

Atul Ltd

| | |
|---------------------------------|-----------------|
| No. of shares (m) | 29.51 |
| Mkt cap (Rs crs/\$m) | 19524/2360.3 |
| Current price (Rs/\$) | 6615/80 |
| Price target (Rs/\$) | 8248/99.7 |
| 52 W H/L (Rs.) | 9813/6530 |
| Book Value (Rs/\$) | 1548/18.7 |
| Beta | 0.7 |
| Daily volume NSE (avg. monthly) | 54710 |
| P/BV (FY23/24e) | 4.5/3.7 |
| EV/EBITDA (FY23/24e) | 22.1/16.1 |
| P/E (FY23/24e) | 39.7/28.1 |
| EPS growth (FY22/23/24e) | -7.6/-14.2/34.5 |
| OPM (FY22/23/24e) | 17.9/14.9/17.7 |
| ROE (FY22/23/24e) | 15.0/11.6/14.2 |
| ROCE(FY22/23/24e) | 14.2/11.2/13.9 |
| D/E ratio (FY22/23/24e) | 0.0/0.0/0.0 |
| BSE Code | 500027 |
| NSE Code | ATUL |
| Bloomberg | ATLP IN |
| Reuters | ATLP.NS |

Shareholding pattern

| | % |
|-------------------|--------------|
| Promoters | 45.1 |
| MFs / Banks / FIs | 25.2 |
| FPIs | 8.2 |
| Govt. Holding | 0.0 |
| Public & Others | 21.5 |
| Total | 100.0 |

As on March 31, 2023

Recommendation

BUY

Analyst

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(Figures in Rs crs)

| | |
|--------------------------------|---------|
| Income from operations | 4093.06 |
| Other Income | 78.04 |
| EBITDA (other income included) | 980.05 |
| Adjusted PAT | 666.24 |
| EPS(Rs) | 224.61 |
| EPS growth (%) | 53.8 |

Company Brief

Atul Ltd manufactures value added chemicals for diverse industries - agriculture, construction, textiles, pharmaceuticals and automobiles.

Quarterly Highlights

- Trampled by falling finished product prices and deferment of orders by several clients, Atul reported some 22% drop in revenues of its performance and other chemicals business last quarter followed by no meager drop in margins - 2% EBIT when compared to 12.9% in the same period last fiscal and 2.8% in Q3. Thence allocable EBIT of POC business nosedived to Rs 15.73 crs when compared with Rs 127.63 crs in the same period a year before. High fuel prices precipitated by Ukraine -Russia war played spoilsport too.
- Yet, its life science chemicals ruled the roost for it reported 11.2% growth in topline followed by higher margins. After logging record margins in last few quarters (Q2: 24.7%; Q3: 22.5%), Q4 showed up margins of 22.2%, perceptibly higher than 14.1% reported in the same quarter a year ago.
- Still record profits of LSC business barely saved blushes for overall operating profit fell by 27.2% while post tax earnings plunged by nerve-racking 31.3% to Rs 93.56 crs as compared to Rs 136.26 crs in the same quarter a year ago. As a result of dismal showing in the last few quarters, post tax earnings (adjusted) for full year plunged by 14.5% at a time when full year revenues advanced by some 7% to Rs 5427.52 crs. Dreadful outcome of the POC business (EBIT: Rs 240.25 crs Vs Rs 575.89 crs in FY22) explain much of the sclerosis in demand in both domestic and overseas markets. Its colors business suffered much of the brunt of the slowdown in textile sector in last few quarters.
- The stock currently trades at 28.1x FY24e EPS of Rs 235.67. Pummeled by global slowdown in user industries, Atul's margins fell short of estimates last fiscal, thus precipitating over 30% cut in estimates for the current fiscal. Yet competitive advantage in terms of no small market share in some key products coupled with benefits of integration and overseas market presence has envious business scaling power. Capital cost has been contained due to product specialization and debottlenecking. Scarcely small free cash flows coupled with surplus liquidity to fund capex would provide floor to stock price. Weighing odds, we retain our buy recommendation on the stock with revised target of Rs 8248 (previous target: Rs 11961) based on 35x FY24e earnings.

| | FY20 | FY21 | FY22 | FY23 | FY24e |
|--------------------------------|---------|---------|---------|---------|---------|
| Income from operations | 4093.06 | 3731.47 | 5080.89 | 5427.52 | 6188.83 |
| Other Income | 78.04 | 102.98 | 76.00 | 114.87 | 69.52 |
| EBITDA (other income included) | 980.05 | 1020.10 | 987.44 | 889.72 | 1162.81 |
| Adjusted PAT | 666.24 | 655.12 | 604.68 | 517.27 | 695.54 |
| EPS(Rs) | 224.61 | 221.17 | 204.37 | 175.26 | 235.67 |
| EPS growth (%) | 53.8 | -1.5 | -7.6 | -14.2 | 34.5 |

Outlook & Recommendation

Global Specialty Chemicals Update

According to a report by Grand View Research, the global specialty chemicals industry is estimated to grow at a CAGR of 5.1% during 2023 to 2030 not least due to growing demand for construction, water treatment, and electronics chemicals, along with advancements in process technology and trade liberalization. Rising demand from pharmaceuticals, food and fuel additives and flavors and fragrances has its role to play in fueling demand. Developed nations, the report contends, are seeing increased take of flavoring agents as processed food and beverages are becoming more popular.

The European geopolitical conflict significantly affected the specialty chemicals market as oil price rose, which adversely impacted the cost of production of chemicals. Due to war, the movement of goods (export & import) was impacted by supply disruptions which adversely hindered the growth of specialty chemicals market.

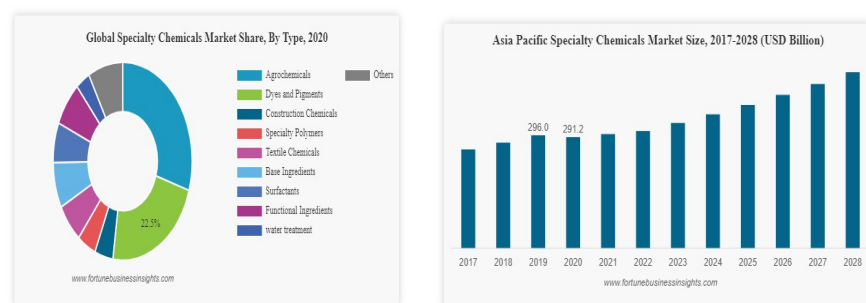


Source: Grandview Research

Source: Grandview Research

Grand View Research projects that the US specialty chemicals market could see notable growth during the forecast period has increased opportunities are foreseen in end-user industries including water treatment, automobile and electronics. Furthermore, rising demand for personal care products, detergents, as well as crop protection chemicals and cleaning products will fuel specialty chemicals demand over the forecast period.

As per a report by KPMG, the Indian specialty chemicals market is estimated to grow at a CAGR of more than 12 per cent from 2020 to 2025 as the country is seeing significant demand from end-user sectors such as food, automobile, real estate, clothing, cosmetics, among others. Much of the emergence of this industry in India is owed to strong process engineering capabilities, low-cost manufacturing capabilities, and abundant manpower. Further, government initiatives such as the petroleum, chemicals, and petrochemicals investment region (PCPIR) policy and production-linked incentive (PLI) schemes have strengthened the confidence of manufacturers to invest within the country. Increasing pollution control regulations in other countries of the world are prompting manufacturers to diversify their production capabilities.



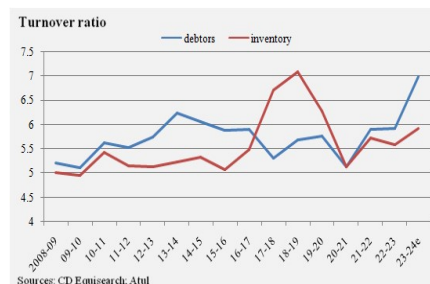
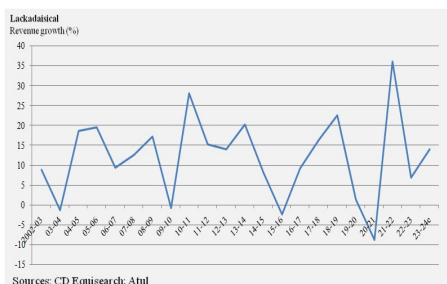
Source: Fortune Business Insights

Source: Fortune Business Insights

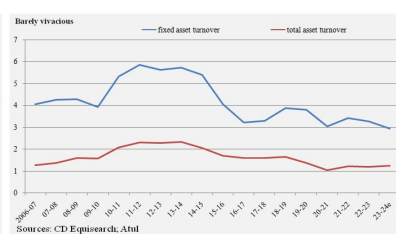
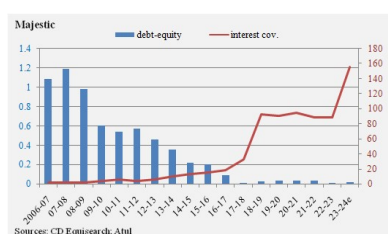
Financials & Valuation

Distinct slowdown in Atul's both domestic and overseas markets - barely less perceptibly in the last few quarters when margins have all but collapsed - have scarcely deterred its expansion plans with projects totaling Rs 1420 crs are at different stages of implementation at its standalone entity (Rs 561 crs) and various entities including Atul Products (Rs 817 crs) and Atul Finserv. Further capex (consolidated) hardly remain suppressed last fiscal for it zoomed to a record Rs 874 crs from some Rs 591 crs the year before. Capacity of caustic soda is expected to come on stream sometime in the current quarter, while the reconstruction of pharmaceutical plant, which was affected by fire, is expected to get over by Q2 of current fiscal.

Multitude of factors affected margins last fiscal prompting delay in implementation of projects. Disproportionate fall in finished product prices, increase in energy prices and subdued demand in key user industries such as textiles, fragrance, personal care and pharmaceuticals, made matters worse, triggering some 58% drop in EBIT of POC business last fiscal. Yet now with moderation in both energy prices and fall in raw material prices, margins of POC business is estimated to improve to 13% this fiscal, though miles off from peak margin of some 24% in FY21, thus resulting in more than doubling of EBIT, though on a puny base.



Hugh inventory at customers end generated friction in passing on high raw material prices, thus affecting earnings last fiscal. Aromatics and colors business suffered as demand dried out from export markets of China and Europe due to high inventory at their end. But now export markets. Atul's domestic colors business has seen demand challenges largely due to subdued textile of take as cotton prices turned volatile and raw material price inflation surged. Of take of Rudolf Atul dwindled not least due to economic slowdown in US and Europe which impact brand sales and also due to low capacity utilization of home furnishings segment.



The stock currently trades at 28.1x FY24e EPS of Rs 235.67. Expected recovery in Atul's performance and other chemicals business would barely help stymie earnings in the current fiscal - PAT projected to advance by some 35%, but on low base, thus helping augmentation in return on capital. Free cash flows (standalone) of some Rs 280 crs last fiscal saw marked improvement from negative cash flows the previous fiscal for working capital dwindled. Atul's competitive advantage in terms of market reach and large installed capacities would help scale business as and when export markets stabilize. Weighing odds, we retain our buy recommendation on the stock with revised target of Rs 8248 (previous target: Rs 11961) based on 35x FY24e earnings. For more info, refer to our August report.

Cross Sectional Analysis

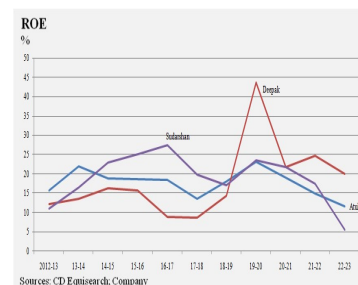
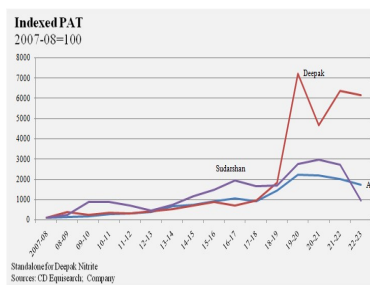
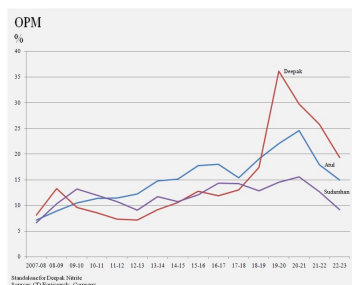
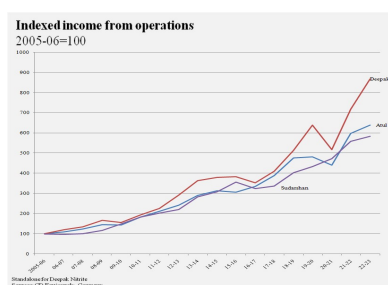
| Company | Equity (Rs crs) | CMP (Rs crs) | Mcap (Rs crs) | Inc. from ops. (Rs crs) | Profit (Rs crs) | OPM (%) | NPM (%) | Int. cov. | ROE (%) | Mcap / IO | P/BV | P/E |
|----------------|-----------------------|-----------------|------------------|----------------------------------|--------------------|------------|------------|--------------|------------|--------------|------|------|
| Atul Ltd | 30 | 6615 | 19524 | 5428 | 517 | 14.9 | 9.3 | 88.1 | 11.6 | 3.6 | 4.3 | 37.7 |
| Deepak Nitrite | 27 | 2135 | 29120 | 7972 | 852 | 16.2 | 10.7 | 47.2 | 23.6 | 3.7 | 7.3 | 34.2 |
| Sudarshan | 14 | 440 | 3046 | 2302 | 45 | 9.2 | 1.9 | 2.4 | 5.6 | 1.3 | 3.8 | 68.0 |

;calculations on ttm basis

ROE of IC adjusted for revaluation reserves; book value adjusted for goodwill & revaluation reserves wherever applicable;

Driven by strong demand revival in pigments business in both domestic and export markets (after few quarters of lackluster activity), Sudarshan's revenues rose by 10.2% to Rs 691.18 crs as compared to Rs 627.15 crs in the same period a year ago. Export markets for pigments saw a stronger revival with its revenues advancing by 7.7%. It expects future revenue growth to come from gradual ramp of new capex and through deeper penetration in select international markets. Product portfolio expansion and commencement of value chain integration projects will continue to be cornerstones of its business expansion strategy. Q4 saw revival of sorts not least due to massive jump in post tax earnings to Rs 32.57 crs from a little pleasing Rs 0.58 crs in Q3.

Probably influenced by China +1 outsourcing strategy, Deepak Clean Tech Limited, a wholly owned subsidiary of Deepak Nitrite, has signed MoU with Government of Gujarat for investing Rs 5000 crs over the next four years for setting up projects related to speciality chemicals, phenol/acetone and Bisphenol. Besides providing no insignificant employment opportunities, the projects are expected to reduce imports. Despite DNL's phenolics business operating at record levels last quarter (utilization at over 120%), its EBIT barely grew not least due to margin pressures resulting from drop in realizations. However, commissioning of capacities of its downstream products would help recover some of the decline in margins seen last fiscal.



Financials

Quarterly Results

Figures in Rs crs

| | Q4FY23 | Q4FY22 | % chg. | FY23 | FY22 | % chg. |
|---------------------------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| Income from operations (net) | 1195.15 | 1370.42 | -12.8 | 5427.52 | 5080.89 | 6.8 |
| Other Income | 24.21 | 22.22 | 9.0 | 114.87 | 76.00 | 51.1 |
| Total Income | 1219.36 | 1392.64 | -12.4 | 5542.39 | 5156.89 | 7.5 |
| Total Expenditure | 1045.78 | 1165.22 | -10.3 | 4652.67 | 4169.45 | 11.6 |
| EBIDTA (other income included) | 173.58 | 227.42 | -23.7 | 889.72 | 987.44 | -9.9 |
| Interest | 2.19 | 3.41 | -35.8 | 7.90 | 9.17 | -13.8 |
| Depreciation | 51.07 | 44.05 | 15.9 | 197.81 | 176.69 | 12.0 |
| PBT | 120.32 | 179.96 | -33.1 | 684.01 | 801.58 | -14.7 |
| Tax | 29.73 | 45.23 | -34.3 | 181.21 | 205.00 | -11.6 |
| PAT | 90.59 | 134.73 | -32.8 | 502.80 | 596.58 | -15.7 |
| Profit/loss of associate & JV | 1.62 | 1.83 | -11.5 | 3.83 | 8.16 | -53.1 |
| MI | -1.35 | 0.30 | -550.0 | -7.46 | 0.48 | -1654.2 |
| Net profit after MI & JV | 93.56 | 136.26 | -31.3 | 514.09 | 604.26 | -14.9 |
| Extraordinary Item | - | - | - | -3.18 | -0.42 | 661.9 |
| Adjusted Net Profit | 93.56 | 136.26 | -0.3 | 517.27 | 604.68 | -14.5 |
| EPS (F.V. 10) | 31.69 | 46.05 | -31.2 | 175.26 | 204.37 | -14.2 |

Segment Results

Figures in Rs crs

| | Q4FY23 | Q4FY22 | % chg. | FY23 | FY22 | % chg. |
|----------------------------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| Segment Revenue | | | | | | |
| Life Science Chemicals | 408.56 | 367.32 | 11.2 | 1959.16 | 1465.10 | 33.7 |
| Performance & Other Chemicals | 829.90 | 1052.63 | -21.2 | 3706.17 | 3759.18 | -1.4 |
| Others | 13.00 | 14.61 | -11.0 | 49.64 | 69.98 | -29.1 |
| Sub Total | 1251.46 | 1434.56 | -12.8 | 5714.97 | 5294.26 | 7.9 |
| Inter - Segment Revenue | 56.31 | 64.14 | -12.2 | 287.45 | 213.37 | 34.7 |
| Income from ops. | 1195.15 | 1370.42 | -12.8 | 5427.52 | 5080.89 | 6.8 |
| Segment EBIT | | | | | | |
| Life Science Chemicals | 90.61 | 51.90 | 74.6 | 422.65 | 178.88 | 136.3 |
| Performance & Other Chemicals | 15.73 | 127.63 | -87.7 | 240.25 | 575.89 | -58.3 |
| Others | 1.06 | 4.07 | -74.0 | 1.15 | 24.43 | -95.3 |
| Sub Total | 107.40 | 183.60 | -41.5 | 664.05 | 779.20 | -14.8 |
| Interest | 2.19 | 3.41 | -35.8 | 7.90 | 9.17 | -13.8 |
| Other Unallocable Exp. (net of income) | -15.11 | 0.23 | -6669.6 | -27.86 | -31.55 | -11.7 |
| PBT | 120.32 | 179.96 | -33.1 | 684.01 | 801.58 | -14.7 |

Consolidated Income Statement

Figures in Rs crs

| | FY20 | FY21 | FY22 | FY23 | FY24e |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Income from operations | 4093.06 | 3731.47 | 5080.89 | 5427.52 | 6188.83 |
| <i>Growth (%)</i> | 1.4 | -8.8 | 36.2 | 6.8 | 14.0 |
| Other Income | 78.04 | 102.98 | 76.00 | 114.87 | 69.52 |
| Total Income | 4171.10 | 3834.45 | 5156.89 | 5542.39 | 6258.36 |
| Total Expenditure | 3191.05 | 2814.35 | 4169.45 | 4652.67 | 5095.54 |
| EBITDA (other income included) | 980.05 | 1020.10 | 987.44 | 889.72 | 1162.81 |
| Interest | 9.40 | 9.35 | 9.17 | 7.90 | 5.98 |
| EBDT | 970.65 | 1010.75 | 978.27 | 881.82 | 1156.83 |
| Depreciation | 130.21 | 136.32 | 176.69 | 197.81 | 230.81 |
| Tax | 174.51 | 221.66 | 205.00 | 181.21 | 236.14 |
| Net profit | 665.93 | 652.77 | 596.58 | 502.80 | 689.89 |
| Profit/loss of associate & JV | 4.98 | 7.25 | 8.16 | 3.83 | 7.15 |
| MI | 4.45 | 4.26 | 0.48 | -7.46 | 1.50 |
| Net profit after MI | 666.46 | 655.76 | 604.26 | 514.09 | 695.54 |
| Extraordinary item | 0.22 | 0.64 | -0.42 | -3.18 | - |
| Adjusted Net Profit | 666.24 | 655.12 | 604.68 | 517.27 | 695.54 |
| EPS (Rs.) | 224.61 | 221.17 | 204.37 | 175.26 | 235.67 |

Segment Results

Figures in Rs crs

| | FY20 | FY21 | FY22 | FY23 | FY24e |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Segment Revenue | | | | | |
| Life Science Chemicals | 1251.95 | 1216.37 | 1465.10 | 1959.16 | 2221.92 |
| Performance & Other Chemicals | 2984.50 | 2621.88 | 3759.18 | 3706.17 | 4219.94 |
| Others | 36.83 | 48.48 | 69.98 | 49.64 | 59.57 |
| Income from operations | 4273.28 | 3886.73 | 5294.26 | 5714.97 | 6501.42 |
| Inter - Segment Revenue | 180.22 | 155.26 | 213.37 | 287.45 | 312.59 |
| Net Segment Revenue | 4093.06 | 3731.47 | 5080.89 | 5427.52 | 6188.83 |
| Segment EBIT | | | | | |
| Life Science Chemicals | 223.16 | 219.57 | 178.88 | 422.65 | 444.38 |
| Performance & Other Chemicals | 603.97 | 594.16 | 575.89 | 240.25 | 507.96 |
| Others | 11.13 | 11.30 | 24.43 | 1.15 | 2.98 |
| Sub Total | 838.26 | 825.03 | 779.20 | 664.05 | 955.32 |
| Interest | 9.40 | 9.35 | 9.17 | 7.90 | 5.98 |
| Other Unallocable Exp. (net of income) | -11.58 | -58.75 | -31.55 | -27.86 | 23.31 |
| PBT | 840.44 | 874.43 | 801.58 | 684.01 | 926.03 |

Consolidated Balance Sheet

Figures in Rs crs

| | FY20 | FY21 | FY22 | FY23 | FY24e |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| SOURCES OF FUNDS | | | | | |
| Share Capital | 29.68 | 29.61 | 29.61 | 29.53 | 29.53 |
| Reserves | 3125.22 | 3796.91 | 4399.35 | 4641.85 | 5333.12 |
| Total Shareholders Funds | 3154.90 | 3826.52 | 4428.96 | 4671.38 | 5362.65 |
| Minority Interest | 26.37 | 30.63 | 30.88 | 48.04 | 49.54 |
| Long term debt | 86.58 | 98.21 | 61.05 | 28.71 | 20.00 |
| Total Liabilities | 3267.85 | 3955.36 | 4520.89 | 4748.13 | 5432.19 |
| APPLICATION OF FUNDS | | | | | |
| Gross Block | 1603.28 | 1999.09 | 2345.00 | 2676.05* | 3676.05 |
| Less: Accumulated Depreciation | 493.15 | 597.33 | 728.50 | 926.31 | 1157.12 |
| Impairment | | | | | |
| Net Block | 1110.13 | 1401.76 | 1616.50 | 1749.74 | 2518.93 |
| Capital Work in Progress | 368.14 | 249.70 | 420.47 | 1032.85 | 800.0 |
| Investments | 1137.31 | 1361.05 | 1338.70 | 880.94 | 840.17 |
| Current Assets, Loans & Advances | | | | | |
| Inventory | 503.37 | 594.14 | 864.12 | 789.36 | 928.32 |
| Sundry Debtors | 719.73 | 733.23 | 989.01 | 844.61 | 928.32 |
| Cash and Bank | 35.37 | 348.18 | 68.92 | 52.03 | 60.70 |
| Other Assets | 171.65 | 148.20 | 216.80 | 215.40 | 238.80 |
| Total CA & LA | 1430.12 | 1823.75 | 2138.85 | 1901.40 | 2156.15 |
| Current liabilities | 694.10 | 768.36 | 951.75 | 819.40 | 890.49 |
| Provisions | 37.67 | 37.76 | 46.80 | 20.83 | 23.78 |
| Total Current Liabilities | 731.77 | 806.12 | 998.55 | 840.23 | 914.27 |
| Net Current Assets | 698.35 | 1017.63 | 1140.30 | 1061.17 | 1241.88 |
| Net Deferred Tax | -107.84 | -132.88 | -127.13 | -117.41 | -118.59 |
| Other Assets (Net of liabilities) | 61.76 | 58.10 | 132.05 | 140.84 | 149.80 |
| Total Assets | 3267.85 | 3955.36 | 4520.89 | 4748.13 | 5432.19 |

*estimated

Key Financial Ratios

| | FY20 | FY21 | FY22 | FY23 | FY24e |
|-----------------------------|------|------|------|-------|-------|
| Growth Ratios | | | | | |
| Revenue (%) | 1.4 | -8.8 | 36.2 | 6.8 | 14.0 |
| EBIDTA (%) | 22.0 | 4.0 | -3.1 | -9.5 | 30.1 |
| Net Profit (%) | 53.8 | -1.7 | -7.7 | -14.5 | 34.5 |
| EPS (%) | 53.8 | -1.5 | -7.6 | -14.2 | 34.5 |
| Margins | | | | | |
| Operating Profit Margin (%) | 22.0 | 24.6 | 17.9 | 14.9 | 17.7 |
| Gross Profit Margin (%) | 23.7 | 27.1 | 19.3 | 16.3 | 18.7 |
| Net Profit Margin (%) | 16.3 | 17.5 | 11.7 | 9.3 | 11.1 |
| Return | | | | | |
| ROCE (%) | 22.6 | 18.4 | 14.4 | 11.2 | 13.9 |
| ROE (%) | 23.2 | 19.1 | 15.0 | 11.6 | 14.2 |
| Valuations | | | | | |
| Market Cap / Sales | 2.9 | 5.6 | 6.0 | 3.8 | 3.2 |
| EV/EBIDTA | 11.0 | 19.0 | 29.6 | 22.1 | 16.1 |
| P/E | 17.8 | 32.0 | 50.4 | 39.7 | 28.1 |
| P/BV | 3.8 | 5.6 | 7.0 | 4.5 | 3.7 |
| Other Ratios | | | | | |
| Interest Coverage | 90.4 | 94.4 | 88.5 | 88.1 | 155.9 |
| Debt-Equity Ratio | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Ratio | 3.5 | 3.6 | 3.2 | 2.9 | 2.8 |
| Turnover Ratios | | | | | |
| Fixed Asset Turnover | 3.8 | 3.0 | 3.4 | 3.3 | 2.9 |
| Total Asset Turnover | 1.4 | 1.1 | 1.2 | 1.2 | 1.2 |
| Debtors Turnover | 5.8 | 5.1 | 5.9 | 5.9 | 7.0 |
| Inventory Turnover | 6.3 | 5.1 | 5.7 | 5.6 | 5.9 |
| Creditors Turnover | 7.4 | 5.4 | 7.0 | 7.9 | 9.3 |
| WC Ratios | | | | | |
| Debtor Days | 63.2 | 71.1 | 61.9 | 61.7 | 52.3 |
| Inventory Days | 58.1 | 71.2 | 63.8 | 65.4 | 61.5 |
| Creditor Days | 49.0 | 67.5 | 52.4 | 46.4 | 39.2 |
| Cash Conversion Cycle | 72.3 | 74.7 | 73.3 | 80.6 | 74.6 |

Cumulative Financial Data

| Figures in Rs crs | FY13-15 | FY16-18 | FY19-21 | FY22-24e |
|---------------------------|---------|---------|---------|----------|
| Income from operations | 7157 | 8724 | 11862 | 16697 |
| Operating profit | 1015 | 1476 | 2588 | 2815 |
| EBIT | 886 | 1311 | 2417 | 2440 |
| PBT | 793 | 1246 | 2390 | 2416 |
| PAT after EO | 541 | 871 | 1754 | 1817 |
| Dividends | 78 | 117 | 214 | 273 |
| OPM (%) | 14.2 | 16.9 | 21.8 | 16.9 |
| GPM (%) | 13.5 | 17.4 | 23.4 | 18.1 |
| NPM (%) | 7.7 | 9.9 | 14.7 | 10.7 |
| Interest coverage | 9.6 | 20.0 | 92.4 | 105.8 |
| ROE (%) | 17.5 | 16.4 | 19.8 | 13.5 |
| ROCE (%) | 15.0 | 15.6 | 19.3 | 13.1 |
| Debt-equity ratio* | 0.2 | 0.0 | 0.0 | 0.0 |
| Fixed asset turnover | 5.6 | 3.8 | 3.3 | 2.9 |
| Total asset turnover | 2.1 | 1.6 | 1.3 | 1.2 |
| Debtors turnover | 6.0 | 5.0 | 5.4 | 6.7 |
| Inventory turnover | 5.5 | 5.9 | 6.1 | 6.1 |
| Creditors turnover | 7.5 | 6.6 | 6.0 | 8.3 |
| Debtors days | 61.0 | 73.0 | 67.2 | 54.5 |
| Inventory days | 66.4 | 62.2 | 59.4 | 60.0 |
| Creditor days | 48.8 | 55.7 | 60.3 | 44.2 |
| Cash conversion cycle | 78.7 | 79.4 | 66.3 | 70.4 |
| Dividend payout ratio (%) | 13.5 | 13.6 | 12.3 | 24.7 |

FY13-15 implies three years ending fiscal 15; *as on terminal year

Despite expected recovery in overseas markets for Atul's PoC business and no small drop in raw material prices in general, Atul's cumulative operating profits would advance by a dispiritingly 8.8% during FY22-24e period at a time when cumulative sales is estimated to rise by little unpleasing 40.8% (see table). Wherefore, OPMs would slid by a menacing all but 500 bps to 16.9% from 21.8% in the previous three year period. Expansion of new capacities over the next few quarters coupled with improved outlook of Atul Biosciences and Rudolf Atul would barely save blushes for cumulative post tax earnings would scarcely rise in the projected period.

Despite record capex under implementation both in standalone entity and subsidiaries & JVs, gestation in stabilization of newer projects would all but stymie asset utilization - fixed asset turnover is projected to decline to 2.9 from 3.3 in FY19-21 period. Despite no dreadful recovery in earnings in the current fiscal, ROE would fail to demonstrate perceptible improvement not least due to barely small piling of fixed assets. Cash conversion would all but flat line to some 70 days from 66 days in the preceding three year period (see table).

Financial Summary – US dollar denominated

| million \$ | FY20 | FY21 | FY22 | FY23 | FY24e |
|------------------------------|-------|-------|-------|-------|-------|
| Equity capital | 3.9 | 4.0 | 3.9 | 3.6 | 3.6 |
| Shareholders funds | 414.6 | 508.6 | 570.6 | 555.7 | 632.3 |
| Total debt | 14.4 | 17.2 | 18.3 | 5.7 | 7.9 |
| Net fixed assets (incl CWIP) | 192.2 | 220.7 | 264.9 | 334.9 | 397.7 |
| Investments | 150.9 | 185.2 | 176.6 | 107.1 | 101.6 |
| Net current assets | 92.6 | 130.4 | 140.7 | 117.4 | 137.6 |
| Total assets | 429.6 | 526.1 | 582.8 | 562.3 | 640.7 |
| Revenues | 577.5 | 502.9 | 681.9 | 675.1 | 748.2 |
| EBITDA | 138.2 | 137.4 | 132.6 | 111.2 | 140.6 |
| EBDT | 136.9 | 136.1 | 131.4 | 110.2 | 139.8 |
| PBT | 118.5 | 117.7 | 107.7 | 85.6 | 111.9 |
| PAT | 94.0 | 88.3 | 81.2 | 64.3 | 84.1 |
| EPS(\$) | 3.17 | 2.98 | 2.74 | 2.18 | 2.85 |
| Book value (\$) | 14.0 | 17.2 | 19.3 | 18.8 | 21.4 |

*income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rates(Rs 82.72\$)

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Exchange Rates Used- Indicative

| Rs/\$ | FY19 | FY20 | FY21 | FY22 | FY23 |
|----------|-------|-------|-------|-------|-------|
| Average | 69.89 | 70.88 | 74.20 | 74.51 | 80.39 |
| Year end | 69.17 | 75.39 | 73.50 | 75.81 | 82.22 |

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.