

Details of the Issue

Price Band	₹ 553- ₹ 555
Issue Size (OFS)	₹ 760 Cr
Opening Date	Mar 12, 2021
Closing Date	Mar 16, 2021
Face Value	₹10
Bid Lot	27
Listing on	BSE, NSE

Objects of the Issue

To make prepayment/repayment of company's indebtedness including accrued interest.
To meet general corporate purposes.

Lead Managers

Ambit Private Limited
Axis Capital Limited
IIFL Holdings Limited
JM Financial Consultants Private Limited

Registrar

KFintech Private Limited

Investment Details

No. of shares at cut-off	351
Max. Amount to be paid	₹ 1,94,805

Company Background

Anupam Rasayan is one of the leading companies engaged in the custom synthesis and manufacturing of specialty chemicals in India (Source: F&S Report).

Business operation - 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.

Manufactures 36 products as on September 30, 2020. It has six multi-purpose manufacturing facilities in Gujarat, India, with four facilities located at Sachin and two located at Jhagadia and an aggregate installed capacity of 23,438 MT.

Business Verticals -

- (i) life science related specialty chemicals comprising products related to agrochemicals, personal care and pharmaceuticals (~95% of revenue)
- (ii) other specialty chemicals, comprising specialty pigment and dyes, and polymer additives. (~5% of revenues)

Key Clients - Syngenta Asia Pacific Pte. Ltd., Sumitomo Chemical Company Limited and UPL Limited

Promoters - Mr. Anand S Desai, Dr. Kiran C Patel, Ms. Mona A Desai, KPI LLC and RIRCPL.

Strengths & Strategies**Strong and long-term relationships with diversified customers across geographies with significant entry barriers**

According to the F&S Report, the custom synthesis and manufacturing industry presents significant entry barriers, including customer validation and approvals, expectation from customers for process innovation and cost reduction, high quality standards and stringent specifications.

Core focus on process innovation through consistent R&D, value engineering and complex chemistries

The company has a dedicated in-house R&D facility and a pilot plant located at Sachin Unit - 6, which is equipped with laboratories engaged in process development, process innovation, new chemical screening and engineering. It is also one of the companies in manufacturing products using continuous and flow chemistry technology on a commercial scale in India.

Diversified and customized product portfolio with a strong supply chain

As a result of backward integration, the dependence on imported raw materials as a percentage of total raw materials purchases has decreased from 26.01% in Fiscal 2018 to 25.95% in Fiscal 2019 and further to 22.44% in Fiscal 2020.

Diversification of product portfolio

The R&D team is focused on building knowledge-based value added products, new innovative processes, scaling up the capacity of existing products while lowering the cost of production and improving the existing design parameters to increase the yields and thus the overall product quality.

The company also remains focused on expanding their chemistry expertise and entering into new value chains by adding new reaction capabilities at manufacturing facilities.

Source: RHP, GEPL Capital Research

Valuation & Recommendation

The company has strong and long-term relationships with diversified customers across geographies with significant entry barriers and a focus on complex molecules in the early stage of their lifecycle and high growth potential with applications in the life science domain.

Favorable industry dynamics such as India accounting for approximately 1% to 2% of the global exportable specialty chemicals, indicating a large scope of improvement and widespread opportunity. The Government of India's 'Make in India' campaign is also expected to act as a stimulus to the emergence of India as a manufacturing hub for the chemicals industry.

Future growth can be expected to come from expanding the chemistry expertise and entering new value chains offering higher value addition, and thus generating higher margins and increasing profitability.

The proceeds will be used to bring down debt which will help improve financial leverage and improve margins. The offer is priced at a 6x P/B as on September 2020.

We recommend a SUBSCRIBE rating to the issue.

Financial Snapshot

Particulars	H1FY20	H1FY19	FY20	FY19	FY18
Share capital	517.70	500.00	500.00	500.00	500.00
Net worth	6,635.83	5,557.92	5,937.23	5,071.08	4,576.37
Total revenue	3,735.99	2,375.73	5,393.87	5,209.61	3,491.82
PAT	264.83	217.39	529.75	492.48	413.07
EPS	3.39	2.91	6.94	6.60	6.59
NAV	83.06	71.78	76.00	67.95	61.32
Total borrowings	8,615.82	7,208.14	8,180.19	6,697.49	4,348.97

(In ₹ million except per share data)

(6M data not annualized)

Source: RHP, GEPL Capital Research

NOTES

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