

Chemcon Speciality Chemicals

Price Band ₹ 338-340

SUBSCRIBE

Chemcon Speciality Chemicals is a manufacturer of specialised chemicals, such as HMDS (hexamethydisilazane) and CMIC (chloromethyl isopropyl carbonate), which are predominantly used in the pharmaceuticals industry. Further the company also manufacturers inorganic bromides namely Calcium Bromide, Zinc Bromide and Sodium Bromide, which are predominantly used as completion fluids in the oilfields industry. It is the only manufacturer of HMDS in India and were the third largest manufacturer of HMDS worldwide in terms of production.

Anti-China sentiments likely to aid performance for Chemcon

Chemcon is present into HMDS, CMIC and Oil field chemicals. Since, China being the largest player into HMDS and CMIC with total capacity to the tune of 50-60% of the global market, it is one of the major exporter of these two chemicals across the world. India also imports to the tune of ~40% of HMDS (Demand of ~4000 MT) and ~60% of CMIC (Demand of 2530 MT), which majorly comes from China. Post Covid-19, there has been anti-china sentiments across the world, which we expect to benefit Chemcon given that it has already expanded capacity for HMDS and likely to increase capacity for CMIC in the coming time. It is evident that the company could likely to capture import share in the years to come in a view that it maintains pricing dynamics in line with the Chinese players.

Upcoming Capex likely to boost pharma chemical revenue & OPM

The company has recently increased its capacity for HMDS from 1800 MT to 4800 MT (~600 MT high purity HMDS and rest normal HMDS). Further, the company also plans to utilise around ₹ 41 crore from the IPO proceeds for the expansion of CMIC, which should likely to expand company's processing capacity by ~60%. We believe the company enjoys higher realisations in its pharma chemical business as compared to oil field chemicals and thus, it is evident that these two business verticals will likely to grow at decent pace in the coming few years on the back of import substitution. This should provide better OPM visibility for medium term.

Key risk & concerns

- Pricing pressure from China to impact performance ahead
- High working capital remains a key risk for balance sheet

Priced at P/E of 25.5x (post issue) FY20 on upper band

Since CMIS goes into Tenofovir and with expectations of better growth outlook from the aforementioned drug over the period, one can expect better growth outlook for the company. Further, increase in the capacity for both HMDS and CMIS by Chemcon, one should expect pharma chemical business revenue to be more tilted to the group revenue ahead and thereby the operational performance. At the higher end of the price band of ₹ 340, the stock is available at a P/E of ~25.5x (on post issue basis) and EV/EBITDA of ~15.8x (post issue). We have a SUBSCRIBE rating on the issue.

Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	CAGR (FY18-20)
Net Revenue	157.2	303.3	262.0	29%
EBITDA	45.1	66.1	70.2	25%
EBITDA Margins (%)	28.7%	21.8%	26.8%	
Adj.PAT	26.4	43.0	48.8	36%
Adj. EPS (₹)	7.2	11.8	13.3	
EV/EBITDA	24.6x	16.8x	15.8x	
P/E	47.2x	28.9x	25.5x	
ROE (%)	49.2	44.4	33.4	
ROCE (%)	74.6	63.7	42.4	

Source: ICICI Direct Research, RHP, * Adjusted EPS based on post issue no of outstanding shares. Valuation ratios arrived based on the post issue MCAP and EV



Particulars

Issue Details

Issue Opens	21st Sept, 2020
Issue Closes	23rd Sept, 2020
Issue Size (₹ Crore)	318.0
Fresh Issue	165.0
Price Band (₹)	338-340
No of shares offer (crore)	0.94
Minimum lot size	44

Shareholding

	Pre issue	Post issue
Promoter	70.8%	55.3%
Public	29.2%	44.7%

*As per RHP page no 70 for pre issue holding

Objects of issue

Capital expenditure towards expansion of our Manufacturing Facility
Funding working capital requirements
General corporate purposes

Research Analyst

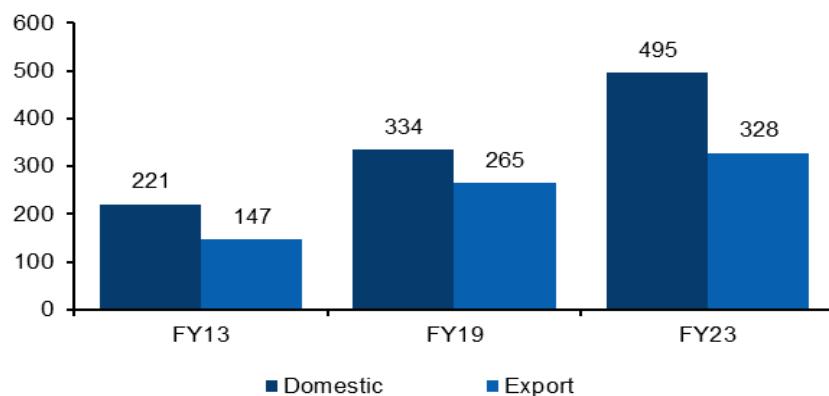
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Industry Overview

Pharmaceutical intermediates are the chemical compounds that form the building blocks used in production of active pharmaceutical ingredient (API). The global market of chemicals used as pharma intermediates was valued at about \$ 27 billion in 2019 and is expected to grow at a CAGR of 4% over FY19-23. The major factors that will drive the requirement of pharmaceutical drugs over the forecast period are the increase in burden of diseases and geriatric population. Patent expiration is also one of the key factors that will drive the growth of the generics drug market. The greater production of APIs is expected to enhance the demand of chemicals used as pharma intermediates. North America is the biggest and most attractive market and benefits from the presence of major pharmaceutical companies and better infrastructure. It is anticipated to dominate the global market of chemicals used as pharma intermediates over the forecast period. Europe is expected to be the second largest expanding region over the forecast period due to the rise in research and development activities coupled with high investments on research and development activities by myriad key players. Asia Pacific is anticipated to be the fastest growing market of chemicals used as pharma intermediates due to presence of large number of contract manufacturing organizations in the region. India's pharma intermediate market is estimated to the tune of ₹ 599 billion in FY19, which is expected to grow at the rate of 8.3% CAGR over FY19-23.

Exhibit 1: India Overall Market of Chemicals used as pharma intermediates (INR Bn)



Source: RHP, ICICI Direct Research

Indian HMDS market overview

HMDS or hexamethyldisilazane (also known as bis(trimethylsilyl)amine) is an organosilicon compound with the molecular formula $\text{N}(\text{CH}_3)_2\text{Si}(\text{CH}_3)_3$. The molecule is a derivative of ammonia with trimethylsilyl groups in place of two hydrogen atoms. This colourless liquid is a reagent and a precursor to bases that are popular in organic synthesis and organometallic chemistry. The process directly synthesizes hexamethyldisilazane by using trimethylchlorosilane and liquid ammonia as raw materials. The method simplifies the production process, improves the product yield, improves the product quality, reduces the production cost and completes the synthesis reaction in a one-step process without solvent.



Exhibit 2: Applications of HMDS

Application	Description
Pharmaceutical	Hexamethyldisilane mainly used as methyl silane alkylation (such as amikacin, penicillin, cephalosporins and kinds of penicillin derivatives), hydroxyl protectants of antibiotics. Hexamethyldisilazane is used in the preparation of 5-azacytidine, an antineoplastic drug. Also, it used in preparation of β3-AR agonists used in anti-stress formulations.
Semiconductor	It is used as surface treatment agent of diatomite, white carbon black, titanium and blond additives of photoresist in the semiconductor industry.
Organic Synthesis	Hexamethyldisilazane is primarily used as a precursor to many bases common in organic synthesis and organometallic chemistry.
Others	Hexamethyldisilazane also has applications in photolithography, electron microscopy and pyrolysis-gas chromatography-mass spectrometry. HMDS (Hexamethyldisilazane) can greatly increase the application range of GC and improve the chromatographic results of silanization of sugars and related substances

Source: RHP, ICICI Direct Research

The Global HMDS market in 2019 was valued at \$ 243 million with a demand of ~25.4 KT. Geographically, China accounted for the largest production share of HMDS (41.3%), followed by North America (20.9%), Europe (17.5%), Japan (9.9%), India (10.4%) in 2019. North America and Europe are the major consumers of HMDS, together accounting for more than 60% of global HMDS demand.

Exhibit 3: Global HMDS Capacity (MT) Split by Region/Country

Region/Country	2015	2016	2017	2018	2019
China	12890	16390	17590	17590	17800
North America	10000	10000	7000	7000	7000
Europe	5500	5500	5500	5500	5500
Japan	3000	3000	3000	3000	3000
India	2400	2400	2400	1800	2400
Total	33,790	37,290	35,490	34,890	35,700

Source: RHP, ICICI Direct Research

Exhibit 4: Global HMDS Capacity (MT) Split by Manufacturer

Company	Country	2015	2016	2017	2018	2019
Xinyaqiang Silicon	China	6000	6000	6000	6000	6000
Dow	USA	5000	5000	5000	5000	5000
Zhejiang Sorbo	China	2400	2400	3600	3600	3600
Wacker	Germany	3000	3000	3000	3000	3000
Shin-Etsu	Japan	3000	3000	3000	3000	3000
Sichuan Jiabi	China	0	3000	3000	3000	3000
Evonik	Germany	2500	2500	2500	2500	2500
Bluestar	China	2000	2000	2000	2000	2000
Chemcon	India	2400	2400	2400	1800	2400
Momentive	USA	3000	3000	0	0	0
Global Others		4490	4990	4990	4990	5200
Total		33,790	37,290	35,490	34,890	35,700

Source: RHP, ICICI Direct Research

HMDS Market size by End Use Industry

Antibiotic Drugs: Asia-Pacific has observed a trend of increasing antibiotic consumption in countries, such as China and India, having diversified patient population where there is a continuous rise in demand for generic antibiotics. The third and fourth generation broad-spectrum antibiotics, under cephalosporins are consumed heavily in several countries across Southeast Asian countries. The global antibiotics market was valued at about \$ 44.8 billion in 2019, which is estimated to register a CAGR of 4.5%,

over the period of FY20-23. Cephalosporins have the largest market share among all antibiotics at ~26% in 2019.

Exhibit 5: List of Drugs with end use of HMDS

Drug - End Use of HMDS	Drug Description / Application
Cefprozil	Second-generation cephalosporin antibiotic - used to treat bronchitis, ear infections, skin infections and other bacterial infections
Cefadroxil	Antibiotic of the cephalosporin type, effective in Gram-positive and Gramnegative bacterial infections
Cefaclor	Second-generation cephalosporin antibiotic - used to treat certain bacterial infections such as pneumonia and infections of the ear, lung, skin, throat and urinary tract

Source: RHP, ICICI Direct Research

Anti-viral Drugs: The global market for antiviral drugs was worth USD 61.9 Bn in 2019 and is projected to reach a valuation of USD 79.3 Bn by 2023. The market is estimated to register a ~6.39% CAGR between 2019 and 2023. The global market for antiviral drugs is expected to gain traction from developed economies, especially from North America. The rising focus of the players on technological advancements and innovations in this field are projected to support the growth of the overall market in the next few years. Several emerging economies, such as China, Japan and India are estimated to offer potential growth opportunities for the market players, thus accelerating the growth of the overall market in the next few years. In addition to this, the rising government support is predicted to enhance the growth of the market in the next few years.

Exhibit 6: List of Drugs with end use of HMDS

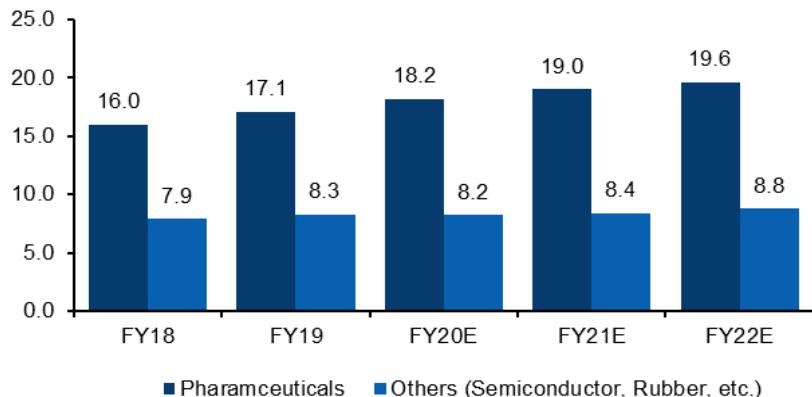
Drug - End Use of HMDS	Drug Description / Application
Sofosbuvir	Direct Acting Antiviral (DAA) medication used as part of combination therapy to treat chronic Hepatitis C
Lamivudine	Antiretroviral medication used to prevent and treat HIV/AIDS. It is also used to treat chronic hepatitis B when other options are not possible. It is effective against both HIV-1 and HIV-2
Emtricitabine	Nucleoside Reverse Transcriptase Inhibitor (NRTI) for the treatment of HIV infection in adults
Efavirenz	Antiretroviral medication used to treat and prevent HIV/AIDS
Gemcitabine	Chemotherapy medication used to treat a number of types of cancer

Source: RHP, ICICI Direct Research

Semiconductor Electronics Industry: HMDS is used heavily in the semiconductor electronics industry as CVD (Chemical Vapor Deposition) /ALD (Atomic Layer Deposition) precursors and photoresist adhesion promoters mainly for ultra-low K dielectrics, low temperature oxides and litho spacers. With the use of HMDS, companies have been able to enable powerful yet small chips inside computers, tablets and smartphones to work better on a consistent basis.

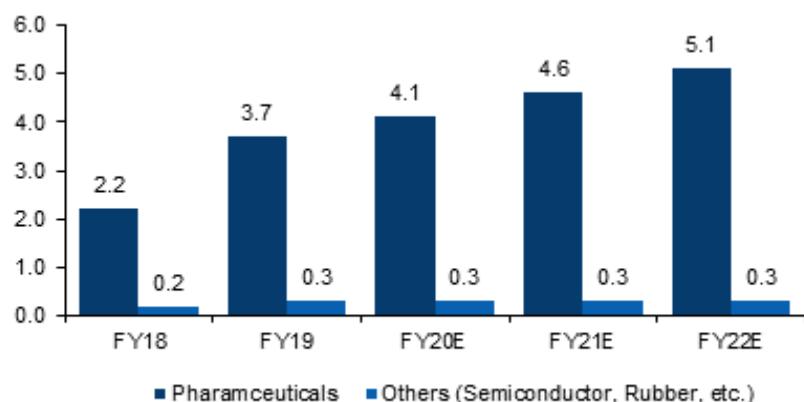
Rubber Industry: Used in vinyl silicone rubber in order to improve the tearing strength.

Exhibit 7: Global and India HMDS Demand Split by Application ('000 MT)



Source: RHP, ICICI Direct Research

Exhibit 8: India HMDS Demand Split by Application ('000 MT)



Source: RHP, ICICI Direct Research

CMIC market Overview

The CMIC (chloromethyl isopropyl carbonate), is also known as chloromethyl (1-methylethyl) carbonate. It belongs to the product category of chemicals used as pharma intermediates. Chloromethyl isopropyl carbonate is an antiviral drug intermediate product, which is a key intermediate for antiAIDS and anti-hepatitis B drug Tenofovir. The downstream product of chloromethyl isopropyl carbonate, Tenofovir is a nucleotide antiviral drug developed by Gilead Corporation of the United States. In 2001, it was approved by the US FDA for the treatment of human immunodeficiency virus (HIV) infection. Because of its precise therapeutic effect, good applicability and appropriate dosage, it is the first-line anti-HIV drug recommended by multiple treatment guidelines. Tenofovir and its combination preparations have become the largest sales of anti-AIDS drugs. In April and August 2008, the European Union and the US FDA approved Tenofovir for the treatment of hepatitis B (hepatitis B) based on a large number of clinical trial results and were praised by experts as one of the best antihepatitis B drugs.



Exhibit 9: Application of CMIC

Application	Description
Chemicals used as pharma intermediates	CMIC is mainly used in pharmaceutical industry as a key intermediate for anti-AIDS anti-hepatitis B drug Tenofovir
Others	In addition to above applications, CMIC can also be used in synthesis of other antiviral drugs

Source: RHP, ICICI Direct Research

India, the largest consumer of CMIC in the world, accounts for ~65% of the global CMIC demand. The market for chemicals used as pharma intermediates in India is expanding day by day. This is mainly due to the fact that people are now turning towards specialty chemicals for the manufacturing of products like medications. India and China are the only countries that produce CMIC. In 2019, India and China accounted for 36% and 64% of the global production share respectively. Chemcon is one of the leading players in the market of CMIC industry. Other major players are Shanghai Twisun, Inner Mongolia Saintchem, Anshul Specialty, Huangshi Fuertai and Paushak.

Exhibit 10: CMIC Global Capacity (MT) Split by Manufacturer

Company	Country	2015	2016	2017	2018	2019
Shanghai Twisun	China	2000	2000	2000	2000	2000
Chemcon	India	600	600	1200	1200	1800
Inner Mongolia Saintchem	China	1000	1000	1000	1000	1000
Huangshi Fuertai	China	1000	1000	1000	1000	1000
Anshul Specialty	India	550	550	550	550	550
Paushak	India	240	240	240	480	480
Shandong Tianan	China	500	500	0	0	0
Pingyuan Xinda	China	500	500	0	0	0
Atul	India	240	240	240	0	0
Global Others		200	150	100	50	50
Total		6,830	6,780	6,330	6,280	6,880

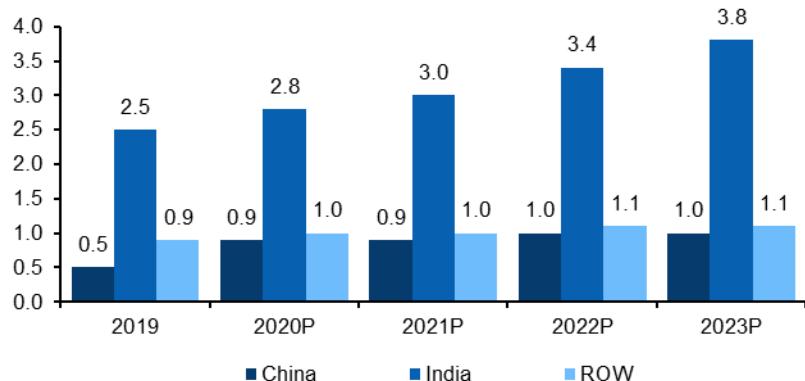
Source: RHP, ICICI Direct Research

CMIC Market size by End Use Industry

Pharmaceutical Industry: HIV & HBV Intermediate (>99% of CMIC Demand): Tenofovir is regarded as a revolutionary drug for curing and preventing AIDS/HIV. Tenofovir disoproxil has been used worldwide as an antiretroviral medication and has also proven to be helpful in fighting against another chronic disease named hepatitis B. One of the most important facts that make this medication an important one is the fact that it is on WHO's list of essential medications. CMIC is an important pharma intermediate, which is used in the manufacturing of Tenofovir.

Currently, India is a net importer of CMIC. About 62% of India's current domestic demand is catered by imports from China. Exports majorly consist of Deemed Exports done by Chemcon to Indian Pharmaceutical companies. With HIV & HBV Intermediates helming the important task of saving lives, the future of CMIC looks quite bright in the upcoming years. India, a major CMIC consumer market, is expected to witness a demand growth of 11.0% CAGR.

Exhibit 11: Regional / Country CMIC Demand ('000 MT)



Source: RHP, ICICI Direct Research

Oil well completion chemicals (bromides) market overview

Oil Well Completion Chemicals are used to complete the well and is normally a salty solution made up of chlorides or bromides. Completion Chemical should be compatible with the innate formation fluids and rock, as other type of fluids (e.g. drilling fluids) can damage the productive zones. In addition to cleaning the wellbore, after the drilling is finished, completion chemical is used to control the pressure down-hole, prior to and while well-completion operations are in progress.

The Global market for Bromides (Calcium, Sodium, Zinc) used as Oil Well Completion Chemicals in 2019 was valued at \$ 417 million with the global demand of 245 KT.

Exhibit 12: Oil Well Completion Chemicals (Bromides) Market

	2015	2016	2017	2018	2019	2023E
Calcium Bromide (KT)	111	112	118	125	132	164
Sodium Bromide(KT)	86	82	86	91	95	118
Zinc Bromide (KT)	16	15	16	17	18	22
Total Bromides (KT)	213	210	221	233	245	304
Total Bromides (\$ Mn)	301	299	321	397	417	517

Source: RHP, ICICI Direct Research

Company background

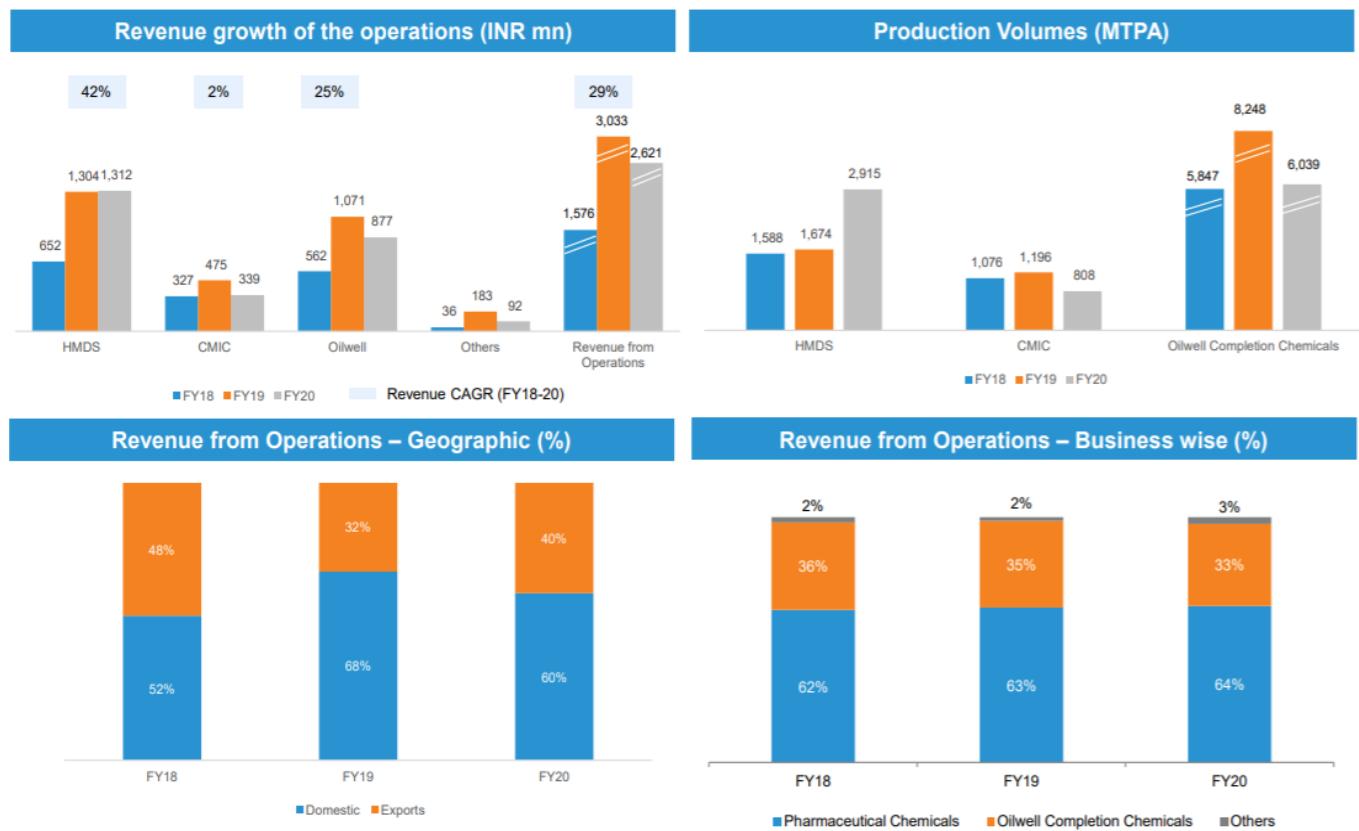
Chemcon Speciality Chemicals is a manufacturer of specialised chemicals, such as HMDS and CMIC, which are predominantly used in the pharmaceuticals industry. Further the company also manufacturers inorganic bromides namely Calcium Bromide, Zinc Bromide and Sodium Bromide, which are predominantly used as completion fluids in the oilfields industry. It is the only manufacturer of HMDS in India and were the third largest manufacturer of HMDS worldwide in terms of production.

The company supplies products to domestic customers and also export products to countries including United States of America, Italy, South Korea, Germany, People's Republic of China, Japan, United Arab Emirates, Serbia, Russia, Spain, Thailand and Malaysia. The revenue from export constitutes ~40% to the overall revenue, which grew at a CAGR of 17.57% over FY18-20.

The company has seven operational plants of which two plants are dedicated to the manufacturing of HMDS and ancillary products (including one plant dedicated to the manufacturing of hi-purity HMDS). One multipurpose plant, currently is being used for manufacturing of HMDS and other pharmaceutical chemicals, two plants are dedicated to the manufacturing of CMIC and two plants dedicated to the manufacturing of Oilwell Completion Chemicals. The manufacturing facility are located in Manjusar, Vadodara.

The pharma chemical business constitutes ~64% to the overall revenue, while rest comes from oilfield chemicals and other revenue. The overall revenue of the company grew at a CAGR of ~29% over FY18-20, while EBITDA growth remained at a CAGR of ~25% over the same period.

Exhibit 13: Financial story in charts



Source: IP, ICICI Direct Research



Exhibit 14: Key Products & Details of Manufacturing facility

Key Products				
Pharmaceutical Chemicals		Oilwell Completion Chemicals		
HMDS		Calcium Bromide		
CMIC		Zinc Bromide		
New Products: 4 CBC, 2,5 DHT (pending receipt of orders)		Sodium Bromide		
Details of Manufacturing Facility				
Product Categories	Products manufactured	Plant no.	Annual installed Production Capacity (MT per annum)	Volumetric Reactor Capacity (in KL)
Pharmaceutical Chemicals	HMDS and ancillary products	P-3 & P-7 ⁽¹⁾	4,200	177.80
	HMDS Hi-Purity	P-2 ⁽²⁾	600	13
	CMIC	P-4 & P-6	1,800	121.75
Oilwell Completion Chemicals	Calcium Bromide (solution), Zinc Bromide (solution) and Sodium Bromide (solution)	P-5 ⁽³⁾	14,400	57.30
	Calcium Bromide (powder)	P-1 ⁽³⁾	600	5.00
Total volumetric reactor capacity (in KL)			374.85	

Note: All data as on July 31, 2020

Source: IP, ICICI Direct Research

Investment Rationale

Leading manufacturer globally of the HMDS and CMIC Chemicals

India is currently a net importer of HMDS, with about 40% of India's domestic demand in calendar year 2019 being catered by imports majorly from China and Germany. India is expected to witness a demand growth for HMDS of 10.6% CAGR over CY19-23E. Chemcon is the only manufacturer of HMDS in India, and is well positioned to capitalise on the potential growth of the HMDS market. Further, India and China are the only countries that produce CMIC. India is a net importer of CMIC, with about 62% of India's domestic demand in CY19 being catered to by imports from China. India, a major CMIC consumer market, is expected to witness a demand growth at a CAGR of 11.0% between CY19-23E. This bodes well for Chemcon specialty given that the company has total capacity of 1800 MT and is planning to expand further from the IPO proceeds. Chemcon specialty share to the global CMIC market stands at 26%, which is expected to gain further post capacity expansion.

Capacity expansion bodes well for future growth

The company has seven operational individual plants. The total volumetric reactor capacity as on July 31, 2020 was 374.85 KL. The Company intends to build two additional plants with a total volumetric reactor capacity of 251 KL. These additional plants shall be utilised for the manufacturing of chemicals which are principally used pharmaceutical industry. With the completion of such expansion, the total volumetric reactor capacity at the manufacturing facility shall increase from volumetric reactor capacity of 374.85 KL to 625.85 KL and will enable it to significantly benefit from economies of scale. Further, the company has recently acquired approximately 22,000 square metres of land next to present manufacturing facility, which should enable future expansion.

Expansion into newer geographies to aid performance ahead

The trade dispute between the USA and China, may influence China's HMDS exports to the USA and may indirectly help India boost its exports. The company has already started the supply of HMDS to the customers in the USA based on the opportunity created due to such trade dispute. Further, the company is also planning to introduce its oil field chemicals to newer markets such as Nigeria, Malaysia, China and Ghana. Since the oil field chemical plant has been operating at ~50% utilisation level, any positive development towards gaining new customers would aid operating leverage to the group performance.

New product portfolio to boost growth in medium term

The company has recently developed 2 new products, namely 4 CBC and 2,5 DHT. While, it has already executed first sale of 4 CBC in July 2020 and is in the process of commencing the commercial production of 2,5 DHT. Further, the State Level Environment Impact Assessment Authority, Government of Gujarat, has recently granted the environmental clearance for manufacturing an aggregate of 44 products (including the products currently manufactured by the company) and increasing the quantity of products produced from 2,511 MT per month to 10,611 MT per month. This should support the growth outlook for medium term.

Key risks and concerns

Pricing pressure from China to impact performance ahead

Since China being the largest manufacturer of HMDS and CMIC, any pricing erosion by the Chinese players to maintain the market share can translate into realisation pressure for Chemcon given that the company also plays the level playing field with the overseas peers. The pricing of both chemicals are largely in line with the Chinese prices and thus, any negative development towards the realisation can hurt the financial performance of the company.

Price curtailment for ARV by WHO to impact realisations for CMIC segment

CMIC is majorly used into Tenofovir, which is largely ordered by the WHO. We have seen pricing curtailment for Anti-malarial by WHO in past, any such action for tenofovir can also translate into fall in the realisations for CMIC ahead and thereby affect the performance.

Any hurdles to import key RM to affect the financial outlook

The company imports majority of its key RM for HMDS from China, which has been its key revenue-contributing segment. Any import related issues due to anti-china movement can affect the supply chain of the business and thereby the financial outlook.

High working capital remains a key risk for balance sheet

The working capital cycle for Chemcon remains to the tune of ~45-50% of sales and thus, despite the company clocks high thirties margins, it is not able to generate FCF in past. The key reason for higher working capital is lower payable days, which is largely on the back of its dependence on the imports of key RM. If the same situation likely to persist with OPM pressure due to realisations can affect the balance sheet with more leverage towards the working capital.

Financial summary

Exhibit 15: Profit and loss statement			
	₹ crore		
Year end March	FY18	FY19	FY20
Net Revenues	157.2	303.3	262.0
Raw material cost	77.3	184.9	148.9
Gross Profit	79.8	118.4	113.1
Employee Cost	18.8	24.1	14.1
Other Operating Expenses	15.9	28.2	28.8
EBITDA	45.1	66.1	70.2
Other Income	0.7	2.0	4.0
EBITDA, including OI	45.8	68.1	74.2
Depreciation	2.3	2.9	4.6
Net Interest Exp.	3.0	4.0	4.7
Other exceptional items	0.0	0.0	0.0
PBT	40.6	61.2	64.9
Taxes	14.2	18.2	16.1
Tax Rate	34.9%	29.7%	24.8%
PAT	26.4	43.0	48.8
Adj. PAT after Minority interest	26.4	43.0	48.8
Adj. EPS (INR)	7.2	11.8	13.3

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement			
	₹ crore		
Year end March	FY18	FY19	FY20
PBT & Extraordinary	40.6	61.2	64.9
Depreciation	2.3	2.9	4.3
After other adjustments (Inc) / Dec in Working Capital	-20.1	-34.1	-45.8
Taxes	-11.4	-22.9	-17.2
Others	2.9	3.9	4.3
CF from operations	14.1	11.1	10.5
Purchase of Fixed Assets	8.1	14.3	16.6
Others	0.2	-9.4	-0.1
CF from investing	-7.8	-23.7	-16.6
Proceeds from issue of shares	0.0	0.0	0.0
Borrowings (Net)	-3.3	16.2	11.4
Others	-2.4	-3.8	-4.9
CF from financing	-5.7	12.4	6.5
Net Change in Cash	0.6	-0.2	0.4
Effects of foreign currency translation	0.0	0.0	0.0
Opening cash	0.3	0.9	0.7
Closing cash	0.9	0.7	1.1

Exhibit 17: Balance sheet			
	₹ crore		
Year end March	FY18	FY19	FY20
Liabilities			
Share Capital	7.9	31.8	31.8
Reserves	45.7	65.3	114.6
Total Shareholders Funds	53.6	97.0	146.4
Minority Interest	0.0	0.0	0.0
Long Term Borrowings	2.5	2.5	14.6
Net Deferred Tax liability	1.6	2.4	2.3
Other long term liabilities	0.0	0.0	0.8
Long term provisions	0.7	0.5	0.1
Current Liabilities and Provisions			
Short term borrowings	13.6	29.7	28.7
Trade Payables	17.3	28.9	25.7
Other Current Liabilities	3.9	11.9	7.3
Short Term Provisions	3.8	0.1	0.0
Total Current Liabilities	38.6	70.6	61.7
Total Liabilities	97.1	173.0	225.8
Assets			
Net Block	29.6	39.6	47.4
Capital Work in Progress	0.0	0.7	3.7
Other Non Current Assets	1.9	1.7	2.1
Current Assets, Loans & Advances			
Current Investments	0.0	0.0	0.0
Inventories	21.0	45.9	48.1
Sundry Debtors	29.6	64.1	88.9
Cash and Bank	1.5	11.6	14.1
Loans and Advances	0.0	0.0	0.0
Other Current assets	13.4	9.5	21.4
Current Assets	65.5	131.1	172.6
Total Assets	97.1	173.0	225.8

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios			
	FY18	FY19	FY20
Per share data (₹)			
Adj. EPS	7.2	11.8	13.3
Adj. Cash EPS	7.8	12.5	14.6
BV	59.7	71.5	85.0
Operating Ratios (%)			
Gross Margin (%)	50.8	39.0	43.2
EBITDA Margin (%)	28.7	21.8	26.8
PAT Margin (%)	16.8	14.2	18.6
Debtor Days	69	77	124
Inventory Days	49	55	67
Creditor Days	40	35	36
Cash Conversion Cycle	77	98	155
Return Ratios (%)			
Return on Assets (%)	27.2	24.9	21.6
RoCE (%)	74.6	63.7	42.4
RoE (%)	49.2	44.4	33.4
Solvency			
Total Debt / Equity	0.3	0.3	0.3
Interest Coverage	14.4	16.3	14.9
Current Ratio	1.7	1.9	2.8
Quick Ratio	1.2	1.2	2.0
Valuation Ratios (x)			
EV/EBITDA	24.6	16.8	15.8
P/E	47.2	28.9	25.5
P/B	5.7	4.8	4.0
EV/Sales	7.1	3.7	4.2

Source: Company, ICICI Direct Research

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Avoid: Do not apply for the IPO

Subscribe only for long term: Apply for the IPO only from a long term investment perspective



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