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IPO REPORT

**“Subscribe with Caution” to
Chemcon Speciality Chemicals Ltd.**

Sector re-rating sustainability needs a careful watch

Salient features of the IPO:

- The Baroda-based company, **Chemcon Speciality Chemicals Ltd.** (Chemcon), is planning to raise up to Rs. 3,180mn through an IPO, which will open on 21st Sept. and close on 23rd Sept. 2020. The price band is Rs. 338 - 340 per share.
- The issue is a combination of fresh (Rs. 1,650mn) and OFS (Rs. 1,350mn). The company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 410mn will be utilized to fund the capacity expansion planned by the company; Rs. 900mn will be used to fund future working capital requirement and rest of the amount will be utilized for general corporate purposes.

Key competitive strengths:

- A leading manufacturer of the Pharmaceutical chemicals globally and a leading manufacturer Oilwell completion chemicals in India
- Diversified customer base coupled with long standing relationships
- The specialty chemicals industry in which it operates has high entry barriers
- Manufacturing facility with dedicated plants for its products
- Consistent financial performance with a strong financial position

Risk and concerns:

- Geopolitical tension in the Asia region
- Subdued economic growth and lower demand of its product
- Unfavorable volatility in the key raw material prices
- Delay in demand revival of Oilwell completion chemicals
- Unfavorable movement in forex rates
- Difficulty in maintaining the profitability

Peer comparison and valuation: At the higher price band of Rs. 340 per share, Chemcon's share is valued at a P/E multiple of 25.5x, which is at discount to the peer average of 40x.

Below are few key observations of the issue: (continued in next page)

- Update on promoter & promoter group:** We have observed series of corporate governance issues with the promoter & promoter group members/entities. Few of the key issues are listed below:
 - One of the members of Chemcon's promoter group is convicted for a criminal case by the CBI Special court. The member has appealed against the order and currently it is pending.
 - RBI has initiated proceeding against one of the promoter group entities for failing to carry out its operations from the registered office.
- In terms of production volume in 2019, Chemcon was the only manufacturer of HMDS in India and also the third largest manufacturer of HMDS worldwide. Over 2014-19, its global capacity market share in HMDS market has declined from 7.32% in 2014 to 6.72% in 2019, but on account of relatively higher growth - its global production share increased from 7.45% in 2014 to 10.43% in 2019.
- HMDS is widely used in manufacturing of antibiotics such as penicillin, cephalosporins and other types of penicillin derivatives. Globally, the production of HMDS has increased by 3.5% CAGR over 2014-19 as compared to 10.7% growth registered by Chemcon. With emergence of Covid-19 pandemic, the growth is likely to be higher in the near term as globally antibiotics in combination with other drugs are used on a large scale to cure Covid-19 patient for bacterial infections.
- Currently, India is a net importer of HMDS. About 40% of current domestic demand is catered by imports majorly from China (97%) and Germany (3%). India is expected to witness a higher demand growth (in excess of 10%) in the mid-term, fuelled by increase of end use customers, growing population base that can afford quality healthcare and increased localization drive by the government. Since Chemcon is the only manufacturer of HMDS in India, it is well positioned to capitalize on the potential growth in the HMDS market.
- Chemcon is also the largest manufacturer of CMIC in India and second largest worldwide. CMIC is mainly used in pharmaceutical industry as a key intermediate for anti-AIDS and anti-hepatitis B drug Tenofovir. India and China are the only countries that produce CMIC. Over 2014-19, Chemcon's global capacity market share in CMIC market has increased from 7.07% in 2014 to 26.16% in 2019. In domestic market, its capacity market share expanded from 25.9% in 2014 to 66.43% in 2019. India's global CMIC production share witnessed a modest expansion to remain at around 36% during 2014-19. However, the company improved its domestic production market share from 24.46% in 2014 to 47.64% in 2019.

Recommendation	Subscribe with Caution
Price Band	Rs. 338 - 340 per Share
Face Value	Rs. 10
Shares for Fresh Issue	4.853 - 4.822mn shares
Shares for OFS	4.5mn shares
Fresh Issue Size	Rs. 1,650mn
OFS Issue Size	Rs. 1,521 - 1,530mn
Total Issue Size	9.353 - 9.382mn shares (Rs. 3,171 - 3,180mn)
Bidding Date	21 st Sept. - 23 rd Sept. 2020
MCAP at Higher Price Band	Rs. 12,454mn
Enterprise Value at Higher Price Band	Rs. 11,109mn
Book Running Lead Manager	Intensive Fiscal Services Pvt. Ltd. and Ambit Capital Pvt. Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector/Industry	Specialty chemicals
Promoters	Mr. Kamalkumar Rajendra Aggarwal, Mr. Navdeep Naresh Goyal and Mr. Shubharangana Goyal

Issue breakup		
Category	Percent of issue (%)	Number of shares (mn)
QIB portion	50%	4.676 - 4.691mn shares
Non institutional portion	15%	1.403 - 1.407mn shares
Retail portion	35%	3.274 - 3.284mn shares

Indicative IPO process time line	
Finalization of basis of allotment	28 th Sept. 2020
Unblocking of ASBA account	29 th Sept. 2020
Credit to demat accounts	30 th Sept. 2020
Commencement of trading	1 st Oct. 2020

Pre and post - issue shareholding pattern		
	Pre - Issue	Post - Issue
Promoter & Promoter Group	100.00%	74.47%
Public	0.00%	25.53%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot	
Number of Shares per Lot	44
Application Money	Rs. 14,960 per Lot

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Peer comparison and valuation (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. mn)	EV (Rs. mn)	Stock return (%)				Operating revenue (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EBITDA margin (%)	PAT margin (%)
					1 W	1 M	3 M	1 Y					
Chemcon Speciality Chemicals Ltd.	10	340	12,454	11,109					2,621	703	489	26.8%	18.6%
Aarti Industries Ltd.	5	1,105	192,564	208,196	11.4%	21.6%	38.2%	44.1%	41,863	9,773	5,361	23.3%	12.8%
Vinati Organics Ltd.	1	1,291	132,728	129,920	22.3%	25.2%	51.5%	6.2%	10,289	4,149	3,338	40.3%	32.4%
Sudarshan Chemical Industries Ltd.	2	490	33,901	38,256	16.8%	31.3%	26.9%	39.7%	17,086	2,477	1,445	14.5%	8.5%
Atul Ltd.	10	6,822	202,352	196,452	32.9%	56.7%	75.0%	81.7%	40,931	9,020	6,665	22.0%	16.3%
Paushak Ltd.	10	4,374	13,481	12,821	15.1%	110.7%	115.8%	95.6%	1,379	428	349	31.0%	25.3%
Fine Organic Industries Ltd.	5	2,950	90,447	89,257	34.9%	57.7%	46.8%	100.1%	10,381	2,405	1,648	23.2%	15.9%
Neogen Chemicals Ltd.	10	704	16,424	17,732	11.3%	32.6%	85.7%	111.4%	3,061	581	287	19.0%	9.4%
Average												24.8%	17.2%

Company Name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt Equity Ratio	Total Asset Turnover Ratio	RoE (%)	RoCE (%)	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning Yield (%)
Chemcon Speciality Chemicals Ltd.	13.3	85.0	0.0	0.1	0.7	15.7%	22.7%	25.5	4.0	4.2	15.8	4.8	3.9%
Aarti Industries Ltd.	30.8	171.0	6.1	0.6	0.7	18.0%	17.9%	35.9	6.5	5.0	21.3	4.6	2.8%
Vinati Organics Ltd.	32.5	124.5	10.2	0.0	0.7	26.1%	28.2%	39.8	10.4	12.6	31.3	12.9	2.5%
Sudarshan Chemical Industries Ltd.	20.9	86.8	37.9	0.8	0.9	24.1%	15.7%	23.5	5.6	2.2	15.4	2.0	4.3%
Atul Ltd.	224.7	1,063.6	50.7	0.0	0.9	21.1%	22.6%	30.4	6.4	4.8	21.8	4.9	3.3%
Paushak Ltd.	113.3	737.3	4.9	0.0	0.5	15.4%	15.2%	38.6	5.9	9.3	29.9	9.8	2.6%
Fine Organic Industries Ltd.	53.7	201.9	13.3	0.1	1.2	26.6%	28.9%	54.9	14.6	8.6	37.1	8.7	1.8%
Neogen Chemicals Ltd.	12.3	67.0	1.8	0.8	0.9	18.3%	25.8%	57.3	10.5	5.8	30.5	5.4	1.7%
Average			17.9	0.3	0.8	21.4%	22.0%	40.0	8.6	6.9	26.8	6.9	2.7%

Note: All financial data are of FY20; Source: Choice Broking Research

- India is the largest consumer of CMIC in the world and accounts for 65% of the global demand. India is also a net importer of CMIC, with about 62% of the domestic demand in 2019 being catered to by imports from China. Domestic CMIC is anticipated to grow in excess of 10% in mid-term, thus Chemcon has immense growth opportunity when couple with the import substitution drive of the government.
- In term of production volume in 2019, Chemcon is also the only manufacture of zinc bromide and the largest manufacturer of Calcium Bromide in India. An average 35.6% of the total revenue of Chemcon over 2014-19 was contributed by this chemical and has grown by 25% CAGR. With the emergence of Covid-19 pandemic and the associated lockdown of the economies, the business fundamental of Oilwell completion chemicals has disturbed. Responses of the governments across the globe to control the pandemic has led to a reduced demand of oil & gas, which in turn has impacted the demand of these chemicals. Despite the removal of lockdown, the company is yet to resume manufacturing of Oilwell completion chemicals in this fiscal. This demand destruction coupled with the vehicle electrification drive across the globe - we have a negative outlook on this business segment of the company.
- Chemcon supplies its products to domestic customers and also exports to countries including the USA, Italy, South Korea, Germany, People's Republic of China, Japan, UAE, Serbia, Russia, Spain, Thailand and Malaysia. In FY18, FY19 and FY20, revenue from exports (including deemed exports) stood at 47.8%, 32% and 39.8%, respectively of the total revenue. Export revenues have increased by 17.6% CAGR over FY18-20.
- Chemcon currently has seven plants in a single manufacturing facility (at Vadodara, Gujarat) with a total volumetric reactor capacity of 374.85KL. As on 31st July, it had installed facility to manufacture annually - 4,200 tonnes of HMDS & 600 tonnes of high purity HMDS; 1,800 tones of CMIC and 14,400 tonnes of Oilwell completion chemicals.
- In FY19 and FY20, its HMDS plants operated at above the optimum capacity utilization, while its CMIC plants operated at 95.7% and 44.9% capacity utilization. The company will use part net proceeds from the IPO to expand its manufacturing capacity. It will be construct two additional plants within the existing facility with a reactor capacity of 251KL and shall be used to manufacture Pharmaceutical chemicals. Post expansion, it will cumulatively have a reactor capacity of 625.9KL.
- Chemcon has reported a short financial history with robust performance. Over FY18-20, its top-line has increased by 28.9% CAGR to Rs. 2,620.5mn. EBITDA increased by 24.8% to Rs. 702.6mn in FY20. However, EBITDA margin contracted by 179bps to 26.8% in FY20. PAT improved by 36.1% CAGR to Rs. 488.5mn in FY20, margin expanded by 191bps over FY18-20 to be at 18.6% in FY20. The company had a positive operating cash flow over FY18-20, which declined by 13.8% CAGR. Average operating cash flow during the period was at around Rs. 119mn. Average RoIC and RoE during the period stood at 41% and 42.3%, respectively.

At the higher price band of Rs. 340 per share, Chemcon's share is valued at a P/E multiple of 25.5x, which is at discount to the peer average of 40x. The company's fundamentals look positive, but the promoter & promoter group's corporate governance issue is making us cautious. The management has indicated that the company will not be impacted by any means, if outcome of the appeal is not favorable. Also the specialty chemical sector got re-rated in the last 5-6 months. Before re-rating, the above peers were available at lower valuations. Thus considering the above observations, we assign an "Subscribe with Caution" rating for the issue.

About the issue:

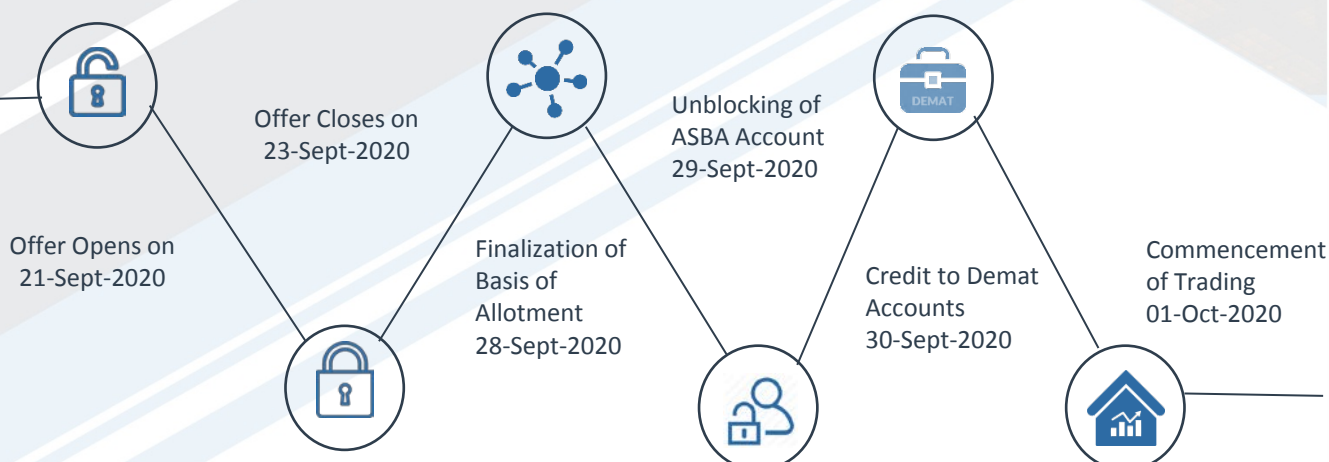
- Chemcon is coming up with an IPO with 9.353 - 9.382mn shares (fresh issue: 4.853 - 4.822mn shares; OFS shares: 4.5mn shares) in offering. The offer represents around 25.53% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 3,171 - 3,180mn.
- The issue will open on 21st Sept. 2020 and close on 23rd Sept. 2020.
- The issue is through book building process with a price band of Rs. 338 - 340 per share.
- The issue is a combination of fresh (Rs. 1,650mn) and OFS (Rs. 1,350mn). The company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 410mn will be utilized to fund the capacity expansion planned by the company; Rs. 900mn will be used to fund future working capital requirement and rest of the amount will be utilized for general corporate purposes.
- 50% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 35% is reserved for non-institutional bidders and retail investors, respectively.
- Promoter holds 100% stake in the company and post-IPO this will come down to 74.47%. Public holding will increase from current nil to 25.53%.

Pre and post issue shareholding pattern (%)

	Pre Issue	Post Issue (at higher price band)
Promoter & Promoter Group	100.00%	74.47%
Public	0.00%	25.53%

Source: Choice Equity Broking

Indicative IPO process time line:



Company introduction:

Chemcon is a manufacturer of specialized chemicals, such as HMDS (hexamethyl disilazane/hexamethyl disilane) and CMIC (chloromethyl isopropyl carbonate), which are predominantly used in the pharmaceuticals industry; and inorganic bromides (namely calcium bromide, zinc bromide & sodium bromide), which are predominantly used as completion fluids in the oilfields industry. In terms of production volume in 2019, it is the only manufacturer of HMDS in India and third largest manufacturer worldwide. The company is also the largest manufacturer of CMIC in India and second largest in world. Further, in terms of production volume in 2019, Chemcon is the only manufacturer of zinc bromide and the largest manufacturer of calcium bromide in India. (Source: RHP)

Chemcon supplies its products to domestic customers and also exports to countries including the USA, Italy, South Korea, Germany, People's Republic of China, Japan, UAE, Serbia, Russia, Spain, Thailand and Malaysia. In FY18, FY19 and FY20, revenue from exports (including deemed exports) stood at 47.8%, 32% and 39.8%, respectively of the total revenue. Export revenues have increased by 17.6% CAGR over FY18-20.

Key customers of its Pharmaceutical chemicals (HMDS and CMIC) include Hetero Labs Ltd., Laurus Labs Ltd., Aurobindo Pharma Ltd., Sanjay Chemicals (India) Pvt. Ltd., Lantech Pharmaceuticals Ltd., Ind-Swift Laboratories Ltd., Vivin Drugs & Pharmaceuticals Ltd. and Macleods Pharmaceuticals Ltd.; and the key customers of its Oilwell completion chemicals (inorganic bromides) include Shree Radha Overseas, Water Systems Speciality Chemical DMCC and CC Gran Ltd. Liability Company.

Chemcon's only owned manufacturing facility is located at Manjusar near Vadodara in Gujarat. As of 12th Sept. 2020 it had seven operational plants (in the manufacturing facility) 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 is being used for manufacturing of HMDS & other pharmaceutical chemicals, two plants are dedicated to the manufacturing of CMIC and two plants dedicated to the manufacturing of Oilwell completion chemicals. The company also has three warehouses for the storage of products and raw materials. It also has an in-house laboratory in the manufacturing facility to test raw materials procured, as well as for the testing of products. Further, the company has five leased warehouses located outside the manufacturing facility. Chemcon's corporate office (owned by it) is located in Vadodara and its sales & marketing offices are located in Hyderabad and Mohali, which are on a leasehold basis.

Competition: Chemcon was the only manufacturer of HMDS in India and the third largest manufacturer of HMDS worldwide. The major international manufacturers of HMDS were Xinyaqiang Silicon Chemistry Ltd. Liability Company, The Dow Chemical Company, Shin-Etsu Chemical Co., Ltd, Wacker Chemie AG, Evonik Industries AG, Zhejiang Sorbo Chemical Co., Ltd. and Jiangxi Bluestar Xinghuo Silicones Company Ltd.

The company is the largest manufacturer of CMIC in India and the second largest manufacturer of CMIC worldwide. Other major manufacturers of CMIC were Shanghai Twisun Bio-Pharm Co., Ltd., Inner Mongolia Saintchem Chemicals Co., Ltd., Anshul Specialty Molecules Pvt. Ltd., Huangshi Fuertai Pharmaceutical Tech Co., Ltd. and Paushak Ltd.

It is also the largest manufacturer of the Oilwell completion chemicals in India. Other major manufacturers of these chemicals in India were Agrocel and OC Specialties Pvt. Ltd., while major international manufacturers include Israel Chemicals Ltd., Albemarle Corporation, LanxessAG, TETRA Technologies Inc. and Potasse Et Produits Chimiques SASU.

Company introduction (Contd...):

Financial performance: Chemcon has reported a short financial history with robust performance. Over FY18-20, Chemcon's top-line has increased by 28.9% CAGR to Rs. 2,620.5mn. Business from the Pharmaceutical chemicals (which contributed an average of 63% to the total revenue during the period) increased by 30.5% CAGR, on the back of increased sales volume and improved realization. Business from the Oilwell completion chemicals (which contributed an average of 34.8% to the total revenue during the period) has grown by 25% CAGR.

Net cost of revenue increased by 38.8% CAGR during the period and stood at 56.8% of the top-line in FY20 as compared to 49% in FY18. Employee benefits expenses declined by 13.6% CAGR. Consequently, total operating expenditure increased by 30.5% CAGR (higher than top-line growth), leading to a 24.8% CAGR rise in EBITDA to Rs. 702.6mn in FY20. During FY18-20, EBITDA margin contracted by 179bps to 26.8% in FY20.

With expansion in capacity, depreciation charge increased by 43% CAGR, while finance cost 24.2% CAGR. Other income increased by 130.1% CAGR, mainly due to increase in interest income and gain on foreign currency transaction. Pre-tax profit improved by 26.5% CAGR. With fall in effective tax rate, reported PAT increased by 36.1% CAGR to Rs. 488.5mn in FY20. PAT margin improved by 191bps over FY18-20 to be at 18.6% in FY20.

The company had a positive operating cash flow over FY18-20, which declined by 13.8% CAGR. Average operating cash flow during the period was at around Rs. 119mn. Average RoIC and RoE during the period stood at 41% and 42.3%, respectively.

Financial snapshot (Rs. mn)	FY18	FY19	FY20	CAGR (%)	Y-o-Y (%)
Revenue from the sales of products	1,523.1	2,937.2	2,442.7	26.6%	-16.8%
Revenue from the sales of services	47.0	88.3	168.0	89.1%	90.3%
Other operating revenue	6.4	7.9	9.8	24.3%	24.8%
Revenue from operations	1,576.4	3,033.4	2,620.5	28.9%	-13.6%
EBITDA	451.0	660.8	702.6	24.8%	6.3%
Reported PAT	263.8	430.4	488.5	36.1%	13.5%
Restated adjusted EPS	7.1	11.5	13.1	36.1%	13.5%
Cash flow from operating activities	141.3	110.6	105.0	-13.8%	-5.0%
NOPLAT	278.8	451.8	490.8	32.7%	8.6%
FCF		0.5	(135.9)		
RoIC (%)	48.6%	44.5%	29.8%	(1,883) bps	(1,465) bps
Revenue growth rate (%)		92.4%	-13.6%		
EBITDA growth rate (%)		46.5%	6.3%		
EBITDA margin (%)	28.6%	21.8%	26.8%	(179) bps	503 bps
EBIT growth rate (%)		47.6%	3.8%		
EBIT margin (%)	27.2%	20.8%	25.0%	(212) bps	421 bps
Restated adjusted PAT growth rate (%)		63.1%	13.5%		
Restated adjusted PAT margin (%)	16.7%	14.2%	18.6%	191 bps	445 bps
Fixed asset turnover ratio (x)	5.3	7.5	5.0	-3.1%	-33.8%
Total asset turnover ratio (x)	1.6	1.8	1.2	-15.5%	-33.8%
Debt to equity (x)	0.3	0.3	0.3	-1.7%	-10.9%
Net debt to EBITDA (x)	0.3	0.3	0.4	12.6%	32.9%
RoE (%)	49.2%	44.4%	33.4%	(1,582) bps	(1,098) bps
RoA (%)	27.2%	24.9%	21.6%	(554) bps	(324) bps
RoCE (%)	72.3%	61.2%	39.7%	(3,261) bps	(2,148) bps

Source: Choice Equity Broking



Competitive strengths:

- A leading manufacturer of the Pharmaceutical chemicals globally and a leading manufacturer Oilwell completion chemicals in India
- Diversified customer base coupled with long standing relationships
- The specialty chemicals industry in which it operates has high entry barriers
- Manufacturing facility with dedicated plants for its products
- Consistent financial performance with a strong financial position

Business strategy:

- Expansion of its total installed production capacity
- Augmenting growth in the current geographic markets and expanding into new geographic markets
- Exploring newer applications for existing products as well as focusing on new products that are in synergy with its current operations
- Continue to strive for cost efficiency



Risk and concerns:

- Geopolitical tension in the Asia region
- Subdued economic growth and lower demand of the company's product
- Unfavorable volatility in the key raw material prices
- Delay in demand revival of Oilwell completion chemicals
- Unfavorable movement in forex rates
- Intense competition
- Difficulty in maintaining the profitability

Financial statements:

Profit and loss statement (Rs. mn)

	FY18	FY19	FY20	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Revenue from operations	1,576.4	3,033.4	2,620.5	28.9%	-13.6%
Cost of materials consumed	(793.8)	(1,947.4)	(1,533.7)	39.0%	-21.2%
Changes in inventories of finished goods and work-in-progress	20.7	98.2	44.6	47.0%	-54.6%
Excise duty	(4.9)				
Employee benefit expenses	(188.0)	(241.1)	(140.5)	-13.6%	-41.7%
Other expenses	(159.4)	(282.3)	(288.3)	34.5%	2.1%
EBITDA	451.0	660.8	702.6	24.8%	6.3%
Depreciation and amortization expenses	(22.6)	(28.6)	(46.2)	43.0%	61.3%
EBIT	428.4	632.2	656.4	23.8%	3.8%
Finance costs	(30.4)	(40.0)	(46.8)	24.2%	17.0%
Other income	7.5	19.9	39.7	130.1%	99.6%
PBT	405.5	612.0	649.2	26.5%	6.1%
Tax expenses	(141.7)	(181.6)	(160.7)	6.5%	-11.5%
Reported PAT	263.8	430.4	488.5	36.1%	13.5%

Balance sheet statement (Rs. mn)

	FY18	FY19	FY20	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Equity share capital	79.4	317.8	317.8	100.0%	0.0%
Other equity	456.8	652.5	1,145.9	58.4%	75.6%
Long term borrowings	32.8	33.7	158.4	119.7%	369.8%
Long term lease liabilities			8.2		
Long term provisions	7.2	4.9	0.6	-72.1%	-88.6%
Long term net deferred tax liability	16.2	24.3	22.6	18.0%	-7.3%
Trade payables	172.8	288.7	257.2	22.0%	-10.9%
Short term borrowings	136.1	297.4	286.8	45.1%	-3.6%
Other current financial liabilities	19.4	103.0	32.6	29.9%	-68.3%
Current lease liabilities			4.1		
Short term provisions	38.3	1.3	0.0	-97.2%	-97.7%
Other current liabilities	11.7	6.7	23.8	42.7%	254.2%
Total liabilities	970.6	1,730.4	2,257.9	52.5%	30.5%
Property, plant and equipment	296.4	395.4	474.2	26.5%	19.9%
Capital work in progress		6.7	37.4		458.5%
Right of use assets			13.3		
Intangible assets		0.3	0.2		-23.1%
Other long term financial assets	2.3	5.2	4.8	43.2%	-7.2%
Other long term assets	17.1	11.9	2.4	-62.5%	-79.8%
Inventories	210.4	459.1	480.8	51.2%	4.7%
Trade receivables	295.6	641.2	889.5	73.5%	38.7%
Cash and cash equivalents	14.9	115.9	141.0	207.6%	21.7%
Other current financial assets	14.8	14.4	14.0	-2.7%	-2.8%
Other current assets	119.2	80.3	200.3	29.6%	149.6%
Total assets	970.7	1,730.3	2,257.9	52.5%	30.5%

Source: Choice Equity Broking

Financial statements:

Cash flow statement (Rs. mn)

Particulars (Rs. mn)	FY18	FY19	FY20	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Cash Flow Before Working Capital Changes	456.8	679.7	734.8	26.8%	8.1%
Change in Working Capital	(201.2)	(340.6)	(457.7)	50.8%	34.4%
Cash Flow from Operating Activities	141.3	110.6	105.0	-13.8%	-5.0%
Purchase of Property, Plant & Equipment	(80.7)	(142.7)	(165.6)	43.3%	16.0%
Cash Flow from Investing Activities	(78.3)	(237.1)	(166.2)	45.7%	-29.9%
Cash Flow from Financing Activities	(57.1)	124.1	65.1		-47.6%
Net Cash Flow	5.9	(2.4)	3.9	-18.8%	-259.8%
Opening Balance of Cash and Bank Balances	3.4	9.3	6.8	42.8%	-26.3%
Closing Balance of Cash and Bank Balances	9.3	6.8	10.7	7.6%	57.1%

Financial ratios

Particulars (Rs. mn)	FY18	FY19	FY20
Revenue Growth Rate (%)		92.4%	-13.6%
EBITDA Growth Rate (%)		46.5%	6.3%
EBITDA Margin (%)	28.6%	21.8%	26.8%
EBIT Growth Rate (%)		47.6%	3.8%
EBIT Margin (%)	27.2%	20.8%	25.0%
PAT Growth Rate (%)		63.1%	13.5%
PAT Margin (%)	16.7%	14.2%	18.6%

Liquidity ratios

	FY18	FY19	FY20
Current Ratio	1.7	1.9	2.9
Debt Equity Ratio	0.3	0.3	0.3
Net Debt to EBITDA	0.3	0.3	0.4

Turnover ratios

	FY18	FY19	FY20
Inventories Days	99.3	66.1	115.2
Debtor Days	68.4	56.4	106.6
Payable Days	(81.6)	(45.5)	(66.9)
Cash Conversion Cycle	86.2	76.9	154.9
Fixed Asset Turnover Ratio (x)	5.3	7.5	5.0
Total Asset Turnover Ratio (x)	1.6	1.8	1.2

Return ratios

	FY18	FY19	FY20
RoE (%)	49.2%	44.4%	33.4%
RoA (%)	27.2%	24.9%	21.6%
RoCE (%)	72.3%	61.2%	39.7%

Per share data

	FY18	FY19	FY20
Restated Reported EPS (Rs.)	7.1	11.5	13.1
Restated DPS (Rs.)	0.0	0.0	0.0
Restated BVPS (Rs.)	14.4	26.0	39.3
Restated Operating Cash Flow Per Share (Rs.)	3.8	3.0	2.8
Restated Free Cash Flow Per Share (Rs.)		0.0	(3.6)
Dividend Payout Ratio	0.0%	0.0%	0.0%

Note: Ratios calculated on pre-issue data; Source: Company RHP

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