



SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	Specialty Chemicals
Fresh Issue (Shares)	13,761,225
Net Offer to the Public	13,761,225
Issue Size (Rs. Cr.)	222-236
Price Band (Rs.)	162-171
Offer Date	27-Feb-24
Close Date	29-Feb-24
Face Value	10
Lot Size	87 Shares

Issue Composition

	In shares
Total Issue for Sale	13,761,225
QIB	6,880,613
NIB	2,064,184
Retail	4,816,429

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	94.73%	71.00%
QIB	5.27%	16.48%
NIB	0.00%	3.76%
Retail	0.00%	8.77%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Net Proceeds from the Issue are proposed to be utilized by the company for the following objects:

Investment in the subsidiary, Platinum Stabilizers Egypt LLC ("PSEL"), for financing its capital expenditure requirements about the setting up of a manufacturing facility for PVC Stabilizers at SC Zone 'Governorate of Suez Egypt'

Funding of capital expenditure requirements of the company towards setting up of a manufacturing facility for PVC Stabilizers at Palghar, Maharashtra, India

Funding working capital requirements of the company; and General corporate purposes.

Book Running Lead Manager

- UNISTONE CAPITAL PRIVATE LIMITED

Name of the registrar

- BIGSHARE SERVICES PRIVATE LIMITED

About the company

Incorporated in August 2016, Platinum Industries Limited is a company that specializes in producing stabilizers. The company manufactures PVC stabilizers, CPVC additives and lubricants. The company's products are used in PVC pipes, PVC profiles, PVC fittings, electrical wires and cables, SPC floor tiles, Rigid PVC foam boards, packaging materials, etc. The manufacturing facility of the company is situated in Palghar, Maharashtra, and spreads across 21,000 sq. ft. of land. The revenue from operations grew at a CAGR of 42.11% in six years, from Rs. 284.19M in 2018 to Rs. 2,340.56M in 2023. As of July 2023, the company has twelve distribution centres spread across India. As of May 31st, 2023, the production unit has 71 employees and 17 workers.

Strength

Consistent financial performance: The company has grown from commencing from 2 products portfolio to a multi-product manufacturing company with sales across India and in international markets. It has built its business organically and has demonstrated consistent growth in terms of revenues and profitability. The revenue from operations has grown from Rs. 89.14 crore in Fiscal 2021 to Rs. 231.48 crore in Fiscal 2023, registering a CAGR of 62.04% in last three fiscal years. For the period ended September 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, the PAT were Rs. 22.84 crore, Rs. 37.58 crore, Rs. 17.75 crore and Rs. 4.82 crore, respectively. The PAT have grown from Rs. 4.82 crore in Fiscal 2021 to Rs. 37.58 crore in Fiscal 2023, registering a CAGR of 174.04% in last three fiscal years. Further, the revenue from operations has grown from Rs. 28.42 crore in Fiscal 2018 to Rs. 231.48 crore in Fiscal 2023, registering a CAGR of 42.11 % in six years. The PAT has grown from Rs. 0.11 crore in Fiscal 2018 to Rs. 37.58 crore in Fiscal 2023, registering a CAGR of 164.01 % in six years. The EBITDA have grown from Rs. 0.17 crore in Fiscal 2018 to Rs. 54.96 crore in Fiscal 2023, registering a CAGR of 158.43 % in six years because of increase in sales of high margin products i.e. lead free products, introduction of new products i.e. CPVC additives, increase in production capacities and control on raw material purchase costs.

R & D and Sustainability: It has an in-house R&D facility admeasuring about 3,351.82 sq. ft. situated at Maharashtra with modern equipment and instrumentation including XRF machine, lab extruder, lab mixer, Rheometer, outdoor weathering station, static stability oven, hydraulic press and two-roll mill, that is focused on developing innovative products to suit its customer needs and market demands. To stay ahead of the competition, the Company's skilled research staff is constantly improving and upgrading the product portfolio. It also have Technical Collaboration Agreement with HMS Concept E.U. which is a sole proprietorship of Dr. Horst Michael Schiller, who is an internationally renowned scientist with over three decades of experience in the PVC industry. He has extensive knowledge and experience in the field of PVC additives and has authored several books on PVC stabilizers. Under the terms of the Technical Collaboration Agreement with HMS Concept E.U., they are in-charge and responsible for developing all know-how, product formulations, technical support, product testing and R&D and has a team of research and analytical lab executives.

Varied product portfolio catering to diversified industries: It has varied products for PVC industry in the market and multiple product categories such as low lead based stabilizer, calcium zinc based stabilizer and organic based stabilizer. Within each product category, there are multiple grades depending on application and customer requirements. In PVC applications, it has developed more than 400 grades, which help it cover majority of customers as well as different applications. It diversified its product portfolio such that the products are customized for the customers and scale for each of the geographies it serve.

The diversified product portfolio helps retain its customers and strengthen its cross-selling efforts across product portfolios.

High entry barriers in the speciality chemical industry: Barriers to entry in the speciality chemical industry are typically high. The specialised nature of products leads to significant differentiation. R&D requirements, technical know-how, capital intensity service capabilities, customer relationships, and engineered or regulated specifications also create important barriers to entry. The nature of the application of its products and the processes involved, its products are subject to, and measured against, high quality standards and rigorous product approval systems with stringent technical specifications. Further, because end products manufactured by the customers are typically subject to regulatory and industry standards, any change in the vendor of the products may require significant time and expense for customers, which acts an entry barrier.

Quality Products: It provides quality products to its customers and has a rigorous quality control procedure in place. Quality checks are implemented at various stages viz. receipt of raw materials, intermediate and final products. Materials are tested for compliance with its specifications at every stage and only products that pass its quality checks are delivered. There is a system of vendor prequalification for selection of the right raw material suppliers, to ensure quality is maintained in its process. Every batch of final product manufactured is subject to testing in its analytical lab and approval from lab in-charge prior to dispatch to its customers. It has a well-equipped analytical lab with experienced lab technicians to perform quality checks of its raw materials, intermediate and finished products.

Strategy

Expanding its production capacities and broadening the global footprint: The company has an existing Manufacturing Facility located at Palghar, Maharashtra. While it has been delivering its products to different regions of India and exporting to some countries, Platinum intends to increase its global market reach for which Platinum have to broaden its manufacturing capabilities. Platinum is establishing a presence in Egypt by setting up a new manufacturing facility will, in addition to augmenting its manufacturing capacity, also enable it, to capture market share by catering to the needs of the PVC pipes and tubes, PVC profiles, PVC fittings, electrical wires and cables industries which have a presence in and around Egypt. Setting up manufacturing operations in the Egypt will also provide it easier access to cater to the needs of such industries and increase its sales due to the proximity of various manufacturing facilities in these industries in Egypt. This positioning of the manufacturing unit near the Suez Canal leading to optimization of freight and transportation charges and provided access as compared to manufacturing units established in landlocked areas that use rail and roads for transportation. It would continue to focus its efforts in the select geographies such as Egypt, Africa, and Middle east etc. and establish a greater presence there. Its growth strategy in these markets will be to create strong local presence and connect and expertise with required development capabilities to exploit growth potential offered by these markets. Its strong focus will remain on acquiring new customers, retaining existing customers and offering good quality products.

Increase in market share: Platinum is currently one of the leading manufacturers and suppliers of PVC stabilizers in India and Platinum aim to expand its global footprint. Its strategy to achieve this is by having a systematic approach of customer classification and strategy of market penetration. Platinum have established good relationships with some of the major PVC pipe producers in the country (accounting for the major share of stabilizer market) and these customers are classified as key accounts. Platinum consistently seek to diversify its application of products which could cater to its customers across various industries.

Modernization and Expansion of its facility in India: Its first manufacturing plant was set up in 2016 at Palghar, Maharashtra which is engaged in manufacture of its existing products. Initially the production was set up on a leased plot of land to manufacture lead based stabilizers, and over a period of time Platinum expanded to non-lead based products. The rapid increase in production has hindered the options for any automation and process improvements in its existing plant. It also does not give it any more room for expansion or for additional raw material and finished goods storage. Therefore, Platinum are in the process of establishing another facility at Palghar, Maharashtra to streamline its production and also to increase its capacity engaged in the manufacture of non-lead

based stabilizers. This will also assist in segregating the lead from the non-lead products thereby giving more control of product quality for its customers.

Continue to build its global customer base and enter new geographical markets: In the last three Fiscals Platinum exported its products to customers in 17 countries. The long-standing relationships that Platinum have enjoyed with its customers over the years and the repeat and increased orders received from them are an indicator of its position as a preferred source as compared to its competition. Platinum intend to focus on increasing its wallet share with existing customers. Platinum have built long-standing relationships with its customers through various strategic endeavours, which Platinum intend to leverage by entering into long-term marketing arrangements. In addition, Platinum continue to leverage its existing sales and marketing network, diversified product portfolio and its industry standing to establish relationships with new multinational, regional and local customers. Platinum are expanding globally to serve its existing direct end-use customers as Platinumll as to secure new direct end-use customers and expand the reach of its products in new markets. Platinum intend to achieve this by having dedicated sales and marketing teams whose primary focus will be on business development in international markets and in certain focus geographies like African and Europe. Its focus will also be to strengthen its sales team in India and outside India to ensure that Platinum are able to deliver products to its customers in a timely manner.

Continue to innovate new product categories, catering to wider end-applications: Platinum intend to strengthen its relationships with its existing customers and explore opportunities to grow along the value chain by expanding the array of its existing products and solutions that Platinum supply to its customers across geographies, and to win new customers by developing products and solutions aligned with their needs. As part of its growth strategy, Platinum seek to pursue emerging opportunities in its existing product categories. Currently, its portfolio caters to PVC pipes and tubes, PVC profiles, PVC fittings, electrical wires and cables industry sectors. Platinum intend to diversify its product base to cater to other end-use industries as well such as pharma and medical.

Risk factor

- Reliance on a few key customers for significant revenue; lack of long-term agreements increases revenue volatility.
- Inefficient production levels could increase operating costs and impact future prospects.
- Inability to procure raw materials timely or at reasonable costs may disrupt production processes and cash flows.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Apcotex Industri	1070.07	61.77	11.92	39.87	4.97	95.65	2	475.25	2463.93
Supreme Petroch.	5062.54	374.80	19.93	37.73	7.61	98.88	2	752.05	14141.65
Platinum Industries Limited	245.64	45.67	8.31	20.57	2.66	64.20	10	171.00	939.22

*Peer Comparison company financials are based on TTM.

**Platinum Industries Financials are based on Estimated annualised FY24.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.171, the stock is priced at pre issue P/E of 15.41x on estimated annualised FY-2024 EPS of Rs. 11.09. Post issue, the stock is priced at a P/E of 20.57x on its EPS of Rs. 8.31. Looking at the P/B ratio at Rs.171, pre issue, book value of Rs. 28.50 of P/Bvx 6x. Post issue, book value of Rs. 64.20 of P/Bvx 2.66x.

Considering the P/E valuation, on the lower end of the price band of Rs.162, the stock is priced at pre issue P/E of 14.60x on estimated annualised FY-2024 EPS of Rs. 11.09. Post issue, the stock is priced at a P/E of 19.48x on its EPS of Rs. 8.31. Looking at the P/B ratio at Rs.162, pre issue, book value of Rs. 28.50 of P/Bvx 6x. Post issue, book value of Rs. 64.20 of P/Bvx 2.52x.

Industry Outlook

As of 2020, the Indian chemical industry had a share of ~3% in the global chemical industry. It is ranked sixth at the global level and third in India, contributing 7% to India's GDP. The country ranks eighth in global export of chemicals (excluding pharmaceutical products) and seventh in global import of chemicals (excluding pharmaceutical products). The Indian chemical industry was valued at \$252 billion in fiscal 2023 and is expected to grow to \$349 billion by 2027. The country's chemical sector is extremely diverse, with over 80,000 products, over 2 million people employed and a strong foundation for innovation because of a network of 200 national laboratories and 1,300 research and development (R&D) centres. The proposed PLI scheme aims at incentivising domestic production of intermediates and raw materials for agrochemicals, dyestuffs, and pharmaceuticals with emphasis on domestic value-addition.

Outlook

Platinum Industries' IPO offers investors a chance to be part of its growth journey as a prominent player in the stabilizers manufacturing industry. On the flip side, Investing in the company involves inherent risks. Platinum Industries' dependence on its single Palghar facility creates operational vulnerabilities. Additionally, expansion into new regions, reliance on a few key customers, regulatory hurdles, and potential project delays pose significant challenges. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	27-February-24
BID/ISSUE CLOSSES ON	29-February-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	01-March-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	04-March-24
Credit of Equity Shares to Demat Accounts of Allottees	04-March-24
Commencement of trading of the Equity Shares on the Stock Exchanges	05-March-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	122.82	231.48	188.16
Total expenditure	90.44	177.62	162.80
Operating Profit	32.38	53.86	25.35
OPM%	26.36	23.27	13.47
Other Income	0.91	1.07	1.08
PBDIT	33.29	54.93	26.44
Depreciation	1.44	1.83	0.89
PBIT	31.85	53.11	25.54
Interest	1.60	2.17	1.58
PBT	30.24	50.94	23.96
Total tax expenses	7.41	13.35	6.21
PAT	22.84	37.58	17.75

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	27.99	29.23	4.44
Capital work-in-progress	4.13	3.14	0.00
Right to use assets	5.43	5.17	2.22
Goodwill on Consolidation	0.00	0.00	0.00
Financial Assets			
Other financial assets	0.83	0.81	0.95
Income Tax Assets (Net)	0.05	0.00	0.00
Deferred Tax Assets (Net)	0.83	0.59	0.15
Total non-current assets	39.26	38.95	7.76
Current assets			
Inventories	22.06	27.06	15.49
Financial Assets			
Investments	2.98	0.00	0.00
Trade receivables	38.38	31.11	48.58
Cash and cash equivalents	2.04	2.20	0.10
Bank balances other than (iii) above	25.20	13.29	4.11
Other financial assets	0.06	0.21	0.49
Other current assets	7.75	8.36	7.95
Total current assets	98.46	82.22	76.72
Total Assets	137.72	121.17	84.48
Non-current liabilities			
Financial liabilities			
Borrowings	0.47	1.04	0.50
Lease Liabilities	3.16	3.92	1.61
Deferred Tax Liabilities (Net)	0.00	0.00	0.00
Provisions	0.51	0.57	0.40
Total non-current liabilities	4.14	5.52	2.51
Current liabilities			
Financial Liabilities			
Borrowings	10.99	16.39	23.74
Lease Liabilities	1.34	0.50	0.46
Trades Payable - MSME	1.82	0.36	1.57
Trade Payables - other than MSME	12.14	13.48	25.90
Other financial liabilities	7.70	8.07	2.82
Other current liabilities	0.33	0.05	0.06
Provisions	0.68	0.79	0.49
Current Tax Liabilities (net)	4.10	4.45	4.59
Total current liabilities	39.09	44.09	59.63
Total	43.23	49.61	62.14
Net worth represented by:			
Equity Share Capital	40.25	40.25	1.05
Other Equity	44.78	21.63	21.28
Non - Controlling interest	9.45	9.68	0.00
Net Worth	94.49	71.56	22.34

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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