

31st January 2023

CMP – ₹600/-

View – Accumulate on Dips

Q3FY23 Result Highlights:

- During Q2FY23, the company reported revenue growth of 44% yoy to ₹383cr v/s ₹266cr in Q3FY22, driven by consolidation of Tanfac and strong demand from customers. EBITDA margins reported at 27% v/s 28% in Q3FY22. PAT increased by 15% YoY & 3% QoQ to ₹43cr, PAT margins stood at 11% v/s 14% in Q2FY22. Despite unavailability of the capacities during Q3FY23 due to fire incident in Sachin (Surat) plant, the company has reported 7.70% yoy revenue growth on standalone basis, after adjusting deferred revenue due to capacity constrain, the growth would have been around 25% during Q3FY23.
- Revenue from Lifescience segment account for 80% of sales which has declined by 3% yoy & 16% qoq to ₹231cr v/s ₹239cr & other special chemical business grew by 89% to ₹52cr v/s ₹28cr in Q3FY22.

Concall Highlights:

- The management said that the company has strong pipeline, availability of the capacity, advance stage discussion with various clients along with planned capex, received strong interest from various customer on the fluorination side which give confident of delivering strong and sustainable growth in coming years.
- The company has commercialized 4 products in Q3FY23, going ahead expects to launch 5 products in Q4FY23 in the fluorination space.
- The company has received approval to restart the plant from GPCB and other regulatory authorities after following all the regulatory and safety compliances.
- Along with China plus one strategy, the company has been witnessing the benefit of Europe plus one strategy with its recently signed 2 contracts with European crop protection company for supplying 2 niche life science specialty chemical in Q3FY23. These products were conceptualized within 3 months and it will take 18 months from conceptualization to commercialization of these products. Earlier both these products were being manufactured in Europe however, now the customers will be sourcing these products exclusively from Anupam. The company is working with few more MNC clients and expects 20-25 niche products to be added in Anupam's product portfolio in near term as of part of Europe plus one strategy.
- The company has added 1 MNC customer in Q3FY23 taking total to 27 MNC customers and number of products stands as on Q3FY23 stands at 50.
- **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 7 new molecules in FY23. Going ahead, 7 molecules (including 4 molecules in FY22) expected to contribute US\$10+ million revenue in FY23.
 - The company will be investing capex of ₹250cr for signed contract/ LOI worth of ₹2,620cr in FY22; it is estimated incremental ROCE ~20% &

Important Statistics

MCAP (₹ bn)	~64.00
52-week H/L (₹)	1,107.55/546.75
NSE Code	ANURAS
BSE Code	543275

Shareholding Pattern	Dec'22 (%)
Promoters	60.96
FII	8.19
DII	6.19
Public	24.66

Financials

Particulars	(₹ Cr)				
	FY20	FY21	FY22	FY23E	FY24E
Net Sales	529	811	1,066	1,482	1,912
EBITDA	135	194	297	400	535
EBITDA Margin	26%	24%	28%	27%	28%
PAT	53	70	151	210	307
EPS (₹)	6.94	8.56	15.18	17.19	26.18
P/E (₹)	86	70	40	35	23
EV/EBITDA	53	34	23	17	13
ROE	10%	6%	9%	10%	13%
ROCE	11%	11%	11%	13%	17%
net D/E	1.33	0.06	0.35	0.30	0.25

Source: Company, Way2Wealth

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Asset turnover for this capex ~1.75x. Project has started in Q1FY23 and will be commercialized in Q2FY24. The company has already commercialized 6 products in FY22 and aims to launch 2 products in FY23 & 2 products in FY24. Addition to ₹250cr capex, the company intends to invest ₹470cr capex in fluorination project 1 (₹190cr) and project 2 (₹230cr) in the next 18-24 months. It will be adding new molecules in this projects, expected incremental FA T/O ~1.75x and ROCE will be 20%.

- The company has identified 14 high value & high margins molecules in polymers, pharmaceutical and agrochemical space which are expected to launch in the next 2-3 years, of which 6 products revenue potential ~US\$220-260 million and 5 products are expected to launch in FY23.
- The management has witnessed downward trend in inventory day and significant reduction in inventory days expected by year end ~230-240 days level v/s 296 days in FY22. During 9MFY23, company generated cashflow from operations of ₹155cr owing to improvement in working capital cycle.

Key Risks

- ARL faces customer concentration risk as it derived 85-87% of its revenues from its top 10 customers.
- Risk to CSM industry: Cancellation or deferral of contract orders; regulatory issues can hamper execution of contracts, flow of new orders, inability to recover increase in input costs and opex in contracts

Outlook & Valuation

- Going ahead, the company will maintain its growth momentum with revenue 34% CAGR over FY22-24E, 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 34%/42% in EBITDA/PAT over FY22-24E and sustain EBITDA/ PAT margins at 28%/12-15% respectively.
- **At CMP ₹600, the stock is trading at PE 23x EPS of ₹26, 13x EV/EBITDA on FY24E. Hence, we recommend Accumulate on dip rating on stock.**

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 View – **Accumulate on Dips**
Consolidated Quarterly Performance

(₹ Cr)

Particulars	Q3FY23	Q3FY22	YoY %	Q2FY22	QoQ %	9MFY23	9MFY22	YoY%
Net sales	383	266	44%	386	-1%	1113	749	49%
Total Income	383	266	44%	387	-1%	1114	749	49%
Consump of raw material	155	166	-7%	183	-16%	547	481	14%
(Increase)/Decrease in stock in trade & WIP	14	-76	-118%	-22	-163%	-79	-214	-63%
Employees cost	20	12	63%	18	11%	52	36	46%
Administrative & other Expense	92	89	4%	102	-10%	288	246	17%
Total Expenditure	281	191	47%	282	0%	808	549	47%
EBITDA	102	75	36%	105	-2%	306	200	53%
EBITDA margins	27%	28%		27%		28%	27%	
EBIT/ Operating Profit	84	60	40%	87	-4%	254	155	63%
Interest	14	5	171%	16	-12%	42	17	149%
Other income	6	5	22%	-3	-295%	-6	15	-141%
PBT	76	60	27%	68	11%	205	154	33%
Provision for current tax	17	10	76%	17	-3%	45	27	65%
Provision for Deffered Tax	4	12	-66%	2	76%	15	20	-24%
PAT	55	38	45%	48	13%	144	106	36%
Minority interest	-12			-6		-20	0	
Reported PAT	43	38	15%	42	3%	126	106	18%
PAT margins %	11%	14%		11%		11%	14%	
EPS (Basic & dilluted)	4.04	3.79	7%	4.20	-4%	12.25	10.60	16%

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Financials

Particulars	(₹ Cr)					
	FY19	FY20	FY21	FY22	FY23E	FY24E
Net sales	501	529	811	1066	1482	1912
Growth yoy %		5%	53%	31%	39%	29%
COGS	257	211	339	370	622	765
Gross Profit	244	318	472	696	859	1147
Gross Profit margins %	49%	60%	58%	65%	58%	60%
Employees cost	19	21	32	48	74	96
other Expense	133	162	246	350	385	516
Total Expenses	408	394	617	769	1082	1376
EBITDA	93	135	194	297	400	535
EBITDA margins %	19%	26%	24%	28%	27%	28%
Depreciation	23	29	52	60	70	76
EBIT/ Operating Profit	71	106	142	237	330	460
Interest	24	45	69	31	60	60
Other income	19	11	26	15	10	10
PBT	66	71	100	221	280	410
Provision for current Tax	12	13	24	39	70	102
Provision for Deffered Tax	4	5	5	31		
PAT	50	53	70	151	210	307
Minority interest					-26	-27
Reported PAT	50	53	70	152	184	281
PAT margins %	10%	10%	9%	14%	12%	15%
EPS (Basic & dilluted)	6.60	6.94	8.56	15.18	17.19	26.18

Source: Company, Way2Wealth

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Disclosure of Interest Statement Anupam Rasayan India Ltd. as on 31st January 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
Way2Wealth ownership of any stock related to the information contained	NIL
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