

Company Overview

Incorporated 1984, Anupam Rasayan India Limited ("Anupam Rasayan") is one of the leading companies engaged in the custom synthesis and manufacturing of specialty chemicals in India (Source: F&S Report). They commenced business as a partnership firm in 1984 as a manufacturer of conventional products and have, over the years, 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. It 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, they have been manufacturing products for certain customers for over 10 years. In the 9 months ended December 31, 2020, they manufactured products for over 53 domestic and international customers, including 17 multinational companies.

Objects of the issue

The issue consist of Fresh Issue (INR 7.6bn). Company proposes to utilize it for:

- A) Repayment/prepayment of certain indebtedness availed by the company (including accrued interest) (INR 5.6bn)
- B) General Corporate Purposes (INR 2.0 bn)

Investment Rationale

Strong and long-term relationships with diversified customers across geographies with significant entry Barriers

Company's customers are typically engaged in various industries, including agrochemicals, personal care, pharmaceuticals, specialty pigments and dyes, and polymer additives, and spread across various geographies, which helps them mitigate risks resulting from customer, industry and geographic concentration. In the 9 months ended December 31, 2020, they manufactured products for over 53 domestic and international customers, including 17 multinational companies. In Fiscal 2020 and the 9 months ended December 31, 2020, revenue from operations from exports accounted for 68.05% and 61.38%, respectively, of their total revenue from operations in such periods. The company has a history of high customer retention and have been manufacturing products for certain customers for over 10 years. The revenue generated from sales to their top 10 customers represented 86.65% and 84.01% of their revenue from operations in Fiscal 2020 and in the 9 months ended December 31, 2020, respectively.

Diversified and customized product portfolio with a strong supply chain

Company's life science related specialty chemical products cater to the agrochemicals, personal care and pharmaceuticals industries, while their other specialty chemicals cater to specialty pigments and dyes, and polymer additives industries. Company's commercialized product portfolio primarily consisting of products that they manufacture using in-house innovative processes, which enable them to cater to a wide range of customers in domestic and international markets. In addition, their diversified product portfolio allows for limited dependence on individual products, helps counter seasonal trends and addresses different business cycles across industries where their products are used. The integrated model that includes their automated manufacturing infrastructure, complex chemical processes and R&D capabilities has allowed them to develop insights across the entire value chain right from process innovation and process development to performing custom synthesis and manufacturing services for their customers

Valuation and Outlook

Anupam Rasayan is leading company engaged in the custom synthesis and manufacturing of specialty chemicals in India. Moreover, company's focus in its custom synthesis and manufacturing operations is developing in-house innovative process for manufacturing products which requires complex chemistries and cost optimization. On the valuation front, at the upper price band, the company is expensively valued at 105x P/E based on FY20 numbers considering its diluted equity shares compare to its listed Industry peers (i.e PI industries - 66x and Astec Lifesciences - 32x) based on FY20 numbers. Considering the positive sentiments around specialty chemical stocks and for new IPO's in current scenario. We believe a decent listing gains is possible. Therefore, We assign 'SUBSCRIBE' rating to this IPO issue (only for listing gain).

Issue Details

Offer Period	Mar12th - 16th Mar 2021
Price Band	INR.553 to INR.555
Bid Lot	27
Listing	BSE&NSE
Issue Size (no. of shares in mn)	13.69
Issue Size (INR. in bn)	7.6
Face Value (INR)	10

Issue Structure

QIB	50%
Retail	35%
HNI	15%
BRLM	Axis Capital, Ambit Pvt. Ltd., IIFL Securities, JM Financial
Registrar	KFin Technologies Pvt. Ltd

Particulars Pre Issue % Post Issue %

Promoter	75.8	65.41
Public	24.2	34.59
Total	100	100

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY18	FY19	FY20	9MFY21
Revenue				
Revenue from operations	3,414	5,015	5,289	5,392
Total revenue	3,414	5,015	5,289	5,392
Expenses				
Raw Materials Consumed	1,952	2,551	2,956	3,139
Purchase of stock in trade	62	84	5	-
Changes in Inventories	(479)	(64)	(856)	(963)
Employee benefit expenses	159	186	210	204
Other expenses	984	1,327	1,625	1,704
Total Operating expenses	2,679	4,084	3,940	4,085
EBITDA	735	931	1,349	1,308
Depreciation and amortisation expense	176	225	287	383
Other income	78	195	105	239
EBIT	637	901	1,167	1,164
Finance costs	140	244	453	496
PBT	498	657	714	668
Current tax	82	120	129	119
Deferred Tax charge	12	35	55	67
Total tax	94	155	184	187
Share of Net profit/Loss of associates	10	(10)	-	-
PAT	413	492	530	481
Diluted EPS	4.1	4.9	5.3	4.8

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY18	FY19	FY20	9MFY21
Cash Flow from operating activities	(203)	389	949	138
Cash flow from investing activities	(2,551)	(2,502)	(1,782)	(1,205)
Cash flow from financing activities	2,748	2,057	1,014	1,594
Net increase/(decrease) in cash and cash equivalents	(5)	(56)	182	527
Cash and cash equivalents at the beginning of the period	79	74	18	200
Cash and cash equivalents at the end of the period	74	18	200	728

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY18	FY19	FY20	9MFY21
Equity				
Share Capital	500	500	500	862
Other Equity	4,076	4,571	5,437	7,383
Net worth	4,576	5,071	5,937	8,245
Long-Term Borrowings	2,678	4,623	5,242	5,162
Deferred tax Liabilities	102	137	192	259
Long Term Borrowings	-	-	330	332
Total Non Current Liabilities	2,780	4,760	5,764	5,754
Short Term Borrowings	1,230	1,544	2,371	1,869
Trade payables	621	738	1,302	1,368
Current maturities of long term borrowings	441	530	567	1,388
current tax liability	15	10	67	82
Other current liabilities	306	531	529	365
Short Term Provisions	35	25	8	50
Other Financial Liabilities	8	16	97	71
Total Current Liabilities	2,655	3,394	4,940	5,193
Total liabilities	10,012	13,225	16,641	19,192
Assets				
Tangible Assets	3,673	6,677	9,253	9,726
Capital work in Progress	2,561	1,906	1,009	1,152
Intangible Assets	149	132	128	118
Right Use of Assets	-	-	393	380
Investments	26	4	4	0
Other Financial Assets	35	38	30	62
Other non-current assets	120	233	309	322
Total Non current assets	6,565	8,990	11,125	11,761
Trade Receivables	884	1,206	1,295	1,414
Cash and cash equivalents	74	18	200	697
Bank Balances	17	52	68	83
Other Financial Assets	51	151	159	204
Inventories	1,725	1,954	2,970	4,213
Loans	164	214	252	288
Other current assets	532	640	571	532
Total Current Asset	3,447	4,235	5,515	7,431
Net Current Assets	792	841	576	2,238
Total Assets	10,012	13,225	16,641	19,192

Source: RHP, BP Equities Research

Key Risks.

- ⇒ Company's manufacturing facilities operate on industrial land allotted to them by industrial development corporation on a lease basis. Failure to comply with the conditions of use of such land can result in adverse impact on its business.
- ⇒ It faces competition from both domestic and international corporations. Its inability to compete effectively could result in loss of customers and market share.
- ⇒ It has incurred significant indebtedness. An inability to comply with repayment could impact business.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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