

SHANTI INORGANICS LTD.

IPO NOTE

IPO Price Band: INR 79 to 83 per share

M.Cap: ~INR 143.15 Cr.

Recommendation: Subscribe

ABOUT: Incorporated in 2010 in Ahmedabad, Company manufactures & supplies sulphur-based inorganic chemicals such as ammonium bisulphite, sodium bisulphite (solution/powder), sodium metabisulphite and sodium sulphite anhydrous which are used as preservatives, reducing agents, oxygen scavengers & process intermediates across food & beverages, chemicals, oil drilling, pharmaceuticals, agrochemicals & water treatment. The company runs 2 manufacturing units near Ahmedabad, Vatva (18,800 MTPA) & Bavla Phase I (18,000 MTPA, commissioned Feb'25) for a combined capacity of 36,800 MTPA.

INVESTMENT RATIONALE:

- Capacity Expansion by 3x from current levels:**
 - Currently, the company holds one of the largest domestic bisulphite production capacities per the CareEdge industry report.
 - For FY26, capacity utilisation was 92.6% and 15.01% for Vatva and Bavla Phase I respectively.
 - Company is planning to commercialise Bavla Phase II of 78,544 MTPA with targeted commercialisation from Jun'27 → Combined capacity to reach 1,15,344 MTPA (~3x of existing capacity)
- Diversified end user industry for Company's products:**
 - Sulphur based inorganic chemicals have critical applications in food & beverages (F&B), oil drilling and chemical industries
 - Sales mix for FY26 included 35.8% from F&B, 22.4% from Chemicals, 12.8% from oil drilling, 8% from pharma etc.
- Strategic located production facilities close to raw material source:**
 - Manufacturing units in close proximity to industries that generate liquified sulphur dioxide (SO2) → continuous availability of RM
- Experienced promoters with experience of 26 & 17 years** in field of manufacturing & trading of sulphur based inorganic chemicals

BRIEF FINANCIALS:

Particulars (INR Cr.)	FY24	FY25	FY26	2MFY27
Revenue (<i>excl. other inc.</i>)	44.9^	57.1	71.2	16.0
Growth Rate Y-o-Y %	(1.8%)	27.3%	24.7%	-
EBITDA (<i>excl. other inc.</i>)	8.7	12.1	15.4	4
PAT	5.1	8.0	10.2	2.5
Gross Margin %	48.7%	51.7%	45.2%	42.6%
EBITDA % (<i>excl. other inc.</i>)	19.4%	21.1%	21.6%	25.2%
PAT %	11.4%	13.7%	14.0%	15.5%
Debt (<i>Short+Long</i>)	24.3	25.4	30.7	34.8
Equity	17.6	25.6	48.2	50.7
Debt/Equity	1.38x	0.99x	0.64x	0.69x
NWC	5	8	13	14
NWC (<i>days</i>)	44	48	68	54
NWC includes Inventory, Receivables & Payables; & NWC days is computed as % of rev.				
ROE %	34.0%	37.0%	27.7%	5.05%*
ROCE %	27.6%	27.2%	23.4%	4.45%*
CFO / EBITDA %	39.8%	128.8%	39.6%	248.5%

Note : ^FY23 revenues of INR 45.74 Cr. as per CRISIL rating rationale | *Not Annualised

IPO VALUATION & VIEW:

Issue is valued at P/E of 14.0x basis FY26 PAT and ~9.6x basis annualized 2MFY27 PAT. Considering the strengths of experienced promoter, 3x capex expansion, Y-o-Y improvement in blended sales realization and growing end use demand, we recommend 'Subscribe'.

ISSUE SUMMARY

Particulars	Details
Price Band (INR)	79 to 83
Face Value (INR)	10
Implied M.Cap (INR Cr.)	143.15
Exchange	NSE SME
Min. IPO Lot Size (Retail HNI)	1,600 x 2 4,800
Issue Opens on	31-Aug'26
Issue Closes on	02-Sep'26
Listing Date	07-Sep'26
No. of shares pre-issue (#)	1,15,56,200
Fresh Issue of Shares (#)	56,91,200
Offer for Sale (#)	-
No. of shares post-issue (#)	1,72,47,400
Funds Mobilized (INR Cr.)	
(a) Fresh Issue of Shares	47.24
(b) Offer for Sale	0.0
IPO Reservation	
(a) QIB shares offered	<=50%
(b) Retail shares offered	>=35%
(c) NII (HNI) shares offered	>=15%
Registrar	KFIN Technologies
Book Running Lead Managers	Vivro Financial Services
Objects of Issue (INR Cr.)	
(a) Part Funding capex for setting up a new facility	42.5
(b) General Corporate Purposes	[●]

SHAREHOLDING

Particulars	Pre-Issue	Post-Issue
Promoter & Promoter Group	83.65%	56.05%
Public	16.35%	43.95%
Total	100.00%	100.00%

KEY RISKS / MONITORABLES

- Capex commissioning risk:** Vatva unit is running at peak utilisation & future growth of products that are key contributor to revenues depends on Bavla Phase II go live
- Ramp up in utilisation of Bavla Phase I:** Unit started operations on Feb'25; however capacity utilisation for full year FY26 was only 15.01% & ramp up of sales of sodium sulphite anhydrous remains key montiorable
- Improvement in Blended Sales Realisation (BSR) has not translated into improvement in gross margins:** BSR has improved from INR 28.7/kg in FY24 to INR 35.41/kg in FY26 & further to INR 47.6/kg in 2MFY27, however gross margins have contracted from 48.7% in FY24 to 45.2% in FY26
- No non-compete agreements with Promoter Group Company** Bodal Chemicals, operating in organic chemicals but MoA allowing them to engage in inorganic chemicals
- Employee attrition of 57.4% (FY25) & 35.8% (FY26) is high.

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Product Profile: Diversified product ranges across Food & Beverages, Water Treatment, Oil & Gas and more industries

Product Name	Grades Offered	Major End-Use Industries	Specific Applications, Functions, and Uses
Ammonium Bisulphite Solution	Food Grade & Technical Grade	Food & Beverages, Water Treatment, Pulp & Paper Oil & Gas Fertilizers & Pollution Control	Used across several industries, including food and beverages as a raw material/reducing agent for caramel colour, and water treatment as a dechlorinating agent. In pulp & paper as a bleaching agent, oilfields as an oxygen scavenger, and pollution control for flue-gas scrubbing.
Sodium Bisulphite Powder / Solution	Food Grade & Technical Grade	Food Processing, Oil & Resources Chemicals, Water Treatment Textiles & Fibers Electroplating	Used across food, oil & gas, mining, chemicals, water treatment, and textiles. Key applications include acting as a preservative, oxygen scavenger, reducing/dechlorinating agent, and bleaching agent, while also helping remove cyanide from mining effluents.
Sodium Metabisulphite	Food Grade & Technical Grade	Food & Beverages Bakery / Biscuits Oil & Resources Water Treatment Textiles & Fibers Pharmaceuticals & Leather industry	Used across food, bakery, oil & gas, water treatment, textiles, pharmaceuticals, and industrial applications. Key uses include food preservation, RO water dechlorination, textile bleaching/dyeing, and as an antioxidant in medicines, & supporting leather tanning and latex processing.
Sodium Sulphite Powder / Anhydrous	Food Grade & Technical Grade	Food & Beverages Boiler Water Treatment Pulp & Paper, Chemical Manufacturing, Textiles, Photography & Mining	Used across food, boiler water treatment, pulp & paper, chemicals, textiles, photography, and mining. also helping remove residual chlorine from textiles and separate minerals during ore processing.

Revenue mix & Industry breakup: The revenue contribution from each products and industry are broken down as follows.

Product Category	FY24	FY25	FY26	2MFY27
Ammonium Bisulphite	43.94%	55.61%	42.70%	41.08%
Sodium Bisulphite				
— SBS Solution	15.22%	23.26%	24.46%	25.38%
— SBS Powder	8.06%	10.46%	4.69%	6.09%
— SBS Liquor	13.58%	-	-	-
Sodium Metabisulphite				
— SMBS	-	7.16%	6.89%	7.22%
— SMBS Powder	13.93%	0.05%	-	-
— SMBS Solution	1.06%	0.49%	-	-
Sodium Sulphite				
— Sodium Sulphite Powder	1.23%	2.98%	10.69%	20.23%
Others				
— Soda Ash Dense	1.18%	-	9.43%	-
— SI-Water	1.72%	-	-	-
— Potassium Bisulphite	0.08%	-	-	-
— Ecosoft	-	-	0.63%	-
— High Carbon Ferro Chrome	-	-	0.50%	-
Net Sales of Products	100%	100%	100%	100%

Industry Sector	FY24	FY25	FY26	2MFY27
Food and Beverages	37.75%	40.84%	35.84%	36.27%
Chemicals	16.62%	15.76%	22.38%	37.69%
Oil Drilling	14.41%	19.55%	12.82%	1.59%
Pharmaceuticals	15.68%	9.49%	8.11%	10.18%
Ceramics	—	—	8.99%	—
Agrochemicals	2.00%	7.51%	5.09%	6.74%
Water Treatment	9.74%	3.87%	2.14%	0.99%
Petrochemicals	2.57%	2.41%	2.12%	3.12%
Cosmetics	0.72%	0.48%	0.44%	0.81%
Paints	0.06%	0.08%	0.04%	—
Polymers	0.07%	—	—	—
Boilers	—	—	—	0.36%
Mining	—	—	0.03%	—
Trader/Stockist	0.36%	—	2.00%	2.25%
Net Sales of Products	100%	100%	100%	100%

Existing Capacity Utilisation:

Products	FY24			FY25			FY26			2MFY27		
	Ins.	Prod.	%	Ins.	Prod.	%	Ins.	Prod.	%	Ins.	Prod.	%
Manufacturing Unit – I (Vatva)												
Sodium Meta Bisulphite	2,200	2,073	94.23%	1,600	1,354	84.65%	1,600	1,305	81.56%	1,600	210	13.13%
Sodium Bisulphite Solution/ Powder	7,800	7,480	95.90%	8,200	8,139	99.25%	8,200	8,142	99.29%	8,200	1,359	16.57%
Ammonium Bisulphite	6,200	6,060	97.74%	9,000	8,936	99.29%	9,000	7,962	88.47%	9,000	1,132	12.58%
Total	16,200	15,613	96.38%	18,800	18,429	98.03%	18,800	17,409	92.60%	18,800	2,701	14.37%
Manufacturing Unit – II (Bavla Phase I)												
Sodium Sulphite Anhydrous	-	-	-	18,000	610	3.39%*	18,000	2,702	15.01%	18,000	655	3.64%
Blended Sales Realisation : Unit I+II	INR 28.74 / kg			INR 29.99 / kg			INR 35.41 / kg			INR 47.62 / kg		

*Note: Company has commenced commercial production from Bavla Phase 1 w.e.f. February'2025

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- ❑ **Raw Materials:** Company's primary raw materials include sulphur dioxide, anhydrous ammonia, soda ash light, caustic soda flakes, caustic lye, sodium bi-sulphite solution, D.M. water and sodium bi-sulphite powder.

Raw Material (INR Cr.)	FY24	FY25	FY26	2M FY27
Sulphur Dioxide (SO ₂)	5.71	7.89	13.22	5.09
Anhydrous Ammonia	4.27	5.97	5.45	1.66
Caustic Lye	0.39	2.09	3.77	0.39
Soda Ash Light	1.31	3.73	2.54	0.4
Caustic Soda Flakes	7.83	2.43	0.54	—
Other Minor Inputs	0.97	2.33	3.65	1.23
Total Purchases (Net)	20.48	24.44	29.18	8.76

- Despite a 21.59% drop in volume purchased between for Sulphur Dioxide FY25 & FY26, the total cost surged by 67.53% in FY26 due to the average price per Kg more than doubling.
- The management actively shifted its processing mix away from Caustic Soda Flakes to liquid Caustic Lye to leverage better utility & unit economics as seen between FY24 & FY26.

Supplier Concentration : Top 1, Top 5 and Top 10 suppliers contributed 24.4%, 70.1% & 88.3% of raw material purchases for FY26 and 17.6%, 65.4% and 89.3% for FY25 → Raw materials are purchased on purchase orders basis (no long term supply agreement)

❑ **Promoters:**

- **Mr. Manojkumar Jayantilal Patel** (age 66 years) is Promoter, Chairman and Managing Director of the Company holds a Bachelor of Commerce degree from Sardar Patel University. He entered the chemical sector in 2000 by establishing a sole proprietorship called "Shanti Industries". Collectively, he brings 26+ years of experience in manufacturing and trading sulphur-based chemicals.
- **Mr. Avnish Manojkumar Patel** (age 41 years) is the Promoter and Joint Managing Director of the Company completed a Diploma in Electronics & Telecommunication Engineering from the Maharashtra State Board of Technical Education. He joined "Shanti Industries" as a partner in 2008 and has been with the company since its incorporation in 2010. He possesses 17+ years of experience in the sulphur-based chemical segment.

❑ **Industry Growth Estimates:**

- **Global Chemical Industry:** Expanding from USD 4.3 trillion in CY19 to USD 6.2 trillion in CY25, it is projected to reach **USD 7.8 trillion by CY29 growing at CAGR of 6.3%.**
- **Global Inorganic Chemical Market growth rate:** The global inorganic chemicals segment reached USD 1,229 billion in CY25 and is projected to grow to USD 1,681 billion by CY29 representing CAGR of 8.3%.
- **Domestic Inorganic Chemical Market growth rate:** The Indian inorganic chemical industry is projected to grow from INR 5.4 lakh crores in FY26 to INR 6.6 lakh crores in FY29P at 6-8% CAGR.
 - **Sodium Bisulphite:** Market size to reach INR 121 Cr. by FY29 from INR 95 Cr. in FY26 (CAGR of 8%-9%) & price trend to improve from \$540-570 / Tonne for solution (\$840-895/Tonne for solid) in FY26 to \$600-630 / Tonne for solution (\$920-970 / Tonne for solid) by FY29
 - **Sodium Metabisulphite:** Market size to reach INR 256 Cr. by FY29 from INR 202 Cr. in FY26 (CAGR of 7%-9%) & price trend to improve from \$460-490 / Tonne in FY26 to \$520-550 / Tonne by FY29
 - **Sodium Sulphite:** Market size to reach INR 121 Cr. by FY29 from INR 95 Cr. in FY26 (CAGR of 8%-9%) & price trend to improve from \$420-450 / Tonne in FY26 to \$480-510 / Tonne by FY29
 - **Ammonium Bisulphite:** Market size to reach INR 99 Cr. by FY29 from INR 78 Cr. in FY26 (CAGR of 8%-9%) & price trend to improve from \$560-610 / Tonne in FY26 to \$600-650 / Tonne by FY29
- **Key Growth Drivers:**
 - **China +1:** Global buyers are actively diversifying chemical sourcing away from China due to regulatory tightening, ESG scrutiny, and supply chain disruptions.
 - **Environment Compliance & Water Treatment:** Stricter standards by the Central Pollution Control Board (CPCB) and schemes like the Jal Jeevan Mission have dramatically escalated the demand for inorganic dechlorination reagents.
 - **End Use Industries:** Fast-growing domestic sectors such as the Food & Beverage sector (projected to reach INR 44.8 lakh crore by FY29 at a 7.8% CAGR), Oil Drilling (projected to reach INR 10,388 crore by FY29 at a 9-11% CAGR), and Pharmaceuticals (projected to reach INR 10 lakh crore by FY29) require highly specialized food and technical-grade sulphur chemical inputs.
 - **Evolving Li-S Battery Technology.** A promising long-term growth frontier is the development of next-generation Li-S batteries. Unlike traditional lithium-ion batteries, Li-S batteries utilize abundant, inexpensive elemental sulphur as the cathode material, potentially transforming sulphur from a standard industrial feedstock into a high-value energy transition material.

- ❑ **Peer Comparison:** As per RHP, no listed peers are mentioned

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- Buy: > 15%
- Hold: -5% to 15%
- Reduce: -15% to -5%
- Sell: < -15%