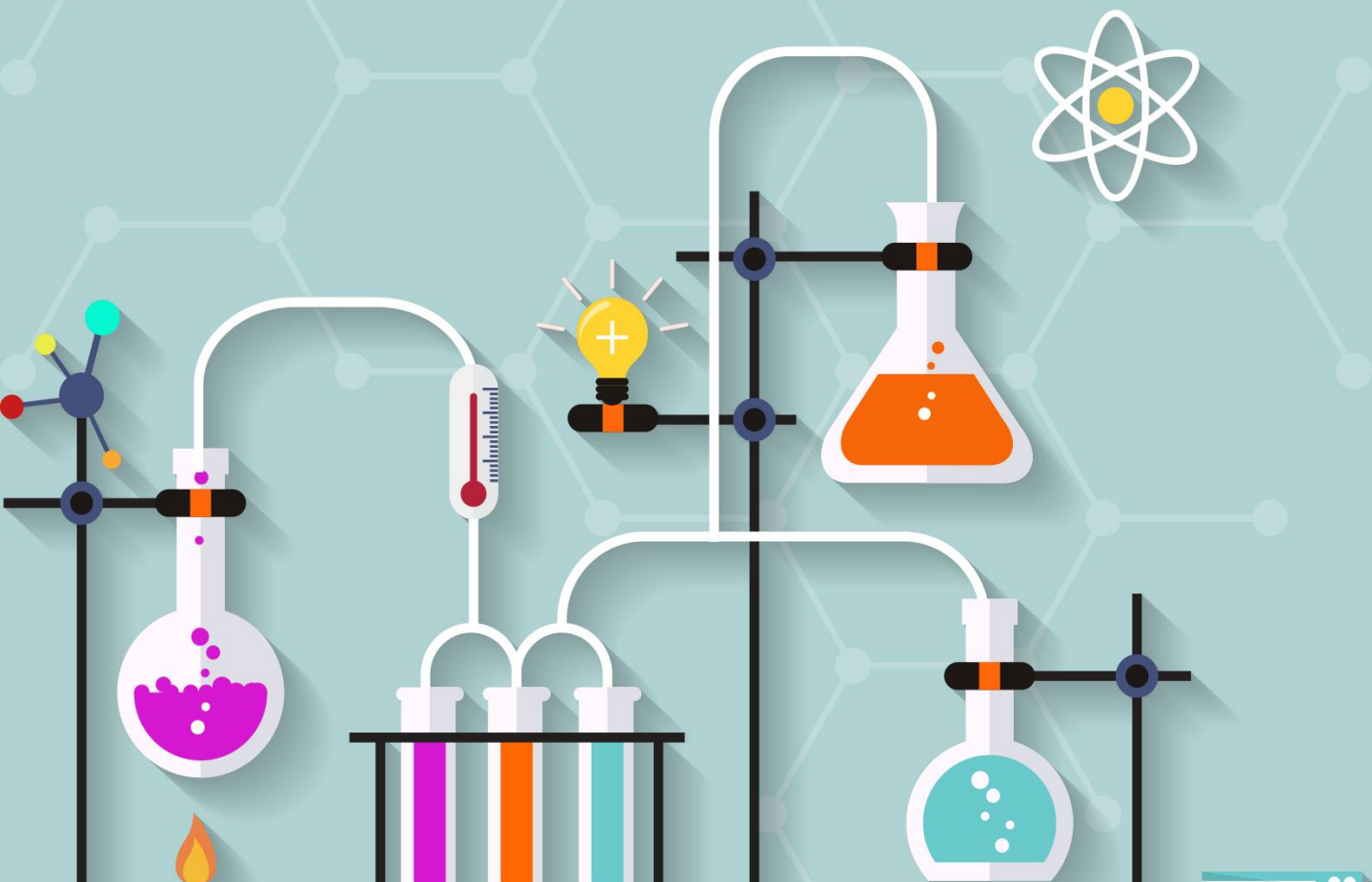


Anupam Rasayan India Ltd.



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Strong products launch pipeline providing revenue visibility

CMP INR 576	Target INR 839	Potential Upside 44.6%	Market Cap (INR Mn) INR 61,857	Recommendation BUY	Sector Specialty chemicals
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- On a consolidated basis, Anupam Rasayan India Ltd (ARIL) reported revenue of INR 3.827Mn in Q3FY23 grew by +43.8% YoY and -0.9% QoQ. YoY growth is not comparable as the effect of Tanfac's acquisition given during the quarter. Revenue contribution from Life science - specialty chemicals and Other specialty chemicals was 82% and 18% respectively compared to 90% and 10% in Q2FY23.
- EBITDA grew by 35.8% YoY at INR 1091 Mn however de-grew by 2.2% QoQ basis. EBITDA margin stood at 26.6% (-158bps yoy / -36bps QoQ). The margin dropped slightly on a sequential basis on account of lower absorption of fixed overheads as one unit was shutdown due to the fire incident during the quarter.
- Net profit reported at INR 544Mn (+43.5% YoY/ 13.9% QoQ). Net margin stood at 14.2% (-3bps YoY / 184bps QoQ). Improvement in net profit on a sequential basis was on account of higher other income compared to last quarter.

MARKET DATA

Shares outs (Mn)	100
Equity Cap (INR Mn)	1,002
Mkt Cap (INR Mn)	61,857
52 Wk H/L (INR)	1094.3/547.1
Volume Avg (3m K)	63.9
Face Value (INR)	10
Bloomberg Code	ANURAS IN

Key Financials

Particulars (INR mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	8,109	10,660	15,198	19,185	24,268
EBITDA	1,938	2,971	4,181	5,223	6,680
PAT	703	1,522	2,069	2,785	3,783
PAT margin (%)	8.7%	14.3%	13.6%	14.5%	15.6%
EPS	8.6	15.2	20.7	27.9	37.9
P/E (x)	60.4x	54.6x	27.8x	20.7x	15.2x

Source: Company data, KRChoksey Research

Robust revenue outlook on the back of a strong products pipeline:

- The revenue growth was impacted during the quarter due to the shutdown of Sachin, GIDC unit. The management has highlighted that after adjusting for an one time impact, revenue growth would have been 25% QoQ basis. ARIL is focusing on growing its product portfolio in fluorination chemistry, with a plan to launch 14 molecules over the next 12-18 months. Accordingly, the company expects to launch 5 molecules in Q4FY23 itself. Besides this, the company has a strong pipeline of LOI/Contracts worth INR 26200 Mn, which provide revenue visibility for the next 5 years.
- Unlike the other chemical companies, the company is benefitting from the European energy crisis as it has signed two new contracts worth INR 1000 Mn with an European agrochemical company. The company is witnessing a change in the trend as Indian chemical players are being selected as preferred manufacturing partners for strategic products presently being manufactured in Europe.
- Currently, ARIL has 90+ products under the R&D process of which 6-8 molecules are expected to be launched every year with a key focus on the growing revenue share of fluoro-based products. Going forward, the company is looking to grow its product portfolio in the agrochemicals and pharma segments through i) manufacturing active Ingredients which are currently manufactured in Japan and Europe ii) new active Ingredients to be launched by originators, iii) Key Intermediates for New Launch Active Ingredients iv) Import substitute opportunities in "Pharma Key Starting Materials" v) Advanced Intermediates for Pharma.

Margins has impacted slightly due to low absorption of fixed overheads:

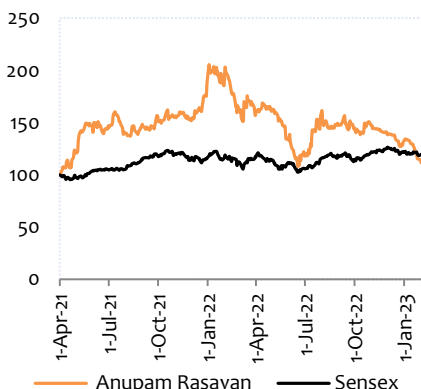
- YoY margin is not comparable due to the consolidation of the Tanfac business during the quarter. However, the company has reported EBITDA margin of 26.6%, a 36bps deep on a sequential basis. The shutdown of Sachin, GIDC unit has resulted in lower absorption of fixed overhead, led to a drop in the EBITDA margin. ARIL has guided EBITDA margin to be in the range of 26-28% on a conservative basis.

Valuation

Anupam Rasayan has delivered a stable performance despite macro challenges and the shutdown of one of the units. We are positive on the company's long term growth trajectory on the back of a robust product launch pipeline especially in high value fluorination chemistry. We estimate Revenue/ EBITDA/ PAT CAGR of 32% / 31%/35% over FY22-25E.

Anupam Rasayan is currently trading at PE multiples of 20.7x / 15.2x based on our FY24 / FY25 EPS estimates respectively. **We assign PE multiple of 20.0x to FY25E EPS of INR 37.9 to revise the target price at INR 839/share (Previous TP : INR 941) and maintaining our BUY recommendation on the stock with an upside of 45.7% at CMP.**

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	56,072
NIFTY	16,719

SHARE HOLDING PATTERN (%)

Particulars	Dec 22	Sep 22	Jun 22
Promoters	61.0	65.2	65.2
FIIIs	8.2	4.6	5.3
DIIIs	6.2	4.4	4.0
Others	24.6	25.8	25.5
Total	100.0	100.0	100.0

Anupam Rasayan India Ltd.

Key Concall Highlights

- During the quarter, revenue growth was lower than usual, primarily due to the shutdown of unit – 6, sachin GIDC . Revenue loss was ~ INR 430 Mn due to this shutdown. Adjusting the same, growth would have been around 25%. The plant is restarted and expects to contribute revenue in Q4FY23.
- ARIL has commercialized 4 products till 9MFY23 and has a strong product pipeline to be commercialized in Q4FY23. Moreover, the company is planning to launch 5 molecules in Q4, mainly will be in fluorination chemistry. These products will have revenue potential of USD 220-260 Mn for the company in the next 3-5 years.
- The company has identified 14 fluoro-based molecules to be launched in the next 12 to 18 months. Currently, 12-15% of revenue comes from fluorination chemistry, which is expected to increase significantly in the next 3-5 years. ARIL is looking to launch 6-8 molecules every year hereon.
- The company is witnessing strong interest from various customers on the fluorination side and expects more conclusion of LOIs for new products and conversion of LOIs into contracts in these coming quarters.
- The company has investment INR 100 Cr till 9MFY23 out of total planned capex of INR 170-180 Cr in FY23. Further capex of INR 300 Cr and INR 250 Cr will be incurred during FY24 and FY25 respectively.
- ARIL has been working on fluorination chemistry for the last 5-6 years. However, the customers delayed their decision to procure these products due to supply chain uncertainty. The acquisition of Tanfac has enabled them to fix this supply chain concern of its customers. Henceforth, the company is confident in a strong business coming from fluoro-based products.
- Due to the energy crisis in the European market, the company has won 2 new contracts from a European agrochem company (existing client) with revenue potential of INR 100 Cr over the next 5 years.
- The company has revised ~ 60% of the revenue from annual to half-yearly contracts.
- The management has revised its revenue guidance from 30%* to 25%* and EBITDA margin is expected to be in the range of 26-28% on a conservative basis, with upside potential owing to change in product mix towards value-added products.
- Inventory days are expected to be in the range of 230-240 days in FY23 and anticipated to reduce to 200 days in the next 3-6 quarters.
- In Q3 FY23, the contribution from Europe was 30%; India, 38%; Japan, 15% Singapore 15% and the remaining 3% came from China. Exports for the quarter were around 62% and continue to be a major contributor to the revenue.
- Top 10 customers contributed to 91% of the total revenue in Q3FY23 and supplied 24 products to them. Client concentration is expected to be reduced over the period with an addition of new customers and products.

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Q3FY23 Financial Result Performance

Particulars (INR Mn)	Q3FY23	Q3FY22*	Q2FY23	YoY (%) *	QoQ (%)
Revenue from operations	3,827	2,662	3,862	43.8%	-0.9%
COGS	1,684	900	1,617	87.0%	4.2%
Gross Profit	2,143	1,761	2,246	21.7%	-4.6%
Gross Margin (%)	56.0%	66.2%	58.1%	-1017bps	-215bps
Employee Benefit Expenses	200	123	181	63.1%	10.9%
Other Expenses	924	888	1,023	4.1%	-9.7%
EBITDA	1,019	751	1,042	35.8%	-2.2%
EBITDA Margin (%)	26.6%	28.2%	27.0%	-158bps	-36bps
Depreciation and Amortisation	185	155	177	19.3%	4.3%
EBIT	835	596	865	40.1%	-3.6%
EBIT Margin (%)	21.8%	22.4%	22.4%	-58bps	-60bps
Interest Costs	142	52	160	170.8%	-11.6%
Other Income	60	50	-31	21.8%	-295.4%
EBT	753	593	674	27.0%	11.7%
EBT Margin (%)	19.7%	22.3%	17.5%	-260bps	223bps
Share of net profit / (loss) of associates	0	0	0	#DIV/o!	#DIV/o!
Tax Expense	209	214	196	-2.2%	6.7%
PAT	544	379	478	43.5%	13.9%
PAT Margin (%)	14.2%	14.2%	12.4%	-3bps	184bps
Diluted EPS	5.30	3.95	4.75	34.2%	11.6%

Source: Company data, KRChoksey Research

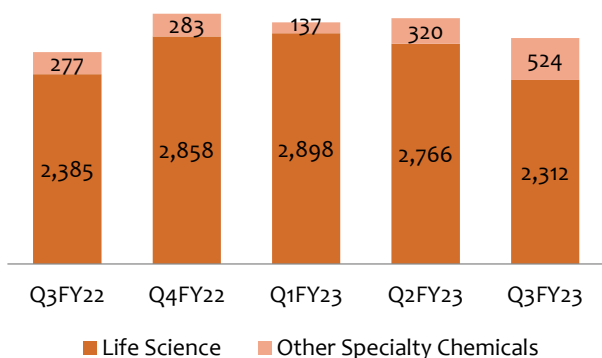
YoY number is not comparable due to consolidation of Tanfac business

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QUARTERLY PERFORMANCE IN CHART

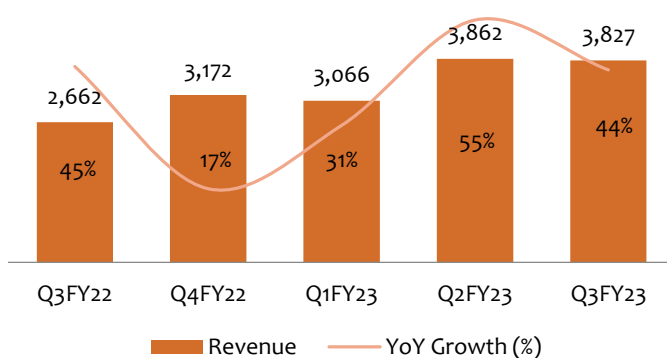
Strong revenue performance with stable margins

Standalone Revenue Segment Performance



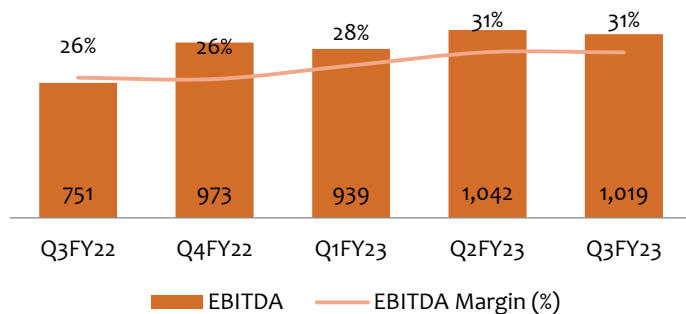
Source: Company data, KRChoksey Research

Strong Revenue growth trend on a YoY basis



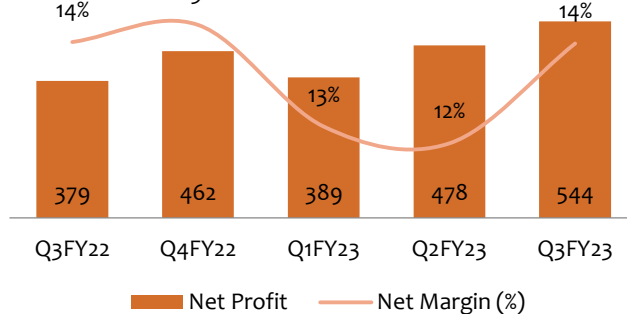
Stable margin despite challenging macro environment

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	FY25E
Revenues	8,109	10,660	15,198	19,185	24,268
COGS	3,390	3,699	6,383	8,019	10,071
Gross profit	4,719	6,961	8,815	11,165	14,197
Employee cost	324	485	725	877	1,110
Other expenses	2,457	3,506	3,909	5,065	6,407
EBITDA	1,938	2,971	4,181	5,223	6,680
Depreciation & amortization	517	601	713	884	1,012
EBIT	1,421	2,369	3,467	4,339	5,669
Interest expense	685	308	581	682	685
Other income	264	151	15	115	146
PBT	1,421	2,369	3,467	4,339	5,669
Tax	297	697	847	1,003	1,364
PAT	703	1,522	2,069	2,785	3,783
EPS (INR)	8.56	15.22	20.71	27.87	37.86

Source: Company data, KRChoksey Research

Balance Sheet (INR mn)	FY21	FY22	FY23E	FY24E	FY25E
Property, plant and equipment	10,656	11,467	12,729	14,915	16,330
Right-of-use assets / CWIP / other intangibles	927	993	1,222	1,397	1,621
Other non current assets	1,463	2,916	3,647	4,604	5,824
Inventories	4,922	8,632	9,240	10,598	11,383
Trade receivables	2,055	2,801	3,588	4,263	5,056
Cash and bank balance	2,957	2,097	3,089	4,122	5,699
TOTAL ASSETS	22,980	28,906	33,516	39,900	45,914
Total equity	15,734	17,269	19,338	22,123	25,906
Borrowings	3,869	7,959	8,744	8,782	8,585
Other non current liab	1,381	1,401	2,280	4,876	6,168
Trade payables	1,996	2,278	3,166	3,997	5,056
TOTAL EQUITY AND LIABILITIES	22,980	28,905	33,528	39,777	45,714

Source: Company data, KRChoksey Research

Cash Flow Statement (INR mn)	FY21	FY22	FY23E	FY24E	FY25E
Operating Cash Flow	15	(1,712)	2,760	4,597	4,790
Investing Cash Flow	(1,931)	(4,120)	(1,262)	(2,186)	(1,415)
Financing Cash Flow	4,158	3,844	205	(645)	(882)
Net Inc/Dec in cash equivalents	2,241	(1,988)	2,665	1,033	1,577
Opening Balance	170	2,412	424	3,089	4,122
Closing Balance Cash and Cash Eq.	2,412	424	3,089	4,122	5,699

Key Ratio	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin (%)	23.9%	27.9%	27.5%	27.2%	27.5%
Net Profit Margin (%)	8.7%	14.3%	13.6%	14.5%	15.6%
RoE (%)	4.5%	8.8%	10.7%	12.6%	14.6%
RoA (%)	3.1%	5.3%	6.2%	7.0%	8.2%
RoCE (%)	7.8%	10.7%	14.3%	16.0%	18.4%
Debt/Equity	0.2X	0.5X	0.5X	0.4X	0.3X

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Anupam Rasayan India Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
03-Feb-23	576	839	BUY	Buy	More than 15%
26-Jul-22	793	941	BUY	Accumulate	5% – 15%
11-Jul-22	621	780	BUY	Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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