



IPO Note

Stallion India Fluorochemicals Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Stallion India Fluorochemicals Limited was originally incorporated on Sep 05, 2002. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is into the business of selling Refrigerant and Industrial Gases and related products. Their primary business consists of debulking, blending and processing of Refrigerant and Industrial gases, selling of pre filled cans and small Cylinders/ Containers.
- **Revenue Stream:** The major revenue stream for the company is from sale of refrigerants.
- **Human Resource:** The company had 20 permanent employees as of Sep 30, 2024.

Objects of the Issue -

- Funding incremental working capital requirements of the Company
- Funding capital expenditure requirements for the Semi-conductor & Specialty Gas debulking & blending facility ("Khalapur, Maharashtra")
- Funding capital expenditure requirements for the Refrigerant debulking & blending facility ("Mambattu, Andhra Pradesh")
- General corporate purposes.

Promoters Name -

Shazad Sheriar Rustomji, Manihsa Shazad Rustomji & Rohan Shazad Rustomji

Rationale for recommendation -

- ✓ The bottom line and profitability margins have remained inconsistent over the years.
- ✓ The RoE and RoCE have seen a dip in FY23.
- ✓ The company had negative cash flow from operations for FY23, FY24 and Sep-24.
- ✓ The company has high concentration of customers and suppliers.
- ✓ The industry has many established players.

IPO Details

Opening Date	Jan 16, 2024
Closing Date	Jan 20, 2024
Allotment Date	Jan 21, 2024
Listing Date	Jan 23, 2024
Stock Exchange	BSE, NSE
Lot Size	165 Shares
Issue Price Per Share	₹85 to ₹90
Issue Size	199.45 Cr.
Fresh Issue	160.73 Cr.
Offer for Sale	38.72 Cr.
Application Amt	₹ 14,850 - ₹ 1,93,050 (165 to 2,145 shares)

INDUSTRY - Fluorochemicals

Avg. PE ratio as per RHP - 57.12

KPI's	KPIs (In Crores)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	185.88	225.50	233.24	140.73
EBITDA	32.55	15.04	23.71	24.74
Net Profit	21.11	9.75	14.79	16.55
RoCE	49.85%	19.02%	19.11%	15.50%*
ROE	34.64%	13.79%	12.54%	10.61%*
P/E	23.50	50.85	35.43	21.57*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post Issue
94.63%	67.90%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	2.54	4.17
BVPS	19.19	39.31
P/E	35.43	21.57
P/BV	4.69	2.29
Mkt Cap (In Cr)	553.20	713.93

*Annualized

Lead Managers -

Sarathi Capital Advisors Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview –

Stallion India Fluorochemicals Limited is into the business of selling Refrigerant and Industrial Gases and related products. Their primary business consists of debulking, blending and processing of Refrigerant and Industrial gases, selling of pre filled cans and small Cylinders/ Containers. The gases find application in various industries/segments such as Air conditioners & Refrigerators, Fire Fighting, Semiconductor manufacturing, Automobile Manufacturing, Pharma and Medicals, Glass bottle manufacturing, Aerosols and Spay foam.

Manufacturing Units: The company has four manufacturing facilities located in Khalapur (Maharashtra), Ghiloth (Rajasthan), Manesar (Haryana) and Panvel (Maharashtra).

Period	Capacity Utilization %			
	Khalapur Facility	Ghiloth Facility	Manesar Facility	Panvel Facility
FY2022	28.95%	12.15%	46.69%	30.59%
FY2023	37.76%	24.60%	44.09%	22.58%
FY2024	49.42%	26.71%	25.12%	21.38%
Sep-24	51.92%	15.30%	17.58%	-*

* Panvel and Khalapur plants operate as one. The entire billing for Maharashtra is done from the Khalapur plant.

Product Portfolio:

The company deals in gases that are broadly classified as Fluorochemicals. They are majorly used as refrigerants. These gases fall in the categories Known as:

- HC (Hydrocarbons)
- HFC's (Hydrofluorocarbons)
- HFO's (Hydrofluoroolefins).

The gases manufactured by the company are –

R32, R152a, R410a, R134a, SF6, R404a, R407a, R245fa, R-1234YF, R 227ea, R1234ZE, R 1233ZD, R23, R-508B, R 507, R-407F and CF4.

The company specializes in refrigerants gases by blending two or more gases to create new formulations.

Revenue Bifurcation Product-wise:

(Amt in Cr.)

Particulars	FY 2022		FY 2023		FY 2024		Sep-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Sales of Gases & related products								
Refrigerants Sales	177.95	95.74%	188.49	83.58%	190.85	81.83%	122.87	87.31%
Other Products								
Cylinders	0.65	0.35%	2.09	0.93%	7.50	3.22%	4.51	3.21%
Paint	-	-	-	-	0.47	0.20%	-	-
Washer Pump	-	-	2.44	1.08%	4.94	2.12%	0.74	0.52%
Refrigerants Cans (Filled & Empty)*	6.31	3.39%	32.22	14.29%	24.93	10.69%	9.83	6.99%
Vaccum Pump, AC Cleaner, Anti Rust Lubricant, Wooden pallets & Spectra Shield, Valves & Caps etc	0.66	0.36%	0.01	0.005%	4.30	1.84%	2.59	1.84%
Spare Parts of Washer	-	-	0.13	0.06%	0.16	0.07%	0.13	0.09%
Other Operating Income	0.30	0.16%	0.12	0.05%	0.07	0.03%	0.06	0.04%
Total	185.88	100%	225.50	100%	233.23	100%	140.73	100%

* Following the COVID-19 pandemic in 2020, there was a notable increase in the demand for portable refrigerant cans. This shift enabled service teams to conveniently transport these small cans in their service bags. Stallion also made a transition to adopting refrigerant cans on a large scale.

Competition -

1. **Market Competition:** The industry is highly competitive and the key factors of competition are range of product offerings, ability to customise products, terms of scale, considerable financial, manufacturing, research and development and other resources.
2. **Geographic Competition:** The company faces competition from global and Indian dental lab companies, global and Indian dental product companies offering dental laboratory and branded dental products.
3. **Barriers to entry:** Moderate 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 diversify existing product by incorporating new products that aligns with current offerings.
2. The company intends to add more environmentally friendly gases like HFOs and specialty gases to their lineup.

Risk Factors -

The company imports raw materials majorly from China contributing to 91.31%, 84.15%, 76.07% and 97.78% for FY22, FY23, FY24 and Sep-24 respectively.

The company is highly dependent on top 10 suppliers for their raw materials contributing to 68.12%, 61.67%, 50.62% and 65.99% for FY22, FY23, FY24 and Sep-24 respectively.

The company is highly dependent on top 10 customers for their revenue generation contributing to 72.88%, 74.77%, 75.69% and 77.32% for FY22, FY23, FY24 and Sep-24 respectively.

Zhejiang Sanmei Chemical Industry Co. Ltd. (Sanmei) has issued a demand notice for USD 1,251,290 (₹949.85 lakhs) through its legal representative. Any adverse legal or regulatory outcome could impact the Company's reputation, finances, and cash flow.

The company's significant portion of turnover concentrated in the months from February to May and their business operations is slightly seasonal. This demand is influenced by various factors such as industry demand fluctuations, project timelines and specific market dynamics.

The company has 4 cases against it for tax and disciplinary actions taken by SEBI amounting to Rs. 0.70 Cr.

The promoters have 5 cases against them amounting to Rs. 0.46 Cr. and have filed 3 cases.

The directors have 2 cases against them for tax matters amounting to Rs. 0.08 Cr.

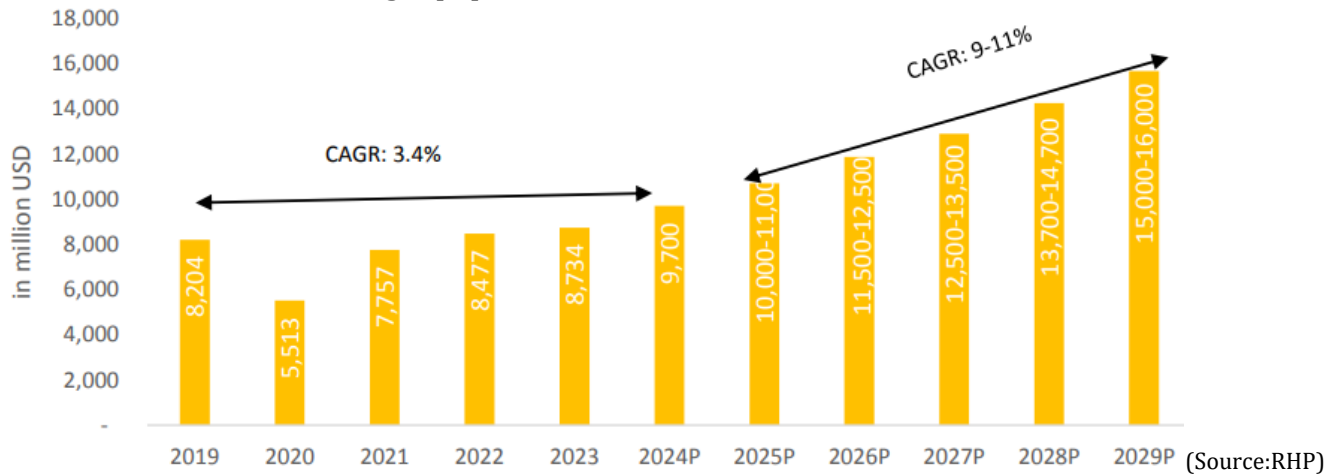
The company had negative cash flow from operations for FY23, FY24 and Sep-24.

The company has contingent liabilities amounting to Rs. 6.44 Cr. as of Sep 30, 2024.

INDUSTRY OVERVIEW -

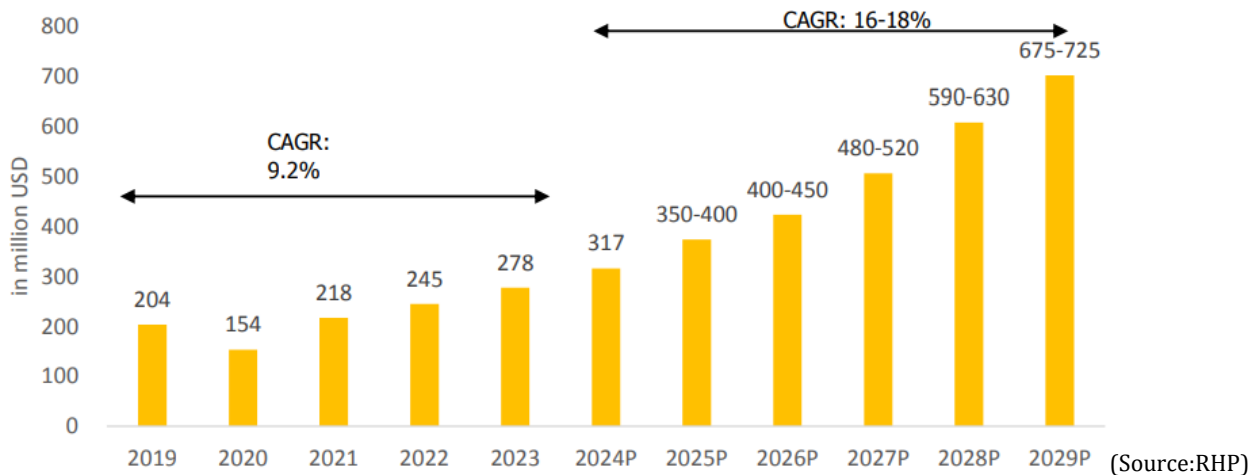
Global Fluorochemicals & Specialty Gases Industry:

The market for fluorochemicals and specialty gases has been growing and is further forecasted to grow at a CAGR of 9-11% from 9,700 USD million in 2024 to 15,000-16,000 USD million in 2029. The growth is majorly backed by the growing population and rapid urbanization. By application, automotive is the leading user segment for fluorochemicals. A larger population base over the world, warrants a need for more vehicles.



Indian Fluorochemicals & Specialty Gases Market:

The Indian Fluorochemicals and Specialty Gases market is anticipated to witness robust growth, with a projected CAGR of 16-18% during the forecast period from 2024 to 2029 to reach almost 675-725 USD million. This growth will be driven by rising demand from various industries, including electronics, healthcare, and manufacturing.



Government Initiatives:

- **Fluorochemicals and Specialty Gases (FSG) Policy:** The FSG Policy provides a comprehensive framework for the development and growth of the fluorochemicals and specialty gases industries in India.
- **The Hydrocarbon Exploration and Licensing Policy (HELP):** The HELP is a policy initiative aimed at boosting domestic production of oil and gas in India. The policy provides a transparent and simplified mechanism for awarding exploration and production (E&P) contracts. This is expected to create opportunities for the specialty gases industry, as it will require increased demand for specialty gases used in exploration and production activities.
- **The National Gas Policy:** The National Gas Policy outlines the government's strategy for promoting the development and utilization of natural gas in India. The policy emphasizes the importance of natural gas as a cleaner and more efficient fuel source compared to coal.
- **The Petroleum and Natural Gas Regulatory Board (PNGRB):** The PNGRB is a regulatory body established by the GoI to regulate the natural gas sector in India. The PNGRB regulates the pricing, transportation, and distribution of natural gas. It also sets standards for the quality and safety of natural gas and its transportation infrastructure.

Key Management -

Key Management Persons Name -	Shazad Sheriar Rustomji
Age	53
Designation and No. of experience	Promoter, Chairman and Managing Director, 30+ years of experience in Refrigerants and specialty chemicals
Qualification	Completed Junior college education
Responsibility	Looks after the day-to-day business operations of the Company
Other Directorships	Shazad Rustomji Foundation

Key Management Persons Name -	Manisha Shazad Rustomji
Age	51
Designation and No. of experience	Promoter and Executive Director, 8+ years of experience in public relations
Qualification	Diploma in Fashion Designing and holds a certificate as registered medical practitioner in Alternative Medicine
Responsibility	Looks after the role of Public Relations Manager in the Company
Other Directorships	-

Key Management Persons Name -	Rohan Shazad Rustomji
Age	25
Designation and No. of experience	Promoter and Executive Director, 2+ years of experience in finance
Qualification	Completed his level 5 of BTEC and presently pursuing BBA (online)
Responsibility	Looks after the Imports and banking functions of the Company
Other Directorships	Shazad Rustomji Foundation

Key Management Persons Name -	Geetu Yadav
Age	38
Designation and No. of experience	Executive Director, 4+ years of experience in supply chain, Production, imports, sales, and finance
Qualification	Dual Master's degree, having completed a Master's in Computer Science and a Master's in Computer Application and LLB degree
Responsibility	Involved in the evaluation and execution of new product introductions, showcasing her leadership in product development initiatives.
Other Directorships	Ascent Meditech Limited, Biogenomics Limited etc.

Key Management Persons Name -	Rajagopal Neelacantan
Age	76
Designation	Independent Director
Qualification	Bachelor's degree in Science
Other Directorships	Maple Leaf Resorts And Hotels Private Limited

Key Management Persons Name -	Virenderkumar Mehta
Age	62
Designation and No. of experience	Independent Director, 25+ years of experience in indirect taxation
Qualification	Bachelor's degree in Science and a Master's degree in Arts
Previous Associations	Ministry of Finance, India

Key Management Persons Name -	Gautam Lath
Age	31
Designation and No. of experience	Independent Director, 10+ years of experience in Management Consulting and Taxation
Qualification	Qualified CA
Other Directorships	Seren Capital Private Limited, Deepak Chemtex Limited and Maven Capital Advisors Private Limited

Recommendation: **AVOID**

Key Management Persons Name -	Mukund Kandoi
Age	32
Designation and No. of experience	Independent Director, 9+ years of experience
Qualification	Qualified CA
Other Directorships	-

- The overall management of the company is slightly satisfactory.
- The management and promoters have good experience.
- There is an evidence of the dual chairmanship, which is not favourable.
- Ashish Mehta (CFO), is a qualified CA, Cost Accountant and CS and holds 12+ years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Crores
Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	185.88	225.50	233.24	140.73
Other Income	0.46	0.56	2.99	0.80
Total Income	186.34	226.06	236.23	141.53
Expenses				
Cost of Materials Consumed	151.42	195.58	194.67	123.70
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-11.95	-5.95	-7.92	-17.86
Employee benefits expense	1.31	1.43	1.91	0.85
Finance Cost	1.15	1.09	4.32	2.49
Depreciation and Amortization expense	1.79	1.54	1.11	0.58
Other Expenses	12.56	19.41	20.86	9.31
Total Expenses	156.27	213.09	214.96	119.06
EBITDA	32.55	15.04	23.71	24.74
EBITDA Margin	17.51%	6.67%	10.17%	17.58%
Profit/(Loss) before tax	30.07	12.97	21.27	22.47
Tax Expense				
Current tax	8.82	4.50	6.49	5.92
Deferred Tax	0.14	-1.28	-0.01	0.01
Total Tax Expense	8.96	3.22	6.48	5.92
Profit/(Loss) for the year	21.11	9.75	14.79	16.55
Net Profit Margin	11.36%	4.33%	6.34%	11.76%

Statement of Assets and Liabilities				Amt in Crores
Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	12.25	55.13	61.47	61.47
Other Equity	48.69	15.58	56.50	73.07
Total Equity	60.94	70.70	117.96	134.53
2. Non-current liabilities				
Provisions	0.24	0.27	0.30	0.33
Deferred tax liabilities	0.52	-	-	-
Total Non-current liabilities	0.77	0.27	0.30	0.33
3. Current liabilities				
Financial Liabilities				
(i) Borrowings	1.97	18.27	65.35	81.05
(ii) Trade Payables				
(a) Total outstanding dues of MSME	0.12	0.03	0.01	0.01
(b) Total outstanding dues of creditors other than MSME	28.83	23.80	3.73	7.03
Other Current Liabilities	0.54	0.31	1.67	1.86
Provisions	0.04	10.33	10.47	10.53
Current Tax Liabilities (Net)	4.81	2.47	3.64	0.35
Total Current liabilities	36.30	55.21	84.87	100.83
Total Liabilities	37.07	55.48	85.18	101.16
Total Equity and Liabilities	98.01	126.18	203.14	235.69
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	18.34	12.88	13.72	16.81
Deferred tax assets (net)	-	0.75	0.74	0.76
Income tax assets (net)	-	3.68	3.13	0.35
Other Non-current Assets	0.01	0.01	0.00	-
Total Non-Current assets	18.35	17.31	17.60	17.92
2. Current assets				
Inventories	43.03	41.60	90.96	107.45
Financial Assets				

Particulars	FY 22	FY 23	FY 24	Sep-24
(i) Trade receivables	28.48	42.40	71.04	76.34
(ii) Cash and cash equivalents	1.62	1.01	16.14	22.19
(iii) Bank balances other than (ii)	0.14	14.28	0.93	0.65
(iv) Other Financial Assets	0.00	0.00	0.04	0.04
Other Current Assets	6.38	9.59	6.44	11.11
Total Current assets	79.66	108.87	185.54	217.78
Total Assets	98.01	126.18	203.14	235.70

Cash Flow Statement				Amt in Crores
Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	7.99	-2.81	-73.45	-4.03
Net Cash Flow from Investing Activities	-0.80	-13.38	12.14	-3.37
Net Cash Flow from Financing Activities	-8.16	15.58	76.44	13.45

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	3.83	1.77	2.54	4.17	EV/EBITDA	1.88	4.90	7.01	15.72
BV per share	49.74	12.83	19.19	39.31	Market Cap / Sales	0.59	2.20	2.37	2.54
Operating Ratios					P/E	23.50	50.85	35.43	21.57
EBITDA Margins	17.51%	6.67%	10.17%	17.58%	Price to Book Value	1.81	7.02	4.69	2.29
PAT Margins	11.36%	4.33%	6.34%	11.76%	Solvency Ratios				
Inventory days	84.73	67.51	142.73	108.68	Debt / Equity	0.03	0.26	0.55	0.26
Debtor days	56.07	68.81	111.47	83.91	Current Ratio	2.19	1.97	2.19	2.19
Creditor days	70.62	46.35	6.88	33.60	Quick Ratio	1.01	1.22	1.11	1.11
Return Ratios					Asset Turnover	1.90	1.79	1.15	1.39
RoCE	49.85%	19.02%	19.11%	15.50%	Interest Coverage Ratio	26.75	12.43	5.23	9.70
RoE	34.64%	13.79%	12.54%	10.61%					

*Annualized

FINANCIAL ANALYSIS –

- The top line has increased over the years. For FY2023 it increased by 21.32% and for FY2024 it increased by 3.43% which was because of increase in revenue sale of gases and related products and other operating income.
- The net profit has been inconsistent over the years. It decreased by 53.80% in FY23 as overall expenses increased significantly compared to revenue generated. Also there was lower realisation on products due to pricing pressure. It saw an increase by 51.63% in FY24.
- The PAT and EBITDA margin have also remained inconsistent over the years.
- The RoCE and RoE have remained inconsistent over the years.
- The PE ratio has improved in FY24.
- The company had negative cash flow from operations in FY23, FY24 and Sep-24.

PEER ANALYSIS

Particulars	Stallion India Fluorochemicals Limited			Navin Flourine International Limited			SRF Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	11.36%	4.33%	6.34%	17.63%	17.75%	12.45%	15.05%	14.47%	10.10%
EBITDA Margin	17.51%	6.67%	10.17%	26.40%	27.73%	23.30%	25.65%	24.12%	20.17%
RoCE	49.85%	19.02%	19.11%	17.29%	17.40%	11.65%	23.85%	21.92%	13.32%
ROE	34.64%	13.79%	12.54%	14.26%	17.17%	11.35%	22.05%	20.94%	11.64%
EPS (INR)	3.83	1.77	2.54	53.12	75.71	54.58	63.09	72.70	44.91
P/E	23.50	50.85	35.43	76.22	56.41	57.61	41.56	33.18	57.01

Particulars	Stallion India Fluorochemicals Limited			Gujarat Fluorochemicals Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	11.36%	4.33%	6.34%	19.1%	22.7%	9.9%
EBITDA Margin	17.51%	6.67%	10.17%	32.3%	36.5%	23.1%
RoCE	49.85%	19.02%	19.11%	22.6%	31.5%	10.8%
ROE	34.64%	13.79%	12.54%	18.5%	24.1%	7.3%
EPS (INR)	3.83	1.77	2.54	71.66	120.97	39.60
P/E	23.50	50.85	35.43	39.00	24.97	78.22

- The market cap of the company is very low compared to its peers.
- The mentioned peers are not comparable on an apple-to-apple basis as these companies are very large and have wide range of products.
- The PE ratio of the company is better compared to its peers.
- The RoCE and RoE is better compared to its peers.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Sarthi 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 –

Sarthi Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Vinyas Innovative Technologies Limited	54.66	165.00	Oct 06, 2023	852.60
2.	Digikore Studios Limited	30.48	171.00	Oct 04, 2023	255.50
3.	Spectrum Talent Management Limited	105.14	173.00	Jun 22, 2023	171.00
4.	Homesfy Realty Limited	15.86	197.00	Jan 02, 2023	496.85
5.	Frog Cellsat Limited	41.57	102.00	Oct 13, 2022	302.05
6.	P.E Analytics Limited	31.60	114.00	Apr 04, 2022	261.90
7.	Vivo Collaboration Solutions Limited	4.40	82.00	Dec 31, 2021	80.65

The company has handled 7 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 16th Jan 2024.

As per the offer document, the above-mentioned mandates Spectrum Talent Management has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Stallion India Fluorochemicals Limited has been in the industry since 2002 and has vast experience in the industry.

The management overview of the company is slightly satisfactory.

The P/E on a post-IPO annualized basis is 21.57 times which makes it fairly priced.

The top line of the company has increased over the years but the growth in FY24 was very low. The bottom line and profitability margins have remained inconsistent and had seen a decrease in FY23. The company had experienced negative cash flow from operations for FY23, FY24 and Sep-24. The RoCE and RoE have also seen a dip in FY23.

The company has high concentration of customers and suppliers and loss of any may have adverse impact in the business operations. They are highly dependent on China for their raw materials.

Though, the overall business has potential, the financials look unsustainable, and there are many established players in the industry.

Thus, investors can **AVOID** this IPO for the time being and can wait for company's performance.

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