

**Anupam's Q2FY25 EBITDA at Rs521mn (-43%YoY/+41%QoQ) was better than consensus and our estimates. Q2 saw inventory build-up of new molecules and lower volume off-take from international customers owing to muted agro demand. Mgmt expects FY25 revenue to match that of FY24, on minimum guaranteed offtake (MGO) by international customers as they budget for CY25 and broad-based agro/pharma recovery in H2FY25. Number of working-capital (WC) days shot up to ~600 in Sep-24 and are likely to remain higher on new molecule additions in FY25 (FY27E: 245 days). We cut FY25E/26E/27E EPS by 31%/34%/18% to factor in stretched WC requirements for FY25-26 and slower LOI-led offtake (a large part of the growth capex till FY28 is behind). We maintain ADD and revise down our SoTP-based TP to Rs750.**

#### Anupam Rasayan: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	12,841	11,287	10,751	15,519	21,779
EBITDA	3,675	3,070	3,191	4,492	6,386
Adj. PAT	1,685	1,173	1,149	2,038	3,435
Adj. EPS (Rs)	15.7	10.7	10.5	18.6	31.3
EBITDA margin (%)	28.6	27.2	29.7	28.9	29.3
EBITDA growth (%)	21.0	(16.5)	3.9	40.8	42.2
Adj. EPS growth (%)	4.3	(31.9)	(2.1)	77.5	68.5
RoE (%)	8.3	4.6	4.2	7.1	11.1
RoIC (%)	9.2	6.1	4.9	6.4	9.7
P/E (x)	46.9	68.8	70.3	39.6	23.5
EV/EBITDA (x)	22.1	28.7	29.0	20.1	13.8
P/B (x)	3.4	3.0	2.9	2.7	2.5
FCFF yield (%)	1.0	(6.3)	(3.5)	3.6	3.5

Source: Company, Emkay Research

#### Q2FY25 performance led by domestic sales

Anupam's standalone Q2 EBITDA came in at Rs521mn (-43% YoY/+41% QoQ). EBITDA margin stood at 27.3% vs 28.8% YoY/22.5% QoQ, on shift in the product mix and volume growth. PAT at Rs141mn (-64% YoY/+894% QoQ) was above our estimate. Revenue recovered by 16% QoQ at Rs1.9bn (-40% YoY), on higher mix of domestic revenue, which was offset by weaker minimum guarantee offtake (MGO) from its agro-led international customers (the management expects H2FY25 to be better than H1, given MGOs kicking-in due to CY25 budgeting). The pharma and polymer segments contributed 15% each to Q2FY25 revenue (over 6 molecules to be commercialized in FY25).

#### LOI sales to kick-in from FY26 with revival in agrochemical demand

Management guided to LOI contribution of Rs14-15bn from FY27. Molecules under LOIs signed in FY22 have been commercialized (all are agro-based) and are generating Rs2-2.5bn of annual revenue (peak revenue potential of Rs4.5-5bn by FY27). One LOI signed in FY23 is expected to commercialize in FY26 with ramp-up in FY28 (agro-based). Of the five LOIs signed in FY24, one is already commercialized, with three to be commercialized in FY26 and one in FY28. These FY24 LOIs have applications in polymer, pharma, and engineering fluid. Anupam has added 3 new molecules in H1FY25 (17 molecules in FY24).

#### Working capital remains an overhang

WC surged to ~600 days as of Sep-24 vs 348 days in Sep-23, on 1) lower revenue base of FY25E; 2) higher inventory buildup due to lower liquidation and commercialization of new molecules leading to stock pile-up; 3) higher debtor days due to the elongated business cycle/credit period. The mgmt would initially focus on reducing inventory. We model in 480 days in FY25E (due to a subdued H1 and uncertain outlook for H2), reducing to 330 days by FY26E and to 255 days by FY27E. FY26 would see preferential allotment of warrants to investors. Such funds will be used for repayment of LT debt (repayment of Rs2bn by H1FY26) and meeting short-term WC needs. Capex is largely done, with a small requirement for value engineering. Gross block of Rs19bn (Sep-24) will generate peak revenue (SA) of Rs30bn in 3-4 years, on the current product portfolio.

Target Price – 12M	Sep-25
Change in TP (%)	(11.7)
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	2.1
CMP (14-Nov-24) (Rs)	734.9

Stock Data	Ticker
52-week High (Rs)	1,107
52-week Low (Rs)	673
Shares outstanding (mn)	109.9
Market-cap (Rs bn)	81
Market-cap (USD mn)	957
Net-debt, FY25E (Rs mn)	11,805
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	64.6
ADTV-3M (USD mn)	0.8
Free float (%)	-
Nifty-50	23,533
INR/USD	84.4
<b>Shareholding, Sep-24</b>	
Promoters (%)	61.2
FPIs/MFs (%)	7.0/2.3

#### Price Performance

(%)	1M	3M	12M
Absolute	0.2	(6.7)	(20.0)
Rel. to Nifty	7.0	(4.2)	(33.9)

#### 1-Year share price trend (Rs)



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## Exhibit 1: Result update

P&L (Rs mn)	Reported					Emkay Est		Hal year ended		
	Q2FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)	Q2FY25	vs Est (%)	H1FY25	H1FY24	YoY (%)
<b>Net revenue</b>	<b>3,171</b>	<b>1,640</b>	<b>1,907</b>	<b>-40</b>	<b>16</b>	<b>1,500</b>	<b>27</b>	<b>3,546</b>	<b>6,055</b>	<b>-41</b>
Material cost	(1,237)	(519)	(598)	-52	15	(458)	31	(1,116)	(2,337)	-52
<b>Gross Profit</b>	<b>1,934</b>	<b>1,121</b>	<b>1,309</b>	<b>-32</b>	<b>17</b>	<b>1,043</b>	<b>26</b>	<b>2,430</b>	<b>3,718</b>	<b>-35</b>
<b>Gross margin (%)</b>	<b>61.0</b>	<b>68.4</b>	<b>68.7</b>	<b>767 bps</b>	<b>30 bps</b>	<b>69.5</b>	<b>-85 bps</b>	<b>68.5</b>	<b>61.4</b>	<b>710 bps</b>
Employee cost	(135)	(116)	(123)	-9	6	(110)	12	(239)	(271)	-12
Other overheads	(887)	(636)	(665)	-25	5	(585)	14	(1,301)	(1,753)	-26
<b>Total expenses</b>	<b>(2,259)</b>	<b>(1,271)</b>	<b>(1,385)</b>	<b>-39</b>	<b>9</b>	<b>(1,152)</b>	<b>20</b>	<b>(2,656)</b>	<b>(4,361)</b>	<b>-39</b>
<b>EBITDA</b>	<b>912</b>	<b>369</b>	<b>521</b>	<b>-43</b>	<b>41</b>	<b>348</b>	<b>50</b>	<b>890</b>	<b>1,694</b>	<b>-47</b>
<b>EBITDA margin (%)</b>	<b>28.8</b>	<b>22.5</b>	<b>27.3</b>	<b>-142 bps</b>	<b>484 bps</b>	<b>23.2</b>	<b>413 bps</b>	<b>25.1</b>	<b>28.0</b>	<b>-289 bps</b>
Other income	35	56	39	9	-31	5	671	94	134	-30
Interest	(202)	(218)	(253)	25	16	(131)	93	(472)	(378)	25
Depreciation	(179)	(186)	(198)	10	6	(190)	4	(384)	(349)	10
EO Items	-	-	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>566</b>	<b>20</b>	<b>109</b>	<b>-81</b>	<b>443</b>	<b>32</b>	<b>240</b>	<b>129</b>	<b>1,101</b>	<b>-88</b>
Tax	(178)	(6)	32	-118	-640	(10)	-431	26	(365)	-107
<b>Adj. PAT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
EO Items	<b>387</b>	<b>14</b>	<b>141</b>	<b>-64</b>	<b>894</b>	<b>22</b>	<b>527</b>	<b>155</b>	<b>736</b>	<b>-79</b>
<b>Reported PAT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EPS (Rs)</b>	<b>387</b>	<b>14</b>	<b>141</b>	<b>-64</b>	<b>894</b>	<b>22</b>	<b>527</b>	<b>155</b>	<b>736</b>	<b>-79</b>
<b>Costs as a % of sales</b>	<b>3.6</b>	<b>0.1</b>	<b>1.3</b>	<b>-64</b>	<b>894</b>	<b>0.2</b>	<b>527</b>	<b>1.5</b>	<b>7.3</b>	<b>-79</b>
Material cost										
Employee cost	39.0	31.6	31.3	-768 bps	-31 bps	30.5	84 bps	31.5	38.6	-711 bps
Other overheads	4.3	7.1	6.4	217 bps	-66 bps	7.3	-88 bps	6.7	4.5	225 bps
Income tax rate (%)	28.0	38.8	34.9	691 bps	-389 bps	39.0	-411 bps	36.7	29.0	773 bps

Source: Company, Emkay Research

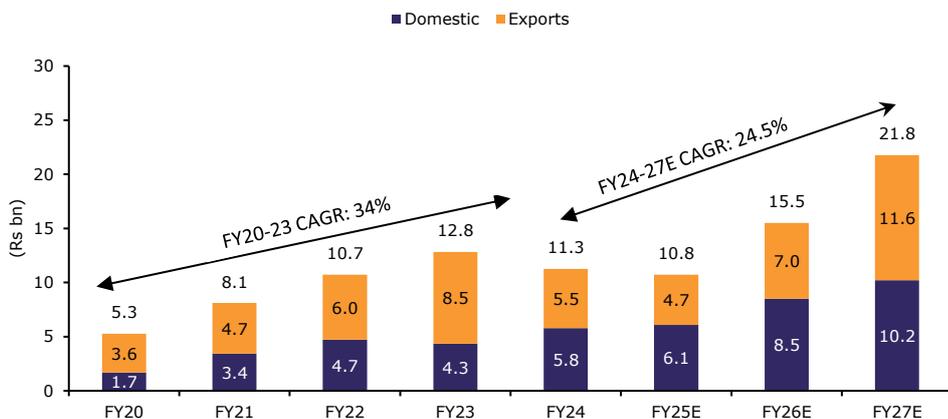
## Exhibit 2: We cut FY25E/26E/27E numbers by 31%/34%/18%, respectively, to factor-in the relatively slower growth outlook

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Revenue	10,751	13,544	<b>-21</b>	15,519	19,713	<b>-21</b>	21,779	24,642	<b>-12</b>
EBITDA	3,191	3,735	<b>-15</b>	4,492	5,649	<b>-20</b>	6,386	7,160	<b>-11</b>
EBITDA margin (%)	29.7	27.6	210 bps	28.9	28.7	28 bps	29.3	29.1	26 bps
PAT	1,149	1,658	<b>-31</b>	2,038	3,093	<b>-34</b>	3,435	4,164	<b>-18</b>
EPS (Rs)	10.5	15.1	<b>-31</b>	18.6	28.2	<b>-34</b>	31.3	37.9	<b>-18</b>

Source: Emkay Research

**Exhibit 3: FY24-27E revenue CAGR expected at 25%, on strong contribution from LoIs**

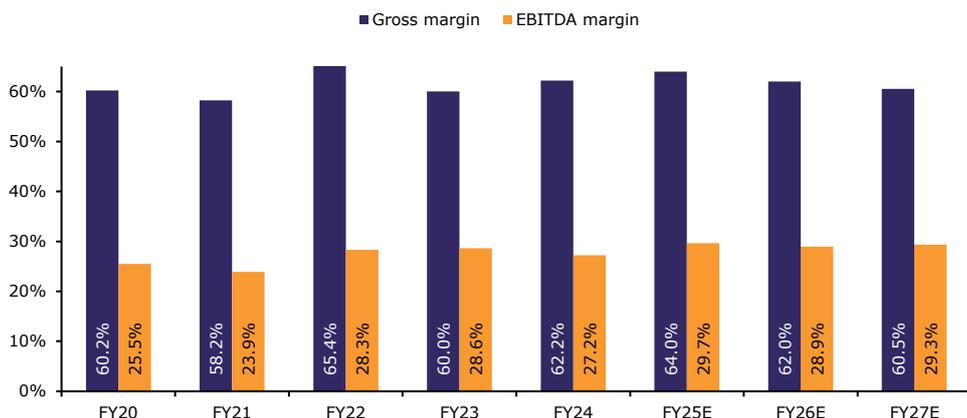
**Revenue growth to be led by growth in the polymer and pharma product portfolio; execution of LoIs/contracts and expansion in fluorination chemistry**



Source: Company, Emkay Research

**Exhibit 4: FY24-27E EBITDA margin to remain stable at ~28-29%**

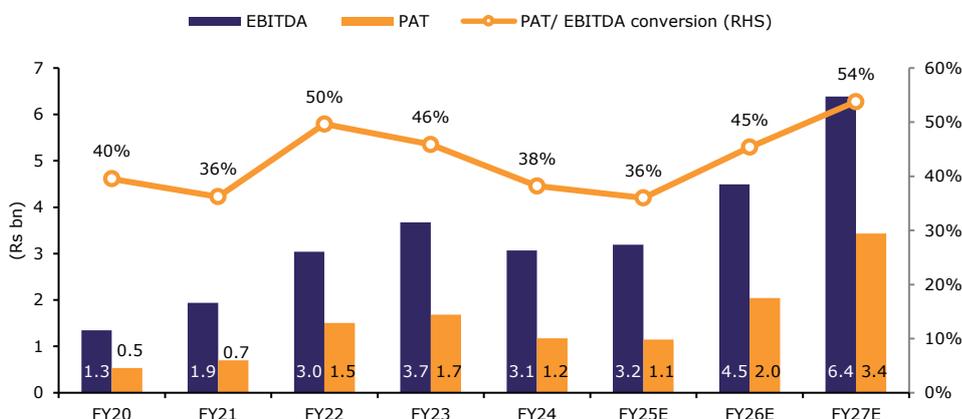
**Change in product mix with ramp-up in utilization rate to bring gross margins lower while EBITDA margins to sustain on operating leverage**



Source: Company, Emkay Research

**Exhibit 5: EBITDA CAGR expected at 28% over FY24-27E**

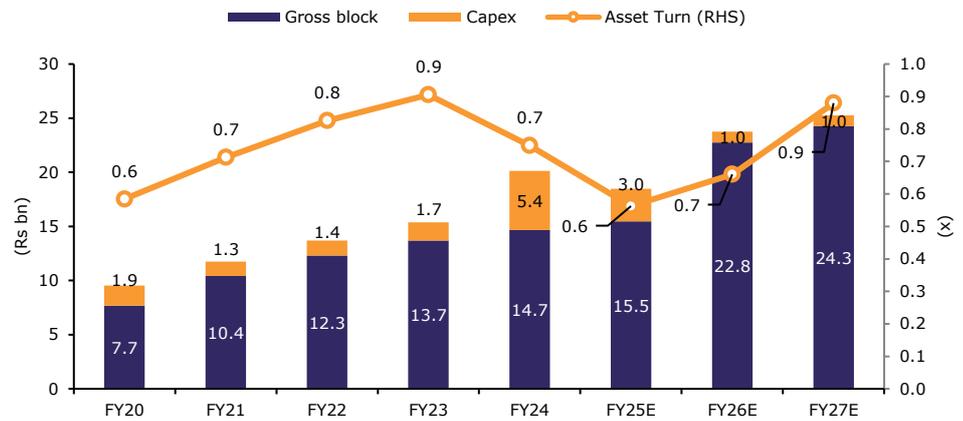
**PAT CAGR expected at ~43% over FY24-27E, on a lower base in FY24; PAT/EBITDA conversion to improve gradually due to reduction in finance cost**



Source: Company, Emkay Research

**Exhibit 6: Asset turns to improve on revenue ramp-up, despite higher capex**

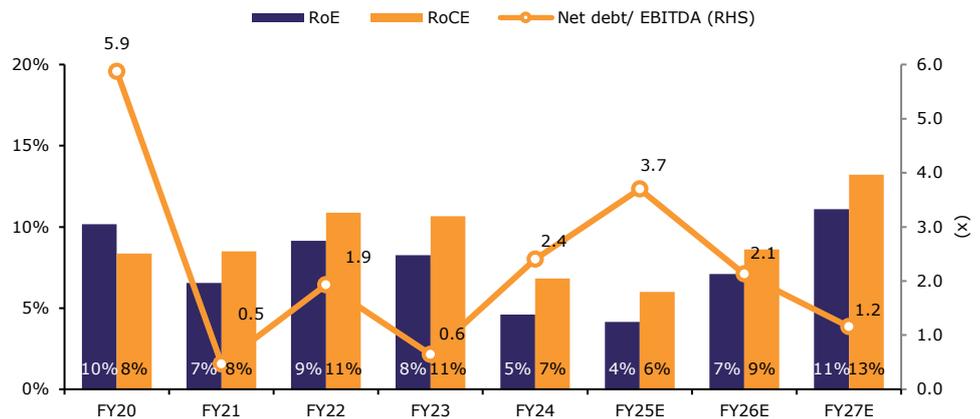
**Gross block of Rs19bn to generate asset turn of 1.5-1.7x in 3-4 years**



Source: Company, Emkay Research

**Exhibit 7: Reduction in working capital to aid return ratios FY26E onwards**

**Return ratios to improve on healthy revenue ramp-up and reduction in working capital, thus aiding strong OCF generation**



Source: Company, Emkay Research

**Exhibit 8: Working capital days to stay elevated in FY25 and gradually reduce from FY26E**

**Working capital days surged to ~600 in Sep-24**

No of Days	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Inventory Days	205	222	293	250	321	375	270	220
Receivable Days	89	92	95	106	176	225	150	125
Payable Days	90	90	77	81	126	120	100	100
<b>Core Working Capital</b>	<b>205</b>	<b>224</b>	<b>312</b>	<b>275</b>	<b>371</b>	<b>480</b>	<b>320</b>	<b>245</b>

Source: Company, Emkay Research

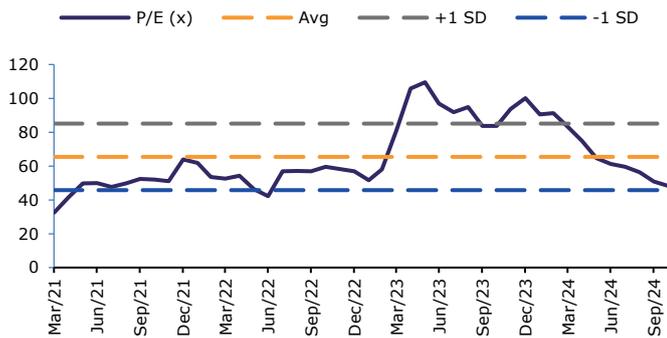
**Value of the core business is 30x its Sep-26E EPS**

**Exhibit 9: SoTP-based TP of Rs750 (Sep-26E)**

(Rs mn)	FY26E	FY27E
<b>Core business – Net Profit</b>	<b>2,038</b>	<b>3,435</b>
Target PER (x)	30	30
<b>Attributable value</b>	<b>61,149</b>	<b>103,047</b>
Tanfac’s market cap, post 20% holdco discount	416	416
<b>Aggregate value</b>	<b>61,565</b>	<b>103,463</b>
No of shares (mn)	110	110
Target price (TP; Rs)	560	941
<b>TP on Mar-26E EPS (Rs)</b>		<b>750</b>
CMP (Rs)		735
Upside		2%

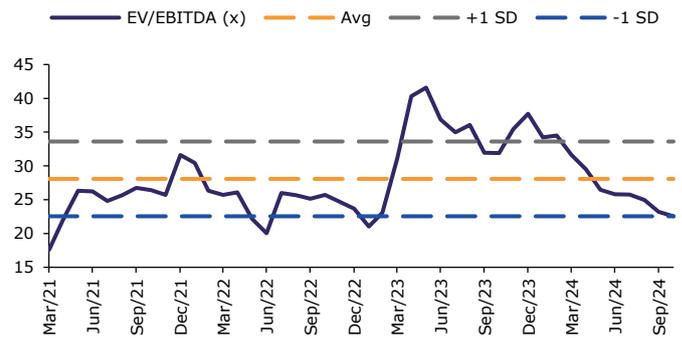
Source: Company, Emkay Research

**Exhibit 10: One-year forward P/E**



Source: Bloomberg, Emkay Research

**Exhibit 11: One-year forward EV/EBITDA**



Source: Bloomberg, Emkay Research

## Anupam Rasayan: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>12,841</b>	<b>11,287</b>	<b>10,751</b>	<b>15,519</b>	<b>21,779</b>
Revenue growth (%)	19.6	(12.1)	(4.7)	44.3	40.3
<b>EBITDA</b>	<b>3,675</b>	<b>3,070</b>	<b>3,191</b>	<b>4,492</b>	<b>6,386</b>
EBITDA growth (%)	21.0	(16.5)	3.9	40.8	42.2
Depreciation & Amortization	656	719	860	1,058	1,114
<b>EBIT</b>	<b>3,019</b>	<b>2,351</b>	<b>2,331</b>	<b>3,434</b>	<b>5,272</b>
EBIT growth (%)	23.9	(22.1)	(0.9)	47.3	53.5
Other operating income	0	0	0	0	0
Other income	22	259	259	259	259
Financial expense	619	874	949	782	624
<b>PBT</b>	<b>2,422</b>	<b>1,736</b>	<b>1,641</b>	<b>2,912</b>	<b>4,907</b>
Extraordinary items	0	0	0	0	0
Taxes	737	564	492	874	1,472
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>1,685</b>	<b>1,173</b>	<b>1,149</b>	<b>2,038</b>	<b>3,435</b>
PAT growth (%)	11.8	(30.4)	(2.1)	77.5	68.5
<b>Adjusted PAT</b>	<b>1,685</b>	<b>1,173</b>	<b>1,149</b>	<b>2,038</b>	<b>3,435</b>
<b>Diluted EPS (Rs)</b>	<b>15.7</b>	<b>10.7</b>	<b>10.5</b>	<b>18.6</b>	<b>31.3</b>
Diluted EPS growth (%)	4.3	(31.9)	(2.1)	77.5	68.5
<b>DPS (Rs)</b>	<b>1.9</b>	<b>2.0</b>	<b>4.8</b>	<b>4.8</b>	<b>4.9</b>
<b>Dividend payout (%)</b>	<b>12.2</b>	<b>18.3</b>	<b>45.9</b>	<b>25.9</b>	<b>15.5</b>
EBITDA margin (%)	28.6	27.2	29.7	28.9	29.3
EBIT margin (%)	23.5	20.8	21.7	22.1	24.2
Effective tax rate (%)	30.4	32.5	30.0	30.0	30.0
<b>NOPLAT (pre-IndAS)</b>	<b>2,100</b>	<b>1,588</b>	<b>1,632</b>	<b>2,404</b>	<b>3,690</b>
Shares outstanding (mn)	107.5	109.8	109.8	109.8	109.8

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,422	1,736	1,641	2,912	4,907
Others (non-cash items)	0	0	0	0	0
Taxes paid	(540)	(290)	(468)	(838)	(1,425)
Change in NWC	(1,666)	(3,756)	(2,910)	663	(841)
<b>Operating cash flow</b>	<b>2,440</b>	<b>218</b>	<b>(211)</b>	<b>4,282</b>	<b>4,073</b>
Capital expenditure	(1,662)	(5,740)	(3,000)	(1,000)	(1,000)
Acquisition of business	(103)	(10)	0	0	0
Interest & dividend income	79	100	120	0	0
<b>Investing cash flow</b>	<b>(4,779)</b>	<b>(3,616)</b>	<b>(2,741)</b>	<b>(741)</b>	<b>(741)</b>
Equity raised/(repaid)	4,816	1,683	0	0	0
Debt raised/(repaid)	(83)	2,289	2,000	(2,000)	(2,500)
Payment of lease liabilities	14	14	14	0	0
Interest paid	(619)	(874)	(949)	(782)	(624)
Dividend paid (incl tax)	(205)	(215)	(527)	(528)	(534)
Others	(154)	1,093	0	0	0
<b>Financing cash flow</b>	<b>3,755</b>	<b>3,976</b>	<b>525</b>	<b>(3,310)</b>	<b>(3,658)</b>
Net chg in Cash	1,416	577	(2,427)	231	(326)
OCF	2,440	218	(211)	4,282	4,073
Adj. OCF (w/o NWC chg.)	774	(3,538)	(3,120)	4,946	3,232
FCFF	778	(5,522)	(3,211)	3,282	3,073
FCFE	238	(6,296)	(4,040)	2,501	2,449
OCF/EBITDA (%)	66.4	7.1	(6.6)	95.3	63.8
FCFE/PAT (%)	14.1	(536.8)	(351.7)	122.7	71.3
<b>FCFF/NOPLAT (%)</b>	<b>37.0</b>	<b>(347.7)</b>	<b>(196.8)</b>	<b>136.5</b>	<b>83.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,075	1,098	1,098	1,098	1,098
Reserves & Surplus	22,520	26,268	26,889	28,399	31,301
<b>Net worth</b>	<b>23,594</b>	<b>27,366</b>	<b>27,987</b>	<b>29,498</b>	<b>32,399</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	728	1,128	1,128	1,128	1,128
<b>Total debt</b>	<b>7,876</b>	<b>10,165</b>	<b>12,165</b>	<b>10,165</b>	<b>7,665</b>
<b>Total liabilities &amp; equity</b>	<b>32,199</b>	<b>38,658</b>	<b>41,280</b>	<b>40,790</b>	<b>41,191</b>
Net tangible fixed assets	6,291	6,539	6,748	322	322
Net intangible assets	15	31	31	5	5
Net ROU assets	40	12	12	0	0
Capital WIP	1,135	5,789	1,500	1,000	1,000
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,584	1,594	1,594	1,594	1,594
<b>Cash &amp; equivalents</b>	<b>5,514</b>	<b>2,787</b>	<b>359</b>	<b>591</b>	<b>265</b>
Current assets (ex-cash)	15,055	20,570	22,881	23,076	25,818
Current Liab. & Prov.	3,492	4,851	4,253	5,112	7,013
<b>NWC (ex-cash)</b>	<b>11,563</b>	<b>15,719</b>	<b>18,628</b>	<b>17,965</b>	<b>18,806</b>
<b>Total assets</b>	<b>32,199</b>	<b>38,658</b>	<b>41,280</b>	<b>40,790</b>	<b>41,191</b>
Net debt	2,362	7,378	11,805	9,574	7,400
Capital employed	32,080	38,539	41,161	40,672	41,073
<b>Invested capital</b>	<b>23,847</b>	<b>28,369</b>	<b>37,708</b>	<b>37,486</b>	<b>38,214</b>
BVPS (Rs)	218.5	248.2	253.7	267.5	293.9
Net Debt/Equity (x)	0.1	0.3	0.4	0.3	0.2
Net Debt/EBITDA (x)	0.6	2.4	3.7	2.1	1.2
Interest coverage (x)	0.2	0.3	0.4	0.2	0.1
<b>RoCE (%)</b>	<b>10.5</b>	<b>7.4</b>	<b>6.5</b>	<b>9.0</b>	<b>13.5</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	46.9	68.8	70.3	39.6	23.5
P/CE(x)	33.7	42.6	40.2	26.1	17.7
P/B (x)	3.4	3.0	2.9	2.7	2.5
EV/Sales (x)	6.3	7.8	8.6	5.8	4.0
EV/EBITDA (x)	22.1	28.7	29.0	20.1	13.8
EV/EBIT(x)	26.9	37.4	39.7	26.3	16.7
EV/IC (x)	3.4	3.1	2.5	2.4	2.3
FCFF yield (%)	1.0	(6.3)	(3.5)	3.6	3.5
FCFE yield (%)	0.3	(7.8)	(5.0)	3.1	3.0
Dividend yield (%)	0.3	0.3	0.7	0.7	0.7
<b>DuPont-RoE split</b>					
Net profit margin (%)	13.1	10.4	10.7	13.1	15.8
Total asset turnover (x)	0.4	0.3	0.3	0.4	0.5
Assets/Equity (x)	1.4	1.4	1.4	1.4	1.3
<b>RoE (%)</b>	<b>8.3</b>	<b>4.6</b>	<b>4.2</b>	<b>7.1</b>	<b>11.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	16.4	14.1	15.2	15.5	16.9
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>9.2</b>	<b>6.1</b>	<b>4.9</b>	<b>6.4</b>	<b>9.7</b>
<b>Operating metrics</b>					
Core NWC days	328.7	508.3	632.4	422.5	315.2
<b>Total NWC days</b>	<b>328.7</b>	<b>508.3</b>	<b>632.4</b>	<b>422.5</b>	<b>315.2</b>
Fixed asset turnover	0.9	0.7	0.5	0.6	0.9
Opex-to-revenue (%)	31.4	35.0	34.3	33.1	31.2

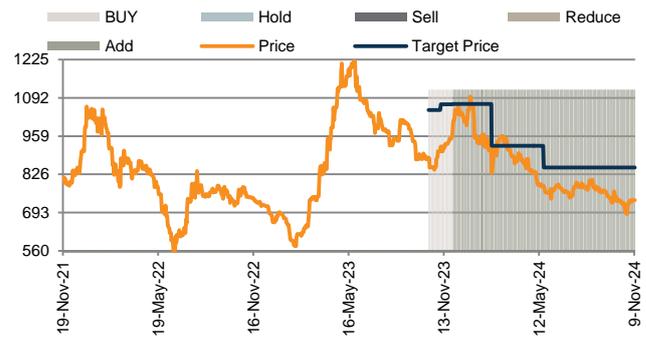
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
27-Aug-24	773	850	Add	Meet Vora
14-Jul-24	751	850	Add	Meet Vora
07-Jun-24	770	850	Add	Meet Vora
21-May-24	785	850	Add	Meet Vora
07-Apr-24	893	925	Add	Meet Vora
26-Feb-24	942	925	Add	Meet Vora
12-Feb-24	830	925	Add	Meet Vora
30-Nov-23	987	1,070	Add	Meet Vora
22-Nov-23	938	1,070	Buy	Meet Vora
07-Nov-23	923	1,070	Buy	Meet Vora
15-Oct-23	884	1,050	Buy	Meet Vora

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

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