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## About the Company

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.

It manufactures functionally critical specialty chemicals such as Performance Chemicals (MEHQ, BHA, and AP), Pharmaceutical Intermediates (Guaiacol and DCC), and FMCG Chemicals (4-MAP and Anisole).

The company supplies its products to manufacturers and distributors in India as well as overseas markets i.e. China, Europe, USA, Korea, Taiwan, and Japan. Bayer AG, Genex Laboratories Limited, Nutriad International NV, SRF Limited, Vinati Organics are a few of its customers. In fiscal 2021, it generated 69% of revenues through export outside India.

CSTL has two production facilities at Kurkumbh (Maharashtra), in close proximity to the JNPT port with an aggregated installed production capacity of 29,900 MTPA as of FY2021.

Issue details	
Price Band (in ₹ per share)	880-900
Issue size (in ₹ Crore)	1546.62
Offer for Sale (in ₹ Crore)	1546.62
Total number of shares (lakhs)	175.75-171.85
Issue open date	07-07-2021
Issue close date	09-07-2021
Tentative date of Allotment	15-07-2021
Tentative date of Listing	19-07-2021
Offer Allocation	QIB - 50 %, Retail- 35%, NIB - 15%
Minimum order quantity	16
Face value (in ₹)	1
Amount for retail investors (1 lot)	14080-14400
Maximum number of shares for Retail investors at lower Band	224(14 Lots)
Maximum number of shares for Retail investors at upper band	208(13 Lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	197120-187200
Exchanges to be listed on	BSE, NSE

## Promoters

Ashok Ramnarayan Boob, Krishnakumar Ramnarayan Boob, Siddhartha Ashok Sikchi, and Parth Ashok Maheshwari are the company promoters

## Objective of the Offer

The IPO proceed will be utilized towards following purposes:

1. To make an offer for sale of equity shares aggregating to INR 1546.62 crore
2. To achieve the share listing benefits on the BSE and NSE

**Brief Financials**

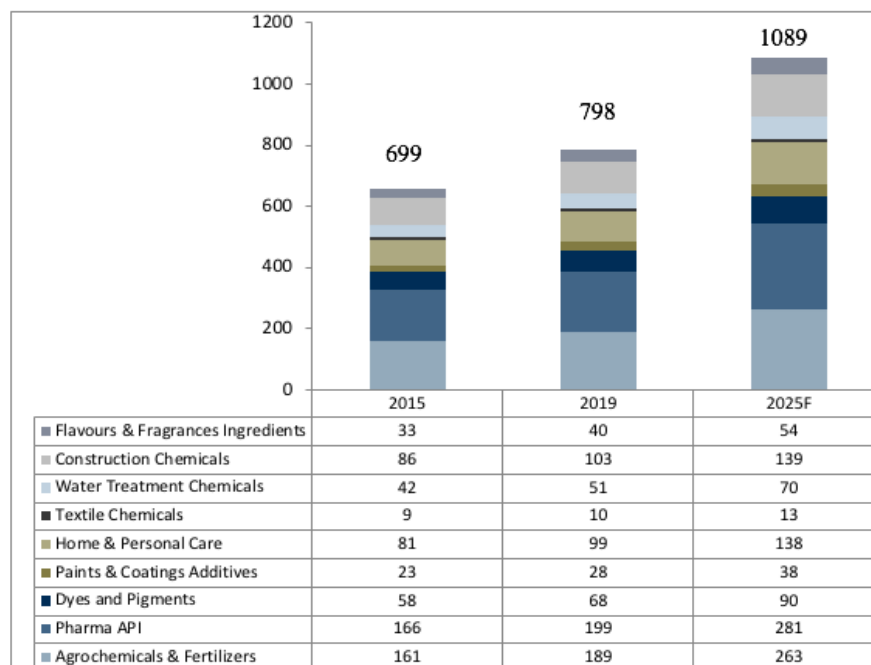
Particulars (Rs. Cr)*	FY21	FY20	FY19
Share Capital	10.62	1.33	1.42
Net Worth	539.67	342.1	272.06
Revenue from Operation	512.43	419.30	393.27
EBITDA	284.60	196.15	147.60
EBITDA Margin (%)	55.54%	46.78%	37.53%
PAT	198.38	139.63	97.66
PAT Margin (%)	38.71%	33.30%	24.83%
EPS(Rs)	18.68	13.15	9.19
Net Asset Value (Rs)	50.81	32.21	25.61
P/E #	48.18	-	-
P/B #	17.71	-	-

Source: RHP, \*Restated Consolidated, FV Rs.1/-, # Calculated at the upper price band

**Industry Review****GLOBAL SPECIALTY CHEMICALS MARKET**

Specialty chemicals are low-volume and high-value products which are sold on the basis of their quality or utility, rather than composition. Thus, they may be used primarily as additives or to provide a specific attribute to the end product. Specialty chemicals are more likely to be prepared and processed in batches. The focus is on value addition to the end-product and the properties or technical specifications of the chemical.

Set forth below is an illustration of the value of the market of global speciality chemicals, categorized based on the industries and applications for such chemicals (in USD billion)



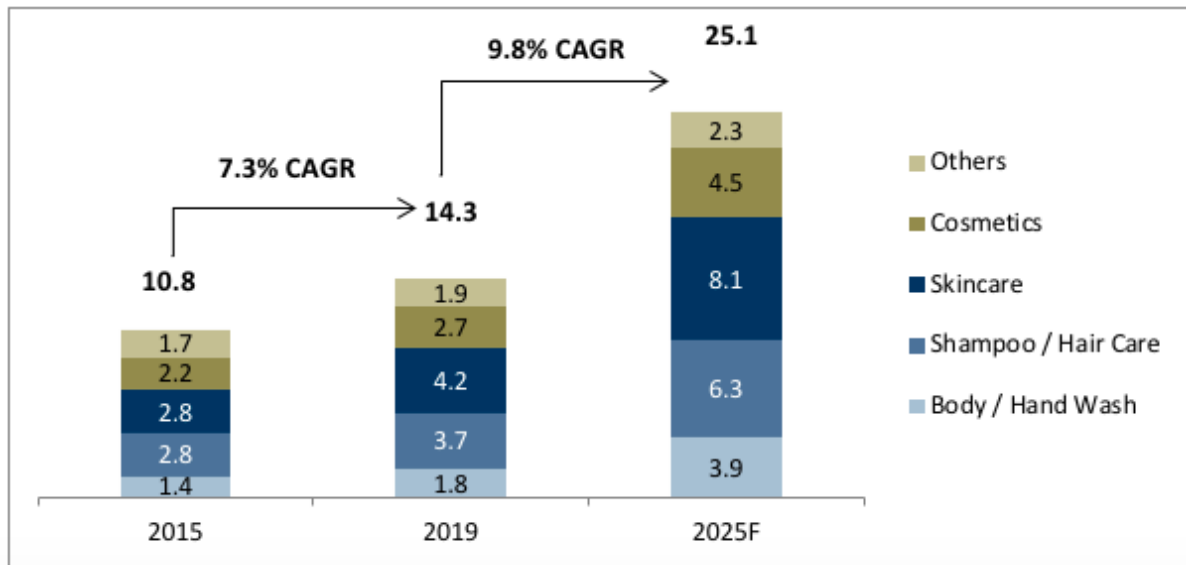
Source: Frost & Sullivan, RHP, CBSL



## Industry Review

### India Personal Care Market

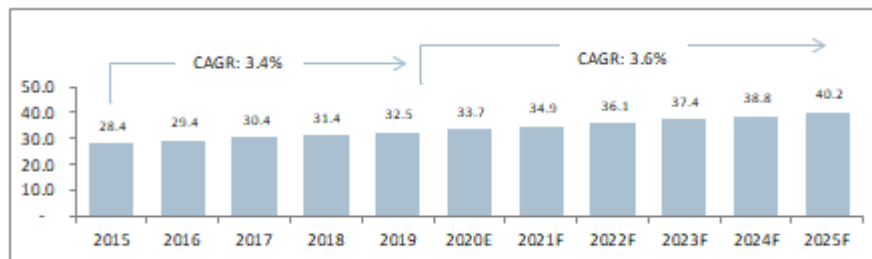
The personal care industry in India is pegged at USD 14.3 billion, and expected to grow at a CAGR of 9.8% to reach USD 25 billion by 2025. Increasing disposable income and a young rising middle class are significant factors driving the market in the country. Indian Personal Care Market Forecast, Value (USD billion), 2015, 2019 and 2025 Forecast



Source: RHP, CBSL

### 4-MAP

4-Methoxy-Acetophenone is an important spice, medicine, and makeup intermediate. 4-MAP is an aromatic chemical compound with an aroma described as sweet, fruity, nutty, and similar to vanilla. 4-MAP occasionally also has the aroma of butter or caramel. Global 4-Methoxy Acetophenone (4-MAP) Market: Current and Future (USD million) 2015-2025 as follows.



Source: RHP, CBSL

### Ascorbyl Palmitate

Ascorbyl Palmitate is produced from ascorbic acid, or vitamin C. Ascorbyl Palmitate has vitamin C activity approximately equal to that of Ascorbic Acid (L-form). Ascorbic acid in form of Sodium Ascorbate or Ascorbyl Palmitate is extensively used as an ingredient in anti-aging cosmetic products. AP is part of Vitamin C derivatives of Anti-aging Active Ingredients.

Global Ascorbyl Palmitate Market: Current and Future (USD million) 2015-2025



Source: RHP, CBSL

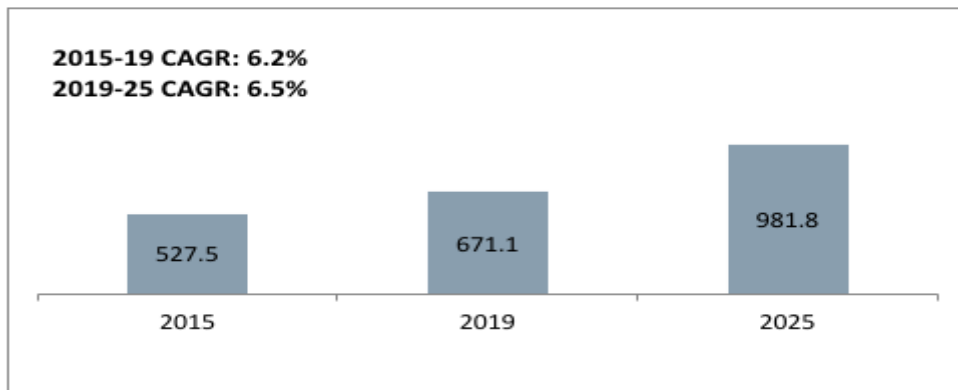


## Industry Review

### Anti-Aging Active Ingredients

The global anti-aging ingredients market is expected to record a CAGR of 6.5% indicating a similar growth trajectory for AP and BHA. Among both the elements AP is a Vitamin C derivative. The market for Vitamin C derivatives is expected to record a CAGR of 8.3% for the same period indicating higher growth rate for AP. BHA is expected to register a growth rate of 7-8%.

Global Anti-Aging Active Ingredients Market Forecast, Value (USD million), 2015, 2019 and 2025

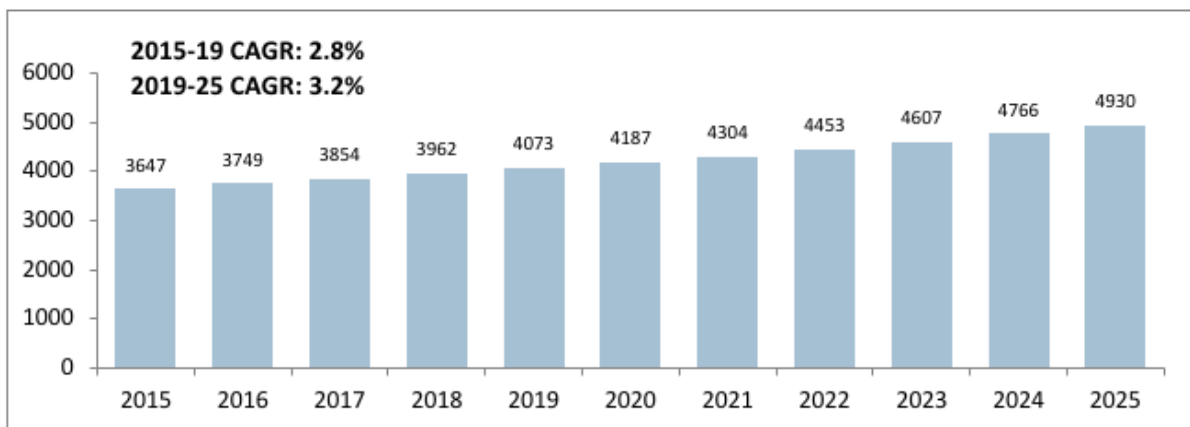


Source: RHP, CBSL

### Market for cough syrups global (USD million), 2015-2025 Forecast

The global cough syrup market was valued at USD 4.1 billion in 2019 and is expected to grow at a CAGR of approximately 3.5 % to reach USD 4.9 billion by 2025. The increasing incidences of respiratory disorders along with the rising air pollution are some of the key factors contributing to the growth of the cough syrup market.

Market for cough syrups global size (USD million), 2015-2025 Forecast



Source: RHP, CBSL

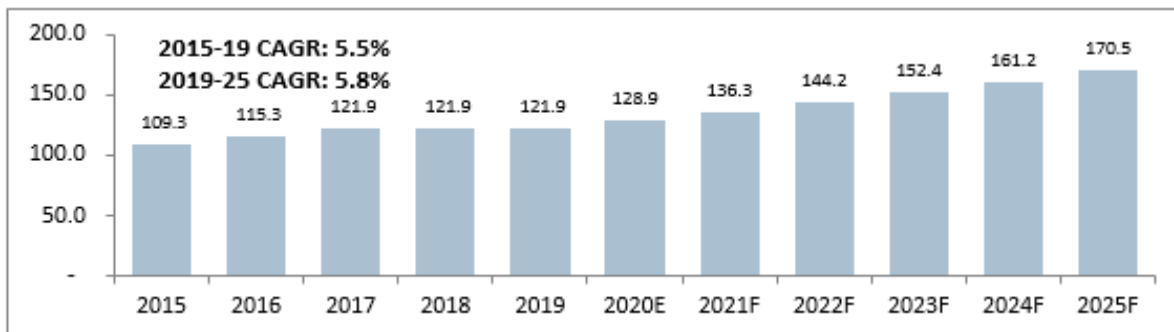


## Industry Review

### Monomethyl ether of hydroquinone (MEHQ)

Mono methyl ether of hydroquinone ("MEHQ") is an organic compound and synthetic derivative of hydroquinone. MEHQ is commercially manufactured by the hydroxylation of anisole or by free radical reaction between p-benzoquinone and methanol. The global MEHQ market was valued at USD 121.9 million in 2019 and expected to record a growth of 5.8% between 2019 and 2025. On a volume basis, the demand of MEHQ was around 12.5 KT growing at a CAGR of 5.2%.

Global MEHQ Market: Current & Future (USD million), 2015-2025 Forecast

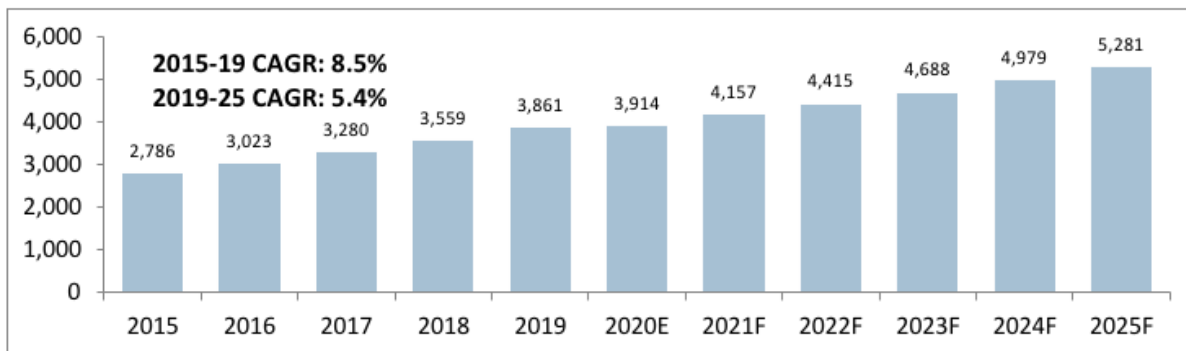


Source: RHP, CBSL

### Global Superabsorbent polymers (SAPs) market

The global demand for SAP in 2019 was about 3,861 KT and the demand is expected to grow at a CAGR of 6.2% between 2019 and 2025 on volume basis. Strong demand from the baby diaper segment is projected to stoke the overall growth. Also, surging demand for adult incontinence and female hygiene products owing to increasing awareness about hygiene is poised to further drive product demand.

Global SAP Market: Historic, Current & Future ('000 MT), 2015-2025 Forecast



Source: RHP, CBSL



## 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.

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

The 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 FY2019, FY2020, FY2021, 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.

CSTL’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 FY2019, FY2020, FY2021, 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.

### **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.

**Risk Factors****R&D dependent operations and inability to continue to design catalytic processes may adversely affect business**

CSTL's competitive position in the specialty chemicals industry is primarily characterised by cost-efficiencies and R&D improvements. The company's ability to continue to design catalytic processes is a significant factor in ability to remain competitive. Further, its R&D efforts may not result in new catalytic processes being developed on a timely manner or to meet the needs of its customers as effectively as competitive offerings. CSTL has invested substantial effort, funds and other resources towards R&D activities and has set-up two dedicated in-house R&D centers at Kurkumbh, Maharashtra. For instance, in FY 2019, FY2020, FY2021, the company has invested INR 4.98 million, INR 7.50 million, and INR 7.95 million, on R&D related assets that represented 0.13%, 0.18%, and 0.16% of its revenue from operations in these periods, respectively.

**None of the products and catalytic processes are patented or protected through intellectual property rights**

CSTL's continued commercial success depends in part on its ability to protect existing intellectual property and to obtain other intellectual property rights. As of the date of Red Herring Prospectus, none of its catalytic processes are patented, and competitors may be able to imitate these process technologies and erode or negate any competitive advantage that the company may have, which could harm business and ability to continue to achieve profitability.

If CSTL fails to protect the intellectual property associated with in-house developed catalytic-technologies, the company may not be able to claim registered ownership of such processes. It may be unable to seek remedies for infringement of those processes by third parties.

**Dependence on Commodity raw materials**

CSTL's competitiveness, costs and profitability depend, in part, on its ability to source and maintain a stable and sufficient supply of raw materials, including phenol, hydrogen peroxide, acetic anhydride, tertiary butyl alcohol, acetone, methanol and cyclohexylamine at acceptable prices.

In FY2019, FY2020 and FY2021, the cost of materials consumed amounted to INR 1,786.10 million, INR 1,279.79 million and INR 1,378.62 million, respectively, and represented 45.42%, 30.52%, and 26.90%, respectively, of total revenue. The company's imported raw materials, largely comprising phenol and tertiary butyl alcohol, as a percentage of total raw materials purchased amounted to INR 667.62 million, INR 394.01 million, and INR 394.36 million, respectively, and represented to 37.44%, 30.97%, and 27.74% in FY2019, FY2020 and FY2021, respectively.

**Peer Comparison**

Name of the company	Face Value (in ₹)	Total Income (in ₹ crore)	Basic EPS (in ₹)	NAV (in ₹)	P/E	P/B	RoNW (%)
Clean Science and Technology	1	538.07	18.68	50.81	48.18	17.71	36.76%
Camlin Fine Sciences	1	1192.09	4.13	55.93	47.11	3.48	9.16%
Vinati Organics	1	980.1	26.2	150.16	77.35	13.50	17.45%
Fine Organic Industries	5	1150.32	39.25	238.57	75.09	12.35	16.45%
Atul	10	3834.45	221.17	1,303.66	41.99	7.12	17.11%
SRF	10	8454.53	205.54	1,157.30	36.47	6.48	17.47%
Navin Flourine International	2	1258.44	52.03	330.06	73.02	11.51	15.76%
PI Industries	1	4701.9	49.92	352.13	60.64	8.60	13.82%

\*P/E & P/B ratio based on closing market price as on July 02nd, 2021, At the upper price band of IPO, financial details consolidated audited results as on FY21



## Our Views

CSTL manufactures functionally critical speciality chemicals such as Performance Chemicals (i.e. MEHQ, BHA and AP), Pharmaceutical Intermediates (i.e. Guaiacol and DCC), and FMCG Chemicals (i.e. 4-MAP and Anisole). Within 17 years of incorporation, it has grown to be the largest manufacturer globally of MEHQ, BHA, Anisole and 4-MAP, in terms of installed manufacturing capacities as of March 31, 2021. The company has posted spectacular performance for the last three fiscals. IPL is a net debt free company with profitability ratios, ROE and ROCE at 36.76% and 73.89% in FY2021, respectively. It is being dividend paying company since FY2012, its dividend payout ratio stood at 17-18%.

CSTL is a global player with niche techno developed products. The company is setting up 3rd facility at Kurkumbh to manufacture Anisole, MEHQ etc. It has also allocated land for construction for 4th facility in Kurkumbh, Maharashtra. The company would trade at P/E of 48.18x for FY21 which is attractive as compared to its peer competitors. We recommend '**SUBSCRIBE**' for listing gains.

*Sources: Company Website and red herring prospectus*





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