



Choice

Nurturing Financial Excellence

IPO REPORT

**“Subscribe with Caution” to
Rossari Biotech Ltd.**

Long term play but fairly valued

Salient features of the IPO:

- Specialty chemicals manufacturer, **Rossari Biotech Ltd.** (Rossari) is planning to raise up to Rs. 5,000mn through an IPO, which will open on 13th Jul. and close on 15th Jul. 2020. The price band is Rs. 423 - 425 per share.
- On 20th Feb. 2020, Rossari has undertaken a pre-ipo placement aggregating Rs. 1,000mn. During the process, the company has allotted 2.35mn shares at an price of Rs. 425 per share. Consequently, the fresh issue size of Rs. 1,500mn got reduced to Rs. 500mn.
- Since the issue is a combination of fresh and OFS, the company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 650mn will be utilized for the repayment/prepayment of certain debt availed by the company. Rest amount i.e. Rs. 500mn will be utilized to fund working capital requirement.

Key competitive strengths:

- Diversified product portfolio addressing the needs of varied and long-standing customers across industries
- Largest textile specialty chemical manufacturer in India
- Extensive manufacturing and technical capabilities
- Strong R&D capabilities with focus on innovation and sustainability
- Wide sales and distribution network
- Experienced promoters with strong management team having domain knowledge
- Proven track record of robust financial performance

Risk and concerns:

- Subdued economic growth and demand of the company's product
- Continued slowdown in the domestic textile industry
- Delay in capacity expansion
- Inability or delay in the launch of new products
- Unfavorable movement in the raw material prices
- Unfavorable government policies and
- Intense competition

Peer comparison and valuation: At the higher price band of Rs. 425 per share, Rossari's share is valued at a P/E multiple of 33.7x (to its restated FY20 EPS of Rs. 12.6), which is at premium to peer average of 29.5x.

Below are few key observations of the issue: (continued in next page)

- Rossari is one of the leading specialty chemicals manufacturing companies in India providing customized solutions to its customers primarily in the FMCG, apparel, poultry and animal feed industries. The company's diversified product portfolio includes home, personal care & performance chemicals (HPPC); textile specialty chemicals (TSC); and animal health & nutrition (AHN) products. As on 31st May 2020, it had a range of 2,030 different products sold across the categories.
- HPPC is primarily used by the FMCG industry. TSC products are primarily used in the textile & apparel industries, while AHN products are primarily sold in the poultry & animal feed industries. Thus, with a strong presence across these industries through its large product portfolio, Rossari has reduced the risk of over-dependency on any specific product or industry.
- The target market size of personal and home care is around Rs. 2,500bn and Rs. 350bn, respectively. Whereas the market size of TSC and AHN is around Rs. 50bn and Rs. 10bn, respectively. Thus, Rossari with annual revenue of Rs. 6bn has huge potential for growth in future.
- As on FY20, HPPC and TSC contributed 46.7% and 43.7% to the consolidated revenue. Rest is being contributed by AHN. On gross margin front, AHN has highest margin of 45-50%, followed by 35-40% for the HPPC and 30-35% for TSC.
- Over the period, the company has added new products to drive the business growth. In 2017, TSC contributed 72% to the revenue as compared to the current levels. HPPC products were launched few years back and thus Rossari has steered itself into home & personal care and performance chemicals. Subsequently, this product category has become the future growth drivers for the future. Also the industry outlook looks better post Covid-19 pandemic.
- Couple of months back, Rossari has started a new company named Rossari Personal Care Products Pvt. Ltd. (RPCP). Rossari will have 60% stake in the company, while the rest 40% stake is held by an ex-HUL professional, who has around 16 years of experience in personal care market and other activities. He will also be the CEO of RPCL.
- The company had only one manufacturing facility at Silvassa with a capacity of 0.12mn tonnes. Over the last three years, it operated at a utilization rate of around 84%. To capture the increasing demand across the categories, Rossari is executing an expansion plan, pursuant to which a new facility with a capacity of 0.133mn tonnes will be fully commissioned by Mar. 2021 at Dahej. Post completion, the total capacity will increased by 2.1x times to around 0.25mn tonnes. Partially, the new facility has started operations on 1st Jul. 2020. The management has guided that they will not go for a new capex at least for next 3-4 years, as the increased capacity will be sufficient to cater the higher demands.

Recommendation	Subscribe with Caution
Price Band	Rs. 423 - 425 per Share
Face Value	Rs. 2
Shares for Fresh Issue	1.176 - 1.182mn Shares
Shares for OFS	10.5mn Shares
Fresh Issue Size	Rs. 500mn
OFS Issue Size	Rs. 4,441.5 - 4,462.5mn
Total Issue Size	11.676 - 11.682mn Shares (Rs. 4,941.5 - 4,962.5mn)
Bidding Date	13 th Jul. - 15 th Jul. 2020
MCAP at Higher Price Band	Rs. 20,070mn
Enterprise Value at Higher Price Band	Rs. 20,878mn
Book Running Lead Manager	Axis Capital Ltd. and ICICI Securities Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector/Industry	Specialty Chemicals
Promoters	Mr. Edward Walter Menezes and Mr. Sunil Srinivasan Chari

Pre and post - issue shareholding pattern		
	Pre - Issue	Post - Issue
Promoter & Promoter Group	95.06%	72.69%
Public	4.94%	27.31%
Total	100.00%	100.00%
Retail application money at higher cut-off price per lot		
Number of Shares per Lot	35	
Application Money	Rs. 14,875 per Lot	
Analyst		
Rajnath Yadav		
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Peer comparison and valuation (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. mn)	EV (Rs. mn)	Stock return (%)				TTM operating revenue (Rs. mn)	TTM EBITDA (Rs. mn)	TTM PAT (Rs. mn)	TTM EBITDA margin (%)	TTM PAT margin (%)
					1 W	1 M	3 M	1 Y					
Rossari Biotech Ltd.	2	425	22,070	20,878					6,001	1,047	655	17.5%	10.9%
Aarti Industries Ltd.	5	949	165,375	181,007	1.2%	0.5%	2.9%	15.2%	41,863	9,773	5,361	23.3%	12.8%
Vinati Organics Ltd.	1	1,020	104,863	102,056	1.1%	-2.2%	15.1%	-3.5%	10,289	4,139	3,338	40.2%	32.4%
Atul Ltd.	10	4,697	139,321	133,420	2.1%	-0.3%	14.5%	22.4%	40,931	9,020	6,665	22.0%	16.3%
Galaxy Surfactants Ltd.	10	1,585	56,196	58,789	-2.5%	15.7%	25.2%	25.7%	25,964	3,689	2,304	14.2%	8.9%
Fine Organics Industries	5	1,955	59,934	58,745	6.0%	1.8%	-2.5%	44.3%	10,381	2,405	1,648	23.2%	15.9%
Average												23.4%	16.2%

Company Name	3Y Top-line growth (CAGR, %)	3Y EBITDA growth (CAGR, %)	3Y PAT growth (CAGR, %)	3Y average EBITDA margin (%)	3Y average PAT margin (%)	3Y Capital employed growth (CAGR, %)	3Y CFO growth (CAGR, %)	Working capital cycle	3Y Average CFO / Capital employed (x)	3Y Average total asset turnover (x)	3Y Average RoE (%)	3Y Average RoIC (%)
Rossari Biotech	41.7%	56.7%	60.5%	15.6%	9.4%	102.4%	46.4%	10.6	32.5%	1.7	28.5%	28.4%
Aarti Industries	4.9%	18.2%	26.9%	20.7%	10.7%	26.9%	24.0%	64.0	14.2%	0.8	18.6%	17.4%
Vinati Organics	17.6%	40.1%	52.3%	35.0%	25.8%	24.0%	73.4%	90.9	21.3%	0.8	23.7%	20.2%
Atul Ltd.	11.4%	33.6%	53.9%	18.8%	11.9%	18.3%	1.5%		13.3%	1.1	16.4%	17.8%
Galaxy Surfactants	2.7%	7.6%	10.4%	13.3%	7.8%	22.7%	58.3%	35.0	16.9%	1.6	23.2%	23.3%
Fine Organics Industries	10.1%	23.2%	31.5%	21.1%	13.3%	34.7%	47.7%	117.4	12.0%	1.4	26.0%	25.9%
Average	14.7%	29.9%	39.3%	20.8%	13.1%	38.2%	41.9%	63.6	18.4%	1.2	22.7%	22.2%

Company Name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt Equity Ratio	Fixed Asset Turnover Ratio	RoE (%)	RoCE (%)	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning Yield (%)
Rossari Biotech Ltd.	12.6	64.8	0.5	0.2	5.2	19.4%	23.2%	33.7	6.6	3.5	19.9	3.7	3.0%
Aarti Industries Ltd.	30.8	176.4	3.5	0.6	1.1	17.4%	17.9%	30.8	5.4	4.3	18.5	4.0	3.2%
Vinati Organics Ltd.	32.5	124.5	5.5	0.0	1.3	26.1%	28.1%	31.4	8.2	9.9	24.7	10.2	3.2%
Atul Ltd.	224.7	1,072.5	27.5	0.0	2.8	20.9%	22.6%	20.9	4.4	3.3	14.8	3.4	4.8%
Galaxy Surfactants Ltd.	65.0	301.2	14.0	0.3	3.2	21.6%	24.7%	24.4	5.3	2.3	15.9	2.2	4.1%
Fine Organics Industries	53.7	201.9	7.0	0.1	4.7	26.6%	28.7%	36.4	9.7	5.7	24.4	5.8	2.7%
Average			9.7	0.2	3.0	22.0%	24.2%	29.6	6.6	4.8	19.7	4.9	3.5%

Source: Choice Broking Research

- Rossari has the industry leading working capital cycle. According to the management, this has been achieved by tight and prudent discipline on the working capital. The company also has one of the best fixed asset turnovers in the industry. Existing and the forthcoming manufacturing facilities are fungible and thus in future also the company is likely to maintain higher turnover ratios.
- Despite disclosing a short financial history, Rossari has demonstrated robust financial performance. On the back of new product launches and increased demand of its products over FY18-20, it reported a 41.7% CAGR rise in consolidated revenue to Rs. 6,000.9mn in FY20. EBITDA increased by 56.7% CAGR to Rs. 1,047.4mn in FY20. EBITDA margin expanded by around 2.5ppts over the period to stand at 17.5% in FY20. Reported PAT increased by 60.3% CAGR to stand at Rs. 652.5mn, while PAT margin expanded by over 2ppts to 10.9% in FY20.
- The company had a positive operating cash flow over FY18-20, which increased by 46.4% CAGR to Rs. 548.3mn in FY20. Average operating cash flow during the period was at around Rs. 505mn. Average RoIC and RoE over FY18-20 was 29.4% and 29.6%, respectively.
- It has a strong balance sheet with pre-IPO debt to equity ratio of 0.3x in FY20. Off lately, the debt levels have increased largely due to the ongoing capacity expansion at Dahej. From the net proceeds of the fresh issue, the company will utilize around Rs. 650mn to prepay certain debt availed by the company. It is also dividend paying since its inception in 2003.
- Based on our conservative estimates, we are forecast a top-line of Rs. 9,472.2mn in FY23E (a growth of 16.4% CAGR over FY20-23), with an EBITDA and PAT margin of 15.4% and 9.9%, respectively, in FY23E as compared to a respective level of 17.5% and 10.9% in FY20.
- Currently, the specialty chemicals sector is red hot mainly due to the positive sentiments prevailing among the investors as India is likely to be a global manufacturing substitute to China post Covid-19 and also the likely import ban after the recent Indo-China border skirmish.
- On valuation front, based on the higher price band, Rossari is demanding a P/E multiple of 33.7x (to its restated FY20 EPS of Rs. 12.6). The demand valuation is at premium to peer average of 29.5x and thus there is little left for the retail investors.

Considering the above observations and the future growth prospects, we assign a “**Subscribe with Caution**” rating for the issue.

About the issue:

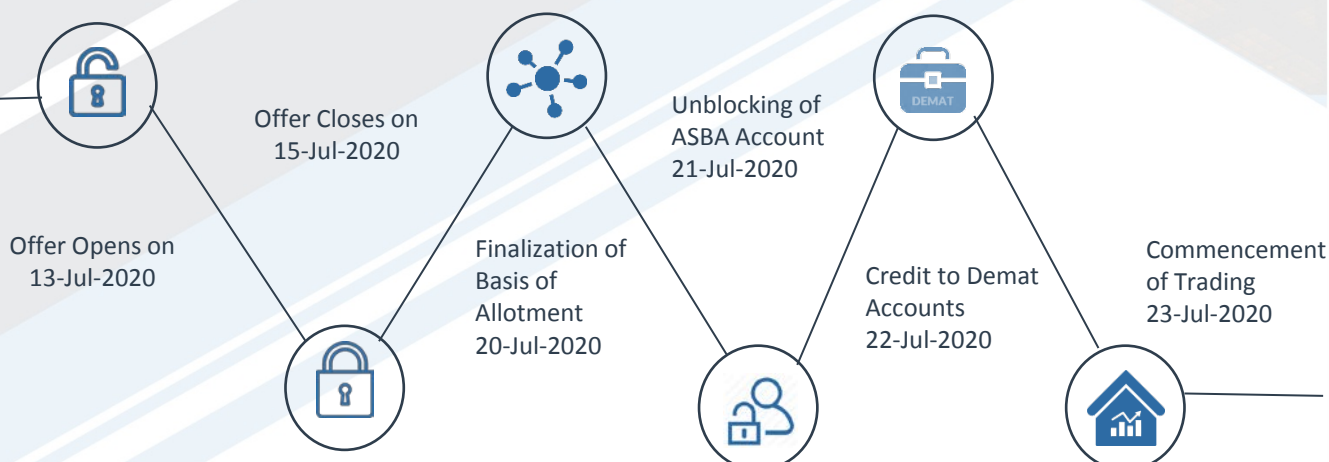
- Rossari is coming up with an initial public offering (IPO) with 11.676 - 11.682mn shares (fresh issue: 1.176 - 1.182mn shares; OFS shares: 10.5mn shares) in offering. The offer represents around 22.49% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 4,941.5 - 4,962.5mn.
- The issue will open on 13th Jul. 2020 and close on 15th Jul. 2020.
- The issue is through book building process with a price band of Rs. 423 - 425 per share.
- On 20th Feb. 2020, Rossari in consultation with the lead managers has undertaken a pre-ipo placement aggregating Rs. 1,000mn. During the process, the company has allotted 2.35mn shares at an price of Rs. 425 per share. Consequently, the previous fresh issue size of Rs. 1,500mn got reduced to Rs. 500mn.
- Since the issue is a combination of fresh and OFS, the company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, Rs. 650mn will be utilized for the repayment/prepayment of certain debt availed by the company. Rest amount i.e. Rs. 500mn will be utilized to fund working capital requirement.
- 50% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 35% is reserved for non-institutional bidders and retail investors, respectively.
- Promoter holds 95.06% stake in the company and post-IPO this will come down to 72.69%. Public holding will increase from current 4.94% to 27.31%.

Pre and post issue shareholding pattern (%)

	Pre Issue	Post Issue (at higher price band)
Promoter & Promoter Group (%)	95.06%	72.69%
Public (%)	4.94%	27.31%

Source: Choice Equity Broking

Indicative IPO process time line:



Company introduction:

Rossari is one of the leading specialty chemicals manufacturing companies in India providing customized solutions to specific industrial and production requirements of its customers primarily in the FMCG, apparel, poultry and animal feed industries. The company's diversified product portfolio includes home, personal care & performance chemicals (HPPC); textile specialty chemicals (TSC); and animal health & nutrition (AHN) products. As on 31st May 2020, it had a range of 2,030 different products sold across the three product categories.

Rossari operates in India as well as in 17 foreign countries including Vietnam, Bangladesh and Mauritius. According to the F&S Report, as of 30th Sept. 2019, it is the largest manufacturer of textile specialty chemicals in India providing textile specialty chemicals in a sustainable, eco-friendly yet competitive manner. As a manufacturer of specialty chemicals, the company focuses on functionality and application of its products, which form a key ingredient to the customer's manufacturing and industrial processes.

HPPC: Rossari is the leading manufacturer of acrylic polymers in India and currently manufacture over 366 products for its customers in the soaps & detergent, paints, inks & coatings, ceramics & tiles, water treatment chemicals and pulp & paper industries. The company also manufactures institutional cleaning chemical formulations for hospitality, facility management, airports, corporates, food service, commercial laundry, malls, multiplexes, educational sector, places of worship etc. It is in advanced stages of expanding its HPPC product portfolio to water treatment formulations, specialty formulation for breweries as well as dairies. Rossari is also planning to introduce certain new products in the personal care and cosmetics segments. While it primarily operates in a B2B model for its HPPC products, the company also sells certain of its end formulations to direct consumers under private label or in partnership with digital market platforms such as Amazon. In FY20, revenue from sale of HPPC products constituted 46.8% of total revenue.

TSC: The company provides specialty chemicals for the entire value-chain of the textile industry starting from fiber, yarn to fabric, wet processing and garment processing. As on 31st May 2020, it manufactured approximately 1,543 products for its customers in this product category. Rossari has differentiated its product portfolio by focusing on providing diversified and value added specialty chemicals to enhance hydrophilic properties, antimicrobial properties, flame retardant properties, fragrance, water repellents and UV absorbing properties of the textiles. Business from the sales of textile chemicals constituted 43.7% of total revenue in FY20.

AHN: Rossari has also diversified into animal health & nutrition and currently supply poultry feed supplements & additives, and pet grooming & pet treats including for weaning, infants & adult pets and currently manufacture over 100 products in this category. The company forayed into pet grooming sub-category pursuant to its acquisition of the 'Lozalo' brand and related trademarks, intellectual property and employees in FY19. While almost all its products under the AHN category are manufactured in-house, its pet treats are manufactured through job-work contracts. The company sells its poultry feed products through a B2B model and pet grooming & pet treat products to retail shop owners, in both cases through distributors. Revenue from sale of AHN products constituted 9.5% of total revenue in FY20.

Manufacturing facility: Rossari manufacture majority of its products in-house from its manufacturing facility at Silvassa in the Union Territory of Dadra & Nagar Haveli. The Silvassa manufacturing facility, located on 8.6 acres of land, has an installed capacity of 0.12mn tonnes per annum. This facility has flexible manufacturing capabilities for powders, granules and liquids. Further, the company can interchange capacities across HPPC, TSC and AHN products categories, which ensures that it can manufacture any of these products at any point of time depending on the specific requirements of the customers and this facility also has a comprehensive range of testing as well as packaging capabilities. Annual capacity utilization of Silvassa manufacturing facility has moved from 74.2% in FY18 to 93.9% in FY19 and to 82.5% in FY20.

The company is currently setting up another manufacturing facility at Dahej in Gujarat with a proposed installed capacity of 0.133mn tonnes, which will enjoy proximity to the deep-water, multi-cargo port of Dahej. The proposed state-of-the-art facility will be well-equipped with advanced technologies and will be commissioned in FY21.

Company introduction (Contd...):

As a specialty chemical manufacturing company, Rossari continuously monitors industry trends so as to ensure that its products continue to remain relevant and help the customers meet the evolving market demands. It is driven by technical innovation in formulations and applications of its products in order to provide specific and customized solutions to the customers. The company's qualified and experienced in-house R&D team focuses on the development of new products and formulations including collaborative product development with its customers. Rossari has two R&D facilities - one within the Silvassa manufacturing facility and another one in Mumbai. Its R&D facilities are recognized by the Department of Scientific and Industrial Research, Government of India and are also certified by a number of organizations including the Global Organic Textile Standards and the American National Standards Institute.

The company has a wide network of distributors through which it sells its products. As on 31st May, 2020, Rossari's pan-India distribution network has over 204 distributors. It also has four regional branch offices in Delhi, Ludhiana, Ahmadabad and Surat for marketing of its products to the customers in the North and West India regions. The company also has 29 distributors spread in over 17 countries. Rossari has also set up international offices in Ho Chi Minh City, Vietnam and Dhaka, Bangladesh as these two are primary overseas markets for its textile specialty chemical products.

Impact of COVID-19 on Rossari's business operations: The current outbreak of COVID-19 pandemic has adversely impacted the global economy. The World Health Organization declared the outbreak of COVID-19 as a public health emergency of international concern on 30th Jan. 2020 and a pandemic on 11th Mar. 2020. The Government of India announced a nationwide lockdown on 24th Mar. 2020 and imposed several restrictions. However, as the company is engaged in the manufacturing of disinfectants and sanitizers, its products were categorized under the 'essential goods' and consequently the Silvassa manufacturing facility was not shut down during this pandemic. However, due to limited availability of labour, logistics and supply chain constraints, the facility was operating at sub-optimal capacity utilization in the month of Apr. 2020. The company continued its manufacturing activities after making arrangements to meet the government's requirements on sanitization, people movement and social distancing. In view of the nationwide lockdown announced by the government, Rossari's business operations were temporarily disrupted from 24th Mar. 2020. Since then, the company has resumed operations in a phased manner as per the government's directives. Its plant utilization has improved, raw material suppliers have resumed operations and supply & logistics have become more regular.

Competition: The market for home, personal care and performance chemicals in India is becoming increasingly sophisticated and is characterized by strong presence of multinational companies such as Wacker AG, Merck, BASF and Croda International. The major Indian companies producing active ingredients are Aarti Industries Ltd., Galaxy Surfactants Ltd. and Atul Ltd. Many Indian players, especially the small and mid-sized companies, are largely present in inactive ingredients which have lower margins compared to active ingredients. In the institutional cleaning chemicals, some of Rossari's competitors are Diversey India Pvt. Ltd., Schevaran Laboratories Pvt. Ltd., Satol Chemicals, Ecolab India, Haylide Chemicals Pvt. Ltd., Altret Industries Pvt. Ltd., Croda India Co. Pvt. Ltd., and BASF India Ltd.

The market for TSC in India is highly fragmented and comprises over 500 large and small players. In India, large majority of textiles manufactured and sold is unorganized, catering to price sensitive customers. This large unbranded market is a target for the unorganized textile chemical manufacturers. Apart from manufacturers there are many blenders and resellers present in the market, with the total count of these companies exceeding 800. Fragmentation of the market can also be attributed, in part, to the weak enforcement of environmental norms for small players, as well as concessions provided by the Government of India. In the organized TSC sector, some of Rossari's competitors include Archroma, CHT, Rudolf, Croda International, Huntsman Corporation, Fineotex Chemical, Resil Chemicals, Sarex Chemicals, Dai-ichi Karkaria, Britacel Silicones, Indokem Ltd.

In the AHN products category, Rossari competes with Cargill India Pvt. Ltd., Zydus AH (a division of Cadila Healthcare Ltd.), Bayer Animal Health, Boehringer Ingelheim Animal Health, Ceva Sante Animale, Sequent Scientific, Elanco, Merial and Virbac.

Company introduction (Contd...):

Financial performance: Despite disclosing a short financial history, Rossari has demonstrated robust financial performance. On the back of new product launches and increased demand of its products over FY18-20, Rossari reported a 41.7% CAGR rise in consolidated revenue to Rs. 6,000.9mn in FY20. HPPC and TSC products (which contributed 46.7% and 43.7%, respectively, to the top-line in FY20); reported a 124.5% and 10.7% increase in their business. AHN products (which contributed 9.5% to the top-line) increased by 39.2% CAGR and were mainly aided by increased product demand and acquisition of “Lozalo” brand business. HPPC business increased mainly due to new product launches and increased demand from institutional customers. Over FY18-20, TSC business increased mainly due to new product launches and increased penetration. In FY20, this segment was impacted by ovid-19 led lockdown.

Net cost of material consumed (as percent of topline, stood at 61.9% in FY20 as compared to 66.1% in FY18) increased by 37.1% CAGR - a growth lower than top-line, might be mainly due to relatively lower price of key raw material i.e. acrylic acid. Thus, total operating expenditure increased by 39% CAGR, leading to a 56.7% CAGR rise in consolidated EBITDA over FY18-20 to Rs. 1,047.4mn in FY20. EBITDA margin expanded by around 2.5ppts over the period to stood at 17.5% in FY20.

Increase in capacity and associated increase in debt has led to an 80.5% and 62% CAGR rise in depreciation and interest cost, respectively. Reported PAT increased by 60.3% CAGR to stand at Rs. 652.5mn in FY20, while PAT margin expanded by over 2ppts to 10.9% in FY20.

The company had a positive operating cash flow over FY18-20, which increased by 46.4% CAGR to Rs. 548.3mn in FY20. Average operating cash flow during the period was at around Rs. 505mn. Average RoIC and RoE over FY18-20 was 29.4% and 29.6%, respectively.

Consolidated financial snapshot (Rs. mn)	FY18	FY19	FY20	CAGR (%)	Y-o-Y (%)
HPPC	557.2	1,955.0	2,808.9	124.5%	43.7%
TSC	2,139.6	2,690.8	2,623.0	10.7%	-2.5%
AHN	293.9	516.4	569.0	39.2%	10.2%
Revenue from operations	2,990.6	5,162.2	6,000.9	41.7%	16.2%
EBITDA	426.3	776.3	1,047.4	56.7%	34.9%
Adjusted PAT	254.0	456.8	654.7	60.5%	43.3%
Restated adjusted EPS	4.9	8.8	12.6	60.5%	43.3%
Cash flow from operating activities	255.7	711.8	548.3	46.4%	-23.0%
NOPLAT	253.9	471.0	652.9	60.3%	38.6%
FCF		143.0	(1,388.1)		-1070.5%
RoIC (%)	28.0%	38.5%	21.8%	(611) bps	(1,661) bps
Revenue growth rate (%)		72.6%	16.2%		(5,636) bps
EBITDA growth rate (%)		82.1%	34.9%		(4,715) bps
EBITDA margin (%)	14.3%	15.0%	17.5%	320 bps	242 bps
EBIT growth rate (%)		74.5%	34.5%		(4,002) bps
EBIT margin (%)	12.5%	12.7%	14.6%	212 bps	198 bps
Restated adjusted PAT growth rate (%)		79.8%	43.3%		(3,652) bps
Restated adjusted PAT margin (%)	8.5%	8.8%	10.9%	242 bps	206 bps
Fixed asset turnover ratio (x)	5.6	6.2	5.2	-3.7%	-15.4%
Total asset turnover ratio (x)	1.8	2.1	1.3	-16.2%	-38.4%
Total debt (Rs.)	277.8	139.8	772.0	66.7%	452.3%
Net debt (Rs.)	190.0	66.0	(691.5)		-1147.6%
Debt to equity (x)	0.3	0.1	0.3	-8.1%	138.5%
Net debt to EBITDA (x)	0.4	0.1	(0.7)		-876.4%
RoE (%)	29.2%	36.9%	22.8%	(641) bps	(1,414) bps
RoA (%)	15.4%	18.3%	13.9%	(152) Bps	(440) bps
RoCE (%)	40.5%	50.8%	26.7%	(1,376) bps	(2,408) bps

Source: Choice Equity Broking



Competitive strengths:

- Diversified product portfolio addressing the needs of varied and long-standing customers across industries
- Largest textile specialty chemical manufacturer in India
- Extensive manufacturing and technical capabilities
- Strong R&D capabilities with focus on innovation and sustainability
- Wide sales and distribution network
- Experienced promoters with strong management team having domain knowledge
- Proven track record of robust financial performance

Business strategy:

- Expand manufacturing capacity and increase production efficiency
- Introduce new products and focus on green products which promote sustainability
- Continue to focus on innovation and grow business across customer segments
- Increase wallet share with existing customers and continued focus to expand customer base
- Expand our international operations
- Inorganic growth through strategic acquisitions



Risk and concerns:

- Subdued economic growth and lower demand of the company's product
- Continued slowdown in the domestic textile industry
- Delay in capacity expansion
- Inability or delay in the launch of new products
- Unfavorable movement in the raw material prices
- Unfavorable government policies and
- Intense competition

Financial statements:

Consolidated profit and loss statement (Rs. mn)

	FY18	FY19	FY20	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Revenue from operations	2,990.6	5,162.2	6,000.9	41.7%	16.2%
Cost of materials consumed	(1,965.8)	(3,552.3)	(3,692.6)	37.1%	4.0%
Changes in inventories of finished goods and work-in-progress	(10.8)	159.6	(24.4)	50.5%	-115.3%
Excise duty	(68.9)			-100.0%	
Employee benefits expense	(198.4)	(275.2)	(372.1)	37.0%	35.2%
Other expenses	(320.5)	(718.1)	(864.4)	64.2%	20.4%
EBITDA	426.3	776.3	1,047.4	56.7%	34.9%
Depreciation and amortization expenses	(51.7)	(122.6)	(168.5)	80.5%	37.4%
EBIT	374.6	653.6	878.9	53.2%	34.5%
Finance costs	(13.6)	(28.8)	(35.6)	62.0%	23.6%
Other income	13.7	9.1	37.2	65.0%	311.0%
Exceptional items / Share of loss of JV			(2.2)		
PBT	374.7	633.9	878.4	53.1%	38.6%
Tax expenses	(120.7)	(177.1)	(225.9)	36.8%	27.6%
Reported PAT	254.0	456.8	652.5	60.3%	42.8%
Adjusted PAT	254.0	456.8	654.7	60.5%	43.3%

Consolidated balance sheet statement (Rs. mn)

	FY18	FY19	FY20	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Equity share Capital	44.0	44.0	101.5	51.9%	130.7%
Other equity	826.8	1,194.1	2,765.3	82.9%	131.6%
Long term borrowings	21.2	12.6	398.8	334.2%	3067.4%
Long term provisions	12.5	17.5	16.3	14.3%	-7.1%
Net deferred tax liability	20.5	18.1	5.4	-48.7%	-70.2%
Short term borrowings	188.3	32.7	270.5	19.9%	727.3%
Other current financial liabilities	68.3	94.5	102.7	22.6%	8.7%
Trade payables	439.6	1,059.8	970.0	48.6%	-8.5%
Short term provisions	4.6	6.0	6.7	19.8%	10.6%
Net current tax liabilities	14.4	0.3	36.6	59.4%	12975.0%
Other current liabilities	9.4	18.8	41.4	110.3%	120.2%
Total liabilities	1,649.5	2,498.5	4,715.2	69.1%	88.7%
Property, plant and equipment	437.3	680.3	817.6	36.7%	20.2%
Intangible assets	0.4	59.7	47.7	991.6%	-20.2%
Capital work-in-progress	24.0	28.3	217.5	201.3%	669.4%
Right of use assets	71.7	70.9	70.2	-1.1%	-1.1%
Non current investments			41.8		
Other non current financial assets	3.1	3.5	4.0	13.4%	12.8%
Net income tax assets	0.2	15.5	15.8	892.5%	1.5%
Deferred tax assets	0.2	0.5	0.5	48.9%	0.0%
Other non current assets	13.4	42.1	237.1	321.2%	463.0%
Current investments	69.1		137.3	40.9%	
Cash and bank balances	9.7	60.1	1,272.3	1048.2%	2017.4%
Other current financial assets	9.0	13.7	53.9	145.1%	293.9%
Inventories	346.1	549.0	581.7	29.6%	6.0%
Trade receivables	615.6	859.2	941.4	23.7%	9.6%
Other current assets	49.9	115.6	276.7	135.4%	139.3%
Total assets	1,649.5	2,498.5	4,715.2	69.1%	88.7%

Financial statements:

Consolidated cash flow statement (Rs. mn)

Particulars (Rs. mn)	FY18	FY19	FY20	CAGR over FY18 - 20 (%)	Annual Growth over FY19 (%)
Cash Flow Before Working Capital Changes	438.3	801.5	1,060.4	55.6%	32.3%
Change in Working Capital	(99.1)	113.9	(310.7)	77.0%	-372.7%
Cash Flow from Operating Activities	255.7	711.8	548.3	46.4%	-23.0%
Purchase of Property, Plant & Equipment	(139.3)	(439.9)	(759.7)	133.6%	72.7%
Cash Flow from Investing Activities	(204.4)	(364.2)	(1,903.0)	205.1%	422.5%
Cash Flow from Financing Activities	(65.0)	(291.5)	1,569.4		-638.4%
Net Cash Flow	(13.6)	56.1	214.7		283.1%
Opening Balance of Cash and Bank Balances	19.9	1.4	77.4	97.3%	5550.4%
Closing Balance of Cash and Bank Balances	6.2	57.4	292.1	583.6%	408.7%

Consolidated financial ratios

Particulars (Rs. mn)	FY18	FY19	FY20
Revenue Growth Rate (%)		72.6%	16.2%
EBITDA Growth Rate (%)		82.1%	34.9%
EBITDA Margin (%)	14.3%	15.0%	17.5%
EBIT Growth Rate (%)		74.5%	34.5%
EBIT Margin (%)	12.5%	12.7%	14.6%
Adjusted PAT Growth Rate (%)		79.8%	43.3%
Adjusted PAT Margin (%)	8.5%	8.8%	10.9%

Liquidity ratios

Current Ratio	1.5	1.3	2.3
Debt Equity Ratio	0.3	0.1	0.3
Net Debt to EBITDA	0.4	0.1	(0.7)

Turnover ratios

Inventories Days	63.9	48.2	55.5
Debtor Days	75.1	52.1	54.8
Payable Days	(81.2)	(80.7)	(99.7)
Cash Conversion Cycle	57.9	19.6	10.6
Fixed Asset Turnover Ratio (x)	5.6	6.2	5.2
Total Asset Turnover Ratio (x)	1.8	2.1	1.3

Return ratios

RoE (%)	29.2%	36.9%	22.8%
RoA (%)	15.4%	18.3%	13.9%
RoCE (%)	40.5%	50.8%	26.7%

Per share data

Restated Reported EPS (Rs.)	4.9	8.8	12.6
Restated DPS (Rs.)	1.7	0.4	0.5
Restated BVPS (Rs.)	16.8	23.8	55.2
Restated Operating Cash Flow Per Share (Rs.)	4.9	13.7	10.6
Restated Free Cash Flow Per Share (Rs.)		2.8	(26.7)
Dividend Payout Ratio	34.6%	4.8%	4.0%

Note: Ratios calculated on pre-issue data; Source: Company RHP

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