

## Tatva Chintan Pharma Chem Ltd : Very Good Issue

**IPO Note : Niche Global Player in speciality Chemical with SDAs in Centre stage : Good Growth in Top and Bottom Lines For the Past Three Years : Valuation is priced-in Ranking\*\*\*\***



### Issue details

Price band (Rs)	Rs.1073-1083
IPO Opening Date	16/07/21
IPO Closing Date	20/07/21
Issue Size	Rs.500 Cr.

### Recommendation

On the financial performance front, TCPCL has reported turnover/net profits of Rs. 206.80 cr. / Rs. 20.54 cr. (FY19), Rs. 264.62 cr. / Rs. 37.79 cr. (FY20) and Rs. 306.29 cr. / Rs. 52.26 cr. (FY21). Thus it has posted growth in top and bottom lines for the past three fiscals. It has posted a **CAGR of 21.70%** in top lines and a **CAGR of 59.50%** in bottom lines. Its **debt-equity ratio stood at 0.54** as of March 31, 2021. If we attribute FY21 earnings on fully diluted post issue equity, then the asking price is at a **P/E of around 45.95**. As per the offer documents, TCPCL has shown Aarti Ind., Navin Fluorine, Alkyl Amines, Vinati Organics and Fine Organics as its listed peers. They are currently trading at a P/E between 80.79 and 60.43. **The green chemical industry is fancied by investors across the board. Investment may be considered for short to long term.**

### Highlights

- TCPCL is a niche global player in specialty chemicals with SDAs.
- TCPCL is one of the leading global producers of an entire range of PTCs in India and one of the key producers across the globe.
- The company also exports products to over 25 countries, including the USA, China, Germany, Japan, South Africa, and the UK.
- As of March 31, 2021, its portfolio had 154 products in four categories i.e. SDAs, PTCs, Electrolyte Salts and Pharma/Agri intermediates.
- TCPCL's customers include Merck, Bayer AG, Asian Paints Ltd., IpoX Chemicals KFT, Laurus Labs Ltd., Tosoh Asia Pte. Ltd., SRF Limited, Navin Fluorine International Limited, Oriental Aromatics Ltd., Atul Limited, Otsuka Chemical (I) Pvt Ltd., etc.

### Company Introduction

Incorporated in 1996, Tatva Chintan Pharma Chem Limited is a chemical manufacturing company that manufactures structure directing agents (SDAs), phase transfer catalyst (PTCs), pharmaceutical and agrochemical intermediates, and other specialty chemicals. It is among the largest manufacturer of SDAs for zeolites in India. The company serves customers across industries i.e. automotive, petroleum, agrochemicals, dyes and pigments, paints and coatings, pharmaceutical, personal care, and others. Its products are not only sold in India but also export to 25+ countries all over the world such as the USA, Germany, South Africa, China, and the UK. In FY 2020, total export contributed to 76% of total revenue from operations. Merck, Bayer AG, IpoX Chemicals, Laurus labs, Navin Fluorine International Limited, Atul Limited, Otsuka Chemicals, SRF Limited, Hawks Chemical Company, Firmenich Aromatics Prod Pvt Ltd, and Divi's laboratories are a few of customers of the company. Currently, it has two manufacturing facilities at Ankleshwar and Dahej in Gujarat.



[www.tatvachintan.com](http://www.tatvachintan.com)

## Company Promoters:

Ajaykumar Mansukhlal Patel, Chintan Nitinkumar Shah, and Snehkar Rasiklal Somani are the company promoters

## Objects of the Issue:

- Funding capital expenditures requirements for expansion of Dahej manufacturing facility.
- Funding capital expenditures requirements to upgrade R&D facilities in Vadodara.
- To meet general corporate purposes.

## IPO Issue Proceed

To part finance its need for funding capital expenditure for expansion of its Dahej facility (Rs. 147.10 cr.), up-gradation of its R & D facility (Rs. 23.97 cr.) and general corpus funds, TCPCL is coming out with a maiden IPO of Rs. 500 cr. comprising of fresh equity issue worth Rs. 225 cr. (2077556 shares) and an offer for sale (OFS) of Rs. 275 cr. (2539244 shares). The company will be issuing approx. 4616800 shares of Rs. 10 each on the basis of the upper price band. TCPCL has fixed a price band of Rs. 1073 - Rs. 1083 per share having a face value of Rs. 10. The issue opens for subscription on July 16, 2021, and will close on July 20, 2021. Minimum application is to be made for 13 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 20.83 % of the post issue paid-up capital of TCPCL. The company has allocated an IPO quota of 50% for QIBs, 15% for HNIs and 35% for retail investors. Post-IPO, TCPCL's current paid-up equity capital of Rs. 20.09 cr. will stand enhanced to Rs. 22.17 cr. Based on the upper price band, the company is looking for a market cap of Rs. 2400.48 cr.

## Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	206.8	264.62	306.29
Net Profit	20.54	37.78	52.26
EPS (Rs)	9.26	17.04	23.57

\*EPS not annualized

Source: RHP and ACE Equity

## RANKING METHODOLOGY

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

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