

**Rating: Subscribe**

**Issue Offer**

**Fresh Issue of equity shares upto INR 760Cr and no OFS by Promoters group.**

**Issue Summary**

Price Band (INR)	553-555
Face Value (INR)	10
Implied Market Cap (INR Cr)	5,548
Market Lot	27
Issue Opens on	March 12, 2021
Issue Close on	March 16, 2021
No. of share pre-issue	8,62,06,896
No. of share post issue	9,99,71,995
Listing	NSE / BSE

**Issue Break-up (%)**

QIB Portion	50
NIB Portion	15
Retail Portion	35

**Book Running Lead Managers**

Ambit Pvt. Ltd.  
IIFL Securities  
JM Financial

**Registrar**

KFin Technologies Pvt. Ltd.

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	75.80%	65.40%
Public & Others	24.20%	34.60%

**Objects of the issue**

- Repayment/prepayment of certain indebtedness availed by the company
- General Corporate Purposes

**Anupam Rasayan India Ltd.** is one of the leading companies engaged in custom synthesis and manufacturing of specialty chemicals in India, started with partnership firm in 1984. Company is more focused on custom synthesis and manufacturing operations in developing in-house innovative processes and achieving cost optimization. The company operates 6 manufacturing facilities in Gujarat, India, with 4 facilities located at Sachin, Surat and 2 located at Jhagadia, Bharuch with an aggregate installed capacity of 23,438 MT, as of Dec 2020.

**Key Strengths:**

- **Diversified customers across geographies with significant entry barriers:** Company has developed Strong and long-term relationships with diversified customers across geographies. The customer base is mostly deals in industries like agrochemicals, personal care, pharmaceuticals, specialty pigments and dyes, and polymer additives. It has established relationships with various MNCs, such as, Syngenta Asia Pacific Pte. Ltd., Sumitomo Chemical Company Limited and UPL Limited, across Europe, Japan, United States and India. The top ten customers represented 86.65% and 88.55% of revenue in FY20 and H1FY21.
- **Innovation led R&D, Value Engineering and Complex Chemistries:** Company has a dedicated in-house R&D facility recognised by The Department of Scientific and Industrial Research and a pilot plant located at Sachin Unit-6, which enabled them to manufacture products in a cost-efficient manner by utilizing continuous processes.
- **Diversified and Customised product portfolio backed by strong supply chain:** The commercialised product portfolio of the company has been expanded from portfolio of 25 products in FY18 to 34 products in FY20 and more than 36 products in the H1FY21. The backward integration enables to manufacture key raw material for certain products, reduces reliance on imports, third party supplies and logistics costs, while the forward integration of operations enables company to innovate processes, customize products and broaden the product offering for customers.
- **Consistent track record of financial performance along with experienced management team:** The promoters of the company have significant experience in the chemical as well as healthcare industry. This industry experience enables company to anticipate and address market trends, manage and grow in operations, maintain and leverage customer relationships and respond to changes in customer preferences. The company has demonstrated consistent growth in terms of revenues and profitability. Its revenue from operations have increased at a CAGR of 24.29% from INR 3,492 mn in FY18 to INR 5,394 mn in FY20 and exports have grown at a CAGR of 32.94% from INR 2,037 mn in FY18 to INR 3,599 mn in FY20. It has been able to continue its robust growth despite the impact of the COVID-19 pandemic. The revenue for H1FY21 has significantly increased by 51.51%, YoY along with exports growth of 26.03%, YoY.

**Valuation and View:**

**At upper price band of Rs 555, issue has been offered at P/E of 79.9x to its FY20 EPS of INR 7, which is at premium to its peers. Thus we feel the issue is overpriced. However, rich investment in R&D to maintain strong product pipeline, premium offering in segments, expansion capex to increase its manufacturing capabilities and long term business relations with clients are the key positive for the company. Despite all the positive in business and improved balance sheet post IPO with debt reduction, valuations look stretched and hence we recommend investors to apply for listing gains and BUY at lower levels.**

## Business Verticals Overview



Source: RHP, Company, Arihant Research

## Business Verticals of the Company

The Anupam Rasayan Industries Ltd was initially formed as a partnership firm “Anupam Rasayan” in 1984 at Surat, Gujarat, India to commence the business of manufacture and sale of chemicals. The firm was converted a public limited company under the name of “Anupam Rasayan India Limited” in September 30, 2003. Over the years, company has 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.

**Anupam Rasayan has two distinct business verticals: Life science related specialty chemicals and Other specialty chemicals**

- 1. Life Science related Specialty Chemicals:** The Life Science related Specialty Chemicals portfolio comprising products related to agrochemicals, personal care and pharmaceuticals. In FY20 and in the 9 months ended December 31, 2020, revenues from life science related specialty chemicals vertical accounted for 95.37% and 93.75%, respectively
- 2. Other Specialty Chemicals:** The Other Specialty Chemicals portfolio comprising specialty pigment and dyes, and polymer additives. In FY20 and in the 9 months ended December 31, 2020, revenues from other specialty chemicals accounted for 4.63% and 6.25%, respectively.

According to the F&S Report, India’s specialty chemicals industry is expected to grow at a CAGR of approximately 10% to 11% over the next 5 years, due to rising demand from end-user industries, along with tight global supply on account of stringent environmental norms in China. Further the India accounts for approximately 1% to 2% of the global exportable specialty chemicals, indicating a large scope of improvement and widespread opportunity. In addition, custom synthesis manufacturing is on the rise in India and contract research and manufacturing services market is expected to grow at a rate of 12% in the next 5 years.

Imported raw materials from China as a percentage of total raw materials purchases decreased from 17.10% in Fiscal 2019 to 12.17% in Fiscal 2020. In addition, multinational companies are finding an alternative to China with their ‘China plus one’ strategy which will benefit the company through its established relationships with multinational corporations, automated manufacturing infrastructure, and established R&D capabilities along with their focus on improving cost efficiency and productivity. Company has efficiently offered its customers with a genuine and reliable option to satisfy their custom synthesis and manufacturing of specialty chemicals requirements in the past.

## Financial Performance

Particulars (INR Cr.)	FY18	FY19	FY20	6MFY21	6MFY20
<b>Revenue from Operations</b>	<b>341</b>	<b>501</b>	<b>529</b>	<b>355</b>	<b>234</b>
Cost of materials consumed	195	255	296	198	133
Purchase of stock in trade	6	8	1	0	1
Changes in Inventories	-48	-6	-86	-36	-37
<b>COGS</b>	<b>154</b>	<b>257</b>	<b>211</b>	<b>162</b>	<b>97</b>
<i>Gross Profit</i>	188	244	318	193	137
Employee Benefits Expense	16	19	21	13	10
Other Expenses	98	133	162	103	70
<b>EBITDA</b>	<b>74</b>	<b>93</b>	<b>135</b>	<b>77</b>	<b>58</b>
<b>EBITDAM(%)</b>	<b>21.5%</b>	<b>18.6%</b>	<b>25.5%</b>	<b>21.8%</b>	<b>24.5%</b>
Other Income	8	19	11	18	3
Depreciation and Amortisation Expenses	18	23	29	25	9
EBIT	64	90	117	71	52
Finance Costs	14	24	45	35	21
PBT	50	66	71	36	31
<b>Tax Expense</b>	<b>9</b>	<b>16</b>	<b>18</b>	<b>9</b>	<b>9</b>
Current Tax	8	12	13	6	6
Deferred tax	1	4	5	3	4
Short / (Excess) provision	0	0	0	0	0
<b>Restated Profit for the year</b>	<b>40</b>	<b>50</b>	<b>53</b>	<b>26</b>	<b>22</b>
<b>PATM(%)</b>	<b>11.8%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>7.5%</b>	<b>9.3%</b>
<b>Earning Per Share</b>					
<b>Basic and Diluted</b>	<b>6.6</b>	<b>6.6</b>	<b>6.9</b>	<b>3.4</b>	<b>2.9</b>
<b>Equity Share Capital</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>86</b>	<b>50</b>
<b>RoNW (%)</b>	<b>11.8%</b>	<b>10.2%</b>	<b>9.6%</b>	<b>6.8%</b>	<b>7.9%</b>
<b>Total Borrowings</b>	<b>391</b>	<b>617</b>	<b>761</b>	<b>703</b>	<b>683</b>
<b>Debt to Equity Ratio</b>	<b>0.95</b>	<b>1.32</b>	<b>1.38</b>	<b>1.20</b>	<b>1.26</b>

## Management

Board of Directors	Description
<b>Dr. Kiran C Patel</b>	<b>Dr. Kiran C Patel</b> is the Chairman of the Board and is a Non-Executive Director of the company. Dr. Patel served on the house staff of Jersey City Medical Center in the capacity as resident, internal medicine, from 1978 till 1980. He was elected as a fellow of the American College of Cardiology in 1993. He has been certified to practice medicine in the state of Florida by the Department of Professional Regulation, State of Florida. He is also a promoter director on the boards of Rudraksh Academy Pvt. Ltd. and Solace Healthcare.
<b>Mona A Desai</b>	<b>Mona A Desai</b> is the Vice Chairman of the Board and a Whole-time Director of the company. She has been on the Board since the incorporation of the Company in 2003. She was the chairperson of the Board of the company from April 23, 2013 until 21 August, 2020. She is also a director on the board of RIRCPL. She has over 18 years of experience in the field of chemicals industry and has been actively involved in the day to day running of the company.
<b>Anand S Desai</b>	<b>Anand S Desai</b> is the Managing Director of the company. He has been associated with the company since 1992 and was one of the first Directors of the company. He has over 28 years of experience in the field of chemicals industry and has been actively involved in the day to day running of the company.
<b>Milan Thakkar</b>	<b>Milan Thakkar</b> is the Non-Executive Director of the company. He has been associated with the company since 2018. He is also a director on the boards of Arochem Industries Pvt. Ltd. and Nanavati Developers Pvt. Ltd.
<b>Hetul Krishnakant Mehta</b>	<b>Hetul Krishnakant Mehta</b> is the Independent Director of the company. He is the founding director of Praveen Laboratories Pvt. Ltd. and Advanced Diabetes Centre Pvt. Ltd.
<b>Dr. Namrata Dharmendra Jariwala</b>	<b>Dr. Namrata Dharmendra Jariwala</b> is the Independent Director of the company. She is currently an assistant professor at Sardar Vallabhbhai National Institute of Technology, Surat.
<b>Vijay Kumar Batra</b>	<b>Vijay Kumar Batra</b> is the Independent Director of the company. He was the managing director of Regent Drugs Ltd. He has also been a consultant to various companies involved in the pharmaceutical sector.
<b>Vinesh Prabhakar Sadekar</b>	<b>Vinesh Prabhakar Sadekar</b> is the Independent Director of the company. He was previously associated with Navin Fluorine International Ltd. and Cheminova India Ltd. as a managing director.
Key Managerial Personnel	
<b>Afzal Malkani</b>	<b>Afzal Malkani</b> is the Chief Financial Officer of the company. He has joined the company on October 28, 2005.
<b>Dr. Nileshkumar Naik</b>	<b>Dr. Nileshkumar Naik</b> is the technical head of the company. He has been associated with the company since incorporation.
<b>Dr. Anuj Thakar</b>	<b>Dr. Anuj Thakar</b> is the head of research and development (process development) head and Unit II head of the company. He joined the company on February 4, 2005.
<b>Ravi Desai</b>	<b>Ravi Desai</b> is the sales head of the company. He joined the company on December 22, 2012.
<b>Suchi Agarwal</b>	<b>Suchi Agarwal</b> is the Company Secretary and Compliance Officer of the company. She joined the company on May 18, 2013.

## Covid-19 Impact on Company's Business

On account of the COVID-19 pandemic, India had imposed a nationwide lockdown on March 24, 2020. Since company's life science related specialty chemicals operations were determined to be operating in an essential industry, they were allowed to resume operations in a phased manner. From April 15, 2020 all facilities of the company has been restarted its operations, which are subject to certain adjustments in working conditions with limited workforce. Despite the impact of the COVID-19 pandemic, **the revenue from operations significantly increased by 45.03% from ₹ 371.81 crore in the 9 months ended December 31, 2019 to ₹ 539.22 crore in the 9 months ended December 31, 2020.**

Peer Comparison (as on 31<sup>st</sup> March 2020)

Name of the Company (FY20)	Face Value	CMP* INR	EPS INR	P/E x	RoNW (%)
Anupam Rasayan India Ltd.	10	555	6.9	80.0	9.6%
PI Industries Ltd.	1	2294	33.1	69.3	17.4%
Navin Fluorine International Ltd.	2	2694	82.6	32.6	28.9%
Astec Lifesciences Ltd.	10	1052	24.3	43.3	19.3%
SRF	10	5642	177.3	31.8	20.7%

Name of the Company (FY20)	Revenue INR in Crs	EBITDA INR in Crs	EBITDAM (%)	PAT INR in Crs	PATM (%)
Anupam Rasayan India Ltd.	539	135	25.5%	53	10.0%
PI Industries Ltd.	3415	769	22.5%	457	13.4%
Navin Fluorine International Ltd.	1095	297	27.1%	409	37.3%
Astec Lifesciences Ltd.	535	97	18.2%	48	8.9%
SRF	7258	1660	22.9%	1019	14.0%

Source: RHP, Company, Arihant Research \*as on 09<sup>th</sup> March 2021

## Key Risk:

- Delay in scaling up and capacity utilization
- Volatility in raw material prices

## Key Players in the Market

Crop Protection Chemicals	Active Pharmaceutical Ingredients	Imaging Chemicals	Other Specialty Chemicals
<b>Anupam Rasayan</b>	<b>Anupam Rasayan</b>	Vivimed Labs	Sami labs
PI Industries (20% to 25%)	Divi's Laboratories	Fujifilm India	Sajjan India
Deccan Chemicals	Dishman Pharma	Hubergroup India	Syschem India
Coromandel International	Nicholas Piramal	Navin Fluorine International	Infinity spec chem
Navin Fluorine International (10% to 12%)	Shasun Chemicals		Anubhav corp.
Aarti Industries (10% to 12%)	Jubilant Organosys		Aamirav ingredients
Hikal Limited.	Cipla Ltd		Chemcon spec chem
	Aarti Industries		
	Vivimed Labs		
	Dr. Reddy's Ltd		
	Aurobindo Pharma		
	Laurus Lab (Synthesis Div.)		

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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