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Research Team

Issue Details

Issue Details	
Issue Size (Value in Rs. Million, Upper Band)	15,466
Fresh Issue (No. of Shares in Mn)	Nil
Offer for Sale (No. of Shares in Mn)	17.18
Bid/Issue opens on	7-July-21
Bid/Issue closes on	9-July-21
Face Value	Rs. 1
Price Band	880-900
Minimum Lot	16

Objects of the Issue

Fresh Issue: NIL

Offer for Sale: ₹ 15,466 Million

- Achieve the benefits of listing the Equity shares on the stock exchanges.
- The company will not receive any proceeds from the Offer for Sale.

Book Running Lead Managers
Axis Capital Limited
JM Financial Limited
Kotak Mahindra Capital Company Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure (Rs Million)	Aggregate Value
Authorized share capital	150.00
Subscribed paid up capital (Pre-Offer)	106.22
Paid up capital (Post - Offer)	106.22

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	94.7	78.5
Public	5.3	21.5
Total	**100**	**100**

Financials

Particulars (Rs. In Million)	FY21	FY20	FY19
Revenue from operations	5,124.3	4,193.0	3,932.7
Operating expenses	2,534.7	2,340.1	2,569.6
EBITDA	**2,589.5**	**1,852.9**	**1,363.1**
Other Income	256.4	108.7	112.9
EBIDT	2,846.0	1,961.5	1,476.0
Interest	0.9	1.2	0.3
Depreciation	172.1	137.1	110.3
PBT	2,673.0	1,823.2	1,365.4
Tax	689.2	426.9	388.8
Consolidated PAT	**1,983.8**	**1,396.3**	**976.6**
EPS	18.68	13.15	9.19
Ratio	**FY21**	**FY20**	**FY19**
EBITDAM	50.5%	44.2%	34.7%
PATM	38.7%	33.3%	24.8%

Company Description

Clean Science and Technology Ltd is among the few companies globally focused entirely on developing newer technologies using in-house catalytic processes, which are eco-friendly and cost competitive. This has enabled the company to emerge as the largest manufacturer globally of certain specialty chemicals in terms of installed manufacturing capacities as of March 31, 2021. Some of these technologies have been developed and commercialized for the first time globally. The continued focus on product identification, process innovation, catalyst development, significant scale of operations as well as the company's measures towards strategic backward integration have all contributed to their success as one of the fastest growing and among the most profitable specialty chemical companies globally.

The company manufacture functionally critical specialty chemicals such as Performance Chemicals (i.e. MEHQ, BHA and AP), Pharmaceutical Intermediates (i.e. Guaiacol and DCC), and FMCG Chemicals (i.e. 4-MAP and Anisole). Within 17 years of incorporation, the company have grown to be the largest manufacturer globally of MEHQ, BHA, Anisole and 4-MAP, in terms of installed manufacturing capacities as of March 31, 2021.

The Company's name was changed to 'Clean Science and Technology Private Limited' in 2006, to reflect the vision of focusing on sustainable chemistry led by innovative technology and lower effluents. The company continues to exemplify the name by designing and implementing 'clean' chemistries based on catalytic technology developed in-house. As a result, most of the current production processes are either zero liquid discharge or release only water as discharge. The company's focus on sustainable practices has been conceived, developed and implemented by the Promoters over the years.

The Company's Promoters Ashok Ramnarayan Boob, Siddhartha Ashok Sikchi, both alumni of the Institute of Chemical Technology, Krishnakumar Ramnarayan Boob, and Parth Ashok Maheshwari, are all career-technocrats with a combined experience of over 60 years in the chemicals industry, and the company benefit from their collective vision, experience and technical understanding.

Valuation

Clean Science and Technology, a family-owned firm, is among the few companies globally focused entirely on developing newer technologies using in-house catalytic processes, which are eco-friendly and cost competitive.

The company is available at the upper end of the IPO price band, it is offered at 48.2x its FY21 earnings, with a market cap of Rs. 95,597 million. In comparison, Vinati Organics trades at 77.4 times its FY2021 EPS of Rs 26.2, Fine Organics Industries trades at 75 times its FY2021 EPS, Atul trades at 42.2 times its FY2021 EPS of Rs 221.6, SRF trades at 37 times its FY2021 EPS of Rs 202.2, Navin Fluorine International trades at 76.1 times its FY2021 EPS of Rs 49.9 and PI Industries trades at 62.2 times its FY2021 EPS of Rs 48.7. Further on FY21 earnings basis the company is trading below the Industry average of 55.4x.

Company possesses a healthy balance sheet and robust return ratio profile (FY21 RoE at 36.8%). We recommend a "**Subscribe**" rating to this IPO.

The company's specialty chemicals have a wide range of applications that cater to a diverse base of customers across industries. The customers include manufacturers and distributors in India as well as other regulated international markets including China, Europe, the United States of America, Taiwan, Korea, and Japan. In Fiscal 2021, revenue from operations for sales outside India represented 67.86% of the total revenue from operations, respectively.

The Company's products are used as key starting level materials, as inhibitors, or as additives, by customers, for products sold in regulated markets. Key customers include Bayer AG, SRF Limited, Gennex Laboratories Limited, Nutriad International NV and Vinati Organics Limited. The customer relationships have been strengthened over a long period, based on the company's ability to consistently deliver quality products at competitive prices. Some of the customers of the company have also been associated with them for over 10 years as of May 31, 2021.

The company has two certified production facilities in India strategically located at Kurkumbh (Maharashtra), in close proximity to the JNPT port from where the company exports majority of their products. Each facility has an on-site R&D unit, quality control department, warehouse, and effluent treatment system that treats effluent, to make the facilities zero liquid discharge facilities. The company's facilities have dedicated production lines for their products, with a combined installed capacity of 29,900 MTPA as of March 31, 2021 and capacity utilization rates of 71.94% for Fiscal 2021. The company has also recently set-up a unit at the third facility adjacent to their existing facilities at Kurkumbh (Maharashtra), and have recently been allotted land for the construction of a fourth facility at Kurkumbh (Maharashtra).

The Company has grown organically, and its revenues and profitability have consistently increased, to emerge as one of the most profitable specialty chemical companies globally. The total revenue from operations have grown at a CAGR of 14.15% between Fiscal 2019 and Fiscal 2021. In Fiscals 2019, 2020 and 2021, the PAT Margin was 24.83%, 33.30% and 38.71%, respectively, EBITDA Margin was 37.53%, 46.78% and 55.54% respectively, and Adjusted EBITDA Margin was 34.66%, 44.19% and 50.53%, respectively. As of March 31, 2019, 2020 and 2021, the ROCE was 50.75%, 58.48%and 73.89% respectively and ROE was 35.90%, 40.82% and 36.76%, respectively. Net cash from operating activities was ₹847.38 million, ₹ 1,601.03 million and ₹ 1,928.45 million respectively in Fiscals 2019, 2020 and 2021. Due to the ongoing COVID-19 global pandemic, and as a result of the nationwide lockdown imposed in India to control the spread of the virus, the company was required to cease their operations for two weeks in 2020. While the operations of the company were subject to limited availability of labour, logistics and supply chain constraints, the revenue from operations for Fiscal 2021 was ₹ 5,124.28million compared to ₹ 4,193.00 million in Fiscal 2020.

The revenue from operations contributed by each of the product segments and the percentage of total income:-

Products	Fiscal 2019		Fiscal 2020		Fiscal 2021	
	Revenue from Operations	As % of Total Income	Revenue from Operations	As % of Total Income	Revenue from Operations	As % of Total Income
	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)
Performance Chemicals	2,490.35	63.32%	2,721.18	64.90%	3,547.65	69.23%
Pharmaceutical Intermediates	681.05	17.32%	643.76	15.35%	830.06	16.20%
FMCG Chemicals	612.27	15.57%	665.68	15.88%	632.23	12.34%
Other Products	64.68	1.64%	62.76	1.50%	59.47	1.16%
Other Operating Revenue	84.35	2.14%	99.62	2.38%	54.87	1.07%
Total	**3,932.70**	**100.00%**	**4,193.00**	**100.00%**	**5,124.28**	**100.00%**

Strengths:

- **Track record of strategic process innovation through consistent R&D initiatives**

The company is among the leading companies in India to have commercialized use of environment-friendly processes to manufacture certain specialty chemicals, at global capacities. The company has achieved this position by optimizing use of conventional raw materials, improving atom economy, enhancing yields, reducing effluent discharge, and consequently increasing cost competitiveness. Based on the technical expertise they have developed over the years, the company is able to carry out these processes at global scale capacities, which they believe is difficult to replicate, and create significant barriers for new entrants.

The company has developed these technologies through process innovation and consistent R&D. Various catalysts have been developed in-house through R&D, which are used across process developments, and have helped improve productivity, yields, atom economy and cost efficiencies. By employing "clean-technologies", the company distinguishes their processes from conventional processes and optimizes use of non-toxic raw materials, resulting in lower effluent generation, and products that are not as harmful to the end-consumer as conventionally produced chemicals. For instance, the company manufactures sulphur-free BHA and sulphur-free DCC.

Being a technologically advanced company, they have pioneered the commercialization of catalytic-reactions in production processes. For instance, the company is the only one globally to deploy vapour-phase technology for manufacturing Anisole from phenol with better atom economy and only water as effluent compared to liquid phase manufacturing process. The company has similarly developed unconventional processes to manufacture certain of their other specialty chemicals. With phenol being widely available and Anisole being produced for captive consumption, the company is integrated to the commodity level, which also helps the company reduce costs and increase the profit margins. The company believes this has led to a distinguished position as the most cost-competitive producer of these critical products, demonstrated by their significant exports to China, and giving the company the highest margins in the industry in India for Fiscal 2020.

- **Among the largest producers globally of functionally critical specialty chemicals used across various industries and geographies resulting in a de-risked business model.**

The company is among the largest producers globally of certain specialty chemicals in terms of manufacturing capacities as of March 31, 2021.

Product	Global Market Size (Volume)	Company Global Position	Company India Position
MEHQ	12,500 MT	Largest in World	Largest in India
BHA	9,000 MT	Largest in World	Largest in India
Guaiacol	60,000 MT	Third Largest in World	Second Largest in India
Anisole	34,000 MT	Largest in World	Largest in India
4-MAP	7,200 MT	Largest in World	Largest in India
DCC	7,000 MT	Amongst Largest in World	Largest in India
L-Ascorbyl Palmitate	450 MT	Second Largest in World	Second Largest in India

The specialty chemicals of the company have a wide range of applications and the key raw materials are abundantly available resulting in a significantly de-risked business model.

The company's products are used as polymerization inhibitors, intermediates for agrochemicals and pharmaceuticals, anti-oxidants, UV blockers, and anti-retroviral reagents, which are functionally critical in a wide range of industries, including in the manufacture of paints and inks, agro-chemicals, pharmaceuticals, flavours and fragrance, food and animal nutrition (feed), and personal care (cosmetics) products. The customers of the company comprise manufacturers in India and other regulated international markets including China, Canada, Europe, the United States of America, Taiwan, Korea, and Japan. In Fiscals 2019, 2020 and 2021, revenue generated from customers outside India represented 72.29%, 68.76% and 67.86%, of the revenue from operations, respectively, with a significant portion generated from China.

- **Experienced Promoters and senior management with extensive domain knowledge**

The company is led by the Promoters comprising the Managing Director Ashok Ramnarayan Boob, Whole-Time Directors Siddhartha Ashok Sikchi and Krishnakumar Ramnarayan Boob, and Vice President Parth Ashok Maheshwari, who have a combined experience of over 60 years in the chemical industry. Each of the Promoters is a career-technocrat and is actively involved in the critical aspects of the company's business, including R&D and plant engineering.

Ashok Ramnarayan Boob is credited with the company's manufacturing capabilities and projects and has over 25 years of experience in the chemical industry. Siddhartha Ashok Sikchi is responsible for R&D and marketing efforts and has over 10 years of experience in the specialty chemical industry. Both, Ashok Ramnarayan Boob and Siddhartha Ashok Sikchi, are alumni of the Institute of Chemical Technology (formerly University Department of Chemical Technology), Mumbai ("ICT"). Siddhartha Ashok Sikchi has also completed his Masters in Synthetic Organic Chemistry from University of Manitoba, Canada. Krishnakumar Ramnarayan Boob is responsible for liaising and purchasing activities. He is an alumnus of University of Mumbai, and has over 25 years of experience in the chemical industry. Parth Ashok Maheshwari supports the company's overall business operations, with over five years of experience in the chemical industry. He is an alumnus of Savitribai Phule University, Pune University and Babson College. All the four Promoters are involved in the day-to-day management of the Company.

The company additionally benefited from the industry and academic experience of Padma shri Professor Ganapati Dadasaheb Yadav, Non-Executive, Independent Director. Pradeep Ramwilas Rathi, Non-Executive, Chairman of company's Board, brings over two decades of experience in the chemical industry. They are also supported by Sanjay Kothari, Non-Executive Director, who has been instrumental in instilling financial prudence to the operations of the company. Padmashri Professor Ganapati Dadasaheb Yadav, Pradeep Ramwilas Rathi and Sanjay Kothari have been members of the company's Board for over a decade, reflecting the commitment of the company towards long-term value creation for their business.

- **Strong and long-standing relationships with key customers**

The customers of the company comprise direct end-use manufacturers as well as institutional distributors. A majority of the revenues is generated from direct sales to customers. Certain of the company's key customers include Bayer AG and SRF Limited for agro-chemical products, Gennex Laboratories for pharmaceutical intermediates, and Vinati Organics Limited for specialty monomer products, Nutriad International NV for animal nutrition. Some of the customers have also been associated with the company for over 10 years as of May 31, 2021.

The products of the company are used as key starting level materials, as inhibitors, or additives by the customers for their finished products, for sale in regulated markets. The customer engagements are therefore dependent on delivering quality products consistently, and it could take potential customers a few years to approve the company as suppliers, based on quality control systems and product approvals across jurisdictions by multiple regulators. 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.

The company believes their ability to meet the demand for and quality of their products at competitive prices has resulted in strong and Long-standing relationships with various multinational corporations. Revenue generated from the company's top 10 customers as of March 31, 2021 represented 47.90% of the revenue from operations in Fiscal 2021. These enduring customer relationships have helped the company expand their product offerings and geographic reach. The company's long-term relationships and ongoing active engagements with customers also allow them to plan their capital expenditure, enhance their ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base, thereby ensuring a competitive cost structure to achieve sustainable growth and profitability.

- **Automated manufacturing facilities with proven design and commercialization capabilities and strong focus on EHS**

The company has two manufacturing facilities in India with 11 production lines (including three lines for catalyst production and regeneration), which had a combined installed capacity of 29,900 MTPA as of March 31, 2021. The company has recently set-up a unit at their third manufacturing facility. As majority of their sales are through exports, both facilities are strategically located at Kurkumbh (Maharashtra), which is in close proximity to the JNPT port.

With dedicated production lines for key products, the company aims to limit losses and capacity reductions that are typically incurred during transitioning between products. The company also has multiple lines across separate units for key products to limit contagion risk, and consistently meet the demand for these products.

Each facility is equipped to function independently, with its own quality department, effluent treatment plant, warehouse, and R&D unit. The facilities of the company are automated to an extent which helps maintain consistent product quality and reduces overhead costs, thereby reducing production costs, mitigating exposure to human error and industrial accidents involving the labour force. The operations have received sustainability certifications from Ecovadis and Together for Sustainability, and are routinely audited and approved by certain of the company's customers. In addition, the company's facility for manufacturing BHA and Ascorbyl Palmitate is also registered with the US FDA as an approved food facility.

The captive solar plants meet part of the company's power requirements at their facilities, which improves cost efficiencies and results in better utilization of resources. As of March 31, 2021, the direct current capacity of the company's captive solar power plant was 5.42 MW. The company has cumulatively consumed 6.34 million units of electricity from their captive solar power plants in Fiscal 2021. In addition, the company's eco-friendly production processes have led to limited effluent discharge, making their effluent generation among the lowest in the specialty chemicals industry. As a result, they have not received any material observations from the pollution control board in India with respect to their manufacturing facilities. The company leverages their in-house process design expertise to carry out timely capacity expansions at their facilities to cater to the increased demand for their products. The in-house capabilities also enable the company to optimise capital expenditure for their facility expansion activities. As a result, the company's asset turns are among the highest in the chemical industry.

- **Strong and consistent financial performance in the last three Fiscals**

The company has organically grown their operations and are among the most profitable specialty chemical companies globally. The table below sets forth certain key financial information for the periods indicated:

Particulars	As of for the years ended March 31			CAGR
	2019	2020	2021	2019-2020
Revenue from Operations	3,932.70	4,193.00	5,124.28	14.15%
Profit for the period	976.58	1,396.31	1,983.80	42.53%
PAT Margin	24.83%	33.30%	38.71%	24.86%
EBITDA	1,476.02	1,961.51	2,845.97	38.86%
EBITDA Margin	37.53%	46.78%	55.54%	21.65%
Adjusted EBITDA	1,363.09	1,852.86	2,589.54	37.83%
Adjusted EBITDA Margin	34.66%	44.19%	50.53%	20.75%
ROCE	50.75%	58.48%	73.89%	20.66%
ROE	35.90%	40.82%	36.76%	1.19%
Net Cash from Operating Activities	847.38	1,601.03	1,928.45	50.86%

The operations of the company have grown over the years predominantly based on their internal accruals. The company has been declaring and paying out dividends to shareholders consistently since Fiscal 2012. The profitability of the company is primarily attributable to cost-efficiencies driven by optimization of raw material cost. Cost of material consumed represented 26.90% of the revenue from operations in the Fiscal 2021.

Key Strategies:

- **Leverage leadership position in the specialty chemicals industry to capitalize on industry opportunities.**

The global chemicals market is valued at US$ 4,738 billion in 2019 with China accounting for 40% of the market share. The global chemicals market is expected to grow at a CAGR of 6.2% to US$ 6,785 billion from 2019 to 2025. The overall market for specialty chemicals was valued at US$ 800 billion in 2019, and is expected to record a growth rate of 5% to 6% over the next five years. The tightening of environmental norms in China and the recent trade dispute between China and the United States has reduced Chinese exports and resulted in shifting the source of key raw materials from China to India. This tightening of the environmental norms have resulted in increase in operating costs, closure and relocation of manufacturing facilities along with rising labour costs. While these may not be permanent trends, these will involve significant costs of production for Chinese companies, enabling India to significantly strengthen its position in the global Supply chain and position itself as a viable alternative for global players seeking a de-risked supply chain while retaining sourcing costs. Pharmaceuticals and agrochemicals sectors are expected to benefit from this as Chinese manufacturers continue to operate at lower capacity levels, given increased monitoring of safety standards and compliance norms. The company believes they are well positioned to capitalize on these opportunities in the specialty chemicals segment due to lower cost of production in India as compared to imports from China and based on established relationships with multinational corporations. In particular, the company proposes to introduce new products with varied applications across industries, and continue to design catalysts to improve process and cost efficiencies in operations. The company aims to achieve this by leveraging on their existing R&D capabilities, as well as by evaluating strategic acquisition opportunities. The company also intends to capitalize on the growing demand for the products by expanding their manufacturing capacities and strengthening their distribution network in existing markets and gaining access to newer markets.

- **Leverage the R&D capabilities and understanding of catalysis to continue process re-engineering, further enhancing product portfolio.**

  The company intends to continue to focus on specialty chemicals that find applications in high-growth industries and leverage their deep understanding of complex chemistries to create an alternate supply chain for their customers using cleaner technologies and cost effective processes. To expand product portfolio, the company seeks to identify products with high demand that only limited manufacturers produce within India and globally. The company also intends to continue to explore high margin downstream product lines, which have low competition and multiple applications. For instance, the company is in the process of developing a portfolio of stabilizer products to be used as additives/ stabilizers by manufacturers. They are similarly engaged in developing catalytic systems to make intermediates for application in high-growth industries including paints and coatings, adhesives and sealants that are expected to be driven by growth in the infrastructure segment. The company aims to continue to refine their existing processes in terms of improving yields and efficiencies, and enhancing backward integration, by leveraging their expertise on complex chemistries such as halogenation, hydrogenation, oxidation, Grignard chemistry, and coupling reactions that they have generated over time. The company intends to develop eco-friendly, cost effective processes through biphasic or triphasic reactions, in the form of either vapour-phase reactions, liquid-solid reactions, or liquid-liquid solid reactions. The company is also in the process of expanding their R&D infrastructure by setting-up an additional R&D unit at Facility III at Kurkumbh (Maharashtra), where they propose to install R&D equipment for synthesizing new products and certain catalysts under development.

- **Expand manufacturing capacities of existing products and set up additional capacities for new products**

  The company's product portfolio is aligned to the changing global and Indian trend of environmentally friendly chemicals, and they intend to leverage on the aggressive growth rates of their products. For instance, the global market for MEHQ, Anisole and AP is expected to grow at approximately 5% to 6% over the next five years, and for BHA, 4-MAP and DCC is expected to grow by approximately 4% over the same period. To cater to the growing demand from their existing customers and to meet requirements of new customers, the company intends to and is in the process of expanding the manufacturing capacities for few of their existing products. The company also intends to add manufacturing capacities for certain new products that will form part of their stabilizer/ additive product portfolio that they are in the process of developing, for application in paints and coatings, pharmaceutical, flavours and fragrance, and agriculture industries. The markets for paints and coatings, pharmaceutical chemicals, flavours and fragrance, and agrochemical industries are expected to grow at CAGRs of 5.1%, 6.1%, 5.2% and 5.8% from 2019 to 2025, respectively To achieve expanded capacities, the company have recently set-up a unit at their third manufacturing facility that is being constructed adjacent to existing facilities at Kurkumbh (Maharashtra), and have recently been allotted land for the construction of a fourth facility in Kurkumbh (Maharashtra).

- **Continue to strengthen the presence in India and expand sales and distribution network in international markets**

  In order to serve the existing direct end-use customers and distributors, as well as to secure new direct end-use customers and distributors and expand the reach of the products to new markets, the company intends to expand globally. They intend to achieve this by having dedicated teams whose primary focus will be on exports in international markets and in certain focus geographies, such as Europe, China and Americas. The company intends to create a distribution network and channel partners across geographies and build capabilities to serve such jurisdictions. The focus will be to increase the number of stock points the company has globally and strengthen the sales team in India to ensure that the company is able to deliver products to their customers in a timely manner. Going forward, the company intends to continue to leverage their existing sales and marketing network, diversified product portfolio and industry standing to establish relationships with new multinational, regional and local customers and expand the company's customer base to grow their market share effectively.

Key Growth Drivers:

- Companies can invest in exploring strategic energy management and strategic water management to cut down their energy costs and contain water availability concerns

- Companies need to invest in exploring the right product mix to be competitive and profitable

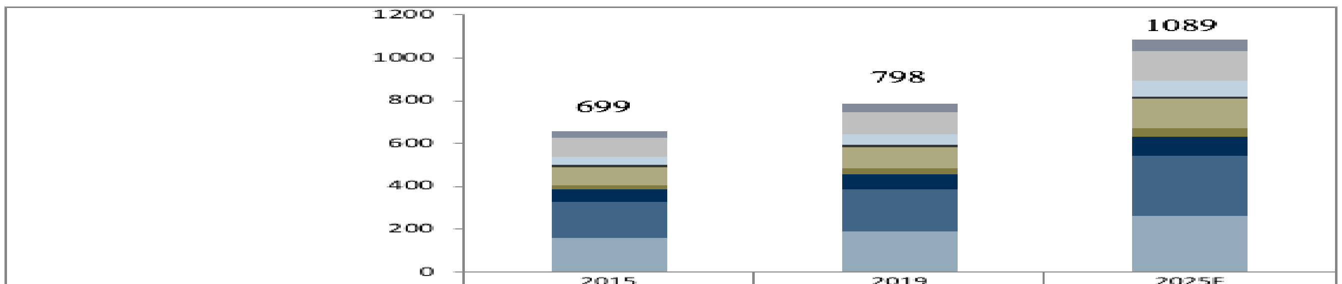
- Export demand and domestic market dependence

- There are good opportunities in segments such as Speciality Chemicals, Speciality Polymers, for catering to huge emerging domestic demand as also as a manufacturing hub.

Industry Snapshot:

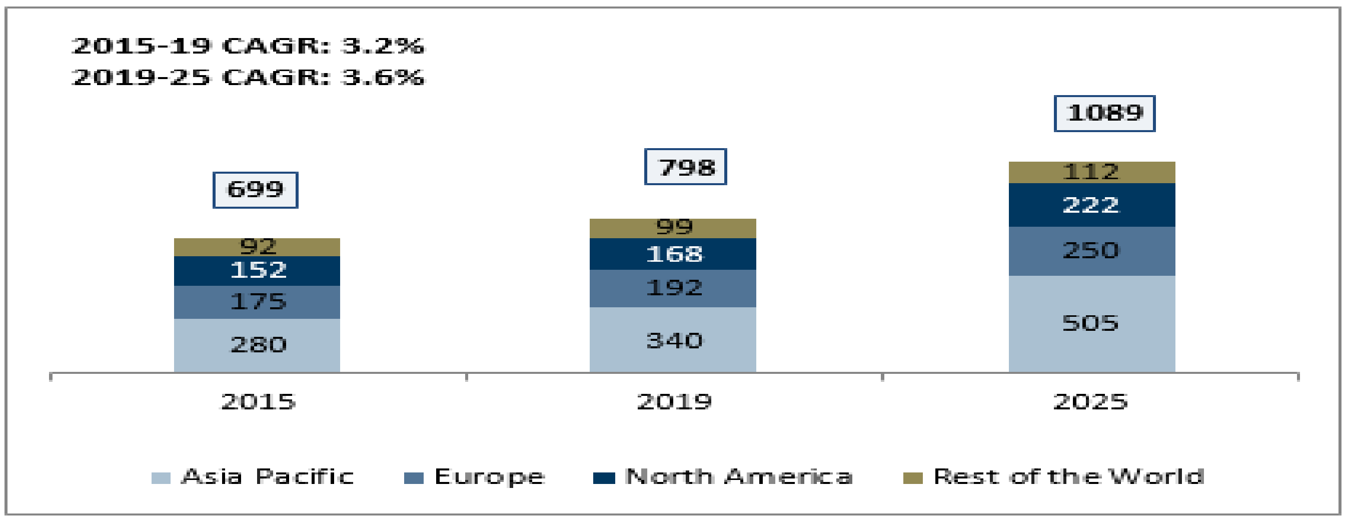
- **Overview of the Global Specialty Chemicals Market.**

  - **Value of the market of global specialty chemicals, categorized based on the industries and applications for such chemicals (in USD billion):**

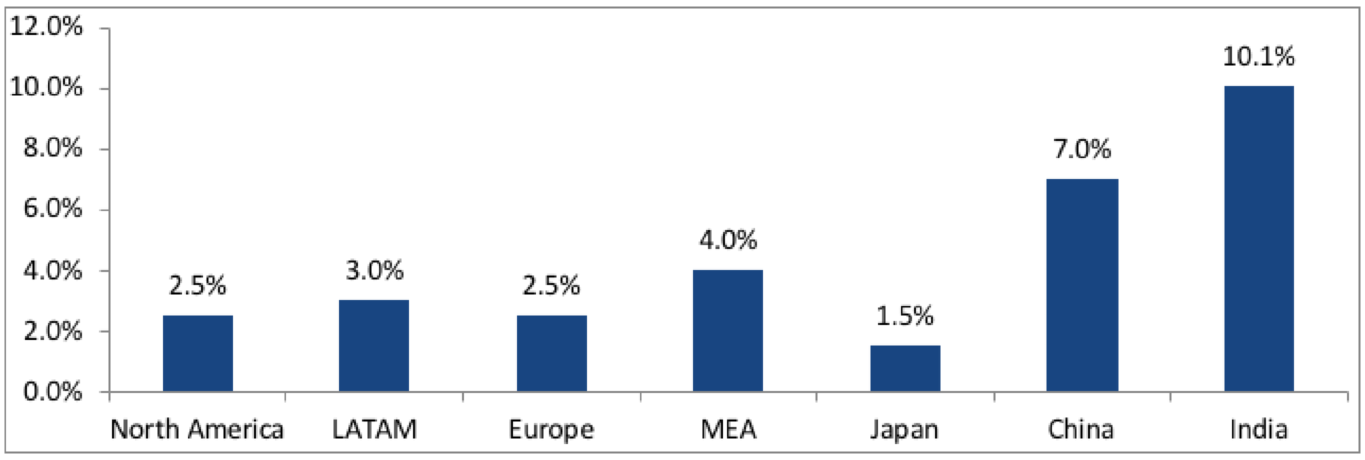


	2015	2019	2025F
Flavours & Fragrances Ingredients	33	40	54
Construction Chemicals	86	103	139
Water Treatment Chemicals	42	51	70
Textile Chemicals	9	10	13
Home & Personal Care	81	99	138
Paints & Coatings Additives	23	28	38
Dyes and Pigments	58	68	90
Pharma API	166	199	281
Agrochemicals & Fertilizers	161	189	263

  - **Value of the market of global specialty chemicals, categorized based on geography (in USD billion):**



  - **Region-wise Specialty Chemicals Growth, 2019-2025**



Source: Frost & Sullivan

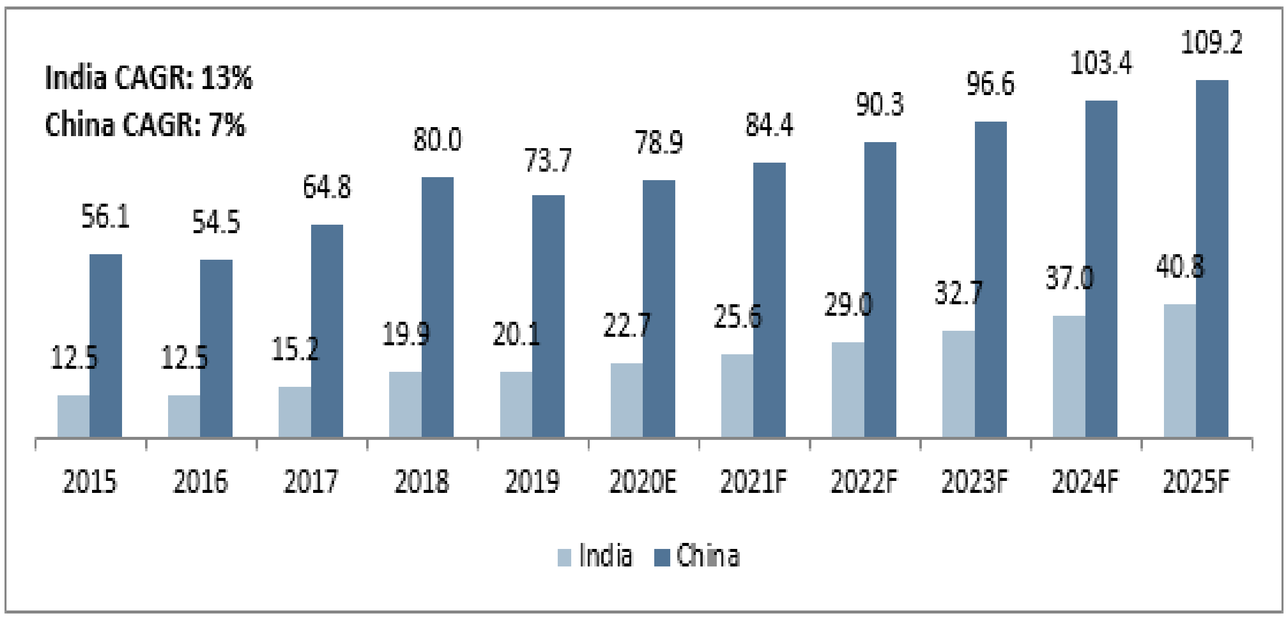
  - **The Growing Consumption of Green Chemicals**: With an increase in awareness of the ill-effects of certain chemicals on humans and the environment, there is a growing trend in the chemicals industry to shift towards what is known as "green chemicals" or more accurately "sustainable chemistry"(environmentally friendly products). These are products which are bio-degradable and which show a significant reduction in environmental impact when applied. The evolution of green chemistry in the chemical industry will be a critical trend fuelling the growth of the green chemicals market. The global green chemicals market is expected to grow by USD 45 billion by 2025 at a CAGR of 10.5% between 2019 and 2025.

  - **Evolution of Green Chemistry:** Green chemistry is an emerging focus among manufacturing industries that minimizes pollution at a molecular level. The idea is that companies can adopt new scientific processes to minimize the toll their products take on the environment. Green chemistry is the design of chemical products and processes that reduce or eliminate the use or generation of hazardous substances. Green chemistry applies across the life cycle of a chemical product, including its design, manufacture, use, and ultimate disposal. Companies are actively designing novel concepts to reduce emission of hazardous substances. The changes can be as large as changing the entire chemistry or even as small as changing certain catalysts to reduce carbon footprints. Companies are actively switching their production process to green chemistry

- **India – Racing Ahead of China:** Exports are on the rise as India is becoming a central manufacturing hub for such chemicals. Tightening of environmental norms (e.g. REACH registration, evaluation, authorisation and restriction of chemicals regulations) in developed countries and the slowdown of China are contributing to the growth of exports. China's specialty chemicals market has seen a downturn in recent years due to various factors, the most prominent being the introduction of stringent environmental norms. Tightening environmental protection has resulted in new business operating costs and factory closures in high-polluting sectors, which in turn has weighed on industrial production. In 2018, an estimated 40% of the chemical manufacturing capacity in China was temporarily shut down for safety inspections, with over 80,000 manufacturing units charged and fined for breaching emission limits.

Major indicators for positive impacts on the specialty chemicals segment in India include the success of 'Make in India' and governments' permit for 100% foreign direct investment ("FDI"), in terms of competitive manufacturing costs, higher investments in R&D, cheaper raw material availability/transport, strong demand from end-use segments, overall supportive ecosystem, etc. Within the specialty chemicals, manufacturing of fine chemicals (pesticide ingredients as well active pharmaceutical ingredients), flavour ingredients, fragrance ingredients, surfactants and colorants will be the most attractive segments in the next half decade. This is predominantly due to their strong growth potential, highly differentiated products folio and high penetration levels. Moreover, India's specialty chemical companies are gaining favour with global multinational corporations because of the geopolitical shift after the COVID-19 outbreak as the world looks to reduce its dependence on China.

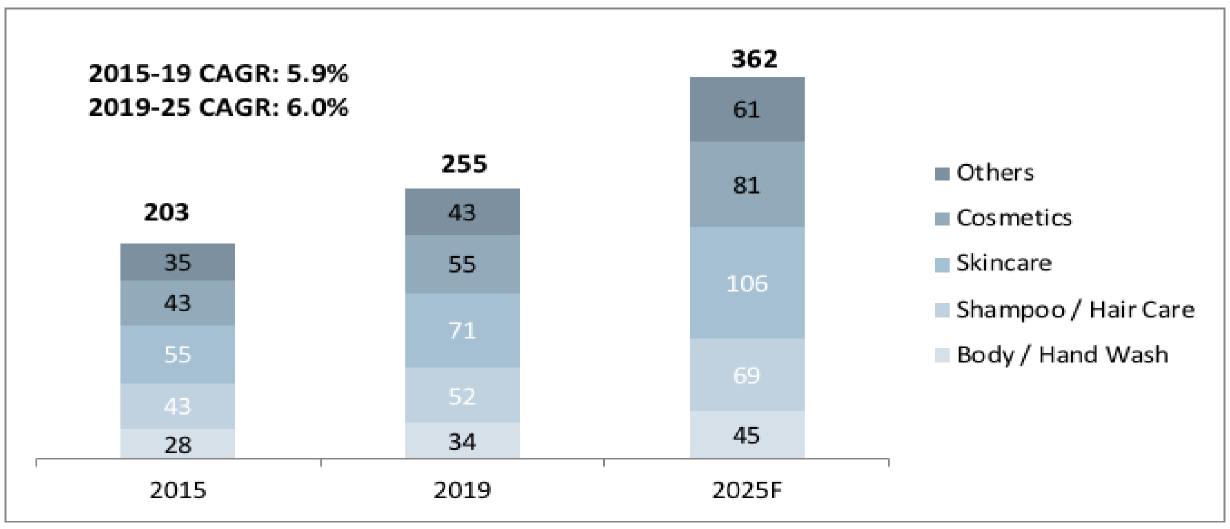
Chemicals Exports Trend – India v. China (2015 – 2019 Actuals, 2020 – 2025 Forecast), USD billion



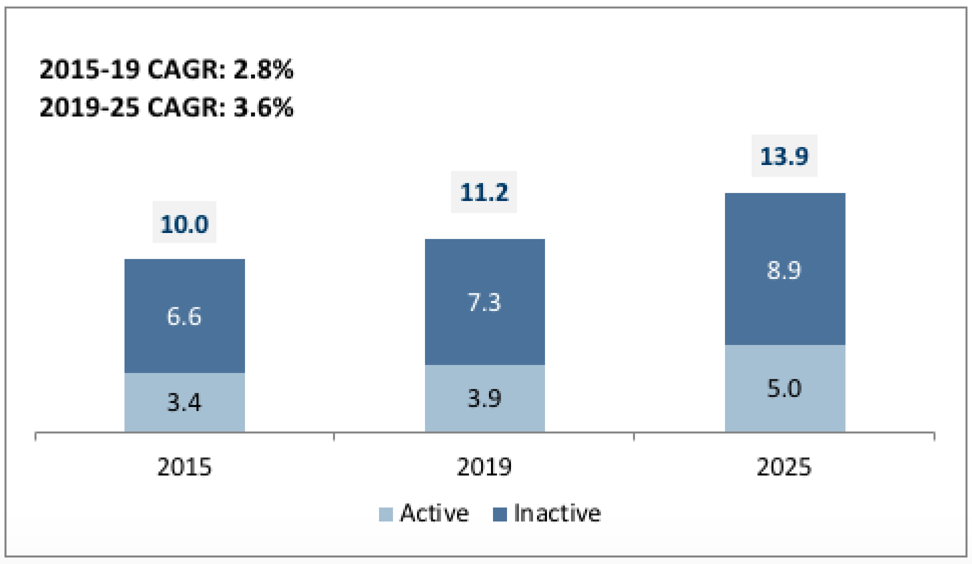
➢ **Overview of the Global Personal Care Market:**

- The Global Personal Care market has shown steady growth of 5.8% till Fiscal 2019 and is expected to grow at 6% between 2019 and 2025. The main drivers are increasing disposable income, a growing middle class population and other trends such as men's grooming and increased hygiene awareness. With increasing internet penetration and social media, cosmetics and skin care products are expected to drive the market of personal care products across the globe.

- **Global Personal Care Market Forecast, Value (USD billion), 2015, 2019 and 2025 Forecast**



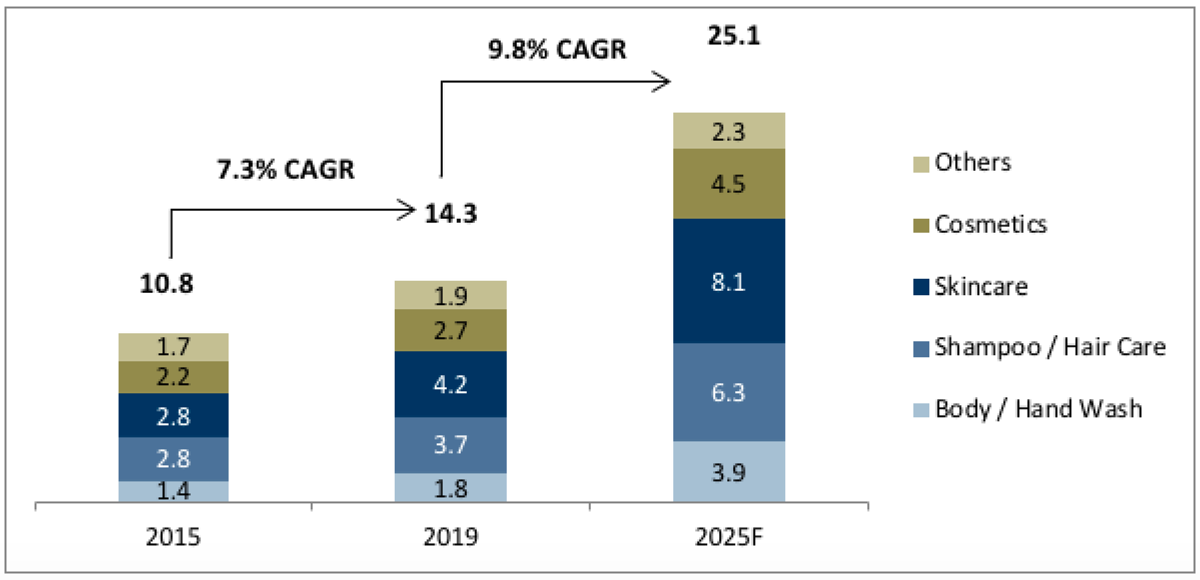
- **Global Personal Care Ingredients Market, Value (USD billion), 2015, 2019 and 2025 Forecast**



➢ Overview of the India Personal Care Market

- The personal care industry in India is pegged at USD 14.3 billion, and expected to grow at a CAGR of 9.8% to reach USD 25 billion by 2025. Increasing disposable income and a young rising middle class are significant factors driving the market in the country

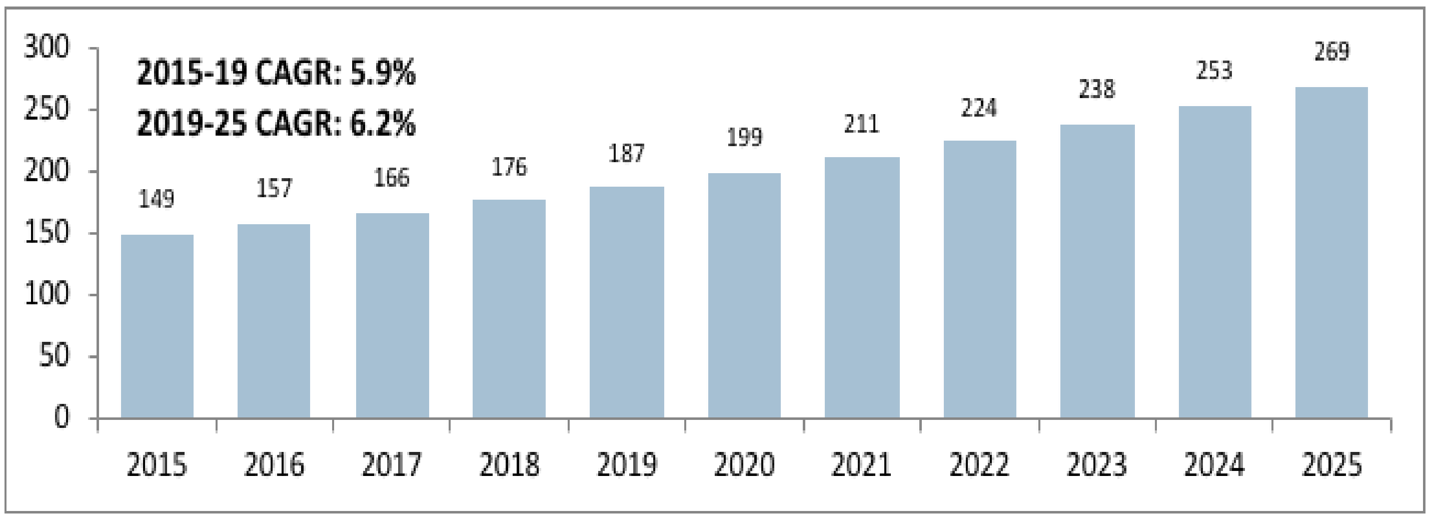
- **Indian Personal Care Market Forecast, Value (USD billion), 2015, 2019 and 2025 Forecast**



➢ Overview of the Global Pharmaceutical Market

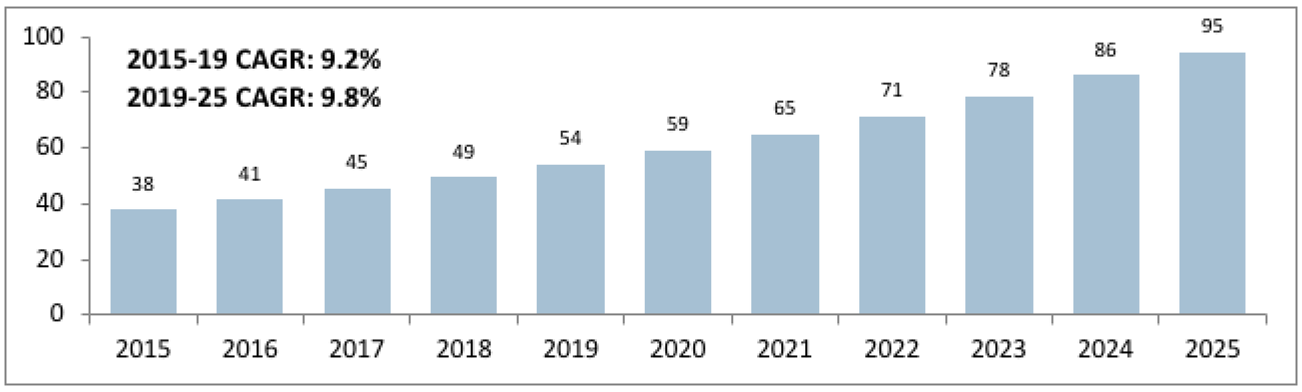
- The Global Pharmaceutical market was valued at USD approximately 1.3 trillion in 2019 with a steady growth rate in past of CAGR 4% since 2015. Going forward, it is expected to grow at 4.5% from 2019 till 2025. The global active pharmaceutical ingredient (APIs) market has shown steady growth of 5.8% since 2015 and is expected to further grow at 6.2% due to an increased focus on developing geographies.

- **Global KSM & API, Industry size (USD billion), 2015-2025 Forecast**



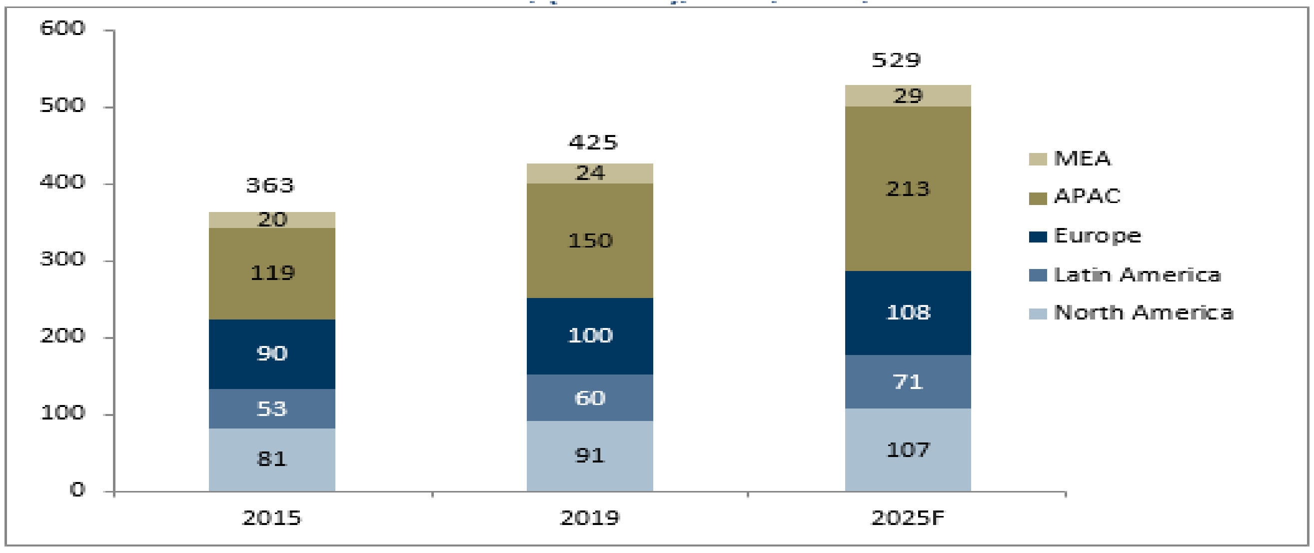
KSM: Key Starting Material
API: Active Pharmaceutical Ingredient

- **Indian KSM & API Industry size (USD billion), 2015-2025 Forecast**



➢ **Overview of the Global Animal Feed Market**

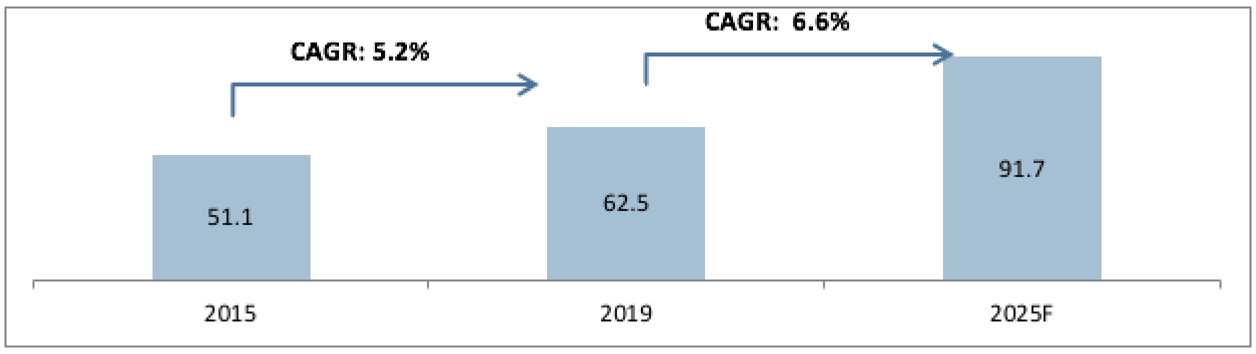
- **Global Animal Feed Market, (USD billion), 2015, 2019 and 2025**



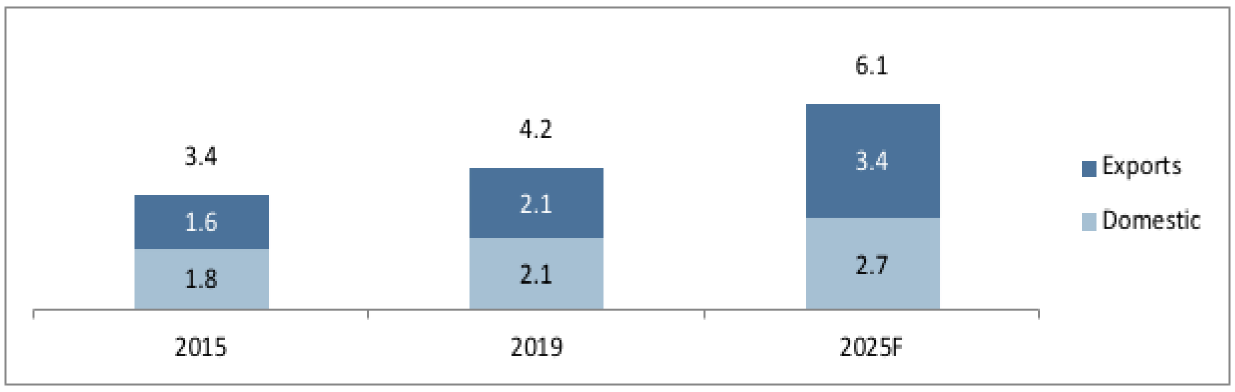
➢ **Overview of the Global Agrochemicals Market**

- The global agrochemicals market was valued at USD 62.5 billion in 2019 and is forecasted to reach USD 92 billion by 2025 growing at a compound annual growth rate (CAGR) of 6.6%. The rising population across the world, accompanied by rising affluence, is seeing a shift in consumption patterns.

- **Global agrochemicals market (in USD billion), 2015, 2019 and 2025 Forecast**



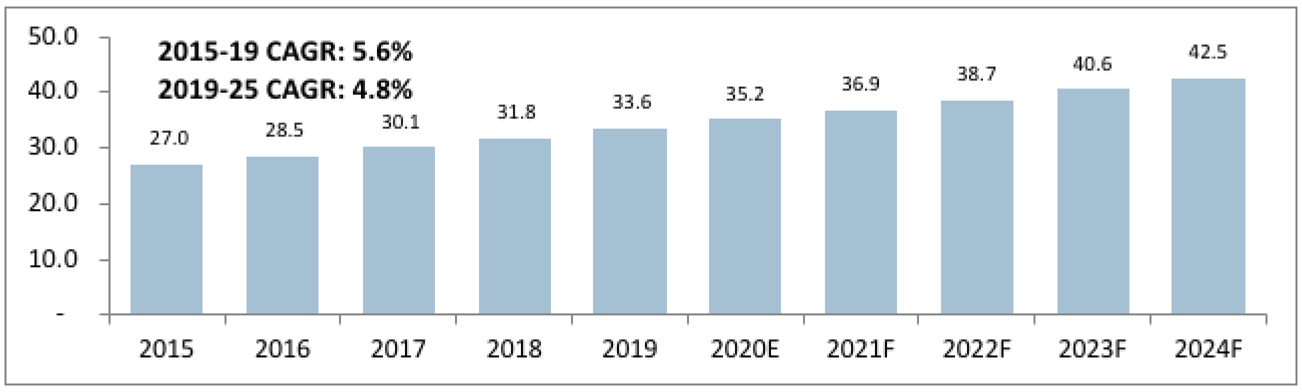
- **Indian crop protection chemicals market by exports and domestic consumption (USD billion)**
  India was world's third largest pesticide exporter by volume in 2018. China leads the exports of pesticides with 27% market share in the world exports followed by Germany (8.3%), India (8%), US, Belgium, France.



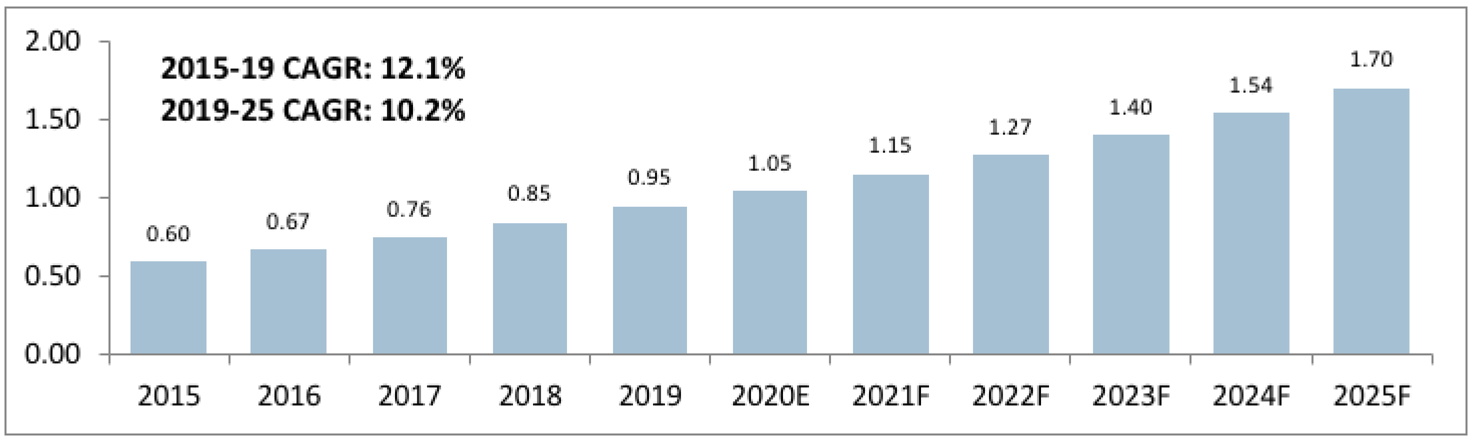
- **Overview of the Global Flavours & Fragrances Market**

  - The flavour and fragrance industry is a USD 31 billion global market. The market is expected to grow at a CAGR of 4.8% between 2019 and 2025. Historically the market has grown at 5.6% from USD 25.6 billion in 2014 to USD 33.6 billion in 2019.

  - **Global Flavours & Fragrances Market: Current & Future (USD billion), 2019-2025 Forecast**



  - **India Flavours & Fragrances Market ("F&F") Overview:**
    The Indian flavour and fragrance industry was valued at USD 0.95 billion in 2019. The market is expected to grow at a CAGR of 10.2% between 2019 and 2025.



Key Risk:

- The company's operations are relying on their research and development capabilities, and their failure to continue to create catalytic processes might have a negative impact on the business.

- The company's intellectual property may not be effectively protected because none of their catalytic methods are patented, which could have a substantial negative effect on the company and performance of operations.

- The company's success is dependent on the strength of their client connections. Certain major customers account for a considerable amount of the business, and the loss of one or more of these clients might result in a downturn in their financial situation.

- The company relies on their manufacturing plants, and their production procedures expose the company to significant risks.

- The company does not enter into long-term agreements with the majority of their clients, and their failure to do so would have a substantial negative impact on their company, operating performance, and financial condition.

- The company does not have long-term agreements with their raw material suppliers, and a rise in the cost of, or a shortage in the accessibility or grade of these raw materials in a timely or adequate way, might harm their company and results of operations.

- There are ongoing legal procedures against their company and its executives and directors. Any negative outcome in these actions might harm their image, company, and financial situation.

- The company have certain capital commitments that have not been provided for in the financial statements, which if they materialise, may adversely affect the financial condition.

- Exchange rate fluctuations may adversely affect the results of operations of the company as their sales from exports and a significant portion of their expenditures are denominated in foreign currencies.

- Adverse geopolitical conditions between India and China.

Valuation:

Clean Science and Technology, a family-owned firm, is among the few companies globally focused entirely on developing newer technologies using in-house catalytic processes, which are eco-friendly and cost competitive.

The company is available at the upper end of the IPO price band, it is offered at 48.2x its FY21 earnings, with a market cap of Rs. 95,597 million. In comparison, Vinati Organics trades at 77.4 times its FY2021 EPS of Rs 26.2, Fine Organics Industries trades at 75 times its FY2021 EPS, Atul trades at 42.2 times its FY2021 EPS of Rs 221.6, SRF trades at 37 times its FY2021 EPS of Rs 202.2, Navin Fluorine International trades at 76.1 times its FY2021 EPS of Rs 49.9 and PI Industries trades at 62.2 times its FY2021 EPS of Rs 48.7. Further on FY21 earnings basis the company is trading below the Industry average of 55.4x.

Company possesses a healthy balance sheet and robust return ratios profile (FY21 RoE at 36.8%). We recommend a "**Subscribe**" rating to this IPO.

Comparison with Listed Industry Peers

Name of the company	Total Income (₹ in million)	Face Value per Equity Share (₹)	Closing price on June 11, 2021 (₹)	P/E	EPS (Basic) (₹)	EPS (Diluted) (₹)	RoNW (%)	NAV per equity share (₹)
Clean Science and Technology Limited	5,380.71	1.00	[•]	[•]	18.68	18.68	36.76%	50.81
Listed Peers								
Vinati Organics Limited	9,801.02	1.00	1,792.90	68.43	26.2	26.2	17.45%	150.16
Fine Organic Industries Limited	11,503.16	5.00	2,980.25	75.93	39.25	39.25	16.45%	238.57
Atul Limited	38,344.50	10.00	8,850.00	40.01	221.17	221.17	17.11%	1,303.66
Camlin Fine Sciences Limited	11,920.87	1.00	175.35	47.65	4.13	3.68	9.16%	55.93
SRF Limited	84,545.30	10.00	7,065.10	34.37	205.54	205.54	17.47%	1,157.30
Navin Flourine International Limited	12,584.37	2.00	3,347.70	64.43	52.03	51.96	15.76%	330.06
PI Industries Limited	47,019.00	1.00	2,835.35	56.83	49.92	49.89	13.82%	352.13

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Ratings Methodology

- Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>₹300 Billion) and Mid/Small Caps (<₹300 Billion) or SEBI definition vide its circularSEBI/HO/IMD/DF3/CIR/P/2017/114 dated 6th October 2017, whichever is higher and as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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