

Estimate change

TP change

Rating change



Bloomberg	ATLP IN
Equity Shares (m)	30
M.Cap.(INRb)/(USDb)	176.3 / 2.1
52-Week Range (INR)	7590 / 5720
1, 6, 12 Rel. Per (%)	1/-22/-34
12M Avg Val (INR M)	379
Free float (%)	54.8

Financials and Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	47.3	52.8	57.4
EBITDA	6.4	7.4	8.7
PAT	3.0	3.9	4.8
EPS (INR)	103.4	131.0	162.0
EPS Gr. (%)	-38.8	26.6	23.7
BV/Sh.(INR)	1,736.0	1,848.6	1,986.5

Ratios

Net D:E	0.0	0.1	0.1
RoE (%)	6.2	7.3	8.4
RoCE (%)	6.2	6.9	7.9
Payout (%)	18.2	18.2	18.2

Valuations

P/E (x)	57.9	45.7	37.0
P/BV (x)	3.4	3.2	3.0
EV/EBITDA (x)	28.0	24.2	20.7
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	0.9	-0.8	1.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	45.2	45.1	45.1
DII	25.7	26.1	25.2
FII	8.5	8.1	8.2
Others	20.7	20.8	21.6

FII Includes depository receipts

CMP: INR5,987

TP: INR5,670 (-5%)

Neutral

Pricing pressure continues to hurt performance

- Atul (ATLP) reported in-line revenue in 4QFY24. Revenue in the Life Science Chemicals segment declined 8% YoY, while it increased 5% YoY in the Performance & Other Chemicals segment. **Gross margin came in at 49.7% (+390bp YoY), while EBITDAM contracted 30bp YoY to 12.2% during the quarter.** PAT declined 36% YoY to INR588m in 4QFY24.
- Management highlighted that there was pricing pressure, although volumes have improved in some of the businesses that have done well throughout FY24. A couple of subsidiaries have suffered losses at the PBT level, which has led to a decline in earnings of the consolidated entity. Volume growth was driven by consumption, and management is confident of achieving higher volume growth in FY25.
- The Life Science Chemicals' contribution to EBIT was stable at 84% (same in 4QFY23), whereas the contribution of Performance & Other Chemicals to overall EBIT increased to 16% in 4QFY24 (from 15% in 4QFY23). Crop Protection, Colors, Polymers, and Bulk Chemical segments were under pressure. There was also less demand for products in the Performance and Other Chemicals segment.
- **Due to the underperformance in FY24, we cut our EPS estimate by 5% for FY25 and EBITDA/EPS estimate by 5%/11% for FY26.** We estimate a revenue/ EBITDA/PAT CAGR of 10%/17%/25% during FY24-26 due to the lower base in FY24 (earnings declined 39% YoY in FY24). EBITDAM is estimated to improve by 160bp in FY26 vs. FY24 level.
- **The stock is trading at 37x FY26E EPS of INR162 and 20.7x FY26E EV/EBITDA.** We value the stock at 35x FY26E EPS to arrive at our TP of INR5,670. **We reiterate our Neutral rating on the stock.**

Marginal beat on EBITDA; PAT miss due to higher depreciation & interest costs

- Revenue stood at INR12.1b (+1% YoY). Life Science Chemicals' revenue stood at INR3.8b (-8% YoY). Performance Chemicals revenue was INR8.7b (+5% YoY).
- Gross margin came in at 49.7% (+390bp YoY), while EBITDA margin stood at 12.2% (-30bp YoY). EBIT margin contracted materially for the Life Science Chemicals segment on YoY basis. Life Science Chemicals' margin stood at 17.7% (-450bp YoY); EBIT was at INR667m. Performance Chemicals' margin stood at 1.5% (-40bp YoY); EBIT was at INR129m.
- EBITDA came in at INR1.5b (est. of INR1.4b, -1% YoY). PAT stood at INR588m (est. of INR718m, -36% YoY), resulting in an EPS of INR19.9. Contributions from the subsidiaries/JVs remained negative (loss of INR161m in 4QFY24 vs. a loss of INR377m in 3QFY24 and a PAT of INR38m in 4QFY23).

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- **For FY24**, revenue stood at INR47.3b (-13% YoY), EBITDA was at INR6.4b (-18% YoY), and PAT stood at INR3.2b (-36% YoY). EBITDAM came in at 13.5% (down 80bp YoY). For Life Science Chemicals, revenue stood at INR14.3b (-27% YoY), EBIT was at INR2b (-52% YoY), while EBITM stood at 14.2% (-730bp YoY). For Performance & Other Chemicals, revenue stood at INR34.5b (-7% YoY), EBIT came in at INR2.4b (flat YoY), while EBITM was at 6.9% (+50bp YoY).
- The BoD has recommended a dividend of INR20/share (200% of FV) for FY24. The Board also re-appointed Mr. Gopi Kannan Thirukonda as WTD, effective 17th Oct'24, for a period of three years.

Valuation and view

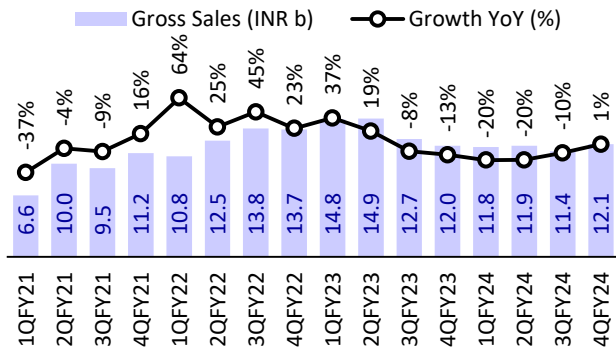
- We highlight that the continued weakness in the agrochemical industry will have an adverse impact on earnings in the short to medium term. ATLP is also facing teething issues while stabilizing its operations and is unable to reach the desired product quality and production. We expect the ongoing earnings fluctuation to continue until these issues are resolved.
- **The stock is trading at 37x FY26E EPS of INR162 and 20.7x FY26E EV/EBITDA.** We value the stock at 35x FY26E EPS to arrive at our TP of INR5,670. We reiterate our Neutral rating on the stock.
- The upside risk could be a faster-than-expected ramp-up of new projects and products. Downside risks include weaker-than-expected revenue growth and further margin compression.

Consolidated - Quarterly Snapshot

Y/E March	(INR m)											
	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	(%)
Gross Sales	14,769	14,873	12,683	11,952	11,820	11,937	11,378	12,122	54,275	47,257	11,548	5%
YoY Change (%)	36.7	19.0	-8.1	-12.8	-20.0	-19.7	-10.3	1.4	6.8	-12.9	-3.4	
Gross Margin (%)	48.5%	47.1%	47.2%	45.8%	46.5%	44.1%	47.1%	49.7%	47.2%	46.9%	46.4%	3.4%
EBITDA	2,330	2,203	1,723	1,494	1,823	1,552	1,517	1,476	7,749	6,367	1,397	6%
Margin (%)	15.8	14.8	13.6	12.5	15.4	13.0	13.3	12.2	14.3	13.5	12.1	0.1
Depreciation	473	491	504	511	519	540	612	758	1,978	2,429	631	
Interest	16	19	22	22	20	19	21	51	79	111	20	
Other Income	359	319	229	242	82	221	150	129	1,149	582	177	
PBT before EO expense	2,200	2,011	1,425	1,203	1,365	1,215	1,034	796	6,840	4,409	924	-14%
PBT	2,200	2,011	1,425	1,203	1,365	1,215	1,034	796	6,840	4,409	924	-14%
Tax	577	544	394	297	364	325	334	242	1,812	1,265	229	
Rate (%)	26.2	27.0	27.6	24.7	26.7	26.7	32.3	30.4	26.5	28.7	24.8	
Minority Interest and Profit/Loss of Asso. Cos.	11	13	-3	16	20	22	21	34	38	97	23	
Reported PAT	1,635	1,481	1,029	922	1,021	912	721	588	5,066	3,241	718	-18%
YoY change (%)	1.4	3.7	-32.1	-30.6	-37.6	-38.4	-30.0	-36.2	-15.2	-38.9	-22.2	
Margin (%)	11.1	10.0	8.1	7.7	8.6	7.6	6.3	4.9	9.2	6.4	6.2	-1.4
Segmental Revenue (INR m)												
Life Science Chemicals	4,847	5,742	4,917	4,086	3,502	3,620	3,378	3,767	19,592	14,267	3,652	3%
Performance & Other chemicals	10,570	9,913	8,280	8,299	8,745	8,684	8,406	8,696	37,062	34,531	8,558	2%
Others	113	94	159	130	117	165	109	241	496	633	204	18%
Segmental EBIT (INR m)												
Life Science Chemicals	795	1,418	1,107	906	522	417	424	667	4,227	2,031		
Performance & Other chemicals	1,302	730	213	157	890	722	657	129	2,403	2,398		
Others	-0	-24	26	11	18	41	-3	0	12	57		
Segmental EBIT Margin (%)												
Life Science Chemicals	16.4%	24.7%	22.5%	22.2%	14.9%	11.5%	12.6%	17.7%	21.6%	14.2%		
Performance & Other chemicals	12.3%	7.4%	2.6%	1.9%	10.2%	8.3%	7.8%	1.5%	6.5%	6.9%		
Others	-0.3%	-25.7%	16.0%	8.2%	15.5%	25.0%	-2.6%	0.0%	2.3%	9.0%		

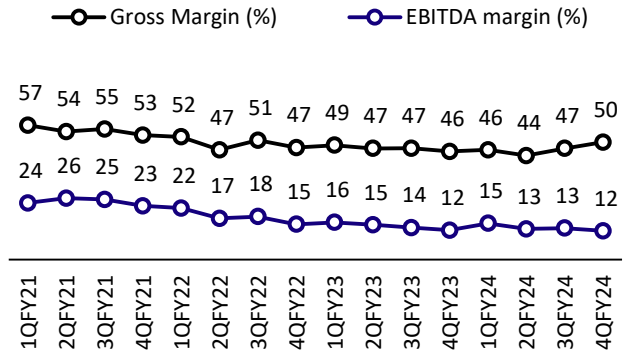
4QFY24 in charts

Exhibit 1: Sales increased 1% YoY, with Performance & Other Chemicals rising 5% YoY



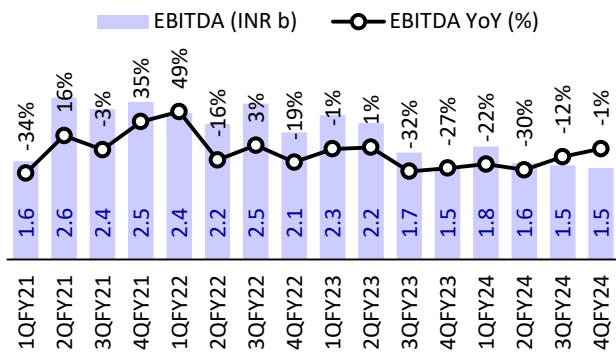
Source: Company, MOFSL

Exhibit 2: GM expanded YoY, while EBITDAM contracted YoY



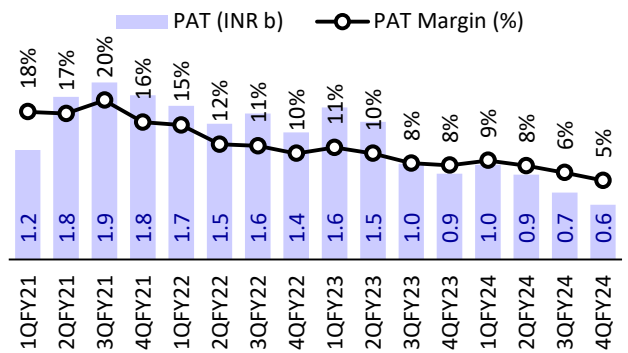
Source: Company, MOFSL

Exhibit 3: EBITDA dipped 1% YoY...



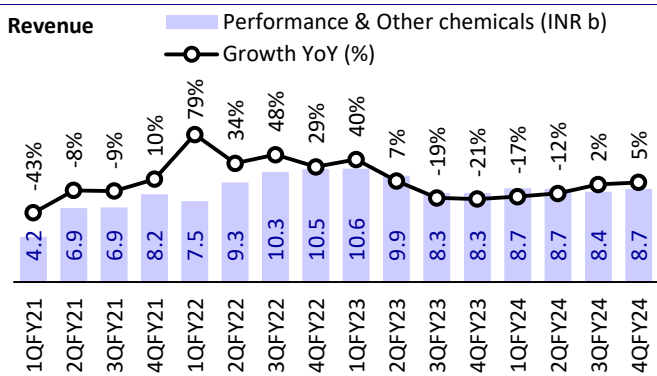
Source: Company, MOFSL

Exhibit 4: ...while PAT was down 36% YoY translating into an EPS of INR20 in 4QFY24



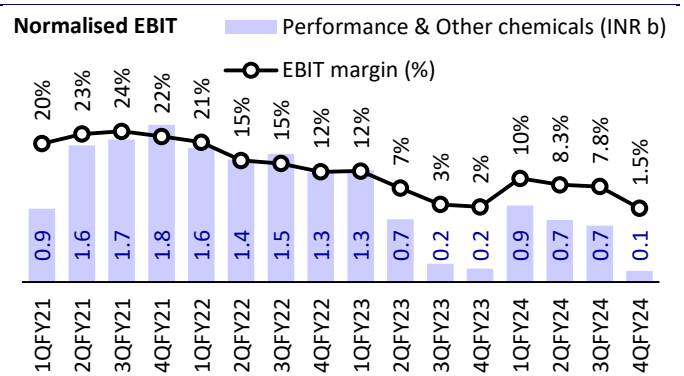
Source: Company, MOFSL

Exhibit 5: Performance segment's revenue increased 5% YoY to INR8.7b...

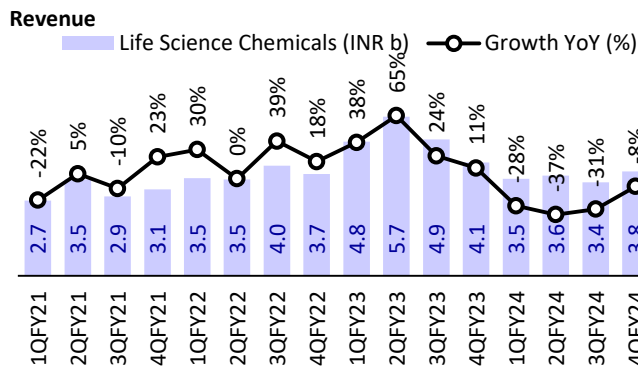


Source: Company, MOFSL

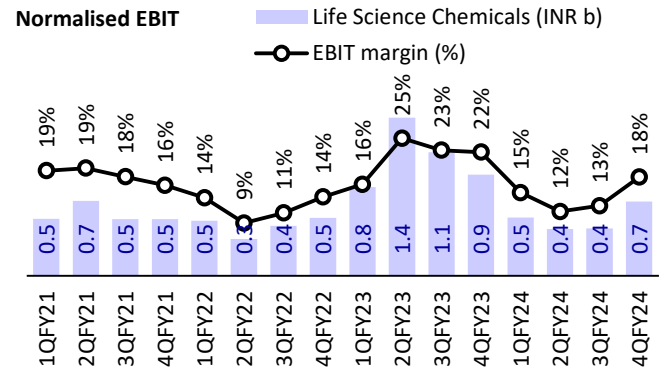
Exhibit 6: ...while EBIT margin contracted 40bp YoY to 1.5%



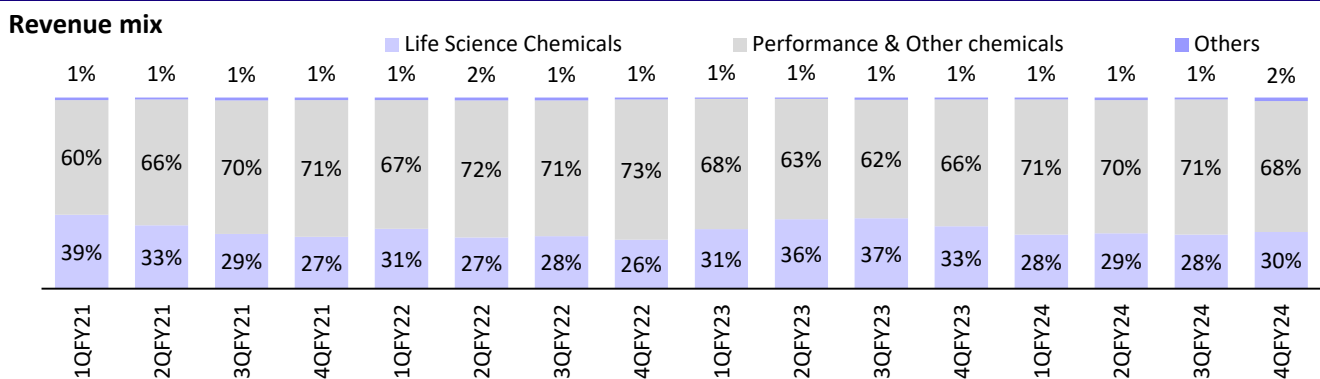
Source: Company, MOFSL

Exhibit 7: Revenue from Life Science segment declined 8% YoY to INR3.8b...

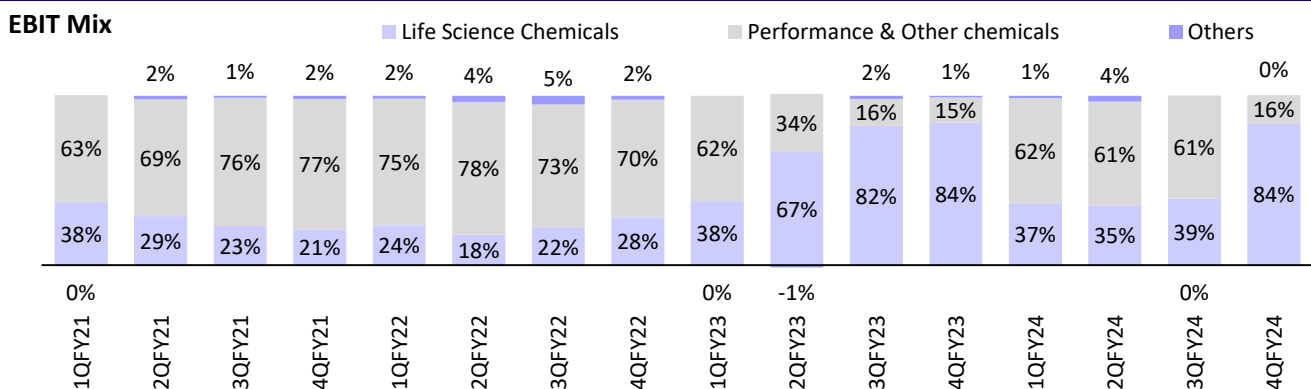
Source: Company, MOFSL

Exhibit 8: ...while EBIT margin contracted 450bp YoY to 17.7%

Source: Company, MOFSL

Exhibit 9: Performance and Other Chemicals' contribution to overall mix stood at 68%, while the same stood at 30% for Life Science Chemicals

Source: Company, MOFSL

Exhibit 10: EBIT mix for the Performance & Other Chemicals segment stood at 16%, while the same stood at 84% for Life Science Chemicals segment

Source: Company, MOFSL

Financial story in charts

Exhibit 11: Expect ~10% revenue CAGR over FY24-26...

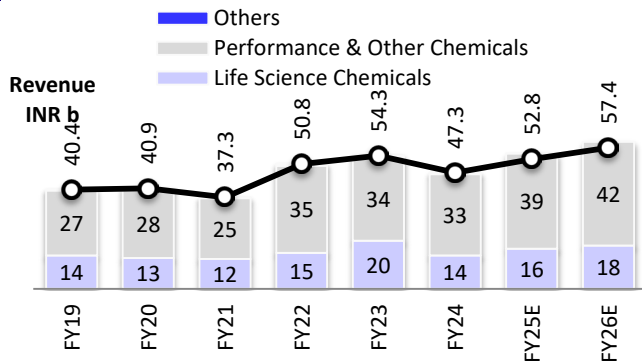


Exhibit 12: ...with exports increasing to ~48%

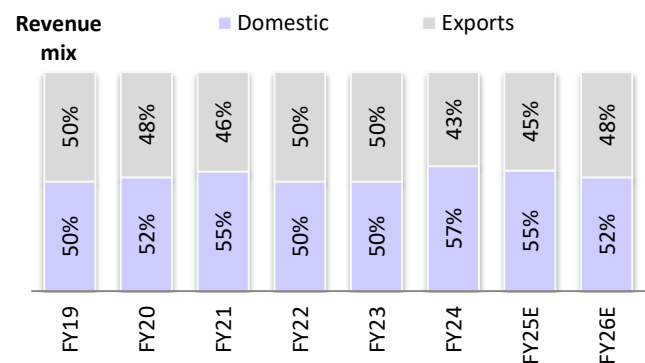


Exhibit 13: Expect EBITDAM to recover to 15% in FY26...

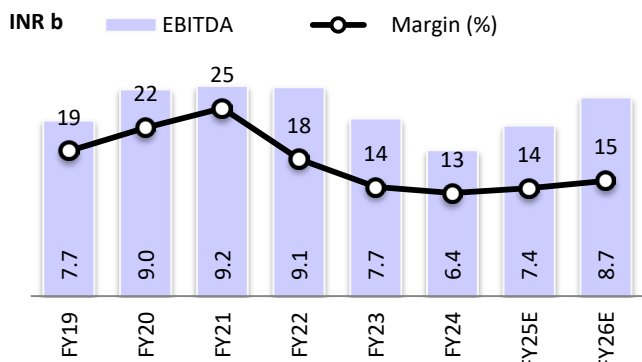


Exhibit 14: ... with PAT margin improving to 8%

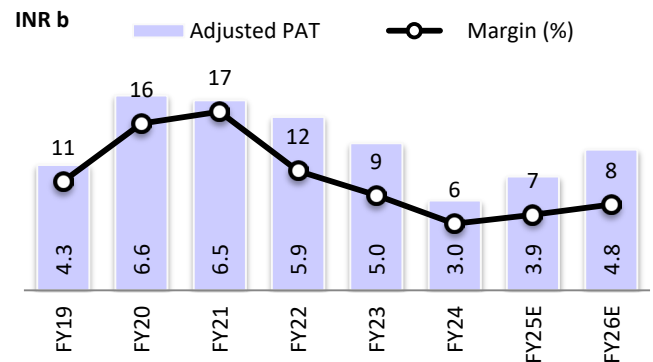


Exhibit 15: One-year forward P/E trades at 52.2x...

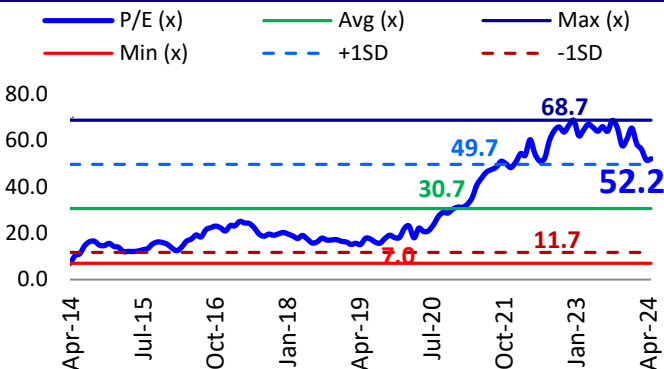


Exhibit 16: ...with return ratios at 7-8%

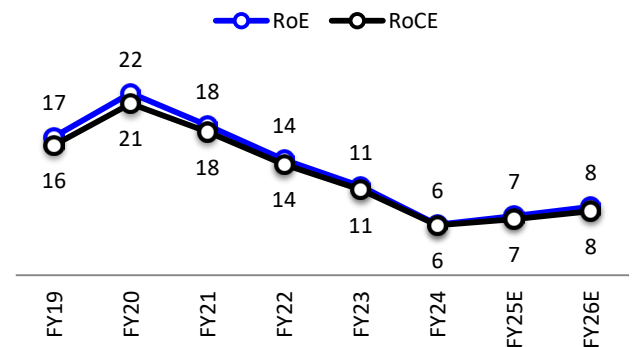


Exhibit 17: Capex for FY25-26E at ~INR12b

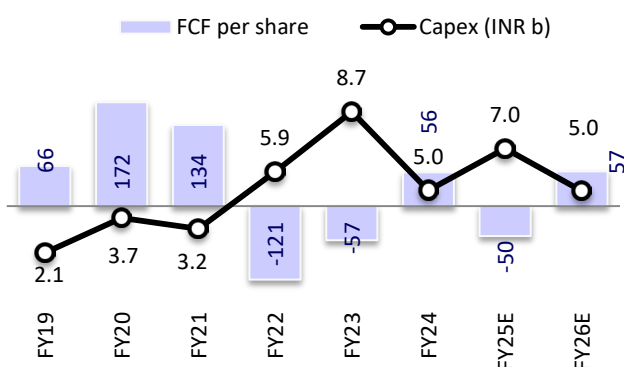
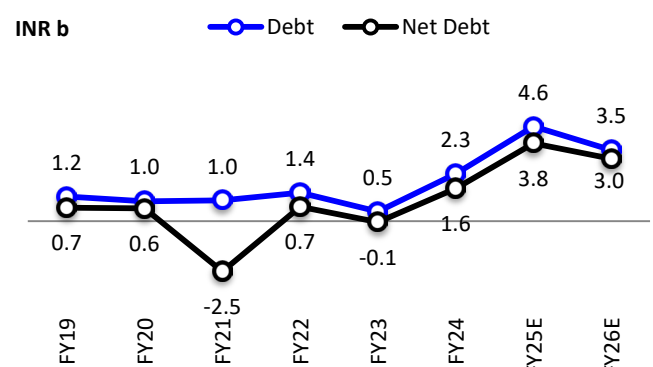


Exhibit 18: Debt profile of ATLP



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	40,378	40,931	37,315	50,809	54,275	47,257	52,844	57,448
Change (%)	21.0	1.4	-8.8	36.2	6.8	-12.9	11.8	8.7
Gross Margin (%)	47.8	51.9	54.6	49.1	47.2	46.9	46.8	47.9
EBITDA	7,668	9,020	9,171	9,114	7,749	6,367	7,449	8,666
Margin (%)	19.0	22.0	24.6	17.9	14.3	13.5	14.1	15.1
Depreciation	1,189	1,302	1,363	1,767	1,978	2,429	2,711	2,730
EBIT	6,479	7,718	7,808	7,348	5,770	3,938	4,739	5,936
Int. and Finance Charges	74	94	94	92	79	111	113	118
Other Income	349	780	1,030	760	1,149	582	661	689
PBT bef. EO Exp.	6,753	8,404	8,744	8,016	6,840	4,409	5,286	6,508
PBT after EO Exp.	6,753	8,404	8,744	8,016	6,840	4,409	5,286	6,508
Total Tax	2,443	1,745	2,217	2,050	1,812	1,265	1,331	1,638
Tax Rate (%)	36.2	20.8	25.3	25.6	26.5	28.7	25.2	25.2
Minority Interest	50	50	73	82	38	97	97	97
Reported PAT	4,360	6,709	6,600	6,047	5,066	3,241	4,053	4,967
Adjusted PAT	4,260	6,610	6,455	5,884	4,990	3,047	3,859	4,773
Change (%)	56.2	55.2	-2.3	-8.8	-15.2	-38.9	26.6	23.7
Margin (%)	10.5	16.1	17.3	11.6	9.2	6.4	7.3	8.3

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	297	297	296	296	295	295	295	295
Total Reserves	26,998	31,252	37,969	43,994	46,419	50,849	54,165	58,228
Net Worth	27,295	31,549	38,265	44,290	46,714	51,143	54,459	58,523
Total Loans	1,200	970	1,017	1,384	470	2,319	4,637	3,478
Deferred Tax Liabilities	1,395	1,148	1,351	1,436	1,338	1,742	1,742	1,742
Capital Employed	29,890	33,666	40,940	47,418	49,002	55,694	61,328	64,233
Gross Block	14,135	17,868	19,874	23,835	27,228	39,871	46,871	51,871
Less: Accum. Deprn.	3,643	4,946	6,309	8,076	10,054	12,483	15,193	17,923
Net Fixed Assets	10,491	12,922	13,566	15,760	17,174	27,388	31,678	33,947
Goodwill on Consolidation	323	291	291	291	291	291	291	291
Capital WIP	1,723	3,681	2,497	4,205	10,329	2,808	2,808	2,808
Total Investments	7,520	11,373	13,643	13,419	8,842	13,953	13,953	13,953
Curr. Assets, Loans, and Adv.	15,382	13,236	19,375	23,389	21,045	20,322	22,740	24,258
Inventory	5,209	5,165	5,941	8,641	7,894	6,183	6,914	7,516
Account Receivables	6,985	7,197	7,332	9,890	8,446	9,270	10,367	11,270
Cash and Bank Balance	545	354	3,482	689	520	723	823	432
Cash	376	262	469	577	381	603	703	312
Bank Balance	169	92	3,013	112	140	120	120	120
Loans and Advances	2,644	520	2,619	4,169	4,185	4,146	4,636	5,040
Curr. Liability and Prov.	5,550	7,838	8,432	9,645	8,678	9,069	10,141	11,024
Account Payables	3,796	4,776	5,631	6,347	5,385	5,793	6,478	7,042
Other Current Liabilities	1,264	2,485	2,170	2,538	2,760	2,754	3,079	3,348
Provisions	490	577	631	760	533	522	583	634
Net Current Assets	9,832	5,398	10,943	13,744	12,367	11,254	12,599	13,234
Appl. of Funds	29,890	33,666	40,939	47,419	49,002	55,694	61,328	64,233

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	143.9	223.2	218.0	198.7	169.0	103.4	131.0	162.0
EPS Growth (%)	56.2	55.2	-2.3	-8.8	-15.0	-38.8	26.6	23.7
Cash EPS	184.0	267.2	264.0	258.4	236.0	185.9	223.0	254.7
BV/Share	922	1,065	1,292	1,496	1,582	1,736	1,849	1,987
DPS	13.4	37.8	19.9	24.9	24.9	20.0	25.0	30.6
Payout (%)	9.1	16.7	8.9	12.2	14.5	18.2	18.2	18.2
Valuation (x)								
P/E	41.6	26.8	27.5	30.1	35.4	57.9	45.7	37.0
Cash P/E	32.5	22.4	22.7	23.2	25.4	32.2	26.9	23.5
P/BV	6.5	5.6	4.6	4.0	3.8	3.4	3.2	3.0
EV/Sales	4.4	4.3	4.7	3.5	3.3	3.8	3.4	3.1
EV/EBITDA	23.2	19.7	19.1	19.5	22.8	28.0	24.2	20.7
Dividend Yield (%)	0.2	0.6	0.3	0.4	0.4	0.3	0.4	0.5
FCF per share	65.9	171.6	133.9	-121.3	-56.6	55.7	-49.8	57.4
Return Ratios (%)								
RoE	17.1	22.5	18.5	14.3	11.0	6.2	7.3	8.4
RoCE	16.0	21.2	17.7	13.7	10.5	6.2	6.9	7.9
RoIC	21.5	31.9	29.5	21.7	14.5	8.3	8.7	9.8
Working Capital Ratios								
Fixed Asset Turnover (x)	3.9	3.5	2.8	3.5	3.3	2.1	1.8	1.8
Asset Turnover (x)	1.4	1.2	0.9	1.1	1.1	0.8	0.9	0.9
Inventory (Days)	47	46	58	62	53	48	48	48
Debtor (Days)	63	64	72	71	57	72	72	72
Creditor (Days)	34	43	55	46	36	45	45	45
Leverage Ratio (x)								
Current Ratio	2.8	1.7	2.3	2.4	2.4	2.2	2.2	2.2
Net Debt/Equity ratio	0.0	0.0	-0.1	0.0	0.0	0.0	0.1	0.1

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	6,803	8,454	8,817	8,097	6,878	4,506	5,286	6,508
Depreciation	1,189	1,302	1,363	1,767	1,978	2,429	2,711	2,730
Interest Expenses	74	94	94	92	79	111	113	118
Others	-62	-536	-826	-580	-206	-408	0	0
Direct Taxes Paid	-2,541	-2,168	-2,023	-2,017	-1,934	-1,073	-1,331	-1,638
(Inc.)/Dec. in WC	-1,427	1,667	-245	-5,046	271	1,110	-1,245	-1,026
CF from Operations	4,036	8,813	7,180	2,314	7,067	6,675	5,534	6,692
(Inc.)/Dec. in FA	-2,084	-3,733	-3,215	-5,905	-8,739	-5,035	-7,000	-5,000
Free Cash Flow	1,953	5,080	3,964	-3,591	-1,672	1,640	-1,466	1,692
Change in Investments	-1,994	-4,344	-3,899	4,136	3,572	-2,000	0	0
Others	2	250	651	93	474	203	0	0
CF from Investments	-4,075	-7,827	-6,464	-1,676	-4,694	-6,832	-7,000	-5,000
Inc./(Dec.) in Debt	389	537	182	117	-914	1,849	2,319	-1,159
Interest Paid	-74	-94	-87	-99	-79	-116	-113	-118
Dividend Paid	-412	-1,515	-617	-590	-1,828	-1,356	-737	-903
Others	87	-33	0	-3	246	-1	97	97
CF from Fin. Activity	-11	-1,106	-522	-575	-2,575	375	1,566	-2,083
Inc./Dec. in Cash	-49	-120	194	63	-202	219	100	-391
Opening Balance	427	377	261	469	577	380	603	703
Closing Balance	377	261	469	577	380	603	703	312

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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