

ALL ABOUT



Archean
Chemical
Industries
Limited

Life's good with our Chemistry

SECTOR - CHEMICALS

Issue Opens - NOVEMBER 09 - NOVEMBER 11

Price Band
₹407 to ₹386

Face Value
₹2

Lot Size
36 SHARES

Issue Size
₹1462.31 CR

Issue Type
BOOK BUILT

RESEARCH@GANESHSTOCK.COM

Important Events

Issue Size

₹1462.31 CR

Fresh Issue

19,778,870 shares , ₹805 Cr

Offer for Sale

16,150,000 shares ₹657Cr

Basis of Allotment

Nov 16, 2022

Initiation of Refunds

Nov 17, 2022

Credit of Shares to Demat

Nov 18, 2022

ACIL IPO Listing Date

Nov 21, 2022

Promoters

- **RANJIT PENDURTHI (: MANAGING DIRECTOR)**
- **RAVI PENDURTHI (NON-EXECUTIVE DIRECTOR)**
- **SUBRAHMANYAM MEENAKSHISUNDARAM (NON-EXECUTIVE DIRECTOR)**
- **PADMA CHANDRASEKARAN (INDEPENDENT DIRECTOR)**

Promoters collectively hold 65.58% of the Equity Share .

ABOUT COMPANY

- Archean Chemicals Industries is one of the leading manufacturers of specialty marine chemicals in India and focuses on manufacturing and exporting bromine, industrial salt and potassium sulfate to customers globally. It manufactures its products from its own brine reserve in Rann of Kutch, located on the coast of Gujarat, and manufactures its products at its factory near Hajipir in Gujarat.
- The main exporting countries are China, Japan, Korea, Qatar, Belgium and the Netherlands. Some major customers include Sojitz Corporation, also a shareholder of our company, Shandong Tianyi Chemical Corporation, Unibrom Corporation, Wanhau Chemicals and Qatar Vinyl Company Limited. Bromine produced by Archean is used as an important starting material. It has applications in pharmaceuticals, agrochemicals, water treatment, flame retardants, additives, petroleum and energy storage. Industrial salt is an important raw material used in the chemical industry to produce many other chemicals and compounds, and the sulphate of potash is used as a fertilizer and also used in medicine to decreased plasma potassium concentration in cases of hypokalemia.

PRODUCT PORTFOLIO

They are one of the leading manufacturers of specialty marine chemicals in India and focus on manufacturing and exporting **bromine, industrial salt and potassium sulfate** to worldwide customers .

They manufacture their products from their brine reserves in Rann of Kutch, located on the coast of Gujarat, and they manufacture their products at the factory near Hajipir in Gujarat.

As of September 30, 2021, we market our products to 13 global customers in 13 countries and to 29 domestic customers

OBJECTS OF THE OFFER

THE NET PROCEEDS FROM THE ISSUE ARE PROPOSED TO BE UTILIZED BY THE COMPANY FOR THE FOLLOWING OBJECTS:

- **REDEMPTION OR EARLIER REDEMPTION, IN PART OR FULL, OF NCDS ISSUED BY THE COMPANY.**
- **GENERAL CORPORATE PURPOSES.**

TRACK RECORD OF FINANCIAL PERFORMANCE

- REVENUE FROM OPERATIONS FOR FISCAL 2021, 2020 & 2019 WAS ₹ ₹7,407.64 ₹6,081.70 AND ₹5,655.06 (IN MILLIONS) RESPECTIVELY. AND Q2FY22 REPORTED 4,505.10. THE GROWTH IN THE REVENUE FROM OPERATIONS INCREASED WITH CAGR OF 6.63%.
- OPERATING PROFIT WAS ₹148.03, ₹262.23 & ₹467.31 CR FOR THE FINANCIAL YEARS ENDED, 2020, 2021 & 2022 RESPECTIVELY. Q2FY22 WAS 192 CR
- EBITDA MARGINS 34.37% IN FY19, 25.78% IN FY20 & 37.29% IN FY21. AND IN Q2FY22 42.78%
- PAT WAS ₹-35.80, ₹66.36 & ₹104.71 FOR THE FINANCIAL YEARS ENDED 2020, 2021 & 2022 RESPECTIVELY.
- ARCHEAN CHEMICAL INDUSTRIES HAS POSTED TOTAL ASSETS OF RS.1353.11 CR, RS.1380.74 AND RS1531.69 FY19 FY20 & 21. FOR THE FINANCIAL YEARS ENDED, 2019, 2020 & 2021 RESPECTIVELY.
- Total Brown wings 848.26 In FY 20, 858.43 FY 2020 & 844.88 FY 22
- ARCHEAN CHEMICAL INDUSTRIES HAS REPORTED AN EPS OF RS. 5.44, RS. -3.51 & RS,6.45 FOR THE FY19, 20 & 21 AND AN AVERAGE RONW OF 72.24 %.
- NET CASH REPORTED FOR THE YEARS -22.75 IN FY20 7.04 IN FY21 & -24.26 IN FY 21
- DURING THE SIX MONTHS ENDED SEPTEMBER 30, 2021 AND DURING FISCAL 2021, FISCAL 2020 AND FISCAL 2019, THEIR ROCE WAS 14.35% (NOT ANNUALISED), 21.01%, 11.23% AND 17.81%, RESPECTIVELY.

STRENGTHS

- High barriers to entry in the marine specialty chemicals industry.
- Market leadership, expansion and growth in industrial bromine and salt.
- Infrastructure is established and integrated production with cost savings.
- India's largest industrial salt and bromine exporter with a global customer base.
- Solid and consistent financial performance.
- Experienced management team, promoters and financial investors and stakeholders.

RISKS

- Slow down or stop of production or strike, stop work or raise wage demands of employees
- Relying on three key products for significant sales growth can have an adverse effect on our business.
- The production facilities are located only in Gujarat; therefore, operations are subject to geographical risks such as weather and natural events as well as regulatory, economic, demographic and other changes in Gujarat.
- Slow down or stop of production or strike, stop work or raise wage demands of employees

Valuation and Outlook

THE PRICE RANGE OF THE ISSUE, IN TERMS OF VALUATION, IS INR 386 - 407 PER SHARE. THE P/E RATIO IS AROUND 22.28X BASED ON A PRICE RANGE ABOVE INR 407 AND OVER THE PAST THREE YEARS, ON A CONSOLIDATED BASIS, ACIL HAS REPORTED AN AVERAGE EPS OF INR 2.79. THE INDUSTRY AVERAGE IS 38X TIMES THAT OF LISTED PEERS.

THE ARCHEAN CHEMICAL INDUSTRIES LIMITED, ACCORDING TO DRHP OF SOME COMPANY IS LISTED WHOSE PE MULTIPLE IS SHOWN IN THIS TABLE.

S.NO.	COMPANY	PE RATIO
1.	TATA CHEMICALS LIMITED,	14.7
2.	DEEPAK NITRITE LTD	31.7
3.	AARTI INDUSTRIES LTD	20.3
4.	NEOGEN CHEMICALS LTD	74.8

ACIL HAS CREATED A NICHE FOR ITSELF AS A MANUFACTURER AND EXPORTER OF SPECIALTY CHEMICALS. THEY STARTED PAYING OFF THEIR DOWNSTREAM EXPANSIONS, WHICH HELPED IMPROVE MARGINS.

AFTER THE NEGATIVE IMPACT OF THE PANDEMIC, INDIA IS NOW FOCUSING ON INCREASING R&D SPENDING AS IT IS SIGNIFICANTLY LOWER THAN OTHER COUNTRIES. AND THE GLOBAL CHEMICALS MARKET IS EXPECTED TO GROW AT A CAGR OF 6.2 GR FROM \$5,027 BILLION IN CALENDAR YEAR 2020 TO \$6.780 BILLION IN 2025.

INVESTORS MAY CONSIDER INVESTING INVEST IN THIS BLUE CHIP IN THE MEDIUM AND LONG TERM.