

## Shree Pushkar Chemicals & Fertilizers : Good Issue IPO Note: Ranking:\*\*\*



### Issue details

<b>Price band (Rs)</b>	Rs.61-Rs.65
<b>IPO Opening Date</b>	25/08/2015
<b>IPO Closing Date</b>	27/08/2015
<b>Issue Size</b>	Rs.70 Crore.

### Valuations & Recommendation

The company is an established market leader in the manufacture of Dyes & Dyes intermediates. In the last three fiscal years it has posted average EPS of Rs.6.77. In FY 15 it has earned Rs.18.65 crore as net profit on total income of Rs.266.81 crore. At the issue price at higher band at Rs.65 and EPS of FY15, asking PE is 7.22. Hence we can assume that the issue is reasonable priced. As claimed in the RHP, there is no listed company which is exactly comparable having a similar business model as that of SPCFL. Though in the Dye Intermediates business Bodal Chemical and Bhageria Dyechem trades between 4.5 and 6.5 PE. In the Speciality Chemical business Vinati and Atul Ltd trades at 19.0 to 23.0 PE.

### Highlights

- An established market leader in the manufacture of Dyes & Dyes Intermediates
- Its EPS for the FY15 is 9.01 and the average of last three years is Rs.5.84
- Good revenue growth in last 5 years. Its revenue doubled in last 5 years
- CRISIL has given grade 3 for the IPO

### Company Introduction Company Profile

Shree Pushkar Chemicals & Fertilizers Ltd. (SPCFL), (formerly known as Shree Pushkar Petro Products Ltd.), is an established market leader in the manufacture of Dyes & Dyes Intermediates. Its future development will have emphasis on safety and harmony with the environment. Company's manufacturing facilities are located near the commercial capital of India, i.e. Mumbai with an aggregate installed capacity of 10000 MT of various Dyes Intermediates. SPCFL pioneered with its 'Zero Waste' concept with backward integrations till now and is mulling forward integration.

### Issue Proceed

To part finance its plans for acquisition of factory in MIDC area, setting up facility for reactive dyes, H-Acid and Vinyl Sulphone, setting up of effluent treatment plant, construction of additional godown and to meet corpus fund requirements, the company is coming out with a maiden IPO of approx 1.07 crore equity share of Rs. 10 each via book building route with a price band of Rs. 61-65 to mobilize around Rs. 70 crore. Issue consists of offer for sale of 2026589 equity share from existing shareholders and the rest as fresh equity. From 2009 till 2011 it issued fresh equity between Rs. 10 and Rs. 26.56 and in August 2015 it made pre-IPO placement of 7.69 lakh odd shares at a price of Rs. 65 per share that raised the equity to Rs. 21.48 crore that will stand enhanced to approx Rs. 30.22 crore



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### Financial Summary

Particulars	FY2012	FY2013	FY2014	FY2015
Incom (in cr.)	150.97	176.57	210.37	266.8
Net Profit (in cr.)	5.35	7.25	0	18.65
EPS (Rs.)	2.59	3.5	5.04	9.00

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

post IPO. Post allotment, shares will be listed on NSE/BSE. Sole BRLM of this IPO is Keynote Corporate Services Ltd and Bigshare Services Pvt Ltd is the registrar to the issue.

### Objects of the Issue

On performance front, for last three fiscals it has posted an average EPS of Rs. 6.77. Its turnover /net profit stood at Rs. 176.57 cr. /Rs. 7.25 cr. (FY13), Rs. 210.37 cr. /Rs. 10.44 cr. (FY14) and Rs. 266.81 cr. / Rs. 18.65 cr. (FY15). If we attribute latest earnings on fully diluted equity post IPO then asking price is at a P/E of around 10 that augurs well. As claimed in the RHP, there is no listed company which is exactly comparable having a similar business model as that of SPCFL. However as expressed in the RHP, listed companies in similar segments are having P/E in the range of 4 to 22. Thus this IPO appears to have been fully priced. However, it is noteworthy that for past five fiscals, company has consistently shown improvements in top and bottom lines and management is confident of maintaining the tempo.

### Objects of the Issue:

- Acquisition of an existing factory within MIDC Industrial Area Lote-Parshuram bearing no. B-97
- Setting up of facilities at B-97 for manufacture of:
  - Reactive Dyes with a capacity of 3,000 TPA
  - H-Acid with a capacity of 750 TPA
  - Vinyl Sulphone (VS) Ester with a capacity of 1,000 TPA
- Setting up of additional effluent treatment plant at the existing facility (Unit I) to make the unit a 'Zero Discharge' unit.
- Construction of additional Godown(s) at the existing facility (Unit II) for meeting the additional storage requirements for finished goods.

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