



**IPO Report**

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06<sup>th</sup> July 21

**Snapshot**

Clean Science & technology manufacture functionally critical specialty 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, company have grown to be the largest manufacturer globally of MEHQ, BHA, Anisole and 4-MAP, in terms manufacturing capacities as of December 31, 2020 .

**VALUATION**

Clean Science is bringing the issue at price band of Rs 880-900 per share at p/e multiple 48 on FY21 eps basis.

Clean Science emerge as the largest manufacturer globally of certain specialty chemicals in terms of manufacturing capacities as of December 31, 2020. Clean Science is the only company globally to deploy vapour-phase technology for manufacturing Anisole from phenol with better atom economy and only water as effluent compared to liquid phase manufacturing process . Company similarly developed unconventional processes to manufacture certain of other specialty chemicals. which has led to company’s distinguished position as the most cost-competitive producer of these critical products, demonstrated by significant highest margins in the industry in India for Fiscal 2020. With company’s robust financial position , leadership in market share in some of its products , strong clientele like Bayer AG and SRF Limited for agro-chemical products, Gennex Laboratories for pharmaceutical intermediates, and Vinati Organics Limited & strong prospects of chemical industry we recommend “Subscribe” on issue both for listing gain & long term purpose.

<b>Price Band (Rs./Share)</b>	<b>880-900</b>
<b>Opening date of the issue</b>	07 <sup>th</sup> July’21
<b>Closing Date of the issue</b>	09 <sup>th</sup> July’21
<b>No of shares pre issue</b>	106218960 Eq Shares
<b>No of shares post issue</b>	106218960 Eq Shares
<b>Issue size (Rs. Cr)</b>	Rs 1546.62 Cr
<b>Offer For Sale (No)</b>	Rs 1546.62 Cr
<b>Face Value (Rs/ share)</b>	1
<b>Bid Lot</b>	16
<b>BIDDING DETAILS</b>	
<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 8592340 Shares)
<b>Non-Institutional</b>	15% of the offer (Approx. 2577703 Shares )
<b>Retail</b>	35% of the offer (Approx. 6014639 Shares)
<b>Lead managers</b>	HDFC Bank Ltd, ICICI Securities Kotak Mahindra Capital Co Ltd, Motilal Oswal ,SBI Capital Markets , Equirus Capital
<b>Registrar to the issue</b>	KFIN Technologies Private Ltd.

**WHAT WE LIKE**

**Strong Financial Performance**

Company’s total revenue from operations have grown at a CAGR of 14.15% between Fiscal 2019 and Fiscal 2021. In Fiscals 2019, 2020 and 2021, company’s PAT Margin was 24.83%, 33.30% and 38.71%, respectively, EBITDA Margin was 37.53%, 46.78% and 55.54% respectively, and Adjusted EBITDA Margin was 34.66%, 44.19% and 50.53%, respectively. As of March 31, 2019, 2020 and 2021, company’s ROCE was 50.75%, 58.48% and 73.89%, respectively, and ROE was 35.90%, 40.82% and 36.76%, respectively.

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

Company have developed 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”, company distinguish its 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 as company manufacture sulphur-free BHA and sulphur-free DCC

**Strong Clientele**

Company’s customers comprise direct end-use manufacturers as well as institutional distributors. A majority of company’s revenues are generated from direct sales to customers. Certain of company’s key customers include Bayer AG and SRF Limited for agro-chemical products, Gennex Laboratories for pharmaceutical intermediates, and Vinati Organics Limited for specialty monomer products, Nutriad International NV for animal nutrition.



## COMPANY BACKGROUND

Clean Science Ltd 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 the company to emerge as the largest manufacturer globally of certain specialty chemicals in terms of manufacturing capacities as of December 31, 2020. Some of these technologies have been developed and commercialized for the first time globally. Company's products are used as key starting level materials, as inhibitors, or as additives, by customers, for products sold in regulated markets. Company has two certified production facilities in India strategically located at Kurkumbh (Maharashtra), in close proximity to the JNPT port from where the company exports majority of its products. Each facility has an on-site R&D unit, quality control department, warehouse, and effluent treatment system that treats effluent, to make the company's facilities zero liquid discharge facilities. Company's facilities have dedicated production lines for its products, with a combined installed capacity of 28,060 MTPA and 29,900 MTPA as of March 31, 2020, and December 31, 2020, respectively, and capacity utilization rates of 62.95% and 52.43% (unannualized) for Fiscal 2020 and the nine months ended December 31, 2020, respectively. Company is also in the process of setting-up a third facility adjacent to the company's existing facilities at Kurkumbh (Maharashtra), and is in discussions with relevant authorities for acquiring land for the construction of a fourth facility at Kurkumbh (Maharashtra).

## PRODUCTS

As of December 31, 2020, Clean Science'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 the company manufactures Anisole largely for captive consumption, the company also supplies Anisole as a key starting material for agrochemicals, flavors and fragrance products.

Company broadly classifies its products into the following segments: (i) Performance Chemicals, comprising MEHQ, BHA and Ascorbyl Palmitate; (ii) Pharmaceutical Intermediates, comprising Guaiacol and DCC; (iii) FMCG Chemicals, comprising 4-MAP and Anisole; and (iv) Other Products, comprising acetic acid, tertiary butyl toluene, ortho cresol and para cresol, that are generated as by-products of its manufacturing processes.

The following table sets forth the revenue from operations contributed by each of the company's product segments and the percentage of its total income they represent for Fiscal 2018, 2019 and 2020:

	FY19		FY20		FY21	
	Rev From Operations (Rs Mn)	As % of Total Income	Rev From Operations	As % of Total Income	Rev From Operations	As % of Total Income
Performance Chemicals	2490.35	63.32%	2721.18	64.90%	3547.65	69.23%
Pharmaceutical Intermediates	681.05	17.32%	643.76	15.35%	830.66	16.20%
FMCG Chemicals	612.27	15.57%	665.68	15.88%	632.23	12.34%
Other Products	64.68	1.64%	62.76	1.50%	59.47	1.16%
Other Operating Revenue	84.35	2.14%	99.62	2.38%	54.87	1.07%
<b>Total</b>	<b>3932.70</b>	<b>100.00</b>	<b>4193.00</b>	<b>100.00%</b>	<b>5124.28</b>	<b>100.00%</b>

## Capacity and Capacity Utilization

The following table sets forth certain information relating to the company's capacity utilization of its manufacturing facilities calculated on the basis of total installed production capacity and actual production as of/ for the periods indicated below:

Location	Installed Production Capacity & Capacity Utilization as at & for the year ended (in metric tonnes)								
	FY19			FY20			FY21		
	Installed Capacity	Actual Production	% Utilization	Installed Capacity	Actual Production	% Utilization	Installed Capacity	Actual Production	% Utilization
Performance Chemicals	8580	4804	55.99%	8680	5363	61.79%	9640	7081	73.46%
Pharmaceutical Intermediates	3060	2143	70.04%	3780	1942	51.37%	4060	2602	64.08%
FMCG Chemicals	9600	7471	77.83%	15600	10360	66.41%	16200	11826	73.00%
<b>Total</b>	<b>21240</b>	<b>14418</b>	<b>67.88%</b>	<b>28060</b>	<b>17665</b>	<b>62.95%</b>	<b>29900</b>	<b>21509</b>	<b>71.94%</b>



**INVESTMENT RATIONALE**

<p><b>Strong Financial Performance</b></p>	<p>Company’s total revenue from operations have grown at a CAGR of 31.44% between Fiscal 2018 and Fiscal 2020. In Fiscal 2018, 2019 and 2020, and the nine months ended December 31, 2019 and 2020, its PAT Margin was 20.15%, 24.83%, 33.30%, 34.20%, and 38.37%, respectively, and EBITDA Margin was 30.25%, 34.66%, 44.19%, 44.16%, and 49.89%, respectively. As of March 31, 2018, 2019, 2020, and December 31, 2019 and 2020, company’s ROCE was 36.61%, 50.75%, 58.48%, 46.90%, and 57.57%, respectively, and ROE was 26.03%, 35.90%, 40.82%, 29.46%, and 29.65%, respectively. Net cash from operating activities was ₹ 449.63 million, ₹ 847.38 million, ₹ 1,601.03 million, ₹ 1,196.07 million and ₹ 1,328.15 million, respectively, in Fiscals 2018, 2019, 2020 and in the nine months ended December 31, 2019 and 2020.</p>
<p><b>Track record of strategic process innovation through consistent R&amp;D initiatives</b></p>	<p>Clean Science is among the leading companies in India to have commercialized use of environment-friendly processes to manufacture certain specialty chemicals, at global capacities. Company have achieved this position by optimizing use of conventional raw materials, improving atom economy, enhancing yields, reducing effluent discharge, and consequently increasing cost competitiveness. Based on the technical expertise Clean Science have developed over the years, company is able to carry out these processes at global scale capacities, which is difficult to replicate, and create significant barriers for new entrants.</p>
<p><b>Consistent R&amp;D initiatives enable strong financials</b></p>	<p>Being a technologically advanced company, Clean Science have pioneered the commercialization of catalytic-reactions in production processes. As it is the only company globally to deploy vapour-phase technology for manufacturing Anisole from phenol with better atom economy and only water as effluent compared to liquid phase manufacturing process . Company have similarly developed unconventional processes to manufacture certain of its other specialty chemicals. With phenol being widely available and Anisole being produced for captive consumption, company is integrated to the commodity level, which also helps reduce costs and increase profit margins. This has led to company’s distinguished position as the most cost-competitive producer of these critical products, demonstrated by its significant exports to China, and giving company the highest margins in the industry in India for Fiscal 2020.</p>
<p><b>Strong and long-standing relationships with key customers</b></p>	<p>Company’s customers comprise direct end-use manufacturers as well as institutional distributors. A majority of company’s revenues is generated from direct sales to customers. Certain of company’s key customers include Bayer AG and SRF Limited for agro-chemical products, Gennex Laboratories for pharmaceutical intermediates, and Vinati Organics Limited for specialty monomer products, Nutriad International NV for animal nutrition. Some of company’s customers have also been associated with company for over 10 years as of December 31, 2020.</p>



## LARGEST PRODUCERS GLOBALLY

Company is among the largest producers globally of certain specialty chemicals in terms of manufacturing capacities as of March 31, 2021, as below:

Product	Global Market Size (Volume)	Company Position	Global	Compay Position	India
MEHQ	12500 MT	Largest in World		Largest in India	
BHA	9000 MT	Largest in World		Largest in India	
Guaiacol	60000 MT	Third Largest in World		Second Largest in India	
Anisole	34000 MT	Largest in World		Largest in India	
4-MAP	7200 MT	Largest in World		Largest in India	
DCC	7000 MT	Amongst Largest in World		Largest in India	
L-Ascorbyl Palmitate	450 MT	Second Largest in World		Second Largest in India	

## OBJECTS OF ISSUE

Company will not receive any proceeds from the Offer (the “Offer Proceeds”) and all the Offer Proceeds will be received by the Selling Shareholders, in proportion to the Offered Shares sold by the respective Selling Shareholders as part of the Offer.

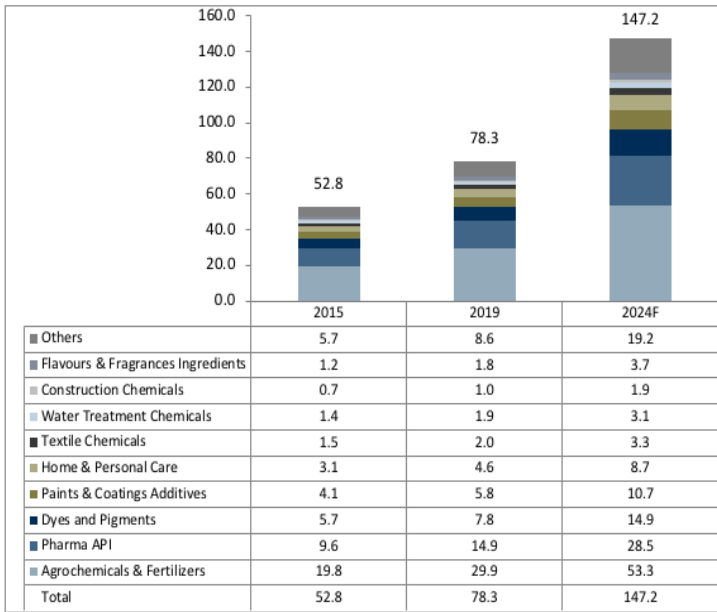
## RISKS

Clean Science operate Facility I and Facility II at Kurkumbh, Maharashtra, the land for which is held by company on leasehold basis. Further, company also holds the land for Facility III, where one unit has recently commenced operations, on a leasehold basis. In addition, company have recently been allotted land on a leasehold basis at Plot No. 3, MIDC Additional Kurkumbh (Patas), Industrial Area, Tal Daund, Pune (Maharashtra), where it intend to establish its fourth manufacturing facility. Company’s manufacturing facilities are all located in close proximity to each other in a particular region and any adverse development affecting such region may have an adverse effect on company’s business, prospects, financial condition and results of operations.

## INDUSTRY OVERVIEW

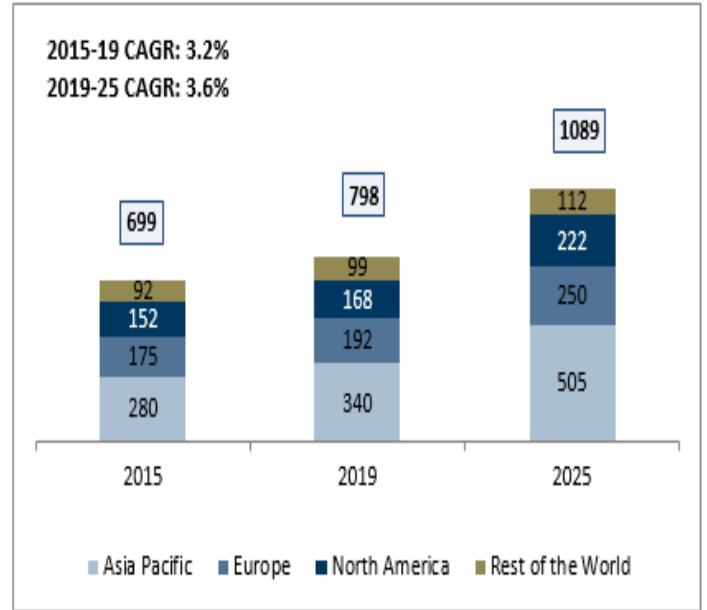


*Indian Specialty Chemicals Market, Value (USD billion), 2015, 2019 and 2025 Forecast*

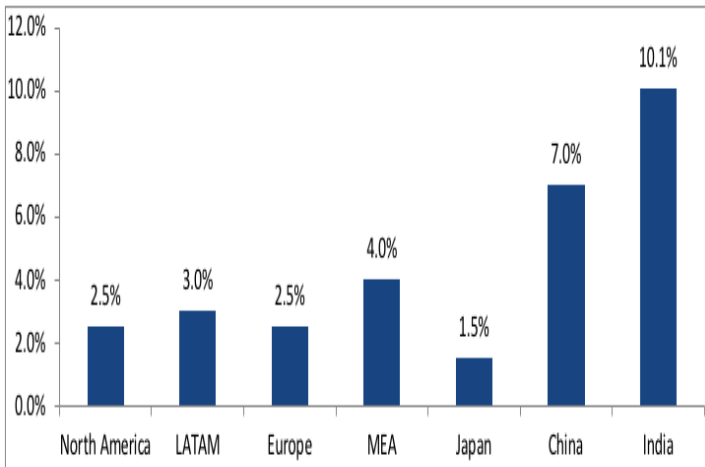


**Clean Science & Technology Ltd**

*Global Specialty Chemicals Market by Geography, 2015, 2019 and 2025 – Value*

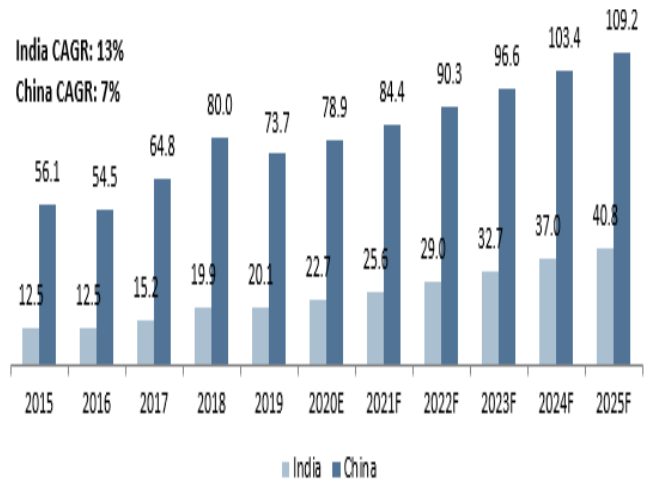


*Global Specialty Chemicals Market by Geography, 2015, 2019 and 2025 – Value*



Source: Frost & Sullivan

*Chemicals Exports Trend – India v. China (2015 – 2019 Actuals, 2020 – 2025 Forecast), USD billion*



Source: RHP



<b>Balance Sheet</b>	<b>FY21</b>	<b>FY20</b>	<b>FY19</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	106.22	13.28	14.16
Reserves & Surplus	5290.45	3407.69	2706.41
<b>Total (A)</b>	<b>5396.67</b>	<b>3420.97</b>	<b>2720.57</b>
<b>Non-Current Liabilities</b>			
Long Term Borrowings	3.31	2.89	1.29
Deferred Tax Liabilities (Net)	175.69	102.03	138.84
Provisions	3.74	3.32	2.91
<b>Total (B)</b>	<b>182.74</b>	<b>108.24</b>	<b>143.04</b>
<b>Current Liabilities</b>			
Short Term Borrowings	--	24.01	24.67
Trade Payables	609.89	356.87	223.41
Other Current Liabilities	408.37	387.21	161.77
Short Term Provisions	1.50	1.49	1.27
<b>Total (C)</b>	<b>1019.76</b>	<b>769.58</b>	<b>411.12</b>
<b>Total (A+B+C)</b>	<b>6599.17</b>	<b>4298.79</b>	<b>3274.73</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	1826.04	1626.25	1248.72
Capital WIP	549.92	34.15	39.28
Rights of use assets	29.75	27.00	18.63
Other Intangible Assets	2.68	2.51	2.44
Financial assets	176.19	15.75	12.80
Income Tax Assets (Net)	14.38	3.05	4.01
Other Non-Current Assets	48.84	19.96	23.06
<b>Total (A)</b>	<b>2647.80</b>	<b>1728.67</b>	<b>1348.94</b>
<b>Current Assets</b>			
Investments	2321.13	1329.84	752.46
Trade Receivables	742.25	698.33	597.68
Cash and Cash equivalents	93.44	92.05	94.24
Other Financial Assets	158.59	61.87	44.07
Short-Term Loans and Advances	2.27	2.27	--
Inventories	528.99	345.89	370.24
Other Current Assets	104.70	39.87	67.10
<b>Total (B)</b>	<b>3951.37</b>	<b>2570.12</b>	<b>1925.79</b>
<b>Total (A+B)</b>	<b>6599.17</b>	<b>4298.79</b>	<b>3274.73</b>

**(Rs in Mn)**

<b>P&amp;L</b>	<b>FY21</b>	<b>FY20</b>	<b>FY19</b>
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Total Revenue (A)	5124.28	4193.00	3932.70
Total Expenditure (B)	2534.74	2340.14	2569.61
EBIDTA	<b>2589.54</b>	<b>1852.86</b>	<b>1363.09</b>
EBIDTA Margin	50.53	44.19	34.66
Other Income	256.43	108.65	112.93
Depreciation	172.05	137.14	110.33
EBIT	<b>2673.92</b>	<b>1824.37</b>	<b>1365.69</b>
Interest	0.91	1.21	0.33
PBT	<b>2673.01</b>	<b>1823.16</b>	<b>1365.36</b>
Tax	689.21	426.85	388.78
PAT	<b>1983.80</b>	<b>1396.31</b>	<b>976.58</b>
NPM	38.71	33.30	24.83
ROE %	36.76	40.82	35.90
EPS	18.68	13.15	9.19
BV	50.81	32.21	25.61

## PEERS ANALYSIS

Following is peer group analysis:

Company	Total Income (Rs Mn)	EPS	RONW	NAV Per Share
<b>Clean Science &amp; Technology Ltd</b>	<b>5380.71</b>	<b>18.68</b>	<b>36.76%</b>	<b>50.81</b>
Vinati Organics	9801.02	26.20	17.45%	150.16
Fine Organics	11503.16	39.25	16.45%	238.57
Atul Ltd	38344.50	221.17	17.11%	1303.66
Camlin Fine Science	11920.87	4.13	9.16%	55.93
SRF Ltd	84545.30	205.54	17.47%	1157.30
Navin Flourine	12584.37	52.03	15.76%	330.06
PI Industries	47019.00	49.92	13.82%	352.13

Source: RHP

(Rs in Mn)

Cash Flow Statement	FY21	FY20	FY19
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<b>(A) Cash Flow from operating Activities:</b>	1928.45	1601.03	847.38
<b>B) Cash Flow From Investing Activities:</b>	(1867.72)	(1062.82)	(949.95)
<b>C) Cash Flow From Financing Activities:</b>	(58.93)	(554.34)	(107.98)
Net increase/(Decrease) in cash & cash equivalents(A+B+C)	1.80	(16.13)	(210.54)
Effect of exchange difference	(0.41)	13.94	9.77
Cash equivalents at the beginning of the year	92.05	94.24	295.01
<b>Cash equivalents at the end of the year</b>	<b>93.44</b>	<b>92.05</b>	<b>94.24</b>

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