

# AETHER INDUSTRIES LTD.

**RECOMMENDATION : BUY**

**MARKET PRICE : Rs.1065.30 (As on 11<sup>th</sup> Aug 2023)**

**TARGET PRICE : Rs.1332.00**

**FACE VALUE : Rs.10**

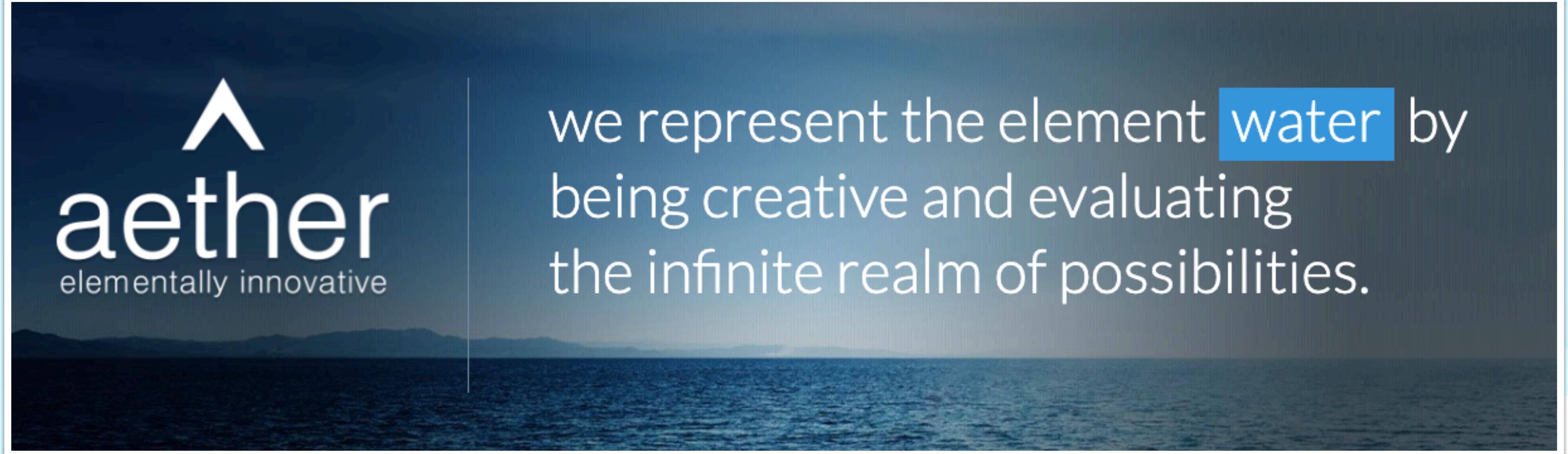
**BSE CODE : 543534**

**NSE CODE : AETHER**





we represent the element **water** by being creative and evaluating the infinite realm of possibilities.



Aether Industries Ltd., based out of Surat (Gujarat, India), focuses on producing advanced intermediates and speciality chemicals involving complex and differentiated chemistry and technology core competencies. The Company's products find application in the pharmaceutical, agrochemical, material science, coating, high performance photography, additive, and oil and gas segments of the chemical industry. The select marquee customer base | domestic and global includes companies like DIVIS, Dr. Reddy, Lupin, Cadila, Mankind, UPL, ADAMA, Aramco, Polaroid, Atlanta and many more.

## ABOUT THE COMPANY

Production capacity of more than 6000 MT is available in the Company's state-of-art and DCS automated manufacturing facilities. Aether is also a leading CRAMS (Contract Research and Manufacturing Services) provider and Contract / Exclusive Manufacturing services provider, built upon technology intensive and state-of-art R&D and Pilot Plant facilities. All of its R&D, Pilot Plant, CRAMS, and Large Scale Manufacturing facilities are capable of switching between batch and continuous process technology.

# WHY AETHER?

## The True Story

[8 x 8] Matrix of chemistry/technology competencies developed in-house, from scratch, which caters to various segments of chemical industry

## Rich Infrastructure

Extensively expanded R&D, pilot plant, and manufacturing (2 new greenfield projects, 1 brownfield project all fully DCS automated) capabilities

## R&D Driven Approach

Specialised R&D team comprising 262 highly qualified people including 130 scientists (with PhDs or M. Sc. / B. Sc. degrees) and 132 engineers (JUNE-23)

## Experienced Team

Career Technocrat promoter group, expert global technology and business development team, average age of 940+ staff is 31 years (JUNE-23)

## Growth Engines

Successfully launched 3 business models in 5 years into commercialisation:  
1. Large scale manufacturing  
2. CRAMS  
3. Contract / Exclusive manufacturing

## Marquee Customers

290+ multinational, global, regional and local companies across industry spectrum, spread over 22 countries

## 1st Time In India

Most of our advanced intermediates and specialty chemicals manufactured for the first time in India

## Fastest Growing

We are one of the fastest growing specialty chemical companies in India, growing at a CAGR of nearly 44% between Fiscal 2018 and Fiscal 2023

## HIGHLIGHTS

### QIP

Successfully launched the QIP of Rs. 7,500 MM, wherein 36 qualified institutional buyers have invested in the future of Aether

### New Customers

We have started business with 11 new customers during the quarter across all business models

### Site 3++ Expansion

Ground digging work in progress, along with application for various regulatory approvals

### Site 4 Expansion

Old structure breaking work and ground digging work started. Ordering of the equipment and machineries on-going

### Site 5 Expansion

Wall fencing work in progress, along with application for various regulatory approvals

### Pilot Plant Expansion

Initiated the expansion work for new Pilot Plant at the land which was procured on long-lease. Ordering of the machines on-going.

### Team Members

More than 57 new team members joined Aether in Q1 FY24 across all departments

### Customer Audits

Successfully concluded 8 customer audits and certification audits in Q4 FY23

### LOI with US based oil field company

LOI signed with US based oil field company for contract manufacturing of its 4 products

### Saudi Aramco

Entered into license agreement for long term contract with Saudi Aramco for Converge Polyols.

## QUALIFIED INSTITUTIONAL PLACEMENT

**QIP** Successfully completed  
OF RS. **7,500 MM**

With Investments from Marquee Investors, believing in Aether's story  
and future plans

Overall support from | The Promoters, the Board of Directors & Aetherians

### Special Thanks to

Lead Managers | HDFC IB Team and Investec / SBI Caps IB Team  
Lawyers | JSA, Trilegal and Dentons  
Industry Specialist | F&S  
Auditors | Birju S. Shah & Associates

OBJECTS OF THE ISSUE	(INRMM)
Funding Capex at Site - 3	1,830
Funding Capex at Site - 5	3,300
Funding Working Capital	450
General Corporate Purposes	1,705

SITE 3++

**Located diagonally  
opposite** to the current Manu

**Opposite** to the current Manufacturing Facility 2 in GIDC, Sachin, Surat, Gujarat, India



July 2023  
project initiation

# Production of 3 to 5 Products

on the commercialisation of the project



## **Additional 3500 MT**

## SITE 4

**Located within 200 meters**

of the current Manufacturing Facility 2 in GIDC, Sachin, Surat, Gujarat, India



**July 2023**  
project initiation

**Dedicated to CEM**

on the commercialisation of the project



**Aether Speciality  
Chemicals Limited**  
100% wholly owned subsidiary

# SITE 5

## S5 - Panoli

21° 32' 19.302" N, 73° 0' 11.34" E

For future expansions

Acquired land in auction

Plot nos. 14 & 15, Panoli GIDC, Gujarat

125,000 sq. mtrs. / 31 acres (approximate)

12 times the land bank of the current land

Easy proximity to NH8

54 Kms drive from current locations in Surat

Wall fencing work started from May 2023

Project work to initiate from August 2023

## EXPANSION OF WORLD'S LARGEST PILOT PLANT



56 reactors | SS-316, GLR, Hast-C, Ti / PFA coated | 500 to 6000 L | full vac. to 30 bar | -20 to 300 °C

10 batch / cont. distillation columns | SS-316, GLR, Hast-C | full vac. to 10 bar | 150 to 800 mm diam. | 24-100 stages

Wiped film evaporator / dryer | SS-316, Hast-C | 1, 2, 5 m<sup>2</sup>

25 filters / dryers | SS-316, ETFE coated | Centrifuges (24-48") | ANFD (2-5 KL) | RVPD | VTD | Drum flaker

Total pilot plant equipment : 204

## OIL FIELD COMPANY | ARAMCO

# Oil Field Company

Aether Industries Limited, signed a Letter of Intent (LoI) with one of the top 3 leading global Oil Field Services companies based in USA towards the finalization of a strategic supplier and contract manufacturing partnership.

The LoI specifies 4 strategic products of the new customer that will be contract manufactured by Aether as the first set of products in this new partnership. The individual volumes of these 4 products is also specified in the LoI, and totals to 1,325 MT per month (i.e. ~ 16 KTA or 16,000 MT per year). These products will be supplied to the global energy and oil and gas locations of the customer, including a significant supply within India.

# co<sub>2</sub>nverge®

Aether Industries Limited has inked a license agreement with Saudi Aramco Technologies Company, Saudi Arabia, for the commercialization of the sustainable Converge polyols technology.

The agreement formally initiates Aether's activities towards the manufacturing and commercialization at Aether of the Converge polyols technology and product series, the manufacturing process for which has been previously jointly developed and validated at pre-commercial scale by Aramco and Aether. The agreement also captures the next set of important milestones.

## BUSINESS SEGMENTS

**63%**

### Large Scale Manufacturing

Advanced intermediates and speciality chemicals with application across the industry spectrum

(INR MM)



**16%**

### Contract Research and Manufacturing Services - CRAMS

Contract research, scale-up services, technology development, low volume high value contract manufacturing



**20%**

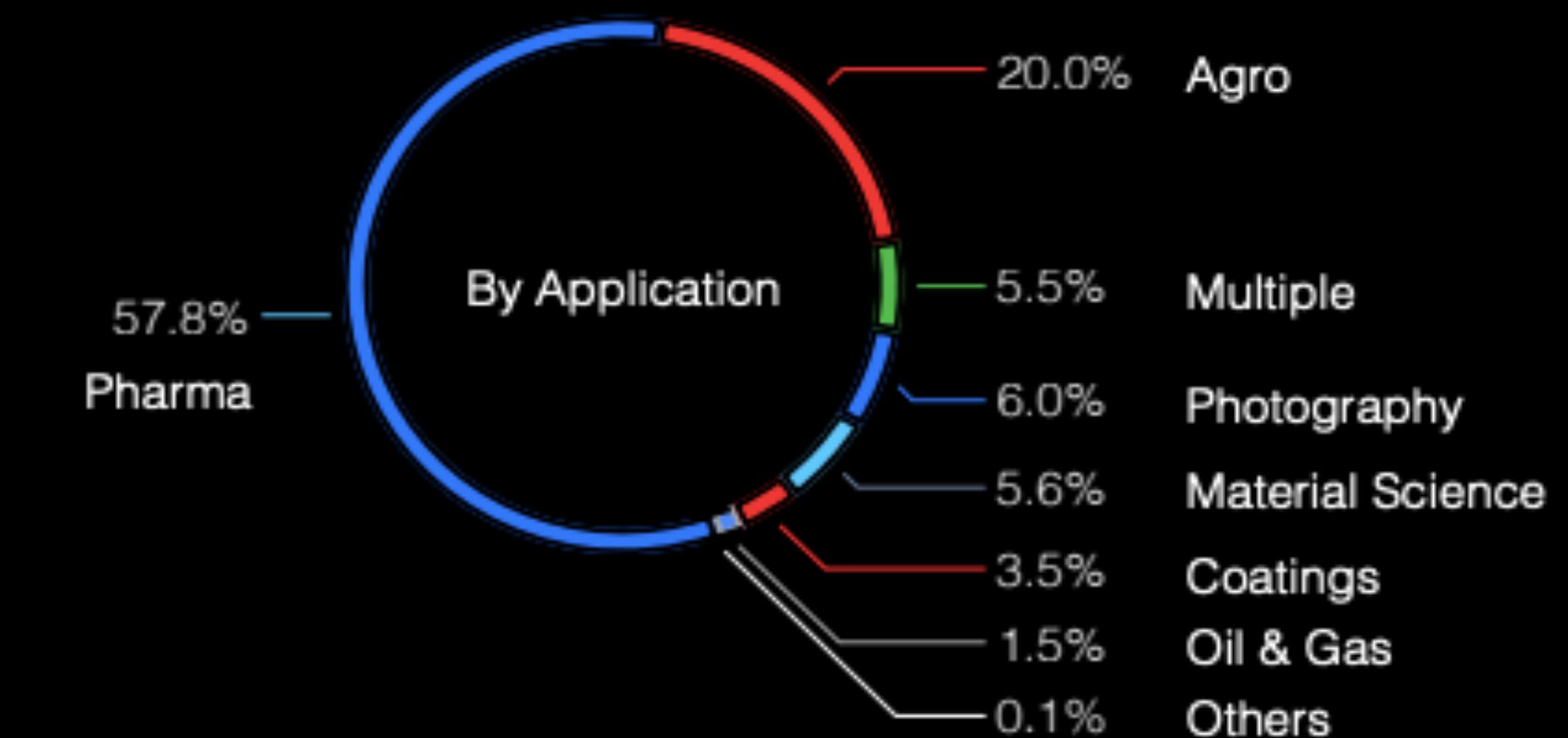
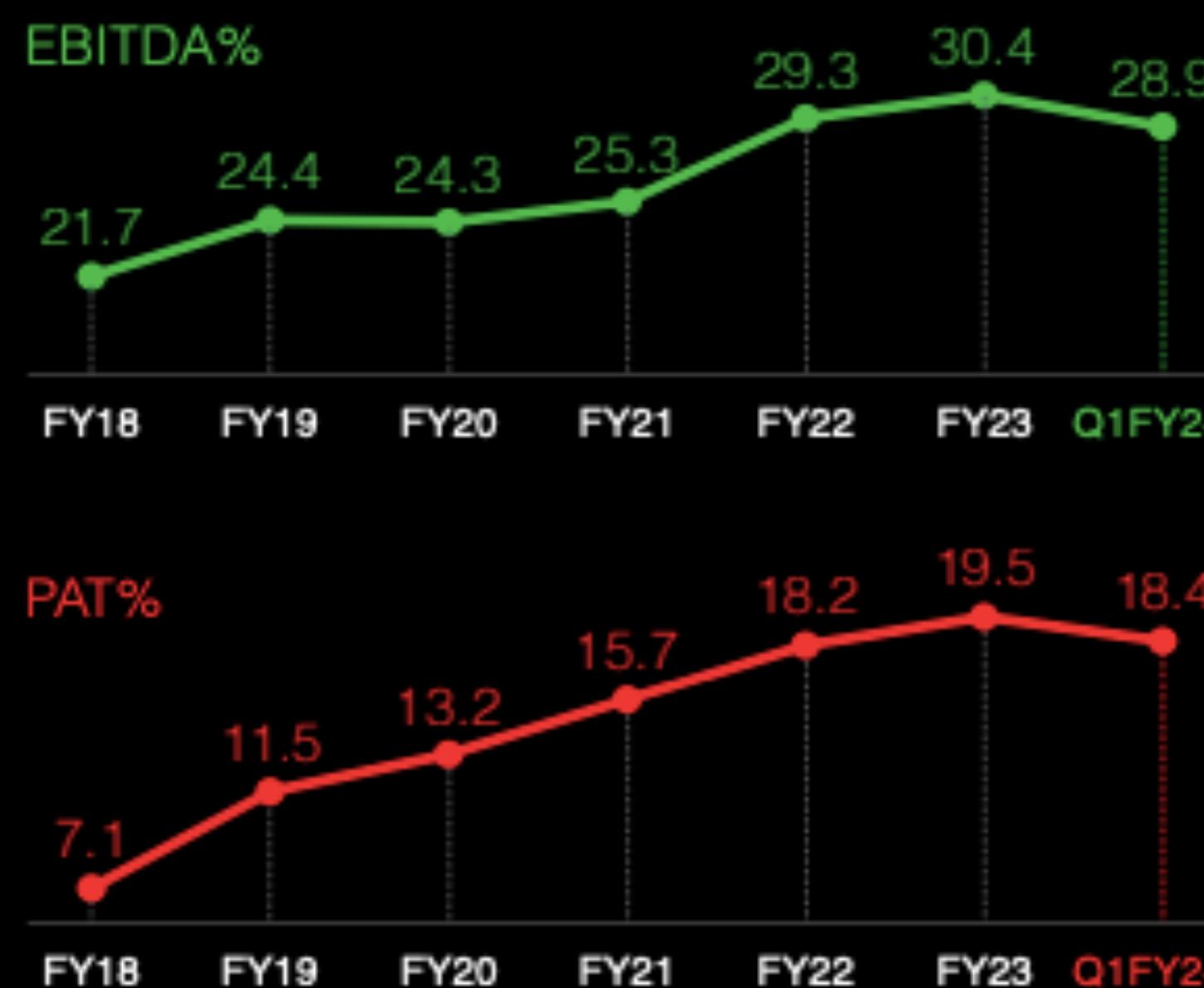
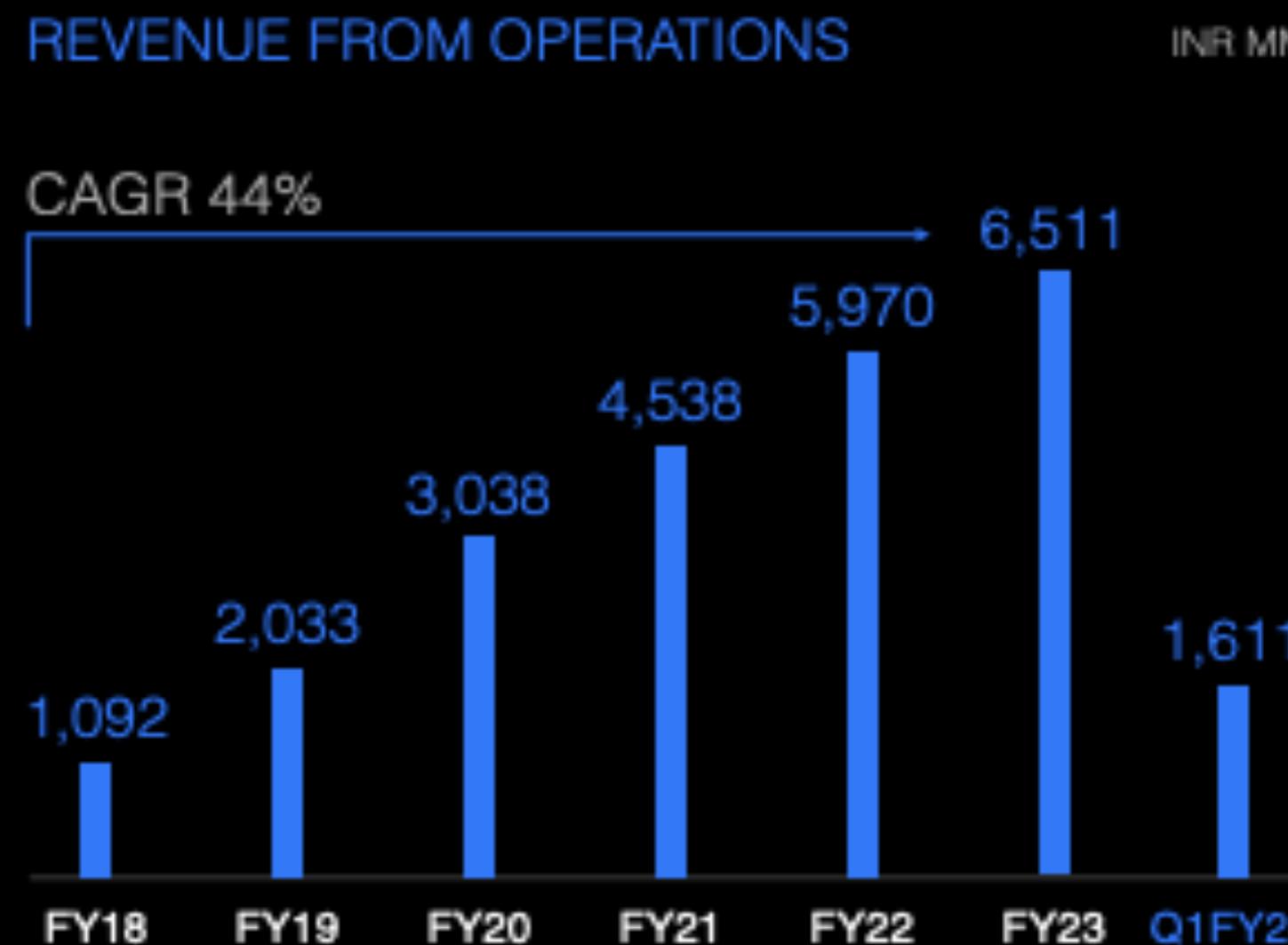
### Contract / Exclusive Manufacturing

Manufacture under contractual supply agreements with MNCs

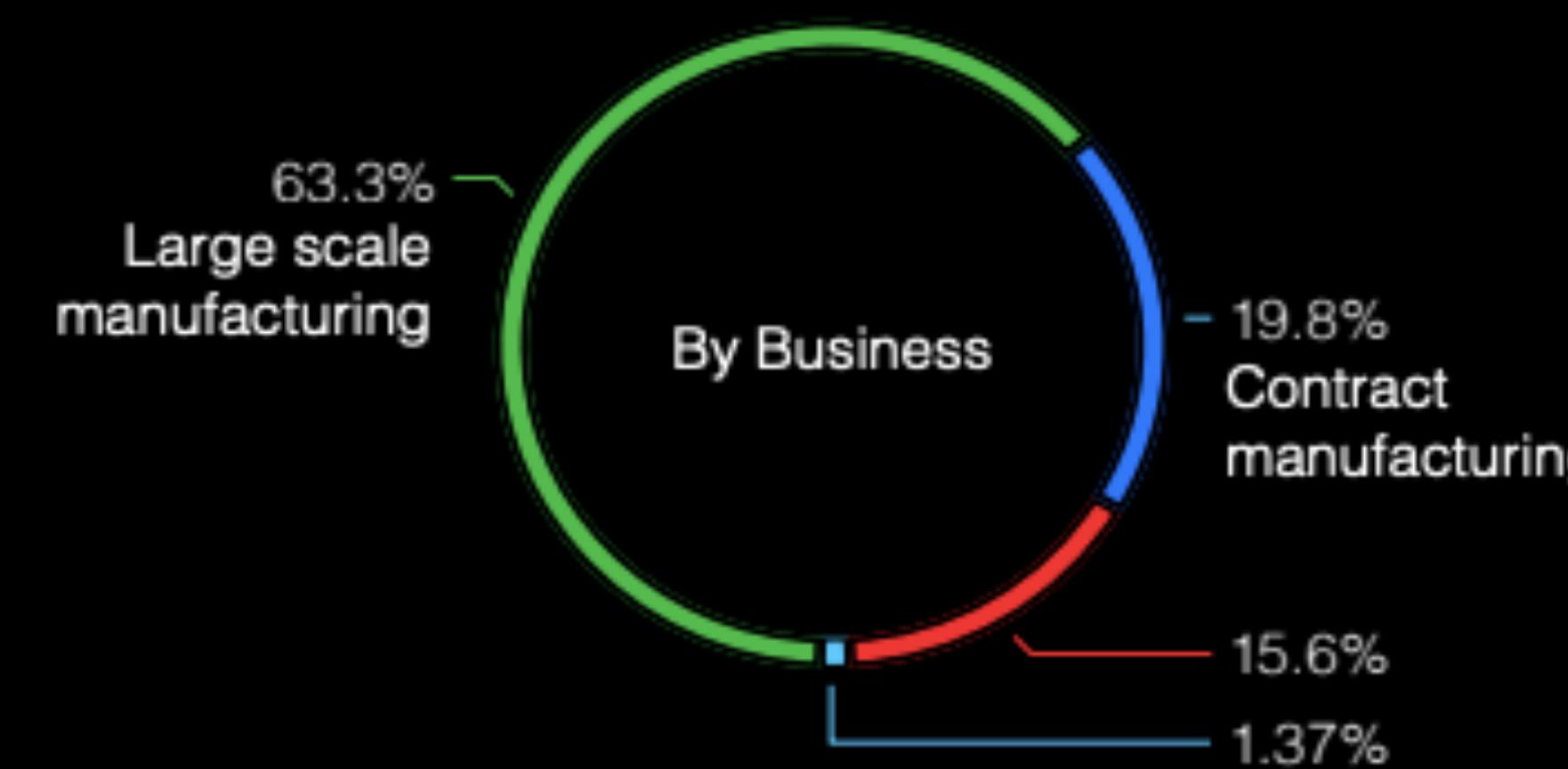


# AETHER TODAY

## REVENUE FROM OPERATIONS



Q1FY24



## RESEARCH AND DEVELOPMENT

R&D has been critical to success and a differentiating factor vis-à-vis competitors

### Experts at helm of R&D / CRAMS

MARCH-23

**233**

Highly qualified employees,  
including

**111**

Scientists with  
PhD / M. Sc and B. Sc

**122**

Engineers

JUNE-23

**262**

Highly qualified employees,  
including

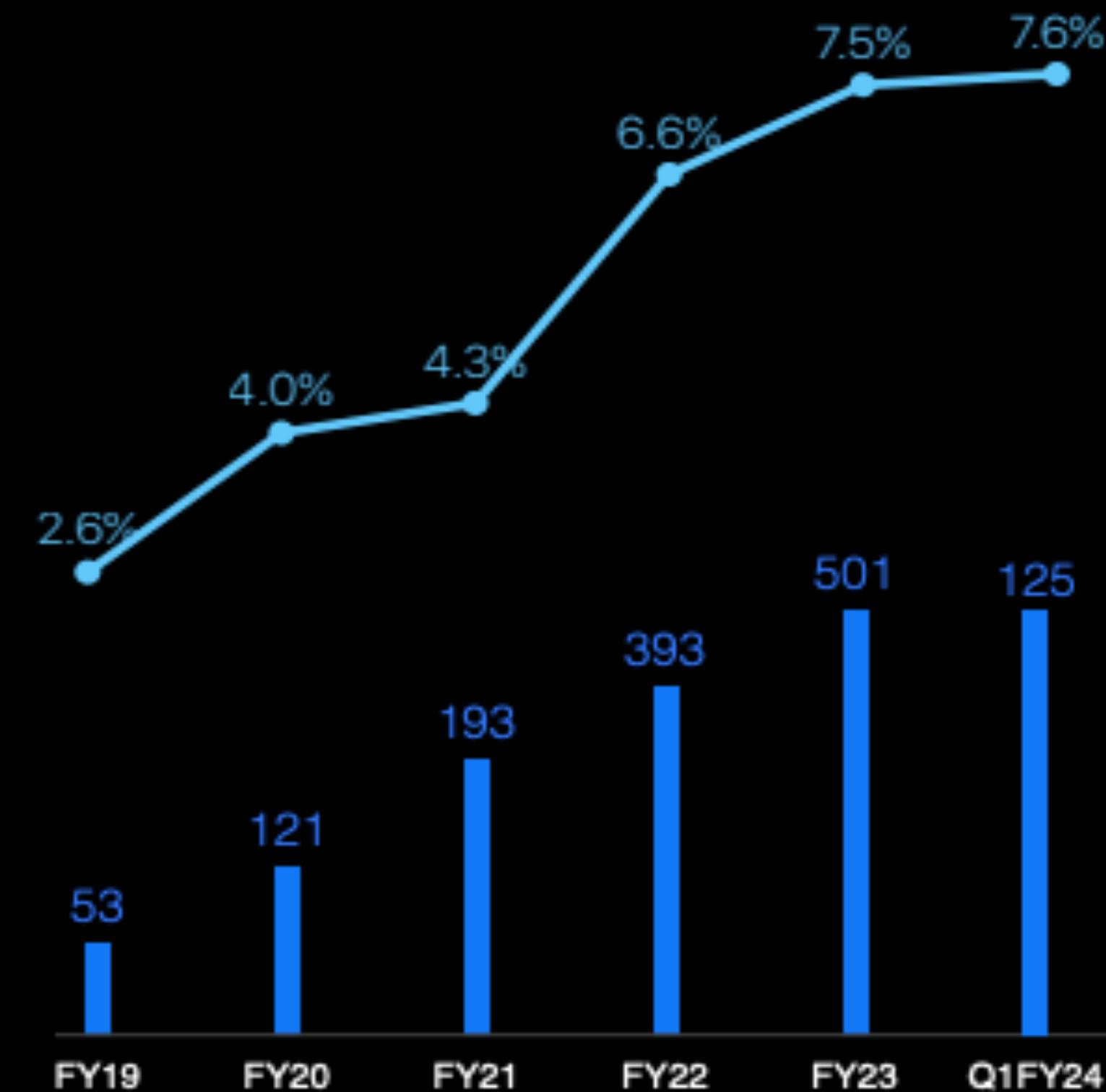
**130**

Scientists with  
PhD / M. Sc and B. Sc

**132**

Engineers

### Consistently rising R&D expenditure



# QIP FUND UTILISATION

- 1. Capital expenditure towards expansion of Site 3++**
- 2. Capital expenditure towards first phase of Site 5**
- 3. Working Capital requirements due to new facility which has come up at Site 3**
- 4. General Corporate Purpose funds utilised for various expansions in R&D, Pilot Plant and Site 4 (under Aether Speciality Chemicals Limited, a 100% wholly owned subsidiary of Aether Industries Limited)**

(INR MM)

Objects of issue	Amount as per the Offer Document (A)	*Amount Withdrawn from Monitoring Bank (B)	% Amount Withdrawn (C)	Amount Pending to be withdrawn from Monitoring Bank (D = A - B)
Funding capital expenditure requirements for the proposed Greenfield Project - Site 3++	1,830	0	0.00%	1,830
Funding capital expenditure requirements for the proposed Greenfield Project - Site 5 (first phase)	3,300	0	0.00%	3,300
Working Capital requirements	450	0	0.00%	450
General Corporate Purposes	1,705	0	0.00%	1,705
<b>Total</b>	<b>7,285</b>	<b>0</b>	<b>0.00%</b>	<b>7,285</b>

# CORE COMPETENCIES

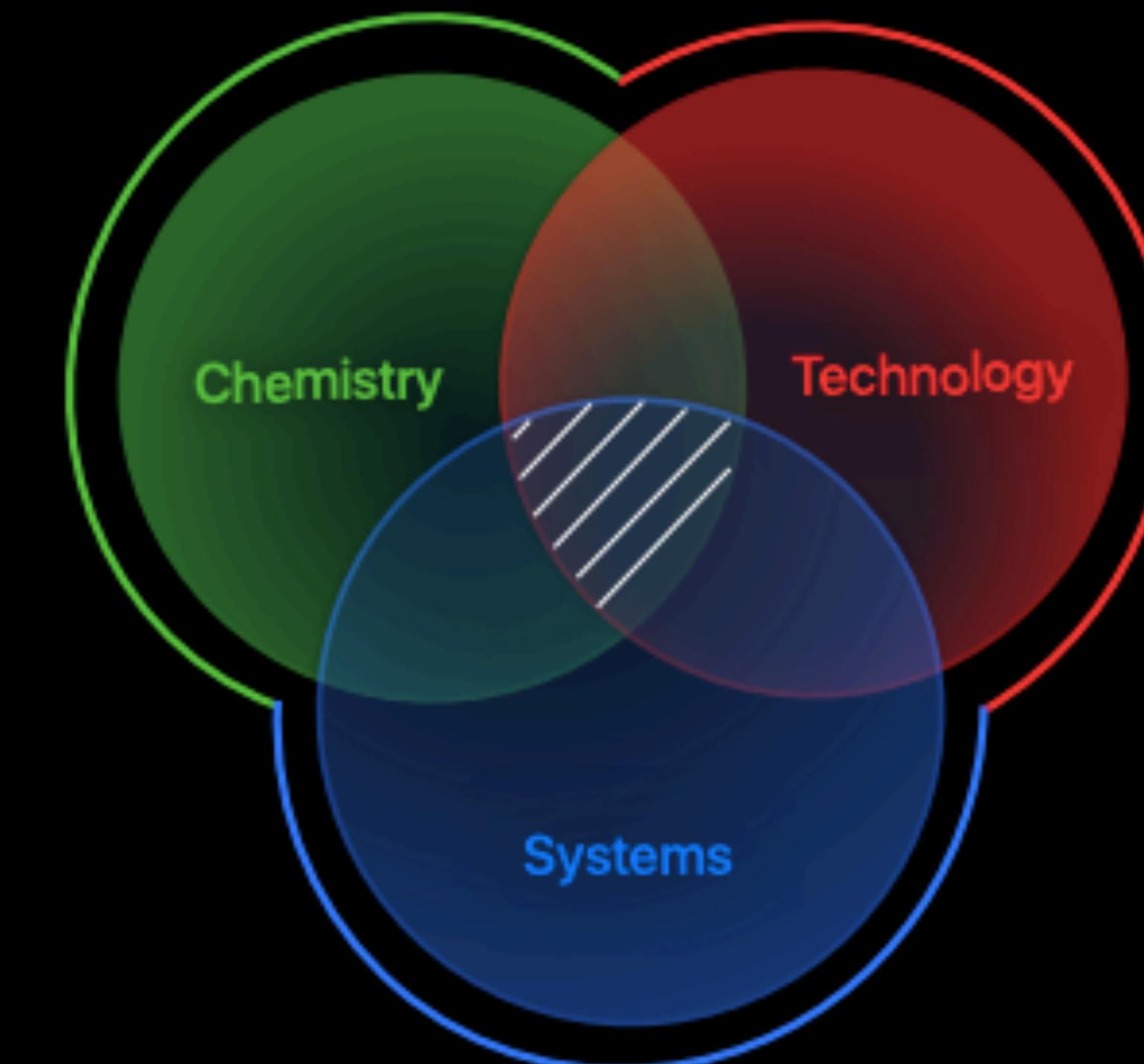
**8x8** Matrix

## Chemistry

Grignards and Organolithiations  
Ethylene Oxide Chemistry  
- Tandem Grignard / Ethylene Oxide  
Isobutylene Chemistry  
Hydrogenation  
- Asymmetric  
Hydrogenation  
Heterogeneous Catalysis  
Exothermic Chemistry  
Cross Coupling Chemistry  
Olefin Metathesis / Polymerisation

## Technology

Continuous Reaction  
Batch Reaction  
High Pressure Reaction  
Fixed Bed Reaction  
Cryogenic Reaction  
High Vacuum Distillation  
Wiped Film Distillation  
Process Automation



## Systems

SAP  
Multiple Certifications  
(DCS) Automation

# PRODUCT SELECTION

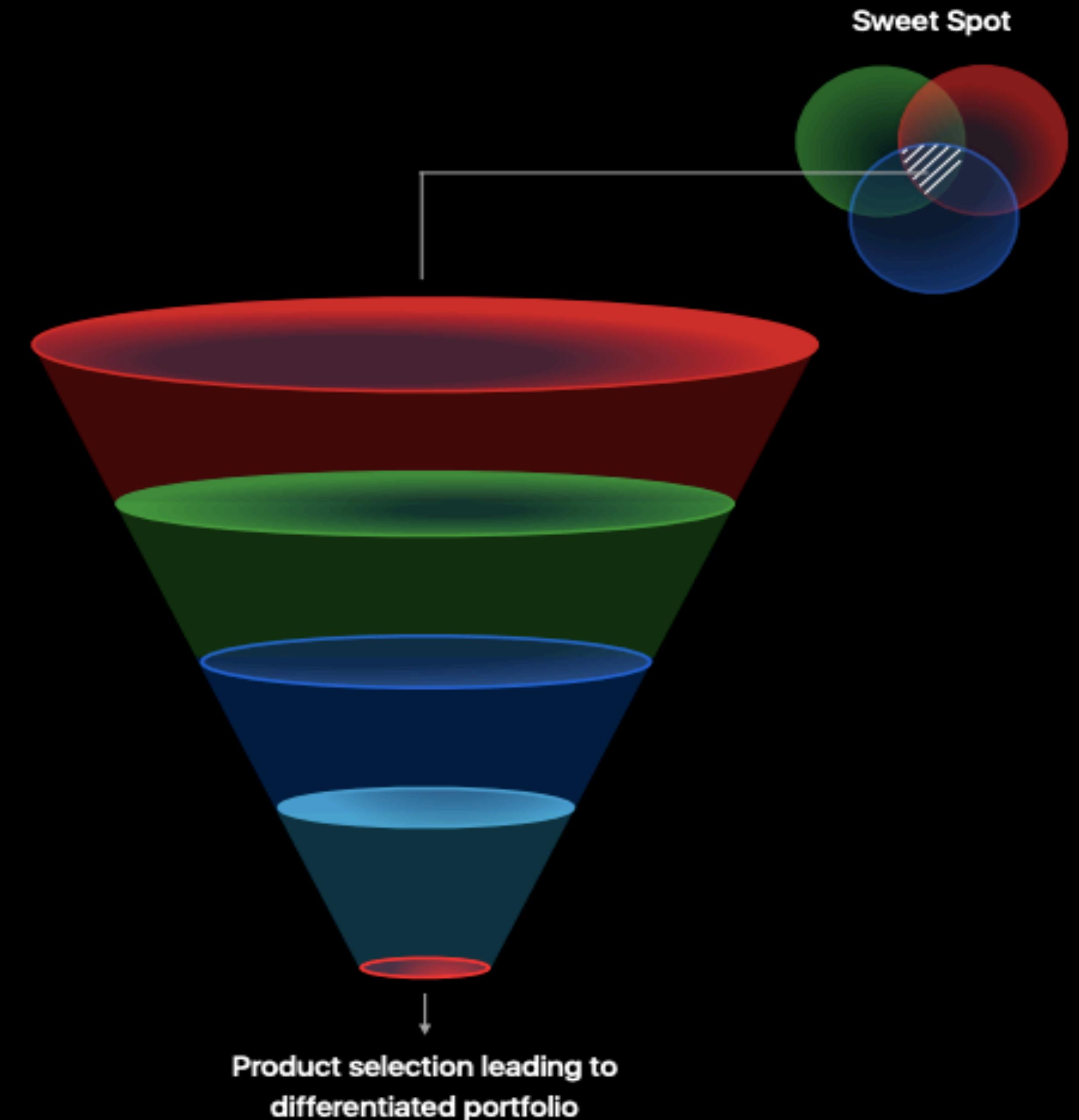
Core competencies of chemistry, technology and systems

No active manufacturer in India, made for 1<sup>st</sup> time in India

Minimum 4 step sequences of manufacturing and infrastructure oriented

Generate adequate revenue at maturity

Market leading position at product maturity



# SELECT MARQUEE CUSTOMER BASE | DOMESTIC AND GLOBAL

## Pharmaceutical



Dr.Reddy's



A dose of life



## Agrochemical



## Oil and Gas



## Textiles



## High performance photography



## Material Science | Coatings



## Other Sectors

TOSOH  
FineChem

AUSTIN

join resources. build solutions.  
connect CHEMICALS

Nuobai  
诺柏医药

## SNAPSHOT

### Q-o-Q

Q-o-Q is comparison of Q1 FY24 with Q4 FY23

(INR MM)

#### Revenue

Q1FY24

**1,638**

↓ 11%

Q4FY23

**1,844**

#### EBITDA

**474**

↓ 21%

**602**

#### PAT

**302**

↓ 20%

**376**

### Y-o-Y

Y-o-Y is comparison of Q1 FY24 with Q1 FY23

Q1FY24

**1,638**

↓ 1%

Q1FY23

**1,662**

**474**

↓ 2%

**486**

**302**

↓ 1%

**306**

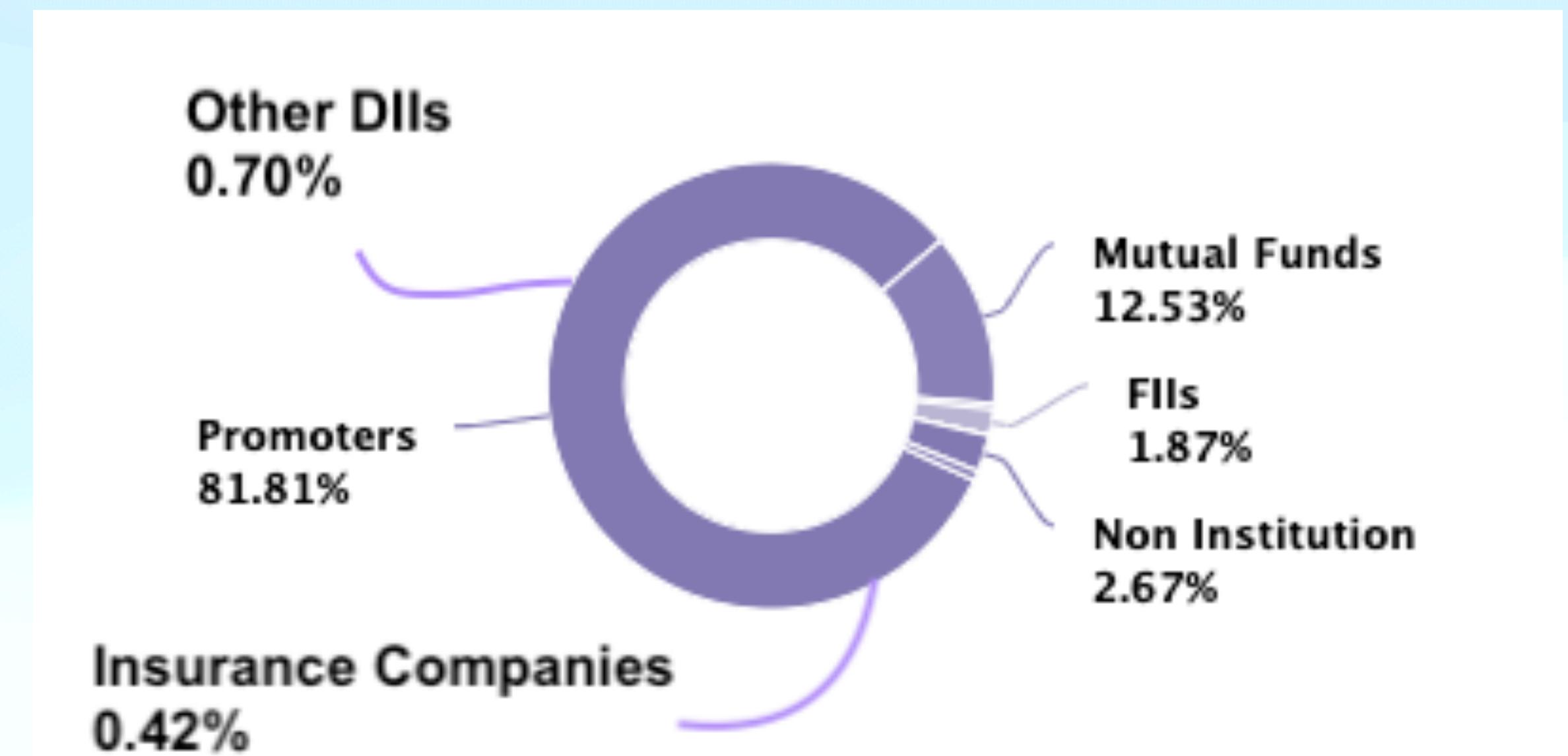
# Yearly Results

YEARLY RESULTS OF AETHER INDUSTRIES (in Rs. Cr.)		MAR '23	MAR '22
Net Sales/Income from operations		651.07	590.05
Total Income From Operations		651.07	590.05
<b>EXPENDITURE</b>			
Consumption of Raw Materials		379.61	358.52
Increase/Decrease in Stocks		-62.28	-70.49
Employees Cost		34.46	27.04
Depreciation		23.25	15.49
Other Expenses		113.03	106.86
P/L Before Other Inc., Int., Excpt. Items & Tax		163.00	152.62
Other Income		16.57	6.97
P/L Before Int., Excpt. Items & Tax		179.57	159.59
Interest		5.09	13.12
P/L Before Exceptional Items & Tax		174.48	146.47
P/L Before Tax		174.48	146.47
Tax		44.06	37.55
P/L After Tax from Ordinary Activities		130.42	108.93
Net Profit/(Loss) For the Period		130.42	108.93
Net P/L After M.I & Associates		130.42	108.93
Equity Share Capital		124.51	112.69
Reserves Excluding Revaluation Reserves		1,118.54	273.60
<b>EPS BEFORE EXTRA ORDINARY</b>			
Basic EPS		10.47	9.67
Diluted EPS		10.47	9.67
<b>EPS AFTER EXTRA ORDINARY</b>			
Basic EPS.		10.47	9.67
Diluted EPS.		10.47	9.67

## Key Financial Ratios

KEY FINANCIAL RATIOS OF AETHER INDUSTRIES (in Rs. Cr.)		MAR 23	MAR 22
<b>PER SHARE RATIOS</b>			
Basic EPS (Rs.)		10.47	9.67
Diluted EPS (Rs.)		10.47	9.67
Cash EPS (Rs.)		12.34	11.04
Book Value [ExclRevalReserve]/Share (Rs.)		99.96	34.33
Book Value [InclRevalReserve]/Share (Rs.)		99.96	34.33
Revenue from Operations/Share (Rs.)		52.29	52.36
PBDIT/Share (Rs.)		16.29	15.54
PBIT/Share (Rs.)		14.42	14.16
PBT/Share (Rs.)		14.01	13.00
Net Profit/Share (Rs.)		10.47	9.67
NP After MI And SOA / Share (Rs.)		10.47	9.67
<b>PROFITABILITY RATIOS</b>			
PBDIT Margin (%)		31.15	29.67
PBIT Margin (%)		27.58	27.04
PBT Margin (%)		26.79	24.82
Net Profit Margin (%)		20.03	18.46
NP After MI And SOA Margin (%)		20.03	18.46
Return on Networth/Equity (%)		10.47	28.15
Return on Capital Employed (%)		13.96	30.24
Return on Assets (%)		9.45	14.14
Total Debt/Equity (X)		0.00	0.74
Asset Turnover Ratio (%)		0.61	0.00
<b>LIQUIDITY RATIOS</b>			
Current Ratio (X)		7.18	1.69
Quick Ratio (X)		4.54	1.02
Inventory Turnover Ratio (X)		1.84	0.00
Dividend Payout Ratio (NP) (%)		0.00	0.00
Dividend Payout Ratio (CP) (%)		0.00	0.00
Earnings Retention Ratio (%)		0.00	0.00
Cash Earnings Retention Ratio (%)		0.00	0.00
<b>COVERAGE RATIOS</b>			
Interest Coverage Ratios (%)		39.82	13.34
Interest Coverage Ratios (Post Tax) (%)		39.82	13.34
<b>VALUATION RATIOS</b>			
Enterprise Value (Cr.)		11,572.59	0.00
EV/Net Operating Revenue (X)		17.77	0.00
EV/EBITDA (X)		57.06	0.00
MarketCap/Net Operating Revenue (X)		17.93	0.00
Retention Ratios (%)		0.00	0.00
Price/BV (X)		9.38	0.00
Price/Net Operating Revenue		17.93	0.00
Earnings Yield		0.01	0.00

# Shareholding Pattern as on Jun'23



# Summary

- ❖ In Q1 of FY'24, the Company delivered steady performance, with Net Sales up by 0.68% i.e. Rs.161.11 crs in Jun'23 versus Rs.160.01 crs in Jun'22. However, the Net Profits were Rs.29.81 crs in Jun'23 as compared to Rs.30.62 crs in Jun'22. Additionally, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.132.52 crs in Jun'23 juxtapose to Rs.124.48 crs in Jun'22.
- ❖ As per fair financials and fine fundamentals, the Company is available at a good price of Rs.1065.30 with its 52 week low of Rs.802.10 and 52 week high of Rs.1209.00.
- ❖ Since the Promoters are holding majority stake around 81.81% as well as its sound valuations, anticipates that the Management is growth oriented.
- ❖ In Public Shareholding as on Jun'23, the FIIs and the Other DIIs collectively stood with 2.57% holdings in the Company. Whilst, the Mutual Fund Houses own 12.53% stake.
- ❖ Aether Industries Ltd. is held by SBI MF, AXIS MF, 360 ONE MF, BANDHAN MF, EDELWEISS MF, ABSL MF, HDFC MF, INVESCO MF, PGIM MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 10.47% & 13.96% respectively as on Mar'23.

# Disclosure

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## **Disclosures as required under SEBI (Research Analyst) Regulations, 2014**

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I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website [www.researchlyne.com](http://www.researchlyne.com) which is primarily focused on research of Multi-Cap stocks of India.

### **Business Activity:**

I provide research services on equity stocks listed on Indian stock exchanges. The research is based on fundamental analysis.

I do thorough research and analysis on fundamentals of companies. As such, I undertake extensive scrutiny of major Company statistics like Balance Sheet, Profit & Loss Account, Key Financial Ratios (ROE, ROCE and Debt to Equity etc.), Quarterly, Half-yearly & Annual Results, Cash Flows, Annual Reports and Shareholding Pattern etc.

Each Company's Business Model, Future Projections, Competitive Advantages & other Moats are thoroughly checked before recommending their Stock.

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### **List of Associates / Relatives:**

1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

Note: Subject Company is a company on which buy/sell recommendation or target price is given or changed in the research report.

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