

# IPO Note: Shree Pushkar Chemicals & Fertilisers Ltd.

Industry: Chemical

Recommendation: Subscribe

Date: August 25, 2015

## Issue Snapshot

Company Name	Shree Pushkar Chemicals & Fertilisers Ltd.
Issue Opens	August 25, 2015 to August 27, 2015
Price Band	Rs. 61 to Rs. 65
Bid Lot	200 Equity Shares and in multiples thereof.
The Offer	Public issue of 10,769,231 – 11,475,410 Equity shares of Face value Rs.10 each, (Comprising of fresh issue of 8,742,642 Equity Shares (Upper Price Band) and Offer for Sale of 2,026,589 Equity Shares by Selling Shareholder).
Issue Size	Rs. 70 Crore
IPO Process	100% Book Building
Face Value	Rs. 10.00
IPO Grading	NA
Exchanges	NSE & BSE
BRLM	Keynote Corporate Services Limited
Registrar	Bigshare Services Private Limited

Equity Shares offered through this Offer	Nos. of Share	As a % of total
<b>Equity Shares offered through this Offer</b>	<b>10769231</b>	<b>100.0%</b>
A. Fresh Issue	8742642	
B. Offer for Sale	2026589	
<b>I. QIB Portion (Not more than )</b>	<b>5384616</b>	<b>50.0%</b>
- Anchor Investor Portion		
- Mutual Funds only (5% of the QIB Portion)		
- QIBs including Mutual Funds		
<b>II. Non-Institutional Portion (Not less than)</b>	<b>1615385</b>	<b>15.0%</b>
<b>III. Retail Portion (Not less than)</b>	<b>3769231</b>	<b>35.0%</b>
Pre and post Issue Equity Shares	Nos. of Share	
Equity Shares outstanding prior to the Issue	21,476,824	
Equity Shares outstanding after the Issue	30,219,466	

## Objects of the Offer

The Issue comprises of the Fresh Issue by the Company and an Offer for Sale by the Selling Shareholder.

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling shareholder .

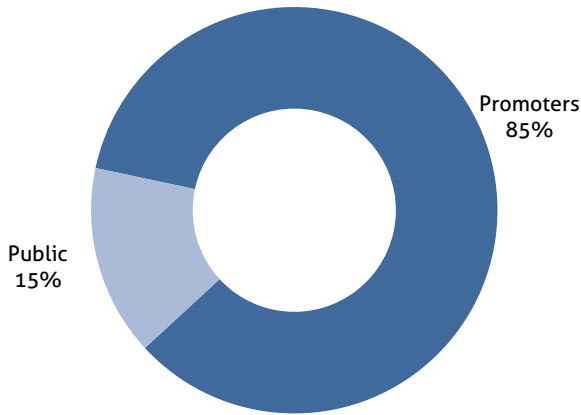
### The Fresh Issue

The activities for which funds are being raised by the Company through the Fresh Issue after deducting the Issue related expenses for the Company are:

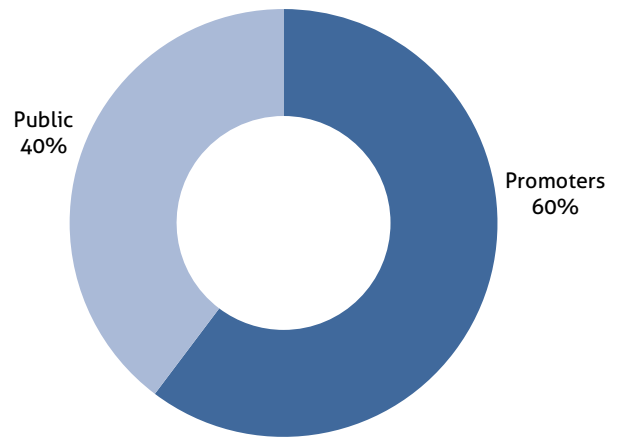
- Acquisition of an existing factory within MIDC industrial area Lote-Parshuram bearing no B-97 ;
- Setting up of facilities at B-97 for manufacture of: Reactive Dyes, H-Acid, Vinyl Sulphone (VS) Ester ;
- Setting up of additional effluent treatment plant ;
- Construction of additional godown(s) ; and
- General Corporate Purposes.

In addition, the Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges.

Pre-Issue



Post-Issue (Upper Price Band)



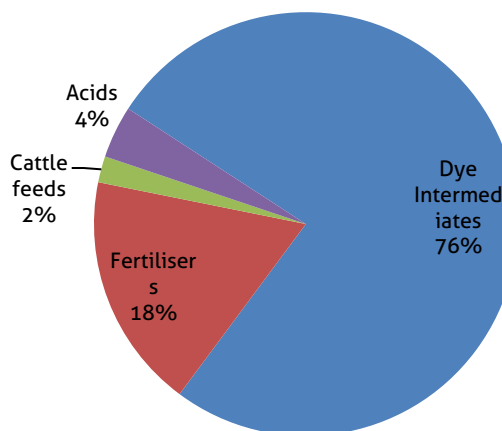
### About the company

Shree Pushkar Chemicals & Fertilisers Limited is an ISO 9001: 2008 certified company, promoted by first generation entrepreneurs, Punit Makharia and Gautam Makharia. The company commenced its business operations in the year 1993 with a trading business and has emerged to become one of the few manufacturers with widest range of dye intermediates in India with zero waste. It has state of art integrated manufacturing facilities located at Lote Parshuram, Maharashtra. The company is amongst the India`s large manufacturers of K-Acid, a dye intermediate used to manufacture Reactive Dyes for dyeing of textiles, with an installed capacity of 960 MTPA as on March 31, 2015.

The company manufactures products in 4 major verticals viz., Dye Intermediates, Acid Complex (comprising sulphuric and its derivative acids), Cattle Feed Supplement and Fertilizers (Single Super Phosphate & Soil Conditioner).

Business Verticals	Products	Intermediate products for captive consumption
a) Dye Intermediates	Gamma Acid, K- Acid, R-Salt, Vinyl Sulphone, Meta Ureido Aniline and H- Acid	Amido G, G-Salt, R-Complex, Acetanilide
b) Acid Complex	Sulphuric Acid, Oleum and Chloro Sulphonic Acid (CSA)	-
c) Cattle Feed Supplement	Di- Calcium Phosphate (DCP)	Gypsum
d) Fertilizers	Single Super Phosphate (SSP) and Soil Conditioner	-

Segment wise revenue FY15



The company works on two-way marketing strategy, one being direct approach to its customers and the other through selling agents/ dealers. As on date, their marketing strength comprises of 11 employees and 125 dealers. The products are marketed and sold in the states of Maharashtra, Gujarat and Karnataka in India. The company is also a recognized Export House by Government of India. Its products are exported to one of the world's leading dye manufacturers' viz., Huntsman Corporation, headquartered in USA as also to Archroma Management LLC, a global color and speciality chemical company headquartered in Switzerland. Besides these, it also exports to countries namely, Brazil, Thailand, Pakistan and Mexico. The company has also entered into the marketing arrangement with DCM Shriram Limited, Delhi, for Single Super Phosphate (SSP) within the state of Maharashtra and Karnataka and Shivam Chemicals Private Limited, Mumbai, (SCPL) for marketing of Di Calcium Phosphate (DCP) in the state of Karnataka. The product is sold under the brand name "SHRIRAM SUPER". It has entered into a Memorandum of Understanding with M/s Ray International Private Limited in order to manufacture fertilizer - Sulphate of Potash. It has a total workforce of 529 including 10 senior executives, 26 managerial and supervisory staff, 66 office staff, 125 skilled and unskilled workers, 54 contract labourers and 248 casual labourers.

### Competitive Strengths

- One of the few integrated manufacturers of wide range of Dye Intermediates in India
- One of the 'zero waste' manufacturer in the Dye Intermediates Industry in India
- Strategic location of our facilities reduces time and costs overruns
- Strong marketing and distribution network
- Products catered to consumers from diverse sectors and industries
- Experienced Management and Key Management Personnel

### Key Concern

- **Dependence on key customers :** The Company's business is dependent on its key customers and the loss of any significant customer would have a material adverse effect on financial results.
- **Intensify competition:** The market for the company's products is competitive on account of both the organized and unorganized players. Players in this industry generally compete with each other on key attributes such as technical competence, quality of products, distribution network, pricing and timely delivery.
- **Raw material availability:** The Company's main raw materials are namely Sulphur, Beta Napthol and Napthalene. As on date the company does not have any long term tie-up or agreements for supply of these raw materials. Any decrease in the availability of these raw materials for whatever reason, including climatic change, could adversely affect sales and profitability. Further, any price volatility of these raw materials and company's inability to adjust to the same could adversely affect results of operations and profitability.

## Valuation

*Shree Pushkar Chemicals & Fertilizers Ltd (SPCF) is one of the few manufacturers with widest range of dye intermediates in India with zero waste. The company manufactures products in 4 major verticals viz., Dye Intermediates, Acid Complex (comprising sulphuric and its derivative acids), Cattle Feed Supplement and Fertilizers (Single Super Phosphate & Soil Conditioner). The company has state of art integrated manufacturing facilities located at Lote Parshuram, Maharashtra and headquarters in Mumbai. The company's products have good recognition and demand since most of the substitutes are imported. SPCF has build up a strong clientele comprising of both international and domestic players based on trust and performance. The company also has strong presence in USA and Switzerland. Besides these, they also export to countries like, Brazil, Thailand, Pakistan and Mexico. As on date, marketing strength of the company comprises of 11 employees and 125 dealers.*

*SPCF intends to raise Rs 70 crore through a mix of fresh issue and offer for sale (OFS). IFCI Venture Capital Fund, which infused growth capital to the extent of Rs 15 crore between 2009-2011, will bring down its stake from the present 11.30% through OFS of 20,26,589 shares. At the higher price band of Rs 65, OFS will fetch IFCI Venture Capital Fund ~Rs 13 crore, while the rest Rs 57 crore will be available to the company. The company primarily wants to utilize the proceeds to setup a facility to manufacture reactive dyes with a capacity of 3000 TPA, H-acid with a capacity of 750 TPA and vinyl sulphone ester with a capacity of 1000 TPA. SPCF has been one of the fastest growing companies in this space with revenues growing at a CAGR of 19.5%, EBITDA 35% and PAT 61% between FY11-15. The company has improved its net profit margin consistently from 2.1% in FY11 to 7% as of FY15. The cashflow from operations of the company is comfortable and the company has repaid its borrowings in the past couple of years thus bring down the D/E to ~0.2x. Although, the company has dependence on its key customers for repeat business, however it will be able to expand its customer base as it grows. The company has been successful in pre-IPO placement at Rs 65 a share aggregating to RS 50 crore. On valuation front, at the higher price band of Rs 65, company is available in the PE of 10.53x, a tad higher than players like Bodal Chemicals and Bhageria Dye Chem. However, considering superior growth and strong financials than the competitors, valuation is justified. Investors are advised to **SUBSCRIBE** to the issue.*

## Financial Statement

### Income Statement

*Rs. in crore*

(In Rs. Cr)	FY11	FY12	FY13	FY14	FY15
Revenue from operations	130.6	150.7	176.0	210.1	266.5
Revenue Growth (%)		15.4	16.8	19.4	26.9
Other Income	0.7	0.3	0.6	0.3	0.3
Total Income	131.3	151.0	176.6	210.4	266.8
Total expenses	121.2	130.7	153.3	180.9	235.0
Operating Profit	10.1	20.3	23.3	29.4	31.8
OPM (%)	7.74%	13.47%	13.25%	14.02%	11.95%
Depreciation	1.91	3.39	4.05	4.64	3.63
Finance cost	3.61	9.62	10.28	10.62	5.42
Tax expense	1.83	1.93	1.73	3.75	4.15
Adj. Net Profit	2.75	5.35	7.25	10.44	18.65
NPM (%)	2.11%	3.55%	4.12%	4.97%	7.00%

Source: RHP

### Asset Liability Statement

(In Rs. Cr)	FY11	FY12	FY13	FY14	FY15
<b>Equity &amp; Liabilities</b>					
Share capital	20.2	20.7	20.7	20.7	20.7
Shareholder's Fund	41.3	47.9	53.2	63.6	88.2
Long Term Borrowings	6.4	6.5	11.1	12.0	0.3
Other Non Current Liabilities	2.5	2.8	3.5	4.4	3.7
Short-term borrowings	31.7	57.7	61.0	49.8	24.6
Other Current Liabilities	25.5	34.1	34.9	27.3	23.7
<b>Total</b>	<b>107.4</b>	<b>148.9</b>	<b>163.6</b>	<b>157.0</b>	<b>140.5</b>
<b>Assets</b>					
Fixed Assets	48.5	52.8	57.7	58.1	69.1
Other Non Current Assets	1.8	1.2	2.0	1.1	2.3
Cash and cash equivalents	3.1	4.3	3.7	4.8	3.2
Total Current Assets	54.0	90.7	100.3	93.1	65.9
<b>Total</b>	<b>107.4</b>	<b>148.9</b>	<b>163.6</b>	<b>157.0</b>	<b>140.5</b>

Source: RHP

## Cash Flow Statement

(In Rs. Cr)	FY11	FY12	FY13	FY14	FY15
Cash flow from Operations Activities	8.8	(9.7)	14.8	25.9	49.7
Cash flow from Investing Activities	(15.6)	(6.7)	(9.3)	(3.7)	(7.9)
Cash flow from Financing Activities	5.9	17.5	(6.0)	(21.1)	(43.3)
Net increase/(decrease) in cash and cash equivalents	(1.0)	1.2	(0.6)	1.1	(1.6)
Cash and cash equivalents at the beginning of the year	4.0	3.1	4.3	3.7	4.8
Cash and cash equivalents at the end of the year	3.1	4.3	3.7	4.8	3.2

Source: RHP

## Ratios

	FY13	FY14	FY15
Earning per share (EPS) (Rs.)	3.50	5.04	9.01
Net Asset Value per share (Rs.)	25.67	30.71	42.57
Return on Net Worth (RONW) (%)	13.63	16.41	21.15

Source: RHP

## Comparison with listed industry peers

Name of the company	Face value (Rs.)	EPS (Rs.)	P/E (x)	NAV per Share (Rs.)	RONW (%)
Shree Pushkar Chemicals & Fertilizers Ltd.	10	9.01	6.8 – 7.2	42.57	21.15
<b><i>Dye Intermediates &amp; Acids</i></b>					
Kiri Industries Ltd.	10	-17.75	-6.83	73.06	-22.20
Bodal Chemicals Ltd.	2	8.43	4.40	17.03	49.52
Bhageria Dye Chem Ltd.	10	45.97	3.43	84.14	54.64
<b><i>Speciality Chemicals</i></b>					
Aarti Industries Ltd.	5	21.20	19.97	102.47	20.69
Atul Ltd.	10	73.30	19.25	342.45	21.40
Vinati Organics Ltd.	2	22.85	22.12	84.13	26.68

Source: RHP, Ashika Research

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