

### Issue Details

<b>Issue Size</b>	₹ 317-318 Crores	<b>Price Band:</b>	₹338 to ₹340
<b>IPO Date:</b>	21 <sup>st</sup> Sep 2020 to 23 <sup>rd</sup> Sep 2020	<b>Offer Ratio:</b>	QIB:50%, HNI:15%, Retail: 35%
<b>Bid Lot:</b>	44 Equity Shares and in multiples thereafter		

### Company Profile

Promoted by Kamalkumar Rajendra Aggarwal, Navdeep Naresh Goyal and Shubharangana Goyal, Chemcon Speciality Chemicals Limited is a manufacturer of specialised chemicals, such as HMDS and CMIC which are predominantly used in the pharmaceuticals industry (the “Pharmaceutical Chemicals”), and inorganic bromides, namely Calcium Bromide, Zinc Bromide and Sodium Bromide, which are predominantly used as completion fluids in the oilfields industry (the “Oilwell Completion Chemicals”). They were the only manufacturer of HMDS in India and were the third largest manufacturer of HMDS worldwide in terms of production in the calendar year 2019. They were the largest manufacturer of CMIC in India and the second largest manufacturer of CMIC worldwide, in terms of production and capacity in calendar year 2019. Further, they were the only manufacturer of Zinc Bromide and the largest manufacturer of Calcium Bromide in India, in terms of production in calendar year 2019.

The key customers of their Pharmaceutical Chemicals include Hetero Labs Limited, Laurus Labs Limited, Aurobindo Pharma Limited, Sanjay Chemicals (India) Private Limited, Lantech Pharmaceuticals Limited, Ind -Swift Laboratories Limited, Vivin Drugs & Pharmaceuticals Limited and Macleods Pharmaceuticals Limited and the key customers of their Oilwell Completion Chemicals include Shree Radha Overseas, Water Systems Specialty Chemical DMCC and CC Gran Limited Liability Company. They are an ISO 9001:2015 and ISO 14001:2015 certified company for the “Manufacture and supply of pharmaceutical intermediates, silanes and oilfield chemicals”. Their manufacturing facility is located at Manjusar near Vadodara in Gujarat (“Manufacturing Facility”).

### Competitive Strengths

- Leading manufacturer globally of the Pharmaceutical Chemicals and leading manufacturer in India of the Oilwell Completion Chemicals
- Diversified customer base coupled with long standing relationships
- The specialty chemicals industry in which they operate has high entry barriers
- Consistent financial performance with a strong financial position
- Manufacturing facility with dedicated plants for their products
- Experienced Senior management
- Experienced Management and Board and Marquee Shareholders

### Financials (Restated)

(₹ In Millions)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Equity Share Capital	317.78	317.78	79.44
Reserves	1,145.92	652.52	456.78
Net Worth	1,463.69	970.30	536.22
Long term borrowings	145.99	24.66	24.95
Short term borrowings	286.75	297.38	136.12
Revenue from Operations	2,620.52	3,033.41	1,576.42
EBITDA	702.61	660.83	450.96
Profit Before Tax	649.23	612.03	405.51
Net Profit for the year	488.53	430.41	263.81

## Key Risk Factors

- Promoters and certain members of Promoter Group have filed an application for settlement with SEBI with respect to certain past non compliances about their holding in a listed company, which was a member of their Promoter Group, which if determined adversely may have a negative impact on operations, reputation and prospects.
- Naresh Vijaykumar Goyal, a member of the Promoter Group, has filed an appeal in relation to a criminal proceeding filed against him, which if determined adversely may have a negative impact on operations, reputation and prospects.
- The recent outbreak of the novel coronavirus could have a significant effect on operations, and could negatively impact the business, revenues, financial condition and results of operations.
- Chemcon's business includes the manufacturing, marketing and supply of specialised chemicals largely used in the pharmaceuticals and oilfield industries. Any decrease in the utility of these products for such industries, may have an adverse impact on the business, growth and results of operations.
- They have limited product portfolio and the business may be adversely affected if any of their products do not continue to perform as expected or if competing products gain wider market acceptance. Further, if competitors are able to improve the efficiency of their manufacturing processes and thereby offer their products at lower prices, Chemcon's revenues and profitability may decline. The RBI had initiated certain proceedings against Rudra Fincorp Private Limited, an entity forming part of the Promoter Group of the Company, for failing to carry out its operations from the registered office, as per the records maintained by the RBI.
- Company's profitability largely depends upon the global prices of its products. There is no assurance that the prices may sustain or further increase in the future. Any significant fall in global prices of Company's products may have a material adverse effect on company's business, results of operations and financial condition.
- Certain documents filed by the Company with the RoC and certain corporate records and other documents, are not traceable. While the Company has conducted a search with the RoC, in respect of the unavailability of such forms and other records, it cannot assure that such forms or records will be available at all or any time in the future.
- The Company has contingent liabilities and capital commitments which have not been provided for in its balance sheet. Further, there are two taxation proceedings involving it, where the Company has paid the amount claimed against it, under protest. For further details, refer page 36, point 25 of the RHP.

(Please refer the entire list of risk factors given in section III (page 23 onwards) given in RHP)

## Comparison with peers

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Chemcon Speciality Chemicals Ltd.	10	15.37	34.23%	44.91	-
Aarti Industries Ltd.	5	30.04	18.04%	166.55	32.96
Vinati Organics Ltd.	1	32.48	26.09%	124.48	30.11
Sudarshan Chemical Industries Ltd.	2	21.50	23.51%	91.37	19.04
Atul Ltd.	10	215.82	20.85%	1,035.13	23.39
Paushak Ltd.	10	113.27	15.36%	737.29	31.23
Fine Organic Industries Ltd.	5	54.31	26.40%	205.73	38.67
Neogen Chemicals Ltd.	10	12.33	18.36%	67.17	43.71

Source: All the financial information for listed industry peers mentioned above is sourced from the standalone audited financial statements/results of the relevant companies for Fiscal 2020, as available on website of stock exchanges. The financial information related to our Company are based on the Restated Financial Statements.

Notes :

(1) Excludes other income

(2) P/E ratio is calculated as closing share price (July 31,2020 / Diluted EPS for year ended March 31, 2020. Diluted Earnings per share mentioned in the above table are as reported by the respective companies in the relevant annual reports/results for Fiscal 2020.

(3) Return on net worth (%) = Net profit/(loss) after tax available for the equity shareholders / Net worth at the end of the year.

(4) Net asset value per share (in ₹) = Net worth at the end of the year / Total number of equity shares outstanding at the end of the year.

**Object of the Offer**

(₹ In Millions)

<b>Particulars</b>	<b>Amount</b>
Capital expenditure towards expansion of our Manufacturing Facility	[●]
To meet working capital requirements	[●]
General corporate purposes	[●]
<b>Net Proceeds</b>	<b>[●]</b>

## **Disclaimer:**

The information contained herein are strictly confidential and are meant solely for the information of the recipient and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written permission of JM Financial Services Ltd. ("JMFS"). The contents of this document are for information purpose only. This document is not an investment advice and must not alone be taken as the basis for an investment decision. Before taking any decision to invest, the recipient of this document must read carefully the Red Herring Prospectus issued by the company dated September 12, 2020 to know the details of IPO and various risks and uncertainties associated with the investment in the IPO of Chemcon Speciality Chemicals Ltd. All recipients of this document must before acting on the given information/details, make their own investigation and apply independent judgment based on their specific investment objectives and financial position. They can also seek appropriate professional advice from their own legal and tax consultants, advisors, etc. to understand the risks and investment considerations arising from such investment. The investor should possess appropriate resources to analyze such investment and the suitability of such investment to such investor's particular circumstances before making any decisions on the investment. The Investor shall be solely responsible for any action taken based on this document. JMFS shall not be liable for any direct or indirect losses arising from the use of the information contained in the document and accept no responsibility for statements made otherwise issued or any other source of information received by the investor and the investor would be doing so at his/her/its own risk. The information contained in this document should not be construed as forecast or promise or guarantee or assurance of any kind. The investors are not being offered any assurance or guaranteed or fixed returns. The users of this document must bear in mind that past performances if any, are not indicative of future results. The actual returns on investment may be materially different than the past. Securities market products including investment in IPO are highly risky products and they are generally not an appropriate avenue for someone with limited resources/ limited investment and low risk tolerance. Investments in securities markets are subject to market risks including, without limitation, price, volatility and liquidity and capital risks. Therefore, the users of this document must carefully consider all the information given in the Red Herring Prospectus including the risks factors given in page no.23 onwards before making any investment in the Equity Shares of Chemcon Speciality Chemicals Ltd..

In rendering this information, JMFS assumed and relied upon, without independent verification, the accuracy and completeness of all the data provided by the issuer Chemcon Speciality Chemicals Ltd.. JMFS does not warrant the accuracy, reasonableness and/or completeness of any information mentioned in this document. Also, JMFS takes no responsibility of updating any data/information in this document from time to time. JMFS, its affiliates/associates and any of its directors, officers, employees and any other persons associated with it shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner whatsoever.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JMFS and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this report may come, are required to take note of such restrictions and comply with the same.

## **Registration details:**

JM Financial Services Ltd.

Corporate Identity Number: U67120MH1998PLC115415

Stock Broker - INZ000195834

(NSE - Member Code- 10548 | BSE - Clearing No. 325 | MSEI - Membership No.-58300); NCDEX-1282; MCX- 56555

Depository Participant- NSDL - IN-DP-NSDL-241-2004 | CDSL - IN-DP-CDSL-236-2004.

Investment Adviser- INA000012351. Portfolio Manager- INP000000621

Mutual Fund Distributor- ARN0002; Research Analyst-INH000001196

Registered office Address: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025

Tel: (91 22) 6630 3030 |Fax: (91 22) 6630 3223

Corporate office Address: 5th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025

Tel: (91 22) 6704 3000/3024 3000 |Fax: (91 22) 6704 3139