

## Research Team

## Issue Details

Issue Details	
Issue Size (Value in Rs. million, Upper Band)	5,000
Fresh Issue (No. of Shares in Lakhs)	20.78
Offer for Sale (No. of Shares in Lakhs)	25.39
Bid/Issue opens on	16-Jul-21
Bid/Issue closes on	20-Jul-21
Face Value	Rs. 10
Price Band	1073-1083
Minimum Lot	13

## Objects of the Issue

## The Fresh Issue: ₹2,250 Million

- Funding capital expenditure requirements for expansion of the Dahej Manufacturing Facility.
- Funding capital expenditure requirements for upgradation at the R&D facility in Vadodara and
- General corporate purposes.

## Offer for Sale: ₹ 2750 Million

- The company will not receive any proceeds from the Offer for Sale.

Book Running Lead Managers	
ICICI Securities Limited	
JM Financial Limited	
Registrar to the Offer	
Link Intime India Private Limited	

Capital Structure (₹ Million)	Aggregate Value
Authorized share capital	400.00
Subscribed paid up capital (Pre-Offer)	200.88
Paid up capital (Post - Offer)	221.65

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	100.0	79.2
Public	0.0	20.8
Total	100.0	100.0

## Financials

Particulars (Rs. In Million)	FY21	FY20	FY19
Revenue from operations	3003.6	2632.4	2063.1
Operating expenses	2346.6	2082.9	1725.1
<b>EBITDA</b>	<b>657.0</b>	<b>549.5</b>	<b>338.0</b>
Other Income	59.3	13.8	4.9
EBIDT	716.4	563.4	343.0
Interest	42.1	39.5	36.3
Depreciation	67.3	47.9	40.2
PBT	607.0	476.0	266.4
Tax	84.3	98.1	68.5
<b>Consolidated PAT</b>	<b>522.6</b>	<b>377.9</b>	<b>197.9</b>
Minority/other adj.	-	-	-7.5
<b>Consolidated PAT</b>	<b>522.6</b>	<b>377.9</b>	<b>205.4</b>
Ratio	FY21	FY20	FY19
EBITDAM	21.9%	20.9%	16.4%
PATM	17.4%	14.4%	10.0%

## Company Description

Tatva Chintan Pharma Chem Ltd is a specialty chemicals manufacturing company engaged in the manufacture of a diverse portfolio of Structure Directing Agent (SDAs), Phase Transfer Catalyst (PTCs), electrolyte salts for super capacitor batteries and pharmaceutical and agrochemical intermediates and other specialty chemicals (PASC). The Company is the largest and only commercial manufacturer of SDAs for zeolites in India. It also enjoys the second largest position globally.

As of March 31, 2021, The Company have offered 47 products under their SDA product portfolio, 48 products under the PTC product portfolio, 6 products under the electrolyte salts for super capacitor batteries portfolio and 53 products under their PASC portfolio.

The Company operates through two manufacturing facilities situated at Ankleshwar and Dahej in Gujarat, both of which are strategically located very close to the Hazira port. These manufacturing facilities have an annual installed reactor capacity of 280 KL and 17 Assembly Lines.

Considering the wide application of their products, the company serve customers across various industries, including the automotive, petroleum, pharmaceutical, agro chemicals, paints and coatings, dyes and pigments, personal care and flavor and fragrances industries. Apart from their customers in India, the company also export their products to over 25 countries, including the USA, China, Germany, Japan, South Africa, and the UK. During the Fiscals ended March 31, 2019, 2020, and 2021, exports of products amounted to 1,435.19 million, 2,020.20 million and 2,119.92 million, which accounted for 69.57%, 76.74%, and 70.58%, of the company's revenue from operations, respectively.

The customers of the Company include Merck, Bayer AG, Asian Paints Ltd., IpoX Chemicals KFT, Laurus Labs Ltd, Tosoh Asia Pte. Ltd., SRF Limited, Navin Fluorine International Limited, Oriental Aromatics Ltd., Atul Limited, Otsuka Chemical (i) Pvt Ltd., Meghmani Organics Limited, Divi's Laboratories Limited, Hawks Chemical Company Limited, Firmenich Aromatics Prod.(I) Pvt. Ltd., Jiangsu Guotai Super Power New Materials Co., Ltd. and Jade Chem Co. Ltd.

## Valuation

The company recorded revenue growth of 21.7% CAGR in FY19-21 supported by higher volume growth across the segments and the company able to improve its margin along with better working capital management and operating leverage is likely to play out, it can aid FCF considerably over the years.

The company is available at the upper end of the IPO price band at 45.9x its FY21 earnings, with a market cap of Rs. 24,005 million. Further on FY21 earnings basis the company is trading below the Industry average of 56.05x. Looking at the P/B ratio on the upper price band, book value and P/B are Rs. 82.6 and 13.11 multiple respectively.

The company focus on new products either through backward/forward integration, strong customer and opportunities on account China issues, will benefit the company in the medium term. Considering positive momentum in the chemical sector. We are positive on the long-term prospects of the Company. Hence, we recommend a "Subscribe" rating to this IPO.

The Company is one of the leading global producers of an entire range of PTCs in India and one of the key producers across the globe. As a manufacturer of specialty chemicals, the company focus on application of their products which form a key ingredient to their customers manufacturing and industrial processes. For instance, their SDA and PTC products have various applications in green chemistry, which is pertinent considering the growing focus on green and sustainable technologies. The company continuously strive to improve their processes and infrastructure to help reduce their impact on the environment and have accordingly, undertaken various 'green' chemistry processes such as electrolysis.

As on March 31, 2021, the company has manufactured over 154 products which can be divided into the following four broad categories:

- **Structure Directing Agents:** The Company's SDAs are quarternary salts which are chemicals which helps in the formation of particular channels and pores during the synthesis of zeolites. Zeolites have varied applications including as catalysts and adsorbents. In particular, zeolites promoted with transition metals such as copper and iron have been proven to be active for the selective catalytic reduction, which is currently considered as one of the preferred technologies for emission control in automotive applications. With a great focus on green technology and a healthy environment, industries are evaluating new technologies by investing in R&D. New and innovative applications are driving the growth of the zeolite market, in turn driving the quaternary ammonium compounds market. During the Fiscals ended March 31, 2019, 2020, and 2021, the revenue of the company from sale of SDAs was ₹ 253.83 million, ₹ 1,016.54 million, and ₹ 1,202.43 million, respectively, which accounted for 12.30%, 38.62% and 40.03% respectively, of the company's revenue from operation.
- **Phase Transfer Catalysts:** The Company's PTCs are used to facilitate the migration of a reactant from one phase into another phase where the reaction occurs, in a heterogeneous multi-phase system. PTCs are used for a variety of industrial processes. Phase transfer catalysts are a type of catalyst that allows a reactant to be migrated from one phase to another where the reaction takes place eliminating the need for costly and unsafe solvents that can dissolve all reactants in one phase, and costly raw materials minimizing the issue of waste. Phase transfer catalysts are widely used in green chemistry applications. Therefore, the increasing global focus of the chemical industry on reducing residual waste and reducing the use of organic solvents is boosting the market for catalysts for phase transfer.  
During the Fiscals ended March 31, 2019, 2020, and 2021, the revenue from sale of PTCs was ₹ 864.06 million, ₹ 749.11 million, and ₹ 816.12 million, respectively, which accounted for 41.88%, 28.46% and 27.17% respectively, of the company's revenue from operations.
- **Electrolyte salts for super capacitor batteries:** The Company's electrolyte salts are used in the manufacture of super capacitor batteries, which are used in automobile batteries and other batteries. The Company is the largest producer of electrolyte salts for super capacitor batteries in India.  
During the Fiscals ended March 31, 2019, 2020, and 2021, the revenue from sale of electrolyte salts for super capacitor batteries was ₹ 32.02 million, ₹ 46.29 million, and ₹ 30.35 million, respectively, which accounted for 1.55%, 1.76%, and 1.01% respectively, of the company's revenue from operations.
- **Pharmaceutical and agrochemical intermediates and other specialty chemicals:** The products manufactured by the company under this category are used in the manufacture of various pharmaceutical and agrochemical products as intermediates, disinfectants and catalysts, and solvents. In addition, the company also manufacture specialty chemicals under this category that are used in dyes and pigments, personal care ingredients, flavour and fragrance sectors.  
During the Fiscals ended March 31, 2019, 2020, and 2021, the company's revenue from sale of PASC was ₹ 874.58 million, ₹ 764.91 million, and ₹ 912.18 million, respectively, which accounted for 42.39%, 29.06%, and 30.37% respectively, of the company's revenue from operations.

The Company, which was incorporated on June 12, 1996, currently operates through two manufacturing facilities situated at Ankleshwar and Dahej in Gujarat, both of which are strategically located very close to the Hazira port. These manufacturing facilities have an annual installed reactor capacity of 280 KL and 17 Assembly Lines, as on March 31, 2021. The manufacturing facilities employ various modern machinery and equipment, including reactors, Assembly Lines, ANFDs, centrifuges and RCVDs. These equipment enable the company's facilities to undertake various chemistry processes, such as, quaternization, methylation, amination, phase transfer reactions, cyclization, halogenation, condensation, and electrolysis. As part of the company's eco-friendly and environmentally sustainable initiatives, they have adopted various 'green' chemistry processes, including electrolysis as part of their manufacturing process. Besides the single starting raw material, electrolysis only uses water and electricity to produce the target product. Considering that no additional chemicals are used, this helps ensure the company do not generate any additional waste or by-products. Over the years, the company have invested in their processes and their manufacturing infrastructure and systems. From Fiscal 2019 to Fiscal 2021, the company's installed reactor capacity grew from 160 KL to 280 KL, and the Assembly Lines grew from 10 Assembly Lines to 17 Assembly Lines respectively

The company have a dedicated R&D facility that is recognized by the Department of Scientific and Industrial Research ("DSIR"), Government of India, at Vadodara, Gujarat, with state-of-the-art research and development infrastructure. Further, the company have developed 22 products, 15 products, and 16 products, respectively, in the Fiscals ended 2019, 2020, and 2021, respectively, which have contributed ₹ 9.94 million, ₹ 57.63 million and ₹ 0.01 million to their total revenue, amounting to 0.48%, 2.18%, and 0.00 (negligible)%, of their total revenue, in the respective periods. Further, 82 products have been developed by the company since March 31, 2011, and these products have contributed ₹ 710.43 million, ₹ 549.11 million and ₹ 266.26 million to their total revenue, which constituted 23.19%, 20.75%, and 12.88% of their total revenue, in Fiscals 2021, 2020, and 2019, respectively.



The Company is promoted by Chintan Shah, Ajay Patel and Shekhar Somani, who each have over 24 years in the specialty chemicals manufacturing industry and have established strong business relationships with domestic as well as overseas customers. In addition, the company is led by a well – qualified and experienced management team, which they believe has demonstrated its ability to manage and grow their operations and has substantial experience in the sectors in which they operate. The Company believe that the knowledge and experience of their management team provides them with a significant competitive advantage as they seek to grow their business.

In the Fiscals 2019, 2020, and 2021, their total revenue was ₹ 2,068.01 million, ₹ 2,646.22 million, and ₹ 3,062.92 million, respectively. The profit after tax in Fiscal 2021 was ₹ 522.62 million. The Company have been able to increase their total revenue and the profit after tax from Fiscal 2019 to Fiscal 2021 at a CAGR of 21.70% and 59.50% respectively. The EBITDA has grown to ₹ 716.35 million for Fiscal 2021 from ₹ 342.96 million for Fiscal 2019. As on March 31, 2021, the debt-to-equity ratio was 0.54. Further, in the Fiscals ended 2019, 2020, and 2021, the ROCE was 26.36%, 31.96%, and 32.98%, respectively. In the Fiscals ended 2019, 2020, and 2021, the ROE was 25.78%, 32.11%, and 31.49% respectively.

#### **Strengths:**

##### ➤ **Leading manufacturer of structure directing agents and phase transfer catalysts, with consistent quality**

With very few players in the Indian and global market, the Company is the largest and only commercial manufacturer of SDAs for zeolites in India. It also enjoys the second largest position globally. The Company believe their strategically located manufacturing facilities and robust and technically sound R&D capabilities have enabled them to maintain the quality of their products. The Company believe that their large manufacturing capacity, consistent growth, experienced management, global footprint, and high-quality products makes them a reliable supplier of SDAs and PTCs.

The Company's key chemistries and products are gaining importance in the global market. The global production of tetramethyl ammonium hydroxide was valued at around USD 1.2 billion in 2019. Having multiple applications, to inhibit nanoparticle aggregation, the tetramethyl ammonium hydroxide market is expected to grow at over 7% CAGR through 2020-25F with Korea and China dominating the market. However, with just 2-3 players in the domestic market, the Company stands an opportunity to expand and explore the global market. The SDA market remains highly consolidated with a handful of players operating at the global level. Opportunities in the automotive industry continue to grow, as compliance with the regulations regarding the emission control in commercial vehicles becomes a mandate worldwide. The Company has managed to build a market for itself in India and across the globe with its in-depth knowledge of the chemistry. On a domestic level, the company is the only manufacturer in India. They have developed their technology to ensure production of high purity SDAs with PPM level of impurities.

India represents approximately 6% of the global quaternary ammonium compounds (which includes the SDAs) market standing at USD 61 million. The Asia Pacific region represents approximately 28% of the market excluding India. The demand for quaternary ammonium compounds is growing in the Asia Pacific region owing to the increasing disposable income of the people in China, and India, which is increasing the sales of personal care products. The Asia Pacific region is forecasted to grow with the highest CAGR of 7-8% during the forecast period (2019-24F). Further, in the coming years, North America is expected to see an increase in demand for quaternary ammonium compounds, due to the multiple applications of compounds in various fields, such as agricultural chemicals, oil and gas, textiles and leather. During the Fiscals ended March 31, 2019, 2020, and 2021, the revenue from sale of SDAs was ₹ 253.83 million, ₹ 1,016.54 million, and ₹1,202.43 million, respectively, which accounted for 12.30%, 38.62% and 40.03% respectively, of the revenue from operations

In addition, the versatile applications of the PTC products as well as the non-regenerative nature of these products, helps in creating recurring demand for the PTC products. During the forecast period (2019-24F), the global phase transfer catalyst market is projected to expand at a CAGR of more than 5% globally. Rising demand and adoption of green chemistry in organic synthesis is expected to drive the growth of the phase transfer catalyst market across the globe. It is anticipated that the global phase transfer catalyst market will cross USD 1.4 billion by 2025F. The growth of the market is driven by a growing appetite for catalysts that can achieve faster reactions, higher yields and generate lower by-products. During the Fiscals ended March 31, 2019, 2020, and 2021, the revenue from sale of PTCs was ₹ 864.06 million, ₹ 749.11 million, and ₹ 816.12 million, respectively, which accounted for 41.88%, 28.46% and 27.17% respectively, of the revenue from operations.

Further, specifically for the purposes of the monitoring and maintenance of quality of the company's products, they have a team of 81 employees of whom 27 are dedicated to quality assurance, and remaining for quality control. They also have a modern quality control lab equipped with modern analytical equipment, which among others, enable the company to give results indicating impurities up to PPM levels, thus facilitating the various quality control initiatives that they undertake. During the Fiscals ended 2019, 2020, and 2021, the average of the total return / rejection of the company's products as a percentage of their consolidated sales under our SDA and PTC product categories, is 0.06% and 0.50% respectively. The company believe their operations are backed by strong manufacturing infrastructure, experienced and knowledgeable senior management team, strong analytical capabilities, and a technically robust R&D team.

##### ➤ **Global presence with a wide customer base across various industries having high entry barriers**

The company supply their products to customers in India and export their products to over 25 countries, including the USA, China, Germany, Japan, South Africa and the UK. During the Fiscals ended March 31, 2019, 2020, and 2021, exports of products amounted to ₹ 1,435.19 million, ₹ 2,020.20 million and ₹ 2,119.92 million, which accounted for 69.57%, 76.74% and 70.58% of the revenue from operations, respectively. The company also have two wholly owned subsidiaries in the USA and Netherlands, to facilitate their overseas operations. In addition, the company participate in various domestic and international industry specific exhibitions and advertise in industry magazines, weekly and daily publications in USA, Europe and India. They also actively participate in events such as Convention on Pharmaceutical Ingredients (Cphi) and Chemspec. The varied applications for their product portfolio have helped them build a wide customer base across many sectors. It has also helped build on existing relationships by enabling them to provide multiple product-oriented solutions for the varying requirements of their existing customers. The Company also believe their customer relationships are led

by their ability to develop innovative processes, meet stringent quality and technical specifications and manufacture customers products in a cost effective and safe manner.

The company have established long standing relationships with marquee players across various industries. The customers of the company include Merck, Bayer AG, Asian Paints Ltd., IpoX Chemicals KFT, Laurus Labs Ltd., Tosoh Asia Pte. Ltd., SRF Limited, Navin Fluorine International Limited, Oriental Aromatics Ltd., Atul Limited, Otsuka Chemical (i) Pvt Ltd., Meghmani Organics Limited, Divi's Laboratories Limited, Hawks Chemical Company Limited, Firmenich Aromatics Prod.(I) Pvt. Ltd., Jiangsu Guotai Super Power New Materials Co., Ltd. and Jade Chem Co. Ltd. Of the entire customer base as of March 31, 2021, 46.86% of these customers have been the customers for less than five years and 53.14 % of these customers have been the customers for over five years.

Further, the company have set out below details of the new customers acquired by them, and the number of customers served by them, during the Fiscals indicated below:

Product category	Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of new customers acquired by the company	110	107	153
Number of customers served by the company	444	445	508

The company believe that their wide customer base across various sectors has helped them to minimize the impact of sector specific disruptions, on their business.

Due to the involvement of complex chemistries in the manufacturing of products and complex production processes requiring high levels of technical knowledge and research and development capabilities, the specialty chemicals industry observes a high barrier to new entrants. Given the nature of the application of products and the complex processes involved, the products are subject to very sensitive and rigorous product approval systems with stringent impurity specifications. Typically, the requirement has to be enlisted as a supplier with customers after lengthy qualification for the products, particularly with the customers in industries such as automotive, petrochemical refineries and pharmaceutical industries where stringent regulatory and industry specific acts as an entry barrier. As a consequence of this, approval of any such product typically takes a few years. Further, the costs involved of approving any change in suppliers of such products are relatively high, consequently disincentivising any such change in suppliers. Customers typically select suppliers after carefully reviewing them and tend to develop long-term relationships with them as well as limit the number of such suppliers.

The specialty chemicals manufacturers enjoy strong entry barriers in the form of vendor acquisition, lengthy and complex product approval, registration process, customer loyalty among others. These barriers help companies ensure sustainable growth. Further, a distinguished and resilient business model is also a unique driver for these companies. The level of technical skill and expertise that is essential for developing in-house innovative processes, undertaking complex chemistries and handling some of the raw materials and intermediates, requires a significant amount of training that can only be achieved over a period of time thereby creating a further entry barrier for new entrants. In addition, with respect to end products manufactured by certain of the company's customers, they believe if the usage of their products has been formally recognised in filings with regulatory agencies, any change in the vendor of the product may require significant time and cost for the customer.

➤ **Diversified specialised product portfolio requiring strong technical know-how.**

The company have, over the years, diversified, expanded, and evolved their operations into manufacturing of pharmaceutical and agrochemical intermediates and other specialty chemicals, which have diverse applications across various industries. The expansion of their product portfolio is primarily driven by the continuously evolving needs and R&D initiatives undertaken by the customers, which is further supplemented by the company's R&D capabilities. Most of the products form part of the base raw materials required for the manufacture of products by the customers. Accordingly, in instances where the customers seek to expand their product offerings, as part of their ongoing R&D, they request the company for new products and chemicals to supplement their ongoing R&D. The Company believe their strength lies in the quick turnaround in developing the product sample, following receipt of request of the new product. As of March 31, 2021, the company offered 47 products under their SDA product portfolio, 48 products under their PTC product portfolio, 6 products under their electrolyte salts for super capacitor batteries portfolio and 53 products under their PASC portfolio. The production of SDAs and electrolyte salts for super capacitor batteries requires strong technical know-how and sound technical expertise. The R&D capabilities and technical expertise has enabled the company to become one of the leading manufacturers of SDAs for zeolites and PTCs in the world.

The products have a wide range of applications. For instance, in a heterogeneous multi-phase system, PTCs help facilitate the migration of a reactant from one phase into another phase where the reaction occurs. Due to this, the PTCs help reduce reaction time and improves selectivity and thereby facilitate various industrial processes. Further, the SDAs also have varied applications including as catalysts and adsorbents. In addition, the agrochemical intermediates that the company manufacture form a part of various pesticides, fungicides, herbicides and such other agrochemical products. Similarly, the pharmaceutical intermediates are used in the manufacture of various pharmaceutical APIs and their other specialty chemicals are used in the manufacture of paints and coatings products, flavours and fragrance, dyes, and certain personal care products. In light of the wide range of applications of the company's products, they are in a position to cater to customers across various industries, including the automotive, petroleum, pharmaceutical, agro chemicals, paints and coatings, dyes and pigments, personal care and flavour & fragrances industries. They believe that their diversified product portfolio has helped accelerate their growth and in innovating the manner they cater to and thus retain both new and existing customers.

➤ **Modern manufacturing facilities with a focus on 'green' chemistry processes**

The Company operates through two of their manufacturing facilities situated at Ankleshwar and Dahej. Their manufacturing facilities are strategically located close to the Hazira port thereby enabling their export and import operations and providing the company a cost and logistics advantage. The Ankleshwar Manufacturing Facility and Dahej Manufacturing Facility, which was established in 1996 and 2017 respectively comprises reactors, Assembly Lines, ANFDs, centrifuges, and RCVDs, with the necessary supporting infrastructure and utilities. The company have also employed the latest available technology such as ANFDs which has helped improve their productivity and the quality of the products manufactured by them. These manufacturing facilities employ advanced analytical equipment that indicate impurities up to PPM levels, which enable them to certify their products as 'ultra-pure' grade.

In addition, the company continuously strive to improve their processes and infrastructure and help reduce the impact on the environment. In this regard, they undertake various 'green' chemistry processes such as electrolysis. The 'green' chemistry are based on the principles of clean chemistry, minimum requirement of auxiliary substances, minimum waste and by-products and safe chemistry. For instance, in electrolysis process, apart from the single starting raw material, the process largely uses only water and electricity to produce the target product. Since the company do not use any additional solvents or other chemicals in this process to make the target product, they do not generate any additional waste or by- products. Typically, they measure 'green' chemistry processes based on the principle of process mass intensity, which is expressed as a ratio of the weights of all raw materials (water, organic solvents, raw materials, reagents, process aids) used, to the weight of the product manufactured. By deploying electrolysis for the manufacture of the products, the company believe they achieve the lowest possible process mass intensity. In addition, the company have successfully converted their Ankleshwar Manufacturing Facility into a 'zero liquid effluent discharge' facility from January 2020. The company have achieved this through various means, which includes recovering all the waste water generated by the facility and reusing it as required. The effluent treatment plant and multi-effect evaporators, supported by a reverse osmosis effluent treatment plant also helped the Ankleshwar Manufacturing Facility achieve the 'zero liquid effluent discharge' status. They also use PNG as the boiler fuel at Ankleshwar Manufacturing Facility, and law sulphur LDO as boiler fuel at Dahej Manufacturing Facility. The Company, over the years, has focused on sustainable supply chain solutions by managing the entire value chain. Its sustainability performance as audited by Ecovadis has been above the industry average score on their sustainability performance towards the environment and procurement.

The company have also made and expect to continue making capital expenditure in maintaining and growing their existing infrastructure, purchase equipment, and develop and implement new processes and technologies in their manufacturing facilities. In Fiscals 2021, 2020, and 2019, the capital expenditure was ₹ 209.70 million, ₹ 481.72 million, and ₹ 97.86 million, respectively. In addition, the company's facilities are designed to allow a level of flexibility enabling them to manufacture a diverse range of products and provide the company with the ability to modify and customize the product portfolio to address the changing requirements of customers. The aggregate manufacturing capacity as on March 31, 2021, comprised an aggregate reactor capacity of 280 KL and 17 Assembly Lines. As on date, each of the manufacturing facilities have accreditations including the ISO 14001:2015 and ISO 9001:2015 certifications for quality management, environment and health & safety systems.

The integrated model that includes the company's manufacturing infrastructure, complex chemical processes and R&D capabilities has allowed them to develop insights across the entire value chain right from process innovation and process development to performing manufacturing services for their customers. The forward integration in their operations enables them to innovate processes, customize products and broaden their product offering to meet the needs of their customers.

➤ **Strong R&D capabilities**

The R&D efforts are mainly focused on development of new products, improvement of their existing production processes, adoption of advance production technology, and improvement of the quality of their existing products. The company believe that these capabilities enable them to explore, among others, green and continuous flow chemistry processes which may give them a competitive edge in future. Of the products developed in last 10 years, 82 products have been successfully commercialized so far. Further, 82 products have been developed by the company since March 31, 2011, and these products have contributed to 23.65%, 20.75%, and 12.88% of the total revenue, in Fiscals 2021, 2020, and 2019, respectively.

The company have a dedicated DSIR-approved R&D facility situated at Vadodara equipped with glass assemblies, continuous flow reactors, and high pressure autoclaves set-up with the ability to run reactions at temperatures ranging from -10°C to +300°C, and up to pressure conditions measuring up to 100 bar. They also have a modern analytical development laboratory, to support and improve their R&D capabilities. The analytical development laboratory is equipped with various state-of-the art instruments such as GCMS, GCHS, GC, HPLC, IC and XRD. The Company have a dedicated R&D department team comprising 20 employees, as on March 31, 2021, of which 7 employees hold doctorate degrees in various fields relating to their industry. The R&D facility of the company has been recognized by the Department of Scientific and Industrial Research, Government of India.

The Company believe that their continued focus on R&D helps them maintain and increase their market share by developing new products to cater to the evolving needs of their customers and also build and increase efficiencies in their current manufacturing processes, thus helping the company produce high quality products consistently. They believe this also enable them to maintain a cost advantage over their competitors

➤ **Experienced Promoters with a strong management team**

The Company has experienced robust business growth under the vision, leadership and guidance of their experienced management team comprising Promoters, Chintan Shah, Ajay Patel and Shekhar Somani, who each have over 24 years in the specialty chemicals



manufacturing industry and have established strong business relationships with domestic and overseas customers. The senior management team has also been instrumental in establishing and maintaining relationships with the customers. Additionally, the senior management possesses extensive industry and management experience which has given the company a specialized understanding of the complexities involved in the manufacturing of such specific and niche products and the processes involved. The business growth is also attributable to strong management culture fostered by an entrepreneurial spirit that is managed by the department heads who are experienced, and have in-depth and hands-on knowledge of the industry. The experienced and dedicated management team of the company also enables them to capture market opportunities, formulate and execute business strategies, manage client expectations as well as proactively manage changes in market conditions. The senior management, technical personnel and skilled workers benefit from the company's regular in-house training initiatives in health and safety, quality management and other soft skills.

#### ➤ **Robust Financial Performance**

The company have demonstrated consistent growth in terms of revenues and profitability. The company have been able to increase the total revenue at a CAGR of 21.70% during the last three Fiscals, from ₹ 2,068.01 million in Fiscal 2019 to ₹ 3,062.92 million in Fiscal 2021. The total revenue in Fiscal 2021 was ₹ 3062.92 million. The revenue from operations in Fiscals 2019, 2020, and 2021, was ₹ 2,063.07 million, ₹ 2,632.39 million, and ₹ 3,003.59 million, respectively. The profit after tax has grown at a CAGR of 59.50%, from ₹ 205.43 million in Fiscal 2019 to ₹ 522.62 million in Fiscal 2021. In the Fiscals ended 2019, 2020, and 2021, the company had an EBITDA of ₹ 342.96 million, ₹ 563.35 million, and ₹ 716.35 million, respectively. The EBITDA has grown at a CAGR of 44.52% from Fiscal 2019 to Fiscal 2021. Further, in the Fiscals ended 2019, 2020, and 2021, the ROCE was for 26.36%, 31.96%, and 32.98%, respectively. In the Fiscals ended 2019, 2020, and 2021, the ROE was 25.78%, 32.11%, and 31.49%, respectively.

The Company believe that their financial position as mentioned above, illustrates not only the growth of their operations over the years, but also the effectiveness of the administrative and cost management protocols that they have implemented. Among other things, the strong financial position and results of operations of the company have enabled them to invest in capital expenditure, including towards technology development and R&D. In Fiscals 2021, 2020, and 2019, the capital expenditure was ₹ 26.47 million ₹ 13.62 million, and ₹ 19.95 million, respectively.

#### **Key Strategies:**

#### ➤ **Expand the existing product portfolio:**

The company have, since their inception, consistently sought to diversify their portfolio of products which could cater to customers across segments, sectors, and geographies. In accordance with this, while the company seek to continue to strengthen their existing product portfolio, they intend to further diversify into products with prospects for increased growth and profitability. The Company plan to continue to increase offerings in their current business segments as well as diversify into new products by tapping into segments which in the view of the company's management have attractive growth prospects. For instance, they intend to increase their focus on products manufactured using continuous flow chemistry processes as well as electrolysis processes, as these will be more sustainable and are good value propositions.

In addition, given the increasing number of environment conservation initiatives being undertaken by governments across the world, the company believe that the demand for automotive emission control mechanisms are going to grow. Further, they believe that since the requirements of the various sectors that their existing customers are currently servicing are continuously evolving, as a consequence of the same, there will be a continuous demand to evolve the company's existing products and expand their product portfolio to meet these requirements. The Company believe that their emphasis on quality of manufacture and timely delivery of their offerings have been a key factor in the company's ability to attract new customers and to retain their existing customers. The Company intend to draw on their experience, market position and ability to timely deliver quality products to successfully foray into other sectors as well as to other geographies.

#### ➤ **Further develop the R&D capabilities**

The Company have consistently invested in their R&D capabilities and technologies and have successfully implemented most of them based on market/customer demand at their manufacturing facilities over the years. During the Fiscals ended March 31, 2019, 2020, and 2021, the company have incurred research and development expenditure aggregating to ₹ 39.39 million, ₹ 39.94 million, and ₹ 51.14 million, respectively. The Company intend to further develop their research and development capabilities in order to enhance their diversified product portfolio. The research and development capabilities have enabled the company to expand their product offerings from 72 products as at March 31, 2011 to more than 154 products as at March 31, 2021.

In this regard, of the 2,787.00 square meters of land leased to the Company pursuant to agreements with the GIDC for their premises at Vadodara, the company now intend to expand their R&D facility at Vadodara and utilise 1,887.00 square meters of the available land for the same. The company intend to identify and adopt new-age technologies for their process and product development to improve their productivity, quality and cost effectiveness and help make their products eco-friendlier. They are also aiming to develop technologies to produce conventional products using new-age technologies such as continuous flow chemistry and electrolysis processes. This will enable the company to achieve better productivity, quality and cost effectiveness. In addition, they intend to further improve their manufacturing processes to make it more environment friendly and sustainable. To enable this, the company also intend to expand their R&D team and hire experienced personnel to help further this vision. The Company believe that investment in R&D and expansion of their R&D team, provides them a long-term growth opportunity, and helps them align themselves with the projected demand their product segments and market, and better position themselves to meet the evolving requirements of their customers.

➤ **Increase wallet share with existing customers and continued focus to expand customer base.**

The customer base of the company currently comprises a host of marquee companies including, inter alia, Merck, Bayer AG, Asian Paints Ltd., Ipox Chemicals KFT, Laurus Labs Ltd., Tosoh Asia Pte. Ltd., SRF Limited, Navin Fluorine International Limited, Oriental Aromatics Ltd., Atul Limited, Otsuka Chemical (i) Pvt Ltd., Meghmani Organics Limited, Divi's Laboratories Limited, Hawks Chemical Company Limited, Firmenich Aromatics Prod.(I) Pvt Ltd., Jiangsu Guotai Super Power New Materials Co., Ltd. and Jade Chem Co. Ltd. The Company believe that the long- standing relationships that they have enjoyed with their customers over the years and the repeat and increased orders received from them are an indicator of their position as a preferred supplier to their customers. The company create awareness about the benefits of using their products by organising seminars, and inviting R&D personnel of prospective customers. They also invest in providing support at early stages of product development by their customers, in order to benefit from the potential growth following commercialisation of such products in the future and to also provide them an opportunity to become the preferred supplier of their customers.

The Company believe their continuing R&D endeavours and their reputation for quality and timely delivery will help increase their wallet share and product portfolio with existing customers. They have built long-standing relationships with some of their customers through various strategic endeavours, which they intend to leverage by capitalizing on the cross-selling opportunities that their diversified product portfolio offers. Further, the company plan on utilizing their expanded geographical footprint to address the sourcing requirements of their existing multinational customers as and when they enter new markets, thereby consolidating the company's position as a preferred supplier across geographies. Several global players prefer a "China + 1 offshore strategy", with capacities shifting to cost efficient markets with strong technology capabilities like India. The company believe they offer customers with a reliable option to satisfy their specialty chemicals requirements.

The Company also regularly take part in trade shows, road shows and exhibitions. Going forth, they intend to continue to leverage their sales and marketing network, diversified product portfolio and their industry standing to establish relationships with new multinational, regional and local customers and expand their customer base. The Company also promote their products on online platform in a systematic manner.

➤ **Expand the existing manufacturing capacities to capitalise on industry opportunities.**

The Company have, over the years, consistently grown their manufacturing and production capabilities. They seek to capitalize on the growth opportunities in the specialty chemicals industry based on their well-positioned operations and being led by an experienced management team. The Company's aggregate manufacturing capacity has increased at a CAGR of 20.59% from an aggregate reactor capacity of 82 KL and zero Assembly Lines as of March 31, 2010 to 280 KL Reactor Capacity and 17 Assembly Lines as of March 31, 2021. Consistent with past practice, the company will look to add capacity in a phased manner to ensure that they utilize their capacity at optimal levels. For instance, out of the 51,822.64 square meters of land sub-leased to their Company pursuant to agreements with Dahej SEZ Limited for their Dahej Manufacturing Facility, the company now intend to expand their manufacturing facility at Dahej and utilise 31,724.19 square meters of the available land for the same. The Company believe their expansion plans and strategy will allow them to meet the anticipated increase in the demand for their products in the future, enable them to supply growing markets more efficiently and drive profitability.

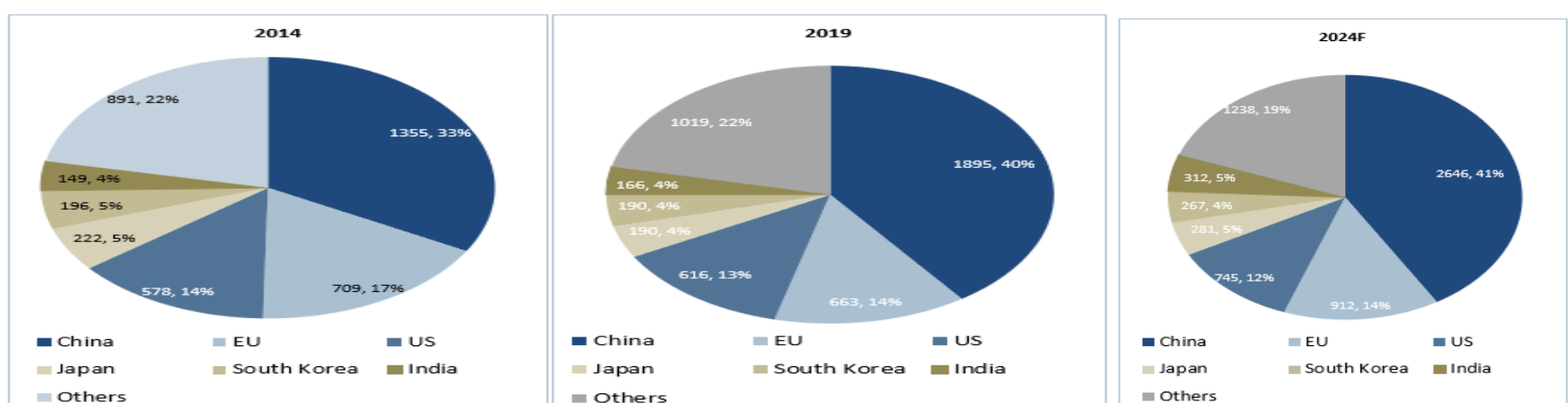
**Industry Snapshot:**

➤ **Overview of the Global Chemicals Industry.**

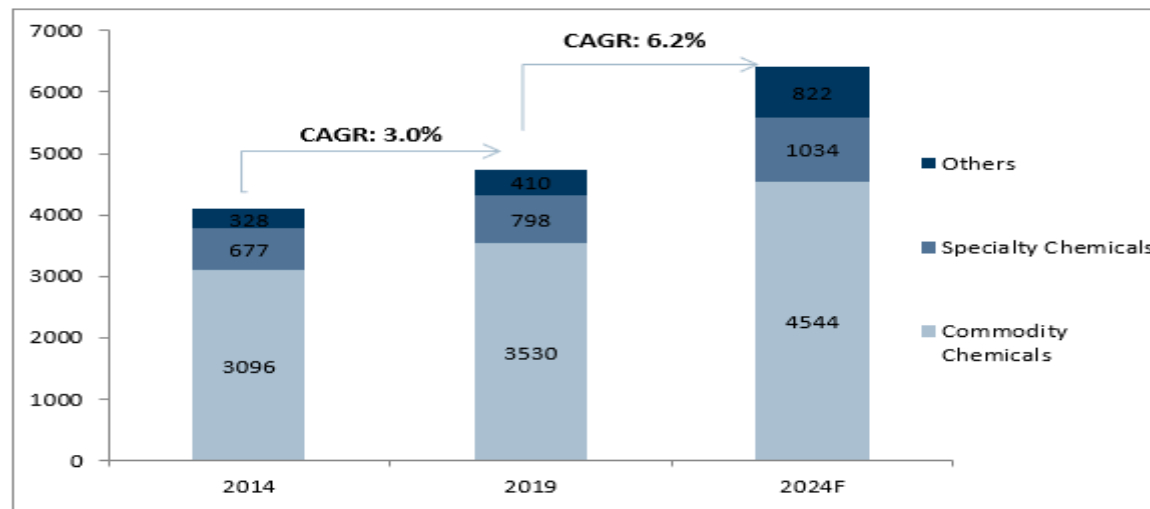
**Global Chemicals Market**

The global chemicals market is valued at around USD 4,738 Bn with China accounting for major market share (37%) in the segment followed by European Union (17%) and United States (14%). India accounts for ~3.5% market share in the global chemicals market. The global chemicals market is expected to grow at 6.2% CAGR; reaching USD 6,400 Bn by 2024. Going forward the APAC is anticipated to grow at the fastest rate of 7-8% during the forecast period (2019-24F). The chemicals markets in Western Europe, North America, and Japan are relatively mature and hence would record slow growth rates of around 3-4%.

**Global chemicals market, 2014, 2019 and 2024F, USD 4,100, USD 4,738 Bn and 6,400 Bn**



**Global chemicals market, 2014, 2019 and 2024F (USD 4100 Bn, USD 4738 Bn and USD 6400 Bn)**



Inclusive of the 2 categories (Agrochemical and Fertilizers and Pharmaceuticals API) and the Commodity Chemicals section is inclusive of Bulk chemicals and Petrochemicals.

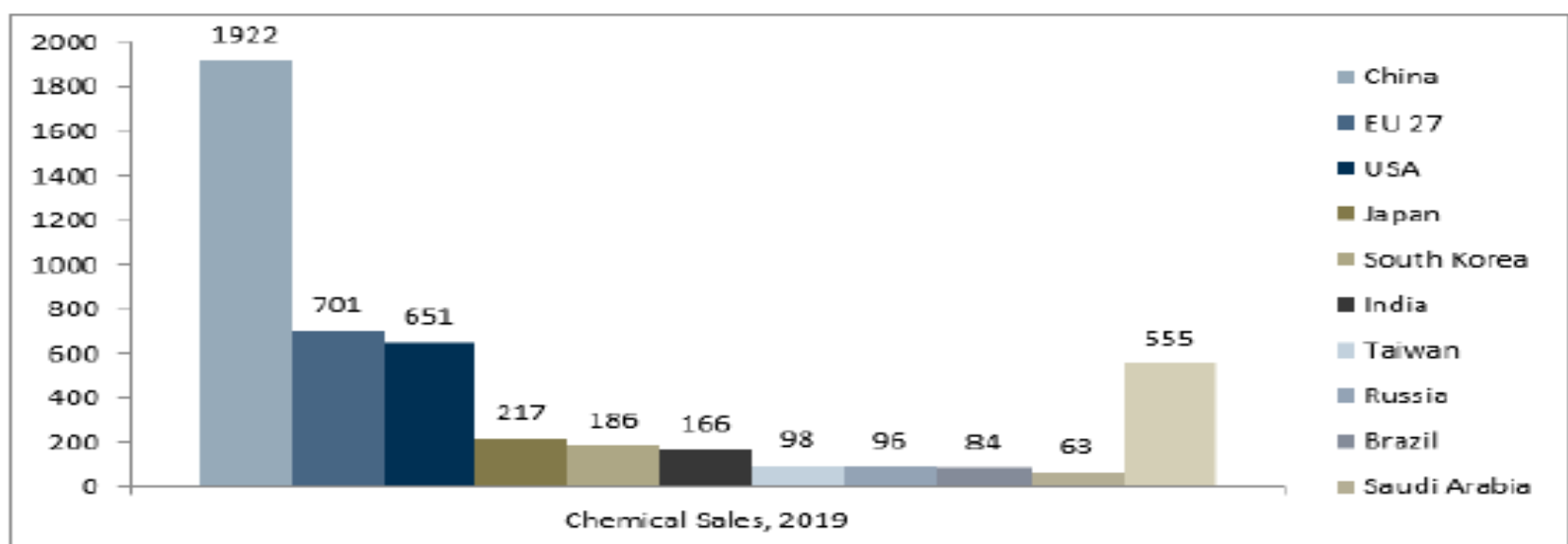
	Commodity Chemicals	Specialty Chemicals	Other Chemicals
2014-19	2.6%	3.4%	-3.9%
2019-24F	5.1%	5.3%	13.2%

**Commodity Chemicals:** The commodity chemicals market includes companies that manufacture basic chemicals in large volumes. These include plastics, synthetic fibres, films, certain paints and pigments, explosives, and petrochemicals. There is limited product differentiation within the sector; products are sold for their composition. The commodities market is highly fragmented. The end user markets include other basic chemicals, specialties, and other chemical products; manufactured goods such as textiles, automobiles, appliances, and furniture; and pulp and paper processing, oil refining, aluminium processing, and other manufacturing processes. Markets also include some non-manufacturing industries. The sector is presently valued at ~USD 3,700 Bn and is expected to grow at 5%-6% globally in the next five years.

**Specialty Chemicals:** The specialty chemicals market is characterized by high value-added, low volume chemical production. These chemicals are used in a wide variety of products, including fine chemicals, additives, advanced polymers, adhesives, sealants and specialty paints, pigments, and coatings. The specialty market is extremely fragmented. The consolidation of companies has been a major trend, and is expected to continue. Similar to the commodity sector, the specialty sector is affected by high costs of energy and feedstock. Intangible value issues include heightened emphasis on research, customer migration to alternative products, and the impact of regulations on products. The overall market stood at ~USD 800 Bn in 2019, and is expected to showcase a growth between 5-6% over the next five years.

World chemicals sales were valued at USD 4738 Bn in 2019. China is the largest chemicals producer in the world, contributing to 40.6% of global chemical sales in 2019. With 14.8%, the EU27 chemical industry ranked second in total sales and United States ranked third with 13.8%. Worldwide, the competitive landscape has changed significantly over the last ten years. Today, next to the EU 27, US and Japan mostly emerging countries from Asia rank in the top 10 in terms of sales. The BRICS countries (Brazil, Russia, India, China and South Africa) accounted for 47.2% of global chemical sales in 2019. Together with the EU27 and the USA the BRICS accounted for more than three quarters of global chemical sales, in 2019. The remaining quarter of global chemical sales were generated mainly by emerging countries in Asia, including the Middle East. The global landscape of the chemical industry is changing rapidly. China is taking its chemical industry to the next stage of development and is looking to move from “following the lead” to “taking the lead” and from a “big country” to a “great power” of the petroleum and chemical industry, leading in technology innovation and trade, and prevailing in international markets.

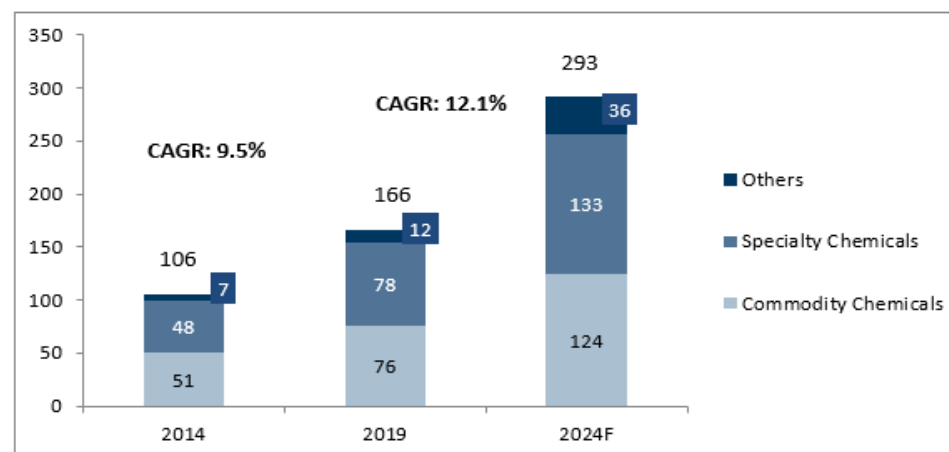
**Global Chemicals Sales, 2019 USD 4738 Bn**





### ➤ Overview of India Chemical Industry:

The Indian chemicals market is valued at USD 166 Bn (~4% share in the global chemical industry) with the commodity chemicals accounting for almost 46%. It is expected to reach ~USD 280-300 Bn in the next 5 years, with an anticipated growth of ~12% CAGR. The specialty chemical industry forms ~47% of the domestic chemical market, which is expected to grow at a CAGR of around 11-12% over the same period. Agrochemicals and Fertilizers account for 18-20% of the domestic chemicals market and around 38% of the specialty chemicals domain which constitute of various differentiated chemicals used in the agro space including pesticides, herbicides etc. Pharmaceutical API make up for the second largest share of around 20% of the specialty chemical market with an anticipated growth of over 11% by 2024F

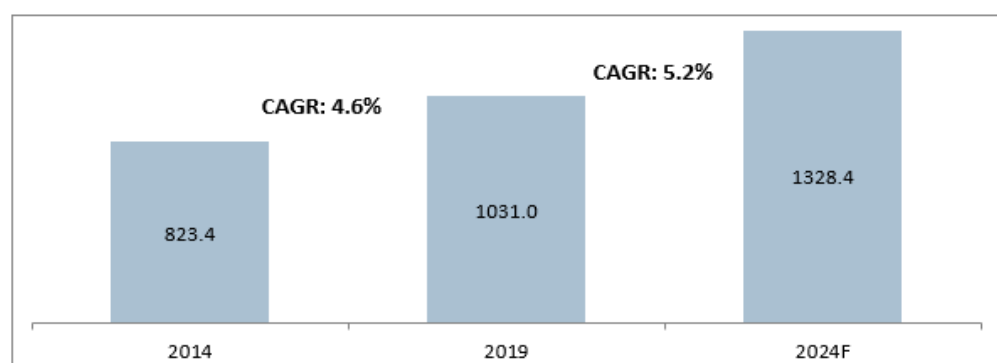


### ➤ Global Phase Transfer Catalysts (PTC) Market:

A phase-transfer catalyst facilitates the migration of a reactant from one phase into another where the reaction occurs. The catalyst functions as a detergent for solubilizing the salts into the organic phase. Phase-transfer catalyst offers faster reactions, higher conversions or yields makes fewer by-products, eliminates the need for expensive or dangerous solvents, eliminates the need for expensive raw materials, and minimize waste problems. Phase-transfer catalysts, like ammonium salts among others have applications in pharmaceuticals and agrochemicals, which is likely to drive this market.

During the forecast period, the global phase transfer catalyst market is projected to expand at a CAGR of more than 5% globally. Rising demand and adoption of green chemistry in organic synthesis is expected to drive the growth of the phase transfer catalyst market across the globe.

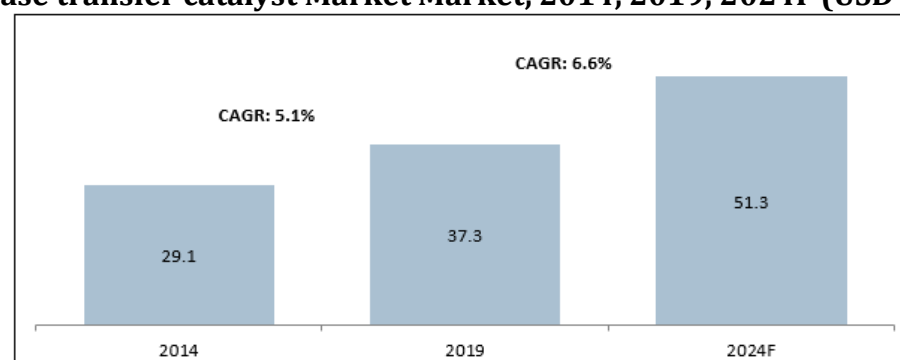
Global Phase Transfer Catalysts, Growth Trend, 2014, 2019, 2024F (USD Mn)



### ➤ Overview of India Phase Transfer Catalyst Market.

The growth of end industries like pharmaceuticals and agrochemicals are driving the development of the Phase Transfer Catalyst market in India. India accounts for ~3.5% of the global Phase Transfer Catalyst market. With a few large manufacturers in India, India is keen on exports thereby aiming to improve its market share. With multiple initiatives from the government favorable for the growth of the Pharmaceutical and Agrochemical industries, India will see a growth in demand for Phase Transfer Catalysts of CAGR 6.6% thereby increasing its market share to ~4% by 2024F. The Indian Phase Transfer Catalyst market is currently valued at a little over USD 37 Mn.

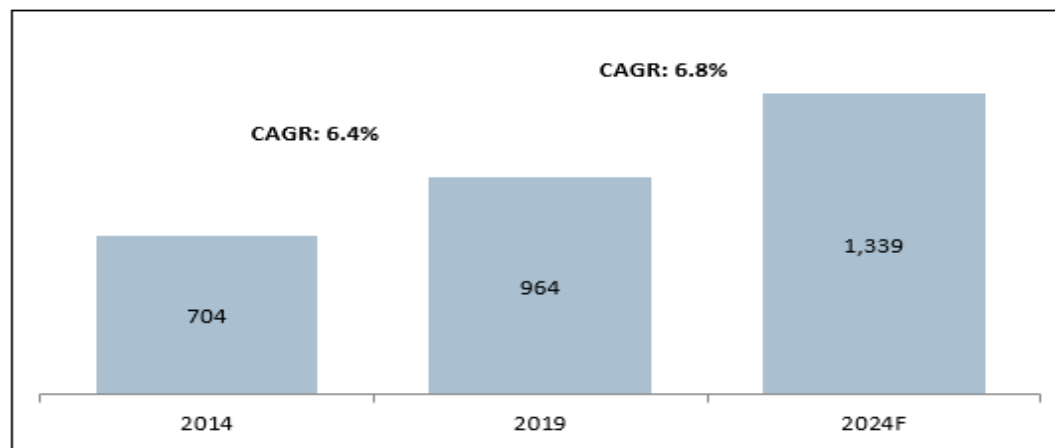
Indian Phase transfer catalyst Market Market, 2014, 2019, 2024F (USD Mn)



➤ **Global Quats (Quaternary Ammonium Compounds) Market**

The global market for Quats (Quaternary Ammonium Compounds) is expected to grow at a CAGR of 6.8% from USD 963.7 Mn in 2019 to USD 1.4 Bn in 2024F. The growth in hospital-acquired infections, an increase in the geriatric population, growth in the prevalence of chronic disease, and the rise in the number of surgical procedures are fostering the demand for the Quats market. The market demand is driven by the increase in the prevalence of hospital-acquired infections (HAIs) and the introduction of strict regulations and favorable government policies on disinfection and sterilization. The developing economies are expected to give market players ample growth opportunities.

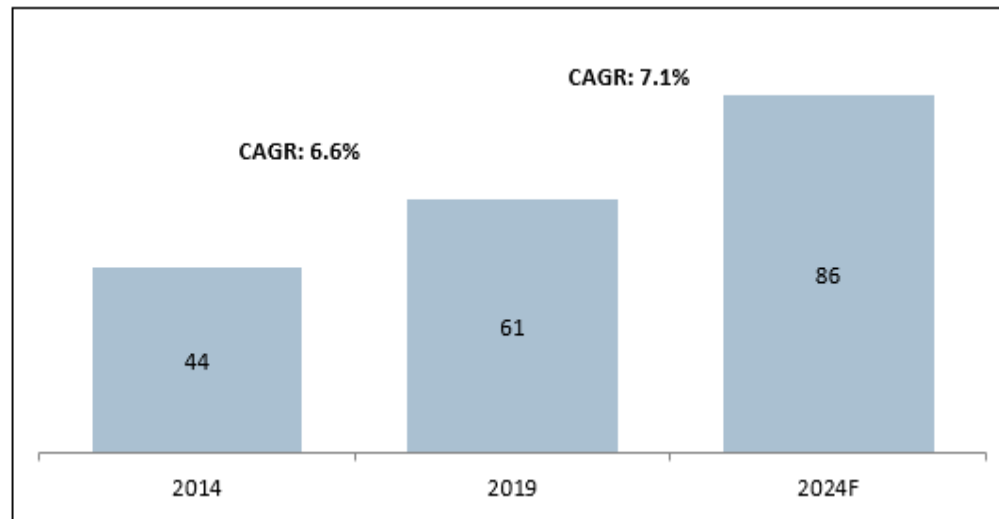
**Global Quats (Quaternary Ammonium Compounds) Market, 2014, 2019, 2024F (USD Mn)**



➤ **India Quats (Quaternary Ammonium Compounds) Market, USD 61 Mn**

The demand for quaternary ammonium compounds is growing in the Asia Pacific region owing to the increasing disposable income of the people in China, and India, which is increasing the sales of personal care products. India is forecasted to grow with a CAGR of 7.1% during the forecast period. Quaternary ammonium compounds are usually used in personal care products, as conditioning agents during the production of the skin, cloth, and hair softeners and also as disinfectants in the food industry. With a rising concern over health and hygiene in addition to the support from the government in numerous ways to focus on disinfection, the market for QACs in India will see a boom.

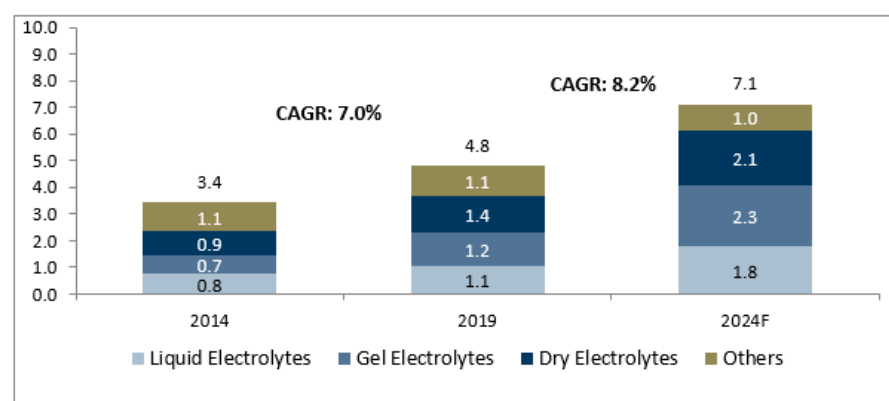
**India Quats (Quaternary Ammonium Compounds) Market, 2014, 2019, 2024F (USD Mn)**



➤ **Global Battery Electrolyte Market Overview**

The global Battery Electrolyte market is valued at USD 4.80 Bn in 2019 and is forecasted to reach USD 7.1 Bn by 2024F with a growing CAGR of 8.2%. The growing number of applications of battery electrolyte predominantly in the automotive sector is major growth driver. The applicability of battery electrolytes is found largely in electrical devices like electrolytic cells and batteries among other devices. Emerging countries like China, India and Japan among other economies are pouring excessive investments in the automotive sector's international market. It is noted that developing regions are prominent importers of the global battery electrolyte market

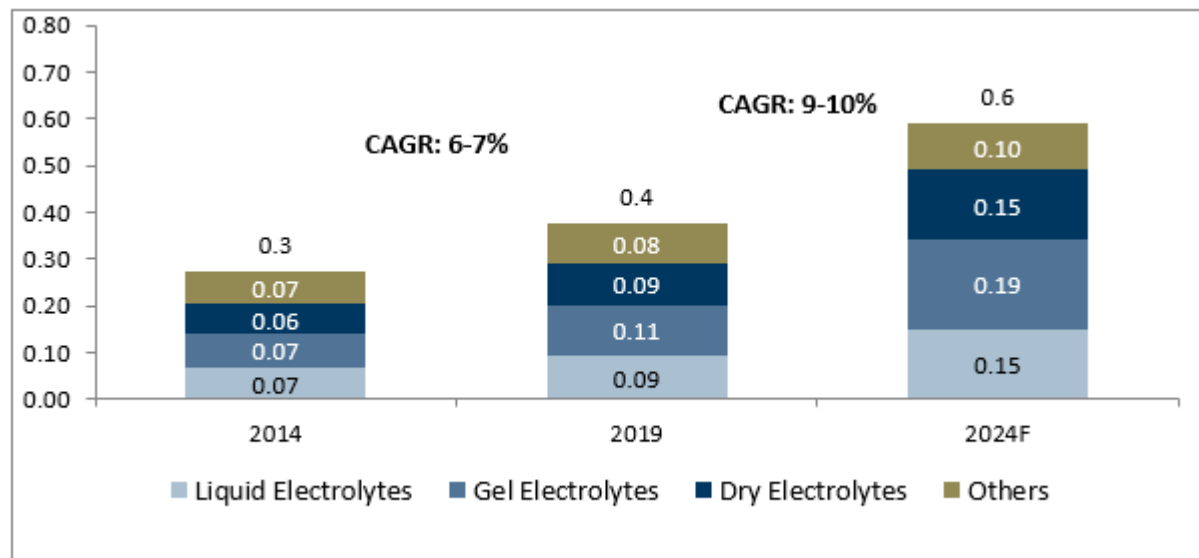
**Global Battery Electrolyte Market, Growth Trend, 2014, 2019, 2024F (USD Bn)**



➤ **India Battery Electrolyte Market**

India Battery Electrolyte market stands at USD 0.35-0.4 Bn in 2019 projected to grow at 8-9% CAGR over the next half decade to reach USD 0.55-0.65 Bn by the year 2024F. India battery electrolyte market is approximately 6-8% of the global battery electrolyte market. Automotive and Consumer Electronics comprise of more than half of the India's market. The Automotive segment saw a drop in sales in the last 2 years; it is however, expected to bounce back and grow exponentially. The demand for Hybrid vehicles and Electric Vehicles will in turn boost the demand from the Automotive and Transport industry. With growing technological savvy population and better standards of living, the demand for consumer electronics in forms of Phones, Mobiles, Laptops, Music Players, Audio Assistants and Reading Tablets among others is driving the Consumer Electronics market.

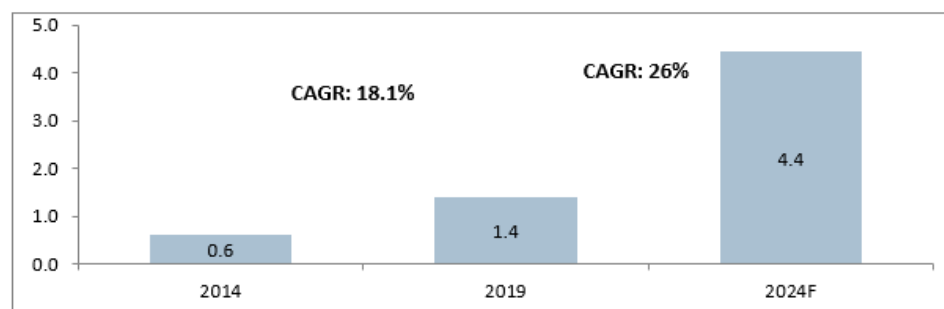
**India Battery Electrolyte Market, Growth Trend, 2014, 2019, 2024F (USD Bn)**



➤ **Global Super-Capacitor Market Overview**

The global Super-Capacitors market was valued at USD 1.4 Bn in 2019 and is anticipated to grow at a CAGR of 26% to reach USD 4.4 Bn by 2024F. This growth which in turn is driving the electrolyte market is primarily driven by the increased use of Super-Capacitors in energy harvesting applications, vehicles such as aircraft & trains and large storage capacity of the Super-Capacitor. The high prices of raw materials, the availability of low priced substitutes, customer traditionalism and high level competition from the established high capacity batteries vendors are posing a hindrance to the market.

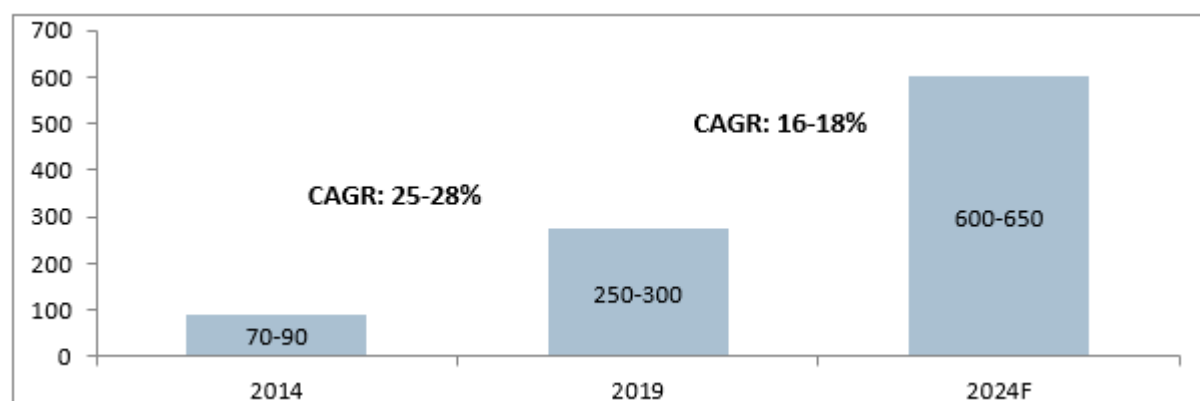
**Global Super-Capacitor Market, Growth Trend, 2014, 2019, 2024F (USD Bn)**



➤ **India Super Capacity Market Overview**

Super-Capacitor technology is at a nascent stage in India, opportunity for this technology is huge considering the various application sectors. The Indian Super-Capacitors market was valued at around USD 250- 300 Mn and is projected to grow at a CAGR of around 16-18% by 2024F on account of huge demand for Super- Capacitors from the consumer electronics segment. Super-Capacitors are used in several devices in consumer electronics category including smartphones, laptops, TVs, cameras, lighting appliances and GPS devices. Moreover, evolution of Super-Capacitors as a sustainable energy storage solution, growth of EVs market and increasing capacities of Super-Capacitors resulting in their applications in wind and solar power sectors is anticipated to boost their demand in India in the next five years. The major demand for Super-Capacitors has been major from consumer electronics, EVs, renewable energy, railway, and defence among others.

**India Super-Capacitor Market, Growth Trend, 2014, 2019, 2024F (USD Mn)**

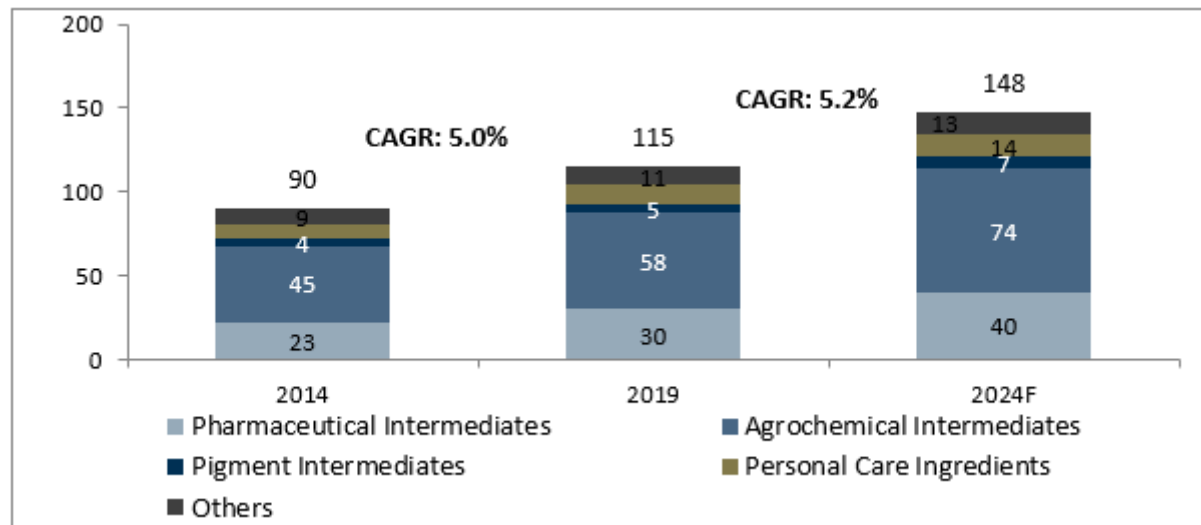




➤ **Global Pharma & Agro Intermediates and other Specialty Intermediates Market Overview**

The global specialty intermediates market stands at USD 115 Bn in the year 2019, and is projected to grow at 5.2% CAGR by 2024F and estimated to reach USD 148 Bn. This growth is primarily driven through the high growth end-use segments such as pharmaceuticals, agrochemicals, paints and coatings, personal care, flavour & fragrances, etc. Some of the countries like China and India have been actively catering to export led demand in the application segments of specialty intermediates, which is making these regions attractive (within Asia Pacific) in intermediates space

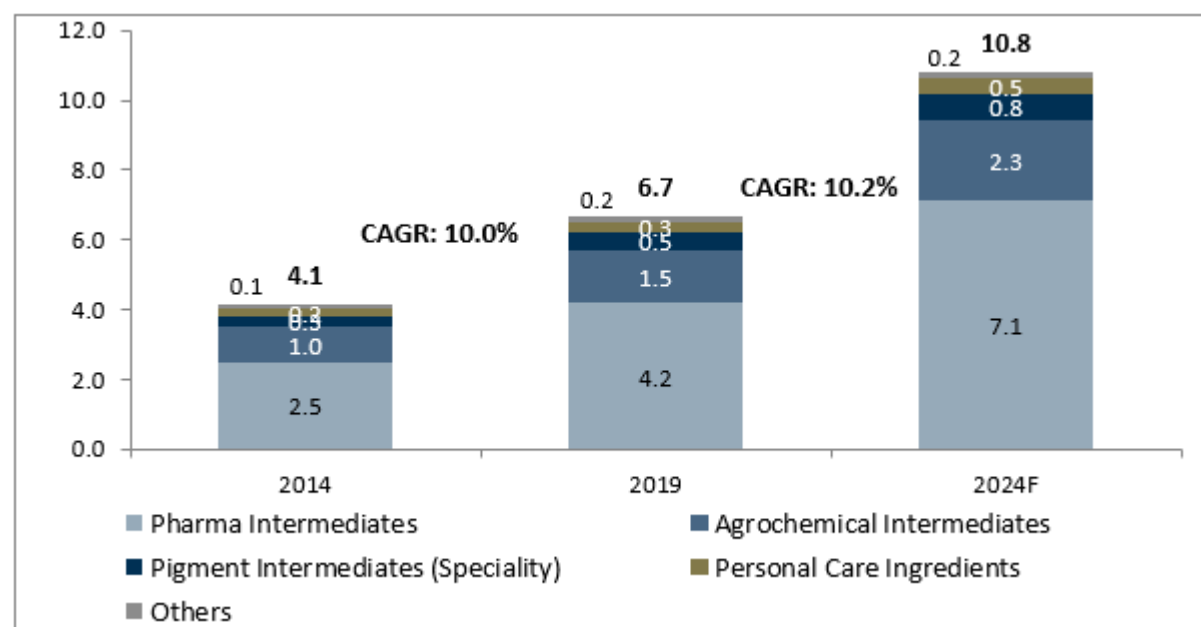
**Global Specialty Intermediates Market, Growth Trend, 2014, 2019, 2024F (USD Bn)**



➤ **India Specialty Intermediates Market**

India specialty intermediates market stands at USD 6.7 Bn in 2019 projected to grow at 10.2% CAGR over the next half decade to reach USD 10.8 Bn by the year 2024F. India specialty intermediates market is approximately 5-6% of the global specialty intermediates market. Pharmaceutical intermediates market comprise of more than half of the India specialty intermediates market. Some of the large volume specialty intermediates used in pharmaceutical application are amides, chlorides, organic acids, hydrochlorides, amines, hydroxides, etc. Pharmaceutical and agrochemical segments are expected to grow exponentially in India leading to a growth in the market size of these application segments as well.

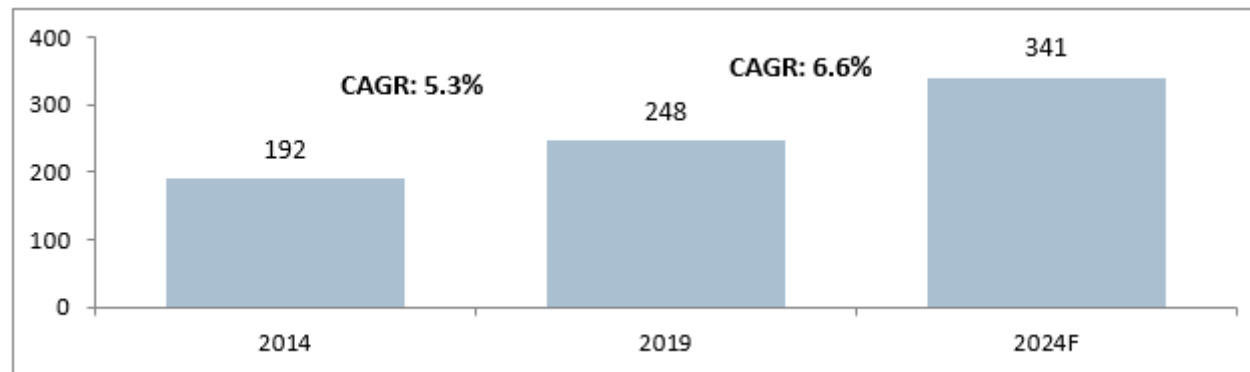
**India Specialty Intermediates Market, Growth Trend, 2014, 2019, 2024F (USD Bn)**



➤ **Global Personal Care Market**

The Global Personal Care market has shown a steady growth of 5.3% till 2019 and is anticipated to grow at 6.6% in the coming years. The re increasing disposable income, growing middle class and other trends such as men’s grooming and increased hygiene awareness. With the penetration of internet and social media, cosmetics and skin care products are expected to drive the market of personal care products across the globe. Asia Pacific holds a 36% market share globally. In the region, countries like China, India, and Vietnam present considerable growth opportunities for the market players, primarily due to the growing millennial population. The region’s market growth is propelled by the growing number of upgraded products providing enhanced efficacy, consistent investments by international companies, and the retailing environment’s development. Sales in the region is being fuelled mainly by population growth, urbanization and increased per capita spending power.

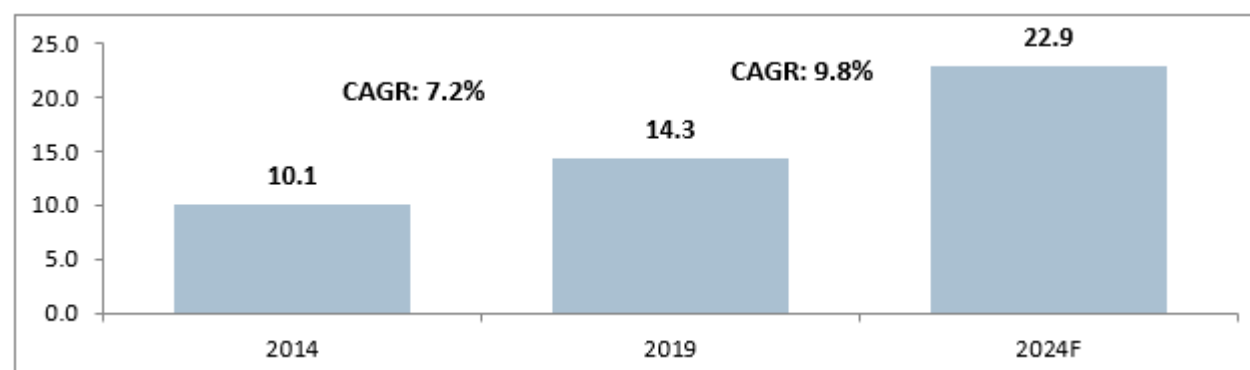
### Global Personal Care Market Overview (USD Bn)



### ➤ India Personal Care Market Overview

The personal care industry in India is pegged at USD 14.3 Bn, and expected to grow at a CAGR of 9.8% to reach USD 25 Bn by 2025F. The personal care industry is one of the fastest growing consumer products sectors in India with a strong potential for foreign companies. From increasing shelf space in retail stores and boutiques in India to stocking products from around the world, the personal care sector in India has shown continued strong growth. Increasing disposable income and young rising middle class are significant factors driving the market in the country.

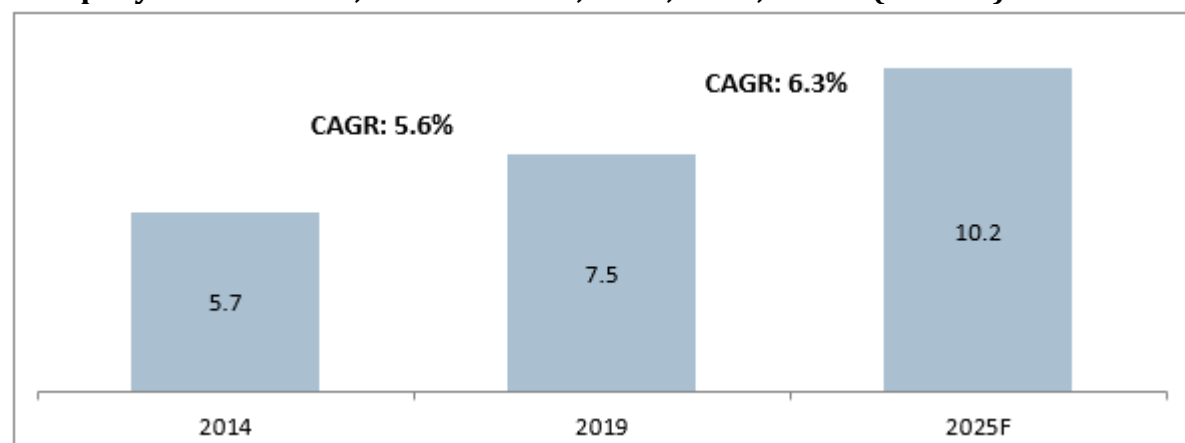
### India Personal Care Market Overview (USD Bn)



### ➤ Global Epoxy Resin Market

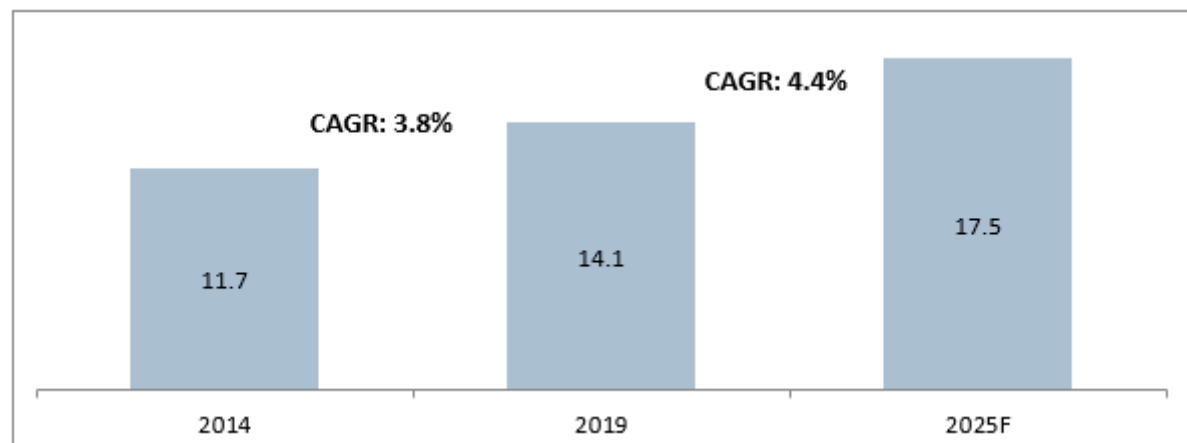
The global market size for epoxy resin was estimated at USD 7.5 Bn in 2019 and is projected to rise during the forecast period at a CAGR of 6.3%. Epoxy resins have the property of containing one more than one epoxy group per molecule and are thermosetting resins that, for greater reactivity, make use of sufficient cross-linking agents. Epoxy resins are respected by being the largest raw material used for different chemical formulations.

### Global Epoxy Resin Market, Growth Trend, 2014, 2019, 2024F (USD Bn)



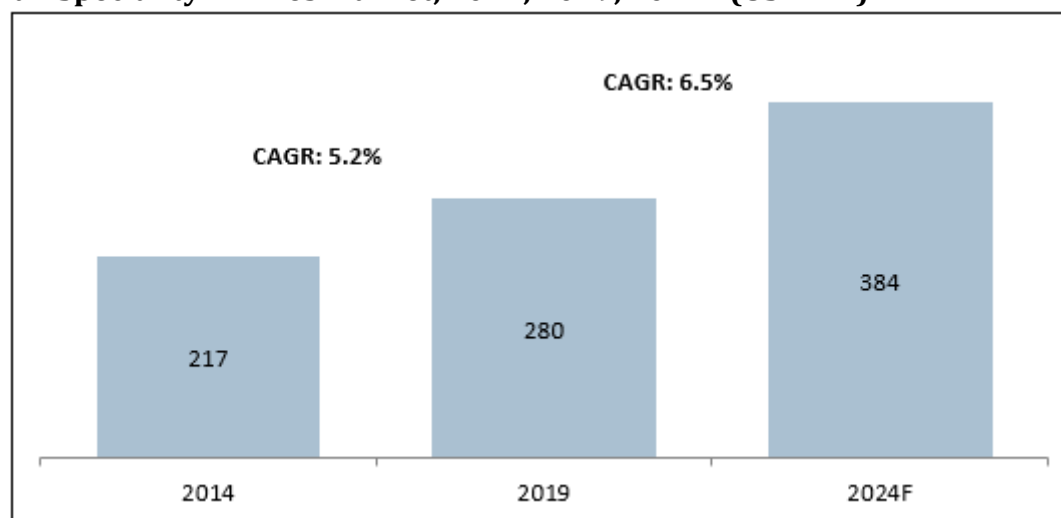
### ➤ Global Speciality Amines Market

In 2019, the global Amines market size was over USD 14 Bn and due to an increased awareness of personal health and hygiene and the use of high-quality personal care products; the specialty amines market is expected to increase at a CAGR of over 4% between 2019 and 2024. Specialty amines are colorless or light yellow liquids that are soluble in water. Specialty amines are chemical intermediaries with excellent synthesizing properties. Products synthesized with specialty amines exhibit characteristics such as electric insulation and resistance to radiation, abrasion, and heat. Specialty Amines are used in detergents, specialty cleaners, gas-treating chemicals, and personal care products.

**Global Speciality Amines Market, Growth Trend, 2014, 2019, 2024F (USD Bn)****➤ India Speciality Amines Market**

The Indian Specialty Amines Market size was valued at over USD 280 Mn in 2019 and is estimated to grow over 6.5% CAGR between 2019 and 2025 owing to increasing awareness regarding personal health and hygiene and use of high-quality personal care products.

The Indian specialty amines industry is broadly oligopolistic with Alkyl Amines Chemicals and Balaji Amines being two of the leading players in the market.

**Indian Speciality Amines market, 2014, 2019, 2024F (USD Mn)****Key Risk:**

- The continuing impact of the outbreak of the COVID-19 could have a significant effect on company operations, and could negatively impact business, revenues, financial condition and results of operations.
- Unplanned slowdowns or shutdowns in manufacturing operations could have an adverse effect on company business, results of operations and financial condition.
- Increase in the cost of raw materials could have a material adverse effect on results of operations and financial conditions.
- Company business is subject to risks in multiple countries that could materially adversely affect their business, cash flows, results of operations and prospects.
- Company depend on a limited number of suppliers for certain raw materials. The loss of one or more such suppliers could adversely affect their business, results of operations, financial condition and cash flows.
- Company derive a significant portion of their revenue from a few customers and the loss of one or more such customers, the deterioration of their financial condition or prospects, or a reduction in their demand for their products may adversely affect business, results of operations, financial condition and cash flows.
- Non-compliance with and changes in, safety, health, environmental and labor laws and other applicable regulations, may adversely affect their business, results of operations and financial condition.
- A downgrade in company credit rating could adversely affect ability to raise capital in the future.
- Company manufacturing facilities are concentrated in a single region and any adverse developments affecting this region could adversely affect their business, results of operations and financial condition.



- Company do not have any long term agreements with most of their customers, and the loss of one or more of them or a reduction in their demand for their products could adversely affect company business, results of operations, financial condition and cash flows.
- Companies operate in a hazardous industry and are subject to certain business and operational risks consequent to their operations, such as, the manufacture, usage and storage of various hazardous substances.
- Company revenue, earnings, and other operating results have fluctuated in the past and may fluctuate in the future.
- Company are subject to risks resulting from foreign exchange rate fluctuations that could adversely affect their results of operations.
- Company profitability could suffer if their cost management strategies are unsuccessful or their competitors develop an advantageous cost structure that we cannot match.

#### **Valuation:**

The company recorded revenue growth of 21.7% CAGR in FY19-21 supported by higher volume growth across the segments and a company able to improve its margin along with better working capital management and operating leverage is likely to play out, it can aid FCF considerably over the years.

The company is available at the upper end of the IPO price band at 45.9x its FY21 earnings, with a market cap of Rs. 24,005 million. Further on FY21 earnings basis the company is trading below the Industry average of 56.05x. Looking at the P/B ratio on the upper price band, book value and P/B are Rs. 82.6 and 13.11 multiple respectively.

Name of the company	Consolidated/ Standalone	Face value (Rs per share)	Closing price on July 2, 2021 (Rs)	Total Revenue (in Rs million)	EPS		NAV (Rs per share)	P/E	RoNW (%)
					Basic	Diluted			
Tatva Chintan Pharma Chem Ltd	Consolidated	10	N.A.	3062.92	26.02	26.02	82.62	-	31.49
<b>PEER GROUP</b>									
Aarti Industries	Consolidated	5	873.35	45068	30.04	30.04	96.97	29.07	15.23
Navin Fluorine International Ltd	Consolidated	2	3799.25	12584.37	52.03	51.96	33.01	73.12	15.76
Alkyl Amines Chemicals Ltd	Consolidated	5	3696.65	12493.89	144.68	144.3	38.82	25.62	37.27
Vinati Organics Ltd	Standalone	1	2028.2	9801.02	26.2	26.2	15.02	77.41	17.45
Fine Organics Industries Ltd	Consolidated	5	2,944.10	11,503.16	39.25	39.25	23.86	75.01	16.45

The company focus on new products either through backward/forward integration, strong customer and opportunities on account China issues, will benefit the company in the medium term. Considering positive momentum in the chemical sector. We are positive on the long-term prospects of the Company. Hence, we recommend a "**Subscribe**" rating to this IPO.

**DISCLAIMER:****Analyst Certification**

- ❑ The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

**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 circular SEBI/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%

**Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014**

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