



IPO NOTE

Platinum Industries Ltd.

26th February 2024.

Company Overview

Platinum Industries Ltd. is engaged in manufacturing stabilizers across various segments such as PVC stabilizers, CPVC additives, and lubricants. Operating in the specialty chemicals industry, the company is the third largest player in PVC stabilizers in terms of sales, with a 13% market share in the domestic market for FY23. The company's product portfolio has various applications in PVC pipes, PVC profiles, PVC fittings, electrical wires and cables, SPC floor tiles, rigid PVC foam boards, packaging materials, etc. The company has one manufacturing facility in Palghar, Maharashtra which is strategically situated near JNPT (Nhava Sheva) Port, Maharashtra (JNPT) from where the company receives its supply of imported raw materials as well as exports its finished goods to the international market. Traditionally, lead-based PVC stabilizers were commonly utilized for their stabilizing properties. However, during recent times, there has been a noticeable shift in the trends and preferences within the PVC stabilizer industry, particularly in sectors such as potable water distribution, agriculture, construction, medical consumables, wires, and cables. Recognizing the significance of this trend shift, the company has responded by gradually transitioning from lead-based PVC stabilizers to calcium zinc-based and calcium organic-based stabilizers which has allowed the company to align with current market demands and adhere to evolving safety and environmental norms. By offering calcium zinc-based stabilizers and calcium organic-based stabilizers, the company provides customers with products that meet their performance requirements while prioritizing health and sustainability. The company also undertakes trading activities of associated commodity chemicals such as titanium dioxide and PVC/CPVC resin. The company's business model is aimed at consistently expanding its product portfolio by introducing new products to cater to multiple end-use applications. With a strict focus on product quality and a good track record in the distributor network, the company has established a brand image that helps the company penetrate new product categories. The company also intends to establish multiple projects in and outside India, where it shall venture into manufacturing PVC stabilizers (both lead-based and non-lead-based).

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- Investment in the subsidiary, Platinum Stabilizers Egypt LLC ("PSEL"), for financing its capital expenditure requirements for setting up of a manufacturing facility for PVC stabilizers at SC Zone 'Governorate of Suez Egypt';
- Funding of capital expenditure requirements of the company towards setting up of a manufacturing facility for PVC stabilizers at Palghar, Maharashtra, India;
- Funding working capital requirements of the company; and
- General corporate purposes.

Investment Rationale

High entry barriers in the specialty chemical industry

Barriers to entry in the specialty chemical industry are typically high and the specialized nature of products leads to significant differentiation. Various other factors such as R&D requirements, technical know-how, capital intensive service capabilities, customer relationships, and engineered or regulated specifications also create important barriers to entry. Due to the nature of the application of the company's products and the processes involved, the company's products are subject to, and measured against, high-quality standards and rigorous product approval systems with stringent technical specifications. Further, with end products manufactured by the company typically subject to regulatory and industry standards, any change in the vendor of the products may require significant time and expense for customers, thereby acting as an entry barrier. Thus, customer acquisition is difficult and limits the number of competitors involved in the manufacturing of the company's products. According to CRISIL, the specialty chemicals industry presents significant entry barriers, including customer validation and approvals, expectations from customers for process innovation and cost reduction, high-quality standards and stringent specifications, as well as various client and regulatory approvals that are required to be obtained.

Issue Details	
Offer Period	27 th Feb 2024 - 29 th Feb 2024
Price Band	Rs. 162 to Rs. 171
Bid Lot	87
Listing	BSE & NSE
Issue Size (no. of shares in mn)	13.76
Issue Size (Rs. in bn)	2.35
Face Value (Rs.)	10
Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	Unistone Capital Pvt. Ltd.
Registrar	Bigshare Services Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	94.73	71.00
Public	5.27	29.00
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Varied product portfolio catering to diversified industries

The company has varied products for the PVC industry and multiple product categories such as low lead-based stabilizers, calcium zinc-based stabilizers, and organic-based stabilizers. Within each product category, there are multiple grades depending on application and customer requirements. The company's efforts are focused on continuously identifying market demands and introducing relevant products with high quality. In PVC applications, the company has developed more than 400 grades, which has helped the company to cover a majority of its customers as well as different applications. The company diversifies its product portfolio in such a way that its products are customized for the customers and scale for each of the geographies the company serves. The company's diversified product portfolio helps it to retain customers and strengthen its cross-selling efforts across product portfolios.

Valuation

Considering the industry scenario, the Indian chemical industry is a key constituent of the country's economy, contributing 7% of India's GDP. Having a share of 3% in the global chemical industry, the Indian chemical industry is expected to grow at a CAGR of 8-9% between 2023-2027. Factors such as lower per capita consumption of chemicals in India, and the shift in the geopolitical landscape and global supply chain preference from China can provide India with a platform for converting challenges into opportunities. Hence, there is considerable scope for new investment. India is the world's sixth-largest chemical manufacturer and was valued at \$252 billion in fiscal 2023 and is expected to grow to \$349 billion by 2027. Specialty chemicals are low-volume, high-value chemicals with specific applications classified based on end-user industries. This industry is expected to post a 7-9% CAGR over 2022-26 owing to rising demand from end-user industries, along with tight global supply on account of stringent environmental norms in China. The Indian specialty chemical industry is expected to reach \$48.1 billion by fiscal 2026, growing at 8.3% CAGR over 2023-26. As the specialty chemicals industry presents significant entry barriers, including customer validation and approvals, high-quality standards and stringent specifications, as well as various client and regulatory approvals that are required to be obtained, the sector is expected to provide promising opportunities to the company in the coming period. The company's varied portfolio among the specialty chemicals segment, new product development systems with the help of an effective research and development team, high entry barriers in the operating segment, and the company's plans for global expansion will help it to take advantage of the opportunities in the coming period. **On the financial performance front, the company's Revenue/EBITDA/PAT grew at a CAGR of 61%/166.8%/166.5% during the FY2021-23 period. On the upper price band, the issue is valued at a P/E of 18.2x based on FY2023 earnings which we feel is fairly valued. We, therefore, recommend a "Subscribe" rating for the issue.**

Key Risks

- The company operates out of a single manufacturing facility which is located in Palghar, Maharashtra. Any localized social unrest, natural disaster or breakdown of services, or any other natural disaster in and around Palghar, Maharashtra, or any disruption in production at, or shutdown of its manufacturing unit will have a material adverse effect on the business and financial condition of the company.
- The company is dependent on a few customers for a major part of its revenues. Further, the company does not enter into long-term arrangements with its customers and any failure to continue any existing arrangements could adversely affect the business and results of operations.
- The company is dependent on the demand from industries where its products find application such as PVC pipes and tubes, PVC profiles, PVC fittings, and electrical wires and cables. Any downturn in such industries could harm the company's business and results of operations.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	893	1,882	2,315	1,228
Total Revenue	893	1,882	2,315	1,228
Expenses				
Cost of materials consumed	590	873	1,283	715
Purchase of Stock in trade	115	508	136	7
Changes in inventory	1	(4)	(27)	1
Employee benefit expenses	33	38	82	50
Other expenses	78	213	303	130
Total Operating Expenses	817	1,628	1,776	904
EBITDA	76	254	539	324
Depreciation and Amortization expenses	7	9	18	14
Other income	3	11	11	9
EBIT	71	255	531	318
Finance costs	4	16	22	16
PBT	67	240	509	302
Current tax	19	64	137	78
Deferred Tax charge/ (credit)	0	(2)	(4)	(4)
Total tax	19	62	134	74
PAT	48	177	376	228
Diluted EPS	1.2	4.4	9.4	5.7

Source: RHP, StoxBox

Cash Flow Statement (Rs in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash flow from operating activities	33	(149)	384	233
Cash flow from investing activities	(13)	(50)	(367)	(163)
Cash flow from financing activities	(12)	190	5	(82)
Net increase/(decrease) in cash and cash equivalents	8	(8)	21	(11)
Cash and cash equivalents at the beginning of the period	2	9	1	22
Cash and cash equivalents at the end of the period	9	1	22	20

Source: RHP, StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	11	11	403	403
Other Equity	34	213	216	448
Non-controlling interest	-	0	97	95
Total Equity	45	223	716	945
Non-Current Liabilities				
Financial Liabilities				
(i) Long term Borrowings	7	5	10	5
(ii) Lease liabilities	15	16	39	32
Provisions	3	4	6	5
Deferred tax liabilities (net)	0	-	-	-
Current Liabilities				
Financial Liabilities				
(i) Short Term Borrowings	26	237	164	110
(ii) Lease liabilities	3	5	5	13
(iii) Trade Payable-				
Due to micro and small enterprise	-	16	4	18
Due to other than micro and small enterprise	194	259	135	121
(iv) Other financial liabilities	9	28	81	77
Current tax liabilities (net)	8	46	45	41
Provisions	11	5	8	7
Other current liabilities	2	1	0	3
Total Current Liabilities	253	596	441	391
Total liabilities	278	621	496	432
Total Equity and Liabilities	323	845	1,212	1,377
Assets				
Non-Current Assets				
Property, plant and equipment	36	44	292	280
Capital work in Progress	0	-	31	41
Goodwill on consolidation	-	0	0	0
Right of Use assets	19	22	52	54
Deferred tax assets (net)	-	1	6	8
Financial Assets				
Other financial assets	5	10	8	8
Income tax assets (net)	-	-	-	1
Total Non current assets	61	78	389	393
Current Assets				
Inventories	60	155	271	221
Financial Assets				
Investments	-	-	-	30
(i) Trade Receivables	166	486	311	384
(ii) Cash and cash equivalents	9	1	22	20
(iii) Other balances with bank	3	41	133	252
(iv) Other financial assets	0	5	2	1
Other current assets	23	80	84	78
Total Current Assets	262	767	822	985
Total Assets	323	845	1,212	1,377

Source: RHP,StoxBox

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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