

Shree Pushkar Chemicals

Sensex: 34142

CMP: INR 228

Target : INR 270



Fertilisers and Chemicals

Shree Pushkar Chemicals & Fertilizers (SPCF) reported strong ~35%/39% YoY growth in Q3FY18 revenue/PAT driven by increased contribution of dyestuff segment (~26% of revenue). Additional dyestuff capacity of 3000 MTPA has been commissioned in Q3FY18. Recent acquisition of Kisan Phosphates business will help in expanding geographical presence in fertilizer segment. We maintain buy rating on the stock with target price of INR 270 valuing core business at 15x of FY19E earning.

Revenue growth of 35% YoY

In Q3FY18, company reported strong ~35% YoY growth in revenue to INR 1007mn on account of strong revenue growth in dyestuff (~215% volume and ~183% revenue growth in 9m FY18) and ~13% revenue growth in fertilizer segment (~16% of revenue). Dye intermediates (~51% of revenue) reported marginal 6% YoY growth in volume whereas revenues declined 20% YoY due to higher price realizations a year ago.

RM costs as % of sales adjusted for inventory declined by ~260 bps YoY. Employee costs as % of sales increased ~125 bps YoY on account of increased manpower requirements. EBITDA margin reported steady expansion of ~165 bps YoY on account of higher utilization of Dyestuff capacity and higher captive consumption. Company reported PAT growth of 39% YoY with PAT of INR 98mn.

Additional Dyestuff capacity of 3000 MT commissioned

SPCF now has dyestuff capacity of 6000 MT. Original Dyestuff plant clocked +85-90% utilization in Q3FY18 and management guided for ~60-65% utilization for total dye capacity in FY19. Company has dye intermediate capacity of ~9000 MT including additional vinyl sulphone (1000 MTPA) and H-acid (750 MTPA) plants which are used for captive consumption. With increased capacity of Dyestuff, we expect revenue contribution of dye intermediates to fall on account of higher captive consumption.

Inorganic growth to expand geographical presence

Shree Pushkar has acquired Kisan Phosphates (INR 90 mn) for geographical diversification in fertilizer segment. Company is also planning to setup 100 TPD sulphuric acid plant (~50% will be for captive consumption) and co-generation power plant (700 KW) which will reduce raw material and power cost by ~12%. In Q3FY18, sales, EBITDA and PAT of Kisan Phosphates were INR 69mn, INR 14mn (margins 20%) and INR 3 mn respectively.

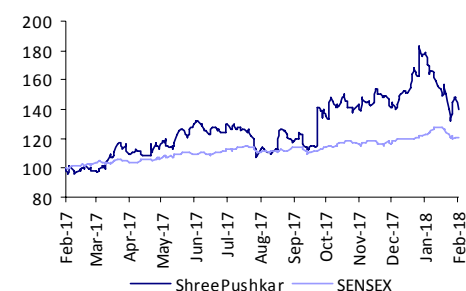
SPCF has also repaid high cost term loan amounting INR 83 mn and also switched bankers which will help in reducing cost of funds (by ~420 bps) in future. SPCF has done total investment of INR 198 mn in Kisan Phosphates (INR 90 mn acquisition and INR 98 mn capex) and expects revenue contribution of INR 400-450 mn with EBITDA margin of ~18% in FY19E.

Outlook and valuation

We estimate revenue/PAT CAGR of ~26%/35% between FY17-FY19E majorly on account of additional dyestuff capacity of 6000 MTPA. We expect prices of intermediates to go up in coming quarters on account of China factor which will help dye industry. SPCF has started marketing and trading of Auxillary chemicals and plans to foray in it once significant order book is built up. Acquisition of Kisan Phosphates is expected to add revenues of INR +400 mn (~10% of SPFC revenue). We have not included it in our projections for FY19E. We retain buy rating on the stock with new target price of INR 270 in next 12-15 months valuing core business at 15x of FY19E earning.

Shareholding (%)	Dec 17
Promoters	62.72
FIIIs	0.49
DIIIs	6.87
Others	29.92

Relative Price Performance



Key Data	
BSE Code	539334
NSE Symbol	SHREEPUSHK
Bloomberg Code	PCFL IN
Reuters Code	SPCH.BO
Shares Outstanding (mn)	30
Face Value	10
Mcap (INR bn)	7.63
52 Week H/L	338/171
2W Avg. Vol, BSE	46058
Beta	1.3

(INR mn)	FY16	FY17	FY18E	FY19E
Net Sales	2487	3060	4138	4898
Growth	-6.7%	23.1%	35.2%	18.4%
EBIDTAM	14.0%	17.4%	18.0%	19.1%
Adj. PAT	223	302	424	545
Growth	19.5%	29.4%	47.0%	28.5%
Adj. EPS (INR)	7.4	9.5	14.0	18.0
P/E (x)	34.1	25.0	18.0	14.0
EV/EBIDTA	21.1	14.0	10.0	7.9
Debt/Equity	0.1	0.1	0.1	0.1
RoACE	13.0%	16.7%	17.3%	18.5%
RoAE	9.0%	10.0%	10.2%	11.1%

Quarterly Financials

Particulars (INR Mn)	Q3FY18	Q2FY18	QoQ	Q1FY17	Q4FY17	Q3FY17	YoY	9MFY18	9MFY17	YoY
Gross Sales	1007	964	4.5%	780	890	748	34.7%	2752	2169	26.8%
Total Revenue	1007	964	4.5%	780	890	748	34.7%	2752	2169	26.8%
Raw Material Costs	652	651	0.1%	537	660	504	29.4%	1841	1462	25.9%
Employee Expenses	59	40	47.8%	31	30	34	71.8%	130	98	32.8%
Other Expenses	117	98	18.6%	79	58	89	31.5%	293	233	26.0%
TOTAL EXPENDITURE	828	790	4.8%	647	748	627	32.0%	2264	1793	26.3%
EBITDA	180	174	3.2%	133	142	121	48.3%	487	377	29.4%
Depreciation	21	17	22.5%	17	16	14	56.2%	56	38	45.8%
PBIT	159	157	1.1%	116	126	108	47.3%	431	338	27.5%
Interest	11	4	139.1%	5	12	4	165.1%	20	14	48.5%
Other Income	4	5	-15.1%	5	4	4	-12.4%	13	17	-24.3%
PBT	152	157	-3.3%	115	118	108	40.5%	424	342	24.1%
Tax	54	53	1.6%	45	37	38	43.4%	152	120	26.3%
PAT	98	104	-5.8%	70	81	71	38.9%	272	221	22.9%
Equity	302.2	302.2		302.2	302.2	302.2		302.2	302.2	
Face Value	10	10		10	10	10		10	10	
EPS	3.2	3.4		2.3	2.7	2.3		9.0	7.3	
% of sales										
Raw Material Costs	65%	68%	-287 bps	69%	74%	67%	-263 bps	67%	67%	148 bps
Employee Expenses	6%	4%	172 bps	4%	3%	5%	127 bps	5%	5%	-53 bps
Other Expenses	12%	10%	138 bps	10%	6%	12%	-28 bps	11%	11%	-66 bps
EBITDAM	17.9%	18.1%	-22 bps	17.1%	16.0%	16.2%	165 bps	17.7%	17.4%	35 bps
PATM	9.7%	10.8%	-107 bps	9.0%	9.1%	9.4%	30 bps	9.9%	10.2%	-32 bps

Financials

Income Statement

Y/E Mar (INR mn)	FY16	FY17	FY18E	FY19E
Net Sales	2487	3060	4138	4898
Growth	-6.7%	23.1%	35.2%	18.4%
Cost of Goods Sold	1753	2122	2797	3309
Employee Cost	102	128	147	165
Other Operating Expenses	309	298	476	517
Total Operating Expenses	2163	2549	3421	3991
EBIDTA (excl OI)	324	520	717	907
% Growth	9.6%	53.0%	39.3%	25.8%
EBITDA Margin %	14.0%	17.4%	18.0%	19.1%
Dep./Amortization	38	55	77	84
EBIT	286	465	640	823
EBIT Margin %	11.5%	15.2%	15.5%	16.8%
Interest Expense	20	25	29	29
Other Income	25	22	26	28
EBT	291	461	637	822
Tax Expenses	68	158	214	277
PAT	223	302	424	545
Adjustment to PAT	0	0	0	0
APAT	223	302	424	545
% Growth	19.5%	29.4%	47.0%	28.5%
APAT Margin %	9.0%	9.4%	10.2%	11.1%

Key Ratios

Y/E Mar	FY16	FY17	FY18E	FY19E
Per Share Data (INR)				
Adj. EPS	7.4	9.5	14.0	18.0
CEPS	9.2	13.4	17.9	22.3
DPS	1.0	1.5	1.5	2.0
BVPS	54.0	64.1	76.3	92.0
Return Ratios (%)				
RoACE	13.0	16.7	17.3	18.5
RoANW	9.0	10.0	10.2	11.1
Liquidity Ratios				
Debt/Equity	0.1	0.1	0.1	0.1
Interest Coverage Ratio	15.8	19.0	22.9	29.3
Current Ratio	3.2	2.9	2.8	2.8
Quick Ratio	2.5	2.2	2.0	2.0
Efficiency Ratios				
Asset Turnover Ratio	1.4	1.3	1.5	1.5
Inventory Days	36	37	42	42
Debtor Days	64	72	62	64
Creditor Days	31	30	30	30
Valuation Ratios				
P/E (x)	34.1	25.0	18.0	14.0
P/BV (x)	4.7	3.9	3.3	2.7
P/CEPS (x)	27.5	18.9	14.1	11.3
Dividend Yield (%)	0.4	0.6	0.6	0.8
EV/Net Sales (x)	3.0	2.4	1.8	1.5
EV/EBIDTA (x)	21.1	14.0	10.0	7.9

Balance Sheet

Y/E Mar (INR mn)	FY16	FY17	FY18E	FY19E
Share Capital	302	302	302*	302*
Reserves and Surplus	1329	1634	2005	2479
Total Networth	1631	1936	2307	2781
Secured	174	147	224	224
Unsecured	0	0	0	0
Total Debt	174	147	224	224
Deferred Tax Liability	54	109	149	194
Sources of Funds	1859	2192	2681	3199
Net Block	842	1231	1274	1339
CWIP	109	0	23	23
Investments	1	1	100	100
Current Assets	1159	1260	1676	1998
Current Liabilities	359	441	591	717
Net Current Assets	800	820	1085	1281
Other Assets	109	140	37	41
Application of Funds	1859	2192	2681	3199

* Figure not adjusted for Swap, Kisan Phosphate acquisition

Cash Flow

Y/E Mar (INR mn)	FY16	FY17	FY18E	FY19E
EBT	291	461	637	822
Less: Other Income/Exceptionals	(25)	(22)	(26)	(28)
Add: Depreciation	38	55	77	84
Direct taxes paid	(68)	(158)	(214)	(277)
Change in Working Capital	49	(193)	(245)	(191)
Cash Flow from operations (a)	285	143	230	410
Change in Fixed Assets	(298)	(383)	(128)	(200)
Change in CWIP	(15)	109	(23)	-
Change in loans/adv	(12)	(19)	(29)	(14)
Change in Investments	-	-	(99)	-
Cash Flow from Investing (b)	(325)	(293)	(278)	(214)
Change in Equity	563	-	-	-
Debt Raised/(Repaid)	(72)	(28)	77	(0)
Dividend paid	(36)	(53)	(53)	(71)
Interest paid	(20)	(25)	(29)	(29)
Cash Flow from Financing (c)	435	(106)	(5)	(100)
Net Change in Cash (a+b+c)	394	(257)	(54)	96
Opening Cash	37	431	174	121
Closing Cash	431	174	121	216

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