

Fine Organic Industries Ltd : Good Issue

IPO Note : Largest producer of slip additives in the world, Issue appears fully priced.

: Ranking***



Issue details

Price band (Rs)	Rs.780-783
IPO Opening Date	20/05/18
IPO Closing Date	22/05/18
Issue Size	Rs. 600 Cr.

Recommendation

Total revenue grew at a CAGR of **12.26%** from Rs.520.26 Cr for the FY 2013 to Rs.826.39 Cr for FY 2017 and Net Profit grew at a CAGR of **38.85%** in the same period. Net profit grew from Rs.20.90 to Rs.77.68. For the nine months ended on 31.12.17, it has earned net profit of Rs.60.94 cr. on a turnover of Rs.599.20 cr. **If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.15.33 crore, the EPS works out to Rs.26.55 then asking price Rs.783 is at a P/E of 29.49. As per RHP, Galaxy Surfactant is the listed peer for this company which is trading at a P/E of around 28.58. Hence issue appears fully priced but considering its global play, good growth in bottom line and the future prospects only risk savvy investors may take moderate exposure in this issue for long term.**

Note: At present Galaxy Surfactants stock trades at Rs.1273, well below of issue price of Rs.1480 (-14%).

Highlights

- Fine Organic Industries Ltd. (FOIL) is the largest manufacturer of oleochemical-based additives in India and a strong player globally in this industry.
- As at March 31, 2018, FIL had a range of 387 different products sold under the 'Fine Organics' brand
- It is the first company to introduce slip additives in India and is the largest producer of slip additives in the world.
- As on 31.03.18 it has 631 direct customers (i.e., end-users of products) and 127 distributors from 69 countries. Its customer list comprises of multinational, regional and local players manufacturing consumer products and petrochemical companies and polymer producers globally.
- Low debt of Rs.28.54 crore

Company Introduction

Mumbai based Fine Organic Industries Limited is a company engaged in manufacturing of oleochemical-based additives. It is the largest manufacturer of oleochemical-based additives in India and a strong player globally in this industry.

The company produces a wide range of specialty plant derived oleochemicals-based additives used in the food, plastic, cosmetics, paint, ink, coatings and other specialty application in various industries. It has a range of 387 different products sold under the 'Fine Organics' brand. Fine Organics is the first company to introduce slip additives in India and is the largest producer of slip additives in the world. Its direct customers are multinational, regional and local players manufacturing consumer products, such as Hindustan Unilever and Parle Products, and petrochemical companies and polymer producers globally. The plastics additives and specialty additives are also used in the packaging of foods and other fast moving consumer goods. The company currently has three production facilities in Ambernath, Badlapur, and Dombivli in Maharashtra. As of December 31, 2017, these three facilities have a combined



www.fineorganics.com

Financial Summary (Rs. In Crore)

Particulars	Nine month ended Dec. 2017	FY2017	FY2016	FY2015
Total Income	599.2	819.35	696.21	637.95
Net Profit	60.94	78.36	76.48	53.18
EPS (Rs)	19.91*	25.55	24.94	17.34

*EPS not annualize

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

installed capacity of approximately 64,300 tonnes per annum. The company's products are also manufactured on a job-work basis by Olefine Organics ("Olefine"), a partnership firm and a Promoter Group entity, at a manufacturing facility in Ambernath, Maharashtra. It plans to take over the operation of the Second Ambernath Facility once Olefine has received the approval to enter into a sub-lease with us from MIDC, which is the owner of the land on which the facility is located, which is expected to occur in the fourth quarter of Fiscal 2018.

Company Promoters:

1. Prakash Damodar Kamat; 2. Mukesh Maganlal Shah; 3. Jyotsna Ramesh Shah; 4. Jayen Ramesh Shah; 5. Tushar Ramesh Shah; and 6. Bimal Mukesh Shah.

The object of the issue

The objects of the Offer are to achieve the benefits of listing Equity Shares on the Stock Exchanges and to carry out the sale of up to 7,664,994 Offered Shares by the Selling Shareholders. The listing of Equity Shares will enhance the Company's brand name and provide liquidity to the existing Shareholders. The Company will not receive any proceeds from the Offer and all the proceeds from the Offer, less Offer related expenses, will go to the Selling Shareholders.

IPO Issue Proceed

In order to get its share listed and unlock the value for stakeholders, FOIL is coming out with a maiden IPO of 76.65 Lakh equity shares of Rs. 5 each via book building issue. It has fixed a price band of Rs. 780-Rs. 783 per share. Issue opens for subscription on 20.06.18 and will close on 22.06.18. Minimum application is to be made for 19 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Entire issue is by way of offer for sale by existing shareholders and thus company is not getting any fund out of it. Through this offer, FOIL plans to raise Rs. 597.87 cr. to Rs. 600.17 cr. (based on lower and upper price bands). Being offer for sale, its post issue paid up equity remains same at Rs. 15.33 cr.

DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.