

One Stop Investment Avenue



**GEPL**  
CAPITAL

IPO Note

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**KRONOX LAB  
SCIENCES LTD**

Jun 03, 2024





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**Details of the Issue**

Price Band	₹ 129 - ₹ 136
Issue Size	₹ 130 Cr
Face Value	₹ 10
Bid Lot	110
Listing on	BSE, NSE
Post Issue Mcap	₹ 504.61 Cr
Investment Range	₹ 14,190 - ₹ 14,960

**Important Indicative Dates (2024)**

Opening	03 - Jun
Closing	05 - Jun
Basis of Allotment	06 - Jun
Refund Initiation	07 - Jun
Credit to Demat	07 - Jun
Listing Date	10 - Jun

**Lead Manager**

Pantomath capital Advisors Pvt Limited

**Offer Details**

Offer Size	₹ 130.15 Cr
Fresh Issue	-
OFS	₹ 130.15 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	65	4.78	5.04	75
NIB	19.5	1.43	1.51	15
Retail	45.5	3.34	3.52	10
Em-ploy.	-	-	-	-
Total	130.15	9.56	10	100

**Invest Now****Company Profile**

Kronox Lab Sciences Limited, established in 2008, pioneers in producing high-purity specialty fine chemicals for diverse industries. Their 185+ products cater to pharmaceuticals, research, nutraceuticals, biotech, agrochemicals, personal care, metal refineries, and animal health globally. They serve 20+ countries including the US, Argentina, Mexico, Australia, Egypt, Spain, Turkey, UK, Belgium, UAE, and China. Strategically located in Vadodara, Gujarat, near major seaports, they operate three facilities over 17,454 sq. m., with an installed capacity of 7,242 TPA as of Dec 2023. Unit I/II holds FSSC 22000, ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certifications. Some Unit I products are Kosher, Halal, GMP, and GLP certified.

As of Dec 2023, they research 122 products, serving 592 customers in three years, with 141 repeat orders. Their 212-member workforce signifies their commitment to operational excellence and customer satisfaction.

**Business Highlights & Services**

Company is engage in manufacturing High Purity Specialty Fine Chemicals for a variety of industries. The products are primarily used as a: (i) reacting agents and raw materials in Active Pharmaceutical Ingredient (API) production; (ii) excipients in pharmaceutical formulations; (iii) reagents for scientific research and laboratory testing; (iv) ingredients in nutraceutical formulations; (v) process intermediates and fermenting agents in biotech applications; (vi) ingredients in agrochemical formulations; (vii) ingredients in personal care products; (viii) refining agents in metal refineries; and (ix) ingredients in animal health products. The chemicals adhere to industry standards such as IP, BP, EP, JP, USP, FCC, LR, AR, GR, and ACS. It also offer custom manufacturing to meet unique specifications required by the customers. It product range includes over 185 items, spanning phosphates, sulphates, acetates, chlorides, citrates, nitrates, nitrites, carbonates, EDTA derivatives, hydroxides, succinates, and gluconates. These are available in particle sizes from 10 mesh to 100 mesh.

Their commitment to product development, diverse offerings, quality standards, and continuous process improvement has resulted in repeat business from the customers. It supply to clients in India and over 20 countries worldwide, providing both standardized and custom-manufactured chemicals to achieve high purity levels tailored to client needs. This expertise requires deep domain knowledge and an understanding of chemical properties and purification processes. Their in-house R&D and testing lab, located in Unit I, develops and tests new products to meet industry standards and customer specifications. Equipped with advanced systems, the lab is staffed by 16 science graduates and post-graduates who ensure their products meet the highest quality standards.

Company has 3 manufacturing facilities in Vadodara, Gujarat, are strategically located near the seaports of Mundra, Kandla, Hazira, and Nhava Sheva. These facilities cover a total area of 17,454 sq. meters and have a combined installed capacity of 7,242 TPA as of December 31, 2023. Units I and II are certified with FSSC 22000 (Version 5), ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018. Additionally, Unit I holds Kosher, Halal, GMP, and GLP certifications for specific products.

Company continually expand their product range to meet evolving industry demands. In the 9M ending Dec 31, 2023, and for the years 2022, 2021, and 2020, It manufactured and sold 188, 155, 157, 156, and 159 products, respectively. Their products are supplied to various industries for their processes and products.



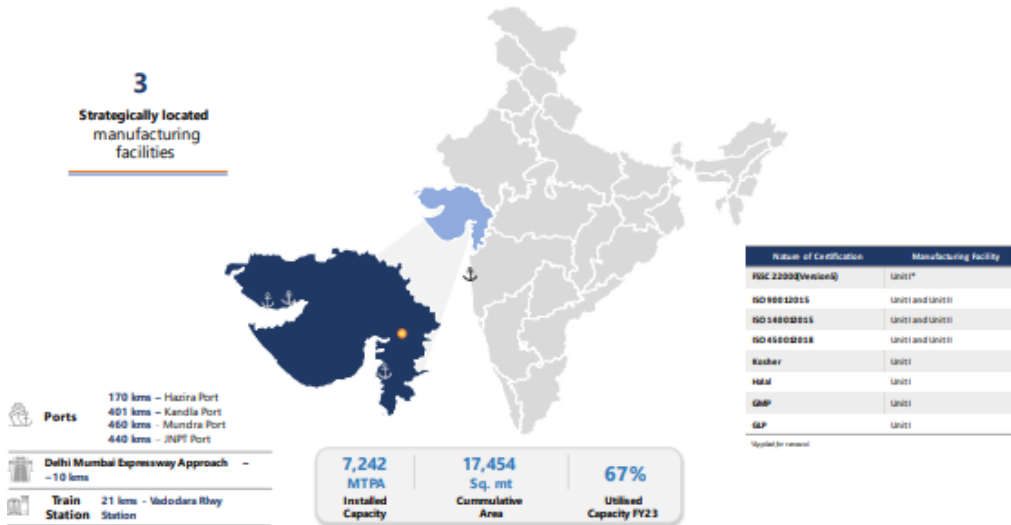
Over the years, company have expanded their operations globally, with customers in over 20 countries including the United States, Argentina, Mexico, Australia, Egypt, Spain, Turkey, the United Kingdom, Belgium, the UAE, and China. In Fiscal 2023, it exported to 15 countries. For the 9M ending Dec 31, 2023, and for Fiscals 2023, 2022, and 2021, the export revenue (excluding merchant exports) was ₹169.70 Mn, ₹195.67 Mn, ₹242.68 Mn, ₹192.95 Mn, and ₹128.43 Mn, respectively, accounting for 25.07%, 26.41%, 25.39%, 23.46%, and 20.56% of the total revenue. The export revenue grew at a CAGR of 37.46% between Fiscal 2021 and 2023.

### Product wise Revenue Breakup

(₹ in million except for percentages)

Application/ Industry	For nine months period ended December 31, 2023		For nine months period ended December 31, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
Pharmaceuticals	305.46	45.13	286.96	38.72	389.78	40.78	337.24	41.00	339.86	54.41
Scientific Research and Laboratory Testing	179.65	26.54	231.43	31.23	279.23	29.21	267.63	32.54	146.17	23.40
Nutraceuticals	160.54	23.72	191.51	25.85	245.22	25.66	174.77	21.25	113.88	18.23
Others*	31.21	4.61	31.13	4.20	41.55	4.35	42.83	5.21	24.70	3.95
<b>Total</b>	<b>676.86</b>	<b>100.00</b>	<b>741.03</b>	<b>100.00</b>	<b>955.78</b>	<b>100.00</b>	<b>822.47</b>	<b>100.00</b>	<b>624.60</b>	<b>100.00</b>

### Capacity and Manufacturing Facilities



### Export Revenue

(₹ in million except per share data or unless otherwise stated)

Geography	For the nine months period ended December 31, 2023		For the nine months period ended December 31, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	₹ in million	% of revenue	₹ in million	% of revenue	₹ in million	% of revenue	₹ in million	% of revenue	₹ in million	% of revenue
India (Domestic Sales)	446.09	65.91	501.10	67.62	654.46	68.47	572.53	69.61	459.20	73.52
Exports	169.70	25.07	195.67	26.41	242.68	25.39	192.95	23.46	128.43	20.56
India (SEZ Sales)	55.63	8.22	36.52	4.93	49.66	5.20	42.66	5.19	31.59	5.06
Merchant Exports	5.43	0.80	7.74	1.04	8.97	0.94	14.33	1.74	5.38	0.86
<b>Total Revenue from Operations</b>	<b>676.86</b>	<b>100.00</b>	<b>741.03</b>	<b>100.00</b>	<b>955.78</b>	<b>100.00</b>	<b>822.47</b>	<b>100.00</b>	<b>624.60</b>	<b>100.00</b>



## Product Portfolio

Product Family	Product Sub-Group	No. of Products
Phosphate	Ammonium, Calcium, Magnesium, Potassium, Sodium, Others	36
Sulphate	Aluminium, Ammonium, Calcium, Copper, Magnesium, Nickel, Potassium, Sodium, Zinc, Manganous, Others	28
Chloride	Barium, Calcium, Copper, Magnesium, Nickel, Zinc, Manganous, Potassium, Sodium, Others	15
Acetate	Ammonium, Barium, Calcium, Copper, Lead, Magnesium,	12

Product Family	Product Sub-Group	No. of Products
	Potassium, Sodium, Zinc, Others	
Nitrate and Nitrite	Barium, Calcium, Copper, Lead, Magnesium, Nickel, Potassium, Sodium, Zinc, Others	11
Citrate	Ammonium, Magnesium, Potassium, Sodium, Zinc, Others	10
Carbonate	Ammonium, Calcium, Magnesium, Potassium, Sodium, Others	9
EDTA Derivatives	Potassium, Sodium, Others	6
Hydroxide	Barium, Calcium, Magnesium, Potassium, Sodium, Others	4
Succinate and Gluconate	Sodium, Zinc, Others	3
Others	Aluminum, Ammonium, Calcium, Copper, Lead, Magnesium, Oxalic, Potassium, Sodium, Zinc, Others	54
<b>Total</b>		<b>188</b>

## Peer Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Kronox Lab Sciences Ltd	10	975	4.3	12.4	NA	37.19%
<b>Peers Group</b>						
Tatva Chinatan Pharma Chem Ltd	10	4,294	19.45	220	57	8.84%
Tanfac Industries Ltd	10	3,829	56	184	39	30.00%
Neogen chemicals Ltd	10	6,906	18	182	77.5	10.36%
Sigachi Industries Ltd	1	3,087	1.42	8.7	46.6	16.22%
DMCC Speciality Chemical Ltd	10	3,895	2.78	79.49	116	3.50%

**Companies Competitive Strength :**

- Wide range of products finding applications in diversified end user industries.
- Long standing relationships with customers.
- High entry and exit barriers due to long customer approval cycles and strict product standards.
- Focus on R&D and Quality Control.
- Zero debt company with strong and consistent financial performance.
- Strategically located manufacturing facilities providing supply chain efficiencies.
- Experienced Promoters and Senior Management with extensive domain knowledge.

**Key Strategies Implemented by Company**

- Expand the product portfolio, increasing the supply of the products to their existing customers and tap new customers in existing and new geographies.
- Expand their capacity for existing products and diversifying into new products by setting up a new manufacturing facility.
- Explore newer applications for their existing products and developing new products that are in synergy with their current and future operations.
- Focus on import substitution and increasing exports.
- Optimize customer experience and boost operating leverage through continued investment in technology.
- Improve cost management and operational efficiencies.

Particular (INR in Cr)	9MFY24	FY23	FY22	FY21
Equity Capital	37.1	37.1	0.24	0.24
Reserve and Surplus	23.18	7.58	40.11	26.57
Net worth	60.28	44.68	40.35	26.81
Revenue	67.69	95.58	82.25	62.46
EBITDA	20.46	21.99	19.7	14.8
EBITDA Margins (%)	30%	23%	24%	24%
PAT	15.47	16.62	13.63	9.73
PAT margins (%)	23%	17%	17%	16%
EPS	4.17	4.3	3.49	2.4
ROCE (%)	33%	50%	46%	52%
ROE (%)	26%	37%	34%	37%

**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 24X. Thus the issue appears to be fairly priced compared to peers.
- Kronox Lab Sciences thrives in the specialty fine chemicals sector, boasting a diverse product range for industries like pharmaceuticals and scientific research. Their stringent manufacturing processes create formidable entry and exit barriers, ensuring long-term growth. With over 185 high-purity chemicals and a vast customer base, including repeat orders, they exhibit strong market presence. Quality remains a focal point, backed by robust R&D efforts and adherence to global standards, maintaining their competitive edge. Financially sound with consistent growth and zero debt, Kronox leverages strategic locations near major ports for efficient logistics. Their experienced management team navigates industry challenges adeptly, positioning the company for future opportunities in a steadily growing market. Hence, we recommend an "Subscribe" rating for 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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