



# CLEAN SCIENCE AND TECHNOLOGY LIMITED

## Issue highlights

- Clean Science and Technology Limited (“CSTL”)** was incorporated on November 7, 2003. CSTL is among the few companies globally focused entirely on **developing newer technologies using in-house catalytic processes, which are eco-friendly and cost competitive**. Some of these technologies have developed and commercialized for the first time.
- CSTL manufacture functionally critical specialty chemicals such as Performance Chemicals - Mono methyl ether of hydroquinone (“MEHQ”), Butylated hydroxyl anisole (“BHA”), and L-Ascorbyl Palmitate (“AP”), Pharmaceutical Intermediates- Guaiacol and Dicyclohexyl Carbodimide (“DCC”) which is also widely used in anti-retroviral drugs, and FMCG Chemicals- 4-Methoxy Acetophenone (“4-MAP”) and Anisole. Within 17 years of incorporation, CSTL has grown to the largest manufacturer globally of MEHQ, BHA, Anisole and 4-MAP, in terms manufacturing capacities.
- CSTL broadly classify their products into the following segments:
 

Product	Comprises of:
Performance Chemicals	MEHQ, BHA and Ascorbyl Palmitate
Pharmaceutical Intermediates	Guaiacol and DCC
FMCG Chemicals	4-MAP and Anisole
Other Products	Acetic acid, Tertiary Butyl Toluene, Ortho Cresol and Para Cresol
- CSTL’s customers include manufacturers and distributors in India as well as other regulated international markets including China, Europe, the United States of America, Taiwan, Korea, and Japan.
- CSTL’s products are used as **key starting level materials, as inhibitors, or as additives, by customers**, for products sold in regulated markets. Key customers include **Bayer AG, SRF Ltd, Gennex Laboratories Ltd, Nutriad International NV and Vinati Organics Ltd**.
- CSTL has **2 certified production facilities in India** strategically located at Kurkumbh (Maharashtra), in close proximity to the JNPT port.

## Brief Financial Details\*

(₹ In Cr)

	As at Mar’ 31,		
	2021	2020	2019
Equity Share Capital~	10.62	1.33	1.42
Reserves	529.05	340.77	270.64
Net worth	539.67	342.10	272.06
Revenue from Operations	512.43	419.30	393.27
Revenue Growth (%)	22.21%	6.62%	-
EBITDA as stated	284.60	196.15	147.60
EBITDA (%) as stated	55.54%	46.78%	37.53%
Adj. EBITDA	258.95	185.29	136.31
Adj. EBITDA (%) as stated	50.53%	44.19%	34.66%
Profit Before Tax	267.30	182.32	136.54
Net Profit for the period	198.38	139.63	97.66
Net Profit (%) as stated	38.71%	33.30%	24.83%
EPS (₹)	18.68	13.15	9.19
RoNW (%)	36.76%	40.82%	35.90%
NAV(₹)	50.81	32.21	25.61
ROCE (%)	73.89%	58.48%	50.75%
Net Cash from Operating Activities (₹ Cr)	192.85	160.10	84.74

Source: RHP \*Restated Consolidated, ~Reduction in Share capital due to the buyback of share and addition due to the issue of Bonus shares. EPS and NAV calculated on updated equity capital.

## Issue Details

Offer for sale of Equity Shares aggregating upto ₹ 1,546.62 Crore

Issue size: ₹ 1,546.62 Cr

No. of shares: 17,575,245 – 17,184,682

Face value: ₹ 1/-

Price band : ₹ 880 - 900

Bid Lot: 16 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 9,347 – 9,560 Cr

BRLMs: Axis Capital, JM Financial, Kotak Mahindra Capital

Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Wednesday, 7<sup>th</sup> July’2021

Issue closes on: Friday, 9<sup>th</sup> July’2021

## Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	14-07-2021
Refunds/Unblocking ASBA Fund	15-07-2021
Credit of equity shares to DP A/c	16-07-2021
Trading commences	19-07-2021

## Issue break-up

	No. of Shares (Approx)	₹ In Cr	% of Issue
QIB	8,787,622 – 8,592,340	773.31	50%
NIB	2,636,287 – 2,577,703	231.99	15%
Retail	6,151,336 – 6,014,639	541.32	35%
<b>Total</b>	<b>17,575,245 – 17,184,682</b>	<b>1,546.62</b>	<b>100%</b>

## Listing : BSE & NSE

## Shareholding (No. of Shares)

	Pre-Offer and Post-Offer Equity Shares
No. of shares	106,218,960

## Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	29.78%	23.99%
Promoter Group	64.88%	54.52%
Public	5.35%	21.49%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## BACKGROUND

### Company and Directors

The company was incorporated as 'Sri Distikemi Private Limited' on November 7, 2003 in Pune, Maharashtra. The promoters are Ashok Ramnarayan Boob, Krishnakumar Ramnarayan Boob, Siddhartha Ashok Sikchi and Parth Ashok Maheshwari.

### Brief Biographies of Directors

**Pradeep Ramwilas Rathi** is the Chairman and Non-Executive Director of the company. He has close to 25 years of experience in the chemical industry and is currently a director of Sudarshan Chemical Industries Ltd.

**Ashok Ramnarayan Boob** is the Promoter and Managing Director of the company. He has close to 25 years of experience in the chemical industry and has previously worked as an executive director at Mangalam Drugs and Organics Ltd.

**Siddhartha Ashok Sikchi** is the Promoter and Wholetime Director of the company. He has over 14 years of experience in the chemical industry.

**Krishnakumar Ramnarayan Boob** is the Promoter and Wholetime Director of the company. He has close to two decades of experience in the chemical industry and has previously worked as a director at Mangalam Drugs and Organics Ltd.

**Sanjay Kothari** is the Non-Executive Director of the company. He has previously been associated with Industrial Meters Ltd, Ajanta Auto Industries Pvt. Ltd, Akar Tools Ltd and Hindustan Wires Ltd. He is currently a director of Anantroop Financial Advisory Services Pvt. Ltd, among others.

**Ganapati Dadasaheb Yadav** is the Non-Executive, Independent Director of the company. He was awarded the civilian honour of Padma Shri by the Government of India in 2016.

**Keval Navinchandra Doshi** is the Non-Executive, Independent Director of the company. He was a Partner at Ernst & Young LLP in the past.

**Madhu Dubhashi** is the Non-Executive, Independent Director of the company. She has been associated with Global Data Services of India Ltd in the past.

### Key Managerial Personnel

**Parth Ashok Maheshwari** is the Promoter and Vice President of the company. He has been associated with the company since June 1, 2014.

**Pratik Abhaykumar Bora** is the Chief Financial Officer of the company. He has been associated with the company since January 27, 2020. Prior to joining the company, he was associated with Mirae Asset Capital Markets (India) Pvt. Ltd.

**Mahesh Arvind Kulkarni** is the Company Secretary and Compliance Officer of the company. He has been associated with the company since March 11, 2021. Prior to joining the company, he was associated with Tech Mahindra Ltd.

**Saboo Krishnakumar Satyanarain** is President of the company. He has been associated with the company since August 14, 2014. Prior to joining the company, he was associated with Deepak Nitrite Ltd.

**Kothanda Rama Lakshmanan P** is the Vice-President, R&D of the company. He has been associated with the company since January 8, 2018.

## OFFER DETAILS

Offer for Sale	Amount	No of Shares
<b>The Promoters and Promoter Group Selling shareholders:</b>		
Ashok Ramnarayan Boob	₹ 244.016 Cr	Upto 2,772,909~ - 2,711,288^ Equity Shares
Krishnakumar Ramnarayan Boob	₹ 193.059 Cr	Upto 2,193,852~ - 2,145,100^ Equity Shares
Siddhartha Ashok Sikchi	₹ 40.505 Cr	Upto 460,284~ - 450,055^ Equity Shares
Parth Ashok Maheshwari	₹ 75.983 Cr	Upto 863,443~ - 844,255^ Equity Shares

Offer for Sale	Amount	No of Shares
Asha Ashok Boob	₹ 244.016 Cr	Upto 2,772,909~ - 2,711,288^ Equity Shares
Ashokkumar Ramkishan Sikchi HUF	₹ 136.051 Cr	Upto 1,546,034~ - 1,511,677^ Equity Shares
Krishnakumar Ramnarayan Boob HUF	₹ 41.551 Cr	Upto 472,170~ - 461,677^ Equity Shares
Ashok Ramnarayan Boob HUF	₹ 75.260 Cr	Upto 855,227~ - 836,222^ Equity Shares
Nidhi Mohunta	₹ 75.983 Cr	Upto 863,443~ - 844,255^ Equity Shares
Nilima Krishnakumar Boob	₹ 84.077 Cr	Upto 955,420~ - 934,188^ Equity Shares
Shradha Krishnakumar Boob	₹ 44.028 Cr	Upto 500,318~ - 489,200^ Equity Shares
Prasad Krishnakumar Boob	₹ 44.028 Cr	Upto 500,318~ - 489,200^ Equity Shares
Pooja Vivek Navandar	₹ 44.028 Cr	Upto 500,318~ - 489,200^ Equity Shares
Asha Ashok Sikchi	₹ 114.138 Cr	Upto 1,297,022~ - 1268,200^ Equity Shares
Kunal Ashok Sikchi	₹ 31.054 Cr	Upto 352,886~ - 345,044^ Equity Shares
Ashok Sikchi	₹ 28.243 Cr	Upto 320,943~ - 313,811^ Equity Shares
Nandita Sikchi	₹ 27.36 Cr	Upto 310,909~ - 304,000^ Equity Shares
<b>Other Selling Shareholder</b>		
Ganapati Dadasaheb Yadav	₹ 3.242 Cr	Upto 36,840~ - 36,022^ Equity Shares
<b>Total</b>	<b>₹1,546.622 Cr</b>	<b>Upto 17,575,245~ - 17,184,682^ Equity Shares</b>

(~ at lower price band and ^ upper price band)

### Shareholding Pattern:

Name	Pre Issue		No of Shares Offered*	Post Issue	
	No. of Equity Shares held	% of the pre-Issue paid-up Equity Shares capital		No. of Equity Shares held	% of the post-Issue paid-up Equity Shares capital
<b>Promoters &amp; Promoters Group</b>					
Promoter	31,628,520	29.78%	6,150,698	25,477,822	23.99%
Promoter Group	68,912,440	64.88%	10,997,962	57,914,478	54.52%
<b>Total for Promoter &amp; Pro Gr.</b>	<b>100,540,960</b>	<b>94.65%</b>	<b>17,148,660</b>	<b>83,392,300</b>	<b>78.51%</b>
Public - Selling Shareholder	225,120	0.21%	36,022	189,098	0.18%
Public – Others	5,452,880	5.13%		22,637,562	21.31%
<b>Total for Public</b>	<b>5,678,000</b>	<b>5.35%</b>	<b>36,022</b>	<b>22,826,660</b>	<b>21.49%</b>
<b>Total</b>	<b>106,218,960</b>	<b>100.00%</b>	<b>17,184,682</b>	<b>106,218,960</b>	<b>100.00%</b>

\*Based on shares issued/offered at upper price band

## BUSINESS OVERVIEW

Clean Science and Technology Limited (“CSTL”) is among the few companies globally focused entirely on **developing newer technologies using in-house catalytic processes, which are eco-friendly and cost competitive**. This has enabled them to emerge as the largest manufacturer of certain specialty chemicals in terms of manufacturing capacities as of March 31, 2021. Some of these technologies have been developed and commercialized for the first time globally. CSTL’s continued focus on product identification, process innovation, catalyst development, significant scale of operations as well as their measures towards strategic backward integration have all contributed to their success as one of the fastest growing and among the most profitable specialty chemical companies globally.

CSTL manufacture functionally critical specialty chemicals such as Performance Chemicals - Mono methyl ether of hydroquinone (“MEHQ”), Butylated hydroxyl anisole (“BHA”), and L-Ascorbyl Palmitate (“AP”), Pharmaceutical Intermediates- Guaiacol and Dicyclohexyl Carbodimide (“DCC”) which are also widely used in anti-retroviral drugs, and FMCG Chemicals- 4-Methoxy Acetophenone (“4-MAP”) and Anisole. Within 17 years of incorporation, CSTL has grown to the largest manufacturer globally of MEHQ, BHA, Anisole and 4-MAP, in terms manufacturing capacities as of March 31, 2021.

Company’s name was changed to ‘Clean Science and Technology Pvt. Ltd.’ in 2006, to reflect their vision of focusing on sustainable chemistry led by innovative technology and lower effluents. They continue to exemplify their name by designing and implementing ‘clean’ chemistries based on catalytic technology developed in-house. As a result,

most of their current production processes are either zero liquid discharge or release only water as discharge. Their focus on sustainable practices has been conceived, developed and implemented by their Promoters over the years. Company's Promoters Ashok Ramnarayan Boob, Siddhartha Ashok Sikchi, both alumni of the Institute of Chemical Technology, Krishnakumar Ramnarayan Boob, and Parth Ashok Maheshwari, are all career-technocrats with a combined experience of over 60 years in the chemicals industry, and the company benefited from their collective vision, experience and technical understanding.

CSTL's specialty chemicals have a wide range of applications that cater to a diverse base of customers across industries. Their customers include manufacturers and distributors in India as well as other regulated international markets including China, Europe, the United States of America, Taiwan, Korea, and Japan. In Fiscal 2021, revenue from operations for sales outside India represented 67.86% of their total revenue from operations.

CSTL broadly classify their products into the following segments:

Product	Comprises of:
• <b>Performance Chemicals</b>	MEHQ, BHA and Ascorbyl Palmitate
• <b>Pharmaceutical Intermediates</b>	Guaiacol and DCC
• <b>FMCG Chemicals</b>	4-MAP and Anisole
• <b>Other Products</b>	Acetic acid, Tertiary Butyl Toluene, Ortho Cresol and Para Cresol, that are generated as by-products of their manufacturing processes

The details of key products, their applications, their ranking and key peers details:

Product	Global Market Size	Application	CSTL Ranking	Key Peers
<b>Performance chemicals (69.23% revenue for FY2021)</b>				
<b>MEHQ</b>	12,500 MT	<ul style="list-style-type: none"> <li>Used as Polymerization inhibitor in acrylic acids, acrylic esters, super absorbent polymers (diapers and sanitary pads)</li> <li>Pre-cursor for agrochemical industry</li> </ul>	#1 in World #1 in India	<ul style="list-style-type: none"> <li>Solvay</li> <li>Camlin Fine Sciences</li> </ul>
<b>BHA</b>	9,000 MT	<ul style="list-style-type: none"> <li>Used as anti-oxidant in food and feed industry</li> </ul>	#1 in World #1 in India	<ul style="list-style-type: none"> <li>Solvay</li> <li>Camlin Fine Sciences</li> </ul>
<b>Ascorbyl Palmitate</b>	450 MT	<ul style="list-style-type: none"> <li>Used in infant food formulations, breakfast cereals and cosmetics</li> </ul>	#2 in India	<ul style="list-style-type: none"> <li>Camlin Fine Sciences</li> <li>Yasho Industries</li> <li>DSM Nutrition Products</li> </ul>
<b>Pharmaceutical Intermediates (16.20% revenue for FY2021)</b>				
<b>Guaiacol</b>	60,000 MT	<ul style="list-style-type: none"> <li>Pre-cursor to manufacture APIs for cough syrup (pharma industry)</li> <li>Key raw material to produce Vanillin</li> </ul>	#3 in World #2 in India	<ul style="list-style-type: none"> <li>Solvay</li> <li>Camlin Fine Sciences</li> </ul>
<b>DCC</b>	7,000 MT	<ul style="list-style-type: none"> <li>Used as Reagent in anti-retroviral</li> </ul>	Amongst Largest in World #1 in India	<ul style="list-style-type: none"> <li>Shandong Huihai Pharma</li> <li>Hongrui Fine Chemicals</li> </ul>
<b>FMCG Chemicals (12.34% revenue for FY2021)</b>				
<b>4-MAP</b>	7,200 MT	<ul style="list-style-type: none"> <li>Used in UV blocker in sunscreen (cosmetics industry)</li> </ul>	#1 in World #1 in India	<ul style="list-style-type: none"> <li>Cosmos Nanjing</li> <li>Haining Sino Fine Chemical</li> </ul>
<b>Anisole</b>	34,000 MT	<ul style="list-style-type: none"> <li>Precursor to perfumes, insect pheromones, pharmaceuticals</li> <li>Majority of Anisole produced is used for captive consumption by CSTL</li> </ul>	#1 in World #1 in India	<ul style="list-style-type: none"> <li>Atul Ltd</li> <li>Mithila Rasayan</li> <li>Solvay</li> </ul>

**CSTL's products are used as key starting level materials, as inhibitors, or as additives, by customers,** for products sold in regulated markets. Some of their customers have been associated with them for over 10 years as of May 31, 2021.

**CSTL has 2 certified production facilities in India strategically located at Kurkumbh (Maharashtra), in close proximity to the JNPT port.** Each facility has an on-site R&D unit, quality control department, warehouse, and effluent treatment system that treat effluent, to make their facilities zero liquid discharge facilities. Their facilities have dedicated production lines for their products, with a combined installed capacity of 29,900 MTPA and capacity utilization rates of 71.94% for Fiscal 2021. They have recently set-up a Facility-III adjacent to their existing facilities at Kurkumbh, Pune, and have been allotted land for the construction of a Facility-IV at Kurkumbh.

CSTL has grown organically, and its revenues and profitability have consistently increased, to emerge as one of the most profitable specialty chemical companies globally.

As of May 31, 2021, they had 349 permanent employees. In addition, they contract with third-party manpower and services firms for the supply of contract labours for certain services at their manufacturing facilities.

The Total Revenue from operations has grown at a **CAGR of 14.15%** between Fiscal 2019 and Fiscal 2021.

In Fiscal 2019, 2020 and 2021:

- The PAT Margin was 24.83%, 33.30%, and 38.71%, respectively;
- The EBITDA Margin was 37.53%, 46.78% and 55.54% respectively;
- The adjusted EBITDA was 34.66%, 44.19% and 50.53% respectively;
- The ROCE was 50.75%, 58.48% and 73.89%, respectively, and
- The ROE was 35.90%, 40.82% and 36.76%, respectively.
- **Net cash from operating activities was ₹ 84.74 crore, ₹ 160.10 crore and ₹ 192.85 crore, respectively.**

### Revenue Streams: Business Segment-wise

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
<b>Sale of products</b>	<b>506.94</b>	<b>98.93%</b>	<b>409.34</b>	<b>97.62%</b>	<b>384.84</b>	<b>97.86%</b>
- Ketone with other oxygen functions	49.98		49.17		46.13	
- Ether phenols	420.28		333.52		317.14	
- Others	36.68		26.65		21.57	
<b>Other operating revenue</b>	<b>5.49</b>	<b>1.07%</b>	<b>9.96</b>	<b>2.38%</b>	<b>8.44</b>	<b>2.15%</b>
- Export incentives	4.37		8.65		6.94	
- Scrap sale	0.12		0.06		0.07	
- Sale of electricity	1.00		1.26		1.43	
<b>Total</b>	<b>512.43</b>	<b>100.00%</b>	<b>419.30</b>	<b>100.00%</b>	<b>393.27</b>	<b>100.00%</b>

### Sale of Products – Region-wise

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
<b>In India</b>	<b>159.22</b>	<b>31.41%</b>	<b>121.03</b>	<b>29.57%</b>	<b>100.54</b>	<b>26.13%</b>
<b>Outside India/ Exports</b>						
- China	188.18	37.12%	145.46	35.53%	151.02	39.24%
- Europe	70.05	13.82%	77.93	19.04%	78.73	20.46%
- America	58.17	11.47%	37.08	9.06%	37.76	9.81%
- Rest of World	31.33	6.18%	27.85	6.80%	16.79	4.36%
<b>Total Exports</b>	<b>344.72</b>	<b>68.59%</b>	<b>288.31</b>	<b>70.43%</b>	<b>284.29</b>	<b>73.87%</b>
<b>Total Sale of Products</b>	<b>506.94</b>	<b>100.00%</b>	<b>409.34</b>	<b>100.00%</b>	<b>384.84</b>	<b>100.00%</b>

## MANUFACTURING UNITS

CSTL has 2 manufacturing facilities, both of which are located at Kurkumbh (Maharashtra). They have also recently set-up a unit at their 3<sup>rd</sup> Manufacturing Facility, adjacent to their existing facilities in Kurkumbh. Further, as their operations are primarily export oriented, their facilities are strategically located at close proximity to the JNPT Port. Each of their manufacturing facilities has an effluent treatment plant equipped with aerobic as well as anaerobic systems. These effluent treatment plants treat the industrial waste water and recycle it for reuse, making both facilities zero liquid discharge facilities.

The products manufactured at their manufacturing facilities as of December 31, 2020:

Manufacturing Facility	MEHQ	Guaiacol	BHA	4-MAP	DCC	AP	Anisole	Catalyst
Facility I	✓	✓	✓	✓	-	-	✓	✓
Facility II	✓	✓	-	-	✓	✓	✓	✓

The manufacturing facility-I has commenced operations in Fiscal 2008. As of March 31, 2021, it comprises 7 units. The Facility-II has commenced operations in Fiscal 2019. As of May 31, 2021, it comprises 4 units.

### Additional Production Facilities

In order to meet the growing market demand for their key products and to develop and introduce newer products, they are in the process of setting-up 2 new manufacturing facilities. The **Facility-III** is being constructed at Kurkumbh, Pune, and is proposed to be used to manufacture Anisole and certain Performance Chemicals, including MEHQ. For **Facility-IV**, they have recently allotted land at Kurkumbh, Pune, where they intend to manufacture stabilizer and other intermediates for application in pharmaceutical, flavours and fragrance and agriculture industries.

Installed Production Capacity and actual Utilisation:									
Unit	Fiscal 2021			Fiscal 2020			Fiscal 2019		
	Installed Capacity in MT	Actual Production in MT	% Utilization	Installed Capacity in MT	Actual Production in MT	% Utilization	Installed Capacity in MT	Actual Production in MT	% Utilization
Performance Chemicals	9,640	7,081	73.46%	8,680	5,363	61.79%	8,580	4,804	55.99%
Pharmaceutical Intermediates	4,060	2,602	64.08%	3,780	1,942	51.37%	3,060	2,143	70.04%
FMCG Chemicals	16,200	11,826	73.00%	15,600	10,360	66.41%	9,600	7,471	77.83%
<b>Total</b>	<b>29,900</b>	<b>21,509</b>	<b>71.94%</b>	<b>28,060</b>	<b>17,665</b>	<b>62.95%</b>	<b>21,240</b>	<b>14,418</b>	<b>67.88%</b>

### RESEARCH AND DEVELOPMENT

CTL has invested substantial effort, funds and other resources towards their R&D activities and have set-up 2 dedicated in-house R&D centers at Kurkumbh. In Fiscals 2019, 2020 and 2021, they invested ₹ 0.50 crore, ₹ 0.75 crore, and ₹ 0.80 crore on R&D related assets that represented 0.13%, 0.18%, and 0.16% of the revenue from operations in these periods, respectively. Their R&D activities are focused on designing catalysts, using them to create new manufacturing processes and improving existing processes and new chemistry with a focus on developing eco-friendly processes by eliminating use of toxic starting materials, to improve the commercial viability of their finished products. The R&D abilities have led to identification, design, and customization of catalysts that they utilize across their processes in order to improve yields, reduce effluents and increase cost competitiveness.

They have broadly structured their R&D activities into 3 verticals: (i) for existing products and catalyst systems, to improve yields and selectivity in their existing product portfolio; (ii) for expanding their product portfolio in the stabilizer and additives business; and (iii) for identifying products with high demand that only limited manufacturers produce within India and globally. In particular, they focus on speciality chemicals which find applications in critical industries such as pharmaceuticals and agriculture.

Their in house R&D units, situated in Facility-I and Facility-II have technological equipment to develop, test and evaluate their products and have been recognized by the GoI's Department of Scientific and Industrial Research as in-house R&D units. As of May 31, 2021, they employed 36 personnel for R&D functions. They also intend to expand their R&D capabilities by setting-up a dedicated R&D unit at Facility-III.

### COMPANY PRODUCT PORTFOLIO

As of May 31, 2021, CSTL's product portfolio comprised of a range of specialty chemicals, including polymerization inhibitor products such as MEHQ, pre-cursors for pharmaceutical products such as Guaiacol, food and feed grade antioxidants such as BHA and Ascorbyl Palmitate, products with UV blocker properties such as 4-MAP, and anti-retroviral reagents such as DCC. In addition, while they manufacture Anisole largely for captive consumption, they also supply Anisole as a key starting material for agrochemicals, flavours and fragrance products.

The revenue from operations contributed by each of their product segments and the percentage of their total income they represent for Fiscal 2021, 2020 and 2019:

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Performance Chemicals	354.77	69.23%	272.12	64.90%	249.04	63.32%
Pharmaceutical Intermediates	83.01	16.20%	64.38	15.35%	68.11	17.32%
FMCG Chemicals	63.22	12.34%	66.57	15.88%	61.23	15.57%
Other Products	5.95	1.16%	6.28	1.50%	6.47	1.64%
Other Operating Revenue	5.49	1.07%	9.96	2.38%	8.44	2.14%
<b>Total for Revenue from operations</b>	<b>512.43</b>	<b>100.00%</b>	<b>419.30</b>	<b>100.00%</b>	<b>393.27</b>	<b>100.00%</b>

## MAJOR CLIENTELE

Company's customers comprise direct end-use manufacturers as well as institutional distributors. A majority of their revenues is generated from direct sales to customers.

Key Customers	Sector
<ul style="list-style-type: none"> <li>▪ Bayer AG</li> <li>▪ SRF Limited</li> </ul>	Agro Chemical Products
<ul style="list-style-type: none"> <li>▪ Gennex Laboratories</li> </ul>	Pharmaceutical Intermediates
<ul style="list-style-type: none"> <li>▪ Vinati Organics Limited</li> </ul>	Specialty Monomer Products
<ul style="list-style-type: none"> <li>▪ Nutriad International NV</li> </ul>	Animal Nutrition

Some of their customers have been associated with them for over 10 years as of May 31, 2021.

## COMPETITIVE STRENGTHS

- ***Track record of strategic process innovation through consistent R&D initiatives***

CSTL is among the leading companies in India to have commercialized use of environment-friendly processes to manufacture certain specialty chemicals, at global capacities. They have achieved this position by optimizing use of conventional raw materials, improving atom economy, enhancing yields, reducing effluent discharge, and consequently increasing cost competitiveness.

CSTL has developed these technologies through process innovation and consistent R&D. Various catalysts have been developed in-house through R&D, which are used across process developments, and have helped improve productivity, yields, atom economy and cost efficiencies. By employing "clean-technologies", they distinguish their processes from conventional processes and optimize use of non-toxic raw materials, resulting in lower effluent generation, and products that are not as harmful to the end-consumer as conventionally produced chemicals. For instance, they manufacture sulphur-free BHA and sulphur-free DCC.

Being a technologically advanced company, CSTL has pioneered the commercialization of catalytic-reactions in production processes. They have similarly developed unconventional processes to manufacture certain of their other specialty chemicals. With phenol being widely available and Anisole being produced for captive consumption, they are integrated to the commodity level, which also helps them reduce costs and increase their profit margins. This has led to their distinguished position as the most cost-competitive producer of these critical products, demonstrated by their significant exports to China, and giving them the highest margins in the industry in India for Fiscal 2020.

- ***Among the largest producers globally of functionally critical specialty chemicals used across various industries and geographies resulting in a de-risked business model***

Company's specialty chemicals have a wide range of applications and their key raw materials are abundantly available resulting in a significantly de-risked business model.

Their products are used as polymerization inhibitors, intermediates for agrochemicals and pharmaceuticals, anti-oxidants, UV blockers, and anti-retroviral reagents, which are functionally critical in a wide range of industries, including in the manufacture of paints and inks, agro-chemicals, pharmaceuticals, flavours and fragrance, food and animal nutrition (feed), and personal care (cosmetics) products

In Fiscals 2019, 2020 and 2021, revenue generated from their top 10 customers represented 50.53%, 44.77% and 47.90% of their revenue from operations, respectively. Their products and customer base allow for limited dependence on any particular industry, relatively insulating them from any industry-specific slowdown.

Company's customers comprise manufacturers in India and other regulated international markets including China, Canada, Europe, the United States of America, Taiwan, Korea, and Japan. In Fiscals 2019, 2020 and 2021, revenue generated from customers outside India represented 72.29%, 68.76% and 67.86% of their revenue from operations, respectively, with a significant portion generated from China. They have been supplying to customers in such regulated markets, which sets them apart from other Indian companies and enables them to compete effectively in terms of cost and quality, with global players in their industry.

Their key raw materials comprise of major bulk chemicals including phenol, hydrogen peroxide, acetic anhydride, acetone, and tertiary butanol, which are widely available, unlike conventionally used diphenols such as hydroquinone and catechol that are susceptible to increased price volatility due to controlled supply.

- ***Experienced Promoters and senior management with extensive domain knowledge***

CSTL is led by their Promoters comprising the Managing Director Ashok Ramnarayan Boob, the Whole-Time Directors Siddhartha Ashok Sikchi and Krishnakumar Ramnarayan Boob, and the Vice President Parth Ashok Maheshwari, who have a combined experience of over 60 years in the chemical industry. Each of their Promoters is a career-technocrat and is actively involved in the critical aspects of their business, including R&D and plant engineering.

Ashok Ramnarayan Boob is credited with their manufacturing capabilities and projects and has over 25 years of experience in the chemical industry. Siddhartha Ashok Sikchi is responsible for the R&D and marketing efforts and has over 10 years of experience in the specialty chemical industry. Krishnakumar Ramnarayan Boob is responsible for their liaising and purchasing activities. He has over 25 years of experience in the chemical industry. Parth Ashok Maheshwari supports their overall business operations, with over 5 years of experience in the chemical industry. All the 4 Promoters are involved in the day-to-day management of the company.

CSTL additionally benefits from the industry and academic experience of Padmashri Professor Ganapati Dadasaheb Yadav, Non-Executive and Independent Director. Pradeep Ramwilas Rathi, Non-Executive, Chairman of the Board, brings over 2 decades of experience in the chemical industry. They are also supported by Sanjay Kothari, Non-Executive Director, who has been instrumental in instilling financial prudence to their operations. Padmashri Professor Ganapati Dadasaheb Yadav, Pradeep Ramwilas Rathi and Sanjay Kothari have been members of their Board for over a decade, reflecting their commitment towards long-term value creation for the business.

- ***Strong and long-standing relationships with key customers***

Company's ability to meet the demand for, and quality of, their products, at competitive prices, have resulted in strong and long-standing relationships with various multinational corporations. These enduring customer relationships have helped them to expand their product offerings and geographic reach. Their long-term relationships and on-going active engagements with customers also allow them to plan their capital expenditure, enhance their ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base, thereby ensuring a competitive cost structure to achieve sustainable growth and profitability.

- ***Automated manufacturing facilities with proven design and commercialization capabilities and strong focus on EHS***

CSTL has 2 manufacturing facilities in India with 11 production lines (including 3 lines for catalyst production and regeneration).

With dedicated production lines for their key products, they aim to limit losses and capacity reductions that are typically incurred during transitioning between products. They also have multiple lines across separate units for their key products to limit contagion risk, and consistently meet the demand for these products. Their operations have received certifications from Ecovadis and Together for Sustainability, and are routinely audited and approved by certain of their customers. In addition, their facility for manufacturing BHA and Ascorbyl Palmitate is also registered with the US FDA as an approved food facility.

Their captive solar plants meet part of their power requirements at their facilities, which improves cost efficiencies and results in better utilization of resources. As of March 31, 2021, the direct current capacity of the captive solar power plant was 5.42 MW. They have cumulatively consumed 6.34 million units of electricity from their captive solar power plants in Fiscal 2021. In addition, their eco-friendly production processes have led to limited effluent discharge, making their effluent generation among the lowest in the specialty chemicals industry. As a result, they have not received any material observations from the pollution control board in India with respect to their manufacturing facilities.

They leverage their in-house process design expertise to carry out timely capacity expansions at their facilities to cater to the increased demand for their products. Their in-house capabilities also enable them to optimise capital expenditure for their facility expansion activities. As a result, their asset turns are among the highest in the chemical industry.

- ***Strong and consistent financial performance in the last three fiscals***

CTSL has organically grown their operations and is among the most profitable specialty chemical companies globally. Company's operations have grown over the years predominantly based on their internal accruals. They have been declaring and paying dividend consistently since Fiscal 2012. Their profitability is primarily attributable to their cost-



efficiencies driven by optimization of raw material cost. Cost of material consumed represented 26.90% of their revenue from operations in the Fiscal 2021. Their asset turns are among the highest in the chemical industry, underscoring their commitment to operationalizing their manufacturing facilities in a timely and cost efficient manner.

## KEY BUSINESS STRATEGIES

- **Leverage the leadership position in the specialty chemicals industry to capitalize on industry opportunities**

The global chemicals market is valued at US\$ 4,738 billion in 2019 with China accounting for 40% of the market share. The global chemicals market is expected to grow at a CAGR of 6.2% to US\$ 6,785 billion from 2019 to 2025. The overall market for specialty chemicals was valued at US\$800 billion in 2019, and is expected to record a growth rate of 5% to 6% over the next 5 years. The tightening of environmental norms in China and the recent trade dispute between China and the United States have reduced Chinese exports and resulted in shifting the source of key raw materials from China to India. This tightening of the environmental norms have resulted in increase in operating costs, closure and relocation of manufacturing facilities along with rising labour costs. While these may not be permanent trends, these will involve significant costs of production for Chinese companies, enabling India to significantly strengthen its position in the global supply chain and position itself as a viable alternative for global players seeking a de-risked supply chain while retaining sourcing costs. Pharmaceuticals and agrochemicals sectors are expected to benefit from this as Chinese manufacturers continue to operate at lower capacity levels, given increased monitoring of safety standards and compliance norms.

They are well positioned to capitalize on these opportunities in the specialty chemicals segment due to their lower cost of production in India as compared to imports from China, and based on their established relationships with multinational corporations. In particular, they propose to introduce new products with varied applications across industries, and continue to design catalysts to improve process and cost efficiencies in their operations. They aim to achieve this by leveraging on their existing R&D capabilities, as well as by evaluating strategic acquisition opportunities. They also intend to capitalize on the growing demand for their products by expanding their manufacturing capacities and strengthening their distribution network in existing markets and gaining access to newer markets.

- **Leverage the R&D capabilities and understanding of catalysis to continue process re-engineering, further enhancing the product portfolio**

They intend to continue to focus on speciality chemicals that find applications in high-growth industries and leverage their deep understanding of complex chemistries to create an alternate supply chain for their customers using cleaner technologies and cost effective processes.

To expand their product portfolio, they seek to identify products with high demand that only limited manufacturers produce within India and globally. They also intend to continue to explore high margin downstream product lines, which have low competition and multiple applications. For instance, they are in the process of developing a portfolio of stabilizer products to be used as additives/ stabilizers by manufacturers. They are similarly engaged in developing catalytic systems to make intermediates for application in high-growth industries including paints and coatings, adhesives and sealants that are expected to be driven by growth in the infrastructure segment.

They aim to continue to refine their existing processes in terms of improving yields and efficiencies, and enhancing backward integration, by leveraging their expertise on complex chemistries such as halogenation, hydrogenation, oxidation, Grignard chemistry, and coupling reactions, that they have generated over time. They intend to develop eco-friendly, cost effective processes through biphasic or triphasic reactions, in the form of either vapour-phase reactions, liquid-solid reactions, or liquid-liquid-solid reactions.

- **Expand manufacturing capacities of existing products and set up additional capacities for new products**

Company's product portfolio is aligned to the changing global and Indian trend of environmentally friendly chemicals, and they intend to leverage on the aggressive growth rates of their products. To cater to the growing demand from their existing customers and to meet requirements of new customers, they intend to and are in the process of expanding the manufacturing capacities for few of their existing products. They also intend to add manufacturing capacities for certain new products that will form part of their stabilizer/ additive product portfolio that they are in the process of developing, for application in paints and coatings, pharmaceutical, flavours and fragrance, and agriculture industries. The markets for paints and coatings, pharmaceutical chemicals, flavours and fragrance, and agrochemical industries are expected to grow at CAGRs of 5.1%, 6.1%, 5.2% and 5.8% from 2019 to 2025, respectively

- **Continue to strengthen the presence in India and expand the sales and distribution network in international markets**

In order to serve their existing direct end-use customers and distributors, as well as to secure new direct end-use customers and distributors and expand the reach of their products to new markets, they intend to expand globally by having dedicated teams whose primary focus will be on exports in international markets and in certain focus geographies, such as Europe, China and Americas. Their focus will be to increase the number of stock points they have globally and strengthen their sales team in India to ensure that they are able to deliver products to their customers in a timely manner.

### COMPARISON WITH LISTED INDUSTRY PEERS\* (AS ON 31<sup>ST</sup> MARCH 2021)

Name of the Company	Total Income (₹ Cr)	Face Value (₹)	Closing price <sup>^</sup> (₹)	EPS (Basic) (₹)	NAV <sup>^</sup> (₹)	P/E <sup>~</sup>	RoNW (%)
Clean Science and Technology Ltd	538.07	1	[ • ]	18.68	50.81	[ • ]	36.76%
<b>Peer Group</b>							
Vinati Organics Ltd	980.10	1	1,792.90	68.43	150.16	68.43	17.45%
Fine Organic Industries Ltd	1,150.32	5	2,980.25	75.93	238.57	75.93	16.45%
Atul Ltd	3,834.45	10	8,850.00	40.01	1,303.66	40.01	17.11%
Camlin Fine Sciences Ltd	1,192.09	1	175.35	47.65	55.93	47.65	9.16%
SRF Ltd	8,454.53	10	7,065.10	34.37	1,157.30	34.37	17.47%
Navin Flourine International Ltd	1,258.44	2	3,347.70	64.43	330.06	64.43	15.76%
PI Industries Ltd	4,701.90	1	2,835.35	56.83	352.13	56.83	13.82%

Source: RHP \*All the financial information for the company is on Restated basis and for listed industry peers mentioned above is on a consolidated basis; ^Closing Price as on June 11,2021

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