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Issue Details	
Price Band (Rs)	Rs.1073 - 1083
Face Value (Rs)	10
Issue Size (Rs)	500Cr
Issue Type	Book Building
Minimum lot	13
Issue Opens	July 16, 2021
Issue Closes	July 20, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	July 26, 2021
Unblocking of Funds	July 27, 2021
Credit of shares to Demat Account	July 28, 2021
Listing on exchange	July 29, 2021

Other Detail	
Book Running Lead Managers	ICICI Securities Limited, JM Financial Limited
Registrar	Link Intime India Private Limited

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Tatva Chintan Pharma Chem Limited

Company Background

Tatva Chintan Pharma Chem Limited ("Tatva Chintan") was incorporated on June 12, 1996. Tatva Chintan is a specialty chemicals manufacturing company engaged in the manufacture of a diverse portfolio of structure directing agents ("SDAs"), phase transfer catalysts ("PTCs"), electrolyte salts for super capacitor batteries and pharmaceutical and agrochemical intermediates and other specialty chemicals ("PASC"). Tatva Chintan is the largest and only commercial manufacturer of SDAs for zeolites in India. As on March 31, 2021, they manufactured over 154 products. The company currently operates through 2 manufacturing facilities situated at Ankleshwar and Dahej in Gujarat. Tatva Chintan supply their products to customers in India and export their products to over 25 countries, including the USA, China, Germany, Japan, South Africa and the UK.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.225Cr and Offer for sale of Equity Shares aggregating upto Rs.275Cr.

Issue Objectives

1. Funding capital expenditures requirements for expansion of Dahej manufacturing facility.
2. Funding capital expenditures requirements to upgrade R&D facilities in Vadodara.
3. To meet general corporate purposes.

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.1073	Number of Shares at Rs.1083	Issue Size (Rs.Cr)
QIB	50%	23,29,916	23,08,403	250
Non-Institutional	15%	6,98,975	6,92,521	75
Retail	35%	16,30,941	16,15,882	175
Total		46,59,832	46,16,805	500

Source: Company RHP, ACMIL Research

Outlook and Valuations

Tatva Chintan is a niche global player in specialty chemicals with SDAs in centre stage. The company is the largest manufacturer of Structure Directing Agents for Zeolites in India and leading manufacturer of some of the other products it has in its portfolio. Growth in demand for SDAs, especially for applications in automotive segment for complying with latest emission control standard, should drive revenue over the medium term. SDA and PTC products from the company offer a variety of applications in green chemistry, which is pertinent given the increased emphasis on green and sustainable technologies. The company also earns 30% of revenue from pharmaceutical and agrochemical intermediates and other specialty chemicals, which are basically export orders shifted from China to India. With its superior product mix, established brand name, Forward integration, strong relationships with multinational, and adding capacities, we believe Tatva Chintan is likely to deliver healthy financial performance. At the upper price band of Rs.1083/-, stock is valued at 45.8x of FY21 Earnings of Rs.23.64(based on fully diluted post issue equity). **We recommend to subscribe the issue from a long-term prospective.**

Company Products

As on March 31, 2021, Tatva Chintan manufactured over 154 products which can be divided into the 4 broad categories

Category	Details
Structure Directing Agents ("SDA")	SDAs are quarternary salts which are chemicals which help in the formation of particular channels and pores during the synthesis of zeolites. Zeolites have varied applications including as catalysts and adsorbents. In particular, zeolites promoted with transition metals such as copper and iron has been proven to be active for the selective catalytic reduction, which is currently considered as one of the preferred technologies for emission control in automotive applications. New and innovative applications are driving the growth of the zeolite market, in turn driving the quaternary ammonium compounds market.
Phase Transfer Catalyst ("PTC")	PTCs are used to facilitate the migration of a reactant from one phase into another phase where the reaction occurs, in a heterogeneous multi-phase system. PTCs are used for a variety of industrial processes. Phase transfer catalysts are a type of catalyst that allows a reactant to be migrated from one phase to another where the reaction takes place eliminating the need for costly and unsafe solvents that can dissolve all reactants in one phase, and costly raw materials minimizing the issue of waste. Phase transfer catalysts are widely used in green chemistry applications.
Electrolyte salts for super capacitor batteries	Electrolyte salts are used in the manufacture of super capacitor batteries, which are used in automobile batteries and other batteries. Tatva Chintan is the largest producer of electrolyte salts for super capacitor batteries in India.
Pharmaceutical and Agrochemical intermediates and other specialty chemicals ("PASC")	The products manufactured by Tatva Chintan under this category are used in the manufacture of various pharmaceutical and agrochemical products as intermediates, disinfectants and catalysts, and solvents. In addition, they also manufacture specialty chemicals under this category that are used in dyes and pigments, personal care ingredients, flavour and fragrance sectors.

Source: Company RHP, ACMIL Research

Investment Rationale

Leading manufacturer of structure directing agents and phase transfer catalysts

Tatva Chintan is the largest and only commercial manufacturer of SDAs for zeolites in India. It also enjoys the 2nd largest position globally. Their strategically located manufacturing facilities and robust and technically sound R&D capabilities have enabled them to maintain the quality of their products. Their large manufacturing capacity, consistent growth, experienced management, global footprint, and high-quality products make them a reliable supplier of SDAs and PTCs.

The SDA market remains highly consolidated with a handful of players operating at the global level. Opportunities in the automotive industry continue to grow, as compliance with the regulations regarding the emission control in commercial vehicles becomes a mandate worldwide. The company has managed to build a market for itself in India and across the globe with its in-depth knowledge of the chemistry. On a domestic level, the company is the only manufacturer in India.

Global presence with a wide customer base across various industries

Tatva Chintan supply their products to customers in India and export their products to over 25 countries, including the USA, China, Germany, Japan, South Africa and the UK. They also have two wholly owned subsidiaries in the USA and Netherlands, to facilitate their overseas operations. The varied applications for their product portfolio have helped them build a wide customer base across many sectors. Of their entire customer base as of March 31, 2021, 46.86% of these customers have been their customers for less than 5 years and 53.14% of these customers have been their customers for over 5 years.

Product Category	FY19	FY20	FY21
Number of new customers acquired	110	107	153
Number of customers served	444	445	508

Source: Company RHP, ACMIL Research

The company has established long standing relationships with marquee players across various industries. Their Customers includes Merck, Bayer AG, Ipox Chemicals, Asian Paints Ltd, Laurus labs, Navin Fluorine International Limited, Atul Limited, Otsuka Chemicals, SRF Limited, Hawks Chemical Company, Firmenich Aromatics Prod Pvt Ltd, and Divi's laboratories.

Diversified specialised product portfolio requiring strong technical know-how

Tatva Chintan has, over the years, diversified, expanded, and evolved their operations into manufacturing of pharmaceutical and agrochemical intermediates and other specialty chemicals, which have diverse applications across various industries. The expansion of their product portfolio is primarily driven by the continuously evolving needs and R&D initiatives undertaken by their customers, which is further supplemented by their R&D capabilities. Most of their products form part of the base raw materials required for the manufacture of products by their customers.

As of March 31, 2021, they offered 47 products under their SDA product portfolio, 48 products under the PTC product portfolio, 6 products under the electrolyte salts for super capacitor batteries portfolio and 53 products under their PASC portfolio.

Disaggregated Revenue Information

Particulars	2019		2020		2021	
	Sale of Product	Revenue (Rs.Cr)	% of Total	Revenue (Rs.Cr)	% of Total	Revenue (Rs.Cr)
PTC	87	42%	75	28%	82	27%
SDAs	25	12%	102	39%	120	40%
Electronic Chemical	3	2%	4	2%	3	1%
PASC	88	42%	77	29%	91	30%
Other Operating Revenue	4	2%	5	2%	4	2%
Total	207	100%	263	100%	300	100%

Source: Company RHP, ACMIL Research

Modern manufacturing facilities with a focus on 'green' chemistry processes

The company operates through two of their manufacturing facilities situated at Ankleshwar and Dahej. They have employed the latest available technology such as ANFDs which has helped improve the productivity and the quality of the products manufactured by them. They have successfully converted their Ankleshwar Manufacturing Facility into a 'zero liquid effluent discharge' facility from January 2020. The company, over the years, has focused on sustainable supply chain solutions by managing the entire value chain. Its sustainability performance as audited by Ecovadis has been above the industry average score on their sustainability performance towards the environment and procurement.

Strong R&D capabilities

Company's R&D efforts are mainly focused on development of new products, improvement of their existing production processes, adoption of advance production technology, and improvement of the quality of their existing products. These capabilities enable them to explore, among others, green and continuous flow chemistry processes which may give them a competitive edge in future. Of the products developed in last 10 years, 82 products have been successfully commercialized so far. Further, 82 products have been developed since March 31, 2011, and these products have contributed to 23.65%, 20.75%, and 12.88% of the total revenue, in Fiscals 2021, 2020, and 2019, respectively.

Financial Snapshot

Particulars (Rs. Million)	FY19	FY20	FY21
Equity share capital	80	80	201
Net worth	797	1,177	1,660
Net asset value per share	40	59	83
Debt to Equity Ratio	0.78	0.68	0.52
Revenue from Operations	2,063	2,632	3,003
EBITDA	343	563	716
EBITDA %	16.63%	21.39%	23.84%
Net Profit	205	378	523
Diluted EPS (Rs)	10.23	18.81	26.02
ROE	25.78%	32.11%	31.49%
ROCE	26.36%	31.96%	32.98%

Source: Company RHP, ACMIL Research

Comparison With Listed Peers

Company	Consolidated/ Standalone	Total Income (Rs.Mn)	EPS	NAV	P/E	ROE (%)
Tatva Chintan Pharma Chem Ltd#	Consolidated	3,063	26.02	83	45.8^	31.49
Aarti Industries Ltd	Consolidated	45,068	30.04	97	29	15.23
Navin Fluorine International Ltd	Consolidated	12,584	51.96	33	73.1	15.76
Alkyl Amines Chemicals Ltd	Consolidated	12,494	144	39	25.6	37.27
Vinati Organics Ltd	Standalone	9,801	26.20	15	77.41	17.45
Fine Organics Industries Ltd	Consolidated	11,503	39.25	24	75	16.45

Source: Company RHP, ACMIL Research, #Based on the Restated Consolidated Financial Statements for the year ended March 31, 2021. Peer group data is based on annual reports and Audited Financial Results for the year ended March 31, 2021 of the respective companies. P/E Ratio has been computed based on the closing market price of the equity shares on July 2,2021. ^P/E Ratio has been computed based on the Issue price and FY21 earnings fully diluted post issue equity.

Risk and Concern

1. Failure to comply with the quality standards and technical specifications.
2. Significant portion of revenue from a few customers.
3. Increase in the cost of raw materials.

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RBI Monetary Policy	Techno-Funda
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