

IPO NOTE

STALLION 

**STALLION INDIA FLUOROCHEMICALS
LIMITED**

16.01.2025

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- ◆ Incorporated in 2002, Stallion India Fluorochemicals Limited is engaged in the business of selling Refrigerant and Industrial Gases and related products. The company's primary business includes debulking, blending and processing Refrigerant and Industrial gases, and selling pre-filled cans and small Cylinders/ Containers.
- ◆ The company has four Plants in Khalapur, Raigad (Maharashtra), Ghiloth, Alwar (Rajasthan), Manesar, Gurugram (Haryana) and Panvel, Raigad (Maharashtra).
- ◆ Stallion India Fluorochemicals Limited (Stallion) deals in gases that are broadly classified as Fluorochemicals. They are mainly used as refrigerants. Stallion's products such as gases are used in various industries, including semiconductor manufacturing, automotive, electronics, pharmaceuticals, healthcare, fire extinguishers, spray foam, glass bottle making, and aerosol production.
- ◆ Their gases find application in various industries/ segments such as Air conditioners & Refrigerators, Fire Fighting, Semiconductor manufacturing, Automobile Manufacturing, Pharma and Medicals, Glass bottle manufacturing, Aerosols and Spray foam.
- ◆ They offer a variety of products that make them distinct in the industry. By using their knowledge of their client's industries and their skills in gases and engineering, they provide customized solutions to help businesses work better. Their goal is to make operations run smoother and improve productivity.
- ◆ At the same time, they care about the environment and help reduce energy expenses.

Issue Details

Price Band (in ₹ per share)	85-90
Issue size (in ₹ Crore)	188.37-199.45
Fresh Issue (in ₹ Crore)	151.80-160.73
OFS (in ₹ Crore)	36.57-38.72
Issue open date	16.01.2025
Issue close date	20.01.2025
Tentative date of Allotment	21.01.2025
Tentative date of Listing	23.01.2025
Total number of shares (lakhs)	221.61
No. of shares for QIBs (50%) (lakhs)	110.81
No. of shares for NII (15%) (lakhs)	33.24
No. of shares for S-HNI (33%) (lakhs)	11.08
No. of shares for B-HNI (66%) (lakhs)	22.16
No. of shares for retail investors (35%) (lakhs)	77.56
No of shares for Employee Reservation (lakhs)	NA
Minimum order quantity	165
Face value (in ₹)	10.00
Amount for retail investors (1 lot) (in ₹)	14025-14850
Maximum no. of shares for Retail investors at Lower Band	2310 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	2145 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	196350-193050
Minimum no. of shares for sHNI (2 Lakhs) at upper band	2310 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	11055 (67 lots)
Minimum number of shares for bHNI at upper band	11220 (68 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- SHAZAD SHERIAR RUSTOMJI
- MANIHSA SHAZAD RUSTOMJI
- ROHAN SHAZAD RUSTOMJI

Objects of the Offer

- ◆ Funding incremental working capital requirements of the Company.
- ◆ Funding capital expenditure requirements for their Semiconductor & Specialty Gas debulking & blending facility ("Khalapur, Maharashtra").
- ◆ Funding capital expenditure requirements for their Refrigerant debulking & blending facility ("Mambattu, Andhra Pradesh").
- ◆ General Corporate Purposes.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	H1FY25	FY24	FY23	FY22
Share Capital ^{^^}	61.46	61.46	55.12	12.25
Net Worth	134.53	117.96	70.70	60.93
Total Revenue	141.53	236.22	226.06	186.34
EBITDA	25.53	26.70	15.59	33.00
EBITDA Margin (%)	18.04	11.30	6.90	17.71
Profit/(Loss) After Tax	16.56	14.78	97.53	21.10
EPS (in Rs.)	2.69	2.54	1.77	3.83
Net Asset Value (in Rs.)	21.89	19.19	12.83	49.74
Total borrowings	81.04	65.34	18.27	1.96
P/E [#]	16.73	35.43	NA	NA
P/B [#]	4.11	4.69	NA	NA

*Restated consolidated financials; #Calculated at upper price band; ^Annualised; ^^The Company allotted 63,41,514 (Sixty-three lakhs forty-one thousand five hundred and fourteen) Equity Shares pursuant to Slump sale agreement dated September 30, 2023 of Face Value of ₹10.00 Stallion Enterprise, a Proprietary Firm owned by Shazad Sheriar Rustomji, was acquired on a Slump Sale basis as per the Slump Sale Agreement dated September 30, 2023.

Profit & Loss Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
INCOME			
Revenue from operations	185.88	225.50	233.24
Other Income	0.46	0.56	2.99
Total Income	186.34	226.06	236.23
YoY Growth (%)	-	21%	4%
Cost of Raw Materials Consumed	151.42	195.58	194.67
Cost of Materials Consumed-% of Revenue	81%	87%	83%
Changes in Inventory of Finished Goods	-11.95	-5.95	-7.92
Changes in Inventory of Finished Goods -% of Revenue	-6%	-3%	-3%
Employee benefit expenses	1.31	1.43	1.91
Employee Expenses-% of Revenue	0.70%	0.63%	0.82%
Other expenses	12.56	19.41	20.86
EBIDTA	33.01	15.60	26.70
EBIDTA Margin (%)	18%	7%	11%
Depreciation and amortisation expense	1.79	1.54	1.11
EBIT	31.22	14.06	25.59
EBIT Margin (%)	17%	6%	11%
Finance costs	1.15	1.09	4.32
Profit before tax	30.07	12.97	21.27
Tax expenses			
Current tax	8.82	4.50	6.49
Deferred Tax	0.14	-1.28	-0.01
Total tax expenses	8.96	3.22	6.48
Profit for the year	21.11	9.75	14.79
PAT Margin (%)	11%	4%	6%
Earnings per share			
Basic earnings per share (₹)	3.83	1.77	2.54

Cashflow Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
Cash generated from operations	14.30	7.71	-68.69
Income tax paid (net of refunds)	-6.31	-10.52	-4.76
Net cash generated from operating activities	7.99	-2.81	-73.45
Net cash used in investing activities	-0.80	-13.38	12.14
Net cash used in financing activities	-8.16	15.58	76.44
Net increase/ (decrease) in cash and cash equivalents	-0.96	-0.61	15.12
Cash and cash equivalents at the beginning of the year	2.59	1.62	1.01
Cash and cash equivalent as at year end	1.62	1.01	16.14

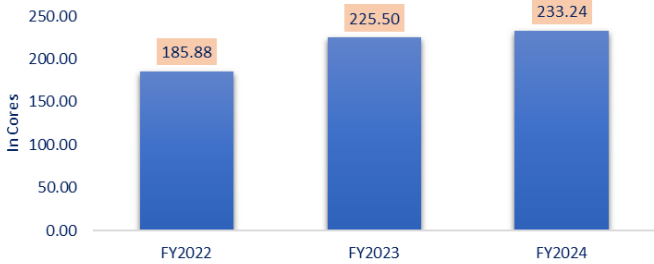
Balance Sheet

Particulars (In Crores)	FY2022	FY2023	FY2024
Assets			
Non-current assets			
Property, Plant and Equipment	18.34	12.88	13.72
Deferred Tax Assets (net)	0.00	0.75	0.74
Income tax assets (net)	0.00	3.68	3.13
Other non-current assets	0.01	0.01	0.00
Total non-current assets	18.35	17.31	17.60
Current assets			
Inventories	43.03	41.60	90.96
Financial Assets			
Trade Receivables	28.48	42.40	71.04
Cash and Cash Equivalents	1.62	1.01	16.14
Bank balances other than	0.14	14.28	0.93
Others Financial Assets	0.00	0.00	0.04
Other current assets	6.38	9.59	6.44
Total current assets	79.66	108.87	185.54
Total assets	98.01	126.18	203.14
Equity and liabilities			
Equity			
Equity Share Capital	12.25	55.13	61.47
Other Equity	48.69	15.58	56.50
Total equity	60.94	70.70	117.96
Liabilities			
Non-Current liabilities			
Provisions	0.24	0.27	0.30
Deferred tax liabilities (Net)	0.52	0.00	
Total Non-Current liabilities	0.77	0.27	0.30
Current liabilities			
Financial liabilities			
Borrowings			
Trade payables	1.97	18.27	65.35
Due to MSME	0.12	0.03	0.01
Due to other than MSME	28.83	23.80	3.73
Other current liabilities	0.54	0.31	1.67
Provisions	0.04	10.33	10.47
Current tax liabilities (net)	4.81	2.47	3.64
Total current liabilities	36.30	55.21	84.87
Total liabilities	37.07	55.48	85.18
Total equity and liabilities	98.01	126.18	203.14

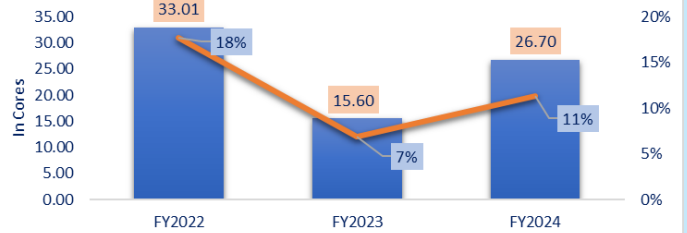


PERFORMANCE THROUGH CHARTS

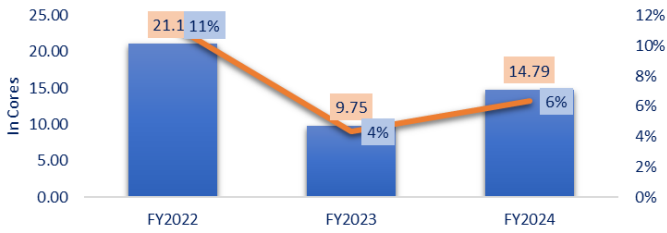
REVENUE HAS GROWN BY 12% (CAGR 2 YR)



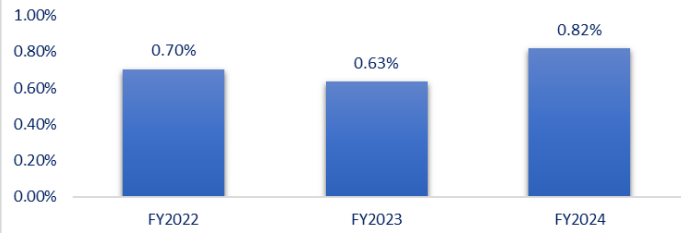
EBIDTA DE-GREW BY 10% OVER 2 YEARS WITH RECOVERY IN EBITDA MARGIN



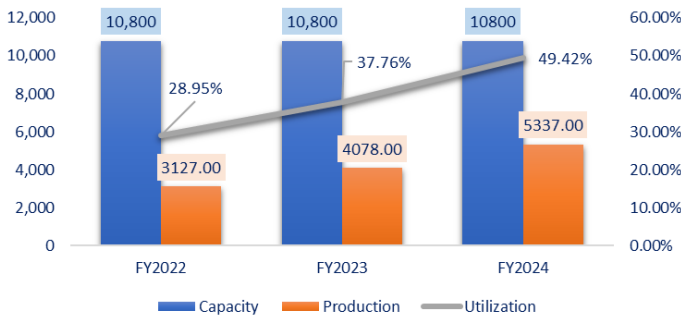
PAT DE-GREW BY 16% OVER 2 YEARS WITH RECOVERY IN PAT MARGIN



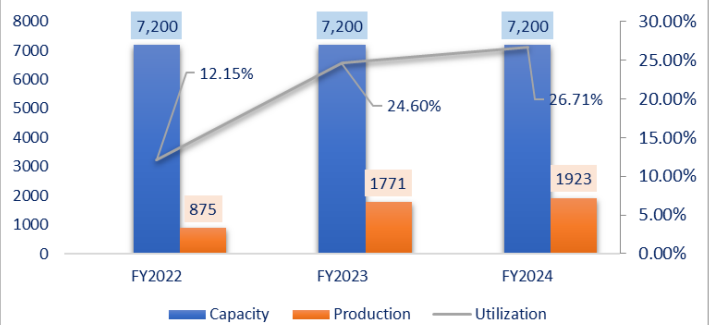
EMPLOYEE EXPENSE AS % TO REVENUE IS INCREASING



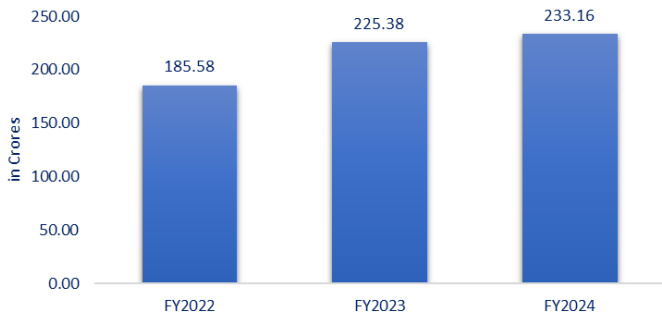
Production Capacity at Khalapur Facility: (in Mt)



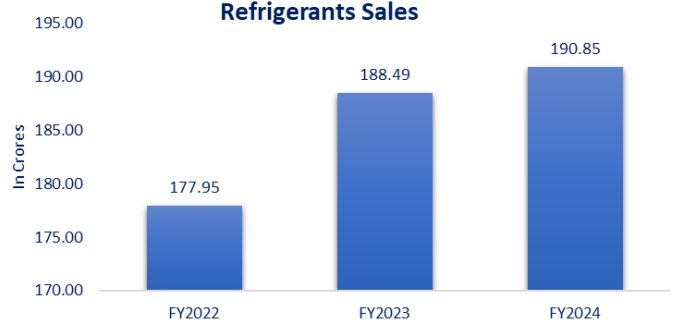
Production Capacity at Khalapur Facility: (in Mt)



Sale of Gases & Other Related Products



Refrigerants Sales



INDUSTRY REVIEW

Global Fluorochemicals & Specialty Gases Industry

- Fluorochemicals are organic or inorganic compounds that contain one or more fluorine atoms. Fluorine compounds find application majorly in commercial and industrial refrigeration, foam blowing agents, heat pump equipment, and solvents.
- One of the largest segments of the global fluorochemicals market is fluorocarbons.
- These are the kinds of compounds formed when fluorine covalently bonds to carbon atoms in varying numbers and different configurations.
- The strength and stability of these bonds provide fluorocarbons with unique properties to function like refrigerants, lubricants, solvents, propellants and stain-repellent products.

Indian Fluorochemicals & Specialty Gases Market

- The Indian Fluorochemicals and Specialty Gases market is anticipated to witness robust growth, with a projected CAGR of 16-18% during the forecast period from 2024 to 2029 to reach almost 675-725 USD million.
- This growth will be driven by rising demand from various industries, including electronics, healthcare, and manufacturing.
- The market is characterized by a diverse range of products, including fluoropolymers, fluorocarbons, and speciality gases.
- The growth is also attributed to the ongoing expansion of industries and the increasing demand for high-performance materials.
- The proliferation of chemical manufacturing facilities in India has further fueled the need for fluorochemicals and speciality gases.
- These materials are indispensable in various applications, including lining materials for chemical storage tanks, corrosion-resistant linings, gaskets, seals, wire and cable insulation, semiconductor manufacturing, and dielectric materials, due to their exceptional chemical resistance and ability to withstand high temperatures.

Opportunities under Indian Fluorochemicals & Specialty Gases Market.

- The Indian fluorochemicals and speciality gases market presents numerous opportunities for growth and expansion.
- The Upgrade and iteration of Fluorochemicals products, whether used as refrigerants or blowing agents, the product performance, ozone depletion potential (ODP), and global warming potential (GWP) of fluorochemicals have attracted much attention. Fluorochemicals have undergone many generations of product improvements.
- The first generation of fluorochemicals used as refrigerants and blowing agents were chlorofluorocarbons (CFCs), which have been phased out globally due to their serious damage to the ozone layer.
- The second generation is hydrochlorofluorocarbons (HCFCs). Although these products contain chlorine, the incorporation of hydrogen makes them less damaging to the ozone layer. In developed countries and regions such as Europe and the United States, this type of product has been banned. On the other hand, developing countries still use it, but it is expected to be banned by 2040.
- The third generation is hydrofluorocarbons (HFCs), which are substances that help prevent damage to the ozone layer.

Government Initiatives & Policies for Fluorochemicals & Specialty Gases in India.

- The Indian government has implemented several policies and initiatives to promote the development and growth of the fluorochemicals and speciality gases industry.
- These initiatives aim to address the challenges faced by the industry, such as high dependence on imports, lack of domestic manufacturing capabilities, and the need for innovation and technological advancement.



COMPETITIVE STRENGTHS OF THE COMPANY

Strong Market recognition

- They sell their product under the brand name of “Stallion”. The company being into the field for more than 2 decades and Promoters having experience of over 3 decades, have strong Market recognition in the refrigerant gases industry.
- This has enabled the company to be distinguished from its competitors in the same industry.
- Strong market recognition refers to a company's ability to establish a strong brand reputation and customer loyalty in the market.
- This recognition is achieved through various factors such as competitive product price, product quality, innovation, reliability, customer service and effective marketing.

Business model and ability to mitigate operational risk.

- They consider their competitive advantages to lie in operational efficiency, facilitating timely deliveries and maintaining quality control measures.
- These factors have been instrumental in developing relationships within the industry, resulting in significant growth in their operations.
- Their Operating cash flow before working capital changes was reported at ₹ 2,630.89 lakhs, ₹ 2,650.52 lakhs, ₹ 1,952.03 lakhs and ₹ 3,212.90 lakhs for the period September 2024, fiscal 2024, fiscal 2023 and fiscal 2022 respectively.

Customer base across high growth industries and long-standing relationships with customers;

- The company caters to a diverse clientele spanning various industries such as Air conditioners & Refrigerators, Fire Fighting, Semiconductor manufacturing, Automobile Manufacturing, Pharma and Medicals, Semiconductors, Glass bottle manufacturing, Aerosols and Spray foam, showcasing the relevance and demand for its products across multiple sectors.
- The strength in having customer base lies in the mitigation of risks associated with overdependence on a single market or industry.
- This strategic approach enhances the company's adaptability to market fluctuations and economic changes, encouraging a more effective response to dynamic business environments.

Track record of consistent financial performance.

- The Company has been delivering consistent financial performance, despite the impact of the COVID-19 pandemic on their business operations. In period ended September 30, 2024 and Fiscal 2024, 2023 and 2022 their revenue from operations were ₹ 14,073.15 lakhs, ₹. 23,323.58 lakhs, ₹ 22,550.44 lakhs and ₹ 18,588.27 lakhs, respectively.
- They have witnessed consistent improvement in their balance sheet position in the last Fiscal.

RISK FACTORS

Their revenue from operations depends on sale of Refrigerant Gases and is restricted to certain geographies only. Any changes or a decline in demand, could adversely affect their ability to grow or maintain their sales, earnings and cash flow.

- A significant portion of their revenue from operations are generated from sale of Refrigerant Gases. For the period ended September 30, 2024 and for Fiscal 2024, Fiscal 2023 and Fiscal 2022, their revenue from sale of Refrigerant Gases was 87.34%, 81.85%, 83.63% and 95.89% of their total revenue from sale of products, respectively in such periods.
- They expect to continue to derive most of their revenue from operations from sale of Refrigerant Gases. Any changes in the requirement policy or a decline in demand, could adversely affect their ability to grow or maintain their sales, earnings, and cash flow.

Increases in the cost of raw materials as a percentage of their revenue from operations could have a material adverse effect on their results of operations and financial condition.

- Their largest expense, by far, is their cost of raw materials. Their primary raw materials are refrigerant gases which are blended or debulked at their facilities.
- In some instance their Raw Material and their final products are same as the gases are debulked into smaller quantities and sold in under their brand name "Stallion".

They import their raw materials with respect to their business operations majorly from China. Any restrictions on import of raw materials may impact their business and results of operations.

- Their purchase of raw material comprises of Import purchase as well as Domestic purchase. The prices of their raw material depend on global demand-supply dynamics as well as domestic output and import volumes of gases.
- Duty changes (by the Indian government and exporting countries) can result in price fluctuations, and hence volatility in demand.

They are subject to risks arising from foreign exchange rate movements.

- As they rely on the import of their primary raw material, they are exposed to exchange rate risks associated with foreign currency revenues, payables, and other foreign currency assets and liabilities.
- The import costs represented 85.00%, 77.00 %, 70.23 % and 73.69 % of their revenue from operations for period ended September 30, 2024 and Fiscals 2024, 2023 and 2022, respectively. Since, major imports of their company is from China the volatility in the exchange rate between the Indian Rupee and the Chinese Yuan in recent years poses a potential risk, and future fluctuations may occur.
- Consequently, variations in the exchange rate could significantly impact their revenues, other income, operating costs, and net income, thereby adversely affecting their business, operating results, and financial condition.

The supply of their products is subject to periodical fluctuations with a significant portion of their turnover concentrated in the months from February to May;

- Their business exhibits a notable dependency on seasonal patterns, with a significant portion of their turnover concentrated in the months from February to May.
- This fluctuation is influenced by various factors such as industry demand fluctuations, project timelines and specific market dynamics.

PEER COMPARISON

Name of the company	Total Income (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	RoNW (%)	P/E*	P/B*
Stallion India Fluorochemicals Limited	236.22	10.00	2.54	12.54	35.43	4.69
Navin Fluorine International Limited	1488.20	2.00	47.44	10.22	76.24	6.70
SRF Limited	10906.09	10.00	46.35	13.07	54.30	7.24
Gujarat Fluorochemicals Limited	4088.07	1.00	38.12	7.07	97.76	5.75

**P/E & P/B ratio based on closing market price as of January 13th, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24, ^P/BVPS are based on closing price as on March 2024 based on NSE data as per RHP*

OUR VIEW

The IPO, opening on January 16, 2025, with the offer document dated January 11, was only made available on January 13. This lack of timely transparency raises concerns about the company. We also tried contacting the BRLM for a management meeting, but haven't received a response yet. Investors can apply based on their own analysis.

Sources: Company website and red herring prospectus

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