



## IPO DETAILS

Issue Date	15 <sup>th</sup> Mar-17 <sup>th</sup> Mar 2021
Price Band	Rs 129-130 per Share
Bid Lot	115 & in multiple thereof
Face Value	Rs 2/Share
Listing	BSE, NSE
Issue Size	Rs 600 Cr
Offer For sale	Rs 300 Cr
Fresh Issue	Rs 300 Cr
Pre Issue Eq Shares	240,585,850 Eq Shares
BRLM	DAM Capital Advisors Limited, Axis Capital Limited
Registrar	Link Intime India Private Limited

Company is a leading manufacturer of Acetyl Intermediates and Specialty Intermediates with almost three decades of experience in large scale manufacturing of chemicals.

### **What we like:**

**Largest manufacturer:** Company is the only manufacturer of diketene derivatives in India with a market share of approximately 55 % of the Indian diketene derivatives market in terms of revenue in Fiscal 2020 and have one of the largest portfolios of diketene products . Company's products find application in various high-growth industries, including pharmaceuticals, agrochemicals, dyes & pigments, inks & coatings, paints, printing & packaging, flavours & fragrances, adhesives and other industrial applications.

**Strong Clientele:** Company have established long-standing relationships with marquee players including Syngenta Asia Pacific Pte. Ltd., Alembic Pharmaceuticals Limited, Covestro (India) Private Limited, Dr. Reddy's Laboratories Limited, Flint Group India Private Limited, Granules India Limited, Hetero Labs Limited, Heubach Colour Private Limited, Hubergroup India Private Limited, Huhtamaki India Limited, Laurus Labs Limited, Macleods Pharmaceuticals Private Limited, Mylan Laboratories Limited, Neuland Laboratories Limited, Parikh Packaging Private Limited, Seven Pharmaceuticals Limited, Colourtex Industries Private Limited, and UPL Limited.

**Largest exporter:** Company have been the largest exporter of ethyl acetate from India in the six months ended September 30, 2020 and Fiscals 2020, 2019 and 2018 and one of the largest exporters of ethyl acetate to Europe from India since 2012. For the six months ended September 30, 2020 and the Fiscals 2020, 2019 and 2018, company's revenue from exports of manufactured products contributed 23.17%, 24.24%, 27.80% and 22.18%, respectively, of its revenue from operations on a standalone basis.

**Global presence and low geographical concentration :** In addition to India, company have customers in over 30 countries including China, Netherlands, Russia, Singapore, United Arab Emirates, United Kingdom and United States of America. Company's international operations are supported by its offices in Leiden (Netherlands), Shanghai (China) and Sharjah (United Arab Emirates). Company also have arrangements with third parties for usage of storage tanks in inter alia Rotterdam (Netherlands), Antwerp (Belgium) and Genoa (Italy) for storage of finished products which enables company to deliver its products on short notice.

### **Valuation**

Company is bringing the issue at p/e multiple of approx 38x at higher end of price band of Rs 129-130/share on FY20 PAT basis.

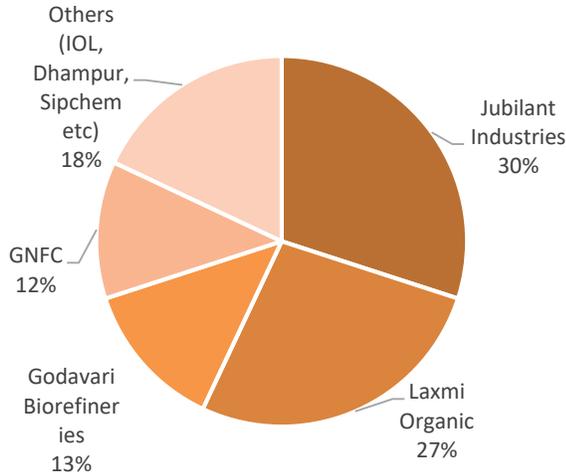
Company which is leading manufacturer of ethyl acetat & diketne derivatives has a significant market share. Due to differentiated business model ,asset base,product mix 7 experience in handling complex chemistries create high entry barriers .

Hence , looking after all, we recommend investor to subscribe the issue for short & long term .

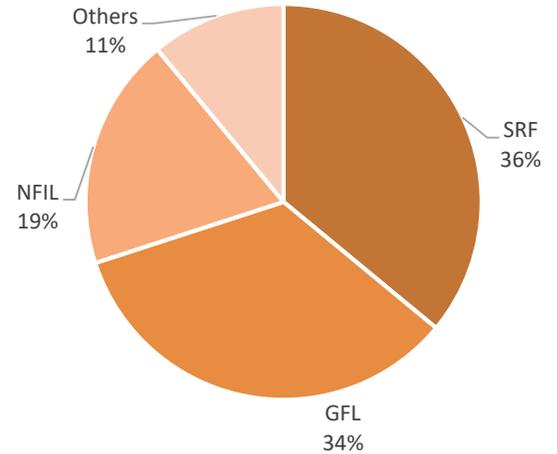


PEERS DATA

India Acetyl market segmentation by Competition (excludes acetic acid), 2019 (0.73 MMT)



India Fluorochemicals Market, 2019, Market Competition (USD 405 Mn)



Comparison with Industry Peers

Company Name	OPM %	ROE %	Net Sales (Rs Cr)	PAT (Rs Cr)	P/E#
<b>Aarti Industries</b>	23.34	19.49	4186.31	546.76	44.94
<b>Atul Ltd</b>	22.04	22.73	4093.06	665.93	32.27
<b>Fine Organics</b>	23.17	30.36	1038.08	169.86	59.43
<b>Navin Fluorine</b>	24.82	32.37	1061.55	401.37	29.04
<b>SRF Ltd</b>	20.18	22.50	7062.12	915.90	33.08
<b>Laxmi Organic</b>	7.40	16.43	1534.12	70.21	---

Note: Data for FY20  
#: As on 12<sup>th</sup> Mar'21

Source: Ace Equity Database



***Leading manufacturer of ethyl acetate with significant market share***

The global ethyl acetate market is expected to grow at a CAGR of more than 4.5% over the next decade in terms of volume and is projected to grow from ~4 MMT in calendar year 2019 to ~5 MMT by calendar year 2024. In terms of revenue, the global ethyl acetate market stands approximately at USD 3.5 billion globally and is expected to grow at 5.5% to 6% CAGR over the next half decade. Company has been the largest exporter of ethyl acetate from India in the six months ended September 30, 2020 and Fiscals 2020, 2019 and 2018, which amounted to slightly less than half of the total ethyl acetate exports from the country. Company have also been one of the largest exporters of ethyl acetate to Europe from India since 2012.

***Expanding manufacturing facilities***

Company is in the process of expanding its manufacturing capabilities for the Acetyl Intermediates by acquiring AHPL, which through its wholly owned subsidiary, YCPL is engaged in the manufacturing of acetaldehyde and ethyl acetate. The aggregate installed production capacity at the YCPL Facility as on December 31, 2020 is 10,500 MTPA of acetaldehyde and 29,200 MTPA of ethyl acetate. Company's capacity utilisation for the nine months ended December 31, 2020 of the AI Manufacturing Facility was 77.56% and of the SI Manufacturing Facility was 62.82%. Company propose to increase the installed capacity at its AI Manufacturing Facility and is in the process of increasing the installed capacity at its SI Manufacturing Facility from 78,045 MTPA to 82,525 MTPA. Company have also entered into certain long-term off-take agreements for one of its products which, by the execution of such agreements will ensure steady cash flows and capacity utilisation pursuant to the SI Manufacturing Facility expansion. As company continue to grow its existing business in new geographies and develop new products, company expect that it would be able to maximise production volumes and increase its operating leverage.

***Establishing its fluorospecialty chemicals business***

In June 2019, company acquired assets including plant & machinery, design and operating paperwork, REACH registrations and patents of Miteni, a manufacturer of organic fluorospecialties and electrochemical fluorination with a view to foray into the fluorospecialty chemical business and leverage its experience, capabilities and relationships. The assets acquired from Miteni include inter alia differentiated world-class technology and equipment and a library of more than 100 products including products in research and development and scale-up stages. Further, company have also acquired 14 patents, 41 REACH registrations and all the formulations, production and maintenance data and research and development data through this acquisition. Company intend to capture the market share of Miteni given its existing chemistries and past customer base.

The global fluorochemicals market was valued at USD 22.5 billion in calendar year 2019 and is projected to witness a significant growth at a CAGR of 5.1% to reach USD 28.8 billion by calendar year 2024. The market for fluorochemicals in India was valued at ~USD 405 million for the 2019. It is estimated that up to 20% of pharmaceuticals in the market or in clinical development contain a fluorine atom and 50% of agrochemicals molecules developed recently also contain fluorine. It is expected that in the future, one in every three new active pharmaceutical ingredients will be based on fluorine chemistry and thus fluorine based organic and inorganic chemical products are gaining high importance in the Indian market. Further, there is ample scope for a new player which can manage the complexity of handling the fluorine chemistry as well as a good understanding of the high growth segments such as that of intermediates.

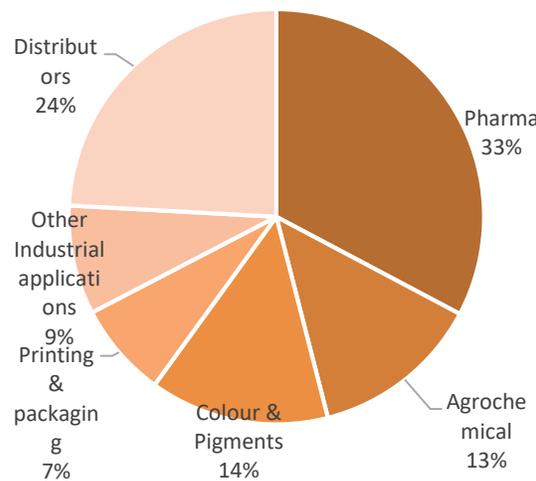
Company is in the process of setting up the Proposed Facility in Lote Parshuram, Maharashtra for manufacturing fluorospecialty chemicals which is proposed to commence operations by the fourth quarter of Fiscal 2022.



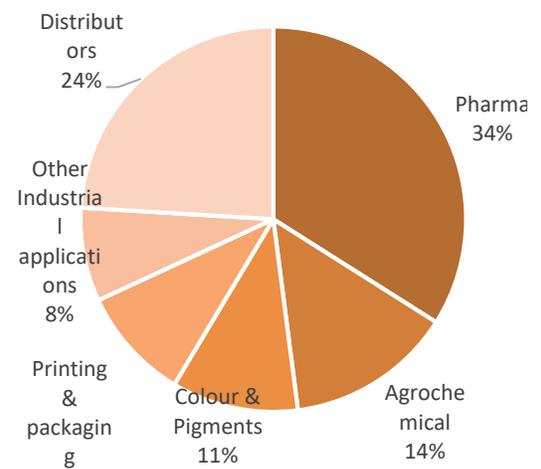
ABOUT COMPANY

Company's products are currently divided into two broad categories, namely the Acetyl Intermediates and the Specialty Intermediates. The Acetyl Intermediates include ethyl acetate, acetaldehyde, fuel-grade ethanol and other proprietary solvents, while the Specialty Intermediates comprises of ketene, diketene derivatives namely esters, acetic anhydride, amides, arylides and other chemicals. Company's products find application in various high-growth industries, including pharmaceuticals, agrochemicals, dyes & pigments, inks & coatings, paints, printing & packaging, flavours & fragrances, adhesives and other industrial applications.

Key Industries contribution in FY20



Key Industries contribution in FY20 9MFY21



Company's global operations have demonstrated low-geographical concentration over the periods mentioned below. A geography-wise break-up of Company's revenues from sale of manufactured products and services (on a standalone basis) is as under:

(% of revenue from sale of manufactured products and services)

Geography	Six months ended Sept 30'20	FY20
<b>India</b>	76.71	75.64
<b>Europe</b>	12.33	13.71
<b>Middle East</b>	3.75	4.36
<b>Africa</b>	2.37	2.38
<b>China</b>	0.33	0.57
<b>Rest Of Asia</b>	4.43	2.56
<b>Rest of the World</b>	0.09	0.78
<b>Total</b>	100.00	100.00



### Risk Factors:

Large part of company's manufacturing facilities are located in one geographic area and therefore, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around Mahad, Maharashtra or any disruption in production at, or shutdown of, its manufacturing Facilities could have material adverse effect on company's business and financial condition.

### Objects of Issue:

Company proposes to utilise the net proceeds of the Fresh Issue, i.e. gross proceeds of the Fresh Issue less the Offer related expenses applicable to the Fresh Issue and the proceeds from the Pre-IPO Placement ("**Net Proceeds**") towards funding the following objects:

1. Investment in company's wholly owned Subsidiary, Yellowstone Fine Chemicals Private Limited ("**YFCPL**") for part-financing its capital expenditure requirements in relation to the setting up of a manufacturing facility for fluorospecialty chemicals ("**Proposed Facility**");
2. Investment in YFCPL for funding its working capital requirements;
3. Funding capital expenditure requirements for expansion of company's SI Manufacturing Facility ("**Proposed Expansion**");
4. Funding working capital requirements of company;
5. Purchase of plant and machinery for augmenting infrastructure development at company's SI Manufacturing Facility;
6. Prepayment or repayment of all or a portion of certain outstanding borrowings availed by company and its wholly owned Subsidiary, Viva Lifesciences Private Limited ("**VLPL**")

### Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20	H1FY21
<b>Total Income</b>	1393.07	1568.52	1534.12	813.41
<b>Total Exp</b>	1241.68	1415.24	1420.58	728.01
<b>EBIDTA</b>	151.39	153.29	113.55	85.39
<b>Other Income</b>	3.00	5.80	4.50	0.95
<b>Depreciation</b>	31.29	44.06	48.89	22.70
<b>EBIT</b>	123.11	115.03	69.16	63.64
<b>Interest</b>	9.81	16.97	14.02	7.44
<b>PBT</b>	113.30	98.06	55.14	56.20
<b>E/O Items</b>	0.00	0.00	25.66	0.00
<b>PBT</b>	113.30	98.06	80.80	56.20
<b>Sh Of Profit in</b>				
<b>Asso</b>	0.02	-0.47	0.00	0.00
<b>PBT</b>	113.31	97.59	80.80	56.20
<b>Tax</b>	37.62	25.20	10.59	10.72
<b>PAT</b>	75.70	72.39	70.21	45.48
<b>Eq Cap</b>	10.01	50.05	45.02	45.02
<b>Net Worth</b>	379.53	450.19	427.31	472.74
<b>Eq Shares</b>	1.00	5.00	4.50	4.50
<b>EPS</b>	75.63	14.47	15.60	10.10
<b>Book Value</b>	379.19	89.96	94.92	105.02
<b>ROE</b>	19.94	16.08	16.43	9.62
<b>EBIDTA Margin %</b>	10.87	9.77	7.40	10.50
<b>PAT Margin %</b>	5.43	4.62	4.58	5.59

Source:RHP

<https://www.hemsecurities.com/Disclaimer>