

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

PLATINUM INDUSTRIES LIMITED

February 27, 2024





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Details of the Issue

Price Band	₹ 162 to 171 per share
Issue Size	₹ 235.32 Cr
Face Value	₹ 10
Bid Lot	87
Listing on	BSE, NSE
Post Issue Mcap	₹ 939.22Cr
Investment Range	₹ 14,094 - ₹ 14,877

Important Indicative Dates (2024)

Opening	27 - Feb
Closing	29 - Feb
Basis of Allotment	01 - Mar
Refund Initiation	04 - Mar
Credit to Demat	04 - Mar
Listing Date	05 - Mar

Lead Manager

Unistone Capital Pvt Ltd

Offer Details

Offer Size	₹ 235.32 Cr
Fresh Issue	₹ 235.32Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	117.66	7.26	6.88	50
NIB	35.298	2.178	2.06	15
Retail	82.36	5.08	4.81	35
Em- ploy.	-	-	-	-
Total	235.2	14.518	13.75	100

Invest Now**Company Profile**

Platinum Industries Limited are a multi-product company engaged in the business of manufacturing stabilizers. Companies business segment includes PVC stabilizers, CPVC additives and lubricants. They operate in the speciality chemicals industry. Their products find their application in PVC pipes, PVC profiles, PVC fittings, electrical wires cables, SPC floor tiles, Rigid PVC foam boards, packaging materials, etc. The Indian speciality chemicals industry, accounting for ~26% of the overall chemicals industry (excluding pharmaceuticals), worth \$29 billion in fiscal 2020. The industry expanded at 6.7% CAGR over fiscals 2015-20, driven an increase in domestic offtake from various end-user industries and rising exports. However, in fiscal 2021, the industry declined 3.4% on-year because of a slowdown in economic activity and the consequent decline in demand from end-user industries. The industry exhibited recovery in fiscal 2023 with a worth 37.9 billion. The Indian specialty chemical industry is expected to reach \$48.1 billion by fiscal 2026, growing at 8.3% CAGR over 2023-26.

Business Highlights & Services

According to their RHP Platinum Industries PVT LTD is the third largest player of PVC stabilizer in terms of sales with an ~13.00% market share for the financial year 2022-23 in the domestic market. Amongst the considered peers in the industry, Company has recorded the highest Revenue CAGR (FY20-FY23) of 48.8%, Gross profit increased with a CAGR of 92.4%, EBITDA margin of 145.5%, PAT margin of 185.60%, respectively. Their gross margin improved significantly between fiscals 2020 and 2023, from 15.6% to 37.5%, thereby recording the highest gross margin vis-à-vis all peers in fiscal 2023.

PVC stabilizers are chemical additives used in the production of polyvinyl chloride (PVC) based products to enhance the performance and durability of PVC. These stabilizers enhance the thermal stability of PVC by allowing it to withstand heat without significant degradation or loss of physical properties. They prevent the discoloration, embrittlement and degradation of PVC caused by UV exposure, ensuring the longevity and aesthetics of PVC-based applications. It also improves the mechanical properties of PVC, such as its impact strength, tensile strength, and flexibility. PVC stabilizers thus, contribute to the overall durability and performance of PVC products, making them suitable for a wide range of applications.

In recent times, there has been a noticeable shift in the trends and preferences within the PVC stabilizer industry, particularly in sectors such as potable water distribution, agriculture, constructions, medical consumables, wires and cables. Traditionally, lead-based PVC stabilizers were commonly utilized for their stabilizing properties. However, concerns regarding the potential health effects associated with lead have led to a change in the industry landscape. To address these concerns, there has been a gradual transition towards the usage of calcium zinc-based PVC stabilizers. Calcium-zinc stabilizers offer a viable alternative as they provide effective stabilization while eliminating the potential health risks associated with lead. Calcium-zinc stabilizers have gained popularity due to their improved environmental and safety profiles. Company is recognized as significance of this industry shift and have responded by gradually transitioning from lead-based PVC stabilizers to calcium zinc-based and calcium organic based stabilizers. This transition allows them to align with current market demands and adhere to evolving safety and environmental norms. It also undertake trading activities of associated commodity chemicals such as titanium dioxide and PVC/CPVC resin. It export their products to other countries also. Prospectus, it have a distribution network of 12 spread across India.



Companies manufacturing facility located in Palghar is about 21000 sq.km in size strategically located near JNPT port from where they get their imported raw materials and also export their finished products out of India for their international clients. The company also has a R&D facility located in Palghar which is equipped all modern equipments . Company also has Technical Collaboration Agreement 193 with HMS Concept E.U. which is a sole proprietorship concern of Dr. Horst Michael Schiller, who is an internationally renowned scientist with over three decades of experience in the PVC industry. The company’s business model is aimed at consistently expanding their product portfolio by introducing new products to cater to multiple end-use applications. With strict focus on product quality and good track record in the distributor network, It have an established brand image which helps them in penetrating new product categories.

Product Portfolio

PLATINUM INDUSTRIES LIMITED		
1	2	3
PVC Stabilizer	CPVC Additives	Lubricants
Lead Based <ul style="list-style-type: none"> Lead Based Stabilizer Hybrid / Low Lead Stabilizer PVC Add Pack Non-Lead Based <ul style="list-style-type: none"> Calcium Zinc Stabilizer Calcium Organic Stabilizer PVC Add Pack 	<ul style="list-style-type: none"> CPVC Add Pack CPVC Compound 	<ul style="list-style-type: none"> PE Wax Lubpack

Product Category	For the period ended September 30, 2023		Fiscal 2022-23		Fiscal 2021-22		Fiscal 2020-21	
	(₹)	(%)	(₹)	(%)	(₹)	(%)	(₹)	(%)
PVC Stabilizers								
• Lead based stabilizers	214.70	17.93	274.48	11.73	318.97	17.30	293.03	32.87
• Non-Lead based stabilizers	501.67	41.91	923.16	39.44	457.29	24.81	227.38	25.51
CPVC Additives	47.48	3.97	177.48	7.58	139.75	7.58	92.46	10.37
Lubricants	358.86	29.98	626.08	26.75	397.07	21.54	149.43	16.76
Trading Sales ⁽¹⁾	66.78	5.58	318.26	13.60	522.07	28.32	123.24	13.83
Others ⁽²⁾	7.60	0.63	21.10	0.90	8.32	0.45	5.87	0.66
Total	1,197.08	100.00	2,340.56	100.00	1,843.48	100.00	891.41	100.00

Market Opportunities

Global GDP growth is anticipated to reach 3.1% in 2023, with challenges such as rising rates, European energy insecurity, and lingering COVID-19 effects affecting growth worldwide. Asia-Pacific stands out as a relative outperformer. In the United States, growth is expected to decline from 2.5% in 2023 to 2.1% in 2024 and 1.7% in 2025 due to the impact of monetary policy tightening, gradual fiscal tightening, and labor market softening. The euro area is projected to recover from a low of 0.5% in 2023 to 0.9% in 2024 and 1.7% in 2025, driven by stronger household consumption as energy price shocks subside. Emerging and developing Asia is expected to see growth decrease from 5.4% in 2023 to 5.2% in 2024 and 4.8% in 2025, with an upgrade for 2024 attributed to China’s economy, projected at 4.6% in 2024 and 4.1% in 2025. China’s growth upgrade is influenced by stronger-than-expected 2023 performance and increased government spending on disaster preparedness.



Key Performance Indicator

Sr No.	Metric	For the period ended September 30, 2023	As of and for the Fiscal		
			2023	2022	2021
1	No. of customers served (B2B segment)	171	273	273	120
2	No. of distributors	10	12	11	13
3	Cost of goods sold as % of revenue from operations	59.27	62.61	76.24	79.58
4	Total metric ton sales done	6,574.86	12,364.68	10,028.59	6,494.73
5	Sales realization per kg of good sold	182.07	189.29	183.82	137.25

Capacity Utilization

Financial Year	Particulars	Lead Based Stabilizers	Non-Lead based Stabilizers	CPVC Additives	Lubricants
2022-23	Capacity	7,875.00	19,075.00	5,376.00	3,850.00
	Production	2,181.32	4,891.06	670.68	827.19
	Utilization	27.70%	25.64%	12.48%	21.49%
2021-22	Capacity	4,035.37	12,675.29	3,221.07	3,397.96
	Production	2,569.54	2,846.18	497.98	615.70
	Utilization	63.68%	22.45%	15.46%	18.12%
2020-21	Capacity	4,035.37	11,715.29	3,221.07	2,797.96
	Production	2,862.78	1,831.42	437.76	124.03
	Utilization	70.94%	15.63%	13.59%	4.43%

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

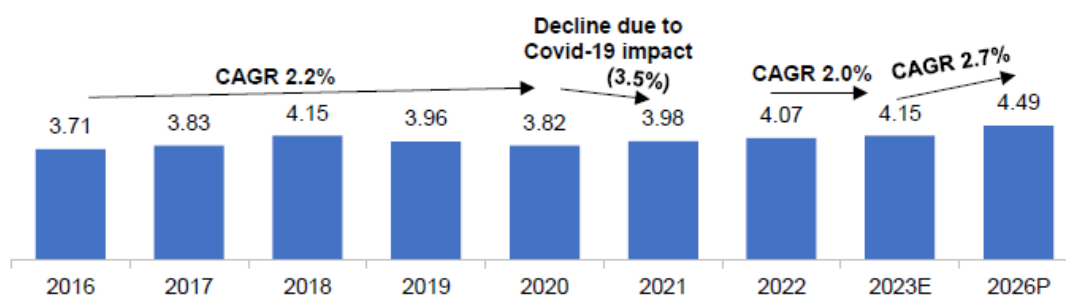
- Investment in Their Subsidiary, Platinum Stabilizers Egypt LLC (“PSEL”) for financing its capital expenditure requirements in relation to the setting up of a manufacturing facility for PVC Stabilizers at SC Zone, Governorate of Suez, Egypt. (“Proposed Facility 1 (Egypt)”)
- Funding of capital expenditure requirements of the Company towards setting up of a manufacturing facility for PVC Stabilizers at Palghar, Maharashtra, India (“Proposed Facility 2 (Palghar)”))
- Funding working capital requirements of the Company
- General corporate purposes.



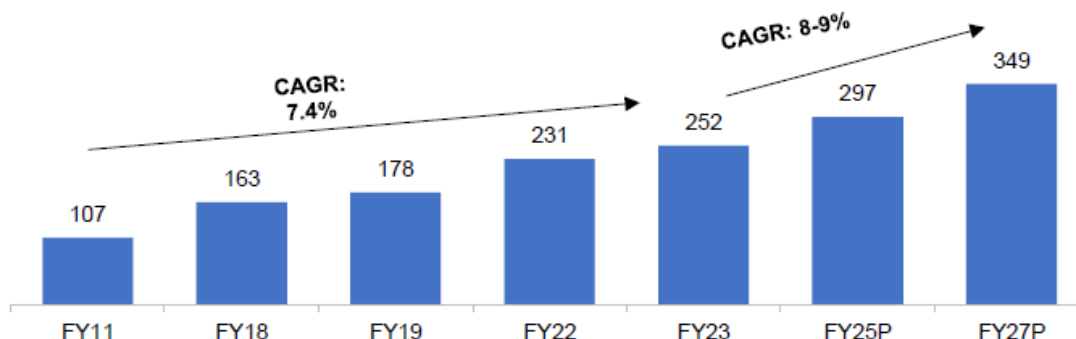
Industry Outlook

The Company operates in the speciality chemicals industry. The speciality chemicals industry was valued at \$773 billion at the global level in 2022. The segment clocked 3.4% CAGR over 2016-2022. The Indian speciality chemicals industry, accounting for ~26% of the overall chemicals industry (excluding pharmaceuticals), was worth \$29 billion in fiscal 2020. The industry expanded at 6.7% CAGR over fiscals 2015-20, driven by an increase in domestic offtake from various end-user industries and rising exports. However, in fiscal 2021, the industry declined 3.4% on-year because of a slowdown in economic activity and the consequent decline in demand from end-user industries. The industry exhibited recovery in fiscal 2023 with a worth of \$37.9 billion. The Indian specialty chemical industry is expected to reach \$48.1 billion by fiscal 2026, growing at 8.3% CAGR over 2023-26.

Global chemical industry size (\$ trillion)



Indian chemical industry development (\$ billion)



Peer Comparison

Name of the Company	For the year ended March 31, 2023						
	Face value (₹)	Revenue from operations (₹ in Mn) ⁽¹⁾	Basic EPS (₹)	Diluted EPS (₹)	P/E (based on Diluted EPS)	Return on net worth (%)	NAV per Equity Share (₹)
Platinum Industries Limited	10	2,314.81	9.42	9.42	[●]	61.26%	15.37
Peer Group							
Supreme Petrochem Ltd	5	52,872.05	26.49	26.49	24.39	27.02%	98.06
Apcotex Industries Ltd	2	10,799.29	20.82	20.82	22.36	22.68%	91.82



Companies Competitive Strength :

- Consistent financial performance
- R & D and Sustainability
- Varied product portfolio catering to diversified industries
- High entry barriers in the specialty chemical industry
- Quality Products

Key Strategies Implemented by Company

- Expanding their production capacities and broadening the global footprint
- Increase in market share
- Modernization and Expansion of their facility in India
- Continue to build their global customer base and enter new geographical markets
- Continue to innovate new product categories, catering to wider end-applications

Particulars (INR in Cr)	6MFY24	FY23	FY22	FY21
Equity share capital	40.253	40.3	1.053	1.053
Reserves	44.78	21.226	21.284	3.42
Net worth as stated	85.04	61.88	22.34	4.47
Revenue from operations	122.82	231.48	188.15	89.20
Revenue growth %	-	23%	111%	-
EBITDA	32	54	25	8
EBITDA Margins	26.36%	23.27%	13.47%	8.47%
Net Profit /Loss for the period	22.835	37.58	17.748	4.81
Net profit % as stated	18.59%	16.24%	9.43%	5.39%
EPS	5.73	9.42	4.41	1.24
ROCE %	28.83%	56.85%	52.51%	74.28%
ROE %	31.39%	90.02%	132.39%	138.63%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 20.54x times earnings. Thus the issue appears fairly priced compared to peers.
- The company is the third-largest domestic PVC stabilizer player, holding a 13.0% market share in FY 2023. India's PVC stabilizer industry is dominated by the top 3, contributing 50-55% of the market, with Baerlocher and Goldstab as key players. The company offers customized solutions and trades in related chemicals, exporting to 17 countries. Barriers to entry are high, with R&D, technical expertise, and customer relationships playing pivotal roles. India is the sixth-largest global chemical manufacturer, with a \$252 billion industry in FY 2023, projected to reach \$349 billion by CY2027. The global PVC stabilizer market is set to grow at 3.7% CAGR, reaching 1.76 mt by CY2027, driven by demand in automotive, construction, packaging, and electronics. The India PVC stabilizer market is expected to grow at 7% CAGR to 126 thousand tonnes by FY2027, valued at \$224.7 million in FY2023. Company is well poised to capture the growth. The company exhibits strong financial performance, expanding production capacities globally and domestically, anticipating increased demand in the pipes and fittings segment in FY2024. Hence, We recommend "Subscribe" rating to the issue.



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Dibandu Maji | + 022-6618 2689 | Dibandumaji@geplcapital.com

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