

Details of the Issue

Price Band	₹ 423 - ₹ 425
Issue Size	₹500 cr
Opening Date	Jul 13, 2020
Closing Date	Jul 15, 2020
Face Value	₹2
Bid Lot	35
Listing on	BSE, NSE

Objects of the Issue

Repayment/prepayment of certain indebtedness availed by our Company (including accrued interest)
Funding working capital requirements
General corporate purposes

Lead Managers

Axis Capital, ICICI Securities

Registrar

Link Intime India Private Limited

Investment Details

No. of shares at cut-off	455
Max. Amount to be paid (₹)	1,93,375

Source: RHP, GEPL Capital Research

Company Background

Rossari is one of the leading specialty chemicals manufacturing companies in India based on sales for Fiscal 2019 providing customized solutions to specific industrial and production requirements of customers primarily in the FMCG, apparel, poultry and animal feed industries through diversified product portfolio comprising home, personal care and performance chemicals; textile specialty chemicals; and animal health and nutrition products. They operate in India as well as in 17 foreign countries including Vietnam, Bangladesh and Mauritius. According to the F&S Report, as on September 30, 2019, they are the largest manufacturer of textile specialty chemicals in India providing textile specialty chemicals in a sustainable, eco-friendly yet competitive manner.

Their business is organized in three main product categories - (i) home, personal care and performance chemicals; (ii) textile specialty chemicals; and (iii) animal health and nutrition products. As on May 31, 2020, they had a range of **2,030 different products** sold across the three product categories.

Competitive Strengths

- **Diversified product portfolio** addressing the needs of varied and long-standing customers across industries
- Largest textile specialty chemical manufacturer in India
- **Extensive manufacturing and technical capabilities** - installed capacity of 120,000 MTPA. Also, the company is currently setting up another manufacturing facility at Dahej in Gujarat with a proposed installed capacity of 132,500 MTPA to expand their manufacturing capacity
- Strong **R&D capabilities** with focus on innovation and sustainability
- **Wide sales and distribution network** - network of 109 distributors spread over 13 states in India and through 19 overseas distributors spread over 16 countries including in the USA, Portugal, the UAE, Vietnam, Sri Lanka, South Korea, Mexico and Turkey

Financial Snapshot

Particulars (₹ cr)	FY20	FY19	FY18
Share Capital	102	44	44
Reserves	2,765	1,194	827
Revenue	6,001	5,162	2,991
EPS	12.6	8.8	4.9
Net Debt / Equity	-0.4	0	0.2
ROCE (%)	29.10%	40.40%	26.90%

Valuation & Recommendation

Export of specialty chemicals is expected to grow as India is becoming a central manufacturing hub for such chemicals. Capacity utilization of the Silvassa plant stood at 94% for FY20. Increased capacity at Dahej will help Rossari benefit from growth opportunities in India and overseas. Introduction of new products in the personal care segment and headroom for exports growth are key drivers for the top line.

The offer is priced at a ~33.8 x on FY20 EPS at the upper band, which is in line with the industry average of ~ 34x. Net debt free status, high ROCE and top-line growth (41.65% CAGR over FY18 - 20) justify these valuations.

We assign a subscribe rating to the IPO.

Source: RHP, GEPL Capital Research