

IPO Report

Choice

“Subscribe with Caution” to Archean Chemical Industries Ltd.

Outlook positive, but issue fully priced



Salient features of the IPO:

- **Archean Chemical Industries Ltd.** (ACIL), a specialty marine chemical manufacturer, is coming up with an IPO to raise around Rs. 1,460cr, which opens on 9th Nov. and closes on 11th Nov. 2022. The price band is Rs. 386 - 407 per share.
- India Resurgence Fund (under two schemes) and Piramal Natural Resources Pvt. Ltd., are the investor selling holders and are partially offloading their stake in the company. Post-issue, their stakes will fall to 11.20% and 4.16%, respectively, from 23.33% and 8.67%.
- The IPO is a combination of fresh and OFS issue. ACIL will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, around Rs. 645cr will be utilized for the redemption of non-convertible debentures and the residual fund will be used for general corporate purposes.

Key competitive strengths:

- Leading market position, expansion and growth in bromine and industrial salt
- High entry barriers in the specialty marine chemicals industry
- Established infrastructure and integrated production with cost efficiencies
- Focus on environment and safety
- Largest Indian exporter of bromine and industrial salt with global customer base
- Strong and consistent financial performance
- Experienced management team, promoters and financial investors and stakeholders

Risk and concerns:

- Unfavorable government policies & regulations
- Delay in capacity expansion
- Unsuccessful venture in the bromine derivative market
- Client revenue concentration risk
- Unfavorable sales-mix and sales realization
- Unfavorable forex rate variation
- Competition

Below are the key highlights of the company:

- As per the RHP, the global bromine market has grown by 2.3% CAGR over 2017-21 to USD 3.13bn. Owing to its wide application across sectors like electronics, oil & gas, agriculture, automotive and construction, the global bromine market is expected to grow by 5.8% CAGR over FY21-25 to reach a size of USD 3.9bn. India's bromine production is from the underground brine mainly concentrated towards the western state of Gujarat. With abundant resources, the domestic bromine capacity has increased by 9.6% CAGR over 2008-20, while production has increased by 14.4% CAGR over FY15-21 to around 0.046mn tonnes. In terms of volume, ACIL commands leadership position in the domestic bromine merchant sales (43% market share) and is the biggest exporter of bromine (82.8% market share) in FY21.
- With consumption of 173mn tonnes, the global industrial salt has seen no major growth over 2017-19. However, it is expected to grow by 2.8% CAGR over 2020-25 to 185mn tonnes, mainly on the back of improved demand from oil & gas, chemicals, water treatment, de-icing market. ACIL was the leading & the largest industrial salt exporter in FY21.

Issue details

Price band Rs. 386 - 407 per share

Face value Rs. 2

Shares for fresh issue 1.978 - 2.085cr shares

Shares for OFS 1.615cr shares

Fresh issue size Rs. 805cr

OFS issue size Rs. 623.4 - 657.3cr

Total issue size 3.593 - 3.700cr shares
(Rs. 1,428.4 - 1,462.3cr)

Bidding date 9th Nov. - 11th Nov. 2022

MCAP at higher price band Rs. 5,008cr

Enterprise value at higher price band Rs. 5,113cr

Book running lead manager IIFL Securities Ltd., ICICI Securities Ltd. and JM Financial Ltd.

Registrar Link Intime India Pvt. Ltd.

Sector Chemicals

Promoters Chemikas Speciality LLP, Mr. Ravi Pendurthi and Mr. Ranjit Pendurthi

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	75%	2.695 - 2.775cr shares
Non institutional portion	15%	0.539 - 0.555cr shares
Retail portion	10%	0.359 - 0.370cr shares

Indicative IPO process time line

Finalization of basis of allotment	16 th Nov. 2022
Unblocking of ASBA account	17 th Nov. 2022
Credit to demat accounts	18 th Nov. 2022
Commencement of trading	21 st Nov. 2022

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	65.58%	53.41%
Public	34.42%	46.59%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	36
Application money	Rs. 14,652 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
Archean Chemical Industries Ltd.	2	407	5,008	5,113					1,330	548	254	96.7%	41.2%	19.1%
Aarti Industries Ltd.	5	728	26,390	28,351	-14.0%	-103.0%	-144.0%	-231.0%	7,655	1,984	1,331	50.6%	25.9%	17.4%
Deepak Nitrite Ltd.	2	2,319	31,634	31,385	131.0%	181.0%	10.0%	21.0%	7,334	1,505	999	36.5%	20.5%	13.6%
Neogen Chemicals Ltd.	10	1,498	3,736	3,808	2.0%	57.0%	-56.0%	223.0%	551	96	48	43.7%	17.4%	8.8%
Tata Chemicals Ltd.	10	1,130	28,795	30,113	33.0%	206.0%	93.0%	261.0%	14,856	3,138	1,966	79.4%	21.1%	13.2%
UPL Ltd.	2	726	54,494	73,256	92.0%	-7.0%	-125.0%	-15.0%	50,486	10,414	4,006	53.3%	20.6%	7.9%
Average												52.7%	21.1%	12.2%

Company name	4Y top-line growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average CFO / Capital employed (x)	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Archean Chemical Industries Ltd.	26.0%	85.9%		28.5%		6.4%	-0.2%	19.4%	0.7	0.5		6.4%
Aarti Industries Ltd.	18.9%	26.0%	38.5%	24.0%	13.7%	31.4%	-13.8%	22.7%	1.2	0.7	18.4%	16.8%
Deepak Nitrite Ltd.	36.1%	56.7%	84.1%	22.9%	13.5%	16.7%	139.1%	24.0%	2.3	1.3	29.9%	23.8%
Neogen Chemicals Ltd.	26.8%	25.9%	28.7%	18.5%	9.1%	52.8%			2.2	0.8	18.9%	16.4%
Tata Chemicals Ltd.	-0.5%	3.5%	2.9%	17.0%	22.3%	8.8%	1.3%	8.9%	0.7	0.4	18.1%	5.7%
UPL Ltd.	28.4%	36.2%	34.5%	19.6%	6.8%	1.6%	40.2%	13.9%	1.0	0.5	11.9%	9.2%
Average	21.9%	29.6%	37.8%	20.4%	13.1%	22.2%	41.7%	17.4%	1.4	0.7	19.4%	14.4%

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM Earning yield
Archean Chemical Industries Ltd.	20.7	86.7	0.0	0.9	1.2	0.6	23.8%	37.3%	19.7	4.7	3.8	9.3	3.8	5.1%
Aarti Industries Ltd.	36.7	163.2	3.5	0.4	1.3	0.8	22.5%	23.7%	19.8	4.5	3.7	14.3	3.4	5.0%
Deepak Nitrite Ltd.	73.2	244.8	5.5	0.1	3.5	1.7	29.9%	41.5%	31.7	9.5	4.3	20.9	4.3	3.2%
Neogen Chemicals Ltd.	19.4	176.1	2.1	0.5	1.9	0.7	11.0%	18.0%	77.2	8.5	6.9	39.8	6.8	1.3%
Tata Chemicals Ltd.	77.2	716.5	10.0	0.2	0.8	0.4	10.8%	9.5%	14.7	1.6	2.0	9.6	1.9	6.8%
UPL Ltd.	53.4	328.5	12.3	1.0	1.3	0.6	16.2%	17.6%	13.6	2.2	1.5	7.0	1.1	7.4%
Average			6.7	0.4	1.8	0.8	18.1%	22.0%	31.4	5.2	3.7	18.3	3.5	4.7%

Note: Financial data is for TTM with IPO related adjustments; Source: Choice Broking Research

- Sulphate of potash (SOP), also known as potassium sulphate is a premium quality nutrient for the growth of high value crops. It mainly finds application in the field of agro-chemical (fertilizer) and medicine. The global market for SOP is expected to grow by 6% CAGR over 2021-25 to 8.7mn tonnes from 6.9mn tonnes in 2021. In India, the SOP is predominately produced from sea brine. Through its indigenous production from sea brine, liquid bromine and industrial salt, ACIL occupies a dominant position in the domestic SOP market. It is India's only large-scale producer of fertilizer grade water soluble SOP.
- With salt fields and brine reservoirs spanning over 240 sq.km., ACIL has one of the largest salt works at one single location in the world. Its integrated facility for the production of bromine, industrial salt and SOP is located at the northern edge of the Rann-of-Kutch brine fields, State of Gujarat. This facility is in close proximity to the captive Jakhau Jetty and Mundra Port which assists the company in transporting products in the overseas market. According to the RHP, ACIL had one of the lowest cost of productions globally in both bromine and industrial salt in FY21. Product quality & leadership coupled with lowest cost-production acts as a competitive advantage for the company in the domestic and overseas market.
- Business from the sales of bromine and industrial salts increased by 39% and 19.6% CAGR, respectively, over FY19-22, thereby contributing 53.5% and 45.4% to the consolidated revenue in FY22. With around 70% of the business coming from the overseas market, ACIL's operations are export oriented. Around 45% of the bromine and 100% of the industrial salts manufactured are sold in the overseas market. Export and domestic business increased by 69.2% and 30.8% CAGR, respectively, over FY19-22. China and India accounted for 36.3% and 29.7% to the consolidated revenue in FY22.
- The company predominately conducts its business on B2B basis both in India and overseas market. As of 30th Jun. 2022, ACIL marketed its products to 18 global customers in 13 countries and to 24 domestic customers. Some of its major customers include Sojitz Corporation (which is also a shareholder in the company), Shandong Tianyi Chemical Corporation, Unibrom Corporation, Wanhau Chemicals and Qatar Vinyl Company Ltd.
- As of 30th Jun. 2022, ACIL has an installed production capacity of 0.0285mn tonnes, 3mn tonnes and 0.13mn tonnes for bromine, industrial salt and SOP, respectively. To further cement its leadership position in the bromine market, the company is planning to expand the bromine manufacturing capacity to around 0.04mn tonnes by this fiscal. Also to meet the requirement of new customers, it is looking to expand the industrial salt capacity to around 5mn tonnes in this fiscal. The company intends to fund these expansions through its cash flows.

Key highlights of the company (Contd...):

- With key focus on the bromine market, ACIL is planning to have a new product-line in the bromine derivative performance products, particularly brominated flame retardants, clear brine fluids and bromine catalysts. For these products, the company is setting-up a new facility (housed in a subsidiary), which will be commissioned in FY24. The estimated cost of this facility is Rs. 252cr and will be funded through internal accruals. With respect to the production of flame retardant, ACIL has an agreement for technology tie-up with a Chinese vendor. The agreement also includes a buyback of minimum 90% of the produced quantity by the Chinese vendor at mutually agreed price.
- In Mar. 2017, for an overdue principal & interest obligations aggregating to Rs. 17.7cr, ACIL availed debt restructuring package from the lenders. The overdue amount was repaid by the company in Nov. 2018.
- Over FY19-22, ACIL has reported a robust growth in the business with improvement in the operating profitability. In the initial periods i.e. FY19 and FY20, its adjusted PAT was at loss, but with profitable growth, PAT was in green for rest of the period. On the back of higher demand and improvement in the sales realization for the bromine and industrial salts products, the company reported a robust growth of 26% CAGR in the consolidated top-line to Rs. 1,130.4cr in FY22. Total operating cost increased by 10.4% CAGR (a rate lower than top-line growth), leading to a 2,847bps expansion in the EBITDA margin, which stood at 41.3% in FY22 as compared to 12.9% in FY19. Consolidated EBITDA increased by 85.9% CAGR to Rs. 467.2cr in FY22. With expansion in the capacity, depreciation charge increased by 10.7% CAGR, while finance cost increased by 11.2% CAGR, mainly on account of higher financial liabilities. During FY19, it reported an exceptional item of Rs. 114.3cr, due to the write-back of loans & interest arising from the execution of the debt restructuring agreement. Reported PAT during the period was in green, except for FY20. Adjusting for the exceptional item, adjusted PAT was in red during FY19 and FY20, but was in green for FY21 and FY22.
- The company reported a positive operating cash flow during FY19-22, with an average cash flow of Rs. 224.3cr. Financial liabilities increased by 6.4% CAGR, however with better profitability, debt-to-equity ratio improved from 19.2x in FY19 to 3.8x in FY22. Pre-issue average RoIC stood at 8.6% during the period.
- During Q1 FY23, ACIL reported almost 100% Y-o-Y rise in consolidated revenue to Rs. 400.3cr. EBITDA and adjusted PAT margin expanded by 36bps and 1,178bps, respectively. On TTM basis, consolidated top-line stood at Rs. 1,330cr with an EBITDA and adjusted PAT margin of 41.2% and 19.1%, respectively.
- Based on our quick conservative estimates, we are expecting a 16.8% CAGR rise in consolidated revenue during FY22-24E to Rs. 1,541.2cr. This will be on the back of higher sales volume and almost stable sales realizations. Current operating margins doesn't seem to be sustainable. EBITDA margin to contract by 550bps, while lower finance cost would expand the adjusted PAT margin by similar levels. RoIC and RoE are forecasted to expand by 161bps and 275bps, respectively, to 15.7% and 20.4% in FY24E.

Peer comparison and valuation: At higher price band, ACIL is demanding an EV/Sales multiple of 3.8x, which is in-line to the peer average. The company's operations are likely to get support from import substitution, lower exports from the China and lower cost of operations. Thus the macros of ACIL are positive, but demanded stretched valuation is a concern. Thus we assign a **"Subscribe with Caution"** rating for the issue.

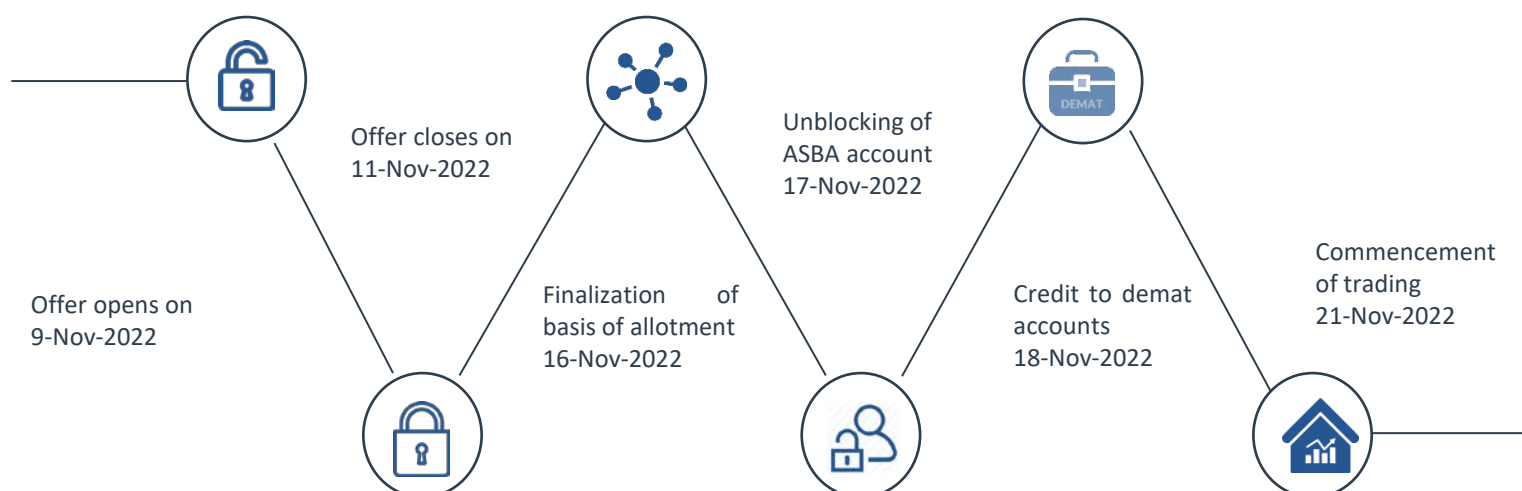
About the issue:

- ACIL is coming up with an IPO with 3.593 - 3.700cr shares (fresh issue: 1.978 - 2.085cr shares; OFS shares: 1.615cr shares) in offering. This offer represents around 29.20% - 29.81% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 1,428.4 - 1,462.3cr.
- The issue will open on 9th Nov. 2022 and close on 11th Nov. 2022.
- The issue is through book building process with a price band of Rs. 386 - 407 per share.
- India Resurgence Fund (under two schemes) and Piramal Natural Resources Pvt. Ltd., are the investor selling holders and are partially offloading their stake in the company. Post-issue, their stakes will fall to 11.20% and 4.16%, respectively, from 23.33% and 8.67%.
- The IPO is a combination of fresh and OFS issue. The company will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, around Rs. 645cr will be utilized for the redemption of non-convertible debentures and the residual fund will be used for general corporate purposes.
- 75% of the net issue are reserved for qualified institutional buyers, while 15% and 10% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 65.58% stake in the company and post-IPO this will come down to 53.41%. Public holding will increase from current 34.42% to 46.59%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	65.58%	53.41%
Public	34.42%	46.59%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY19-22: Over FY19-22, ACIL has reported a robust growth in the business with improvement in the operating profitability. In the initial periods i.e. FY19 and FY20, its adjusted PAT was at loss, but with profitable growth, PAT was in green for rest of the period.

On the back of higher demand and improvement in the sales realization for the bromine and industrial salts products, the company reported a robust growth of 26% CAGR in the consolidated top-line to Rs. 1,130.4cr in FY22. Business from the sales of bromine and industrial salts increased by 19.6% and 39%, respectively, during the period. Export business increased by 20.5% CAGR, while domestic business increased by 44.6% CAGR.

Total operating cost increased by 10.4% CAGR (a rate lower than top-line growth), leading to a 2,847bps expansion in the EBITDA margin, which stood at 41.3% in FY22 as compared to 12.9% in FY19. Consolidated EBITDA increased by 85.9% CAGR to Rs. 467.2cr in FY22.

With expansion in the capacity, depreciation charge increased by 10.7% CAGR, while finance cost increased by 11.2% CAGR, mainly on account of higher financial liabilities. During FY19, it reported an exceptional item of Rs. 114.3cr, due to the write-back of loans & interest arising from the execution of the debt restructuring agreement. Reported PAT during the period was in green, except for FY20. Adjusting for the exceptional item, adjusted PAT was in red during FY19 and FY20, but was in green for FY21 and FY22.

The company reported a positive operating cash flow during the period, with an average cash flow of Rs. 224.3cr. Financial liabilities increased by 6.4% CAGR, however with better profitability, debt-to-equity ratio improved from 19.2x in FY19 to 3.8x in FY22. Pre-issue average RoIC stood at 8.6% during the period.

Performance during Q1 FY23: During Q1 FY23, ACIL reported almost 100% Y-o-Y rise in consolidated revenue to Rs. 400.3cr. EBITDA and adjusted PAT margin expanded by 36bps and 1,178bps, respectively.

On TTM basis, consolidated top-line stood at Rs. 1,330cr with an EBITDA and adjusted PAT margin of 41.2% and 19.1%, respectively.

Pre-issue financial snapshot (Rs. cr)	FY19 C	FY20 C	FY21 S	FY22 C	Q1 FY22 S	Q1 FY23 C	TTM	CAGR over FY19-22	Y-o-Y (Annual)
Marine chemicals - Salt	299.8	352.0	363.7	512.9	86.9	196.0	622.1	19.6%	41.0%
Marine chemicals - Bromine	225.3	215.5	344.4	605.3	113.9	203.9	695.3	39.0%	75.7%
Marine chemicals - Sulphate of potash	40.2	39.8	32.5	11.4		0.2	11.6	-34.3%	-65.0%
Marine chemicals - Others	0.2	0.8	0.1	0.9	0.0	0.1	0.9	59.3%	736.3%
Revenue from operations	565.5	608.2	740.8	1,130.4	200.8	400.3	1,330.0	26.0%	52.6%
Gross profit	469.5	607.8	731.9	1,091.1	200.8	395.4	1,285.7	32.5%	49.1%
EBITDA	72.7	148.0	262.2	467.2	80.1	161.1	548.2	85.9%	78.1%
Reported PAT	40.0	(36.2)	66.6	188.6	18.7	84.4	254.3	67.7%	183.1%
Adjusted PAT	(74.3)	(36.2)	66.6	188.6	18.7	84.4	254.3	-236.4%	183.1%
Restated adjusted EPS	(6.0)	(2.9)	5.4	15.3	1.5	6.9	20.7	-236.4%	183.1%
Cash flow from operating activities	316.2	147.6	119.1	314.5	37.5	170.9	448.0	-0.2%	164.1%
NOPLAT	37.8	(55.4)	152.3	300.7	48.1	107.3	359.9	99.6%	97.5%
FCF		30.4	98.3	263.5					168.2%
RoIC (%)	3.8%	-5.1%	12.9%	22.7%	4.0%	7.9%	26.7%	1,885 bps	977 bps
Revenue growth rate (%)		7.5%	21.8%	52.6%			99.4%		
Gross profit growth rate (%)		29.5%	20.4%	49.1%			96.9%		
Gross profit margin (%)	83.0%	99.9%	98.8%	96.5%	100.0%	98.8%	96.7%	1,350 bps	(228) bps
EBITDA growth rate (%)		103.6%	77.2%	78.1%			101.2%		
EBITDA margin (%)	12.9%	24.3%	35.4%	41.3%	39.9%	40.2%	41.2%	2,847 bps	593 bps
EBIT growth rate (%)		311.9%	114.9%	93.5%			124.5%		
EBIT margin (%)	4.1%	15.8%	27.9%	35.4%	31.8%	35.8%	36.1%	3,128 bps	749 bps
Restated adjusted PAT growth rate (%)		-51.2%	-283.9%	183.1%			351.6%		
Restated adjusted PAT margin (%)	-13.1%	-6.0%	9.0%	16.7%	9.3%	21.1%	19.1%	2,982 bps	769 bps
Inventories turnover ratio (x)	9.0	7.5	7.1	9.8	1.6	2.9	9.7	2.7%	38.1%
Trade receivable turnover ratio (x)	8.4	10.9	13.2	10.2	2.2	3.5	11.7	6.6%	-22.3%
Accounts payable turnover ratio (x)	5.4	4.5	5.3	10.1	1.6	4.1	13.5	23.4%	89.9%
Fixed asset turnover ratio (x)	0.6	0.6	0.7	1.0	0.2	0.4	1.2	19.7%	46.8%
Total asset turnover ratio (x)	0.4	0.4	0.5	0.7	0.1	0.2	0.8	18.1%	42.9%
Current ratio (x)	1.3	1.0	1.7	2.3	1.8	1.9	1.9	20.3%	37.2%
Quick ratio (x)	0.9	0.7	1.1	1.6	1.1	1.4	1.4	22.1%	51.3%
Total debt (Rs.)	812.1	976.0	1,038.0	979.2	1,037.2	968.2	968.2	6.4%	-5.7%
Net debt (Rs.)	764.6	904.2	965.0	909.3	964.1	797.4	797.4	6.0%	-5.8%
Debt to equity (x)	19.2	163.0	14.3	3.8	11.4	2.8	2.8	-41.9%	-73.8%
Net debt to EBITDA (x)	10.5	6.1	3.7	1.9	12.0	5.0	1.5	-43.0%	-47.1%
RoE (%)	-175.3%	-605.1%	92.0%	72.2%	20.5%	24.4%	73.6%		(1,978) bps
RoA (%)	-5.9%	-2.5%	4.6%	12.3%	1.3%	5.3%	15.8%	1,822 bps	768 bps
RoCE (%)	2.2%	8.7%	17.5%	31.1%	5.3%	12.0%	40.3%	2,893 bps	1,359 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking



Competitive strengths:

- Leading market position, expansion and growth in bromine and industrial salt
- High entry barriers in the specialty marine chemicals industry
- Established infrastructure and integrated production with cost efficiencies
- Focus on environment and safety
- Largest Indian exporter of bromine and industrial salt with global customer base
- Strong and consistent financial performance
- Experienced management team, promoters and financial investors and stakeholders

Business strategy:

- Expand into downstream bromine derivative performance products
- Expand bromine and industrial salt capacities
- Continue to build global customer base and enter new geographical markets
- Continue to focus on quality, environment, health and safety



Risk and concerns:

- Unfavorable government policies & regulations
- Delay in capacity expansion
- Unsuccessful venture in the bromine derivative market
- Client revenue concentration risk
- Unfavorable sales-mix and sales realization
- Unfavorable forex rate variation
- Competition

Financial statements:

Profit and loss statement (Rs. cr)									
	FY19 C	FY20 C	FY21 S	FY22 C	Q1 FY22 S	Q1 FY23 C	TTM	CAGR over FY19 - 22	Annual growth over FY21
Revenue from operations	565.5	608.2	740.8	1,130.4	200.8	400.3	1,330.0	26.0%	52.6%
Cost of materials consumed	(34.2)	(25.0)	(16.7)	(44.9)	(10.7)	(14.8)	(49.0)	9.4%	168.0%
Purchases of stock-in-trade	(9.4)	(11.1)				(4.4)	(4.4)		
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(52.4)	35.8	7.9	5.6	10.7	14.4	9.2	-147.4%	-29.2%
Gross profit	469.5	607.8	731.9	1,091.1	200.8	395.4	1,285.7	32.5%	49.1%
Employee benefits expense	(30.4)	(34.5)	(35.3)	(37.8)	(8.5)	(9.8)	(39.1)	7.6%	7.1%
Other expenses	(366.4)	(425.4)	(434.3)	(586.1)	(112.2)	(224.5)	(698.5)	17.0%	35.0%
EBITDA	72.7	148.0	262.2	467.2	80.1	161.1	548.2	85.9%	78.1%
Depreciation and amortization expense	(49.3)	(51.8)	(55.4)	(66.9)	(16.1)	(17.6)	(68.3)	10.7%	20.7%
EBIT	23.4	96.2	206.8	400.3	63.9	143.5	479.8	157.8%	93.5%
Finance costs	(117.6)	(121.8)	(130.4)	(161.7)	(40.1)	(39.2)	(160.7)	11.2%	24.0%
Other income	7.4	8.8	14.0	12.4	1.0	8.5	19.9	18.7%	-11.7%
Exceptional item	114.3						0.0		
PBT	27.4	(16.7)	90.5	251.0	24.8	112.9	339.0	109.3%	177.4%
Tax expenses	12.6	(19.5)	(23.9)	(62.4)	(6.1)	(28.4)	(84.7)	-270.5%	161.6%
Reported PAT	40.0	(36.2)	66.6	188.6	18.7	84.4	254.3	67.7%	183.1%
Adjusted PAT	(74.3)	(36.2)	66.6	188.6	18.7	84.4	254.3	-236.4%	183.1%

Balance sheet statement (Rs. cr)									
	FY19 C	FY20 C	FY21 S	FY22 C	Q1 FY22 S	Q1 FY23 C	TTM	CAGR over FY19 - 22	Annual growth over FY21
Equity share capital	19.3	19.3	19.3	19.3	19.3	19.3	19.3	0.0%	0.0%
Other equity	23.1	(13.3)	53.1	241.8	71.7	326.2	326.2	118.7%	355.2%
Non current borrowings	740.8	851.2	849.1	844.9	848.5	842.3	842.3	4.5%	-0.5%
Non current lease liabilities	33.4	38.2	40.2	45.5	40.8	43.8	43.8	10.8%	13.2%
Other non current financial liabilities	2.3	72.0	120.4	77.0	133.4	3.3	3.3	222.1%	-36.0%
Non current provisions			0.4	0.3	0.5	0.2	0.2		-18.0%
Net deferred tax liabilities				9.2		37.7	37.7		
Other non current liabilities	298.4	210.7	170.4	118.2	154.5	89.0	89.0	-26.6%	-30.6%
Current borrowings	13.3	6.1	9.3	0.0	9.4	70.0	70.0	-100.0%	-100.0%
Current lease liabilities	2.6	3.7	4.9	6.9	3.0	6.7	6.7	37.6%	39.8%
Current derivative liabilities				0.0			0.0		
Other current financial liabilities	19.6	4.8	14.1	4.9	2.0	2.1	2.1	-37.0%	-65.3%
Trade payables	105.3	167.1	111.8	112.3	125.8	98.3	98.3	2.2%	0.5%
Other current liabilities	2.2	68.1	38.6	48.6	49.6	67.0	67.0	181.6%	25.9%
Current provisions	0.2	0.7	0.9	0.8	0.8	0.8	0.8	56.6%	-4.5%
Total liabilities	1,260.5	1,428.6	1,432.4	1,529.7	1,459.3	1,606.7	1,606.7	6.7%	6.8%
Property, plant and equipment	904.6	882.3	1,007.2	1,045.5	998.2	1,033.6	1,033.6	4.9%	3.8%
Intangible assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	20.2%	9.1%
Right-of-use assets	31.6	33.1	33.4	38.9	31.8	49.5	49.5	7.2%	16.7%
Capital work-in-progress	9.1	158.2	18.9	17.2	22.4	38.1	38.1	23.8%	-9.2%
Intangible assets under development				0.0		0.0	0.0		
Non current investments		0.1	0.1	0.1	0.1	0.1	0.1		3.4%
Other non current financial assets	4.1	1.7	1.6	1.8	1.8	1.8	1.8	-24.3%	10.7%
Net income tax assets	5.9						0.0		
Net deferred tax assets	90.7	77.1	53.3		47.2	0.1	0.1		
Other non current assets	25.7	13.8	17.2	27.4	22.7	9.7	9.7	2.1%	59.0%
Inventories	62.8	98.8	110.6	120.8	122.4	137.4	137.4	24.4%	9.2%
Trade receivables	67.0	44.5	68.1	153.0	91.9	113.2	113.2	31.7%	124.7%
Current investments		47.1	41.2	11.1	38.5	66.7	66.7		-73.0%
Cash and cash equivalents	47.5	24.7	31.8	58.7	34.6	104.1	104.1	7.3%	84.5%
Current loans	0.1	0.4	0.5	0.5	0.4	0.5	0.5	79.4%	1.3%
Other current financial assets	0.6	0.7	14.2	14.4	14.2	14.8	14.8	183.2%	1.4%
Current tax assets						5.0	5.0		
Other current assets	10.8	46.0	34.3	40.2	33.0	32.0	32.0	54.8%	17.3%
Total assets	1,260.5	1,428.6	1,432.4	1,529.7	1,459.3	1,606.7	1,606.7	6.7%	6.8%

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

Cash flow statement (Rs. cr)									
	FY19 C	FY20 C	FY21 S	FY22 C	Q1 FY22 S	Q1 FY23 C	TTM	CAGR over FY19 - 22	Annual growth over FY21
Cash flow before working capital changes	92.7	167.4	287.4	479.3	90.7	180.7	569.3	72.9%	66.8%
Working capital changes	224.5	(19.6)	(168.3)	(164.8)	(53.2)	(4.8)	(116.3)	-190.2%	-2.1%
Cash flow from operating activities	316.2	147.6	119.1	314.5	37.5	170.9	448.0	-0.2%	164.1%
Purchase of fixed assets and CWIP							0.0		
Cash flow from investing activities	(24.9)	(196.7)	(1.8)	(110.1)	(36.9)	(104.5)	(177.7)	64.2%	6184.8%
Cash flow from financing activities	(256.3)	26.4	(110.3)	(223.7)	(28.9)	(46.9)	(241.8)	-4.4%	102.8%
Net cash flow	35.0	(22.8)	7.0	(19.3)	(28.2)	19.6	28.5		
Opening balance of cash	12.2	47.2	24.5	31.5	31.5	12.2	3.3	37.1%	28.7%
Closing balance of cash	47.2	24.5	31.5	12.2	3.3	31.8	31.8	-36.3%	-61.3%

Financial ratios							
Particulars	FY19 C	FY20 C	FY21 S	FY22 C	Q1 FY22 S	Q1 FY23 C	TTM
Profitability ratios							
Revenue growth rate (%)		7.5%	21.8%	52.6%		99.4%	
Gross profit growth rate (%)		29.5%	20.4%	49.1%		96.9%	
Gross profit margin (%)	83.0%	99.9%	98.8%	96.5%	100.0%	98.8%	96.7%
EBITDA growth rate (%)		103.6%	77.2%	78.1%		101.2%	
EBITDA margin (%)	12.9%	24.3%	35.4%	41.3%	39.9%	40.2%	41.2%
EBIT growth rate (%)		311.9%	114.9%	93.5%		124.5%	
EBIT margin (%)	4.1%	15.8%	27.9%	35.4%	31.8%	35.8%	36.1%
Restated reported PAT growth rate (%)		-51.2%	-283.9%	183.1%		351.6%	
Restated reported PAT margin (%)	-13.1%	-6.0%	9.0%	16.7%	9.3%	21.1%	19.1%
Turnover ratios							
Inventories turnover ratio (x)	9.0	7.5	7.1	9.8	1.6	2.9	9.7
Trade receivable turnover ratio (x)	8.4	10.9	13.2	10.2	2.2	3.5	11.7
Accounts payable turnover ratio (x)	5.4	4.5	5.3	10.1	1.6	4.1	13.5
Fixed asset turnover ratio (x)	0.6	0.6	0.7	1.0	0.2	0.4	1.2
Total asset turnover ratio (x)	0.4	0.4	0.5	0.7	0.1	0.2	0.8
Return ratios							
RoIC (%)	3.8%	-5.1%	12.9%	22.7%	4.0%	7.9%	26.7%
RoE (%)	-175.3%	-605.1%	92.0%	72.2%	20.5%	24.4%	73.6%
RoA (%)	-5.9%	-2.5%	4.6%	12.3%	1.3%	5.3%	15.8%
RoCE (%)	2.2%	8.7%	17.5%	31.1%	5.3%	12.0%	40.3%
Per share data							
Restated adjusted EPS (Rs.)	(6.0)	(2.9)	5.4	15.3	1.5	6.9	20.7
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS (Rs.)	3.4	0.5	5.9	21.2	7.4	28.1	28.1
Operating cash flow per share (Rs.)	25.7	12.0	9.7	25.6	3.0	13.9	36.4
Free cash flow per share (Rs.)		2.5	8.0	21.4			
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Private Ltd. ("CEBPL") is a registered Research Analyst Entity (Reg. No. INH000000222) (hereinafter be referred as "CEBPL"). "CEBPL" is a registered stock broker or intermediary engaged in Stock Broking, Depository Participant. Registered member of National Stock Exchange of India Ltd. (NSEIL), Bombay Stock Exchange Ltd. (BSE), Metropolitan Stock Exchange of India Ltd. (MSEI). CEBPL is also a depository participant with Central Depository Services Ltd. (CDSL) & National Securities Depository Ltd. (NSDL).

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Pvt. Ltd. as a Research Entity (hereinafter referred as "CEBPL RE"). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his/her own risk and CEBPL does not accept any liability as a result. Securities and derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General disclaimer: This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Yester performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India).

Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this Report.

Disclosures of interest (Additional):

- 1) "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company (ies) covered in this Report.
- 2) "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than one of the securities of the company (ies) covered in this Report as of the end of the month immediately preceding the distribution of the research report.
- 3) "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this Report.
- 4) "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in this Report, in the past twelve months.
- 5) "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this Report.
- 6) "CEBPL", or its associates have not received compensation or other benefits from the company (ies) covered in this Report or from any third party, in connection with the Report.
- 7) CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Report.
- 8) "CEBPL", its research analyst has not been engaged in market making activity for the company (ies) covered in the Report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. [www. https://choiceindia.com/research-listing](https://choiceindia.com/research-listing).

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (Contd...)

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Report are given below:

Sr. no.	Particulars	Yes / No
1.	Whether compensation has been received from the company (ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2.	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1 of the company (ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company (ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company (ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.