

KRONOX

Kronox Lab Sciences Limited



Issue Opens - June 3, 2024 to June 5, 2024

Price Band
₹129 to ₹136

Face Value
₹10

Lot Size
110 Shares

Issue Size
₹130.15 Cr

Issue Type
Book Built

research@ganeshstock.com

Important Events



Issue Size

9,570,000 shares/ ₹130.15 Cr

Fresh Issue

N/A

Offer for Sale

9,570,000 shares/ ₹130.15 Cr

Basis of Allotment

Tuesday, May 28, 2024

Initiation of Refunds

Friday, June 7, 2024

Credit of Shares to Demat

Friday, June 7, 2024

Awfis Space Sol. Listing Day

Monday, June 10, 2024

Objects of The Offer

The Company proposes to utilise the Net Proceeds towards the following objects

1. Funding capital expenditure towards the establishment of new centres;
2. Funding the working capital requirements and
3. General corporate purposes

Brief profiles of the Directors



- **Jogindersingh Jaswal** is one of the Promoters and is the Managing Director of their Company. He has been a director of their Company since incorporation. He holds a bachelor's degree in science from Panjab University. Previously, he has worked with Ranbaxy Laboratories Limited and Ranbaxy Fine Chemicals Limited from the year 1994 till 2001. He has over three (3) decades of experience in chemical industry. He looks after production, quality control and human resource activities in our Company.
- **Ketan Ramani** is one of the Promoters and Whole-time Director of their Company. He has been a director of their Company since incorporation. He is a commerce graduate from M. S. University, Baroda and holds a degree for post-graduation in industrial purchasing and material management from the Maharaja Sayajirao University of Baroda. He has over three (3) decades of experience in the chemical industry. He oversees finance, purchase and administration in our Company.
- **Pritesh Ramani** is one of the Promoters and Whole-time Director of their Company. He has been a director of their Company since incorporation. He holds a bachelor's degree in science from South Gujarat University. He has over two (2) decades of experience in the chemical industry. He looks after sales and marketing in our Company.
- **Satish Kumar** has been appointed as Independent Director of their Company w.e.f. August 23, 2022. He holds a bachelor's degree in science from Panjab University. He has also worked with Hindustan Uniliver Limited, Ranbaxy Laboratories Limited and Kanta Electricals India Limited.
- **Krutika Negandhi** has been appointed as Independent Director of our Company w.e.f. August 23, 2022. She is a member of the Institute of Chartered Accountants of India. She holds a bachelor's and a master's degree in commerce from the Maharaja Sayajirao University of Baroda. She is a practicing Chartered Accountant. She has a work experience of over five (5) years and have expertise in the field of accounting, auditing and tax advisory.
- **Parth Shah** has been appointed as Independent Director of their Company w.e.f. August 23, 2022. He holds a bachelor's degree in commerce and a bachelor's degree in law (Special) from the Maharaja Sayajirao University of Baroda. He holds a degree of post graduate diploma in taxation laws and practice from the Maharaja Sayajirao University of Baroda. Presently, he is a practising advocate and has an experience of over a decade in the field of tax consulting and law.

Promoters collectively hold 99.98% (Pre Issue) & 74.21 (Post Issue) of the Equity Share.

About The Company.



Kronox Lab Sciences Limited is a manufacturer of high-purity specialty chemicals used in various industries. Their products, ranging from pharmaceutical ingredients to personal care additives, meet strict quality standards and can be customized to client needs. They offer over 185 products and export to over 20 countries globally. Kronox Lab Sciences focuses on repeat business by delivering consistent quality and development of new products.

Description of Their Business

They manufacture high-purity specialty fine chemicals for various industries. These chemicals are used as:

1. Reacting agents and raw materials in making Active Pharmaceutical Ingredients (APIs).
2. Excipients in pharmaceutical formulations.
3. Reagents for scientific research and lab testing.
4. Ingredients in nutraceutical formulations.
5. Process intermediates and fermenting agents in biotech applications.
6. Ingredients in agrochemical formulations.
7. Ingredients in personal care products.
8. Refining agents in metal refineries.
9. Ingredients in animal health products.

Their products meet standards like IP, BP, EP, JP, USP, FCC, LR, AR, GR, and ACS, along with custom specifications required by some customers.

They produce high-purity specialty fine chemicals in various grades and particle sizes from 10 to 100 mesh. Their focus on product development, quality, and continuous improvement has led to repeat orders from customers. They offer over 185 products, including phosphates, sulfates, acetates, chlorides, citrates, nitrates, nitrites, carbonates, EDTA derivatives, hydroxides, succinates, and gluconates, supplied to customers in India and over 20 other countries.



The table below sets forth details of their products (product family, sub-product group and no. of products):

Product Family	Product Sub-Group	No. of Products
Phosphate	Ammonium, Calcium, Magnesium, Potassium, Sodium, Others	36
Sulphate	Aluminium, Ammonium, Calcium, Copper, Magnesium, Nickel, Potassium, Sodium, Zinc, Manganous, Others	28
Chloride	Barium, Calcium, Copper, Magnesium, Nickel, Zinc, Manganous, Potassium, Sodium, Others	15
Acetate	Ammonium, Barium, Calcium, Copper, Lead, Magnesium, Potassium, Sodium, Zinc, Others	12
Nitrate and Nitrite	Barium, Calcium, Copper, Lead, Magnesium, Nickel, Potassium, Sodium, Zinc, Others	11
Citrate	Ammonium, Magnesium, Potassium, Sodium, Zinc, Others	10
Carbonate	Ammonium, Calcium, Magnesium, Potassium, Sodium, Others	9
EDTA Derivatives	Potassium, Sodium, Others	6
Hydroxide	Barium, Calcium, Magnesium, Potassium, Sodium, Others	4
Succinate and Gluconate	Sodium, Zinc, Others	3
Others	Aluminum, Ammonium, Calcium, Copper, Lead, Magnesium, Oxalic, Potassium, Sodium, Zinc, Others	54
Total		188

Track Record Of Financial Performance



Statement of Profit and Loss

(RS. IN MILLION)

Sr. No.	Particulars	Notes	For the period ended December 31, 2023	For the period ended December 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
I	Revenue from operations	25	676.86	741.03	955.78	822.47	624.60
II	Other income	26	7.52	17.82	19.20	10.93	7.76
III	Total revenue		684.38	758.85	974.98	833.40	632.36
IV	Expenses						
	Cost of materials consumed	27	328.00	446.90	580.12	479.84	343.63
	Change in inventories of finished goods and Work in Progress	28	25.78	(27.15)	(31.30)	(5.84)	0.45
	Employee benefits expense	29	50.16	51.11	70.27	57.46	53.91
	Finance costs	30	-	0.92	0.93	4.05	3.82
	Depreciation and amortisation expenses	31	10.00	11.99	14.97	20.29	19.76
	Other expenses	32	68.32	91.35	116.73	94.05	78.58
	Total expenses		482.26	575.12	751.72	649.85	500.15
V	Profit/(Loss) before taxes		202.12	183.73	223.26	183.55	132.21
VI	Tax Expenses :						
	Current Tax		50.78	43.45	57.94	47.90	35.54
	Deferred Tax		(3.35)	(0.63)	(0.84)	(0.62)	(0.63)
VII	Profit/(Loss) for the year		154.69	140.91	166.17	136.27	97.30
VIII	Other Comprehensive Income						
	(A) Items that will not be reclassified to Statement of Profit and Loss						
	(i) Defined benefit Plan liability / asset		1.79	2.10	2.80	(1.19)	0.14
	(ii) Tax impact on above item		(0.45)	(0.53)	(0.71)	0.30	(0.04)
	(B) Items that will be reclassified to Statement of Profit and Loss		-	-	-	-	-
	Total Other Comprehensive Income (After Tax)		1.34	1.57	2.10	(0.89)	0.11
IX	Total Comprehensive Income		156.03	142.48	168.26	135.39	97.40
X	Earning per Equity Share						
	Basic & Diluted (Amount in Rs.)	33(C)	4.17	3.61	4.30	3.49	2.40
	Notes to Accounts	1-34					

Sources:DRHP



The following table sets out their revenue split as per segment information, in accordance with Ind AS 108, for the specified period/ years:

(₹ in million except per share data or unless otherwise stated)

Particulars	For the nine months period ended as on December 31, 2023	For the nine months period ended as on December 31, 2022	For the Financial Year ended / as on March 31, 2023	For the Financial Year ended / as on March 31, 2022	For the Financial Year ended / as on March 31, 2021
Revenue from Operations	676.86	741.03	955.78	822.47	624.60
EBITDA ⁽¹⁾	204.60	178.83	219.96	196.97	148.03
EBITDA Margin (%) ⁽²⁾	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 (%) ⁽³⁾	22.60	18.57	17.04	16.35	15.39
EPS (Basic & Diluted) ⁽⁴⁾	4.17	3.61	4.30	3.49	2.40
Total Borrowings	-	-	-	6.42	0.13
Net worth	602.82	546.01	446.79	403.53	268.14
ROE (%) ⁽⁵⁾	25.66	25.81	37.19	33.77	36.29
ROCE (%) ⁽⁶⁾	33.15	33.50	49.86	46.27	51.78
Debt - Equity Ratio ⁽⁷⁾	-	-	-	0.02	Negligible
Fixed Assets Turnover Ratio ⁽⁸⁾	2.61	4.62	6.01	9.30	10.87
Net Cash from/ (used in) Operating Activities	153.12	174.72	196.65	90.20	113.14
Net Cash from/ (used in) Investing Activities	(173.00)	(145.86)	(55.17)	(75.99)	(29.56)
Net Cash from/ (used in) Financing Activities	-	(8.95)	(133.96)	(6.66)	(70.95)
Revenue CAGR (Fiscal 2021 to 2023) (%)	23.70				
EBITDA CAGR (Fiscal 2021 to 2023) (%)	21.90				
PAT CAGR (Fiscal 2021 to 2023) (%)	30.68				



Strengths

1. A wide range of products is found in diversified end-user industries.
2. Long-standing relationships with customers are maintained.
3. High entry and exit barriers are encountered due to long customer approval cycles and strict product standards.
4. A strong focus is placed on R&D and quality control.
5. The company is noted for having zero debt and demonstrating strong and consistent financial performance.
6. Manufacturing facilities are strategically located to provide supply chain efficiencies.
7. Extensive domain knowledge is possessed by the experienced promoters and senior management.

Threats

1. Kronox Lab Sciences faces risks if their products deviate from prescribed standards like IP, BP, EP, JP, USP, potentially leading to customer rejection and harming their reputation.
2. The company's growth strategy relies on a new manufacturing facility; failure to execute this could affect their business prospects and financial stability.
3. With top 20 products generating over 60% of revenue, a demand drop in these could significantly impact Kronox's financial results and cash flow stability.



Valuation and Outlook

The expected share price for Kronox Lab Sciences Ltd is set to be between ₹364 to ₹383 per share. When looking at the valuation, the company has a negative Price-to-Earnings (P/E) ratio, calculated using a price above ₹272 and an FY23 EPS of ₹-8.11.

They believe there are no listed companies in India engaged in similar product segment(s) as of our Company. However, They have identified following Speciality Chemicals companies which are engaged into similar product range and / or similar supply chain to the end-user industries where their Company also supplies its products. They have provided the below information for broad based comparison since there are no companies having exact product segment matching with their Company:

Company	FV/Share	EPS (Basic)	RONW (%)	NAV	P/E
Kronox Lab Sciences Limited	10	4.30	37.19	12.04	[•]
Peer Group					
Tatva Chintan Pharma Chem Limited	10	19.45	8.84	220.07	57.57
Tanfac Industries Limited	10	56.27	30.46	184.74	39.15
Neogen Chemicals Limited	10	18.94	10.36	182.90	77.55
Sigachi Industries Limited	1	1.42	16.22	8.73	46.64
DMCC Speciality Chemical Limited	10	2.78	3.50	79.49	116.57

The company specializes in high-purity specialty chemicals and holds a near-monopoly on some products. It offers 185 products with 122 more in development. Based on FY24 annualized earnings, the IPO seems fairly priced.

We recommend **subscribing** for both long-term gains and potential listing gains.

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