

IPO Note

Chemkart India Limited

Recommendation: **AVOID**

Company Background –

Chemkart India Limited targets B2B platforms that manufactures its products into finished supplements like health supplements, sports supplements, vitamins, protein products, etc.

Objects of the Issue –

Particulars	Amt. in Lakhs
Capital expenditure for setting up of manufacturing facility through investment in wholly owned subsidiary, Easy Raw Materials Private Limited.	3,468.33
Repayment of borrowings availed by the company.	2,000.00
General corporate purposes.	-

Promoters Name –

Ankit Shailesh Mehta, Parul Shailesh Mehta, & Shailesh Vinodrai Mehta.

Promoter Share Holding Pattern	
Pre Issue 99.99%	Post Issue 73.31%

Rationale for recommendation – The company was incorporated on Apr 20, 2017. It has a post issue P/E of 14.93 indicating that it is fairly valued however, compared to its competitors it is undervalued. The management team of the company have very limited experience of 10 years combined. The company has had negative cash flow from operating activities worth (₹142.53), (₹188.10), & (₹164.25) in FY 23, 24, & 25 respectively which raises concerns on cash management. There is also customer concentration as the top 10 customers of the company contributed 53.44%, 48.62%, & 48.49% of the company's revenue from operations in FY 23, 24, & 25 respectively. There are also 4 outstanding tax litigations against the company worth ₹1.01 Lakhs. The lead manager does not have a proven track record as they have handled only 4 mandates in the past 3 years of which 1 opened at a discount. Therefore, investors can **AVOID** this IPO for now.

IPO Details

Opening Date	Jul 07, 2025
Closing Date	Jul 09, 2025
Allotment Date	Jul 10, 2025
Listing Date	Jul 14, 2025
Stock Exchange	BSE SME
Lot Size	600 Shares
Issue Price Per Share	₹236 to ₹248
Issue Size	80.08 Cr.
Fresh Issue	64.48 Cr.
Offer for Sale	15.60 Cr.
Application Amt	₹ 2,97,600 (1,200 shares)

KPI's	KPIs (In Lakhs)		
	FY 23	FY 24	FY 25
Revenue	13,137.78	13,202.69	20,327.85
EBITDA	1,104.99	2,091.21	3,276.33
Net Profit	766.02	1,451.83	2,425.75
RoCE	72.81%	69.92%	60.21%
ROE	52.84%	50.04%	45.52%
P/E	30.77	16.23	9.71

Particulars	Valuation Parameters	
	Pre-Issue	Post Issue
EPS	25.54	20.05
BVPS	56.09	44.04
P/E	9.71	12.37
P/BV	4.42	5.63
Mkt Cap (In Cr)	235.58	300.06

Lead Managers –

Smart Horizon Capital Advisors Private Limited

Registrar –

Bigshare Services Private Limited

Business Overview -

The company was incorporated on Mar 06, 2020, with its registered office in Mumbai. It is a one stop destination for various nutritional, Health and sports supplement products, which are largely biased towards the food products providing health benefits in addition to their nutritional values. The company targets B2B platforms that uses their products to manufacture finished supplements like sports supplements, health supplements, vitamins, protein products etc. The company sources majority of its products by importing them.

The company was engaged in the trading of goods and started manufacturing in FY 24. As on Mar 31, 2025, the company has an order book worth ₹866.84 Lakhs. It acquired 99% stake in Easy Raw Materials Private Limited (ERMPL) and Vinstar Biotech Private Limited (VBPL) on Sep 01, 2024. ERMPL is in the business of marketing and trading nutraceutical products for animals and humans. VBPL handles importing, trading of food ingredients, & online sales.

The expansion is happening through investment in ERMPL and not opening a manufacturing unit under the company's own name, 'Chemkart India Limited' is because ERMPL was incorporated in 2020 with the objective of manufacturing nutraceutical products. It has been non-operational during the previous 3 FYs and has incurred losses. The manufacturing unit will be through ERMPL will be set up in a Special Economic Zone (SEZ).

Majority of the sales of the company is from sale of products in Maharashtra, Gujarat, and New Delhi. Their combined contribution to revenue from operations was ₹10,209.32 (77.71%), ₹8,786.82 (66.55%), & ₹11,579.56 (56.97%) Lakhs in FY 23, 24 & 25.

Product-Wise Revenue Breakup:**(in Lakhs)**

Product	FY 23	%	FY 24	%	FY 25	%
Traded Products:						
Amino Acids	8,375.85	63.75%	6,176.68	46.78%	9,025.45	44.40%
Health Supplement	1,064.24	8.10%	1,642.95	12.44%	2,410.53	11.86%
Herbal Extract	483.71	3.68%	416.83	3.16%	331.78	1.63%
Nucleotide	115.01	0.88%	194.43	1.47%	179.31	0.88%
Protein	319.52	2.43%	221.55	1.68%	540.84	2.66%
Sports Nutrition	0.11	0.00%	361.21	2.74%	618.82	3.04%
Vitamin	2,024.30	15.41%	2,942.20	22.28%	5,918.85	29.12%
Other	755.04	5.75%	899.91	6.82%	465.28	2.29%
Total	13,137.78	100%	12,855.76	97.37%	19,490.86	95.88%
Processed Products:						
Sports Nutrition	-	-	346.93	2.63%	836.990	4.12%
Total	13,137.78	100%	13,202.69	100%	20,327.85	100%

Capacity Utilisation:

Machine Name	FY 24		FY 25	
	Installed Capacity	% Utilised	Installed Capacity	% Utilised
Blending	450	0.15%	450	26.38%
Grinding	-	-	540	52.54%

Business Strategies -

1. The company will focus on backwards integration of nutraceuticals products. As a part of it, the company will invest in a new manufacturing facility through investment in wholly owned subsidiary, Easy Raw Material Pvt. Ltd.
2. Continue to focus on product innovation and design and diversify product portfolio to include a diverse range of nutraceuticals and health supplements like tablets, capsules, jars, sachets, etc.
3. Improve D/E ratio by repaying all or part of the borrowing repaid by the company.
4. Increase customer base through marketing skills

Risk Factors -

- The company is reliant on timely supply of products from top 10 suppliers. They contributed 62.78%, 57.34%, & 59.68% of purchases made in FY 23, 24, & 25 respectively.
- The company is dependent on China for import of raw materials.
- Their wholly-owned subsidiary has incurred losses in the past years.
- The company has limited operational history and ERMPL lacks manufacturing experience.
- There is geographic concentration in Maharashtra, Gujarat, and New Delhi.
- The company has incurred negative cash flow from operations worth (₹2.34) Lakhs in FY 24.
- The management team have 3 outstanding tax litigations against them worth ₹80.11 Lakhs.
- The company lacks peer listed company for comparison.
- The company has contingent liabilities worth ₹17.85 Lakhs as on Mar 31, 2025.

Industry Overview -

-Nutraceutical Industry:

The global nutraceutical market is currently valued at approximately \$400 billion of which, India's global market share remains under 2%. This limited representation is largely attributed to the absence of defined classification within Indian ministries and restricting focused policy support. Recognizing the sector's strategic importance, the Council of Scientific and Industrial Research (CSIR) set up a Nutraceutical Sector Task Force in November 2021. This task force includes stakeholders from the Department of Commerce, the Department of Pharmaceuticals, FSSAI, the Ministry of AYUSH, and the Ministry of Food Processing.

India enjoys key advantages in this sector, such as a long-standing tradition in health science, particularly Ayurveda, and the presence of 52 agroclimatic zones that support medicinal plant cultivation. Additionally, India hosts a botanical wealth of over 1,700 medicinal plants, including internationally recognized ones like curcumin, bacopa, and ashwagandha. The country also has strong expertise in pharmaceutical formulation, aiding the production of high-quality nutraceuticals. Notably, various initiatives by the task force have led to landmark developments including the introduction of Harmonized System of Nomenclature (HSN) codes for trade, formulation of the first-ever Production-Linked Incentive (PLI) scheme tailored for nutraceuticals, and the creation of a dedicated nutraceutical industry panel under SHEFEXIL for export facilitation and regulatory improvement.

SHEFEXIL has advocated for nutraceuticals to be classified as food products under FSSAI, bringing them under its regulatory umbrella. Infrastructure-wise, nutraceutical innovation hubs and centers of excellence have been launched, including NIFTEM-Kundli, Centurion University, and AIC-CSIR-CCMB, with Kerala establishing India's first government-backed Nutraceutical Centre of Excellence in 2024. The Department of Commerce has actively promoted India's nutraceutical industry at global trade exhibitions. Collaboration between the Task Force and the Central Board of Indirect Taxes and Customs (CBIC) is also underway to implement a unique HSN code for export facilitation.

Key Management

- The management consists of **Ankit Shailesh Mehta (Chairman & Managing Director)**, **Parul Shailesh Mehta (Executive Director)**, and **Shailesh Vinodrai Mehta (Executive Director)**. All directors have been with the company since its incorporation. The management team have relevant experience and educational qualifications.
- Rajesh Kalro, Anirudh Ruia, & Abhishek Kamdar** are **Independent Directors**.
- Basawaraj Shanakar Dalawai (CFO)** and **Ramdulari Saini (CS & CO)** have limited experience of 7 and 4 years respectively.

The overall management team is satisfactory in terms of their educational qualifications and years of experience.

Peer Analysis

As per the RHP, the company has no listed peers.

Lead Manager

Smart Horizon Capital Advisors Private Limited has handled 8 IPOs in preceding 3 years out of which 5 have opened at a premium and 3 opened at a discount.

FINANCIAL SNAPSHOT

Key Performance Indicators: (in Lakhs)				Key Ratios:			
Particulars	FY 23	FY 24	FY 25	Particulars	FY 23	FY 24	FY 25
P&L Statement				Per Share Data			
Total Income	13,168.62	13,282.77	20,545.63	Diluted EPS	8.06	15.28	25.54
Total Expenses	12,116.89	11,287.37	17,286.45	BV per share*	106.83	213.82	56.09
EBITDA	1,104.99	2,091.21	3,276.33	Operating Ratios			
EBIT	1079.54	2049.76	3223.28	EBITDA Margins	8.41%	15.84%	16.12%
PBT	1,051.73	1,995.40	3,259.18	PAT Margins	5.83%	11.00%	11.93%
Tax Expenses	285.71	543.57	833.43	Inventory days	21.45	21.56	40.39
Net Profit	766.02	1,451.83	2,425.75	Debtor days	62.18	87.39	82.24
Balance Sheet				Creditor days	33.30	36.57	24.09
Total Equity	1,449.65	2,901.47	5,328.22	Return Ratios			
Assets				RoCE	72.81%	69.92%	60.21%
Non-Current Assets	554.89	537.21	909.21	RoE	52.84%	50.04%	45.52%
Current Assets	3,193.37	4,814.02	7,702.41	Valuation Ratios (x)			
Total Assets	3,748.26	5,351.23	8,611.62	EV/EBITDA	2.33	1.98	2.06
Liabilities				Market Cap / Sales	0.26	0.25	1.16
Non-Current Liabilities	33.09	29.93	25.09	P/E	30.77	16.23	9.71
Current Liabilities	2,265.52	2,419.83	3,258.31	Price to Book Value	2.32	1.16	4.42
Total Liabilities	3,748.26	5,351.23	8,611.62	Solvency Ratios			
Cash Flow Statement				Debt / Equity	0.78	0.43	0.32
CFO	5.90	-2.34	396.95	Current Ratio	1.41	1.99	2.36
CFI	-526.35	-18.77	-425.06	Quick Ratio	1.07	1.67	1.67
CCF	532.78	15.38	304.61	Asset Turnover	3.51	2.47	2.36
				Interest Coverage Ratio	-	15.25	17.72

Financial Analysis

-Revenue from operations increased by 0.49% and 53.97% in FY 24 & 25 respectively. Total income increased by 0.87% and 54.68% during the same time. The marginal increase in FY 24 is because post COVID-19, prices had peaked and experienced a noticeable price correction in FY 24. Revenue increased in FY 25 as the company gained 335 new customers and participated in various marketing activities in.

-There is also an increase in operating margins as EBITDA and PAT margins have increased every year.

-Purchase of stock-in-trade also decreased in FY 24 because of the same reason stated above, price correction.

-Other income decreased by 47.52% in FY 24 because of a decrease in advertisement expense and commission expense. -It subsequently increased by 49.56% in FY 25 due to an overall increase in expenses because of expansion of business.

-CFO of the company suggest poor cash management policies as it has been very unstable.

-The company has negligible long-term borrowings and very high short-term borrowings.

-Short-term borrowings and trade receivables constitute majority of current liabilities and current assets respectively. -This indicates a high working capital requirement and need for effective cash management policies.

The company has shown an increase in not only its revenue figures but also in operating margins. The company also has high working capital requirement as shown by the current ratio and high short-term borrowings but overall, it has performed well over the preceding 3 FYs.

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