

29th February 2024

Platinum Industries – SUBSCRIBE

Investment Thesis

Platinum Industries Ltd. (Platinum Industries) is coming out with an initial public offering (IPO) on February 27, 2024. The issue comprises of fresh issue of 13,761,225 equity shares at highest price band worth Rs.2,353.2mn. Objective of the issue is to fund capital expenditure for setting up of a manufacturing facility for PVC Stabilizers at Egypt and Palghar, Maharashtra.

Platinum Industries is manufacturer of stabilizers across various segments like PVC stabilizers, CPVC additives and lubricants. It is the third largest player in PVC stabilizers in terms of sales, with a 13% market share in the domestic market for FY23. Its product portfolio has various applications in PVC pipes, PVC profiles, PVC fittings, electrical wires and cables, SPC floor tiles, rigid PVC foam boards, packaging materials, etc.

Platinum Industries intends to strengthen relationships with its existing customers and explore opportunities to grow along the value chain by expanding the array of existing products and solutions that it supply to its customers across geographies. This will help Platinum Industries to win new customers by developing products and solutions aligned with their needs. It is also intending to diversify its product base to cater to other end-use industries as well, such as pharma and medical. Platinum Industries has already manufactured and tested some new products which will help them to cater to wider end-applications.

Barriers to entry in the specialty chemical industry are typically high and the specialized nature of products leads to significant differentiation. R&D requirements, technical know-how, capital intensity service capabilities, customer relationships, and engineered or regulated specifications also create important barriers to entry. Further, because end products manufactured by the customers are typically subject to regulatory and industry standards, any change in the vendor of the products may require significant time and expense for customers, which acts as an entry barrier.

Financials

- During the past 2 years, revenue of Platinum Industries grew at a CAGR of 61.0% while PAT grew at CAGR of 179.2% in same period.

| Consol. (Rs.Mn.) | FY21 | FY22 | FY23 | H1FY24 |
|------------------|-------|-------|-------|--------|
| Revenue | 893 | 1,882 | 2,315 | 1,228 |
| EBITDA | 76 | 254 | 539 | 324 |
| EBITDA Margin(%) | 8.5% | 13.5% | 23.3% | 26.4% |
| PAT | 48 | 178 | 376 | 228 |
| EPS (Rs.) # | 1.2 | 4.4 | 9.3 | 4.2 |
| P/E (x) *# | 142.8 | 38.8 | 18.3 | |
| RoE (%) # | 11.0% | 28.8% | 60.7% | |

* At highest price band # Post listing

IPO Details

| | |
|---------------------|-------------------|
| Issue Open Date | 27 February 2024 |
| Issue Close Date | 29 February 2024 |
| Price Band (Rs.) | Rs. 162 – Rs. 171 |
| Issue Size* | Rs. 2,353.2 Mn |
| Issue Size (Shares) | 13,761,225 |
| Market Lot | 87 Shares |
| Listing Exchanges | BSE and NSE |
| Face Value (Rs.) | Rs. 10/- |

* At highest price band

Key Details

| | |
|-----------------------------------|--|
| Fresh Issue* | Rs. 2,353.2 Mn |
| Issue Type | Book Building |
| Book Running Lead Manager | Unistone Capital |
| Issue structure | QIB: 20% Non Institutional: 15% Retail: 35% Anchor Investors: 30% |
| Credit of Shares to Demat Account | 04 March 2024 |
| Issue Listing Date | 05 March 2024 |

* At highest price band

Key Business Highlights

- Platinum Industries is engaged in the business of manufacturing PVC stabilizers, CPVC additives and lubricants. Its products find application in PVC pipes, PVC profiles, PVC fittings, electrical wires & cables, SPC floor tiles, Rigid PVC foam boards, packaging materials, etc.
- Platinum Industries has grown from 2 products portfolio company to a multi-product manufacturing company with sales across India and in international markets. It is the third largest player of PVC stabilizer in terms of sales with an ~13.0% market share in the domestic market.
- Platinum Industries has one manufacturing facility in Palghar, Maharashtra which is strategically situated near JNPT Port, Maharashtra from where it imports raw materials as well as exports its finished goods to the international market.

Valuation

- Platinum Industries has manufacturing facility located at Palghar, Maharashtra. It delivers its products to domestic markets as well as export to some countries. To expand its global market reach, Platinum Industries is setting up manufacturing facility in Egypt, through its subsidiary, which is scheduled to commission production from Q4FY25.
- Platinum Industries is in process of setting up another facility adjacent to existing one at Palghar, Maharashtra to streamline production and also to increase its capacity to manufacture non-lead-based stabilizers. This will also help in segregating the lead from the non-lead products thereby giving more control of product quality. The proposed installed capacity of the facility will be 60,000 MTPA of PVC stabilizers (non-lead based).
- With third largest player in PVC stabilizers in terms of sales, with a 13% market share, expanding the array of existing products and solutions, high entry barrier in the specialty chemical industry, setting up manufacturing facility in Egypt to expand its global market reach and setting up another facility adjacent to existing one at Palghar, Maharashtra to increase its capacity, we are recommending **SUBSCRIBE** rating to the IPO of Platinum Industries Ltd. (Platinum Industries) for medium to long term perspective.

Risk & Concern

- Platinum Industries currently operates from single manufacturing facility. Any disruption in production or shutdown of its manufacturing unit may have an adverse impact future growth of the company.
- Platinum Industries is dependent on a few customers for a major part of its revenues. Also, it does not enter into long-term arrangements with its customers. Any failure to continue any existing arrangements may adversely affect the company.
- Platinum Industries is dependent on the demand from industries where its products find application such as PVC pipes & tubes, PVC profiles, PVC fittings and electrical wires & cables. Any downturn in user industries impact its business going ahead.

Graphs & Charts

Figure 1: Net Sales Trend

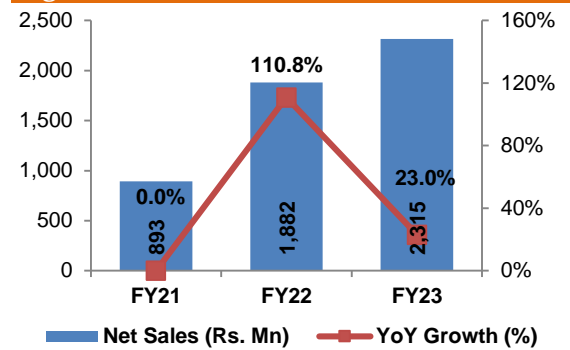


Figure 2: EBITDA & EBITDA Margin Trend

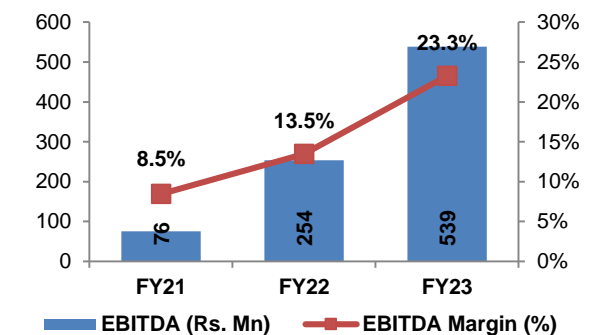


Figure 3: PAT & PAT Margins

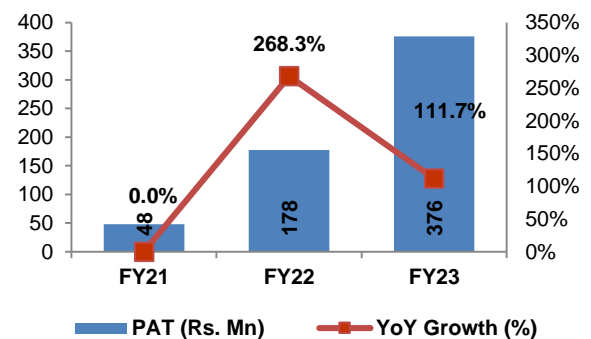
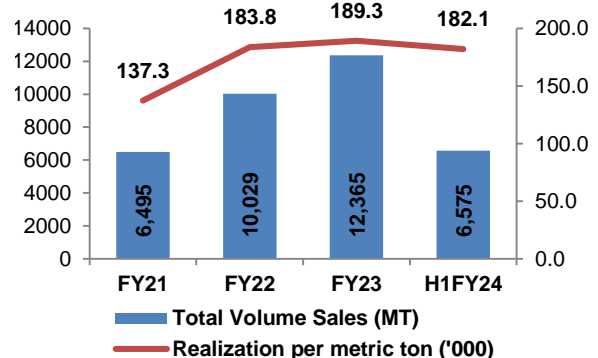


Figure 4: Volume & Realization Trend



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