

Essel Propack

Refer to important disclosures at the end of this report

Resilient performance despite a challenging quarter

CMP: Rs 170

as of (May 22, 2020)

TP: Rs 200 (■)

12 months

Rating: BUY (■)

Upside: 17.7 %

- ESEL delivered flat revenues (5% above our estimate) despite Covid-19-related disruptions in China and India in the quarter. ESEL indicated that it lost revenue of Rs536mn in Q4 due to Covid-19. Adjusted for this, comparable growth stood at 7% yoy.
- About 55% of ESEL's annual revenue comes from the oral care segment which has shown resilience in demand despite Covid-19-related dislocations. Oral care/non-oral care revenue decreased marginally by 0.3%/1.2% in Q4 due to lower commodity prices yoy and loss of revenue on account of Covid-19.
- EBITDA margins improved 114bps yoy despite flat growth, indicating cost efficiencies. Adjusted for the Covid-19 impact, comparable EBITDA margins improved 273bps yoy to 21.7%. Management indicated that Phase-I of project Phoenix (cost efficiency project) resulted in 176bps improvement in EBITDA margin since its inception. ESEL has already launched Phase-II of the project to further optimize cost.
- We trim our FY21/22E revenue and EPS estimates marginally by 3% as we incorporate a slow Q1FY21 and gradual ramp-up. We roll forward our valuations to Jun-22 and maintain our TP of Rs200 (9x Jun-22E EV/EBITDA).

Europe continues robust growth on new order wins: ESEL's Europe revenue increased 15.6% yoy to Rs1.7bn in Q4. Management attributed this growth to new order wins from existing customers and tapping a large oral care customer. Revenue from AMESA (-9% yoy) and EAP (-12.1% yoy) decreased due to Covid-19-related disruptions. Revenue from Americas increased 3.9% yoy. EBITDA margins improved for all geographies except AMERICAS – AMESA (+330bps yoy), EAP (+250bps yoy), AMERICAS (-90bps yoy) and Europe (+50bps yoy).

45% reduction in net debt in FY20: Net debt was reduced by Rs2.3bn in Q4 to Rs2.7bn. During FY20, ESEL reduced net debt by 45%. With major capex behind, we expect ESEL to return excess cash to shareholders, subject to Covid-19-related uncertainties.

Improving governance: ESEL has appointed Walker Chandio & Co LLP (member of Grant Thornton) as its statutory auditors of the company. After Blackstone acquiring controlling stake in ESEL, the company has improved its governance by: 1) adding marquee independent directors on board; 2) professional management team; 3) winding up related-party transactions; and 4) appointment of marquee auditors.

Outlook: We maintain Buy with a TP of Rs200 (9x Jun-22E EV/EBITDA). ESEL's resilient oral care business and new product offerings, coupled with strong balance sheet and improving governance, make it a good long-term bet. Key risks are slowdown in demand for its products, and the inability to pass on increase in raw material prices.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Agri Input & Chemicals \(page 10\)](#)

Financial Snapshot (Consolidated)

| (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|--------|--------|--------|--------|--------|
| Revenue | 27,069 | 27,601 | 28,926 | 31,122 | 32,946 |
| EBITDA | 4,991 | 5,574 | 6,244 | 6,904 | 7,309 |
| EBITDA Margin (%) | 18.4 | 20.2 | 21.6 | 22.2 | 22.2 |
| APAT | 1,923 | 2,166 | 2,562 | 2,942 | 3,121 |
| EPS (Rs) | 6.1 | 6.9 | 8.1 | 9.3 | 9.9 |
| EPS (% chg) | 7.0 | 12.6 | 18.2 | 14.9 | 6.1 |
| ROE (%) | 14.6 | 14.8 | 16.2 | 17.4 | 17.2 |
| P/E (x) | 27.9 | 24.8 | 20.9 | 18.2 | 17.2 |
| EV/EBITDA (x) | 11.6 | 9.9 | 8.7 | 7.6 | 6.9 |
| P/BV (x) | 3.9 | 3.5 | 3.3 | 3.1 | 2.9 |

Source: Company, Emkay Research



Change in Estimates

| | |
|-------------------------|---------|
| EPS Chg FY21E/FY22E (%) | (3)/(2) |
| Target Price change (%) | NA |
| Target Period (Months) | 12 |
| Previous Reco | BUY |

Emkay vs Consensus

| EPS Estimates | | |
|-------------------------|--------|-------|
| | FY21E | FY22E |
| Emkay | 8.1 | 9.3 |
| Consensus | 8.7 | 10.6 |
| Mean Consensus TP (12M) | Rs 217 | |

Stock Details

| | |
|------------------------------|-----------|
| Bloomberg Code | ESEL IN |
| Face Value (Rs) | 2 |
| Shares outstanding (mn) | 316 |
| 52 Week H/L | 226 / 79 |
| M Cap (Rs bn/USD bn) | 54 / 0.71 |
| Daily Avg Volume (nos.) | 168,281 |
| Daily Avg Turnover (US\$ mn) | 0.4 |

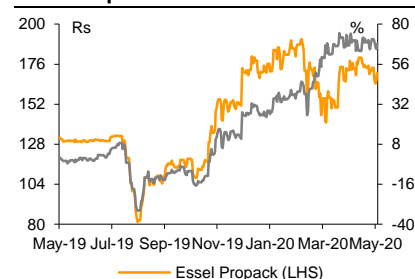
Shareholding Pattern Mar '20

| | |
|-------------------|-------|
| Promoters | 75.0% |
| FII | 4.6% |
| DII | 2.3% |
| Public and Others | 18.1% |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|---------------|-----|-----|----|-----|
| Absolute | (2) | (9) | 10 | 28 |
| Rel. to Nifty | - | 21 | 44 | 66 |

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

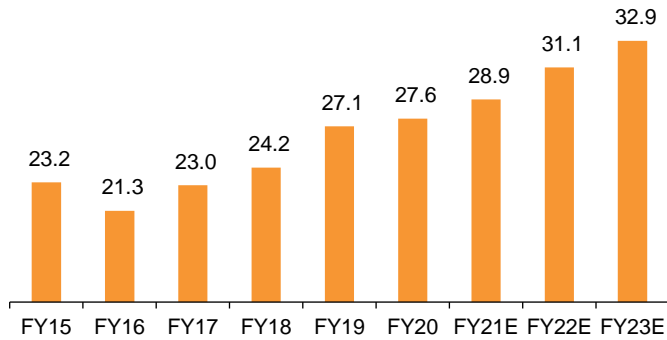
Varshit Shah

varshit.shah@emkayglobal.com

+91 22 6612 1358

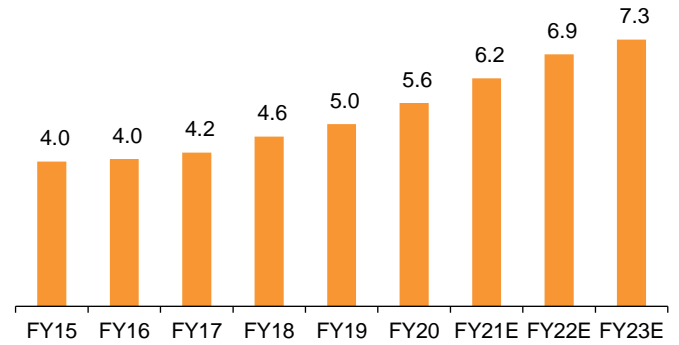
Story in Charts

Exhibit 1: Revenue (Rs bn)



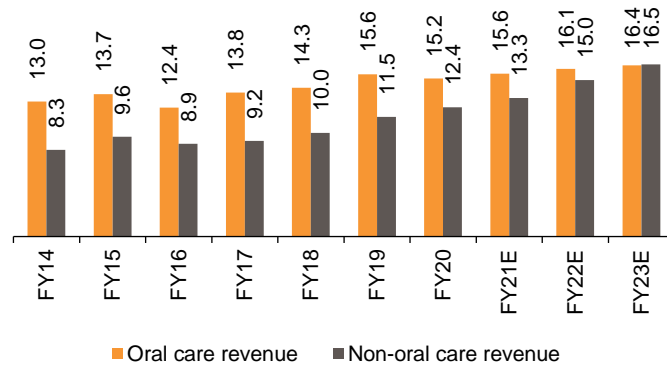
Source: Company, Emkay Research

Exhibit 2: EBITDA (Rs bn)



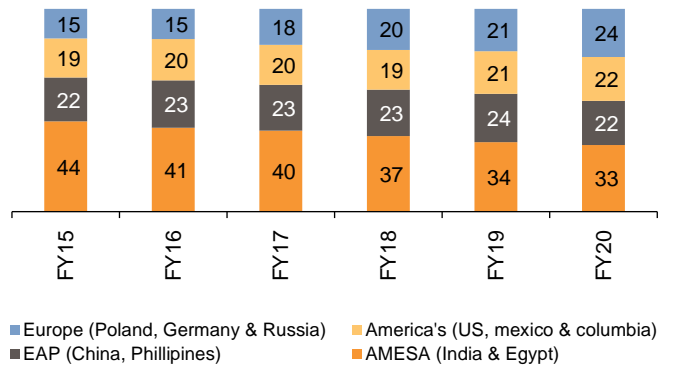
Source: Company, Emkay Research

Exhibit 3: Segment-wise revenue (Rs bn)



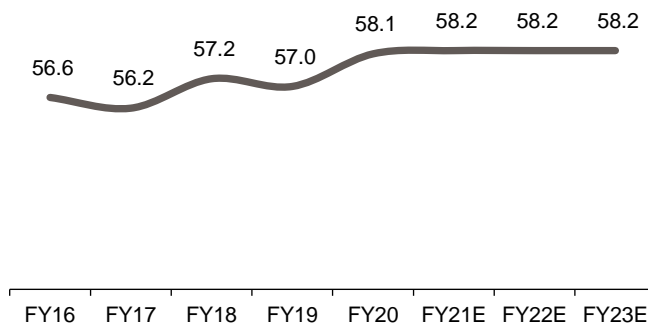
Source: Company, Emkay Research

Exhibit 4: Geography-wise revenue (%)



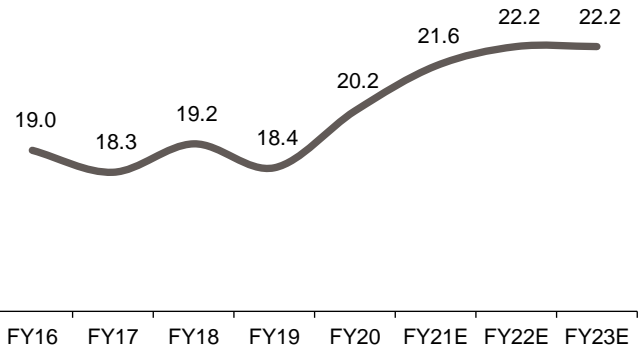
Source: Company, Emkay Research

Exhibit 5: Gross margin (%)



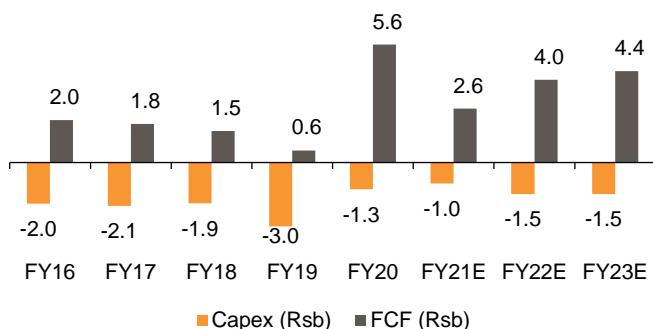
Source: Company, Emkay Research

Exhibit 6: EBITDA margin (%)



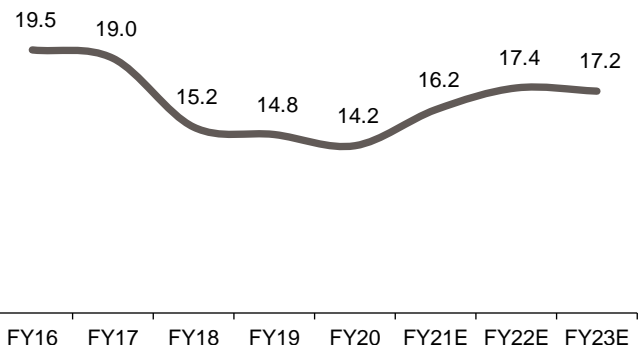
Source: Company, Emkay Research

Exhibit 7: FCF

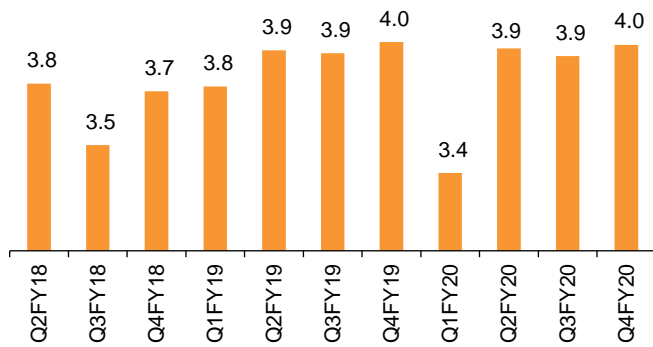


Source: Company, Emkay Research

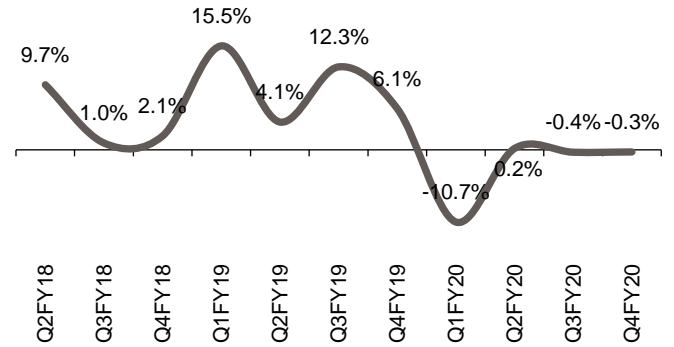
Exhibit 8: ROE



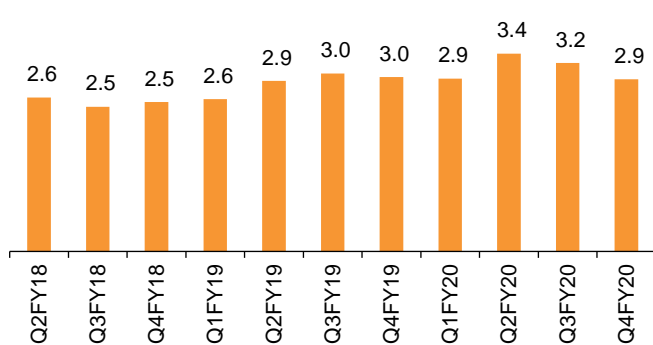
Source: Company, Emkay Research

Exhibit 9: Oral care revenue (Rs bn)

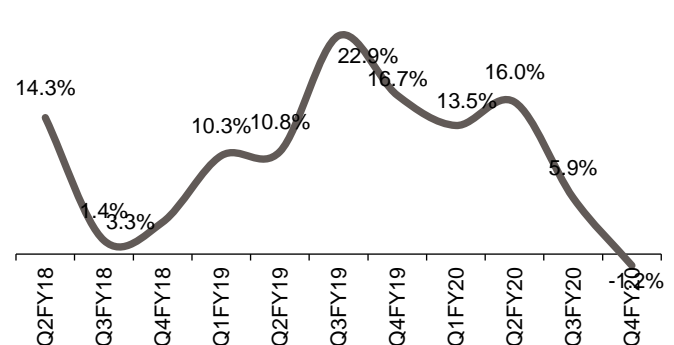
Source: Company, Emkay Research

Exhibit 10: Oral care yoy revenue growth

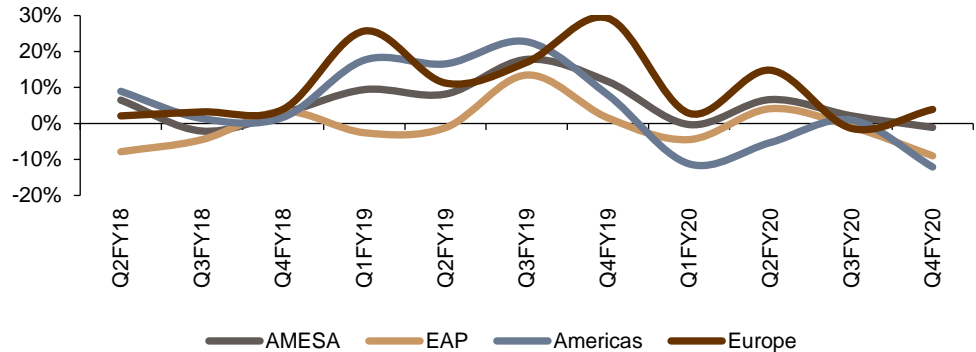
Source: Company, Emkay Research

Exhibit 11: Personal care revenue (Rs bn)

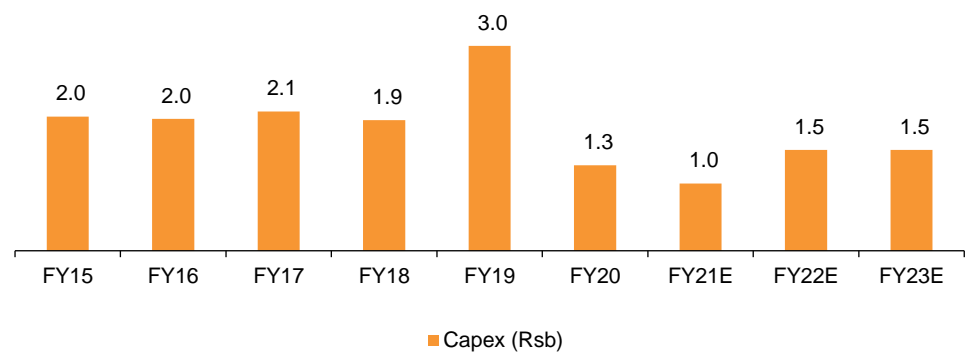
Source: Company, Emkay Research

Exhibit 12: Personal care yoy revenue growth

Source: Company, Emkay Research

Exhibit 13: Geography-wise quarterly revenue growth (%)

Source: Company, Emkay Research

Exhibit 14: Capex cycle to moderate going forward

Source: Company, Emkay Research

Exhibit 15: Actual vs. Estimates (Q4FY20)

| (Rsmn) | Actual | Estimate | | % variation | | Comment |
|---------------|--------|----------|-----------|-------------|-----------|--|
| | | Emkay | Consensus | Emkay | Consensus | |
| Sales | 6,889 | 6,590 | 7,115 | 5% | -3% | Above estimates due to strong growth in Europe |
| EBITDA | 1,385 | 1,308 | 1,462 | 6% | -5% | Above estimates due to revenue beat |
| EBITDA Margin | 20.1% | 19.8% | 20.6% | 26 bps | -45 bps | |
| Adj. PAT | 486 | 417 | 531 | 17% | -8% | Above estimates due to EBITDA beat and lower tax expense |

Source: Company, Emkay Research

Exhibit 16: Quarterly result snapshot

| Y/E, Mar (Rs. mn) | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | QoQ% | YoY% | FY20 | FY19 | YoY% |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|---------------|---------------|-------------|
| Revenue | 6,937 | 6,298 | 7,305 | 7,108 | 6,889 | -3.1 | -0.7 | 27,601 | 27,069 | 2.0 |
| Cost of revenue | 2,970 | 2,673 | 3,116 | 2,931 | 2,847 | -2.8 | -4.1 | 11,568 | 11,648 | -0.7 |
| as % of sales | 42.8 | 42.4 | 42.7 | 41.2 | 41.3 | | | 41.9 | 43.0 | |
| Employee Cost | 1,265 | 1,279 | 1,351 | 1,315 | 1,366 | 3.9 | 8.0 | 5,311 | 5,006 | 6.1 |
| as % of sales | 18.2 | 20.3 | 18.5 | 18.5 | 19.8 | | | 19.2 | 18.5 | |
| Other expenses | 1,386 | 1,260 | 1,313 | 1,284 | 1,290 | 0.5 | -6.9 | 5,147 | 5,424 | -5.1 |
| as % of sales | 20.0 | 20.0 | 18.0 | 18.1 | 18.7 | | | 18.6 | 20.0 | |
| Total Expenditure | 5,621 | 5,213 | 5,780 | 5,530 | 5,504 | -0.5 | -2.1 | 22,026 | 22,078 | -0.2 |
| EBITDA | 1,316 | 1,086 | 1,525 | 1,579 | 1,385 | -12.3 | 5.3 | 5,574 | 4,991 | 11.7 |
| Depreciation | 496 | 568 | 576 | 580 | 574 | -1.0 | 15.7 | 2,298 | 1,861 | 23.5 |
| EBIT | 819 | 518 | 949 | 999 | 811 | -18.8 | -1.0 | 3,277 | 3,130 | 4.7 |
| Other Income | 93 | 66 | 19 | 42 | 8 | -82.0 | -91.9 | 134 | 285 | -53.0 |
| Interest cost | 156 | 137 | 156 | 134 | 130 | -2.4 | -16.6 | 557 | 613 | -9.2 |
| PBT | 756 | 447 | 812 | 907 | 688 | -24.1 | -9.0 | 2,854 | 2,802 | 1.8 |
| Total Tax | 253 | 153 | (1) | 289 | 197 | -31.8 | -22.0 | 638 | 932 | -31.5 |
| Adjusted PAT | 503 | 294 | 813 | 618 | 491 | -20.6 | -2.4 | 2,216 | 1,870 | 18.5 |
| (Profit)/loss from JV's/Ass/MI | 10 | 11 | 17 | 17 | 5 | -71.0 | -51.0 | 50 | (35) | -240.6 |
| APAT after MI | 493 | 283 | 796 | 601 | 486 | -19.1 | -1.5 | 2,167 | 1,905 | 13.7 |
| Extra ordinary items | (31) | (109) | 203 | - | - | | | (94) | 31 | |
| Reported PAT | 463 | 174 | 999 | 601 | 486 | -19.1 | 5.0 | 2,073 | 1,936 | 7.1 |
| | | | | | | | | | | |
| Margins (%) | | | | | | bps | bps | | | bps |
| EBIDTA | 19.0 | 17.2 | 20.9 | 22.2 | 20.1 | (211) | 114 | 20.2 | 18.4 | 176 |
| EBIT | 11.8 | 8.2 | 13.0 | 14.1 | 11.8 | (228) | (4) | 11.9 | 11.6 | 31 |
| PBT | 10.9 | 7.1 | 11.1 | 12.8 | 10.0 | (277) | (91) | 10.3 | 10.4 | (1) |
| PAT | 7.3 | 4.7 | 11.1 | 8.7 | 7.1 | (157) | (13) | 8.0 | 6.9 | 112 |
| Effective Tax rate | 33.4 | 34.2 | -0.1 | 31.8 | 28.6 | (320) | (477) | 22.4 | 33.3 | (1,091) |

Source: Company, Emkay Research

Exhibit 17: Quarterly segmental snapshot

| Y/E, Mar (Rs. mn) | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | YoY% | QoQ% | FY20 | FY19 | YoY% |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|--------------|
| Segment Revenues | | | | | | | | | | |
| AMESA | 2,365 | 2,251 | 2,433 | 2,516 | 2,153 | -9.0 | -14.4 | 9,352 | 9,596 | (2.5) |
| EAP | 1,539 | 1,388 | 1,749 | 1,740 | 1,353 | -12.1 | -22.2 | 6,230 | 6,673 | (6.6) |
| AMERICAS | 1,649 | 1,366 | 1,648 | 1,457 | 1,713 | 3.9 | 17.6 | 6,184 | 5,889 | 5.0 |
| EUROPE | 1,641 | 1,517 | 1,740 | 1,618 | 1,897 | 15.6 | 17.3 | 6,771 | 5,852 | 15.7 |
| Less: Intersegment Revenues | 260 | 226 | 266 | 224 | 229 | -11.8 | 2.3 | 946 | 949 | (0.3) |
| Total | 6,934 | 6,296 | 7,303 | 7,106 | 6,886 | -0.7 | -3.1 | 27,591 | 27,061 | 2.0 |
| Segment Results | | | | | | | | | | |
| AMESA | 293 | 208 | 258 | 369 | 241 | -17.9 | -34.7 | 1,076 | 1,272 | (15.4) |
| EAP | 159 | 179 | 343 | 327 | 149 | -6.2 | -54.5 | 998 | 1,047 | (4.7) |
| AMERICAS | 311 | 131 | 245 | 215 | 297 | -4.5 | 37.9 | 888 | 818 | 8.6 |
| EUROPE | 106 | 33 | 117 | 97 | 135 | 28.2 | 39.0 | 383 | 179 | 113.7 |
| Total | 869 | 551 | 963 | 1,009 | 822 | -5.4 | -18.5 | 3,344 | 3,316 | 0.8 |
| Add- Unall Income / (Exp) | 73 | 139 | -204 | 26 | 5 | -93.0 | -80.1 | -34 | 183 | (118.6) |
| Less- Interest Exp | 156 | 137 | 156 | 134 | 130 | -16.6 | -2.4 | 557 | 613 | (9.2) |
| PBT | 785 | 553 | 603 | 901 | 697 | -11.3 | -22.7 | 2,754 | 2,886 | (4.6) |
| Segment Capital Employed | | | | | | | | | | |
| AMESA | 6,657 | 7,355 | 6,569 | 6,529 | 7,464 | 12.1 | 14.3 | 27,916 | 25,661 | 8.8 |
| EAP | 4,639 | 4,824 | 4,599 | 4,677 | 4,897 | 5.6 | 4.7 | 18,996 | 18,738 | 1.4 |
| AMERICAS | 4,047 | 4,106 | 4,234 | 4,228 | 4,656 | 15.0 | 10.1 | 17,223 | 14,933 | 15.3 |
| EUROPE | 4,434 | 4,941 | 4,438 | 4,749 | 6,227 | 40.4 | 31.1 | 20,355 | 18,009 | 13.0 |
| Unallocated | -5,732 | -7,448 | -5,618 | -5,370 | -6,472 | 12.9 | 20.5 | -24,907 | -23,834 | 4.5 |
| Total | 14,045 | 13,778 | 14,220 | 14,813 | 16,772 | 19.4 | 13.2 | 59,583 | 53,508 | 11.4 |
| Segment Margins (%) | | | | | | | | | | |
| | | | | | | (bps) | (bps) | | | (bps) |
| AMESA | 12.4 | 9.2 | 10.6 | 14.7 | 11.2 | -120 | -350 | 11.5 | 13.3 | -180 |
| EAP | 10.3 | 12.9 | 19.6 | 18.8 | 11.0 | 70 | -780 | 16.0 | 15.7 | 30 |
| AMERICAS | 18.9 | 9.6 | 14.9 | 14.8 | 17.3 | -150 | 260 | 14.4 | 13.9 | 50 |
| EUROPE | 6.4 | 2.2 | 6.7 | 6.0 | 7.1 | 70 | 110 | 5.7 | 3.1 | 260 |
| PBIT Margins% | 12.5 | 8.8 | 13.2 | 14.2 | 11.9 | -60 | -230 | 12.1 | 12.3 | -10 |

Source: Company, Emkay Research

Exhibit 18: Changes in estimates

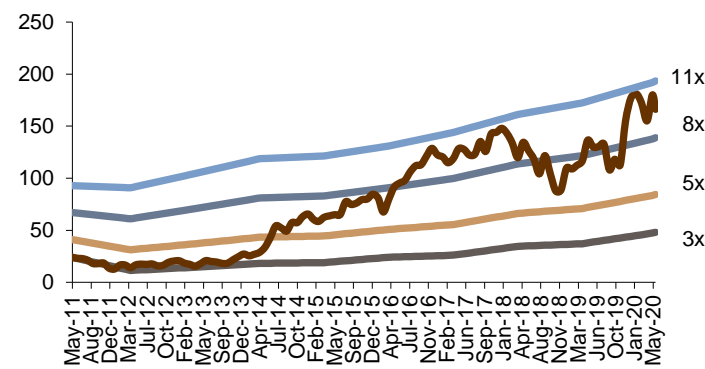
| All fig in Rs mn (except % and EPS) | FY21E | | | FY22E | | | FY23E |
|--|--------|--------|----------|--------|--------|----------|------------|
| | Old | New | % change | Old | New | % change | Introduced |
| Revenues | 29,782 | 28,926 | -3% | 32,089 | 31,122 | -3% | 32,946 |
| EBITDA | 6,428 | 6,244 | -3% | 7,119 | 6,904 | -3% | 7,309 |
| EBITDA margins, % | 21.6% | 21.6% | 0 bps | 22.2% | 22.2% | 0 bps | 22.2% |
| Net profits | 2,639 | 2,562 | -3% | 3,002 | 2,942 | -2% | 3,121 |
| EPS | 8.4 | 8.1 | -3% | 9.5 | 9.3 | -2% | 9.9 |

Source: Company, Emkay Research

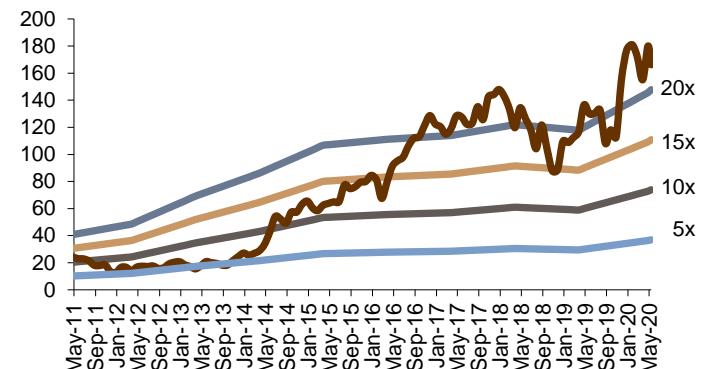
Exhibit 19: Key assumptions

| Key Assumptions | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------------|------|------|------|------|-------|-------|-------|
| Oral care revenue | 13.8 | 14.3 | 15.6 | 15.2 | 15.6 | 16.1 | 16.4 |
| Non-oral care revenue | 9.2 | 10.0 | 11.5 | 12.4 | 13.3 | 15.0 | 16.5 |

Source: Company, Emkay Research

Exhibit 20: ESEL's rolling 1-yr fwd EV/EBITDA chart

Source: Company, Emkay Research

Exhibit 21: ESEL's rolling 1-yr fwd PE chart

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 27,069 | 27,601 | 28,926 | 31,122 | 32,946 |
| Expenditure | 22,078 | 22,026 | 22,682 | 24,218 | 25,637 |
| EBITDA | 4,991 | 5,574 | 6,244 | 6,904 | 7,309 |
| Depreciation | 1,861 | 2,298 | 2,306 | 2,435 | 2,591 |
| EBIT | 3,130 | 3,277 | 3,938 | 4,469 | 4,718 |
| Other Income | 285 | 134 | 160 | 160 | 160 |
| Interest expenses | 613 | 557 | 547 | 547 | 547 |
| PBT | 2,802 | 2,854 | 3,550 | 4,082 | 4,331 |
| Tax | 932 | 638 | 959 | 1,102 | 1,169 |
| Extraordinary Items | 31 | (94) | 0 | 0 | 0 |
| Minority Int./Income from Assoc. | 53 | (50) | (30) | (38) | (41) |
| Reported Net Income | 1,954 | 2,073 | 2,562 | 2,942 | 3,121 |
| Adjusted PAT | 1,923 | 2,166 | 2,562 | 2,942 | 3,121 |

Balance Sheet

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--|---------------|---------------|---------------|---------------|---------------|
| Equity share capital | 631 | 631 | 631 | 631 | 631 |
| Reserves & surplus | 13,249 | 14,695 | 15,720 | 16,897 | 18,145 |
| Net worth | 13,880 | 15,326 | 16,351 | 17,528 | 18,776 |
| Minority Interest | 52 | 86 | 137 | 195 | 257 |
| Loan Funds | 5,819 | 5,250 | 5,250 | 5,250 | 5,250 |
| Net deferred tax liability | 436 | 375 | 375 | 375 | 375 |
| Total Liabilities | 20,186 | 21,038 | 22,113 | 23,348 | 24,658 |
| Net block | 13,074 | 13,639 | 12,333 | 11,398 | 10,307 |
| Investment | 168 | 160 | 160 | 160 | 160 |
| Current Assets | 11,473 | 13,764 | 14,893 | 17,494 | 20,252 |
| Cash & bank balance | 1,344 | 3,712 | 4,358 | 6,159 | 8,253 |
| Other Current Assets | 1,626 | 1,324 | 1,388 | 1,493 | 1,581 |
| Current liabilities & Provision | 4,941 | 6,921 | 5,668 | 6,099 | 6,456 |
| Net current assets | 6,532 | 6,843 | 9,224 | 11,395 | 13,796 |
| Misc. exp | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 20,186 | 21,038 | 22,113 | 23,348 | 24,658 |

Cash Flow

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| PBT (Ex-Other income) (NI+Dep) | 2,517 | 2,720 | 3,390 | 3,922 | 4,171 |
| Other Non-Cash items | 84 | (100) | 21 | 21 | 21 |
| Chg in working cap | (383) | 1,996 | (1,735) | (370) | (307) |
| Operating Cashflow | 3,625 | 6,893 | 3,570 | 5,454 | 5,854 |
| Capital expenditure | (3,089) | (2,846) | (1,000) | (1,500) | (1,500) |
| Free Cash Flow | 536 | 4,048 | 2,570 | 3,954 | 4,354 |
| Investments | (38) | 8 | 0 | 0 | 0 |
| Other Investing Cash Flow | 44 | 1,578 | 0 | 0 | 0 |
| Investing Cashflow | (2,798) | (1,127) | (840) | (1,340) | (1,340) |
| Equity Capital Raised | 73 | 0 | 0 | 0 | 0 |
| Loans Taken / (Repaid) | (124) | (569) | 0 | 0 | 0 |
| Dividend paid (incl tax) | (394) | (1,041) | (1,537) | (1,765) | (1,872) |
| Other Financing Cash Flow | (159) | 345 | 0 | 0 | 0 |
| Financing Cashflow | (1,218) | (1,821) | (2,084) | (2,313) | (2,420) |
| Net chg in cash | (391) | 3,946 | 646 | 1,801 | 2,094 |
| Opening cash position | 1,735 | 1,344 | 3,712 | 4,358 | 6,159 |
| Closing cash position | 1,344 | 5,290 | 4,358 | 6,159 | 8,253 |

Source: Company, Emkay Research

Key Ratios

| Profitability (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin | 18.4 | 20.2 | 21.6 | 22.2 | 22.2 |
| EBIT Margin | 11.6 | 11.9 | 13.6 | 14.4 | 14.3 |
| Effective Tax Rate | 33.3 | 22.4 | 27.0 | 27.0 | 27.0 |
| Net Margin | 6.9 | 8.0 | 9.0 | 9.6 | 9.6 |
| ROCE | 17.5 | 16.5 | 19.0 | 20.4 | 20.3 |
| ROE | 14.6 | 14.8 | 16.2 | 17.4 | 17.2 |
| RoIC | 18.0 | 18.7 | 23.2 | 26.4 | 29.1 |

| Per Share Data (Rs) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 6.1 | 6.9 | 8.1 | 9.3 | 9.9 |
| CEPS | 12.0 | 14.1 | 15.4 | 17.0 | 18.1 |
| BVPS | 44.0 | 48.6 | 51.8 | 55.6 | 59.5 |
| DPS | 1.3 | 3.3 | 4.9 | 5.6 | 0.0 |

| Valuations (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER | 27.9 | 24.8 | 20.9 | 18.2 | 17.2 |
| P/CEPS | 14.1 | 11.9 | 11.0 | 9.9 | 9.3 |
| P/BV | 3.9 | 3.5 | 3.3 | 3.1 | 2.9 |
| EV / Sales | 2.1 | 2.0 | 1.9 | 1.7 | 1.5 |
| EV / EBITDA | 11.6 | 9.9 | 8.7 | 7.6 | 6.9 |
| Dividend Yield (%) | 0.7 | 1.9 | 2.9 | 3.3 | 0.0 |

| Gearing Ratio (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity | 0.3 | 0.1 | 0.0 | (0.1) | (0.2) |
| Net Debt/EBITDA | 0.9 | 0.2 | 0.1 | (0.2) | (0.4) |
| Working Cap Cycle (days) | 70.0 | 41.4 | 61.4 | 61.4 | 61.4 |

| Growth (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 11.7 | 2.0 | 4.8 | 7.6 | 5.9 |
| EBITDA | 7.4 | 11.7 | 12.0 | 10.6 | 5.9 |
| EBIT | 5.1 | 4.7 | 20.2 | 13.5 | 5.6 |
| PAT | 12.1 | 6.1 | 23.6 | 14.9 | 6.1 |

| Quarterly (Rs mn) | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 6,937 | 6,298 | 7,305 | 7,108 | 6,889 |
| EBITDA | 1,316 | 1,086 | 1,525 | 1,579 | 1,385 |
| EBITDA Margin (%) | 19.0 | 17.2 | 20.9 | 22.2 | 20.1 |
| PAT | 524 | 392 | 593 | 601 | 486 |
| EPS (Rs) | 1.7 | 1.2 | 1.9 | 1.9 | 1.5 |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters | 57.0 | 57.0 | 83.0 | 83.0 | 75.0 |
| FII | 17.8 | 17.2 | 3.9 | 3.8 | 4.6 |
| DII | 2.3 | 2.7 | 2.1 | 2.4 | 2.3 |
| Public and Others | 22.9 | 23.1 | 11.0 | 10.8 | 18.1 |

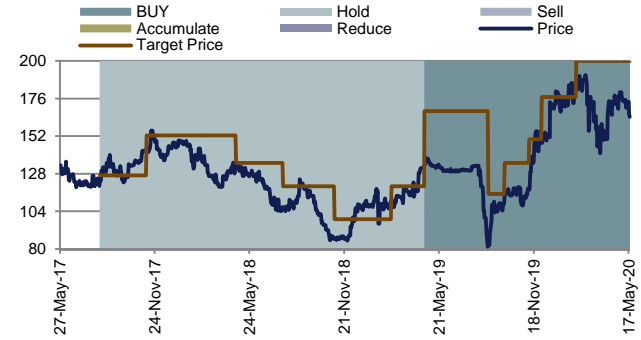
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-----|-----------------|--------|--------------|
| 04-Mar-20 | 173 | 200 | 12m | Buy | Varshit Shah |
| 07-Feb-20 | 182 | 200 | 12m | Buy | Varshit Shah |
| 03-Dec-19 | 148 | 177 | 12m | Buy | Varshit Shah |
| 09-Nov-19 | 118 | 150 | 12m | Buy | Varshit Shah |
| 23-Sep-19 | 114 | 135 | 12m | Buy | Varshit Shah |
| 23-Aug-19 | 82 | 115 | 12m | Buy | Varshit Shah |
| 07-May-19 | 134 | 168 | 12m | Buy | Varshit Shah |
| 23-Apr-19 | 134 | 168 | 12m | Buy | Varshit Shah |
| 19-Feb-19 | 110 | 120 | 12m | Hold | Varshit Shah |
| 02-Nov-18 | 86 | 99 | 12m | Hold | Varshit Shah |
| 27-Jul-18 | 107 | 120 | 12m | Hold | Ashit Desai |
| 28-Apr-18 | 135 | 135 | 12m | Hold | Ashit Desai |
| 08-Nov-17 | 144 | 153 | 12m | Hold | Amit Purohit |
| 11-Aug-17 | 123 | 127 | 12m | Hold | Dhaval Mehta |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Agri Input & Chemicals



Analyst: Varshit Shah

Contact Details

varshit.shah@emkayglobal.com
+91 22 6612 1358

Sector

Agro-Chemicals and Fertilizers

Analyst bio

Varshit Shah is a Chartered Accountant and a commerce graduate from Narsee Monjee College of Commerce and Economics, Mumbai. He comes with total eight years of experience across sectors such as Chemicals, Education, Telecom, IT and Midcaps. His team currently covers 12 stocks in Agro Chemicals, Fertilizers and Midcaps.

EAP sector portfolio

| Company Name | BSE200 Weight | EAP Weight | OW/UW (%) | OW/UW (bps) | EAP Weight (Normalised) |
|-----------------------------------|---------------|-------------|-----------|-------------|-------------------------|
| Agri Input & Chemicals | 0.88 | 0.88 | 0% | 0 | 100.00 |
| Bayer CropScience* | 0.13 | 0.13 | 0% | 0 | 14.61 |
| Chambal Fertilisers* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Coromandel International | 0.14 | 0.11 | -18% | -3 | 12.95 |
| DCM Shriram* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Deepak Fertilisers* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Dhanuka Agritech | 0.00 | 0.00 | NA | 0 | 0.00 |
| GSFC* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Insecticides India* | 0.00 | 0.00 | NA | 0 | 0.00 |
| PI Industries | 0.20 | 0.20 | 0% | 0 | 22.97 |
| Rallis India | 0.00 | 0.02 | NA | 2 | 1.95 |
| Sharda Cropchem* | 0.00 | 0.00 | NA | 0 | 0.00 |
| UPL | 0.41 | 0.42 | 2% | 1 | 47.52 |
| Cash | 0.00 | 0.00 | NA | 0 | 0.00 |

Source: Emkay Research

* Not under coverage: Equal Weight

High Conviction/Strong Over Weight High Conviction/Strong Under Weight

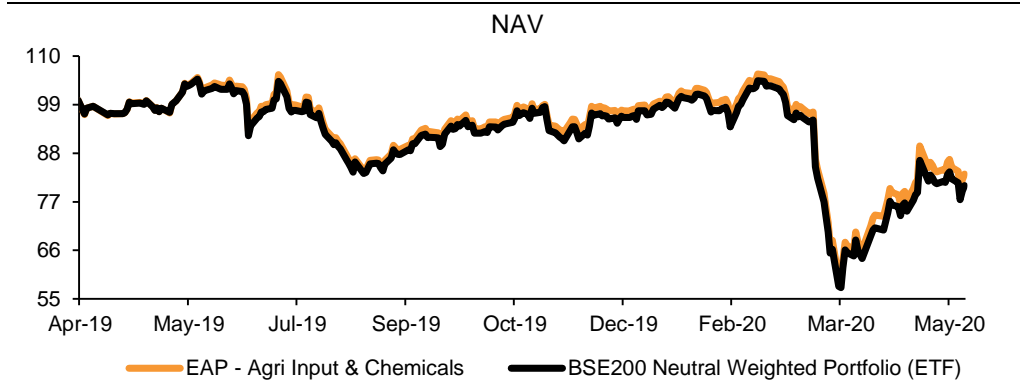
Sector portfolio NAV

| | Base | | | | | Latest |
|---|----------|-----------|-----------|-----------|-----------|-----------|
| | 1-Apr-19 | 20-Aug-19 | 21-Nov-19 | 20-Feb-20 | 21-Apr-20 | 21-May-20 |
| EAP - Agri Input & Chemicals | 100.0 | 86.4 | 94.6 | 104.9 | 76.5 | 83.3 |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0 | 85.6 | 92.9 | 103.3 | 73.9 | 80.6 |

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|-------------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Completed Date: 26 May 2020 02:39:45 (SGT)

Dissemination Date: 26 May 2020 02:40:45 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.

- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of May 25, 2020
 2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
 4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of May 25, 2020.
 5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the May 25, 2020
 6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
 7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
 8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the May 25, 2020

RESTRICTIONS ON DISTRIBUTION

| | |
|--------------------------------------|--|
| General | This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. |
| Australia | This report is not for distribution into Australia. |
| Hong Kong | This report is not for distribution into Hong Kong. |
| Indonesia | This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia. |
| Malaysia | This report is not for distribution into Malaysia. |
| Singapore | This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report. |
| Thailand | This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. |
| United Kingdom | This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication. |
| Dubai International Financial Centre | This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it. |
| United Arab Emirates | This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent. |
| United States | DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate. |
| Other jurisdictions | In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. |

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com