

IPO Details :

IPO Date	June 3, 2024 to June 5, 2024
Face Value	₹10 per share
Price Band	₹129 to ₹136 per share
Lot Size	110 Shares
Total Issue Size	9,570,000 shares (aggregating up to ₹130.15 Cr)
Offer for Sale	9,570,000 shares of ₹10 (aggregating up to ₹130.15 Cr)
Issue Type	Book Built Issue IPO
Listing At	BSE, NSE
Share holding pre issue	37,104,000
Share holding post issue	37,104,000
Investor Category	Shares Offered
QIB Shares Offered	Not less than 50% of the Net Issue
Retail Shares Offered	Not more than 35% of the Net Issue
NII (HNI) Shares Offered	Not more than 15% of the Net Issue
Retail (Min & Max) shares	110 shares & 1430 shares
Retail (Min & Max) application amount	₹14,960 & ₹194,480
S-HNI (Min shares & application amount)	1,540 Shares & ₹209,440
S-HNI (Max shares & application amount)	7,260 Shares & ₹987,360
B-HNI (Min shares & application amount)	7,370 Shares & ₹1,002,320
Basis of Allotment	Thursday, June 6, 2024
Initiation of Refunds	Friday, June 7, 2024
Credit of Shares to Demat	Friday, June 7, 2024
Listing Date	Monday, June 10, 2024
Cut-off time for UPI mandate confirmation	5 PM on June 5, 2024
Promoters	Mr. Jogindersingh Jaswal, Ketan Ramani and Pritesh Ramani.
Registrar	Kfin Technologies Limited

Company Profile :

- Incorporated in 2008, Kronox Lab Sciences Limited is a manufacturer of high-purity speciality fine chemicals for diverse end-user industries. The company's High Purity Specialty Fine Chemicals are used in various applications such as manufacturing APIs, pharmaceutical formulations, scientific research, nutraceuticals, biotech applications, agrochemical formulations, personal care products, metal refineries, and animal health products.
- Their range of more than 185 products spanning across the family of phosphate, sulphate, acetate, chloride, citrate, nitrates, nitrites, carbonate, EDTA derivatives, hydroxide, succinate, gluconate, among others, are supplied to customers in India and more than 20 countries globally.
- Kronox Lab Sciences operates three manufacturing facilities in Vadodara, Gujarat, which are near the seaports of Mundra, Kandla, Hazira, and Nhava Sheva. As of 31 December 2023.

- The company exports its products to countries such as United States, Argentina, Mexico, Australia, Egypt, Spain, Turkey, United Kingdom, Belgium, United Arab Emirates, China, among others. The company has a three manufacturing plants and a Research, Development and Testing (RDT) laboratory in Vadodara. It has also acquired a parcel of land at Dahej to set up a new manufacturing unit.
- The company had EBITDA of Rs 22.00 crores and EBITDA margin of 23.0%. The company's profit after tax for fiscal 2023 was Rs 16.6 crores with PAT margin of 17.0%, growing at CAGR of 31% over Fiscal 2021 to 2023. The company's return on equity (RoE) and return on capital employed (RoCE) were 37.2% and 49.9% respectively for fiscal 2023.

Object of the issue :

The company plans to use the funds raised from the fresh issue for several purposes :

- Company to Conduct an Offer for Sale of up to 95,70,000 Equity Shares by the Promoter Selling Shareholders.
- Proceeds from the Offer will go to the Promoter Selling Shareholders after deducting expenses and taxes, The Company will not receive any proceeds.
- The Equity Shares have been held by the Promoter Selling Shareholders for at least one year and are eligible for sale under SEBI ICDR Regulations.

Financial Details:

Particulars (Amount in Crores)	March 31, 2023	March 31, 2022	March 31, 2021
Income			
Revenue from Operations	95.58	82.25	62.46
Other Income	1.92	1.09	0.78
Total Income	97.50	83.34	63.24
Expenses			
Cost of Materials Consumed	58.01	47.98	34.36
Change in inventories of finished goods and WIP	(3.13)	(0.58)	0.05
Employee Benefits Expenses	7.03	5.75	5.39
Finance Costs	0.09	0.41	0.38
Depreciation and Amortisation Expenses	1.50	2.03	1.98
Other Expenses	11.67	9.41	7.86
Total Expenses	75.17	64.99	50.01
Profit before Taxes	22.33	18.36	13.22
Tax Expenses	(5.71)	(4.73)	(3.49)
Profit for the Year	16.62	13.63	9.73

Competitive Strengths :

- The company's strengths lie in a wide range of products that serve diverse end-user industries and long-standing customer relationships.
- There are high entry and exit barriers due to stringent product standards and lengthy customer approval cycles.
- Company focuses on R&D and quality control ensures top-notch products, and a zero-debt status reflects strong and consistent financial performance.
- Strategically located manufacturing facilities enhance supply chain efficiency, and experienced promoters and senior management bring extensive domain knowledge.

Key Risk Factors :

- Limited product quantities and reliance on top 20 products for revenue make the company vulnerable to demand changes, also Dependence on Pharmaceuticals and Scientific Research industries exposes the company to revenue loss from sector changes.
- Company has not entered into any long-term agreements with its customers for purchasing their products. The company is subjected to uncertainties in demand and there is no assurance of reliable revenue generation without having long-term agreements.
- High PE ratio compared to peers and reliance on third-party logistics pose risks of delays, increased costs, and product loss in transit. Managing short-term funds could be challenging due to high current ratios.
- Small size and market share compared to competitors could persist without growth. Failing to meet customer purity requirements may lead to losing customers to competitors.

Comparison with listed peers :

Name of the Companies	Market Price	Face Value (per Equity Share)	P/E Ratio	EPS (Basic & Diluted)	RoNW (%)	NAV (per Equity Share)
Kronox Lab Sciences Limited	NA	10.00	NA	4.30	37.19	12.04
Peers Group :						
Tatva Chintan Pharma Chem Limited	1,119.50	10.00	83.20	12.97	4.85	220.07
Tanfac Industries Limited	2,202.80	10.00	37.70	52.61	25.30	184.74
Neogen Chemicals Limited	1,468.95	10.00	109.00	13.51	5.74	182.90
Sigachi Industries Limited	66.05	1.00	36.70	1.77	16.40	8.73
DMCC Speciality Chemical Limited	323.95	10.00	64.90	4.64	5.68	79.49

SUMMARY :

Kronox Lab Sciences Limited is a global manufacturer of high-purity specialty fine chemicals offering a diversified portfolio of over 185 products, including phosphates, sulfates, acetates and more. The company aims to expand its product portfolio, increase supply to existing customers, tap new markets and explore new applications for products. Additionally, plans include expanding capacity, diversifying into new products with a new manufacturing facility, and focusing on import substitution and increasing exports.

In Fiscal 2023, Kronox Lab Sciences achieved an EBITDA of Rs 22.0 crores with a margin of 23.0% and a Profit after Tax of Rs 16.60 crores, growing at a CAGR of 31% from fiscal 2021 to 2023. Return on Equity and Return on Capital Employed for fiscal 2023 were 37.2% and 49.9% respectively. For the year ending March 31, 2023, the company reported a total income of Rs 97.50 crores, comprising revenue from operations of Rs 95.58 crores and other income of Rs 1.92 crores. Kronox Lab Sciences achieved a profit before taxes of Rs 22.33 crores, demonstrating a positive trajectory in its financial performance.

On the valuation front, Kronox Lab Sciences Limited share price band is Rs 129 to Rs 136 per share. If we take last latest EPS of 4.30 and upper price band of Rs 136, the P/E ratio projected is 31.63x and if we take the lower price band of Rs 129, the P/E ratio projected is 30.00x. Therefore, company is asking for IPO price in the P/E range of 30.00x - 31.63x respectively. We recommend our clients to **“Subscribe”** to the IPO with a medium to long-term investment basis, given its fully priced valuation and potential for growth.

DISCLAIMER

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