

Estimate changes



TP change



Rating change



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Bloomberg	ATLP IN
Equity Shares (m)	30
M.Cap.(INRb)/(USD\$)	255.4 / 3.2
52-Week Range (INR)	10975 / 7757
1, 6, 12 Rel. Per (%)	1/-6/-12
12M Avg Val (INR M)	371

Financials and Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	50.8	57.5	61.7
EBITDA	9.1	11.1	11.9
PAT	5.9	7.2	7.6
EPS (INR)	198.7	242.7	256.9
EPS Gr. (%)	(8.8)	22.1	5.8
BV/Sh.(INR)	1,495.8	1,706.7	1,929.8

Ratios

Net D:E	0.0	0.2	0.1
RoE (%)	14.3	15.2	14.1
RoCE (%)	13.7	14.0	13.0
Payout (%)	12.2	15.0	15.0

Valuations

P/E (x)	43.5	35.6	33.7
P/BV (x)	5.8	5.1	4.5
EV/EBITDA (x)	28.2	23.9	21.9
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	(1.4)	(2.2)	2.1

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	45.1	44.9	44.9
DII	23.4	23.4	22.4
FII	8.8	9.2	10.3
Others	22.8	22.4	22.4

FII Includes depository receipts

CMP: INR8,655
TP: INR8,991 (+4%)
Neutral

Strong quarter led by the Life Science Chemicals segment

- ATLP reported an in line revenue, led by strong growth in the Life Science Chemicals segment, which grew 32% QoQ and 38% YoY.
- **Gross margin declined to 4% YoY due to higher raw material costs, while adjusted EBITDAM came in higher than our estimate at 18.1%.** The company has written off the carrying value of the assets (~INR351m) destroyed by the fire on 20th Apr'22 by including it in other expenses.
- **EBIT contribution from the Life Science Chemicals segment improved to 38% in 1QFY23 from 28% in 4QFY22**, while the same from the Performance and Other Chemicals segment declined to 62% in 1QFY23 from 70% in 4QFY22.
- ATLP is implementing projects at a total investment of INR17.5b in the parent company, Atul Products, Amal Specialty, and Atul Finserv. At full capacity, revenue is expected to touch INR60b.
- **We build in a revenue/EBITDA CAGR of 10%/14% over FY22-24.** We value the stock at 35x FY24E EPS to arrive at our TP of INR8,991. On a one-year forward basis, ATLP trades at 34x. We maintain our Neutral rating, given its rich valuations.

Margin expands; revenue growth led by the Life Science Chemicals segment

- Revenue grew 37% YoY and 8% QoQ to INR14.8b (in line).
- Revenue from Performance Chemicals grew 40% YoY to INR10.6b.
- Revenue from Life Science Chemicals grew 38% YoY and 32% QoQ to INR4.8b.
- Gross/EBITDA margin grew 100bp/80bp QoQ to 49%/15.8%. **Adjusting for the write-off of INR351m, EBITDAM stood at 18.1%.**
- EBIT margin expanded in the Life Science Chemicals segment, while it remained flat in the Performance Chemicals segment.
- The margin in the Life Science Chemicals segment grew 200bp QoQ to 16%. EBIT stood at INR795m.
- The margin in the Performance Chemicals segment stood at 12% (flat QoQ) – at multi-quarter lows. EBIT stood at INR1.3b.
- **EBITDA grew 14% QoQ, but fell 1% YoY to INR2.3b. Adjusted EBITDA stood at INR2.7b.**
- PAT grew 20% QoQ (flat YoY) to INR1.6b (8% higher than our estimate), **resulting in an EPS of INR55.2 in 1QFY23.**
- **Contribution from subsidiaries turned positive.** PAT stood at INR49m in 1QFY23 v/s INR91m in 1QFY22 and a loss of INR120m in 4QFY22.

Maintain our Neutral rating

- ATLP has been focusing on key aspects such as: a) enhancing people productivity and manufacturing efficiencies, b) deploying technologies in every function, and c) working with customers on ideas of high potential. The management believes in prioritizing its FCF, which will enable greater innovation and guide investments in assets that pay off faster.

- We built in a capex of INR17.5b over FY23-24, as guided by the management. ATLP turned net cash in FY21, but may need to raise funds due to the huge capex that it would be undertaking in FY23. Return ratios of 13-15% are likely going forward.
- Fluctuations in foreign exchange may impact sales realizations, with prices of some products varying widely over the short-term. We value the stock at 35x FY24 EPS to arrive at our TP of INR8,991. We maintain our Neutral rating.

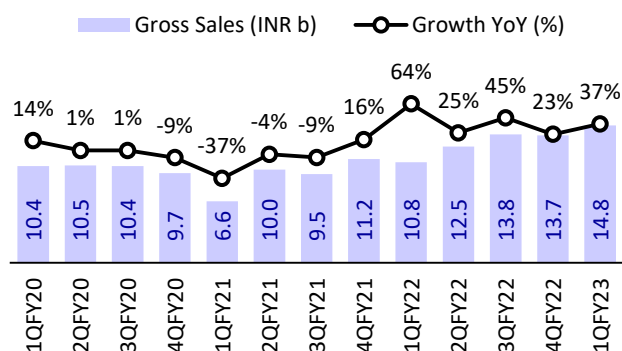
Consolidated quarterly snapshot

Y/E March	FY22				FY23				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY22	FY23E	FY23E	Var.
Gross Sales	10,802	12,500	13,803	13,704	14,769	14,797	15,228	12,671	50,809	57,466	14,366	3%
Change (YoY %)	63.5	24.7	44.9	22.8	36.7	18.4	10.3	-7.5	36.2	13.1	33.0	
Gross Margin (%)	52%	47%	51%	47%	49%	47%	52%	48%	49%	49%	45%	4%
EBITDA	2,361	2,187	2,515	2,052	2,330	2,634	3,346	2,741	9,114	11,051	2,250	4%
Margin (%)	21.9	17.5	18.2	15.0	15.8	17.8	22.0	21.6	17.9	19.2	15.7	0.1
Depreciation	433	440	454	441	473	516	532	608	1,767	2,129	483	
Interest	21	18	19	34	16	81	99	163	92	358	54	
Other Income	296	211	31	222	359	316	244	230	760	1,149	287	
PBT before EO expense	2,204	1,940	2,072	1,800	2,200	2,353	2,960	2,199	8,016	9,713	2,001	10%
PBT	2,204	1,940	2,072	1,800	2,200	2,353	2,960	2,199	8,016	9,713	2,001	10%
Tax	572	495	530	452	577	593	746	529	2,050	2,445	503	
Rate (%)	26.0	25.5	25.6	25.1	26.2	25.2	25.2	24.1	25.6	25.2	25.2	
Minority Interest and Profit & Loss of Asso. Cos.	19	17	27	18	11	20	20	20	82	82	20	
Reported PAT	1,652	1,461	1,569	1,366	1,635	1,781	2,235	1,690	6,047	7,350	1,518	8%
Change (YoY %)	37.1	-16.1	-18.4	-22.9	1.4	24.7	47.5	27.2	-8.9	22.1	-8.1	
Margin (%)	14.9	11.4	11.0	9.7	11.1	12.0	14.7	13.3	11.6	12.5	10.6	0.5

E: MOFSL estimates

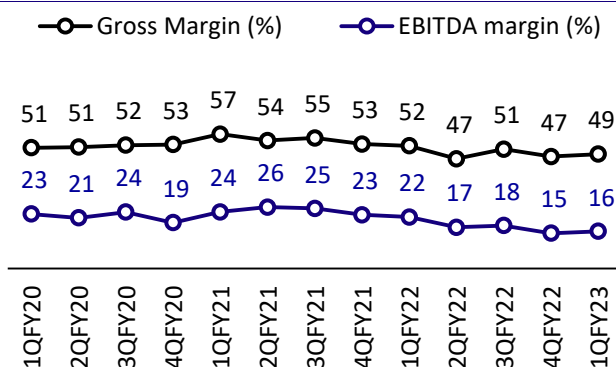
1QFY23 in charts

Exhibit 1: Sales grew 37% YoY and 32% QoQ, led by a growth in Life Science Chemicals



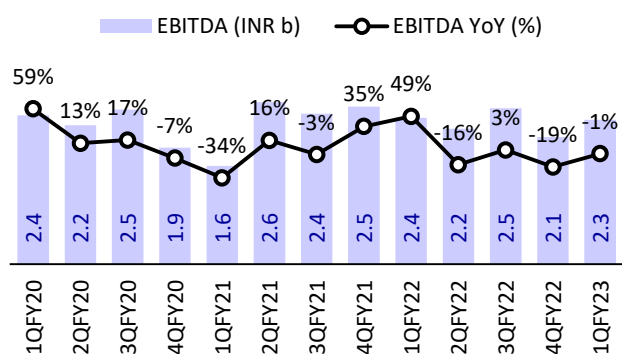
Source: Company, MOFSL

Exhibit 2: Gross and EBITDA margin expand sequentially, still near multi-quarter lows



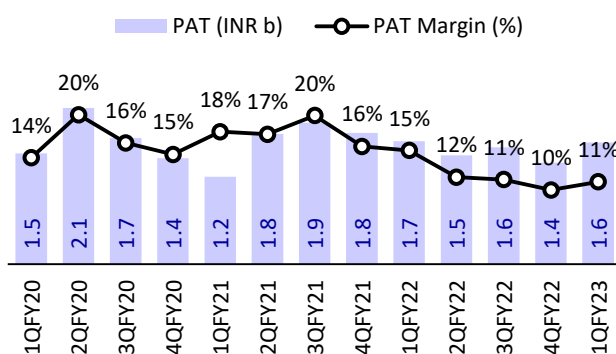
Source: Company, MOFSL

Exhibit 3: EBITDA grew 14% QoQ, with EBITAM at 18.1% (adjusted for the carrying value of assets destroyed by the fire)



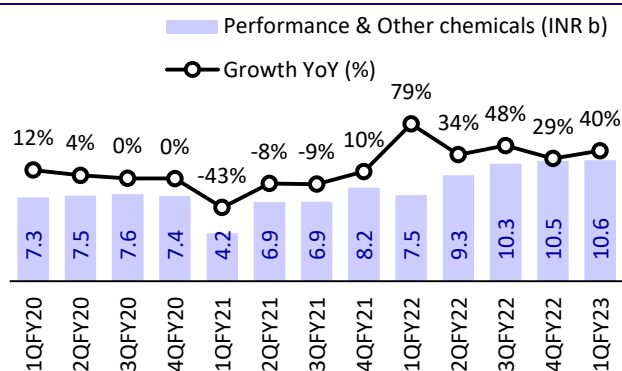
Source: Company, MOFSL

Exhibit 4: PAT grew 20% QoQ to INR1.6b, translating into an EPS of INR55 in 1QFY23



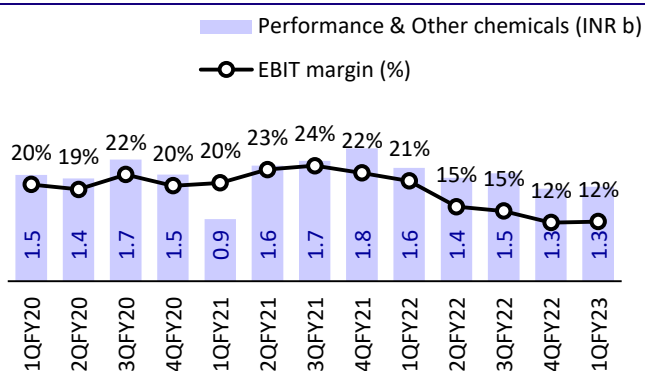
Source: Company, MOFSL

Exhibit 5: Revenue in the Performance segment grew 40% YoY to INR10.6b (flat QoQ)



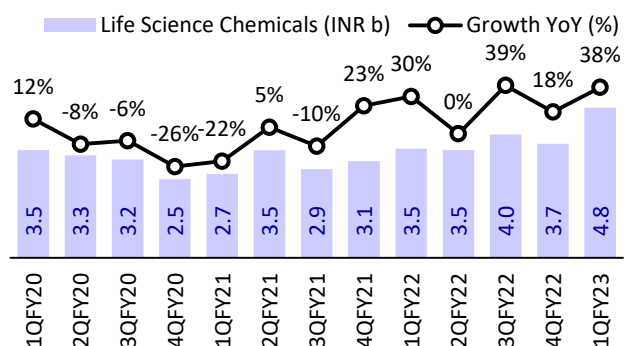
Source: Company, MOFSL

Exhibit 6: ...while EBIT margin was flat at 12% QoQ – the lowest since 4QFY19



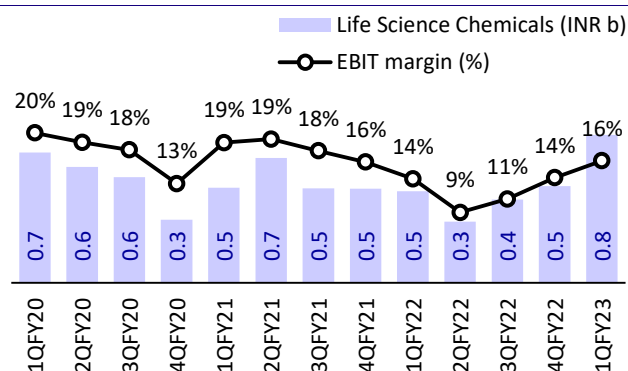
Source: Company, MOFSL

Exhibit 7: Revenue in the Life Science segment grew 32% QoQ and 38% YoY...



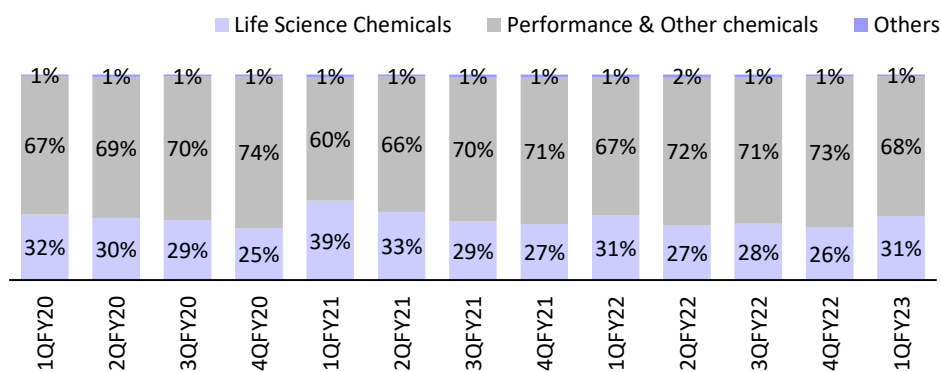
Source: Company, MOFSL

Exhibit 8: ...with an expansion in EBIT margin to 16% and EBIT at INR795m



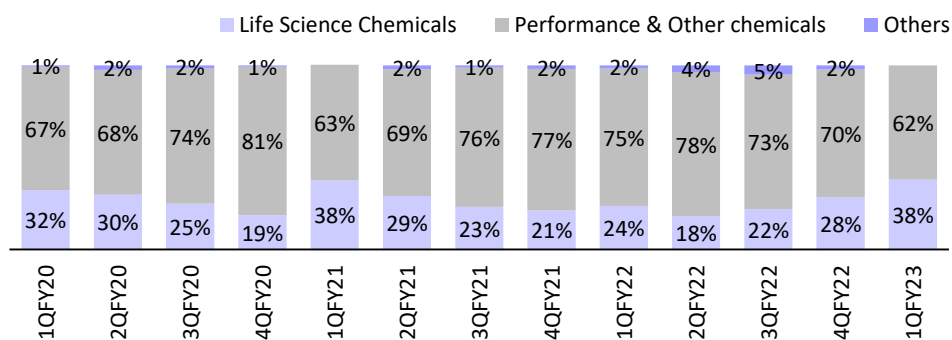
Source: Company, MOFSL

Exhibit 9: Contribution of Performance and Other Chemicals segment to overall revenue mix declines in 1QFY23



Source: Company, MOFSL

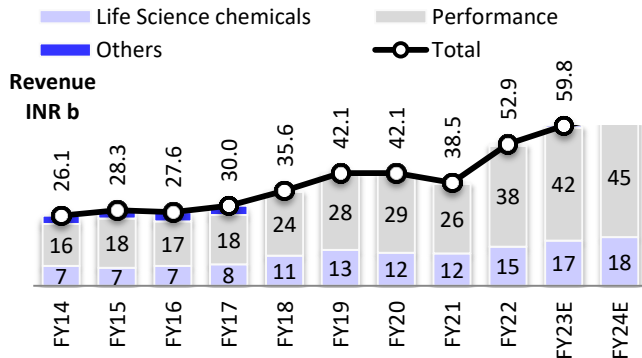
Exhibit 10: EBIT mix for the Life Science segment improves to 38% in 1QFY23. The same fell 800bp for the Performance and Other Chemicals segment



Source: Company, MOFSL

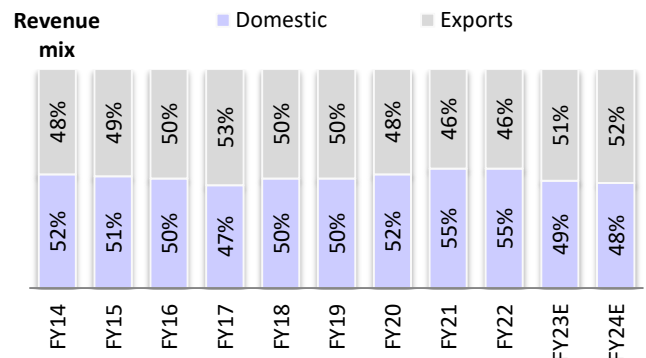
Financial story in charts

Exhibit 11: Expect ~10% revenue CAGR over FY22-24E...



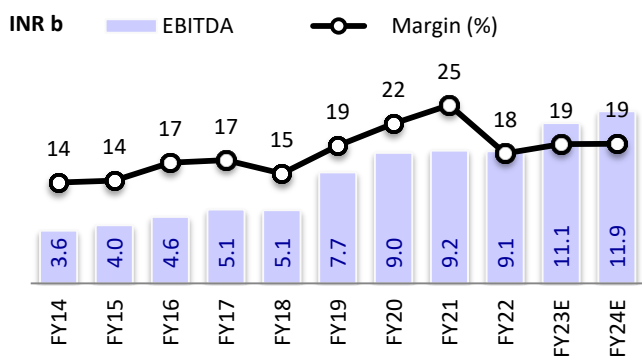
Source: Company, MOFSL

Exhibit 12: ...with exports increasing by ~600bp to ~52%



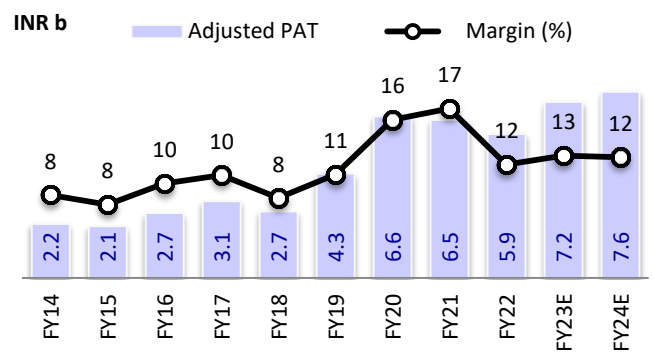
Source: Company, MOFSL

Exhibit 13: Expect EBITDA margin to stabilize at 19%...



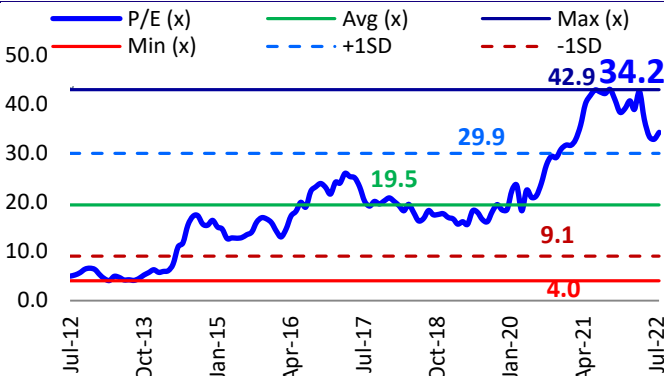
Source: Company, MOFSL

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



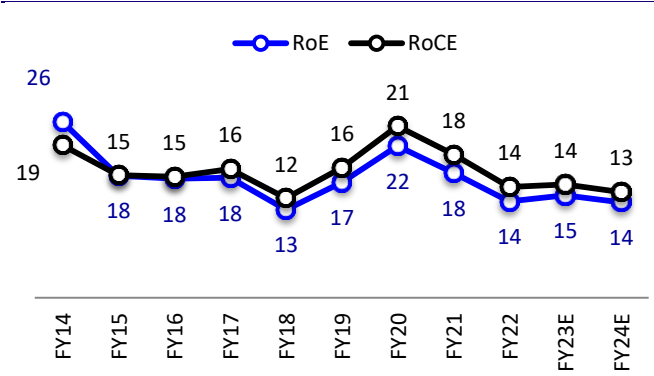
Source: Company, MOFSL

Exhibit 15: One-year forward P/E ratio trades at 34.2x...



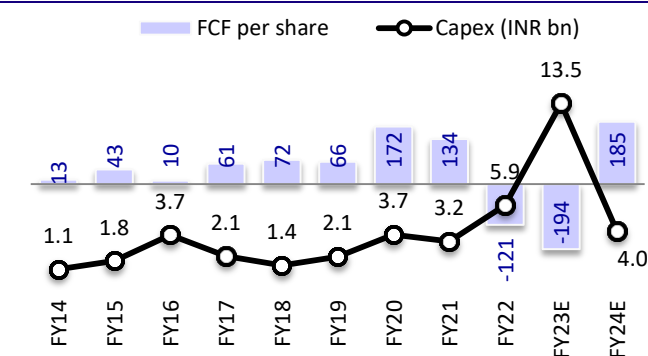
aSource: Company, MOFSL

Exhibit 16: ...with return ratios at 13-15%



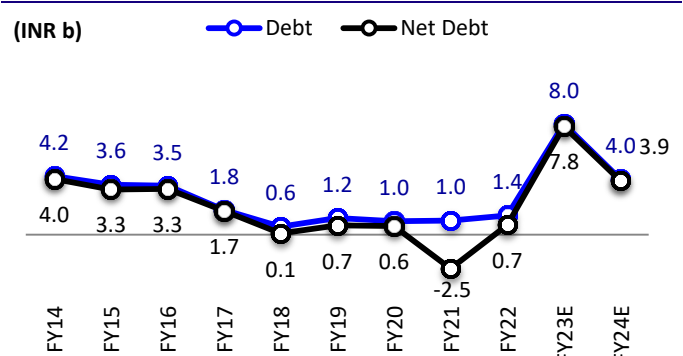
Source: Company, MOFSL

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



Source: Company, MOFSL

Exhibit 18: ...necessitating the raising of debt



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

	(INR m)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	29,961	33,379	40,378	40,931	37,315	50,809	57,466	61,682
Change (%)	8.7	11.4	21.0	1.4	-8.8	36.2	13.1	7.3
Gross Margin (%)	52.1	46.0	47.8	51.9	54.6	49.1	49.0	49.0
EBITDA	5,095	5,052	7,668	9,020	9,171	9,114	11,051	11,882
Margin (%)	17.0	15.1	19.0	22.0	24.6	17.9	19.2	19.3
Depreciation	954	1,104	1,189	1,302	1,363	1,767	2,129	2,600
EBIT	4,140	3,948	6,479	7,718	7,808	7,348	8,922	9,282
Int. and Finance Charges	252	127	74	94	94	92	358	458
Other Income	526	259	349	780	1,030	760	1,149	1,450
PBT bef. EO Exp.	4,414	4,080	6,753	8,404	8,744	8,016	9,713	10,273
PBT after EO Exp.	4,414	4,080	6,753	8,404	8,744	8,016	9,713	10,273
Total Tax	1,227	1,310	2,443	1,745	2,217	2,050	2,445	2,586
Tax Rate (%)	27.8	32.1	36.2	20.8	25.3	25.6	25.2	25.2
Minority Interest	47	42	50	50	73	82	82	82
Reported PAT	3,234	2,812	4,360	6,709	6,600	6,047	7,350	7,769
Change (%)	18.3	-13.1	56.2	55.2	-2.3	-8.8	22.1	5.8
Margin (%)	10.5	8.2	10.5	16.1	17.3	11.6	12.5	12.3

Consolidated Balance Sheet

	(INR m)							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	297	297	297	297	296	296	296	296
Total Reserves	18,911	22,343	26,998	31,252	37,969	43,994	50,241	56,845
Net Worth	19,208	22,639	27,295	31,549	38,265	44,290	50,537	57,141
Total Loans	1,765	570	1,200	970	1,017	1,384	8,000	4,000
Deferred Tax Liabilities	998	1,296	1,395	1,148	1,351	1,436	1,436	1,436
Capital Employed	21,970	24,505	29,890	33,666	40,940	47,418	60,282	62,885
Gross Block	11,599	12,681	14,135	17,868	19,874	21,641	35,141	39,141
Less: Accum. Deprn.	1,608	2,678	3,643	4,946	6,309	8,076	10,205	12,805
Net Fixed Assets	9,990	10,003	10,491	12,922	13,566	13,566	24,936	26,336
Goodwill on Consolidation	0	238	323	291	291	291	291	291
Capital WIP	370	962	1,723	3,681	2,497	4,205	4,205	4,205
Total Investments	5,316	4,698	7,520	11,373	13,643	13,419	13,419	13,419
Curr. Assets, Loans, and Adv.	10,522	14,234	15,382	13,236	19,375	25,583	28,339	30,343
Inventory	3,679	4,226	5,209	5,165	5,941	8,641	9,773	10,490
Account Receivables	5,071	7,234	6,985	7,197	7,332	9,890	11,186	12,007
Cash and Bank Balance	72	494	545	354	3,482	689	184	122
Cash	234	427	376	262	469	577	71	10
Bank Balance	49	67	169	92	3,013	112	112	112
Loans and Advances	1,700	2,280	2,644	520	2,619	6,363	7,196	7,724
Curr. Liability and Prov.	4,228	5,630	5,550	7,838	8,432	9,645	10,909	11,709
Account Payables	3,291	4,590	3,796	4,776	5,631	6,347	7,179	7,706
Other Current Liabilities	660	753	1,264	2,485	2,170	2,538	2,871	3,081
Provisions	277	287	490	577	631	760	860	923
Net Current Assets	6,294	8,604	9,832	5,398	10,943	15,938	17,430	18,634
Appl. of Funds	21,970	24,505	29,890	33,666	40,939	47,419	60,282	62,885

Financials and valuations

Ratios								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	106.0	92.1	143.9	223.2	218.0	198.7	242.7	256.9
EPS Growth (%)	18.3	-13.1	56.2	55.2	-2.3	-8.8	22.1	5.8
Cash EPS	138.3	129.4	184.0	267.2	264.0	258.4	314.6	344.7
BV/Share	649	765	922	1,065	1,292	1,496	1,707	1,930
DPS	12.5	13.0	13.4	37.8	20.0	25.0	37.2	39.4
Payout (%)	11.4	13.7	9.1	16.7	9.0	12.2	15.0	15.0
Valuation (x)								
P/E ratio	81.5	93.8	60.1	38.7	39.7	43.5	35.6	33.7
Cash P/E ratio	62.5	66.8	47.0	32.4	32.7	33.5	27.5	25.1
P/BV ratio	13.3	11.3	9.4	8.1	6.7	5.8	5.1	4.5
EV/Sales ratio	8.6	7.7	6.4	6.3	6.8	5.1	4.6	4.2
EV/EBITDA ratio	50.6	50.7	33.5	28.4	27.6	28.2	23.9	21.9
Dividend Yield (%)	0.1	0.2	0.2	0.4	0.2	0.3	0.4	0.5
FCF per share	60.7	71.8	65.9	171.6	133.9	-121.3	-193.9	185.1
Return Ratios (%)								
RoE	17.8	13.0	17.1	22.5	18.5	14.3	15.2	14.1
RoCE	15.9	12.3	16.0	21.2	17.7	13.7	14.0	13.0
RoIC	19.4	15.5	21.5	31.9	29.5	21.7	18.7	15.9
Working Capital Ratios								
Fixed Asset Turnover (x)	3.4	3.3	3.9	3.5	2.8	3.7	3.0	2.4
Asset Turnover (x)	1.4	1.4	1.4	1.2	0.9	1.1	1.0	1.0
Inventory (Days)	45	46	47	46	58	62	62	62
Debtor (Days)	62	79	63	64	72	71	71	71
Creditor (Days)	40	50	34	43	55	46	46	46
Leverage Ratio (x)								
Current Ratio	2.5	2.5	2.8	1.7	2.3	2.7	2.6	2.6
Net Debt/Equity ratio	0.1	0.0	0.0	0.0	-0.1	0.0	0.2	0.1

Consolidated Cash Flow Statement							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	4,461	4,122	6,803	8,454	8,817	8,097	9,713	10,273
Depreciation	954	1,104	1,189	1,302	1,363	1,767	2,129	2,600
Interest Expenses	252	127	74	94	94	92	358	458
Others	-378	-148	-62	-536	-826	-580	0	0
Direct Taxes Paid	-820	-1,054	-2,541	-2,168	-2,023	-2,017	-2,445	-2,586
(Inc.)/Dec. in WC	-551	-594	-1,427	1,667	-245	-5,046	-1,998	-1,265
CF from Operations	3,918	3,557	4,036	8,813	7,180	2,314	7,758	9,481
(Inc.)/Dec. in FA	-2,120	-1,430	-2,084	-3,733	-3,215	-5,905	-13,500	-4,000
Free Cash Flow	1,797	2,127	1,953	5,080	3,964	-3,591	-5,742	5,481
Change in Investments	196	6	-1,994	-4,344	-3,899	4,136	0	0
Others	192	123	2	250	651	93	0	0
CF from Investments	-1,732	-1,302	-4,075	-7,827	-6,464	-1,676	-13,500	-4,000
Inc./(Dec.) in Debt	-1,429	-1,518	389	537	182	117	6,616	-4,000
Interest Paid	-273	-129	-74	-94	-87	-99	-358	-458
Dividend Paid	-357	-381	-412	-1,515	-617	-590	-1,102	-1,165
Others	-59	-46	87	-33	0	-3	82	82
CF from Fin. Activity	-2,119	-2,074	-11	-1,106	-522	-575	5,237	-5,542
Inc./Dec. in Cash	67	182	-49	-120	194	63	-505	-62
Opening Balance	180	234	427	377	261	469	577	71
Closing Balance	234	427	377	261	469	577	71	10

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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