

## Chemplast Sanmar Ltd : Average Issue

**IPO Note : 2nd largest manufacturer of suspension PVC resin : CAUTION : Voluntary Delisted in 2012 : High Priced Issue: Ranking\*\***



### Issue details

Price band (Rs)	Rs.530-541
IPO Opening Date	10/08/21
IPO Closing Date	12/08/21
Issue Size	Rs. 3850 Cr.

### Financial and Recommendation

On the financial performance front, for the last three financial years, CSL has (on a consolidated basis) posted turnover/net profits of Rs. 1266.77 cr./ Rs. 118.46 cr. (FY19), Rs. 1265.51 cr. / Rs. 46.13 cr. (FY20) and Rs. 3815.11 cr. / Rs. 410.24 cr. (FY21).

- If we take FY21 EPS of Rs 30.6, the P/E ratio works out 20.82x.
- There are listed peers in this segment like Navin Fluorine trading at P/E 74x (Highest) and Finolex Industries trading at P/E 15x (Lowest) and industry average P/E of 43x.
- Though the issue appears reasonably priced, it is due to the non-convincing super performance of FY21 and sustainability is a major concern.
- **CAUTION: Voluntary Delisted in 2012**

### Highlights

- Chemplast Sanmar Ltd. (CSL) is a speciality chemicals manufacturer in India with a focus on speciality paste PVC resin and custom manufacturing of starting materials and intermediates for pharmaceutical, agro-chemical and fine chemicals sectors Company is the largest manufacturer of specialty paste PVC resins in India in terms of installed production capacity.
- Pursuant to the CCVL Acquisition, it acquired 100.0% equity interest in CCVL that is the second-largest manufacturer of suspension PVC resin in India and the largest manufacturer in the South India region, on the basis of installed production capacity as of December 31, 2020
- It is 3rd largest manufacturer of caustic soda and the largest manufacturer of hydrogen peroxide in South India.
- A part of the SHL chemicals Group, is one of the most prominent corporate groups in South India.

### Company Introduction

Incorporated in 1985, Chemplast Sanmar Ltd is a leading specialty chemical manufacturer in India. The company is engaged in the manufacturing of specialty paste PVC resin, starting materials, and intermediates for agro-chemical, pharmaceuticals, agro-chemical, and fine chemical sectors. It also produces other types of chemicals such as Caustic Soda, Chlorochemicals, Hydrogen Peroxide, Refrigerant gas, and Industrial Salt.

It has four manufacturing facilities, among which, 3 are situated at Mettur, Berigai, and Cuddalore in Tamil Nadu, and one is located in Puducherry at Karaikal.

Further, custom manufacturing for agrochemical sectors is also likely to witness a boost with discovery chemistry pertaining to the agricultural sector gaining more traction. Demand for caustic soda is also expected to grow at a CAGR of 4% to 5% between Financial Years 2020 and 2025, led by increasing demand from the alumina and chemical industries. Further, the



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### Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	3815.10	1265.51	1266.77
Net Profit	410.24	46.12	118.46
EPS (Rs)	25.94	2.91	7.49

Source: RHP and ACE Equity

### RANKING METHODOLOGY

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

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demand in the Indian market for chloromethane and hydrogen peroxide is expected to grow at a CAGR of 8% to 9% and 6% to 7% between Financial Years 2020 and 2025, respectively.

### Company Promoters:

Sanmar Holdings Limited is the promoter of the company.

### Objects of the Issue:

- 1) Offer for Sale (OFS) Rs 2,550 Crores: Under OFS selling shareholders would sell the shares and company would not get any proceeds from the issue.
- 2) Fresh issue for Rs 1,300 Crores: Fresh issue would be utilized for the following:
  - 1.i) Early redemption of NCDs issued by the company in full.
  - ii) Meet general corporate purposes.

### IPO Issue Proceed

To part finance its plans of early redemption of NCDs issued by the company (Rs. 1238.25 cr.) and general corpus funding, CSL is coming out with a maiden IPO worth Rs. 3850 cr. (71164503 SHARES) via book building route. It comprises a fresh equity issue for Rs. 1300 cr. (approx. 24029568 shares) and an Offer for Sale (OFS) of Rs. 2550 cr. (47134935 shares). It has fixed a price band of Rs. 530 - Rs. 541 per share of Rs. 5 each. The minimum application to be made is for 27 shares and in multiples thereon, thereafter. The issue opens for subscription on August 10, 2021, and will close on August 12, 2021. Post allotment, shares will be listed on BSE and NSE. The company has allocated 75% for QIBs, 15% for HNIs and 10% for retail investors. Post issue, company's current paid-up equity capital of Rs. 67.04 cr. will stand enhanced to Rs. 79.05 cr. Based on the upper cap of the issue price, the company is looking for a market cap of Rs. 8553.73 cr.