



MSEARCH

IPO OFFERING

CLEAN SCIENCE AND TECHNOLOGY LTD



About Company

Recommendation: Subscribe

Incorporated in 2003, Clean Science and technology Ltd (CSTL) is a technology driven speciality chemical manufacturing company. It is amongst the few companies globally focused entirely on developing newer technologies using in-house catalytic processes, which are eco-friendly and cost competitive. CSTL's products are used as key starting level materials, as inhibitors, or as additives, by customers, for products sold in regulated markets. Key customers include Bayer AG, SRF Ltd, Gennex Laboratories Ltd, Nutriad International NV and Vinati Organics Ltd. CSTL has 2 certified production facilities in India strategically located at Kurkumbh (Maharashtra), in close proximity to the JNPT port.

| | |
|----------------|--|
| Price Band | : Rs. 880 to 900 per share |
| Face Value | : Rs. 1 |
| Bid Lot size | : 16 Shares |
| Issue size | : Rs. 1,547 Cr |
| Issue Opens | : July 7 th 2021, Wednesday |
| Issue Closes | : June 9 th 2021, Friday |
| Min App Amount | : Rs. 14,400 /- at upper band |

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation: We believe CSTL IPO gives investors a unique opportunity to invest in leading critical specialty chemicals manufacturer in India. Being the largest manufacturer globally in MEHQ, BHA, Anisole and 4-MAP in terms of capacity and continued focus on product & process innovation cum development have all contributed to the success as one of the fastest growing and among the most profitable specialty chemical companies globally. We assume CSTL is well-positioned to tap the shifting global demand to India by having expertise customized solutions in specialty chemicals. We are optimistic about the sector and expect robust multiyear export opportunities ex china as well as local demand in the current "Vocal to Local" environment. The rising "Make in India" campaign would also add impetus to the emergence of India as a manufacturing hub for the specialty chemicals industry. Hence CSTL stands well to get the favourable and supportive Industry growth to drive sustainable business as well as profitable growth in the medium to long-term as its well-diversified presence in Performance Chemicals, Pharmaceutical Intermediates and FMCG Chemicals. **On valuations parse at upper price band (Rs 900/-), the issue is asking for a market cap of Rs 9,560 Cr with PE (FY21) 48.19x which seems the issue is reasonably priced against the listed peers which are trading around 55x when compared and P/BV stands at 17.71x. The only concern for us would be the OFS issue size of Rs 1,547 Cr and no fresh issue. Hence, considering all the factors like focused product growth, healthy RONW & Margins, Marquee long-standing clientele (Bayer AG/SRF/Gennex) and high export (69% to topline) resulting in a de-risked business model with reasonable valuations, we advise investors to "SUBSCRIBE" this IPO for listing gain as well as long term as markets always reward a player who has high visibility and growth potential.**



MSEARCH

IPO OFFERING

BASIC FINANCIAL DETAILS

| Particulars Rs (in Cr) | 2019 | 2020 | 2021 |
|---------------------------|--------|--------|--------|
| Equity Share Capital | 1.42 | 1.33 | 10.62 |
| Reserves as stated | 271 | 341 | 529 |
| Net worth as stated | 272 | 342 | 540 |
| Revenue from Operations | 393 | 419 | 512 |
| Revenue Growth (%) | - | 6.62% | 22.21% |
| EBITDA as stated | 148 | 196 | 285 |
| Profit Before Tax | 137 | 182 | 267 |
| Net Profit for the period | 98 | 140 | 198 |
| EPS (Rs) | 9.19 | 13.15 | 18.68 |
| ROCE% | 50.75% | 58.48% | 73.89% |
| RONW% | 35.90% | 40.82% | 36.76% |
| NAV (₹) | 25.61 | 32.21 | 50.81 |

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)

| Companies | MCap | FV | Revenue | EPS | NAV | P/E | RoNW |
|--------------------------|--------|----|---------|-------|---------|-------|--------|
| Clean science & Tech Ltd | 9,560 | 1 | 538 | 18.68 | 50.81 | 48.19 | 36.76% |
| Vinati Organic Ltd | 21,007 | 1 | 980 | 68.43 | 150.16 | 77.40 | 17.45% |
| Fine Organic Ltd | 9,364 | 5 | 1,150 | 75.93 | 238.57 | 78.54 | 16.45% |
| Atul Ltd | 27,742 | 10 | 3,834 | 40.01 | 1303.66 | 43.85 | 17.11% |
| Camlin Fine sciences Ltd | 2,511 | 1 | 1,192 | 47.65 | 55.93 | 47.65 | 9.16% |

Data as on 31st March 2021

Source: Company RHP