ROSSARI BIOTECH LIMITED

ISIN :INE02A801020 | NSE :ROSSARI

Price: 631
Recommendation: Buy
Industry: Specialty Chemicals
Sector: Commodities
Report Date: 03-Apr-2025

Rossari Biotech is focused on sustaining growth and expanding market presence, achieving over Rs. 500 crore in quarterly revenues. The company emphasizes diversifying its customer base and expanding into new geographies, with exports growing 21% year-on-year. Capacity expansions at Dahej and through Unitop chemicals aim to enhance capabilities. The Buzil Rossari segment shows significant growth, with plans to double revenue in two years, while strategic investments are set to improve margins.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1319 Cr	Operating Profit(Year)	176 Cr	Operating Profit Margin	13.3 %
Previous Year	975 Cr	Operating Profit(Quarter)	50.0 Cr	EBITDA Margin	12.51 %
Current Quarter	368 Cr	PAT (Year)	97.4 Cr	Net Profit Margin	8.10 %
Previous Quarter	336 Cr	PAT (Quarter)	30.6 Cr	EPS	19.6
Revenue (QYoY)	299 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	32.2	Sales Growth	14.4 %	Sales Growth	9.52 %
PEG Ratio	1.97	PAT Growth	37.18 %	Sales Growth QYoY	23.08 %
EV/EBITDA	19.5	EPS Growth	8.89 %	PAT Growth	11.68 %
P/B	3.46	Dividend Yield	0.08	PAT Growth QYoY	20.0 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	10.7 %	Promoter	68.2 %	Debt/Equity	0.05
RoA	8.10 %	FII	3.74 %	Debt	48.0 Cr
RoCE	14.4 %	DII	17.5 %	Market Cap	3493 Cr
RoIC	23.5 %	Public	10.6 %	Enterprise value	3527 Cr
		No of Shares	5.54 Cr	Cash Equivalents	14.8 Cr

source : Company filings

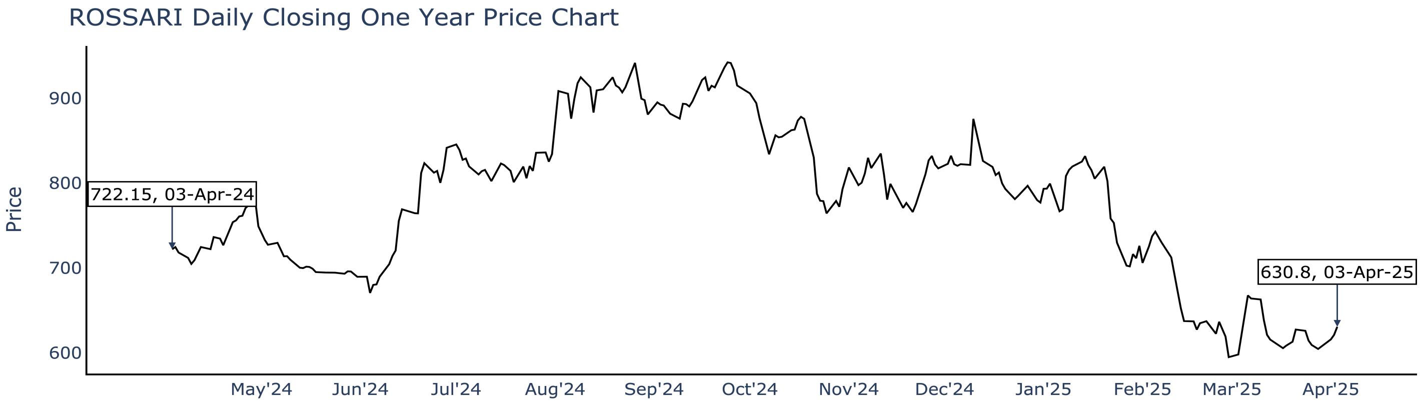
Company's Overview Based on Recent Concall and Performance:

Rossari Biotech's recent meeting highlighted several strategic initiatives and business strategies aimed at sustaining growth and expanding their market presence. The company has crossed the Rs. 500 crore milestone in quarterly revenues, driven by a combination of organic and strategic initiatives. A key focus has been on diversifying the customer base and expanding into new geographies, which has been instrumental in sustaining growth and positioning the company for long-term success. Exports have been a significant focus, with the international business registering a year-on-year growth of 21% during the quarter and 28% over nine months. This growth is supported by strengthening relationships with existing customers, entering new geographies, and tailoring solutions to meet the unique needs of international businesses.

The company is making steady progress on capacity expansion initiatives at its Dahej facility and through Unitop chemicals. These expansions, currently in the execution phase, are expected to enhance capabilities across industries and enable Rossari to cater to high-growth segments in both domestic and international markets. Strategic investments, including capacity expansions and nurturing businesses in their growth phase, are crucial for laying the foundation for future growth. As these initiatives mature, the company is confident that the resulting higher operating leverage will contribute to margin improvements in the long term. The HPPC segment continues to benefit from strong demand fundamentals and innovation-led offerings, while the Textile business is showing early signs of recovery, presenting emerging export opportunities.

Looking ahead, Rossari remains optimistic about delivering sustained growth across its business segments. The company is focused on improving capacity utilization, introducing innovative products, and expanding its global and customer footprint to unlock new opportunities and drive long-term growth. The institutional cleaning business, branded as Buzil Rossari, has shown significant growth, achieving Rs. 200 crore in the first nine months, a 50% increase over the previous year. This segment is expected to be a major growth area, with plans to double its revenue in two years. The company is also focusing on the finishing chemical segment in Textiles, which is typically a higher margin segment, to incrementally help Textile margins.

While the strategic investments have impacted margins this quarter, they are seen as necessary for future growth. The company acknowledges the need for continued investment in people and infrastructure to support its growth ambitions. The gross margin has improved by 137 basis points year-on-year, supported by a favorable product mix and operational efficiencies. However, higher expenses related to ongoing growth initiatives and capacity expansion have impacted EBITDA margins. The company remains confident that as these initiatives achieve scale and reach operational maturity, they will contribute to margin improvement in the future.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
SRF	85926.18	74.88	12.22%	1.96%	14.36%	34.58%	6.96%
Linde India	52558.10	121.02	12.88%	-4.50%	-14.21%	9.20%	-2.70%
Gujarat Fluoroch	42336.72	92.84	7.69%	-3.37%	15.73%	4.13%	57.50%
Godrej Industrie	37300.32	48.34	0.65%	0.41%	34.39%	-34.57%	76.86%
Rossari Biotech	3493.45	32.21	10.71%	9.61%	23.27%	11.71%	19.93%

Aspect	Commentary
Revenue	The company achieved significant revenue growth, with current year sales at 1319 Cr compared to 975 Cr the previous year, indicating strong market demand and effective sales strategies. Quarterly revenue also increased, reflecting consistent performance and potential for sustained growth.
Profit & Loss	Operating profit for the year stands at 176 Cr, with a quarterly figure of 50 Cr. The PAT for the year is 97.4 Cr, showing robust profitability. The quarterly PAT of 30.6 Cr suggests effective cost management and operational efficiency, contributing to overall financial health.
Profitability Matrix	The company maintains a healthy operating profit margin of 13.3%, with an EBITDA margin of 12.51% and a net profit margin of 8.10%. These figures indicate strong profitability and efficient cost control, supporting sustainable business operations and shareholder value.
Valuation Matrix	The trailing P/E ratio of 32.2 and PEG ratio of 1.97 suggest the stock is valued with growth expectations. An EV/EBITDA of 19.5 and P/B of 3.46 indicate market confidence in the company's future earnings potential and asset utilization efficiency.
Growth (YoY)	Year-over-year growth shows sales increased by 14.4%, with PAT growth at 37.18% and EPS growth at 8.89%. This reflects the company's ability to expand its market presence and improve profitability, driven by strategic initiatives and market demand.
Growth (QoQ)	Quarter-over-quarter growth highlights a 9.52% increase in sales, with PAT growth at 11.68%. The sales growth QYoQ of 23.08% and PAT growth QYoQ of 20.0% demonstrate strong operational performance and effective market strategies.
Capital Allocation	The company exhibits strong capital allocation with RoE at 10.7%, RoA at 8.10%, RoCE at 14.4%, and RoIC at 23.5%. These metrics indicate efficient use of capital to generate returns, supporting long-term growth and shareholder value.
Holdings	Promoter holding is at 68.2%, with FII at 3.74%, DII at 17.5%, and public holding at 10.6%. This distribution suggests strong promoter confidence and institutional interest, providing stability and potential for future investment inflows.
Leverage	With a low debt/equity ratio of 0.05 and total debt at 48.0 Cr, the company maintains a conservative leverage position. This indicates prudent financial management, reducing risk and enhancing financial flexibility for future growth opportunities.

Analyst viewpoint: Rossari Biotech continues to demonstrate strong growth potential with a remarkable quarter-over-quarter sales increase of 9.52% and profit after tax growth of 11.68%. This performance is largely driven by strategic initiatives such as diversifying customer bases and expanding into new geographies, which have resulted in a year-on-year export growth of 21%. The company's commitment to innovation and capacity expansions, particularly through Dahej and Unitop Chemicals, is set to enhance production capabilities, catering to high-growth segments both domestically and internationally. Compared to its peers, Rossari Biotech offers a compelling investment case with its sound operational performance reflected in its operating profit margin of 13.3%, effectively placing it ahead of industry norms. The institutional segment, notably Buzil Rossari, has exhibited substantial growth, with promising plans to double its revenue in the next two years, reflecting confidence in capturing market potential.

Despite these optimistic developments, Rossari Biotech's valuation metrics suggest significant growth expectations with a trailing P/E ratio of 32.2 and an EV/EBITDA of 19.5 indicative of market confidence in the company's future earnings. This has been supported by prudent capital allocation as evidenced by an RoE of 10.7% and a low debt-to-equity ratio of 0.05, underscoring financial robustness. Although heavy investment in expansion and strategic initiatives has exerted some pressure on margins in the short term, these are perceived as vital for long-term profitability. However, investors should be aware of potential volatility in EBITDA margins due to ongoing expenses related to these initiatives, which may affect near-term financial performance.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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