

IPO Details	
Opening Date	July 24, 2023
Closing Date	July 26, 2023
Stock Exchange	NSE
Lot Size	3000 Shares
Issue Price	₹ 40 per share
Issue Size	Aggregating up to 20.57Cr.
Fresh Issue	Aggregating up to 20.57Cr.
Application Amount (@ upper Band)	₹1,20,000

IPO Objective	
Meeting incremental working capital requirements.	
General corporate purposes.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	62,49,516	61.01%
Public	39,93,909	38.99%

Promoter of the Company	
1	Yash Chemex Limited

Competitive Strengths	
1	Focus on Quality & Innovation.
2	Experienced Director.
3	Locational Advantage Diverse product offerings.
4	Well established relationship with clients.

Company Background	
○	Company was incorporated in the year 2017 and has its registered office in Gujarat.
○	Company is in the business of manufacturing of a) dyes and pigment paste, b) FMCG products.
○	Company is a subsidiary of Yash Chemex Limited ("YCL"), a company which was listed on BSE SME Platform on June 20, 2016 and was migrated to BSE Mainboard Platform September 05, 2018.
○	Company is also a partner in Rishit Polysurf LLP with 99% of share in profits. Rishit Polysurf LLP was takeover on October 26, 2022.
○	As on June 30, 2023 Company has 9 fulltime employees as on payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 57	₹77

Financial Summary (In Lacs)			
For the Period Ended	Mar-23	Mar-22	Mar-21
Total Assets	2,758.59	2,779.28	2,588.25
Net Assets	2,072.04	1,728.57	1,532.94
Total Borrowings	346.40	281.40	269.04
Total Revenue	4,100.64	2,617.00	1,804.78
Profit After Tax	343.20	195.40	125.30


























Tentative Timeline	
Opening Date	July 24, 2023
Closing Date	July 26, 2023
Basis of Allotment	July 31, 2023
Initiation of Refunds	Aug 01, 2023
Credit of Shares to Demat	Aug 02, 2023
Listing Date	Aug 03, 2023




















Company Background and Analysis

Company was incorporated in the year 2017. Company is in the business of manufacturing of a) dyes and pigment paste, and b) FMCG products. Within dyes, Company believes to manufacture wide range of dyes such as reactive dyes, direct dyes, basic dyes, vat dyes and food colorants. The dyes manufactured by Company can be broadly classified under the following type (a) natural dyes, (b) synthetic dyes, and (c) synthetic organic dyes. Company manufactures multiple shades of dyes and also manufactures a wide range of pigment paste from various chemicals. Within FMCG company manufactures or package products such as hair oil, perfumes & deodorant, handmade soap, sanitizer, etc., under own brand name “PLXO”. With wide range of products, Company offers colour solutions directly or indirectly (trader) for various industries like textile, paper, paints, inks, soap, plastic, wood, detergents and FMCG. Company is also a partner in Rishit Polysurf LLP with 99% of share in profits. Rishit Polysurf LLP was taken over on October 26, 2022 by Company and is engaged in the business of speciality chemical in the form of ethoxylates and its derivative and propoxylates and its derivative at Dholka Unit. Company is subsidiary of Yash Chemex Limited (“YCL”), a company which was listed on BSE SME Platform on June 20, 2016 and was migrated to BSE Mainboard Platform vide BSE Notice No. 20180905-10 dated September 05, 2018 with effective from September 07, 2018. YCL is principally engaged in the business of trading of dyes, chemicals and intermediates for textile and garment industry, water treatment industry, laminate industry, agrochemicals, adhesives, metal industry among others. YCL focuses on products such as tobias acid, beta nephthol sulpho tobias acid, J acid, H acid, Bon acid, melamine, phenol etc. YCL is a chemicals and dyes trading and distribution company with a diverse product portfolio.

Dyes Products

Out of 58 products top 10 products are mentioned in the below table:

Sr. NO.	Reactive Dyes	TONE	DIRECT DYES	TONE	BASIC DYES	TONE	FOOD COLOURS	TONE	VAT DYES	TONE
1	Golden Yellow R		Direct Yellow PG (Yellow 142)		Basic Yellow 2 (Auramine)		Allura Red		Yellow (Yellow 4)	
2	Golden Yellow RNL (Orange 107)		Direct Yellow RL (Yellow 86)		Basic Violet 10(Rhodamine)		onceau 4R		Golden Yellow (Orange 1)	
3	Brilliant Yellow 4GL (Yellow 160)		Direct Yellow (Yellow 106)		Basic Violet 4 (Ethyl Violet)		Orange Red		Orange (Orange 5)	
4	Brilliant Yellow FG (Yellow 42)		Direct Yellow 5G (Yellow 44)		Basic Violet 3 (Crystal Violet)		Strawberry red		Pink (Red 1)	
5	Brilliant Yellow GR (Yellow 15)		Direct Crysophenine G (Yellow 12)		Basic violet 1 (Methyl violet)		Raspberry red		Red 3B (Red 10)	

6	Yellow ME4GL (Yellow 160A)		Direct Orange SE (Orange 26)		Basic green 4 (melchite green)		Amaranth		Red 6B (Red 10)	
7	Golden Yellow MERL (Yellow 145)		Direct Orange 2GL (Orange 39)		Basic brown 4 (Bismark brown)		Carmoisine		Red Violet (Violet 3)	
8	Yellow H4G (Yellow 18)		Direct Scarlet F2G (Red 224)		Basic Blue 9 (methelene blue)		Rose pink		Violet (Violet 1)	
9	Golden Yellow HR (Orange 12)		Direct Rose FR (Red 227)		Basic orange 2 (Crysodine)		Sunset Yellow FCF		Grey (Black 16)	
10	Yellow M4R (Orange 14)		Direct Scarlet 4BS 200% (Red 23)				Quinoline Yellow		Black BB (Green 9)	

FMCG products produced by the company

1. HAIR OIL
2. TONER PRODUCT
3. POCKET PERFUME
4. PERFUME
5. HAND SOAP
6. SANITIZER PRODUCT

REVENUE FROM OPERATIONS

Particular	March 31, 2023		March 31, 2022		March 31, 2021		March 31, 2020	
	₹ In Lakhs	%	₹ In Lakhs	%	₹ In Lakhs	%	₹ In Lakhs	%
Manufacturing Sales								
a) Dyes and Pigment Paste	2,248.07	61.13%	1,787.28	71.34%	1,332.68	74.98%	1,040.55	53.61%
b) FMCG	4.67	0.13%	63.29	2.53%	137.16	7.72%	36.54	1.88%
Trading								
a) Dyes Intermediates and Pigment and Pigment Paste	1,424.53	38.74%	654.62	26.13%	307.53	17.30%	863.88	44.51%
b) FMCG	-	-	-	-	-	-	-	-
Total	3,677.27	100%	2,505.19	100%	1,777.37	100%	1,940.97	100%

Revenue from manufacturing dyes and pigment paste, FMCG has increased from March 2020 to Mar 2023. Revenue from trading is also increased from March 2020 to Mar 2023.

Business Strategies

1. Reduction of Operational costs

Apart from expanding business and revenues, Company is looking for areas to reduce costs and achieve efficiencies in order to remain a cost-competitive company and focus on the latest technology and modification in the production process that will reduce in the cost of production.

2. Widening of customer base

With the growing opportunities available in the market, Company will endeavour to continue to grow business by adding new customers in existing and new geographies and also new market segments & products. Company is also making efforts and diagnosing the domestic markets for increasing sales of FMCG products and expanding brand products.

3. Increase product offerings

As a growth strategy company is looking to increase product offerings and adding newer categories of products. Company would also adopt newer and latest available technologies to increase product quality and offerings. Technology and product addition and innovation will be core to this effort.

Competitive Scenario and Peer Mapping

Competition

The company faces high competition from the existing players in the market such as Mahickra Chemicals Limited, Meghmani Organics Ltd, Kiri Industries Limited etc. The bargaining power of the company is low and the threat of new entrant is not that high. Company has to expand in to new geographies and use updated cutting edge technologies and enter new market segment and products to sustain in highly competitive business.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	Yasons Chemex Care Limited	Mahickra Chemicals Limited	Megmani Organics Ltd	Kiri Industries Limited	Ushanti Colour Chem Limited-
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	9%	3%	12%	11%	4%
EBITDA Margin	1%*	2%	14%	13%	3%
Return on Capital Employed	2%**	5%	15%	3%	-1%
Return on Equity	16.56%	10%	21%	4%	4%
EPS (INR)	4.12	4.04	9.85	20.67	2.18

*EBITDA margin is greater than net profit margin because of other income being of a significant amount. If we remove the other income, the net profit would be negative.

** ROCE is again less than ROE because of the effect of other income in Net Profit.

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	Yasons Chemex Care Limited	Mahickra Chemicals Limited	Megmani Organics Ltd	Kiri Industries Limited	Ushanti Colour Chem Limited-
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	8%	3%	10%	26%	3%
EBITDA Margin	7%	2%	15%	31%	8%
Return on Capital Employed	10%	5%	19%	16%	6%
Return on Equity	17%	11%	20%	15%	5%
EPS (INR)	1.38	4.12	12.11	95.49	2.02

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

Particulars	Yasons Chemex Care Limited	Mahickra Chemicals Limited	Megmani Organics Ltd	Kiri Industries Limited	Ushanti Colour Chem Limited-
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	7%	4%	11%	26%	7%
EBITDA Margin	11%	2%	18%	33%	14%
Return on Capital Employed	11%	7%	17%	12%	12%
Return on Equity	13%	12%	19%	12%	9%
EPS (INR)	0.89	3.83	7.28	75.07	3.32

Industry Overview

Exhibit 1: Market Size of Indian Chemical Sector (US\$ billion)

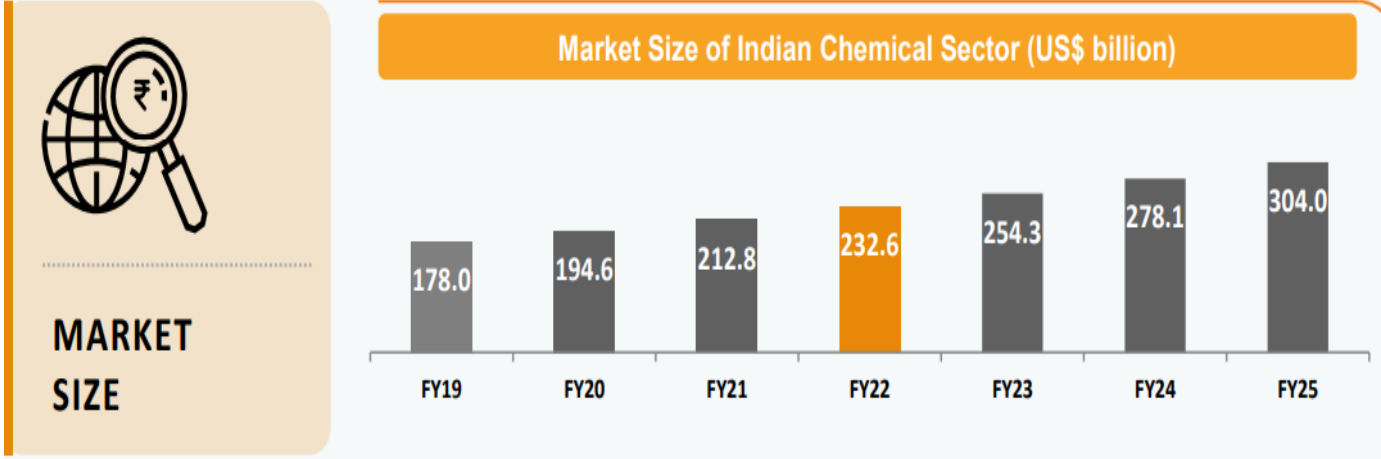


Exhibit 2: Urban – production of Chemical and production of petrochemicals

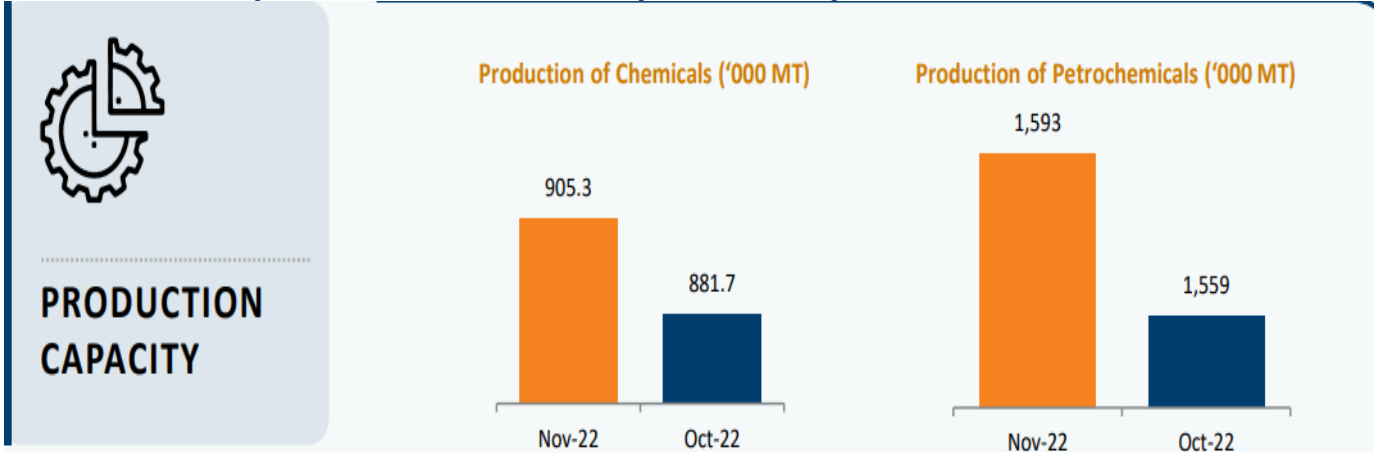
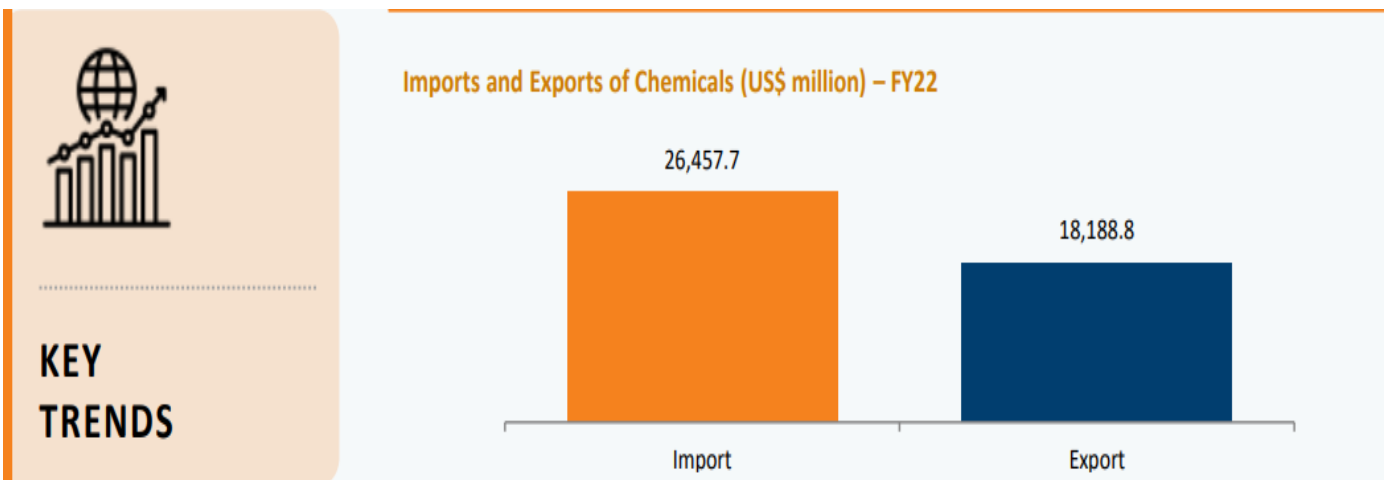


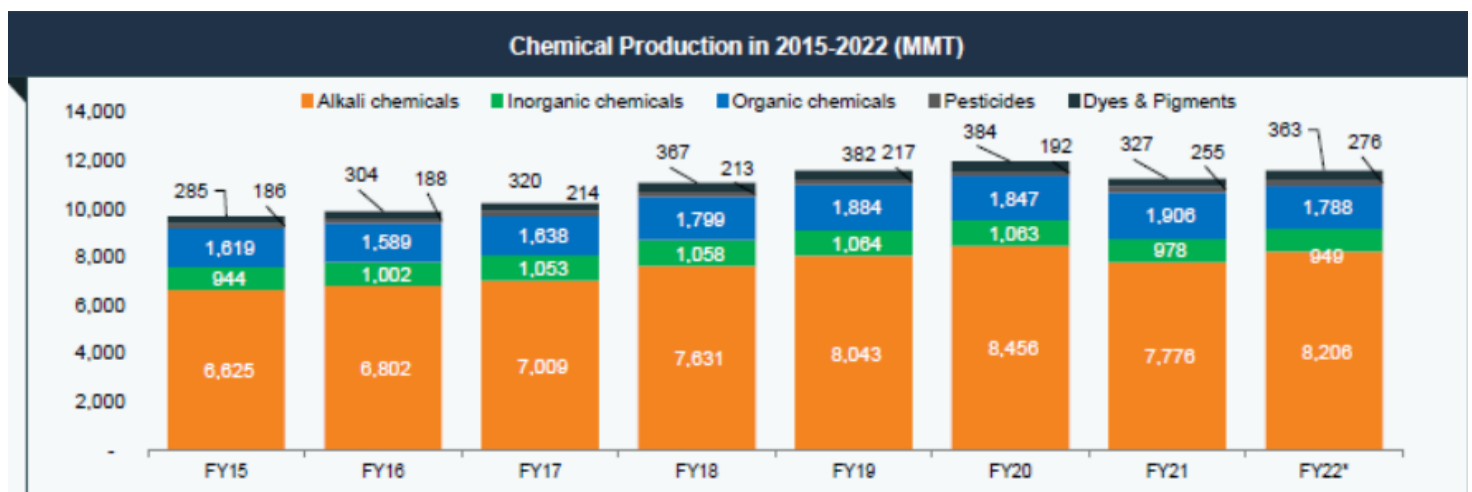
Exhibit 3: Rural areas drive FMCG and Cumulative FDI Inflow Share.



(Source: IBEF)

INDIAN CHEMICAL INDUSTRY

Covering more than 80,000 commercial products, India's chemical industry is extremely diversified and can be broadly classified into bulk chemicals, specialty chemicals, agrochemicals, petrochemicals, polymers and fertilisers. Globally, India is the fourth-largest producer of agrochemicals after the United States, Japan and China. India accounts for ~16% of the world production of dyestuffs and dye intermediates. Indian colorants industry has emerged as a key player with a global market share of ~15%. The country's chemicals industry is de-licensed, except for few hazardous chemicals. India holds a strong position in exports and imports of chemicals at a global level and ranks 14th in exports and 8th in imports at global level (excluding pharmaceuticals). The domestic chemicals sector's small and medium enterprises are expected to showcase 18-23% revenue growth in FY22, owing to an improvement in domestic demand and higher realization due to high prices of chemicals. India's proximity to the Middle East, the world's source of petrochemicals feedstock, enables it to benefit on economies of scale.



FAST MOVING CONSUMER GOODS(FMCG) INDUSTRY

Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has been expanding at a healthy rate over the years as a result of rising disposable income, a rising youth population, and rising brand awareness among consumers. With household and personal care accounting for 50% of FMCG sales in India, the industry is an important contributor to India's GDP. India is a country that no FMCG player can afford to ignore due to its middle-class population which is larger than the total population of USA. The Indian FMCG market continues to rise as more people start to move up the economic ladder and the benefits of economic progress become accessible to the general public. More crucially, with a median age of just 27, India's population is becoming more consumerist due to rising ambitions. This has been further aided by government initiatives to increase financial inclusion and establish social safety nets. Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector. The urban segment (accounts for a revenue share of around 55%) is the largest contributor to the overall revenue generated by the FMCG sector in India. However, in the last few years, the FMCG market has grown at a faster pace in rural India compared to urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50% of the total rural spending.

(Source: Prospectus)

Key Managerial Personnel

The Promoter of Company is Yash Chemex Limited. As on the date of this Draft Prospectus, Promoter holds in aggregate 99,35,400 Equity Shares of face value ₹ 10.00/- each, representing 70.16% of the issued, subscribed and paid-up Equity Share Capital of Company.

Pritesh Yashwantlal Shah is the Managing Director cum Chairman of Company and has been on the board since incorporation. He has done B.Sc. in chemistry from Gujarat University. He has experience of more than 20 years in chemical industry. He is also on the board of directors of holding company i.e., Yash Chemex Limited.

Dimple Priteshkumar Shah is the Whole Time Director of Company. She has been associated with Company since 2018. She holds bachelor degree of commerce from Gujarat University. She is also on the board of director of holding company i.e., Yash Chemex Limited. She has over 3 years of experience with Company.

Angee RajendraKumar Shah is a Non-Executive Independent Director of Company. She has been associated with Company since 2019. She holds the bachelor degree of commerce from Gujarat University. She is Company Secretary by profession and also holds a Bachelor's Degree in Law. She is also an Independent Non-Executive Director of holding company i.e., Yash Chemex Limited.

Smit Kumarpal Shah is a Non-Executive Independent Director of Company. He is a practicing-chartered accountant and a fellow member of the Institute of Chartered Accountants of India. He is also partner in the firm M/s. Shah & Shah, Chartered Accountant. He has been associated with Company since December 08, 2022.

Vinod Kumar is a Non-Executive Independent Director of Company. He is a practicing-chartered accountant and a fellow member of the Institute of Chartered Accountants of India. He is also partner in company M/s. S K Y Z & Co, Chartered Accountant. He has been associated with Company since December 08, 2022.

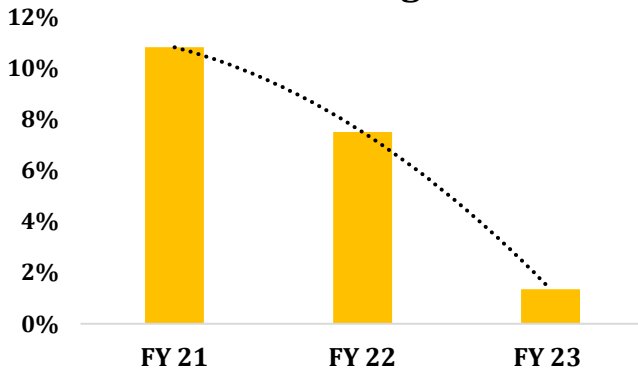
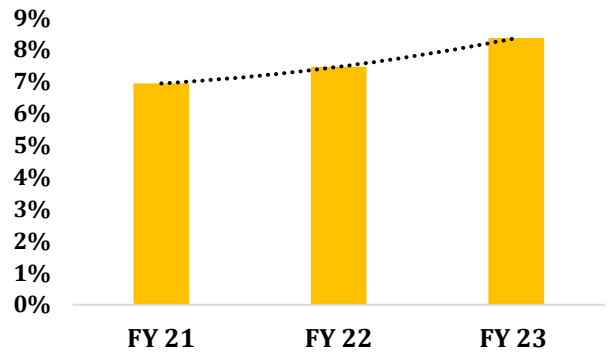
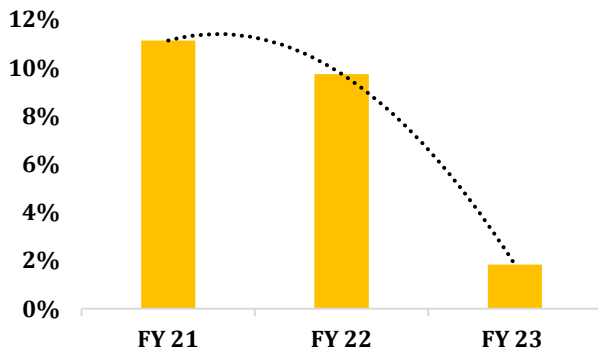
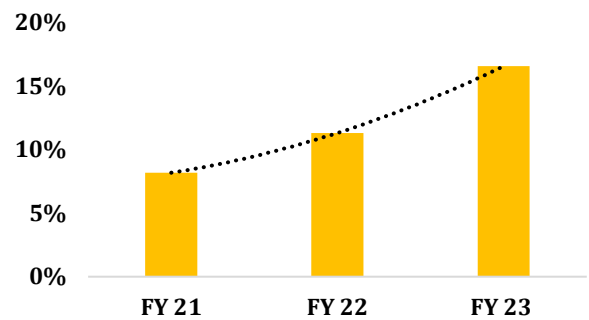
To conclude, the company has 1 promoter and 1 managing director and 1 chairperson. The management has good knowledge and experience in the industry and overall business in which the company operates in.

Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
Revenue from Operations	1,777.36	2,505.19	3,677.27	
Other Income	27.42	111.81	423.37	
Total Income	1,804.78	2,617.00	4,100.64	
Expenses				
Cost of Materials consumed	1,248.80	1,608.97	2,484.05	
Purchase of stock-in-trade	282.39	633.89	1,538.85	
Changes in inventories of Finished goods, work-in-Progress	-8.06	13.19	-471.6	
Employee benefits expense	7.57	16.46	14.3	
Finance costs	23.08	35.56	41.08	
Depreciation and Amortization expense	14.9	12.94	10.1	
Other expenses	54.49	44.88	62.07	
Total Expenses	1,623.17	2,365.89	3,678.85	
Earning Before Interest, Taxes, Depreciation & Amortization	192.17	187.80	49.60	
EBITDA Margin	11%	7%	1%	
Profit/(Loss) before exceptional items and tax	181.61	251.11	421.79	
Less: Exceptional Items	-	-	-	
Profit/(Loss) before tax	181.61	251.11	421.79	
Tax Expense				
Current Tax	46.5	44.55	71.1	
Current Year	-	-	-	
Earlier Year	10.73	10.97	7.76	
Deferred tax	-0.95	0.19	-0.22	
Total Tax Expense	56.28	55.71	78.64	
Profit/(Loss) for the year	125.3	195.4	343.2	
Net Profit Margin	7%	7%	8%	

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
ASSETS				
Non-Current Assets	-	-	-	
Property, Plant and Equipment	74.64	61.68	51.72	
Right of use of assets	-	-	-	
Capital Work-in-progress	-	-	-	
Intangible assets	-	-	-	
Financial Assets	-	-	-	
(i) Investments	434.83	515.2	658.69	
(ii) Loans	211.64	220.79	0	
(iii) Other Financial Assets	19.63	19.66	20.69	
Deferred Tax Assets (net)	1.30	1.04	1.16	
Income-tax assets (net)	-	-	-	
Other Non-current Assets	1.77	1.68	1.68	
Total Non-Current assets	743.81	820.05	733.94	
Current Assets				
Inventories	212.38	410.9	805.46	
Financial Assets				
(i) Investments	-	-	-	
(ii) Trade Receivables	1393.26	1235.01	1,139.01	
(iii) Cash and cash equivalents	10.18	5.70	8.44	
(iv) Other Bank balances	0.31	-	-	
(v) Other Financial assets	-	-	-	
(vi) Loans	-	-	-	
Other Current assets	198.31	307.62	71.74	
Total Current assets	1,814.44	1,959.23	2,024.65	
Total Assets	2,558.25	2,779.28	2,758.59	
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	590.08	590.08	1,416.19	
Instruments entirely equity in nature	-	-	-	
Other Equity	942.86	1138.49	655.85	
Total Equity	1,532.94	1,728.57	2,072.04	
Liabilities				
Non-current liabilities				
Financial Liabilities				
(i) Borrowings	59.00	65.12	77.37	
(ii) Lease liabilities	-	-	-	
(iii) Other Financial Liabilities	-	-	-	
Provisions	0.49	0.47	0.83	
Other Non-current Liabilities	-	-	-	
Total Non-current liabilities	59.49	65.59	78.20	
Current liabilities				
Financial Liabilities				
(i) Borrowings	210.04	216.28	269.03	
(ii) Lease liabilities	-	-	-	
(iii) Trade payables				
Total outstanding dues of micro and small	33.96	-	-	
Total outstanding dues of other creditors	526.89	585.96	292.19	
(iv) Other financial liabilities	-	-	-	
Other current liabilities	160.98	159.85	1.34	
Provisions	-	-	-	
Current tax liabilities (Net)	33.96	23.02	45.76	
Total Current liabilities	965.83	985.11	608.32	
Total Liabilities	1,025.32	1,050.70	686.52	
Total Equity and Liabilities	2,558.26	2,779.27	2,758.56	

Ratio Analysis			
Particulars	FY 21	FY 22	FY 23
<u>Per Share Data</u>			
Diluted EPS	0.89	1.38	2.42
BV per share	7.94	8.95	10.73
<u>Operating Ratios</u>			
EBITDA Margins	11%	7%	1%
PAT Margins	7%	7%	8%
Inventory days	43.61	59.87	79.95
Debtor days	286.12	179.94	113.06
Creditor days	163.80	117.47	132.41
<u>Return Ratios (%)</u>			
RoCE	11%	10%	2%
RoE	8%	11%	17%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	9.32	10.67	48.59
Market Cap / Sales	4.34	3.08	2.10
P/E	44.94	28.99	16.53
Price to Book Value	5.04	4.47	3.73
<u>Solvency Ratios</u>			
Debt / Equity	0.18	0.16	0.17
Current Ratio	1.88	1.99	3.33
Quick Ratio	1.66	1.57	2.00
Asset Turnover	0.69	0.90	1.33
Interest Coverage Ratio	7.68	4.92	0.96

Financial Charts
EBITDA Margin

Net Profit Margin

Return On Capital Employed

Return on Equity

Key Risk Factors

1. The company has outstanding legal proceedings of amount of 2,274.02 lakhs involving the Company, Directors, Promoter and LLP.
2. Company requires a number of approvals, NOCs, licenses, registrations and permits in the ordinary course of business. Some of the approvals are required to be obtained by Issuer Company and any failure or delay in obtaining the same in a timely manner may adversely affect operations.
3. Manufacturing operations involve certain operating hazards, occurrences of which may disrupt business operations and financial conditions could be adversely affected.
4. Company in the past has entered into related party transactions and may continue to do so in future also, which may affect competitive edge and better bargaining power if entered with non-related parties resulting into relatively more favourable terms and conditions and better margins.
5. The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution and are based on management estimates.

Track Record of Lead Manager

The lead manager to the issue is Fedex Securities Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Fedex Securities Private Limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Essen Speciality Films Limited	66.33	107.00	Jul 06, 2023	139.10
2.	MCON Rasayan India Limited	6.84	40.00	Mar 20, 2023	135.00
3.	Agarwal Float Glass India Limited	9.20	42.00	Feb 23, 2023	34.05
4.	Anlon Technology Solutions Limited	15.00	100.00	Jan 10, 2023	280.00
5.	Uma Converter Limited	18.41	33.00	Dec 29, 2022	27.70
6.	Pritika Engineering Components Limited	9.42	29.00	Dec 08, 2022	41.45
7.	Mafia Trends Limited	3.60	28.00	Oct 06, 2022	15.79
8.	Sabar Flex India Limited	4.48	11.00	Sep 21, 2022	16.90
9.	JFL Life Sciences Limited	18.17	61.00	Sep 08, 2022	44.20
10.	Veekayem Fashion and Apparels Limited	4.44	28.00	Aug 22, 2022	81.00

*CMP for all the above-mentioned companies is taken as on 21st July 2023.

As per the offer document Fedex Securities Private Limited have had 15 mandates in the last 3 fiscals. For IIFL Securities Limited out of the 10 mentioned above, 2 opened at par, 1 opened at discount, 7 opened at premiums.

Recommendation

The company has been into this industry since 2017 and has Less track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability. The management outlook of the company is also good with proper bifurcation of the roles and responsibilities of its top management.

The PE on an annualised and Post IPO basis is around 22.5 times which seems to be fairly priced looking at the performance of peer companies average PE 85.7 and size of the company.

Since the company is in highly competitive business, therefore **Risk Averse Investors should wait and Risk Seekers should apply.**



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