

Issue Details

Price Band	Rs. 423 – Rs. 425
Bid Lot	35 shares
Issue Date	13 th July 2020 – 15 th July 2020
Issue Size at Upper Price Band	Rs. 496.25 cr
Fresh Issue	~11,76,470 shares (Rs. 50 cr)
OFS (Offer For Sale)	1,05,00,000 shares (Rs 446.25 cr)
QIB	50%
Non-Institutional Investors	15%
Retail	35%
Pre – IPO Shares	5,07,52,920 shares
Post – IPO Shares	~5,19,29,390 shares

Object of the Issue

Net Proceeds from Fresh Issue to be Utilized for	Rs. Cr.
Repayment/prepayment of certain indebtedness availed by the company (including accrued interest)	65
Funding working capital requirements	50
General Corporate Expenses	NA

Business Overview

Rossari Biotech was established in 2003 and is a well-known brand in Indian specialty chemicals market, offering large portfolio of chemicals and enzymes. It is the leading manufacturer of acrylic polymers in India having a pan-India distribution network of over 204 distributors. The company also operates in 17 foreign countries with 27 distributors which generated 12% of FY20 revenue.

Company provides customized solutions to specific industrial and production requirements of customers primarily in the FMCG, apparel, poultry and animal feed industries. It has diversified product portfolio comprising of:

Business segment wise contribution to revenue	FY18	FY19	FY20
Home, personal care and performance chemicals (HPPC)	18.63%	37.87%	46.81%
Textile specialty chemicals	71.54%	52.13%	43.71%
Animal health and nutrition products	9.83%	10.00%	9.48%

The company has one manufacturing facility in Silvassa with an installed capacity of 120,000 MTPA. The plant was operational at 82.46% capacity utilisation in FY20. The company is also setting up another manufacturing facility at Dahej in Gujarat with a proposed installed capacity of 132,500 MTPA with an estimate commissioning of the unit in FY21. Doubling up of capacity would result in no significant CAPEX for next 4 years which would lead to healthy free cash flow generations.

The company has also entered into a joint venture with Buzil for manufacturing institutional cleaning, hygiene and disinfection products.

Rossari Biotech expanded its manufacturing capabilities from 60,000 MTPA in FY18 to 120,000 MTPA in FY20 which helped bring in economies of scale and improve EBITDA margins from 14.59% in FY18 to 17.45% in FY20. It has an asset light model resulting in an asset turnover ratio of 6x FY20 earnings as well as a lower working capital cycle of 35 days which is among the best in the Industry.

The primary raw materials of the company include acrylic acid, surfactants and silicone oil. All these raw materials are procured from the spot market and stand as a key risk for the company's financial performance.

Financial Statement

Consolidated (Rs. Cr.)	FY18	FY19	FY20
Revenue	292.17	516.22	600.09
Other Income	1.37	0.91	3.72
Total Income	293.54	517.12	603.82
EBITDA	42.63	77.63	104.74
EBITDA %	14.59%	15.04%	17.45%
EBIT	37.46	65.36	87.89
Profit/Loss in JV			-0.22
PBT	37.47	63.39	87.84
PAT	25.40	45.68	65.25
PAT %	8.69%	8.85%	10.87%

Our View

On an upper price band of Rs. 425, the company trades at 33x FY20 earnings of Rs. 65 cr which is above an industry average. The higher valuations are justified given better asset turnover ratio, working capital cycle and strong balance sheet compared to the peers. With doubling up of the capacity the company is poised for a significant long term growth; however it may face some turmoil in near term due to its exposure to textile industry which is struggling due to Covid-19. We opine investors to subscribe for the IPO for listing gains and Buy on Dips post listing for long term.

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