

## IPO TIMELINE

Events	Date
IPO Opening Date	Nov 9, 2022
IPO Closing Date	Nov 11, 2022
Allotment Date	Nov 16, 2022
Initiation of Refunds	Nov 17, 2022
Credit of Shares to Demat	Nov 18, 2022
IPO Listing Date	Nov 21, 2022

## IPO LOT SIZE

Application	Lots	Shares	Amount
Retail (Min)	1	36	14,652
Retail (Max)	13	468	1,90,476
S-HNI (Min)	14	504	2,05,128
B-HNI (Min)	69	2484	10,10,988

## IPO KEY DETAILS

Price Band	₹386 to ₹407
Face Value	₹2 per share
Issue Size	₹ 1462 crore
Reservation	QIB 75%, Retail 10%, NII 15%
Listing	BSE, NSE

## FINANCIAL PERFORMANCE (Rs. Cr)

Y/E March	FY20	FY21	FY22
<b>Revenue</b>	<b>608.2</b>	<b>740.8</b>	<b>1130.4</b>
Revenue Growth	7.42%	21.70%	52.70%
<b>EBITDA</b>	<b>156.8</b>	<b>276.3</b>	<b>479.5</b>
EBITDA margin	25.8%	37.3%	42.4%
<b>PAT</b>	<b>-36.2</b>	<b>66.6</b>	<b>188.6</b>
PAT growth	-	-	183%
PAT margin	-	9.0%	16.7%
<b>EPS</b>	<b>-17</b>	<b>6.45</b>	<b>18.26</b>
Total Assets	1428.6	1432.4	1529.7
Borrowings	929.3	978.8	921.9
RoE (%)	-139	163	112
RoCE(%)	12.6	24.6	40..50

## PEER COMPARISONS (Rs. Cr)

Company Name	Revenue	EPS	P/E(x)
Tata Chemicals	1287.8	49.36	14.1
Deepak Nitrite	6844.8	78.2	31.2
Aatri Industries	7000	36.06	19.4
<b>Archean Chemical</b>	<b>1142.83</b>	<b>18.26</b>	<b>26</b>

## Subscribe for medium to long-term gains...

**Our Recommendation:** Archean Chemical reported strong revenue growth of 25.93% CAGR between FY2019-2022 and healthy Net Profit growth of 66% CAGR in the same period. Given its consistent top-line & bottom-line growth with healthy margins and leading position in marine specialty chemical, we are positive on future growth. The IPO is fairly priced at 26x its FY22 earnings while its peers like Tata Chemicals & Deepak Nitrite are trading at the P/E of 14x and 31x respectively. Investors may subscribe this IPO for medium to long-term gains.

**About Company:** Archean Chemical Industries Limited is an Indian marine chemicals manufacturer. The company focuses on the production and manufacturing of bromine, industrial salt and potassium sulfate. According to Frost & Sullivan, they are the largest exporters of bromine and industrial salts. The company has a saltwater resource in the Kutch Marshes on the coast of Gujarat, where it manufactures its products, which is located near Hajipir, Gujarat. As of September 2021, the brand sells products to his 13 global customers and 29 domestic customers in 13 countries.

**IPO Objectives:** The selling shareholders are entitled to the entire proceeds of the offer. Also, to fund the following objects:

- Redemption or earlier redemption, in part or full, of NCDs issued by the company.
- General corporate purposes.

## Key Products:

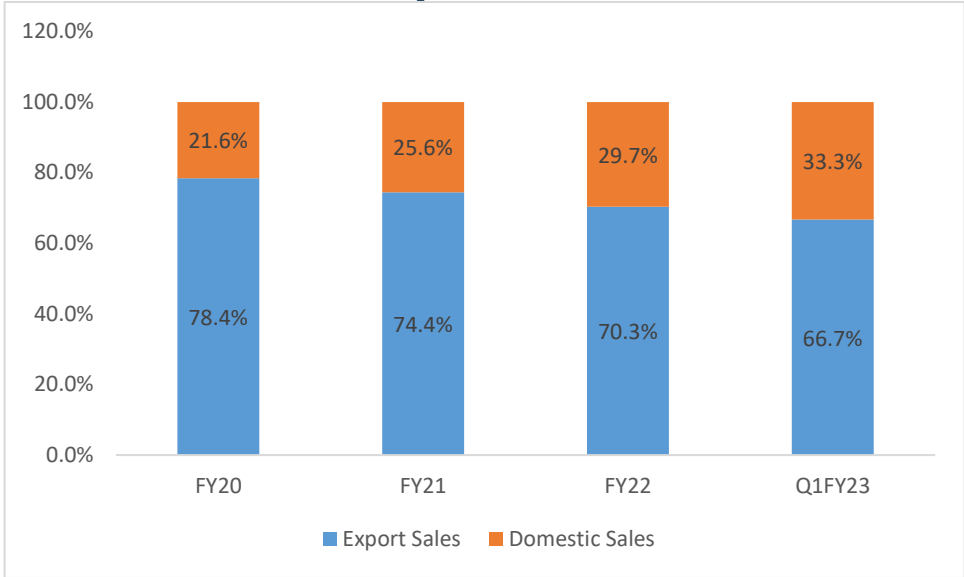
- Bromine: Recovered from soluble salts found in seawater, inland seas, salt lakes, and brine wells. Archean Chemical is India's largest exporter of bromine and industrial salt in FY21.
- Industrial salt: It is used in oil & gas industry, de-icing chemical industry, and Chlor-alkali industry, hence has very high demand.
- Sulfate of potash: High-end, specialty fertilizer used for chlorine-sensitive crops. This is also used in medicine to reduce the plasma concentration of potassium when hypokalemia occurs. Archean is the only manufacturer of sulfate of potash from natural sea brine in India.

**Strong Financial Performance:** Revenue has grown at CAGR of 25.93% from FY19 to FY22 from Rs 566 crore to 1130.4 crore. In FY2020, the company reported net loss of 36 crore but in FY21 and FY22, company reported profit of Rs. 66.6 crore and Rs. 188.6 crore respectively. Profit margin increased from 8.99% in FY21 to 18.26% in FY22.

**Industry Outlook:** Worldwide demand for sulfate of potash was around 7 million MT in 2021 & this is expected to grow at CAGR of 6%. Global demand for industrial salt was 153 million MT in 2020 which is estimated to increase at CAGR of 3% by FY2025. Bromine market size was \$13 billion in 2021, which is expected to increase at CAGR of 5.8% till FY2025.

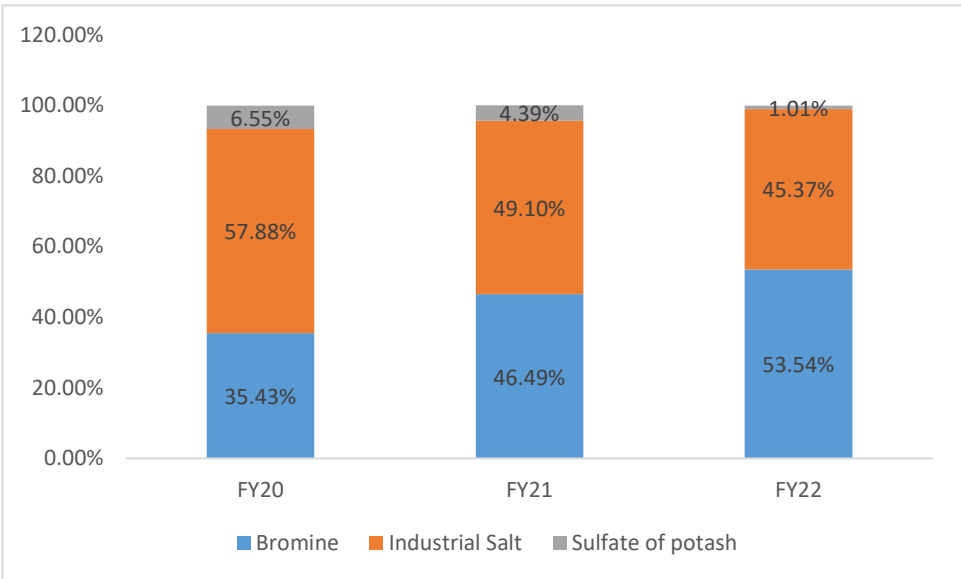
**Business Growth Potential:** I) The Company is planning to expand their product base by employing bromine derivative products in coming 2-3 years especially brominated flame retardant, bromine catalyst and clear brine fluid. ii) the company is in the process of expanding of bromine and industrial salt capabilities. iii) the company also intends to increase its market share by expanding its customer base in different territory in Asia and in Europe. IV) This industry has ‘high entry barriers’ that consists high cost and intricacy of product development, management, manufacture, investment in salt bed, availability of raw material and customer relationship. Archean Chemical has well established infrastructure facility - effluent treatment plant, sewage treatment plant, and quality control department, and stockyard. New entrants in this segment would have long gestation period.

Archean Chemicals Revenue Split



- Key export geographies are China, Japan, South Korea, Qatar, Belgium, and Netherland.
- Major customers are Sojitz Corp, which is also their shareholder; Shandong Tianyi Chemical Corp.; and Qatar Vinyl Co.
- In April-May Quarter domestic sales contribution to revenue increased to 33.3%
- Top 10 customers’ contribution was 60.7% of the revenues.
- Top 20 customers’ contribution was 81.75% of the revenues.

Contribution of Products to Revenue



- Contribution of bromine has increased to 53.54% in FY22.
- Contribution of Industrial Salt has decreased to 45.37% in FY22.
- Sulfate potash contributed only 1% in revenue.

Key Risks:

- Business consists of the sale of three main product segments: Industrial salt, bromine and potash sulphate. Factors affecting any of these product segments or any of the customers in particular, could have an adverse effect for company.
- If fail to develop new bromine derivative products or to continue expanding product portfolio in a timely and cost-effective manner could affect profitability.

VP – Head Research - Dr. Ravi Singh  
Mob: +919810313561  
Email ID: ravi.singh@shareindia.com

**Disclosure:**

We, research team at Share India Securities Ltd. (SISL), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SISL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

We state that Research Analyst or his/her relative or SISL may have any financial interest in the subject company. Also Research Analyst or his relative or SISL or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report.

Further, Research Analyst or his relative or SISL or its associate a) does not have any material conflict of interest at the time of publication of the research report; b) has not managed or co- managed public offering of securities for the subject company in the past twelve months; c) has not received any compensation for investment banking or merchant banking or brokerage services or for any other product/s or service/s or for any other reason whatsoever from the subject company in the past twelve months; d)has not received any compensation or other benefits from the subject company or third party in connection with the research report; e) has not served as an officer, director or employee of the subject company; and f) has not been engaged in market making activity for the subject company.

SISL is a SEBI Registered Research Analyst having registration no. INH100005011.

**Disclaimer:**

This report has been prepared by SISL and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable.

Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject SISL or its affiliate to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently send or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of SISL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. SISL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mainland/or its attachments.

SISL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

SISL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SISL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

SISL is a Member of National Stock Exchange of India Limited (NSE), BSE Ltd (Bombay Stock Exchange), Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), Indian Commodity Exchange Limited (ICEX) and has Depository Participant affiliation with Central Depositories Services (India) Limited (CDSL). It is a SEBI registered Portfolio Manager and SEBI registered Research Analyst [ SEBI Reg. No.:INB/F/E 231079832, INB/F/E 011079838, IN-DP-32-2015, AMFI Reg. No. ARN: 78041, SEBI Research Analyst Reg. No.: INH100005011, CIN - L67120GJ1994PLC115132 ].