

Anupam Rasayan India Ltd

Anupam Rasayan India Ltd. is a company engaged in the custom synthesis and manufacturing of specialty chemicals in India. Company started its business as a partnership firm in 1984 as a manufacturer of conventional products and have, over the years, evolved into custom synthesis and manufacturing of life science related specialty chemicals and other specialty chemicals, which involve multi-step synthesis and complex technologies, for a diverse base of Indian and global customers.

Positives: (a) Strong and long-term relationships with diversified customers across geographies with significant entry barriers (b) Core focus on process innovation through consistent research and development, value engineering and complex chemistries (c) Diversified and customized product portfolio with a strong supply chain (d) Automated manufacturing facility with strong focus on environment, sustainability, health and safety measures (f) Consistent track record of financial performance

Investment concerns: (a) Company has incurred significant indebtedness, and an inability to comply with repayment could adversely affect business. (b) Experiencing insufficient cash flows to meet required payments on debt and working capital requirements, could adversely impact on operation. (d) It may become involved in claims concerning intellectual property rights, and could suffer significant litigation or related expenses in defending own intellectual property rights or defending claims that we infringed the rights of others.

Outlook & Valuation: Company has strong and long-term relationships with various multinational corporations, including, Syngenta Asia Pacific Pte. Ltd., Sumitomo Chemical Company Limited and UPL Limited. The company has posted strong revenue growth of 24.3% CAGR between FY2018 to FY2020. Despite the impact of the COVID-19 pandemic, company has posted revenue growth of 45.0% for the nine month period ending December 2021. Given strong revenue growth and long-term relationships with various multinational corporations we **assign a "SUBSCRIBE" rating to the IPO.**

Key Financials

Y/E March (` cr)	FY2018	FY2019	FY2020
Net Sales	341.4	501.5	528.9
% chg	-	46.9	5.5
Net Profit	41.3	49.2	53.0
% chg	-	19.2	7.6
EBITDA (%)	21.5	18.6	25.5
EPS (Rs)	8.3	9.8	10.6
P/E (x)	67.2	56.3	52.4
P/BV (x)	6.1	5.5	4.7
ROE (%)	9.0	9.7	8.9
ROCE (%)	6.5	6.2	7.5
EV/EBITDA	42.9	36.4	26.1
EV/Sales	9.3	6.8	6.6

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

Please refer to important disclosures at the end of this report

SUBSCRIBE

Issue Open: March 12, 2021

Issue Close: March 16, 2021

Face Value: Rs 10

Present Eq. Paid up Capital: Rs 86.2 cr

Offer for Sale: 0 cr sh

Fresh issue: 1.4 cr sh

Post Eq. Paid up Capital: Rs 99.9cr

Issue size (amount): Rs 760 cr

Price Band: Rs 553-555

Lot Size: 27 shares and in multiple thereafter

Post-issue mkt. cap: *Rs 5527 cr - **Rs 5544 cr

Promoters holding Pre-Issue: 75.8%

Promoters holding Post-Issue: 65.4%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	65.4%
Others	34.6%

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Company background

Company primarily serves customers in the clean energy, nuclear and space and Company was initially formed as a partnership firm as “Anupam Rasayan” with effect from April 1, 1984 at Surat, Gujarat, India. Company key focus is on the custom synthesis and manufacturing operations with in-house innovative processes for manufacturing products requiring complex chemistries and achieving cost optimization. It has two distinct business verticals (i) life science related specialty chemicals comprising products related to agrochemicals, personal care and pharmaceuticals, and (ii) other specialty chemicals, comprising specialty pigment and dyes, and polymer additives. However, most of the revenue comprises from revenue from life science and agrochemical products.

Issue details

The issue comprises of fresh issues of up to Rs. 760 crore in the price band of ₹553-555.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	65,344,896	75.8%	65,344,896	65.4%
Public	20,862,000	24.2%	34,55,5694	34.6%
Total	2,86,11,442	100%	3,07,59,591	100%

Source: Company, Angel Research & RHP.

Objectives of the Offer

- Repayment/prepayment of certain indebtedness availed by our Company (including accrued interest);
- General corporate purposes
- Enhance our visibility and our brand image among our existing and potential customers

Key Management Personnel

Dr. Kiran C Patel is the Chairman of on Board and is a Non-Executive Director of our Company. Dr. Patel holds a school certificate incorporating a general certificate of education from the University of Cambridge and general certificate of education examination from the University of London.

Ms. Mona A Desai is the Vice Chairman of our Board and a Whole-time Director of the Company. She has been on our Board since the incorporation of the Company in 2003. She holds a bachelor’s degree in home science from Shreemati Nathibai Damodar Thackersey Women’s University, Mumbai. Ms. Desai was the chairperson of the Board of the Company from April 23, 2013 until 21 August, 2020.

Mr. Anand S Desai is the Managing Director of the Company. He has been associated with the company since 1992 and was one of the first Directors of the Company. He has passed the final semester examination of the bachelor’s degree in science from Vinoba Bhave University. He has over 28 years of experience in the field of chemicals industry and has been actively involved in the day to day running of our Company.

Exhibit 1: Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020	9MFY2021
Total operating income	341	501	529	539
% chg	-	46.9	5.5	45.0
Total Expenditure	268	408	394	408
Cost of Materials Consumed	195	255	296	314
Purchase of Stock in Trade	6	8	1	-
Changes in Inventories	-48	-6	-86	-96
Employee Benefits Expenses	16	19	21	20
Other Expenses	98	133	162	170
EBITDA	74	93	135	131
% chg	-	27	45	28
(% of Net Sales)	22	19	26	24
Depreciation & Amortisation	18	23	29	38
EBIT	56	71	106	92
% chg	-	26	50	9
(% of Net Sales)	16	14	20	17
Finance costs	14	24	45	50
Other income (with income from associate)	9	19	11	24
(% of Sales)	3	4	2	4
Recurring PBT	51	65	71	67
% chg	-	28	10	21
Exceptional item	-	-	-	-
Tax	9	16	18	19
PAT (reported)	41	49	53	48
% chg	-	19	8	12
(% of Net Sales)	12	10	10	9
Basic & Fully Diluted EPS (Rs)	8.3	9.8	10.6	5.6

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹cr)	FY2018	FY2019	FY2020	9MFY2021
SOURCES OF FUNDS				
Equity Share Capital	50	50	50	86
Other equity (Retained Earning)	408	457	544	738
Shareholders Funds	458	507	594	825
Total Loans	391	617	761	703
Other liabilities	10	14	52	59
Total Liabilities	859	1,138	1,407	1,587
APPLICATION OF FUNDS				
Property, Plant and Equipment	367	668	925	973
Rights-of-Use Assets	-	-	39	38
Capital Work-in-Progress	256	191	101	115
Intangible Assets	15	13	13	12
Current Assets	345	423	552	743
Inventories	173	195	297	421
Trade Receivables	88	121	129	141
Cash & Cash Equivalents	7	2	20	70
Other Bank Balance	2	5	7	8
Loans	16	21	25	29
Other Financial Assets	5	15	16	20
Other Current Assets	53	64	57	53
Investment	-	-	-	-
Current Liability	143	185	257	332
Net Current Assets	202	238	295	411
Other Non Current Asset	18	28	34	38
Total Assets	859	1,138	1,407	1,587

Source: Company, Angel Research

Consolidated Cash flow

Y/E March (₹cr)	FY2018	FY2019	FY2020	9MFY2021
Operating profit	82	110	152	105
Net changes in working capital	-94	-58	-48	1
Cash generated from operations	-12	51	104	106
Direct taxes paid (net of refunds)	-8	-13	-9	-9
Cash from operating activities (A)	-20	39	95	97
Net of cash acquired	-	0	-	-
Purchase of non-current investments	0	-	-	-
Others	-255	-250	-178	-165
Cash Flow from Investing	-255	-250	-178	-165
Financial charges (interest paid)	-14	-24	-44	-31
Payment of lease liabilities	-	-	-7	-
Non-current borrowings	56	187	43	32
Other borrowings (net)	65	43	74	42
Fresh Issue share capital	19	-	3	3
Security premium received	149	-	32	32
Cash Flow from Financing	275	206	101	79
Inc./(Dec.) in Cash	-1	-6	18	11
Opening Cash balances	8	7	2	2
Closing Cash balances	7	2	20	13

Source: Company, Angel Research

Key Ratios

Y/E March	FY2018	FY2019	FY2020	9MFY2021
Valuation Ratio (x)				
P/E (on FDEPS)	67.2	56.3	52.4	99.5
P/CEPS	47.1	38.7	34.0	55.4
P/BV	6.1	5.5	4.7	5.8
EV/Sales	9.3	6.8	6.6	10.0
EV/EBITDA	42.9	36.4	26.1	41.4
Per Share Data (Rs)				
EPS (Basic)	8.3	9.8	10.6	5.6
EPS (fully diluted)	8.3	9.8	10.6	5.6
Cash EPS	11.8	14.4	16.3	10.0
Book Value	91.5	101.4	118.7	95.6
Returns (%)				
ROE	9.0	9.7	8.9	5.8
ROCE	6.5	6.2	7.5	5.8
Turnover ratios (x)				
Receivables (days)	94.5	87.8	89.4	95.7
Inventory (days)	184.4	142.2	205.0	285.2
Payables (days)	152.4	134.6	177.3	225.0
Working capital cycle (days)	126.5	95.3	117.1	155.9

Source: Company, Angel Research

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