

# Tata Chemicals

Refer to important disclosures at the end of this report

## Demand pressures persist in short term; maintain Hold

**CMP: Rs 298**  
as of (August 4, 2020)

**TP: Rs 302 (■)**  
12 months

**Rating: HOLD (■)**

**Upside: 1.3 %**



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- TTCH's Q1 consolidated revenues were down 9% yoy (but above estimates) on sluggish demand in the domestic and international markets, led by a soda ash volume decline of ~25% globally. This was partially offset by favorable pricing in some international markets.
- Consol. Basic Chemicals sales fell 14% yoy, mainly due to lower volumes on weak end-user industry demand, with some support from the Salt/Nutraceuticals business. Specialty Chemicals grew 6.6% yoy, primarily due to growth in the subsidiary Rallis (up 6% yoy).
- The focus is on value-added mix in performance materials and prioritizing capex plans in Agri Science/Nutraceuticals. Mithapur plant expansion remains on track (to commission by mid-2022), and any upswing in the soda ash business will be driven by improvement in economic conditions.
- Short- to medium-term pressure in soda ash should continue to be an overhang on overall performance of the business, mainly due to soft demand from end-user industries. We continue to maintain Hold rating with a TP of Rs302, Retain UW stance in EAP.

**Economic slowdown reflects in Basic Chemicals:** Consolidated sales fell 9% yoy to Rs23.48bn, as a result of a volume decline of ~25% across the international markets. Overall, Basic Chemicals declined 14.2% yoy, while Specialty Chemicals inched up 6.6%. The decline in the Basic Chemicals segment was attributed to weak performance in India (-12.6% yoy) and subsidiaries - TCNA (-27% yoy), and TCML (-21% yoy), resulting from volume loss and subdued pricing in some markets. TCEL, despite a decline in volumes, reported 3% yoy growth on favorable pricing.

**Volume drop across geographies:** Consolidated EBITDA fell 30.1% yoy to Rs3.6bn and margin contracted 460bps yoy to 15.3%, as a result of gross margin loss of 700bps yoy, partially compensated by lower energy costs. Sales volumes for the soda ash business came in at 712kts, down 20% yoy. Region-wise, sales volumes in India were down 28% to 118kts, TCEL down 9% to 62kts, TCML down 10% to 57kts, and TCNA down 28% to 387kts. A lack of reasonable demand for flat glass in automotive (domestic) and construction (international) sectors remain the headwinds on soda ash demand.

**Soda ash demand outlook soft; maintain Hold:** We believe that the near-term softness in soda ash demand due to the scaling-down in operations globally across various sectors and the structural weakness in the automotive sector will weigh in on TTCH's earnings, partially mitigated by a firm salt business. The recovery in TCNA's export market is important for gaining ground on the margin front. We continue to maintain Hold rating with a TP of Rs302 (June-22E), and maintain UW position in EAP. The key risk to our estimate is a faster-than-expected recovery in soda-ash volumes.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Speciality Chemicals \(Page 12\)](#)

### Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,03,367	1,03,568	98,543	1,12,657	1,23,864
EBITDA	17,805	19,492	17,364	20,752	23,435
EBITDA Margin (%)	17.2	18.8	17.6	18.4	18.9
APAT	7,623	8,104	5,680	7,651	9,419
EPS (Rs)	45.4	275.0	24.3	32.0	38.9
EPS (% chg)	(14.2)	506.1	(91.2)	31.9	21.7
ROE (%)	6.5	6.4	4.4	5.7	6.7
P/E (x)	6.6	1.1	12.3	9.3	7.7
EV/EBITDA (x)	7.0	6.7	7.2	6.0	5.3
P/BV (x)	0.6	0.6	0.6	0.6	0.5

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	(3.4)/(3.6)
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	24.3	32.0
Consensus	-	-
Mean Consensus TP (12M)	Rs 321	

### Stock Details

Bloomberg Code	TTCH IN
Face Value (Rs)	10
Shares outstanding (mn)	255
52 Week H/L	344 / 197
M Cap (Rs bn/USD bn)	76 / 1.01
Daily Avg Volume (nos.)	19,47,575
Daily Avg Turnover (US\$ mn)	7.9

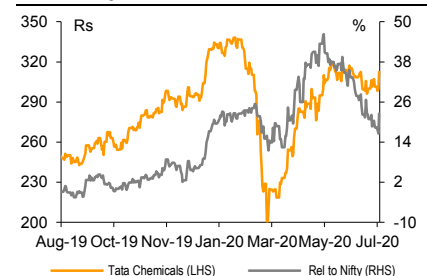
### Shareholding Pattern Jun '20

Promoters	34.6%
FIIs	11.2%
DIIIs	32.0%
Public and Others	22.2%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	(3)	5	(9)	20
<b>Rel. to Nifty</b>	(6)	(5)	(2)	21

### Relative price chart



Source: Bloomberg

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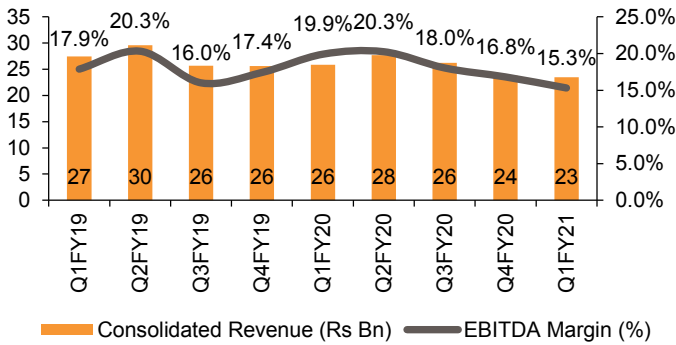
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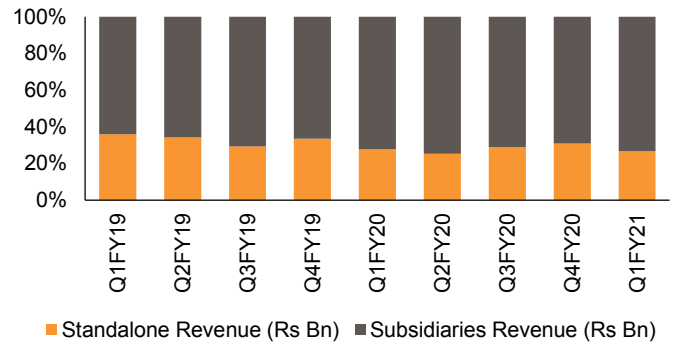
# Story in Charts

**Exhibit 1: Revenues decline on volume loss**



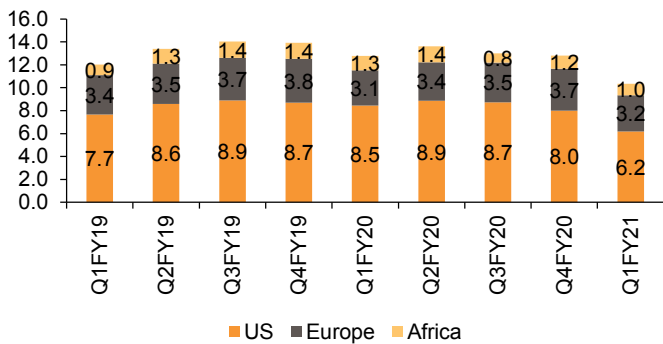
Source: Company, Emkay Research

**Exhibit 2: India underperforms in absence of demand and logistics**



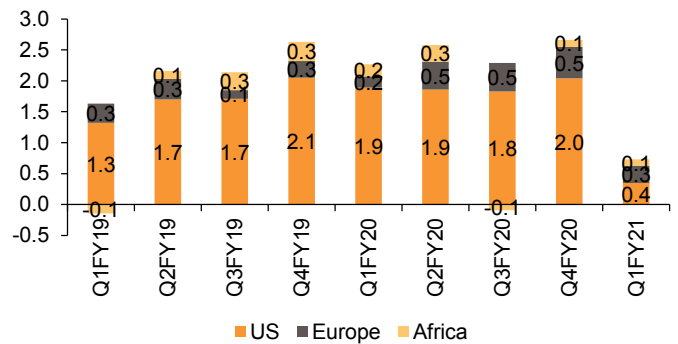
Source: Company, Emkay Research

**Exhibit 3: Europe gains on better pricing (Revenue, Rsbn)**



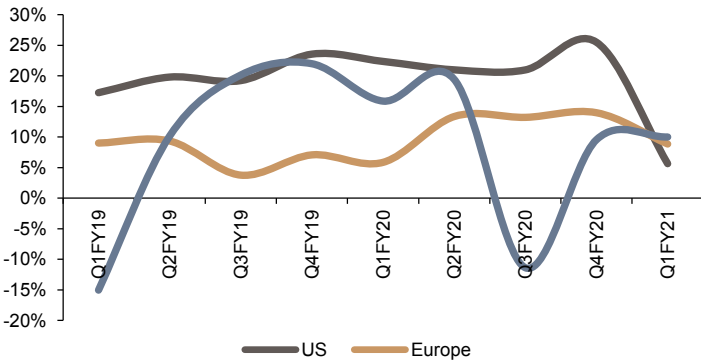
Source: Company, Emkay Research

**Exhibit 4: Operating income declines across all economies (EBITDA, Rsbn)**



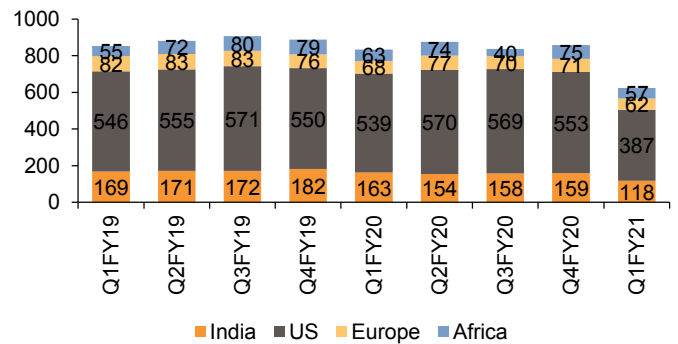
Source: Company, Emkay Research

**Exhibit 5: EBITDA margins dip on higher raw material and employee costs**



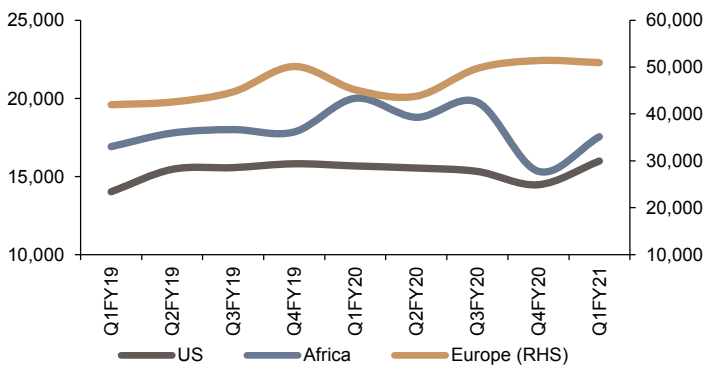
Source: Company, Emkay Research

**Exhibit 6: Volumes down across all geographies (mn tons)**



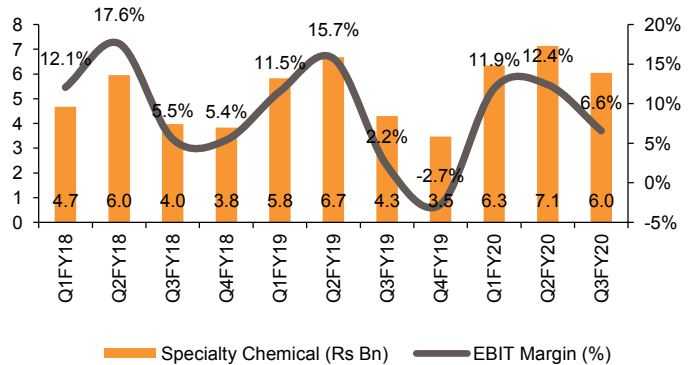
Source: Company, Emkay Research

**Exhibit 7: Realizations improvement only in Europe (Rs/ton)**



Source: Company, Emkay Research

**Exhibit 8: Specialty chemicals reports improvement due to Rallis**



Source: Company, Emkay Research

**Exhibit 9: Actual vs. Estimates (Q1FY21)**

(in Rs mn)	Actual	Estimate Emkay	Estimate Consensus	% Variation		Comment
				Emkay	Consensus	
Sales	23482	22126.0	23644	6.1	-0.7	Above estimates on better-than-expected realizations
EBITDA	3598	3983.0	4251.0	-9.7	-15.4	Below estimates on higher fixed-asset cost base and raw material costs
EBITDA margin %	15.3	18.0	18.0	-270bps	-270bps	
APAT	133	1866.0	1652	-92.9	-92.0	Below our estimates on higher interest expenses and higher-than-estimated tax rates

Source: Company, Emkay Research

**Exhibit 10: Quarterly Performance (Standalone)**

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Revenue	7,185	7,041	7,594	7,341	6,280	(12.6)	(14.4)
CoGS	3,147	3,150	3,555	3,802	2,934	(6.8)	(22.8)
Gross Profit	4,038	3,890	4,039	3,539	3,346	(17.1)	(5.5)
as % of sales	56.2	55.3	53.2	48.2	53.3		
SG&A expenses	2,146	1,950	2,094	2,136	1,788	(16.7)	(16.3)
as % of sales	29.9	27.7	27.6	29.1	28.5		
EBITDA	1,893	1,941	1,945	1,403	1,558	(17.7)	11.0
Depreciation	362	353	364	416	476	31.4	14.4
EBIT	1,531	1,588	1,581	988	1,082	(29.3)	9.6
Other Income	1,586	948	349	474	385	(75.7)	(18.8)
Interest Expenses	199	138	51	39	44	(78.0)	13.5
PBT	2,918	2,398	1,879	1,424	1,424	(51.2)	0.0
Total Tax	862	52	1,530	245	335	(61.1)	36.7
Adjusted PAT (cont operations)	2,056	2,346	349	1,178	1,089	(47.0)	(7.6)
Discontinued operations	355	-591	1,530	355	-	(100.0)	(100.0)
Reported PAT	1,701	2,937	-1,180	823	1,089	(36.0)	32.2
Reported EPS (Cont Ops)	7	12	5	5	4	(36.0)	(7.8)

Margins (%)						(bps)	(bps)
EBITDA	26.3	27.6	25.6	19.1	24.8	-153	569
EBIT	21.3	22.5	20.8	13.5	17.2	-407	378
EBT	40.6	34.1	24.7	19.4	22.7	-1794	328
PAT	23.7	41.7	-15.5	11.2	17.3	-633	612
Effective Tax Rate	29.6	2.2	81.4	17.2	23.5	-600	632

Segment wise Revenue	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Basic Chemicals	7,078	6,922	7,292	7,034	6,121	(13.5)	(13.0)
Specialty Chem	107	119	212	307	159	48.1	(48.2)

Segment wise EBIT							
Basic Chemicals	2,045	2,065	2,126	1,957	1,593	(22.1)	(18.6)
Specialty Chem	-47	-63	-81	-129	-151	222.2	16.9

EBIT Margin						(bps)	(bps)
Basic Chemicals	28.9	29.8	29.1	27.8	26.0	-287	-180
Consumer Products	-	-	-	-	-	0	0
Specialty Chem	-43.7	-53.0	-38.2	-42.2	-95.1	-5,138	-5291

Source: Company, Emkay Research

## Standalone results

### Domestic market under economic pressure

Standalone revenues for (Q1FY21) were down 12.6% yoy to Rs6.3bn. The basic chemicals business fell 13.5% yoy to Rs6.12bn, mainly due to a 28% yoy decline in soda ash volumes. Specialty chemicals revenue moved up by 48% yoy to Rs159mn, although on a low base. Additionally, EBITDA declined by 17.7% yoy to Rs1.56bn, while EBITDA margins contracted by 153bps to 24.8% yoy on the back of higher raw material and employee costs, partially offset with lower energy costs. Domestic market for soda ash remains under pressure on account of overall sluggish demand from flat glass market, with some support from household cleaning products.

## Subsidiary performance

### TCNA (USA) – Key export markets in doldrums

The North American business, despite marginal better pricing, reported a fall of 23% yoy, mainly due to 30% decline in volumes. EBITDA dropped significantly as a result high fixed cost due to the labor-intensive nature of the business. Further, the export market remains dim, as the LATAM region, one of the primary export destination for the US, is undergoing adverse demand downturn; management believes that demand there will remain clouded by Covid-19 impact. Near-term outlook seems subdued with the export market expected to remain under stress for some time.

#### Exhibit 11: TCNA quarterly performance

Rs mn	Q1FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Sales ('000 mt)	539	553	387	-28.2	-30.0
Realization / Rs mt	15,677	14,467	15,995	2.0	10.6
US\$ / mt	225	204	211	-6.5	3.3
Net Sales	8,450	8,000	6,190	-26.7	-22.6
EBITDA	1,890	2,040	350	-81.5	-82.8
EBITDA Margin (%)	22.4	25.5	5.7	-1671bps	-1985bps
EBITDA/MT (Rs)	3,506	3,689	904	-74.2	-75.5
APAT	470	790	-1070	-327.7	-235.4

Source: Company, Emkay Research

### TCE (UK) – Realizations improve on decent domestic demand

Europe sales volume slipped 8.8% yoy due to lower sales volume offtake in soda ash and salt businesses. However, selling prices improved 13% yoy due to strong demand from domestic production.

#### Exhibit 12: TCE quarterly performance

Rs mn	Q1FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Sales ('000 mt)	68	71	62	-8.8	-12.7
Realization Rs mt	45,147	51,408	50,968	12.9	-0.9
GBP/mt	505	570	541	7.1	-5.1
Net Sales	3,070	3,650	3,160	2.9	-13.4
EBITDA	180	510	280	55.6	-45.1
EBITDA Margin (%)	5.9	14.0	8.9	300bps	-511bps
EBITDA/MT (Rs)	2,647	7,183	4,516	70.6	-37.1
APAT	-150	130	-150	-	-215.4

Source: Company, Emkay Research

**TCML (Africa) – Volumes and realization under pain; Port shutdowns**

Tata Chemicals' Magadi business delivered weak results, with volumes falling 10% yoy, mainly due to logistics issues faced at domestic ports (Mombasa). The South East Asian markets are expected to come back on track earlier than expected, given faster pick-up in demand, production ramp-up in China and less stringent lockdowns across economies. Operating level did not display any benefit of energy costs (as opposed to other units), as oil prices came down with a one quarter's lag.

**Exhibit 13: TCML quarterly performance**

Rs mn	Q1FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Sales ('000 mt)	63	75	57	-9.5	-24.0
Realization / Rs mt	20,000	15,333	17,544	-12.3	14.4
US\$ / mt	288	216	231	-19.6	6.9
Net Sales	1,260	1,150	1,000	-20.6	-13.0
EBITDA	200	110	100	-50.0	-9.1
EBITDA Margin (%)	15.9	9.6	10.0	-587bps	43bps
EBITDA/MT (Rs)	3,175	1,467	1,754	-44.7	19.6
APAT	90	-40	-20	-122.2	-50.0

Source: Company, Emkay Research

**Rallis: Positive on business trajectory**

Gross margins improved 230bps yoy to 39.7%, in line with a change in product mix and easing raw material prices. Management guided that any change in raw material prices would be a passed on and further margin expansion would largely be led by the change in product mix. Management's focus on CRAMS opportunity, filling portfolio gaps in crop care and seed business should augur well over the medium term. Higher channel inventory continues to pressure realizations in metribuzin. However, margins in metribuzin are stable as raw material prices have also corrected in line with realization.

**Exhibit 14: Rallis performance (consolidated)**

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Revenue	6,232	7,487	5,336	3,463	6,627	6.3	91.4
Operating Expenditure	3,901	4,785	3,302	1,956	3,996	2.4	104.3
Gross Profit	2,331	2,702	2,034	1,507	2,632	12.9	74.6
as % of sales	37.4	36.1	38.1	43.5	39.7	2.30	
SG&A expenses	1,383	1,515	1,476	1,605	1,349	-2.5	-16.0
as % of sales	22.2	20.2	27.7	46.3	20.4		
EBITDA	948	1,187	557	-98	1,283	35.4	-1,407.7
Depreciation	143	186	160	127	179	25.8	41.3
EBIT	805	1,000	398	-225	1,104	37.1	-590.8
Other Income	80	68	101	95	118	47.2	23.7
Interest Expenses	16	19	16	11	20	25.5	80.7
PBT	869	1,049	483	-141	1,202	38.2	-953.3
Total Tax	267	252	103	-33	283	5.8	-946.7
Adjusted PAT	602	797	380	-107	919	52.6	-955.4
(Profit)/Loss from JV/Ass/MI	2	9	1	-0	-0	-115.8	-
APAT after MI	604	806	381	-108	918	52.1	-952.7
Extra ordinary items	-	-	-	-114	-		
Reported PAT	604	806	381	7	918	52.1	14,029.2
Reported EPS	3.1	4.1	2.0	0.0	4.7	52.1	14,029.2

Margins (%)					(bps)	(bps)	
EBITDA	15.2	15.8	10.4	-2.8	19.4	415	2,219.2
EBIT	12.9	13.4	7.5	-6.5	16.7	373	2,314.9
EBT	13.9	14.0	9.1	-4.1	18.1	418	2,219.6
PAT	9.7	10.8	7.1	0.2	13.9	417	1,367.1
Effective Tax Rate	30.7	24.0	21.4	23.7	23.5	-721	-18.4

Source: Company, Emkay Research

**Exhibit 15: Quarterly Performance (Consolidated)**

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Revenue	25,840	27,670	26,234	23,781	23,482	(9.1)	(1.3)
CoGS	11,465	13,218	12,455	10,799	12,125	5.8	12.3
Gross Profit	14,375	14,452	13,779	12,982	11,357	(21.0)	(12.5)
as % of sales	55.6	52.2	52.5	54.6	48.4		
SG&A expenses	9,226	8,845	9,044	8,981	7,759	(15.9)	(13.6)
as % of sales	35.7	32.0	34.5	37.8	33.0		(12.5)
EBITDA	5,149	5,607	4,735	4,002	3,598	(30.1)	(10.1)
Depreciation	1,627	1,658	1,641	1,739	1,899	16.7	9.2
EBIT	3,522	3,949	3,093	2,263	1,699	(51.8)	(24.9)
Other Income	869	923	586	756	587	(32.5)	(22.4)
Interest Expenses	941	861	755	855	1,179	25.3	37.8
PBT	3,450	4,011	2,925	2,163	1,107	(67.9)	(48.9)
Total Tax	1,116	255	676	193	358	(67.9)	85.2
Adjusted PAT	2,334	3,755	2,249	1,970	749	(67.9)	(62.0)
(Profit)/Loss from JV/Ass	27	-22	39	-6	7	(73.6)	(229.1)
Minority Interest	729	821	541	128	609	(16.5)	374.4
PAT after MI	1,579	2,957	1,670	1,847	133	(91.6)	(92.8)
Extra ordinary items	-	-	-	-	-		
APAT after Extra-ordinary item (Cont Ops)	1,579	2,957	1,670	1,847	133	(91.6)	(92.8)
Post tax exceptional item	-44	593	-208	62,367	-	(100.0)	(100.0)
Reported PAT	1,535	3,550	1,462	64,215	133	(91.3)	(99.8)
Reported EPS (Cons Ops)	6.2	11.6	6.6	7.3	0.5	(91.6)	(92.8)

Margins (%)						(bps)	(bps)
EBITDA	19.9	20.3	18.0	16.8	15.3	-460	-151
EBIT	13.6	14.3	11.8	9.5	7.2	-640	-228
EBT	13.4	14.5	11.1	9.1	4.7	-864	-438
PAT	5.9	12.8	5.6	270.0	0.6	-537	-26946
Effective Tax Rate	32.3	6.4	23.1	8.9	32.3	1	2341

Segment wise Revenue	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Basic Chemicals	19,493	20,520	20,095	19,987	16,723	(14.2)	(16.3)
Specialty Chem	6,337	7,132	6,044	3,776	6,759	6.6	79.0

Segment wise EBIT							
Basic Chemicals	3182	3553	3276	3544	1117	(64.9)	(68.5)
Specialty Chem	755	884	397	-368	934	23.6	(354.0)

EBIT Margin						(bps)	(bps)
Basic Chemicals	16.3	17.3	16.3	17.7	6.7	-965	-1105
Specialty Chem	11.9	12.4	6.6	-9.7	13.8	190	2356

Source: Company, Emkay Research

**Exhibit 16: SoTP valuations (June-22)**

	EV/EBITDA	EBITDA	EV
India Soda Ash +Salt	4.5	7,558	34,009
US Soda Ash	6.0	6,069	36,413
Europe Soda Ash	5.0	2,141	10,706
Africa Soda Ash	5.0	537	2,683
<b>Total</b>	<b>5.1</b>	<b>16,304</b>	<b>83,811</b>
Less:- Debt			55,743
Add:- Cash & Cash equivalent			31,314
Less: MI			7,638
Mcap			51,745
Rallis Mcap (50.9% share)			25,312
Total Mcap			77,057
O/Shares			255
<b>Target Price (Rs)</b>			<b>302</b>

Source: Company, Emkay Research

## Conference call highlights

### Geography

- India – Flat glass exposure remains limited. The salt business did really well on account of stocking due to the fear of supply disruption. Bicarb and Nutraceuticals also were decent overall. The South East Asia market should come back relatively faster, mainly as the Chinese economy is ramping up faster than expected, and less severe lockdowns in other economies. Some pricing aggression is coming from Turkey as well (expect \$180-181/ton to be lowest). Any change in the personal vehicle segment would be a big positive for soda ash demand. Some ports underwent closure in SE Asia but have come back faster. Flat glass demand in SE Asia is mainly from the auto sector. Container glass demand was low on lower liquor consumption, although demand from pharma compensated for this in India.
- USA – Flat glass exposure is relatively high. EBITDA impact mainly accrued due to extremely high fixed-cost base as well as subdued realizations in exports from the US market. Domestic demand was still lower than exports. South America still facing issues and a clear picture will arise only in Q3FY21. There were no volume losses due to logistics issues and the losses were pertaining to reduced demand. Flat glass demand for LATAM is mainly from the construction sector. Container glass demand was up on higher liquor consumption. RoCE was in range of 6-7% and the company aims to grow it to double-digits.
- UK and Africa – Flat glass exposure is limited. The Magadi business could not take advantage of lower energy costs (as compared to other countries) since oil prices did not dip in tandem with global markets (benefit to come in Q2). Africa had some port issues (Mombasa).

### Debt and capex

- The company took a one-off \$5mn (~Rs350mn) finance cost for refinancing \$375mn loan in the US, and moved to a cheaper facility. Debt reduction plans will be commented in the next quarter. Of the planned capex of Rs24bn for the Mithapur plant for soda ash and salt, Rs6bn is done and the rest Rs18bn will be by mid-FY23.

### Others

- Others – The silica business was started in mid-May'20 and has seen good traction since then. New land was allocated for it in Tamil Nadu. Management has pulled back on capex plans for its energy science (storage battery) business, since it sees automotive industry pressures to persist in the next 24 months at least. Any capex plans for Agri and Nutraceuticals would be priority.

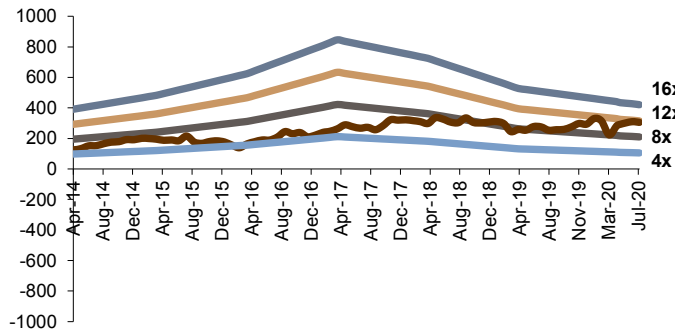


## Exhibit 17: Revision in estimates

All fig in Rs mn (Ex Margin/EPS)	FY21E			FY22E			FY23E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenues	97,797	98,543	0.8	111958	1,12,657	0.6	1,24,646	1,23,864	-0.6
EBITDA	17,720	17,364	-2.0	21182	20,752	-2.0	23,831	23,435	-1.7
EBITDA margins %	18.1	17.6	-50bps	18.9	18.4	-50bps	19.1	18.9	-20bps
Net profits	6,405	6,180	-3.5	8484	8,151	-3.9	10,252	9,919	-3.3
EPS	25.1	24.3	-3.4	33.2	32.0	-3.6	40.2	38.9	-3.2

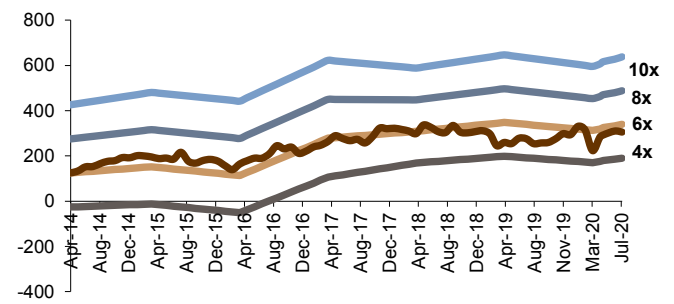
Source: Company, Emkay Research

## Exhibit 18: P/E Band



Source: Company, Emkay Research

## Exhibit 19: EV/EBITDA Band



Source: Company, Emkay Research

## Exhibit 20: Peer comparison

Company Name	Price (Rs)	Mkt Cap (Rs bn)	Reco	TP (Rs)	PE			PB (x)			EV/EBITDA		
					FY20	FY21e	FY22e	FY20	FY21e	FY22e	FY20	FY21e	FY22e
Advanced Enzyme Tech	217	24	Buy	214	18.7	18.7	15.3	2.9	2.5	2.2	11.7	11.1	9.1
Apcotex Industries	112	6	Hold	115	35.0	28.6	18.0	2.3	2.2	2.1	18.4	14.8	10.6
BASF India	1436	62	Hold	1185	122.0	43.9	30.3	4.5	4.1	3.6	25.1	17.7	14.5
Camlin Fine Sciences	73	9	Buy	73	29.0	17.2	12.0	2.2	1.8	1.5	10.1	9.0	7.3
GHCL	136	13	Buy	170	3.3	5.2	3.3	0.6	0.6	0.5	3.1	3.4	2.4
Navin Fluorine	1761	87	Buy	1925	21.3	41.2	32.6	6.2	5.6	4.9	32.1	28.8	23.3
SRF	3833	220	Buy	4156	24.1	26.3	18.4	4.5	3.9	3.2	17.4	14.8	10.9
<b>Tata Chemicals</b>	<b>298</b>	<b>76</b>	<b>Hold</b>	<b>302</b>	<b>1.1</b>	<b>12.3</b>	<b>9.3</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>6.7</b>	<b>7.2</b>	<b>6.0</b>
Vinati Organics	993	102	Hold	1110	30.5	32.4	27.3	8.0	6.7	5.6	24.5	24.0	19.9

Source: Company, Emkay Research



**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,03,367</b>	<b>1,03,568</b>	<b>98,543</b>	<b>1,12,657</b>	<b>1,23,864</b>
<b>Expenditure</b>	<b>85,563</b>	<b>84,076</b>	<b>81,180</b>	<b>91,905</b>	<b>1,00,429</b>
<b>EBITDA</b>	<b>17,805</b>	<b>19,492</b>	<b>17,364</b>	<b>20,752</b>	<b>23,435</b>
Depreciation	5,685	6,665	6,918	7,529	7,968
<b>EBIT</b>	<b>12,120</b>	<b>12,827</b>	<b>10,446</b>	<b>13,223</b>	<b>15,468</b>
Other Income	4,095	3,111	2,950	2,800	2,700
Interest expenses	3,537	3,419	3,213	3,255	3,075
<b>PBT</b>	<b>12,677</b>	<b>12,519</b>	<b>10,183</b>	<b>12,768</b>	<b>15,093</b>
Tax	2,744	2,197	2,240	2,809	3,321
Extraordinary Items	(3,936)	(61,959)	(500)	(500)	(500)
Minority Int./Income from Assoc.	(2,309)	(2,218)	(2,263)	(2,308)	(2,354)
<b>Reported Net Income</b>	<b>11,559</b>	<b>70,063</b>	<b>6,180</b>	<b>8,151</b>	<b>9,919</b>
<b>Adjusted PAT</b>	<b>7,623</b>	<b>8,104</b>	<b>5,680</b>	<b>7,651</b>	<b>9,419</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	2,548	2,548	2,548	2,548	2,548
Reserves & surplus	1,20,865	1,26,428	1,29,423	1,34,389	1,41,123
<b>Net worth</b>	<b>1,23,413</b>	<b>1,28,977</b>	<b>1,31,971</b>	<b>1,36,937</b>	<b>1,43,671</b>
<b>Minority Interest</b>	<b>29,147</b>	<b>7,638</b>	<b>9,900</b>	<b>12,208</b>	<b>14,562</b>
<b>Loan Funds</b>	<b>67,556</b>	<b>74,774</b>	<b>71,774</b>	<b>68,774</b>	<b>67,274</b>
Net deferred tax liability	0	0	0	0	0
<b>Total Liabilities</b>	<b>2,20,116</b>	<b>2,11,389</b>	<b>2,13,646</b>	<b>2,17,920</b>	<b>2,25,507</b>
<b>Net block</b>	<b>1,43,248</b>	<b>1,61,906</b>	<b>1,60,988</b>	<b>1,69,959</b>	<b>1,78,492</b>
<b>Investment</b>	<b>66,979</b>	<b>52,892</b>	<b>52,892</b>	<b>52,892</b>	<b>52,892</b>
<b>Current Assets</b>	<b>58,460</b>	<b>62,570</b>	<b>62,730</b>	<b>64,617</b>	<b>68,900</b>
Cash & bank balance	19,522	20,795	22,059	19,664	19,476
Other Current Assets	0	0	0	0	0
<b>Current liabilities &amp; Provision</b>	<b>48,571</b>	<b>65,980</b>	<b>62,966</b>	<b>69,550</b>	<b>74,778</b>
<b>Net current assets</b>	<b>9,889</b>	<b>(3,410)</b>	<b>(235)</b>	<b>(4,932)</b>	<b>(5,877)</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>2,20,116</b>	<b>2,11,389</b>	<b>2,13,646</b>	<b>2,17,920</b>	<b>2,25,507</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>8,583</b>	<b>9,408</b>	<b>7,233</b>	<b>9,968</b>	<b>12,393</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	6,942	14,572	(1,911)	2,302	756
<b>Operating Cashflow</b>	<b>30,518</b>	<b>32,458</b>	<b>13,450</b>	<b>20,290</b>	<b>20,996</b>
Capital expenditure	(16,977)	(25,323)	(6,000)	(16,500)	(16,500)
<b>Free Cash Flow</b>	<b>13,540</b>	<b>7,135</b>	<b>7,450</b>	<b>3,790</b>	<b>4,496</b>
Investments	(29,834)	14,087	0	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(46,811)</b>	<b>(11,236)</b>	<b>(6,000)</b>	<b>(16,500)</b>	<b>(16,500)</b>
Equity Capital Raised	12,396	5,564	2,995	4,966	6,733
Loans Taken / (Repaid)	(5,495)	7,218	(3,000)	(3,000)	(1,500)
Dividend paid (incl tax)	3,185	3,440	3,185	3,185	3,185
Other Financing Cash Flow	(12,200)	(23,389)	(9,371)	(9,371)	(7,871)
<b>Financing Cashflow</b>	<b>(9,014)</b>	<b>(19,949)</b>	<b>(6,185)</b>	<b>(6,185)</b>	<b>(4,685)</b>
<b>Net chg in cash</b>	<b>(25,308)</b>	<b>1,273</b>	<b>1,265</b>	<b>(2,395)</b>	<b>(189)</b>
Opening cash position	44,830	19,522	20,795	22,059	19,664
<b>Closing cash position</b>	<b>19,522</b>	<b>20,795</b>	<b>22,060</b>	<b>19,664</b>	<b>19,476</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	17.2	18.8	17.6	18.4	18.9
EBIT Margin	11.7	12.4	10.6	11.7	12.5
Effective Tax Rate	21.6	17.5	22.0	22.0	22.0
Net Margin	9.6	10.0	8.1	8.8	9.5
ROCE	7.5	7.4	6.3	7.4	8.2
ROE	6.5	6.4	4.4	5.7	6.7
RoIC	9.2	9.5	7.6	9.3	10.4

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	45.4	275.0	24.3	32.0	38.9
CEPS	52.2	58.0	49.4	59.6	68.2
BVPS	484.3	506.1	517.9	537.4	563.8
DPS	12.5	13.5	12.5	12.5	12.5

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	6.6	1.1	12.3	9.3	7.7
P/CEPS	5.7	5.1	6.0	5.0	4.4
P/BV	0.6	0.6	0.6	0.6	0.5
EV / Sales	1.2	1.3	1.3	1.1	1.0
EV / EBITDA	7.0	6.7	7.2	6.0	5.3
Dividend Yield (%)	4.2	4.5	4.2	4.2	4.2

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	0.4	0.4	0.4	0.4	0.3
Net Debt/EBIDTA	2.7	2.8	2.9	2.4	2.0
Working Cap Cycle (days)	(34.0)	(85.3)	(82.6)	(79.7)	(74.7)

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	0.7	0.2	(4.9)	14.3	9.9
EBITDA	(18.7)	9.5	(10.9)	19.5	12.9
EBIT	(27.5)	5.8	(18.6)	26.6	17.0
PAT	(14.2)	506.1	(91.2)	31.9	21.7

<b>Quarterly (Rs mn)</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>
Revenue	25,840	27,670	26,234	23,781	23,482
EBITDA	5,149	5,607	4,735	4,002	3,598
<b>EBITDA Margin (%)</b>	<b>19.9</b>	<b>20.3</b>	<b>18.0</b>	<b>16.8</b>	<b>15.3</b>
PAT	1,535	3,550	1,462	64,215	133
<b>EPS (Rs)</b>	<b>6.0</b>	<b>13.9</b>	<b>5.7</b>	<b>252.0</b>	<b>0.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>
Promoters	30.6	30.6	31.1	34.6	34.6
FIs	10.7	9.4	9.8	9.3	11.2
DIs	37.6	38.9	38.3	34.2	32.0
Public and Others	21.0	21.1	20.8	21.9	22.2

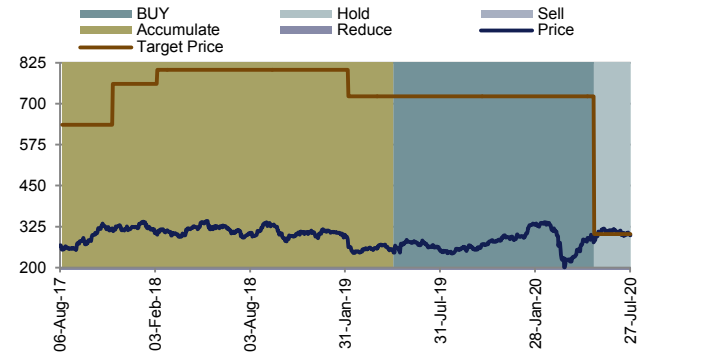
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
19-May-20	280	302	12m	Hold	Rohit Shina
06-Jan-20	291	723	12m	Buy	Rohit Shina
01-Nov-19	280	723	12m	Buy	Rohit Shina
17-May-19	273	723	12m	Buy	Amar Mourya
03-May-19	245	723	12m	Buy	Amar Mourya
06-Feb-19	262	723	12m	Accumulate	Amar Mourya
05-Nov-18	300	804	12m	Accumulate	Amar Mourya
14-Aug-18	299	804	12m	Accumulate	Amar Mourya
09-Jul-18	314	804	12m	Accumulate	Amar Mourya
21-May-18	324	804	12m	Accumulate	Amar Mourya
07-Mar-18	299	804	12m	Accumulate	Pratik Tholiya
07-Feb-18	300	804	12m	Accumulate	Pratik Tholiya
14-Nov-17	316	761	12m	Accumulate	Sumant Kumar
10-Aug-17	254	636	12m	Accumulate	Sumant Kumar

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Speciality Chemicals



### Analyst: Rohit Sinha

#### Contact Details

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#### Sector

Speciality Chemicals

#### Analyst bio

Rohit Sinha holds a CFA degree and comes with total four years of experience in the Specialty Chemicals sector. He currently covers nine stocks in the Specialty Chemicals space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Speciality Chemicals</b>	<b>0.18</b>	<b>0.18</b>	<b>-1%</b>	<b>0</b>	<b>100.00</b>
Advanced Enzyme Tech	0.00	0.01	NA	1	3.55
Apcotex Industries	0.00	0.00	NA	0	1.72
BASF India	0.00	0.01	NA	1	3.19
Camlin Fine Sciences	0.00	0.01	NA	1	5.15
GHCL	0.00	0.01	NA	1	3.91
Navin Fluorine	0.00	0.04	NA	4	24.80
Orient Refractories	0.00	0.01	NA	1	3.59
SRF	0.18	0.08	-54%	-10	45.51
Tata Chemicals	0.00	0.01	NA	1	5.37
Vinati Organics	0.00	0.00	NA	0	1.91
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>1.3</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

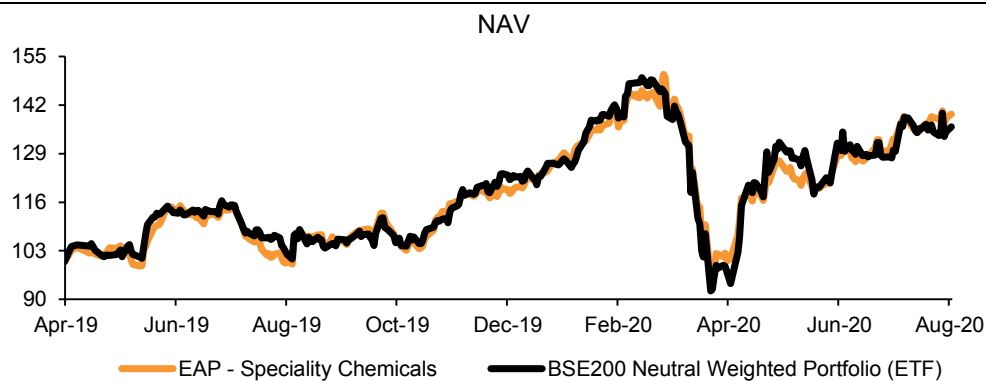
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	1-Nov-19	3-Feb-20	4-May-20	2-Jul-20	3-Aug-20
EAP - Speciality Chemicals	100.0	115.7	138.4	124.3	132.9	139.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	114.4	140.0	129.4	129.9	136.2

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 04 Aug 2020 18:16:46 (SGT)

Dissemination Date: 04 Aug 2020 18:17:46 (SGT)

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