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IPO Report

16th Jan '25

Snapshot

Company, commonly known as Stallion, is a Mumbai-based company incorporated on September 05, 2002 in Mumbai by Shazad Sheriar Rustomji, who currently serves as the Chairman & Managing Director and is also one of the Promoter of the Company. Company is into the business of selling Refrigerant and Industrial Gases and related products. Company's primary business consists of debulking, blending and processing of Refrigerant and Industrial gases, selling of pre filled cans and small Cylinders/ Containers.

VALUATION

Company is bringing the issue at price band of Rs 85-90 per share at p/e multiple of 22x on post issue annualized H1FY25 PAT basis.

Company has shown Operating and financial performance and growth. Also, company has Customer base across high growth industries and long-standing relationships with customers. Company has blending facilities in different states, value and supply chain efficiencies. Also, company has Professional management and experienced leadership of its Promoter i.e. Shazad Sheriar Rustomji.

Hence looking after all above, we recommend "Subscribe" on issue.

Price Band (Rs./Share)	85-90
Opening date of the issue	16th Jan '2025
Closing Date of the issue	20th Jan '2025
No of shares pre issue	6,14,66,514 Eq Shares
Issue Size	Rs 188-199 Cr
Fresh Issue	1,78,58,740 Eq Shares
Offer For Sale	43,02,656 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	165

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 1,10,80,697 Eq Shares)
Non-Institutional	15% of the offer (Approx 33,24,210 Eq Shares)
Retail	35% of the offer (Approx 77,56,489 Eq Shares)
Lead managers	Sarathi Capital Advisors Pvt. Ltd
Registrar to the issue	Bigshare Services Pvt. Ltd

WHAT WE LIKE

Strong Market recognition

Company sell its product under the brand name of "Stallion". Company being into the field for more than 2 decades and Promoters having experience of over 3 decades, have strong Market recognition in the refrigerant gases industry. This has enabled the company to be distinguished from its competitors in the same industry.

Customer base across high growth industries and long-standing relationships with customers

The company caters to a diverse clientele spanning various industries such as Air conditioners & Refrigerators, Fire Fighting, Semiconductor manufacturing, Automobile Manufacturing, Pharma and Medicals, Semiconductors, Glass bottle manufacturing, Aerosols and Spray foam, showcasing the relevance and demand for its products across multiple sectors.

Business model and ability to mitigate operational risk

Company consider its competitive advantages to lie in operational efficiency, facilitating timely deliveries and maintaining quality control measures. These factors have been instrumental in developing relationships within the industry, resulting in significant growth in company's operations. Company's Operating cash flow before working capital changes was reported at ₹ 2,630.89 lakhs, ₹ 2,650.52 lakhs, ₹ 1,952.03 lakhs and ₹ 3,212.90 lakhs for the period September 2024, fiscal 2024, fiscal 2023 and fiscal 2022 respectively.



COMPANY BACKGROUND

Company have four facilities located in Khalapur (Maharashtra), Ghiloth (Rajasthan), Manesar (Haryana) and Panvel (Maharashtra). Each of these facilities is designed and equipped to store gases in a controlled environment, ensuring adherence to the safety standards. Company's gases find application in various industries/segments such as Air conditioners & Refrigerators, Fire Fighting, Semiconductor manufacturing, Automobile Manufacturing, Pharma and Medicals, Glass bottle manufacturing, Aerosols and Spay foam.

With over two decades of experience in Fluorochemicals debulking bottling & distribution, company specialize in refrigerants gases by blending two or more gases to create new formulations.

Company deal in gases that are broadly classified as Fluorochemicals. They are majorly used as refrigerants. Primarily these gases fall in the categories Known as: • HC (Hydrocarbons) • HFC's (Hydrofluorocarbons) • HFO's (Hydrofluoroolefins).

Company offer a variety of products that make it distinct in the industry. By using its knowledge of its clients' industries and its skills in gases and engineering, company provide customized solutions to help businesses work better. Company's goal is to make operations run smoother and improve productivity. At the same time, company care about the environment and help reduce energy expenses. Company have an experienced Board of Directors and key managerial personnel, led by its Promoter, Shazad Sheriar Rustomji, who serves as the Promoter and Managing Director. His experience over 30 years in the domain of Fluorochemicals & Specialty Gases has significantly contributed to company's development



INVESTMENT RATIONALE

Customer base across high growth industries and long-standing relationships with customers

The company caters to a diverse clientele spanning various industries such as Air conditioners & Refrigerators, Fire Fighting, Semiconductor manufacturing, Automobile Manufacturing, Pharma and Medicals, Semiconductors, Glass bottle manufacturing, Aerosols and Spray foam, showcasing the relevance and demand for its products across multiple sectors. The strength in having customer base lies in the mitigation of risks associated with overdependence on a single market or industry. This strategic approach enhances the company's adaptability to market fluctuations and economic changes, encouraging a more effective response to dynamic business environments. The long-term relationships signify a foundation built on trust, reliability, and a consistent track record of delivering significant value. Such associations often translate into repeat business, referrals, and additional opportunities for growth and collaboration. The combined revenue contribution from the company's top ten customers, considered on a standalone basis for the period ending on September 30, 2024 and for the fiscal years 2024, 2023, and 2022, represented as 77.32%, 75.69%, 74.77%, and 72.88% respectively. In summary, the company's adeptness in serving a diverse range of customers across high-growth industries, coupled with the maintenance of robust, long-term relationships with renowned clients, positions it favorably for sustained success and growth within its market. This dual strength in market diversification and client relationship management establishes a solid foundation for the company's continued success and expansion.

Plants

Company operate from its four Plants in Khalapur, Raigad (Maharashtra), Ghiloth, Alwar (Rajasthan), Manesar, Gurugram (Haryana) and Panvel, Raigad (Maharashtra). These facilities adhere to safety standards, ensuring the regulated storage of gases. The initiation of operations at its facility in Ghiloth, Rajasthan and Manesar, Haryana was prompted by increasing demand in North India. The location of these facilities have been selected to optimize logistical efficiency and seamless production processes. With a focus on proximity to key markets and suppliers, company's facilities are positioned to enhance supply chain dynamics and reduce lead times. The main blending activities are done at the Khalapur facility. This deliberate positioning not only strengthens company's production capabilities but also makes company dynamic in terms of quick adaption of market trend to quickly respond to the customer demand on time according to its needs. Company provides supply chain efficiencies, particularly in the domain of refrigerant and other gases. Company's supply chain strategy is designed to ensure an uninterrupted flow of materials, seamlessly navigating from the sourcing phase to distribution. In the business of refrigerant and other gases, where precision, quality and reliability are important, company's supply chain distinguishes itself by its ability to promptly meet market demands with changing market dynamics. Company place a high priority on implementing quality control measures, ensuring that its gases adhere to the highest among the prevailing industry standards. This commitment to supply chain excellence states company's dedication to providing high-quality refrigerant and other gases, thereby sustaining a competitive edge in the market.



OBJECTS OF OFFER

The Offer comprises a Fresh Issue of up to 1,78,58,740 Equity Shares of face value of ₹10 each and an Offer for Sale of 43,02,656 Equity Shares of face value of ₹10 each by the Promoter Selling Shareholder.

Objects of the Fresh Issue

The net proceeds of the Fresh Issue, i.e. gross proceeds of the Fresh Issue less the issue expenses apportioned to Company ("Net Proceeds") are proposed to be utilized in the following manner:

- 1) Funding incremental working capital requirements of Company;
- 2) Funding capital expenditure requirements for company's Semi-conductor & Specialty Gas debulking & blending facility ("Khalapur, Maharashtra")
- 3) Funding capital expenditure requirements for company's Refrigerant debulking & blending facility ("Mambattu, Andhra Pradesh")
- 4) General Corporate Purposes

RISKS

Zhejiang Sanmei Chemical Industry Co. Ltd. (Sanmei) have issued a notice through its Legal representative demanding USD 12,51,290.00 i.e ₹ 949.85 lakhs. In the event that, if any legal or regulatory proceedings are initiated, any adverse outcome arising therefrom could affect company's reputation, financial condition and cash flow.

Source:RHP

INDUSTRY OVERVIEW

Growth Drivers of Indian Fluorochemicals & Specialty Gases Market

The Indian fluorochemicals and specialty gases market is also benefiting from factors such as Increasing demand for fluorochemicals in construction and infrastructure applications, growing adoption of fluorochemicals in the textile industry for water- and stain-repellency, expanding use of specialty gases in environmental monitoring and pollution control and rising demand for specialty gases in the aerospace and defense sectors. This market is expected to witness significant growth in the coming years, driven by several factors:

- **Industrialization and urbanization in India:** Industrialization is the process of transformation of any given agricultural society into an industrial society. Industrialization involves social and economic changes and the broad reorganization of the manufacturing economy. Urbanization involves the migration or transfer of rural populations to urban areas. Industrialization and urbanization are interrelated. Increased industrialization increased employment opportunities. These opportunities attract rural people to migrate to cities and build more cities, especially among younger generations. As a result, the construction industry and service industries have also developed rapidly, creating more jobs. As a result of these events, India's industrialization and urbanization levels increased, and the country's economy rapidly improved. Therefore, the increased industrial categories and output value in the industry have put forward higher requirements for common industrial procedures such as refrigeration and foaming. On the other hand, due to urban population growth and business growth, demand for various end products such as air conditioners, automobiles, electronic products, food, pharmaceuticals, etc. has increased. These factors promote the widespread use of fluorochemicals and specialty gases.
- **Rising Demand from Electronics Industry:** The increasing demand for semiconductors and electronic devices, particularly in the telecommunications and data storage sectors, is driving the demand for fluoropolymers and specialty gases used in their production. Fluoropolymers are used in printed circuit boards (PCBs), microelectronics, and LED lighting due to their exceptional electrical insulation properties, high dielectric strength, and resistance to extreme temperatures. Specialty gases, such as high purity gases and noble gases, are also used in semiconductor manufacturing and analytical instrumentation. Electronic systems design and manufacturing (ESDM) is the world's fastest-growing industry, continuing to transform lives, businesses and economies around the world. India is no exception to this. Advances in the electronics industry are not limited to specific areas but encompass all areas. Considerable progress has been made in commercial electronics, software, telecommunications, instrumentation, positioning and networking systems, and defense. Technology transformations such as the rollout of 5G networks and the Internet of Things are driving accelerated adoption of electronics. Initiatives such as "Digital India" and "Smart City" projects have increased the demand for IoT in the electronic equipment market and will undoubtedly usher in a new era of electronic products.
- **Expansion of Healthcare Sector:** The growing population and increasing healthcare expenditure are driving the demand for fluoropolymers and specialty gases used in medical devices, implants, and surgical equipment. Fluoropolymers like Gore-Tex and PTFE are used in medical devices, such as artificial joints, stents, and catheters, due to their biocompatibility and non-stick properties. Specialty gases, such as medical gases and sterile gases, are used in various medical procedures, including anaesthesia, surgery, and diagnostic imaging.
- **Rising Demand from Manufacturing Industries:** The expansion of manufacturing industries, particularly in the automotive, aerospace, and chemical sectors, is driving the demand for fluorochemicals and specialty gases used in various applications. Fluorochemicals are used in coatings, paints, and sealants for automotive components, as well as in refrigerants and lubricants. Specialty gases are used in welding, metal cutting, and brazing, as well as in analytical instruments and quality control processes.



Consolidated Financials

(Rs in lakhs)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	18588.27	22550.44	23323.58	14073.15
Total Expenditure (B)	15333.19	21046.46	20952.14	11599.39
EBIDTA	3255.08	1503.98	2371.44	2473.76
EBIDTA Margin	17.51	6.67	10.17	17.58
Other Income	45.80	55.91	299.05	80.01
Depreciation	178.78	153.86	111.06	57.53
EBIT	3122.10	1406.03	2559.43	2496.24
Interest	115.01	108.61	432.48	249.17
PBT	3007.09	1297.42	2126.95	2247.07
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	3007.09	1297.42	2126.95	2247.07
Exceptional	0.00	0.00	0.00	0.00
PBT	3007.09	1297.42	2126.95	2247.07
Tax	896.12	322.12	648.12	590.55
PAT	2110.97	975.30	1478.83	1656.52
NPM	11.36	4.32	6.34	11.77
ROE%	34.64	13.79	12.54	12.31
EPS	3.83	1.77	2.54	2.69
Eq Cap	1,225.00	5,512.50	6,146.65	6,146.65
Net Worth	6,093.66	7,070.32	11,796.38	13,453.20

(Source: RHP)

Peer Comparison

(Rs ion Lakhs)

Company Name	Face Value	EPS	P/E	ROE %	Sales
<i>Stallion India Fluorochemicals Limited</i>	<i>10.00</i>	<i>2.54</i>	<i>--</i>	<i>12.54</i>	<i>23622.63</i>
Peers					
Navin Flourine International Limited	2.00	47.44	70.82	10.22	148820
SRF Limited	10.00	46.35	49.30	13.07	1090609
Gujarat Fluorochemicals Limited	1.00	38.12	108.36	7.07	408807

(Source: RHP)



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