



Choice

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IPO REPORT

**“Subscribe for Long Term” to
Anupam Rasayan India Ltd.**

Long term outlook positive but over priced

Salient features of the IPO:

- **Anupam Rasayan India Ltd.** (Anupam Rasayan), one of the leading companies involved in the custom synthesis & manufacturing of specialty chemicals in India is planning to raise up to Rs. 7,600mn through an IPO, which opens on 12th Mar. and closes on 16th Mar. 2021. The price band is Rs. 553 - 555 per share.
- The issue comprises of fresh issue only. Of the net proceeds, around Rs. 5,637mn will be utilized to repayment/prepayment of certain indebtedness availed by the company. Residual funds will be used for general corporate purposes.

Key competitive strengths:

- Strong and long-term relationships with diversified customers across geographies with significant entry barriers
- Core focus on process innovation through consistent R&D, value engineering and complex chemistries
- Diversified & customized product portfolio with a strong supply chain
- Automated manufacturing facilities with strong focus on environment, sustainability, health and safety measures
- Consistent track record of financial performance
- Experienced promoters and strong management team

Risk and concerns:

- Subdued macro economic environment
- Highly working capital intensive business
- Unsustainable profitability margins
- Unfavorable forex movements
- Intense competition

Peer comparison and valuation: At higher price band of Rs. 555, Anupam Rasayan is demanding a TTM P/E multiple of 95.2x (to its restated TTM EPS of Rs. 5.8), which is significantly higher than the peer average of 33x. Thus the issue seems to be aggressively priced.

Below are a few key observations of the issue: (continued in next page)

- India's specialty chemicals market is valued at around USD 22bn in 2019 and is expected to grow at a 10-11% CAGR over the next five years to reach a size of USD 37bn in 2024E. Growth would be aided by the rising demand from end-user industries along with strict global supply on account of stringent environmental norms in China. Also the world is looking to reduce its dependence on China post the outbreak of Covid-19 pandemic. Custom synthesis & manufacturing operations is also rising in India and is expected to grow at 12% in the next five years, owing to strong growth from end-use demand.
- China accounts for around 17-18% of the world's exportable specialty chemicals, whereas India accounts for only 1-2%, indicating a large scope of improvement and widespread opportunity. It is anticipated that the specialty chemicals could be the next export pillar for India.
- Anupam Rasayan is one of the leading companies engaged in the custom synthesis & manufacturing of specialty chemicals in India. Initially started as a manufacturer of conventional products, the company has over the years evolved into custom synthesis & manufacturing of life science related specialty chemicals and other specialty chemicals.

Recommendation	Subscribe for Long Term
Price band	Rs. 553 - 555 per share
Face value	Rs. 10
Shares for fresh issue	13.69 - 13.74mn shares
Shares for OFS	Nil
Fresh issue size	Rs. 7,600mn
OFS issue size	N/a
Total issue size	13.69 - 13.74mn shares (Rs. 7,600mn)
Employee reservation	0.22mn shares
Net issue size	13.47 - 13.52mn shares (Rs. 7,477.9 - 7,478.3mn)
Bidding date	12 th Mar. - 16 th Mar. 2021
MCAP at higher price band	Rs. 55,445mn
Enterprise value at higher price band	Rs. 54,356mn
Book running lead manager	Axis Capital Ltd., Ambit Pvt. Ltd., IIFL Securities Ltd. and JM Financial Ltd.
Registrar	KFin Technologies Pvt. Ltd.
Sector/Industry	Chemicals
Promoters	Mr. Anand S Desai, Dr. Kiran C Patel, Ms. Mona A Desai, Kiran Pallavi Investments Llc and Rehash Industrial and Resins Chemicals Pvt. Ltd.

Issue breakup		
Category	Percent of issue (%)	Number of shares (mn)
QIB portion	50%	6.74 - 6.76mn shares
Non institutional portion	15%	2.02 - 2.03mn shares
Retail portion	35%	4.72 - 4.73mn shares

Indicative IPO process time line	
Finalization of basis of allotment	19 th Mar. 2021
Unblocking of ASBA account	22 nd Mar. 2021
Credit to demat accounts	23 rd Mar. 2021
Commencement of trading	24 th Mar. 2021

Pre and post - issue shareholding pattern		
	Pre-issue	Post-issue
Promoter & promoter group	75.80%	65.41%
Public	24.20%	34.59%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot	
Number of shares per lot	27
Employee discount	Rs. 55 on the issue price
Application money	Rs. 14,985 per Lot

Analyst	
Rajnath Yadav	
Research Analyst (022 - 6707 9999; Ext: 912)	
Email: rajnath.yadav@choiceindia.com	

Peer comparison and valuation (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. mn)	EV (Rs. mn)	Stock return (%)				TTM operating revenue (Rs. mn)	TTM EBITDA (Rs. mn)	TTM PAT (Rs. mn)	TTM EBITDA margin (%)	TTM PAT margin (%)
					1 M	3 M	6 M	1 Y					
Anupam Rasayan India Ltd.	10	555	55,445	54,356					6,963	1,636	583	23.5%	8.4%
PI Industries Ltd.	1	2,291	347,575	349,985	2.8%	-1.1%	20.0%	51.1%	42,351	9,711	6,692	22.9%	15.8%
Coromandel International Ltd.	1	772	226,487	241,955	0.6%	-3.5%	5.9%	28.1%	142,268	21,455	14,075	15.1%	9.9%
Navin Fluorine International Ltd.	2	2,691	133,174	129,675	5.5%	5.3%	36.6%	91.1%	11,195	2,938	4,554	26.2%	40.7%
Aarti Industries Ltd.	5	1,277	222,515	238,147	6.0%	5.3%	22.5%	35.6%	43,729	9,402	4,977	21.5%	11.4%
Astec Lifesciences Ltd.	10	1,050	20,555	21,528	-0.6%	-0.6%	-10.3%	121.2%	5,635	1,161	723	20.6%	12.8%
SRF Ltd.	10	5,661	335,411	364,842	2.3%	6.6%	37.3%	52.0%	76,502	18,417	10,028	24.1%	13.1%
Bharat Rasayan Ltd.	10	9,858	41,883	42,310	-1.5%	2.8%	5.9%	49.3%	10,932	2,223	1,534	20.3%	14.0%
UPL Ltd.	2	621	474,549	723,579	16.2%	41.7%	26.5%	20.8%	370,390	76,050	24,250	20.5%	6.5%
Sumitomo Chemical India Ltd.	10	289	144,453	142,658	-5.2%	-4.1%	7.1%	33.2%	25,564	4,575	3,142	17.9%	12.3%
Average												21.0%	15.2%

Company name	3Y Top-line growth (CAGR, %)	3Y EBITDA growth (CAGR, %)	3Y PAT growth (CAGR, %)	3Y average EBITDA margin (%)	3Y Average PAT margin (%)	3Y Capital employed growth (CAGR, %)	3Y CFO growth (CAGR, %)	3Y Average total asset turnover (x)	3Y Average RoE (%)	3Y Average RoIC (%)
Anupam Rasayan India Ltd.	24.5%	35.4%	18.7%	21.9%	11.3%	66.8%		0.3	7.8%	5.3%
PI Industries Ltd.	21.6%	20.5%	11.5%	21.1%	14.7%	25.4%	47.8%	0.6	18.2%	15.7%
Coromandel International Ltd.	8.9%	17.4%	24.1%	11.8%	6.6%	25.3%	165.9%	1.2	23.3%	27.6%
Navin Fluorine International Ltd.	7.8%	10.7%	50.8%	23.4%	24.4%	21.3%	-3.8%	0.6	20.4%	21.1%
Aarti Industries Ltd.	4.9%	18.2%	26.9%	21.6%	11.1%	25.5%	81.4%	0.7	19.3%	17.3%
Astec Lifesciences Ltd.	19.2%	11.3%	16.7%	17.6%	9.0%	20.4%	61.4%	0.9	19.2%	20.7%
SRF Ltd.	15.2%	23.2%	48.6%	17.4%	10.1%	13.8%	38.7%	0.7	16.4%	11.1%
Bharat Rasayan Ltd.	23.6%	20.4%	26.6%	19.3%	12.2%	30.6%	202.0%	1.5	29.4%	28.0%
UPL Ltd.	43.4%	39.0%	-6.3%	18.8%	7.8%	86.5%	75.4%	0.5	14.4%	10.9%
Sumitomo Chemical India Ltd.	12.6%	23.5%	18.8%	12.8%	7.8%	13.2%	116.0%	1.2	15.9%	16.2%
Average	17.5%	20.5%	24.2%	18.2%	11.5%	29.1%	87.2%	0.9	19.6%	18.7%

Company Name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio	Total asset turnover ratio	RoE (%)	RoCE (%)	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield (%)
Anupam Rasayan India Ltd.	5.8	153.8	0.0	0.6	0.3	3.8%	5.3%	95.2	3.6	7.8	33.2	8.0	1.1%
PI Industries Ltd.	44.1	172.6	4.9	0.2	0.7	25.6%	25.5%	51.9	13.3	8.3	36.0	8.2	1.9%
Coromandel International Ltd.	48.0	147.2	4.2	0.4	1.4	32.6%	41.3%	16.1	5.2	1.7	11.3	1.6	6.2%
Navin Fluorine International Ltd.	92.0	285.3	14.4	0.0	0.6	32.3%	13.7%	29.2	9.4	11.6	44.1	11.9	3.4%
Aarti Industries Ltd.	28.6	171.0	6.1	0.6	0.7	16.7%	16.4%	44.7	7.5	5.4	25.3	5.1	2.2%
Astec Lifesciences Ltd.	36.9	125.9	1.5	0.4	1.0	29.3%	35.8%	28.4	8.3	3.8	18.5	3.6	3.5%
SRF Ltd.	169.3	832.7	13.6	0.7	0.7	20.3%	18.6%	33.4	6.8	4.8	19.8	4.4	3.0%
Bharat Rasayan Ltd.	361.0	1,327.7	1.4	0.2	1.5	27.2%	32.8%	27.3	7.4	3.9	19.0	3.8	3.7%
UPL Ltd.	31.7	213.3	6.0	1.9	0.5	14.9%	10.5%	19.6	2.9	2.0	9.5	1.3	5.1%
Sumitomo Chemical India Ltd.	6.3	24.5	0.4	0.0	1.2	25.7%	32.5%	46.0	11.8	5.6	31.2	5.7	2.2%
Average			5.8	0.5	0.9	24.9%	25.2%	33.0	8.1	5.2	23.9	5.1	3.5%

Source: Choice Broking Research

- Its key focus is custom synthesis & manufacturing and is engaged in developing in-house innovative processes for manufacturing products requiring complex chemistries and achieving cost optimization. The company has successfully carried out multi-step synthesis and scaled-up several new molecules in the area of life sciences related specialty chemicals and other specialty chemicals, thereby expanding its commercialized product portfolio from 25 products in FY18 to 34 products in FY20 and further to 41 products during 9M FY21.
- Anupam Rasayan's life science related specialty chemicals comprises products related to agrochemicals, personal care and pharmaceuticals, while other specialty chemicals comprised of specialty pigment & dyes and polymer additives. In FY20, around 95% of its revenue was attributable to life science related specialty chemicals, whereas around 5% was from other specialty chemicals.
- The custom synthesis & manufacturing business has significant entry barriers, which includes customer validation & approvals, high quality standards, stringent specifications and process innovation & cost reduction. Further, the acquisition of a customer is a long process. Anupam Rasayan has developed a strong and long-term relationships with various multinational corporations, including, Syngenta Asia Pacific Pte. Ltd., Sumitomo Chemical Company Ltd. and UPL Ltd., which helped it in expanding product offerings and geographic reach across Europe, Japan, United States and India. For 9M FY21, the company manufactured products for over 53 domestic and international customers, including 17 multinational companies. Over FY18-20, the company generated over 60% of the business from the overseas market and recognized it as a three star export house by the Government of India.

Peer comparison and valuation (Contd...):

- The company has six manufacturing facilities situated in Gujarat with an installed capacity of 0.023mn tonnes and operating at 75% utilization level (as of 31st Dec. 2020). Over FY18-20, it has invested around Rs. 6,843mn as capital expenditure, which led to around 2x expansion in the installed capacity. The facilities are designed to allow flexibility in manufacturing a diverse range of products to address the changing requirements of customers.
- Through this fresh issue, Anupam Rasayan is likely to raise Rs. 7,600mn. Of these, around Rs. 5,637mn will be utilized to repayment/prepayment of debt. As of FY20 and 9M FY21, the company had total debt of Rs. 8,606.4mn and Rs. 8,823.6mn, respectively.
- The company has reported a short financial history of robust business growth with improving operating profit margin over FY18-20. On the back of increase in number of products in the life science specialty chemicals category and expanded manufacturing facilities, it reported a 24.5% CAGR rise in the consolidated revenue to Rs. 5,288.8mn in FY20. Total operating expenditure increased by 21.3% CAGR (lower than the top-line growth) thereby leading to a 35.4% CAGR rise in consolidated EBITDA to Rs. 1,349mn. EBITDA margin expanded by 397bps during FY18-20 to at 25.5% in FY20. With increased capacities, depreciation charge increased by 27.8% CAGR, while higher debt (40.5% CAGR) led to a 80.2% CAGR rise in finance costs. As a result, pre-tax profit increased by 19.8% CAGR. Further with 39.7% CAGR rise in tax expenses, consolidated PAT increased by 13.2% CAGR to Rs. 529.8mn in FY20. PAT margin contracted from 12.1% in FY18 to 10% in FY20. Baring FY18, the company reported a positive cash flow from operating activities in next two years, with an average operating cash flow of around Rs. 670mn. Average RoIC and RoE stood at 6.4% and 9.2%, respectively, over FY18-20.
- During the 9M FY21, the company reported 45% Y-o-Y increase in consolidated top-line to Rs. 5,392.2mn. However, EBITDA and PAT margin contracted by 319bps and 259bps Y-o-Y, respectively, to stood at 23.5% and 8.4%. Based on our quick estimates, we forecast a 22.6% CAGR rise in consolidated top-line over FY20-23 to Rs. 9,750.6mn in FY23E. EBITDA margin is expected to contract by 62bps to 24.9% in FY23E. While with lower finance expenses, PAT margin to expand by 339bps to a level of 13.4% in FY23E. RoIC and RoE is likely to expand from 4.1% and 3.4% in FY20 to 6.5% and 7.2%, respectively, in FY23E.

At higher price band of Rs. 555, Anupam Rasayan is demanding a TTM P/E multiple of 95.2x (to its restated TTM EPS of Rs. 5.8), which is significantly higher than the peer average of 33x. Thus the issue seems to be aggressively priced. Considering the sectoral tailwinds and Anupam Rasayan's diversified product applications, we assign a **"Subscribe for Long Term"** rating for the issue.

About the issue:

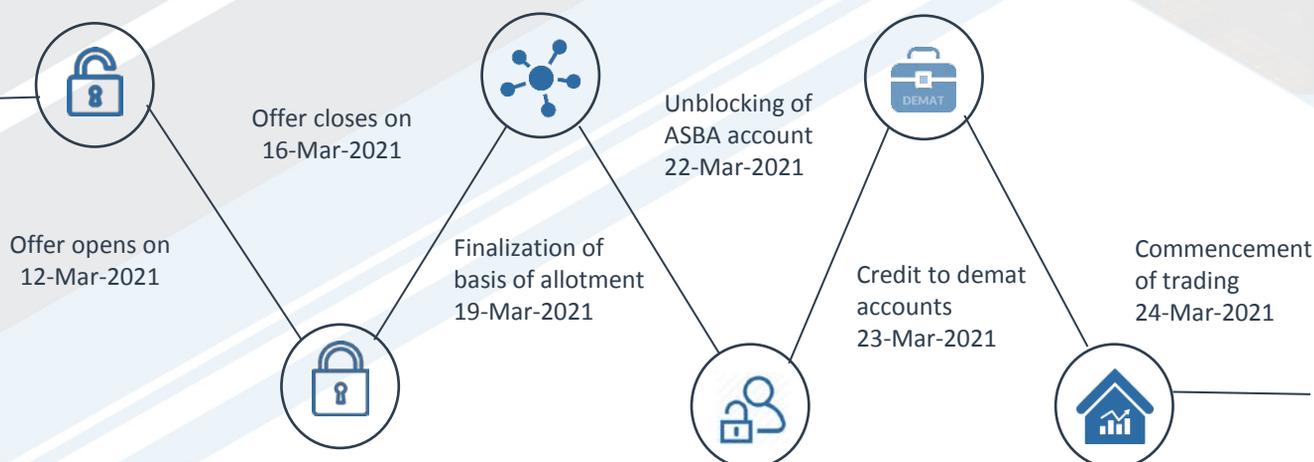
- Anupam Rasayan is coming up with an initial public offering (IPO) with 13.69 - 13.74mn shares (fresh issue: 13.69 - 13.74mn shares; OFS shares: nil) in offering. The offer represents around 13.71% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 7,600mn.
- The issue will open on 12th Mar. 2021 and close on 16th Mar. 2021.
- The issue is through book building process with a price band of Rs. 553 - 555 per share.
- 0.22mn shares are reserved for eligible employees. Thus the net issue size is 13.47 - 13.52mn shares (Rs. 7,477.9 - 7,478.3mn). Eligible employees are entitled a discount of Rs. 55 on the offer price.
- The issue comprises of fresh issue only. Of the net proceeds from the fresh issue, around Rs. 5,637mn will be utilized to repayment/prepayment of certain indebtedness availed by the company. Residual funds will be used for general corporate purposes.
- 50% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 35% is reserved for non-institutional bidders and retail investors, respectively.
- Promoter holds 75.80% stake in the company and post-IPO this will come down to 65.41%. Public holding will increase from current 24.20 to 34.59%.

Pre and post issue shareholding pattern (%)

	Pre Issue	Post Issue (at higher price band)
Promoter & Promoter Group (%)	75.80%	65.41%
Public (%)	24.20%	34.59%

Source: Choice Equity Broking

Indicative IPO process time line:



Company introduction:

Anupam Rasayan is one of the leading companies engaged in the custom synthesis & manufacturing of specialty chemicals in India. It commenced business as a partnership firm in 1984 as a manufacturer of conventional products and over the years, evolved into custom synthesis & 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. The company's key focus in custom synthesis & manufacturing operations, is developing in-house innovative processes for manufacturing products requiring complex chemistries and achieving cost optimization.

The company 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. In FY20 and for 9M FY21, revenues from the life science related specialty chemicals vertical accounted for 95.4% and 93.8%, respectively, of the revenue, while revenue from other specialty chemicals accounted for 4.6% and 6.3%, respectively.

According to the F&S Report, there exist significant entry barriers in the custom synthesis & manufacturing industry including customer validation and approvals, high quality standards, stringent specifications, and expectation from customers for process innovation and cost reduction. Further, the acquisition of a customer is a long process since the end-customer is required to register the manufacturer with the regulatory bodies as a supplier of intermediate products or active ingredients. Anupam Rasayan has developed strong and long-term relationships with various multinational corporations including, Syngenta Asia Pacific Pte. Ltd., Sumitomo Chemical Company Ltd. and UPL Ltd., which in turn has helped it to expand the product offerings and geographic reach across Europe, Japan, United States and India. In particular, the company has been manufacturing products for certain customers for over 10 years. During 9M FY21, the company manufactured products for over 53 domestic and international customer, including 17 multinational companies. The government has also recognized the company as a three star export house.

Anupam Rasayan is also one of the leading companies in manufacturing products using continuous and flow chemistry technology on a commercial scale in India. The continuous process technology has distinct advantages over the traditional batch process, which is typically used by specialty chemical companies, in reducing the batch cycle time of a chemical production process and making the process safer and environment friendly as well as energy and cost efficient. Further, the company has a dedicated in-house R&D facility and a pilot plant located at Sachin Unit – 6, which is equipped with laboratories engaged in process development, process innovation, new chemical screening and engineering, which assists it in pursuing efficiencies from the initial conceptualization up to commercialization of a product. It has expanded its commercialized product portfolio from 25 products in FY18 to 34 products in FY20 and 41 products for the 9M FY21.

According to the F&S Report, India's specialty chemicals industry is expected to grow at 10-11% CAGR over the next five years, due to rising demand from end-user industries, along with tight global supply on account of stringent environmental norms in the China. Further, India accounts for approximately 1-2% of the global exportable specialty chemicals, indicating a large scope of improvement and widespread opportunity. In addition, custom synthesis manufacturing is on the rise in India and contract research & manufacturing services market is expected to grow at a rate of 12% in the next five years, owing to strong growth from end-use demand. Anupam Rasayan is well positioned to capitalize on these opportunities owing to its successful track record of custom synthesis & manufacturing of products, low dependence on raw material imports from China, established relationships with multinational corporations, automated manufacturing infrastructure and established R&D capabilities along with its focus on improving cost efficiency and productivity.

As of 31st Dec. 2020, the company operated six multi-purpose manufacturing facilities in Gujarat, India, with four facilities located at Sachin (Gujarat) and two located at Jhagadia (Gujarat), with a cumulative installed capacity of 0.023mn tonnes. These facilities are in the close proximity to Adani Hazira Port, which aids in reducing freight & logistics costs.

Competition: The Indian specialty chemicals industry is fragmented in nature. The key players in contract manufacturing include, PI Industries Ltd. and Aarti Industries Ltd. Moreover, there are several international players, specifically from China, United States and European Union, engaged in contract manufacturing of specialty chemicals. The company do not specifically compete with any particular Indian company for the range of chemistries, scope of services and the diverse applications and technologies that it cater to.

Financial performance:

Performance over FY17-20: Anupam Rasayan has reported a short financial history of robust business growth with improving operating profit margin over FY18-20. On the back of increase in number of products in the life science specialty chemicals category and expanded manufacturing facilities, the company reported a 24.5% CAGR rise in the consolidated revenue to Rs. 5,288.8mn in FY20. Export and domestic sales during the period increased by 32.9% and 9.6% CAGR, respectively.

Net cost of material consumed (which is around 45-50% of the top-line) increased by 17.1%. Total operating expenditure increased by 21.3% CAGR (lower than the top-line growth) thereby leading to a 35.4% CAGR rise in consolidated EBITDA to Rs. 1,349mn. EBITDA margin expanded by 397bps during FY18-20 to at 25.5% in FY20.

With increased capacities, depreciation charge increased by 27.8% CAGR, while higher debt (40.5% CAGR) led to a 80.2% CAGR rise in finance costs. As a result, pre-tax profit increased by 19.8% CAGR. Further with 39.7% CAGR rise in tax expenses, consolidated PAT increased by 13.2% CAGR to Rs. 529.8mn in FY20. PAT margin contracted from 12.1% in FY18 to 10% in FY20.

Baring FY18, the company reported a positive cash flow from operating activities in next two years, with an average operating cash flow of around Rs. 670mn. Average RoIC and RoE stood at 6.4% and 9.2%, respectively, over FY18-20.

Performance during 9M FY21: The company reported 45% Y-o-Y increase in consolidated top-line to Rs. 5,392.2mn. However, EBITDA and PAT margin contracted by 319bps and 259bps Y-o-Y, respectively, to stood at 23.5% and 8.4%.

Consolidated financial snapshot (Rs. mn)	FY18	FY19	FY20	9M FY20	9M FY21	TTM	CAGR (%)	Y-o-Y (%, Annual)	Y-o-Y (%, Nine months)
Export sales	2,036.6	3,010.6	3,599.2	2,588.1	3,309.5	4,320.6	32.9%	19.6%	27.9%
Domestic sales	1,377.6	2,004.4	1,654.2	1,129.8	2,045.5	2,569.9	9.6%	-17.5%	81.0%
SEZ Supply			35.4	0.2	37.2	72.4			20566.7%
Total revenue	3,414.3	5,015.0	5,288.8	3,718.1	5,392.2	6,962.9	24.5%	5.5%	45.0%
EBITDA	735.4	931.4	1,349.0	1,020.2	1,307.6	1,636.4	35.4%	44.8%	28.2%
Reported PAT	413.1	492.5	529.8	428.0	480.9	582.7	13.2%	7.6%	12.4%
Restated adjusted EPS	4.1	4.9	5.3	4.3	4.8	5.8	13.2%	7.6%	12.4%
Cash flow from operating activities	(202.6)	389.2	949.4	973.1	138.5	114.8		143.9%	-85.8%
NOPLAT	467.0	577.2	869.7	693.1	759.4	936.0	36.5%	50.7%	9.6%
FCF		(1,818.5)	(418.4)		(2,696.0)			-77.0%	
RoIC (%)	6.1%	5.7%	7.3%	6.4%	5.1%	6.2%	116 bps	157 bps	(130) Bps
Revenue growth rate (%)		46.9%	5.5%		45.0%				
EBITDA growth rate (%)		26.6%	44.8%		28.2%				
EBITDA margin (%)	21.5%	18.6%	25.5%	27.4%	24.3%	23.5%	397 bps	693 bps	(319) bps
EBIT growth rate (%)		26.2%	50.4%		9.3%				
EBIT margin (%)	16.4%	14.1%	20.1%	22.8%	17.1%	16.4%	369 bps	600 bps	(561) bps
Restated PAT growth rate (%)		19.2%	7.6%		12.4%				
Restated PAT margin (%)	12.1%	9.8%	10.0%	11.5%	8.9%	8.4%	(208) bps	20 bps	(259) bps
Inventories turnover ratio (x)	2.0	2.7	2.1	1.3	1.3	1.7	4.2%	-21.2%	-2.9%
Trade receivable turnover ratio (x)	3.9	4.8	4.2	3.5	3.8	4.9	4.6%	-11.9%	8.8%
Accounts payable turnover ratio (x)	5.5	7.4	5.2	2.6	3.9	5.1	-2.9%	-29.7%	49.0%
Fixed asset turnover ratio (x)	0.5	0.6	0.5	0.4	0.5	0.6	-4.2%	-14.8%	26.8%
Total asset turnover ratio (x)	0.3	0.4	0.3	0.2	0.3	0.4	-3.5%	-16.2%	16.4%
Current ratio (x)	1.6	1.5	1.3	1.2	2.0	2.0	-10.0%	-14.7%	57.8%
Debt to equity (x)	1.0	1.3	1.4	1.3	1.1	1.1	23.4%	9.5%	-15.1%
Net debt to EBITDA (x)	5.8	7.1	6.2	7.1	6.2	4.9	3.2%	-13.3%	-13.0%
RoE (%)	9.0%	9.7%	8.9%	7.3%	5.8%	7.1%	(10) bps	(79) bps	(150) bps
RoA (%)	4.1%	3.7%	3.2%	2.8%	2.5%	3.0%	(94) bps	(54) bps	(27) bps
RoCE (%)	7.2%	6.8%	8.7%	7.4%	6.0%	7.4%	148 bps	184 bps	(142) Bps

Source: Choice Equity Broking



Competitive strengths:

- Strong and long-term relationships with diversified customers across geographies with significant entry barriers
- Core focus on process innovation through consistent research & development, value engineering and complex chemistries
- Diversified and customized product portfolio with a strong supply chain
- Automated manufacturing facilities with strong focus on environment, sustainability, health and safety measures
- Consistent track record of financial performance
- Experienced promoters and strong management team

Business strategy:

- Continue to focus on custom synthesis & manufacturing by developing innovative processes and value engineering
- Expand the business by capitalizing on industry opportunities and organic and inorganic growth
- Diversify product portfolio and expand the chemistry expertise
- Continue to focus on cost efficiency and improving productivity



Risk and concerns:

- Subdued macro economic environment
- Highly working capital intensive business
- Unsustainable profitability margins
- Unfavorable forex movements
- Intense competition

Financial statements:

Consolidated profit and loss statement (Rs. mn)

	FY18	FY19	FY20	9M FY20	9M FY21	TTM	CAGR over FY18 - 20 (%)	Annual growth over FY19 (%)	Y-o-Y growth from the nine month
Total revenue	3,414.3	5,015.0	5,288.8	3,718.1	5,392.2	6,962.9	24.5%	5.5%	45.0%
Cost of materials consumed	(1,952.4)	(2,551.0)	(2,956.4)	(2,060.4)	(3,139.4)	(4,035.4)	23.1%	15.9%	52.4%
Purchase of stock in trade	(62.1)	(83.8)	(5.2)	(6.2)		1.0	-71.1%	-93.8%	
Changes in inventories of finished goods, work-in-progress and stock-in-trade	479.4	64.0	856.2	636.6	962.9	1,182.5	33.6%	1238.1%	51.2%
Employee benefits expenses	(159.2)	(185.9)	(209.5)	(152.3)	(204.0)	(261.3)	14.7%	12.7%	34.0%
Other expenses	(984.5)	(1,326.9)	(1,625.0)	(1,115.6)	(1,704.0)	(2,213.3)	28.5%	22.5%	52.7%
EBITDA	735.4	931.4	1,349.0	1,020.2	1,307.6	1,636.4	35.4%	44.8%	28.2%
Depreciation and amortization expense	(175.7)	(225.3)	(287.1)	(174.2)	(383.2)	(496.1)	27.8%	27.5%	120.0%
EBIT	559.7	706.1	1,061.9	846.0	924.5	1,140.3	37.7%	50.4%	9.3%
Finance costs	(139.6)	(243.5)	(453.2)	(321.3)	(496.3)	(628.2)	80.2%	86.1%	54.5%
Other income	77.6	194.6	105.1	26.9	239.4	317.6	16.4%	-46.0%	791.7%
PBT	497.7	657.2	713.7	551.6	667.6	829.7	19.8%	8.6%	21.0%
Tax expenses	(94.2)	(155.1)	(184.0)	(123.6)	(186.7)	(247.1)	39.7%	18.6%	51.1%
Profit for the year	403.4	502.1	529.8	428.0	481.0	582.7	14.6%	5.5%	12.4%
Share of net profit/(loss) of associates	9.7	(9.6)			(0.0)	(0.0)			
Reported PAT	413.1	492.5	529.8	428.0	480.9	582.7	13.2%	7.6%	12.4%

Consolidated balance sheet statement (Rs. mn)

	FY18	FY19	FY20	9M FY20	9M FY21	TTM	CAGR over FY18 - 20 (%)	Annual growth over FY19 (%)	Y-o-Y growth from the nine month
Equity share capital	500.0	500.0	500.0	500.0	862.1	862.1	0.0%	0.0%	72.4%
Other equity	4,076.4	4,571.1	5,437.2	5,335.2	7,383.1	7,383.1	15.5%	18.9%	38.4%
Non current borrowings	3,119.2	5,153.4	5,809.1	5,399.3	6,550.3	6,550.3	36.5%	12.7%	21.3%
Other non current financial liabilities			329.6		332.4	332.4			
Non current net deferred tax liabilities	101.8	136.9	191.7	160.7	259.1	259.1	37.3%	40.0%	61.2%
Current borrowings	1,229.8	1,544.1	2,371.1	1,928.4	1,869.4	1,869.4	38.9%	53.6%	-3.1%
Other current financial liabilities	8.0	15.5	96.6	29.9	71.5	71.5	247.9%	523.2%	138.6%
Trade payables	620.9	738.0	1,301.5	1,405.2	1,367.5	1,367.5	44.8%	76.4%	-2.7%
Current provisions	35.3	25.2	7.9	26.7	50.1	50.1	-52.6%	-68.6%	87.7%
Other current liabilities	305.9	530.8	528.7	586.3	364.6	364.6	31.5%	-0.4%	-37.8%
Current net tax liabilities	15.0	10.0	67.2	38.1	82.1	82.1	111.5%	570.2%	115.3%
Total liabilities	10,012.1	13,225.0	16,640.7	15,409.9	19,192.2	19,192.2	28.9%	25.8%	24.5%
Property, plant and equipment	3,672.8	6,676.6	9,252.7	6,956.3	9,726.4	9,726.4	58.7%	38.6%	39.8%
Intangible assets	149.5	132.3	127.9	129.7	117.7	117.7	-7.5%	-3.3%	-9.3%
Right of use asset			392.8		379.8	379.8			
Capital work-in-progress	2,561.0	1,906.2	1,009.5	2,857.2	1,152.5	1,152.5	-37.2%	-47.0%	-59.7%
Non current investments	26.1	4.0	4.0	4.0	0.2	0.2	-60.9%	0.0%	-94.5%
Non current loans and advances						0.0			
Other non current financial assets	35.2	38.1	29.8	36.0	62.2	62.2	-8.0%	-21.7%	72.7%
Other non current assets	120.2	233.2	308.6	458.2	322.1	322.1	60.2%	32.3%	-29.7%
Inventories	1,725.2	1,953.7	2,970.4	2,821.9	4,212.9	4,212.9	31.2%	52.0%	49.3%
Trade receivables	883.9	1,205.9	1,294.9	1,060.7	1,414.2	1,414.2	21.0%	7.4%	33.3%
Cash and cash balances	90.8	70.6	268.3	143.1	780.3	780.3	71.9%	279.9%	445.4%
Other current financial assets	51.2	150.7	158.7	77.3	204.3	204.3	76.1%	5.3%	164.1%
Current loans	163.8	213.9	251.7	242.3	288.0	288.0	23.9%	17.6%	18.9%
Other current assets	532.5	639.7	571.3	623.2	531.6	531.6	3.6%	-10.7%	-14.7%
Total assets	10,012.1	13,225.0	16,640.7	15,409.9	19,192.2	19,192.2	28.9%	25.8%	24.5%

Source: Choice Equity Broking

Financial statements:

Consolidated cash flow statement (Rs. mn)

Particulars (Rs. mn)	FY18	FY19	FY20	9M FY20	9M FY21	TTM	CAGR over FY18 - 20 (%)	Annual growth over FY19 (%)	Y-o-Y growth from the nine month
Cash flow before working capital changes	819.7	1,095.4	1,523.7	1,049.3	1,582.9	2,057.4	36.3%	39.1%	50.9%
Change in working capital	(937.6)	(581.2)	(482.0)	13.3	(1,406.8)	(1,902.1)	-28.3%	-17.1%	-10677.5%
Cash flow from operating activities	(202.6)	389.2	949.4	973.1	138.5	114.8		143.9%	-85.8%
Purchase of property, plant & equipment	(2,556.1)	(2,482.7)	(1,803.9)	(1,659.0)	(1,166.1)	(1,311.0)	-16.0%	-27.3%	-29.7%
Cash flow from investing activities	(2,551.3)	(2,502.1)	(1,782.0)	(1,649.2)	(1,204.7)	(1,337.5)	-16.4%	-28.8%	-26.9%
Cash flow from financing activities	2,748.4	2,057.4	1,014.3	789.6	1,593.6	1,818.3	-39.3%	-50.7%	101.8%
Net cash flow	(5.4)	(55.5)	181.7	113.5	527.3	595.5		-427.3%	364.6%
Opening balance of cash and bank balances	79.4	74.0	18.5	18.5	200.2	132.0	-51.8%	-75.0%	983.3%
Closing balance of cash and bank balances	74.0	18.5	200.2	132.0	727.5	727.5	64.5%	983.3%	451.3%

Consolidated financial ratios

Particulars (Rs. mn)	FY18	FY19	FY20	9M FY20	9M FY21	TTM
Revenue growth rate (%)		46.9%	5.5%		45.0%	
EBITDA growth rate (%)		26.6%	44.8%		28.2%	
EBITDA margin (%)	21.5%	18.6%	25.5%	27.4%	24.3%	23.5%
EBIT growth rate (%)		26.2%	50.4%		9.3%	
EBIT margin (%)	16.4%	14.1%	20.1%	22.8%	17.1%	16.4%
PAT growth rate (%)		19.2%	7.6%		12.4%	
PAT margin (%)	12.1%	9.8%	10.0%	11.5%	8.9%	8.4%
Turnover ratios						
Inventory days	410.2	261.2	426.8	532.8	522.6	539.2
Debtor days	94.5	76.1	86.3	77.0	70.8	74.1
Payable days	(147.6)	(96.5)	(176.8)	(265.3)	(169.6)	(175.0)
Cash conversion cycle	357.1	240.7	336.3	344.5	423.8	438.3
Fixed asset turnover ratio (x)	0.5	0.6	0.5	0.4	0.5	0.6
Total asset turnover ratio (x)	0.3	0.4	0.3	0.2	0.3	0.4
Return ratios						
RoE (%)	9.0%	9.7%	8.9%	7.3%	5.8%	7.1%
RoA (%)	4.1%	3.7%	3.2%	2.8%	2.5%	3.0%
RoCE (%)	7.2%	6.8%	8.7%	7.4%	6.0%	7.4%
Per share data						
Restated reported EPS (Rs.)	4.1	4.9	5.3	4.3	4.8	5.8
Restated DPS (Rs.)	0.0	0.0	0.0	0.0	0.0	0.0
Restated BVPS (Rs.)	45.8	50.8	59.4	58.4	82.5	82.5
Restated operating cash flow per share (Rs.)	(2.0)	3.9	9.5	9.7	1.4	1.1
Restated free cash flow per share (Rs.)		(18.2)	(4.2)		(27.0)	
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Ratios calculated on pre-issue data; Source: Choice Equity Broking

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+91-022-6707 9999



www.choicebroking.in



+91-022-6707 9959

Choice Equity Broking Pvt. Ltd.

Choice House, Shree Shakambhari Corporate Park, Plot No: -156-158,
J.B. Nagar, Andheri (East), Mumbai - 400 099.