

Estimate changes

TP change

Rating change



Bloomberg	ATLP IN
Equity Shares (m)	30
M.Cap.(INRb)/(USDb)	219.4 / 2.7
52-Week Range (INR)	10701 / 7364
1, 6, 12 Rel. Per (%)	-8/-19/-27
12M Avg Val (INR M)	355

Financials and Valuations (INR b)

Y/E March	FY23E	FY24E	FY25E
Sales	55.5	60.0	65.2
EBITDA	8.1	10.1	11.6
PAT	5.2	6.3	7.3
EPS (INR)	176.4	212.9	246.3
EPS Gr. (%)	(11.3)	20.7	15.7
BV/Sh.(INR)	1,650.3	1,836.0	2,050.0
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	11.2	12.2	12.7
RoCE (%)	9.9	10.5	11.6
Payout (%)	15.0	15.0	15.0
Valuations			
P/E (x)	42.2	35.0	30.2
P/BV (x)	4.5	4.1	3.6
EV/EBITDA (x)	28.2	22.5	19.2
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	(3.4)	1.7	2.2

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	45.1	45.1	44.9
DII	24.2	23.4	22.2
FII	8.9	9.2	10.0
Others	21.8	22.3	22.9

FII Includes depository receipts

CMP: INR7,440

TP: INR8,328 (+12%)

Neutral

Performance & Other Chemicals segment continues to disappoint

- ATLP reported revenue below our estimates, with both the Life Science Chemicals and Performance & Other Chemicals segments posting a decline in revenues QoQ (up 24% YoY, down 19% YoY, respectively). **Gross margin was at 47.2% in 3QFY23 with EBITDAM declining 120bp QoQ to 13.6%.**
- **While contribution from the Life Science Chemicals segment to EBIT has improved significantly to 82% in 3QFY23 (from 67% in 2QFY23),** contribution from the Performance & Other Chemicals to overall EBIT declined to 16% in 3QFY23 (from 34% in 2QFY23).
- The management highlighted that low export demand and high input costs have adversely impacted the profitability of the Performance & Other Chemicals segment. In the Crop Protection sub-segment, realization was better along with volume growth, aiding in the profitability from the Life Science Chemicals segment during the quarter.
- Given the underperformance in 9MFY23 and near-term headwinds, we cut our Revenue/EBITDA/EPS estimates by 7%/11%/14% for FY23 and by 5%/4%/8% for FY24, respectively, while also marginally cutting our FY25 estimates. Consolidated EBITDAM posted was the lowest in the past 22 quarters.
- ATLP is implementing projects at a total investment of INR17.5b in Atul (parent company), Atul Products, Amal Specialty Ltd, and Atul Finserv. At full capacity, revenue is expected to touch INR60b.
- **We build in a revenue/EBITDA/PAT CAGR of 9%/8%/7%, respectively, over FY22-25E.** We value the stock at 35x Dec'24E EPS to arrive at a TP of INR8,328. On a one-year forward basis, ATLP trades at 33.9x. We reiterate our Neutral rating on the stock due to its limited upside potential.

EBITDAM declines sequentially; Performance & Other Chemicals continues to drag

- Revenue was below estimate at INR12.7b (down 8% YoY, down 15% QoQ).
 - Performance chemicals revenue stood at INR8.3b (down 19% YoY, down 16% QoQ).
 - Life Science chemicals revenue stood at INR4.9b (up 24% YoY, down 14% QoQ).
- Gross margin stood at 47.2% (flat QoQ) and EBITDA margin stood at 13.6% (down 120bp QoQ).
- EBIT margin contracted further for the Performance Chemicals segment.
 - Life Science Chemicals margin stood at 22.5% (down 220bp QoQ); EBIT at INR1.1b.
 - Performance Chemicals margin stood at 2.6% (down 480bp QoQ); the lowest ever recorded; EBIT at INR213m.
- **EBITDA came in at INR1.7b (est. of INR2.2b, down 32% YoY, down 22% QoQ).**
- **PAT stood at INR1b (est. of INR1.4b, down 34% YoY, down 31% QoQ), resulting in EPS of INR34.7 in 3QFY23.**
- **Contribution from the subsidiaries remained negative** (PAT at -INR340m in 3QFY23, v/s INR28m/-INR202m in 3QFY22/2QFY23, respectively).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **For 9MFY23**, revenue stood at INR42.3b (up 14% YoY), EBITDA at INR6.3b (down 11% YoY), PAT at INR4.1b (down 11% YoY).
- EBITDAM contracted to 14.8% in 9MFY23 from 19% in 9MFY22.
- There was a fire at ATLP's plant in Apr'22 (assets worth INR356m were destroyed). An interim payment to the tune of INR152m was received in 3QFY23 and is included in the 'other income'.

Valuation and view – reiterate our Neutral rating

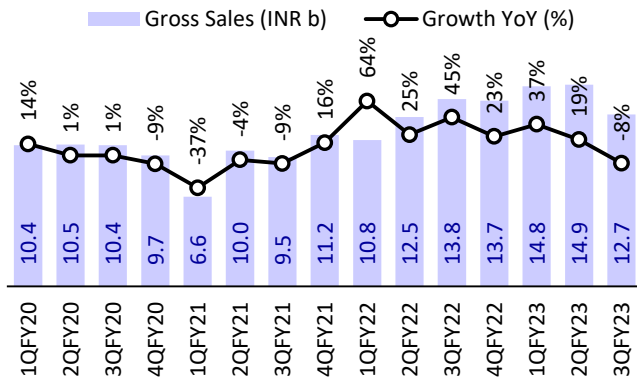
- ATLP is implementing projects at a total investment of INR17.5b in Atul (parent company), Atul Products, Amal Specialty Ltd., and Atul Finserv. At full capacity, revenue is expected to touch INR60b.
- We expect return ratios of 10-13% going forward. The stock is trading at 35x FY24E P/E, with an EPS of INR213, and 23x FY24E EV/EBITDA. We value the stock at 35x Dec'24E EPS to arrive at our TP of INR8,328. We reiterate our Neutral rating on the stock.

Consolidated - Quarterly Snapshot

Y/E March	FY22				FY23				FY22		FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				3QE	(%)
Gross Sales	10,802	12,500	13,803	13,704	14,769	14,873	12,683	13,209	50,809	55,532	14,413	-12	
YoY Change (%)	63.5	24.7	44.9	22.8	36.7	19.0	-8.1	-3.6	36.2	9.3	4.4		
Gross Margin (%)	52.0%	46.5%	50.6%	47.5%	48.5%	47.1%	47.2%	47.1%	49.1%	47.5%	47.8%		-0.6
EBITDA	2,361	2,187	2,515	2,052	2,330	2,203	1,723	1,867	9,114	8,122	2,163	-20	
Margin (%)	21.9	17.5	18.2	15.0	15.8	14.8	13.6	14.1	17.9	14.6	15.0		-1.4
Depreciation	433	440	454	441	473	491	504	520	1,767	1,987	497		
Interest	21	18	19	34	16	19	22	28	92	85	30		
Other Income	296	211	31	222	359	319	229	260	760	1,166	208		
PBT before EO expense	2,204	1,940	2,072	1,800	2,200	2,011	1,425	1,579	8,016	7,215	1,844	-23	
PBT	2,204	1,940	2,072	1,800	2,200	2,011	1,425	1,579	8,016	7,215	1,844	-23	
Tax	572	495	530	452	577	544	394	397	2,050	1,912	465		
Rate (%)	26.0	25.5	25.6	25.1	26.2	27.0	27.6	25.2	25.6	26.5	25.2		
MI and Profit/Loss of Asso. Cos.	19	17	27	18	11	13	-3	60	82	82	20		
Reported PAT	1,652	1,461	1,569	1,366	1,635	1,481	1,029	1,241	6,047	5,385	1,400	-27	
YoY change (%)	37.1	-16.1	-18.4	-22.9	1.4	3.7	-32.1	-6.6	-8.9	-11.3	-7.6		
Margin (%)	14.9	11.4	11.0	9.7	11.1	10.0	8.1	9.4	11.6	9.4	9.7		-1.6

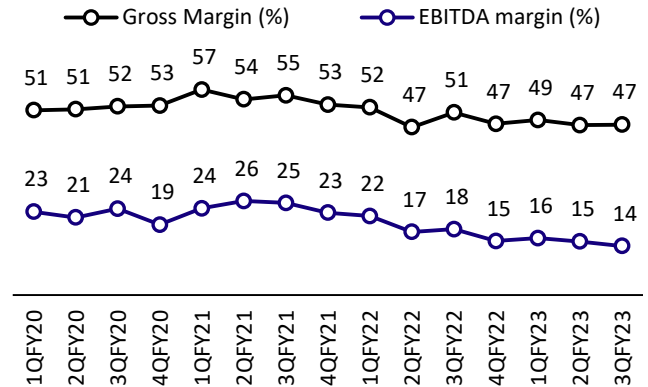
3QFY23 in charts

Exhibit 1: Sales declined 8% YoY, led by a decline in Performance & Other Chemicals (19% YoY)



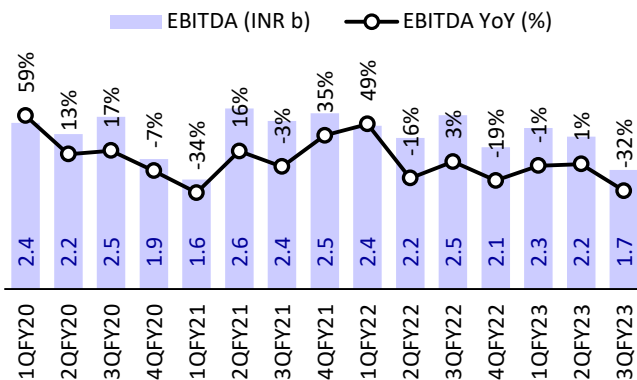
Source: Company, MOFSL

Exhibit 2: Gross and EBITDA margin contracted YoY, still near multi-quarter lows



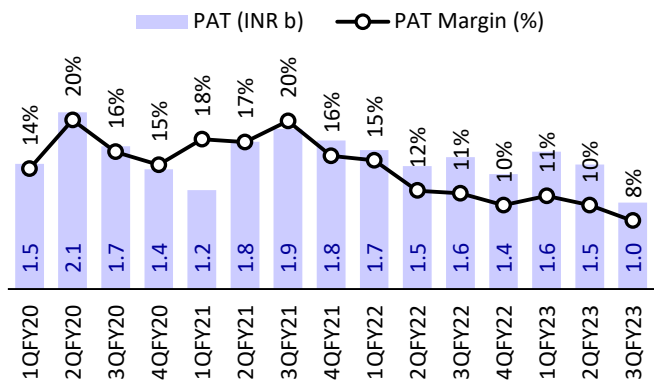
Source: Company, MOFSL

Exhibit 3: EBITDA declined 32% YoY and 22% QoQ with EBITAM at 13.6%



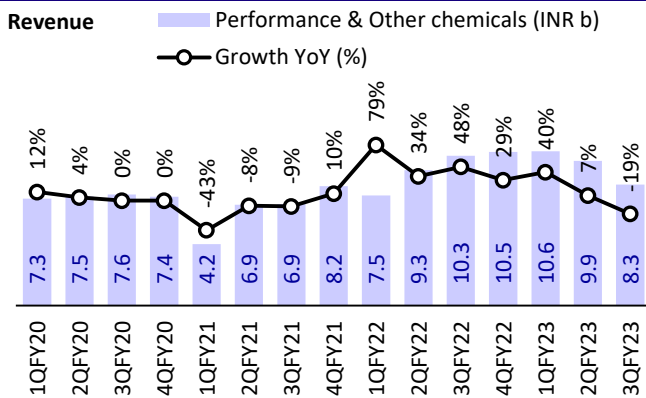
Source: Company, MOFSL

Exhibit 4: PAT declined 34% YoY and 31% QoQ at INR1b, translating into an EPS of INR34.7 in 3QFY23



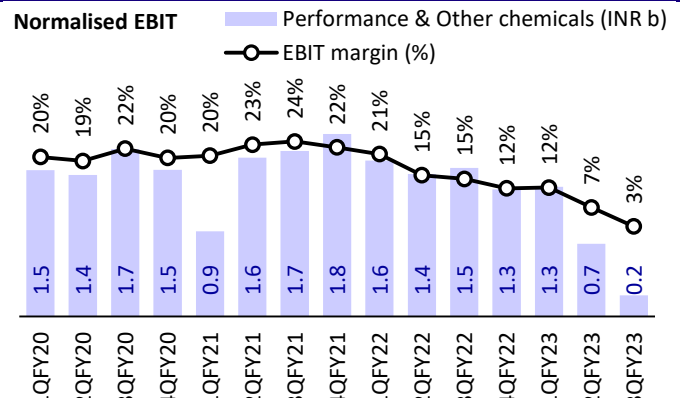
Source: Company, MOFSL

Exhibit 5: Performance segment revenue declined 16% QoQ to INR8.3b (down 19% YoY)

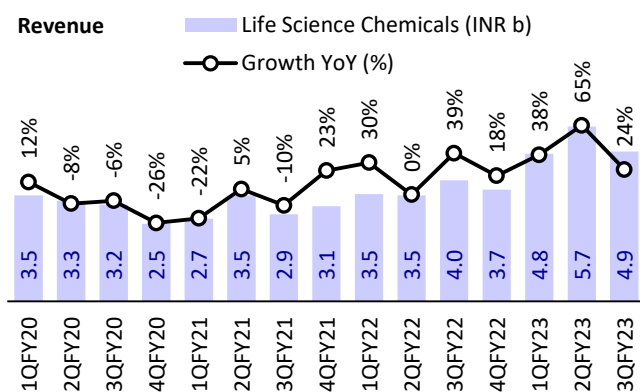


Source: Company, MOFSL

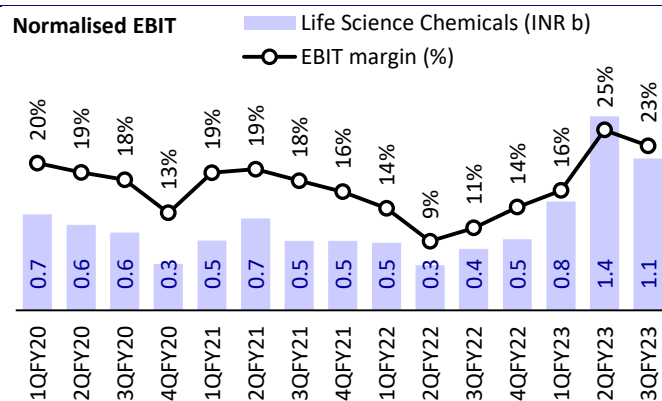
Exhibit 6: ...while EBIT margin contracted to 2.6% QoQ (the lowest ever recorded)



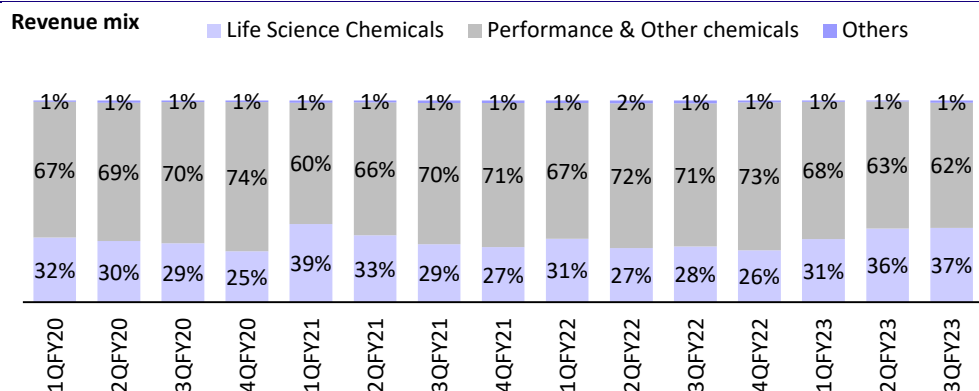
Source: Company, MOFSL

Exhibit 7: Revenue from Life Science segment declined 14% QoQ (up 24% YoY)...

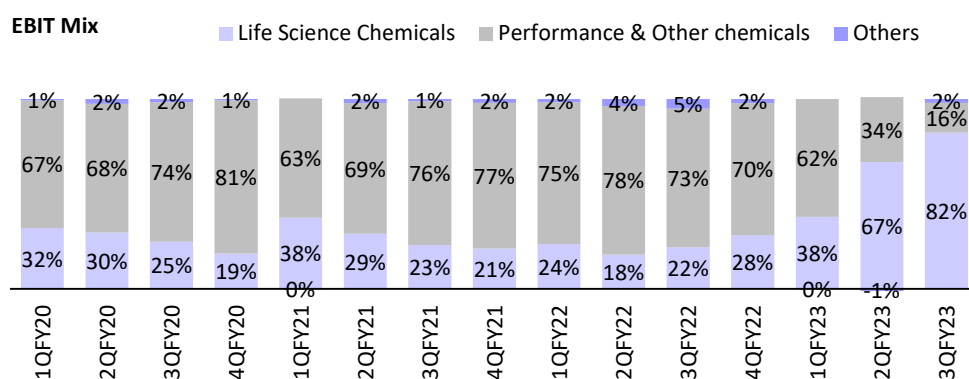
Source: Company, MOFSL

Exhibit 8: ...with EBIT margin at 22.5% and EBIT at INR1.1b, a decline of 22% QoQ

Source: Company, MOFSL

Exhibit 9: Performance and other Chemicals contribution to overall mix declined further in 3QFY23

Source: Company, MOFSL

Exhibit 10: ...with EBIT mix for the Life Science segment improving significantly to 82% in 3QFY23. The same fell further for Performance and Other Chemicals to 16%

Source: Company, MOFSL

Financial story in charts

Exhibit 11: Expect ~9% revenue CAGR over FY22-25E...

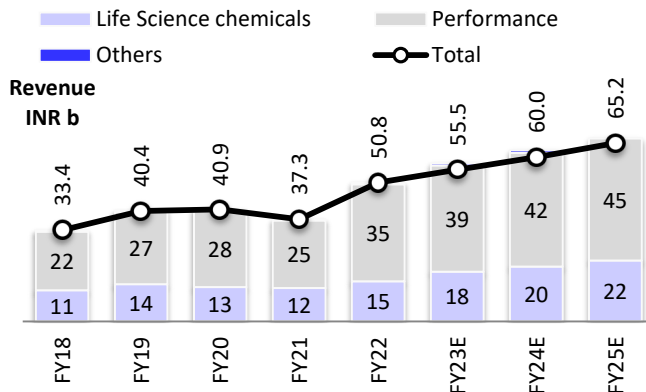


Exhibit 12: ...with exports increasing by ~200bp to ~52%

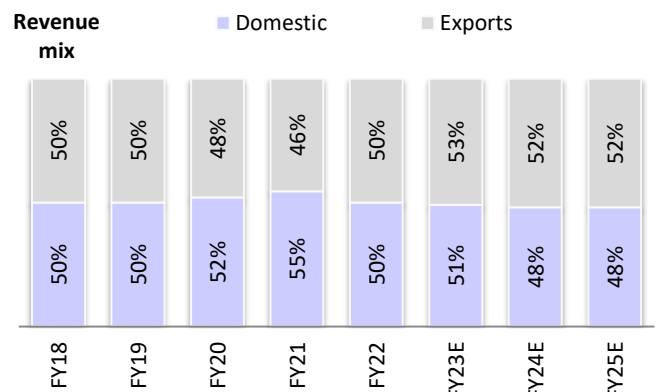


Exhibit 13: Expect EBITDA margin to stabilize at 18%...

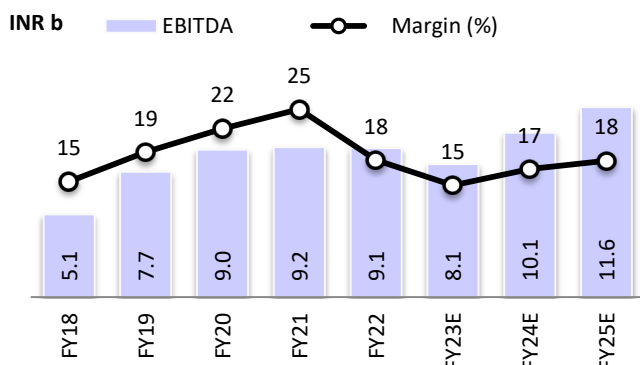


Exhibit 14: ...along with PAT margin in the medium term

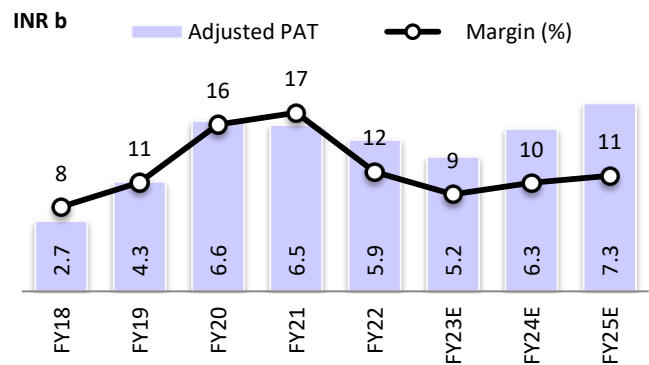


Exhibit 15: One-year forward P/E trades at 33.9x...

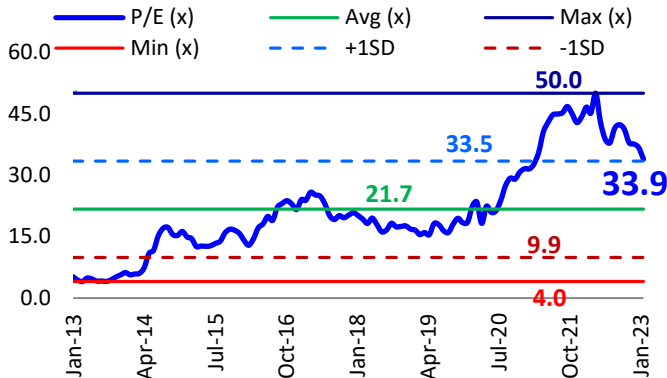


Exhibit 16: ...with return ratios at 10-13%

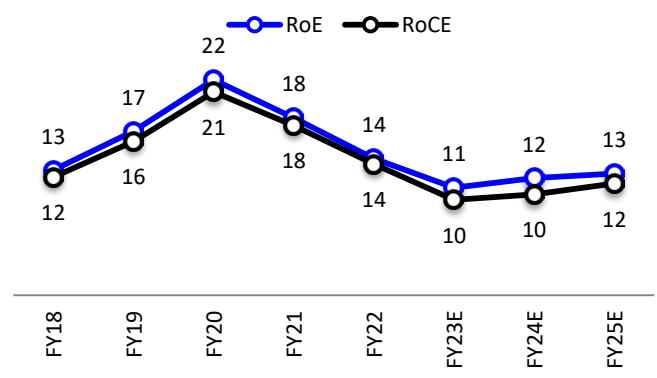


Exhibit 17: Capex for the next two years is pegged at ~INR17.5b

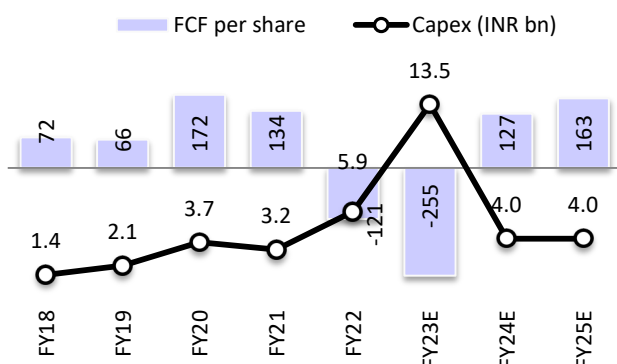
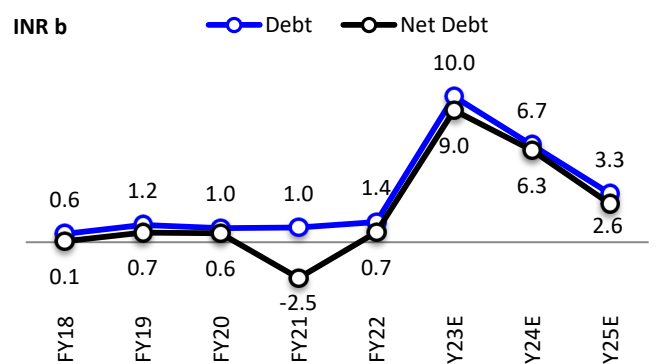


Exhibit 18: Debt profile of ATPL



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	33,379	40,378	40,931	37,315	50,809	55,532	60,026	65,178
Change (%)	11.4	21.0	1.4	-8.8	36.2	9.3	8.1	8.6
Gross Margin (%)	46.0	47.8	51.9	54.6	49.1	47.5	49.0	50.5
EBITDA	5,052	7,668	9,020	9,171	9,114	8,122	10,056	11,622
Margin (%)	15.1	19.0	22.0	24.6	17.9	14.6	16.8	17.8
Depreciation	1,104	1,189	1,302	1,363	1,767	1,987	2,600	2,880
EBIT	3,948	6,479	7,718	7,808	7,348	6,135	7,456	8,742
Int. and Finance Charges	127	74	94	94	92	85	125	125
Other Income	259	349	780	1,030	760	1,166	1,201	1,238
PBT bef. EO Exp.	4,080	6,753	8,404	8,744	8,016	7,215	8,532	9,856
PBT after EO Exp.	4,080	6,753	8,404	8,744	8,016	7,215	8,532	9,856
Total Tax	1,310	2,443	1,745	2,217	2,050	1,912	2,147	2,481
Tax Rate (%)	32.1	36.2	20.8	25.3	25.6	26.5	25.2	25.2
Minority Interest	42	50	50	73	82	82	82	82
Reported PAT	2,812	4,360	6,709	6,600	6,047	5,385	6,466	7,457
Adjusted PAT	2,728	4,260	6,610	6,455	5,884	5,222	6,303	7,293
Change (%)	-13.1	56.2	55.2	-2.3	-8.8	-11.3	20.7	15.7
Margin (%)	8.2	10.5	16.1	17.3	11.6	9.4	10.5	11.2

Consolidated - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	297	297	297	296	296	296	296	296
Total Reserves	22,343	26,998	31,252	37,969	43,994	48,571	54,067	60,405
Net Worth	22,639	27,295	31,549	38,265	44,290	48,867	54,363	60,701
Total Loans	570	1,200	970	1,017	1,384	10,000	6,667	3,333
Deferred Tax Liabilities	1,296	1,395	1,148	1,351	1,436	1,436	1,436	1,436
Capital Employed	24,505	29,890	33,666	40,940	47,418	60,612	62,774	65,779
Gross Block	12,681	14,135	17,868	19,874	21,641	35,141	39,141	43,141
Less: Accum. Deprn.	2,678	3,643	4,946	6,309	8,076	10,063	12,663	15,543
Net Fixed Assets	10,003	10,491	12,922	13,566	13,566	25,078	26,478	27,598
Goodwill on Consolidation	238	323	291	291	291	291	291	291
Capital WIP	962	1,723	3,681	2,497	4,205	4,205	4,205	4,205
Total Investments	4,698	7,520	11,373	13,643	13,419	13,419	13,419	13,419
Curr. Assets, Loans, and Adv.	14,234	15,382	13,236	19,375	25,583	28,160	29,776	32,638
Inventory	4,226	5,209	5,165	5,941	8,641	9,445	10,209	11,085
Account Receivables	7,234	6,985	7,197	7,332	9,890	10,810	11,684	12,687
Cash and Bank Balance	494	545	354	3,482	689	952	366	704
Cash	427	376	262	469	577	840	253	592
Bank Balance	67	169	92	3,013	112	112	112	112
Loans and Advances	2,280	2,644	520	2,619	6,363	6,954	7,517	8,162
Curr. Liability and Prov.	5,630	5,550	7,838	8,432	9,645	10,542	11,395	12,373
Account Payables	4,590	3,796	4,776	5,631	6,347	6,937	7,499	8,142
Other Current Liabilities	753	1,264	2,485	2,170	2,538	2,774	2,998	3,256
Provisions	287	490	577	631	760	831	898	975
Net Current Assets	8,604	9,832	5,398	10,943	15,938	17,618	18,381	20,265
Appl. of Funds	24,505	29,890	33,666	40,939	47,419	60,612	62,774	65,779

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	92.1	143.9	223.2	218.0	198.7	176.4	212.9	246.3
EPS Growth (%)	-13.1	56.2	55.2	-2.3	-8.8	-11.3	20.7	15.7
Cash EPS	129.4	184.0	267.2	264.0	258.4	243.5	300.7	343.6
BV/Share	765	922	1,065	1,292	1,496	1,650	1,836	2,050
DPS	13.0	13.4	37.8	20.0	25.0	27.3	32.8	37.8
Payout (%)	13.7	9.1	16.7	9.0	12.2	15.0	15.0	15.0
Valuation (x)								
P/E	80.8	51.7	33.3	34.1	37.4	42.2	35.0	30.2
Cash P/E	57.5	40.4	27.8	28.2	28.8	30.6	24.7	21.7
P/BV	9.7	8.1	7.0	5.8	5.0	4.5	4.1	3.6
EV/Sales	6.6	5.5	5.4	5.8	4.3	4.1	3.8	3.4
EV/EBITDA	43.6	28.8	24.5	23.8	24.2	28.2	22.5	19.2
Dividend Yield (%)	0.2	0.2	0.5	0.3	0.3	0.4	0.4	0.5
FCF per share	71.8	65.9	171.6	133.9	-121.3	-254.7	127.0	163.2
Return Ratios (%)								
RoE	13.0	17.1	22.5	18.5	14.3	11.2	12.2	12.7
RoCE	12.3	16.0	21.2	17.7	13.7	9.9	10.5	11.6
RoIC	15.5	21.5	31.9	29.5	21.7	12.7	12.9	14.2
Working Capital Ratios								
Fixed Asset Turnover (x)	3.3	3.9	3.5	2.8	3.7	2.9	2.3	2.4
Asset Turnover (x)	1.4	1.4	1.2	0.9	1.1	0.9	1.0	1.0
Inventory (Days)	46	47	46	58	62	62	62	62
Debtor (Days)	79	63	64	72	71	71	71	71
Creditor (Days)	50	34	43	55	46	46	46	46
Leverage Ratio (x)								
Current Ratio	2.5	2.8	1.7	2.3	2.7	2.7	2.6	2.6
Net Debt/Equity ratio	0.0	0.0	0.0	-0.1	0.0	0.2	0.1	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	4,122	6,803	8,454	8,817	8,097	7,215	8,532	9,856
Depreciation	1,104	1,189	1,302	1,363	1,767	1,987	2,600	2,880
Interest Expenses	127	74	94	94	92	85	125	125
Others	-148	-62	-536	-826	-580	0	0	0
Direct Taxes Paid	-1,054	-2,541	-2,168	-2,023	-2,017	-1,912	-2,147	-2,481
(Inc.)/Dec. in WC	-594	-1,427	1,667	-245	-5,046	-1,418	-1,349	-1,546
CF from Operations	3,557	4,036	8,813	7,180	2,314	5,959	7,760	8,834
(Inc.)/Dec. in FA	-1,430	-2,084	-3,733	-3,215	-5,905	-13,500	-4,000	-4,000
Free Cash Flow	2,127	1,953	5,080	3,964	-3,591	-7,541	3,760	4,834
Change in Investments	6	-1,994	-4,344	-3,899	4,136	0	0	0
Others	123	2	250	651	93	0	0	0
CF from Investments	-1,302	-4,075	-7,827	-6,464	-1,676	-13,500	-4,000	-4,000
Inc./(Dec.) in Debt	-1,518	389	537	182	117	8,616	-3,333	-3,333
Interest Paid	-129	-74	-94	-87	-99	-85	-125	-125
Dividend Paid	-381	-412	-1,515	-617	-590	-808	-970	-1,118
Others	-46	87	-33	0	-3	82	82	82
CF from Fin. Activity	-2,074	-11	-1,106	-522	-575	7,805	-4,347	-4,495
Inc./Dec. in Cash	182	-49	-120	194	63	263	-586	339
Opening Balance	234	427	377	261	469	577	840	254
Closing Balance	427	377	261	469	577	840	254	592

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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