

## Atul Ltd

No. of shares (m)	29.66
Mkt cap (Rs crs/\$m)	17328/2332.2
Current price (Rs/\$)	5842/78.6
Price target (Rs/\$)	7381/99.3
52 W H/L (Rs.)	5870/2923
Book Value (Rs/\$)	1095/14.7
Beta	0.8
Daily volume NSE (avg. monthly)	40040
P/BV (FY21e/22e)	4.6/3.8
EV/EBITDA (FY21e/22e)	16.2/13.5
P/E (FY21e/22e)	27.2/22.2
EPS growth (FY20/21e/22e)	53.8/-4.5/22.9
OPM (FY20/21e/22e)	22.0/22.7/23.2
ROE (FY20/21e/22e)	23.2/18.4/18.7
ROCE(FY20/21e/22e)	22.6/18.0/18.3
D/E ratio (FY20/21e/22e)	0.0/0.0/0.0
BSE Code	500027
NSE Code	ATUL
Bloomberg	ATLP IN
Reuters	ATLP.NS

## Shareholding pattern

	%
Promoters	44.8
MFs / Banks / FIs	25.3
FPIs	6.7
Govt. Holding	0.0
Public & Others	23.2
<b>Total</b>	<b>100.0</b>

As on June 30, 2020

## Recommendation

**BUY**

## Analyst

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(Figures in Rs crs)	FY18	FY19	FY20	FY21e	FY22e
Income from operations	3295.77	4037.81	4093.06	3977.78	4552.01
Other Income	25.91	34.86	78.04	100.73	152.91
EBITDA (other income included)	531.10	801.64	980.05	1002.60	1209.85
Adjusted PAT	276.27	433.06	666.24	636.14	781.93
EPS(Rs)	93.14	146.00	224.61	214.46	263.62
EPS growth (%)	-13.8	56.8	53.8	-4.5	22.9

## Company Brief

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

## Quarterly Highlights

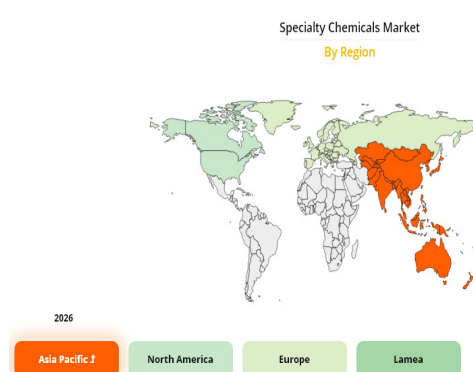
- Scarcely unscathed by the horrendous pandemic which triggered countrywide lockdown and forced suspension of Atul's manufacturing plants, beside others, its income from operations plunged by a little pleasing 36.5% to Rs 660.56 crs in the first quarter compared to Rs 1040.55 crs in the same quarter a year ago. Due to its far lesser reliance on essentials when compared to life science chemicals, performance and other chemicals barely managed to evade the brunt of the pandemic for its revenues slid by a little gratifying, though barely sustainable, 42.6%, which took all but a narrow toll on earnings. Thence performance and other chemicals business earnings (read: EBIT) tumbled by a blistering 41.7% to Rs 85.55 crs as against Rs 146.69 crs in quarter ago period; though EBIT margin not unsurprisingly rose to 22.5% from 21.4%.
- Fall in EBIT of the life science chemicals business has been hardly unsavage at Rs 51.04 crs from Rs 70.06 crs in the same quarter a year ago, though still perceptibly higher than Rs 33.92 crs in the March quarter. Overall operating profits fell by a hardly settling 34% to Rs 158.66 crs, yet not weak enough to stymie OPMs for it rose to 24% from Rs 23.1%.
- If it was not for a sharp rise in other income - Rs 40.64 crs Vs 9.97 crs, profit before tax would have seen a much sharper decadency to the reported 24.5%. Partially to impact of lower tax rate, consolidated post tax earnings nosedived by a humbling 20.1% to Rs 117.78 crs compared to Rs 147.33 crs in the quarter ago period.
- The stock currently trades at 27.2x FY21e EPS of Rs 214.46 and 22.2x FY22e EPS of Rs 263.62. Marginal cut in current fiscal earnings estimates (EPS at Rs 214 Vs Rs 233 earlier) stems from lower than estimated EBITDA scaled from the dismal impact of the pandemic. Yet earnings next fiscal would be barely stymied (estimated to rise by 22.9%) from all but vigorous of take of bulk chemicals and colors businesses. Delay in capex by the pandemic by a few months would barely have any excruciating impact not least due to redundancies in existing capacities (current capacity utilization 75-80%). On balance we retain our buy recommendation on the stock with revised target of Rs 7381 (previous target: Rs 4663) based on 28x FY22earnings over a period of 9-12 months.

## Outlook & Recommendation

### Global Specialty Chemicals Update

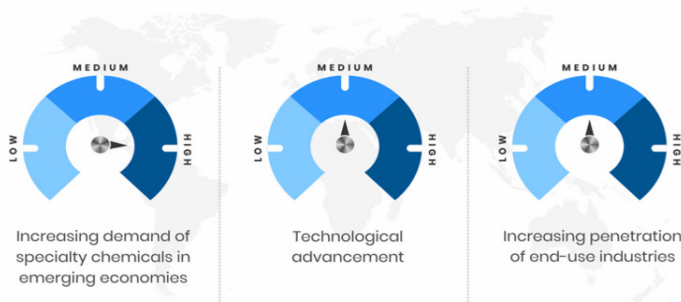
According to a report by Grand View Research, Inc, the global specialty chemicals market is estimated to grow by 3.7% CAGR to \$844.2 bn during 2016-27 periods not least due to higher performance achieved by the application of specialty chemicals when compared to their conventional counterparts. Increasing disposable income, growing awareness, higher healthcare and construction spending, infrastructural development, and population growth are factors likely to increase the product sales across end-use industries such as construction, personal care, and cosmetics, pharmaceutical and nutraceuticals, food, automotive, and electronics.

The industry would get a further fillip from growing consumer demand for energy that has driven the product consumption in oil & gas end use. Yet competition among the players is intensely rising all thanks to increased participation in R&D along with new and innovative product launches. The report further contends that compliance with the national and international norms for sustainable manufacturing and distribution along with acquiring certifications such as USDA and GMP could pose challenges to manufacturers in domestic as well as offshore businesses. Further, halts in trade, supply chain disruptions and industrial slowdown caused by the impact of Covid in some of the major economies such as US, Iran and China are likely to add to industry woes in 2020.



Source: Allied Market Research

### DRIVERS FOR SPECIALTY CHEMICALS MARKET: IMPACT ANALYSIS



Source: Prescient Strategic Intelligence

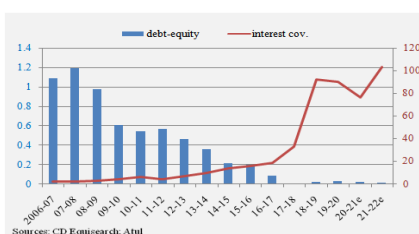
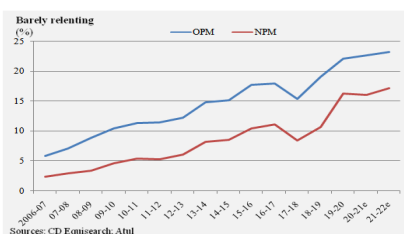
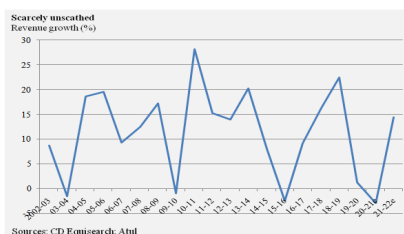
Another report published by Allied Market Research a couple of months back predicts a growth of 5% in global specialty chemicals market from 2020 to 2027. The report contends that the industry has strived to reduce its dependence on petrochemicals and has focused on bio-based or renewable materials. This would have a medium impact on the industry. Increasingly chemical manufacturers are focusing greater attention on innovation and various R&D processes to meet customers' demands.

The introduction of new and advanced products in the end-user industries such as smart phones, tablets, and wireless devices with developed and better technologies supports the specialty chemicals market for electronic chemicals. In addition, in the automotive electronics market, technological development focuses on the introduction of highly efficient automated products. Far greater efforts are made by chemical manufacturers to include specialty chemicals for numerous end-user industries such as oil & gas, construction, printing inks, and cosmetics among others.

## Financials & Valuation

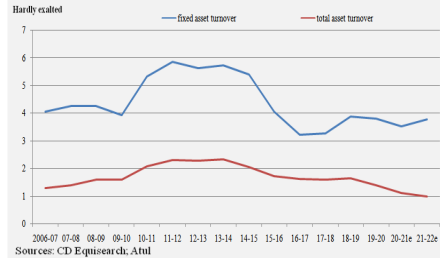
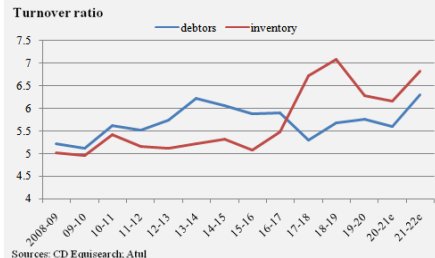
Fomented by gradual built up of momentum in global specialty chemicals industry, Atul has laid sustainable expansion plans, though a part of it has been delayed due to Covid, over the next few years, though barely enormous when compared to those laid out by some other chemical manufacturers such as Aarti Industries. Of total ongoing projects worth some Rs 487 crs, Atul's fully owned subsidiary, Atul Bioscience, would shortly commission a facility of APIs and their intermediates with no meager sales potential. Its JV with Nouryon for manufacturing monochloroacetic acid would also see project commissioning by the second half of current fiscal. Greater "velocity" in undertaking mammoth capital projects would barely be alienated from greater product approvals.

Despite Atul's hardly wavering resolve to launch new products across businesses - aromatics, colors (new dyes, pigments, and textile chemicals), pharmaceuticals - new products, by management's assessment, would scarcely exceed 15% of annual revenues. With increased focus on improving production processes, the roll out of downstream products is expected to increase going ahead. Though it forms not a large portion of the current business, Atul's retail business - a sort of forward integration - would see greater investments in strengthening the retail network across the country.



Expected business recovery in second half of current fiscal fomented by all but grim of take from agrochemicals and pharmaceuticals industries would expectedly large circumvent volume loss in first half due to the pandemic. Wherefore, consolidated revenues are estimated to decline by just 2.8% this fiscal before rising by some 15% in next. All thanks to little stress in its bulk chemicals and colors business, margins of POC segment would well-nigh advance to record high next fiscal on no minuscule growth in revenues.

The stock currently trades at 27.2x FY21e EPS of Rs 214.46 and 22.2x FY22e EPS of Rs 263.62. Though earnings would barely struggle to revive next fiscal (expected to rise by 22.9%) not least due to traction in economic growth and perceptible recognition of revenues from Rs 372 capital investments of subsidiaries, JVs and associates - mostly pertinently of commissioning of Atul Bioscience's Ambernath site this fiscal. Yet expected redundancies in existing capacities and mounting pile of liquid assets would scarcely help in alleviating the return on capital - ROE estimated at 18.7% for FY22 Vs 23.2% in FY20. On balance we retain our buy recommendation on the stock with revised target of Rs 7381 (previous target: Rs 4663) based on 28x FY22earnings over a period of 9-12 months. For more info, refer to our September 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. coverage	ROE (%)	Mcap / IO	P/BV	P/E
Aarti Inds.	87	1173	20439	4085	480	22.3	11.9	6.1	16.7	5.0	6.7	42.6
Atul Ltd	30	5842	17328	3713	637	22.1	17.1	78.2	21.3	4.7	5.3	27.2
Deepak Nitrite	27	754	10281	3853	583	25.0	15.1	7.7	41.1	2.7	6.2	17.6
Sudarshan Chem	14	480	3321	1650	106	14.3	6.4	11.2	18.2	2.0	5.5	31.2

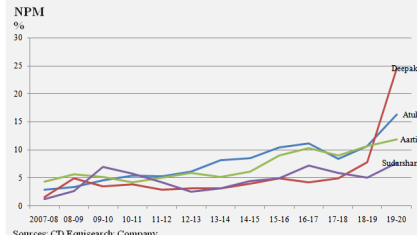
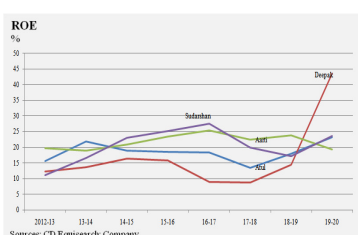
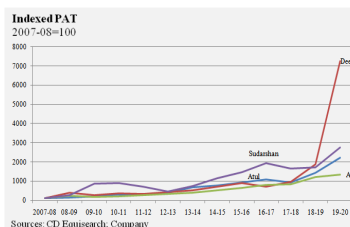
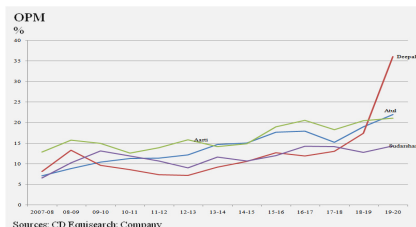
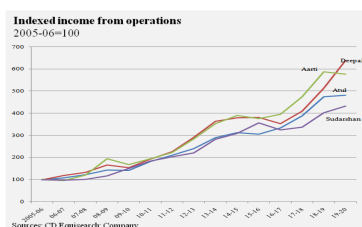
;calculations on ttm basis

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

Little rescued by the national lockdowns impacted Sudarshan's Q1 revenue recognition for it declined 14.2% thus precipitating 35.6% drop in pre-tax earnings. EBIT margins of its pigment business drop discernibly to 9.5% in Q1 from 12.2% in the same quarter a year ago, thus triggering nearly a third drop in its EBIT. Plans are afoot to augment its production capacities of pigments at its Roha and Mahad facilities. To cement its market presence in speciality pigments, Sudarshan plans to launch 20-25 new products every year.

Restrained by barely robust of take by Aarti's key business verticals such as automotive, aerospace, dye intermediates, pigments etc during Q1, its specialty chemicals no smallish drop in revenues (~11%), while its EBIT plunged by a gut-wrenching 39.2% to Rs 129.62 crs compared to Rs 213.29 crs in the same quarter a year ago. EBIT margin of its speciality chemicals as a consequence dropped to a barely pleasing 15.4% compared to 22.6%. Scarcely unnerved by pandemic, Aarti would all but waver in its commitment to invest Rs 1000-1200 crs this fiscal; spent Rs 222 crs in Q1. Logistical challenges stoked by pandemic hindered movement of goods, resulting in higher inventory.

Deepak Nitrite's most imposing performance products took the biggest cut in revenues last quarter (at 76%) not least due to no puny demands suppression in paper and textiles industries, thus reversing the demand-supply dynamics of this business segment. Thence, its EBIT barely insignificantly declined to Rs 6.50 crs from Rs 75.38 crs in the March quarter. Its IPA plant which was commissioned in April reached peak utilization of some 110% during the quarter. Buoyed by exports, DNL's phenolics business surprisingly posted over 16% growth in EBIT though on 34% drop in revenues.



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## Financials

## Quarterly Results

Figures in Rs crs

	Q1FY21	Q1FY20	% chg.	FY20	FY19	% chg.
<b>Income from operations (net)</b>	660.56	1040.55	-36.5	<b>4093.06</b>	<b>4037.81</b>	<b>1.4</b>
Other Income	40.64	9.97	307.6	78.04	34.86	123.9
<b>Total Income</b>	<b>701.20</b>	<b>1050.52</b>	<b>-33.3</b>	<b>4171.10</b>	<b>4072.67</b>	<b>2.4</b>
Total Expenditure	501.90	800.30	-37.3	3191.05	3271.03	-2.4
<b>PBIDT (other income included)</b>	<b>199.30</b>	<b>250.22</b>	<b>-20.4</b>	<b>980.05</b>	<b>801.64</b>	<b>22.3</b>
Interest	2.67	1.87	42.8	9.40	7.41	26.9
Depreciation	33.12	31.76	4.3	130.21	118.91	9.5
<b>PBT</b>	<b>163.51</b>	<b>216.59</b>	<b>-24.5</b>	<b>840.44</b>	<b>675.32</b>	<b>24.5</b>
Tax	45.85	68.94	-33.5	174.51	244.32	-28.6
<b>PAT</b>	<b>117.66</b>	<b>147.65</b>	<b>-20.3</b>	<b>665.93</b>	<b>431.00</b>	<b>54.5</b>
Profit/loss of associate & JV	0.28	1.09	-74.3	4.98	5.02	-0.8
MI	0.16	1.41	-88.7	4.45	3.79	17.4
<b>Net profit after MI &amp; JV</b>	<b>117.78</b>	<b>147.33</b>	<b>-20.1</b>	<b>666.46</b>	<b>432.23</b>	<b>54.2</b>
Extraordinary Item	-	-	-	0.22	-0.83	-126.7
<b>Adjusted Net Profit</b>	<b>117.78</b>	<b>147.33</b>	<b>-0.2</b>	<b>666.24</b>	<b>433.06</b>	<b>53.8</b>
EPS (F.V. 10)	39.71	49.67	-20.1	224.61	146.00	53.8

## Segment Results

Figures in Rs crs

	Q1FY21	Q1FY20	% chg.	FY20	FY19	% chg.
<b>Segment Revenue</b>						
Life Science Chemicals	270.86	347.76	-22.1	1251.95	1353.43	-7.5
Performance & Other Chemicals	420.49	732.80	-42.6	2984.50	2881.58	3.6
Others	8.71	7.55	15.4	36.83	29.97	22.9
<b>Sub Total</b>	<b>700.06</b>	<b>1088.11</b>	<b>-35.7</b>	<b>4273.28</b>	<b>4264.98</b>	<b>0.2</b>
Inter - Segment Revenue	39.50	47.56	-16.9	180.22	227.17	-20.7
<b>Income from ops. (gross)</b>	<b>660.56</b>	<b>1040.55</b>	<b>-36.5</b>	<b>4093.06</b>	<b>4037.81</b>	<b>1.4</b>
<b>Segment EBIT</b>						
Life Science Chemicals	51.04	70.06	-27.1	223.16	229.15	-2.6
Performance & Other Chemicals	85.55	146.69	-41.7	603.97	462.10	30.7
Others	-0.52	1.29	-140.3	11.13	6.26	77.8
<b>Sub Total</b>	<b>136.07</b>	<b>218.04</b>	<b>-37.6</b>	<b>838.26</b>	<b>697.51</b>	<b>20.2</b>
Interest	2.67	1.87	42.8	9.40	7.41	26.9
Other Unallocable Exp. (net of income)	-30.11	-0.42	-	-11.58	14.78	-178.3
<b>PBT</b>	<b>163.51</b>	<b>216.59</b>	<b>-24.5</b>	<b>840.44</b>	<b>675.32</b>	<b>24.5</b>

## Consolidated Income Statement

Figures in Rs crs

	FY18	FY19	FY20	FY21e	FY22e
<b>Income from operations</b>	<b>3295.77</b>	<b>4037.81</b>	<b>4093.06</b>	<b>3977.78</b>	<b>4552.01</b>
<i>Growth (%)</i>	16.3	22.5	1.4	-2.8	14.4
Other Income	25.91	34.86	78.04	100.73	152.91
<b>Total Income</b>	<b>3321.68</b>	<b>4072.67</b>	<b>4171.10</b>	<b>4078.50</b>	<b>4704.92</b>
Total Expenditure	2790.58	3271.03	3191.05	3075.90	3495.06
<b>EBITDA (other income included)</b>	<b>531.10</b>	<b>801.64</b>	<b>980.05</b>	<b>1002.60</b>	<b>1209.85</b>
Interest	12.74	7.41	9.40	11.24	10.20
<b>EBDT</b>	<b>518.36</b>	<b>794.23</b>	<b>970.65</b>	<b>991.36</b>	<b>1199.65</b>
Depreciation	110.38	118.91	130.21	139.49	154.88
Tax	130.97	244.32	174.51	214.42	262.97
<b>Net profit</b>	<b>277.01</b>	<b>431.00</b>	<b>665.93</b>	<b>637.46</b>	<b>781.80</b>
Profit/loss of associate & JV	4.23	5.02	4.98	3.33	5.33
MI	4.76	3.79	4.45	4.65	5.20
<b>Net profit after MI</b>	<b>276.48</b>	<b>432.23</b>	<b>666.46</b>	<b>636.14</b>	<b>781.93</b>
Extraordinary item	0.21	-0.83	0.22	0.00	0.00
<b>Adjusted Net Profit</b>	<b>276.27</b>	<b>433.06</b>	<b>666.24</b>	<b>636.14</b>	<b>781.93</b>
EPS (Rs.)	93.14	146.00	224.61	214.46	263.62

## Segment Results

Figures in Rs crs

	FY18	FY19	FY20	FY21e	FY22e
<b>Segment Revenue</b>					
Life Science Chemicals	1130.67	1353.43	1251.95	1210.45	1371.39
Performance & Other Chemicals	2368.88	2881.58	2984.50	2894.18	3325.84
Others	56.38	29.97	36.83	33.15	39.78
<b>Income from operations</b>	<b>3555.93</b>	<b>4264.98</b>	<b>4273.28</b>	<b>4137.78</b>	<b>4737.01</b>
Inter - Segment Revenue	218.01	227.17	180.22	160.00	185.00
<b>Net Segment Revenue</b>	<b>3337.92*</b>	<b>4037.81</b>	<b>4093.06</b>	<b>3977.78</b>	<b>4552.01</b>
<b>Segment EBIT</b>					
Life Science Chemicals	131.81	229.15	223.16	217.88	253.71
Performance & Other Chemicals	290.36	462.10	603.97	601.52	706.69
Others	7.88	6.26	11.13	6.63	9.94
<b>Sub Total</b>	<b>430.05</b>	<b>697.51</b>	<b>838.26</b>	<b>826.03</b>	<b>970.34</b>
Interest	12.74	7.41	9.40	11.24	10.20
Other Unallocable Exp. (net of income)	9.33	14.78	-11.58	-37.08	-84.63
<b>PBT</b>	<b>407.98</b>	<b>675.32</b>	<b>840.44</b>	<b>851.87</b>	<b>1044.77</b>



## Consolidated Balance Sheet

Figures in Rs crs

	FY18	FY19	FY20	FY21e	FY22e
<b>SOURCES OF FUNDS</b>					
Share Capital	29.68	29.68	29.68	29.68	29.68
Reserves	2214.24	2676.03	3125.22	3831.34	4623.30
<b>Total Shareholders Funds</b>	<b>2243.92</b>	<b>2705.71</b>	<b>3154.90</b>	<b>3861.03</b>	<b>4652.99</b>
Minority Interest	20.01	23.80	26.37	31.02	36.22
Long term debt	0.00	43.14	86.58	76.58	66.58
<b>Total Liabilities</b>	<b>2263.93</b>	<b>2772.65</b>	<b>3267.85</b>	<b>3968.63</b>	<b>4755.78</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	1295.26	1469.56	1603.28	1828.28	2053.28
Less: Accumulated Depreciation	267.98	365.27	493.15	632.64	787.52
Impairment					
<b>Net Block</b>	<b>1027.28</b>	<b>1104.29</b>	<b>1110.13</b>	<b>1195.64</b>	<b>1265.76</b>
Capital Work in Progress	96.20	172.27	368.14	300.00	300.00
Investments	469.84	752.01	1137.31	1808.94	2518.79
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	411.43	511.82	503.37	493.30	530.30
Sundry Debtors	723.40	698.47	719.73	698.14	747.01
Cash and Bank	49.39	54.50	35.37	56.77	32.66
Other Assets	165.57	188.67	171.65	176.11	189.72
<b>Total CA &amp; LA</b>	<b>1349.79</b>	<b>1453.46</b>	<b>1430.12</b>	<b>1424.31</b>	<b>1499.69</b>
Current liabilities	557.87	547.36	694.10	635.84	687.87
Provisions	10.87	29.87	37.67	40.41	44.63
<b>Total Current Liabilities</b>	<b>568.74</b>	<b>577.23</b>	<b>731.77</b>	<b>676.25</b>	<b>732.50</b>
Net Current Assets	781.05	876.23	698.35	748.06	767.19
Net Deferred Tax	-124.54	-138.96	-107.84	-124.73	-136.82
Other Assets (Net of liabilities)	14.10	6.81	61.76	40.71	40.87
<b>Total Assets</b>	<b>2263.93</b>	<b>2772.65</b>	<b>3267.85</b>	<b>3968.63</b>	<b>4755.78</b>

## Key Financial Ratios

	FY18	FY19	FY20	FY21e	FY22e
<b>Growth Ratios</b>					
Revenue (%)	16.3	22.5	1.4	-2.8	14.4
EBIDTA (%)	-5.0	51.3	22.0	2.3	20.7
Net Profit (%)	-13.8	56.8	53.8	-4.5	22.9
EPS (%)	-13.8	56.8	53.8	-4.5	22.9
<b>Margins</b>					
Operating Profit Margin (%)	15.3	19.0	22.0	22.7	23.2
Gross Profit Margin (%)	15.7	19.7	23.7	24.9	26.4
Net Profit Margin (%)	8.4	10.7	16.3	16.0	17.2
<b>Return</b>					
ROCE (%)	13.3	17.8	22.6	18.0	18.3
ROE (%)	13.5	18.1	23.2	18.4	18.7
<b>Valuations</b>					
Market Cap / Sales	2.4	2.6	2.9	4.4	3.8
EV/EBIDTA	13.7	12.3	11.0	16.2	13.5
P/E	28.2	24.6	17.8	27.2	22.2
P/BV	3.6	4.1	3.8	4.6	3.8
<b>Other Ratios</b>					
Interest Coverage	33.0	92.3	90.4	76.8	103.4
Debt-Equity Ratio	0.0	0.0	0.0	0.0	0.0
Current Ratio	3.0	3.5	3.5	4.5	76.9
<b>Turnover Ratios</b>					
Fixed Asset Turnover	3.3	3.9	3.8	3.5	3.8
Total Asset Turnover	1.6	1.7	1.4	1.1	1.0
Debtors Turnover	5.3	5.7	5.8	5.6	6.3
Inventory Turnover	6.7	7.1	6.3	6.2	6.8
Creditors Turnover	7.0	7.8	7.4	6.8	7.7
<b>WC Ratios</b>					
Debtor Days	68.8	64.3	63.2	65.1	57.9
Inventory Days	54.3	51.5	58.1	59.1	53.4
Creditor Days	52.1	46.8	49.0	53.8	47.1
Cash Conversion Cycle	71.0	69.0	72.3	70.3	64.3



**Cumulative Financial Data**

Figures in Rs crs	FY11-13	FY14-16	FY17-19	FY20-22e
Income from operations	5391	7709	10168	12623
Operating profit	630	1227	1783	2861
EBIT	544	1100	1567	2768
PBT	441	1014	1522	2737
PAT after EO	292	699	1030	2084
Dividends	52	93	135	197
OPM (%)	11.7	15.9	17.5	22.7
GPM (%)	10.7	15.5	18.2	25.0
NPM (%)	5.6	9.0	10.1	16.5
Interest coverage	5.3	12.7	34.6	89.7
ROE (%)	15.3	19.7	16.4	19.3
ROCE (%)	12.8	16.6	15.3	19.0
Debt-equity ratio*	0.5	0.2	0.0	0.0
Fixed asset turnover	5.2	4.5	3.7	3.6
Total asset turnover	2.1	2.0	1.6	1.0
Debtors turnover	5.8	6.5	5.9	5.8
Inventory turnover	5.4	5.4	5.9	6.2
Creditors turnover	5.6	7.1	8.0	7.6
Debtors days	62.5	56.3	61.4	62.7
Inventory days	68.1	67.1	61.4	58.4
Creditor days	65.2	51.2	45.4	47.8
Cash conversion cycle	65.4	72.2	77.4	73.3
Dividend payout ratio (%)	16.6	13.0	13.3	9.5

FY11-13 implies three years ending fiscal 13; \*as on terminal year

Scarcely stymied by performance and other chemicals business - hardly suppressed by its aromatics, colors and bulk chemicals businesses - Atul's cumulative income from operations growth during FY20-22e period would not indistinctly trail post tax earnings growth not least due to barely imperceptible expansion in OPMs, discernible rise in other income and lower corporate tax rates. Barely weakish expansion in margins of its POC business in last few quarters (FY20 EBIT margin at 21.5% Vs 17.4%) and expectation of this trend continuing at least over the next few more quarters would all but galvanized cumulative EBIT growth to 77% during FY20-22e period. Yet little "velocity" in revenue recognition this fiscal - accentuated by the friction in demand from virus induced lockdowns - would anything but help aid asset turnover ratios - fixed asset turnover is estimated to decline to 3.6 in FY20-22 period from 3.7 in FY17-19 period (see table).

Seeming animation in return on equity during FY20-22e period would all but conceal the expected stress in earnings this fiscal - ROE estimated to decline to 18.4% in the current fiscal from 23.2% the year before - and impact of lower yields on its holdings of marketable securities of both debt and equity. Yet no smallish hoard of cash would lend redundancies to undertake large capital projects or resort to inorganic route of expansion as and when available, thus enabling it to avoid financial leverage. Atul's stable working capital assets in the ensuing period would help flat line its cash conversion cycle.

## Financial Summary – US dollar denominated

million \$	FY18	FY19	FY20	FY21e	FY22e
Equity capital	4.6	4.3	3.9	4.0	4.0
Shareholders funds	334.6	378.6	414.6	509.7	615.3
Total debt	2.4	7.9	14.4	13.0	11.7
Net fixed assets (incl CWIP)	169.1	179.9	192.2	197.4	206.8
Investments	72.2	108.7	150.9	243.5	339.0
Net current assets	113.3	118.8	92.6	94.7	194.9
Total assets	337.7	388.3	429.6	524.2	727.8
Revenues	511.4	577.7	577.5	535.4	612.7
EBITDA	82.4	114.9	138.2	134.9	162.8
EBDT	80.4	113.8	136.9	133.4	161.5
PBT	63.3	96.8	118.5	114.7	140.6
PAT	42.9	62.0	94.0	85.6	105.2
EPS(\$)	1.45	2.09	3.17	2.89	3.55
Book value (\$)	11.3	12.8	14.0	17.2	20.7

\*income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rates(Rs 74.30\$)

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buy: >20%    accumulate: >10% to ≤20%    hold: ≥-10% to ≤10%    reduce: ≥-20% to <-10%    sell: <-20%

Exchange Rates Used- Indicative

Rs/\$	FY17	FY18	FY19	FY20
Average	67.09	64.45	69.89	70.88
Year end	64.84	65.04	69.17	75.39

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.