

**Rating: Subscribe for Long term**

**Issue Offer**

**Fresh Issue of 13,761,225 equity shares up to INR 2.35 Bn**

**Issue Summary**

Price Band (INR)	162-171
Face Value (INR)	10
Implied Market Cap (INR Bn)	9.39
Market Lot	87
Issue Opens on	Feb, 27, 2024
Issue Close on	Feb, 29, 2024
No. of share pre-issue	41,163,648
No. of share post issue	54,924,873
Listing	NSE, BSE

**Issue Break-up (%)**

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

**Book Running Lead Managers**

**Unistone Capital Pvt Limited**

**Registrar**

**Bigshare Services Pvt Limited**

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	94.74%	71.00%
Public & Others	5.26%	29.00%

**Objects of the issue**

- Investment in Subsidiary, Platinum Stabilizers Egypt LLC
- Towards setting up of a manufacturing facility for PVC Stabilizers at Palghar, Maharashtra, India.
- Funding working capital requirements
- General Corporate purpose.

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**Platinum Industries Limited**, incorporated in August 2016, specializes in the production of stabilizers, manufacturing PVC stabilizers, CPVC additives, and lubricants. Their products are utilized in various applications including PVC pipes, profiles, fittings, electrical wires, SPC floor tiles, Rigid PVC foam boards, and packaging materials. The company's manufacturing facility, spanning 21,000 sq. ft., is located in Palghar, Maharashtra. Company's business model is aimed at consistently expanding product portfolio by introducing new products to cater to multiple end-use applications.

**Investment Rationale**

**Strategic Investment in Cutting-Edge R&D:** The company operates an in-house R&D facility in Palghar, Maharashtra, spanning 3,351.82 sq. ft., equipped with modern instruments for product innovation. Company have collaborate with Dr. Horst Michael Schiller, 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. Technical collaboration with HMS Concept E.U. enhances research capabilities.

**Diverse Product Portfolio :** The company offers various PVC stabilizer products tailored to customer needs, with over 400 grades for diverse applications. It has three major product categories consist of PVC stabilizers, CPVC additives, and lubricants. Within the stabilizer category, Company offers both lead-based and lead-free options, such as calcium zinc stabilizer, calcium organic stabilizers, and other lead free add packs. CPVC additives are specialized for CPVC pipes, primarily used in plumbing and other industries and lubricants comprising mainly polyethylene waxes, ope wax, and lube packs.

**Entry Barriers and Quality Assurance in the Specialty Chemical Industry:** The speciality chemical industry faces high entry barriers due to R&D, technical expertise, and regulatory standards. Stringent quality and approval processes limit competition and require significant customer validation. The company upholds rigorous quality control procedures at all stages, including vendor prequalification and batch testing. An experienced analytical lab ensures compliance with specifications before product dispatch.

**Strategic Expansion into Global Markets Enhancing Capabilities for Growth:** The company plans to broaden manufacturing capabilities by establishing a facility in Egypt through its subsidiary, targeting PVC industries. The move aims to enhance global market reach and proximity to key manufacturing facilities. The positioning of mfg. unit near the Suez Canal will lead to optimization of freight and transportation charges and provides easier access.

**Expansion of market Share :** Platinum Industries Ltd is at 3rd position in India having 13% market share by sales in fiscal 2023. Company plans to set up new Palghar facility to modernize and expand capacity of non-lead based stabilizers which will help to maintain quality and reduce impurities. Company aims to utilize its sales and marketing network, diversified product portfolio and industry standing to establish relationships with new multinational, regional and local customers to expand customer base and market share.

**Valuation & Outlook:** The PVC market is poised for substantial growth, driven by the pipes and fittings segment, forecasted to achieve an 8-9% CAGR from 2022 to 2027. Construction industry expansions in the MENA region, backed by initiatives like Saudi Vision 2030, will fuel demand. Investments in various sectors will escalate PVC consumption and the need for PVC stabilizers. The global specialty chemicals industry is set to grow, emphasizing strong prospects for PVC-related applications. On post issue market cap, company trades 25x TTM EPS. The industry dynamics seem positive given the growth prospects of the building materials sector. We recommend to **SUBSCRIBE FOR LONG TERM.**

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Revenue	893	1,882	2,315
Operating expenses	707	1,377	1,391
<b>Gross Profit</b>	<b>186</b>	<b>504</b>	<b>924</b>
<b>Gross Margin (%)</b>	<b>20.9%</b>	<b>26.8%</b>	<b>39.9%</b>
Employee Cost	33	38	82
Other Expenses	78	213	303
<b>EBITDA</b>	<b>76</b>	<b>254</b>	<b>539</b>
<b>EBITDA Margin (%)</b>	<b>8.5%</b>	<b>13.5%</b>	<b>23.3%</b>
Depreciation	(7)	(9)	(18)
Interest expense	(4)	(16)	(22)
Other income	3	11	11
Share of profits associate & JV	-	0.1	-
<b>Profit before tax</b>	<b>67</b>	<b>240</b>	<b>509</b>
Taxes	(19)	(62)	(134)
<b>PAT</b>	<b>48</b>	<b>177</b>	<b>376</b>
<b>PAT Margin (%)</b>	<b>5.4%</b>	<b>9.4%</b>	<b>16.2%</b>
EPS (INR)	1.2	4.4	9.4

Source: Company Reports, Arihant Capital Research

## Balance sheet summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Equity capital	11	11	403
Reserves	34	213	216
Share allotment pending	-	-	-
<b>Net worth</b>	<b>45</b>	<b>223</b>	<b>619</b>
Minority Interest	-	0	97
Provisions	3	4	6
Debt	51	263	218
Other non-current liabilities	0	-	-
<b>Total Liabilities</b>	<b>99</b>	<b>491</b>	<b>940</b>
Fixed assets	36	44	292
Capital Work In Progress	19	22	52
Other Intangible assets	0	-	31
Goodwill	-	0	0
Investments	5	10	8
Other non current assets	-	1	6
<b>Net working capital</b>	<b>26</b>	<b>366</b>	<b>393</b>
Inventories	60	155	271
Sundry debtors	166	486	311
Loans & Advances	-	-	-
Other current assets	23	80	84
Sundry creditors	(194)	(275)	(138)
Other current liabilities & Prov	(30)	(80)	(134)
Cash	12	42	155
Other Financial Assets	0	5	2
<b>Total Assets</b>	<b>99</b>	<b>490</b>	<b>940</b>

Source: Company Reports, Arihant Capital Research

## Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Profit before tax	67	240	509
Depreciation	7	9	18
Tax paid	(19)	(62)	(134)
Working capital Δ	(26)	(340)	(27)
Change in Goodwill	-	(0)	-
<b>Operating cashflow</b>	<b>30</b>	<b>(154)</b>	<b>367</b>
Capital expenditure	(63)	(20)	(296)
<b>Free cash flow</b>	<b>(33)</b>	<b>(174)</b>	<b>71</b>
Equity raised	(3)	1	116
Investments	(5)	(4)	1
Others	(0)	(6)	(33)
Debt financing/disposal	51	213	(45)
Dividends paid	-	-	-
Other items	4	0	2
<b>Net Δ in cash</b>	<b>12</b>	<b>30</b>	<b>113</b>
<b>Opening Cash Flow</b>		<b>12</b>	<b>42</b>
<b>Closing Cash Flow</b>	<b>12</b>	<b>42</b>	<b>155</b>

Source: Company Reports, Arihant Capital Research

## Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23
<b>Growth matrix (%)</b>			
Revenue growth		110.8%	23.0%
Op profit growth		235.2%	112.4%
<b>Profitability ratios (%)</b>			
OPM	8.5%	13.5%	23.3%
Net profit margin	5.4%	9.4%	16.2%
RoCE	69.0%	49.9%	61.7%
RoNW	107.6%	79.4%	60.7%
RoA	48.6%	36.1%	40.0%
<b>Per share ratios (INR)</b>			
EPS	1.24	4.41	9.42
Book value per share	42.5	212.1	15.4
<b>Valuation ratios (x)</b>			
P/E	137.9	38.8	18.2
P/B	4.0	0.8	11.1
EV/EBITDA	125.0	37.3	17.6
<b>Payout (%)</b>			
Tax payout	28.1%	26.0%	26.2%
<b>Liquidity ratios</b>			
Debtor days	68	94	49
Inventory days	31	41	71
Creditor days	(87)	(62)	(28)
WC Days	12	74	92

Source: Company Reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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