

# Camlin Fine Sciences

Refer to important disclosures at the end of this report

## Subsidiaries emerge stronger; Dahej benefits to start in Q3

**CMP: Rs 100**  
as of (November 13, 2020)

**TP: Rs 140 (▲)**  
12 months

**Rating: BUY (■)**

**Upside: 40.1 %**

- CFIN's consolidated Q2 sales were largely in line our estimates (up 15.5% yoy). Growth was mainly led by notable revenue performance at the subsidiary level (up 40% yoy), while the standalone business reported a marginal yoy growth of ~2%.
- Consolidated EBITDA was up 12% yoy, led by better margins at the subsidiary level (~900bps yoy). Standalone margins fell ~800bps, led by forex losses to the tune of ~Rs73mn. Mexico, Brazil and China subsidiaries reported the best margins till date.
- CFIN's plan to acquire China subsidiary's stake (49%) has been put on hold due to political uncertainties. These funds would be instead diverted to setting up a plant for Vanillin and its allied products at Dahej at a cost of Rs1.35bn, expected by the end of FY22.
- We remain constructive on the overall trajectory of the business, led by incremental plans at the Dahej facility and strong operational performance at the subsidiary level. We raise TP to Rs140 from Rs115, rolling forward to FY23E (15x); maintain Buy with OW in EAP.

**Export market growth imminent in the near term:** Consolidated sales were up 15.5% yoy, mainly due to healthy yoy growth reported across most international subsidiaries globally. Sequentially, however, growth was muted due to high base on inventory stocking by clients in Q1 due to uncertainties stemming from the pandemic. Robust operating margin was reported at the subsidiary level, led by better product mix and favorable pricing across most markets, insulated margin impact from the domestic business, as well as high forex losses of ~Rs73mn (~500bps impact at the standalone level). Forex loss effects should normalize going ahead, as per management. Management expects both Brazil and Mexico to benefit from client additions and portfolio expansion, led by economic demand coming back on track, while favorable Vanillin prices should aid the China subsidiary's profitability. CFIN has received Rs550mn (out of Rs1.8bn) for preferential warrants by Infinity Holdings and balance shall be called as and when required.

**New Vanillin facility at Dahej to act as forward integration; China deal kept on hold:** CFIN in Sept'20-end commissioned the Diphenol plant at Dahej and has now planned to manufacture Vanillin (and its derivatives) by setting up an additional multipurpose plant (6kmtpa at cost of Rs1.35bn) at the same facility. This should help register incremental sales, in addition to cost-savings and is expected to come online by end of FY22. CFIN's earlier plan to consolidate assets and move out of China has been put on hold due to present political uncertainties. The Chinese entity will continue to operate as usual for the time being and would contribute toward overall revenues. The recently commissioned Dahej plant operates at 60% levels in the current quarter and should gradually ramp up to ~90% by end of FY21. Moreover, CFIN is undertaking debottlenecking at its Tarapur facility which shall provide 2.5ktpa additional MEHQ capacity at optimum levels (Jan-21), with minimal investments.

**Growth momentum sustained; reiterate Buy:** We remain constructive on the overall trajectory of the business, led by incremental plans at the Dahej facility and strong operational performance at the subsidiary level. We raise our TP to Rs140 from Rs115, rolling forward to FY23E EPS (15x) and maintain Buy rating with OW stance in EAP.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Speciality Chemicals \(Page 12\)](#)

### Financial Snapshot (Consolidated)

| (Rs mn)           | FY19    | FY20    | FY21E  | FY22E  | FY23E  |
|-------------------|---------|---------|--------|--------|--------|
| Revenue           | 8,922   | 10,491  | 12,195 | 15,282 | 18,033 |
| EBITDA            | 728     | 1,352   | 1,788  | 2,370  | 2,833  |
| EBITDA Margin (%) | 8.2     | 12.9    | 14.7   | 15.5   | 15.7   |
| APAT              | 6       | 303     | 717    | 1,168  | 1,467  |
| EPS (Rs)          | 0.0     | 2.5     | 4.6    | 7.4    | 9.4    |
| EPS (% chg)       | 0.0     | 5,155.4 | 82.8   | 62.8   | 25.6   |
| ROE (%)           | 0.2     | 7.8     | 13.6   | 16.5   | 17.6   |
| P/E (x)           | 2,098.6 | 39.9    | 21.8   | 13.4   | 10.7   |
| EV/EBITDA (x)     | 21.6    | 12.5    | 11.0   | 8.4    | 6.8    |
| P/BV (x)          | 3.3     | 3.0     | 2.4    | 2.1    | 1.7    |

Source: Company, Emkay Research



### Change in Estimates

|                         |          |
|-------------------------|----------|
| EPS Chg FY21E/FY22E (%) | 6.4/16.4 |
| Target Price change (%) | 21.7     |
| Target Period (Months)  | 12       |
| Previous Reco           | BUY      |

### Emkay vs Consensus

|                         | EPS Estimates |       |
|-------------------------|---------------|-------|
|                         | FY21E         | FY22E |
| Emkay                   | 4.6           | 7.4   |
| Consensus               | 6.7           | 8.9   |
| Mean Consensus TP (12M) | Rs 128        |       |

### Stock Details

|                              |           |
|------------------------------|-----------|
| Bloomberg Code               | CFIN IN   |
| Face Value (Rs)              | 1         |
| Shares outstanding (mn)      | 121       |
| 52 Week H/L                  | 120 / 33  |
| M Cap (Rs bn/USD bn)         | 12 / 0.16 |
| Daily Avg Volume (nos.)      | 6,29,177  |
| Daily Avg Turnover (US\$ mn) | 0.8       |

### Shareholding Pattern Sep '20

|                   |       |
|-------------------|-------|
| Promoters         | 22.7% |
| FII's             | 1.8%  |
| DII's             | 19.0% |
| Public and Others | 56.5% |

### Price Performance

| (%)                       | 1M  | 3M | 6M  | 12M |
|---------------------------|-----|----|-----|-----|
| <b>Absolute</b>           | (4) | 9  | 171 | 66  |
| <b>Rel. to Nifty (10)</b> | (3) |    | 100 | 55  |

### 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:

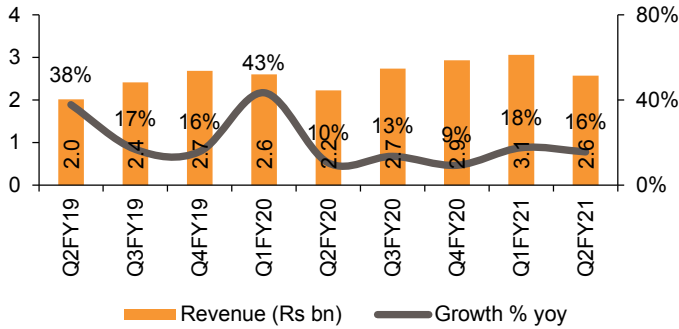
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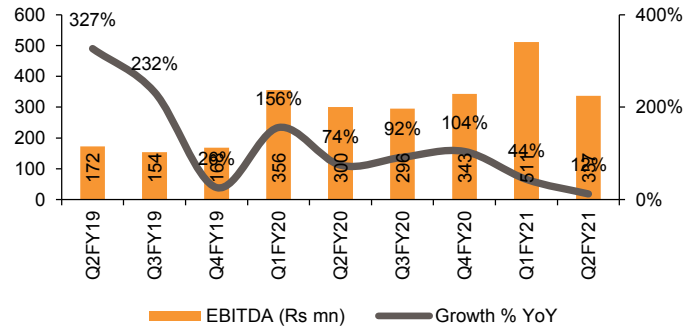
# Story in Charts

**Exhibit 1: International markets remain critical to overall growth**



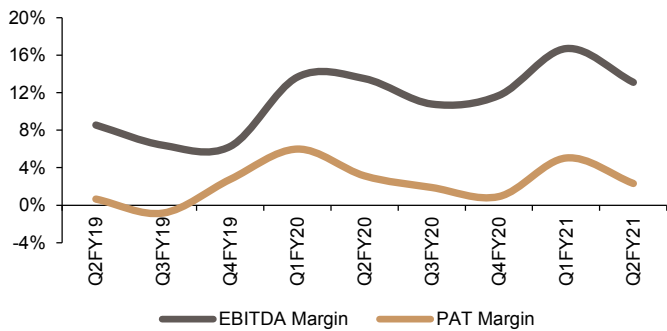
Source: Company, Emkay Research

**Exhibit 2: EBITDA marginally steady led by strong operating performance at subsidiary level**



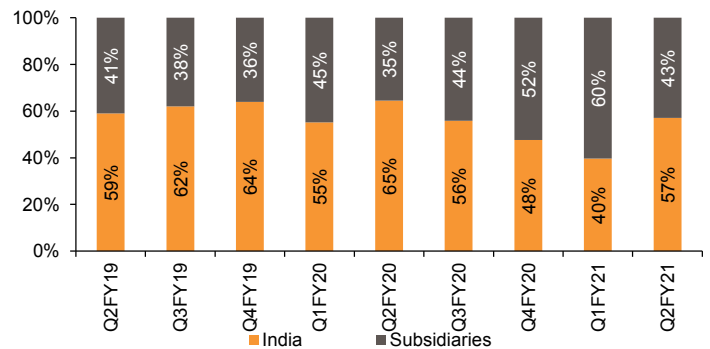
Source: Company, Emkay Research

**Exhibit 3: Margins dip sequentially on account of higher forex losses**



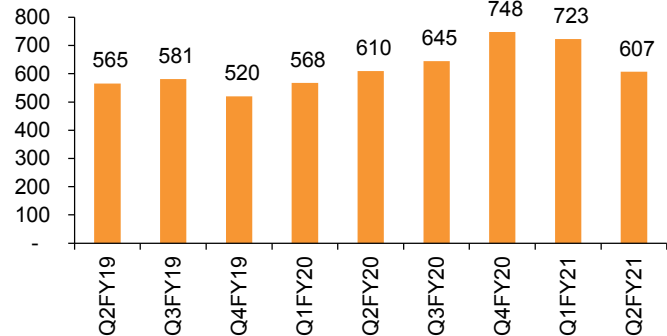
Source: Company, Emkay Research

**Exhibit 4: International markets on year growth significantly better than domestic business**



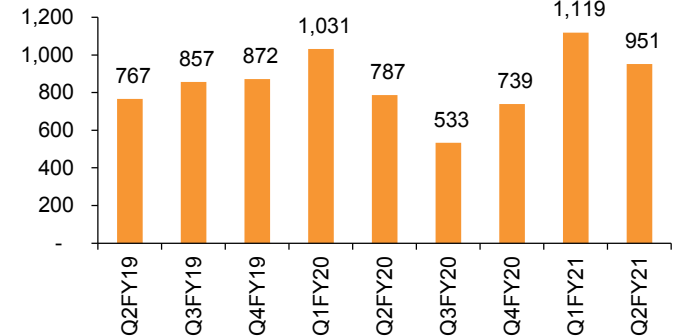
Source: Company, Emkay Research

**Exhibit 5: Mexico to benefit from customer & portfolio expansion going ahead, and should see 15-20% growth from new products (Rs mn)**



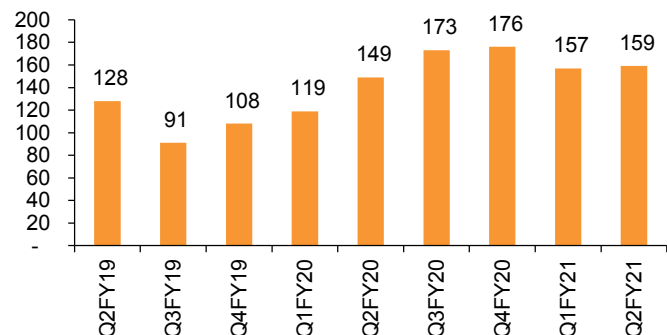
Source: Company, Emkay Research

**Exhibit 6: European market yoy growth, yet sequential decline on stocking up in Q1 (Rs mn)**



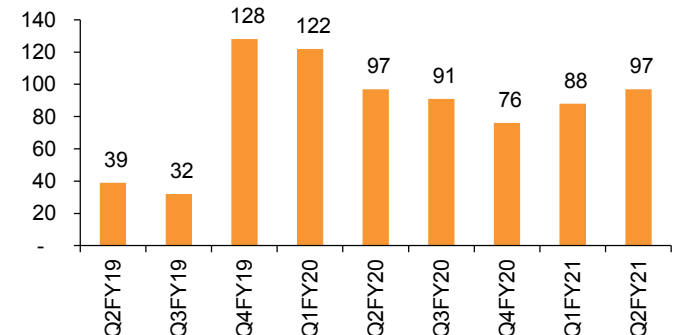
Source: Company, Emkay Research

**Exhibit 7: Brazil should benefit with summer period in H2, reduced Covid-19 impact leading to 20-25% growth for the six months and expanded portfolio (Rs mn)**

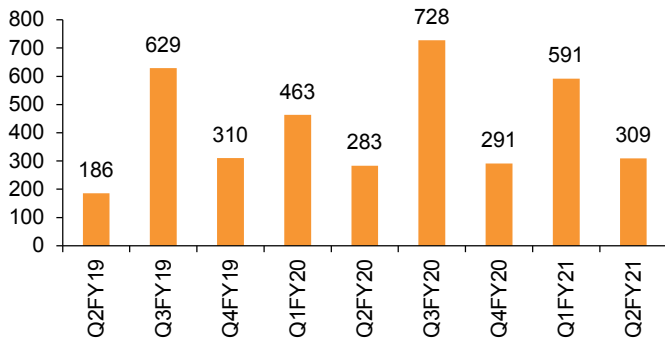


Source: Company, Emkay Research

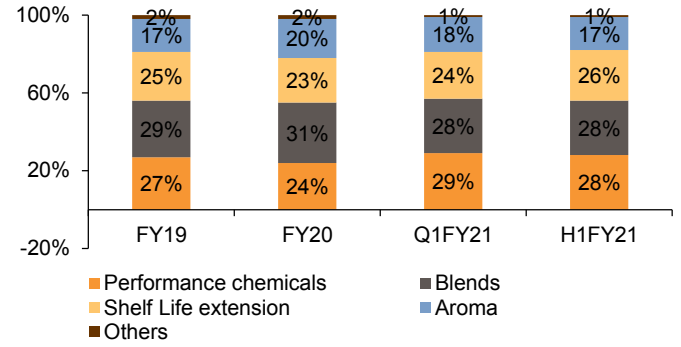
**Exhibit 8: Due to restricted movement, customer additions were nil in last quarter in North American market (Rs mn)**



Source: Company, Emkay Research

**Exhibit 9: China to operate normally with the buyout decision kept on hold (Rs mn)**

Source: Company, Emkay Research

**Exhibit 10: Blends business grows ~7% in H1FY21 vs. H1FY20**

Source: Company, Emkay Research

**Exhibit 11: Actual vs. Estimates (Q2FY21)**

| (Rs mn)         | Actual | Estimate (Emkay) | Consensus estimate | % Variation |           | Comment                                |
|-----------------|--------|------------------|--------------------|-------------|-----------|--|
|                 |        |                  |                    | Emkay       | Consensus |  |
| Sales           | 2568   | 2689             | 2744               | -4.5        | -6.4      | Marginally in line with estimates      |
| EBITDA          | 337    | 342              | 376                | -1.5        | -10.5     | EBITDA in line with our estimates      |
| EBITDA margin % | 13.1   | 12.7             | 13.7               | 40bps       | -60bps    |  |
| APAT            | 59     | 71               | 111                | -16.3       | -46.5     | Slightly below estimates on higher ETR |

Source: Company, Emkay Research

**Exhibit 12: Quarterly performance (consolidated)**

| Rs mn                        | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | YoY (%) | QoQ (%) | H1FY21 | H1FY20 | YoY % |
|------------------------------|--------|--------|--------|--------|--------|---------|---------|--------|--------|-------|
| Revenue                      | 2,223  | 2,739  | 2,929  | 3,057  | 2,568  | 15.5    | (16.0)  | 5,626  | 4,824  | 16.6  |
| Operating Expenditure        | 1,037  | 1,404  | 1,545  | 1,633  | 1,201  | 15.8    | (26.5)  | 2,834  | 2,390  | 18.6  |
| Gross Profit                 | 1,186  | 1,335  | 1,384  | 1,425  | 1,367  | 15.3    | (4.0)   | 2,792  | 2,434  | 14.7  |
| as % of sales                | 53.3   | 48.7   | 47.3   | 46.6   | 53.2   | (0.2)   | 14.3    | 49.6   | 50.5   |       |
| SG&A expenses                | 886    | 1,040  | 1,041  | 914    | 1,031  | 16.4    | 12.8    | 1,944  | 1,778  | 9.3   |
| as % of sales                | 39.8   | 38.0   | 35.5   | 29.9   | 40.1   | 0.7     | 34.3    | 34.6   | 36.9   |       |
| EBITDA                       | 300    | 296    | 343    | 511    | 337    | 12.2    | (34.1)  | 848    | 656    | 29.3  |
| Depreciation                 | 77     | 84     | 91     | 95     | 96     | 25.5    | 1.6     | 191    | 153    | 25.1  |
| EBIT                         | 223    | 211    | 252    | 416    | 240    | 7.6     | (42.2)  | 657    | 503    | 24.7  |
| Other Income                 | 6      | 7      | 28     | 5      | 13     | 99.7    | 174.6   | 17     | 13     | 34.9  |
| Interest Expenses            | 144    | 75     | 152    | 106    | 81     | (43.7)  | (23.0)  | 187    | 204    | -8.3  |
| PBT                          | 86     | 143    | 127    | 315    | 172    | 100.9   | (45.5)  | 487    | 312    | 56.0  |
| Total Tax                    | 10     | 104    | 107    | 110    | 75     | 620.6   | (31.8)  | 185    | 73     | 153.3 |
| Adjusted PAT                 | 75     | 38     | 21     | 206    | 97     | 29.1    | (52.8)  | 303    | 240    | 26.4  |
| (Profit)/Loss from JV/Ass/MI | -6     | 13     | 6      | -52    | 38     | Nm      | Nm      | -89    | -15    | Nm    |
| Reported PAT                 | 81     | 25     | 14     | 257    | 59     | (26.7)  | (76.9)  | 392    | 254    | 54.3  |
| Reported EPS                 | 0.6    | 0.4    | 0.2    | 1.3    | 0.5    | (14.3)  | (61.4)  | 1.8    | 1.9    | -5.2  |

| Margins (%)        |      |      |      |      |      | (bps) | (bps) |      |      |      |
|--------------------|------|------|------|------|------|-------|-------|------|------|------|
| EBITDA             | 13.5 | 10.8 | 11.7 | 16.7 | 13.1 | -39   | -360  | 15.1 | 13.6 | 148  |
| EBIT               | 10.1 | 7.7  | 8.6  | 13.6 | 9.4  | -69   | -425  | 11.7 | 10.4 | 124  |
| EBT                | 3.9  | 5.2  | 4.3  | 10.3 | 6.7  | 285   | -362  | 8.7  | 6.5  | 219  |
| PAT                | 3.6  | 0.9  | 0.5  | 8.4  | 2.3  | -133  | -610  | 7.0  | 5.3  | 170  |
| Effective Tax Rate | 12.1 | 73.1 | 83.7 | 34.8 | 43.5 | 3140  | 873   | 37.9 | 23.3 | 1456 |

Source: Company, Emkay Research

**Exhibit 13: Quarterly performance (standalone)**

| Rs mn                        | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | YoY (%)      | QoQ (%)      | H1FY21 | H1FY20 | YoY %        |
|------------------------------|--------|--------|--------|--------|--------|--------------|--------------|--------|--------|--------------|
| Revenue                      | 1,435  | 1,532  | 1,395  | 1,212  | 1,468  | 2.3          | 21.1         | 2,679  | 2,871  | -6.7         |
| Operating Expenditure        | 946    | 1,044  | 902    | 768    | 989    | 4.5          | 28.9         | 1,757  | 1,942  | -9.5         |
| Gross Profit                 | 488    | 488    | 493    | 444    | 478    | (2.0)        | 7.7          | 922    | 928    | -0.7         |
| as % of sales                | 34.0   | 31.8   | 35.4   | 36.7   | 32.6   | (4.2)        | (11.1)       | 34.4   | 32.3   |              |
| SG&A expenses                | 308    | 347    | 354    | 286    | 407    | 32.3         | 42.3         | 694    | 651    | 6.5          |
| as % of sales                | 21.5   | 22.6   | 25.4   | 23.6   | 27.8   | 29.3         | 17.5         | 25.9   | 22.7   |              |
| EBITDA                       | 180    | 141    | 139    | 158    | 71     | (60.7)       | (55.1)       | 229    | 277    | -17.5        |
| Depreciation                 | 28     | 26     | 31     | 31     | 34     | 20.9         | 10.8         | 64     | 56     | 15.6         |
| EBIT                         | 152    | 114    | 109    | 127    | 37     | (75.6)       | (70.9)       | 164    | 222    | -14.2        |
| Other Income                 | 55     | 28     | 157    | 10     | 13     | (75.9)       | 33.3         | 23     | 64     | -64.1        |
| Interest Expenses            | 89     | 69     | 68     | 86     | 59     | (33.5)       | (31.3)       | 145    | 144    | 1.0          |
| PBT                          | 118    | 73     | 198    | 51     | -9     | Nm           | Nm           | 42     | 142    | -70.2        |
| Total Tax                    | 40     | 26     | 32     | 13     | 1      | (96.5)       | (89.1)       | 14     | 47     | -69.8        |
| Adjusted PAT                 | 78     | 47     | 166    | 38     | -10    | Nm           | Nm           | 28     | 95     | -70.4        |
| (Profit)/Loss from JV/Ass/MI | -      | -      | -      | -      | -      |              |              | -      | -      |              |
| APAT after MI                | 78     | 47     | 166    | 38     | -10    | Nm           | Nm           | 117    | 109    | NA           |
| Extra ordinary items         | -      | -      | -      | -      | -      |              |              | -      | -      |              |
| Reported PAT                 | 78     | 47     | 166    | 38     | -10    | Nm           | Nm           | 117    | 109    | 7.4          |
| Reported EPS                 | 0.6    | 0.4    | 1.4    | 0.3    | -0.1   | Nm           | Nm           | 0.2    | 0.8    | -70.4        |
| <b>Margins (%)</b>           |        |        |        |        |        | <b>(bps)</b> | <b>(bps)</b> |        |        | <b>(bps)</b> |
| EBITDA                       | 12.6   | 9.2    | 10.0   | 13.0   | 4.83   | -773         | -819         | 8.5    | 9.7    | -112         |
| EBIT                         | 10.6   | 7.5    | 7.8    | 10.5   | 2.5    | -809         | -798         | 6.1    | 7.7    | -158         |
| EBT                          | 8.2    | 4.8    | 14.2   | 4.2    | -0.6   | -884         | -482         | 1.6    | 5.0    | -337         |
| PAT                          | 5.5    | 3.1    | 11.9   | 3.2    | -0.7   | -617         | -385         | 4.4    | 3.8    | 57           |
| Effective Tax Rate           | 33.6   | 35.4   | 16.4   | 25.3   | -16.0  | -4953        | -4125        | 33.9   | 33.4   | 49           |

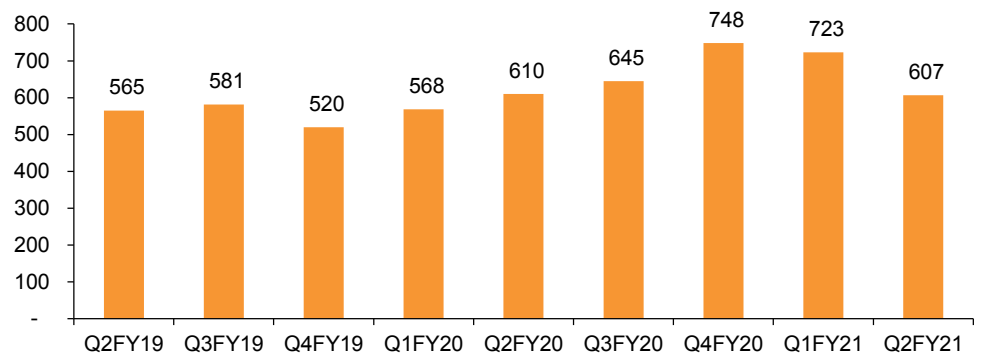
Source: Company, Emkay Research

## Subsidiary performance

### CFS Mexico

- This segment reported steady performance on a yoy basis, and a 16% drop sequentially.
- The region's performance benefitted from better product mix by selling higher-margin products during the pandemic, which improved EBITDA margins.
- Mexico saw both customer and portfolio expansion, and should see 15-20% growth from new products.

Exhibit 14: Q2FY21 CFS Mexico performance (Rs mn)

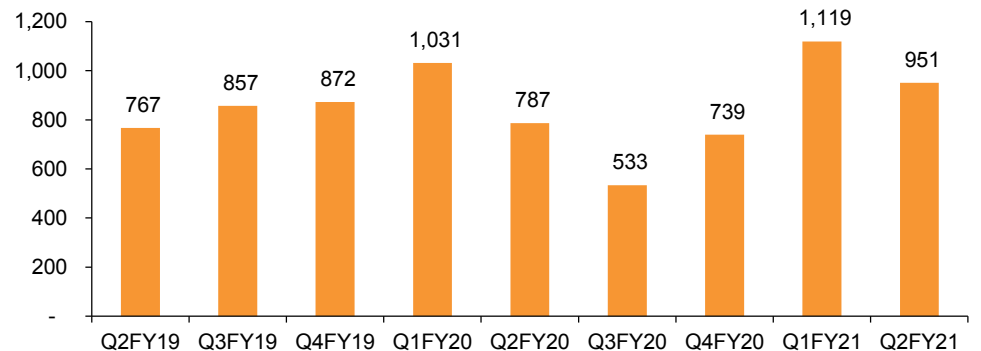


Source: Company, Emkay Research

### CFS Europe

- CFS Europe remains important for the company for the sourcing of key raw materials such as Hydroquinone (HQ) and Catechol (CT).
- CFS Europe reported 21% yoy growth and a drop of 15% qoq. Europe-based and other international players are receptive and supportive to Camlin's supply-chain diversification plan from China. Such performance is mainly led by improved volume offtake by international players on a yoy basis, who are also ramping up production gradually.

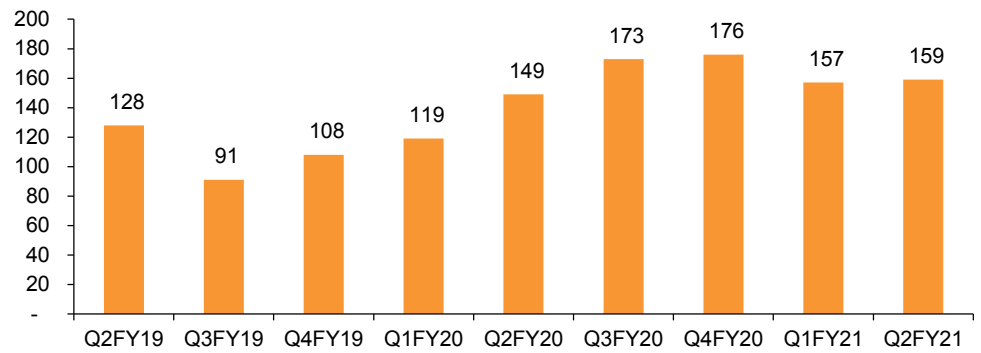
Exhibit 15: Q2FY21 CFS Europe performance (Rs mn)



Source: Company, Emkay Research

### CFS Brazil

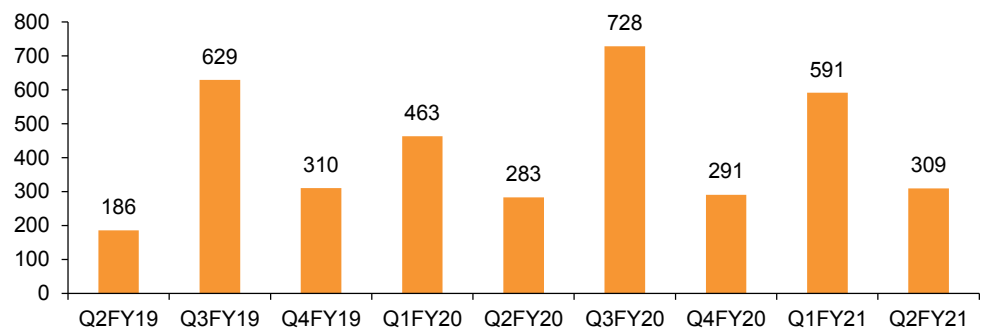
- The Brazil division reported 7% yoy growth (up 1% qoq), with continued product portfolio expansion in new segments such as Animal Feeds, Human Nutrition and Biodiesel (Antioxidants).
- EBITDA margins were in mid-double digits, led by strong operational performance, as opposed to single digits in previous periods.
- Brazil underwent a portfolio expansion and with the summer period coming, H2 should see 20-25% growth with the pandemic impact reducing.

**Exhibit 16: Q2FY21 CFS Brazil performance (Rs mn)**

Source: Company, Emkay Research

### CFS Wanglong (China)

- CFS Wanglong's (China) sales were up 9% yoy (down 48% qoq) on favorable vanillin pricing, which management expects to have a continued benefit in seasonally better Q3 as well. The business was EBITDA positive in this quarter, driven by better pricing and operational efficiencies.
- The impact of transition on revenue for 4-5 months expected earlier from the shifting of assets would now be absent given the strategic plan has been put on hold. The China facility would continue to do business going ahead, and would contribute to overall business as well.

**Exhibit 17: Q2FY21 CFS Wanglong's performance (Rs mn)**

Source: Company, Emkay Research

## Concall Highlights

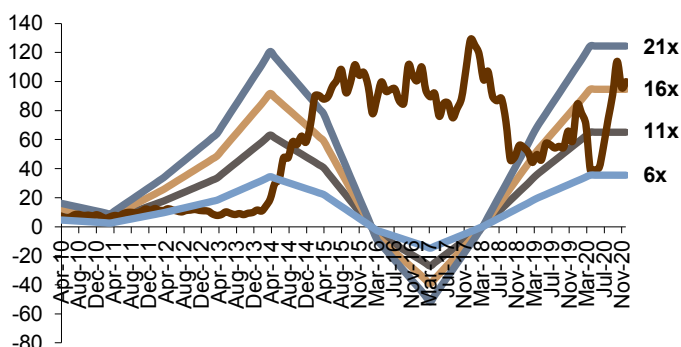
- CFIN has received Rs550mn for preferential warrants' part subscription in this quarter from Infinity Holdings and the balance will be called as and when required.
- CFIN is planning to set up methyl, ethyl vanillin and allied derivatives for 6kmt (including natural vanilla for the US market) at a cost of Rs1.35bn, at an additional plant in Dahej. This is a MPP which can be used for multiple derivatives depending on market demand, and should come online by FY22-end. The process would include converting the Catechol to Guaiacol/Guethol and then to Vanillin types at the same facility to save costs and improve yields. All catechol from Dahej would be converted to Vanillin. For rest of the derivatives, Italy catechol will be imported. The benefit will be around ~\$2/per kg at optimum capacity which should be at least 80%, for the existing plant.
- Vanillin realization has improved by 8% yoy, plus RM costs have reduced by 2%.
- Total consol. debt stood at Rs4.88bn and total cash at Rs1.22bn, including Rs550mn subscription. Major cash kept in international markets due to tax efficiency.
- Forex expenses' major impact was related to unrealized debtors and this should reverse going ahead. Realized debtors stand less than Rs100mn.
- China's stake buyout is kept on hold due to political uncertainties and the same reserved fund is diverted to setting up the ethyl vanillin facility. China will continue to operate normally for the time being. About 15% of China's sales is locally sold in China.
- Additionally, MEHQ debottlenecking going on at the Tarapur facility, 2.5ktons (at peak), by the end of Jan-21, with minimal investment.
- Brazil underwent a portfolio expansion and with the summer period coming, H2 should see 20-25% growth with the pandemic impact reducing. The US market saw no new customer additions due to complete restrictions. Mexico saw both customer and portfolio expansion, and should see 15-20% growth from new products. Most markets saw stocking up in Q1 as a result of supply concerns due to lockdown.
- Revenues from the Blends business stood at Rs1.58bn in H1FY21 vs. Rs1.48bn in H1FY20. In Q2, revenues were Rs730mn vs. Rs840mn in Q1FY21.

Exhibit 18: Revision in Estimates

| All fig in Rs mn (Ex Margin/EPS) | FY21E  |        |          | FY22E  |        |          | FY23E  |        |          |
|----------------------------------|--------|--------|----------|--------|--------|----------|--------|--------|----------|
|                                  | Old    | New    | % Change | Old    | New    | % Change | Old    | New    | % Change |
| Revenues                         | 12,047 | 12,195 | 1.2      | 14,470 | 15,282 | 5.6      | 17,075 | 18,033 | 5.6      |
| EBITDA                           | 1,766  | 1,788  | 1.2      | 2,244  | 2,370  | 5.6      | 2,683  | 2,833  | 5.6      |
| EBITDA margins %                 | 14.7   | 14.7   | 0bps     | 15.5   | 15.5   | 0bps     | 15.7   | 15.7   | 0bps     |
| Net profits                      | 680    | 717    | 5.4      | 999    | 1,168  | 16.9     | 1,279  | 1,467  | 14.7     |
| EPS                              | 4.3    | 4.6    | 6.4      | 6.4    | 7.4    | 16.4     | 8.2    | 9.4    | 14.1     |

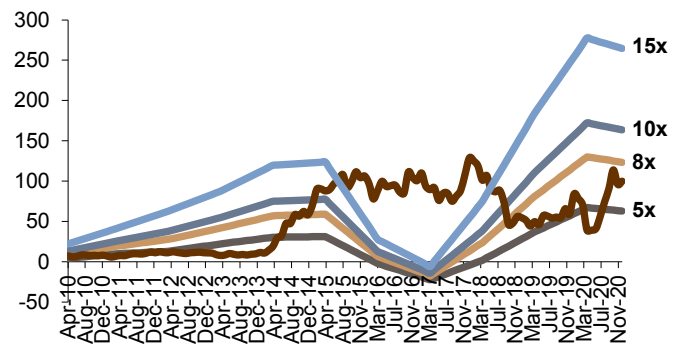
Source: Company, Emkay Research

Exhibit 19: PE(x) band



Source: Company, Emkay Research

Exhibit 20: EV/EBITDA(x) band



Source: Company, Emkay Research

## Exhibit 21: Peer comparison

| Company Name                | Price (Rs) | Mkt Cap (Rs bn) | Reco       | TP (Rs)    | PE          |             |             | PB (x)     |            |            | EV/EBITDA   |             |            |
|-----------------------------|------------|-----------------|------------|------------|-------------|-------------|-------------|------------|------------|------------|-------------|-------------|------------|
|                             |            |                 |            |            | FY20        | FY21e       | FY22e       | FY20       | FY21e      | FY22e      | FY20        | FY21e       | FY22e      |
| Advanced Enzyme Tech        | 331        | 37              | Hold       | 332        | 28.6        | 25.9        | 22.6        | 4.4        | 3.8        | 3.3        | 18.0        | 16.2        | 13.8       |
| Apcotex Industries          | 167        | 9               | Hold       | 140        | 52.2        | 51.5        | 28.1        | 3.4        | 3.4        | 3.1        | 27.1        | 23.6        | 15.4       |
| BASF India                  | 1507       | 65              | Buy        | 1630       | 352.3       | 47.1        | 33.5        | 4.7        | 3.4        | 3.1        | 30.5        | 18.4        | 15.7       |
| <b>Camlin Fine Sciences</b> | <b>100</b> | <b>12</b>       | <b>Buy</b> | <b>140</b> | <b>39.9</b> | <b>21.8</b> | <b>13.4</b> | <b>3.0</b> | <b>2.4</b> | <b>2.1</b> | <b>12.5</b> | <b>11.0</b> | <b>8.4</b> |
| GHCL                        | 168        | 16              | Buy        | 186        | 4.0         | 5.2         | 3.8         | 0.7        | 0.7        | 0.6        | 3.8         | 3.7         | 2.7        |
| Navin Fluorine              | 2519       | 125             | Buy        | 2350       | 30.5        | 55.2        | 45.4        | 8.8        | 7.9        | 6.9        | 46.4        | 38.2        | 32.4       |
| SRF                         | 5137       | 304             | Buy        | 5466       | 32.8        | 26.9        | 20.4        | 6.1        | 4.6        | 3.8        | 22.9        | 16.2        | 12.5       |
| Tata Chemicals              | 324        | 83              | Hold       | 324        | 1.2         | 15.1        | 10.9        | 0.6        | 0.6        | 0.6        | 8.1         | 9.0         | 7.5        |
| Vinati Organics             | 1103       | 113             | Buy        | 1330       | 33.9        | 40.5        | 29.2        | 8.8        | 7.6        | 6.3        | 27.2        | 30.2        | 21.6       |

Source: Company, Emkay Research



**Key Financials (Consolidated)****Income Statement**

| Y/E Mar (Rs mn)                  | FY19         | FY20          | FY21E         | FY22E         | FY23E         |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>                   | <b>8,922</b> | <b>10,491</b> | <b>12,195</b> | <b>15,282</b> | <b>18,033</b> |
| <b>Expenditure</b>               | <b>8,193</b> | <b>9,139</b>  | <b>10,407</b> | <b>12,912</b> | <b>15,200</b> |
| <b>EBITDA</b>                    | <b>728</b>   | <b>1,352</b>  | <b>1,788</b>  | <b>2,370</b>  | <b>2,833</b>  |
| Depreciation                     | 290          | 328           | 388           | 401           | 476           |
| <b>EBIT</b>                      | <b>439</b>   | <b>1,024</b>  | <b>1,399</b>  | <b>1,970</b>  | <b>2,357</b>  |
| Other Income                     | 138          | 34            | 50            | 50            | 50            |
| Interest expenses                | 410          | 476           | 488           | 391           | 356           |
| <b>PBT</b>                       | <b>167</b>   | <b>582</b>    | <b>961</b>    | <b>1,629</b>  | <b>2,051</b>  |
| Tax                              | 137          | 284           | 269           | 456           | 574           |
| Extraordinary Items              | (1)          | 0             | 0             | 0             | 0             |
| Minority Int./Income from Assoc. | 24           | (5)           | (25)          | 5             | 10            |
| <b>Reported Net Income</b>       | <b>5</b>     | <b>303</b>    | <b>717</b>    | <b>1,168</b>  | <b>1,467</b>  |
| <b>Adjusted PAT</b>              | <b>6</b>     | <b>303</b>    | <b>717</b>    | <b>1,168</b>  | <b>1,467</b>  |

**Balance Sheet**

| Y/E Mar (Rs mn)                            | FY19         | FY20          | FY21E         | FY22E         | FY23E         |
|--|--------------|---------------|---------------|---------------|---------------|
| Equity share capital                       | 121          | 121           | 157           | 157           | 157           |
| Reserves & surplus                         | 3,588        | 3,910         | 6,392         | 7,481         | 8,869         |
| <b>Net worth</b>                           | <b>3,709</b> | <b>4,031</b>  | <b>6,548</b>  | <b>7,638</b>  | <b>9,026</b>  |
| <b>Minority Interest</b>                   | <b>594</b>   | <b>570</b>    | <b>545</b>    | <b>550</b>    | <b>560</b>    |
| <b>Loan Funds</b>                          | <b>4,633</b> | <b>5,414</b>  | <b>5,614</b>  | <b>5,114</b>  | <b>4,614</b>  |
| Net deferred tax liability                 | 0            | 0             | 0             | 0             | 0             |
| <b>Total Liabilities</b>                   | <b>8,935</b> | <b>10,014</b> | <b>12,707</b> | <b>13,301</b> | <b>14,199</b> |
| <b>Net block</b>                           | <b>3,314</b> | <b>4,846</b>  | <b>6,057</b>  | <b>6,657</b>  | <b>6,681</b>  |
| <b>Investment</b>                          | <b>449</b>   | <b>339</b>    | <b>339</b>    | <b>339</b>    | <b>339</b>    |
| <b>Current Assets</b>                      | <b>6,692</b> | <b>6,749</b>  | <b>8,712</b>  | <b>9,376</b>  | <b>10,846</b> |
| Cash & bank balance                        | 1,034        | 648           | 1,529         | 872           | 1,063         |
| Other Current Assets                       | 0            | 0             | 0             | 0             | 0             |
| <b>Current liabilities &amp; Provision</b> | <b>1,520</b> | <b>1,919</b>  | <b>2,401</b>  | <b>3,070</b>  | <b>3,666</b>  |
| <b>Net current assets</b>                  | <b>5,172</b> | <b>4,830</b>  | <b>6,311</b>  | <b>6,306</b>  | <b>7,180</b>  |
| Misc. exp                                  | 0            | 0             | 0             | 0             | 0             |
| <b>Total Assets</b>                        | <b>8,935</b> | <b>10,014</b> | <b>12,707</b> | <b>13,301</b> | <b>14,199</b> |

**Cash Flow**

| Y/E Mar (Rs mn)                       | FY19           | FY20           | FY21E          | FY22E          | FY23E        |
|---------------------------------------|----------------|----------------|----------------|----------------|--------------|
| <b>PBT (Ex-Other income) (NI+Dep)</b> | <b>29</b>      | <b>548</b>     | <b>911</b>     | <b>1,579</b>   | <b>2,001</b> |
| Other Non-Cash items                  | 0              | 0              | 0              | 0              | 0            |
| Chg in working cap                    | (731)          | (45)           | (599)          | (651)          | (684)        |
| <b>Operating Cashflow</b>             | <b>(1,245)</b> | <b>496</b>     | <b>481</b>     | <b>922</b>     | <b>1,269</b> |
| Capital expenditure                   | 141            | (1,749)        | (1,600)        | (1,000)        | (500)        |
| <b>Free Cash Flow</b>                 | <b>(1,103)</b> | <b>(1,253)</b> | <b>(1,119)</b> | <b>(78)</b>    | <b>769</b>   |
| Investments                           | 829            | 110            | 0              | 0              | 0            |
| Other Investing Cash Flow             | 0              | 0              | 0              | 0              | 0            |
| <b>Investing Cashflow</b>             | <b>970</b>     | <b>(1,639)</b> | <b>(1,600)</b> | <b>(1,000)</b> | <b>(500)</b> |
| Equity Capital Raised                 | (52)           | (20)           | 1,800          | 0              | 0            |
| Loans Taken / (Repaid)                | 881            | 776            | 200            | (500)          | (500)        |
| Dividend paid (incl tax)              | 0              | 0              | 0              | 78             | 78           |
| Other Financing Cash Flow             | 410            | 476            | 488            | 234            | 199          |
| <b>Financing Cashflow</b>             | <b>828</b>     | <b>757</b>     | <b>2,000</b>   | <b>(578)</b>   | <b>(578)</b> |
| <b>Net chg in cash</b>                | <b>553</b>     | <b>(386)</b>   | <b>881</b>     | <b>(656)</b>   | <b>190</b>   |
| Opening cash position                 | 481            | 1,034          | 648            | 1,529          | 872          |
| <b>Closing cash position</b>          | <b>1,034</b>   | <b>648</b>     | <b>1,529</b>   | <b>872</b>     | <b>1,063</b> |

Source: Company, Emkay Research

**Key Ratios**

| <b>Profitability (%)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin            | 8.2         | 12.9        | 14.7         | 15.5         | 15.7         |
| EBIT Margin              | 4.9         | 9.8         | 11.5         | 12.9         | 13.1         |
| Effective Tax Rate       | 82.0        | 48.7        | 28.0         | 28.0         | 28.0         |
| Net Margin               | 0.3         | 2.8         | 5.7          | 7.7          | 8.2          |
| ROCE                     | 6.8         | 11.2        | 12.8         | 15.5         | 17.5         |
| ROE                      | 0.2         | 7.8         | 13.6         | 16.5         | 17.6         |
| RoIC                     | 6.4         | 12.4        | 14.1         | 17.2         | 18.9         |

| <b>Per Share Data (Rs)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS                        | 0.0         | 2.5         | 4.6          | 7.4          | 9.4          |
| CEPS                       | 2.4         | 5.2         | 7.1          | 10.0         | 12.4         |
| BVPS                       | 30.6        | 33.2        | 41.8         | 48.7         | 57.6         |
| DPS                        | 0.0         | 0.0         | 0.0          | 0.5          | 0.5          |

| <b>Valuations (x)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER                   | 2,098.6     | 39.9        | 21.8         | 13.4         | 10.7         |
| P/CEPS                | 41.0        | 19.2        | 14.2         | 10.0         | 8.1          |
| P/BV                  | 3.3         | 3.0         | 2.4          | 2.1          | 1.7          |
| EV / Sales            | 1.8         | 1.6         | 1.6          | 1.3          | 1.1          |
| EV / EBITDA           | 21.6        | 12.5        | 11.0         | 8.4          | 6.8          |
| Dividend Yield (%)    | 0.0         | 0.0         | 0.0          | 0.5          | 0.5          |

| <b>Gearing Ratio (x)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity         | 1.0         | 1.2         | 0.6          | 0.6          | 0.4          |
| Net Debt/EBIDTA          | 4.9         | 3.5         | 2.3          | 1.8          | 1.3          |
| Working Cap Cycle (days) | 169.3       | 145.5       | 143.1        | 129.8        | 123.8        |

| <b>Growth (%)</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21E</b> | <b>FY22E</b> | <b>FY23E</b> |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue           | 23.8        | 17.6        | 16.2         | 25.3         | 18.0         |
| EBITDA            | 371.2       | 85.6        | 32.2         | 32.6         | 19.5         |
| EBIT              | 0.0         | 133.6       | 36.6         | 40.7         | 19.7         |
| PAT               | 0.0         | 5,751.3     | 136.4        | 62.8         | 25.6         |

| <b>Quarterly (Rs mn)</b> | <b>Q2FY20</b> | <b>Q3FY20</b> | <b>Q4FY20</b> | <b>Q1FY21</b> | <b>Q2FY21</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                  | 2,223         | 2,739         | 2,929         | 3,057         | 2,568         |
| EBITDA                   | 300           | 296           | 343           | 511           | 337           |
| <b>EBITDA Margin (%)</b> | <b>13.5</b>   | <b>10.8</b>   | <b>11.7</b>   | <b>16.7</b>   | <b>13.1</b>   |
| PAT                      | 69            | 52            | 27            | 154           | 59            |
| <b>EPS (Rs)</b>          | <b>0.6</b>    | <b>0.4</b>    | <b>0.2</b>    | <b>1.3</b>    | <b>0.5</b>    |

Source: Company, Emkay Research

| <b>Shareholding Pattern (%)</b> | <b>Sep-19</b> | <b>Dec-19</b> | <b>Mar-20</b> | <b>Jun-20</b> | <b>Sep-20</b> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters                       | 22.6          | 22.7          | 22.7          | 22.7          | 22.7          |
| FIs                             | 0.9           | 0.9           | 1.2           | 1.2           | 1.8           |
| DIs                             | 21.2          | 21.4          | 21.1          | 19.0          | 19.0          |
| Public and Others               | 55.3          | 55.0          | 55.0          | 57.1          | 56.5          |

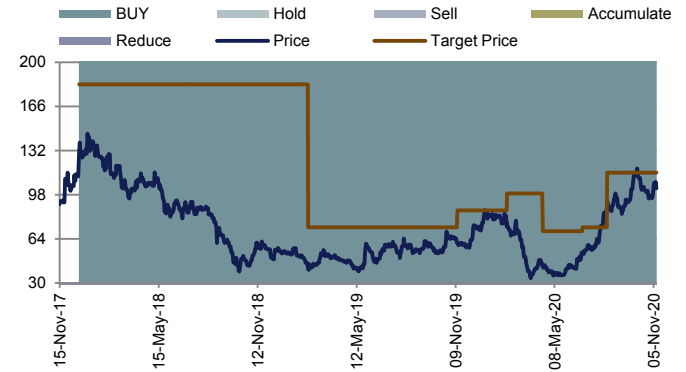
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

| Date      | Closing Price | TP  | Period (months) | Rating | Analyst     |
|-----------|---------------|-----|-----------------|--------|-------------|
| 22-Sep-20 | 94            | 115 | 12m             | Buy    | Rohit Sinha |
| 12-Aug-20 | 93            | 115 | 12m             | Buy    | Rohit Sinha |
| 28-Jun-20 | 54            | 73  | 12m             | Buy    | Rohit Sinha |
| 16-Apr-20 | 43            | 70  | 12m             | Buy    | Rohit Sinha |
| 11-Feb-20 | 76            | 99  | 12m             | Buy    | Rohit Sinha |
| 07-Feb-20 | 82            | 86  | 12m             | Buy    | Rohit Sinha |
| 06-Jan-20 | 80            | 86  | 12m             | Buy    | Rohit Sinha |
| 12-Nov-19 | 61            | 86  | 12m             | Buy    | Rohit Sinha |
| 23-Sep-19 | 61            | 73  | 12m             | Buy    | Rohit Sinha |
| 05-Aug-19 | 60            | 73  | 12m             | Buy    | Rohit Sinha |
| 28-May-19 | 58            | 73  | 12m             | Buy    | Amar Mourya |
| 12-Feb-19 | 41            | 73  | 12m             | Buy    | Amar Mourya |
| 19-Nov-18 | 62            | 183 | 12m             | Buy    | Amar Mourya |
| 14-Aug-18 | 83            | 183 | 12m             | Buy    | Amar Mourya |
| 09-Jul-18 | 87            | 183 | 12m             | Buy    | Amar Mourya |
| 25-May-18 | 85            | 183 | 12m             | Buy    | Amar Mourya |
| 16-Feb-18 | 114           | 183 | 12m             | Buy    | Amar Mourya |
| 20-Dec-17 | 131           | 183 | 12m             | Buy    | Amar Mourya |

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Speciality Chemicals



### Analyst: Rohit Sinha

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#### Sector

Speciality Chemicals

#### Analyst bio

Rohit Sinha holds a CFA degree and comes with total four years of experience in the Specialty Chemicals sector. He currently covers nine stocks in the Specialty Chemicals space.

### EAP sector portfolio

| Company Name                | BSE200 Weight | EAP Weight  | OW/UW (%)  | OW/UW (bps) | EAP Weight (Normalised) |
|-----------------------------|---------------|-------------|------------|-------------|-------------------------|
| <b>Speciality Chemicals</b> | <b>0.20</b>   | <b>0.20</b> | <b>-1%</b> | <b>0</b>    | <b>100.00</b>           |
| Advanced Enzyme Tech        | 0.00          | 0.00        | NA         | 0           | 1.00                    |
| Apcotex Industries          | 0.00          | 0.00        | NA         | 0           | 1.86                    |
| BASF India                  | 0.00          | 0.00        | NA         | 0           | 0.89                    |
| Camlin Fine Sciences        | 0.00          | 0.02        | NA         | 2           | 8.17                    |
| GHCL                        | 0.00          | 0.01        | NA         | 1           | 4.00                    |
| Navin Fluorine              | 0.00          | 0.05        | NA         | 5           | 25.03                   |
| Orient Refractories         | 0.00          | 0.01        | NA         | 1           | 3.75                    |
| SRF                         | 0.20          | 0.10        | -52%       | -10         | 48.41                   |
| Tata Chemicals              | 0.00          | 0.01        | NA         | 1           | 2.89                    |
| Vinati Organics             | 0.00          | 0.01        | NA         | 1           | 2.97                    |
| <b>Cash</b>                 | <b>0.00</b>   | <b>0.00</b> | <b>NA</b>  | <b>0</b>    | <b>0.00</b>             |

Source: Emkay Research

\* Not under coverage: Equal Weight

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

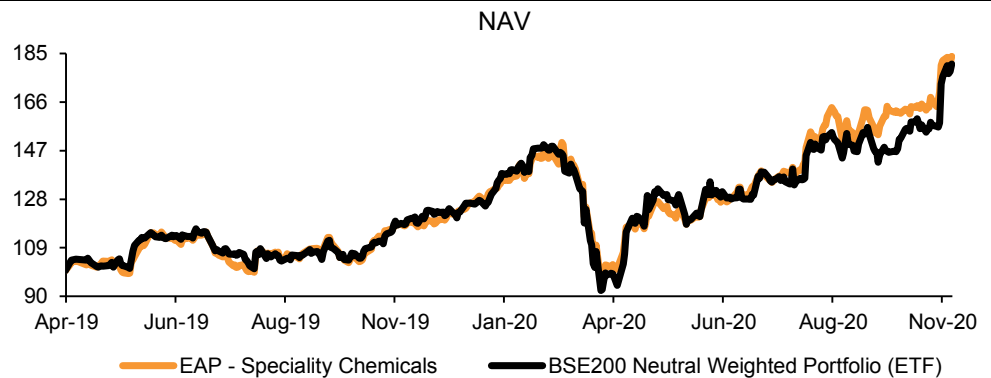
### Sector portfolio NAV

|   | Base     |           |           |           |           | Latest    |
|---|----------|-----------|-----------|-----------|-----------|-----------|
|   | 1-Apr-19 | 13-Feb-20 | 14-May-20 | 13-Aug-20 | 13-Oct-20 | 12-Nov-20 |
| EAP - Speciality Chemicals              | 100.0    | 144.1     | 123.3     | 152.5     | 162.7     | 184.0     |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0    | 148.1     | 129.8     | 149.6     | 155.8     | 180.9     |

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

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

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

“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: 13 Nov 2020 23:45:45 (SGT)

Dissemination Date: 13 Nov 2020 23:46:45 (SGT)

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

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