

Q4FY23 Result Highlights:

During Q4FY23, the company reported revenue growth of 51% yoy & 25% qoq to ₹480Cr v/s ₹317Cr in Q4FY22 and during FY23, revenue grew by 49% yoy to ₹1593Cr v/s ₹1066Cr in FY22 driven by consolidation of Tanfac, new product commercialization and steady growth of the organic portfolio. A mismatch in the revenue recognition timing for a few orders contracted the quarter's EBITDA margin to 24% from the expected 26-28%. However, on a full year basis, the company was still able to deliver a margin of 27%. PAT increased by 19% YoY, PAT margins stood at 11% v/s 14% in FY22.

Concall Highlights:

- In the last 2 months, the company has signed 3 LOI's worth of ₹2,864Cr with Japanese and American MNC's for niche life sciences and specialty chemical molecules. Of which ₹380Cr LOI for fluorinated products to be used in APIs and engineering applications and a ₹1500Cr LOI for fluorinated products to be used in polymers. This is in addition to the ₹1000Cr LOI signed nearly a year ago for fluorinated products to be used in Alloy Intermediates (AI). These LOI's demonstrates confidence on Anupam's technical capabilities among global MNC's which reflect strong growth visibility. The total LOI/contracts signed worth ₹5,483Cr in the last 2 years provides strong visibility of revenue for coming years.
- As a large part of these LOIs will be commercialized only from FY-25E, increment contribution from Fluorine based products will increase to 20% in FY24 and 30% in FY27 from current contribution of 15%.
- The management also shared that the company is in advanced stage of discussion with customers to introduce novel and exclusive molecules in the field of pharmaceuticals as well as electronic chemical.
- **The management has shared key growth drivers** – 1) Growth of product portfolio, 2) Execution of signed LOIs & contracts and 3) Expansion in fluorination chemistry.
 - The company is targeting custom development products in agro (key intermediates) & pharmaceutical (import substitute KSM) space; it has 90+ molecules in R&D & pilot pipeline and also aims to commercialize 10 new molecules in FY24.
 - The company envisages a capex of ₹670Cr, of which ₹250Cr will be for the facility for Alloy Intermediates while the remaining ₹420Cr will be for the facilities for the other 2 LOIs. it is estimated incremental ROCE ~20% & Asset turnover for this capex ~1.75x. The company aim to launch few products in FY24 and major ramp up is expected in FY25.
 - The company has identified 14 high value & high margins molecules in polymers, pharmaceutical and agrochemical space which are expected to launch in next 2-3 years.
- **Increased Cap-ex Guidance** – As guided, the company has incurred a capex of ₹177Cr in FY-23, which was towards building capacity, R&D, solar projects and general maintenance. For FY-24, the company has upped its cap-ex guidance from ₹250 -300Cr to ₹350-400Cr, on account of the 3 new fluorination facilities that it plans to develop this year. The high net capex of ₹670Cr being pumped into these 3 facilities will drag the bottom line in the short to mid-term.

Important Statistics

MCAP (₹ bn)	~122.19
52-week H/L (₹)	1,224.20/546.75
NSE Code	ANURAS
BSE Code	543275

Shareholding Pattern	Mar'23 (%)
Promoters	60.81
FII	8.52
DII	4.98
Public & Others	25.69

Financials

	(₹ Cr)				
Particulars	FY21	FY22	FY23	FY24E	FY25E
Net Sales	811	1,066	1,593	2,071	2,588
EBITDA	194	297	422	559	699
EBITDA Margin	24%	28%	27%	27%	27%
PAT	70	152	181	270	356
EPS (₹)	8.56	15.18	17.38	25.15	33.10
P/E (₹)	133	75	65	45	34
EV/EBITDA	63	43	29	23	18
ROE	6%	9%	8%	10%	12%
ROCE	11%	11%	12%	15%	16%
net D/E	0.06	0.35	0.07	0.21	0.17

Source: Company, Way2Wealth

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- **Improved Working Capital Cycle** – The company continued to optimize its Working Capital cycle in the year gone by, by reducing its Inventory days to 250 from 290 last year. This has been vital in improving the company's working capital cycle thereby increasing its cash balance, which now sits at ₹550Cr. the company expects to reduce its Inventory days further to below 220 in the coming year.
- **R&D Team Size to Double** – Given the increasing capacity and capabilities, the company will also be doubling its R&D complement from the current 88 to 176 professionals – comprising of at least 75 Chemical Engineers, at least 17 professionals with a Ph.D, along with a number senior technical and business development professionals adept in Fluorination Chemistry. This drive will ramp up employee expense significantly thereby limiting potential margin expansion.

Key Risks

- LOIs are not formal long-term contracts, but are key in developing potential client-vendor relationships. The company aims to become a vendor replacement for its clients, who are currently sourcing their fluorine requirements from EU. While the company has the cost advantage over EU suppliers, client-vendor relationships in this space are usually sticky and rarely witness a change.
- Client concentration continues to remain high with the top 10 customers contributing to 80%+ revenue. Foraying into value-added products segment has increased the client base, but due to the low volume of such products – the impact on topline and margin expansion is negligible.

Outlook & Valuation

- Anupam has signed three LOIs with Japanese and US MNCs for fluorination products with supplies expected to commence from FY24 & FY25. FY-24 will be a key time for the company as it lays the foundation to deliver on the multi-year LOIs – making strong headway into fluorinated products. These LOIs show Anupam's technical capabilities and provide strong growth visibility. With all the LOIs, the company's 25-30% p.a. revenue growth visibility for the next 3-4 years and will maintain EBITDA margin ~26-28%.
- Going ahead, the company will maintain its growth momentum with revenue 27% CAGR over FY23-25E, this growth will be driven by launch of new molecules, signing new LOIs, conversion of LOIs into long term contracts and improvement in FA t/o. We estimate CAGR of 29%/38% in EBITDA/PAT over FY23-25E and sustain EBITDA/ PAT margins at 27%/14% respectively.
- **At CMP ₹1139, the stock is trading at PE 34x EPS of ₹34, 18x EV/EBITDA on FY25E. Hence, we recommend investors to BOOK PROFITS.**

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Consolidated Quarterly Performance

(₹ Cr)

Particulars	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %	FY23	FY22	YoY%
Net sales	480	317	51%	383	25%	1593	1066	49%
Total Income	480	317	51%	383	25%	1593	1066	49%
Consumption of raw material	221	210	5%	155	43%	768	692	11%
(Increase)/Decrease in stock in trade & WIP	15	-108	-114%	14	10%	-64	-322	-80%
Employees cost	16	13	31%	20	-18%	69	48	42%
Administrative & other Expense	110	105	6%	92	19%	398	350	14%
Total Expenditure	363	220	65%	281	29%	1171	769	52%
EBITDA	117	97	21%	102	15%	422	297	42%
EBITDA margins	24%	31%		27%		27%	28%	
EBIT/ Operating Profit	99	82	21%	84	18%	351	237	48%
Interest	20	14	47%	14	43%	63	31	103%
Other income	24	0		6		18	15	
PBT	103	68	52%	76	36%	306	221	38%
Provision for current tax	27	12	129%	17	61%	73	39	84%
Provision for Deferred Tax	3	10	-72%	4	-28%	18	31	-40%
PAT	73	45	60%	55	32%	215	151	42%
Minority interest	-16			-12		-36	0	
Reported PAT	57	46	23%	43	31%	181	152	19%
PAT margins %	12%	15%		11%		11%	14%	
EPS (Basic & diluted)	5.27	4.61	14%	4.04	30%	17.38	15.18	15%

Source: Company, Way2Wealth

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Financials

(₹ Cr)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	501	529	811	1066	1593	2071	2588
Growth yoy %		5%	53%	31%	49%	30%	25%
COGS	257	211	339	370	704	911	1139
Gross Profit	244	318	472	696	889	1160	1450
Gross Profit margins %	49%	60%	58%	65%	56%	56%	56%
Employees cost	19	21	32	48	69	83	104
other Expense	133	162	246	350	398	518	647
Total Expenses	408	394	617	769	1171	1511	1889
EBITDA	93	135	194	297	422	559	699
EBITDA margins %	19%	26%	24%	28%	27%	27%	27%
Depreciation	23	29	52	60	71	90	110
EBIT/ Operating Profit	71	106	142	237	351	469	589
Interest	24	45	69	31	63	60	56
Other income	19	11	26	15	18	15	15
PBT	66	71	100	221	306	424	548
Provision for current Tax	12	13	24	39	73	106	137
Provision for Deffered Tax	4	5	5	31	18		
PAT	50	53	70	151	215	318	411
Minority interest					-35	-48	-55
Reported PAT	50	53	70	152	181	270	356
PAT margins %	10%	10%	9%	14%	11%	13%	14%
EPS (Basic & dilluted)	6.6	6.94	8.56	15.18	17.38	25.15	33.1

Source: Company, Way2Wealth

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Disclosure of Interest Statement Anupam Rasayan India Ltd. as on 9th May 2023

Name of the Security	Anupam Rasayan India Ltd
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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