

Estimate change



TP change



Rating change



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We request your ballot.



Bloomberg	ATLP IN
Equity Shares (m)	30
M.Cap.(INRb)/(USDb)	207 / 2.5
52-Week Range (INR)	9796 / 6469
1, 6, 12 Rel. Per (%)	-5/-15/-33
12M Avg Val (INR M)	320
Free float (%)	54.9

#### Financials and Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	54.3	55.6	61.0
EBITDA	7.7	8.1	9.4
PAT	5.0	5.1	6.1
EPS (INR)	169.0	172.5	206.7
EPS Gr. (%)	-15.0	2.1	19.8
BV/Sh.(INR)	1,581.9	1,730.7	1,908.6

#### Ratios

Net D:E	-0.0	0.0	0.0
RoE (%)	11.0	10.4	11.4
RoCE (%)	10.5	10.0	10.8
Payout (%)	14.6	15.0	15.0

#### Valuations

P/E (x)	41.4	40.6	33.9
P/BV (x)	4.4	4.0	3.7
EV/EBITDA (x)	26.7	25.6	22.0
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	-0.8	0.0	0.1

#### Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	45.1	45.1	45.1
DII	26.2	25.2	23.4
FII	7.6	8.2	8.8
Others	21.2	21.6	22.8

FII Includes depository receipts

**CMP: INR7,013**
**TP: INR6,200 (-12%)**
**Neutral**

### Weak performance continues due to overall lower demand

- Atul (ATLP) reported in-line revenue with a 14% QoQ decline in the Life Science Chemicals segment and a 5% QoQ increase in the Performance & Other Chemicals segment in 1QFY24. **Gross margin came in at 46.5% (-200bp YoY), while EBITDAM expanded 290bp QoQ to 15.4% during the quarter.**
- **The Life Science Chemicals segment's contribution to EBIT dipped to 37% in 1QFY24 (from 84% in 4QFY23),** whereas the contribution of Performance & Other Chemicals to overall EBIT jumped to 62% in 1Q (from 15% in 4QFY23).
- Management highlighted that revenue remained weak due to lower realization and weaker demand amid geopolitical headwinds. Profitability was also hit primarily by higher fixed costs coupled with declining sales volumes that resulted in fixed costs being inadequately absorbed during the quarter.
- The Crop Protection business suffered due to subdued demand and lower realizations that resulted in weak performance of the Life Science Chemicals segment. The Performance and Other Chemicals segment was hit (down 17% YoY) by higher inventory and lower capacity utilization at customers' end, which resulted in lower sales for the company during the quarter.
- We expect revenue/ EBITDA/ PAT of 6%/ 1%/ 1% during FY23-25. We largely maintain our estimates. **The stock is trading at 33.9x FY25E EPS of INR206.7 and 22x FY25E EV/EBITDA.** We value the stock at 30x FY25E EPS to arrive at our TP of INR6,200. On a one-year forward basis, ATLP trades at 36.5x. We maintain our **Neutral** rating on the stock.

### Beat on EBITDA led by lower opex; PAT in line due to lower-than-expected other income

- ATLP's revenue was in line with our estimate at INR11.8b (-20% YoY, -1% QoQ).
- Performance & Other Chemicals' revenue was at INR8.7b (-17% YoY, +5% QoQ).
- Life Science Chemicals' revenue was at INR3.5b (-28% YoY, -14% QoQ) in 1QFY24.
- Gross margin stood at 46.5% (-200bp YoY), while EBITDA margin came in at 15.4% (-40bp YoY) during the quarter.
- EBIT margin contracted sharply for Life Science Chemicals segment in 1QFY24.
- Life Science Chemicals' margin was at 14.9% (-730bp QoQ); while EBIT stood at INR522m.
- Performance Chemicals' margin came in at 10.2% (+830bp QoQ); EBIT was at INR890m in 1QFY24.
- **EBITDA came in at INR1.8b (est. of INR1.5b; -22% YoY/+22% QoQ) – consensus beat by 16%.**
- PAT stood at INR1b (est. of INR986m, -38% YoY, +11% QoQ), **resulting in an EPS of INR34.6 – consensus beat by 17%.**
- **Contributions from the subsidiaries/JVs remained positive** (PAT at INR55m in 1QFY24 vs. INR38m/INR49m in 4QFY23/1QFY23).

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

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**Valuation and view – Reiterate Neutral**

- ATLP is implementing projects at a total investment of ~INR14b in Atul (parent company) and its various group entities. Management expects a sales potential of INR90b from this capex.
- We largely maintain our estimates. We expect return ratios of 10-11% going forward. **The stock is trading at 33.9x FY25E EPS of INR206.7 and 22x FY25E EV/EBITDA.** We value the stock at 30x FY25E EPS to arrive at our TP of INR6,200. On a one-year forward basis, ATLP trades at 36.5x. We maintain our **Neutral** rating on the stock.

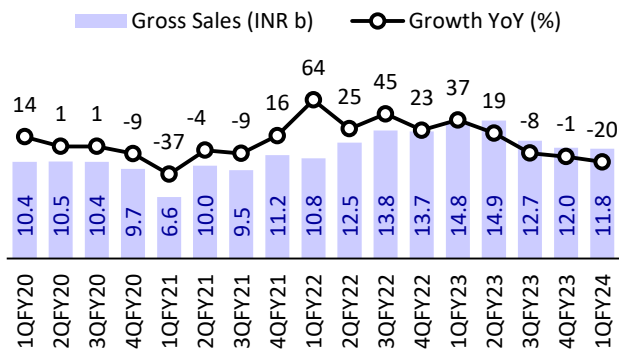
**Consolidated - Quarterly Snapshot**

(INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
<b>Gross Sales</b>	<b>14,769</b>	<b>14,873</b>	<b>12,683</b>	<b>11,952</b>	<b>11,820</b>	<b>13,194</b>	<b>14,583</b>	<b>15,957</b>	<b>54,275</b>	<b>55,554</b>	<b>11,805</b>	<b>0%</b>
YoY Change (%)	36.7	19.0	-8.1	-12.8	-20.0	-11.3	15.0	33.5	6.8	2.4	-20.1	
Gross Margin (%)	48.5%	47.1%	47.2%	45.8%	46.5%	47.5%	48.5%	49.1%	47.2%	48.0%	48.0%	-1.5%
<b>EBITDA</b>	<b>2,330</b>	<b>2,203</b>	<b>1,723</b>	<b>1,494</b>	<b>1,823</b>	<b>1,961</b>	<b>2,097</b>	<b>2,232</b>	<b>7,749</b>	<b>8,113</b>	<b>1,545</b>	<b>18%</b>
Margin (%)	15.8	14.8	13.6	12.5	15.4	14.9	14.4	14.0	14.3	14.6	13.1	2.3
Depreciation	473	491	504	511	519	532	542	555	1,978	2,148	524	
Interest	16	19	22	22	20	19	21	20	79	80	18	
Other Income	359	319	229	242	82	261	280	349	1,149	972	303	
<b>PBT before EO expense</b>	<b>2,200</b>	<b>2,011</b>	<b>1,425</b>	<b>1,203</b>	<b>1,365</b>	<b>1,672</b>	<b>1,813</b>	<b>2,007</b>	<b>6,840</b>	<b>6,857</b>	<b>1,306</b>	<b>5%</b>
<b>PBT</b>	<b>2,200</b>	<b>2,011</b>	<b>1,425</b>	<b>1,203</b>	<b>1,365</b>	<b>1,672</b>	<b>1,813</b>	<b>2,007</b>	<b>6,840</b>	<b>6,857</b>	<b>1,306</b>	<b>5%</b>
Tax	577	544	394	297	364	384	494	510	1,812	1,726	329	
Rate (%)	26.2	27.0	27.6	24.7	26.7	23.0	27.2	25.4	26.5	25.2	25.2	
Minority Interest and Profit/Loss of Asso. Cos.	11	13	-3	16	20	10	10	0	38	38	10	
<b>Reported PAT</b>	<b>1,635</b>	<b>1,481</b>	<b>1,029</b>	<b>922</b>	<b>1,021</b>	<b>1,297</b>	<b>1,329</b>	<b>1,497</b>	<b>5,066</b>	<b>5,169</b>	<b>986</b>	<b>3%</b>
YoY change (%)	1.4	3.7	-32.1	-30.6	-37.6	-12.4	29.2	62.3	-15.2	2.1	-39.7	
Margin (%)	11.1	10.0	8.1	7.7	8.6	9.8	9.1	9.4	9.2	9.2	8.4	0.3
<b>Segmental Revenue (INR m)</b>												
Life Science Chemicals	4,847	5,742	4,917	4,086	3,502	4,785	5,288	6,571	19,592	20,147	4,281	-18%
Performance & Other chemicals	10,570	9,913	8,280	8,299	8,745	8,980	9,925	10,160	37,062	37,810	8,035	9%
Others	113	94	159	130	117	124	137	144	496	521	111	6%

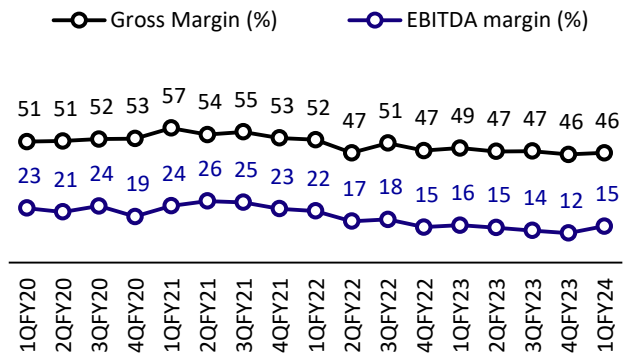
## 1QFY24 in charts

**Exhibit 1: Sales declined 20% YoY, dragged down by Life Science Chemicals segment (-28% YoY)**



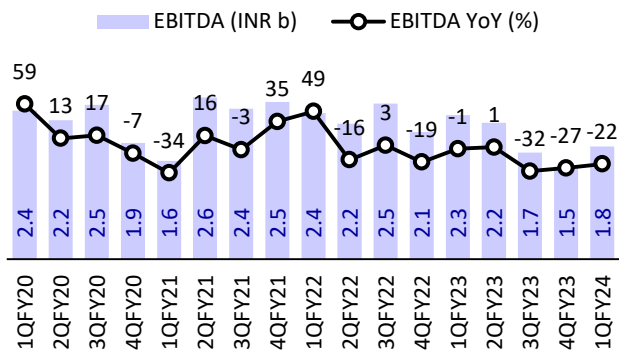
Source: Company, MOFSL

**Exhibit 2: Gross and EBITDA margins contracted YoY while they expanded QoQ**



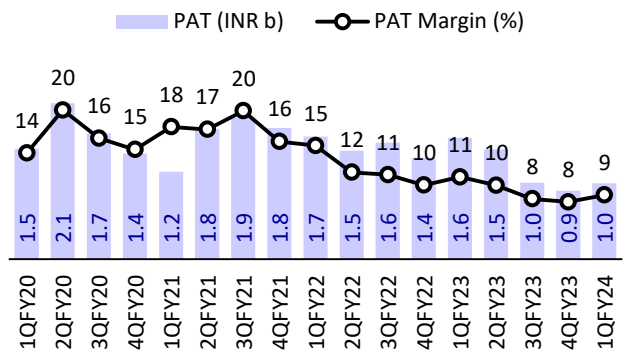
Source: Company, MOFSL

**Exhibit 3: EBITDA dipped 22% YoY but grew 22% QoQ with EBITAM at 15.4%**



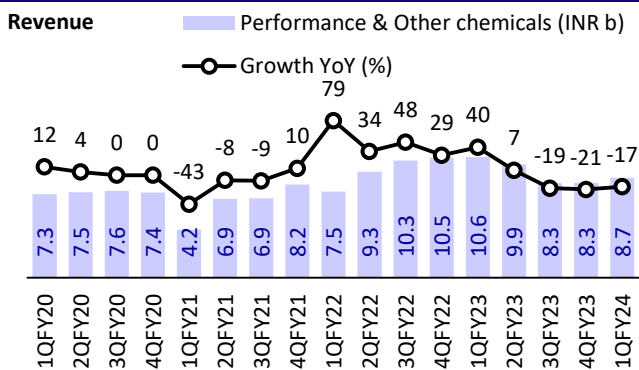
Source: Company, MOFSL

**Exhibit 4: PAT was down 38% YoY but up 11% QoQ at INR1b, this translated into an EPS of INR4.6 in 1QFY24**



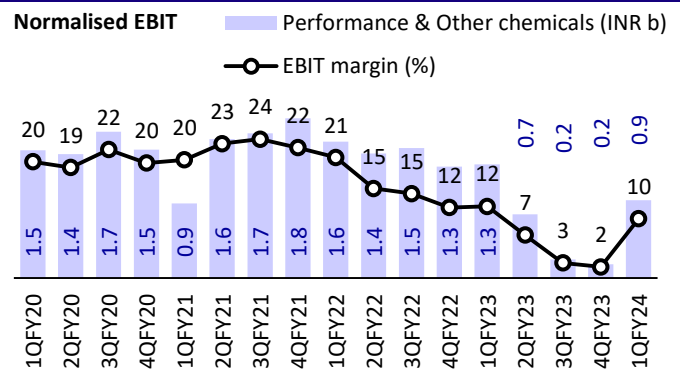
Source: Company, MOFSL

**Exhibit 5: Performance segment's revenue declined 17% YoY to INR8.7b (+5% QoQ)...**

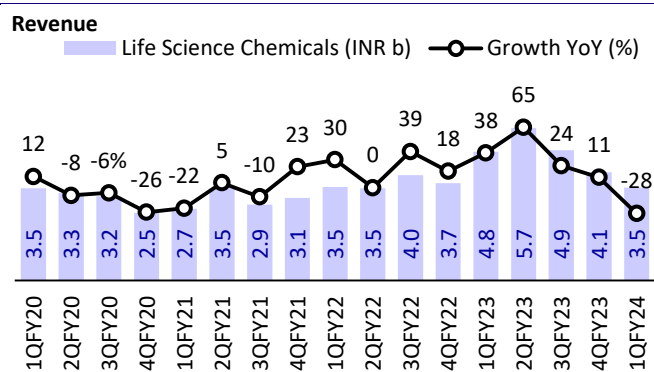


Source: Company, MOFSL

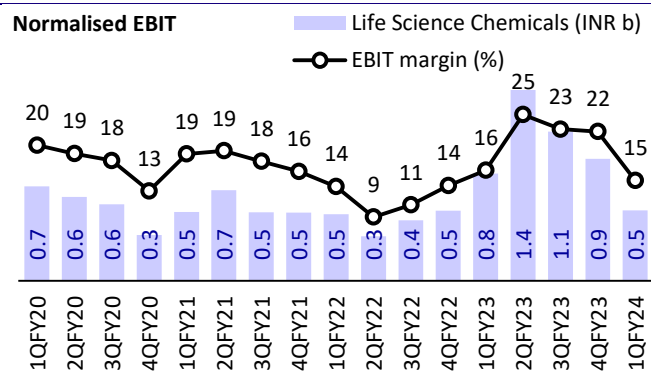
**Exhibit 6: ...while EBIT margin expanded to 10.2% QoQ, improving 830bp QoQ**



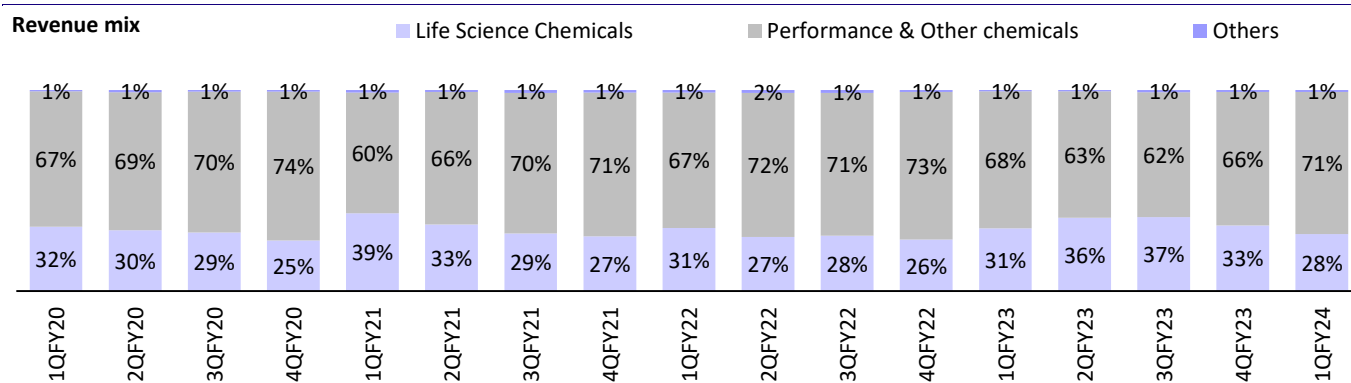
Source: Company, MOFSL

**Exhibit 7: Revenue from Life Science segment declined 28% QoQ (-14% YoY)...**

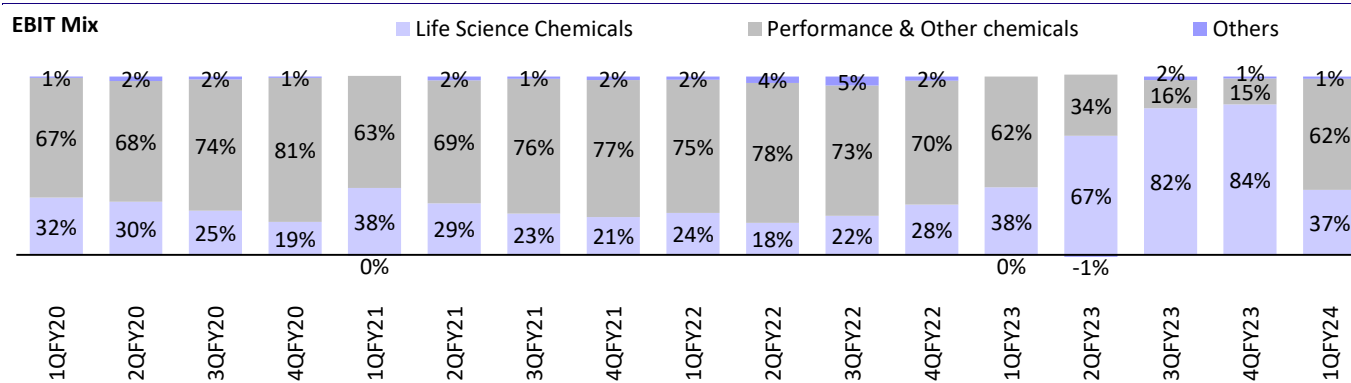
Source: Company, MOFSL

**Exhibit 8: ...while EBIT margin was at 14.9% and EBIT stood at INR522m, a decline of 42% QoQ**

Source: Company, MOFSL

**Exhibit 9: Performance and Other Chemicals' contribution to overall mix stood at 71% and the same for Life Sciences stood at 28% in 1QFY24**

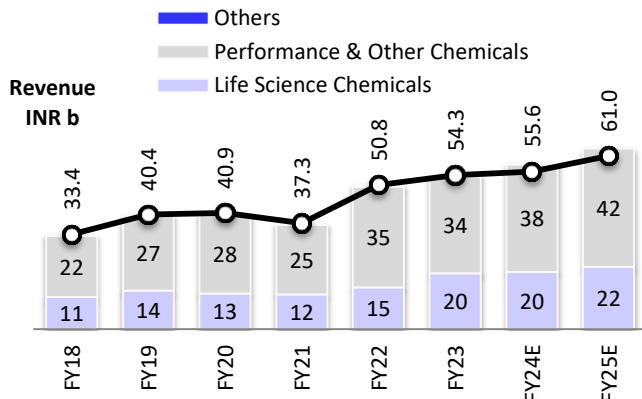
Source: Company, MOFSL

**Exhibit 10: EBIT mix for the Performance & Other Chemicals segment improved to 62% in 1QFY24; the same deteriorated for Life Science Chemicals to 37% (from 84% in 4QFY23)**

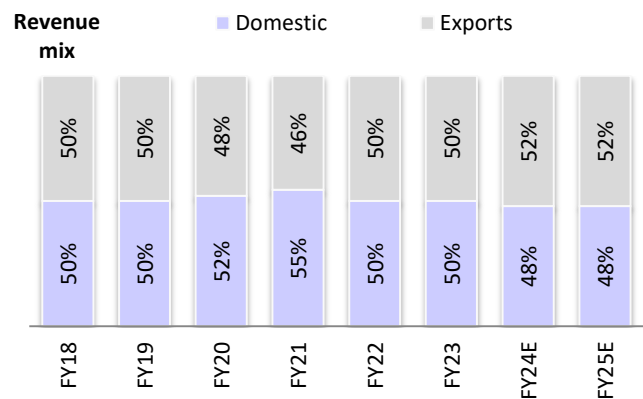
Source: Company, MOFSL

## Financial story in charts

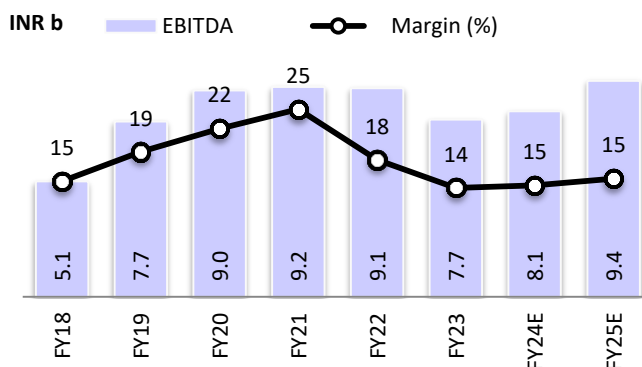
**Exhibit 11: Expect ~6% revenue CAGR over FY23-25...**



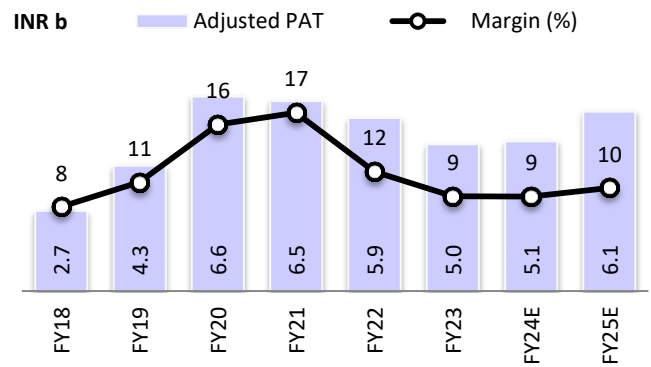
**Exhibit 12: ...with exports increasing to ~52%**



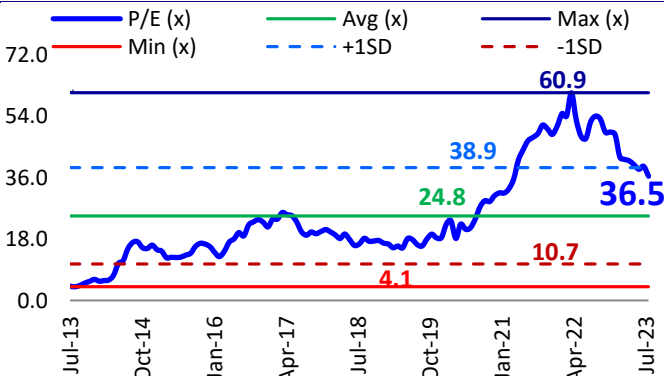
**Exhibit 13: Expect EBITDA margin to stabilize at 15%...**



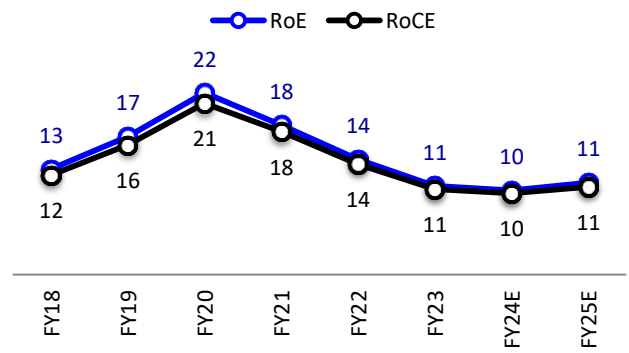
**Exhibit 14: ...along with PAT margin in the medium term**



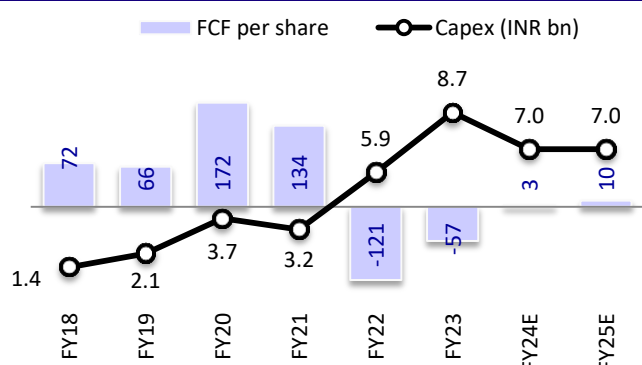
**Exhibit 15: One-year forward P/E trades at 36.5x...**



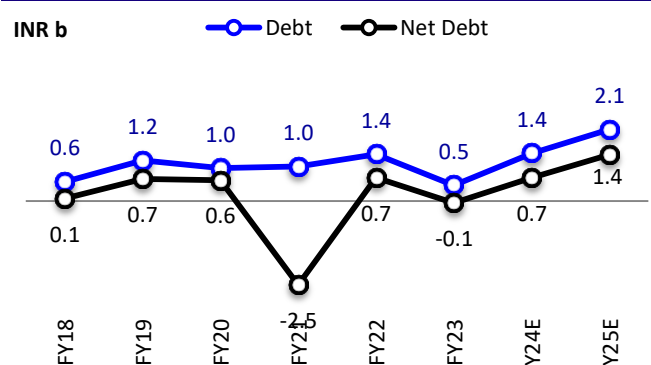
**Exhibit 16: ...with return ratios at 10-11%**



**Exhibit 17: Capex for the next two years is pegged at ~INR14b**



**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	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>33,379</b>	<b>40,378</b>	<b>40,931</b>	<b>37,315</b>	<b>50,809</b>	<b>54,275</b>	<b>55,554</b>	<b>61,009</b>
Change (%)	11.4	21.0	1.4	-8.8	36.2	6.8	2.4	9.8
Gross Margin (%)	46.0	47.8	51.9	54.6	49.1	47.2	48.0	48.3
<b>EBITDA</b>	<b>5,052</b>	<b>7,668</b>	<b>9,020</b>	<b>9,171</b>	<b>9,114</b>	<b>7,749</b>	<b>8,113</b>	<b>9,439</b>
Margin (%)	15.1	19.0	22.0	24.6	17.9	14.3	14.6	15.5
Depreciation	1,104	1,189	1,302	1,363	1,767	1,978	2,148	2,261
<b>EBIT</b>	<b>3,948</b>	<b>6,479</b>	<b>7,718</b>	<b>7,808</b>	<b>7,348</b>	<b>5,770</b>	<b>5,964</b>	<b>7,178</b>
Int. and Finance Charges	127	74	94	94	92	79	80	84
Other Income	259	349	780	1,030	760	1,149	972	1,113
<b>PBT bef. EO Exp.</b>	<b>4,080</b>	<b>6,753</b>	<b>8,404</b>	<b>8,744</b>	<b>8,016</b>	<b>6,840</b>	<b>6,857</b>	<b>8,207</b>
<b>PBT after EO Exp.</b>	<b>4,080</b>	<b>6,753</b>	<b>8,404</b>	<b>8,744</b>	<b>8,016</b>	<b>6,840</b>	<b>6,857</b>	<b>8,207</b>
Total Tax	1,310	2,443	1,745	2,217	2,050	1,812	1,726	2,066
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	38	38	38
<b>Reported PAT</b>	<b>2,812</b>	<b>4,360</b>	<b>6,709</b>	<b>6,600</b>	<b>6,047</b>	<b>5,066</b>	<b>5,169</b>	<b>6,180</b>
<b>Adjusted PAT</b>	<b>2,728</b>	<b>4,260</b>	<b>6,610</b>	<b>6,455</b>	<b>5,884</b>	<b>4,990</b>	<b>5,093</b>	<b>6,103</b>
Change (%)	-13.1	56.2	55.2	-2.3	-8.8	-15.2	2.1	19.8
Margin (%)	8.2	10.5	16.1	17.3	11.6	9.2	9.2	10.0

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	297	297	297	296	296	295	295	295
Total Reserves	22,343	26,998	31,252	37,969	43,994	46,419	50,812	56,065
<b>Net Worth</b>	<b>22,639</b>	<b>27,295</b>	<b>31,549</b>	<b>38,265</b>	<b>44,290</b>	<b>46,714</b>	<b>51,108</b>	<b>56,360</b>
Total Loans	570	1,200	970	1,017	1,384	470	1,409	2,114
Deferred Tax Liabilities	1,296	1,395	1,148	1,351	1,436	1,338	1,338	1,338
<b>Capital Employed</b>	<b>24,505</b>	<b>29,890</b>	<b>33,666</b>	<b>40,940</b>	<b>47,418</b>	<b>49,002</b>	<b>54,336</b>	<b>60,293</b>
Gross Block	12,681	14,135	17,868	19,874	23,835	27,191	34,191	41,191
Less: Accum. Deprn.	2,678	3,643	4,946	6,309	8,076	10,054	12,202	14,464
<b>Net Fixed Assets</b>	<b>10,003</b>	<b>10,491</b>	<b>12,922</b>	<b>13,566</b>	<b>15,760</b>	<b>17,138</b>	<b>21,989</b>	<b>26,728</b>
Goodwill on Consolidation	238	323	291	291	291	291	291	291
Capital WIP	962	1,723	3,681	2,497	4,205	10,329	10,329	10,329
<b>Total Investments</b>	<b>4,698</b>	<b>7,520</b>	<b>11,373</b>	<b>13,643</b>	<b>13,419</b>	<b>8,842</b>	<b>8,842</b>	<b>8,842</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>14,234</b>	<b>15,382</b>	<b>13,236</b>	<b>19,375</b>	<b>23,389</b>	<b>21,081</b>	<b>21,767</b>	<b>23,858</b>
Inventory	4,226	5,209	5,165	5,941	8,641	7,894	8,080	8,873
Account Receivables	7,234	6,985	7,197	7,332	9,890	8,446	8,645	9,494
Cash and Bank Balance	494	545	354	3,482	689	520	722	747
Cash	427	376	262	469	577	381	582	607
Bank Balance	67	169	92	3,013	112	140	140	140
Loans and Advances	2,280	2,644	520	2,619	4,169	4,221	4,320	4,745
<b>Curr. Liability and Prov.</b>	<b>5,630</b>	<b>5,550</b>	<b>7,838</b>	<b>8,432</b>	<b>9,645</b>	<b>8,678</b>	<b>8,882</b>	<b>9,755</b>
Account Payables	4,590	3,796	4,776	5,631	6,347	5,385	5,512	6,053
Other Current Liabilities	753	1,264	2,485	2,170	2,538	2,760	2,825	3,102
Provisions	287	490	577	631	760	533	546	599
<b>Net Current Assets</b>	<b>8,604</b>	<b>9,832</b>	<b>5,398</b>	<b>10,943</b>	<b>13,744</b>	<b>12,403</b>	<b>12,885</b>	<b>14,104</b>
<b>Appl. of Funds</b>	<b>24,505</b>	<b>29,890</b>	<b>33,666</b>	<b>40,939</b>	<b>47,419</b>	<b>49,002</b>	<b>54,336</b>	<b>60,293</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
EPS	92.1	143.9	223.2	218.0	198.7	169.0	172.5	206.7
EPS Growth (%)	-13.1	56.2	55.2	-2.3	-8.8	-15.0	2.1	19.8
Cash EPS	129.4	184.0	267.2	264.0	258.4	236.0	245.2	283.3
BV/Share	765	922	1,065	1,292	1,496	1,582	1,731	1,909
DPS	13.0	13.4	37.8	19.9	24.9	25.0	26.3	31.4
Payout (%)	13.7	9.1	16.7	8.9	12.2	14.6	15.0	15.0
<b>Valuation (x)</b>								
P/E	76.0	48.7	31.4	32.1	35.2	41.4	40.6	33.9
Cash P/E	54.1	38.0	26.2	26.5	27.1	29.7	28.5	24.7
P/BV	9.2	7.6	6.6	5.4	4.7	4.4	4.0	3.7
EV/Sales	6.2	5.1	5.1	5.5	4.1	3.8	3.7	3.4
EV/EBITDA	41.0	27.1	23.0	22.3	22.8	26.7	25.6	22.0
Dividend Yield (%)	0.2	0.2	0.5	0.3	0.4	0.4	0.4	0.4
FCF per share	71.8	65.9	171.6	133.9	-121.3	-56.6	2.7	9.9
<b>Return Ratios (%)</b>								
RoE	13.0	17.1	22.5	18.5	14.3	11.0	10.4	11.4
RoCE	12.3	16.0	21.2	17.7	13.7	10.5	10.0	10.8
RoIC	15.5	21.5	31.9	29.5	21.7	14.5	14.0	14.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	3.3	3.9	3.5	2.8	3.5	3.3	2.8	2.5
Asset Turnover (x)	1.4	1.4	1.2	0.9	1.1	1.1	1.0	1.0
Inventory (Days)	46	47	46	58	62	53	53	53
Debtor (Days)	79	63	64	72	71	57	57	57
Creditor (Days)	50	34	43	55	46	36	36	36
<b>Leverage Ratio (x)</b>								
Current Ratio	2.5	2.8	1.7	2.3	2.4	2.4	2.5	2.4
Net Debt/Equity ratio	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0

### Consolidated - Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>(INR m)</b>								
OP/(Loss) before Tax	4,122	6,803	8,454	8,817	8,097	6,878	6,857	8,207
Depreciation	1,104	1,189	1,302	1,363	1,767	1,978	2,148	2,261
Interest Expenses	127	74	94	94	92	79	80	84
Others	-148	-62	-536	-826	-580	-205	0	0
Direct Taxes Paid	-1,054	-2,541	-2,168	-2,023	-2,017	-1,934	-1,726	-2,066
(Inc.)/Dec. in WC	-594	-1,427	1,667	-245	-5,046	271	-280	-1,194
<b>CF from Operations</b>	<b>3,557</b>	<b>4,036</b>	<b>8,813</b>	<b>7,180</b>	<b>2,314</b>	<b>7,067</b>	<b>7,079</b>	<b>7,292</b>
(Inc.)/Dec. in FA	-1,430	-2,084	-3,733	-3,215	-5,905	-8,739	-7,000	-7,000
<b>Free Cash Flow</b>	<b>2,127</b>	<b>1,953</b>	<b>5,080</b>	<b>3,964</b>	<b>-3,591</b>	<b>-1,672</b>	<b>79</b>	<b>292</b>
Change in Investments	6	-1,994	-4,344	-3,899	4,136	3,572	0	0
Others	123	2	250	651	93	474	0	0
<b>CF from Investments</b>	<b>-1,302</b>	<b>-4,075</b>	<b>-7,827</b>	<b>-6,464</b>	<b>-1,676</b>	<b>-4,694</b>	<b>-7,000</b>	<b>-7,000</b>
Inc./(Dec.) in Debt	-1,518	389	537	182	117	-914	940	705
Interest Paid	-129	-74	-94	-87	-99	-79	-80	-84
Dividend Paid	-381	-412	-1,515	-617	-590	-1,828	-775	-927
Others	-46	87	-33	0	-3	246	38	38
<b>CF from Fin. Activity</b>	<b>-2,074</b>	<b>-11</b>	<b>-1,106</b>	<b>-522</b>	<b>-575</b>	<b>-2,575</b>	<b>123</b>	<b>-268</b>
<b>Inc./Dec. in Cash</b>	<b>182</b>	<b>-49</b>	<b>-120</b>	<b>194</b>	<b>63</b>	<b>-202</b>	<b>202</b>	<b>25</b>
Opening Balance	234	427	377	261	469	577	380	582
<b>Closing Balance</b>	<b>427</b>	<b>377</b>	<b>261</b>	<b>469</b>	<b>577</b>	<b>380</b>	<b>582</b>	<b>607</b>

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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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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