

Chemcon Speciality Chemicals Ltd : Very Good Issue IPO Note : Largest Manufacturer of Specialized Chemicals HMDS and CMIC : Good Net Margin Ranking****



Issue details

| | |
|------------------|------------|
| Price band (Rs) | Rs.338-340 |
| IPO Opening Date | 21/09/2020 |
| IPO Closing Date | 23/09/2020 |
| Issue Size | Rs.318 Cr. |

Recommendation

Total revenue grew at a **CAGR of 29.59%** from Rs.158.39 Cr for the FY 2018 to Rs.266.01 Cr for FY 2020 and Net Profit grew at a **CAGR of 36.07%** in the same period. Net profit grew from Rs.7.20 crore to Rs.13.33 crore in this period. On the latest earnings if we attribute it on fully diluted equity capital of Rs.36.62 crore, the EPS works out to Rs.13.33 then **asking price Rs.340 is at a P/E of 25+**. As on March 31, 2020, their total borrowing was 44.51 crore, while the debt to equity ratio was 0.31. As per offer documents, Chemcon Speciality Chemical has shown Aarti Industries, Vinati Organics, Sudarshan Chemicals Atul Ltd. Paushak Ltd, Fine Organics and Neogen Chemicals Ltd as its listed peers that are currently trading at a P/Es of around 33, 33.11, 19.04, 23.39, 31.36, 38.67 and 41.71. **The company may gain post listing and also investment may be considered for a long-term.**

Highlights

- Chemcon is the only manufacturer of HMDS in India and was the 3rd largest manufacturer of HMDS worldwide in terms of production in the calendar year 2019 and has an opportunity to grow at a CAGR of 15-20% between 2019 and 2023 including great opportunity for exports.
- Chemcon is the largest manufacturer of CMIC in India and the 2nd largest manufacturer of CMIC worldwide, in terms of production and capacity in calendar year 2019 and has an opportunity to grow at a CAGR of more than 25% between 2019 and 2023.
- Their manufacturing facility is located at Manjusar near Vadodara in Gujarat and currently has 7 operational plants

Company Introduction

Incorporated in 1988, Chemcon Speciality Chemicals Ltd is a manufacturer of specialized chemical products i.e. HMDS and CMIC. Its product portfolio includes oilfield chemicals (Calcium Bromide, Sodium Bromide, and Zinc Bromide), Pharma intermediates, Silanes, and chemicals contract manufacturing work.

Chemcon Chemicals is a leading manufacturer of Pharmaceutical chemicals and generates maximum revenue from this particular segment. Hetero Labs Limited, Laurus Labs Ltd, Aurobindo Pharma Ltd, Lantech Pharmaceuticals Ltd, Macleods Pharma Ltd are the key customers of its Pharma chemical business. However, Shree Radha Overseas, Universal Drilling Fluids, Water Systems Speciality are some of the clients of its oilfield chemicals segment. In 2018, it was the 8th largest manufacturer of HMDS and 2nd largest manufacturer of CMIC chemical worldwide.

Company not only serves the domestic market but also export its products in overseas market such as USA, China, Japan, UAE, Serbia, Russia, Malaysia, and Azerbaijan. It has a manufacturing plant at Manjusar near Vadodara in Gujarat, 5



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Financial Summary (Rs. In Crore)

| Particulars | FY2020 | FY2019 | FY2018 |
|--------------|--------|--------|--------|
| Total Income | 266.01 | 305.32 | 158.39 |
| Net Profit | 48.85 | 43.04 | 26.38 |
| EPS (Rs) | 13.33 | 11.75 | 7.2 |

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

| | |
|-----------|-------|
| WEAK | * |
| AVERAGE | ** |
| GOOD | *** |
| VERY GOOD | **** |
| EXCELLENT | ***** |

operational plants, 3 warehouses, and 2 leased warehouses.

Company Promoters:

KamalKumar Rajendra Aggarwal, Navdeep Naresh Goyal, and Shubharangana Goyal are the promoters of the company

The object of the issue

Firm purposes to utilize the net proceeds from the IPO towards below objectives;

- To meet capital expenditures for expansion of manufacturing facility.
- To meet business working capital requirements.
- To meet general corporate purposes.

IPO Issue Proceed

To part finance its capital requirements for expansion of manufacturing facility and general corpus funds, Chemcon is coming out with a maiden IPO with a combo offer of fresh equity issue (Rs. 165 cr.) and offer for sale. It consists fresh equity issue of approx 4852940 shares of Rs.10 each and offer for sale of 4500000 shares. The issue opens for subscription on September 21, 2020 and will close on September 23, 2020. The company has fixed the price band of Rs. 338 - Rs. 340 per share. Minimum application is to be made for 44 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Chemcon Speciality mulls mobilizing around Rs.316.13 – Rs.317.99 cr. (based on lower and upper price bands). Post issue Chemcon Speciality's current paid-up equity capital of Rs. 31.77 cr. will stand enhanced to Rs.36.62 crore.

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