



**IPO note: Rossari Biotech Limited - "SUBSCRIBE for listing gains"**

**July 14, 2020**

Started in CY03 as "Rossari Lab tech", a partnership firm, Rossari was converted to Company in CY09 by Mr. Edward Menezes and Mr. Sunil Chari. Today, the Company is one of the leading specialty chemicals manufacturing company in India catering to various customers' needs across FMCG, apparel, and poultry and animal feed industries (1,960 different products sold across different end industries). The Company is led by experienced promoters with 45+ years of experience in the specialty chemicals industry assisted by KMPs with 80+ years of experience cumulatively. The Company has Pan-India presence through 206 distributors and across 17 countries through 29 distributors as on January 31, 2020. Rossari Biotech manufactures majority of its products in-house from their manufacturing facility at Silvassa and currently setting up another manufacturing facility at Dahej in Gujarat with a proposed installed capacity of 132,500 MTPA. It has 2 R&D facilities— one within the Silvassa Manufacturing Facility and second in Mumbai.

**COVID-19 impact and opportunity seized in challenging times**

- 1) Manufacturing facility was operational during the lockdown period albeit with lower capacity due to logistics, labor and demand constraints.
- 2) Revenue during the last 10 days during Mar-20 was lost on account of the lockdown. However, from Apr-20 onwards the plant utilization picked up to 50% -55% and is expected to reach 75%-80% in Jul-20.
- 3) Demand in the Home, Personal Care and Performance Chemicals witnessed a surge in demand given the focus on hygiene products like sanitizers, disinfectants, hand washes and other cleaning products.
- 4) The Company is experiencing robust recovery from Jun-20 onwards. Revenue during Jun-20 is expected to surpass the average monthly revenue of FY20.
- 5) Due to the renewed focus on the Home, Personal Care & Performance Chemicals segment and the ability of the Company to deliver during critical times led to addition of many new large clients during the last 3 months.
- 6) Commencement of the Dahej plant to be as planned - Phase I to commence in Jul-20 and plant to be fully operational by Mar-21.
- 7) The Company will be launching the Personal Care product range under the leadership of Mr. Rupesh Agarwal (Prior experience includes HUL) as the CEO of the Personal Care division.
- 8) There has been no impact on the supply chain of the Company given the negligible dependence on Chinese imports. Labor and Logistics issues faced during the early days of the lockdown are now under control with very few challenges being faced on these account.
- 9) The working capital management of Rossari was unaffected during the lockdown period with the requirements being in line with the growth of the Company.
- 10) The Company had a Net Cash Balance\* of Rs. 74 crores as of Mar-20

**Investment recommendation and rationale**

At upper end of the price band of Rs. 425, the issue is valued at a P/E of 34x at FY20 post IPO EPS which we believe is at a premium owing to its robust business model, big opportunity presented in COVID-19 crisis and strong return ratios. The recent fancy for speciality chemical companies instills confidence on this issue. We have a positive bias to the Company owing to the following factors: a) diversified product portfolio addressing the needs of varied & long-standing customers across industries, b) largest textile specialty chemical manufacturer in India, c) extensive manufacturing and technical capabilities, d) surge in demand for home, personal care and performance chemicals segment given the spike in demand for sanitizers, disinfectants and handwashes which augurs well for the Company, e) strong

<b>Issue date</b>	<b>July 13 – July 15, 2020</b>
<b>Finalisation of basis of allotment</b>	July 20, 2020
<b>Refunds/ASBA unblocking</b>	July 21, 2020
<b>Credit of equity shares to DP account</b>	July 22, 2020
<b>Listing date</b>	July 23, 2020
<b>Issue type &amp; size</b>	Fresh Issue: Rs. 50 crores Offer for sale: 10,500,000 equity shares Edward Menezes – The Promoter Selling Shareholder (upto 5,250,000 equity shares) Sunil Chari – The Promoter Selling Shareholder (upto 5,250,000)
<b>Issue size</b>	Rs. 496.25 crores
<b>Issue structure</b>	QIB – 50 %, NIB – 15%, Retail – 35%
<b>Price Band</b>	Rs. 423 – Rs. 425 (Face value: Rs. 2)
<b>Post IPO no. of equity shares</b>	51,934,953
<b>Post issue Market Cap</b>	Rs. 2,206 crores
<b>Shareholding - Pre/Post holding</b>	Promoters and promoter group: 95.06%/72.69% Public: 26%/15.89% Public: 4.94%/27.31%
<b>Bid lot</b>	35 equity shares and in multiples thereof
<b>BRLM</b>	Axis Capital, ICICI Securities
<b>Registrar to the issue</b>	Link Intime India Private Limited

Particulars (Rs. crs.)	FY20	FY19	FY18
Revenue from operations	600	516	299
EBITDA	105	78	43
EBITDA (%)	17.42	15.04	14.26
Profit after tax	65	46	25
PAT margin (%)	10.87	8.85	8.49
Equity share cap.	10.15	4.40	4.40
Networth	287	124	87
Long term debt	33.96	0.67	1.29
Short term debt	27.05	3.27	18.83
EPS (Rs.)	13.42	9.44	5.25
Book value (Rs.)	56.48	25.58	17.99
RoE (%)	31.79	43.32	34.08
RoCE (%)	24.79	50.93	34.68

Source: RHP

R& D capabilities with focus on innovation and sustainability, f) established network of distributors in India and abroad, g) proven track record of robust financial performance (Revenue and PAT CAGR: 41.1 and 78.8 percent over the period FY17-FY19), h) ROE of 31.79 percent and ROCE of 24.79 percent for FY19. We recommend "SUBSCRIBE" to issue for listing gains.

## Promoters and management background

**Edward Menezes** is the Promoter and Executive Chairman of the company. He was previously associated with Clariant India Ltd (erstwhile Sandoz India Ltd). He has over 25 years of experience in the specialty chemicals industry and has more than 10 years of experience in different roles within the company and has been actively involved in the day-to-day running of the company.

**Sunil Chari** is the Promoter and Managing Director of the company. He has over 20 years of experience in the specialty chemicals industry. He has more than 10 years of experience in different roles within the company and has been actively involved in the day-to-day running of the company.

Goutam Bhattacharya, Meher Castelino, Aseem Dhru, Robin Banerjee and Sharabh Pachory are the Independent Directors of the company. The company also has an advisory board which provides overall industry and business guidance to the Board of Directors.

The advisory board comprises of Dr. Annoottam Ghosh, Vikram Gupta, Jean Marcopoulos and Karl Klaus.

## Key Management Personnel

**Puneet Arora** is the Chief Executive Officer – Textile Chemicals Global. He has been associated with the company since incorporation and has more than 10 years of experience in the field of sales and marketing of textile specialty chemicals and institutional and industrial cleaning chemicals.

**Rupesh Agarwal** is the chief executive officer of Rossari Personal Care, one of the company subsidiaries. He has over 25 years of experience.

**Prasad Gadkari** is the President - Manufacturing. He has been associated with the company since incorporation and has more than 10 years of experience in handling purchase, managing factory, industrial relations and managing productivity.

**Rajeev Jha** is the Vice President – HPPC. He has been associated with the company since incorporation and has over 10 years of experience in the field of sales and marketing of textile specialty chemicals and HPPC product categories.

**Dr. Anish Kumar** is the Vice President – AHN. He joined the company on April 25, 2012. Manjiri Paranjpe is the Vice President – Research and Development. She has been associated with the company since incorporation and has more than 10 years of experience in research and development of textile specialty chemicals and HPPC product categories, enzymes, formulation, emulsification and institutional and industrial cleaning chemicals.

**Manasi Nisal** is the Chief Financial Officer. She joined the company on November 12, 2019.

**Parul Gupta** is the Company Secretary and Compliance Officer of the company. She joined the company on November 18, 2019.

**Mikhail Menezes** is the Director – Technical. He joined the company on September 23, 2016.

**Yash Chari is the Director – Marketing and Business Development.** He joined the company on December 15, 2014.

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### **For research related queries contact:**

Mr. Akash Jain – Vice President (Research) at [research@ajcon.net](mailto:research@ajcon.net), 022-67160431 (D)

CIN: L74140MH1986PLC041941

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### **Registered and Corporate office**

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062