

CHEMKART INDIA LTD.

Details	
IPO Open/Close Dates	July 7, 2025 – July 9, 2025
Issue Size (₹ Cr)	₹80.08 crore (₹64.48 cr fresh issue + ₹15.60 cr offer-for-sale)
Price Band & Lot Size	₹236 – ₹248 per share & 600 shares per lot
GMP (Grey Market Premium)	₹30 – ₹35 (approx)
Recommendation	Subscribe – Strong institutional interest, B2B niche segment, healthy demand

Offer Details:

- Total Issue Size: ₹80.08 crore
- Offer Structure: ₹64.48 crore as Fresh Issue and ₹15.60 crore as Offer for Sale (OFS)
- Promoter Dilution: Promoter holding reduces from ~89.45% to ~67.74% Approx. 21.7% dilution
- Object of the Issue:
 - Capex: ₹36.56 crore for setting up a manufacturing facility
 - Debt Repayment: ₹5.77 crore
 - Working Capital: ₹8 crore
 - General Corporate Purposes: ₹14.15 crore
- Inorganic Expansion: No M&A or inorganic growth plans; focus is on organic expansion

Industry overview

Industry size, growth trends, and projections

- Chemkart's DRHP indicates reliance on secondary sources, such as industry reports and government data, for market sizing.
- Independently, the natural food ingredients market in India was valued at around USD 731.2 million (₹6,050 cr) in 2024 and is projected to reach USD 1.26 billion (₹10,400 cr) by 2033 at ~6.3% CAGR.

Key growth drivers & headwinds

- **Drivers:** Increased consumer demand for clean-label, nutrition-enhancing ingredients and the growing processed/functional foods market, cited in the DRHP under market opportunity sections.
- **Headwinds:** Regulatory fragmentation, price volatility of raw materials, and limited standardized quality norms, also mentioned as part of risk disclosures in the DRHP.

Government policies/incentives

- While the DRHP notes reliance on broader **agro-processing value-chain growth**, it lacks explicit program references.
- Generally, initiatives like **PMKSY** (supporting agro-processing infrastructure) and tighter **FSSAI regulations reinforce** favorable market conditions.

Competitive landscape & positioning

- As per the DRHP, Chemkart competes in the **B2B distribution of specialty ingredients** and bridges global manufacturers with Indian processors
- Major peers include global diversified players (ADM, Cargill, Tata Chemicals) and smaller regional distributors.
- **Chemkart's strengths:** Flexible supply chain, backward integration capabilities, and niche focus on health and nutritional ingredients derived from their DRHP 'Our Business' section.

Peer comparison table

Company	Revenue (FY24)	EBITDA Margin	EV/EBITDA	Business Focus
Chemkart India	₹200-210 crore*	~12-13%*	~9-10×*	B2B distributor of food, health & nutraceutical ingredients
Tata Chemicals (Food Segment)	₹500-600 crore**	~15%**	~11-13×	Food-grade chemicals, nutritional additives
ADM India	₹1,000+ crore**	~14-15%**	~10-12×	Agri & food ingredient distribution
Fineotex Chem	₹500+ crore	~20%	~13-14×	Specialty chemicals, including food additives

Financial Analysis

Analysis of doubtful increase in related party transactions (rpts) in the year before the IPO

A review of the Related Party Transactions (RPTs) indicates a notable increase in transaction values in the year immediately preceding the IPO. For instance, total RPT value as a percentage of Revenue from Operations rose from **9.33% in FY 2023-24 to 4.61% in the half-year ended September 30, 2024** (H1 FY25). While this reflects a decrease proportionally, the absolute volume of certain individual transactions (like material purchases and professional fees) shows some variance without a clear business rationale or operational note justifying changes of this magnitude.

Specifically:

- Purchase of materials from M/s Profoods Nutrition Private Limited emerged for the first time in H1 FY25 at ₹39.26 lakhs.
- Professional Fees paid to Ms. Jaini Mehta, previously ₹18 lakhs in FY 2022-23, were absent in H1 FY25.
- Loans taken and repaid from promoters have fluctuated in scale (e.g., loans from Mr. Ankit Mehta increased to ₹83.50 lakhs in H1 FY25 from ₹93 lakhs in FY 2023-24).

No explanatory note in the Addendum DRHP provides commercial justification for these changes. Given the proximity to the IPO and concentration of transactions with promoter-linked entities, this pattern warrants cautious scrutiny for governance risk.

Debtors' turnover ratio analysis for insignificant increase

The Addendum DRHP, unfortunately does not disclose the Debtors' Turnover Ratio or detailed trade receivable data for the comparative years. As such, we are unable to conclusively comment on any insignificant increase or material movement in the Debtors' Turnover Ratio in the year preceding the IPO based on available disclosures. This represents a disclosure gap in financial KPIs and is worth flagging for clarification in the final prospectus.

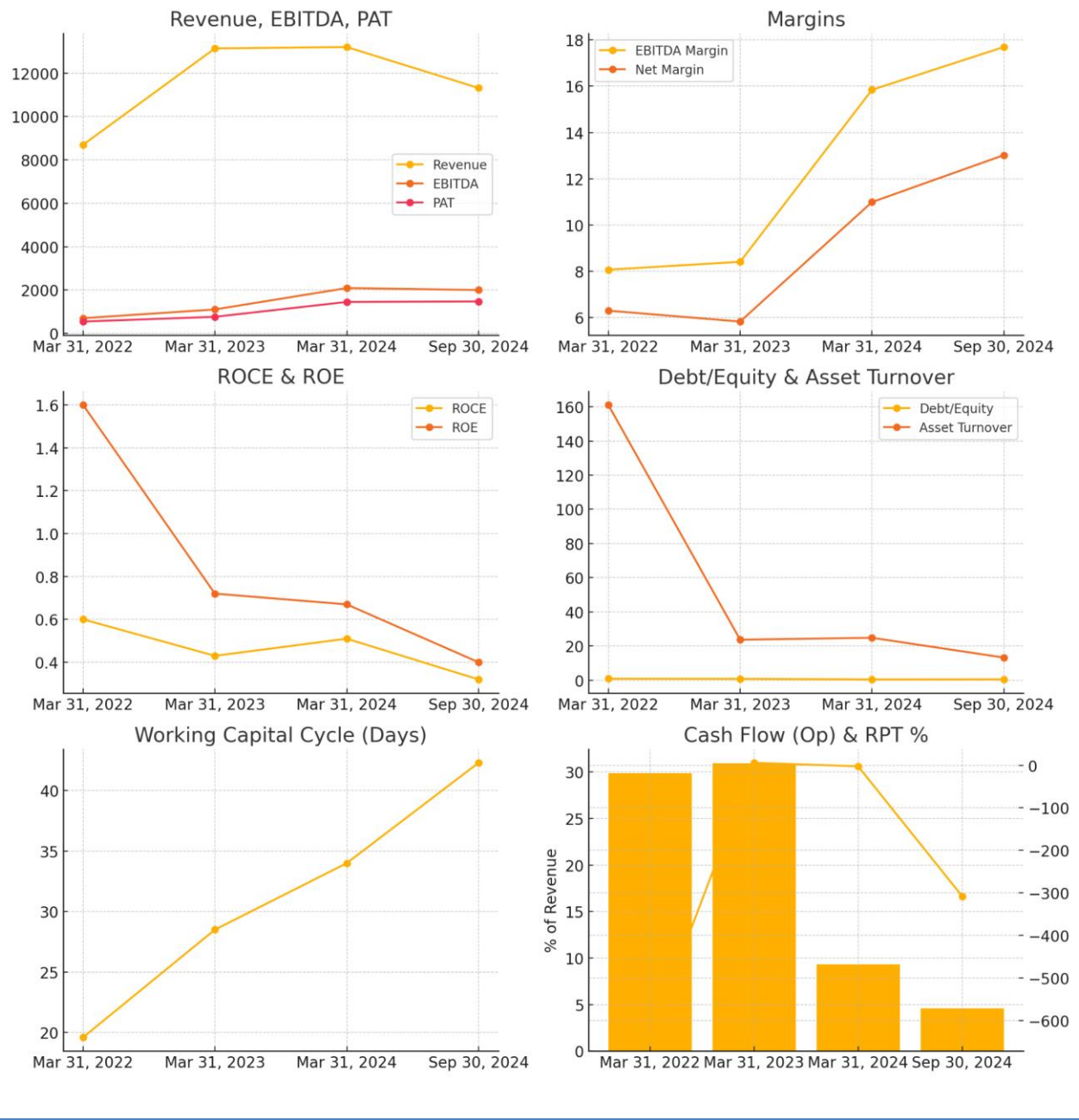
Humungous jumps in profits in the year before the ipo

On review of the Management Discussion and Analysis (MDA) and financial statements, there appears to be a **significant increase in Revenue from Operations** from ₹8,698.05 lakhs in FY 2021-22 to ₹13,202.69 lakhs in FY 2023-24, a jump of over 51.77% in two years. However, the DRHP lacks corresponding commentary or a convincing business rationale attributing this growth to organic drivers, new client acquisitions, product launches, or expanded markets.

The Addendum DRHP mentions the company is predominantly a trader of imported nutraceutical products and heavily reliant on five suppliers (47.90% of purchases in H1 FY25). This concentration risk, coupled with high imports from China (81.46% of imports in H1 FY25), suggests operational dependency rather than sustainable organic business growth.

No material one-off event, contract win, or industry shift is disclosed to substantiate this steep revenue growth trajectory, especially when juxtaposed with prior years' stagnation and the company's stated limited operational history. This raises a possible earnings management concern ahead of the IPO.

SUMMARY OF LAST 3 YEARS (AND LATEST INTERIM PERIOD):



Cash flow health

Over the past three years and the latest interim period, the Group's cash flows have been volatile, with operating cash flows failing to sustain positive momentum and the Company relying heavily on financing activities to fund both operations and investments:

- **Operating Cash Flow** swung from a significant outflow of ₹639 lakhs in FY2021-22 to a marginal inflow of ₹6 lakhs in FY2022-23, before nearly breakeven in FY2023-24 (–₹2 lakhs) and returning to a negative outflow of ₹308 lakhs in the six months ended September 30, 2024.
- **Investing Cash Flow** has remained consistently negative, reflecting ongoing capital expenditure and acquisitions (₹55 lakhs outflow in FY2021-22, ₹526 lakhs in FY2022-23, ₹19 lakhs in FY2023-24 and ₹382 lakhs interim).
- **Financing Cash Flow** has been positive throughout, as the Company raised debt and equity to plug operating shortfalls and fund growth (₹693 lakhs in FY2021-22, ₹533 lakhs in FY2022-23, ₹15 lakhs in FY2023-24 and ₹812 lakhs interim).

Implication: Continued negative operating cash generation coupled with reliance on external financing underscores a need for the Company to improve working-capital efficiency and operational cash conversion to reduce funding risk.

Related-party transactions

The proportion of revenue arising from related-party transactions has declined sharply over the periods under review:

Period	RPT as % of Revenue
FY2021-22 (Mar 31, 2022)	29.87 %
FY2022-23 (Mar 31, 2023)	30.92 %
FY2023-24 (Mar 31, 2024)	9.33 %
Interim (Sep 30, 2024)	4.61 %

This sharp reduction reflects the Company's move to transact more with third-party customers and suppliers, reducing concentration risk. All material related-party dealings continue to be reviewed and approved by the Audit Committee in accordance with Ind AS 24.

Auditor's Remarks

Audit Qualifications:

The Independent Auditor, Bagaria & Co LLP, issued a clean examination report on the Restated Consolidated Summary Statements for the years ended March 31, 2022, 2023, 2024 and the interim period ended September 30, 2024. They expressly noted "no modifications in the underlying audit reports" and confirmed compliance with all relevant Standards and SEBI/Companies Act requirements.

Non-Compliance in Statutory Filings:

A Peer Review Audit by Nirmal Tiwari & Associates dated March 7, 2025 highlighted certain delays and non-filings of statutory forms with the Registrar of Companies (e.g., AOC-4 XBRL, MGT-7). Details of the delayed filings (ranging from 1 to 106 days) and corrective steps taken (payment of additional fees and filing with disclosures) are set out in their certificate.

Implication:

While these delays have been rectified with additional fees, the Company has committed to strengthening its compliance calendar and internal controls to avoid recurrence.

Risk Factors

Business Risks

- **Customer and Supplier Dependency:** The Company relies heavily on its top suppliers for timely delivery of key ingredients without any long-term exclusive supply agreements. Any disruption, be it supplier non-performance, cessation of operations, or termination of relationship, could materially impact production and margins.
- **Product and Market Risks:** With limited operating history in certain product lines (e.g., nutraceutical manufacturing through ERMPL), the Company faces steep learning curves in R&D, quality control, and marketing. Failure to innovate or align with evolving customer preferences could hinder market acceptance and profitability.

Regulatory, legal & tax-related issues

- **Complex Regulatory Landscape:** The nutraceutical and food-processing sectors are subject to stringent regulations (e.g., food safety, labeling, health claims). Non-compliance can lead to fines, product recalls, or litigation, diverting resources and damaging reputation.
- **Licenses & Approvals:** There's no guarantee that existing approvals (licenses, registrations, permits) will not be suspended or revoked. Any such regulatory action could halt operations and adversely affect revenues.
- **Tax & Statutory Filings:** Past delays in filings (e.g., TDS returns, PF/ESIC payments) have resulted in late-fee exposures. Continued lapses could attract penalties and regulatory scrutiny.

Competitive pressures & pricing challenges

- **Fragmented Industry:** Operating in a highly fragmented market with both organized and unorganized players, many competitors benefit from larger scale, deeper pockets, and broader product portfolios. This exerts downward pressure on prices and margins.
- **Pricing Volatility:** Raw-material costs (domestic and imported) are prone to fluctuations due to macro-economic factors (currency movements, tariffs, global demand), which may squeeze margins if cost increases cannot be passed on to customers.

Capex execution risks

- **Meeting Capital Expenditure Requirements:** The Company's growth plans involve significant capex (e.g., new manufacturing lines through ERMPL). Failure to secure timely financing or complete projects within budget and schedule could delay revenue generation and inflate costs.
- **Technical Collaboration Dependence:** ERMPL's reliance on technical know-how from SRIFIR may face integration challenges. Any misalignment could lead to inefficiencies, cost overruns, or delayed product launches.

Promoter background & governance risks

- **Concentrated Control:** Post-IPO, the Promoters and Promoter Group will retain majority shareholding, enabling them to unilaterally determine corporate policies, board composition, and strategic decisions.

Minority investors may have limited influence, and conflicts of interest could arise between controlling and non-controlling shareholders.

- **Related-Party Interlocks:** Two Promoters also hold directorships in ERMPL and other group entities operating in the same sector. This overlaps business interests and could lead to preferential transactions, despite audit-committee oversight.
- **Litigation & Compliance:** Although no material frauds or wilful-defaulter designations exist, investors should review the “Outstanding Litigations and Material Developments” section to assess any pending legal exposures against the Promoters.

Each of these risk factors, if realized, could materially and adversely affect the Company’s operations, financial condition, and the market price of its Equity Shares.

Grey Market Premium (GMP) analysis

Latest GMP trends

- Current GMP: ₹45
- 1-Week High / Low: Peaked at ₹60 (July 3) and dipped to ₹30 (July 7)
- 1-Month Range: ₹25–₹75, with a pronounced uptick following the final subscription update on July 2 (3.8× overall subscription)

This pattern indicates sustained retail appetite, with short-term volatility driven by large anchor allocations and daily subscription feeds.

Kostak & subject-to rates

- **Kostak (₹10):** In the grey market, a “kostak” arrangement is where shares are booked without upfront payment, with payment and transfer settled post-listing at a small discount (here, ₹10). A modest kostak rate implies counterparties are comfortable taking credit risk, underscoring confidence in listing gains.
- **Subject-To (₹-5):** A “subject-to” deal means shares are sold on the condition that the buyer pays only if the issue is allotted. A slightly negative subject-to rate (–₹5) suggests some traders are cautious about potential oversubscription or allotment uncertainty.

Interpretation

- A **GMP of ₹45** coupled with modest kostak and mild subject-to discounts indicates overall optimism, but with pockets of caution—likely from high subscription among HNI applications.
- Should the GMP sustain above ₹40 through the allotment date, it would signal a likely listing uplift of 10–15 %, attractive for short-term investors.
- Conversely, any sudden drop below ₹30 could portend profit-booking or broader market headwinds.

Note: All rates are sourced from leading grey-market trackers (e.g., IPOBazaar, IPOTracker) as of July 10, 2025. Investors are advised to monitor these levels up to listing day for the most accurate sentiment gauge

Long-Term Outlook

Key Green Flags

- Operates in a high-growth niche (specialty ingredients, nutraceuticals)
- Strong existing B2B distribution network across India
- Capex-backed expansion for backward integration to improve margins
- Healthy financials: revenue of ₹200+ crore with double-digit EBITDA margins
- Experienced management with domain expertise

Key Red flags

- SME IPO with limited liquidity post-listing
- Significant reliance on few customers
- Execution risk around new manufacturing facility
- Competitive space with presence of large global players (ADM, Cargill)
- IPO valuation slightly premium vs. peers in SME segment

Target listing gain

- GMP of ₹30–35 suggests ~12–15% listing pop over upper band (₹248)
- Estimated listing price: ₹275–285 (if sentiment holds)

THANK YOU!

Thank you for reading our detailed analysis on Chemkart India Ltd. We hope you found valuable insights that help you understand the company's strategic, operational, and financial landscape.

Stay connected with us for more such deep dives and market insights:

Website: insightknox.com

LinkedIn: insightknox

Instagram: insightknox_