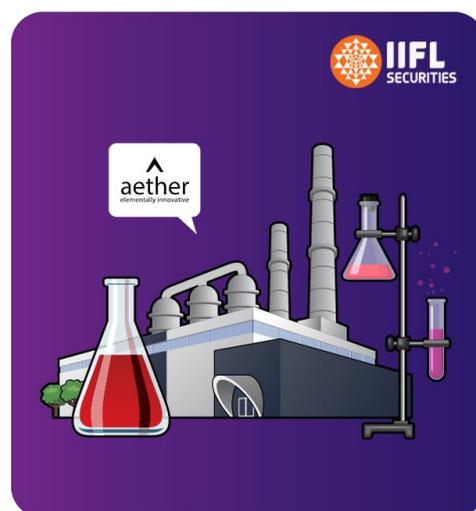


## All you need to know about AETHER INDUSTRIES LIMITED



Face Value: **INR 10**  
 Bid Lot & Size: **23 Equity Shares**  
 Post money market cap of ₹ 7991.78 crores-at upper price band.

Issue Size: **INR 808.04 Cr**  
 Issue Type: **100% Book Building**

Price Band:  
**INR 610 – 642**

**Issue Opens: 24<sup>th</sup> Mar 2022; Issue Closes: 26<sup>th</sup> Mar 2022**

Shareholding (%)	Pre IPO	Post IPO
<b>Promoter and Promoter Group</b>	96.97%	87.09
<b>Public</b>	3.03	12.91

Source: RHP

Share Reservation	Net issue (%)
<b>QIB</b>	50
<b>NII</b>	15
<b>Retail</b>	35

Issue Managers	
<b>BRLMs</b>	HDFC Bank, Kotak Mahindra Capital.
<b>Registrar</b>	Link Intime India Private Limited

Company Leadership	
<b>Ashwin Jayantilal Desai</b>	Promoter and Managing Director
<b>Aman Ashvin Desai</b>	Promoter and Whole Time Director
<b>Faiz Arif Nagariya</b>	CFO

This document summarizes a few key points related to the issue and should not be treated as a comprehensive summary. Investors are requested to refer the Red Herring Prospectus for further details regarding the issue, the issuer company and the risk factors before taking any investment decision. Please note that investment in securities is subject to risks including loss of principal amount and past performance is not indicative of future performance. Nothing herein constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so. This document is not intended to be an advertisement and does not constitute an invitation or form any part of any issue for sale or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.

## Company Overview:

Aether Industries Limited is a speciality chemical manufacturer in India focused on producing advanced intermediates and speciality chemicals involving complex and differentiated chemistry and technology core competencies. The business was started in 2013 with a vision to create a niche in the global chemical industry with a creative approach towards chemistry, technology and systems that would lead to sustainable growth. In the first phase of the company's development through Fiscal 2017, it focused on building its team and infrastructure and on its R&D centred around building its core competencies. Aether Industries Limited are focused on the core competencies model of chemistry and technology. According to Frost & Sullivan, chemical companies usually have a single or a couple of chemistry competencies for their entire product portfolio; however, the company has eight chemistry competencies to use for its wide array of products, which enables it to cater to niche and advanced intermediate requirements of a wider range of end-products and applications.

## Objects of the Offer

The Offer comprises the Offer for Sale and the Fresh Issue. The Fresh Issue aggregates up to ₹6,270 million and the Offer for Sale comprises of up to 2,820,000 Equity Shares. Out of the net proceeds from the fresh issue, ₹1,630 million would be used for Funding capital expenditure requirements for the Proposed Greenfield Project, ₹1,379 million would be used for Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company, ₹1,650 million would be used for Funding working capital requirements and the balance would be utilised for general corporate purposes.

## Consistent Track Record of Financial Performance

The company's revenue from operations has increased at a CAGR of 49.53% from ₹2,011.80 million in Fiscal 2019 to ₹4,498.16 million in Fiscal 2021. The company's EBITDA increased from ₹475.07 million Fiscal 2019 to ₹1,121.59 million in Fiscal 2021 at a CAGR of 53% while PAT increased from ₹233.35 million in Fiscal 2019 to ₹711.19 million in Fiscal 2021.

(₹ in million)	FY19	FY20	FY21
<b>Revenue from Operations</b>	2,011.80	3,018.06	4,498.16
<b>EBITDA</b>	475.07	717.56	1,121.59
<b>EBITDA Margin (%)</b>	23.61%	23.78%	24.93%
<b>PAT</b>	233.35	399.56	711.19
<b>PAT margin</b>	11.48%	13.15%	15.67%
<b>EPS (₹)</b>	2.48	4.24	7.36
<b>ROE</b>	60.54%	51.04%	40.79%
<b>ROCE</b>	25.16%	26.07%	28.50%

## Competitive Strengths

### **Differentiated portfolio of market-leading products**

Aether Industries Limited is focused on producing advanced intermediates and speciality chemicals involving complex and differentiated chemistry and technology core competencies. Its products have applications across a wide spectrum of uses in the pharmaceutical, agrochemicals, material science, coatings, high performance photography, additives and oil & gas industries. As of March 31, 2022, the company's product portfolio comprised over 25 products which were marketed to over 34 global customers in 18 countries and to over 154 domestic customers. It has achieved these market positions by developing differentiated processes with the use of its core competencies of chemistry and technology, which helped the company to optimize the use of conventional raw materials, improve atom economy, enhance yields, reduce effluent discharge, and increase cost competitiveness.

### **Focus on R&D to leverage its core competencies of chemistry and technology**

According to Frost & Sullivan, Aether Industries Limited's strategic investments in R&D have been critical to its success and a differentiating factor for the company to attain leading market positions for certain products. (Source: F&S Report, May 2022). Based on the technical expertise the company has developed over the years, it has been able to carry out innovative processes at global scale, which, according to Frost & Sullivan, is difficult to replicate, and creates significant barriers for new entrants. The company's chemistry and technology core competencies and all of its products have been developed by its own R&D team, scaled up in its Pilot Plant, and launched into production with in-house design and engineering. According to Frost & Sullivan, Aether Industries Limited's in-house development (without the support from any clients for R&D) showcases its innovation and research strength, and its expertise in a large range of chemistries and technologies has allowed the company to support a number of end use industries. For the competency of tandem Grignard and ethylene oxide chemistry, the company is a pioneer in Indian speciality chemicals market, and, according to Frost & Sullivan, Aether Industries Limited is also one of the largest manufacturers in India for this extremely versatile chemistry.

### **Long standing relationships with a diversified customer base**

Aether Industries Limited's customers include over 160 multinational, global, regional and local companies. As of March 31, 2022, the company's product portfolio was sold to over 34 global customers in 18 countries and to over 154 domestic customers. The company's long-term relationships and ongoing active engagements with customers also allow it to plan its capital expenditure, enhance its ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base. These enduring customer relationships also has helped the company expand its product offerings and geographic reach. Aether Industries Limited's diversified global customer base assists the company in reducing its geographic dependence, which helps in mitigating the effects of economic and industry-specific cycles. Due to the resources involved in engaging with new suppliers, customers are less inclined to pursue alternate supply sources. This provides the company with an advantage over new entrants that would need to make significant investments and endure a long gestation period with potential customers in order to effectively compete.

## **Synergistic Business Models focused on Large Scale Manufacturing, CRAMS and Contract Manufacturing**

Aether Industries Limited has three business models under which it operates: (i) large scale manufacturing of its own intermediates and speciality chemicals; (ii) CRAMS (contract research and manufacturing services) and (iii) contract / exclusive manufacturing. According to F&S, the company is among the few Indian speciality chemical companies to have successfully launched these three separate business models in just 5 years into commercial manufacturing. (Source: F&S Report, May 2022). These business models benefit from, and have synergies with, each other. For example, its customers to which the company sells its own intermediates and speciality chemicals are also target customers for its CRAMS and contract manufacturing business models. The company's CRAMS business allows it to work with innovative companies on cutting-edge new products with enhances its own R&D skill sets to develop its own products. Further, increasing the production through its contract manufacturing business allows the company to benefit from larger scale production and negotiating better prices with its suppliers.

## **Focus on Quality, Environment, Health and Safety (QEHS)**

Aether Industries Limited believes that maintaining a high standard of quality for its products is critical to its brand and continued growth. Across its manufacturing facilities, the company has put in place quality systems that cover all areas of its business processes from manufacturing, supply chain to product delivery to ensure consistent quality, efficacy, and safety of products. The company's products adhere to global quality standards. Its products go through various quality checks at various stages including random sampling check and quality check internally. Aether Industries Limited's manufacturing principles and technologies embody the core tenets of "green" chemistry or sustainable chemistry. Principles of energy saving and conservation, atom economy and the 4R strategy (reduce / recover / recycle / reuse) are fundamental in its manufacturing designs and engineering. In addition, by employing cleaner chemistries, semicontinuous or continuous reaction technologies, and automation in the process, Aether Industries Limited distinguish its processes from conventional processes and optimize use of non-toxic raw materials, resulting in lower effluent generation. Further, as part of environment and sustainability efforts, the company has installed a 100 KLPD in-house zero liquid discharge (ZLD) plant, which includes primary and secondary chemical neutralization, triple stage multiple effect evaporator (MEE), multiple mechanical vapor recompression (MVR) plants, multiple agitated thin film evaporators, multiple reverse osmosis (RO) plants and a soil biotechnology platform with ozonation.

### **Strategies Going Forward**

#### **Leverage its strong position in the speciality chemicals industry**

Due to Aether Industries Limited market leadership position in a number of speciality chemical product areas, the company is well positioned to capitalize on these market opportunities. According to Frost & Sullivan, Aether Industries Limited's revenue for its key products has grown much faster than the industry highlighting that it is able to take away market share from its competitors, which are mostly in China. (Source: F&S Report, May 2022). The company benefits from the established relationships with multinational, regional and local customers. In particular, the company proposes to introduce new products with varied applications across industries. The company aims to achieve this by leveraging its existing R&D capabilities, as well as by evaluating strategic acquisition opportunities. Aether Industries Limited also intends to capitalize on the growing demand for its products by expanding its manufacturing capacities and strengthening its sales and distribution network in existing markets and gaining access to newer markets. The company also is looking to connect with existing and potential customers where it can support them with its CRAMS and contract / exclusive business models.

### **Expand its Product Portfolio and diversify into additional business segments**

Aether Industries Limited plans to continue to expand its product portfolio both in line with its existing new competencies but also by adding new competencies. In the next three years, the company expects to invest approximately ₹125 million towards R&D in the first year with an increasing trend of 30% to 35% in the next two years. The company is also looking to diversify into additional business segments. In addition, Aether Industries Limited intends to continue to add new core chemistry and technology competencies, which will lead to additional product line developments. Another segment the company is actively considering is the advanced organic silicone products market, which lends itself into high-end high-value applications in material sciences, coatings, advanced electronics, and other similar applications.

### **Expand Manufacturing, R&D and Pilot Plant Capacities**

To cater to the growing demand from its existing customers and to meet requirements of new customers, Aether Industries Limited intends to, and are in the process of, expanding its manufacturing capacities for existing products including 4MEP and BFA. The company also intends to add manufacturing capacities for its new product line (discussed above) that it is in the process of developing and commercializing. The company is also in discussions with relevant authorities for acquiring land located in Sachin for a fourth facility, where it intends to manufacture other intermediates for applications in pharmaceuticals, agrochemicals, coatings, and oil & gas sectors. In addition, the company looks to build strategic alliances with innovator companies across end-user industries. Aether Industries Limited is also expanding the capacity of its R&D laboratories by adding an additional 30 fume hoods. In addition, Aether Industries Limited is expanding its Pilot Plant by installing additional trains of pilot scale equipment which will triple its current capacity.

### **Continue to strengthen its presence in India and expand its distribution network in international markets**

Aether Industries Limited intends to focus on increasing its wallet share with existing customers. It has built long-standing relationship with its customers through various strategic endeavors, which we intend to leverage by selling baskets of products to the same customers. In addition, we intend to continue to leverage its existing sales and marketing network, diversified product portfolio and its industry standing to establish relationships with new multinational, regional and local customers. The company is expanding globally to serve its existing direct end-use customers as well as to secure new direct end-use customers and expand the reach of its products in new markets. The company intends to achieve this by having dedicated sales and marketing teams whose primary focus will be on business development in international markets and in certain focus geographies, such as North America, South America, and Europe. Its focus also will be to increase the number of stock points that it has globally and strengthen its sales team in India, North America, South America, and Europe to ensure that it is able to deliver products to its customers in a timely manner.

### **Continue to focus on contract manufacturing by developing innovative processes**

Aether Industries Limited seeks to continue to explore opportunities to enhance its existing customer relationships by undertaking CRAMS for new molecules. Its focus on value engineering by extending its process and chemistry expertise to enter into new value chains and replace the lower value products with higher value products in the same chemistry will enable it to service more of its customers' needs and increase its revenues from existing customers. Further, the company intends to focus on early-stage process innovation and development that will enable it to capitalize on the complete lifecycle of these products and give it the opportunity to be the initial suppliers for such customized speciality chemicals and strengthen its relationships with multinational corporations.

## Management

### **Ashwin Jayantilal Desai (Promoter and Managing Director):**

He holds a bachelor's degree in Chemical Engineering from Institute of Chemical Technology (ICT, formerly University Department of Chemical Technology, UDCT, Mumbai). Ashwin Desai has multiple decades of experience in the speciality chemical industry. He is responsible for creating the overall vision of the Company and is actively involved in all techno-commercial departments. He focuses on innovative chemical engineering solutions for the company's R&D, pilot plant, and production processes and is also responsible for leading its core competency in continuous reaction and flow technology.

### **Dr. Aman Ashvin Desai (Promoter and Whole Time Director):**

He is responsible for the company's R&D, pilot plant, and production operations, new projects, and technical business development, and has over 10 years of experience in the speciality chemical industry. Dr. Aman Desai has a bachelor's degree in Chemical Technology (Intermediate and Dyestuff Technology, 2005) from Institute of Chemical Technology (ICT formerly known as University Department of Chemical Technology, UDCT, Mumbai) and has a Doctor of Philosophy (PhD) degree in Organic Chemistry (with a focus on chiral chemistry) from Michigan State University (USA, 2010).

### **Faiz Arif Nagariya (Chief Financial Officer):**

He is responsible for managing the financial functions of the Company. He is a Fellow Chartered Accountant (FCA) from the Institute of Chartered Accountants of India. He also holds a bachelor's degree in Commerce, from University of Mumbai. He has previously worked with Ala Metals LLC, Dubai.



## Recommendation & Valuation

At the upper price band of ₹642, Aether Industries Limited is demanding a PE multiple of ~87.2X based on its FY21 earnings while the company's price to sales ratio is at 17.7X of FY21 revenue. The industry average PE multiple is 83.35X of FY21. Considering the differentiated portfolio of market-leading products, long standing relationships with a diversified customer base, plans of expanding its product portfolio and expanding distribution network in international market, we recommend subscribe to the issue with a long-term perspective.

## RISKS

- The company's business is dependent and will continue to depend on its manufacturing facilities, and the company is subject to certain risks in its manufacturing process.
  - The company is subject to certain risks consequent to its operations involving the manufacture, usage, and storage of various hazardous substances.
  - The company derives a significant part of its revenue from major customers, and it does not have long term contracts with all of these customers. If one or more of such customers choose not to source their requirements from it or to terminate its long-term contracts, the company's business may be adversely affected.
  - Its reliance on certain industries for a significant portion of its sales could have an adverse effect on its business.
  - The company does not own any patents. If it is unable to protect its intellectual property rights, the company's business, financial condition, and results of operations may be adversely affected.
- \* For complete list of risk factors kindly refer to the Red Herring Prospectus.

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