

Vahh Chemicals IPO

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- The company is engaged in the manufacturing and trading of textile auxiliaries' chemicals.
- It is operating in a highly competitive and fragmented segment.
- The company posted growth in its top and bottom lines for the reported periods, however, surge in its bottom lines from FY25 onwards in non-convincing.
- Based of its recent financial data, the issue appears aggressively priced.
- Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About the Company

Vahh Chemicals Ltd. (VCL) is an ISO 9001: 2015 certified Company engaged in the business of manufacturing and trading of textile auxiliaries' chemicals. The Company is engaged in the supplying and blending of wide range of chemicals in the textile industry. Its operations primarily involve the sourcing and blending of textile chemicals essential for various stages of textile processing, including pre-treatment, dyeing, printing, and finishing. Strategically, VCL caters primarily to dyeing and printing houses within the textile industry, offering tailored chemical solutions to address the specific needs and challenges of this sector, including customized formulations for various applications. These chemicals are essential for improving fabric quality, its texture, enhancing colour vibrancy, and ensuring the durability of the finished textile products. Its main strength of the products are its formulation of chemicals and quality maintenance.

As of March 31, 2026, VCL's product portfolio comprises of 114 SKUs in chemical division which are designed to enhance fabric quality, durability, and performance, its products cater to a wide spectrum of textile substrates such as cotton, polyester, silk, and synthetic blends. The company focuses on creating solutions tailored to specific needs in textile production. This strategic alignment enables it to support diverse industry needs, from enhancing colour vibrancy to imparting functional properties like water repellence, flame resistance, and anti-microbial finishes, UV Absorbers, wrinkle – free resins, driving innovation and value creation in the textile sector.

Its chemical business is predominately conducted on a business-to-business basis. VCL's facility spans approximately 301.25 square meters. It has established a strong distribution network in Surat, supported by strategically positioned manufacturing facility. Blending segment has a lion share of over 66% in its total revenues for the reported periods. As of March 31, 2026, it had overall 30 employees on its payroll (including subsidiary).

Issue Details / Capital History

The company is coming out with its maiden IPO of 2242000 equity shares of Rs. 10 each at a fixed price of Rs. 60 per share to mobilize Rs. 13.45 cr. The minimum application to be made is for 4000 shares and in multiples of 2000 shares thereon, thereafter. The issue opens for subscription on June 04, 2026 and will close on June 08, 2026. The shares will be listed on BSE SME. The IPO constitute 26.99% of the post-IPO paid-up capital of the company. The company is spending Rs. 1.82 cr. for this IPO process, and from the net proceeds of the issue, it will utilize Rs. 1.84 cr. for repayment/prepayment of certain borrowings, Rs. 5.84 cr. for working capital, Rs. 1.93 cr. for capex on setting up of new factory, and Rs. 2.02 cr. for general corporate purposes.

The IPO is solely lead managed by Marwadi Chandarana Intermediaries Brokers Pvt. Ltd., and KFin Technologies Ltd. is the registrar to the issue. Mansi Share & Stock Broking Pvt. Ltd., is the market maker.

After issuing initial equity capital at par value, it issued further equity shares in the price range of Rs. 45.90 – Rs. 325.00 between November 2024, and May 2025. The company also issued bonus shares in the ratio of 35 for 1 in March 2025. The average cost of acquisition of shares by the promoters is Rs. 0.28, Rs. 7.52, and Rs. 8.29 per share.

Post-IPO, company's current paid-up equity capital of Rs. 6.06 cr. will stand enhanced to Rs. 8.31 cr. Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 49.84 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted total revenue/ net profit, of Rs. 10.16 cr. / Rs. 0.35 cr. (FY24), Rs. 23.757 cr. / Rs. 2.58 cr. (FY25), Rs. 43.19 cr. / Rs. 5.09 cr. (FY26). Boosted margins from FY25 onwards raise eyebrows and concern over its sustainability going forward.

For the last three fiscals, the company has reported an average EPS of Rs. 5.77 and an average RoNW of 34.54%. The issue is priced at a P/BV of 2.44 based on its NAV of Rs. 24.60 per share as of March 31, 2026, and at a P/BV of 1.28 based on its post IPO NAV of Rs. 46.78 per share.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 9.79, and based on FY25 earnings, the P/E stands at 19.29. Though the issue appears lucratively price based on FY26 performance (which is non-convincing), on other parameters it is aggressively priced.

The company has posted PAT Margins of 3.39% (FY24), 10.87% (FY25), 11.79% (FY26), and ROCE margins of 16.58%, 25.85%, 31.76%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Bhatia Colour Chem, as its listed peer. It is currently trading at a P/E of 17.0 (as of May 29, 2026). However, they are not truly comparable on an apple-to-apple basis.

Merchant Banker's Track Record

This is the 10th mandate from Marwadi Chandarana in the last three fiscals (including the ongoing one). Out of the last 9 listings, 2 listed at par, and the rest listed at premium ranging from 0.04% to 90.00% on the date of listing.

Conclusion / Investment Strategy

VCL is engaged in the manufacturing and trading of textile auxiliaries' chemicals. It is operating in a highly competitive and fragmented segment. The company posted growth in its top and bottom lines for the reported periods, however, surge in its bottom lines from FY25 onwards in non-convincing. Based on its recent financial data, the issue appears aggressively priced. Small equity capital base post-IPO indicates longer gestation period for migration. Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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