Aether Industries Ltd

Price Band: ₹ 610 - 642

AVOID

May 24, 2022

Niche play in complex chemistry…

About the Company: Incorporated in 2013, Aether Industries focuses on producing advanced intermediates and speciality chemicals involving complex, differentiated chemistry and technology core competencies. Its products find application in pharmaceutical, agrochemical, material science, coating, high performance photography, additive and oil & gas segments of the chemical industry.

- Sole manufacturer in India for advanced intermediates such as 4MEP, MMBC, T2E, OTBN, NODG and Bifenthrin alcohol (Pharma Applications) and speciality chemical DVL (coating additive). One of the largest manufacturers in the world by volume for 4MEP, T2E, NODG and HEEP.
- Product portfolio comprised over 25 products. Staff consists of 92 scientists and 72 chemical engineers

Two manufacturing sites at Sachin in Surat. Facility 1 is a 3500 square metre facility while Facility 2 encompasses roughly 10500 square metre

Key triggers/Highlights:

- Differentiated portfolio of market leading products
- Focus on R&D to leverage core competencies of chemistry and technology
- Long-standing relationships with a diversified customer base
- Synergistic business models focused on large scale manufacturing, CRAMS and contract manufacturing
- Focus on quality, environment, health and safety (QEHS)
- Strong and consistent financial performance
- Experienced promoters, senior management with extensive domain knowledge

What should investors do? Aether Industries is a niche player in the speciality chemical business and enjoys dominating market share in few select products with high margins. That said, at the upper price band, it is valued at ~58.9x EV/EBITDA and ~72.4x P/E for 9MFY22 (annualised), which looks demanding.

- The IPO can be **AVOIDED** due to stretched valuation.

Key risk & concerns

- Derives a major chunk of revenues from marquee customers without having long term contracts with all of these customers
- Dependency on certain industries for significant portion of sales
- Dependency on certain export incentives

IPO Review

ICICI Securities – Retail Equity Research

aether
elementally innovative

IPO Details

Issue Opens	24th May 2022
Issue Closes	26th May 2022
Issue Size (₹ crore)*	808
Price Band (₹)	₹ 610 - ₹ 642
No. of Shares on Offer (in crore)	1.26
QIB (%)	50
Retail (%)	35
Non Institutional (%)	15
Minimum lot size (no of shares)	23

* based on upper price band of ₹ 642

Shareholding pattern

	Pre-Issue	Post-Issue
Promoter Group	97.0%	87%
Public	3.0%	13%

Objects of the issue

Particulars	₹ crore
Funding capital expenditure requirements for manufacturing facility **(Proposed Greenfield Project)**	163.0
Repayment/Prepayment of all or a portion of certain outstandings borrowings of Company	137.9
Funding working capital requirements	165.0
General Corporate Purposes	*
Fresh Issue	**627.0**
Offer for Sale**	**181.0**

* To be finalised post issue

**based on upper price band of ₹ 642

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Key Financial Summary

₹ crore	FY19	FY20	FY21	9MFY22	CAGR FY19-21 (%)
Total Revenues	201.2	301.8	449.8	442.5	49.5%
Adjusted EBITDA	47.5	71.8	112.2	126.0	53.7%
EBITDA Margins (%)	23.6%	23.8%	24.9%	28.5%	
PAT	23.3	40.0	71.1	82.9	74.6%
EPS (₹)	1.9	3.2	5.7	8.9	
P/E (x)	343.6	201.1	112.5	72.4	
EV/EBITDA (x)	154.9	103.2	66.3	58.9	
P/B (x)	10.0	9.6	8.6	7.2	
RoE (%)	60.3	50.8	40.8	30.6	
RoCE (%)	26.2	26.5	27.5	27.2	
P/S	39.7	26.5	17.8	18.1	

Source RHP, ICICI Direct Research

Company Background

The 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. The company is one of the fastest growing speciality chemical companies in India, growing at a CAGR of nearly 49.5% between FY19 and FY21. Aether focused on the core competencies model of chemistry and technology. As of March 31, 2022, the company's product portfolio comprised over 25 products. According to Frost & Sullivan, in CY20, the company was the sole manufacturer in India of 4MEP, MMBC, T2E, OTBN, NODG, DVL and Bifenthrin alcohol. The company'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 company's products more closely aligned to the higher value range, further away from commodities and closer towards the final active part of the value chain.

Exhibit 1: Products, their applications, market position (Global as well as in India)

Product	Launch Year	Industry Application	Global market size (MT) (1)	Quantity manufactured by the Company (MT) (1)	Company Global Market Position (1)	Company India Market Position (1)	Competitors Market Position (1)
4-(2-Methoxyethyl) Phenol **(4MEP)**	December 2016	Metoprolol Succinate / Metoprolol Tatrate	1,750	488	Largest manufacturer in the world (with 28% market share in CY2020)	Only manufacturer in India	Otsuka Chemicals, (26% to 27%) Apeloa Pharma (24% to 26%) Other Chinese players (22% to 26%)
3-Methoxy-2-Methylbenzoyl Chloride **(MMBC) (2)**	September 2019	Methoxyfenozide	1,750	238	Second largest manufacturer in the world (with 14% market share in CY2020)	Only manufacturer in India	Other Chinese players (84% to 88%)
Thiophene-2-Ethanol **(T2E)**	May 2017	Clopidogrel, Ticlopidine APIs	780	392	Largest manufacturer in the world (with nearly 50% market share in CY2020)	Only manufacturer in India	Other Chinese players (rest of the market)
Ortho Tolyl Benzo Nitrile / 4'-Methyl-2-Cyanobiphynyl **(OTBN)**	December 2018	Valsartan, Telmisartan, Olmesartan, Losartan, Candisartan APIs	5,045	417	Market share of 8% in CY2020	Only manufacturer in India	Other Chinese players (rest of the market)
N-Octyl-D-Glucamine / 1-Deoxy-1-(Octylamino)-D-Glucitol **(NODG)**	July 2015	Naproxen, Dexketoprofen APIs	845	396	Largest manufacturer in the world (with 47% market share in CY2020)	Only manufacturer in India	Other Chinese players (rest of the market)
1-2-(2Hydroxyethoxy) Ethyl Piperazine **(HEEP)**	May 2018	Quetiapine, Hydroxyzine APIs	500	171	Largest manufacturer in the world (with 34% market share in CY2020)	One of three major manufacturers, only manufacturer in India to be back-integrated into key raw material	Allchem Lifescience Ltd, (15% to 16%) Ami Organics (16% to 17%) Other Chinese players (30% to 36%)
Delta-Valerolactone **(DVL)**	September 2016	Coating additive, speciality monomer, electronic chemical	650	84	Second largest manufacturer in the world (with 13% market share in CY 2020)	Only manufacturer in India	Other Chinese players (86% to 88%)
Bifenthrin Alcohol	August 2021	Bifenthrin	3,250	144	Negligible	Only manufacturer in India	Chinese players and other global players (rest of the market)

Source: RHP, ICICI Direct Research

Key Performance Indicators

Exhibit 2: Growth in speciality chemical market

Market	CY2020	CY2025	CAGR (2020 - 2025
Global Chemical Market	$5027 billion	$6780 billion	6.20%
Global Speciality Chemical Market	$847 billion	$1090 billion	5.20%
India Speciality Chemical Market	$87 billion	$148 billion	11.20%

Source: RHP, ICICI Direct Research

Exhibit 3: Products

Product	Application	Therapeutic or other use	Chemistry and Technological Process
4-(2-Methoxyethyl) Phenol (4MEP)	Metoprolol Succinate / Metoprolol Tatrate	Hypertension	We employ Grignard chemistry, ethylene oxide chemistry, and isobutylene chemistry as the core chemistry competencies and continuous reaction technology and fractional distillation technology as the core technology competencies for this product. There are high entry barriers for this product as the process is very complex and the demand is quite niche.
N-Octyl-D-Glucamine / 1-Deoxy-1- (Octylamino)-D-Glucitol (NODG)	Naproxen, Dexketoprofen APIs	NSAID	The production process includes hydrogenation of n-octylamine with D-glucose to produce Nn-octyl-D-glucamine. We have superior hydrogenation and high pressure chemistry core competencies which helps us to have edge over other companies in this product
Ortho Tolyl Benzo Nitrile / 4'-Methyl-2- Cyanobiphynyl (OTBN)	Valsartan, Telmisartan, Olmesartan, Losartan, Candisartan APIs	Hypertension	We have deployed Grignard chemistry and coupling chemistry as the core chemistry competencies and continuous reaction technology and fractional distillation technology as the core technology competencies for this product. We have improved the Grignard reaction and also established a continuous recovery and recycle process for the THF solvent, to increase the yield of production and to improve the overall process economics.
Thiophene-2-Ethanol (T2E)	Clopidogrel, Ticlopidine APIs	Anti-Platelet	We have deployed Grignard chemistry and ethylene oxide chemistry as the chemistry core competencies and continuous reaction technology and fractional distillation technology as the core technology competencies for this product.
1-2-(2Hydroxyethoxy) Ethyl Piperazine (HEEP)	Quetiapine, Hydroxyzine APIs	Anti-Psychotic Anti Histamine	We deploy ethylene oxide chemistry as the chemistry core competency and continuous reaction technology as the technology core competency for this product, with in-house continuous dry HCl gas generation plant. Amongst all 3 Indian manufacturers of HEEP, we are the only manufacturer that is backintegrated into the manufacture of HEEP's key raw material, 2-CEE.
Delta-Valerolactone (DVL)	Coating additive Monomer electronic chemical	Coatings	We deploy heterogeneous catalysis as the chemistry core competency and continuous reaction technology, fixed bed reaction technology, gas phase reaction technology, and high vacuum fractional distillation as the technology core competencies for this product
Bifenthrin Alcohol	Bifenthrin	Agrochemical	We deploy Grignard chemistry and coupling chemistry as the key chemistry competencies and continuous reaction technology and high vacuum fractional distillation technology as the key technology competencies for this product.

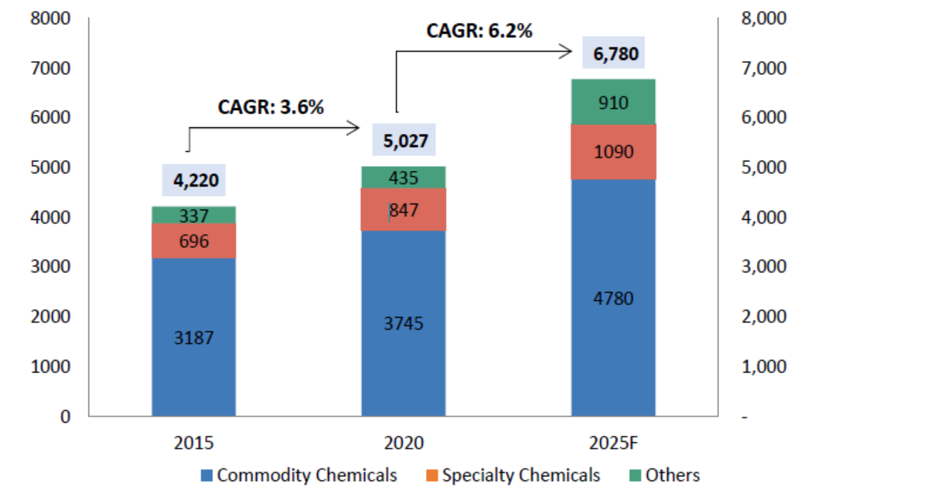
Source: RHP, ICICI Direct Research

Industry Overview

Value of global chemical industry

In CY20, the global chemicals market was valued at ~US$5,027 billion, with China accounting for a substantial market share (39%), followed by the European Union (15%) and the US (13%). In CY20, India accounted for ~4% market share in the global chemicals market. According to the F&S Report, the global chemicals market is expected to grow at a CAGR of 6.2% CAGR from US$5,027 billion in CY20 to US$6,780 billion by CY25. According to the F&S report, from CY20-25, the Asia Pacific (APAC) chemicals market is expected to grow at the fastest rate of 7-8% while the chemicals markets in Western Europe, North America, and Japan are expected to grow at a slower rate of 3-4% since they are relatively mature.

Exhibit 4: Global chemical market 2015, 2020 and 2025F

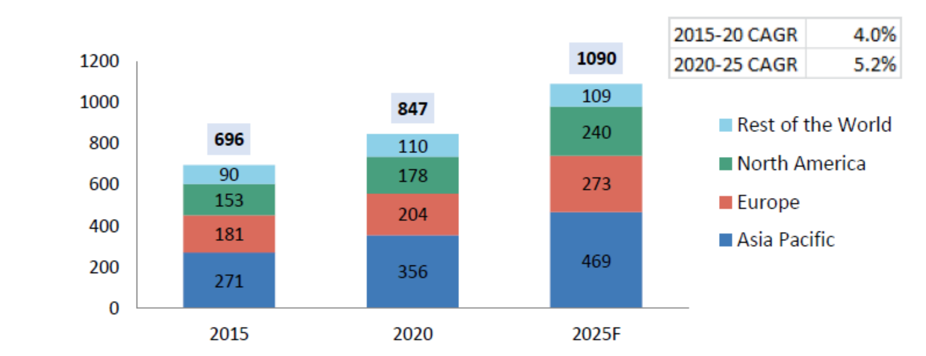


Source: RHP, ICICI Direct Research

Global speciality chemical market

Rapid industrialisation in India and China is expected to drive demand for specialty chemicals. Asia Pacific (APAC) dominated the global specialty chemicals market in CY20 with a 42% market share, owing to its huge customer base, increasing industrial production and robust growth of the construction sector in the region. APAC is followed by Europe and North America, with 24.1% and 21.0% market share in CY20, respectively.

Exhibit 5: Global speciality chemical market

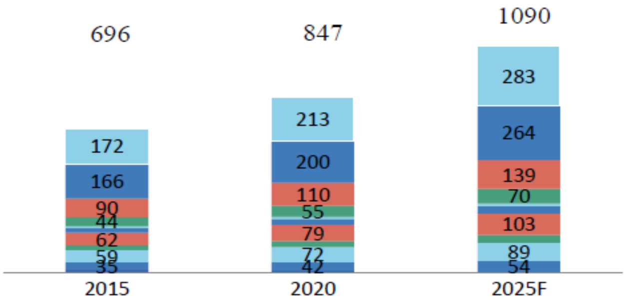


Source: RHP, ICICI Direct Research

Global speciality chemicals market by segments

The specialty chemicals industry can be categorised into a mix of end-use driven segments and application-driven segments. The various segments across specialty chemicals industry differ in competitive intensity, margin profiles, defensibility against raw material cost movements and growth.

Exhibit 6: Global speciality chemical market by segments



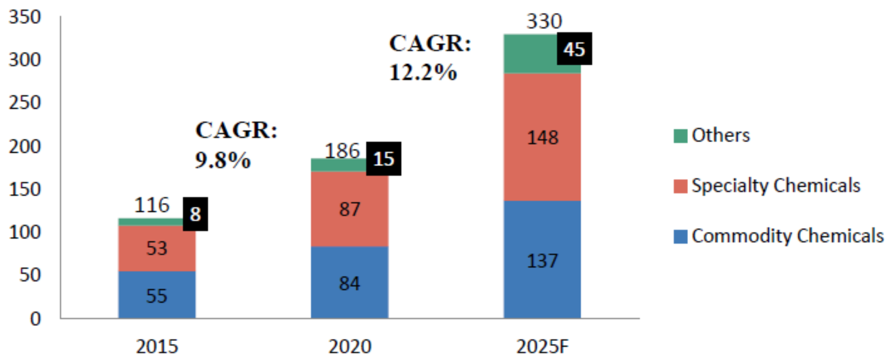
	2015	2020	2025F
Pharmaceuticals API	172	213	283
Agrochemicals & Fertilisers	166	200	264
Construction chemicals	90	110	139
Water Treatment chemicals	44	55	70
Textile chemicals	9	10	13
Personal Care Ingredients	21	27	36
Home Care Ingredients	62	79	103
Paints & coating Additives	24	29	38
Dyes & pigments	59	72	89
Flavours & fragrances Ingredients	35	42	54
Others	16	11	3

Source: RHP, ICICI Direct Research

Chemicals Industry in India

In CY20, the Indian chemicals industry was valued at US$186 billion, representing ~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 FY20, the Indian chemical industry contributed ~6.6% of the national GDP and accounted for 15-17% of value of the India's manufacturing sector.

Exhibit 7: Chemical Industry in India



Source: RHP, ICICI Direct Research

Growth drivers for specialty chemicals industry in India

High Barriers to Entry

There are high barriers to entry in the Indian Chemicals industry, primary due to following factors:

- Involvement of complex chemistries in manufacturing of products
- Rigorous product approval standard
- Long term relationship between suppliers and customers
- API and drug intermediates manufacturers include stringent quality requirement
- Lengthy and costly registration

Increase in R&D

Speciality 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 FY10-19, while their revenue has grown at a CAGR of 11% over the same period. In terms of absolute amount, ₹ 450 crore was spent by these companies on R&D in FY19 compared to ₹ 110 crore in FY10. R&D expense as a percentage of revenue has remained stable in the range of 0.4-0.5% for these companies from FY15-19. India's share in the aggregate R&D spending incurred over the globe by chemical companies has grown from 2.7% in CY08 to 3.3% in CY18.

Indian pharmaceutical companies

The Indian pharmaceutical industry, the world's third largest in terms of volume and thirteen largest in terms of value, is also spending on R&D to keep up 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 recognise the need of R&D spend and are expected to ramp up their expenditure on development and research to propel their growth and have strong positioning in market. Frost & Sullivan expects more new product lines to be developed by Indian pharmaceutical companies with their increased R&D spend. In order to support these new product lines, the demand for purchase of raw materials and intermediates by these companies is expected to increase, providing a boost to the specialty chemicals industry.

Make in India initiative

This campaign is especially expected to benefit the specialty chemicals sector, with several players hoping to position themselves as an alternative to China as the coronavirus crisis prompts companies to diversify their supply chain. Government announced a production linked incentive (PLI) scheme for the promotion and manufacturing of pharmaceutical raw materials in India. The government's move is aimed to boost domestic manufacturing and cut dependence on imports of critical active pharmaceutical ingredients (APIs).

Low cost, availability of skilled labour in India to support speciality chemical exports

China's minimum wages, which ranged from ~US$140 to US$346 in calendar year 2019, are set at the provincial level. India's minimum wages similarly vary across states and range from ~US$66 to US$202 in CY19. Frost & Sullivan expects importers of labour-intensive products, such as specialty chemicals, to be in the best position to realise cost savings by moving to India.

Growth drivers for Indian CRAMS industry

Lower set up costs

With a lower capital expenditure in the range of 25-50% for setting a facility, India is a big attraction for global pharmaceutical companies to collaborate with local CRAMS players.

Abundant and widespread talent pool

Abundant pool of professionals in the area of drug development and research chemistry, owing to an enormous base of pharmacists and chemistry post-graduates, is an added attraction.

Quantum of USFDA approved manufacturing sites

The availability of over 300 USFDA approved manufacturing sites will be able to support the growth of the Indian CRAM industry.

Intellectual Property Treaty

The Government of India is doing its part to help CRAMS development by signing intellectual property treaties. In June 2019, India accepted the three important classification treaties of the World Intellectual Property Organization that are designed to ease the search for trademarks and industrial designs, thereby helping brand owners and designers in their efforts to obtain protection for their own work.

Patent Drug Expiry

According to the F&S Report, it is estimated that ~US$252 billion worth of drug sales are likely to get off patent from CY20-26. Some Indian companies are now well placed to capture this opportunity. With ongoing developments, India has started focusing on self-reliance at a large-scale. This presents a large opportunity for Indian generic companies.

Investment Rationale

Leveraging strong position in speciality chemicals industry to capitalise

From CY20-25, the global chemicals market is expected to grow at a CAGR of 6.2% and the India speciality chemical market at a CAGR of 11.2%, according to Frost & Sullivan. China's speciality chemicals market has seen a downturn in recent years due to various factors. Most prominent amongst these are the recent environmental norms introduced by the Chinese government, which have led to shutdown of a number of chemical plants. Due to market leadership position in a number of speciality chemical product areas, company is well positioned to capitalise on these market opportunities. Company benefit from established relationships with multinational, regional and local customers. In particular, company propose to introduce new products with varied applications across industries. Company aim to achieve this by leveraging their existing R&D capabilities, as well as by evaluating strategic acquisition opportunities.

Expand product portfolio, diversify into additional business segments

In the next three years, the company expects to invest ~₹ 12.5 crore towards R&D in the first year with an increasing trend of 30-35% in the next two years. Some of the key APIs company expects to launch advanced intermediate products in coming years are:

- Dolutegravir (Antiretroviral to treat HIV/AIDS)
- Carbamazepine (Anti-epileptic)
- Oxcarbazepine (Anticonvulsant)
- Memantine (treats symptoms of Alzheimer's)
- Ambroxol (treatment of respiratory disease)

Expand manufacturing, R&D, pilot plant capacities

The company also intends to add manufacturing capacities for new product line (discussed above) that are in the process of developing and getting commercialised. To achieve these expanded capacities, in August 2021, Aether commenced construction of a new manufacturing facility at a third site near the company's existing manufacturing facilities in Sachin. The company is also in discussions with relevant authorities for acquiring land located in Sachin for a fourth facility, where it intends to manufacture other intermediates for applications in pharmaceuticals, agrochemicals, coatings and oil & gas sectors. For future expansion of business, in March 2022, it secured additional leasehold lands admeasuring ~ 125,000 square metre at the Panoli GIDC Estate of Ankleshwar region of Gujarat, which is ~54 km from current manufacturing facilities in Sachin. As part of R&D expansion plans, the company is looking to recruit an additional 55-70 R&D scientists. In addition, the company expanded pilot plant by installing additional trains of pilot scale equipment, which will triple the current capacity.

Growth through strategic acquisitions, alliances

The company will look for strategic acquisition targets in the US and the EU for R&D and manufacturing assets that are in line with company's existing or desired competencies. The company also will look for opportunities to acquire businesses to add additional chemistry or technology competencies (for example, photochemistry) or to add business segments where it is currently not present (for example, cytotoxic compounds, advanced silicone products or active pharmaceutical ingredients and formulations).

Continues to strengthen presence in India, expand sales, distribution network in international markets

The company intends to focus on increasing wallet share with existing customers. It has built longstanding relationships with customers through various strategic endeavours, which it intends to leverage by selling baskets of products to the same customers. In addition, the company intends to continue to leverage existing sales and marketing network, diversified product portfolio and industry standing to establish relationships with new multinational, regional and local customers. It is expanding globally to serve existing direct end-use customers as well as to secure new direct end-use customers and expand the reach of products in new markets. The company intends to achieve this by having dedicated sales and marketing teams whose primary focus will be on business development in international markets and in certain focus geographies, such as North America, South America and Europe. The company's focus also will be to increase the number of stock points that has globally and strengthen sales team in India, North America, South America and Europe to ensure that it is able to deliver products to customers in a timely manner.

Continues to focus on contract manufacturing/exclusive manufacturing by developing innovative processes, value engineering

The company is looking to convert R&D (CRAMS) opportunities provided by clients into large-scale contract manufacturing projects. It believes that by offering value engineering, developing innovative processes and undertaking core competency chemistries in contract manufacturing / exclusive manufacturing operations allows it to enter into long-term contracts with customers that provide assured product offtake and better margins, thereby helping improve profitability. It aims to differentiate operations from other CRAMS companies by developing in-house innovative processes, which it believes provides it with a better leverage in terms of pricing with the customers.

Key Risk

Derives major chunk of revenue from marquee customers without having long term contracts with all these customers

If one or more of such customers choose not to source their requirements from the company or to terminate long-term contracts, business, financial condition and results of operations may be adversely affected.

Exhibit 8: Revenue from Top 20 customers

Period	Revenue from top 20 customers	% contribution of top 20 customers to revenue from operations
2019	160.60	79.83%
2020	225.60	74.75%
2021	330.63	73.50%
Dec 31,2021	322.75	72.93%

Source: RHP, ICICI Direct Research

Any failure to retain these customers and/or negotiate and execute contracts on terms that are commercially viable, with these select customers, could adversely affect business, financial condition and results of operations. In addition, any defaults or delays in payments by a major customer or the insolvency or financial distress by a major customer may have an adverse effect on business, financial condition and results of operations. Company have a number of supply contracts with customers for three to five years, which are linked to a formula-based pricing structure.

Dependency on certain industries for significant portion of sales

Intermediates and specialty chemicals cater to the various industries such as the pharmaceuticals industry, agrochemicals industry and oil and gas industry, as well as the industries catering to material science, food additives, coatings and high performance photography. Revenues are dependent on the end user industries that use our products as an input.

Exhibit 9: Dependency on certain industries

Customer Segment	Nine months ended December 31, 2021		Fiscal 2021		Fiscal 2020		Fiscal 2019	
	₹ million	% of gross revenue	₹ million	% of gross revenue	₹ million	% of gross revenue	₹ million	% of gross revenue
Pharmaceuticals	2,770.51	62.60%	3,041.90	67.62%	2,454.50	81.33%	1,252.70	62.27%
Agrochemicals	1,017.61	22.99%	926.50	20.60%	257.50	8.53%	447.10	22.22%
Material Science	188.00	4.25%	195.90	4.36%	46.30	1.53%	94.60	4.70%
High Performance Photo	171.26	3.87%	125.80	2.80%	57.90	1.92%	11.70	0.58%
Coatings	154.36	3.49%	124.80	2.77%	0.55	0.02%	66.00	3.28%
Multiple Use	27.70	0.63%	56.70	1.26%	138.90	4.60%	43.60	2.17%
Food Additives	0.00	0.00%	0.60	0.01%	1.60	0.05%	1.00	0.05%
Oil & Gas	53.54	1.21%	0.00	0.00%	26.50	0.88%	66.00	3.28%
Other	42.46	0.96%	25.96	0.58%	34.31	1.14%	29.10	1.45%
Total	**4,425.44**	**100.00%**	**4,498.16**	**100.00%**	**3,018.06**	**100.00%**	**2,011.80**	**100.00%**

Source: RHP, ICICI Direct Research

Dependency on certain export incentives for specified period of time

Expiry or early withdrawal of such subsidies or export incentives may adversely affect business, financial condition and results of operations. The company benefits from certain subsidies export and export incentives under export promotion schemes including the merchandise exports from India Scheme (MIES) duty credit. While there have been no instances during the last three financial years (FY19-21) where subsidies or export incentives have been withdrawn or non-receipt of disbursement of the benefit under such export schemes, if these subsidies or export incentives are withdrawn, or there is a delay in disbursements of benefits under such schemes, our business, financial condition and results of operations may be adversely affected.

Financial Summary

Exhibit 10: Profit and loss statement ₹ crore

Summary Income Statement For the fiscal year ending				
Year end March	**FY19**	**FY20**	**FY21**	**9M FY22**
Total Operating Income	**201.2**	**301.8**	**449.8**	**442.5**
Growth (%)	-	50.0	49.0	-1.6
Raw Material Expenses	109.6	156.2	230.7	214.9
Gross Profit	**91.6**	**145.7**	**219.1**	**227.7**
Employee Cost	10.9	13.4	22.1	21.3
Other Operating Expenses	33.2	60.5	84.9	80.4
EBITDA	**47.5**	**71.8**	**112.2**	**126.0**
Growth (%)	-	51.0	56.3	75.6
Other Income	2.1	2.0	4.0	6.8
EBITDA, including OI	**49.6**	**73.7**	**116.1**	**132.8**
Depreciation	6.4	7.8	11.0	11.4
Net Interest Exp.	10.6	9.4	11.3	10.0
Other exceptional items	0.0	0.0	0.0	0.0
PBT	**32.6**	**56.5**	**93.8**	**111.3**
Total Tax	9.3	16.6	22.7	28.4
Tax Rate	28.4%	29.3%	24.2%	25.5%
PAT	**23.3**	**40.0**	**71.1**	**82.9**
Adj.PAT after Minority interest	23.3	39.7	71.1	82.8
Adj. EPS (₹)	2.5	4.2	7.4	7.5
Shares Outstanding	12.4	12.4	12.4	12.4

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement ₹ crore

Summary Cash Flow Statement For the fiscal year ending				
Year end March	**FY19**	**FY20**	**FY21**	**9M FY22**
PBT & Extraordinary	32.6	56.5	93.8	111.3
Depreciation	6.4	7.8	11.0	11.4
After other adjustments				
(Inc) / Dec in Working Capital	-20.4	-43.1	-72.9	-102.6
Taxes	-5.8	-13.2	-20.0	-26.6
Others	10.0	9.7	11.3	8.8
CF from operating activities	**22.7**	**17.7**	**23.2**	**2.4**
Purchase of Fixed Assets	-12.4	-48.2	-76.7	-80.2
Others	-0.2	0.2	0.1	0.5
CF from investing activities	**-12.6**	**-48.0**	**-76.6**	**-79.7**
Proceeds from issue of shares	0.0	0.0	0.0	103.2
Borrowings (Net)	0.7	42.0	66.7	27.1
Others	-10.6	-9.4	-11.3	-10.0
CF from financing activities	**-9.9**	**32.6**	**55.4**	**120.2**
Net cash flow	0.2	2.3	2.0	42.9
Effects of foreign currency translation				
Opening Cash & Bank	1.1	1.3	3.6	5.6
Closing Cash & Bank	1.3	3.6	5.6	48.5

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet ₹ crore

Summary Balance sheet For the fiscal year ending				
Year end March	**FY19**	**FY20**	**FY21**	**9M FY22**
Liabilities				
Share Capital	8.6	8.6	10.1	112.7
Reserves	30.0	69.7	164.2	247.6
Total Shareholders Funds	**38.5**	**78.3**	**174.3**	**360.3**
Long Term Borrowings	75.7	95.1	103.8	101.8
Net Deferred Tax liability	3.4	7.6	10.2	12.8
Other long term liabilities	0.3	1.6	2.7	5.3
Current Liabilities and Provisions				
Short term borrowings	50.4	75.4	104.4	132.9
Trade Payables	22.8	38.4	47.8	86.0
Other Current Liabilities	15.6	4.1	9.7	10.1
Short Term Provisions	0.0	0.0	0.0	0.4
Total Current Liabilities	88.8	117.9	161.9	229.4
Total Liabilities	**206.7**	**300.5**	**452.9**	**709.6**
Assets				
Net Block	99.5	121.2	207.1	239.8
Capital Work in Progress	1.2	17.2	0.2	5.7
Non-current investments	0.2	0.2	0.2	0.2
Other Non Current Assets	9.6	14.1	12.0	46.4
Current Assets, Loans & Advances				
Current Investments	0.0	0.0	22.1	19.1
Inventories	39.8	71.9	84.7	149.7
Sundry Debtors	48.2	63.0	108.2	169.2
Cash and Bank	1.3	3.6	5.6	48.5
Loans and Advances	0.5	0.7	0.8	1.0
Other Current assets	6.3	8.6	12.1	30.0
Current Assets	96.1	147.8	233.5	417.5
Total Assets	**206.7**	**300.5**	**452.9**	**709.6**

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios

Summary Ratios For the fiscal year ending				
Year end March	**FY19**	**FY20**	**FY21**	**9M FY22**
Per share data (₹)				
Adj. EPS	1.9	3.2	5.7	8.9
Adj. Cash EPS	3.8	5.8	9.0	13.5
BV	63.9	67.1	74.8	89.8
Operating Ratios (%)				
Gross Margin (%)	45.5	48.3	48.7	51.4
EBITDA Margin (%)	23.6	23.8	24.9	28.5
PAT Margin (%)	11.6	13.2	15.8	18.7
Debtor Days	87	76	88	105
Inventory Days	72	87	69	93
Creditor Days	76	90	76	110
Cash Conversion Cycle	84	74	81	88
Return Ratios (%)				
Return on Assets (%)	11.3	13.3	15.7	15.6
RoCE (%)	26.2	26.5	27.5	27.2
Core RoIC (%)	26.4	26.9	27.9	29.6
RoE (%)	60.3	50.8	40.8	30.6
Solvency Ratios				
Total Debt / Equity	3.3	2.2	1.2	0.7
Interest Coverage	4.1	7.0	9.3	12.1
Current Ratio	1.1	1.3	1.4	1.8
Quick Ratio	0.6	0.6	0.9	1.2
Valuation Ratios (x)				
EV/EBITDA	154.9	103.2	66.3	58.9
P/E	343.6	201.1	112.5	72.4
P/B	10.0	9.6	8.6	7.2
EV/Sales	36.6	24.5	16.5	16.8

Source: Company, ICICI Direct Research

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