

Issue Details

Listing	BSE & NSE
Open Date	16 th July 2021
Close Date	20 th July 2021
Price Band	INR 1,073-1,083
Market Lot	13 shares
Minimum Lot	1 Lot

Issue Structure

Offer for sale	55%
Fresh Issue	45%
Issue Size	INR 500 cr
Total no of shares	4,616,804
QIB share (%)	≥ 50%
Non Inst share (%)	≤ 15%
Retail share (%)	≤ 35%

Shareholding Pattern

	Pre (%)	Post (%)
Promoters	100.0	79.2
Institutional	0.0	10.4
Public	0.0	10.4

Tatva Chintan Pharma Chem Ltd (TCPCL), established in 1996, is one of the leading companies engaged in the manufacturing of green chemicals such as structure directing agents (SDA), phase transfer catalyst (PTC), electrolyte salts for super capacitor batteries, pharmaceutical & agrochemical intermediates, and other specialty chemicals. For the products SDA, PTC and electrolyte salts, TCPCL is the largest producer in India, while it ranks 2nd globally for Zeolite, which is a type of SDA.

To cater to the increasing demand requirements for all the above products, the company is undertaking a capex of ~INR 160 cr, which is expected to be operational by November 2022. Accordingly, we expect TCPCL to sustain its revenue growth rates of 20.2% to INR 522 cr over the period of FY21-24E. Exports contribute over 70-75% of TCPCL's total business, while the rest comes from the domestic market.

EBITDA and net profit over the same period are set to grow at a CAGR of 17.2% to INR 106 cr and 13.6% to INR 77 cr, respectively. EBITDA and net margin are expected to deteriorate by 253bps (to 17.1%) and 270bps (to 14.7%), respectively, since the operationalization of the new facilities would lead to an increase in overhead costs. As a result, return ratios RoE and RoIC are expected to be at 13.6% (-1786bps) and 15.6% (-375bps), respectively, by FY24.

The company operates two manufacturing facilities Gujarat at

- Ankleshwar – Capacity of 90 kilo liters
- Dahej – Capacity of 190 kilo liters

The ongoing capex is coming up at the Dahej facility, which will increase the total aggregate capacity of TCPCL by 200 kilo liters to 480 kilo liters (an increase of 71.4%).

Key Financials (in ₹ crores)

	Sales	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS ₹	BV ₹	RoE (%)	RoIC (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)
FY20	263.2	55.0	37.8	20.9	14.4	17.0	53.1	32.1	21.1	63.5	20.4	45.1
FY21	300.4	65.7	52.3	21.9	17.4	23.6	74.9	31.5	19.3	45.9	14.5	37.8
FY22E	349.0	77.5	52.3	22.2	15.0	23.6	197.6	11.9	16.4	45.9	5.5	29.6
FY23E	416.0	91.3	66.5	21.9	16.0	30.0	224.0	13.4	14.4	36.1	4.8	25.6
FY24E	521.6	105.7	76.7	20.3	14.7	34.6	253.8	13.6	15.6	31.3	4.3	21.8

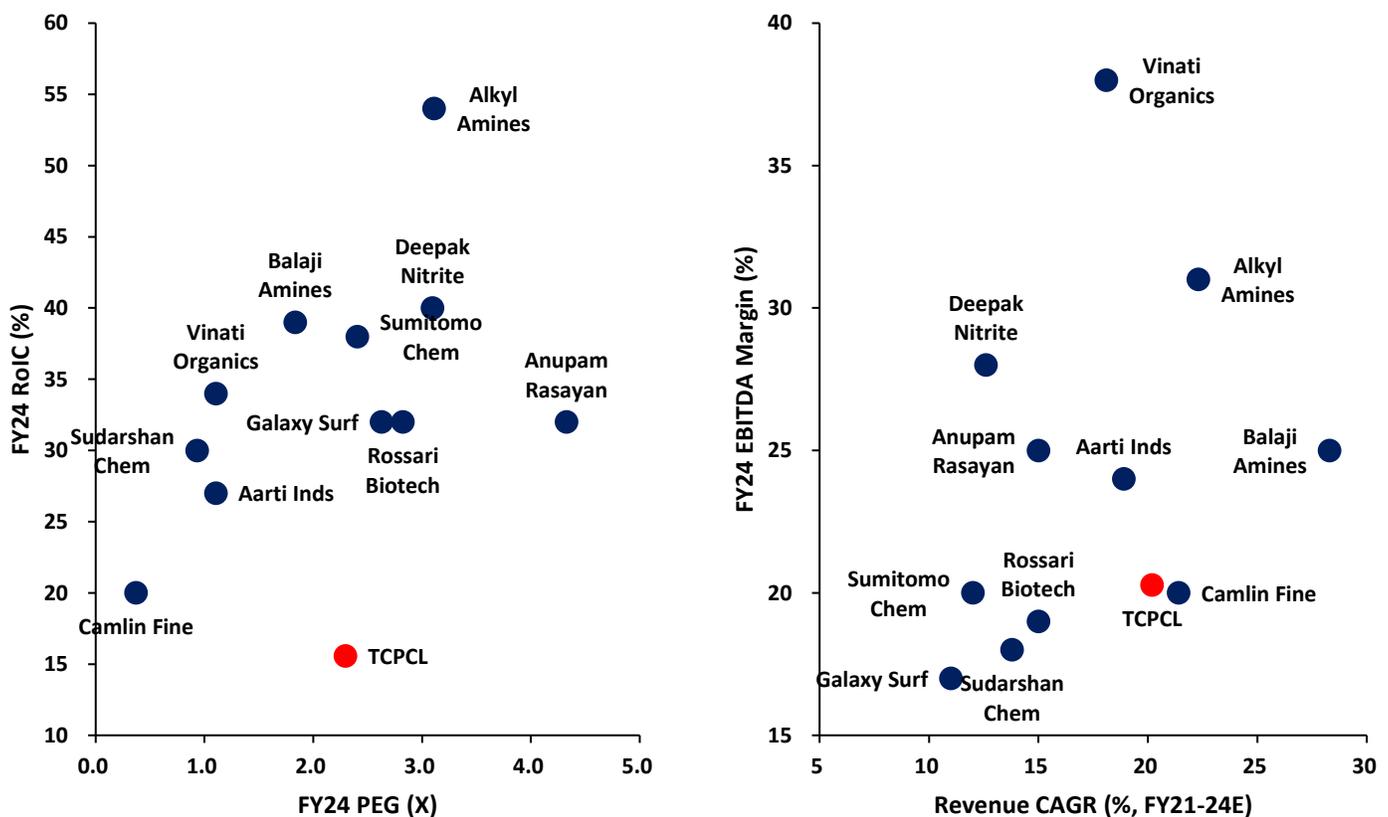
Valuation

At the offer for sale price of INR 1,083, the stock is valued at 31.3X FY24 earnings. The high valuations are justified given the

- high growth potential
- dominant producer status
- exposure to green energy
- strong balance sheet

Upcoming expansion plan will increase the company's aggregate capacity by 200 kilo liters (71.4%), which is a significant expansion and could impact profitability and return ratios in the next 2-3 years. We recommend a **SUBSCRIBE** for listing gains

Upcoming capacity expansion to impact profitability and return ratios in the next 2-3 years



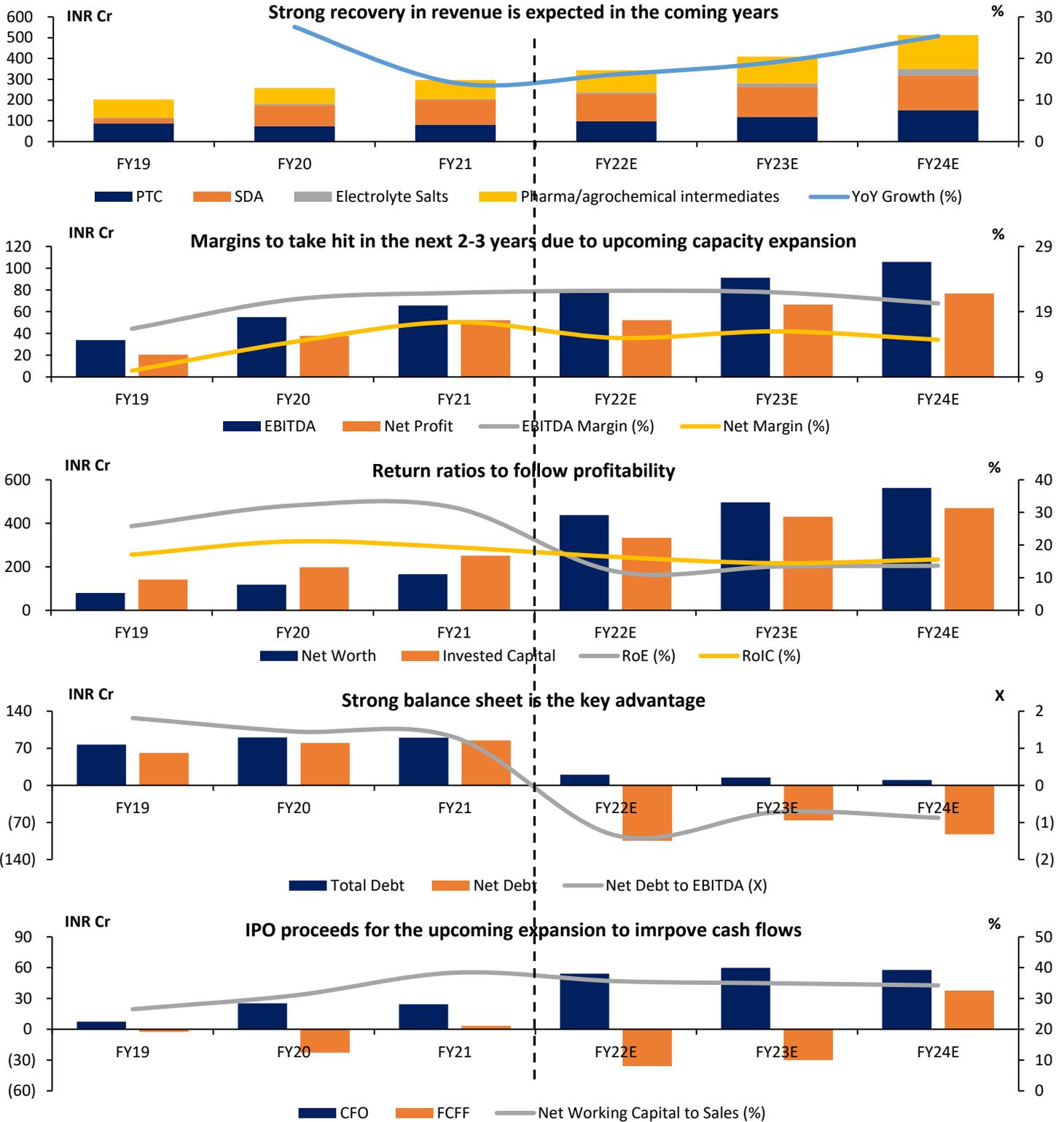
Source: Bloomberg & Ventura Research

Chemical Sector Peer Comparison

Particulars	Revenue	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BVPS ₹	RoE (%)	RoIC (%)	P/E	P/B	EV/EBITDA
Tatva Chintan Pharma Chem Ltd (CMP: Rs.1083 Mkt Cap: Rs.2400 cr)												
FY19	393	136	98	34.7	24.8	9.2	25.6	35.9	49.0	117.8	42.3	69.5
FY20	419	185	140	44.2	33.3	13.1	32.2	40.8	63.3	82.4	33.6	50.8
FY21	512	259	198	50.5	38.7	18.7	50.8	36.8	63.6	58.0	21.3	36.0
FY22	652	322	236	49.4	36.2	22.2	69.7	31.9	62.3	48.8	15.5	28.5
FY23	778	377	280	48.5	36.0	26.3	90.7	29.0	61.7	41.1	11.9	23.9
Balaji Amines Ltd. (CMP: Rs.2900 Mkt Cap: Rs.9396 cr)												
FY19	943	193	117	20.5	12.4	36.1	177.3	20.4	23.3	80.2	16.4	49.5
FY20	936	181	105	19.3	11.2	32.3	177.3	18.2	17.7	89.7	16.4	53.0
FY21	1,293	352	220	27.2	17.0	67.9	257.6	26.4	36.4	42.7	11.3	27.2
FY22	1,670	425	276	25.4	16.5	85.2	321.9	26.5	36.5	34.1	9.0	22.6
FY23	1,974	493	323	25.0	16.4	99.8	400.8	24.9	34.9	29.1	7.2	19.4
Alkyl Amines Chemicals Ltd. (CMP: Rs.3770 Mkt Cap: Rs.19250 cr)												
FY19	846	164	86	19.4	10.2	16.9	74.3	22.7	26.9	223.2	50.7	118.0
FY20	993	257	202	25.9	20.3	39.5	74.3	53.1	38.9	95.5	50.7	75.1
FY21	1,161	380	259	32.7	22.3	50.8	154.0	33.0	53.0	74.3	24.5	50.8
FY22	1,474	443	307	30.0	20.8	60.2	194.4	31.0	51.0	62.6	19.4	43.6
FY23	1,817	540	373	29.7	20.5	73.1	229.0	31.9	51.9	51.6	16.5	35.8
Deepak Nitrite Ltd. (CMP: Rs.1960 Mkt Cap: Rs.26733 cr)												
FY19	2,675	414	174	15.5	6.5	12.7	78.6	16.2	15.0	154.0	24.9	67.4
FY20	4,193	1,026	611	24.5	14.6	44.8	78.6	57.0	33.5	43.8	24.9	27.1
FY21	4,110	1,128	701	27.4	17.0	51.4	162.8	31.6	33.6	38.2	12.0	24.3
FY22	5,447	1,499	974	27.5	17.9	71.4	233.7	30.6	38.6	27.4	8.4	18.0
FY23	5,991	1,662	1,089	27.7	18.2	79.9	303.8	26.3	37.1	24.5	6.5	15.9
Sumitomo Chemical India Ltd. (CMP: Rs.442 Mkt Cap: Rs.22067 cr)												
FY19	2,223	291	167	13.1	7.5	3.3	16.2	20.6	37.6	132.3	27.3	55.1
FY20	2,425	334	205	13.8	8.4	4.1	24.2	16.9	33.9	107.8	18.3	50.1
FY21	2,632	480	338	18.2	12.8	6.8	30.7	22.0	39.0	65.3	14.4	45.1
FY22	2,983	552	396	18.5	13.3	7.9	37.3	21.3	38.3	55.6	11.9	38.8
FY23	3,403	658	476	19.3	14.0	9.5	45.3	21.1	38.1	46.3	9.8	32.2
Galaxy Surfactants Ltd. (CMP: Rs.3174 Mkt Cap: Rs.11252 cr)												
FY19	2,732	353	191	12.9	7.0	53.9	247.3	21.8	27.3	58.9	12.8	32.5
FY20	2,563	369	230	14.4	9.0	65.0	247.3	26.3	22.7	48.8	12.8	31.3
FY21	2,717	440	285	16.2	10.5	80.3	365.0	22.0	34.0	39.5	8.7	26.2
FY22	3,163	506	327	16.0	10.3	92.1	435.2	21.2	33.2	34.5	7.3	22.8
FY23	3,516	576	378	16.4	10.7	106.6	512.9	20.8	32.8	29.8	6.2	20.0
Aarti Industries Ltd. (CMP: Rs.860 Mkt Cap: Rs.31175 cr)												
FY19	4,659	963	494	20.7	10.6	14.2	75.9	18.7	16.9	60.6	11.3	34.5
FY20	4,105	986	536	24.0	13.1	15.4	75.9	20.3	15.9	55.9	11.3	33.7
FY21	4,559	1,010	1,068	22.2	23.4	30.6	195.6	15.7	8.7	28.1	4.4	33.1
FY22	5,709	1,295	682	22.7	11.9	19.6	126.0	15.5	25.5	43.9	6.8	25.6
FY23	6,897	1,616	896	23.4	13.0	25.7	150.1	17.1	27.1	33.5	5.7	20.1
Vinati Organics Ltd. (CMP: Rs.1921 Mkt Cap: Rs.19744 cr)												
FY19	1,108	423	282	38.2	25.5	27.5	102.3	26.9	41.5	69.9	18.8	46.4
FY20	1,011	414	334	41.0	33.0	32.5	102.3	31.8	38.1	59.1	18.8	47.0
FY21	915	344	273	37.6	29.8	26.6	144.7	18.4	32.4	72.4	13.3	57.2
FY22	1,329	502	334	37.8	25.2	32.5	179.4	18.1	32.1	59.0	10.7	39.4
FY23	1,664	613	453	36.8	27.2	44.0	216.3	20.4	34.4	43.6	8.9	32.1
Sudarshan Chemical Industries Ltd. (CMP: Rs.757 Mkt Cap: Rs.5240 cr)												
FY19	1,593	203	135	12.8	8.5	19.5	82.0	23.8	14.9	38.8	9.2	27.5
FY20	1,708	246	145	14.4	8.5	20.9	82.0	25.5	16.6	36.3	9.2	23.1
FY21	1,792	278	127	15.5	7.1	18.3	99.2	18.5	16.8	41.3	7.6	20.5
FY22	2,182	350	173	16.0	7.9	25.0	119.5	20.9	28.9	30.3	6.3	16.6
FY23	2,515	423	214	16.8	8.5	31.0	141.0	22.0	30.0	24.5	5.4	13.5
Camlin Fine Sciences Ltd. (CMP: Rs.218 Mkt Cap: Rs.2781 cr)												
FY19	878	69	1	7.8	0.1	0.1	30.6	0.2	5.5	4,360.0	7.1	45.3
FY20	1,017	131	32	12.9	3.1	2.5	30.6	8.2	11.4	87.2	7.1	24.6
FY21	1,186	189	75	16.0	6.3	5.9	47.4	12.4	15.4	37.3	4.6	17.0
FY22	1,450	256	99	17.7	6.8	7.8	52.6	14.8	17.8	28.0	4.1	12.6
FY23	1,821	343	144	18.9	7.9	11.3	65.8	17.2	20.2	19.3	3.3	9.4

Source: Bloomberg & Ventura Research

TCPCL story in charts



Source: Company Reports and Ventura Research

Diversified Business Verticals

Particulars	Structure Directing Agents	Phase Transfer Catalysts	Electrolyte Salts	Pharmaceuticals & Agrochemicals Intermediates
Revenue in FY21 (INR Cr)	120.2	81.6	3.0	91.2
Revenue share in FY21 (%)	40.6	27.6	1.0	30.8
Number of Products (nos)	47	48	6	53
India Status	Largest producer and only commercial manufacturer of Zeolites	Largest Producer	Largest Producer	NA
Global Status	Second largest producer of SDAs for Zeolites	One of the largest producer	NA	NA
Key Applications / End uses of product segments	Used in emission control and refining catalysts	Used in the reduction of industrial waste during chemical process	Used in the manufacturing of super capacitors	Used in the manufacturing of pharma, agrochem, paints and personal care

Source: Company Reports

Structure Directing Agents

SDA is a category of salt which helps in the formation of particular channels and pores during the synthesis of zeolites, which helps to control emission in the automotive industry. Over the period FY19-21, TCPCL's revenues from this segment declined at a compounded rate of 2.8% to INR 82 cr due to the lack of interest of developing countries towards emission control.

However, the tightening of environmental norms in the past one year and improvement in automotive technologies has created a significant opportunity for zeolite. We expect the revenues from this segment to grow at a CAGR of 22.8% to INR 151 cr by FY24.

Phase Transfer Catalysts

PTCs helps to migrate a reactant from one phase to another phase, at higher efficiency and lower residual waste compared to widely used and low cost polluting processes. PTCs are used in a variety of industrial process in the developed markets, and developing countries are also adopting such techniques to reduce industrial pollution. Over the period FY19-21, TCPCL's revenue from this segment grew at a CAGR of 117.6% to INR 120 cr.

Globally, governments are taking various initiatives to reduce industrial waste, which is expected to improve the demand for PTCs globally. We expect the revenues from this segment to grow at a CAGR of 11.6% to INR 167 cr by FY24.

Electrolyte Salts

Electrolyte salts are used in the manufacturing of super capacitor batteries, which are used in automobiles and industries, such as aerospace, locomotive, marine & consumer electronics. Super capacitors have a much higher power density than Li-ion and lead-acid batteries, and they can both deliver and absorb energy from the load much faster than batteries. Over the period FY19-21, TCPCL's revenue from this segment declined at a compounded annual rate of 2.6% to INR 3 cr.

However, global automobile companies have started using such super capacitors in EVs to reduce charging time and improve efficiency. It is expected to be a big boost for TCPCL, which is one of the largest producers of electrolyte salts globally. Therefore, we expect the revenues from this segment to grow at a CAGR of 117.7% to INR 31 cr by FY24.

Pharmaceuticals and Agrochemicals Intermediates

India's pharmaceutical intermediates market has grown at a CAGR of 9.7% during FY19-21, fueled by a substantial increase in domestic demand for APIs and a rise in export orders. Over the same period, TCPCL's revenue from this segment grew at a CAGR of 2.1% to INR 91 cr due to a lower offtake from the domestic market.

The government is taking various initiatives to boost the industry, such as allocating land in different states to develop API Mega Parks, increasing investment in R&D, etc., which could improve the consumption for pharma intermediates at a CAGR of over 15% over the period of FY21-24E.

TCPCL is India's one of the largest producers of pharma and agrochemical intermediates. We expect the revenues from this segment to grow at a CAGR of 21.4% to INR 163 cr by FY24.

Management Team

Key Person	Designation	Details
Mr Chintan Nitinkumar Shah	Managing Director	He holds a bachelor's degree in engineering, with a specialisation in computer science from the Maharaja Sayajirao University of Baroda. He is responsible for, among others, business development and finance and information services. He has over 24 years of experience in the specialty chemical manufacturing industry.
Mr Ajaykumar Mansukhlal Patel	Whole Time Director	He holds a bachelor's degree in engineering, with a specialisation in chemical engineering from the Maharaja Sayajirao University of Baroda. He is responsible for, among others, project engineering and the development and implementation of new technology. He has over 26 years of experience in the specialty chemical manufacturing industry. He was previously associated with Sun Pharmaceutical Industries Limited as Officer – Chemical Engineering.
Mr Shekhar Rasiklal Somani	Whole Time Director	He holds a bachelor's degree in pharmacy from the Maharaja Sayajirao University of Baroda. He is responsible for business development, production controlling, quality, and supply chain management. He has over 24 years of experience in the specialty chemical manufacturing industry.
Mr Mahesh Tanna	CFO	He has been associated with TCPCL since December 22, 2020. He is responsible for the finance, accounting, secretarial, legal, and banking functions. He holds a bachelor's degree in commerce from Saurashtra University, a bachelor's degree in law from the University of Mumbai, and a master's degree in financial management from the University of Mumbai. He has experience of over 21 years and has been previously associated with Esskay International, Overseas Infrastructure Alliance (India) Pvt Ltd, Gold Star Corporate Solutions Pvt Ltd, Indo Count Industries Ltd, and Neogen Chemicals Ltd.
Mr Harish Laljibhai Patel	General Manager - Operations	He has been associated with TCPCL since October 12, 2007. He is responsible for production planning, quality maintenance of products, and safety of employees. He holds a bachelor's degree in science from Gujarat University. He has previously been associated with Champa Purie-Chem Industries.
Mr Ajay Singh Rawat	General Manager - R&D	He has been associated with TCPCL since July 5, 2019. He is responsible for development of new molecules as per management requirement and preparation of the literature search report. He holds a bachelor's degree in science and a master's degree in science (specialising in chemistry) from the Doctor Harisingh Gour Vishwavidyalaya, Sagar and a doctorate in chemistry from the University of Mumbai. He has previously been associated with IPCA Laboratories Ltd, Sterling Biotech Ltd, Unichem Laboratories Ltd, and Merck Development Centre Pvt Ltd.

Source: Company Reports

Issue Structure and Offer Details

The proposed issue size of TCPCL's IPO is INR 500 cr, out of which INR 225 cr is fresh issue, while INR 275 cr is offer for sale. The price band for the issue is in the range of INR 1,073-1,083 and the bid lot is 13 shares and multiples thereof.

Issue Structure		
Category	No. of shares offered	No of shares Offered
QIB	At least 2,308,401	At least 50% of public issue
Non-Institutional Bidders	Not more than 692,521	Not more than 15% of public issue
Retail	Not more than 1,615,882	Not more than 35% of public issue

* No of shares based on higher price band of INR 1,083

Source: Company Reports & SEBI

Shareholding Pattern		
Category	Pre-issue	Post-issue
Promoters	100.0%	79.2%
Institutions	0.0%	10.4%
Public	0.0%	10.4%

Source: Company Reports and SEBI

Financial & Projections

Figures in INR Crores	FY20	FY21	FY22E	FY23E	FY24E	Figures in INR Crores	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per Share Data & Yield					
Revenue	263.2	300.4	349.0	416.0	521.6	Adjusted EPS (Rs)	17.0	23.6	23.6	30.0	34.6
YoY Growth (%)	27.6	14.1	16.2	19.2	25.4	Adjusted Cash EPS (Rs)	19.2	26.6	28.6	37.0	42.0
Raw Material Cost	132.8	149.4	174.5	208.0	260.8	Adjusted BVPS (Rs)	53.1	74.9	197.6	224.0	253.8
YoY Growth (%)	16.2	12.5	16.8	19.2	25.4	CFO per share (Rs)	11.4	11.0	24.4	27.0	26.0
Gross Profit	130.5	151.0	174.5	208.0	260.8	CFO Yield (%)	1.1	1.0	2.3	2.5	2.4
YoY Growth (%)	41.7	15.7	15.6	19.2	25.4	FCF per share	(10.3)	1.5	(16.2)	(13.6)	17.0
Margin (%)	49.6	50.3	50.0	50.0	50.0	FCF Yield (%)	(1.0)	0.1	(1.5)	(1.3)	1.6
Employee Cost	20.5	24.1	25.8	32.3	49.7	Solvency Ratio (X)					
YoY Growth (%)	25.8	17.5	7.0	24.9	54.1	Total Debt to Equity	0.8	0.5	0.0	0.0	0.0
Other Expenses	55.0	61.1	71.2	84.4	105.4	Net Debt to Equity	0.7	0.5	(0.2)	(0.1)	(0.2)
YoY Growth (%)	31.1	11.2	16.5	18.6	24.8	Net Debt to EBITDA	1.5	1.3	(1.4)	(0.7)	(0.9)
EBITDA	55.0	65.7	77.5	91.3	105.7	Return Ratios (%)					
YoY Growth (%)	62.6	19.6	17.9	17.8	15.8	Return on Equity	32.1	31.5	11.9	13.4	13.6
Margin (%)	20.9	21.9	22.2	21.9	20.3	Return on Capital Employed	20.0	18.9	11.9	12.1	12.8
Depreciation & Amortization	4.8	6.7	11.0	15.5	16.5	Return on Invested Capital	21.1	19.3	16.4	14.4	15.6
EBIT	50.2	59.0	66.5	75.8	89.2	Working Capital Ratio					
YoY Growth (%)	68.4	17.6	12.7	14.0	17.7	Inventory Days	174.7	176.0	170.0	168.0	166.0
Margin (%)	19.1	19.6	19.0	18.2	17.1	Receivable Days	68.7	110.3	100.0	96.0	92.0
Other Income	1.4	5.9	1.5	6.2	5.0	Payable Days	86.9	116.0	110.0	105.0	100.0
Finance Cost	3.9	4.2	4.2	0.9	0.7	Net Working Capital Days	156.5	170.2	160.0	159.0	158.0
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Net Working Capital to Sales (%)	31.0	38.4	35.6	34.9	34.2
PBT	47.6	60.7	63.8	81.1	93.5	Valuation (X)					
YoY Growth (%)	73.8	27.5	5.1	27.2	15.3	P/E Ratio	63.5	45.9	45.9	36.1	31.3
Margin (%)	18.1	20.2	18.3	19.5	17.9	P/BV Ratio	20.4	14.5	5.5	4.8	4.3
Reported Tax	9.8	8.4	11.5	14.6	16.8	EV/EBITDA	45.1	37.8	29.6	25.6	21.8
Tax Rate (%)	20.6	13.9	18.0	18.0	18.0	EV/Sales	9.4	8.3	6.6	5.6	4.4
PAT	37.8	52.3	52.3	66.5	76.7	Cash Flow Statement					
YoY Growth (%)	84.0	38.3	0.1	27.2	15.3	Profit Before Tax	47.6	60.7	63.8	81.1	93.5
Margin (%)	14.4	17.4	15.0	16.0	14.7	Adjustments	14.3	5.8	10.8	14.4	14.4
Balance Sheet						Change in Working Capital	(26.8)	(33.8)	(9.0)	(21.0)	(33.3)
Share Capital	8.0	20.1	22.2	22.2	22.2	Less: Tax Paid	(9.8)	(8.4)	(11.5)	(14.6)	(16.8)
Total Reserves	109.7	145.9	415.9	474.4	540.3	Cash Flow from Operations	25.3	24.3	54.1	59.9	57.7
Shareholders' Fund	117.7	166.0	438.0	496.5	562.5	Net Capital Expenditure	(48.1)	(21.0)	(90.0)	(90.0)	(20.0)
LT Borrowings	38.7	26.8	20.0	15.0	10.0	Change in Investments	8.0	(0.1)	9.9	0.0	(0.1)
LT Provisions	0.4	0.6	0.6	0.7	1.1	Cash Flow from Investing	(40.2)	(21.0)	(80.1)	(90.0)	(20.1)
Deferred Tax Liabilities	4.5	2.1	0.0	0.0	0.0	Change in Borrowing	13.9	(0.6)	(70.2)	(5.0)	(5.0)
Other Non Current Liabilities	0.0	1.4	1.7	2.0	2.5	Less: Finance Cost	(3.9)	(4.2)	(4.2)	(0.9)	(0.7)
Total Liabilities	161.3	196.8	460.3	514.3	576.1	Proceeds from Issue of Equity	0.0	0.0	225.0	0.0	0.0
Gross Block	110.0	125.8	215.8	305.8	325.8	Dividend Paid	0.0	(4.0)	(5.2)	(8.0)	(10.7)
Less: Accumulated Depreciation	10.9	17.3	28.1	43.4	59.7	Cash Flow from Financing	10.0	(8.8)	145.3	(13.9)	(16.4)
Net Block	99.2	108.5	187.7	262.4	266.1	Net Cash Flow	(4.9)	(5.5)	119.3	(44.0)	21.2
Right of use assets	11.9	11.8	11.6	11.4	11.2	Opening Balance of Cash	15.1	10.2	4.5	123.8	79.9
Capital WIP	4.9	9.8	0.0	0.0	0.0	Closing Balance of Cash	10.2	4.7	123.8	79.9	101.1
Intangible Assets	0.1	0.1	0.1	0.1	0.1						
Other Non Current Assets	0.2	0.3	0.3	0.4	0.5						
Net Current Asset	45.0	66.2	260.5	239.9	298.2						
Total Asset	161.3	196.8	460.3	514.3	576.1						

Source: Company Reports & Ventura Research

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