



IPO Note

Mehul Colours Limited

Recommendation: **APPLY!**

Business - Mehul Colours Limited is primarily engaged in the manufacturing of masterbatches, which are used in the plastics industry to impart colour and enhance the functional properties of plastic products.

Objects of the Issue –

Particulars	Amount
Capital Expenditure towards setup of a new manufacturing facility	Rs. 14.63 Cr.
Working Capital Requirement	Rs. 4.00 Cr.
General Corporate Purposes	

Promoters Name –

Mehul Pravinchandra Joshi and Bhakti Mehul Joshi

Promoter Share Holding Pattern	
Pre Issue 96.86%	Post Issue 69.24%

Rationale for recommendation –

Mehul Colours Limited was incorporated on Dec-12, 1995 and has a significant operating history. The company operates two manufacturing units in Vasai East, Palghar, Maharashtra, with capacity utilization ranging from 78% to 90% over FY23–FY25. It derives over 84% of its revenue from masterbatches as of FY25, showing steady growth in this product line. Revenue from operations increased by 3.58% in FY24 and 4.04% in FY25, driven by higher masterbatch sales. EBITDA and PAT margins improved to 30.19% and 24.11% respectively in FY25, primarily due to a decline in material COGS. RoCE and RoE remained strong but volatile, ranging between 30%–45% and 27%–35%, highlighting the need for stability. The company has maintained positive operating cash flow, though declining due to rising trade receivables. The debt has been fully repaid by FY25 and liquidity ratios have improved, indicating stronger short-term financial health. Revenue is geographically concentrated in Maharashtra, Gujarat and Dadra & Nagar Haveli. It faces moderate supplier concentration without long-term supply agreements. With contingent tax liabilities of Rs. 11.12 Lakhs and operating in a competitive, fragmented market, margin sustainability remains a concern. Management is satisfactory with some areas of observation. With a post-issue P/E of 13.80, the IPO appears fairly priced. We recommend to **APPLY** for IPO based on strong operating history, integrated manufacturing facility, well-diversified customer base and long-term customer relationship.

IPO Details

Opening Date	Jul 30, 2025
Closing Date	Aug 01, 2025
Allotment Date	Aug 04, 2025
Listing Date	Aug 06, 2025
Stock Exchange	BSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹68 - ₹72
Issue Size	21.66 Cr.
Fresh Issue	21.66 Cr.
Offer for Sale	-
Application Amt	₹ 2,30,400 (3,200 shares)

KPIs (In Lakhs)

KPI's	FY 23	FY 24	FY 25
Revenue	2,117.92	2,193.64	2,282.20
EBITDA	418.51	397.44	689.09
Net Profit	293.97	321.83	550.30
RoCE	45.73%	30.80%	37.58%
ROE	35.17%	27.85%	32.26%
P/E	18.46	16.86	9.86

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	7.30	5.22
BVPS	22.62	16.17
P/E	9.86	13.80
P/BV	3.18	4.45
Mkt Cap (In Cr)	54.30	75.95

*Annualized

Lead Managers –

Seren Capital Private Limited

Registrar –

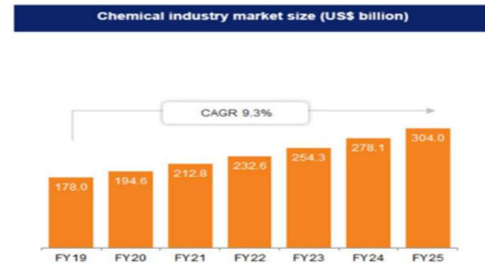
Bigshare Services Private Limited

Industry Overview –

India's chemical industry is extremely diversified and can be broadly classified into bulk chemicals, specialty chemicals, agrochemicals, petrochemicals, polymers and fertilizers. India is the 6th largest producer of chemicals in the world and 3rd in Asia, contributing 7% to India's GDP. Globally, India is the fourth-largest producer of agrochemicals after the United States, Japan and China.

The Indian plastic industry is one of the leading sectors in the country's economy. The industry is present across the country and has more than 2,500 exporters. It employs more than 4 million people in the country and constitutes 30,000 processing units; among these, 85-90% belong to small and medium enterprises. India manufactures various products such as plastics and linoleum, houseware products, cordage, fishnets, floor coverings, medical items, packaging items, plastic films, pipes, raw materials, etc. The country majorly exports plastic raw materials, films, sheets, woven sacks, fabrics and tarpaulin.

Market Size - India's chemical sector, which is worth US\$ 220 billion currently, is anticipated to grow to US\$ 300 billion by 2030 and US\$ 1 trillion by 2040. The demand for chemicals is expected to expand by 9% per annum by 2025. Specialty chemicals account for 20% of the global chemicals industry's US\$ 4 trillion, with India's market expected to increase at a CAGR of 12% to US\$ 64 billion by 2025. This gain would be driven by a healthy demand growth (CAGR of 10-20%) in the export/end-user industries. India's plastic exports stood at US\$ 2.93 billion in FY-25.



Government Initiatives –

- PLI Scheme
- Make in India
- Skill India
- Central Institute of Plastics Engineering & Technology (CIPET)

Outlook - India's chemical industry is poised for robust growth, expected to reach US\$ 300 billion by 2030, driven by rising domestic consumption, urbanization and middle-class expansion. Strategic initiatives like PCPIR and crude-to-chemical investments are set to further transform the sector into a global manufacturing hub.

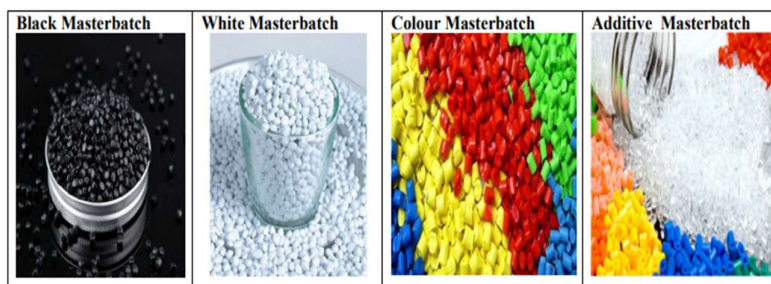
(source : RHP)

Business Overview –

Mehul Colours Limited is primarily engaged in the manufacturing of masterbatches, which are used in the plastics industry to impart colour and enhance the functional properties of plastic products. Masterbatches are concentrated mixtures of pigments and additives that are uniformly dispersed in polymer carriers, facilitating the effective integration of colour and performance-enhancing properties into plastic products. During plastic processing, masterbatches enable the uniform dispersion of pigments within the plastic resin, ensuring consistent colour distribution throughout the final plastic product without uneven patches or variations. They are also used to enhance visual appearance and impart specific properties to plastic materials such as UV resistance, flame retardancy and antistatic behaviour. The company was originally incorporated as 'Mehul Colours and Masterbatches Private Limited' on Dec-12, 1995.

Products – Colour masterbatches, additive masterbatches, special effect masterbatches and filter masterbatches

Product Applications – PET Processing, PVC Processing, Blow Moulding, Injection Moulding, Extrusion, Roto Moulding



- The company's manufacturing operations are carried at two production facilities within the Tungareshwar Industrial Estate, Sativali, Vasai East, Palghar, Mumbai, Maharashtra.
- The company's majority of revenue is derived from masterbatches category contributing 79.23%, 82.29% and 84.17% of revenue in FY23, FY24 and FY25 respectively.
- The company has capacity utilization in range of 78%-90% from FY23 to FY25 in both the manufacturing units.

Business Strategies -

- The company plans to expand product portfolio through setup of new manufacturing facility.
- The company aims to diversify across geographies and consistently meet customer specifications and quality standards.

FINANCIAL SNAPSHOT

Key Performance Indicators (Amt in Lakhs)				Key Ratios			
Particulars	FY23	FY24	FY25	Particulars	FY23	FY24	FY25
P&L Statement				Per Share Data			
Total Income	2,136.60	2,265.67	2,371.29	Diluted EPS	3.90	4.27	7.30
Total Expenses	1,726.60	1,830.94	1,630.92	BV per share	288.15	398.47	22.62
EBITDA	418.51	397.44	689.09	Operating Ratios			
EBIT	395.22	365.44	654.17	EBITDA Margins	19.76%	18.12%	30.19%
PBT	410.00	434.73	740.37	PAT Margins	13.88%	14.67%	24.11%
Tax Expenses	116.03	112.90	190.07	Inventory days	25.17	30.68	33.38
Net Profit	293.97	321.83	550.30	Debtor days	61.63	56.51	89.00
Balance Sheet				Creditor days	42.79	24.68	11.07
Total Equity	835.76	1,155.71	1,706.06	Return Ratios			
Liabilities				RoCE	45.73%	30.80%	37.58%
Non-Current Liabilities	28.42	30.93	34.52	RoE	35.17%	27.85%	32.26%
Current Liabilities	218.14	200.50	154.72	Valuation Ratios (x)			
Total Liabilities	246.56	231.43	189.24	EV/EBITDA	1.74	2.48	2.29
Assets				Market Cap/Sales	0.10	0.10	2.38
Non-Current Assets	449.15	621.23	951.46	P/E	18.46	16.86	9.86
Current Assets	633.15	765.92	943.84	Price to Book Value	0.25	0.18	3.18
Total Assets	1,082.30	1,387.15	1,895.30	Solvency Ratios			
Cashflow Statement				Debt/Equity	-	0.03	-
Operating Cashflow	467.23	209.16	190.83	Current Ratio	2.90	3.82	6.10
Investing Cashflow	-327.51	-141.54	-229.80	Quick Ratio	2.23	2.90	4.75
Financing Cashflow	-40.75	33.42	-39.05	Asset Turnover	1.96	1.58	1.20
				Interest Coverage Ratio	101.34	133.37	226.36

Financial Analysis –

- **Revenue from Operations** - The company's top line increased by 3.58% in FY24 and 4.04% in FY25, primarily attributed to increased sales of Masterbatches.
- **EBITDA and PAT Margins** - The company's EBITDA margin has improved from 19.76% in FY23 to 30.19% in FY25 and PAT margin from 13.88% to 24.11% over the same period, primarily contributed by decrease in material COGS as a percentage of revenue.
- **RoCE and RoE** - The company's RoCE and RoE have been volatile between 30% to 45% and 27% to 35% respectively from FY23 to FY25. This indicates volatility in return ratios, highlighting the need for greater stability to ensure consistent financial performance.
- **Operating cashflow** - The company has maintained positive operating cashflow over the years, though there is reduction over years primarily due to trade receivables.
- **D/E ratio** - The company has reduced debt completely in FY25.
- The company's current and quick ratios have improved significantly, indicating enhanced short-term liquidity and financial stability.

Outlook - The overall financials of the company appears stable and sustainable in the long run with slight improvement required in working capital management and need to be considered that the current margins growth may not be sustainable in the long run as margins are highly dependent on raw material price fluctuations.

Lead Manager –

The lead manager of the issue is Seren Capital Private Limited. The lead manager has managed 1 IPO in last 3 years and it has opened in premium to its issue price on listing date.

Risk Factors -

- The company has moderate supplier concentration, top 10 suppliers contributing 65.76% of total purchase in FY25 and it does not have long-term agreements with suppliers for input materials.
- The company has 2 tax proceedings amounting to Rs. 11.12 Lakhs.
- The company's revenue is concentrated in Maharashtra, Gujarat and Dadra & Nagar Haveli, together contributing 73.33%, 64.82% and 73.20% of revenue in FY23, FY24 and FY25 respectively.

- The masterbatch and pigment industry in which company operates is highly competitive and fragmented with numerous small and medium-sized domestic and international players.

Key Management

- Mehul Pravinchandra Joshi is the Chairman and Managing Director of the company. He has 25 years of experience in the Pigment & Dyes industry. There is an evidence of dual chairmanship in the company.
- Bhakti Mehul Joshi is the Wholetime Director of the company. He has over 15 years of experience in the finance field.
- The Non-Executive and Independent Directors have significant experience and are qualified in their respective fields.
- The company's Chief Financial Officer possess 25 years of experience in finance field and Company Secretary and Compliance Officer brings 1.8 years of limited experience in secretarial and compliance.
- Some of key personnel of the company have been appointed in last 1 year.

Outlook – The overall management of the company is satisfactory with some observations which needs to be noted.

Peer Analysis

Particulars	Mehul Colours Limited			Polylink Polymers (India) Limited			Deep Polymers Limited		
	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25
NP Margin	13.88%	14.67%	24.11%	1.28%	2.31%	2.33%	7.70%	6.66%	5.15%
EBITDA Margin	19.76%	18.12%	30.19%	3.97%	4.71%	4.75%	14.44%	13.61%	16.21%
RoCE	45.73%	30.80%	37.58%	3.97%	8.81%	10.61%	13.59%	9.45%	8.21%
ROE	35.17%	27.85%	32.26%	2.49%	6.22%	7.12%	14.04%	8.38%	5.75%
EPS (INR)	3.90	4.27	7.30	0.29	0.78	0.96	4.09	3.03	2.13
P/E	18.46	16.86	9.86	67.03	31.26	33.29	21.11	28.23	21.98

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