



CHEMCON SPECIALITY CHEMICALS LIMITED - LTD

Offer Period	Bid/Offer Opens On: Monday, 21st September, 2020*
	Bid/Offer Closes On: Wednesday, 23rd September, 2020
	<i>*The Anchor Investor Bidding Date shall be Friday, 18th September, 2020)</i>
Issue Details	Fresh Issue of Equity shares aggregating upto ₹ 165 Crores
	Offer for Sale of upto 4,500,000 Equity Shares
Issue Size (₹ Cr)	₹ 317 - ₹ 318 Cr
Price Band	₹ 338 - 340
Bid Lot	44 Shares and in multiple thereof
QIB	50% of the offer (4,690,828~ - 4,676,470^ Shares) (Rs.158.55~Cr - Rs.159.00^ Cr)
NIB	15% of the offer (1,407,248~ - 1,402,941^ Shares) (Rs.47.56~Cr - Rs.47.70^ Cr)
Retail	35% of the offer (3,283,579~ - 3,273,529^ Shares) (Rs.110.98~Cr - Rs.111.30^ Cr)
	<i>~ Lower price band and ^ Upper Price Band</i>
BRLM	Intensive Fiscal Services, Ambit Capital
Registrar	Link Intime India Pvt. Ltd.
Listing	BSE and NSE
Note: Application made using third party UPI or ASBA Bank A/c are liable to be rejected.	
<i>For additional information & risk factors please refer to the Red Herring Prospectus</i>	

Incorporated on December 15, 1988, Chemcon Speciality Chemicals Ltd (“Chemcon”) is a manufacturer of specialised chemicals, such as Hexamethyldisilazane/Hexamethyldisilane (“HMDS”) and Chloromethyl Isopropyl Carbonate (“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”).

Chemcon is the only manufacturer of HMDS in India and was the 3rd largest manufacturer of HMDS worldwide in terms of production in the calendar year 2019 and has an opportunity to grow at a CAGR of 15-20% between 2019 and 2023 including great opportunity for exports.

Chemcon is the largest manufacturer of CMIC in India and the 2nd largest manufacturer of CMIC worldwide, in terms of production and capacity in calendar year 2019 and has an opportunity to grow at a CAGR of more than 25% between 2019 and 2023.

Their manufacturing facility is located at Manjusar near Vadodara in Gujarat and currently has 7 operational plants.

As on March 31, 2020, their total borrowing was ₹ 44.51 crore, while the debt to equity ratio was 0.31 and the interest coverage ratio was 14.01.

Some of the key financial indicators:

(₹ in Cr, except %)

Particulars	Fiscal		
	2020	2019	2018
Revenue from operations	262.05	303.34	157.64
EBITDA	70.26	66.08	45.10
EBITDA/revenue from operations (in %)	26.81%	21.79%	28.61%
Profit after tax ("PAT")	48.85	43.04	26.38
PAT/revenue from operations (in %)	18.64%	14.19%	16.73%
Earnings per share (basic and diluted)	15.37	13.54	8.30
Return on Capital Employed (%)	37.92%	53.90%	62.06%
Return on Equity (%)	34.23%	44.94%	49.20%

Further, because of their strong business performance, Chemcon has maintained a low debt position. **As on March 31, 2020, their total borrowing was ₹ 44.51 crore, while the debt to equity ratio was 0.31 and the interest coverage ratio was 14.01.**

Who are the Company Promoters?

KamalKumar Rajendra Aggarwal, Navdeep Naresh Goyal and Shubharangana Goyal are the promoters of the company.

Also Read : [IPO Tricks, IPO Mistakes & IPO Myths](#)

Chemcon Speciality Chemicals IPO – Reasons to Invest

Here are a few reasons to invest.

- 1) Chemcon Speciality Chemicals is a manufacturer of specialized chemical products i.e. HMDS and CMIC and largest manufacturer across the globe.
- 2) Strong revenue growth in the last few years.
- 3) Improved margins in the last 3-4 years.

Chemcon Speciality Chemicals IPO – Reasons why NOT to Invest

- 1) The recent outbreak of the novel coronavirus could have a significant effect on its operations, and could negatively impact its business, revenues, financial condition and results of operations.
- 2) They have a limited product portfolio and its business may be adversely affected if any of its products do not continue to perform as expected or if competing products gain wider market acceptance. Further, if its competitors are able to improve the efficiency of their manufacturing processes and thereby offer their products at lower prices, its revenues and profitability may decline.
- 3) They derive a significant portion of revenue from a few customers and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for its products may adversely affect their business, results of operations, financial condition and cash flows.

4) Naresh Vijaykumar Goyal, a member of 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 company operations, reputation and prospects.

Indicative Timetable			
Activity	On or about		
Finalisation of Basis of Allotment	28-09-2020		
Refunds/Unblocking ASBA Fund	29-09-2020		
Credit of equity shares to DP A/c	30-09-2020		
Trading commences	01-10-2020		
Listing : BSE and NSE			
Issue break-up			
Category	No. of Shares ('000)	₹ In Cr	% of Issue
QIB*	4,691-4,676	158.55-159.00	50%
NIB	1,407-1,403	47.56-47.70	15%
Retail	3,284-3,274	110.98-110.30	35%
Total	9,382-9,353	317.10-318.00	100%
<i>* Company may allocate up to 60% Shares of the QIB Portion to Anchor Investors.</i>			

Our View

Chemcon Speciality is the leader in specialty chemicals across the globe.

It has strong revenue growth in the last 4 years.

Its margins are also improving. Company IPO price is reasonably priced.

Considering NICHE player in the chemicals segment, high risk investors can invest for medium term to long term.

However, due to the small size of the IPO, investors may or may not get allotment.

One may get GOOD listing gains.

Also Read : [IPO Tricks, IPO Mistakes & IPO Myths](#)