-Pyrazolone	89-36-1
1-(3-Sulphamido Phenyl)-3-Methyl-5-Pyrazolone	89-29-2
1-(2-Chloro Phenyl)-3 Methyl-5-Pyrazolone	14580-22-4
3-Methyl-5 Pyrazolone	108-26-9
V.S Pyrazolone	21951-34-8

Air Oxidation Chemistry

Chemical Name	CAS No.
Para Nitro Benzamide	619-80-7
Para Chloro Benzoic Acid	74-11-3
Para Nitro Benzoic Acid	62-23-7
Meta Nitro Benzoic Acid	121-92-6
Ortho Nitro Benzoic Acid	552-16-9
Meta Chloro Benzoic Acid	535-80-8
2,3 Di Chloro Benzoic Acid	50-45-3
2,4 Di Chloro Benzoic Acid	50-84-0

Speciality Chemicals

Chemical Name	CAS No.
N-Cynoethyl-N-Phenethyl Aniline (RM for Disperse Violet 48)	17601-74-0
3 Amino 5 Methyl Pyrazole (KSM for Anagliptin)	31230-17-8

Pigment Intermediates

Chemical Name	CAS No.
2 Amino Di Methyl Terephthalate	5372-81-6
Para Amino Benzamide / DB-70	2835-68-9
2 Nitro Dimethyl Terephthalate	5292-45-5
5-Amino-6 Methylbenzimidazolone	67014-36-2
Azo Barbituric Acid	27157-54-6
3,4-Dichloroaniline-6 Sulfonic Acid	6331-96-0
3 Nitro 4 Methyl Benzoic Acid	96-98-0
3 Nitro 4 Methyl Benzamide	19013-11-7
3 Amino 4 Methyl Benzamide / DB-60	19406-86-1
3 Nitro 4 Chloro Benzamide	16588-06-0
3 Amino 4 Chloro Benzamide	19694-10-1
3 Nitro 4 Chloro Benzoic Acid	96-99-1

(ii) Custom Manufacturing:

The company possesses the capability to produce intermediates and other specialty chemicals on a make-to-order basis. Its R&D team collaborates closely with customers or prospective clients to deliver improved and cost-efficient solutions tailored to meet specific requirements.

(iii) Contract/Exclusive Manufacturing:

The company also manufactures products customized to client specifications under confidentiality agreements. It has developed chemical compositions under a Non-Disclosure Agreement (NDA) with one of its customers, the details of which remain confidential.

Manufacturing Plant and Installed Capacity**Utilization****Environmental Compliance**

Technichem Organics Limited holds environmental clearance for manufacturing up to 600 MT per month of Dye Intermediates, Dyes, and Pigments, granted by the Ministry of Environment, Forest, and Climate Change on December 27, 2019. Additionally, the Gujarat Pollution Control Board has authorized the discharge of treated effluent and air emissions for up to 330 MT per month.

Installed Capacity and Utilization

The company operates three plants with a combined annual installed capacity of 950,000 kg as of FY 2023-24. The installed capacity and utilization for recent years are:

- **FY 2021-22:** 75% utilization (9,72,424 kg produced). Plant-1 saw increased demand following Covid-19 disruptions in FY 2020-21, driving utilization to 78%. Plant-2 experienced abnormally high demand for Abase.
- **FY 2022-23:** 63% utilization (6,28,542 kg produced). Plant-2 capacity reduced from 400,000 kg/year to 300,000 kg/year as a portion was converted to establish Plant-3. Abase demand dropped, and Plant-2 began producing higher-value products like Blue CB and PPCA.
- **FY 2023-24:** 60% utilization (5,73,255 kg produced). Plant-3 began commercial production, contributing 61% utilization in its first year.

Key Notes

Capacity utilization reflects adjustments for product mix and operational requirements. Installed capacity cannot reach 100% due to product changeover procedures, idle time, and process constraints. Future changes to the product portfolio may further impact utilization rates.

Business Model Wise Revenue Breakup

Name of the Business Model	Jun-24	%	FY 24	%	FY 23	%	FY 22	%
Manufacturing of own speciality chemicals and intermediates	1,227.00	83.48	4,240.20	91.40	4,798.41	95.29	6,490.70	96.84
Custom manufacturing	242.77	16.52	135.24	2.92	237.38	4.71	212.06	3.16%
Contract manufacturing/exclusive manufacturing	Nil	Nil	263.67	5.68	Nil	Nil	Nil	Nil
Total	1,469.77	100.0	4,639.11	100.0	5,035.79	100.00	6,702.06	100.0

Summary of Revenue by Location:

The company has a presence across several Indian states, including Delhi, Gujarat, Haryana, Maharashtra, Telangana, Rajasthan, Madhya Pradesh, Karnataka, and Hyderabad. Among these, Gujarat and Maharashtra consistently contribute the highest revenue, as summarized below:

Top Revenue-Generating Domestic locations (As of June 30, 2024 - FY 2021-22):**Gujarat:**

June 30, 2024: ₹513.41 lakhs (63.54% of total domestic sales); **FY 2023-24:** ₹1,636.50 lakhs (57.03%); **FY 2022-23:** ₹2,080.04 lakhs (68.60%); **FY 2021-22:** ₹2,894.22 lakhs (76.36%).

Maharashtra:

June 30, 2024: ₹195.09 lakhs (24.15% of total domestic sales); **FY 2023-24:** ₹752.18 lakhs (26.21%); **FY 2022-23:** ₹638.26 lakhs (21.05%); **FY 2021-22:** ₹639.73 lakhs (16.88%).

Highlights:

Gujarat is the largest revenue-generating state, contributing over 50% in every period analyzed, peaking at 76.36% in FY 2021-22. **Maharashtra** follows as the second-highest contributor, with its share ranging between 16.88% and 26.21%.

Exports

The company exports to multiple countries, with China, Switzerland, and the Czech Republic being the top revenue-generating markets. Below is a summary of the key contributors:

Top Revenue-Generating Countries (As of June 30, 2024 - FY 2021-22):**China:**

1. **June 30, 2024:** ₹284.05 lakhs (42.92% of total export sales); **FY 2023-24:** ₹954.75 lakhs (20.58%); **FY 2022-23:** ₹649.17 lakhs (12.89%); **FY 2021-22:** ₹1,412.80 lakhs (21.08%)

2. **Switzerland:**

2. **June 30, 2024:** ₹242.77 lakhs (36.68% of total export sales); **FY 2023-24:** ₹135.24 lakhs (2.92%); **FY 2022-23:** ₹237.38 lakhs (4.71%); **FY 2021-22:** ₹212.09 lakhs (3.16%)

3. **Czech Republic:**

3. **June 30, 2024:** ₹94.22 lakhs (14.24% of total export sales); **FY 2022-23:** ₹491.09 lakhs (9.75%); **FY 2021-22:** ₹871.26 lakhs (13.00%)

Product-Wise Revenue Break-up

Name of the Products	Jun-24	%	FY 24	%	FY 23	%	FY 22	%
Pharma	177.72	12.09	1,384.12	29.84	1,220.41	24.23	1,380.61	20.60
High-Performance Pigment and Specialty Dyes	658.41	44.80	1,108.77	23.90	1,555.67	30.89	2,798.29	41.75
Specialty Chemicals	369.1	25.11	1,427.2	30.76	1,553.24	30.84	1,950.47	29.10
Coating Applications	235.73	16.04	538.25	11.60	515.37	10.23	361.68	5.40
Other Chemicals and Intermediates	28.82	1.96	180.76	3.90	191.11	3.80	211.01	3.15
Total	1,469.77	100.00	4,639.11	100.00	5,035.79	100.00	6,702.06	100.00

Business Strategy**1. Manufacturing Facility Expansion**

Technichem plans to expand and upgrade its facilities to meet rising demand in specialty chemicals and pigment intermediates. Investments aim to enhance production capacities, scaling from pilot projects to plant-level manufacturing. This includes new machinery funded by capital expenditure, ensuring alignment with industry trends and market needs.

2. Geographical Diversification

Operating in 11 countries, Technichem seeks to broaden its domestic and international market reach. A versatile product portfolio targets industries like pharmaceuticals and coatings, emphasizing adaptability to emerging trends.

3. High-Value Product Focus

Since 2020, Technichem has shifted towards high-value chemistry, notably air oxidation chemistry for specialty

Recommendation: **AVOID**

benzoic acids. Investments of ₹2,285.12 lakhs (FY21–FY23) boosted profitability, as PAT margins rose from 3.59% (FY20) to 9.45% (FY24).

4. Operational Efficiencies

The company prioritizes cost reduction through supply chain optimization, economies of scale, and in-house processes, aiming for sustained productivity growth.

Risk Factors –

Technichem Organics faces 4 tax-related cases involving ₹98.75 lakhs and 1 director-related case of ₹0.21 lakhs. It also pursues 1 statutory case worth ₹9.74 lakhs (FY24).

Company had negative operating cashflows in FY 22, FY 23, FY24 and period ended June 24.

Company derives most of its revenue Gujrat and Maharashtra forming over or around 80% of their revenue consistently across three years posing concentration risk.

Company's exports accounted for 45.03%, 38.14%, 39.78%, and 43.45%, of the total revenue for the period ended on June 30, 2024 and for the financial year ending March 31, 2024, 2023 and 2022, respectively which exposes the company to related foreign exchange, social and political risks.

The company has outstanding unsecured loans of ₹1,005.17 lakhs, repayable on demand, which may be recalled by lenders. This could negatively impact its financial condition, requiring refinancing at higher interest rates.

Competition Analysis

Technichem competes with Pidilite Industries, SRF Ltd., and Gujarat Fluorochemicals in a fragmented specialty chemicals market. Globally, the market was valued at USD 46.66 billion in 2022, expected to reach USD 95.15 billion by 2030 at a CAGR of 9.3%.

Adaptability to Change

The company leverages backward integration, product diversification, and market presence across multiple sectors to enhance resilience and mitigate risks.

Porter's Five Forces Analysis

- **Entry Barriers:** High due to capital and regulatory challenges.
- **Supplier Bargaining Power:** Limited by backward integration.
- **Customer Bargaining Power:** Reduced through diversified offerings.
- **Substitutes Threat:** Minimal due to tailored products.
- **Industry Rivalry:** High among established players.

Influences and Position

Technichem thrives in a growing industry, adapting to technological advancements and macroeconomic trends to stay competitive.

Peer Analysis

Particulars	Technimech Organics Limited			Ami Organics Ltd			Anupam Rasayan India Ltd			Chemcrux Enterprises Ltd		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	5.10%	3.43%	10.19%	13.76%	13.41%	5.90%	14.07%	11.22%	8.54%	15.4%	14.9%	10.6%
EBITDA Margin	8.17%	8.65%	20.54%	20.64%	20.44%	14.33%	28.92%	27.38%	27.30%	22.6%	23.4%	18.2%
RoCE	19.56%	11.01%	23.15%	18.48%	18.97%	10.83%	11.01%	12.48%	10.08%	34.9%	25.8%	12.7%
ROE	25.98%	11.61%	24.09%	13.78%	14.02%	6.26%	8.81%	7.21%	4.39%	27.2%	21.6%	11.7%
EPS (INR)	2.98	1.36	3.71	21.18	22.86	11.66	15.20	17.41	11.84	10.04	9.69	5.71
P/E	18.46	40.44	14.82	47.78	38.92	93.80	54.68	49.70	73.52	15.79	34.12	45.18

Industry Overview- Indian Chemical Industry

The Indian chemical industry is a significant component of the country's economic landscape, contributing ~7% to India's GDP and 16% to the manufacturing sector's GDP. Globally, India ranks 6th in chemical production, and the sector is forecasted to grow from \$178 billion in 2020 to \$304 billion by 2025 at a CAGR of 9.3%. India's proximity to key markets, cost advantages, and an established regulatory framework position it as an emerging global manufacturing hub for chemicals.

Segment	Market Share (%)	Value (USD Billion)
Petrochemicals	40	121.6
Specialty Chemicals	20	60.8
Bulk Chemicals	19	57.5
Agrochemicals	16	48.6
Other Chemicals	5	15.2

Strengths of the Industry

- **Cost Efficiency:** Low-cost labor and raw materials.
- **Export Potential:** India's chemical exports reached \$23.6 billion in FY23.
- **Strategic Location:** Proximity to major Asian markets.
- **Policy Support:** 100% FDI allowed in most chemical sectors, with several government initiatives to boost production.
- **Market Growth:** A strong domestic demand driven by agriculture, pharmaceuticals, textiles, and automotive industries.

Government Initiatives

Initiative	Description
BIS Certification Mandate	Certification for imported chemicals to prevent dumping of substandard products.
National Medical Devices Policy, 2023	Approved to encourage domestic medical devices production.
PLI Scheme	Promotes Bulk Drug Parks with a budget of ₹1,629 crore (\$213.81 million).
PCPIR Policy, 2020-35	Targeted investment of ₹10 lakh crore (\$142 billion) by 2025, with total employment of ~33.83 lakh people.
FDI Allowance	100% FDI under automatic route for most chemicals, attracting \$21.48 billion between April 2000-June 2023.
Tax Exemptions for SEZ Units	Income tax exemption of 100% for five years, 50% for the next five years, and 50% of reinvested profit for five more years.

Growth Drivers

- **Shift in Global Supply Chains:** Supply chain disruptions in China and anti-pollution measures have created opportunities for India.
- **Demand from Downstream Industries:** Pharmaceuticals, textiles, and agriculture continue to drive demand.
- **Government Support:** Incentives such as PLI schemes and investments in PCPIR regions.
- **Urbanization and Consumerism:** Growing urban population and demand for high-quality products.
- **Technology Advancements:** Increasing adoption of automation and sustainable practices.

Challenges

- **Regulatory Compliance:** Stringent environmental regulations.
- **Infrastructure Gaps:** Need for improved logistics and infrastructure.
- **Competition:** Stiff competition from global players, particularly China.
- **Raw Material Dependency:** Heavy reliance on imports for raw materials.

Road Ahead

The Indian chemical industry is poised for significant growth, leveraging its cost advantages and expanding domestic market. Key areas for development include:

- **Focus on Petrochemicals:** Transition to crude-to-chemical complexes to reduce reliance on fuel transportation.
- **Sustainability:** Investment in eco-friendly manufacturing processes.
- **Cluster Development:** Integrated manufacturing hubs under the PCPIR policy, targeting investments of ₹20 lakh crore (\$276.46 billion) by 2035.
- **R&D Expansion:** Developing new molecules and specialty chemicals for global markets.
- **Export Boost:** Enhancing competitiveness through infrastructure upgrades and policy reforms.

Recent Developments (FY24 Onwards)

- **Investment Plans:** India aims to attract \$87 billion in investments in the petrochemicals sector over the next decade to meet the growing demand for petrochemical products.
- **Refinery Expansions:** Indian Oil Corporation plans to complete the expansion of its Panipat, Gujarat, and Barauni refineries by December 2025, increasing capacities to meet domestic and export demands.
- **Financial Performance:** Companies like BASF India and Coromandel International reported declines in profits in recent quarters due to rising input costs and market challenges.

Key Management -

Key Management Persons Name -	Bharat Jayantilal Pandya
Age	63
Designation	Promoter, Founder, Chairman & Managing Director; 28+ years in marketing, management, and administration
Qualification	Bachelor of Engineering (Mechanical), Gujarat University 1984
Responsibility	Marketing, management, administration, strategic planning, and driving growth. Guides sales and marketing teams to expand domestic and international reach.
Other Directorships	Khambhat Environ Care Association

Key Management Persons Name -	Pandya Anilkumar Jayantilal
Age	61
Designation and No. of years of experience	Promoter and Whole Time Director; 28+ years in production, logistics, and factory management
Qualification	Second Year of B.Com, Gujarat University, 1984
Responsibility	Oversees day-to-day factory administration, production infrastructure, resource utilization, logistics, and product quality management. Key contributor to product/process development, and led R&D in specialty chemicals.

Piyush Maganlal Nathwani, aged 63 years, serves as the **Whole Time Director** of the company, bringing **42 years of extensive experience** in the chemical industry. He holds a **Post Graduate Diploma in Business Management** from Rajendra Prasad Institute of Communication & Management, Bombay (1983), and a **Bachelor of Engineering (Mechanical)** from Gujarat University, Ahmedabad (1987). Since joining the company in 2020, Mr. Nathwani has been instrumental in overseeing production processes, planning, quality assurance, and product improvement. Previously, he held pivotal roles with renowned organizations such as Sun Pharmaceutical Industries, Glenmark Pharmaceuticals, Meghmani Industries, and ZCL Chemicals, where he managed chemical plant operations as a Factory Occupier.

Anal Ruchir Desai, aged 45 years, is a **Non-Executive Independent Director** with **15+ years of experience** as a Company Secretary. A fellow member of the Institute of Company Secretaries of India, she holds a **Master's in Commerce** from Gujarat University (2006). Currently, she serves as Company Secretary and Compliance Officer at Denis Chem Lab Limited, ensuring corporate compliance with company laws, SEBI regulations, and other legal requirements.

Utsav Milan Shah, aged 33 years, is a **Non-Executive Independent Director** with **9 years of experience** in international tax planning and transfer pricing. A **Chartered Accountant**, he also holds a **Master's in Commerce** from the University of Mumbai (2016).

Jaina Mehulbhai Mehta, aged 36 years, is a **Non-Executive Independent Director** with **8 years of teaching experience** in engineering. She holds a **Master's in Aerospace Engineering** from Cornell University (2011).

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	June-24
Revenue from Operations	6,702.06	5,035.79	4,639.11	1,469.78
Other Income	76.57	66.18	57.72	18.11
Total Income	6,778.63	5,101.97	4,696.83	1487.89
Expenses				
Cost of Goods Sold	5,568.45	4,073.55	3,190.70	1,166.81
Changes in inventories of finished goods	-17.14	-144.63	-138.37	-126.79
Employee Benefit Expenses	194.41	289.54	278.17	79.27
Finance Cost	54.39	122.82	196.37	46.47
Depreciation and Amortization Expense	105.18	140.71	169.65	39.82
Other expenses	408.51	381.55	355.73	96.61
Total Expenses	6,313.80	4,863.54	4,052.25	1,302.19
EBITDA	547.83	435.78	952.88	253.88
EBITDA Margin	8.17%	8.65%	20.54%	17.27%
Profit/(Loss) before tax	464.83	238.43	644.58	185.70
Tax Expense				
Current tax	98.13	17.45	169.71	40.9
Deferred Tax Liabilities/Asset	24.64	48.05	2.2	4.35
Total Tax	122.77	65.50	171.91	45.25
Profit/(Loss) for the year	342.06	172.93	472.67	140.45
Net Profit Margin	5.10%	3.43%	10.19%	9.44%
Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	254.63	254.63	254.63	1,273.13
Reserves and surplus	1,061.81	1,234.74	1,707.42	829.37
Total Equity	1,316.44	1,489.37	1,962.05	2,102.50
2. Non-current liabilities				
Long-term borrowings	838.8	1,054.06	1,282.98	1,182.18
Deferred Tax Liabilities (net)	87.56	135.61	137.81	142.16
Long Term Provisions	20.45	-	-	-
Total Non-current liabilities	946.81	1,189.67	1,420.79	1,324.34
3. Current liabilities				
Short-term Borrowings	178.46	508.09	480.96	476.13
Trade Payables				
(i) Total outstanding dues of MSME	533.38	302.96	166.17	289.52
(ii) Total outstanding dues of creditors other than MSME	1,094.25	611.00	823.29	1,039.66
Other Current liabilities	312.11	320.28	245.60	316.30
Short-term provisions	35.12	3.26	148.48	194.72
Total Current liabilities	2,153.32	1,745.59	1,864.50	2,316.33
Total Liabilities	3,100.13	2,935.26	3,285.29	3,640.67
Total Equity and Liabilities	4,416.57	4,424.63	5,247.34	5,743.17
ASSETS				
1. Non-current assets				
Property, Plant & Equipment	2,268.81	3,110.00	3,087.23	3,057.58
Capital Work in Progress	115.75	-	59.57	74.8

Recommendation: **AVOID**

Particulars	FY 22	FY 23	FY 24	Jun-24
Non-Current Investment	5.00	5.00	5.00	5.00
Long Term Loans and Advances	118.61	120.07	123.23	123.23
Total Non-Current assets	2,508.17	3,235.07	3,275.03	3,260.61
2. Current assets				
Inventories	551.67	605.370	660.26	769.08
Trade Receivables	820.59	327.70	925.27	1,308.22
Cash & Cash equivalents	106.62	35.59	129.47	31.61
Short term loans and advances	426.54	205.57	224.78	322.24
Other Current Assets	2.98	15.33	32.53	51.41
Total Current assets	1,908.40	1,189.56	1,972.31	2,482.56
Total Assets	4,416.57	4,424.63	5,247.34	5,743.17

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	86.34	334.97	261.94	68.89
Net Cash Flow from Investing Activities	-519.02	-839.38	-186.47	-14.77
Net Cash Flow from Financing Activities	455.8	433.41	18.38	-151.93

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	Jun 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	Jun 24
Diluted EPS	2.98	1.36	3.71	1.1	EV/EBITDA	3.74	6.92	3.77	14.69
BV per share	51.70	58.49	77.06	16.51	Market Cap / Sales	1.42	1.89	2.05	6.48
<u>Operating Ratios</u>					P/E	18.46	40.44	14.82	50.00
EBITDA Margins	8.17%	8.65%	20.54%	17.27%	Price to Book Value	1.06	0.94	0.71	3.33
PAT Margins	5.10%	3.43%	10.19%	9.44%	<u>Solvency Ratios</u>				
Inventory days	44.69	23.75	72.80	81.00	Debt / Equity	0.64	1.05	0.90	0.79
Debtor days	30.04	43.88	51.95	190.99	Current Ratio	0.89	0.68	1.06	1.07
Creditor days	119.93	100.70	144.58	511.35	Quick Ratio	0.63	0.33	0.70	0.74
<u>Return Ratios</u>					Asset Turnover	1.52	1.14	0.88	0.26
RoCE	19.56%	11.01%	23.15%	6.25%	Interest coverage Ratio	8.14	2.40	3.99	4.61
RoE	25.98%	11.61%	24.09%	6.68%					

LEAD MANAGER TRACK RECORD –

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 Shares Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rappid Valves (India) Limited	30.41	222.00	Sep 30, 2024	340.65
2.	Picture Post Studios Limited	18.72	24.00	Aug 09, 2024	30.45
3.	Dhariwalcorp Limited	25.15	106.00	Aug 08, 2024	130.00
4.	Prizor Viztech Limited	25.15	87.00	July 22, 2024	181.10
5.	Effwa Infra & Research Limited	51.27	82.00	July 12, 2024	250.00
6.	Visaman Global Sales Limited	16.05	43.00	July 01, 2024	42.00
7.	GSM Foils Limited	11.01	32.00	May 31, 2024	113.95
8.	Quest Laboratories Limited	43.16	97.00	May 23, 2024	110.90
9.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	82.90
10.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	95.10

The company has handled 34 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 31st December 2024.

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

Recommendation -

Based on the analysis, the company exhibits several concerns that outweigh its positive aspects at this stage. Here are the key considerations:

Concerns

1. **Financial Volatility:**
 - EBITDA and PAT margins have been inconsistent in the reported periods.
 - Revenue shows a declining trend, indicating potential challenges in maintaining growth.
2. **Promoter Qualifications:**
 - Both promoters lack formal education in related fields, though one has relevant experience. This raises questions about domain expertise at the leadership level.
3. **Employee Attrition:**
 - An attrition rate of 19-22% among 72 employees is significantly higher than the recommended 10%, pointing to possible organizational challenges.
4. **Limited Growth Allocation:**
 - Only ₹5-7 crore from the issue proceeds is allocated toward plant purchases, reflecting minimal emphasis on growth initiatives. The majority of the proceeds are being used to repay unsecured loans.

Positives

1. **Export Revenue:**
 - Generating revenue from exports to markets like China and Switzerland demonstrates the company's ability to meet international quality standards.
2. **Strategic Shift:**
 - The company's move from a high-volume, low-value model to a high-value, low-volume approach could improve margins in the long term if executed effectively.
3. **Peer Performance:**
 - While the company's performance is at par with peers, the wide range of industry metrics makes it difficult to draw definitive conclusions.

Recommendation

Investors are advised to **avoid subscribing to the IPO** for now and instead monitor the company's performance post-listing.

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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