



IPO INSIGHTS



HP ADHESIVES LTD

Issue Dates - Opens: 15-12-2021 | Closes: 17-12-2021

IPO Note	<ol style="list-style-type: none"> 1. Good Growth in Sales 2. High Growth in Operating and Net Profits 3. Good Operating Margins 7 to 15% and Net Margins 4 to 8% (Loss in FY2020) 4. Fair Valuation
Rating	★★★★ (VERY GOOD)

IPO SNAPSHOT

Issue Size	₹ 125.96 Crores
Issue Type	Fresh Issue & Offer For Sale
Fresh Issue	₹ 113.44 Crores
Offer for Sale	₹ 12.53 Crores
Face Value Per Share	₹ 10
Price Band Per Share	₹ 262 - ₹ 274
Minimum Lot Size	50 shares
Listing On	BSE & NSE
Pre-Issue Promoter Shareholding	95.31%
Registrar to the Issue	Bigshare Services Private Ltd

IPO SNAPSHOT – HP Adhesives Ltd

About the Company	<ul style="list-style-type: none"> ▪ Fast-growing multi-product, multi-category consumer adhesives and sealants company ▪ One of the Leading manufacturing company in India for PVC solvent cement in the consumer/ bazaar segment of the adhesive industry ▪ Manufacture a wide range of consumer adhesives and sealants ▪ HP Adhesives Ltd. is the largest manufacturer, having 14-16% market share in PVC adhesives market ▪ As of September 30, 2021, distribution network comprised of <ul style="list-style-type: none"> • 4 depots situated in Delhi, Kolkata, Bengaluru and Indore and • more than 750 distributors who cater to more than 50,000 dealers in India 																																										
Industry	<ul style="list-style-type: none"> ▪ India's consumer adhesives industry is expected to clock 9-10% CAGR between fiscals 2021 and 2026 driven by economic recovery and growth in end-user industries. In particular, demand is expected to recover in fiscal 2022, growing at 14-15% on-year, on a low base of fiscal 2021, as the Indian economy recovers from the impact of the pandemic. Overall, growth of the consumer adhesives industry is expected to moderate and log a CAGR of ~8% between fiscals 2022 and 2026. ▪ The size of the Indian PVC adhesives market was Rs 6.81 billion as of fiscal 2020 while in fiscal 2021, the market de-grew by ~9% to Rs 6.2 billion on account of demand slump as a result of Covid-19 pandemic. 																																										
Financials (₹ in Millions)	<table border="1"> <thead> <tr> <th>Particulars</th> <th>31-3-2019</th> <th>31-3-2020</th> <th>31-3-2021</th> <th>30-9-2021</th> <th>Y-o-Y</th> <th>2-Yrs CAGR</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>8,742</td> <td>9,548</td> <td>11,816</td> <td>7,052</td> <td>24%</td> <td>16%</td> </tr> <tr> <td>EBITDA</td> <td>870</td> <td>692</td> <td>1,769</td> <td>734</td> <td>156%</td> <td>43%</td> </tr> <tr> <td>EBITDA Margin</td> <td>10%</td> <td>7.2%</td> <td>15%</td> <td>10.4%</td> <td></td> <td></td> </tr> <tr> <td>PAT</td> <td>400</td> <td>-467</td> <td>1,006</td> <td>310</td> <td>Loss to Profit</td> <td>59%</td> </tr> <tr> <td>PAT Margin</td> <td>4.6%</td> <td>-4.9%</td> <td>8.5%</td> <td>4.4%</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> ▪ Debt to Networth < 1 	Particulars	31-3-2019	31-3-2020	31-3-2021	30-9-2021	Y-o-Y	2-Yrs CAGR	Revenue	8,742	9,548	11,816	7,052	24%	16%	EBITDA	870	692	1,769	734	156%	43%	EBITDA Margin	10%	7.2%	15%	10.4%			PAT	400	-467	1,006	310	Loss to Profit	59%	PAT Margin	4.6%	-4.9%	8.5%	4.4%		
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Valuation	<ul style="list-style-type: none"> ▪ At FY2021 EPS of 7.74 P/E comes at 35.4 at the upper price band ▪ Assuming 10-20% growth in EPS next year P/E can be in the range of 29 to 32 																																										
Peers	<ul style="list-style-type: none"> ▪ Pidilite with P/E of 87.8 																																										
Promoters	<ul style="list-style-type: none"> ▪ Anjana Haresh Motwani ▪ Karan Haresh Motwani 																																										
Utilization	<ul style="list-style-type: none"> ▪ Funding Working Capital Requirements of Subsidiary ▪ Funding Capital Expenditure for expansion of production capacity 																																										

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