Atul Ltd	
No. of shares (m)	29.66
Mkt cap (Rs crs/$m)	9988/1403.0
Current price (Rs/$)	3367/47.3
Price target (Rs/$)	4169/58.6
52 W H/L (Rs.)	3618/2500
Book Value (Rs/$)	810/11.4
Beta	0.6
Daily volume NSE (avg. monthly)	24280
P/BV (FY19e/20e)	3.8/3.3
EV/EBITDA (FY19e/20e)	12.8/11.1
P/E (FY19e/20e)	24.4/21.0
EPS growth (FY18/19e/20e)	-13.8/48.0/16.2
OPM (FY18/19e/20e)	15.3/16.9/16.2
ROE (FY18/19e/20e)	13.5/17.1/16.9
ROCE(FY18/19e/20e)	13.3/17.0/16.8
D/E ratio (FY18/19e/20e)	0.0/0.0/0.0
BSE Code	500027
NSE Code	ATUL
Bloomberg	ATLP IN
Reuters	ATLP.NS

Shareholding pattern	%
Promoters	44.7
MFs / Banks / FIs	23.3
FPIs	5.6
Govt. Holding	0.0
Public & Others	26.4
Total	**100.0**

As on Sep 30, 2018

Recommendation

BUY

Analyst

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Company Brief

Atul Ltd manufactures value added chemicals by blending basic chemicals and natural resources for diverse industries -agriculture, construction, textiles, pharmaceuticals and automobiles - from its plants in Valsad, Bharuch (Gujarat) and Thane (Maharashtra).

Quarterly Highlights

- Fortified by not tepid growth in margins of both life science chemicals (LSC) and performance and other chemicals (POC) - LSC's expanded by ~340 bps; PoC 's by ~480 bps - Atul's post tax earnings surge by a dizzying 69.9% last quarter; margin gains have been barely timid in H1 as EBIT margin for LSC business surged by over 400 bps to 14.4%, while that of PoC advanced by 540 bps to 16.7%. Revenuue of its LSC and PoC businesses strikingly jumped - 30.4% and 25.5% respectively in Q2.
- Interest costs declined discernibly from Rs 5.28 crs in H1FY18 to Rs 2.01 crs, while depreciation expense rose abysmally (4.3%). Helped by no puny expansion in OPMs, post tax earnings rose by 94.5% to Rs 203.21 crs in H1 compared to Rs 104.50 crs in the same period a year ago.
- Atul's pharmaceutical business which saw some modest recovery (volumes up 6%) last fiscal plans to boost its CRAMS business with strategic business besides growing sales in US, Europe and EU5. Plans are afoot to refurbish and debottleneck pilot plant to scale up new products. Yet volumes are scarcely expected to surpass 10% in the ensuing two years.
- Atul's illustrious crop protection business would unveil multi-faceted strategy to prime its bulk actives business - ranging from expansion of capacity of existing products to expanding geographical reach through new registrations to developing new products with backward integration. Promoting brand sales - rose by 51% to Rs 106 crs last fiscal - has become one of the cornerstones of its crop protection business rejig.
- The stock currently trades at 24.4x FY19e EPS of Rs 137.93 and 21.0x FY20e EPS of Rs 160.33. Commencement of JV with Akzo Nobel, improved outlook of aromatics business, higher polymer supplies to aerospace industry and barely weary off take of bulk chemicals would all circumvent any stress in earnings emanating from volatile crude oil prices. In light of current uptick in earnings we revise upwards our current year earnings by 19.4%. Treading past valuation, we advise buying the stock with revised target of Rs 4169 (previous target: Rs 3234) based on 26x FY20e earnings over a period of 6-9 months.

(Figures in Rs crs)	FY16	FY17	FY18	FY19e	FY20e
Income from operations	2594.59	2833.94	3295.77	4087.51	4791.30
Other Income	34.40	52.55	25.91	34.77	57.36
EBITDA (other income included)	493.63	562.00	531.10	724.09	832.40
Adjusted PAT	275.51	320.65	276.35	409.11	475.57
EPS(Rs)	92.89	108.11	93.17	137.93	160.33
EPS growth (%)	21.9	16.4	-13.8	48.0	16.2

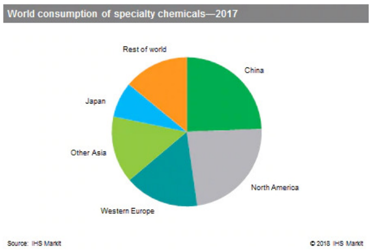
Outlook & Recommendation

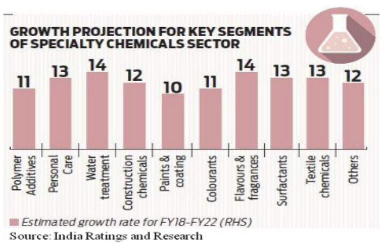
Global Specialty Chemicals Update

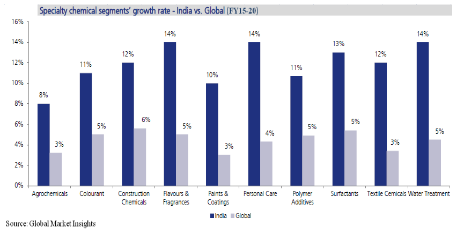
According to Market Research Future (MRFR), the global specialty chemicals is estimated to over $1 trillion by 2023 from $700 bn in 2017 driven by increasing population which would push up demand in the construction, food & agro and textile industry. In addition, increased urbanization would propel demand for water chemicals for recycling wastewater. Further, improving quality of consumers' lifestyle worldwide has fortified sales of luxury items such as automotive and personal care products and cosmetics. Region wise, APAC holds the forte triggered by rising demand for crop protection chemicals and accelerating growth of construction chemicals - fallout of rising demand for public, residential and commercial buildings. The specialty chemical industry in India is likely to benefit from twin effects of GST rollout and "Make in India" campaign of GOI.

Besides, shifting manufacturing bases from stricter environment norms following European and North American region to less vigilant APAC region has also propelled growth. Demand from emerging economies has also got leg up from growing middle class population and rising urbanization in food, agriculture, cosmetics etc. As a result, enhanced off take of specialty chemicals is perceptible from China, India and Brazil. Yet ever-changing regulations in chemical industry and fluctuating cost of raw materials pose noteworthy risks. Chemical regulations are dynamic and thus constantly change as per compliance requirements. International chemical companies struggle to comply with differing regulations and requirements of countries.

According to IHS Markit, growth prospects of some of the segments of specialty chemicals industry, most notably electronic chemicals, nutraceutical ingredients and oil field chemicals appear favorable. Rising levels of disposable income in developing worlds and increasing consumer spending in North America, Western Europe and Japan would galvanize demand for nutraceuticals, cosmetic chemicals and flavors and fragrances. It reckons that both India and China have emerged as strong manufacturing hubs in global specialty chemicals sweepstakes, but the concept of China as a low cost producer is gone because of its shifting focus from exports to meeting domestic demand for higher value downstream products.







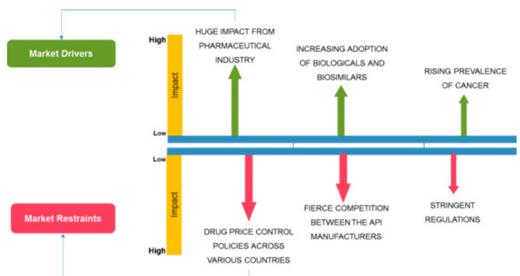
India's domestic specialty chemicals off take too support buoyant outlook -Indian specialty chemical industry estimated to double by FY25. Rising demand for specialty chemical end use industries such as textile, automotive, personal care, construction chemicals and agro chemicals would support high growth momentum in the medium term, reckons India Ratings, a credit rating agency. Implementation of strict environmental norms in China has reduced competitive advantages for Indian firms, thus favoring Indian exporters of specialty chemicals. However, the agency posits that sharp increase in oil prices, uncertainty about feedstock procurement and uptick in global capacity expansion would negatively impact the sector.

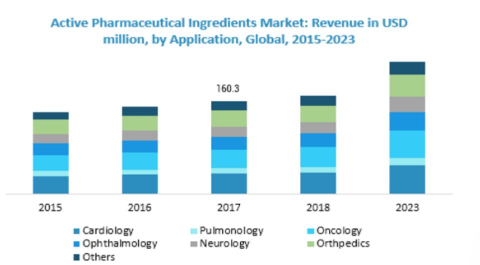
For enhancing margins, companies operating in the specialty chemicals industry are expected to diversify their specialty chemicals portfolio even further, thus conducting feasibility studies for new products. However, the trade war between US and China is expected to knock down market growth, thus affecting the petrochemicals industry.

API Industry

Given rising incidence of chronic diseases such as diabetes, cancer, cardiovascular diseases, global API industry is poised for stable growth over the next few years. Global pharmaceutical companies continue to scout for outsourcing opportunities in developing economies of China, India and Brazil not least due to growing API demand from a host of factors - growing demand for instant-effect medicines, affordability of drugs and the incremental launches of generics on account of patent expiration. However, supplies from China have been disrupted due to their Government's crackdown on polluting industrial units, thus prompting generic pharmaceutical companies to look for alternative supply sources for APIs and intermediates.

According to Mordor Intelligence, the global API industry is expected to grow at a CAGR of 6.1% during 2018-2023 driven by huge impact from pharmaceutical industry, growing adoption of biological and biosimilars, and rising prevalence of cancer. It reckons that Asia Pacific region is expected to register the highest growth rate compared to other regions, owing to increasing healthcare spends, aging population and growing regional economies. To reduce healthcare expenditures, Japanese Ministry of Health, Labor, and Welfare (MHLW) has decided to accentuate the use of generic drugs.





Source: Mordor Intelligence

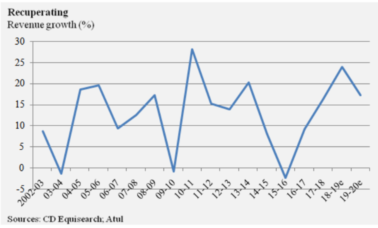
Yet pinching quality control measures obscure API outsourcing for APIs are subject to stringent regulations and oversight; API plants overseas go through an inspection by the US Food & Drug Administration. With European Union, several other countries are enforcing regulatory requirements and inspection systems similar to FDA. Such checks restrict the growth of companies operating in this market.

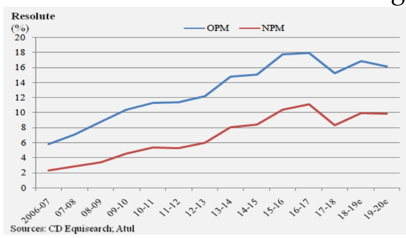
Financials & Valuation

Atul is barely steering away its focus from its polymers business not least due to sturdy offtake of epoxy resins - 20% growth expected in paints & coatings segment. According to a report by ResearchAndMarkets, the global epoxy resin market is expected to log a CAGR of 6.81% during 2018-2023 with rising demand for epoxy resins-based composites from the aerospace industry expected to spur the North American market. Rapid urbanization and growing consumerism has galvanized the Asia -Pacific market, which forms 65%. To tap burgeoning market growth, Atul plans to expand capacities of epoxy resins and curing agents besides adding new products and formulations.

Partly propelled by firm crude oil prices, Atul's bulk chemicals business has little withered in last couple of years with no smallish allowance from resorcinol market, which is estimated to grow annually by some 3% over the next few years driven by increased demand from end-user industries such as rubber & tyre, wood adhesives, pharmaceuticals and agrochemicals. Robust automotive growth in India China, fuelled by market for passenger car tyres are expected to provide strong market opportunity for resorcinol in Asia - Pacific region.

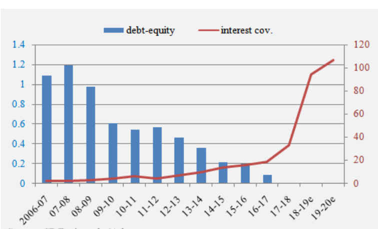
Middling capital investments mixed with capacity expansion, debottlenecking and environmental protection has been the linchpin of Atul's resource optimization policy. Investments of Rs 400 crs (of sales potential Rs 700 crs/$98.3m) are planned with three expansion projects gobbling nearly Rs 300 crs ($42.1m), a couple of debottlenecking projects cornering Rs 25 crs ($3.5m) and environmental protection projects entailing Rs 74 crs ($10.4m). Explicitly, plans are drawn to expand capacity of bulk chemicals (Rs 24crs) and intermediates (Rs 30 crs), VAT dyes and intermediates (Rs 25 crs) and sulphur black (Rs 10 crs), besides others. Atul's aromatic business would see undertaking of debottlenecking projects worth some Rs 44 crs.

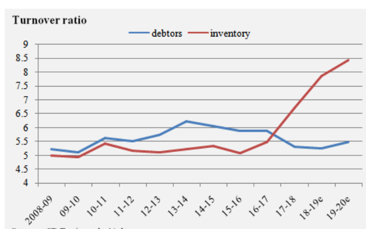


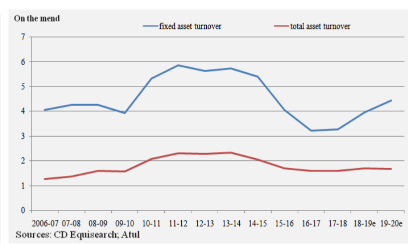


Expected robustness in crop protection and bulk chemicals businesses coupled with returning stability in aromatics business would help scarcely tepid revenue recognition - 24% in FY19 and 17.2% in FY20. Much in line with H1, margins of both LSC and POC segments would discernibly increase after a dismal showing last fiscal, supplemented by scantily weak volume growth in crop protection, bulk chemicals and colors. Yet not brawny revenue recognition over the last few years has stoked return on capital - with resurgence of earnings ROE estimated to ascend to over 17% this fiscal from multi-year low of 13.5% last fiscal.

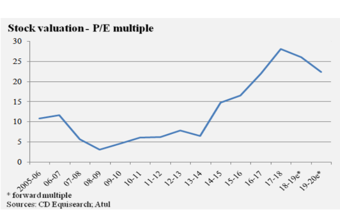
Yet abandoning risks be it weather related uncertainties for crop protection business or dependence on China for supplies of agro chemical intermediates and key dye intermediates or raw material price fluctuation induced risk of bulk chemicals or regulatory risk of pharmaceutical business or Chinese competition in aromatics or lengthy product approval process in polymers business, is barely prudent. Time and again fortunes of Atul's colors business have swayed to demand fluctuations of VAT dyes besides volatility in prices and availability of intermediates.

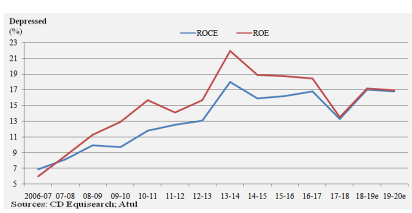






The stock currently trades at 24.4x FY19e EPS of Rs 137.93 and 21x FY20e EPS of Rs 160.33. Earnings would barely impede (average earnings growth of 31.2% though on small base) on higher margins and robust volumes, thus enlivening both return on equity and asset turnover ratios. In light of current uptick in earnings we revise upwards our current year earnings by 19.4%. Yet effect of tweaks in product processes through debottlenecking and widening of product portfolio like high performance pigments and fragrance intermediates would barely have far reaching impact in short term. On balance we advise buying the stock with revised target of Rs 4169(previous target: Rs 3234) based on 26x FY20e earnings. For more info refer to our February report.





Cross Sectional Analysis

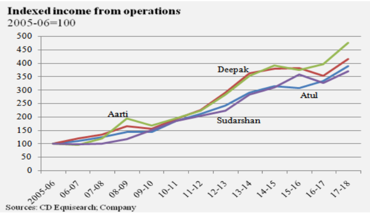
Company	Equity (Rs crs)	CMP (Rs crs)	Mcap (Rs crs)	Inc. from ops. (Rs crs)	Profit (Rs crs)	OPM (%)	NPM (%)	Int. coverage	ROE (%)	Mcap / IO	P/BV	P/E
Aarti Inds.	41	1435	11670	4398	387	17.9	8.8	3.9	24.8	2.7	6.9	30.1
Atul Ltd	30	3367	9988	3566	369	16.9	10.4	98.5	16.9	2.8	4.2	27.1
Deepak Nitrite	27	233	3175	1618	91	14.0	5.6	4.3	10.5	2.0	3.3	35.1
Sudarshan Chem	14	350	2424	1428	94	13.7	6.6	8.0	20.5	1.7	4.3	25.7

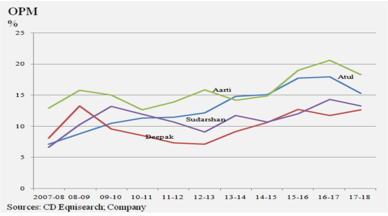
;calculations on ttm basis
ROE of IC adjusted for revaluation reserves; book value adjusted for goodwill & revaluation reserves wherever applicable; *FY18s

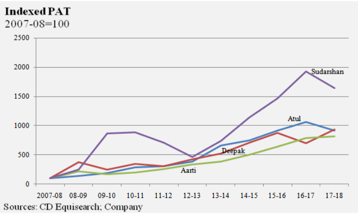
Thanks to higher raw material prices and increasing share of high margin products, Aarti's specialty chemicals gross revenues rose 50.4% (volume growth just 10%) to Rs 1039.10 crs ($148.4m), probably the highest level ever; nitrochlorobenzene production barely budged last quarter , underscoring impact of high value addition and pass-through of higher raw material prices. To buttress its stock of capital goods, Aarti's plans to add fixed assets worth nearly Rs 700 crs in several projects including specialty chemical complex at Jhagadia, acid reconstruction plants, debottlenecking and expansion of API & pharmaceutical intermediates, R&D facility and capex for Rs 4000 crs multi-year supply deal. Construction for Rs 4000 crs deal facility in Dahez has already commenced. Investments in R&D and Innovation facility in Navi Mumbai is aimed at expanding its capabilities to develop high end value added products and chemistries. It reported gradual ramp up in its nitro toluene facility at Jhagadia over the last few quarters - from 25% in September last year to over 40% in Q1to 45% in Q2.

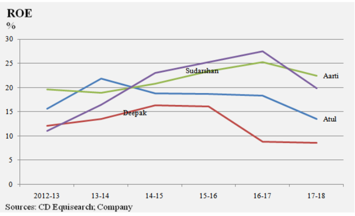
Not so tepid increases in prices of some of the raw materials accentuated partly by sharp rupee depreciation impacted profitability of Sudarshan's pigments business (world's 4th largest pigment producer)last quarter - 12.2% decline in EBIT; EBIT margins shrunk by over 300 bps. Resultantly, PBT from continuing business rose by a somber 13.3%, necessitating need for cost pass through, which is being rapidly pursued in Q3; raw material prices expected to stabilize by end Q3. Proceeds from sale of agro formulation brand business and stake sale in its wholly owned subsidiary, Prescient Color Limited, would be used to fund backward integration and pigment capacity expansion projects worth some Rs 200 crs. To prop up exports, Sudarshan has set up a sales office in Shanghai to locally source raw materials and cater to needs of its Asia Pacific customers, much like offices set up for its American and European customers.

No stymied improvement in all its businesses helped Deepak Nitrite post some 34% growth in overall operating profit and 23.7% in net profit last quarter. Driven by higher volumes of high margin products, its basic chemicals business post nearly 250 bps expansion in EBIT margins on some 19% growth in top line, while positive demand for some key products in FSC segment helped galvanize its earnings (up 42% in Q2); earnings momentum for both basic chemicals and FSC segments to aid from planned brown field expansions. Performance products business also bucked the trend to post remarkable turnaround in profitability - Rs 14.16 crs Vs Rs .04 crs. It announced commencement of commercial production at its mega plant for phenol & acetone in November with capacities of 200000 mtpa and 120000 mtpa respectively. Local availability of phenol and acetone is likely to boost supplies of downstream intermediates.









Financials

Standalone Quarterly Results

Figures in Rs crs

	Q2FY19	Q2FY18	% chg.	H1FY19	H1FY18	% chg.
Income from operations (net)	**1007.42**	**787.25**	**28.0**	**1895.48**	**1437.23**	**31.9**
Other Income	18.79	7.85	139.4	32.08	12.30	160.8
Total Income	**1026.21**	**795.10**	**29.1**	**1927.56**	**1449.53**	**33.0**
Total Expenditure	817.42	662.39	23.4	1563.51	1236.19	26.5
PBIDT (other income included)	**208.79**	**132.71**	**57.3**	**364.05**	**213.34**	**70.6**
Interest	1.10	2.66	-58.6	2.01	5.28	-61.9
Depreciation	27.31	26.11	4.6	54.29	52.07	4.3
PBT	**180.38**	**103.94**	**73.5**	**307.75**	**155.99**	**97.3**
Tax	61.36	33.87	81.2	104.54	51.49	103.0
PAT	**119.02**	**70.07**	**69.9**	**203.21**	**104.50**	**94.5**
Extraordinary Item	-	-	-	-	-	-
Adjusted Net Profit	**119.02**	**70.07**	**69.9**	**203.21**	**104.50**	**94.5**
EPS (F.V. 10)	40.13	23.62	69.9	68.51	35.23	94.5

Segment Results

Figures in Rs crs

	Q2FY19	Q2FY18	% chg.	H1FY19	H1FY18	% chg.
Segment Revenue						
Life Science Chemicals	353.18	270.89	30.4	659.14	519.53	26.9
Performance & Other Chemicals	705.21	562.02	25.5	1347.47	1045.83	28.8
Sub Total	**1058.39**	**832.91**	**27.1**	**2006.61**	**1565.36**	**28.2**
Inter - Segment Revenue	50.97	45.66	11.6	111.13	88.06	26.2
Income from ops. (gross)	**1007.42**	**787.25**	**28.0**	**1895.48**	**1477.30**	**28.3**
Segment EBIT						
Life Science Chemicals	55.12	32.99	67.1	95.15	54.13	75.8
Performance & Other Chemicals	121.61	71.14	70.9	205.89	107.76	91.1
Sub Total	**176.73**	**104.13**	**69.7**	**301.04**	**161.89**	**86.0**
Interest	1.10	2.66	-58.6	2.01	5.28	-61.9
Other Unallocable Exp. (net of income)	-4.75	-2.47	92.3	-8.72	0.62	-1506.5
PBT	**180.38**	**103.94**	**73.5**	**307.75**	**155.99**	**97.3**

Consolidated Income Statement

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Income from operations	**2594.59**	**2833.94**	**3295.77**	**4087.51**	4791.30
Growth (%)	-2.3	9.2	16.3	24.0	17.2
Other Income	34.40	52.55	25.91	34.77	57.36
Total Income	**2628.99**	**2886.49**	**3321.68**	**4122.28**	**4848.66**
Total Expenditure	2135.36	2324.49	2790.58	3398.19	4016.25
EBITDA (other income included)	**493.63**	**562.00**	**531.10**	**724.09**	832.40
Interest	27.53	25.17	12.74	6.46	6.62
EBDT	**466.10**	**536.83**	**518.36**	**717.63**	**825.78**
Depreciation	66.07	95.44	110.38	115.23	125.29
Tax	130.22	122.71	130.97	192.77	224.16
Net profit	**269.81**	**318.68**	**277.01**	**409.63**	**476.33**
Profit/loss of associate & JV	4.46	4.67	4.23	4.97	5.22
MI	0.09	0.38	4.76	5.49	5.98
Net profit after MI	**274.18**	**322.97**	**276.48**	**409.11**	**475.57**
Extraordinary item	-1.33	2.32	0.13	-	-
Adjusted Net Profit	**275.51**	**320.65**	**276.35**	**409.11**	**475.57**
EPS (Rs.)	92.89	108.11	93.17	137.93	160.33

Segment Results

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Segment Revenue					
Life Science Chemicals	893.32	907.50	1130.67	1445.47	1769.07
Performance & Other Chemicals*	1858.22	2039.11	2150.87	2580.02	2954.01
Others	3.47	49.44	56.38	62.02	68.22
Income from operations	**2755.01**	**2996.05**	**3337.92**	**4087.51**	**4791.30**
Segment EBIT					
Life Science Chemicals	171.91	147.89	131.81	206.70	254.75
Performance & Other Chemicals	248.48	303.36	290.36	406.35	457.87
Others	0.11	5.68	7.88	8.06	8.87
Sub Total	**420.50**	**456.93**	**430.05**	**621.12**	**721.49**
Interest	27.53	25.17	12.74	6.46	6.62
Other Unallocable Exp. (net of income)	-7.06	-9.63	9.33	12.26	14.37
PBT	**400.03**	**441.39**	**407.98**	**602.40**	**700.49**

*adjusted for inter-segment revenues

Consolidated Balance Sheet

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
SOURCES OF FUNDS					
Share Capital	29.68	29.68	29.68	29.68	29.68
Reserves	1585.11	1936.26	2214.24	2637.90	3069.69
Total Shareholders Funds	**1614.79**	**1965.94**	**2243.92**	**2667.58**	**3099.38**
Minority Interest	2.45	15.25	20.01	25.50	31.47
Long term debt	23.35	0.38	0.00	0.00	0.00
Total Liabilities	**1640.59**	**1981.57**	**2263.93**	**2693.08**	**3130.85**
APPLICATION OF FUNDS					
Gross Block	818.74	1187.06	1295.26	1470.26	1620.26
Less: Accumulated Depreciation	65.92	161.03	267.98	383.21	508.50
Impairment					
Net Block	**752.82**	**1026.03**	**1027.28**	**1087.05**	**1111.76**
Capital Work in Progress	180.44	58.99	96.20	70.00	70.00
Investments	378.70	428.94	469.84	727.43	1082.65
Current Assets, Loans & Advances					
Inventory	427.78	419.24	411.43	452.57	497.83
Sundry Debtors	441.39	518.96	723.40	831.91	915.10
Cash and Bank	22.01	28.30	49.39	51.51	13.44
Other Assets	165.48	157.67	165.57	181.32	201.81
Total CA & LA	**1056.66**	**1124.17**	**1349.79**	**1517.31**	**1628.19**
Current liabilities	698.67	578.00	557.87	586.88	641.07
Provisions	7.53	9.60	10.87	12.64	13.78
Total Current Liabilities	**706.20**	**587.60**	**568.74**	**599.53**	**654.85**
Net Current Assets	350.46	536.57	781.05	917.78	973.34
Net Deferred Tax	-65.81	-101.42	-124.54	-124.54	-124.54
Other Assets (Net of liabilities)	43.98	32.46	14.10	15.36	17.65
Total Assets	**1640.59**	**1981.57**	**2263.93**	**2693.08**	**3130.85**

Key Financial Ratios

	FY16	FY17	FY18	FY19e	FY20e
Growth Ratios					
Revenue (%)	-2.3	9.2	16.3	24.0	17.2
EBIDTA (%)	20.2	13.1	-5.0	36.4	15.0
Net Profit (%)	21.9	16.4	-13.8	48.0	16.2
EPS (%)	21.9	16.4	-13.8	48.0	16.2
Margins					
Operating Profit Margin (%)	17.8	18.0	15.3	16.9	16.2
Gross Profit Margin (%)	18.0	18.8	15.7	17.6	17.2
Net Profit Margin (%)	10.5	11.2	8.4	10.0	9.9
Return					
ROCE (%)	16.2	16.8	13.3	17.0	16.8
ROE (%)	18.7	18.4	13.5	17.1	16.9
Valuations					
Market Cap / Sales	1.8	2.5	2.4	2.4	2.1
EV/EBIDTA	9.2	12.1	13.7	12.8	11.1
P/E	16.6	22.0	28.1	24.4	21.0
P/BV	2.9	3.7	3.6	3.8	3.3
Other Ratios					
Interest Coverage	15.5	18.4	33.0	94.3	106.8
Debt-Equity Ratio	0.2	0.1	0.0	0.0	0.0
Current Ratio	1.9	2.5	3.0	3.5	3.8
Turnover Ratios					
Fixed Asset Turnover	4.1	3.2	3.3	4.0	4.5
Total Asset Turnover	1.7	1.6	1.6	1.7	1.7
Debtors Turnover	5.9	5.9	5.3	5.3	5.5
Inventory Turnover	5.1	5.5	6.7	7.9	8.5
Creditors Turnover	7.2	7.1	7.0	7.2	7.9
WC Ratios					
Debtor Days	61.9	61.8	68.8	69.4	66.5
Inventory Days	71.8	66.5	54.3	46.4	43.2
Creditor Days	50.7	51.2	52.1	50.8	46.4
Cash Conversion Cycle	83.0	77.1	71.0	65.1	63.3

Cumulative Financial Data

Figures in Rs crs	FY09-11	FY12-14	FY15-17	FY18-20e
Income from operations	3993	6293	8085	12175
Operating profit	411	818	1373	1970
EBIT	353	708	1242	1736
PBT	259	598	1163	1711
PAT after EO	182	405	822	1161
Dividends	40	62	104	135
OPM (%)	10.3	13.0	17.0	16.2
GPM (%)	9.2	11.9	17.1	16.9
NPM (%)	4.6	6.7	10.1	9.6
Interest coverage	3.8	6.4	15.8	67.3
ROE (%)	12.6	16.6	18.7	15.7
ROCE (%)	9.8	14.4	16.6	15.2
Debt-equity ratio*	0.5	0.4	0.1	0.0
Fixed asset turnover	4.9	5.6	3.7	3.9
Total asset turnover	1.8	2.2	1.8	1.6
Debtors turnover	4.9	5.8	5.6	5.7
Inventory turnover	4.6	5.1	5.2	7.4
Creditors turnover	5.2	6.5	6.8	7.8
Debtors days	75.0	63.3	64.7	64.5
Inventory days	78.6	71.6	69.6	49.2
Creditor days	70.3	56.0	54.0	46.8
Cash conversion cycle	83.4	78.9	80.3	66.9
Dividend payout ratio (%)	21.2	14.1	12.7	11.8

FY09-11 implies three years ending fiscal 11; *as on terminal year

No smallish pick up in revenues of both life science chemicals (LSC) and performance and other chemicals (POC) segments in first half of current fiscal (26.9% and 28.8% respectively), would barely help restrict cumulative revenue growth of 50.6% in FY18-20 period; partly helped by firm crude oil prices. Buttressed by over 40% growth in Atul's crop protection business (volume growth: 35%; precipitated by little diminished demand for one of the herbicides) last fiscal (LSC segment revenues rose over 20%), overall revenues surged 16.3%. After languishing at sub 10% in recent years, volume growth has rather gather steam in last two years (FY18s: 12%).

Barely puny margin suppression in FY18 in both the segments would fail to prevent overall margin elevation in FY18-20e for OPM is estimated to contract to 16.2% from 17% in the preceding three year period (see table). Stymied earnings growth (cumulative earnings projected to grow by 41.2% (compared to ~103% in the preceding three year period) would doubtlessly pressurize return n capital - ROE to decline to 15.7% from 18.7% (see table). Yet, thanks to its near debt free status, interest coverage ratio would vigorously zoom in the forecast period. Cash conversion would improve too - from `80 days to 67 days.

Financial Summary – US dollar denominated

million $	FY16	FY17	FY18	FY19e	FY20e
Equity capital	4.5	4.6	4.6	4.2	4.2
Shareholders funds	237.9	293.9	334.6	365.2	425.3
Total debt	47.6	25.9	2.4	2.8	2.8
Net fixed assets (incl CWIP)	140.7	163.7	169.1	159.2	162.7
Investments	57.1	66.2	72.2	102.2	152.1
Net current assets	47.3	77.1	113.3	122.8	130.1
Total assets	241.8	296.3	337.7	368.8	429.8
Revenues	396.4	422.4	511.4	574.1	673.0
EBITDA	75.5	83.2	82.4	101.7	116.9
EBDT	71.3	79.5	80.4	100.8	116.0
PBT	61.2	65.3	63.3	84.6	98.4
PAT	42.1	47.8	42.9	57.5	66.8
EPS($)	1.42	1.61	1.45	1.94	2.25
Book value ($)	8.0	9.9	11.3	12.3	14.3

*income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rates($71.19/$

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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/$	FY14	FY15	FY16	FY17	FY18
Average	60.5	61.15	65.46	67.09	64.45
Year end	60.1	62.59	66.33	64.84	65.04

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.