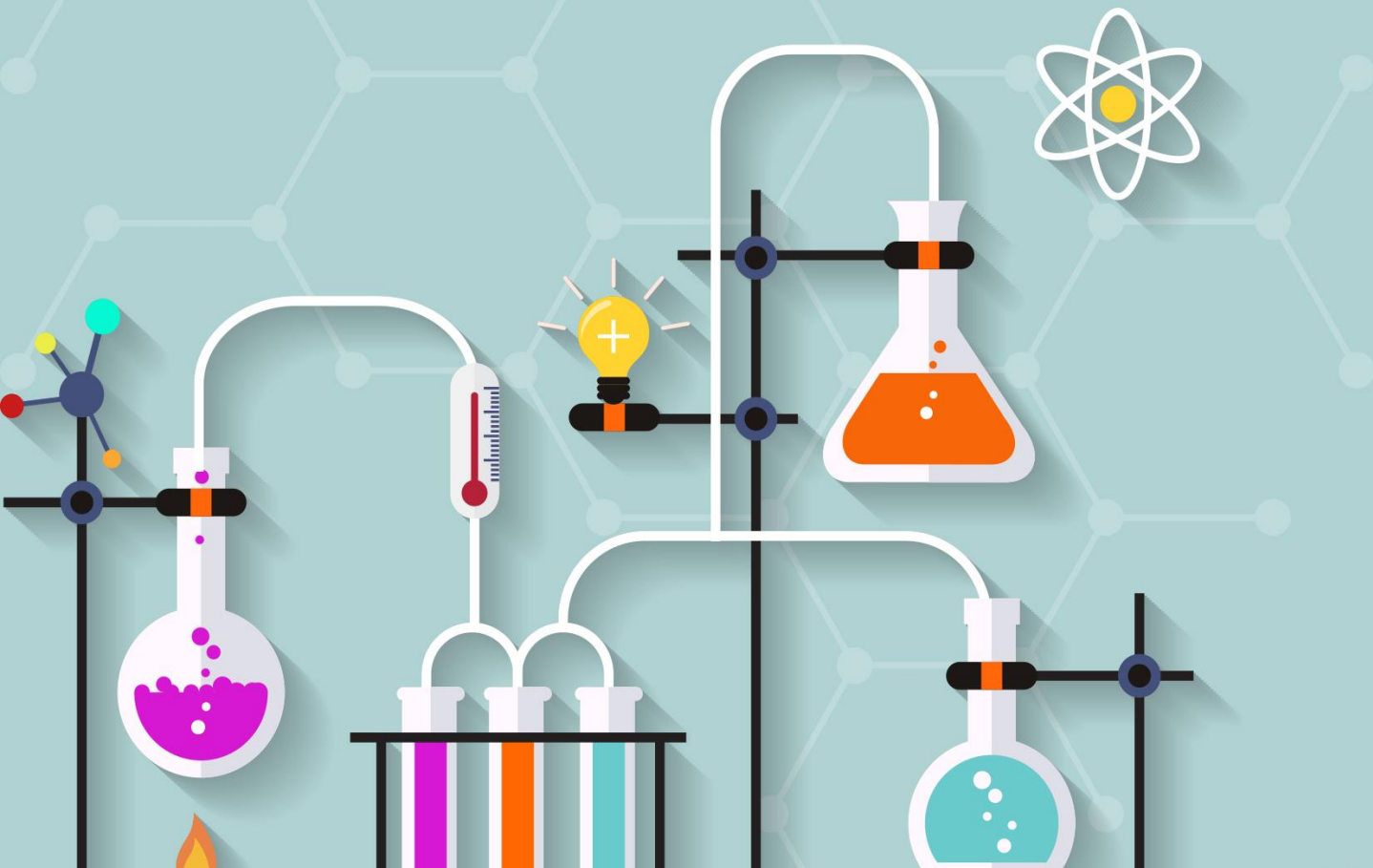


Anupam Rasayan India Ltd.



Anupam Rasayan India Ltd.

A healthy topline with stable margins

CMP INR 793	Target INR 941	Potential Upside 18.6%	Market Cap (INR Mn) INR 78,711	Recommendation BUY	Sector Specialty chemicals
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- Anupam Rasayan India Ltd delivered a strong performance with a turnover of INR 3,066Mn grew by +31.2% yoy and -3.4% qoq (KRC Est. of INR 3,201Mn, down 4%). The revenue growth was supported by rise in both volume and price. It has contributed 95% of revenue from life science segment and 5% from other specialty chemicals.
- EBITDA grew by 54.7% yoy at INR 938.7Mn (KRC Est. INR 910Mn; up 3.2%); however de-grew by 3.5% qoq basis. EBITDA margin reported stable at 30.6% (+466bps yoy / -5bps qoq) compared to 26% in Q1FY22. The margins were largely stable during Q1FY23 led by efficient operations despite increase in COGS by 9.7% qoq.
- Net profit reported at INR 397Mn (+23.6% yoy / -14.1% qoq). There was an impact of other income which shows a negative balance of 94.1Mn on account of foreign exchange loss amounting to INR 165.2Mn during the quarter.

MARKET DATA

Shares outs (Mn)	100
Equity Cap (INR Mn)	1,002
Mkt Cap (INR Mn)	78,711
52 Wk H/L (INR)	1106/547.1
Volume Avg (3m K)	153
Face Value (INR)	10
Bloomberg Code	ANURAS IN

Key Financials

Particulars (INR mn)	FY 2021	FY 2022	FY 2023E	FY 2024E
Revenue	8,109	10,660	14,038	17,879
EBITDA	1,938	2,971	3,765	4,890
PAT	703	1,522	1,894	2,686
PAT margin (%)	8.7%	14.3%	13.5%	15.0%
EPS	8.6	15.2	19.0	26.9
P/E (x)	60.4x	54.6x	41.8x	29.5x

Source: Company data, KRChoksey Research

Stable outlook on the revenue growth

- In Q1FY23, revenue performance was stable on account of both volume and price growth. The management expects ~INR 750-800Mn (\$10Mn) of revenue generation in FY23 from nearly 7 molecules under its product portfolio. There are 90+ products under R&D process of which 7 molecules are expected to be commercialised in FY23. Also, in fluorination chemistry, it aims to launch 5 new molecules in the year. It expects top 10 customers to contribute ~80% of total revenue.
- There is a strong visibility on revenue outlook led by existing as well as new molecules. Anupam has received uptick in volume guidance from its customers in order to store the required inventory and deliver the products on a timely basis. We expect inventory days to decline in the near term on account of 6 months contract revisions.
- There is increase in market share of Japan revenue from 1% of total revenue in 2018 to 13% in Q1FY23, that provides a strong boost for Anupam's business outlook.

Margins to improve on account of cost optimization and strategic price transfer

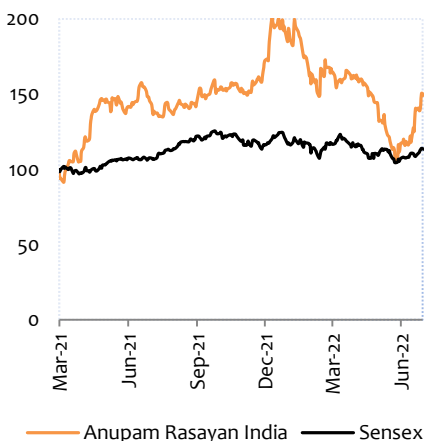
- Anupam has delivered margins at steady levels of 30.6% in Q1FY23 compared with 30.7% in Q4FY22. The management expects strong pricing mechanism contracts with 6 months revision which will include all the costs like freight, energy, inventory carrying costs, other overhead expenses etc.
- Commissioning of solar power plants with 12.5MW capacity in Q1FY23 and 5.4MW capacity in Q2FY23 to save almost INR 140Mn expenses annually FY24 onwards.

Valuation

Anupam Rasayan has delivered a strong quarter with a growth of 31% yoy basis with the stable margins of 30.6% despite global macroeconomic challenges. It has gained more than 28% returns since our initiation report ([click here](#)) and we are positive on the company's long term growth trajectory. Planned capex for Lols worth INR 2,620Cr is expected to be completed by the Q4FY23 and commercialization of few molecules has already started since FY22. It expects 450-500Cr of revenue on annual basis from these Lols. On the back of Tanfac acquisition, it aims at commercializing 14 new fluorination molecules over the next two-three years which is expected to generate \$220-\$260Mn worth annual revenue. We estimate Revenue / PAT CAGR of 30% / 33% over FY22-24E.

Anupam Rasayan is currently trading at PE multiples of 41.8x / 29.5x based on our FY23 / FY24 EPS estimates, respectively. **We assign PE multiple of 35.0x to FY24E EPS of INR 26.9 to revise the target price at INR 941/share (Previous TP: INR 780) and re-iterate our BUY recommendation on the stock with an upside of 18.6% at CMP.**

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	56,072
NIFTY	16,719

SHARE HOLDING PATTERN (%)

Particulars	Jun 22	Mar 22	Dec 21
Promoters	65.2	65.2	65.4
FIIIs	5.0	5.7	5.7
DIIIs	4.4	3.7	3.8
Others	25.4	25.4	25.1
Total	100.0	100.0	100.0

Anupam Rasayan India Ltd.

Key Concall Highlights

Key Developments on ESG front:

- It has engaged in sustainability services for creating the de-carbonization roadmap. Anupam Rasayan has signed into 10 principles of the UN Global Compact. Commissioning of solar power plants will reduce its emissions. It is also taking efforts on tree plantation by acquiring barren land of 20K sq. ft. at Jhagadia, GIDC. It has set a target to plant 1500 trees at this location.
- It has a major focus on investment and R&D to strengthen product pipeline to develop existing and new products using green chemistry. R&D team is further strengthened to 85 professionals by adding 8 professional during Q1FY23.

Revenue growth outlook

- Tanfac integration is moving ahead with development in key areas of Finance, HR and IT. Operationally, it has already started working with Tanfac where it has identified 14 products under fluorination chemistry. Of which, 5 molecules are expected to commercialize in FY23.
- It has added 1 MNC customer in Q1FY23. Revenue from top 10 customers has increased up to 93% in Q1FY23 and they are served with 24 products. Majority of the customers are served with multiple products.
- It has planned capex worth INR 250Cr in FY23 which is largely to cater INR 2620Cr worth Lots signed in FY22. Pricing mechanism contracts have been revised for the 60-70% of its customers.

Strong export market opportunities

- The revenue is largely supported with export markets. There is a commendable growth in Japan business where it has grown from 1% of overall revenue in 2018 to 13% in Q1FY23.
- Anupam Rasayan mainly facing the competition from European and Chinese players, as its European customers are moving their demand from Europe to India in addition to new demand. Europe has contributed 30% of its total revenue in Q1FY23.

Visibility on margins

- On a conservative basis, Anupam expects 26-28% of sustainable EBITDA margins for the upcoming quarters.
- Commissioning of solar plants (12.5MW plant in Q1FY23 and 5.4MW plant by Q2FY23) are expected to save costs worth INR 14Cr pa FY24 onwards.
- It has hold adequate quantities of inventory for the potential future demand. It follows cost plus model which includes costs of raw materials, freight, energy, commodities, inventory carrying cost and other overhead expenses.
- Anupam's consistency in the production plan on the back of its inventory holding strategy has helped gain customers' confidence. Customers have raised its volume guidance upwards regardless of increase in product prices.

Key Risks:

- Volatile macroeconomic environment and geopolitical issues may lead to change in the demand patterns of end customers. It might adversely impact Anupam Rasayan's topline performance and inventory costs.
- Anupam Rasayan generated 93% of its revenue from top 10 customers. If it loses any one customer of these 10 customers, it may lose major share of revenue for the year.
- The company is vulnerable to industrial hazards and any change in regulations from environment regulatory authorities may have an impact on company's business.

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Q1FY23 Financial Result Performance

Particulars (INR Mn)	Q1FY23	Q1FY22	Q4FY22	YoY (%)	QoQ (%)
Revenue from operations	3,066	2,337	3,172	31.2%	-3.4%
COGS	1,127	874	1,028	28.9%	9.7%
Gross Profit	1,939	1,463	2,145	32.5%	-9.6%
Gross Margin (%)	63.2%	62.6%	67.6%	64bps	-437bps
Employee Benefit Expenses	127	109	126	16.6%	0.7%
Other Expenses	873	748	1,046	16.8%	-16.5%
EBITDA	939	607	973	54.7%	-3.5%
EBITDA Margin (%)	30.6%	26.0%	30.7%	466bps	-5bps
Depreciation and Amortisation	157	144	154	9.3%	1.8%
EBIT	782	463	819	68.9%	-4.5%
EBIT Margin (%)	25.5%	19.8%	25.8%	569bps	-31bps
Interest Costs	122	66	138	83.9%	-11.7%
Other Income	-94	43	-4	-319.4%	2376.1%
EBT	566	440	677	28.7%	-16.4%
EBT Margin (%)	18.5%	18.8%	21.3%	-35bps	-289bps
Share of net profit / (loss) of associates	23	0	7	-	218.9%
Tax Expense	192	118	222	61.7%	-13.8%
PAT	397	321	462	23.6%	-14.1%
PAT Margin (%)	13.0%	13.7%	14.6%	-80bps	-161bps
Diluted EPS	3.96	3.20	4.61	23.8%	-14.1%

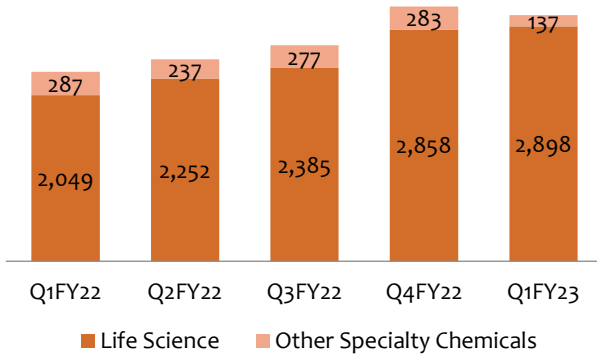
Source: Company data, KRChoksey Research

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QUARTERLY FINANCIAL PERFORMANCE

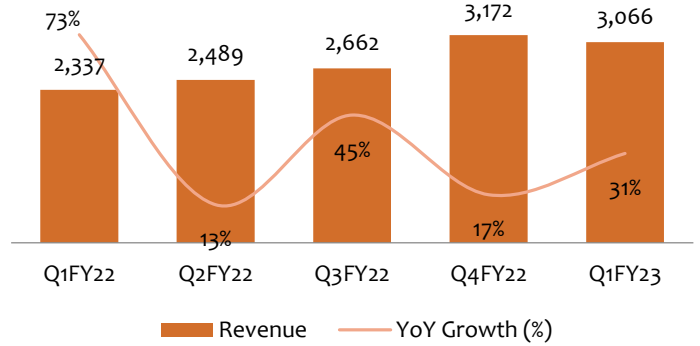
Quarterly strong revenue performance with stable margins

Revenue Segment Performance



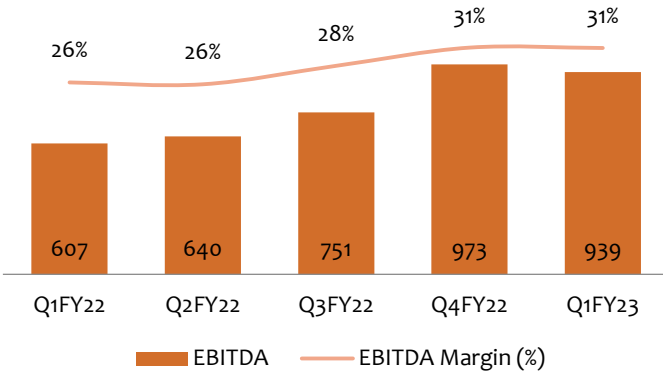
Source: Company data, KRChoksey Research

Stable revenue trend with 31% yoy growth in Q1FY23



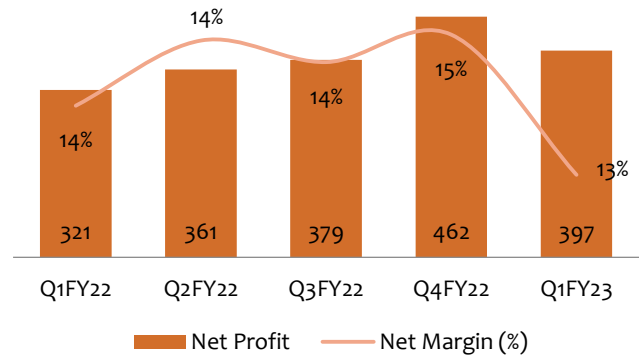
Margin Performance: Annual discussions with customers provides a better visibility on the market demand

EBITDA and Margin Performance remained stable



Source: Company data, KRChoksey Research

Net Profit and Margin Performance



Anupam Rasayan India Ltd.

KEY FINANCIALS

Income Statement (INR mn)	FY21	FY22	FY23E	FY24E
Revenues	8,109	10,660	14,038	17,879
COGS	3,390	3,699	5,054	6,437
Gross profit	4,719	6,961	8,984	11,443
Employee cost	324	485	587	742
Other expenses	2,457	3,506	4,633	5,811
EBITDA	1,938	2,971	3,765	4,890
Depreciation & amortization	517	601	718	741
EBIT	1,421	2,369	3,047	4,149
Interest expense	685	308	550	576
Other income	264	151	199	253
PBT	1,421	2,369	3,047	4,149
Tax	297	697	809	1,148
PAT	703	1,522	1,894	2,686
EPS (INR)	8.56	15.22	18.96	26.88

Source: Company data, KRChoksey Research

Balance Sheet (INR mn)	FY21	FY22	FY23E	FY24E
Property, plant and equipment	10,656	11,467	13,638	16,577
Right-of-use assets / CWIP / other intangibles	927	993	1,171	1,340
Other non current assets	1,463	2,916	3,369	4,291
Inventories	4,922	8,632	8,535	9,877
Trade receivables	2,055	2,801	3,315	3,973
Cash and bank balance	2,957	2,097	2,620	3,474
TOTAL ASSETS	22,980	28,906	32,647	39,532
Total equity	15,734	17,269	19,163	21,849
Borrowings	3,869	7,959	8,454	9,415
Other non current liab	1,381	1,401	2,106	4,544
Trade payables	1,996	2,278	2,925	3,725
TOTAL EQUITY AND LIABILITIES	22,980	28,905	32,647	39,532

Source: Company data, KRChoksey Research

Cash Flow Statement (INR mn)	FY21	FY22	FY23E	FY24E
Operating Cash Flow	15	(1,712)	3,460	4,142
Investing Cash Flow	(1,931)	(4,120)	(2,171)	(2,939)
Financing Cash Flow	4,158	3,844	(55)	384
Net Inc/Dec in cash equivalents	2,241	(1,988)	2,196	854
Opening Balance	170	2,412	424	2,620
Closing Balance Cash and Cash Eq.	2,412	424	2,620	3,474

Key Ratio	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	23.9%	27.9%	26.8%	27.3%
Net Profit Margin (%)	8.7%	14.3%	13.5%	15.0%
RoE (%)	4.5%	8.8%	9.9%	12.3%
RoA (%)	3.1%	5.3%	5.8%	6.8%
RoCE (%)	7.8%	10.7%	12.6%	15.5%
Debt/Equity	0.2x	0.5x	0.4x	0.4x

Anupam Rasayan India Ltd.

Anupam Rasayan India Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
26-Jul-22	793	941	BUY	Buy	More than 15%
11-Jul-22	621	780	BUY	Accumulate	5% – 15%
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

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