

## Company Profile

Rossari Biotech Limited is one of the leading specialty chemicals manufacturing companies in India based on sales for Fiscal 2019 providing customized solutions to specific industrial and production requirements of its customers primarily in the FMCG, apparel, poultry and animal feed industries through the diversified product portfolio comprising home, personal care and performance chemicals; textile specialty chemicals; and animal health and nutrition products. They operate in India as well as in 17 foreign countries including Vietnam, Bangladesh and Mauritius. According to the F&S Report, as on September 30, 2019, It is the largest manufacturer of textile specialty chemicals in India providing textile specialty chemicals in a sustainable, eco-friendly yet competitive manner. As a manufacturer of specialty chemicals, they focus on functionality and application of their products which form a key ingredient to its customers' manufacturing and industrial processes.

The Promoters, Mr. Edward Menezes, and Mr. Sunil Chari, commenced the specialty chemicals business in 2003, as a partnership firm in the name of 'Rossari Labtech' which was subsequently changed to 'Rossari Biotech' and further converted into a Company. The Company was founded in 2009 by the Promoters, who are both career technocrats cumulatively having over 45 years of experience in the specialty chemicals industry. They have focused on providing customised solutions to their customers in a cost and time efficient manner. They believe their success is the result of sustained efforts over the decades in every aspect of the business, such as product innovation, process improvements for the customers' production cycle, agile customised solutions, sustainable ecofriendly portfolio of products and increased scale of operations. The business operations have been led by the Promoters and assisted by experienced Key Managerial Personnel who have over 80 years of experience in the specialty chemicals industry cumulatively. Today, the Company is a pioneering force in the Indian specialty chemicals market and 'Rossari' is considered a well-known brand in the market (Source: F&S Report).

The business is organized in three main product categories - (i) home, personal care and performance chemicals; (ii) textile specialty chemicals; and (iii) animal health and nutrition products. As on May 31, 2020, they had a range of 2,030 different products sold across the three product categories.

They have a wide network of distributors through which they sell the products. Their Pan-India distribution network has over 204 distributors as on May 31, 2020. They sell home, personal care and performance chemicals; and textile specialty chemicals in a business-to-business model through the distributors primarily to customers in FMCG and apparel industries, respectively; and they sell animal health and nutrition products through distributors either in a business-to-business model or to retailers. They also have four regional branch offices in Delhi, Ludhiana, Ahmadabad and Surat for marketing of the products to the customers in the North and West India regions. Their regional branch office in Surat also has a R&D support laboratory which provides localized and expedient technical support to the customers in that region. They also have 29 distributors spread in over 17 countries. They have also set up international offices in Ho Chi Minh City, Vietnam and Dhaka, Bangladesh as these two are primary overseas markets for textile specialty chemical products.

In Fiscal 2020, Fiscal 2019 and Fiscal 2018, they generated total revenue of ₹6,038.18 million, ₹5,171.24 million and ₹3,004.29 million, respectively, EBITDA of ₹1,045.26 million, ₹776.28 million and ₹426.34 million, respectively and net profit after tax of ₹652.53 million, ₹456.83 million and ₹254.03 million, respectively. They have been able to increase total revenue from Fiscal 2018 to Fiscal 2020 at a compound annual growth rate of 41.65%, EBITDA at a compound annual growth rate of 56.58% and profit after tax has increased at a compound annual growth rate of 60.27% over the same period. They have reported Return on Net Worth of 31.79%, 43.32% and 34.08% with a total debt to equity ratio of 0.23 for Fiscal 2020, Fiscal 2019 and Fiscal 2018, respectively, and a Return on Capital Employed of 24.79%, 50.93% and 34.68% for Fiscal 2020, Fiscal 2019 and Fiscal 2018, respectively.

## Issue Details

1	Name of the Company	Rossari Biotech Limited
2	Issue Offer	<p>Initial public offering of [●] Equity shares of Face value of ₹ 2 each (“Equity shares”) of Rossari Biotech Limited (the “Company” or the “Issuer”) for cash at a price of ₹ [●] per Equity share (including a share premium of ₹ [●] per Equity share) (the “offer price”) aggregating up to ₹ [●] million comprising a fresh issue of [●] Equity shares aggregating up to ₹ 500.00* million (the “Fresh Issue”) and an Offer for sale of up to 10,500,000 Equity shares (the “offered shares”) aggregating up to ₹ [●] million, comprising an offer for sale of up to 5,250,000 Equity shares aggregating up to ₹ [●] million by Mr. Edward Menezes and up to 5,250,000 equity shares aggregating up to ₹ [●] million by Mr. Sunil Chari (the “promoter selling shareholders” or the “selling shareholders”), (the “offer for sale”, and together with the fresh issue, the “offer”). The offer shall constitute [●] % of the post-offer paid up equity share capital of the Company.</p> <p><i>*The company has, in consultation with the book running lead managers (“BRLMs”), undertaken a private placement of equity shares aggregating to ₹999.99 million (“Pre-IPO placement”). The size of the fresh issue of up to ₹ 1,500.00 million has been reduced by ₹ 999.99 million pursuant to the Pre-IPO placement and accordingly, the size of the fresh issue is up to ₹ 500.00 million</i></p>
3	Issue Size	Public Offer up to [●] Equity Shares of ₹2 each of Rossari Biotech Limited for cash at a price of ₹[●] per Equity Share (Including a Share Premium of ₹[●] per Equity Share) aggregating upto ₹[●] Crore. A fresh issue of upto ₹50 Crore and an Offer for Sale of 1,05,00,000 Equity Shares for cash at a price of ₹[●] per Equity Share
4	IPO Date	13 <sup>th</sup> July 2020 to 15 <sup>th</sup> July 2020
5	Price Band	₹423 to ₹425
6	Bid Lot	35 Equity Shares and in multiples thereafter
7	Offer Ratio	QIB: 50%, HNI: 15%, Retail: 35%

## **Key Strengths**

- Diversified product portfolio addressing the needs of varied and long-standing customers across industries
- Largest textile specialty chemical manufacturer in India
- Extensive manufacturing and technical capabilities
- Strong R&D capabilities with focus on innovation and sustainability
- Wide sales and distribution network
- Experienced Promoters with strong management team having domain knowledge
- Proven track record of robust financial performance

## **Key Strategies**

- Expand manufacturing capacity and increase production efficiency
- Introduce new products and focus on green products which promote sustainability
- Continue to focus on innovation and grow the business across customer segments
- Increase wallet share with existing customers and continued focus to expand customer base
- Expand international operations
- Inorganic growth through strategic acquisitions

## Key Risk Factors

- The continuing effect of the COVID-19 pandemic on business and operations is highly uncertain and cannot be predicted.
- Company is reliant on the demand from the textile industry for a significant portion of revenue. Any downturn in the textile industry or an inability to increase or effectively manage sales could have an adverse impact on Company's business and results of operations.
- Company derives a significant portion of the revenue from a few major institutional customers in the TSC and HPPC product categories. Any loss of major customers or a reduction in their demand for the products could adversely affect the business, results of operations, financial condition and cash flows
- They are subject to strict technical specifications, quality requirements, regular inspections and audits by the institutional customers. Any failure to comply with the quality standards and technical specifications prescribed by such customers may lead to loss of business from such customers and could negatively impact the reputation, which would have an adverse impact on the business prospectus and results of operations
- As part of the growth strategy, they are in the process of establishing a manufacturing facility at the Dahej. Implementation risks along with possible time or cost overruns could adversely affect the business and results of operations
- They are subject to risks associated with their strategic partnership with Buzil
- They currently avail benefits under certain export promotion schemes. In order to continuously avail the benefits, they are required to export goods of a defined amount. Any failure in meeting the obligations, may result in adversely affect the business operations and their financial condition
- They operate in a hazardous industry and are subject to increasingly stringent environmental, health and safety laws, regulations and standards, which may result in compliance costs and remediation efforts, and may consequently have an adverse effect on the operational and financial position
- The Dahej Manufacturing Facility will be operated on industrial land allotted to them by industrial development corporations on a leasehold basis. Failure to comply with the conditions of use of such land could result in an adverse impact on the business and financial condition
- A portion of the Net Proceeds and the proceeds from the Pre-IPO Placement may be utilized for repayment or pre-payment of loans taken from one of the affiliate of one of their Book Running Lead Managers
- They have commissioned reports, from F&S, which has been used for industry related data in this Red Herring Prospectus and such data have not been independently verified by them
- The Company will not receive any proceeds from the Offer for Sale
- The Company has an obligation to buy-back Equity Shares allotted to Pre-IPO Investors ("Pre-IPO Shares") in the event the Offer is not consummated within 12 months from February 20, 2020 ("Option Exercise Date")
- There are certain legal proceedings involving Company and its Subsidiary, which if determined against them may have an adverse effect on their business, results of operations and their reputation
- Company's Promoters will continue to retain control over the Company after the completion of the Offer, which will allow them to influence the outcome of matters submitted for approval of the shareholders

(Please refer the entire list of risk factors given in section II (page 24 onwards) given in RHP)

## Financials (Restated Consolidated)

### Profit Details

(₹ In Millions)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Total Revenue	6,038.18	5171.24	3004.29
Profit Before Tax (PBT)	878.41	633.92	374.74
Profit After Tax (PAT)	652.53	456.83	254.03
Earnings Per Share (Basic in ₹)	13.42	9.44	5.25

### Balance Sheet

(₹ In Millions)

EQUITY AND LIABILITIES	As at 31.03.2020	As at 31.03.2019	ASSETS	As at 31.03.2020	As at 31.03.2019
<b>Shareholders' Funds</b>			<b>Non-Current Assets</b>		
Share Capital	101.51	44.00	Property, Plant and Equipment	817.55	680.33
Other Equity	2,765.28	1194.12	Right-of-use assets	70.15	70.92
			Capital work in progress	217.51	28.27
<b>Non-Current Liabilities</b>			Intangible Assets	47.66	59.70
Financial liabilities			Financial Assets:		
Borrowings	339.60	6.73	Investments	41.75	-
Deferred Tax Liability (Net)	5.40	18.12	Other financial assets	3.96	3.51
Provisions	16.26	17.51	Income tax assets (net)	15.76	15.53
			Deferred Tax Assets	0.51	0.51
<b>Current Liabilities</b>			Other Non-Current Assets	237.06	42.11
Financial liabilities			<b>Current Assets</b>		
Borrowings	270.52	32.70	Inventories	581.70	548.99
Trade Payables:			Financial assets		
Due to micro and small enterprises	51.28	46.17	Investments	137.30	-
Other than micro and small enterprises	918.76	1013.65	Trade and other receivables	941.36	859.19
Other financial liabilities	161.87	100.35	Cash and Cash equivalents	292.11	57.42
Provisions	6.66	6.02	Other Bank Balances	980.22	2.67
Current Tax Liabilities (Net)	36.61	0.28	Other financial assets	53.89	13.68
Other current liabilities	41.40	18.80	Other current assets	276.66	115.63
<b>Total</b>	<b>4715.15</b>	<b>2498.45</b>	<b>Total</b>	<b>4715.15</b>	<b>2498.45</b>

## Comparison with peers

Company	Total Revenue (₹ in million)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Rossari Biotech Limited	6,001	13.42	31.79%	56.48	-
Aarti Industries Limited	41,863	30.77	18.89%	176.39	30.93
Vinati Organics Limited	10,288	32.48	28.65%	124.48	30.45
Atul Limited	40,930	224.69	22.70%	1072.58	19.94
Galaxy Surfactants Limited	25,963	64.99	23.70%	301.20	22.02
Fine Organics Industries Limited	10,380	53.75	29.45%	201.86	35.24

Source: All the financial information for listed industry peer mentioned above is on a consolidated basis (except Vinati Organics

Limited which is on standalone) and is sourced from the filings made with stock exchanges available on [www.bseindia.com](http://www.bseindia.com) for the

Financial Year ending March 31, 2020.

Source for Rossari Biotech Limited: Based on the Restated Financial Information for the year ended March 31, 2020.

Notes:

(1) P/E Ratio has been computed based on the closing market price of equity shares on BSE on June 26, 2020, divided by the Basic

EPS.

(2) RoNW is computed as net profit after tax (including profit attributable to non-controlling interest) divided by average net worth.

(3) Net worth has been computed as sum of paid-up share capital and other equity.

(4) NAV is computed as the closing net worth divided by the closing outstanding number of equity shares.

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**Registration details:**

JM Financial Services Ltd.

Corporate Identity Number: U67120MH1998PLC115415

Stock Broker - INZ000195834

(NSE - Member Code- 10548 | BSE - Clearing No. 325 | MSEI - Membership No.-58300); NCDEX-1282; MCX- 56555

Depository Participant- NSDL - IN-DP-NSDL-241-2004 | CDSL - IN-DP-CDSL-236-2004.

Investment Adviser- INA000012351. Portfolio Manager- INP000000621

Mutual Fund Distributor- ARN0002; Research Analyst-INH000001196

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