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**IPO Report**

25<sup>th</sup> Feb'24

**Snapshot**

Company is a multi-product company engaged in the business of manufacturing stabilizers. Company's business segment includes PVC stabilizers, CPVC additives and lubricants. Company operate in the speciality chemicals industry. Its products find their application in PVC pipes, PVC profiles, PVC fittings, electrical wires and cables, SPC floor tiles, Rigid PVC foam boards, packaging materials, etc. According to the CRISIL Report, company is the third largest player of PVC stabilizer in terms of sales with an ~13.00% market share for the financial year 2022-23 in the domestic market.

**VALUATION**

Company is bringing the issue at price band of Rs 162-171 per share at p/e multiple of 21x on annualized H1FY24 PAT basis. Company has shown consistent financial performance. Company's has strong R & D and Sustainability along with varied product portfolio catering to diversified industries. Company has high entry barriers in the speciality chemical industry and has quality products. Hence ,looking after all above we recommend "Subscribe" on issue

<b>Price Band (Rs./Share)</b>	<b>162-171</b>
<b>Opening date of the issue</b>	<b>27<sup>th</sup> Feb '2024</b>
<b>Closing Date of the issue</b>	<b>29<sup>th</sup> Feb '2024</b>
<b>No of shares pre issue</b>	41163648 Eq Shares
<b>Issue Size</b>	Rs 235 Cr
<b>Fresh issue</b>	13,761,225 Eq Shares
<b>No of Shares</b>	13,761,225 Eq Shares Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	87

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 6880612.50 Eq Shares)
<b>Non-Institutional</b>	35% of the offer (Approx 4816428 Eq Shares)
<b>Retail</b>	15 % of the offer ( Approx 2064184 Eq Shares)
<b>Lead managers</b>	Unistone Capital Private Limited
<b>Registrar to the issue</b>	Bigshare Services Private Limited

**WHAT WE LIKE**

**Consistent financial performance**

Company has grown from commencing from 2 products portfolio to a multi-product manufacturing company with sales across India and in international markets. Company has built its business organically and has demonstrated consistent growth in terms of revenues and profitability. Company's revenue from operations have grown from ₹ 891.41 million in Fiscal 2021 to ₹ 2,340.56 million in Fiscal 2023, registering a CAGR of 62.04% in last three fiscal years. For the period ended September 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, company's PAT were ₹ 229.68 million, ₹ 361.96 million, ₹ 155.48 million and ₹ 48.20 million, respectively. Company's PAT have grown from ₹ 48.20 million in Fiscal 2021 to ₹ 361.96 million in Fiscal 2023, registering a CAGR of 174.04% in last three fiscal years

**Varied product portfolio catering to diversified industries**

Company have varied products for PVC industry in the market and multiple product categories such as low lead based stabilizer, calcium zinc based stabilizer and organic based stabilizer. Within each product category, there are multiple grades depending on application and customer requirements. Company's constant efforts are focused towards continuously identifying market demands and introducing relevant products with high quality. In PVC applications, company have developed more than 400 grades, which help company cover majority of customers as well as different applications.

**R & D and Sustainability**

Company have an in-house R&D facility admeasuring about 3,351.82 sq. ft. situated at Gut no.181/11, 181/26, village Dhansar, Palghar, Maharashtra with modern equipment and instrumentation including XRF machine, lab extruder, lab mixer, Rheometer, outdoor weathering station, static stability oven, hydraulic press and two-roll mill, that is focused on developing innovative products to suit its customer needs and market demands. To stay ahead of the competition, Company's skilled research staff is constantly improving and upgrading the product portfolio.



## COMPANY BACKGROUND

Company provide customized products and solutions directly to its customers and also through its network of distributors. Company also undertake trading activities of associated commodity chemicals such as titanium dioxide and PVC/CPVC resin. Company export its products to other countries also. As on the date of this Red Herring Prospectus, company have a distribution network of 12 spread across India. Company's Manufacturing Facility is located at Palghar, Maharashtra which is spread across an aggregate parcel of land admeasuring about 21,000 sq. ft. ("Manufacturing Facility"). As on the date of this Red Herring Prospectus, its manufacturing Facility has obtained ISO 9001:2015 certification for quality management systems. Its Manufacturing Facility which is strategically situated in close proximity to JNPT (Nhava Sheva) Port, Maharashtra (JNPT) from where company receive its supply of imported raw materials as well as export out finished goods to the international market.

Company invest in R&D activities to create a differentiating factor and sustainability in its products and services vis-à-vis its competitors. In addition to company's manufacturing facilities at Palghar, Maharashtra company have a dedicated in-house R&D facility located at Gut no.181/11 to 181/26, village Dhansar, Palghar, Maharashtra ("R&D Facility"). Company's R&D Facility is equipped with analytical laboratory infrastructure for various developmental activities which includes process, finished products and other raw materials. Company share its R&D facility with its group companies. Company also have Technical Collaboration Agreement with HMS Concept E.U. which is a sole proprietorship concern of Dr. Horst Michael Schiller, who is an internationally renowned scientist with over three decades of experience in the PVC industry.

Company's business model is aimed at consistently expanding its product portfolio by introducing new products to cater to multiple end-use applications. With strict focus on product quality and good track record in the distributor network, company have an established brand image which helps company in penetrating new product categories. Company was originally incorporated as a Limited Liability Partnership in the year 2016 under the provisions of the Limited Liability Partnership Act, 2008 under the name and style of "Platinum Industries LLP". In July 2020, company's limited liability partnership was converted into a private limited company registered under the Companies Act. Company initially started manufacturing lead-based stabilizers and mixed metal-based stabilizers and subsequently diversified by manufacturing low lead based stabilizers, organic stabilizers, CPVC Additives and lubricants. Krishna Dushyant Rana, company's Managing Director and Parul Krishna Rana, company's Executive Director are the Promoters of Company.

Company's Promoters have combined experience of over two decades in the chemical industry and act as a driving force of Company. Company has grown consistently over the last few years under their leadership. Company, through its subsidiary Platinum Stabilizers Egypt LLC, intend to establish a project in Egypt, which shall be spread over an aggregate parcel of land admeasuring about 10,000 sq. mtrs ("Proposed Facility 1 (Egypt)") and shall venture into manufacturing of PVC stabilizers (both lead based and non-lead based). Further, company is in a process of setting up a new manufacturing facility at Palghar, Maharashtra which shall be spread across an aggregate parcel of land admeasuring about 14,800 sq. mts. ("Proposed Facility 2 (Palghar)") which shall be used to manufacture of PVC stabilizers (non-lead based).



**INVESTMENT RATIONALE**

<p><i>High entry barriers in the speciality chemical industry</i></p>	<p>The nature of the application of company’s products and the processes involved, its products are subject to, and measured against, high quality standards and rigorous product approval systems with stringent technical specifications. Further, because end products manufactured by company’s customers are typically subject to regulatory and industry standards, any change in the vendor of the products may require significant time and expense for customers, which acts an entry barrier. Thus, customer acquisition is difficult and limits the number of competitors involved in the manufacturing of company’s products. According to CRISIL, the speciality chemicals industry presents significant entry barriers, including customer validation and approvals, expectation from customers for process innovation and cost reduction, high quality standards and stringent specifications, as well as various client and regulatory approvals that are required to be obtained. (Source: CRISIL Report)</p>
<p><i>Quality Products</i></p>	<p>Company provide quality products to its customers and have a rigorous quality control procedure in place. Quality checks are implemented at various stages viz. receipt of raw materials, intermediate and final products. Materials are tested for compliance with company’s specifications at every stage and only products that pass its quality checks are delivered. There is a system of vendor prequalification for selection of the right raw material suppliers, to ensure quality is maintained in its process. Every batch of final product manufactured is subject to testing in company’s analytical lab and approval from lab in-charge prior to dispatch to its customers. Company have a well-equipped analytical lab with experienced lab technicians to perform quality checks of its raw materials, intermediate and finished products</p>
<p><i>R &amp; D and Sustainability</i></p>	<p>Company have an in-house R&amp;D facility admeasuring about 3,351.82 sq. ft. situated at Gut no.181/11, 181/26, village Dhansar, Palghar, Maharashtra with modern equipment and instrumentation including XRF machine, lab extruder, lab mixer, Rheometer, outdoor weathering station, static stability oven, hydraulic press and two-roll mill, that is focused on developing innovative products to suit its customer needs and market demands. To stay ahead of the competition, Company’s skilled research staff is constantly improving and upgrading the product portfolio.</p>
<p><i>Varied product portfolio catering to diversified industries</i></p>	<p>Company had launched with PVC stabilizers and were primarily supplying to PVC pipes industry (irrigation, and water transport). Subsequently, with the varied developments in company’s product portfolio company have now established its presence in pipes and fittings, rigid and semi-rigid films, window profiles, wires and cables, and other applications such as medical and consumer goods. Company diversify its product portfolio such that company’s products are customised for the customers and scale for each of the geographies company serve. Company’s diversified product portfolio helps company retain its customers and strengthen its cross-selling efforts across product portfolios. For the Fiscal 2023, Fiscal 2022 and Fiscal 2021, PVC stabilizers product segment generated revenues of ₹ 1,191.12 million, ₹775.95 million and ₹ 520.41 million which represents about 50.89%, 42.09% and 58.38% of company’s total revenue from operations for respective periods.</p>



## OBJECTS OF OFFER

The Net Proceeds from the Issue are proposed to be utilized by company for the following objects:

1. Investment in company's Subsidiary, Platinum Stabilizers Egypt LLC ("PSEL") for financing its capital expenditure requirements in relation to the setting up of a manufacturing facility for PVC Stabilizers at SC Zone, Governorate of Suez, Egypt. ("Proposed Facility 1 (Egypt)");
2. Funding of capital expenditure requirements of company towards setting up of a manufacturing facility for PVC Stabilizers at Palghar, Maharashtra, India ("Proposed Facility 2 (Palghar)");
3. Funding working capital requirements of Company; and
4. General corporate purposes.

## RISKS

Company operate out of a single Manufacturing Facility which is located at Palghar, Maharashtra, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around Palghar, Maharashtra or any disruption in production at, or shutdown of, company's manufacturing unit could have material adverse effect on company's business and financial condition.

Source:RHP

## INDUSTRY OVERVIEW

### Growth drivers for stabilizer industry

#### Government initiatives to propel construction sector which will in turn drive demand for PVC stabilizer

Egyptian construction industry is expected to grow to from 24 USD billion in 2022, estimated to reach 25.7 USD billion in 2023 to 31.6 USD billion by 2026. The Egyptian government announced plans to implement 45 major national and strategic infrastructure projects in the in the financial year 2022/23 including 10 traverse accesses on the Nile, completion of 1,000 kilometers of railway development and 47 new train stations. Egyptian government is presently in the process of implementation of "Housing for All Egyptian initiative" program which is aimed at resolving country's affordable housing problems. Under the program, the Egyptian government aims to build 500,000 housing units by 2025. Office spaces is expected to grow significantly in terms of amount of mixed-use sqm, as foreign companies resume expansion plans in Egypt after a covid-induced halt.

#### Expansion of water supply network to drive pipe demand, which would drive growth of stabilizer industry

Because of its arid climate, Egypt relies on irrigation for much of its agricultural activity. It has the largest area of irrigation among Nile Basin countries, most of which is from surface water. Egypt depends almost entirely on the Nile for fresh water and faces rising water scarcity for its population of 104 million. The government is investing in desalination plants, groundwater-extraction facilities, wastewater treatment plants and technologies for the reuse of treated water. The government intends to augment in a phasewise manner its existing desalination capacity of less than 1 million cubic meters per day by setting up 39 desalination plants with a combined capacity to process 1.4 million cubic meters per day. Country's Housing Ministry unveiled a 30-year, five-phase plan that would provide another 6.4 million cubic meter/day of potable water by 2050. Investment in the food & pharma is fueling the growth of the packaging, which will aid stabilizer industry Egypt is ranked the 3rd largest market for packaging and wrapping products in the Middle East and North Africa. Marquee packaging manufacturers such as Huhtamaki, Uflex, have production facilities in Egypt. The packaging sector is expected to be driven by growing demand from pharma and food sectors. Egypt established its largest pharmaceutical city in April 2021; Gypto Pharma City, spread across 180,000 square meters, is the largest in the Middle East. The new city located in Al-Khankah aims to increase cooperation between the state and the private sector to transform Egypt into a regional center for the pharmaceutical industry in the Middle East. Turkey Turkey market size was at 26 thousand tons in 2022, estimated to reach 28.0 thousand tons in 2023, which is expected to increase at CAGR of 5.5% to reach 36 thousand tons by 2027.



**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23	H1FY24
Total Revenue (A)	892.69	1881.56	2314.81	1228.21
Total Expenditure (B)	817.06	1628.02	1776.23	904.44
EBIDTA	75.63	253.54	538.58	323.77
EBIDTA Margin	8.47	13.47	23.27	26.36
Other Income	2.61	10.82	10.74	9.13
Depreciation	7.44	8.92	18.27	14.44
EBIT	70.80	255.44	531.05	318.46
Interest	3.85	15.84	21.69	16.02
PBT	66.95	239.60	509.36	302.44
Exceptional	0.00	0.00	0.00	0.00
PBT	66.95	239.60	509.36	302.44
Tax	18.80	62.12	133.52	74.09
PAT	48.15	177.48	375.84	228.35
NPM	5.39	9.43	16.24	18.59
ROE%	107.66	79.45	61.26	27.12
EPS	1.24	4.41	9.42	5.73
Eq Capital	10.53	10.53	402.53	402.53
Net Worth	44.72	223.37	618.79	850.37

(Source: RHP)

**Peer Comparison**

Company Name	Face value	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Platinum Industries Limited</i>	<i>10</i>		<i>2314.81</i>	<i>9.42</i>	<i>15.37</i>	<i>61.21</i>
<b>Peers</b>						
Supreme Petrochem Ltd	5	24.39	52872.05	26.49	98.06	27.02
Apcotex Industries Ltd	2	22.36	10799.29	20.82	91.82	22.68

(Source: RHP)



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