



IPO Note

Shiv Texchem Limited

Recommendation: **APPLY!**

Company Background –

- **Incorporation:** Shiv Texchem Limited was originally incorporated on March 31, 2005. The registered office is located at Mumbai, Maharashtra.
- **Business Activity:** The company is engaged in the business of importing and distribution of hydrocarbon-based chemicals of the product family viz. Acetyls, Alcohol, Aromatics, Nitriles, Monomers, Glycols Phenolic, Ketones, and Isocyanates.
- **Revenue Stream:** The company's majority revenue is generated from its top 10 products (Rs. 1,13,734.76 lakhs) for FY2024.
- **Human Resource:** The company has 59 permanent employees as on June 30, 2024.

Objects of the Issue -

- Utilization towards long-term working capital requirements of the Company
- General Corporate Purposes

Promoters Name –

Vikas Pavankumar, Hemanshu S. Chokhani, Neha Chokhani, Manjudevi Shyamsundar Chokhani, Shyamsundar Chokhani, Pavankumar Sanwaria Realty Private Limited and Hemanshu Syntex Private Limited

Rationale for recommendation –

- ✓ The PE ratio post issue is 9.41 which makes it fairly priced.
- ✓ The company's top line and profitability margins have increased consistently over the years and looks sustainable.
- ✓ The company has vast experience in the industry.
- ✓ The management overview is satisfactory.

IPO Details

Opening Date	Oct 08, 2024
Closing Date	Oct 10, 2024
Allotment Date	Oct 11, 2024
Listing Date	Oct 15, 2024
Stock Exchange	BSE SME
Lot Size	800 Shares
Issue Price Per Share	₹158 to ₹166
Issue Size	101.35 Cr.
Fresh Issue	101.35 Cr.
Offer for Sale	-
Application Amt	₹ 1,32,800 (800 shares)

INDUSTRY - Trading

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Jun-24
Revenue	85,865.8	1,11,759.0	1,53,490.4	56,604.9
EBITDA	1,593.33	3,602.27	5,813.18	3,588.01
Net Profit	1,386.48	1,602.72	3,011.30	1,005.90
RoCE	9.48%	19.59%	22.31%	13.49%
ROE	12.99%	13.06%	15.61%	4.96%
P/E	1.01	1.66	1.00	6.93*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post
100.00%	73.65%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	165.42	17.63
BVPS	904.11	144.61
P/E	1.00	9.41
P/BV	0.18	1.15
Mkt Cap (In Cr)	283.31	384.66

*Annualized

Lead Managers –

Vivro Financial Services Private Limited

Registrar –

Link Intime India Private Limited

Business Overview -

Shiv Texchem Limited is engaged in the business of importing and distribution of hydrocarbon-based chemicals of the product family viz. Acetyls, Alcohol, Aromatics, Nitriles, Monomers, Glycols Phenolic, Ketones, and Isocyanates, which are critical raw materials and inputs and have application across wide spectrum of industries like paints and coatings, printing inks, agro-chemical products, specialty polymers, pharmaceuticals products and specialty industrial chemicals. They source these chemicals from international producers and suppliers, redistributing them to domestic industries, and ensuring sufficient and timely supply to manufacturers. As on June 30, 2024, they have 43 products, 700 customers and above 65 suppliers. They have entered into storage and handling agreements at Kandla, Mundra, JNPT, Mumbai and Hazira ports, as well as arrange few contracted storage facilities as per requirement.



Storage for liquid products
Deendayal Port, Kandla



Storage for liquid products
JNPT Terminal

Product Portfolio:

Product	Sub-Product Group	Application	Form of Product
Alcohol	2-Ethyl Hexanol, Isobutanol, Isopropyl Alcohol, Methanol, N Butanol and N Propyl Alcohol	Plasticizers, Paints, Agro, Sanitizers, Plywood, Inks, Pharmaceuticals	Liquid
Aromatic & Blended Stock	Solvent C-9 and C-10, De-Aromatised Solvents- D40/D80/D100, Exxsol Hexane/ N Hexane, Isomer/Solvent Mix Xylene and Toluene	Mosquito repellents, Agro-chemical, Paints, coatings, Nitration process and Pharmaceuticals	Liquid
Inorganic & Allied	Aluminium chloride, Caustic Soda Lye, Caustic Soda Flakes, Hydrochloric Acid, Light Soda Ash, Nitric Acid and Sulphuric Acid	Pharmaceuticals, Dyes, Agrochemicals, Amines, pigments, Detergents, Nitration.	Liquid/ Semi-Powder
Phenolic & Ketones	Acetone, Cyclohexanone, Methyl Ethyl Ketone, Methyl Iso Butyl Ketone, Phenol	Pharmaceuticals, Inks, Packaging, Plywood, Agrochemicals, Ketonic Resins	Liquid
Isocyanates	Aniline	Inks, Dyes and Agrochemical	Liquid
Intermediate and Basic Chemicals	DMF, Phthalic Anhydride, Maleic Anhydride, Tetrahydrofuran, Ethylene Di Chloride, Linear Alkyl Benzene, Melamine	Pharmaceutical, Agro Products, Paints, Resins, Battery, PVC pipes, Soaps, Detergents, Plywood and construction materials	Liquid/ Granules
Monomers	2-Ethylhexyl Acrylate, Acrylonitrile, Methyl Methacrylate, N-Butyl Acrylate, Styrene Monomer	Polymers, Oil Drilling, Acrylic Fibers, Construction materials, Paints, BOPP Tapes, Resins and Emulsions	Liquid
Glycol	Butyl Glycol and Propylene Glycol	Paints, Coatings, Eye drops and Cosmetic products	Liquid

Revenue from Top 1,5 and 10 products –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Jun-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Top 1 Product	21,856.18	25.45	24,551.95	21.97	16,147.65	10.52	8,327.80	14.71
Top 5 Products	69,082.49	80.45	64,286.44	57.52	74,073.80	48.26	26,776.39	47.31
Top 10 Products	82,636.54	96.24	91,686.70	82.04	1,13,734.76	74.10	40,266.18	71.14

Business Process –**Utilization of Net Proceeds -**

The net proceeds of the issue will be utilized for funding working capital requirements (Rs. 7,500 lakhs) and remaining general corporate purposes.

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product range, product quality, and product price.
- 2. Geographic Competition:** The company faces competition from local products of the foreign country, retailers, non-branded products, economy brands and products of other established brands.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies –

1. The company intends to further penetrate into hydrocarbon and petrochemical market.
2. The company intends to maintain operational efficiency and profitability by optimizing working capital management.
3. The company intends to expand product portfolio and diversify into additional business segments.

Risk Factors –

The company's significant portion of revenue is derived from top 10 products which contributed to 96.24%, 82.04%, 74.10% and 71.14% for FY2022, 2023, 2024 and Jun-2024 respectively.

The company is highly dependent on top 10 suppliers for their traded products which contributed to 70.47%, 61.34%, 57.76% and 61.00% for FY2022, 2023, 2024 and Jun-2024 respectively.

The company has 1 case against it for civil matters amounting to Rs. 1,366.86 lakhs and 1 case has been filed by the company for criminal matter amounting to Rs. 159.74 lakhs.

The promoters and directors of the company have 4 cases against them regarding tax matters amounting to Rs. 9.41 lakhs.

The company had negative cash flow from operations for FY2023.

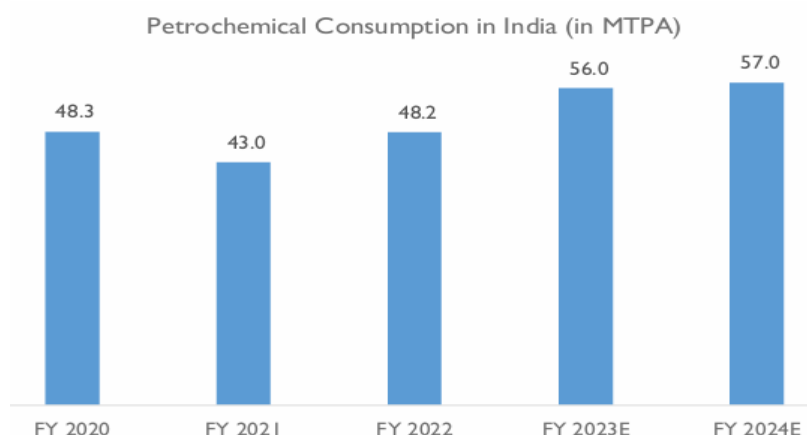
PEER ANALYSIS –

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

INDUSTRY OVERVIEW – Petrochemical

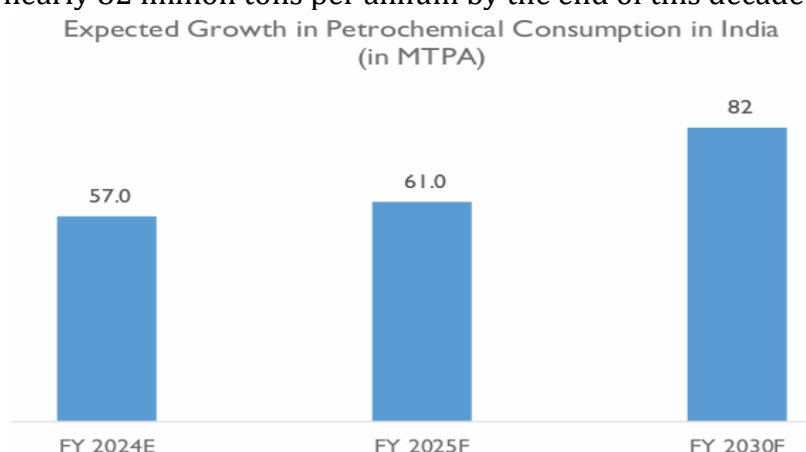
Petrochemical consumption in India -

India has been one of the largest consumers of chemicals & petrochemical products in Asia Pacific region for the bulk of the last 10 – 15 years. Annual consumption volume rose to 48.2 MTPA in FY 2022 and further to approximately 57 MTPA in FY 2024.



(Source: RHP)

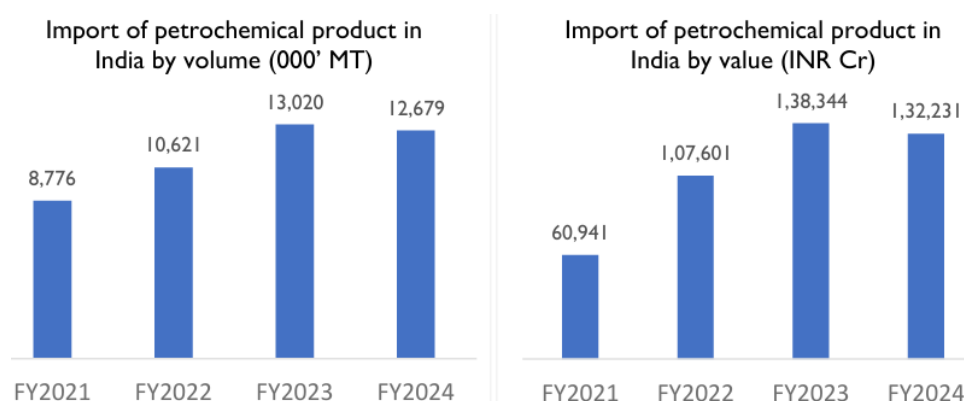
The annual consumption of petrochemicals in India is estimated to be 57 million tons in FY 2024, and it is expected to reach nearly 61 million tons per annum by the next year (FY 2025). Going ahead, assuming the strong economic growth in India continues, the annual consumption of petrochemicals in India has the potential to reach nearly 82 million tons per annum by the end of this decade.



(Source: RHP)

Petrochemicals Imports in India -

India is a net importer of petrochemical products, importing nearly 12.7 million tons of petrochemical products in FY 2024. Petrochemical import volumes have witnessed a significant rise, jumping from 8,776 thousand tonnes in FY 2021 to 13,020 thousand tonnes in FY 2023, reflecting a growth of nearly 48%. Even FY 2024, despite a slight dip, remains considerably higher than FY 2021.



(Source: RHP)

Key Management -

- The overall management of the company is satisfactory.
- The promoter and management have good experience in the industry.
- There is evidence of dual chairmanship, which is not favourable.



Key Management Persons Name -	Vikas Pavankumar
Age	38
Designation	Promoter, Chairman and Managing Director
Qualification	Bachelor's degree in science in Industrial Engineering and Completed graduation programme in Management
Responsibility	Currently oversees the sales & marketing operations, business development and human resources in the Company
Other Directorships	Pavankumar Sanwaria Realty Private Limited, Shree Bombay Cotton Mills Estate Private Limited, Mack Trading Company Limited etc.
Key Management Persons Name -	Hemanshu S. Chokhani
Age	38
Designation	Promoter, Whole-Time Director and CFO
Qualification	Chartered Accountant, Post-Graduate Diploma in Management
Responsibility	Involved in accounts, audit, taxation, and other statutory compliances in the Company
Previous Associations	Senior Consultant in Booz & Co. India Private Limited
Key Management Persons Name -	Shyamsundar Chokhani
Age	76
Designation	Promoter and Whole-Time Director
Qualification	Master's degree of technology in Mechanical Engineering, Completed a Middle Management Course of the 3-Tier Programme for Management Development
Responsibility	Currently looks after logistics including inbound logistics, vessel chartering, local logistics and domestic banking in the Company
Other Directorship	Hemanshu Syntex Private Limited
Key Management Persons Name -	Neha Hemanshu Chokhani
Age	32
Designation	Promoter and Whole-Time Director
Qualification	Bachelor Degree of Commerce and Certification in IPC Examination held by ICAI
Responsibility	Overseas inventory & warehousing, clearance management, custom clearance and custom compliance related matters in the Company
Other Directorships	-
Key Management Persons Name -	Giridhari Lal Kundalwal
Age	62
Designation	Independent Director
Qualification	Master's degree in Commerce (Accountancy and Business Statistics), Master of Business Administration (Banking & Finance), Certification in the Associate Examination of the Indian Institute of Bankers
Other Directorship	Eightyeight Pictures Media and Entertainment Private Limited, Amrut Dredging and Shipping Limited and Ganesh Benzoplast Limited
Key Management Persons Name -	Sushil Kumar Relan
Age	62
Designation and No. of years of experience	Independent Director
Qualification	Master's in Arts (Economics)
Other Directorship	Elite Store India Private Limited and Pratyancha Financial Services Limited
Key Management Persons Name -	Rajen Gada
Age	50
Designation and No. of years of experience	Independent Director
Qualification	Bachelor's degree in Commerce, Chartered Accountant, Limited Insolvency Examination Certification
Other Directorship	Shemaroo Entertainment Limited, Turn2peer Fintech Private Limited etc.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	85,865.83	1,11,759.06	1,53,490.41	56,604.99
Other Income	681.63	107.92	178.38	102.84
Total Income	86,547.46	1,11,866.98	1,53,668.79	56,707.83
Expenses				
Purchases of stock-in-trade	93,276.02	1,21,964.27	1,47,873.18	53,288.62
Changes in Inventories of finished goods, work-in-progress	-12,934.40	-18,595.74	-8,088.06	-899.32
Employee Benefit Expenses	206.57	268.81	333.63	99.00
Finance Cost	396.94	1,535.41	1,887.97	522.87
Depreciation and Amortization Expense	9.86	20.41	19.02	5.81
Other expenses	3,724.31	4,519.45	7,558.48	2,333.28
Total Expenses	84,679.30	1,09,712.61	1,49,584.22	55,350.26
EBITDA	1,593.33	3,602.27	5,813.18	3,588.01
EBITDA Margin	1.86%	3.22%	3.79%	6.34%
Profit/(Loss) before tax	1,868.16	2,154.37	4,084.57	1,357.57
Tax Expense				
Current tax	483.21	552.38	1,073.41	351.98
Deferred Tax	-1.53	-0.73	-0.14	-0.31
Total Tax	481.68	551.65	1,073.27	351.67
Profit/(Loss) for the year	1,386.48	1,602.72	3,011.30	1,005.90
Net Profit Margin	1.61%	1.43%	1.96%	1.77%

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	160.00	160.00	213.33	213.33
Reserves and surplus	10,513.68	12,116.39	19,074.36	20,080.25
Total Equity	10,673.68	12,276.39	19,287.69	20,293.58
2. Non-current liabilities				
Long-term borrowings	6,023.46	6,005.37	6,682.10	6,251.03
Long-Term Provisions	3.79	5.23	6.21	6.76
Total Non-current liabilities	6,027.25	6,010.60	6,688.31	6,257.79
3. Current liabilities				
Short-term Borrowings	6,010.87	26,909.02	22,983.15	20,834.60
Trade Payables	19,377.71	11,566.62	27,764.32	33,868.24
Other Current Liabilities	426.35	3,464.67	2,811.03	3,659.12
Short-term provisions	27.71	7.68	333.55	570.10
Total Current liabilities	25,842.64	41,947.99	53,892.05	58,932.06
Total Liabilities	31,869.89	47,958.59	60,580.36	65,189.85
Total Equity and Liabilities	42,543.57	60,234.98	79,868.05	85,483.43
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	36.67	96.58	87.97	103.39
Non-Current Investments	0.75	0.75	0.15	0.15
Deferred Tax Assets (Net)	2.75	3.48	3.62	3.93
Long term loans and advances	233.42	65.38	83.38	111.16
Total Non-Current assets	273.59	166.19	175.12	218.63

Particulars	FY 22	FY 23	FY 24	Jun-24
2. Current assets				
Inventories	12,971.68	31,567.42	39,655.48	40,554.80
Trade Receivables	17,836.05	12,521.63	18,230.20	21,418.54
Cash & Cash equivalents	10,362.48	13,379.35	18,067.75	19,409.21
Short term loans and advances	1,099.77	2,600.39	3,739.50	3,882.26
Total Current assets	42,269.98	60,068.79	79,692.93	85,264.81
Total Assets	42,543.57	60,234.98	79,868.05	85,483.44

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	2,825.08	-16,249.62	5,833.86	4,465.17
Net Cash Flow from Investing Activities	-29.08	-78.16	-8.35	-21.21
Net Cash Flow from Financing Activities	6,053.68	19,344.65	-1,137.11	-3,102.49

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	163.64	100.17	165.42	EV/EBITDA	7.75	8.83	5.31
BV per share	667.11	767.27	904.11	Market Cap / Sales	0.45	0.34	0.25
Operating Ratios				P/E	1.01	1.66	1.00
EBITDA Margins	1.86%	3.22%	3.79%	Price to Book Value	0.25	0.22	0.18
PAT Margins	1.61%	1.43%	1.96%	Solvency Ratios			
Inventory days	55.14	103.10	94.30	Debt / Equity	1.13	2.68	1.54
Debtor days	75.82	40.90	43.35	Current Ratio	1.64	1.43	1.48
Creditor days	75.83	34.62	68.53	Quick Ratio	1.13	0.68	0.74
Return Ratios				Asset Turnover	2.02	1.86	1.92
RoCE	9.48%	19.59%	22.31%	Interest Coverage Ratio	3.99	2.33	3.07
RoE	12.99%	13.06%	15.61%				

INTERPRETATION –

1. The top line had seen a consistent increase over the years. In FY2023 there was an increase by 30% and in FY2024 by 37% which was due to increase in sales volume and prices of the products along with expansion in products offering.
2. The net profit has increased over the years by 15.6% in FY2023 and 88% in FY2024.
3. The EBITDA margin has increased consistently over the years and the PAT margin has seen a very slight dip in FY2023 which should not be a major concern.
4. The RoCE and ROE have increased over the years.
5. The PE ratio has improved over the years.
6. The DE ratio for FY2023 has been slightly high.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Vivro Financial Services Private Limited.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Vivro Financial Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Bondada Engineering Limited	42.72	75.00	Aug 30, 2023	549.95
2.	K. P. I. Global Infrastructure Limited	39.94	80.00	Jan 22, 2019	831.55
3.	ICE Make Refrigeration Limited	23.71	57.00	Dec 08, 2017	731.55
4.	Capacite Infraprojects Limited	400.00	250.00	Sep 25, 2017	380.85
5.	Raj Television Network Limited	91.70	257.00	Mar 16, 2007	47.98

The company has handled 1 mandate in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 5th Oct 2024.

As per the offer document, the above-mentioned mandates Raj Television Network Limited has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Shiv Texchem Limited has been in the industry since 2005 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 9.41 times which makes it fairly priced.

The company's top line and profitability margins has increased consistently over the years and looks sustainable. But the company had negative cash flow from operations for FY2023.

The company has consistently diversified their product offerings over the years and the customer and supplier network has also increased.

Thus, investors can **APPLY** to this IPO.

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