BONANZA RESEARCH – SME IPO

Bonanza

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Devson Catalyst Limited - SUBSCRIBE

Company Overview

Devson Catalyst Limited, founded in 2004, is an indigenous Gujarat-based manufacturer of catalysts, adsorbents, and ceramic balls with 6,205 MT annual capacity. Its portfolio spans refinery/process catalysts, activated alumina, molecular sieves, and ceramic tower packing, serving Oil & Gas, Petrochemical, Steel, and Fertilizer industries across the Indian Subcontinent, Europe, the Middle East, and South East Asia, a leading global ceramic ball manufacturer.

Investment Rationale

- **Play on India's Refining & Green Chemistry Expansion:** India's refining capacity is projected to cross 300 MMTPA by 2028 from 256.82 MMTPA in 2024. BS-VI norms and the National Green Hydrogen Mission are driving demand for high-performance catalysts. Industry expected to grow at CAGR 6–7% through FY2031.
- **Import Substitution Opportunity:** India imported catalytic materials worth Rs. 2,028.95 Cr vs exports of Rs. 907.47 Cr in FY25. Devson is well-positioned as an Atmanirbhar Bharat / Make-in-India beneficiary.
- **Strong Financial Trajectory:** Revenue grew from Rs. 4,347 Lakh (FY24) to Rs. 5,578 Lakh (FY26). PAT more than tripled, rising 207% from Rs. 408 Lakh to Rs. 1,252 Lakh in the same period. EBITDA margins expanded from 15.29% to 29.49%.
- **High Entry Barriers are a Commercial Moat:** Order-to-order pre-qualification audits, long plant-level validation cycles, and customers averse to switching = protected competitive position.
- **Debt-Light Balance Sheet:** D/E ratio dropped from 0.33x (FY24) to 0.07x (FY26). Post-IPO, balance sheet becomes further deleveraged.
- **Sticky Customer Base & Global Reach:** 79.33% repeat revenue; exports to 15+ countries provide diversification.
- **Capacity Expansion Post-IPO:** 82% jump in installed capacity from 6,205 to 11,293 MTPA, directly funded by fresh issue.

Valuation

At the upper price band of Rs. 118, the issue is priced at a P/E of 9.66x on FY26 EPS of Rs. 12.22, and ~12.73x on the weighted average EPS of Rs. 9.27. Against NAV of Rs. 32.68, this implies a P/BV of 3.61x. Supported by strong RoNW (37.38%) and RoCE (47.60%), the valuation appears reasonably justified given the company's profitability, low leverage, and niche positioning in India's catalyst and ceramics industry. Hence, we recommend **SUBSCRIBE** to this SME IPO.

IPO Details	
Industry	Specialty Chemicals
Issue Open Date	09-Jul-26
Issue Close Date	13-Jul-26
Price Band	Rs. 112-118
Issue Size*	Rs. 4,234 Lakh
Issue Size (Shares)	35,88,000
Bid Lot	1,200 Shares
Listing Exchanges	BSE SME
Face Value	Rs. 10/-

*At highest price band

Issue Details	
Fresh Issue*	Rs. 3,939 Lakh
Offer for Sale	Rs. 295 Lakh
Issue Type	Fresh capital cum OFS
Lead Manager	JJ IPO Advisors
Registrar	MUFG Intime India
Issue structure	Market Maker: 5.02% QIB: 46.35% NII: 14.05% Retail: 32.78%
Allotment	14-Jul-26
Credit of Shares	15-Jul-26
Listing Date	16-Jul-26

Objective of Issue

Particular	Estimated Amt (in Lakh)
Capex	1,740
Working Capital	1,200
General Corporate Purposes	-

Shareholding Pattern

Shareholding (%)	Pre (%)	Post (%)
Promoter	100	73.60
Public & Others	-	26.41

Business Highlights

Product Portfolio:

Segment	Key Products
Catalysts	Chloride Guard, Sulphur Guard, Claus catalysts, Hydrotreating & Reforming catalysts
Adsorbents	Activated Alumina (DEV-101™), Molecular Sieves
Ceramic Balls & Packing	DEV-25™, DEV-50™, DEV-99™, Saddles, Raschig rings, Pall rings

Customers & Geography:

- Repeat business: 79.33% of FY26 revenue, strong client stickiness.
- Exports: 37.30% of FY26 revenue (exported to 15+ countries).
- Top export markets: Kuwait, UAE, USA, Turkey, Qatar, and Germany.
- Sustainability: Zero Liquid Discharge + 263.7 kWp rooftop solar.

Financials

Profit & Loss Statement:

Particulars (in Lakh)	FY24	FY25	FY26	CAGR (FY24-26)
Revenue from Operations	4,347	5,319	5,578	13%
EBITDA	669	1,093	1,676	58%
EBITDA Margin	15.39%	20.55%	30.06%	
PAT	408	767	1252	75%
PAT Margin	9.38%	14.42%	22.45%	

- Revenue CAGR (FY24–26): 13.3% steady top-line growth.
- PAT CAGR: 75% explosive bottom-line expansion; PAT tripled in 2 years.
- EBITDA margin expansion: 15.39% to 30.06%, significant operational leverage

Balance Sheet:

Particulars	FY24	FY25	FY26	Particulars	FY24	FY25	FY26
Equity & Liabilities				**Assets**			
Net Worth	1,331	2,098	3,350	PPE	724	677	1171
Long Term Debt	19	9	89	Inventories	214	277	775
Short Term Debt	417	270	161	Trade Rec.	800	1267	1675
Trade Payables	168	217	329	Cash	116	126	217

- Bonus issue in Dec 2025 (40:1 ratio), capital jumped from Rs. 25 Lakh to Rs. 1,025 Lakh by capitalising reserves.
- Net worth doubled in 2 years from Rs. 1,331 Lakh to Rs. 3,350 Lakh, purely via retained earnings.
- Total borrowings reduced from Rs. 435 Lakh to Rs. 250 Lakh, deleveraging clearly visible.
- Trade receivables ballooned from Rs. 800 Lakh to Rs. 1,675 Lakh (2x jump), potential working capital red flag.
- Inventory nearly tripled in FY26 from Rs. 277 Lakh to Rs. 775 Lakh, building stock for expansion.

Cash Flow:

Particulars	FY24	FY25	FY26
Operating Cash Flow	20.78	450.07	455.64
Investing Cash Flow	(261.44)	(247.43)	(294.90)
Financing Cash Flow	262.36	(192.19)	(70.62)
Net Cash Flow	21.70	10.45	90.12

- CFO turned strongly positive from Rs. 21 Lakh to Rs. 456 Lakh, a 22x increase.
- Massive working capital drag in FY26 (Rs. 952L absorbed), receivables and inventory build-up.
- FY26 saw Rs. 529 Lakh capex outflow (highest 3-year investment) reflecting expansion prep.
- Financing outflows in FY25/FY26 show consistent debt repayment.
- Cash conversion is a watchpoint, while accounting profit tripled, operating cash flow was flat between FY25 and FY26 due to working capital block.

Key Ratios:

Ratio	FY26
Return on Equity	45.97%
Return on Capital Employed	47.60%
Debt-Equity Ratio	0.07x
Current Ratio	4.18x
EPS (Rs.)	12.22
NAV (Rs.)	32.68

- ROE: Exceptionally high; company generates strong returns on shareholders equity.
- ROCE: Efficient use of total capital (equity + debt) to generate profits.
- Debt-Equity: Very low leverage; company is almost debt-free.
- Current Ratio: Strong short-term liquidity; ample current assets to cover liabilities.

Peer Comparison

There are no listed companies in India that are engaged in the similar business line.

Risk & Concerns

- **Customer Concentration:** Top 5 customers are 60.12% of revenue; single largest - 17.21%; top 10 - 76.03%. No long-term contracts.
- **Supplier Concentration:** Top 10 suppliers are 75.82% of raw materials; top supplier alone - 22.58%. No long-term supply contracts.
- **Single Plant Risk:** All manufacturing at one facility in Surendranagar, Gujarat, vulnerable to local disruptions.
- **Geographic concentration:** Domestic revenue skewed to Gujarat and Maharashtra; exports dependent on Kuwait, Qatar, Turkey.
- **Rising receivable days from 55 to 96:** potential liquidity strain; some customers may be slow-payers.
- **Foreign Exchange Risk:** heavy import dependence on alumina, zeolites, and metal oxides.
- **Leasehold Land:** All operating and expansion land is leasehold (expires 2073–2082); non-renewal would be disruptive.

Name	Designation
Sanket Roge	Research Analyst

SANKET GAJANAN ROGE

Digitally signed by SANKET GAJANAN ROGE
DN: cn=SANKET GAJANAN ROGE c=IN o=Personal ou=Personal
Reason: I am the author of this document
Location:
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Bonanza Portfolio Ltd.
Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063 Phone: 022-68363794/708 Website: https://www.bonanzaonline.com SEBI Regn. No.: INZ000212137 BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836 | CDSL: 120 33500 |NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186
Compliance Officer: Trupti Milind Khot, 022-62735507, compliance@bonanzaonline.com