



MSEARCH

IPO OFFERING

CHEMCON SPECIALITY CHEMICALS LTD



About Company

Chemcon Speciality Chemicals Ltd (Chemcon) is a three decade old company based out of Vadodara, Gujarat. It is a manufacturer of specialised chemicals, such as HMDS and CMIC which are predominantly used in the pharmaceuticals industry and inorganic bromides, namely Calcium Bromide, Zinc Bromide and Sodium Bromide, which are used as completion fluids in the oilfields industry. 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. It has a manufacturing plant at Manjusar near Vadodara in Gujarat, 5 operational plants, 3 warehouses, and 2 leased warehouses. It has a presence Pan India as well as globally with major exports coming from USA, China, Japan, UAE, Serbia, Russia, Malaysia, and Azerbaijan.

Recommendation: Subscribe

Price Band	: Rs. 338 to 340 per share
Bid Lot size	: 44 Shares
Issue size	: Rs. 318 Cr
Issue Opens	: September 21 st 2020, Monday
Issue Closes	: September 23 rd 2020, Wednesday
Min App Amount	: Rs. 14,960 /- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View:

We believe investors are getting good opportunity to invest in leading manufacturer of specialized chemicals which is 3rd largest in HMDS and 2nd largest manufacturer of CMIC worldwide. We see it is well-positioned to substitute the imports from China and has an opportunity to grow and double its revenue as well as profits in 3-4 years. If we look at specialized chemicals as a sector it is been re-rated in last 3-6 month due to ongoing saga with Chinese but the concern remains on procurement of raw materials from China which accounts around 20% to its total expenditure. Well, considering all the parameters we advise investors to subscribe with following rationales such as worldwide leadership position in HMDS & CMIC, capacity additions with expanding earnings going forward, healthy improvement in margins and improving outlook for the sector. On valuations parse at the upper price band (Rs 340), the issue is asking for market cap Rs 1245 Cr and seeking P/E of 25x on FY20 EPS, which seems to be discounted to its listed peers and attractive to invest. Hence, we recommend investors to "SUBSCRIBE" to the issue for long term as well as healthy listing gain.