

India

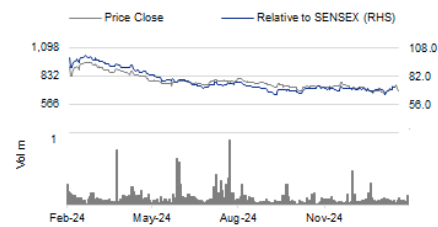
REDUCE (no change)

Consensus ratings*: Buy 2 Hold 3 Sell 4

Current price: Rs637
 Target price: ▼ Rs479
 Previous target: Rs553
 Up/downside: -24.8%
 InCred Research / Consensus: -25.1%

Reuters:
 Bloomberg: ANURAS IN
 Market cap: US\$808m
 Rs70,059m
 Average daily turnover: US\$1.3m
 Rs111.2m
 Current shares o/s: 99.9m
 Free float: 38.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.2)	(13.1)	(32.2)
Relative (%)	(5.0)	(7.6)	(33.4)

Major shareholders	% held
Promoter & Promoter Group	61.2
Quant MF	1.9

Anupam Rasayan India Ltd

Return ratios to fall; valuation too high

- Domestic sales of Anupam Rasayan India are expected to improve, while exports to remain sluggish with no significant new product contribution.
- The company's revenue and profit growth are projected to recover from FY26F, but RoE and RoCE are expected to remain in single digits.
- With concerns over long-term profitability and RoCE/RoE to slip into mid-single digits, the stock may fall further. Retain REDUCE with a lower TP of Rs479.

Export growth to remain tepid; however, domestic sales to do well

As the agrochemical cycle turns and inventory filling begins, sales of one of the key products, 2-chloro-4-(4-chlorophenoxy) acetophenone—an intermediate used in the production of insecticide Dichlorvos—have revived, leading to improved performance. Domestic sales of Anupam Rasayan India are expected to do well in the coming quarters as its key customer, UPL, sees a business revival. While we don't expect gross margin to return to the high levels of FY22—as those were driven by supply chain stocking and a tendency to buy raw materials at any price—we anticipate a normalized gross margin of 60% over the next few years. It's important to note that the first-order impact on the supply chain tends to be more severe. As a result, Anupam Rasayan India faced a harsher impact from supply chain destocking, leading to an 8% decline in sales and a 23% fall in PAT CAGR over FY23-25F. However, growth is expected to make a comeback from FY26F, with revenue projected to post a 15% CAGR & profits likely to grow at a 23% CAGR over FY25F-27F.

Most of the export revenue comes from old molecules

2-chloro-4-(4-chlorophenoxy) acetophenone, 3a-aniline, hydroxymethyl ether, di phenoxy propyl alcohol, etc., have remained the principal export products for the last several quarters and are likely to remain so in the coming years as well. We haven't seen any new molecule contributing significantly to sales in recent quarters. Exports to Japan and Europe remain key to Anupam Rasayan India's revenue growth. While there has been no revival in European exports, the exports to Japan appear to have bottomed out.

We value the stock at 25x FY27F EPS; Retain REDUCE with Rs479 TP

Anupam Rasayan India's RoE and RoCE to slip into single digits and even in FY27F the company is unlikely to beat FY23 EPS. While sometime markets get crazy with the news of companies in the chemicals sector getting contracts, just remember that these contracts are nothing more than Memorandums of Understanding or MoUs. While in writing these MoUs are take-or-pay contracts; however, none of the companies ever enforce the liquidated damages clause as it will lead to a permanent loss of customers. While we are assigning a 25 P/E ratio to the company, once it becomes clear to the market that RoE will slip into low single digit, then the stock price will decline further. We maintain our REDUCE rating on the stock with a lower target price of Rs479 (Rs553 earlier).

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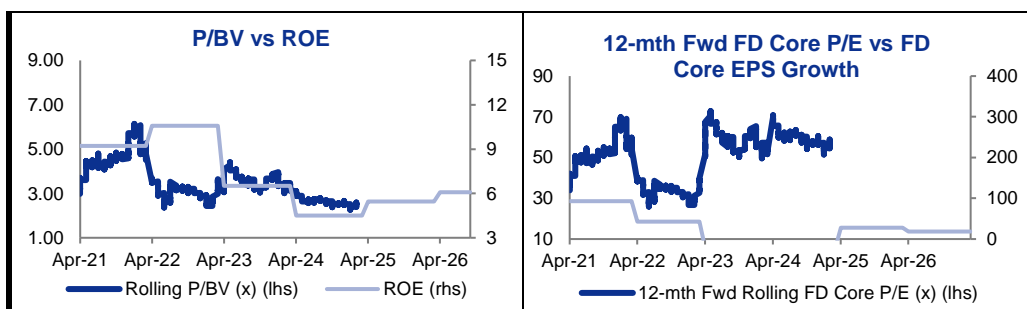
Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	16,019	14,751	13,571	16,285	17,913
Operating EBITDA (Rsm)	4,314	3,807	2,998	3,963	4,359
Net Profit (Rsm)	2,168	1,674	1,272	1,620	1,916
Core EPS (Rs)	21.7	16.8	12.7	16.2	19.2
Core EPS Growth	42.5%	(22.8%)	(24.0%)	27.3%	18.3%
FD Core P/E (x)	29.37	38.03	50.07	39.32	33.24
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	15.44	19.02	25.17	18.95	16.86
P/FCFE (x)	(24.77)	(57.31)	(41.19)	49.92	25.79
Net Gearing	6.3%	24.0%	33.0%	30.2%	23.9%
P/BV (x)	2.68	2.31	2.20	2.09	1.96
ROE	10.6%	6.5%	4.5%	5.5%	6.1%

% Change In Core EPS Estimates
 InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	16,019	14,751	13,571	16,285	17,913
Gross Profit	8,983	8,607	8,278	9,771	10,748
Operating EBITDA	4,314	3,807	2,998	3,963	4,359
Depreciation And Amortisation	(711)	(797)	(800)	(1,200)	(1,200)
Operating EBIT	3,603	3,010	2,198	2,763	3,159
Financial Income/(Expense)	(541)	(592)	(498)	(598)	(598)
Pretax Income/(Loss) from Assoc.	15				
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	3,077	2,418	1,700	2,165	2,561
Exceptional Items					
Pre-tax Profit	3,077	2,418	1,700	2,165	2,561
Taxation	(908)	(743)	(428)	(546)	(645)
Exceptional Income - post-tax					
Profit After Tax	2,168	1,674	1,272	1,620	1,916
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,168	1,674	1,272	1,620	1,916
Recurring Net Profit	2,168	1,674	1,272	1,620	1,916
Fully Diluted Recurring Net Profit	2,168	1,674	1,272	1,620	1,916

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	4,314	3,807	2,998	3,963	4,359
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(801)	(3,035)	976	(2,244)	(1,346)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	727	1,185	1,102	1,202	1,202
Net Interest (Paid)/Received	(627)	(894)	(800)	(900)	(900)
Tax Paid	(693)	(472)	(428)	(546)	(645)
Cashflow From Operations	2,921	590	3,847	1,476	2,670
Capex	(2,208)	(7,160)	(6,094)	(200)	(200)
Disposals Of FAs/subsidiaries	1	129			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,020)	3,110			
Cash Flow From Investing	(5,227)	(3,921)	(6,094)	(200)	(200)
Debt Raised/(repaid)	(265)	2,220	700		
Proceeds From Issue Of Shares	4,807	1,894			
Shares Repurchased					
Dividends Paid	(246)	(263)			
Preferred Dividends					
Other Financing Cashflow	(590)	101	(800)	(900)	(900)
Cash Flow From Financing	3,706	3,951	(100)	(900)	(900)
Total Cash Generated	1,401	620	(2,346)	376	1,570
Free Cashflow To Equity	(2,571)	(1,111)	(1,546)	1,276	2,470
Free Cashflow To Firm	(1,679)	(2,436)	(1,446)	2,176	3,370

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	6,299	3,150	804	1,179	2,749
Total Debtors	4,151	5,794	5,330	6,396	7,036
Inventories	9,315	10,553	9,709	11,651	12,816
Total Other Current Assets	1,906	2,769	2,769	2,769	2,769
Total Current Assets	21,670	22,266	18,612	21,996	25,370
Fixed Assets	9,576	15,160	19,654	17,454	15,254
Total Investments	14	14	14	14	14
Intangible Assets		1,232	1,232	1,232	1,232
Total Other Non-Current Assets	2,509	2,600	2,600	2,600	2,600
Total Non-current Assets	12,100	19,007	23,501	21,301	19,101
Short-term Debt	4,326	8,216	8,216	8,216	8,216
Current Portion of Long-Term Debt					
Total Creditors	3,226	4,152	3,820	4,584	5,042
Other Current Liabilities	557	725	725	725	725
Total Current Liabilities	8,108	13,093	12,760	13,524	13,983
Total Long-term Debt	3,550	1,980	2,680	2,680	2,680
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	269	399	399	399	399
Total Non-current Liabilities	3,819	2,379	3,079	3,079	3,079
Total Provisions	771	1,238	1,238	1,238	1,238
Total Liabilities	12,699	16,710	17,078	17,842	18,300
Shareholders Equity	23,726	27,610	28,882	30,502	32,418
Minority Interests	1,355	1,696	1,696	1,696	1,696
Total Equity	25,081	29,307	30,578	32,198	34,114

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	50.3%	(7.9%)	(8.0%)	20.0%	10.0%
Operating EBITDA Growth	45.2%	(11.8%)	(21.2%)	32.2%	10.0%
Operating EBITDA Margin	26.9%	25.8%	22.1%	24.3%	24.3%
Net Cash Per Share (Rs)	(15.78)	(70.52)	(101.01)	(97.25)	(81.54)
BVPS (Rs)	237.45	276.32	289.05	305.26	324.43
Gross Interest Cover	5.75	3.37	2.75	3.07	3.51
Effective Tax Rate	29.5%	30.7%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	79.20	123.04	149.60	131.42	136.85
Inventory Days	465.53	590.16	698.69	598.44	623.16
Accounts Payables Days	142.76	219.15	274.88	235.44	245.17
ROIC (%)	16.1%	12.7%	6.6%	7.5%	8.6%
ROCE (%)	12.1%	8.1%	5.3%	6.4%	7.0%
Return On Average Assets	8.6%	6.0%	4.2%	5.2%	5.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.