

# IPO Note: Anupam Rasayan India Ltd.

Industry: Chemical

Date: March 10, 2021

Issue Snapshot		Issue Break up	
Company Name	Anupam Rasayan India Ltd.	<b>Issue Size</b>	<b>Allocation Equity Shares*</b>
Issue Opens	March 12, 2021 to March 16, 2021	QIB ex Anchor	20% 2,694,739
Price Band	Rs. 553 to Rs. 555	Anchor Investor	30% 4,042,108
Bid Lot	27 Equity Shares and in multiples thereof.	HNI	15% 2,021,054
The Offer	Public issue of 13,693,694 Equity shares of Face value Rs. 10 each, (Comprising of Fresh Share).	RII	35% 4,715,793
Issue Size	Rs. 760.0 Crore	<b>Total Public</b>	<b>100% 13,473,694</b>
IPO Process	100% Book Building	Employee Reservation	220,000
Face Value	Rs. 10.00	<b>Total</b>	<b>13,693,694</b>
Exchanges	NSE & BSE	Equity Share Pre-Issue (Nos. Cr.)	8.6
BRLM	Axis Capital Limited, Ambit Private Limited, IIFL Securities Limited, JM Financial Limited	Fresh Share (Nos. Cr.)	1.4
Registrar	KFin Technologies Private Limited	Equity Share Post Issue (Nos. Cr.)	10.0
		Market Cap (Rs. Cr.)	5,544.5
		Dilution	13.7%

\* Based on Higher Price Band @ Rs. 555

## Objects of the Offer

### Fresh Issue

- Repayment/prepayment of certain indebtedness availed by the Company (including accrued interest) (Rs. 563.7 cr.); and
- General corporate purposes.

## Company Highlights

- Anupam Rasayan India Ltd. (ARIL) is one of the leading companies engaged in the custom synthesis and manufacturing of specialty chemicals in India (Source: F&S Report).
- The company 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.
- Their key focus in the custom synthesis and manufacturing operations is developing in-house innovative processes for manufacturing products requiring complex chemistries and achieving cost optimization.
- ARIL has two distinct business verticals, Life science related specialty chemicals comprising products related to agrochemicals, personal care and pharmaceuticals, and Other specialty chemicals, comprising specialty pigment and dyes, and polymer additives.
- It has six manufacturing facilities based in Gujarat—four located in the notified industrial estate at Sachin and two in the notified industrial estate at Jhagadia, with an aggregate installed capacity of 23,438 MT, as of Dec 31, 2020.
- According to the F&S Report, there exist significant entry barriers in the custom synthesis and 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.
- ARIL has developed strong and long-term relationships with various multinational corporations, including, Syngenta Asia Pacific Pte. Ltd., Sumitomo Chemical Co. Ltd. and UPL Ltd. that has helped them expand their product offerings and geographic reach across Europe, Japan, United States and India.
- In particular, the company have been manufacturing products for certain customers for over 10 years.
- In 9MFY21, the company manufactured products for over 53 domestic and international customers, including 17 multinational companies.

- The Government of India has also recognized the company as a 3-Star export house.
- The company is one of the leading companies in manufacturing products using continuous and flow chemistry technology on a commercial scale in India.
- ARIL has a dedicated in-house R&D facility and a pilot plant located at Sachin Unit-6. ARIL's R&D team has successfully carried out multi-step synthesis and scale-up for several new molecules and as a result, expanded commercialized product portfolio from 25 products in FY18 to 34 products in FY20 and 41 products in 9MFY21.
- The company's backward integrated Jhagadia Unit-4 facility enables them to manufacture key raw materials for certain products, which has enabled them to reduce their reliance on imports, specifically from China, third party supplies and logistics costs.

## View

- According to the F&S Report, India's specialty chemicals industry is expected to grow at a CAGR of approximately 10% to 11% over the next 5 years, due to rising demand from end-user industries, along with tight global supply on account of stringent environmental norms in China.
- 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 5 years, owing to strong growth from end-use demand.
- Company's ability to meet stringent quality and technical specifications & 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 enabled them to act as a complete one-stop solution for process innovation and development of specialty chemicals for multinational companies in a cost efficient manner.
- 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.
- As of December 31, 2020, ARIL operated six multi-purpose manufacturing facilities in Gujarat, with four facilities located at Sachin, Surat, and two located at Jhagadia, Bharuch, and an aggregate installed capacity of 23,438 MT. In addition, given that company's operations are primarily export-oriented, the close proximity to Adani Hazira Port of its facilities located at Sachin, Surat, Gujarat helps in reducing freight and logistics costs.
- In FY20 and 9MFY21, revenues from their life science related specialty chemicals vertical accounted for 95.37% and 93.75%, respectively, of their revenue from operations, while revenue from other specialty chemicals accounted for 4.63% and 6.25%, respectively, of their revenue from operations, in such periods.
- On the financial front, in the last three fiscals (FY18-20). Revenue grew at a CAGR of 24.5% while EBITDA grew at a CAGR of 35.46% and net profit grew at a CAGR of 13.3%. In FY20 and 9MFY21 EBITDA margins is 25.5% and 24.3% while Net Profit margin were at 10.0% and 8.9%.
- The company is well positioned to capitalize on these opportunities owing to their successful track record of custom synthesis and manufacturing of products, low dependence on raw material imports from China (imported raw materials from China as a % of raw materials purchases decreased from 17.1% in FY19 to 12.2% in FY20), established relationships with multinational corporations, automated manufacturing infrastructure, and established R&D capabilities along with their focus on improving cost efficiency and productivity.
- In addition, multinational companies are finding an alternative to China with their 'China plus one' strategy, and the company offer customers with a genuine and reliable option to satisfy their custom synthesis and manufacturing of specialty chemicals requirements.
- In terms of the valuations, on the higher price band, ARIL demands a P/E multiple of 86.5x based on annualized post issue fully diluted EPS of Rs. 6.4 in 9MFY21.
- The issue appears aggressively priced on the valuation parameters as their listed peers entities PI Industries, Navin Fluorine, Astec Lifescience and SRF are currently trading at P/Es of around 51.2x, 29.9x, 28.7x and 33.3x.

## Revenue from Operations – Business Segment-wise

	FY18		FY19		FY20		9MFY20		9MFY21	
	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total
Life science related specialty chemicals	3,161.7	92.6%	4,677.2	93.3%	5,044.1	95.4%	3,594.2	96.7%	5,055.4	93.8%
--Agrochemicals	2,059.7	60.3%	3,311.5	66.0%	3,629.0	68.6%	--	--	3,631.2	67.3%
Other specialty chemicals	252.6	7.4%	337.8	6.7%	244.7	4.6%	123.9	3.3%	336.8	6.3%
<b>Total</b>	<b>3,414.3</b>	<b>100.0%</b>	<b>5,015.0</b>	<b>100.0%</b>	<b>5,288.8</b>	<b>100.0%</b>	<b>3,178.1</b>	<b>100.0%</b>	<b>5,392.2</b>	<b>100.0%</b>
<b>Capital Expenditure</b>	<b>255.6</b>	<b>74.9%</b>	<b>248.3</b>	<b>49.5%</b>	<b>180.4</b>	<b>34.1%</b>	<b>165.9</b>	<b>44.6%</b>	<b>116.6</b>	<b>21.6%</b>

## Revenue from Operations – Geography-wise

	FY18		FY19		FY20		9MFY21	
	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total	Revenue (Rs. in Cr)	% to Total
Europe	1,466.7	43.0%	1,847.4	36.8%	1,902.2	36.0%	1,694.6	31.4%
Japan	34.7	1.0%	355.4	7.1%	308.2	5.8%	826.0	15.3%
USA	27.4	0.8%	71.6	1.4%	194.9	3.7%	53.5	1.0%
Singapore	412.9	12.1%	609.5	12.2%	911.4	17.2%	561.9	10.4%
India	1,377.6	40.4%	2,004.4	40.0%	1,689.6	32.0%	2,084.7	38.7%
Rest of world	95.0	2.8%	126.7	2.5%	282.7	5.3%	171.5	3.2%
<b>Total</b>	<b>3,414.3</b>	<b>100.0%</b>	<b>5,015.0</b>	<b>100.0%</b>	<b>5,288.8</b>	<b>100.0%</b>	<b>5,392.2</b>	<b>100.0%</b>

## Installed capacity and capacity utilisation

	FY18			FY19			FY20			9MFY21		
	Installed Capacity in MT	Actual Production in MT	Capacity Utilization	Installed Capacity in MT	Actual Production in MT	Capacity Utilization	Installed Capacity in MT	Actual Production in MT	Capacity Utilization	Installed Capacity in MT	Actual Production in MT	Capacity Utilization
Sachin-1	2,778	2,168	78.0%	3,362	1,784	77.2%	4,542	3,691	81.3%	4,542	3,089	90.7%
Sachin-2	2,220	2,134	96.1%	2,520	1,795	71.3%	2,520	1,986	78.8%	2,520	1,428	75.5%
Sachin-3	4,760	4,216	88.6%	5,950	4,587	77.1%	6,088	4,971	81.7%	6,130	3,997	86.9%
Jhagadia-4	2,420	2,009	83.0%	3,050	2,240	73.5%	3,520	2,766	78.6%	3,520	2,235	84.7%
Jhagadia-5	-	-	-	-	-	-	5,520	441	8.0%	5,520	1,777	42.9%
Sachin-6	-	-	-	-	-	-	1,206	88	7.3%	1,206	604	66.8%
<b>Total</b>	<b>12,178</b>	<b>10,527</b>	<b>86.5%</b>	<b>14,882</b>	<b>11,217</b>	<b>75.4%</b>	<b>23,396</b>	<b>13,944</b>	<b>59.6%</b>	<b>23,438</b>	<b>13,130</b>	<b>74.7%</b>

## Products & Customers

Particulars	FY15	FY16	FY17	FY18	FY19	FY20	9MFY21
Number of products	15	17	20	25	30	34	41
Number of customers	34	44	37	53	54	55	53

## Financial Statement

(In Rs. Cr)	FY18	FY19	FY20	9MFY20	9MFY21
Share Capital	50.0	50.0	50.0	50.0	86.2
Net Worth	457.6	507.1	593.7	583.5	824.5
Long Term Borrowings	267.8	462.3	524.2	490.5	516.2
Other Long Term Liabilities	10.2	13.7	52.1	16.1	59.2
Short-term borrowings	123.0	154.4	237.1	192.8	186.9
Other Current Liabilities	142.6	185.0	256.9	258.1	332.4
Fixed Assets	638.3	871.5	1078.3	994.3	1137.6
Non Current Assets	641.5	27.5	34.2	49.8	38.5
Current Assets	344.7	423.5	551.5	496.8	743.1
Total Assets	1001.2	1322.5	1664.1	1541.0	1919.2
Revenue from Operations	341.4	501.5	528.9	371.8	539.2
Revenue Growth (%)		46.9	5.5		45.0
EBITDA	73.5	93.1	134.9	102.0	130.8
EBITDA Margin (%)	21.5	18.6	25.5	27.4	24.3
Net Profit	41.3	49.2	53.0	42.8	48.1
Net Profit Margin (%)	12.1	9.8	10.0	11.5	8.9
Earnings Per Share (Rs.)	6.6	6.6	6.9	5.7	6.0
Return on Networth (%)	11.8	10.2	9.6	7.9	6.8
Net Asset Value per Share (Rs.)	61.3	68.0	76.0	74.7	95.6

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY18	FY19	FY20	9MFY20	9MFY21
Cash flow from Operations Activities	(20.3)	38.9	94.9	97.3	13.8
Cash flow from Investing Activities	(255.1)	(250.2)	(178.2)	(164.9)	(120.5)
Cash flow from Financing Activities	274.8	205.7	101.4	79.0	159.4
Net increase/(decrease) in cash and cash equivalents	(0.5)	(5.6)	18.2	11.3	52.7
Cash and cash equivalents at the beginning of the year	7.9	7.4	1.8	1.8	20.0
Cash and cash equivalents at the end of the year	7.4	1.8	20.0	13.2	72.8

Source: RHP

## Comparison with listed industry peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	Market Cap (Rs. Cr.)
Anupam Rasayan	528.9	25.5	0.1	10.9	4.1	86.5	4.1	32.2	5,544.5
Astec Lifesciences	522.6	18.6	0.4	20.4	21.2	28.7	7.3	17.0	2077.5
Navin Fluorine	1061.6	28.0	0.0	20.9	32.4	29.9	8.6	37.5	13612.1
PI Industries	3366.5	22.8	0.2	23.1	18.6	51.2	6.6	32.8	34288.8
SRF Ltd.	7418.7	22.4	0.8	15.1	22.5	33.3	5.1	19.5	33351.8

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