

Manan Goyal
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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	1,302
Fresh Issue (No. of Shares in Lakhs)	Nil
Offer for Sale (No. of Shares in Lakhs)	95.7
Bid/Issue opens on	03-Jun-24
Bid/Issue closes on	05-Jun-24
Face Value	₹ 10
Price Band	129-136
Minimum Lot	110

Objects of the Issue

- Offer for sale: 1,302 million.

Book Running Lead Managers	
Pantomath Capital Advisors Limited	
Registrar to the Offer	
Kfin Technologies Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	540.00
Subscribed paid up capital (Pre-Offer)	371.04
Paid up capital (Post - Offer)	371.04

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	100.0	74.2
Public	0.0	25.8
Total	100	100

Financials

Particulars (₹ In million)	9M FY24	9M FY23	FY23	FY22	FY21
Revenue from operations	677	741	956	822	625
Operating expenses	472	562	736	626	477
EBITDA	205	179	220	197	148
Other Income	8	18	19	11	8
Depreciation	10	12	15	20	20
EBIT	202	185	224	188	136
Interest		1	1	4	4
PBT	202	184	223	184	132
Tax	47	43	57	47	35
Consolidated PAT	155	141	166	136	97
EPS	4.17	3.80	4.48	3.67	2.62
Ratios	9M FY24	9M FY23	FY23	FY22	FY21
EBITDAM	30.23%	24.13%	23.01%	23.95%	23.70%
PATM	22.85%	19.02%	17.38%	16.57%	15.58%
Sales growth			16.21%	31.68%	

Sector- Specialty Chemicals

Company Description

Kronox Lab Science manufacture High Purity Specialty Fine Chemicals for diversified end user industries. Their High Purity Specialty Fine Chemicals are used mainly as (i) reacting agents and raw material in the manufacturing of Active Pharmaceutical Ingredients (APIs); (ii) excipients in pharmaceutical formulations; (iii) reagents for scientific research and laboratory testing; (iv) ingredients in nutraceuticals formulations; (v) process intermediates and fermenting agents in biotech applications; (vi) ingredients in agrochemical formulations; (vii) ingredients in personal care products; (viii) refining agents in metal refineries; and (ix) ingredients in animal health products, amongst others. Their products are manufactured in accordance with industry standards like IP, BP, EP, JP, USP, FCC, LR, AR, GR, and ACS in addition to custom manufacturing specifications, which differ from the industry standards, required by their customers in select cases. They manufacture High Purity Specialty Fine Chemicals of various grades in particle sizes ranging from 10 mesh to 100 mesh. They believe that their focus on product development, diversity in product offerings, meeting quality standards and customer specifications, and continuous process improvement has led to repeat orders from their customers over the years.

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. In addition to the manufacturing of products in accordance with various domestic and international standards, company also undertake custom manufacturing to achieve high levels of purity, as specified by the client, having different purity levels than the prescribed industry standards. Custom manufacturing requires deep domain knowledge, expertise and understanding of the characteristics of each chemical and its compounds, including decreasing the level of existing impurities and the processes to be deployed to reach the desired level of purity. They have set up an in-house research, development, and testing laboratory ("RDT Laboratory") to develop new products and test their products against the specified industry standards or customer specifications. Their dedicated RDT Laboratory is in I; Unit I with the objective to implement a performance-oriented approach with the help of advanced equipment and systems. Their RDT Laboratory is equipped with the necessary facilities to carry out tests required to develop the products. Their RDT team comprises 16 science graduates and post-graduates who carry out various tests to ensure that the quality of their products meets customer requirements and established industry standards. Company continues to expand their range of products to meet changing demands of the end user industries. For the nine months periods ended December 31, 2023, December 31, 2022, and Fiscal 2023, Fiscal 2022, and Fiscal 2021, company manufactured and sold 188, 155, 157, 156 and 159 products, respectively.

Valuation

Kronox Lab Science has a wide range of products finding applications in diversified end user industries with high entry and exit barriers due to long customer approval cycles and strict product standards with focus on R&D and Quality Control and Zero debt company with strong and consistent financial performance.

At the upper price band company is valuing at P/E of 27.98x, EV/EBITDA 22.78x with a market cap of ₹ 5,046 million post issue of equity shares and return on net worth of 37.19%.

We believe that the IPO is richly priced and recommend an "AVOID" rating to the IPO.

Business Operations

Products

The company has experience of over fifteen (15) years in manufacturing, sale, and export of a wide range of High Purity Specialty Fine Chemicals. Their products have distinguished chemical purities having a broad range of applications in industries like active pharmaceutical ingredients, pharmaceuticals formulations, biotech, nutraceuticals, personal care, agrochemicals, scientific and laboratory research, metallurgy, animal health, among others. As on the date of this Red Herring Prospectus, their product portfolio comprised of over 185 products.

Product Profile

Their range of more than 185 High Purity Specialty Fine Chemicals spans across the family of phosphate, sulphate, acetate, chloride, citrate, nitrates, nitrites, carbonate, EDTA derivatives, hydroxide, succinate, gluconate, among others. Company performs reaction and purification process to manufacture the High Purity Specialty Fine Chemicals as per industry standards and custom manufacturing specifications of their customers. Their products were majorly exported to over 20 countries including the USA during the nine months period ended December 31, 2023, December 31, 2022, Fiscal 2023, 2022 and 2021, in addition to the domestic markets.

High Purity Specialty Fine Chemicals

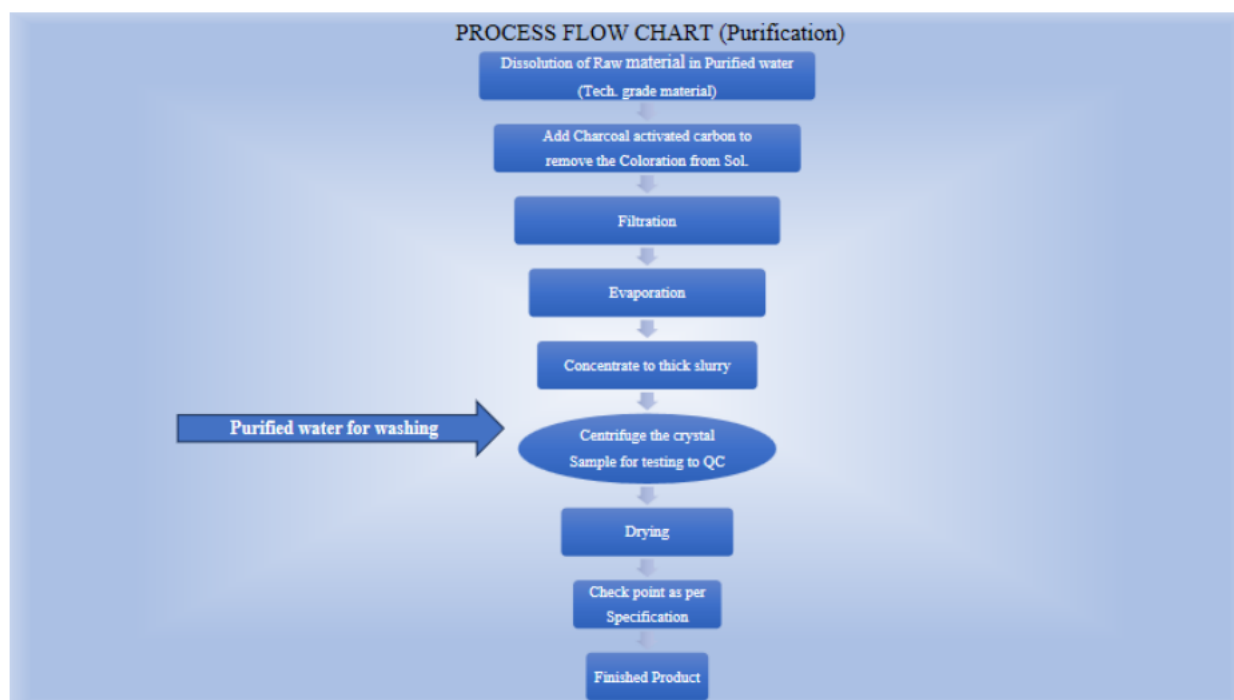
Their High Purity Specialty Fine Chemicals have use in various application industries including active pharmaceutical ingredients, pharmaceuticals formulations, biotech, nutraceuticals, personal care, agrochemicals, scientific and laboratory research, metallurgy, animal health, among others. Their revenue from operations for the nine months period ended December 31, 2023, December 31, 2022, and Fiscals 2023, 2022 and 2021 was ₹ 676.86 million, ₹ 741.03 million, ₹ 955.78 million, ₹ 822.47 million, and ₹ 624.60 million, respectively.

Manufacturing Process

As on December 31, 2023, the company has manufactured and sold over 185 products. Companies generally manufacture their products in various grades and in particle sizes ranging from 10 mesh to 100 mesh as required by their customers. The raw materials are either charged in a reaction vessel or are purified as per product specifications, capacity and design based on the type of reaction. The exothermic reaction starts when all technical requirements are met. Once the initial stage is completed, the product is analyzed as per product parameters and then sent for further filtration, concentration, crystallization, and centrifugation. The product then undergoes reaction, filtration, concentration, and crystallization (where required), centrifugation, drying (which also involves milling and sifting) and packing. The final product is tested to ensure it meets all specifications before it is supplied to their customers.

Process Flow Chart

Set out below is the flow chart setting out their manufacturing processes:





Capacity and Capacity Utilization

The following table sets forth certain information relating to their installed capacity and capacity utilization for each of their manufacturing Facilities for the periods indicated:

Particulars	December 31, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Unit - I				
Installed Capacity (in TPA)	2,400	2,400	2,400	2,400
Capacity Utilized (in TPA)	1,427.58	1,835.54	1,858.02	2,053.88
Utilized Capacity (in %)	59.48%	76.48%	77.42%	85.58%
Unit - II				
Installed Capacity (in TPA)	3,744	3,744	3,744	3,744
Capacity Utilized (in TPA)	1,975.42	2,529.16	2,434.42	2,604.16
Utilized Capacity (in %)	52.76%	67.55%	65.02%	69.56%
Unit - III				
Installed Capacity (in TPA)	1,098	1,098	1,098	1,098
Capacity Utilized (in TPA)	251.8	503.9	847.72	1,016.56
Utilized Capacity (in %)	22.93%	45.89%	77.21%	92.58%

Strengths:

➤ **Wide range of products finding applications in diversified end user industries.**

Company manufacture a broad range of High Purity Speciality Fine Chemicals belonging to the family of citrates, carbonates, phosphates, acetates, sulphates, EDTA derivatives, chlorides, hydroxides, bromides, nitrites, and nitrates. Their products have applications across a wide spectrum of industries like pharmaceuticals, scientific and laboratory research, nutraceuticals, biotech, agrochemicals, personal care, metallurgy, and animal health. Over the years, they have expanded their product portfolio to more than 185 products. During the nine-month periods ended December 31, 2023, December 31, 2022, and the Fiscal 2023, Fiscal 2022, Fiscal 2021, they sold 188, 155, 157, 156, and 159 products, respectively. Their top 20 products amounting to ₹409.44 million, ₹523.03 million, ₹655.82 million, ₹574.53 million, and ₹437.45 million contributed 60.49%, 70.58%, 68.62%, 69.85%, and 70.04% of their revenue for the nine-month periods ended December 31, 2023, December 31, 2022, and the Fiscal 2023, Fiscal 2022, and Fiscal 2021 respectively, providing them with a diversified base. These products are manufactured in accordance with standards like IP, BP, EP, JP, USP, FCC, LR, AR, GR, and ACS. In addition to manufacturing products as per these standards, company also undertake custom manufacturing of High Purity Speciality Fine Chemicals to achieve different levels of purity as specified by the customer for their specific requirements. Custom manufactured speciality chemicals are high-margin products having specialised usage in the end-user industries. Manufacturing these products requires deep domain knowledge of chemical compositions, their reactions, and combinations with other chemicals when exposed to high temperature in order to meet the desired level of purity.

➤ **Long-standing relationships with customers.**

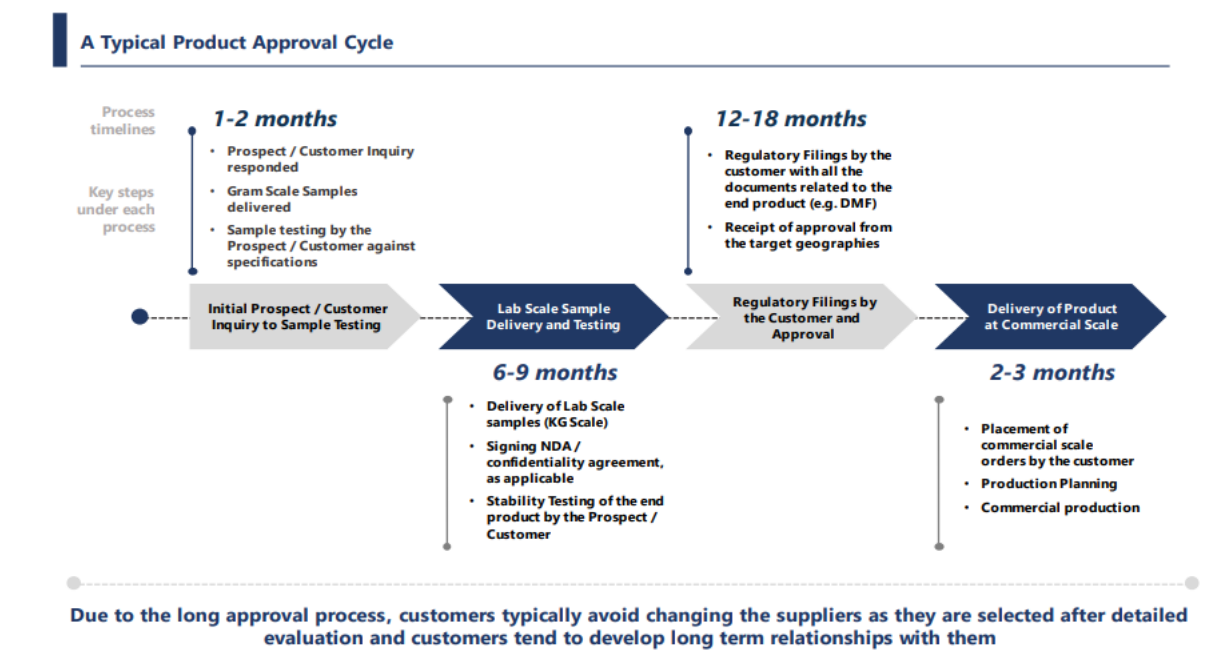
Their customer engagements are dependent on them delivering quality products consistently. During the nine-month periods ended December 31, 2023, December 31, 2022, and Fiscal 2023, Fiscal 2022, Fiscal 2021, they served 353, 307, 351, 316, and 283 customers, respectively. The company have served more than 592 customers in the last three (3) financial years and during the nine-month period ended December 31, 2023, of which 141 customers amounting to 23.82% of total customers placed repeat orders. Out of their total revenue from operations in the nine-month periods ended December 31, 2023, December 31, 2022, and Fiscals 2023, 2022, and 2021, their top 10 customers amounted to ₹306.08 million, ₹397.06 million, ₹484.43 million, ₹462.03 million, and ₹351.80 million, contributing 45.22%, 53.58%, 50.68%, 56.18%, and 56.32% respectively, and their top 20 customers amounted to ₹396.23 million, ₹496.87 million, ₹621.35 million, ₹568.76 million, and ₹443.68 million, contributing 58.54%, 67.05%, 65.01%, 69.15%, and 71.03%, respectively. The average tenure of their relationship with their top 20 customers is 7 years, 8 years, and 9 years for Fiscals 2023, 2022, and 2021, respectively.

The company have not entered into any long-term agreements with their customers and instead relies on purchase orders to govern the volume and other terms of their sales of products. However, their long-term relationships and ongoing active engagements with customers also allow them to plan their working capital and capital expenditure, enhance their ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base. These enduring customer relationships have also helped them in expanding their product offerings and geographic reach. Their wide customer base assists them in reducing dependence and helps in mitigating the effects of economic and industry-specific cycles.

➤ **High entry and exit barriers due to long customer approval cycles and strict product standards.**

Company manufacture and market High Purity Speciality Fine Chemicals used as reacting agents in the manufacturing of Active Pharmaceutical Ingredients (APIs), as excipients in pharmaceutical formulations, as nutritional ingredients in nutraceuticals formulations, as ingredients in personal care products, as reagents for scientific research and laboratory testing, as refining agents in metal refineries, as ingredients in animal health products, and as fermenting agents in biotech applications, among others, for use across the globe. Their manufacturing process involves multi-step production and purification processes to manufacture fine chemicals. Further, given the nature of the application, their processes and products are subject to, and measured against, established domestic and international standards and stringent specifications of customers. As a part of the detailed approval process by potential customers or their agencies/consultants, they are required to make an extensive documentary submission about their Manufacturing Facilities and other details, including processes, quality control measures, certifications, product specifications, quality standards, and regulatory compliances.

Post the satisfaction of the potential customer on the documents submitted by them, the potential customer or its agencies/consultant conducts an on-site inspection of their Manufacturing Facilities to assess their adherence to good manufacturing practices (GMP), cleanliness, equipment maintenance, safety measures, and environmental regulations. In this process, company identify deviations, if any, from the standards and suggest areas for improvements. On being satisfied on all the above parameters, the potential customer awards its approval or offers a conditional approval by specifying the conditions and the timelines to grant the final approval. Therefore, any change in vendors of their customers may require significant time and costs due to regulatory filings and related issues, resulting in a propensity amongst their customers to continue with the same set of suppliers.



➤ **Focus on R&D and Quality Control.**

Research, Development, and Quality Control are pillars of their continued growth over the years. They give equal importance to both these areas as one, i.e., R&D, leads to new product development required for the growth of their business and profitability, whereas the other, i.e., QC, achieves customer quality standards for the continued supply of products required by the end-user industries. Once company have achieved the development of a product in their RDT Laboratory, achieving commercial scale with the available equipment is another challenge. Product development on a commercial scale with the QC meeting customer and prescribed standards requires coordination between these functions to ensure that the new products developed are able to scale up, meeting customer quality requirements. As of December 31, 2023, they have 122 products under various phases of research and development.

Custom manufacturing of products requires substantial R&D before production. Various tests are required to be conducted in their laboratory to check whether a chemical is able to achieve a particular level of purity as required by the customer for end-use purposes. For example, they recently achieved quality specifications for calcium chloride and magnesium chloride for drinking water, calcium acetate for pharma applications, ammonium fluoride, tri-potassium phosphate, potassium hydroxide, potassium acetate, and potassium chloride for diversified applications. Their product development efforts are led by their Chairman & Managing Director, Jogindersingh Jaswal, who has experience of more than 30 years in product development. Company rely on the skills of their personnel employed in their RDT Laboratory for their growth and continued success of their business. Their RDT Laboratory is based in Unit I.

The details of expenses incurred by them towards research and development for the nine months period ended December 31, 2023, December 31, 2022, and Fiscals 2023, 2022, and 2021, are set out below:

Particulars	For the nine months periods ended December 31,2023	For the nine months periods ended December 31,2022	Fiscal 2023	Fiscal 2022	Fiscal 2021
Expenses towards Research & Development Personnel	2.96	3.15	4.19	3.28	2.91
Other expenses towards Research & Development	1.60	0.59	0.83	0.59	0.48
Total	4.56	3.74	5.02	3.87	3.39

Research, Development and Testing (RDT) Capabilities

Over the years, we have strengthened our R&D capabilities to develop and commercialise new products across materials

Our RDT efforts are focused on expanding our product portfolio through continuous research on new chemicals and applications, testing the new products as per the specifications of the customer and ensuring the purity of the products as per the established standards, among others

120+
Products across various stages of Research and Development

16
Team Members across the RDT function

Product Group	No. of Products	Application Segment
Acetate	12 Products	Pharmaceuticals, Nutraceuticals
Adipate	2 Products	Various
Ascorbate Derivatives	6 Products	Nutraceuticals
Aspartate Derivatives	8 Products	Nutraceuticals
Benzoate	1 Product	Nutraceuticals
Citrate Derivatives	22 Products	Pharmaceuticals, Nutraceuticals
EDTA Derivatives	13 Products	Pharmaceuticals, Nutraceuticals
Gluconate Derivatives	18 Products	Nutraceuticals
Glycinate Derivatives	15 Products	Nutraceuticals
Lactate	5 Products	Nutraceuticals
Malate Derivatives	4 Products	Nutraceuticals
Orotate Derivatives	5 Products	Nutraceuticals
Propionate	3 Products	Nutraceuticals
Sorbate Derivatives	3 Products	Nutraceuticals
Succinate	5 Products	Pharmaceuticals, Nutraceuticals
Total	122 Products	

Key Strategies:

- **Expand their product portfolio, increasing the supply of their products to their existing customers and tapping new customers into existing and new geographies.**

Over the years, the company has expanded their product portfolio to more than 185 products spread across diverse applications. They have consistently endeavored to diversify their portfolio of products to cater to changing customer requirements across various segments and geographies. Their experience and expertise of more than 15 years in the industry help them capitalize on new opportunities offered by their customers. They intend to continue to strengthen their existing product portfolio and diversify into new products with potential for growth and profitability within their existing product groups and new applications. In addition to the above, they are also working towards new products forming a part of the family of acetate, adipate, ascorbate, aspartate, benzoate, citrate, EDTA, gluconate, glycinate, lactate, malate, orotate, propionate, sorbate, and succinate, among others.

During the nine-month period ended December 31, 2023, and Fiscal 2023, they supplied their products to more than 350 customers in India and overseas. The company has served more than 592 customers in the last three (3) financial years and during the nine months period ended December 31, 2023, of which 141 customers amounting to 23.82% of total customers placed repeat orders. They believe that the long-standing relationships with their customers over the years and the repeat and increased orders received from them reiterate their commitment towards growth and increasing profitability. They intend to focus on increasing their share of product supplies with existing customers and generating new customers for their existing and future products. They intend to continue to leverage their existing sales team, diversified product portfolio, and industry standing to establish new relationships with multinationals and domestic customers. In Fiscal 2023, they sold their products to 15 countries outside India, including the United States. During the nine-month period ended December 31, 2023, December 31, 2022, Fiscal 2023, 2022, and 2021, they have cumulatively exported their products to over 20 countries.

They set out below their revenues and percentage of revenues from operations for the nine months periods ended on December 31, 2023, December 31, 2022, and Fiscals 2023, 2022, and 2021:

Particulars	December 31, 2023		December 31, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	₹ in million	% of revenue	₹ in million	% of revenue	₹ in million	% of revenue	₹ in million	% of revenue	₹ in million	% of revenue
India (Domestic Sales)	446.09	65.91	501.1	67.62	654.46	68.47	572.53	69.61	459.2	73.52
Exports	169.7	25.07	195.67	26.41	242.68	25.39	192.95	23.46	128.43	20.56
India (SEZ Sales)	55.63	8.22	36.52	4.93	49.66	5.2	42.66	5.19	31.59	5.06
Merchant Exports	5.43	0.8	7.74	1.04	8.97	0.94	14.33	1.74	5.38	0.86
Total Revenue from Operations	676.86	100	741.03	100	955.78	100	822.47	100	624.6	100

➤ **Expand capacity for existing products and diversify into new products by setting up a new manufacturing facility.**

As of December 31, 2023, their aggregate installed capacity is 7,242 TPA across three Manufacturing Facilities. As part of their growth plans and to cater to the growing demand from their existing customers and to meet the requirements of new customers, they intend to establish a new manufacturing unit at GIDC Dahej – II Industrial Estate and they have acquired land admeasuring 20,471 sq. mtrs. at GIDC - Dahej II Industrial Estate. They plan to establish a new unit at this location to manufacture High Purity Specialty Fine Chemicals from their existing product portfolio as well as new products. The cost for establishing the new unit is proposed to be financed through equity and/or debt and/or the internal accruals of their Company. They have already applied for and received the permissions for power and water for this facility from the state electricity authority and GIDC, respectively. They have also received membership from the CETP Department, GIDC Bharuch for the effluent discharge.

➤ **Explore newer applications for their existing products and develop new products that are in synergy with their current and future operations.**

Company currently supplies their products for applications in pharmaceuticals, scientific and laboratory research, nutraceuticals, biotech, agrochemicals, personal care, metallurgy, and animal health, among other industries. Their products are used at different stages across these application segments as excipients, ingredients, reagents, buffering agents, fermenting agents, refining agents, among others. Their Company aims to expand the sale of their products to other industries where such products have applications. Going forward, they aim to market their products for end-use applications in industries such as food, beverages, electronics, and precision industrial products. Their new products proposed to be manufactured soon are expected to increase their application in the present and new industries. They believe that they have, over the years, built long-term relationships with their customers who recognize their technical capabilities and ability to deliver products on a timely basis. They believe that the growth in end-use industries such as APIs, pharmaceutical formulations, agrochemical formulations, nutraceuticals, personal care, scientific research and laboratory, metal refining, animal health, biotech, beverages, food, electronics, and precision industrial products, among others, will lead to an increase in demand for their current and proposed products. They believe that the expansion of their portfolio through their existing and proposed manufacturing facility will further strengthen their market position and enable them to offer comprehensive solutions to their customers.

➤ **Focus on import substitution and increasing exports.**

Their Company has a global footprint of exports to over twenty (20) countries. For the nine-month period ended December 31, 2023, December 31, 2022, and Fiscal 2023, 2022, and 2021, their revenue from exports amounted to ₹169.70 million, ₹195.67 million, ₹242.68 million, ₹192.95 million, and ₹128.43 million, accounting for 25.07%, 26.41%, 25.39%, 23.46%, and 20.56% of their revenue from operations, respectively. The rising adoption of the China-Plus-One strategy globally, wherein companies are minimizing their dependency on China and are diversifying their production and supply chains to other countries to minimize the risk of supply chain disruptions witnessed in China during the pandemic, is expected to result in larger export opportunities for the domestic chemical industry. Further, the changing regulatory and policy landscape in China has also prompted global companies to diversify supply risks. Indian manufacturers are expected to be key beneficiaries of this as very few countries other than India have the requisite scale, skilled labor availability, government support, etc., to cater to the large-scale requirements. Further, as global companies look to enhance supply chain resilience by diversifying manufacturing into other countries, India is expected to be an attractive option owing to its strategic location, large domestic market, and skilled manpower.

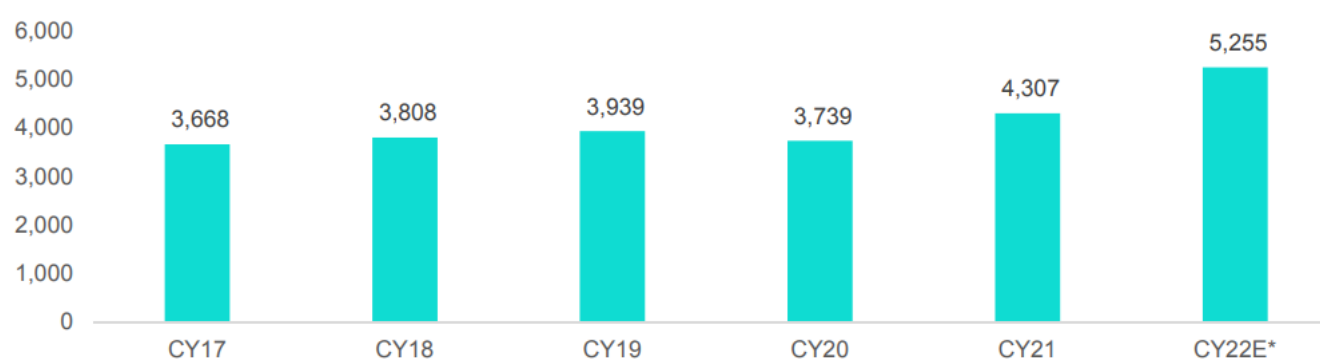
➤ **Industry Snapshot:**

Overview of the Chemical Industry

Global Chemical Industry

The chemical industry is an integral element of the global economy and plays a critical role in nearly every facet of modern life serving numerous sectors such as agriculture, construction, automotive, FMCG, consumer durables, electronics, healthcare, etc. The global chemical industry is continually evolving through technological advancements, market dynamics, and sustainability initiatives. Further, the importance of the chemical industry has resulted in the proliferation of chemicals across the globe with the industry sales estimated to have grown from USD 3,668 billion in (Calendar Year) CY17 to estimated USD 5,255 billion in CY22.

Trends in Global Chemical Sales (USD billion)



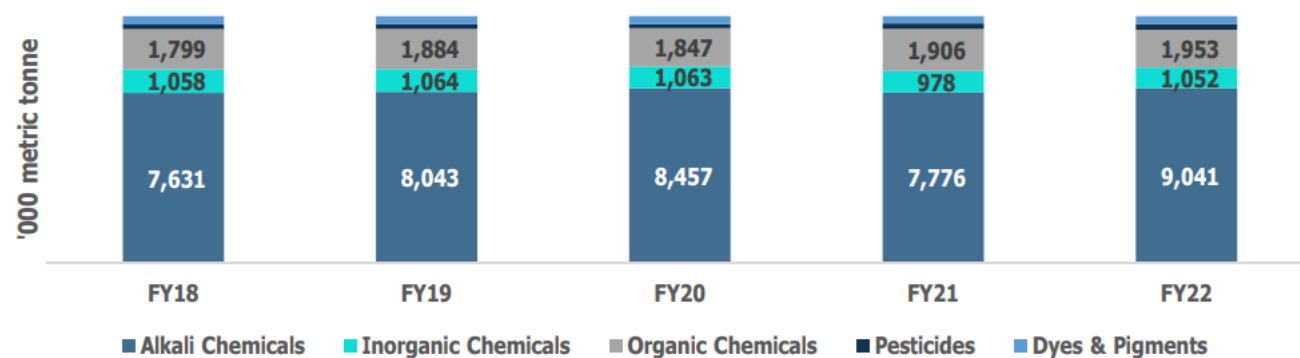
Indian Chemical Industry

The size of the Indian chemicals industry, excluding pharmaceuticals, in terms of the value of output in the year FY22 was around Rs. 9.10 lakh crores and 8.4% of the value of the output of the manufacturing sector at constant prices as against 7.9% in FY18. The chemical and chemical products except pharmaceuticals have registered a CAGR of 8.8% from FY18 to FY22. Furthermore, as per the Government of India's Department of Chemicals and Petrochemicals, India ranks 11th in the world exports of chemicals (excluding pharmaceutical products) and 6th in the world imports of chemicals (excluding pharmaceutical products). Similarly, India's imports of chemicals (excluding pharmaceutical products) reached Rs. 8.5 lakh crore indicating a 66.01% growth y-o-y in FY22, while the exports reached Rs. 4.9 lakh crore indicating a 30.12% growth y-o-y in FY22.

Major chemicals in India are broadly divided into 5 segments as mentioned below:

1. Alkali Chemicals: This segment comprises products like soda ash, caustic soda, and liquid chlorine.
2. Inorganic Chemicals: This segment comprises products like carbon black, calcium carbonate, and hydrogen peroxide, among others.
3. Organic Chemicals: This segment comprises products like ethyl acetate, chloro methanes, and formaldehyde, among others.
4. Pesticides and Insecticides: This segment comprises products like mancozab, 2, 4-D, acephate, and profenofos technical.
5. Dyes and Pigments: This segment comprises products like reactive dyes, organic pigment, and dispersed dyes.

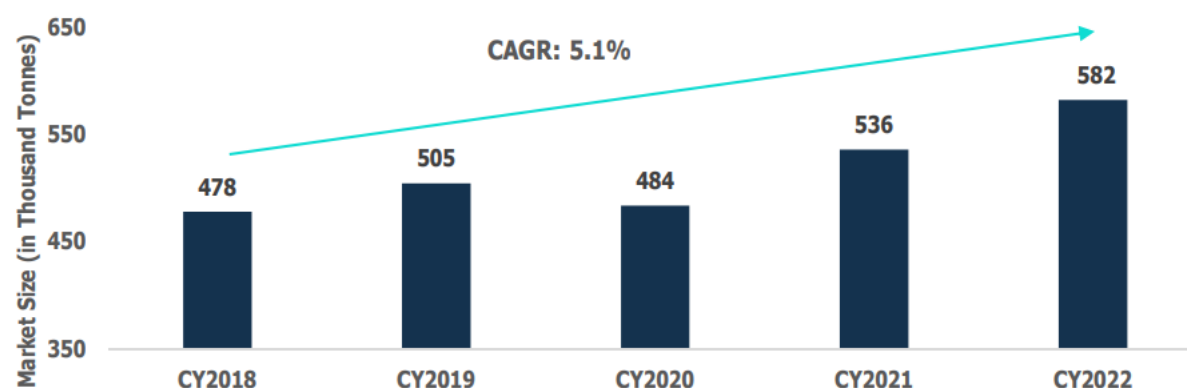
Segment-Wise Production of Major Chemicals in India ('000 metric tonnes)



Global Citrate Industry – Market Size

The global citrate industry's consumption volumes grew at a Compounded Annual Growth Rate (CAGR) of 5.1% from 478 thousand tonnes in CY2018 to 582 thousand tonnes in CY2022.

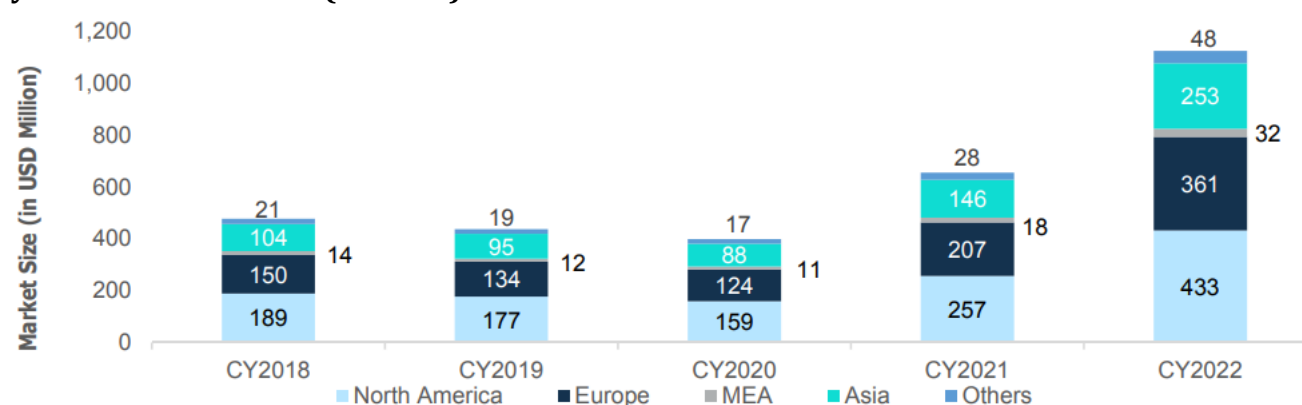
Global Citrate Industry Volumes (CY2018-2022)



Break-Up of Global Citrate Industry Value by Geography

The North American region is the largest market of citrates, accounting for over 39% of the global market share in CY2022. The region registered a CAGR of 23% from CY2018 to CY2022. Whereas the European region is the second-largest market for citrates, representing 32% of the global market share in CY2022. The region has achieved a CAGR of 24.5% from CY2018 to CY2022. Further, in CY2022, Asia stands as the world's third-largest market for citrates, commanding approximately 22% of the global market share. Notably, this region has registered a CAGR of 24.7% from CY2018 to CY2022.

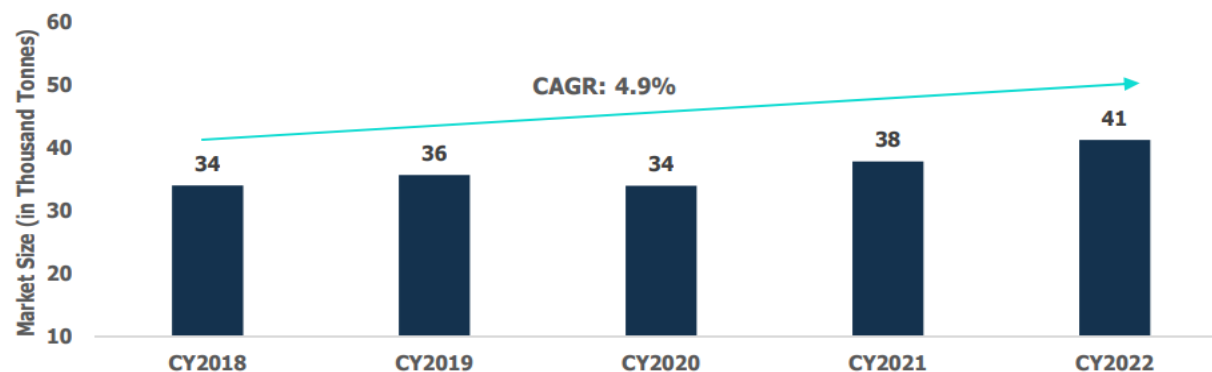
Geography-Wise Market Share (CY2022)



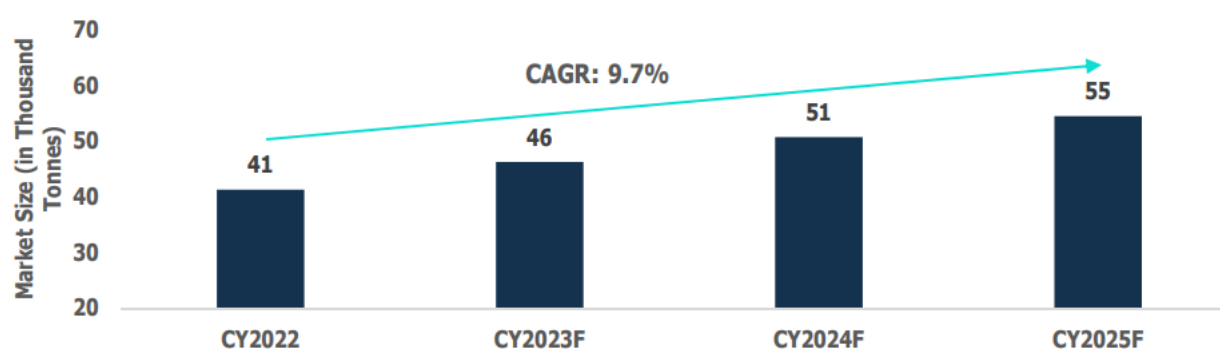
Indian Citrate Industry

The Indian citrate industry consumption volumes have recorded a CAGR of 4.9% from 34 thousand tonnes in CY2018 to 41 thousand tonnes in CY2022.

Indian Citrate Industry Volumes (CY2018-2022)



Indian Citrate Industry Volumes (CY2022-2025F)



The Indian citrate industry has grown at a CAGR of 23.8% over past five years from USD 27 million in CY2018 to USD 62 million in CY2022. The Indian citrate industry is expected to experience a revenue decline from USD 62 million in CY2022 to USD 44 million in CY2025, at a negative CAGR of approximately 10.7%, despite a volume growth of 9.7% over the same period, on account of price correction.

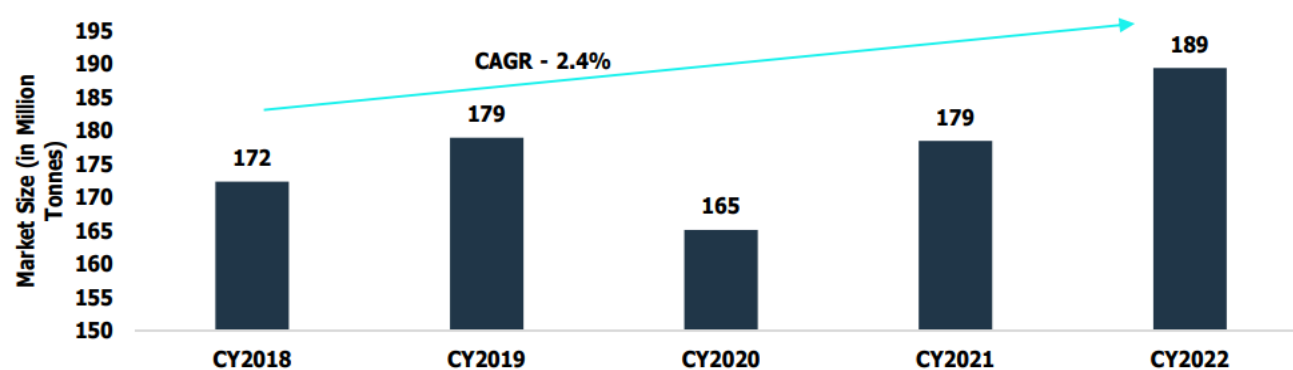
Global Carbonate Industry

A carbonate is a salt of carbonic acid (H_2CO_3). It is found in nature in various forms including minerals, rocks, and living organisms. Carbonate rocks, such as limestone and marble, are made up of carbonate minerals. Further, carbonates are found in the shells of many marine animals, such as molluscs and corals. They have a wide range of industrial and commercial uses. They are used in the manufacture of cement, glass, paper, and rubber. Carbonates are also used as food additives and in pharmaceuticals.

Global Carbonate Industry – Market Size

The global carbonate industry volumes grew at a CAGR of 2.4% from 172 million tonnes in CY2018 to 189 million tonnes in CY2022.

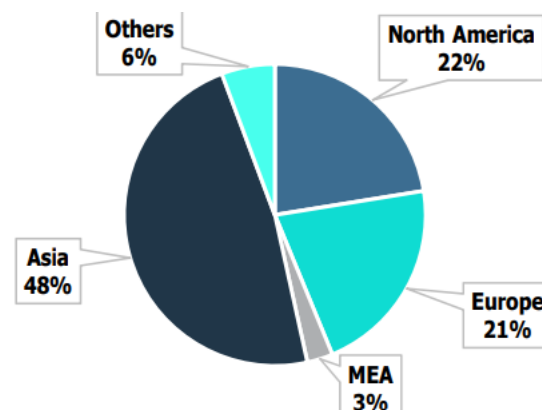
Global Carbonate Industry Volumes (CY2018-2022)



Break-Up of Global Carbonate Industry Value by Geography

Asia has the largest market for carbonates, accounting for around 48% of global demand in CY2022. Carbonate consumption in Asia has grown at a CAGR of 10.9% from CY2018 to CY2022. North America is the second-largest market for carbonates, accounting for around 22% of global demand in CY2022. The carbonate consumption value in this region has grown at a CAGR of 9.7% during CY2018-2022. Europe is the third-largest market for carbonates, accounting for around 21% of global demand. The carbonate market in Europe has grown at a CAGR of 10.5% during CY2018-2022.

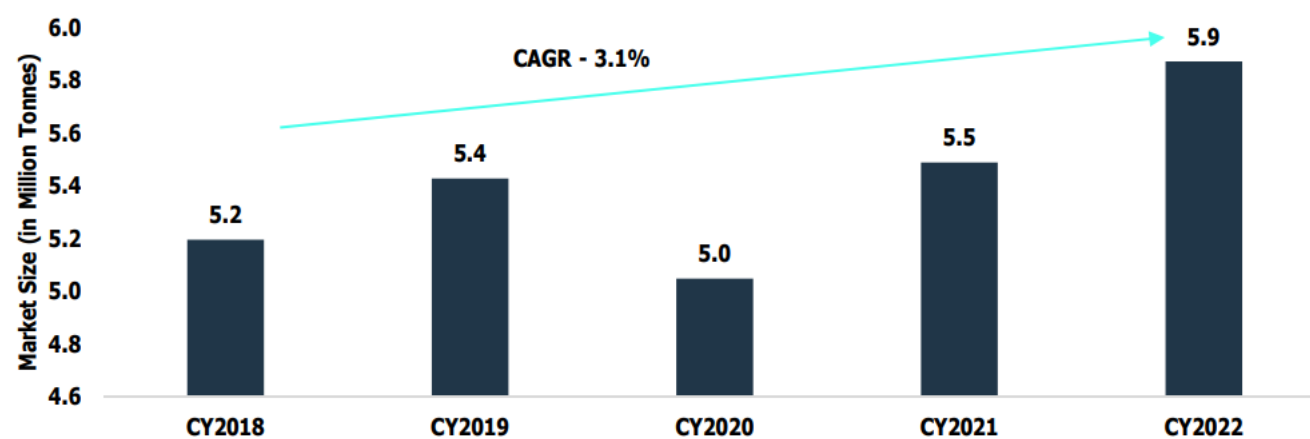
Geography-wise Market Share (CY2022)



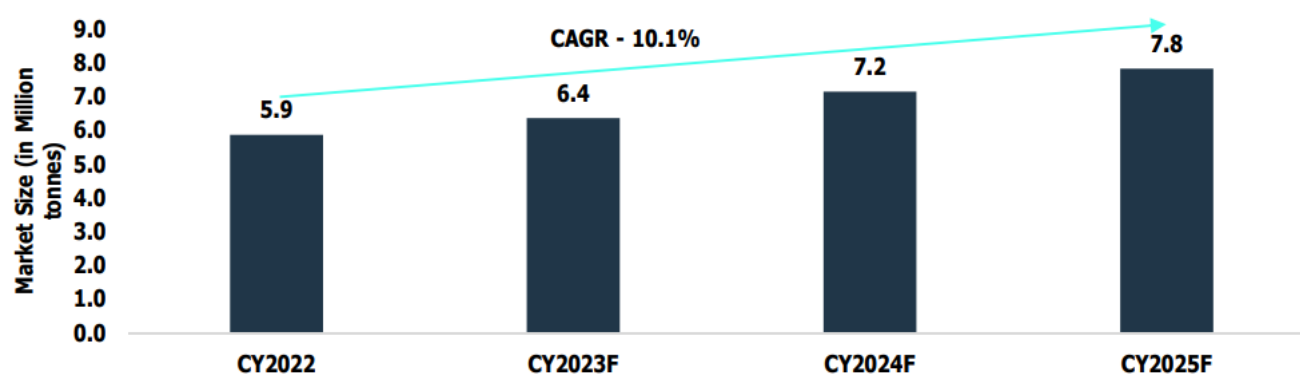
Indian Carbonate Industry

The Indian carbonate industry volumes grew at a CAGR of 3.1% from 5.2 million tonnes in CY2018 to 5.9 million tonnes in FY2022.

Indian Carbonate Industry Volume (CY2018-2022)



Indian Carbonate Industry Volume (CY2022-2025F)

➤ Accounting ratios

Particulars	For the nine months periods ended December 31,2023	For the nine months periods ended December 31,2022	Fiscal 2023	Fiscal 2022	Fiscal 2021
Revenue from Operations	676.86	741.03	955.78	822.47	624.60
EBITDA Margin (%)	30.23	24.13	23.01	23.95	23.70
Profit After Tax for the Year	154.69	140.91	166.17	136.27	97.30
PAT Margin (%)	22.60	18.57	17.04	16.35	15.39
EPS (Basic & Diluted)	4.17	3.61	4.3	3.49	2.4
Total Borrowings	-	-	-	6.42	0.13
Net worth	602.82	546.01	446.79	403.53	268.14
ROE (%)	25.66	25.81	37.19	33.77	36.29
ROCE (%)	33.15	33.50	49.86	46.27	51.78
Debt - Equity Ratio	-	-	-	0.02	Negligible
Negligible Fixed Assets Turnover Ratio	2.61	4.62	6.01	9.30	10.87
Number of customers served (No.)	353	307	351	316	283
Number of products sold (No.)	189	155	157	156	159
New product added (No.)	8	8	10	10	12

Comparison with listed entity

Name of the company	EPS (Basic) (₹)	PAT Margin (%)	RONW (%)	P/E Ratio	NAV (₹ per share)	Face Value per share	Revenue from operations (₹ million)
Kronox Lab Sciences Limited	4.48*	17.04	37.19	27.98**	12.04	10.00	974.98
Listed peers							
Tatva Chintan Pharma Chem Limited	19.45	10.59	8.84	57.57	220.07	10.00	4,293.56
Tanfac Industries Limited	56.27	14.66	30.46	39.15	184.74	10.00	3,828.70
Neogen Chemicals Limited	18.94	7.24	10.36	77.55	182.90	10.00	6,906.30
Sigachi Industries Limited	1.42	14.10	16.22	46.64	8.73	1.00	3,087.17
DMCC Speciality Chemical Limited	2.78	1.78	3.50	116.57	79.49	10.00	3,895.88

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on May 17, 2024.

2) */** P/E and EPS of company is calculated on basis TTM, and post issue no. of equity shares issued.

Key Risk:

- Their products are required to meet domestic and international industry standards. In the event of any deviation from these standards, their products may face rejection from customers, which may affect the reputation of company.
- If company fail to execute their strategy to expand their business or production capacity, business and prospects may be materially and adversely affected.
- Their products are supplied in limited quantities for specific use by application industries. Any reduction in the requirement of their products may result in loss of business and may affect their financial performance and condition.
- Companies top 20 products contributed 60.49%, 70.58%, 68.62%, 69.85% and 70.04% of their revenue for the nine months period ended December 31, 2023, December 31, 2022, and the Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively. Any change in demand their products of those products could significantly affect their revenues.
- Most of the sale of their products is concentrated in industries viz. Pharmaceuticals and Scientific Research and Laboratory Testing. Any change in demand or change in application or processes by their customers in these industries may lead to loss of revenues and profits.
- Any failure in developing new High Purity Speciality Fine Chemicals may affect their future growth and business.

Valuation:

Kronox Lab Science has a wide range of products finding applications in diversified end user industries with high entry and exit barriers due to long customer approval cycles and strict product standards with focus on R&D and Quality Control and Zero debt company with strong and consistent financial performance.

At the upper price band company is valuing at P/E of 28.00x, EV/EBITDA 22.78x with a market cap of ₹ 5,046 million post issue of equity shares and return on net worth of 37.19%.

We believe that the IPO is richly priced and recommend an “**AVOID**” rating to the IPO.

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Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small caps (251 st company onwards)	>25%	0%-25%	Below 0%

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