



IPO DETAILS

Issue Date 12th Mar-16th Mar 2021

Price Band Rs 553-555 per Share

Bid Lot 27 & in multiple thereof

Face Value Rs 10/Share

Listing BSE, NSE

Issue Size Rs 760 Cr

Fresh Issue Rs 760 Cr

Pre Issue Eq Shares 86,206,896 Eq Shares

BRLM JM Financial Limited,
Axis Capital Limited,
Ambit Private Ltd,
IIFL Securities Ltd

Registrar KFin Technologies
Private Limited

Company is one of the leading companies engaged in the custom synthesis and manufacturing of specialty chemicals in India. Company have 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.

What we like:

Significant entry barriers : The custom synthesis and manufacturing industry presents significant entry barriers 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 industry.

Marquee customer base: Company have established relationships with various multinational corporations, such as, Syngenta Asia Pacific Pte. Ltd., Sumitomo Chemical Company Limited and UPL Limited, across Europe, Japan, United States and India. In the nine months ended December 31, 2020, company manufactured products for over 53 domestic and international customer, including 17 multinational companies.

Strong growth opportunities: India's specialty chemicals industry is expected to grow at a CAGR of approximately 10% to 11% 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 China. Further, the India accounts for approximately 1% to 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 and 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.

Valuation

Company is bringing the issue at p/e multiple of approx 52x at higher end of price band of Rs 553-555/share on FY20 PAT basis.

With company's ability to meet stringent quality and technical specifications and customizations, undertake large number of complex chemical reactions and automated manufacturing capabilities, develop in-house innovative processes along with strong technical competencies and R&D capabilities, and transparent cost model, have made company a complete one-stop solution for process innovation and development of specialty chemicals for multinational companies in a cost efficient manner .

According to us as the current capex cycle of company for time being completed , company is focusing on maximizing utilization of newly set Unit 5 & Unit 6 which we believe will be the revenue driver for company going forward. Also the industry in which company operates has significant entry barriers & company has strong clientele with high customer retention ratio & healthy EBIDTA margins which places company in strong position.

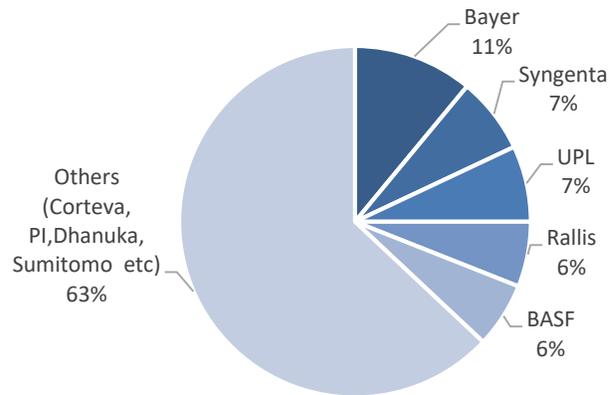
Hence , we recommend to subscribe the issue for short & long term purpose .



PEERS DATA

India crop protection market is highly fragmented with presence of more than 150 active ingredient manufacturers, more than 1,000 formulators and more than two lakh companies engaged in distribution. The highest market share held in India crop protection chemicals market is by Bayer, accounting for 11%, followed by Syngenta and UPL.

Indian Crop Protection Chemical by competitors, 2019



Comparison with Industry Peers

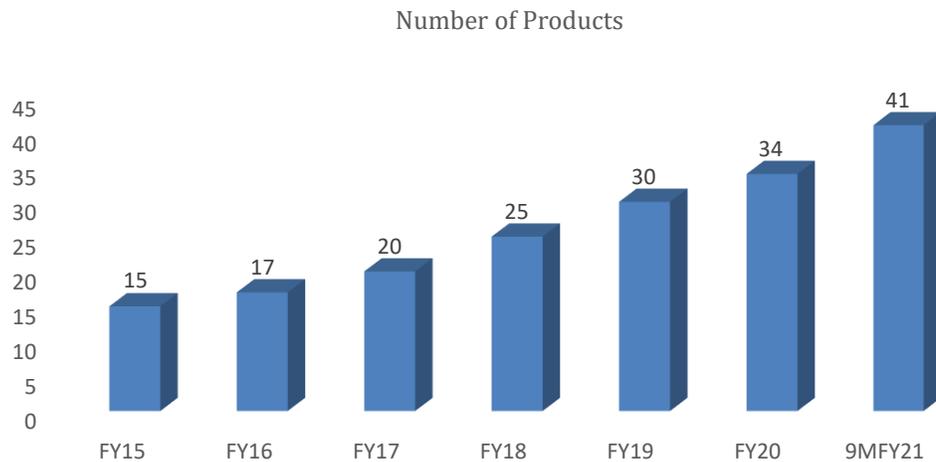
| Company Name | OPM % | ROE % | Net Sales (Rs Cr) | PAT (Rs Cr) | P/E# |
|-----------------------|-------|-------|-------------------|-------------|-------|
| Astec Life | 16.29 | 21.24 | 522.61 | 47.53 | 28.50 |
| Navin Fluorine | 24.82 | 32.37 | 1061.55 | 401.37 | 29.62 |
| PI Industries | 21.32 | 18.63 | 3366.50 | 455.80 | 51.44 |
| SRF Ltd | 20.18 | 22.50 | 7062.12 | 915.90 | 33.43 |
| Anupam Rasayan | 25.51 | 8.92 | 528.88 | 52.98 | --- |

Note: Data for FY20
#: As on 08th Mar'21

Source: Ace Equity Database



Healthy rise in number of Products



Strong ramp up in capacity utilization in newly set Unit 5 & Unit6

| Facility | FY18 | FY19 | FY20 | 9MFY21 |
|-----------------|------|------|------|--------|
| Sachin Unit-1 | 78 | 77.2 | 81.3 | 90.7 |
| Sachin Unit-2 | 96.1 | 71.3 | 78.8 | 95.5 |
| Sachin Unit-3 | 88.6 | 77.1 | 81.7 | 86.9 |
| Jhagadia Unit-4 | 83.0 | 73.5 | 78.6 | 84.7 |
| Jhagadia Unit-5 | -- | -- | 8.0 | 42.9 |
| Sachin Unit-6 | -- | -- | 7.3 | 66.8 |
| Total | 80.5 | 75.4 | 59.6 | 74.7 |

As Jhagadia Unit-5 & Sachin Unit-6 were commissioned in Mar2020 hence as a result these manufacturing facilities operated at low production levels in FY20 & 9MFY21. We are expecting strong growth in financials with the maximum capacity utilization in newly set Jhagadia Unit-5 & Sachin Unit-6.

Diversified and customized product portfolio with a strong supply chain

Company have, over the years, diversified, expanded and evolved its operations from a manufacturer of conventional products into custom synthesis and manufacturing of life science related specialty chemicals and other specialty chemicals, which have diverse applications across various industries. In addition, company's diversified product portfolio allows for limited dependence on individual products, helps counter seasonal trends and addresses different business cycles across industries where company's products are used. The backward integration enables company to manufacture key raw material for certain products, reduces its reliance on imports, third party supplies and logistics costs, provides company the flexibility to control its manufacturing processes and improves its operating margins, while the forward integration in its operations enables company to innovate processes, customize products and broaden its product offering to meet the needs of its customers. As a result of this integration, company's dependence on imported raw materials as a percentage of company's total raw materials purchases has decreased from 26.01% in Fiscal 2018 to 25.95% in Fiscal 2019 and further to 22.44% in Fiscal 2020.



ABOUT COMPANY

Company manufacture specialty chemicals, which are primarily chemical components that improve the properties of customers' products, and have, over the years, expanded company's commercialized product portfolio, which are used in diverse end-user segments. Company's products are sold to multinational corporations for use as additives, ingredients or intermediates that impart particular characteristics to the customers' end-use products.

| Particulars | Fiscal | | | | | |
|----------------------------|--------|------|------|------|------|------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Number of Customers | 34 | 44 | 37 | 53 | 54 | 54 |

Company have two distinct business verticals, namely, life science related specialty chemicals, and other specialty chemicals.

The following table sets forth the revenue from operations contributed by each of company's business verticals and the percentage of its total revenue from operations for the periods indicated:

| | Fiscal 2018 | | Fiscal 2019 | | Fiscal 2020 | | 9 M FY20 | |
|---|--------------------------------|---|--------------------------------|---|--------------------------------|---|--------------------------------|---|
| | Revenue From Operations (RsMn) | As % of Total Revenue From Operations (Rs Mn) | Revenue From Operations (RsMn) | As % of Total Revenue From Operations (Rs Mn) | Revenue From Operations (RsMn) | As % of Total Revenue From Operations (Rs Mn) | Revenue From Operations (RsMn) | As % of Total Revenue From Operations (Rs Mn) |
| Life science related specialty chemicals | 3161.70 | 92.60 | 4677.17 | 93.26 | 5044.10 | 95.37% | 5055.44 | 93.75% |
| Other Specialty Chemicals | 252.56 | 7.40% | 337.80 | 6.74% | 244.70 | 4.63% | 336.75 | 6.25% |
| Total | 3414.26 | 100.00% | 5014.97 | 100.00% | 5288.80 | 100.005 | 5392.20 | 100.00% |

Life Science related Specialty Chemicals

Company manufacture a variety of life science related specialty chemicals comprising products related to agrochemicals, personal care and pharmaceuticals.

| Crop Protection Segment | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 | 9MFY20 |
|--|-------------|-------------|-------------|---------|
| Total Revenue (Rs Mn) | 2059.67 | 3311.49 | 3629.04 | 3631.21 |
| Percentage of revenue from crop protection segment out of the total revenue from life science related specialty chemicals (in %) | 65.14% | 70.80% | 71.95% | 71.83% |

Other Specialty Chemicals

Company's other specialty chemicals are used in diverse end-user segments, comprising specialty pigments, specialty dyes and polymer additives



Risk Factors:

Company is dependent on a limited number of customers for a significant portion of its revenues. Revenues generated from sales to company's top 10 customers represented 86.65% and 84.01% of company's revenue from operations in Fiscal 2020 and in the nine months ended December 31, 2020, respectively

Objects of Issue:

The net proceeds of the Issue, are proposed to be utilised in the following manner:

1. Repayment/prepayment of certain indebtedness availed by company (including accrued interest); and
2. General corporate purposes

Financial Statement

(Rs Cr)

| Particulars | FY18 | FY19 | FY20 | 9MFY21 |
|-----------------------------|--------|--------|--------|--------|
| Total Income | 341.43 | 501.50 | 528.88 | 539.22 |
| Total Exp | 267.88 | 408.36 | 393.98 | 408.46 |
| EBIDTA | 73.54 | 93.14 | 134.90 | 130.76 |
| Other Income | 7.76 | 19.46 | 10.51 | 23.94 |
| Depreciation | 17.57 | 22.53 | 28.71 | 38.32 |
| EBIT | 63.72 | 90.07 | 116.69 | 116.39 |
| Interest | 13.96 | 24.35 | 45.32 | 49.63 |
| PBT | 49.77 | 65.72 | 71.37 | 66.76 |
| E/O Items | 0.00 | 0.00 | 0.00 | 0.00 |
| PBT | 49.77 | 65.72 | 71.37 | 66.76 |
| Sh Of Profit in Asso | 0.00 | 0.00 | 0.00 | 0.00 |
| PBT | 49.77 | 65.72 | 71.37 | 66.76 |
| Tax | 9.42 | 15.51 | 18.40 | 18.67 |
| PAT | 40.34 | 50.21 | 52.98 | 48.10 |
| Eq Cap | 50.00 | 50.00 | 50.00 | 86.21 |
| Net Worth | 457.64 | 507.11 | 593.72 | 824.52 |
| Eq Shares | 5.00 | 5.00 | 5.00 | 8.62 |
| EPS | 8.07 | 10.04 | 10.60 | 5.58 |
| Book Value | 91.53 | 101.42 | 118.74 | 95.64 |
| ROE | 8.60 | 10.09 | 8.92 | 5.83 |
| EBIDTA Margin % | 21.54 | 18.57 | 25.51 | 24.25 |
| PAT Margin % | 11.53 | 10.20 | 10.02 | 8.92 |

Source:RHP

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