

Anupam Rasayan India

Chemicals | 3QFY25 Result Update

SELL

CMP: Rs674 | Target Price (TP): Rs552 | Downside: 18.0%

February 15, 2025

Beat on higher margin mix but w/c concerns persist

Key Points

- Anupam Rasayan's (ARL) 3QFY25 standalone net revenue at Rs2.12bn missed our /street estimates by 10.2%/12.8%. Standalone PAT was 38.5% beat vs our estimate; but a tad miss against Standalone Bloomberg estimate.
- EBITDA margin beat our estimate by 669bps, and other expenses/ Staff cost came in 25.2%/5.8% below our estimate. EBITDA saw a beat of 11.8% Vs NBIE estimates and 9.1% beat against street estimates. Other income was negative Rs29mn Vs our estimate of Rs14mn.
- **Consolidated 3QFY25 YoY summary:** Revenue up by 32.0% to Rs3.9bn, EBITDA up by 57.2% to Rs1.24bn and PAT grew by 53.2% to **Rs282mn. Consolidated 9MFY25 YoY summary:** Revenue down by 12.6% to Rs9.38bn, EBITDA down by 10.4% to Rs2.58bn and PAT down by 50.1% to Rs488mn.
- **3QFY25 Standalone PAT up by 24.8% YoY.** Standalone Revenue was down by 1.2%; Gross margin was down by 345bps YoY, as COGS was up 11.5% YoY. But EBITDA margin rose 435bps YoY, as Employee cost / other expenses were down 5.8%/21.4% YoY. EBITDA was up by 13.2% YoY to Rs722mn.
- We have raised FY25E estimates by 27.0% and cut FY26E/FY27E by 21.7%/12.2%, and rolled over to FY27E. We have raised the SOTP-based TP by 13.7% to Rs552, using the unchanged PE of 22.5x (Median PE of 81.7; and SD-1 of 54.5x, vs FY24-FY27E EPS CAGR – 34.8%; FY26E ROCE/ROE of 4.6%/4.4%. The stock is down 20.6% YoY, driven by concerns over headwinds in Agrochem and high working capital. We maintain our SELL rating on ARIL based on the above factors and added concerns about execution vs expectations raised by the larger than life order book of Rs107bn, and the high working capital – cash collection cycle > 250 Days, vs FY18-21 avg. of 184 days. The stock is trading at rich PE of 30.3x on FY27E vs. NBIE small cap peers trading at 22x, and EV/E of 18.8x vs weak Return ratios.

The progressive ramp up in revenue -from order book worth Rs107bn (up from Rs89bn in 2QFY25) from FY26 as well as growth from the new segments Pharma and Polymers – is positive for ARIL's P&L. But the growth in revenue from new orders could imply sustained high net working capital days (NWC) – which could increase net debt in future, forcing further equity dilution. However, the management believes that the growth in OCF and gradual reduction in NWC to about 180-200 days (at par with FY21) over 2-3 years, could support reduction in gross/Net Debt – growth in Pharma could entail lower inventories but higher receivables in India.

Est Change	Downward
TP Change	Upward
Rating Change	No change

Company Data and Valuation Summary

Reuters	ANUY.BO
Bloomberg	ANURAS IN
Mkt Cap (Rsbn/US\$m)	73.5 / 839.2
52 Wk H / L (Rs)	966 / 630
ADTV-3M (mn) (Rs/US\$)	70.3 / 0.8
Stock performance(%) 1M/6M/1yr	(2.5)/(13.7)/(19.9)
Nifty 50 performance(%) 1M/6M/1yr	(0.6) / (2.1) / 5.5

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	61.2	61.2	61.2
DIs	2.6	2.3	2.3
FIs	7.1	7.0	7.5
Others	29.1	29.5	29.1
Pro pledge	23.4	29.8	35.7

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Net Sales	11,287	9,214	12,777	17,749
Growth YoY%	-12.1	-18.4	38.7	38.9
Gross margin %	62.2	68.5	68.0	65.0
EBITDA	3,070	2,748	3,803	5,348
EBITDA margin %	27.2	29.8	29.8	30.1
Adj PAT	1,033	802	1,390	2,528
Growth YoY%	-30.4	-31.7	73.4	81.9
Adj EPS	9.09	7.05	12.22	22.24
RoCE	4.4	3.3	4.6	6.8
RoE	4.1	2.8	4.4	7.7
RoIC	6.7	5.1	7.5	12.5
P/E	74.2	95.6	55.1	30.3
EV/EBITDA	27.4	30.6	22.1	15.7
P/BV	2.8	2.5	2.4	2.2

Source: Company, Nirmal Bang Institutional Equities Research

Key Links- [Investor presentation](#)

Consensus Est	FY25E	FY26E	FY27E
EPS Rs	8.03	16.40	26.51

Please refer to the disclaimer towards the end of the document.

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- **Upside risks:** (i) Further CSM order wins boosting revenue in FY25/FY26, and higher than expected growth based on faster than expected ramp up in order execution; (ii) larger than expected cut in working capital (iii) ARIL aims to pay off further debt in the next 18 months, using balance proceeds from the conversion of warrants issued to promoters into equity shares of Rs2.7bn. If this plan succeeds, it implies ARIL reducing its net debt after 2 years, as per our proforma estimates beyond FY26E.

Key downside risks:

- Risk to CSM business orders: Cancellation or deferral of orders; regulatory issues hampering execution of orders, flow of new orders, inability to pass on input costs and opex in orders.
- Operational issues and supply chain constraints hitting capacity utilization.
- Slowdown in CSM/Non-CSM revenue and heightened competition from Indian/Asian peers.
- Rampant increase in inventory and receivables to support future growth in revenue could entail an increase in borrowings or additional equity fund raising.
- The competition is from other Indian peers and CSM peers in China & Europe. This could get mitigated as Unique chemistries and locking in of customers who have validated ARIL for its supply chain offer a barrier against such competition.

Exhibit 1: 3QFY25 variance analysis

Y/E March (Rsmn)	3QFY24	3QFY25	Ch YoY%	2QFY25	Ch QoQ%	3QFY25E	Var. (%)
Net sales	2,147	2,121	-1.2	1,907	11.2	2,362	-10.2
Cost of goods	574	640	11.5	598	7.1	740	-13.5
% of Sales	26.7	30.2	344.5	31.3	-116.0	31.3	-116.0
Contribution	1,573	1,481	-5.9	1,309	13.1	1,622	-8.7
Gross Margin%	73.3	69.8	-344.5	68.7	116.0	68.7	116.0
Employee benefits expenses	152	143	-5.8	123	16.7	152	-5.8
% of Sales	7.1	6.7	-32.8	6.4	31.9	6.4	31.9
Other expenses	784	616	-21.4	665	-7.4	824	-25.2
% of Sales	36.5	29.0	-746.2	34.9	-584.5	34.9	-584.5
EBITDA	637	722	13.2	521	38.4	646	11.8
EBITDAM (%)	29.7	34.0	434.6	27.3	668.7	27.3	668.7
Depreciation	184	258	39.9	198	30.4	194	32.7
Other income	14	-29	PTL	39	PTL	14	PTL
Interest expenses	250	305	21.8	254	20.3	270	12.8
Reported PBT	-	-	-	-	-	-	-
Reported Tax	217	130	-40.2	109	19.6	195	-33.6
Effective tax rate%	63	-62	-197.1	-32	93.6	57	-207.8
Reported PAT	29.3	-47.5	-7,674.7	-29.3	-1,815.5	29.3	-7,674.7
Adj Consolidated PAT	153	191	24.8	140	36.4	138	38.5
NPM (%)	7.1	9.0	187.9	7.4	166.2	5.8	317.4

Source: Company, Nirmal Bang Institutional Equities Research. Please note margin changes are in bps

Exhibit 2: Standalone performance

Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	FY24	FY5E
Net Sales	2,885	3,171	2,147	3,085	1,640	1,907	2,121	3,547	11,287	9,214
YoY Change (%)	-5.9	2.1	-25.0	-16.9	-43.2	-39.9	-1.2	15.0	-12.1	-18.4
Gross Profit	1,785	1,934	1,573	1,731	1,121	1,309	1,481	2,406	7,023	6,316
Margin (%)	61.9	61.0	73.3	56.1	68.4	68.7	69.8	67.8	62.2	68.5
EBITDA	783	912	637	739	369	521	722	1,136	3,070	2,748
YoY Change (%)	-16.6	-0.6	-20.5	-20.1	-52.9	-42.8	13.2	53.8	-16.5	-10.5
Margin (%)	27.1	28.8	29.7	23.9	22.5	27.3	34.0	32.0	27.2	29.8
Depreciation	170	179	184	185	186	198	258	258	719	900
Interest	176	202	250	246	218	254	305	315	874	1,092
Other income	99	35	14	111	56	39	-29	111	259	176
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	535	566	217	419	20	109	130	674	1,737	932
PBT	535	566	217	419	20	109	130	674	1,737	932
Tax	186	178	63	135	6	-32	-62	218	564	130
Rate (%)	34.8	31.5	29.3	32.3	29.4	-29.3	-47.5	32.3	32.5	14.0
Reported PAT	349	387	153	283	14	140	191	456	1,173	802
Adj. PAT	349	387	14	283	14	140	191	456	1,033	802
YoY Change (%)	-6.6	-5.8	-96.5	-44.8	-95.9	-63.8	1,301.8	60.9	-38.7	-22.4
Adj. EPS	3.2	3.6	0.1	2.5	0.1	1.2	1.7	4.0	9.1	7.0

Source: Company, Nirmal Bang Institutional Equities Research

ARIL 3QFY25 concall KTAs

Agrochemical demand

- Agricultural sector faced a weak demand situation, especially from Europe
- Agrochemical demand is picking up, which is positive for the company's growth – expect increase in offtake from 4QFY25E
- This should result in revenue growth in 4QFY25 and FY26.

Margins

- Consolidated EBITDA margins for 3QFY25 stood at 31% due to favourable product mix posted by the company~ including the growth in Tanfac due to HF expansion.
- The company expects potential increase in margins, especially in Polymer and Pharma, as these are higher value segments
- The company's business model is designed to pass through margins and costs, with some room for extra margin in certain cases.
- The CFO suggests that EBITDA margin is more useful rather than gross margin, due to the complexity of their products, which implies some difference in the split between variable cost and overhead across different segments.
- Gross margin varies by quarter due to product schedules, but is more stable on an annual basis.
- Complex products have higher gross margins, but entail higher overhead and utilities due to multiple steps
- **Inventory liquidation:** Inventory liquidation is expected to improve as revenue growth picks up, with a target to achieve this in 18-24 months.

- 80% of the inventory is Finished goods and Work-in-Progress (WIP) inventory which is likely to be reduced
- Inventory levels vary by business segment, with pharma having a lesser inventory requirement.
- But Receivable days are longer in the Indian Pharma business,
- The acquisition of Tanfac strengthened the company's fluorination chemistry portfolio, ensuring an uninterrupted supply of KF and HF.

New products & Molecules

- **New products launched:** The company has added 2 new products in 3QFY25 taking the total to 75 products.
- **Molecules launched in Pharma & Polymer segment in FY24 and 9MFY25:** Pharma and Polymer segment experienced a strong growth driven by the launch of over 17 molecules in FY24 and 6 plus molecule that are being launched in FY25.
- The company has 65 plus molecule of Pharma and Polymer in R&D and pilot stages. This split between Pharma and Polymer is approx. 30 and 35 nos. respectively.
- **Signed one contract with US MNC:** The company has signed one contract and another LOI with the US MNC ~ together worth Rs18bn. This is for the supply of high performance specialty chemicals used in critical polymer applications, such as Défense, Electronics and Aerospace. With this and their new product pipeline, they expect US as a geography to have 15% share in sales over the next two to three years.

Capex

- **Capex spent in 9MFY25 of Rs2bn taking the aggregate to Rs6.5bn** out of the Rs6.7bn expansion plan.
- All plants are on track for commercialization by March 31st, 2025.
- New 9.2MW hybrid project was commercialized in October, 2024. This initiative is expected to generate annual energy cost savings of ~Rs150mn. This combined with their previous Rs680mn investment in a 17.9 MW project, the total savings will amount to ~Rs280mn annually.
- The company expects to achieve a reduction in net debt with the cash generated from operations, and proceeds from warrants issued to promoter
- **Pharma and Polymer segment revenue contribution over 9MFY25:** The pharma segment grew significantly reaching 23% of sales while the polymer segment accounted for 10% of sales in 9MFY25. The company anticipates both segments to contribute meaningfully to overall revenue with this growth trend expected to persist through FY26.
- **Revenue contribution over 9MFY25:** Life Science related specialty chemicals contributed 89% of revenues and Performance materials contributed 11% of revenue.
- **Current order book:** The company's order book stands at approximately Rs107bn spread across on an average 5 to 6 years. Of this Rs107bn, Rs31bn worth of order book is already commercialized~ this has a share of about Rs15-20% of revenue in FY25E. Most of the other LOIs are likely to be commercialized over FY26, although the share of revenue booked from each order could be low in the first 1-2 years.

Guidance: The company anticipates a 30% to 35% growth in standalone revenue FY26, and long term EBITDA margin of c26-28%

Standalone Earnings and TP revision

Exhibit 3: Earnings Revision Table

Rs Mn	Revised estimate			Earlier estimate			Change %		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	9214	12777	17749	9301	14715	18682	-0.9	-13.2	-5.0
EBITDA	2748	3803	5348	2426	4097	5623	13.3	-7.2	-4.9
EBITDA margin (%)	29.8	29.8	30.1	26.1	27.8	30	373.6	192.0	3.5
PAT	802	1390	2528	631	1774	2880	27.0	-21.7	-12.2
EPS	7.05	12.22	22.24	5.55	15.61	25.33	27.0	-21.7	-12.2
TP	552			486			13.7		

Source: Company, Nirmal Bang Institutional Equities Research, EBITDA margins changes are in bps

We have revised SOTP-based TP to Rs552, including TIL stake based on market cap.

This is based on ARIL's standalone value of Rs500/share at 22.5x on FY27E EPS and the value of 25.8% stake in TIL at Rs52/share based on its current market cap, less 40% holding company discount.

Exhibit 4: Change in TP

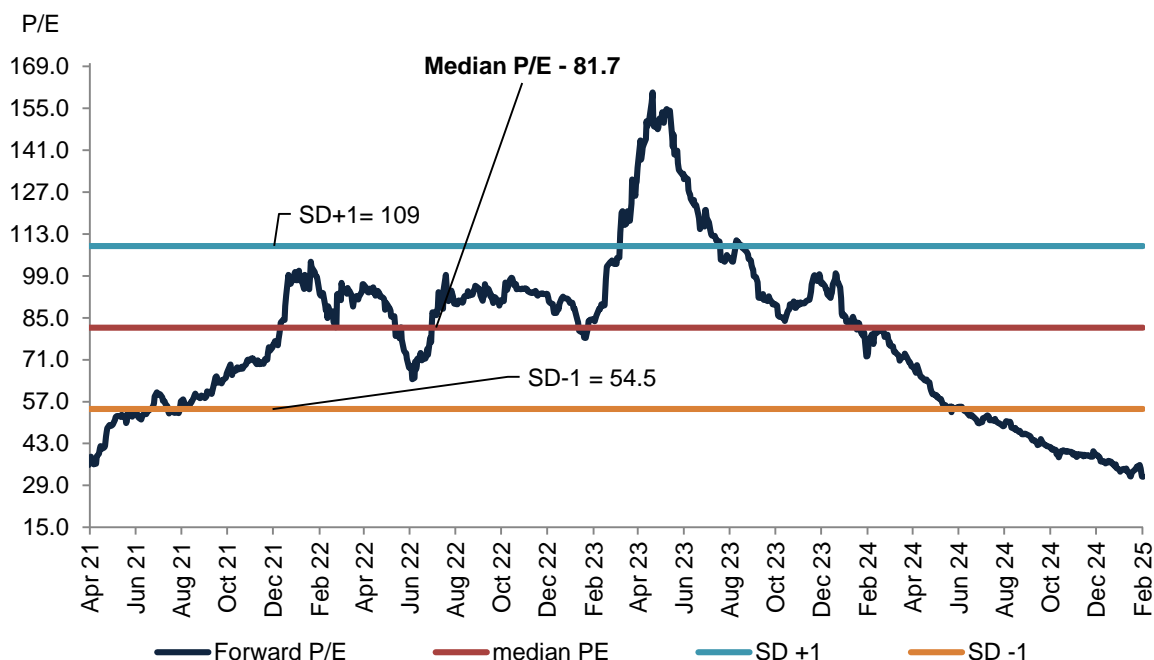
Value in Rs	Old Sep 26E	New FY27E	Change %	Remarks
Target PE (x)	22.5	22.5	0.0	-
EPS	20.47	22.24	8.7	
ARIL core	460	500	8.7	-
Tanfac stake	25	52	105.6	-
ARIL TP	486	552	13.7	
Rating	Sell	Sell		

Source: Nirmal Bang Institutional Equities Research

Exhibit 5: Operating assumptions and margins

Rsmn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Domestic Revenue	3,051	4,694	4,623	4,515	4,607	5,308	6,312
Export Revenue	5,058	6,043	8,218	6,772	4,607	7,469	11,437
Total Company Revenue	8,109	10,737	12,841	11,287	9,214	12,777	17,749
Revenue Pie %							
Domestic Revenue	37.6	43.7	36.0	40.0	50.0	41.5	35.6
Export Revenue	62.4	56.3	64.0	60.0	50.0	58.5	64.4
Growth and Margins %							
Growth - Domestic Revenue %	80.6	53.8	-1.5	-2.3	2.0	15.2	18.9
Growth - Export Revenue	40.5	19.5	36.0	-17.6	-32.0	62.1	53.1
Growth- Company Revenue %	53.3	32.4	19.6	-12.1	-18.4	38.7	38.9
Raw material/sales %	41.8	34.6	40.0	37.8	31.5	32.0	35.0
EBITDA Margin %	23.9	28.3	28.6	27.2	29.8	29.8	30.1
Capex(Rsmn)	1460	1467	2066	6242	2175	750	750
Revenue/Asset(x)	0.4	0.4	0.4	0.3	0.2	0.3	0.3
Revenue/Gross Fixed Asset(x)	0.8	0.9	0.9	0.8	0.6	0.6	0.8

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: One-year forward P/E trend


Source: Nirmal Bang Institutional Equities Research

Exhibit 7: TANFAC Results Summary

Rs mn	3QFY25	2QFY25	1QFY25	4QFY24	3QFY24	2QFY24	1QFY24	4QFY23	3QFY23	2QFY23	FY23	FY24
Revenue	1,782	1,115	953	1028	878	814	1062	1155	988	774	3749	3781
EBITDA	503	272	156	163	146	156	241	258	225	128	748	707
PBT	465	260	151	164	136	153	248	301	216	115	755	701
PAT	348	193	113	127	101	114	184	224	163	85	561	525
Margins %												
EBITDA Margin	28.2	24.4	16.4	15.9	16.6	19.2	22.7	22.4	22.8	16.5	19.9	18.7
PAT margin	19.5	17.3	11.8	12.3	11.5	14.0	17.3	19.4	16.5	11.0	15.0	13.9

Source: Tanfac Industries, Nirmal Bang Institutional Equities Research

Exhibit 8: Tanfac Historical Financials

Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	1387	1654	2217	1648	1479	3202	3749	3781
EBITDA	146	207	527	271	341	752	748	707
PAT	33	97	360	170	175	533	561	525
EBITDA Margin %	10.5	12.5	23.8	16.4	23.1	23.5	19.9	18.7

Source: Tanfac Industries, Nirmal Bang Institutional Equities Research

Anupam Rasayan - Standalone Financials

Exhibit 9: Income statement

Y/E March (Rsmn):	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	12,841	11,287	9,214	12,777	17,749
Growth YoY%	19.6	-12.1	-18.4	38.7	38.9
Gross profit	7,708	7,023	6,316	8,688	11,537
Gross margin %	60.0	62.2	68.5	68.0	65.0
Staff costs	545	545	621	777	971
% of sales	4.2	4.8	6.7	6.1	5.5
Other expenses	3,488	3,408	2,947	4,109	5,218
% of sales	27.2	30.2	32.0	32.2	29.4
EBITDA	3,675	3,070	2,748	3,803	5,348
Growth YoY%	21.0	-16.5	-10.5	38.4	40.6
EBITDA margin %	28.6	27.2	29.8	29.8	30.1
Depreciation	656	719	900	1,101	1,303
EBIT	3,019	2,351	1,847	2,702	4,045
Interest	619	874	1,092	1,068	937
Other income	22	259	176	226	276
PBT Reported	2,422	1,737	932	1,861	3,385
Effective tax	737	564	130	471	856
PAT Reported	1,685	1,173	802	1,390	2,528
Growth YoY%	11.8	-30.4	-31.7	73.4	81.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Balance sheet

Y/E March (Rsmn):	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,075	1,098	1,137	1,137	1,137
Reserves	22,520	26,268	29,635	30,740	32,927
Net worth	23,594	27,366	30,772	31,877	34,064
Long term debt	3,550	1,953	1,886	1,886	1,886
Short term debt	4,326	8,211	10,486	7,786	7,786
Total debt	7,876	10,164	12,372	9,672	9,672
Net debt	2,362	7,377	6,632	2,327	414
Other non-current liabilities	997	1,526	1,526	1,526	1,526
Total Equity & Liabilities	32,467	39,056	44,670	43,075	45,263
Gross block	14,676	15,385	21,756	23,480	24,425
Accumulated depreciation	2,832	3,469	4,265	5,250	6,448
Net Block	11,844	11,916	17,491	18,231	17,977
CWIP	1,135	5,789	1,593	619	424
Intangible and others	144	214	191	164	137
Other non-current assets	1,682	3,546	1,904	1,814	1,737
Non-Current Investments	1,584	1,594	1,594	1,594	1,594
Current Investments	-	-	-	-	-
Trade receivables	3,732	5,447	6,779	4,201	5,835
Inventories	8,799	9,913	11,859	10,894	11,487
Cash & Cash Equivalents	5,514	2,787	5,740	7,345	9,258
Other current assets	1,256	2,302	2,302	2,302	2,302
Total current assets	19,301	20,449	26,680	24,742	28,882
Trade payables	2,841	3,883	4,234	3,527	4,900
Other current liabilities	381	569	549	561	588
Total current liabilities	3,223	4,452	4,783	4,088	5,488
Total Assets	32,467	39,056	44,670	43,075	45,263

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Cash flow

Y/E March (Rsmn):	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,422	1,737	932	1,861	3,385
Depreciation	656	719	900	1,101	1,303
Interest	619	874	915	842	661
Other adjustments	186	-170	-	-	-
Change in Working capital	902	2,651	1,386	-2,848	827
Tax paid	540	290	130	471	856
Operating cash flow	2,440	218	1,231	6,180	3,665
Capex	2,066	6,242	2,175	750	750
Free cash flow	374	-6,024	-944	5,430	2,915
Other investing activities	2,727	-2,609	-	-	-
Investing cash flow	-4,793	-3,633	-2,175	-750	-750
Issuance of share capital	4,807	2,819	2,775	-	-
Movement of Debt	-172	2,374	2,208	-2,700	-
Dividend paid (incl DDT)	205	215	171	284	341
Other financing activities	502	646	1,268	1,294	1,213
Financing cash flow	3,928	4,332	3,544	-4,278	-1,555
Net change in cash flow	1,574	917	2,601	1,152	1,361
Opening C&CE	4,098	2,209	2,787	5,740	7,345
Closing C&CE	5,514	2,787	5,740	7,345	9,258

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Key ratios

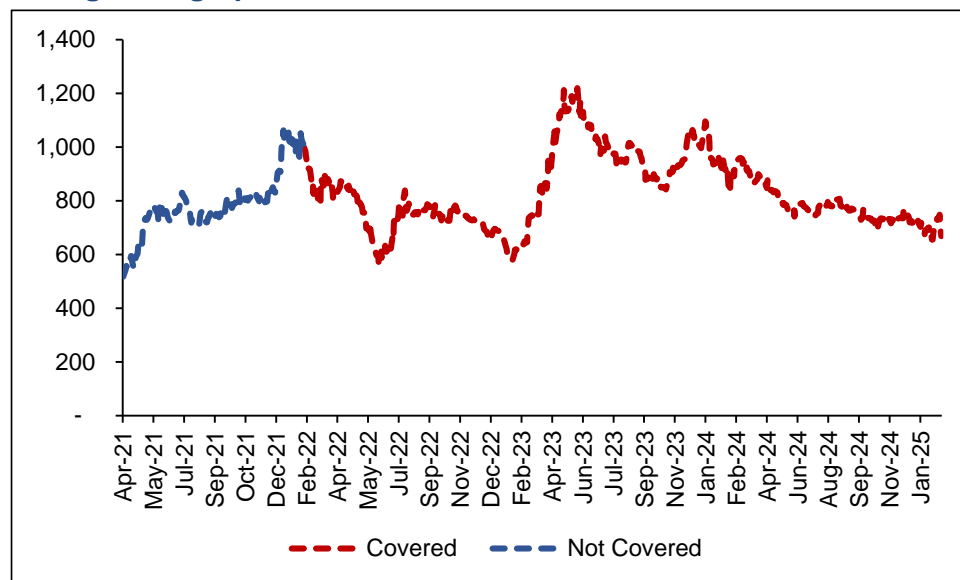
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Per share (Rs)					
Adj EPS	15.68	9.09	7.05	12.22	22.24
Book value	219.55	240.68	270.64	280.36	299.60
DPS	2.10	0.75	1.50	2.50	3.00
Valuation (x)					
P/Sales	5.64	6.79	8.32	6.00	4.32
EV/EBITDA	22.86	27.36	30.58	22.09	15.71
P/E	42.98	74.17	95.61	55.14	30.31
P/BV	3.07	2.80	2.49	2.40	2.25
Return ratios (%)					
RoCE	7.2	4.4	3.3	4.6	6.8
RoCE (pre-tax)	10.3	6.6	4.4	6.2	9.2
RoE	8.3	4.1	2.8	4.4	7.7
RoIC	9.3	6.7	5.1	7.5	12.5
Profitability ratios (%)					
Gross margin	60.0	62.2	68.5	68.0	65.0
EBITDA margin	28.6	27.2	29.8	29.8	30.1
PAT margin	13.1	9.2	8.7	10.9	14.2
Liquidity ratios (%)					
Current ratio	6.0	4.6	5.6	6.1	5.3
Quick ratio	3.3	2.4	3.1	3.4	3.2
Solvency ratio (%)					
Net Debt to Equity ratio	0.10	0.27	0.22	0.07	0.01
Turnover ratios					
Fixed asset turnover ratio (x)	0.87	0.73	0.42	0.54	0.73
Debtor days	93	148	242	120	120
Inventory days	248	303	431	311	236
Creditor days	73	109	161	101	101
Net Working capital days	268	342	513	330	255

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
8 February 2022	Buy	1,008	1,158
14 February 2022	Buy	923	1,173
14 May 2022	Buy	801	1142
26 July 2022	Acc	788	774
16 September 2022	Acc	772	838
30 October 2022	Acc	774	863
30 January 2023	Buy	600	762
21 March 2023	Acc	805	841
4 May 2023	Sell	1208	958
2 August 2023	Sell	1000	853
8 November 2023	Sell	923	819
13 February 2024	Sell	830	671
22 May 2024	Sell	785	550
14 August 2024	Sell	787	557
15 November 2024	Sell	735	486
15 February 2025	Sell	674	552

Rating track graph



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Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 15%

SELL < -5%

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