

Sandeep Abhange
sandeepabhange@rathi.com

Issue Details

Issue Details	
Issue Size (Value in Rs. million, Upper Band)	8,080
Fresh Issue (No. of Shares in Lakhs)	1084.2
Offer for Sale (No. of Shares in Lakhs)	28.2
Bid/Issue opens on	24-May-22
Bid/Issue closes on	26-May-22
Face Value	Rs. 10
Price Band	610-642
Minimum Lot	23

Objects of the Issue**Fresh Issue: Rs.6,270 Million**

- Prepayment or repayment of outstanding liabilities.
- Funding capital expenditure requirements for proposed Greenfield project.
- Funding working capital requirements & General corporate purposes.

Offer for Sale: Rs.1,810 Million

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

Book Running Lead Managers

HDFC BANK LIMITED

Kotak Mahindra Capital Company Limited

Registrar to the Offer

Link Intime India Private Limited

Capital Structure (Million)	Aggregate Value
Authorised share Capital	1400.0
Subscribed paid up Capital (Pre-Offer)	114.7
Paid up capital (Post - Offer)	124.5

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	97.0	87.1
Public	3.0	12.9
Total	100.0	100.0

Financials

Particulars (Rs. In Mn)	9MFY22	FY21	FY20	FY19
Revenue	4,425.4	4,498.2	3,018.1	2,011.8
Operating expenses	3,165.5	3,376.6	2,300.5	1,491.3
EBITDA	1,260.0	1,121.6	717.6	520.5
Other Income	67.7	39.7	19.8	21.0
EBIDT	1,327.7	1,161.3	737.3	541.4
Interest	100.4	113.2	93.8	109.5
Depreciation	114.2	110.1	78.5	106.0
PBT	1,113.1	938.1	565.1	326.0
Tax	284.1	226.9	165.5	92.6
Consolidated PAT	829.1	711.2	399.6	233.4
Minority/other adj.	-	-	-	-
Consolidated PAT	829.1	711.2	399.6	233.4
EPS	7.5	7.4	4.2	2.5
Ratios	FY21	FY20	FY19	
EBITDAM	28.5%	24.9%	23.8%	25.9%
PATM	18.7%	15.8%	13.2%	11.6%
Sales growth	-	49.0%	50.0%	-

Company Description

Incorporated in January 2013, Aether is a speciality chemical manufacturer in India focused on producing advanced intermediates and speciality chemicals involving complex and differentiated chemistry and technology core competencies. It is one of the fastest growing specialty chemical companies in India, growing at a CAGR of nearly 49.5% between Fiscal 2019 and Fiscal 2021.

Aether is focused on the core competencies model of chemistry and technology. The chemical companies usually have a single or a couple of chemistry competencies for their entire product portfolio; however, they have 8 chemistry competencies to use for their wide array of products, which enables them to cater to niche and advanced intermediate requirements of a wider range of end-products and applications. All these competencies have been developed in-house, which is one of the core strengths of their R&D team.

Aether is known to have strong market positioning in complex intermediates where global competition is intense. The average selling price of all their products in Fiscal Year 2020-2021 was ₹1,440.85 per kg. It has been focused on developing high value products, which has resulted in the average selling price of all their products to grow by a CAGR of 6.8% between Fiscal 2016 and Fiscal 2021. Their products find application in a number of therapeutic segments in the pharmaceuticals industry including hypertension, anti-platelet, anti-psychotic, anti-histamine and non-steroidal anti-inflammatory drugs ("NSAIDs"). Their products also find application in various other industries like agrochemicals, material science, coatings, high performance photography, additives and oil & gas. Most of their advanced intermediates and speciality chemicals product portfolio was developed for the first time in India and constitute 100% import substitution. For example, 4MEP, T2E, MMBC, NODG, BFA, OTBN and DVL were 100% imported into India from China 4 years ago and now they are selling these products to Chinese customers.

The specialty chemical player's product portfolio comprised over 25 products. In CY2020, they were the sole manufacturer in India of 4MEP, MMBC, T2E, OTBN, NODG, DVL and Bifenthrin Alcohol.

Valuation

Incorporated just 7 odd years back Aether Industries has become one of the fastest growing specialty chemical companies in India by growing its revenues at a CAGR of 49.5% between FY19 to FY21. In just 5 years into commercial manufacturing Aether has successfully launched 3 separate business models and launched over 25 products. As of CY20 Aether was the sole manufacturer of 7 products in India and managed to completely replace entire imports of these products from China and also started exporting to 17 countries.

Aether Industries is expected continue to maintain its leadership position in few of its products due to continuous focus on R&D, Enhanced capacity post expansion plans (from 6,096 mtpa to 6,500 mtpa), Synergistic business models, Differentiated product portfolios of market-leading products and Long-standing relationships with a diversified customer base.

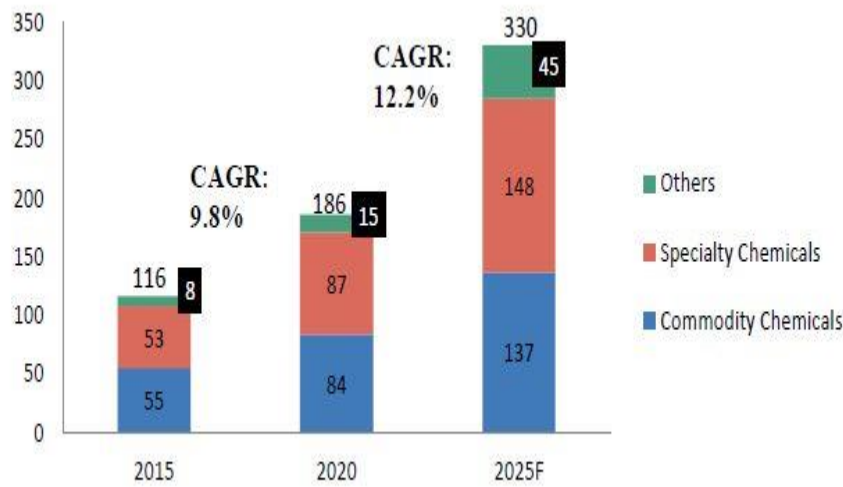
At the upper end of the IPO price band as of Aether Industries is valued at 72.3 times on annualized basis of FY22 earnings which looks fairly valued considering the growth opportunities for speciality chemicals in pharma, agrochemicals & FMCG space, and improving prospects for contractual manufacturing & CRAMS under Make-in-India initiatives. We recommend 'SUBSCRIBE-For Long term' rating to this IPO.

Indian Chemical Industry Overview

According to the F&S Report, in calendar year 2020, the Indian chemicals industry was valued at US\$186 billion, representing approximately 4% of the value of the global chemicals industry. According to the F&S Report, the value of the Indian chemicals industry is expected to grow at a CAGR of 12.2% from US\$186 billion in 2020 to US\$330 billion in 2025. According to the F&S Report, in fiscal 2020, the Indian chemical industry contributed approximately 6.6% of the national gross domestic product and accounted for 15- 17% of value of the India’s manufacturing sector.

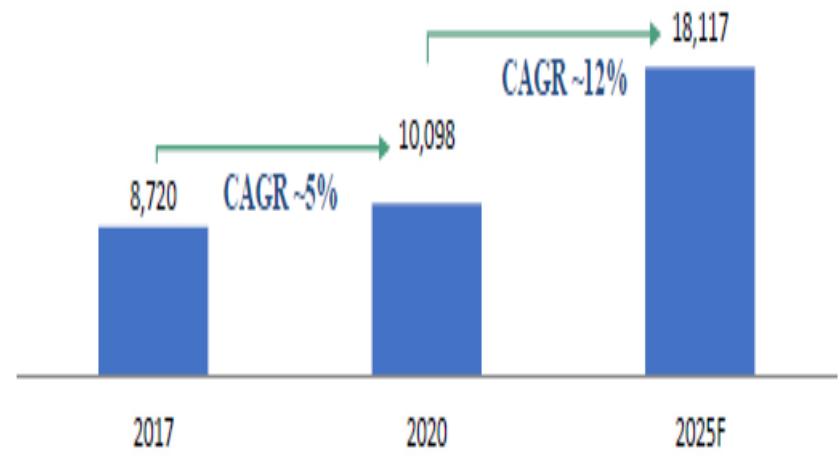
Indian Chemical Industry Overview:

Indian Chemicals Market, 2015, 2020 and 2025F (US\$ billion)



Source: F&S Report; Frost & Sullivan Primary Research & Analysis

Indian CRAMS Industry Overview:



Source: F&S Report; Frost & Sullivan Primary Research & Analysis

According to the F&S Report, the global market for Contract Research and Manufacturing Services (CRAMS) was valued at US\$220 billion in calendar year 2020; for global specialty chemicals contract manufacturing. CRAMS is used for contract synthesis of agrochemical technical grades or active ingredients, intermediates and specialty chemical products along with other fine chemicals like active pharmaceutical ingredients, etc. According to the F&S Report, global CRAMS market had grown at a CAGR of 7% from calendar year 2015 to calendar year 2020. According to the F&S Report, this market is anticipated to grow at a CAGR of 10% from calendar year 2020 to calendar year 2025.

India is a frontrunner in the number of FDA-approved manufacturing sites outside the United States and a leader in the bulk drug manufacturing market dominated by generics and biosimilars. As a result, according to the F&S Report, the Indian CRAMS market is expected to grow at a CAGR of approximately 12% from US\$10.1 billion in calendar year 2020 to US\$18.1 billion in calendar year 2025.

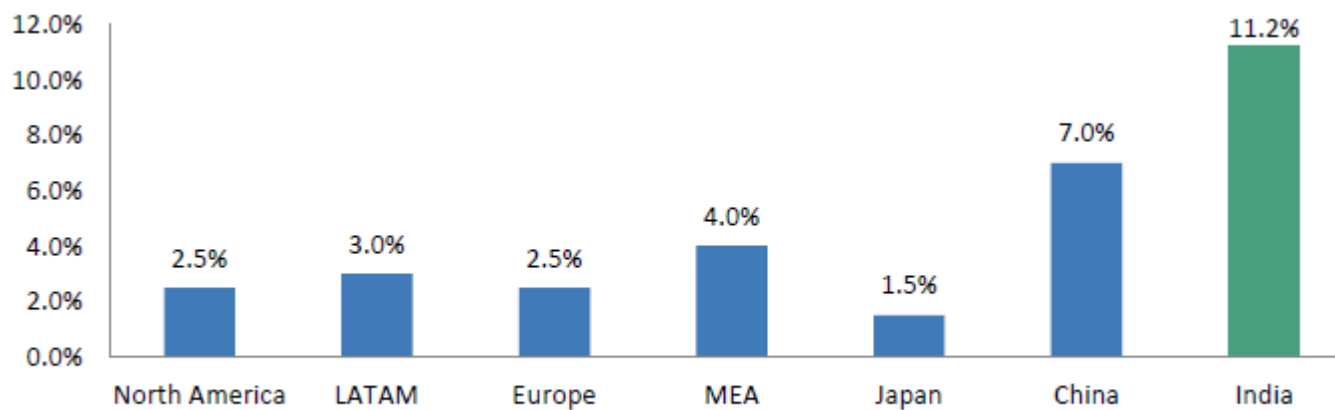
The value of the commodity chemicals segment and the specialty chemicals segment accounted for approximately 46% and 47% of the Indian chemicals industry, respectively. The growth rate of the Indian specialty chemicals segment in 2015-2020 was higher than the growth rate of the Indian commodity chemicals (10.4% vs. 8.7%). From 2020 to 2025, the Indian specialty chemicals segment is expected to grow at a CAGR of 11.2%.

India Specialty Chemicals market positioning in Global Market:

	Commodity Chemicals	Specialty Chemicals
2015-20	8.7%	10.4%
2020-25F	10.3%	11.2%

India CRAMS market positioning in Global Market:

	Commodity Chemicals	Specialty Chemicals
2015-20	8.7%	10.4%
2020-25F	10.3%	11.2%

Region-wise Specialty Chemicals Growth, 2020-25:

Source: F&S Report; Frost & Sullivan Primary Research & Analysis

High barriers to entry in the Indian Specialty chemicals industry:

- Involvement of complex chemistries in the manufacturing of products: The production process of specialty chemicals is complex and requires high level of technical knowledge and R&D capabilities. Companies need to invest substantially in facilities (such as research and development centres) as well as technical knowledge and training, creating barrier to entry for new entrants.
- Rigorous product approval standard: Specialty chemicals products are subject to very sensitive and rigorous product approval systems with stringent impurity specifications. Intermediates that are used for API drugs are subject to an even more stringent quality and manufacturing process requirements. Typically, approval of any such product takes a few years. The costs and time involved create high barriers to entry to new entrants in the industry.
- Long-term relationship between suppliers and customers: Suppliers of specialty chemicals usually enjoy long-term relationship with customers. This is partially due to the high costs involved in switching to new 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.
- Other factors contributing to the high barriers to entry for specialty chemicals companies, API and drug intermediates manufacturers include stringent quality requirement (specifically those for human consumption), lengthy and costly registration process, high level of product customization, differentiated business models, among others.

Key trends in the Indian Chemical Industry:

Increase in capital expenditure by Indian chemicals companies: The Indian chemicals industry has increased its capital expenditure over the past decade in order to be well equipped to capture future opportunities. According to the F&S Report, ₹95 billion was spent in fiscal 2020 by the 30 leading chemical companies in India on capital expenditure, as compared to ₹39 billion in fiscal 2010. In calendar year 2018, India's chemicals sector attributed 23.3% of its profit after tax to capital expenditure, whereas China's chemicals sector attributed 32.6%.

Increase in R&D by specialty chemicals companies: Aggregate research and development (R&D) expenditure incurred by the 30 key leading global chemical companies has grown at a CAGR of 16% over fiscal 2010 to fiscal 2019, while their revenue has grown at a CAGR of 11% over the same period. In terms of absolute amount, ₹4.5 billion was spent by these companies on R&D in fiscal 2019, as compared to ₹1.1 billion in fiscal 2010.

Increase in R&D by Indian pharmaceutical companies: The Indian pharmaceutical industry, world's third largest in terms of volume and thirteen largest in terms of value, is also spending on R&D to keep up with the momentum. According to the F&S Report, on average, the Indian pharmaceutical companies tend to spend less than 11% of their annual turnover on R&D. Indian companies recognize the need of R&D spend and shall ramp up their expenditure on development and research to propel their growth and have strong positioning in market

The rise of green chemicals, Make in India initiative are some of the other current trends in the Indian Chemical Industry

Aether Industries- Business Overview

Aether Industries Limited ("Aether") is a speciality chemical manufacturer in India focused on producing advanced intermediates and speciality chemicals involving complex and differentiated chemistry and technology core competencies. Company's business was started in 2013 with a vision to create a niche in the global chemical industry with a creative approach towards chemistry, technology and systems that would lead to sustainable growth. In the 1st phase of their development through Fiscal 2017, they focused on building their team and infrastructure and on their R&D centred around building their core competencies. Company's revenue generation operations commenced with their 2nd phase in Fiscal 2017. Aether is one of the fastest growing specialty chemical companies in India, growing at a CAGR of nearly 49.5% between Fiscal 2019 and Fiscal 2021.

The company operates under 3 business models:

- Own intermediates and speciality chemicals (FY21 revenue contribution of 73%),
- CRAMS (FY21 revenue contribution of 8%), and
- Contract/exclusive manufacturing (FY21 revenue contribution of 19%).

Aether is focused on the core competencies model of chemistry and technology. The chemical companies usually have a single or a couple of chemistry competencies for their entire product portfolio; however, they have 8 chemistry competencies to use for their wide array of products, which enables them to cater to niche and advanced intermediate requirements of a wider range of end-products and applications. All these competencies have been developed inhouse, which is one of the core strengths of their R&D team.

Aether is among the few Indian specialty chemical companies to have successfully launched these 3 separate business models in just 5 years into commercial manufacturing. They have nuanced criteria for choosing their products based on their chemical complexity, niche applications, limited competition, scalability and commercial potential. Using these criteria, they developed, and continue to develop, advanced intermediates and speciality chemicals products having applications in the pharmaceutical, agrochemicals, material science, coatings, high performance photography, additives and oil & gas segments of the chemicals industry.

As of March 31, 2022, Aether's product portfolio comprised over 25 products. In CY2020, they were the sole manufacturer in India of 4MEP, MMBC, T2E, OTBN, NODG, DVL and Bifenthrin Alcohol.

The details of 8 Products, their applications, their market position globally and in India:

Product	Industry Application	Company Global Market Position*	Global market size (MT)*	Quantity Manufactured by the Company (MT)*	Company India Market Position*	Launch Year	Volume Produced in Fiscal 2021 (MT)	Volume CAGR (Fiscal 2019 to Fiscal 2021)	Revenue Fiscal 2021 (₹ Cr)
4-(2-Methoxyethyl) Phenol (4MEP)	Metoprolol Succinate / Metoprolol Ttrate	Largest manufacturer in the world (with 28% market share in CY2020)	1,750	488	Only manufacturer in India	Dec' 2016	611.89	44.15%	94.44
3-Methoxy-2- Methyl-benzoyl Chloride (MMBC)^	Methoxyfenozide	Second largest manufacturer in the world (with 14% market share in CY2020)	1,750	238	Only manufacturer in India	Sep' 2019	237.60	NA	69.48
Thiophene-2-Ethanol (T2E)	Clopidogrel, Ticlopidine APIs	Largest manufacturer in the world (with nearly 50% market share in CY2020)	780	392	Only manufacturer in India	May 2017	42.03	20.18%	68.22
Ortho Toly Benzo Nitrile / 4'-Methyl- 2-Cyanobiphenyl (OTBN)	Valsartan, Telmisartan, Olmesartan, Losartan, Candisartan APIs	Market share of 8% in CY2020	5045	417	Only manufacturer in India	Dec' 2018	404.56	291.52%	62.08
N-Octyl-D-Glucamine / 1- Deoxy-1-(Octylamino)-D-Glucitol (NODG)	Naproxen, Dexketoprofen APIs	Largest manufacturer in the world (with 46% market share in CY2020)	845	396	Only manufacturer in India	July 2015	451.97	23.20%	28.99
1-2-(2Hydroxyethoxy) Ethyl Piperazine (HEEP)	Quetiapine, Hydroxyzine APIs	Largest manufacturer in the world (with 34% market share in CY2020)	500	171	One of 3major manufacturers, only manufacturer in India to be back-integrated into key raw	May 2018	156.08	53.03%	18.24

					material				
Delta-Valerolactone (DVL)	Coating additive, speciality monomer, electronic chemical	Second largest manufacturer in the world (with 13% market share in CY 2020)	650	84	Only manufacturer in India	Sep' 2016	112.41	46.17%	12.48
Bifenthrin Alcohol	Bifenthrin	Negligible	3250	144	Only manufacturer in India	Aug' 2021	NA	NA	NA

Aether's products are advanced intermediates and speciality chemicals that occupy a position in the chemical industry value chain between commodity chemicals and final actives and formulations with their products more closely aligned to the higher value range, further away from the commodities and closer towards the final active part of the value chain. Aether is known to have strong market positioning in complex intermediates where global competition is intense. The average selling price of all their products in Fiscal Year 2020-2021 was ₹1,440.85 per kg. Aether has been focused on developing high value products, which has resulted in the average selling price of all their products to grow by a CAGR of 6.8% between Fiscal 2016 and Fiscal 2021.

Aether manufactures speciality chemicals and advanced intermediates products based on an intricate combination of complex chemistry and technology core competencies.

- Chemistry core competencies include Grignards, organolithium and other organometallic chemistry, ethylene oxide and isobutylene chemistry, hydrogenation, catalysis (homogeneous /heterogeneous), cross-coupling chemistry and metathesis/polymerization chemistry.
- Technology core competencies include continuous reaction technology, high-pressure reaction technology, fixed bed reaction technology, DCS process automation and high vacuum distillation technology (wiped film/short path).

Their products find application in a number of therapeutic segments in the pharmaceuticals industry including hypertension, anti-platelet, anti-psychotic, anti-histamine and non-steroidal anti-inflammatory drugs ("NSAIDs"). Their products also find application in various other industries like agrochemicals, material science, coatings, high performance photography, additives and oil & gas. Most of their advanced intermediates and speciality chemicals product portfolio was developed for the first time in India and constitute 100% import substitution. For example, 4MEP, T2E, MMBC, NODG, BFA, OTBN and DVL were 100% imported into India from China 4 years ago and now they are selling these products to Chinese customers. A majority of their products are exported internationally, and they export products to 18 countries, including Italy, Spain, Germany, the United States and other parts of the world. Their revenue from exports (including deemed exports) have grown at CAGR of 58.56% from ₹ 1001 Mn in Fiscal 2019 to ₹ 2,517 Mn in Fiscal 2021. Their revenue from exports (including deemed exports) was ₹ 2,804 Mn in the 9 months ended December 31, 2021.

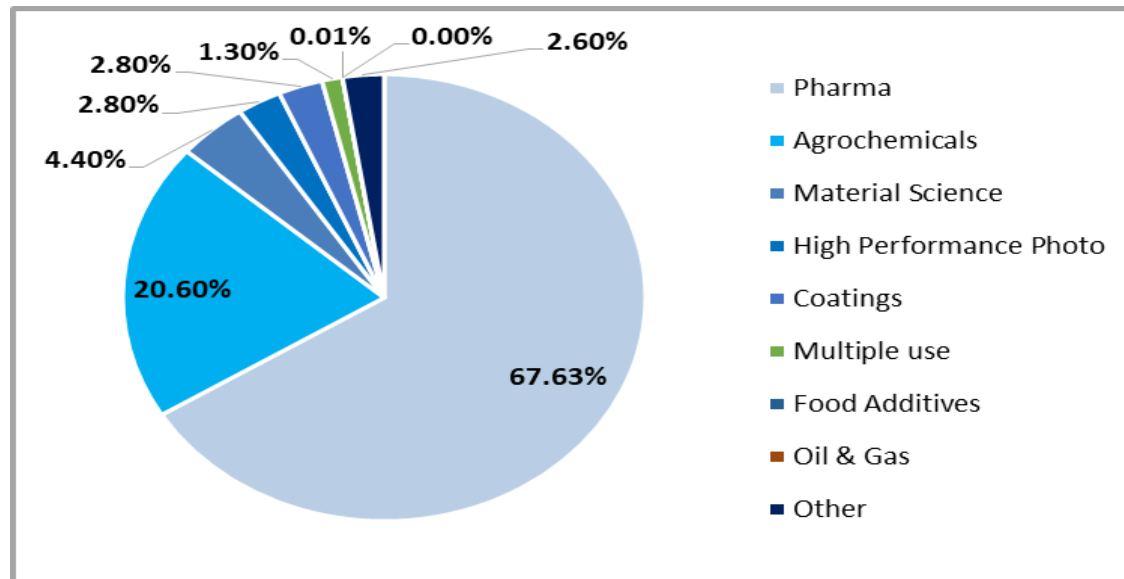
Aether's product selection process searches for chemicals which fall into its core competencies of chemistry and technology and then applies certain refinements to narrow down the product selection process, which is:

- The product should fall under a speciality chemical field with a minimum of 4-synthetic step sequence,
- The product should not be actively manufactured by any company in India,
- It should generate adequate revenue at maturity, and
- Aether should be able to attain a market-leading position at product maturity.

Diversified Customer Base:

Aether's customers include over 160 multinational, global, regional and local companies. As of March 31, 2022, their product portfolio was sold to over 34 global customers in 18 countries and to over 154 domestic customers. Selected examples of their clientele are provided below:

Indian	Global
Aarti Drugs, Alembic Pharmaceuticals Ltd, Atul Bioscience Ltd, Cadila Healthcare Ltd, CTX Lifesciences Pvt Ltd, Divis Laboratories Ltd, Dr. Reddy's Laboratories Ltd, Granules India Ltd, Hetero Drugs Ltd, IOL Chemicals, Ind-Swift Laboratories Ltd, IPCA Laboratories Ltd, Laurus Labs Ltd, Lupin Ltd, Mankind Pharma, Neogen Chemicals Ltd, MSN Laboratories Pvt Ltd.	Adama Agan (Israel), Adama Makhteshim (Israel), Aramco Performance Materials LLC (US/Saudi Arabia), Altana AG (Germany), BYK Chemie GmbH (Germany), Polaroid Film BV (Netherlands), Milliken & Co. (USA), Ningbo Noubai Pharmaceutical Co. Ltd (China).

Aether's customer segment split for specialty chemicals**External revenue by Product Line**

Product	9MFY22 (Mn)	9MFY21 (Mn)	FY21 (Mn)	FY20 (Mn)	FY19 (Mn)
4'-Methyl-2-Cyanobiphenyl (OTBN)	203	517	621	804	42
4-(2-Methoxyethyl) Phenol (4MEP)	1,390	612	944	604	437
Thiophene-2-Ethanol (T2E)	526	485	682	346	336
1-Deoxy-1-(Octylamino)-D-Glucitol (NODG)	165	181	290	259	196
3-Methoxy-2-Methylenzoyl Chloride (MMBC)	473	584	695	188	-
1-[2-(2-Hydroxyethoxy)Ethyl]Piperazine (HEEP)	151	151	182	104	-
2-Methoxy-6-Chlorotoluene (MCT)	126	127	177	35	-
BFA	369	-	-	-	-
Other Products	694	437	548	403	718
Revenue from Products (Recognized at point in time)	4,096	3,093	4,139	2,744	1,731
Service - CRAMS	32.94	24.79	35.90	27.46	20.17
Revenue from Services (Recognized over the period)	32.94	24.79	35.90	27.46	20.17
Grand Total	442.54	334.09	449.82	301.81	193.25

Manufacturing Facilities & R&D Capabilities

Aether has 2 sites at Sachin in Surat (Gujarat, India). Their Manufacturing Facility 1 is an approximately 3,500 sq.mtr facility including the R&D Facilities, the analytical sciences laboratories, the Pilot Plant, the CRAMS facility and the hydrogenation facility. Their Manufacturing Facility 2 spans approximately 10,500 sq.mtr acts as a large scale manufacturing facility. Both the facilities are in close proximity to the Hazira Port and JNPT Port, which helps them save freight costs for their exports.

Aether also has dedicated in-house R&D Facilities and Pilot Plant at their Manufacturing Facility 1 at Sachin in Surat, Gujarat. Their R&D Facilities are dedicated to the development of their pipeline and next generation products as well as to their CRAMS customers. As of March 31, 2022, they had a specialized R&D team of 164 scientists and engineers including 92 scientists (with PhDs or Master of Science degrees) and 72 chemical engineers. Their R&D Facilities are equipped with laboratories engaged in process development, process innovation and technology development, which assists them in pursuing efficiencies from the initial conceptualization up to commercialization of a product. Their strategic investments in R&D have been critical to their success and a differentiating factor for them to attain leading market positions for certain products.



Aether has a state-of-art Pilot Plant, which is a vital link between R&D and large scale production. They have one of the largest pilot plants in the world with 106 reactors installed, for both batch as well as continuous reaction technology. Their Pilot Plant has a dual functionality; it functions to generate critical scale-up data in the transition from R&D to production to help eliminate issues at full production scale; and it also functions as a stand-alone manufacturing facility for low volume, high value products for their CRAMS customers. The Pilot Plant encompasses a wide range of reactor and downstream equipment, in both continuous and batch regimes, across the entire range of scale-up volumes, metallurgy, and process parameters and is automated through DCS process automation. A unique section in their Pilot Plant is the continuous reaction and flow technology plant, housing pilot scale equipment for continuous and flow reactors and continuous downstream equipment.

Key Competitive Strengths

Focus on R&D to leverage their core competencies of chemistry and technology

The foundation of the Company is their in-house research and development capabilities. According to Frost & Sullivan, the strategic investments in R&D have been critical to the company's success. They are able to carry out innovative processes at global scale, which is difficult to replicate. As of March 31, 2022, they had a specialized R&D team of 164 scientists and engineers. They are one of the few companies who have deployed continuous reaction technology as a core technology competency at all stages (R&D, Pilot Plant and large scale manufacturing).

Long standing relationships with a diversified customer base

Their customers include over 160 multinational, global, regional and local companies. As of March 31, 2022, their product portfolio was sold to 34 global customers in 18 countries and to 154 domestic customers. CRAM's diversified global customer base and long-term relationships with key customers enable them to plan their capital spending and increase economies of scale. Of their revenue from operations in the nine months ended December 31, 2021 and Fiscal 2021, 57.32% and 57.82% were from India, 32.74% and 32.97% from EU countries, 5.95% and 5.77% from the North America (United States and Mexico), 3.49% and 2.92% from Asia and 0.50% from the rest of the world. In the past three fiscal years, their facilities were audited 57 times by 43 customers or their external consultants

Experienced Promoters and Senior Management with extensive domain knowledge

They are led by four Promoters who have combined experience of over 125 years in the chemical industry. Managing Director Ashwin Jayantilal Desai is responsible for R&D, pilot plant, and new projects, and technical business development. Rohan Ashwin Desai is a Promoter and Whole Time Director of the Company. He has extensive experience in the speciality chemical industry. Purnima Desai leads the overall accounting and finance operations of the company.

The majority of their senior management team is also experienced in the chemicals industry. The senior management personnel include career-technocrats such as Dr. James Ringer, Raymond Paul Roach and Dr. Norbert Flüggen. The company believes that the experience, depth and diversity of their directors, management team and their Promoters have enabled the Company to be recognized as a leading speciality chemical manufacturer in India.

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

The company believes that maintaining a high standard of quality for the products is critical to the brand and continued growth. The manufacturing principles and technologies embody the core tenets of "green" chemistry or sustainable chemistry. They are mindful of the potential impact of their activities on the local environment and have set stringent environmental standards. They prioritize the health and safety of their employees and undertake several initiatives to promote employee health and quality of life. They have installed comprehensive safety equipment including firefighting and safety systems. Their plant wide DCS automation system allows them to control their safety systems and processes.

Strong and consistent financial performance

In the short period of 9 years of incorporation and 5 years into commercial manufacturing, they have reached revenue of over ₹4,500 million in Fiscal 2021. They are one of the fastest growing specialty chemical companies in India. Their revenue from operations has grown at a CAGR of nearly 49.53% between Fiscal 2019 and 2021

Key Business Strategies

- Leverage their strong position in the specialty chemicals industry to capitalize on industry opportunities;
- Expand their product portfolio and diversify into additional business segments
- Expand manufacturing, R&D and pilot plant capacities;
- Continue to strengthen their presence in India and expand their sales and distribution network in international markets;
- Continue to focus on contract manufacturing / exclusive manufacturing by developing innovative processes and value engineering;
- Growth through strategic acquisitions and alliances.

Key Risks:

- Any slowdown or shutdown in Aether's manufacturing operations or strikes, work stoppages can adversely impact its operations.
- Risks consequent to the operations involving manufacture, usage and storage of various hazardous substances
- As of 9MFY21 & FY21 Top 20 customers contributed 73% and 74% of Aether's top-line any failure to retain these customers could adversely affect its top-line.
- Aether does not have long-term agreements with suppliers for the raw materials and any increase in the cost of, or a shortfall in the availability or quality of such raw materials could have an adverse effect on their business, financial condition and results of operations.
- Non-compliance with and changes in, safety, health, environmental and labour laws and other applicable regulations, may adversely affect Aether's business, financial condition and results of operations.
- Aether Industries earns 55-60% of its revenues from export and deals in various global currencies, which is very volatile in nature.
- The company's business depends on the demand from the global pharmaceutical and FMCG industry for a significant portion of its revenue. Any downturn in the global pharmaceutical or FMCG industry could adversely affect business performance

Valuation:

Incorporated just 7 odd years back Aether Industries has become one of the fastest growing specialty chemical companies in India by growing its revenues at a CAGR of 49.5% between FY19 to FY21. In just 5 years into commercial manufacturing Aether has successfully launched 3 separate business models and launched over 25 products. As of CY20 Aether was the sole manufacturer of 7 products in India and managed to completely replace entire imports of these products from China and also started exporting to 17 countries.

Aether Industries is expected continue to maintain its leadership position in few of its products due to continuous focus on R&D, Enhanced capacity post expansion plans (from 6,096 mtpa to 6,500 mtpa), Synergistic business models, Differentiated product portfolios of market-leading products and Long-standing relationships with a diversified customer base.

Peer Comparison:

Name of the company	Total Income for the year end March 2021 (₹ in million)	Face value (₹ per share)	PE	EPS for Fiscal Year 21		NAV (Rs per share)	Return on average net worth (%)
				Basic	Diluted		
Aether Industries	4,498.2	10	112.4	7.4	7.4	15.69	40.79%
PEER GROUP							
Clean Science and Technology Ltd	5,380.50	10	100.08	18.68	18.68	50.84	36.74%
Navin Fluorine International Ltd	12,584.37	2	73.96	52.03	51.96	330.06	15.76%
Vinati Organics Limited	9,801.02	10	74.96	26.20	26.20	150.16	17.45%
PI Industries Limited	47,019.0		55.62	49.92	49.89	352.13	13.82%
Fine Organic Industries Limited	11,503.16		112.10	39.25	39.25	238.55	16.45%

At the upper end of the IPO price band as of Aether Industries is valued at 72.3 times on annualized basis of FY22 earnings which looks fairly valued considering the growth opportunities for speciality chemicals in pharma, agrochemicals & FMCG space, and improving prospects for contractual manufacturing & CRAMS under Make-in-India initiatives. We recommend 'SUBSCRIBE-For Long term' rating to this IPO.

DISCLAIMER:**Analyst Certification**

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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 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%

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