

Clean Science And Technology : Very Good Issue

IPO Note : Globally Largest Manufacturer of certain speciality Chemicals in terms of installed capacity : Excellent performance for Last Three Years: Fully Priced Issue: Ranking****



Issue details

Price band (Rs)	Rs.880-900
IPO Opening Date	07/07/21
IPO Closing Date	09/07/21
Issue Size	Rs.1546.62Cr.

Recommendation

On the financial performance front, CSTL has posted turnover/ net profits of Rs. 404.56 cr. / Rs. 97.66 cr. (FY19), Rs. 430.17 cr. / Rs. 139.63 cr. (FY20) and Rs. 538.07 cr. / Rs. 198.38 cr. (FY21). CSTL's export revenue for all these years has been on an average 70% of the turnover. The issue is priced at a P/BV of 17.71 (at the upper price band) based on its NAV of Rs. 50.81 as of March 31, 2021. On the basis of FY21 earnings, the issue is priced at a **P/E of around 48.18**. (against the industry average of 55.38). As per offer documents, the company has shown Vinati Organics, Fine Organics, Camlin Fine, SRF Ltd., Navin Fluorine and PI Ind as its listed peers. They are currently trading between P/E of 290.52 and 47.95. **The issue is fully priced based on financial parameters. However, considering monopoly in the field of its operations for many products, investment with a long term perspective is recommended.**

Highlights

- Clean Science & Technology Ltd. (CSTL) is among the few companies globally-focused entirely on developing newer technologies using in-house catalytic processes, which are eco-friendly and cost-competitive
- This has enabled it to emerge as the largest manufacturer globally of certain speciality chemicals in terms of installed manufacturing capacities as of March 31, 2021
- The company continued to focus on product identification, process innovation, catalyst development, the significant scale of operations as well as measures towards strategic backward integration have all contributed to its success as one of the fastest-growing and among the most profitable speciality chemical companies globally
- CSTL's speciality chemicals have a wide range of applications that cater to a diverse base of customers across the industries globally.

Company Introduction

Incorporated in 2003, Clean Science and Technology Ltd is one of the leading chemical manufacturers globally. It manufactures functionally critical specialty chemicals such as Performance Chemicals (MEHQ, BHA, and AP), Pharmaceutical Intermediates (Guaiacol and DCC), and FMCG Chemicals (4-MAP and Anisole).

The company supplies its products to manufacturers and distributors in India as well as overseas markets i.e. China, Europe, USA, Korea, Taiwan, and Japan. Bayer AG, Genex Laboratories Limited, Nutriad International NV, SRF Limited, Vinati Organics are a few of its customers. In fiscal 2020, it generated 69% of revenues through export outside India.

Clean Science has two production facilities at Kurkumbh



www.cleanscience.co.in

Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	538.07	430.1.65	404.56
Net Profit	198.38	139.63	97.65
EPS (Rs)	18.67	13.14	9.19

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

(Maharashtra) with an aggregated installed production capacity of 29,900 MTPA as of Dec 31, 2020.

Company Promoters:

Ashok Ramnarayan Boob, Krishnakumar Ramnarayan Boob, Siddhartha Ashok Sikchi, and Parth Ashok Maheshwari are the company promoters.

Objects of the Issue:

- To make an offer for sale of equity shares aggregating to Rs. 1,5466.22 million.
- To achieve the share listing benefits on the BSE and NSE.

IPO Issue Proceed

To part provide an exit to some of its stakeholders and for benefit of listing gains, CSTL is coming out with a maiden IPO of approx. 17184688 equity share of Re. 1 each by way of offer for sale via book building route. The issue opens for subscription on July 07, 2021, and will close on July 09, 2021. The company has fixed the price band of Rs. 880 - Rs. 900 per share and mulls mobilizing Rs. 1546.62 cr. at the upper price band. Minimum application is to be made for 16 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 16.18% of the post issue paid-up capital of the company. The company has allocated 50%fo QIBs, 15% for HNIs and 35% for retail investors. After the issue, CSTL's current paid-up equity capital of Rs. 10.62 cr. will remain the same as this is the pure secondary issue. Based on the upper price band of the issue, the company is looking for a market cap of Rs. 9559.71 cr.

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