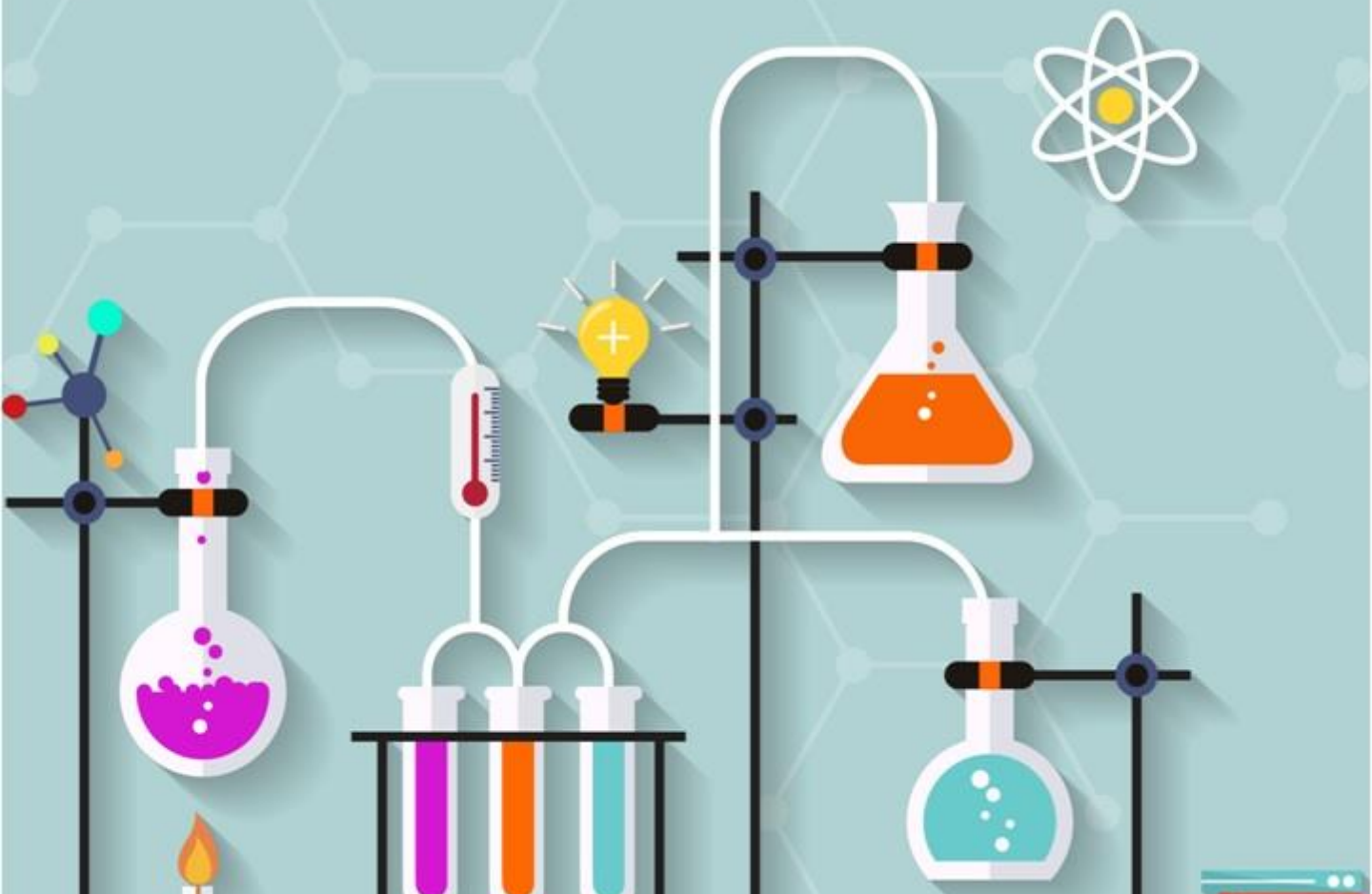


Anupam Rasayan Ltd.



Anupam Rasayan Ltd.

Strategy to diversify into pharma, polymer, and Japanese market drive growth

CMP* INR 913	Target INR 1,008	Potential Upside 10.41%	Market Cap (INR Mn) INR 1,00,983	Recommendation ACCUMULATE	Sector Specialty Chemicals
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Result Highlights of Q3FY24:

- For Q3FY24, Anupam Rasayan's revenue declined 24.6% YoY (-24.6% QoQ) to INR 2,955 Mn. The revenue missed our estimate by 25.0% due to a drop in volume as customers were focused on liquidating the inventory. For 9MFY24, the revenue declined by 4.3% YoY to INR 10,741 Mn.
- EBITDA for the quarter declined by 28.9% YoY (-26.4% QoQ) to INR 791 Mn. EBITDA missed our estimate by 22.8% due to an increase in employee costs and an increase in other expenses coupled with a sharp decline in revenue. The corresponding EBITDA margin contracted 162 bps YoY and 65 bps QoQ to 26.8%. For 9MFY24, EBITDA declined by 10.2% YoY to INR 2,880 Mn and EBITDA margin contracted by 177 bps YoY to 26.8%.
- PAT declined by 57.1% YoY (-54.8% QoQ) to INR 184 Mn. PAT missed our estimate by 55.8% due to weak operating performance coupled with an increase in interest expense and depreciation. For 9MFY24, PAT declined by 21.3% YoY to INR 977 Mn and the PAT margin contracted by 197 bps YoY to 9.1%.
- We believe the short-term demand will be weak due to global de-stocking but it will gradually normalize in the upcoming quarters and recovery will begin by Q3FY25E. The growth drivers are the pharma segment, polymers, and the Japanese market business going forward.

MARKET DATA

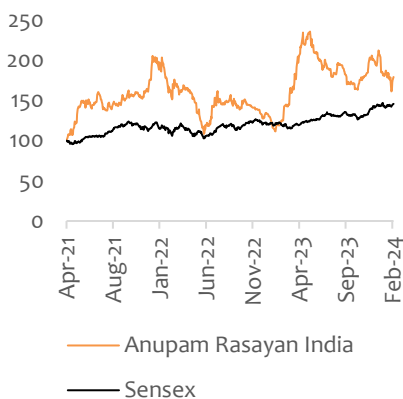
Shares outs (Mn)	110
Equity Cap (INR Mn)	23,594
Mkt Cap (INR Mn)	1,00,983
52 Wk H/L (INR)	1,234/620
Volume Avg (3m K)	63.4
Face Value (INR)	10
Bloomberg Code	ANURAS IN

KEY FINANCIALS

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Revenue	10,738	16,019	14,916	18,563	23,575
EBITDA	3,048	4,314	3,924	4,956	6,365
EBITDA margin (%)	28%	27%	26%	27%	27%
PAT	1,522	2,168	1,786	2,606	3,632
PAT margin (%)	14.2%	13.5%	12.0%	14.0%	15.4%
EPS	15.2	17.4	12.7	19.8	28.8
P/E (x)	60.7x	52.9x	72.7x	46.6x	32.1x

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



*Listed Apr-21

MARKET INFO

SENSEX	73,057
NIFTY	22,196

Decline in volume and subdued demand in end customer segment impacted topline: For Q3FY24, Anupam Rasayan's revenue declined 24.6% YoY (-24.6% QoQ) to INR 2,955 Mn. For 9MFY24, the revenue declined by 4.3% YoY to INR 10,741 Mn. The decline in revenue was largely driven by the impact of volume rather than price because prices have remained stable. This subdued quarterly performance was attributed to the difficult conditions prevailing in the industry, compounded by the fact that Q3FY24 marked the end of the fiscal year for certain clients. Consequently, these clients only procured the minimum volumes mentioned in the contracts during the quarter. Exports contributed 55.0% of the revenue, and the balance 45.0% is from domestic. In the past two quarters, the management has observed a trend where customers were focused on liquidating their inventories. In 9MFY24, the Company successfully introduced six new molecules to the market, with four belonging to the fluorination series and the remaining two originating from signed letters of intent (LOIs) and contracts. During the quarter, Anupam Rasayan secured a significant LOI valued at USD 61 Mn (approximately INR 5,070 Mn) over the next nine years from a leading Japanese chemical company. This agreement involves supplying a cutting-edge polymer intermediate, which will commence production in CY24. The molecule will be utilized in various industries, including aerospace, semiconductor manufacturing, electronics, and high-performance machinery. Looking ahead, the management anticipates a continuation of this subdued demand trend for Q4FY24E. However, from the H1FY25E onward, the Company anticipates a gradual improvement in revenue generation. The revenue contribution from pharma, polymers and Japanese market business are the growth drivers for FY25E and FY26E. The base volumes from the agrochemical segment will give stability to the demand, and some bit of growth.

Stable RM pricing supported gross margins: Gross margin expanded 880 bps YoY and 729 bps QoQ to 65.8%. This was due to stabilization in raw material pricing and not much impact from price realization as the company is in the contract nature of the business. For 9MFY24, the gross margin expanded 197 bps YoY to 60.3%. EBITDA for the quarter declined by 28.9% YoY (-26.4% QoQ) to INR 791 Mn. This was due to an increase in employee costs and an increase in other expenses coupled with a sharp decline in revenue. The corresponding EBITDA margin contracted 162 bps YoY and 65 bps QoQ to 26.8%. For 9MFY24, EBITDA declined by 10.2% YoY to INR 2,880 Mn and EBITDA margin contracted by 177 bps YoY to 26.8%. PAT declined by 57.1% YoY (-54.8% QoQ) to INR 184 Mn. This was due to weak operating performance, coupled with an increase in interest expense and depreciation. For 9MFY24, PAT declined by 21.3% YoY to INR 977 Mn and the PAT margin contracted by 197 bps YoY to 9.1%.

SHARE HOLDING PATTERN (%)

Particulars	Dec-23 (%)	Sep-23 (%)	Jun-23 (%)
Promoters	61.4	60.7	60.8
FIIIs	9.1	10.3	9.8
DIIIs	2.5	1.8	3.7
Others	27.0	27.2	25.7
Total	100.0	100.0	100.0

*Based on Today's closing

13.7%

Revenue CAGR between FY23 and FY26E

18.8%

PAT CAGR between FY23 and FY26E

Anupam Rasayan Ltd.

Key Concall Highlights:

- The global economic uncertainty that began in CY23 appears to be extending into CY24E, compounded by geopolitical tensions. While inflation is easing and demand is showing signs of recovery, the agrochemical sector is grappling with demand issues exacerbated by falling raw material prices, leading to a year of low growth for many companies in FY24E.
- However, amidst these challenges, there are positive developments. Raw material prices are stabilizing, and pockets of demand are picking up.
- Strategically, Anupam Rasayan anticipates higher growth in the polymer and pharma sectors to offset the subdued performance in the agrochemical sector.
- Highlighting the Company's commitment to sustainability, Anupam Rasayan announced an investment of INR 590 Mn towards setting up a hybrid power plant with 9.6 megawatts capacity, comprising 5.6 megawatts of wind power and 4 megawatts of solar power.
- This initiative is expected to reduce energy costs by approximately INR 150 Mn per year and aligns with their long-term sustainability goals.
- Notably, Anupam Rasayan is fully backward integrated for this molecule, aligning with the strategic goal of expanding its polymer portfolio and strengthening its presence in Japan.
- The Company's success in penetrating the challenging Japanese market is attributed to its dedicated R&D efforts and talent investments over the years.
- To enhance operational control, Anupam Rasayan has established a subsidiary in Japan, underscoring its commitment to key markets like Japan and anticipating robust growth in the region, potentially making it a significant business hub for the Company.
- In the current quarter, the Company allocated shares valued at INR 1,800 Mn and warrants worth INR 3,700 Mn to both promoters and institutional investors. As of now, the Company has garnered INR 2,720 Mn through equity issuance and the initial transfer of warrants.
- From this sum, INR 1,980 Mn has already been allocated for debt repayment. The Company's primary objective is to diligently reduce debt, aiming to achieve a debt-free status within the next 18 months, thus maintaining a strong focus on strengthening the balance sheet.
- They have utilized INR 3,810 Mn of the total INR 6,700 Mn earmarked for capex. The remaining capex will be spent over the next two quarters according to the schedule.
- The revenue contribution from pharma, polymers and Japanese market business are the growth drivers for FY25E and FY26E. The base volumes from agrochemical segment will give stability to the demand, and some bit of growth.

Valuation and view:

The revenue witnessed a decline due to a drop in volumes as clients only procured minimum volumes mentioned in their contracts during the quarter. The difficult conditions continued to persist in the industry as customers focused on liquidating their inventories. However, gross margins expanded due to stable raw material pricing and not much impact from price realization as the company is in the contract nature of the business. We believe the short-term demand will be weak due to global de-stocking but it will gradually normalize in the upcoming quarters and recovery will begin by Q3FY25E. The company plans to diversify from the agro-chem business therefore the growth drivers are the pharma segment, polymers, and Japanese market business which will contribute incremental revenue in FY25E and FY26E. **Currently, the stock is trading at a PE multiple of 46.1x and 31.7x based on FY25E/FY26E EPS, respectively. We introduce FY26E estimates; expect FY23-FY26E revenue CAGR of 13.7% and corresponding Adj. PAT CAGR of 18.8%. We apply a PE multiple of 35.0x to our FY26E EPS of INR 28.8 and arrive at a target price of INR 1,008 (INR 990 previously). Accordingly, we maintain our rating on the stock as ACCUMULATE, with a potential upside of 10.41%.**

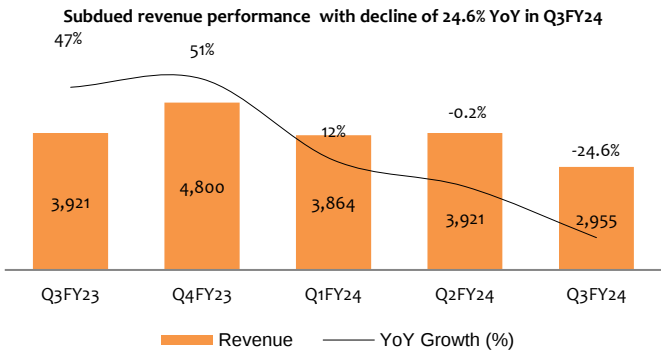
Q3FY24 Analysis

Particulars (INR Mn)	Q3FY24	Q2FY24	Q3FY23	QoQ	YoY	9MFY24	9MFY23	YoY
Revenue from Operations	2,955	3,921	3,921	-24.6%	-24.6%	10,741	11,219	-4.3%
Total Expenditure	2,164	2,847	2,808	-24.0%	-22.9%	7,861	8,078	-2.7%
Cost of Raw Materials	1,473	1,872	1,548	-21.3%	-4.9%	5,643	5,466.2	3.2%
Purchase of Stock	0	0	0	NA	NA	0	0.0	NA
Changes in Inventories	-464	-247	136	87.7%	NA	-1,378	-789.6	74.5%
Employee Cost	210	185	200	13.7%	5.0%	581	524.7	10.8%
Other Expenses	945	1,036	924	-8.8%	2.3%	3,014	2,877.1	4.8%
EBITDA	791	1,075	1,112	-26.4%	-28.9%	2,880	3,207	-10.2%
EBITDA Margin (%)	26.8%	27.4%	28.4%	-65 bps	-162 bps	26.8%	28.6%	-177 bps
Depreciation	204	198	185	2.9%	10.5%	590	525.6	12.2%
EBIT	587	876	928	-33.1%	-36.8%	2,290	2,681	-14.6%
Other Income	24	35	-33	-31.3%	NA	182	-156.9	-216.0%
Interest Expense	251	204	142	23.0%	77.5%	634	424.0	49.4%
Share of Associates	0	0	0	NA	NA	0	14.8	NA
PBT before Exceptional	359	707	754	-49.2%	-52.4%	1,839	2,049	-10.3%
Exceptional Items	0	0	0	NA	NA	0.0	0.0	NA
PBT	359	707	754	-49.2%	-52.4%	1,839	2,049	-10.3%
Tax	99	220	209	-55.0%	-52.8%	569	607	-6.2%
Minority interest	76	80	115	-4.9%	NA	292.7	200.4	NA
PAT	184	407	429	-54.8%	-57.1%	977	1,242	-21.3%
PAT Margin (%)	6.2%	10.4%	10.9%	-415 bps	-472 bps	9.1%	11.1%	-197 bps
EPS	1.7	3.8	5.3	-55.6%	-68.3%	9.1	14.1	-35.7%

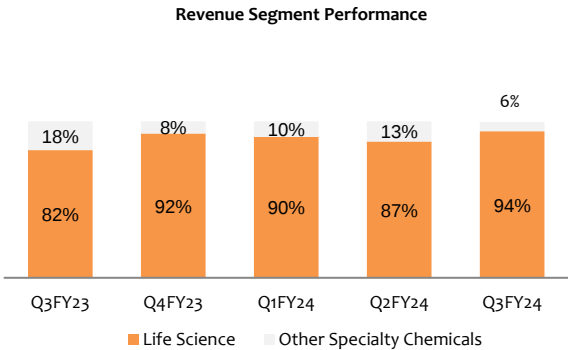
Source: Company, KRChoksey Research

Anupam Rasayan Ltd.

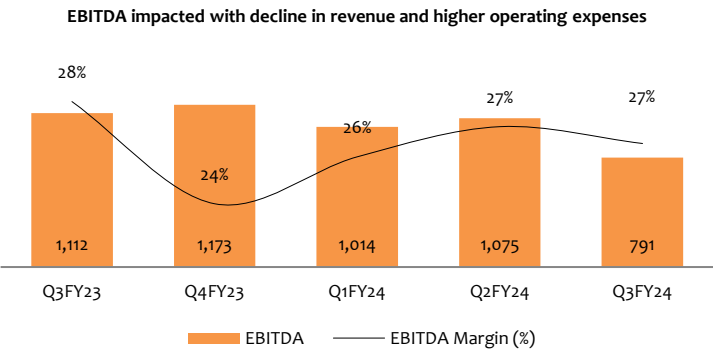
QUARTERLY PERFORMANCE IN CHART



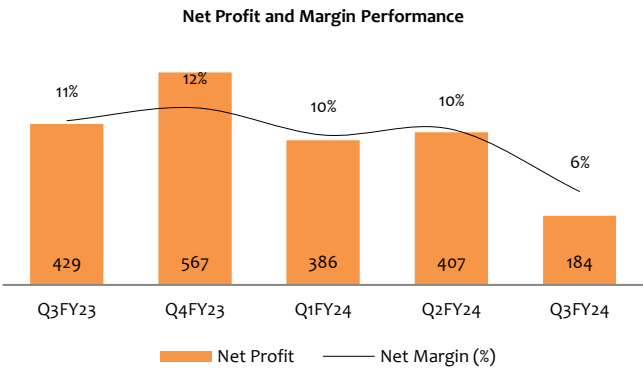
Source: Company, KRChoksey Research



Source: Company, KRChoksey Research



Source: Company, KRChoksey Research



Source: Company, KRChoksey Research

Anupam Rasayan Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Revenues	10,738	16,019	14,916	18,563	23,575
COGS	3,699	7,036	5,726	6,460	8,251
Gross profit	7,039	8,983	9,190	12,103	15,323
Employee cost	485	689	895	1,392	1,886
Other expenses	3,506	3,981	4,372	5,754	7,072
EBITDA	3,048	4,314	3,924	4,956	6,365
Depreciation & amortization	601	711	796	924	990
EBIT	2,447	3,603	3,127	4,032	5,376
Interest expense	308	627	821	621	602
Other income	73	86	245	149	189
PBT	2,447	3,603	3,127	4,032	5,376
Tax	697	908	765	954	1,330
PAT	1,522	2,168	1,786	2,606	3,632
EPS (INR)	15.2	17.4	12.7	19.8	28.8

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Operating Cash Flow	(1,712)	2,921	5,511	3,545	3,053
Investing Cash Flow	(4,120)	(5,227)	(2,270)	(1,855)	(1,212)
Financing Cash Flow	3,844	3,706	(2,163)	(820)	(1,736)
Net Inc/Dec in cash equivalents	(1,989)	1,401	1,078	870	105
Opening Balance	2,412	478	1,878	2,956	3,826
Adj	0	0	0	0	0
Closing Balance Cash and Cash Eq.	423	1,878	2,956	3,826	3,931

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	FY22	FY23	FY24E	FY25E	FY26E
EBITDA Margin (%)	28.4%	26.9%	26.3%	26.7%	27.0%
Net Profit Margin (%)	14.2%	13.5%	12.0%	14.0%	15.4%
RoE (%)	8.8%	9.1%	7.1%	9.5%	11.9%
RoA (%)	5.3%	5.7%	4.8%	6.4%	8.1%
RoCE (%)	11.0%	13.2%	10.9%	13.1%	15.8%
Debt/Equity	0.5x	0.3x	0.3x	0.2x	0.2x

Source: Company, KRChoksey Research

Anupam Rasayan Ltd.

Exhibit 4: Balance Sheet

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	11,467	12,382	13,942	14,874	15,063
Right-of-use assets / CWIP / other intangibles	993	1,762	1,646	1,644	1,677
Goodwill	0	1,232	1,232	1,232	1,232
Other non-current assets	2,916	3,295	3,068	3,818	4,849
Inventories	8,632	9,315	7,527	7,820	9,276
Trade receivables	2,801	4,151	3,315	3,867	4,911
Cash and Cash equivalents	423	1,878	2,956	3,826	3,931
Bank Balance	1,675	3,765	3,765	3,765	3,765
TOTAL ASSETS	28,905	37,779	37,450	40,847	44,706
Total equity	17,269	23,726	25,116	27,287	30,440
Non-controlling Equity	0	1,355	1,751	2,186	2,666
Borrowings	7,959	7,876	6,534	6,335	5,201
Other non-current liability	1,401	1,597	1,487	1,850	2,350
Trade payables	2,278	3,226	2,562	3,189	4,050
TOTAL EQUITY AND LIABILITIES	28,905	37,779	37,450	40,847	44,706

Source: Company, KRChoksey Research

Anupam Rasayan Ltd.

Anupam Rasayan India Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
20-Feb-24	913	1,008	ACCUMULATE
20-Nov-23	932	990	ACCUMULATE
28-Aug-23	1012	1166	BUY
05-May-23	1093	1326	BUY
03-Feb-23	576	839	BUY
26-Jul-22	793	941	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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