

Platinum Industries Ltd

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Operating within the specialty chemicals sector, Platinum Industries is a multi-product organization involved in the manufacturing of stabilizers. Its product portfolio encompasses PVC stabilizers, CPVC additives, and lubricants. These products cater to various applications such as PVC pipes, profiles, fittings, electrical wires, cables, SPC floor tiles, rigid PVC foam boards, packaging materials, and more.

According to the CRISIL Report, the company ranks as the third largest PVC stabilizer player by sales, holding approximately 13.00% market share in the domestic market for the financial year 2022-23. In fiscal 2023, among its industry peers, the company achieved the highest Revenue CAGR (FY20-FY23) of 48.8%, with gross profit increasing at a CAGR of 92.4%, EBITDA margin at 145.5%, and PAT margin at 185.60%, respectively. The company's gross margin experienced a notable improvement from 15.6% to 37.5% between fiscal years 2020 and 2023, marking the highest gross margin compared to all peers in fiscal 2023.

The company offers tailored products and solutions directly to clients and through a network of distributors. Additionally, it engages in trading activities involving associated commodity chemicals like titanium dioxide and PVC/CPVC resin. The company also exports its products to various countries. Its distribution network consists of 12 locations across India. Its manufacturing facility, situated in Palghar, Maharashtra, occupies a total land area of approximately 21,000 square feet.

The business model is aimed at consistently expanding its 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, the company has established a brand image which helps it to penetrate new product categories. The company is expanding its domestic venture and establishing a new project in Egypt.

At the IPO price of INR 171 (upper price band), Platinum Industries is valued at PE multiple of 25 times.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj. EPS (Rs.)	Adj BVPS (Rs.)	RoE (%)	RoIC (%)	EV/EBIT DA (X)	P/BV (X)	P/E (X)
FY21	89	8	5	8.5	5.4	0.9	0.8	107.7	104.3	124.7	210.0	195.1
FY22	188	25	18	13.5	9.4	3.2	4.1	79.5	57.7	37.8	42.0	52.9
FY23	231	54	38	23.3	16.2	6.8	13.0	60.7	81.5	17.5	13.1	25.0

Industry	Specialty Chemicals
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Issue Details

Listing	BSE & NSE
Open Date	27 th Feb 2024
Close Date	29 th Feb 2024
Price Band	INR 162-171
Face Value	INR 10
Market Lot	87 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue(%)	100
Issue Size (INR cr)	INR 235.32
Issue Size (Shares)	1,37,61,225
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15 %
Retail Share (%)	≥ 35 %
Pre issue sh (nos)	4,11,63,648
Post issue sh (nos)	5,49,24,873
Post issue MCap (INR cr)	939.2

Shareholding (%)	Pre (%)	Post (%)
Promoter	94.74	71.00
Public	5.26	29.00
TOTAL	100	100

Key Growth Strategies

Expanding its production capacities and broadening the global footprint

The company is expanding its global market reach by establishing a new manufacturing facility in Egypt, through its subsidiary. Scheduled to commence production by the fourth quarter of FY 2024–25, this initiative aims to enhance the manufacturing capacity and capture market share in Egypt and neighboring regions. By strategically locating the facility near the Suez Canal, the company anticipates optimizing freight and transportation costs, thereby increasing competitiveness. With the MENA (Middle East and North Africa) region's PVC stabilizer market projected to grow at a CAGR of 5.6% from 2023 to 2027, the establishment of a local manufacturing presence in Egypt presents an opportunity to meet the increasing demand in the region, currently reliant on imports from other countries.

Increase in market share

As one of the leading manufacturers and suppliers of PVC stabilizers in India, the company is committed to expanding its global presence. Utilizing a systematic approach to customer classification and market penetration, the company has cultivated strong relationships with major PVC pipe producers, categorized as key accounts. With a focus on diversifying product applications across various industries, the sales team targets both medium-sized customers and niche markets. Supported by an experienced technical team, the company conducts product trials and ensures optimal performance for existing and new applications, driving business growth. Regular participation in international trade shows and exhibitions enhances the company's visibility and fosters new relationships with multinational, regional, and local customers, thereby expanding its market share and customer base worldwide.

Modernization and Expansion of our facility in India

The company's inaugural manufacturing plant, established in 2016 at Palghar, Maharashtra, initially produced lead-based stabilizers on leased land before expanding into non-lead-based products. However, rapid production growth has limited opportunities for automation and process improvements, as well as space for expansion and storage. Consequently, the company is establishing another facility in Palghar to streamline production and increase capacity for non-lead-based stabilizers. This new facility aims to segregate lead and non-lead products, enhancing product quality control. With an acquired land parcel of approximately 14,800 square meters, the facility's installed capacity is planned to reach 60,000 MTPA of PVC stabilizers (Non-Lead Based). Automation and a "dust-free" powder line will emphasize quality and safety, providing a technological advantage over competitors. Advanced machinery will reduce reliance on manual labor. Commercial production at this facility is targeted to commence in the fourth quarter of the financial year 2024–25, while lead-based product manufacturing will continue at the existing facility.

Continue to build its global customer base and enter new geographical markets

Over the past three fiscal years, the company has successfully exported its products to customers in 17 countries, showcasing its strong position as a preferred supplier over competitors. With an emphasis on increasing wallet share among existing customers, the company aims to capitalize on long-standing relationships by entering into long-term marketing agreements. Leveraging its established sales and marketing network, diverse product portfolio, and industry reputation, the company is actively pursuing relationships with new multinational, regional, and local customers. Global expansion efforts are focused on serving existing and securing new direct end-use customers while penetrating new markets. Dedicated sales and marketing teams are tasked with business development initiatives in international markets, with a particular focus on regions like Africa and Europe. Additionally, efforts are underway to strengthen the sales team both in India and internationally to ensure timely product delivery to customers.

Key Risks & Concerns

- Operating from a single manufacturing facility located in Palghar, Maharashtra, any localized social unrest, natural disaster, service breakdown, or production disruption at the facility could have a material adverse effect on the company's business and financial condition.
- The company is currently in the process of expanding its operations and establishing a network of distributors and customers in regions where it lacks significant presence or prior experience. Any failure to successfully expand into these new regions could have adverse effects on its sales, financial condition, operational results, and cash flows.
- The company relies heavily on a small number of customers for a significant portion of its revenues. Additionally, it does not typically engage in long-term agreements with its customers. Consequently, any failure to maintain these existing arrangements could have adverse effects on the company's business and operational results.
- The company is obligated to acquire, renew, or uphold various statutory and regulatory permits and approvals necessary for its business operations. Failure to obtain these permits and approvals in a timely manner, or at all, could negatively impact the company's business, financial condition, operational results, and cash flows.

Issue Structure and Offer Details

The proposed issue of Platinum Industries Ltd is entirely a fresh issue of 1,37,61,225 shares aggregating to Rs 235.32 crores. The price band for the issue is in the range of INR 162-171 and the bid lot is 87 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50.00% of the Net offer
NIB	Not less than 15.00% of the Offer
Retail	Not less than 35.00% of the Offer

Number of shares based on a higher price band of INR 171

Source: Company Reports

Financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	89.3	188.2	231.5	Adjusted EPS (INR)	0.9	3.2	6.8
<i>YoY Growth (%)</i>		<i>110.8</i>	<i>23.0</i>	Adjusted Cash EPS (INR)	1.0	3.4	7.2
Raw Material Cost	70.7	137.7	139.1	Adjusted BVPS (INR)	0.8	4.1	13.0
<i>RM Cost to Sales (%)</i>	<i>79.1</i>	<i>73.2</i>	<i>60.1</i>	Adjusted CFO per share (INR)	0.6	(2.7)	7.0
Employee Cost	2.5	3.1	6.1	CFO Yield (%)	0.3	(1.6)	4.1
<i>Employee Cost to Sales (%)</i>	<i>2.8</i>	<i>1.6</i>	<i>2.6</i>	Adjusted FCF per share (INR)	0.4	(2.7)	2.2
Other Expenses	8.6	22.0	32.4	FCF Yield (%)	0.2	(1.6)	1.3
<i>Other Exp to Sales (%)</i>	<i>9.6</i>	<i>11.7</i>	<i>14.0</i>	Solvency Ratio (X)			
EBITDA	7.6	25.4	53.9	Total Debt to Equity	0.7	1.1	0.2
<i>Margin (%)</i>	<i>8.5</i>	<i>13.5</i>	<i>23.3</i>	Net Debt to Equity	0.5	0.9	0.0
<i>YoY Growth (%)</i>		<i>235.8</i>	<i>112.4</i>	Net Debt to EBITDA	0.3	0.8	0.0
Depreciation & Amortization	0.7	0.9	1.8	Return Ratios (%)			
EBIT	6.8	24.5	52.0	Return on Equity	107.7	79.5	60.7
<i>Margin (%)</i>	<i>7.6</i>	<i>13.0</i>	<i>22.5</i>	Return on Capital Employed	63.3	38.9	48.4
<i>YoY Growth (%)</i>		<i>259.4</i>	<i>112.7</i>	Return on Invested Capital	104.3	57.7	81.5
Other Income	0.3	1.1	1.1	Working Capital Ratios			
Bill discounting & other charges	0.4	1.6	2.2	Payable Days (Nos)	79	53	22
Fin Charges Coverage (X)	17.7	15.4	24.0	Inventory Days (Nos)	24	30	43
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	68	94	49
PBT	6.7	24.0	50.9	Net Working Capital Days (Nos)	13	71	70
<i>Margin (%)</i>	<i>7.5</i>	<i>12.7</i>	<i>22.0</i>	Net Working Capital to Sales (%)	3.6	19.5	19.1
<i>YoY Growth (%)</i>		<i>257.9</i>	<i>112.6</i>	Valuation (X)			
Tax Expense	1.9	6.2	13.4	P/E	195.1	52.9	25.0
<i>Tax Rate (%)</i>	<i>28.1</i>	<i>25.9</i>	<i>26.2</i>	P/BV	210.0	42.0	13.1
PAT	4.8	17.7	37.6	EV/EBITDA	124.7	37.8	17.5
<i>Margin (%)</i>	<i>5.4</i>	<i>9.4</i>	<i>16.2</i>	EV/Sales	10.5	5.1	4.1
<i>YoY Growth (%)</i>		<i>268.6</i>	<i>111.8</i>	Cash Flow Statement			
Min Int/Sh of Assoc	(0.0)	0.0	0.0	PBT	6.7	24.0	50.9
Net Profit	4.8	17.7	37.6	Adjustments	2.7	0.7	8.5
<i>Margin (%)</i>	<i>5.4</i>	<i>9.4</i>	<i>16.2</i>	Change in Working Capital	(4.2)	(33.4)	(7.7)
<i>YoY Growth (%)</i>		<i>268.6</i>	<i>111.8</i>	Less: Tax Paid	(1.9)	(6.2)	(13.4)
Balance Sheet				Cash Flow from Operations	3.3	(14.9)	38.4
Share Capital	1.1	1.1	40.3	Net Capital Expenditure	(1.6)	(1.2)	(28.0)
Total Reserves	3.4	21.3	31.3	Change in Investments	0.3	(3.7)	(8.7)
Shareholders Fund	4.5	22.3	71.6	Cash Flow from Investing	(1.3)	(5.0)	(36.7)
Long Term Borrowings	0.7	0.5	1.0	Change in Borrowings	(0.8)	20.6	2.6
Deferred Tax Assets / Liabilities	0.0	(0.1)	(0.6)	Less: Finance Cost	(0.4)	(1.6)	(2.2)
Other Long Term Liabilities	1.5	1.6	3.9	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.3	0.4	0.6	Dividend Paid	0.0	0.0	0.0
Total Liabilities	7.0	24.7	76.5	Cash flow from Financing	(1.2)	19.0	0.5
Net Block	5.6	6.7	34.4	Net Cash Flow	0.8	(0.8)	2.1
Capital Work in Progress	0.0	0.0	3.1	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	0.2	0.9	0.1
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	0.9	0.1	2.2
Long Term Loans & Advances	0.5	1.0	0.8				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	0.9	17.1	38.1				
Total Assets	7.0	24.7	76.5				

Source: Ventura Research

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Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) - 400608