

Estimate change

TP change

Rating change



Bloomberg	ATLP IN
Equity Shares (m)	30
M.Cap.(INRb)/(USDb)	197.1 / 2.4
52-Week Range (INR)	8948 / 6467
1, 6, 12 Rel. Per (%)	-5/-15/-34
12M Avg Val (INR M)	328
Free float (%)	54.9

Financials and Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	54.3	49.2	53.2
EBITDA	7.7	6.8	8.4
PAT	5.1	4.2	5.3
EPS (INR)	169	136	175
EPS Gr. (%)	-15.0	-19.6	28.4
BV/Sh.(INR)	1,582	1,702	1,856

Ratios

Net D:E	-0.0	0.0	0.0
RoE (%)	11.0	8.3	9.8
RoCE (%)	10.5	8.1	9.5
Payout (%)	14.6	15.0	15.0

Valuations

P/E (x)	39.5	49.1	38.2
P/BV (x)	4.2	3.9	3.6
EV/EBITDA (x)	25.4	28.8	23.7
Div. Yield (%)	0.4	0.3	0.4
FCF Yield (%)	-0.8	0.2	-0.1

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	45.1	45.1	45.1
DII	26.5	26.2	23.4
FII	7.7	7.6	9.2
Others	20.7	21.2	22.3

FII Includes depository receipts

CMP: INR6,670

TP: INR6,110 (-8%)

Neutral

Weak performance continues across both segments

- Atul (ATLP) reported higher-than-estimated revenue in 2QFY24. Revenue in the Life Science Chemicals segment and Performance & Other Chemicals segment declined 37% YoY and 12% YoY, respectively. Gross margin came in at 44.1% (-300bp YoY), while EBITDAM declined 180bp YoY to 13% during the quarter.
- **The Life Science Chemicals' contribution to EBIT dipped notably to 35% (from 67% in 2QFY23)**, whereas the contribution of Performance & Other Chemicals to overall EBIT jumped to 61% in 2QFY24 (from 34% in 2QFY23).
- Owing to the weak performance in 1HFY24 and the ongoing macro-headwinds, we cut our revenue/EBITDA/PAT by 5%/8%/11% for FY24E and by 6%/3%/5% for FY25E.
- 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.
- The stock is trading at 38.2x FY25E EPS of INR174.6 and 23.7x FY25E EV/EBITDA. We value the stock at 35x FY25E EPS to arrive at our TP of INR6,110. On a one-year forward basis, ATLP trades at 41x. We maintain our **Neutral** rating on the stock.

Miss on estimates due to higher-than-expected other expenses

- ATLP's revenue was at INR11.9b (-20% YoY).
- Life Science Chemicals' revenue was at INR3.6b (-37% YoY).
- Performance Chemicals' revenue was at INR8.7b (-12% YoY) in 2QFY24.
- Gross margin came in at 44.1% (-300bp YoY) and EBITDA margin stood at 13% (-180bp YoY) during the quarter.
- EBIT margin contracted for Life Science Chemicals significantly on YoY basis.
- Life Science Chemicals' margin was at 11.5% (-13.2pp YoY); EBIT at INR417m.
- Performance Chemicals' margin was at 8.3% (+100bp YoY); EBIT at INR722m.
- EBITDA came in at INR1.6b (est. of INR1.6b, -30% YoY)
- PAT stood at INR912m (est. of INR1b, -38% YoY), **resulting in an EPS of INR30.9**
- **Contribution from the subsidiaries/JVs turned negative** (loss at INR121m in 2QFY24, v/s loss of INR202m in 2QFY24 and PAT of INR55m in 1QFY24).
- In 1HFY24, revenue stood at INR23.8b (down 20% YoY), EBITDA was at INR3.4b (down 26% YoY), and PAT was at INR1.9b (down 38% YoY).
- EBITDAM contracted to 14.2% in 1HFY24 vs. 15.3% in 1HFY23.

Valuation and view – reiterate Neutral

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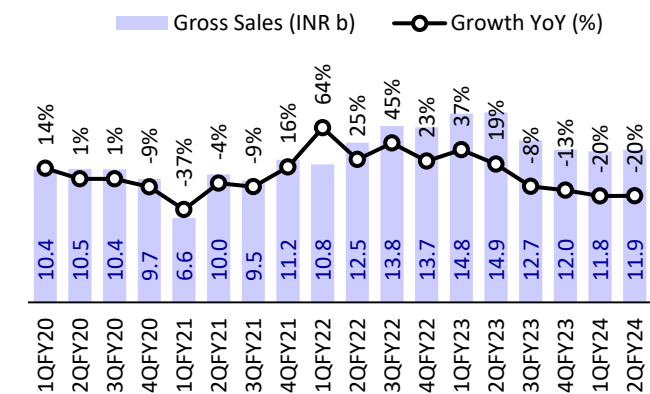
Consolidated - Quarterly Snapshot

(INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Gross Sales	14,769	14,873	12,683	11,952	11,820	11,937	12,482	12,953	54,275	49,192	10,283	16
YoY Change (%)	36.7	19.0	-8.1	-12.8	-20.0	-19.7	-1.6	8.4	6.8	-9.4	-30.9	
Gross Margin (%)	48.5%	47.1%	47.2%	45.8%	46.5%	44.1%	44.5%	45.0%	47.2%	45.0%	47.7%	-3.6
EBITDA	2,330	2,203	1,723	1,494	1,823	1,552	1,719	1,753	7,749	6,846	1,647	-6
Margin (%)	15.8	14.8	13.6	12.5	15.4	13.0	13.8	13.5	14.3	13.9	16.0	-3.0
Depreciation	473	491	504	511	519	540	542	547	1,978	2,148	532	
Interest	16	19	22	22	20	19	21	20	79	80	19	
Other Income	359	319	229	242	82	221	247	310	1,149	861	243	
PBT before EO expense	2,200	2,011	1,425	1,203	1,365	1,215	1,403	1,496	6,840	5,479	1,340	-9
PBT	2,200	2,011	1,425	1,203	1,365	1,215	1,403	1,496	6,840	5,479	1,340	-9
Tax	577	544	394	297	364	325	353	404	1,812	1,379	338	
Rate (%)	26.2	27.0	27.6	24.7	26.7	26.7	25.2	27.0	26.5	25.2	25.2	
MI and Profit/Loss of Asso. Cos.	11	13	-3	16	20	22	22	23	38	86	10	
Reported PAT	1,635	1,481	1,029	922	1,021	912	1,071	1,115	5,066	4,186	1,012	-10
YoY change (%)	1.4	3.7	-32.1	-30.6	-37.6	-38.4	4.1	20.9	-15.2	-19.6	-31.7	
Margin (%)	11.1	10.0	8.1	7.7	8.6	7.6	8.6	8.6	9.2	8.2	9.8	-2.2
Segmental Revenue (INR m)												
Life Science Chemicals	4,847	5,742	4,917	4,086	3,502	3,620	4,080	4,341	19,592	15,543	3,684	-2
Performance & Other chemicals	10,570	9,913	8,280	8,299	8,745	8,684	8,911	9,303	37,062	35,643	7,107	22
Others	113	94	159	130	117	165	171	142	496	596	104	59

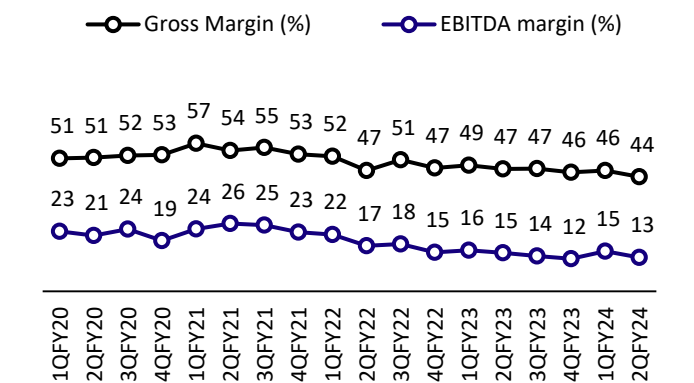
2QFY24 in charts

Exhibit 1: Sales declined 20% YoY, due to Life Science Chemicals segment (-37% YoY)



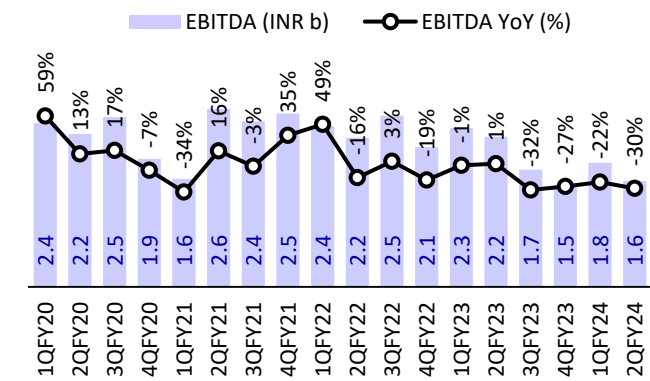
Source: Company, MOFSL

Exhibit 2: Gross and EBITDA margins contracted YoY



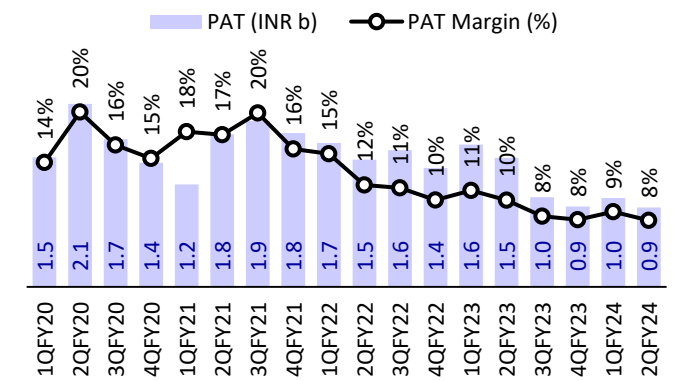
Source: Company, MOFSL

Exhibit 3: EBITDA dipped 30% YoY...



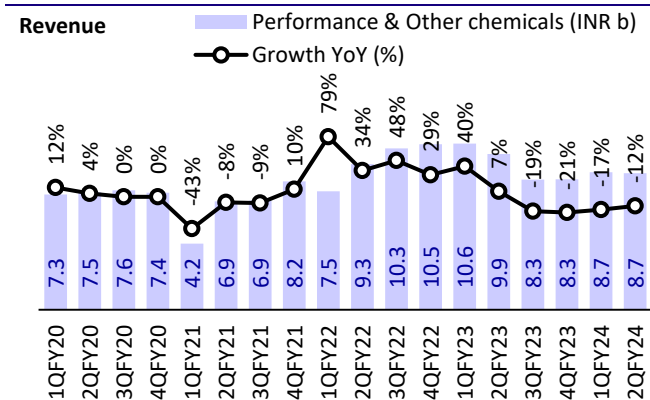
Source: Company, MOFSL

Exhibit 4: ...while PAT was down 38% YoY translating into an EPS of INR30.9 in 2QFY24



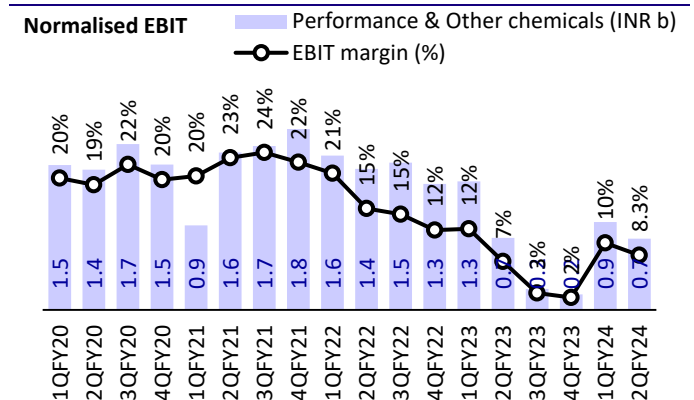
Source: Company, MOFSL

Exhibit 5: Performance segment's revenue declined 12% YoY to INR8.7b (-1% QoQ) ...



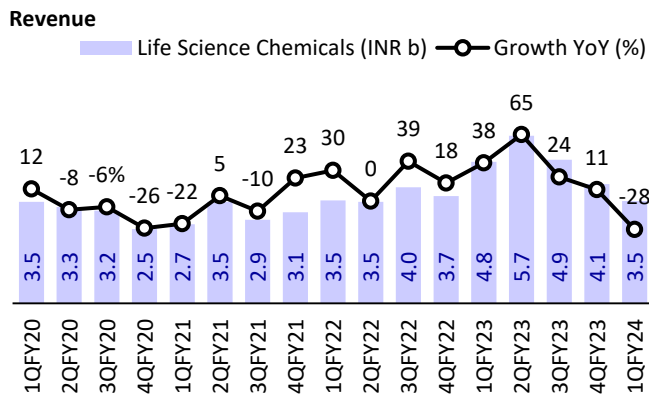
Source: Company, MOFSL

Exhibit 6: ...while EBIT margin expanded YoY to 8.3%



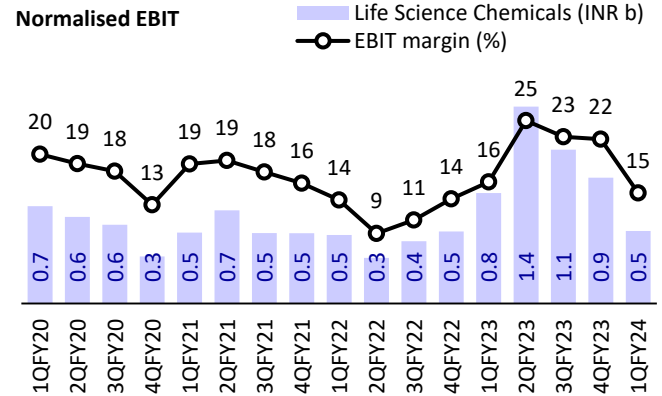
Source: Company, MOFSL

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



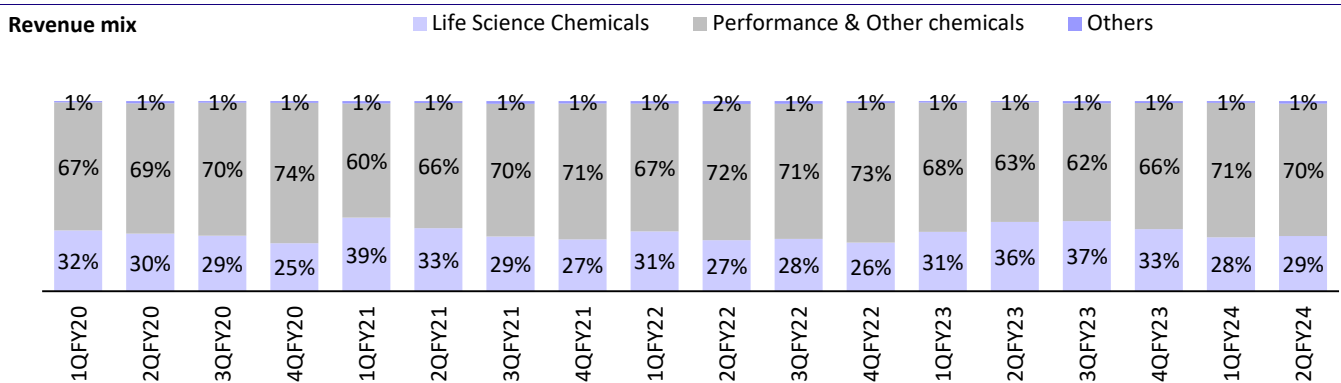
Source: Company, MOFSL

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



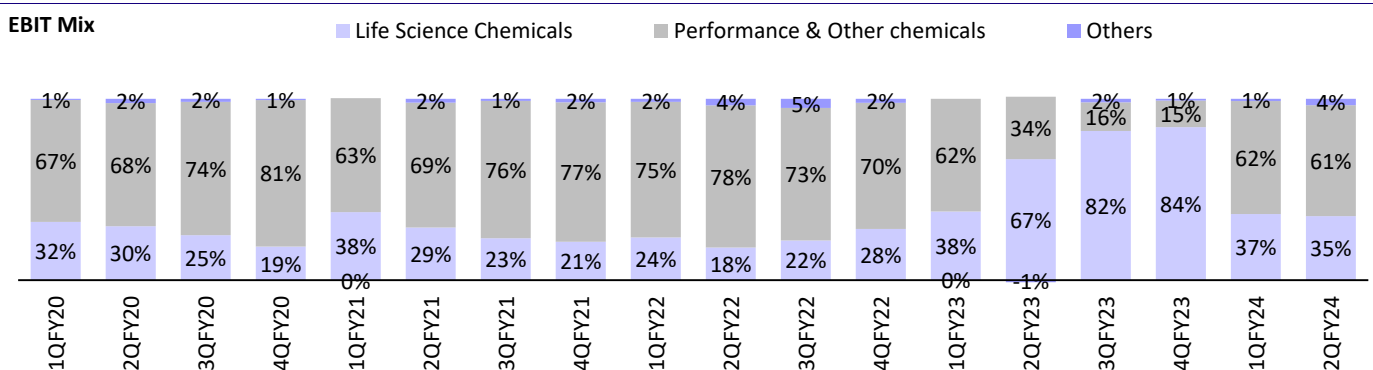
Source: Company, MOFSL

Exhibit 9: Performance and Other Chemicals' contribution to overall mix stood at 70% and the same for Life Sciences stood at 29% in 2QFY24



Source: Company, MOFSL

Exhibit 10: EBIT mix for the Performance & Other Chemicals segment jumped to 61% YoY in 2QFY24; the same deteriorated for Life Science Chemicals to 35%



Source: Company, MOFSL

Financial story in charts

Exhibit 11: Expect 2% revenue CAGR over FY23-25...

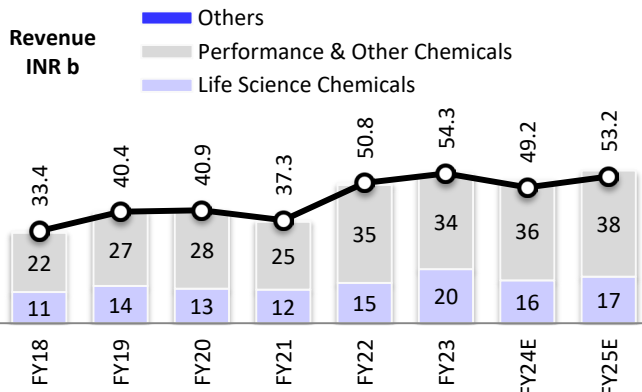


Exhibit 12: ...with exports increasing to ~52%

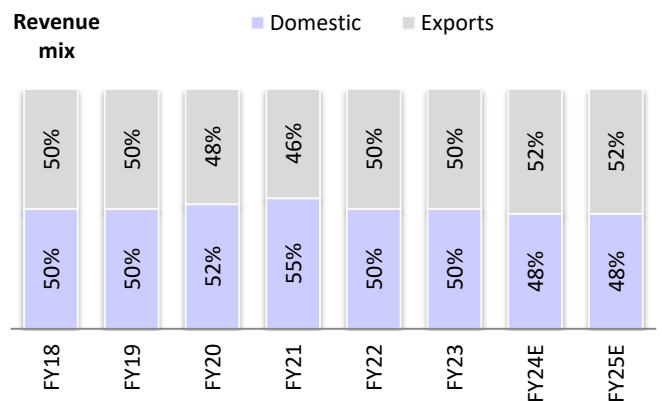


Exhibit 13: Expect EBITDAM to recover to 16% in FY25...

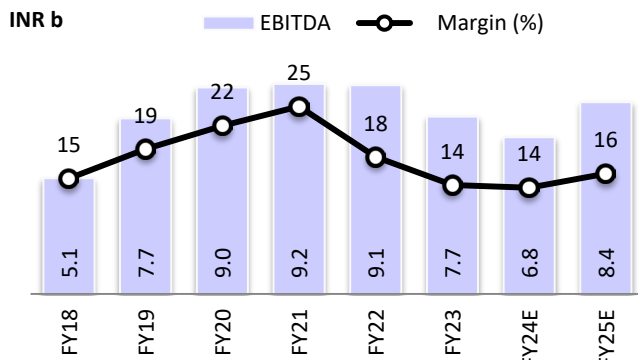


Exhibit 14: ... with PAT margin improving to 10%

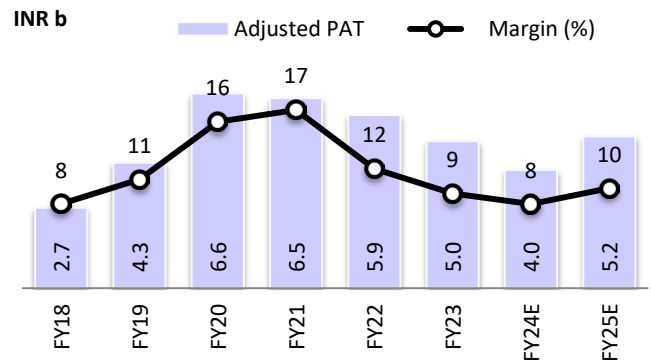


Exhibit 15: One-year forward P/E trades at 41x...

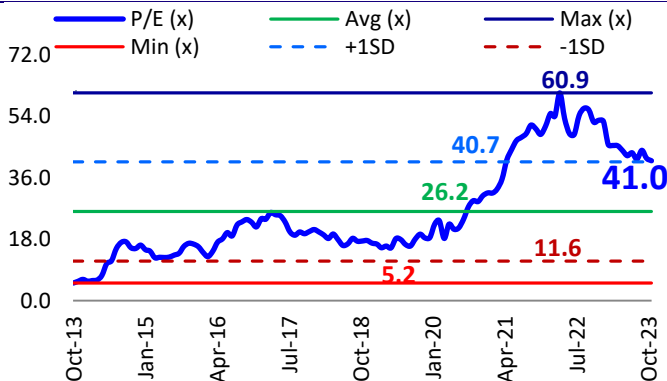


Exhibit 16: ...with return ratios at 8-10%

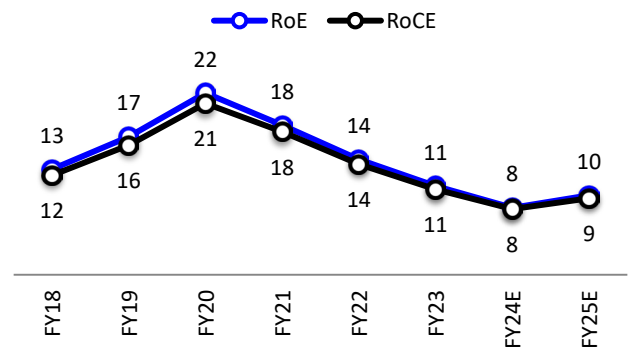


Exhibit 17: Capex for the next two years is pegged at ~INR14b

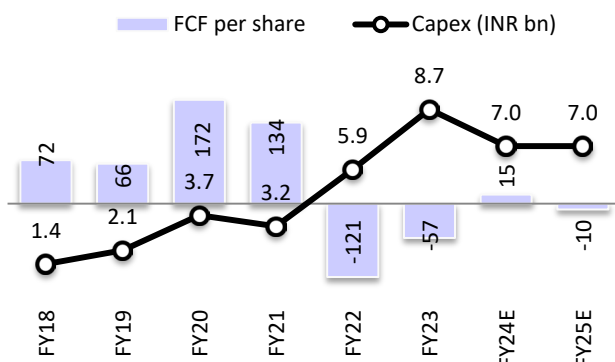
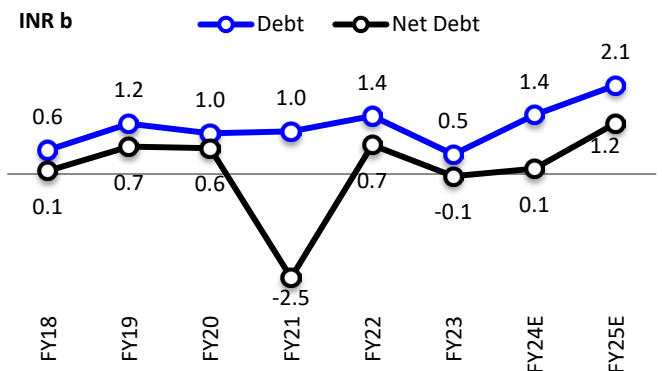


Exhibit 18: Debt profile of ATLPL



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
Total Income from Operations	33,379	40,378	40,931	37,315	50,809	54,275	49,192	53,177
Change (%)	11.4	21.0	1.4	-8.8	36.2	6.8	-9.4	8.1
Gross Margin (%)	46.0	47.8	51.9	54.6	49.1	47.2	45.0	48.3
EBITDA	5,052	7,668	9,020	9,171	9,114	7,749	6,846	8,377
Margin (%)	15.1	19.0	22.0	24.6	17.9	14.3	13.9	15.8
Depreciation	1,104	1,189	1,302	1,363	1,767	1,978	2,148	2,262
EBIT	3,948	6,479	7,718	7,808	7,348	5,770	4,698	6,115
Int. and Finance Charges	127	74	94	94	92	79	80	84
Other Income	259	349	780	1,030	760	1,149	861	973
PBT bef. EO Exp.	4,080	6,753	8,404	8,744	8,016	6,840	5,479	7,004
PBT after EO Exp.	4,080	6,753	8,404	8,744	8,016	6,840	5,479	7,004
Total Tax	1,310	2,443	1,745	2,217	2,050	1,812	1,379	1,763
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	86	86
Reported PAT	2,812	4,360	6,709	6,600	6,047	5,066	4,186	5,327
Adjusted PAT	2,728	4,260	6,610	6,455	5,884	4,990	4,013	5,155
Change (%)	-13.1	56.2	55.2	-2.3	-8.8	-15.2	-19.6	28.4
Margin (%)	8.2	10.5	16.1	17.3	11.6	9.2	8.2	9.7

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	49,976	54,504
Net Worth	22,639	27,295	31,549	38,265	44,290	46,714	50,272	54,800
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
Capital Employed	24,505	29,890	33,666	40,940	47,418	49,002	53,500	58,732
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
Net Fixed Assets	10,003	10,491	12,922	13,566	15,760	17,138	21,989	26,727
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
Total Investments	4,698	7,520	11,373	13,643	13,419	8,842	8,842	8,842
Curr. Assets, Loans, and Adv.	14,234	15,382	13,236	19,375	23,389	21,081	19,914	21,046
Inventory	4,226	5,209	5,165	5,941	8,641	7,894	7,154	7,734
Account Receivables	7,234	6,985	7,197	7,332	9,890	8,446	7,655	8,275
Cash and Bank Balance	494	545	354	3,482	689	520	1,279	902
Cash	427	376	262	469	577	381	1,139	762
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	3,826	4,136
Curr. Liability and Prov.	5,630	5,550	7,838	8,432	9,645	8,678	7,865	8,502
Account Payables	4,590	3,796	4,776	5,631	6,347	5,385	4,881	5,276
Other Current Liabilities	753	1,264	2,485	2,170	2,538	2,760	2,501	2,704
Provisions	287	490	577	631	760	533	483	522
Net Current Assets	8,604	9,832	5,398	10,943	13,744	12,403	12,049	12,544
Appl. of Funds	24,505	29,890	33,666	40,939	47,419	49,002	53,500	58,732

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	92.1	143.9	223.2	218.0	198.7	169.0	135.9	174.6
EPS Growth (%)	-13.1	56.2	55.2	-2.3	-8.8	-15.0	-19.6	28.4
Cash EPS	129.4	184.0	267.2	264.0	258.4	236.0	208.7	251.2
BV/Share	765	922	1,065	1,292	1,496	1,582	1,702	1,856
DPS	13.0	13.4	37.8	19.9	24.9	25.0	21.3	27.1
Payout (%)	13.7	9.1	16.7	8.9	12.2	14.6	15.0	15.0
Valuation (x)								
P/E	72.4	46.4	29.9	30.6	33.6	39.5	49.1	38.2
Cash P/E	51.5	36.2	25.0	25.3	25.8	28.3	32.0	26.6
P/BV	8.7	7.2	6.3	5.2	4.5	4.2	3.9	3.6
EV/Sales	5.9	4.9	4.8	5.2	3.9	3.6	4.0	3.7
EV/EBITDA	39.1	25.8	22.0	21.3	21.7	25.4	28.8	23.7
Dividend Yield (%)	0.2	0.2	0.6	0.3	0.4	0.4	0.3	0.4
FCF per share	71.8	65.9	171.6	133.9	-121.3	-56.6	14.9	-9.7
Return Ratios (%)								
RoE	13.0	17.1	22.5	18.5	14.3	11.0	8.3	9.8
RoCE	12.3	16.0	21.2	17.7	13.7	10.5	8.1	9.5
RoIC	15.5	21.5	31.9	29.5	21.7	14.5	11.3	12.8
Working Capital Ratios								
Fixed Asset Turnover (x)	3.3	3.9	3.5	2.8	3.5	3.3	2.5	2.2
Asset Turnover (x)	1.4	1.4	1.2	0.9	1.1	1.1	0.9	0.9
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
Leverage Ratio (x)								
Current Ratio	2.5	2.8	1.7	2.3	2.4	2.4	2.5	2.5
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
(INR m)								
OP/(Loss) before Tax	4,122	6,803	8,454	8,817	8,097	6,878	5,479	7,004
Depreciation	1,104	1,189	1,302	1,363	1,767	1,978	2,148	2,262
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	-1,379	-1,763
(Inc.)/Dec. in WC	-594	-1,427	1,667	-245	-5,046	271	1,113	-872
CF from Operations	3,557	4,036	8,813	7,180	2,314	7,067	7,441	6,715
(Inc.)/Dec. in FA	-1,430	-2,084	-3,733	-3,215	-5,905	-8,739	-7,000	-7,000
Free Cash Flow	2,127	1,953	5,080	3,964	-3,591	-1,672	441	-285
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
CF from Investments	-1,302	-4,075	-7,827	-6,464	-1,676	-4,694	-7,000	-7,000
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	-628	-799
Others	-46	87	-33	0	-3	246	86	86
CF from Fin. Activity	-2,074	-11	-1,106	-522	-575	-2,575	318	-92
Inc./Dec. in Cash	182	-49	-120	194	63	-202	759	-377
Opening Balance	234	427	377	261	469	577	380	1,139
Closing Balance	427	377	261	469	577	380	1,139	762

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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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