



II Arunaya II

Organics Limited

IPO Note

Arunaya Organics Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Arunaya Organics Limited was originally incorporated on Jul 30, 2010. The registered office is located at Ahmedabad, Gujarat.
- **Business Activity:** Arunaya Organics Limited is a dye and chemical company engaged in the trading and manufacturing of dyes, dye intermediates, and specialty chemicals for the textile and paper industries.
- **Revenue Stream:** The company generates majority of the revenue from sale of Direct and Intermediate Dye.
- **Human Resource:** The company has 30 permanent employees as on Feb 28, 2025.

Objects of the Issue -

- Setting up of a new manufacturing facility located at D-3/26/3, Dahej III, Industrial Estate, Dahej-392 130, Vagra, Bharuch, Gujarat ("Proposed Greenfield Project").
- Funding to meet working capital requirements.
- General Corporate Purposes

Promoters Name -

Vinod Agrawal and Shivali Agrawal

Rationale for recommendation -

- ✓ The PE ratio of 21.24 times makes it fairly priced compared to peers.
- ✓ The top line has remained inconsistent over the years.
- ✓ The EBITDA, bottom line and profitability margins have seen a sudden increase in FY24 which raises slight concern.
- ✓ The company had negative CFO for FY22 and FY23.
- ✓ The company has high concentration for customers and suppliers.
- ✓ The company has high geographic concentration in Gujarat.
- ✓ The industry is highly fragmented.
- ✓ The management overview is not satisfactory.

IPO Details

Opening Date	Apr 29, 2025
Closing Date	May 02, 2025
Allotment Date	May 05, 2025
Listing Date	May 07, 2025
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹55 to ₹58
Issue Size	33.99Cr.
Fresh Issue	30.51Cr.
Offer for Sale	3.48 Cr.
Application Amt	₹ 1,16,000 (2,000 shares)

INDUSTRY - DYE AND CHEMICAL INDUSTRY

Avg. P/E ratio as per RHP - 77.18

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Dec-24
Revenue	6,154.72	7,585.02	6,223.32	5,784.50
EBITDA	226.71	348.78	695.78	676.42
Net Profit	133.01	173.44	405.68	359.78
RoCE	27.17%	32.98%	45.55%	16.64%*
ROE	28.16%	24.11%	36.27%	9.88%*
P/E	38.67	34.32	14.68	21.24*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
91.72%	60.79%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.95	2.73
BVPS	132.13	27.64
P/E	14.68	21.24
P/BV	0.44	2.10
Mkt Cap (In Cr)	71.21	101.72

*Annualized

Lead Managers -

Unistone Capital Pvt Ltd

Registrar -

Bigshare Services Pvt Ltd

Business Overview -

Arunaya Organics Limited is mainly engaged in trading and manufacturing activities of different types of dyes and its intermediaries. The company supplies a range of products, including reactive, acid, direct, basic, and solvent dyes, as well as dye intermediates. Their products are available in multiple forms, such as standardized spray-dried and tray-dried powders, granules, crude, reverse osmosis-treated products and salt free. Additionally, they provide specialty performance chemicals tailored for the paper industry and textile dyeing.

Manufacturing Unit: The facility is located at Ahmedabad and they don't have any installed capacity as it involves manual labour. The capacity utilization remained at 93%, 97% and 99.80% for FY22, FY23 and FY24 respectively.

Business Segment:

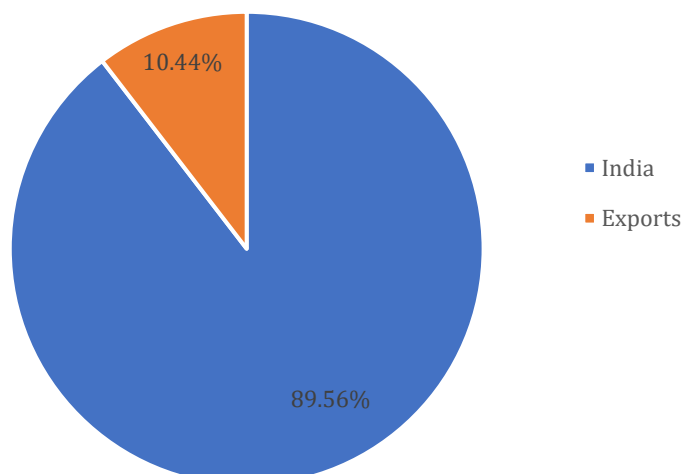
1. The manufacturing segment focuses on producing a range of dye products, including Acid, Basic, Intermediate, Reactive, Solvent and Direct Dyes, primarily for the textile and paper industries, with a installed capacity of 30 metric ton per annum.
2. The trading business of dye products encompasses the sourcing, selling, and transporting of dyes to industries such as textiles and paper manufacturing. The product offerings primarily include Acid, Basic, Reactive, Solvent Dyes, and Direct Dyes, and Intermediate used in the textile industry. The products are majorly sourced from Gujarat and China.
3. The company has entered into a job work agreement with Chinmay Chemical Private Limited, a group company, on May 15, 2024. The company supplies raw materials like metaphenylene diamine (MPD), Amino C Acid, Alpha Naphthyl Amine, Mixed Cleves Acid, Soda Ash etc. in bulk, along with specific manufacturing instructions tailored to meet the requirements of clients. Chinmay Chemicals processes these materials according to the provided specifications, including inputting and synthesizing, and delivering the semi-finished products back to the company. The Chinmay Chemicals is responsible for 70% to 75% of the total manufacturing process.

Product-wise Revenue Bifurcation:

(In Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Dec-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Acid Dyes	821.23	13.34%	1,112.90	14.67%	1,197.04	19.23%	1,250.07	21.61%
Basic Dyes	84.34	1.37%	144.12	1.90%	16.51	0.27%	65.44	1.13%
Direct Dyes	1,132.06	18.39%	1,915.82	25.26%	2,262.79	36.36%	2,137.25	36.95%
Intermediate	2,828.81	45.96%	3,088.44	40.72%	2,129.40	34.22%	1,534.93	26.54%
Reactive Dyes	-	-	180.44	2.38%	442.00	7.10%	457.50	7.91%
Solvent Dyes	1,265.49	20.56%	1,115.51	14.71%	170.32	2.74%	321.99	5.57%
Other Operating Revenue	22.79	0.37%	27.78	0.37%	5.27	0.08%	17.33	0.30%
Total	6,154.72	100%	7,585.01	100%	6,223.33	100%	5,784.51	100%

Geographic-wise Bifurcation (As of Oct-24):



Competition -

1. **Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product pricing, quality, and diversity to maintain competitive edge.
2. **Geographic Competition:** The company faces competition from various domestic players and international players.
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 plans to implement backward integration by producing Amino C Acid, J ACID, Mixed Cleves Acid, J Acid Urea which will reduce dependency on suppliers and imports.
2. The company plans to establish a new manufacturing facility at Gujarat. This facility will help in-house manufacturing and achieve cost savings and expand production capacity.
3. The company intends to expand customer base in India as well as international markets.

Risk Factors -

1. The company is highly dependent on top 10 customers for their revenue generation constituting to 76.22%, 77.73%, 72.68% and 63.38% for FY22, FY23, FY24 and Dec-24 respectively.
2. The company is dependent on top 10 suppliers for their raw materials constituting to 63.34%, 67.27%, 65.82% and 69.05% for FY22, FY23, FY24 and Dec-24 respectively.
3. The company has high geographic concentration and generates majority of its revenue from one state i.e., Gujarat constituting 65.69%, 62.99%, 85.06% and 88.82% for FY22, FY23, FY24 and Dec-24 respectively.
4. The company has 2 cases against it for tax matters amounting to Rs. 46.56 lakhs.
5. The directors/ promoters have 1 case against them for tax matters amounting to Rs. 107.15 lakhs.
6. The company experienced negative cash flow from operations for FY22 and FY23.
7. The contingent liabilities as of Dec-24 is Rs. 279.79 lakhs.

PEER ANALYSIS –

Particulars	Arunaya Organics Limited			Vipul Organics Limited			Mahickra Chemicals Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2.16%	2.29%	6.52%	5.21%	1.40%	2.20%	3.15%	3.09%	1.44%
EBITDA Margin	3.68%	4.60%	11.18%	12.41%	8.75%	8.34%	5.34%	5.66%	3.96%
RoCE	27.17%	32.98%	45.55%	19.03%	8.66%	11.25%	17.44%	16.34%	7.81%
ROE	28.16%	24.11%	36.27%	13.34%	3.53%	5.70%	11.26%	10.16%	3.21%
EPS (INR)	1.50	1.69	3.95	4.54	1.17	2.07	4.12	4.06	1.32
P/E	38.67	34.32	14.68	30.64	62.40	63.57	20.63	24.14	92.84

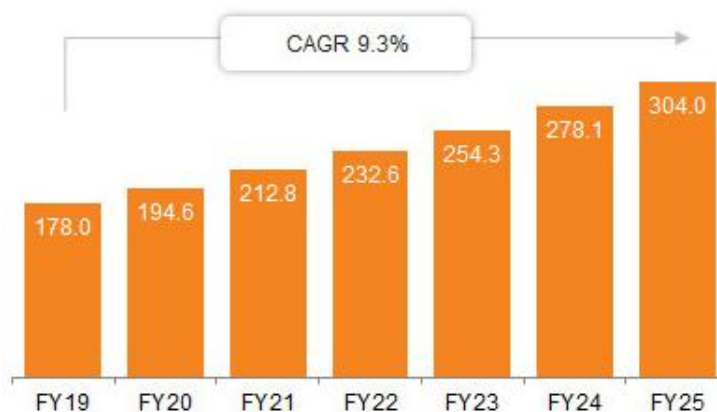
Particulars	Arunaya Organics Limited			Ducol Organics & Colours Ltd		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2.16%	2.29%	6.52%	4.1%	6.7%	5.6%
EBITDA Margin	3.68%	4.60%	11.18%	10.6%	14.2%	13.4%
RoCE	27.17%	32.98%	45.55%	22.0%	16.2%	11.5%
ROE	28.16%	24.11%	36.27%	15.6%	10.3%	7.1%
EPS (INR)	1.50	1.69	3.95	3.29	4.89	3.05
P/E	38.67	34.32	14.68	-	24.94	29.54

- The company has higher market cap compared to Vipul Organics and Ducol Organics & Colors.
- The company has better PAT margin than all its peers mentioned.
- The company has better EBITDA margin than Vipul Organics and Mahickra Chemicals.
- The company has better PE ratio compared to all its peers.
- The cash conversion cycle of the company is better than Mahickra Chemicals and Ducol Organics & Colours.

INDUSTRY OVERVIEW -**Dye and Chemical Industry in India**

India is a global leader in dye manufacturing, accounting for 16%-18% of global dyestuff exports and supplying to over 90 countries. During April–September 2023-24 (Provisional), India exported dyes worth US\$ 867 million and dye intermediates worth US\$ 62 million, while importing dyes worth US\$ 120 million and intermediates worth US\$ 522 million. India holds a strong position in international chemical trade, ranking 9th in global exports and 6th in imports (excluding pharmaceuticals). In FY23, exports of major chemicals and petrochemical products stood at US\$ 23.8 billion, with key export destinations including the USA (US\$ 3.85 billion), Brazil (US\$ 1.82 billion), and China (US\$ 1.74 billion). India also exports to 175+ countries including markets such as Saudi Arabia, Netherlands, UAE, Japan, and newer regions like Turkey, Russia, and Northeast Asia.

The Indian chemical industry has demonstrated consistent growth, with exports of chemicals and chemical products (excluding pharmaceuticals and fertilizers) recording a CAGR of 13.86% from FY18 to FY22, compared to 12.62% CAGR in total national exports. Within dyes, disperse dyes recorded a CAGR of 9.00%, vat dyes at 8.83%, and acid/direct dyes at 3.18%, while reactive dyes grew at 1.61%. The production of organic chemicals increased by 4.52% (up to August 2023) compared to the same period the previous year. India's total exports of chemical products were valued at US\$ 24.31 billion in FY22, reflecting a 38.67% YoY growth. Despite high freight rates and container shortages, the sector benefited from growth in shipments of organic and inorganic chemicals, agrochemicals, dyes, dye intermediates, and specialty chemicals.

Chemical industry market size (US\$ billion)**Recent Government Initiatives**

1. **Market Access Initiative (MAI) Scheme** – Provided grants-in-aid for B2B exhibitions in foreign countries and supported statutory compliance for overseas product registrations.
2. **Product-Specific Marketing Campaigns** – Conducted with the involvement of Indian embassies to identify and enter new potential markets.
3. **CHEMEXCIL Support** – Actively facilitated exports through targeted promotional efforts, enabling small and medium exporters to expand globally.

Key Management -

Key Management Persons Name -	Vinod Agrawal
Age	46
Designation and No. of years of experience	Chairman, Managing Director and Promoter 10+ years of experience in the dye industry.
Qualification	Bachelor of Science (Chemistry) and Post Graduate degree in Business Entrepreneurship and Management with specialization in New Enterprise Creation
Responsibility	Responsible for establishing business objectives, devising growth strategies, and ensuring the production of high-quality dyes for the paper, leather, and textile sectors and the other sectors.
Other Directorships	1.Chinmay Chemicals Private Limited 2. Arunaya Foundation

Key Management Persons Name -	Shivali Agrawal
Age	47
Designation	Promoter and Executive Director
Qualification	Bachelors in Commerce, Bachelors of Law and Masters of Law
Other Directorships	1.Chinmay Chemicals Private Limited 2. Arunaya Foundation.

- The overall management of the company is not satisfactory.
- The promoter and management have decent experience in the industry.
- There is evidence of dual chairmanship, which is not favourable.
- Ashokbhai Agrawal, Umesh Menon and Amita Pragada are the Non-Executive Independent Directors of the Company. They have relevant experience in their respective fields.
- **Bikash Tarafdar (CFO)**, aged 33 years, holds a bachelor's degree in Commerce (B.com) and Master of Commerce. He has 2 years of experience in the field of finance.
- **Tanvi Patel (CS and Compliance Officer)**, aged 38 years, holds a bachelor's degree in Commerce (B.com) and a master's degree in Commerce (M.com).

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Dec-24
Revenue from Operations	6,154.72	7,585.02	6,223.32	5,784.50
Other Income	70.94	51.94	56.13	36.02
Total Income	6,225.66	7,636.96	6,279.45	5,820.52
Expenses				
Cost of materials consumed	2,647.56	5,724.14	5,025.85	5,496.96
Purchases of stock-in-trade	2,568.76	946.32	974.14	276.67
Change in Inventories of WIP, Finished Goods	22.76	-176.36	-969.14	-1,052.23
Employee Benefit Expenses	149.52	137.20	133.05	119.62
Finance Cost	95.26	133.92	172.18	122.01
Depreciation and Amortization Expense	16.76	25.02	21.67	18.20
Other expenses	541.57	606.93	363.64	267.06
Total Expenses	6,042.19	7,397.17	5,721.39	5,248.29
EBITDA	226.71	348.78	695.78	676.42
EBITDA Margin	3.68%	4.60%	11.18%	11.69%
Share of Profit of associates	2.16	1.99	-	-
Profit/(Loss) before tax	185.63	241.78	558.06	572.23
Tax Expense				
Current tax	52.07	68.53	152.42	152.53
Current tax expense relating to prior years	-	1.31	-	60.74
Deferred Tax	0.55	-1.50	-0.04	-0.82
Total Tax	52.62	68.34	152.38	212.45
Profit/(Loss) for the year	133.01	173.44	405.68	359.78
Net Profit Margin	2.16%	2.29%	6.52%	6.22%

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Dec-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	73.16	84.65	84.65	1,227.84
Reserves and Surplus	399.12	634.78	1,033.79	449.89
Total Equity	472.28	719.43	1,118.44	1,677.73
NON-CURRENT LIABILITIES				
Long-term Borrowings	295.34	256.19	351.62	443.15
Long Term Provisions	5.03	6.10	9.97	12.24
Total Non-current liabilities	300.37	262.29	361.59	455.39
CURRENT LIABILITIES				
Short-term Borrowings	694.94	1,060.67	978.29	938.15
Trade Payables				
(a) Total outstanding dues of MSME	914.83	1,153.90	406.35	734.54
(b) Total outstanding dues of creditors other than MSME	980.16	569.09	1,456.38	1,893.41
Other Current Liabilities	17.61	25.79	27.25	219.38
Short-term Provisions	55.64	71.22	155.98	155.27
Total Current liabilities	2,663.18	2,880.67	3,024.25	3,940.75
Total Liabilities	2,963.55	3,142.96	3,385.84	4,396.14
Total Equity and Liabilities	3,435.83	3,862.39	4,504.28	6,073.87
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	326.75	321.57	307.33	341.17

Particulars	FY 22	FY 23	FY 24	Dec-24
Non-Current Investments	63.58	65.57	56.67	52.52
Deferred tax assets (net)	2.91	4.42	4.46	5.27
Long Term Loans and Advances	174.45	172.74	220.31	404.12
Total Non-Current assets	567.69	564.30	588.77	803.08
CURRENT ASSETS				
Inventories	476.20	885.81	1,758.04	3,050.06
Trade Receivables	2,228.73	2,183.97	2,073.85	1,999.85
Cash & Cash equivalents	16.72	22.63	11.18	7.73
Short Term Loans and Advances	10.29	7.06	1.00	1.00
Other Current Assets	136.19	198.60	71.42	212.16
Total Current assets	2,868.13	3,298.07	3,915.49	5,270.80
Total Assets	3,435.82	3,862.37	4,504.26	6,073.88

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
Net Cash Flow from Operating Activities	-56.79	-316.24	137.65	62.62
Net Cash Flow from Investing Activities	-450.99	-12.65	-46.10	-231.70
Net Cash Flow from Financing Activities	506.83	334.80	-103.00	165.62

Key Ratios

Per Share Data					Valuation Ratios (x)				
	FY 22	FY 23	FY 24	FY 25*		FY 22	FY 23	FY 24	FY 25*
Diluted EPS	1.50	1.69	3.95	2.73	EV/EBITDA	6.38	5.77	3.50	1.61
BV per share	64.56	84.99	132.13	27.64	Market Cap / Sales	0.07	0.06	0.08	1.32
Operating Ratios					P/E	38.67	34.32	14.68	21.24
EBITDA Margins	3.68%	4.60%	11.18%	11.69%	Price to Book Value	0.90	0.68	0.44	2.10
PAT Margins	2.16%	2.29%	6.52%	6.22%	Solvency Ratios				
Inventory days	28.32	42.74	103.39	79.86	Debt / Equity	2.10	1.83	1.19	0.28
Debtor days	132.53	105.38	121.97	113.74	Current Ratio	1.08	1.14	1.29	1.29
Creditor days	140.21	91.34	115.49	116.81	Quick Ratio	0.90	0.84	0.71	0.71
Return Ratios					Asset Turnover	1.79	1.96	1.38	1.71
RoCE	27.17%	32.98%	45.55%	16.64%	Interest Coverage Ratio	2.20	2.42	3.92	5.39
RoE	28.16%	24.11%	36.27%	9.88%					

*Annualized

INTERPRETATION –

- The top line has remained inconsistent over the years. It increased by 23.24% in FY23 was majorly due to significant increase in exports as well as domestic sales. In FY24 it decreased by 17.95% which was due to decline in export sales due to less global demand. In India, the chemical producers are being weighed down by poor demand amid global economic slowdown and volatile crude price.
- The net profit increased over the years. It increased by 30.40% in FY23 and it increased by 133.90% in FY24.
- The EBITDA and PAT margin saw a sudden increase in FY24 due to the overall decrease in percentage of total expenses in relation to revenue.
- The company had negative cash flow from operations for FY22 and FY23.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Unistone Capital 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 –

Unistone Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Chandan Healthcare Limited	107.36	159.00	Feb 17, 2025	193.95
2.	Amwill Healthcare Limited	59.98	111.00	Feb 12, 2025	97.16
3.	Usha Financial Services Limited	98.45	168.00	Oct 31, 2024	69.85
4.	OBSC Perfection Limited	66.02	100.00	Oct 29, 2024	172.05
5.	Diffusion Engineers Limited	158.00	168.00	Oct 04, 2024	408.00
6.	Deccan Transcon Leasing Limited	65.06	108.00	Sep 24, 2024	67.40
7.	Arkade Developers Limited	410.00	128.00	Sep 24, 2024	145.00
8.	Shree Tirupati Balajee Agro Trading Company Limited	169.65	83.00	Sep 12, 2024	72.00
9.	Saraswati Saree Depot Limited	160.01	160.00	Aug 20, 2024	140.00
10.	Manglam Infra and Engineering Limited	27.62	56.00	July 31, 2024	55.60

The company has handled 20 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 29th Apr 2025.

As per the offer document, from the above-mentioned mandates Usha Financial Services Limited and Amwill Healthcare Limited have opened at a discount and the remaining have opened at a premium on the listing day.

Recommendation -

Arunaya Organics Services Limited has been in the industry since 2010 and has vast experience in the industry.

The P/E on a post-IPO annualized basis is around 21.24 times which makes it fairly priced as the peers mentioned have high PE ratio.

The company's management structure raises concerns due to the presence of dual chairmanship and the CFO's limited experience.

The company's top line has remained inconsistent over the years which was due to decrease in demand and overall exports. The EBITDA and bottom line also saw a sudden increase in FY24. The profitability margins also saw a sudden increase in FY24, which raises concern. Overall, the financials of the company look slightly unsustainable.

The company has high concentration for customers and suppliers and loss of any may have adverse effects on the business operations. Also, the company has high geographic concentration in Gujarat and derives majority of its revenue from there.

The chemical industry is highly fragmented and competitive and there are many established players.

Thus, investors can **AVOID** this IPO for now.

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