

- Atul Ltd's result was yet another surprise on the margin front, with sales too slowly reverting to pre-covid levels. Sales came in above our estimate at Rs 10.02bn (D.est: Rs 9.07) down by 4.2% YoY.
- EBITDA (D.est: Rs 2.06 bn) grew by 16.4% YoY to Rs 2.61bn, with a strong EBITDA margin of 26.1%, an increase of 460 bps YoY. The company has controlled its other expenses and power and fuel costs, down by 13.9% and 12.1% YoY to Rs 1.21bn and Rs 847mn respectively.
- PAT de-grew by 16.6% to Rs 1.74bn (D.Est - Rs 1.86bn) owing to higher tax expenses of Rs 596mn (Tax rate 25.7% vs 1.1% in Q2FY20) and lower other income Rs 65 mn vs Rs 210 mn.

Outlook and Valuation

ATLP has cumulatively incurred a capex of Rs ~13.1bn over the last 5 years (FY16-20) and is likely to provide earnings visibility over the next 3 years, efficient capital allocation (5 yr avg. RoCE: 22.5%) and 5 yr avg. ROE of 18.4% in FY23E builds a strong investment case. Atul Ltd's margins have positively surprised in 1HFY21 with record high EBITDA margins on the back of benign input costs, this coupled with controlled opex has provided cushion on profitability. Atul Ltd has set out an aggressive target of achieving Rs 54bn sales, we believe that it is achievable in FY23E on the back of ~Rs 11.0bn of unrealised sales potential and smaller de-bottlenecking projects which will aid to volume growth. The company recently received environmental clearance for their JV with Nouyron to manufacture Mono Chloro Acetic acid (MCA), a key intermediate used to manufacture 2,4-D herbicide. MCA of ~32,000 TPA will be manufactured for both internal consumption and external sales (it can be scaled upto 60,000 TPA). We are valuing Atul Ltd on FY23E EPS at 24x + cash per share of Rs 126/share, we have an accumulate rating on the stock with target price of Rs 6,366.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	10,021	10,456	(4.2)	6,606	51.7
Total Expense	7,409	8,212	(9.8)	5,019	47.6
EBITDA	2,612	2,244	16.4	1,587	64.6
Depreciation	332	323	2.8	331	0.3
EBIT	2,280	1,921	18.7	1,255	81.6
Other Income	65	210	(69.3)	406	(84.1)
Interest	22	20	6.4	27	(19.1)
EBT	2,323	2,111	10.0	1,635	42.0
Tax	596	24	2405.5	459	30.1
RPAT	1,744	2,090	(16.6)	1,178	48.0
APAT	1,744	2,090	(16.6)	1,178	48.0
			(bps)		(bps)
Gross Margin (%)	54.2	51.5	276	57.0	(273)
EBITDA Margin (%)	26.1	21.5	460	24.0	204
NPM (%)	17.4	20.0	(259)	17.8	(43)
Tax Rate (%)	25.7	1.1	2455	28.0	(237)
EBIT Margin (%)	22.7	18.4	437	19.0	374

CMP	Rs 6,117
Target / Upside	Rs 6,366 / 4%
NIFTY	11,930

Scrip Details

Equity / FV	Rs 297mn / Rs 10
Market Cap	Rs 182bn
	USD 2bn
52-week High/Low	Rs 7,020/ 2,923
Avg. Volume (no)	57,200
Bloom Code	ATLP IN

Price Performance

	1M	3M	12M
Absolute (%)	2	24	42
Rel to NIFTY (%)	(10)	18	38

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	44.8	44.8	44.8
MF/Banks/FIs	24.5	25.3	23.4
FIIIs	6.9	6.7	8.2
Public / Others	23.8	23.2	23.6

Valuation (x)

	FY21E	FY22E	FY23E
P/E	29.7	25.5	23.5
EV/EBITDA	19.4	16.7	14.6
ROE (%)	18.4	19.1	18.4
RoACE (%)	17.3	18.0	17.4

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	40,319	47,337	54,404
EBITDA	8,971	10,436	11,811
PAT	6,122	7,114	7,717
EPS (Rs.)	206.3	239.7	260.0

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Exhibit 1: SOTP Valuation

Particulars	FY19	FY20A	FY21E	FY22E	FY23E
PAT	4,322	6,665	6,122	7,114	7,717
EPS	146	225	206	240	260
Investment Book	5,275	4,671	4,671	4,671	4,671
No of Shares(mn)	30	30	30	30	30
Value per share(Rs)	157				
20% discount	126				
Multiple(x)	24				
TP (on FY21E EPS)	6,240				
Total TP (Rs)	6,366				

Source: Company, DART

Segment performance (Consolidated)

Life Science segment – Life science segment grew by 5.3% YoY to Rs 3.47bn, EBIT margins marginally improved by 40bps YoY at 19.3%. EBIT stood at Rs 671mn.

Performance & other chemicals – Performance chemicals segment de-grew by 7.7% YoY to Rs 6.89bn, EBIT margins saw a healthy improvement of 410 bps YoY. EBIT stood at Rs 1.59bn.

Exhibit 2: Product Mix

Particulars (Rs Mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Aromatics	7,121	8,260	8,420	11,270	9,430	8,487	9,760	11,224
Bulk Chemicals	1,594	2,120	2,930	3,690	4,060	4,101	4,593	5,282
Colours	3,922	4,040	4,520	5,480	6,260	5,634	7,536	8,440
Crop Protection	537	580	6,510	7,540	7,030	7,854	8,482	9,500
Polymers	7,168	7,670	8,700	10,600	10,410	10,931	13,117	15,478
Pharma & Intermediates	1,262	1,060	1,270	1,900	1,260	1,386	1,691	2,063
Total	21,604	23,730	32,350	40,480	38,450	38,392	45,178	51,986

Source: Company, DART

Exhibit 1: Actual V/s DART Estimates (Rs mn)

Particulars	Actual	Estimated	Variance	Comments
Revenue	10,021	9,073	10.5%	Better than expected performance in life science business
EBITDA	2,612	2,060	26.8%	Higher EBITDA margin due to benign raw material cost and controlled Opex.
EBITDA Margin(%)	26.1	22.7	336	
PAT	1,744	1,858	(6.2)	

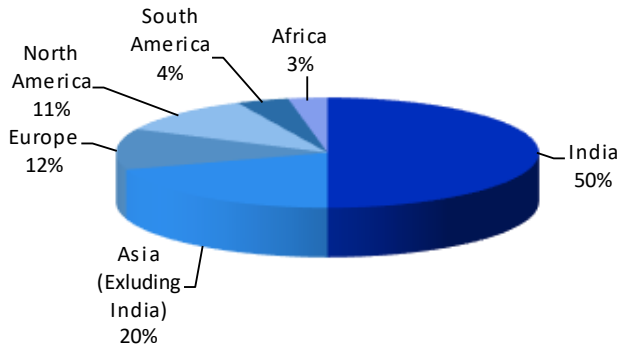
Source: Company, DART

Exhibit 2: Change in Estimates

Particulars (Rs Mn)	FY22E			FY23E		
	New	Previous	Chg. (%)	New	Previous	Chg. (%)
Revenue	47,337	49,579	(4.5)	54,404	-	-
EBITDA	10,436	9,642	8.2	11,811	-	-
EBITDA Margin(%)	22.0	19.4	13.4	21.7	-	-
PAT	7,114	6,579	8.1	7,717	-	-
EPS(Rs)	239.7	222.0	8.0	260	-	-

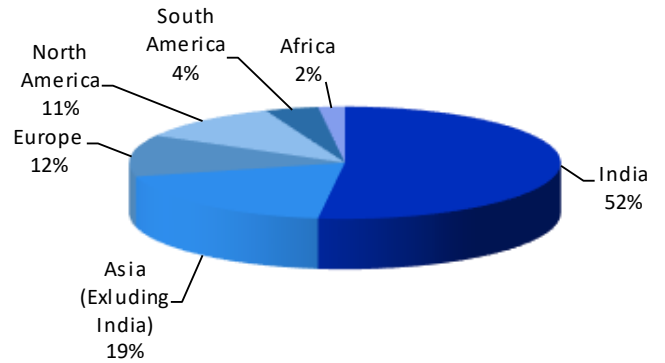
Source: Company, DART

Exhibit 3: Geography wise Sales (FY19)



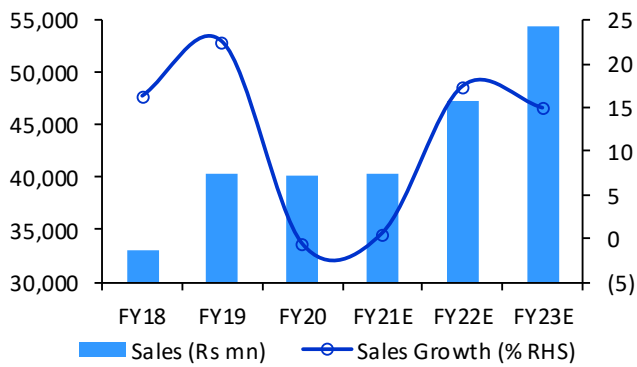
Source: Company, DART

Exhibit 4: Geography wise Sales (FY20)



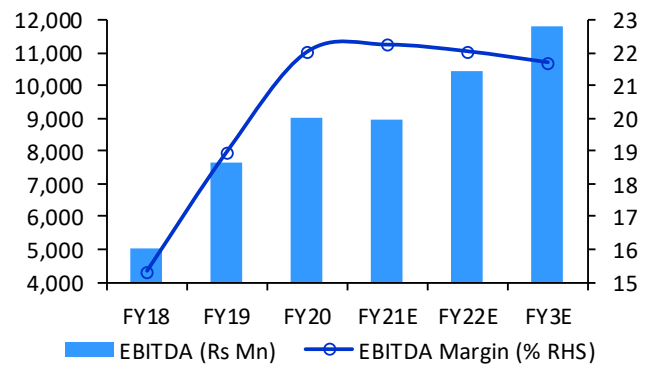
Source: Company, DART

Exhibit 5: Sales (Rs Mn.) & Sales Growth (%)



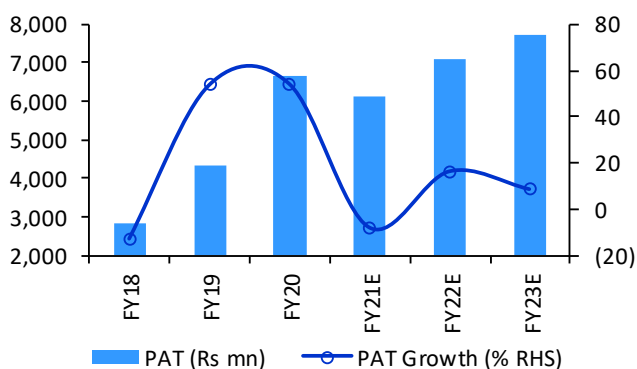
Source: Company, DART

Exhibit 6: EBITDA (Rs Mn.) & EBITDA Margin (%)



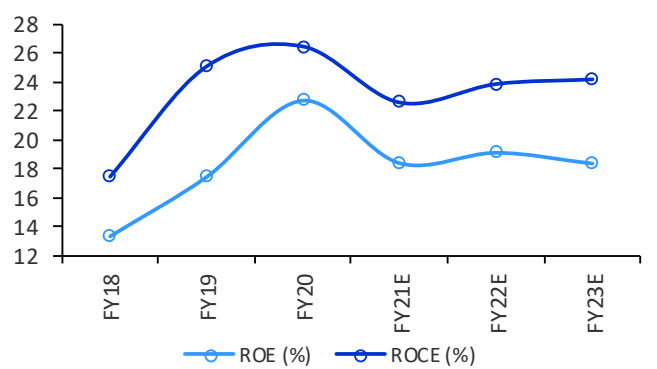
Source: Company, DART

Exhibit 7: PAT (Rs Mn.) & PAT Growth (%)



Source: Company, DART

Exhibit 8: ROE/ROCE



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	40,098	40,319	47,337	54,404
Total Expense	31,084	31,348	36,901	42,593
COGS	19,700	18,815	22,775	26,440
Employees Cost	3,009	3,234	3,520	3,800
Other expenses	8,375	9,299	10,606	12,353
EBIDTA	9,014	8,971	10,436	11,811
Depreciation	1,302	1,466	1,646	1,733
EBIT	7,712	7,506	8,790	10,078
Interest	88	40	20	20
Other Income	780	650	756	756
Exc. / E.O. items	0	0	0	0
EBT	8,404	8,116	9,527	10,815
Tax	1,745	2,003	2,428	3,113
RPAT	6,665	6,122	7,114	7,717
Minority Interest	45	50	55	55
Profit/Loss share of associates	50	60	70	70
APAT	6,665	6,122	7,114	7,717

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	297	297	297	297
Minority Interest	264	264	264	264
Reserves & Surplus	31,252	34,623	39,126	44,198
Net Worth	31,549	34,920	39,423	44,495
Total Debt	1,085	1,015	1,015	1,015
Net Deferred Tax Liability	1,078	1,078	1,078	1,078
Total Capital Employed	33,976	37,276	41,780	46,851

Applications of Funds

Net Block	11,249	13,989	15,604	16,132
CWIP	3,681	1,000	1,000	1,000
Investments	4,985	4,985	4,985	4,985
Current Assets, Loans & Advances	21,520	24,289	27,647	32,452
Inventories	5,034	5,062	6,332	7,575
Receivables	7,197	8,342	10,183	12,001
Cash and Bank Balances	354	1,995	1,964	3,428
Loans and Advances	332	334	392	451
Other Current Assets	2,086	2,040	2,259	2,480
Less: Current Liabilities & Provisions	7,460	6,988	7,457	7,718
Payables	4,809	4,337	4,806	5,067
Other Current Liabilities	2,651	2,651	2,651	2,651
	<i>sub total</i>			
Net Current Assets	14,060	17,302	20,190	24,734
Total Assets	33,976	37,276	41,780	46,851

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	50.9	53.3	51.9	51.4
EBIDTA Margin	22.5	22.3	22.0	21.7
EBIT Margin	19.2	18.6	18.6	18.5
Tax rate	20.8	24.7	25.5	28.8
Net Profit Margin	16.6	15.2	15.0	14.2
(B) As Percentage of Net Sales (%)				
COGS	49.1	46.7	48.1	48.6
Employee	7.5	8.0	7.4	7.0
Other	20.9	23.1	22.4	22.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	87.8	187.6	439.5	503.9
Inventory days	46	46	49	51
Debtors days	66	76	79	81
Average Cost of Debt	10.8	3.8	2.0	2.0
Payable days	44	39	37	34
Working Capital days	128	157	156	166
FA T/O	3.6	2.9	3.0	3.4
(D) Measures of Investment				
AEPS (Rs)	224.5	206.3	239.7	260.0
CEPS (Rs)	268.4	255.7	295.1	318.4
DPS (Rs)	15.0	42.5	16.0	18.0
Dividend Payout (%)	6.7	20.6	6.7	6.9
BVPS (Rs)	1063.0	1176.5	1328.3	1499.1
RoANW (%)	22.7	18.4	19.1	18.4
RoACE (%)	21.3	17.3	18.0	17.4
RoAIC (%)	24.8	21.8	23.4	24.2
(E) Valuation Ratios				
CMP (Rs)	6117	6117	6117	6117
P/E	27.2	29.7	25.5	23.5
Mcap (Rs Mn)	181,539	181,539	181,539	181,539
MCap/ Sales	4.5	4.5	3.8	3.3
EV	175,753	174,042	174,073	172,609
EV/Sales	4.4	4.3	3.7	3.2
EV/EBITDA	19.5	19.4	16.7	14.6
P/BV	5.8	5.2	4.6	4.1
Dividend Yield (%)	0.2	0.7	0.3	0.3
(F) Growth Rate (%)				
Revenue	(0.7)	0.6	17.4	14.9
EBITDA	17.6	(0.5)	16.3	13.2
EBIT	19.1	(2.7)	17.1	14.7
PBT	24.5	(3.4)	17.4	13.5
APAT	54.2	(8.1)	16.2	8.5
EPS	54.2	(8.1)	16.2	8.5
Cash Flow				
(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	4,688	8,447	5,315	6,363
CFI	(5,231)	(6,789)	(821)	(1,005)
CFF	595	(1,849)	(2,852)	(954)
FCFF	(544)	1,658	4,493	5,358
Opening Cash	494	545	354	1,226
Closing Cash	545	354	1,995	5,631

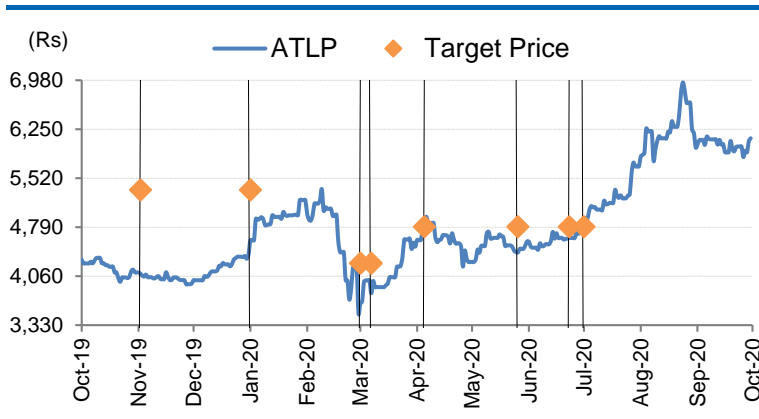
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Accumulate	5,346	4,100
Jan-20	Accumulate	5,346	4,596
Mar-20	Buy	4,254	3,654
Mar-20	Reduce	4,254	3,807
Apr-20	Reduce	4,797	4,870
Jun-20	Accumulate	4,797	4,414
Jul-20	Reduce	4,797	4,633
Jul-20	Reduce	4,797	4,923

*Price as on recommendation date

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