

Tata Chemicals

Refer to important disclosures at the end of this report

Soda ash demand to remain muted in short term; downgrade to Hold

CMP: Rs 276
 as of (May 18, 2020)

TP: Rs 302 (▲)
 12 months

Rating: HOLD (▼)

Upside: 9.3 %

- Supply chain disruptions across the globe and lower soda ash demand amid Covid-19 dragged TTCH's consolidated revenues lower by 7.2% yoy, while EBITDA fell 10.4% yoy. The slowdown in the auto industry and the real estate market raise concerns for soda ash demand. Salt (*essentials*) played savior, with 11% yoy volume growth.
- Consolidated revenue from Basic Chemicals fell 10% yoy due to lower volumes and pricing pressures across geographies amid uncertain macro environment. Soda ash volumes declined 20% yoy owing to poor demand in India, Europe and Africa.
- Management is heedful of the Covid-19 situation. It expects logistical issues to ease in Q2FY21 and anticipates normalization in the chemicals business in the next 12-18 months. Maintain moderate production and staying agile to rapid changes will be key focus areas.
- Short-to-medium term pressure in soda ash would continue to be an overhang on the overall performance of the business, mainly due to soft demand from end-user industries. We introduce our FY23 estimates and roll forward our SoTP valuations to arrive at the TP of Rs302. We downgrade our rating to Hold from Buy, and maintain UW on our EAP.

Lingering slowdown impacts overall performance: Consolidated revenues slipped 7.2% yoy to Rs23.78bn, owing to depressed standalone results and mixed performance at the subsidiary level. Overall, Basic Chemicals growth fell 9.7% yoy, while Specialty Chemicals was up 9%. The decline in the Basic Chemicals segment was attributed to weak performance in India (-17.5% yoy) and subsidiaries - TCNA (flat), TCEL (-6.6% yoy) and TCML (-5.1% yoy), owing to reduced operations and logistic issues.

Realizations and volumes disappoint: Consolidated EBITDA fell 10.4% yoy to Rs4bn and the margin contracted by 61bps margin to 16.8%, owing to pricing pressures in international markets, supply chain disruptions and Rallis' negative EBITDA (Rs-98mn). Sales volumes for the soda ash business came in at 712kts, down about 20% yoy. Region-wise, sales volumes fell yoy in India (159kts, down 13%), TCEL (71kts, down 7%) and TCML (75kts, down 5%), but rose in TCNA (553kts, up 1%). Weakness in the flat glass industry in India (~25% of total volume) affected soda ash volumes. Container glass and detergent industries fare better.

Soda ash demand outlook looks soft; downgrade to Hold: After the transfer of the high-value consumer business to Tata Global (now Tata Consumer), Soda Ash remains key focus for TTCH. We believe that the near-term softness in soda ash demand due to scaled down operations globally across various sectors and structural weakness in the automotive sector will weigh on TTCH earnings. We introduce our FY23 estimates and roll forward our SoTP valuations to arrive at a TP of Rs302. We downgrade our rating to Hold from Buy, and maintain UW on our EAP. The key risk to our estimate is faster-than-expected recovery in soda-ash volumes.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Speciality Chemicals \(page 13\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,03,367	1,03,568	97,797	1,11,958	1,24,646
EBITDA	17,805	19,492	17,720	21,182	23,831
EBITDA Margin (%)	17.2	18.8	18.1	18.9	19.1
APAT	7,623	8,976	6,405	8,484	10,252
EPS (Rs)	45.4	278.4	27.1	35.3	42.2
EPS (% chg)	(14.2)	513.7	(90.3)	30.1	19.7
ROE (%)	6.5	7.1	4.9	6.3	7.2
P/E (x)	6.1	1.0	10.2	7.8	6.5
EV/EBITDA (x)	6.7	6.4	6.8	5.6	4.9
P/BV (x)	0.6	0.5	0.5	0.5	0.5

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	(2.9)/(3.7)
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	27.1	35.3
Consensus	-	-
Mean Consensus TP (12M)	Rs 315	

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)	70 / 0.93
Daily Avg Volume (nos.)	21,72,531
Daily Avg Turnover (US\$ mn)	9.9

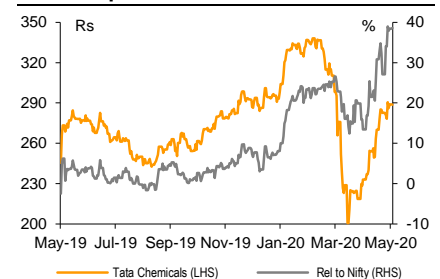
Shareholding Pattern Mar '20

Promoters	34.6%
FIIs	9.3%
DIIIs	34.2%
Public and Others	21.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	(16)	(3)	1
Rel. to Nifty	14	14	31	31

Relative price chart



Source: Bloomberg

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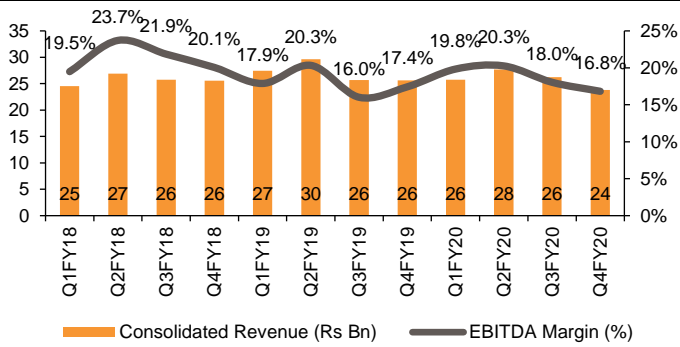
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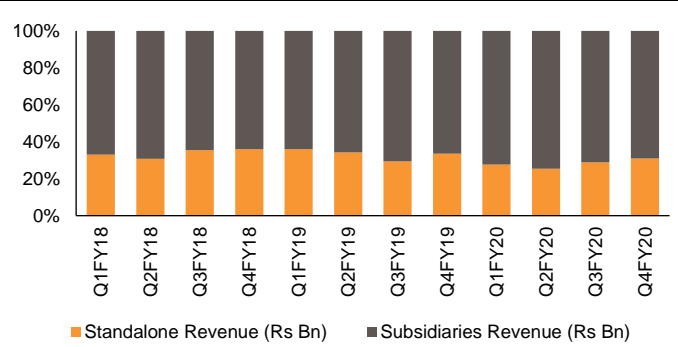
Story in Charts

Exhibit 1: Revenues and margins under pressures



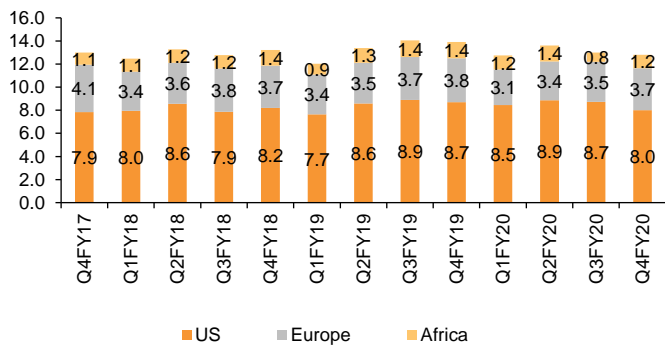
Source: Company, Emkay Research

Exhibit 2: Weak India performance pave way for subsidiary share



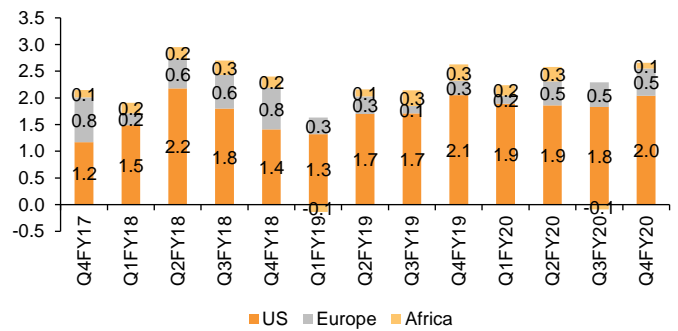
Source: Company, Emkay Research

Exhibit 3: Europe and Africa remain relatively resilient, US buckles under pressure from low realization



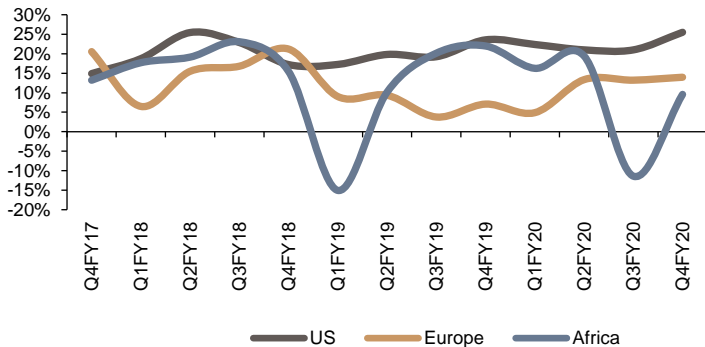
Source: Company, Emkay Research

Exhibit 4: US and Europe maintain EBITDA generation



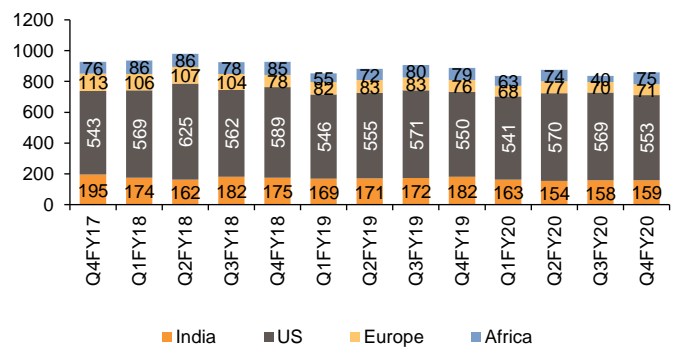
Source: Company, Emkay Research

Exhibit 5: EBITDA margins see slight uptick, benefit from low energy costs



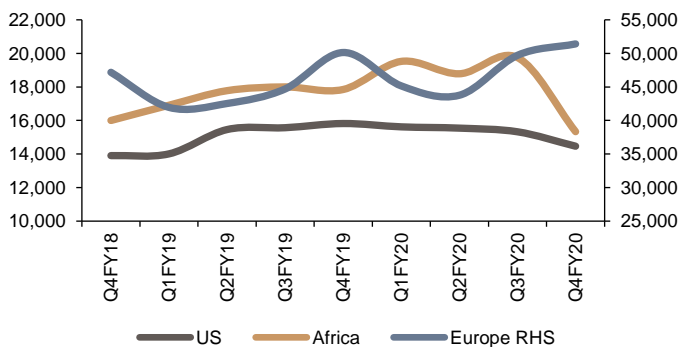
Source: Company, Emkay Research

Exhibit 6: Overall sales volume down, with USA delivering steady volumes



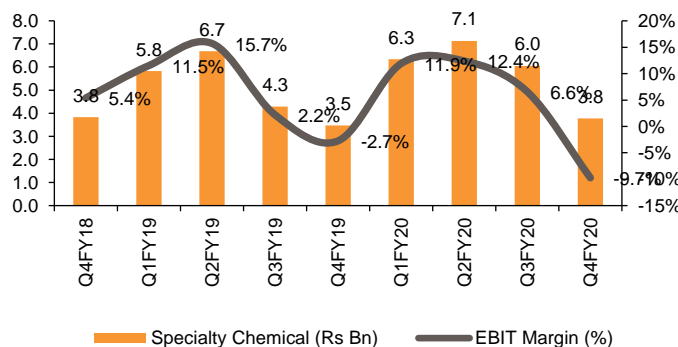
Source: Company, Emkay Research

Exhibit 7: Realizations in Europe see marginal uptick in last 2 quarters



Source: Company, Emkay Research

Exhibit 8: Specialty chemicals delivers negative performance due to Rallies



Source: Company, Emkay Research

Exhibit 9: Actual vs. Estimates

(in Rs Mn)	Actual	Estimate (Emkay)	Consensus estimate	Comment
Sales	23,781	25,698	25,480	Below estimates, due to lower volumes and realizations
EBITDA	4,002	4,626	4,873	Below estimates on lower sales base
EBITDA margin %	16.8	18.0	19.1	Below estimates, partially offset by lower energy costs
APAT	1,847	1,757	2,145	Ahead of our estimates

Source: Company, Emkay Research

Exhibit 10: Quarterly Performance (Standalone)

Rs Mn	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY %
Revenue	8,610	7,594	7,341	-14.7	-3.3	29,093	36,208	-19.7
CoGS	4,447	3,555	3,802	(14.5)	6.9	13,690	16,439	-16.7
Gross Profit	4,164	4,039	3,539	-15.0	-12.4	15,403	19,770	-22.1
as % of sales	48.4	53.2	48.2		-9.4	52.9	54.6	
SG&A expenses	2,352	2,094	2,136	-9.2	2.0	8,257	11,193	-26.2
as % of sales	27.3	27.6	29.1		5.5	28.4	30.9	
EBITDA	1,811	1,945	1,403	(22.5)	(27.9)	7,146	8,577	-16.7
Depreciation	387	364	416	7.3	14.1	1,495	1,430	4.5
EBIT	1,424	1,581	988	(30.6)	(37.5)	5,651	7,147	-20.9
Other Income	838	349	474	(43.4)	35.8	3,453	4,641	-25.6
Interest Expenses	181	51	39	(78.8)	(24.5)	406	902	-55.0
PBT	2,081	1,879	1,424	-31.6	-24.2	8,698	10,885	-20.1
Total Tax	359	509	245	-31.6	-51.8	1,565	2,683	-41.7
Adjusted PAT (Cont Ops)	1,722	1,371	1,178	(31.6)	(14.0)	7,133	8,202	-13.0
Discontinued operations	-667	208	-62,367	NA	NA	-64,165	-981	NA
Reported PAT	2,389	1,163	63,545	2,559.9	5,366.3	71,298	9,183	676.4
Reported EPS (Cont Ops)	7	5	5	(31.5)	(13.8)	37	35	6.9
Margins (%)								
				(bps)	(bps)			(bps)
EBITDA	21.0	25.6	19.1	-192	-650	24.6	23.7	87.5
EBIT	16.5	20.8	13.5	-308	-736	19.4	19.7	(31.4)
EBT	24.2	24.7	19.4	-478	-535	29.9	30.1	(16.5)
PAT	27.7	15.3	865.7	NA	NA	245.1	25.4	21,970.8
Effective Tax Rate	17.2	27.1	17.2	-1	-983	18.0	24.6	(665.4)

Segment wise Revenue	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY %
Basic Chemicals	8,528	7,292	7,034	-17.5	-3.5	28,369	22,191	27.8
Specialty Chem	69	212	307	346.1	44.8	744	355	109.8

Segment wise EBIT	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY %
Basic Chemicals	2,048	2,126	1,957	(4.5)	-7.9	8,192	5,577	46.9
Specialty Chem	-57	-81	-129	NA	NA	-320	-170	NA

EBIT Margin	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY %
				(bps)	(bps)			(bps)
Basic Chemicals	24.0	29.1	27.8	381	-133	28.9	25.1	374.6
Specialty Chem	-82.8	-38.2	-42.2	NA	NA	-43.0	-48.0	NA

Source: Company, Emkay Research

Standalone results

Soda ash volumes suffer due to uncertainty

Standalone revenues for Q4FY20 were down 14.7% yoy to Rs7.3bn. The basic chemicals business fell 17.5% yoy to Rs7bn, mainly due to a 12% yoy fall in soda ash volumes, offset by a 3% yoy uptick in Salt volumes. Specialty chemicals revenue jumped significantly by 346% yoy/45% qoq to Rs307mn. Further, EBITDA declined by 22.5% yoy to Rs1.4bn, while EBITDA margins tightened by 192bps yoy to 19.1% on the back of higher energy and employee costs amid the extended lockdown. The India business was impacted by weak flat glass activity, owing to muted demand in construction, auto sector etc.

Subsidiary performance

TCNA (USA) – Steady volumes with pricing pressure

The North American business reported a flat trend in volumes, however sales fell 8% on account of lower realizations, emanating from pricing pressures. EBITDA margins expanded 194bps yoy to 25.5%, owing to lower input costs. CY PAT seems adverse due to exceptional gain in PY and an additional interest cost in the current year. Current utilization rates are at 80-85% and this unit mainly caters to the domestic American market, as well as Latin America.

Exhibit 11: TCNA quarterly performance

Rs mn	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)
TCNA (North America)					
Sales ('000 mt)	550	569	553	0.5	-2.8
Realisation / Rs mt	15,818	15,325	14,467	-8.5	-5.6
US\$ / mt	226	218	204	-9.8	-6.3
Net Sales	8,700	8,720	8,000	-8.0	-8.3
EBITDA	2,050	1,830	2,040	-0.5	11.5
EBITDA Margin (%)	23.6	21.0	25.5	194	451
EBITDA/MT (Rs)	3,727	3,216	3,689	-1.0	14.7
APAT	2070	400	790	-61.8	97.5

Source: Company, Emkay Research

TCE (UK) – Volumes down, EBITDA improves

European sales volume declined 6.6% yoy, owing to lower sales volume in soda ash and salt. EBITDA improved 88% on account of better sales mix between own make vs trading, supported by much lower gas prices.

Exhibit 12: TCEL quarterly performance

Rs mn	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)
Sales ('000 mt)	76	70	71	-6.6	1.4
Realisation / Rs mt	50,132	49,714	51,408	2.5	3.4
GBP / mt	546	557	570	4.4	2.4
Net Sales	3,810	3,480	3,650	-4.2	4.9
EBITDA	270	460	510	88.9	10.9
EBITDA Margin (%)	7.1	13.2	14.0	689	75
EBITDA/MT (Rs)	3,553	6,571	7,183	102.2	9.3
APAT	-150	80	130	NA	62.5

Source: Company, Emkay Research

TCML (Africa) – Volumes and realization under pain

Tata Chemicals' Magadi business delivered weak results, with volumes falling 5% yoy/ up 87% qoq and realization falling 14% yoy. EBITDA too was down 64% yoy to Rs110mn due to higher fixed costs. This region continues to face supply chain and market penetration issues. PAT has turned negative after seven quarters. Utilization levels stand at 70-75% for this unit, which caters to South East Asia markets.

Exhibit 13: TCML (Africa) quarterly performance

Rs mn	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)
Sales ('000 mt)	79	40	75	-5.1	87.5
Realisation / Rs mt	17,848	19,750	15,333	-14.1	-22.4
US\$ / mt	255	281	216	-15.3	-22.9
Net Sales	1,410	790	1,150	-18.4	45.6
EBITDA	310	-90	110	-64.5	-222.2
EBITDA Margin (%)	22.0	-11.4	9.6	-1,242	2,096
EBITDA/MT (Rs)	3,924	-2,250	1,467	-62.6	NA
APAT	230	160	-40	NA	NA

Source: Company, Emkay Research

Rallis: Domestic business in driver's seat

RALI's domestic business revenue increased 29% despite Rs160mn in loss of sales due to Covid-19. Adjusted for this, comparable revenue growth was 40%. The new trade terms, filling of distribution gaps and product refresh (6 new products in FY20) have started yielding results for RALI. Domestic business revenue growth stood at 42%/40% in Q3/Q4, which is above its peer range of 18-22% (adj. for Covid-19 impact). International business revenue decreased 25% due the deferment of Rs532mn in sales due to the lockdown. Management expects to recoup it over the next few quarters after prioritizing placements for the domestic kharif season.

Exhibit 14: Rallis quarterly performance (Consolidated)

Rs Mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY %
Revenue	3,397	6,232	7,487	5,336	3,463	1.9	-35.1	22,518	19,840	13.5
Operating Expenditure	1,930	3,856	4,785	3,302	1,956	1.3	-40.8	13,900	11,715	18.6
Gross Profit	1,467	2,376	2,702	2,034	1,507	2.7	-25.9	8,618	8,124	6.1
as % of sales	43.2	38.1	36.1	38.1	43.5			38.3	40.9	
SG&A expenses	1,399	1,428	1,515	1,476	1,605	14.7	8.7	6,025	5,715	5.4
as % of sales	41.2	22.9	20.2	27.7	46.3			26.8	28.8	
EBITDA	68	948	1,187	557	-98	-244.3	-117.6	2,594	2,410	7.6
Depreciation	105	143	186	160	127	20.6	-20.5	615	461	33.5
EBIT	-37	805	1,000	398	-225	506.2	-156.5	1,979	1,949	1.5
Other Income	110	80	68	101	95	(13.2)	-5.8	343	306	12.0
Interest Expenses	17	16	19	16	11	(33.9)	-30.6	61	53	16.4
PBT	56	869	1,049	483	-141	-351.9	-129.2	2,261	2,203	2.6
Total Tax	42	194	252	103	-33	-178.8	-132.3	538	655	-17.9
Adjusted PAT	14	676	797	380	-107	-895.6	-128.3	1,723	1,548	11.3
(Profit)/Loss from JV/Ass/MI	2	2	9	1	-0	-117.6	-133.3	12	6	
APAT after MI	15	678	806	381	-108	-808.6	-128.3	1,735	1,554	11.6
Extra ordinary items	-	-	-	-	-114			-114	-	
Reported PAT	15	678	806	381	7	-57.2	-98.3	1,849	1,554	19.0
Reported EPS	0.1	3.5	4.1	2.0	0.0	-57.2	-98.3	9.5	8.0	19.0
Margins (%)						(bps)	(bps)			(bps)
EBITDA	2.0	15.2	15.8	10.4	-2.8	-483	-1,327.9	11.5	12.1	-63
EBIT	-1.1	12.9	13.4	7.5	-6.5	-540	-1,395.1	8.8	9.8	-104
EBT	1.6	13.9	14.0	9.1	-4.1	-571	-1,311.8	10.0	11.1	-106
PAT	0.4	10.9	10.8	7.1	0.2	-26	-694.3	8.2	7.8	38
Effective Tax Rate	75.8	22.3	24.0	21.4	23.7	-5213	231.4	23.8	29.7	-595

Source: Company, Emkay Research

Exhibit 15: Tata Chemicals quarterly performance (Consolidated)

Rs Mn	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY %
Revenue	25,614	26,234	23,781	-7.2	-9.3	1,03,458	1,08,363	-4.5
CoGS	11,342	12,455	10,799	(4.8)	(13.3)	47,973	48,996	-2.1
Gross Profit	14,272	13,779	12,982	-9.0	-5.8	55,484	59,367	-6.5
as % of sales	55.7	52.5	54.6		3.9	53.6	54.8	
SG&A expenses	9,806	9,044	8,981	(8.4)	(0.7)	36,029	39,855	-9.6
as % of sales	38.3	34.5	37.8		9.5	34.8	36.8	
EBITDA	4,466	4,735	4,002	(10.4)	(15.5)	19,455	19,512	-0.3
Depreciation	1,516	1,641	1,739	14.7	5.9	6,665	5,712	16.7
EBIT	2,950	3,093	2,263	(23.3)	(26.8)	12,791	13,800	-7.3
Other Income	851	586	756	(11.2)	28.9	3,175	4,101	-22.6
Interest Expenses	822	755	855	4.0	13.3	3,391	3,578	-5.2
PBT	2,978	2,925	2,163	(27.4)	(26.0)	12,575	14,322	-12.2
Total Tax	130	676	193	49.1	(71.4)	2,136	3,131	-31.8
Adjusted PAT	2,848	2,249	1,970	(30.8)	(12.4)	10,439	11,192	-6.7
(Profit)/Loss from JV/Ass	-7	39	-6	NA	NA	39	-992	
Minority Interest	414	541	128	(69.0)	(76.3)	2,218	2,309	
PAT after MI	2,442	1,670	1,847	(24.3)	10.6	8,182	9,874	-17.1
Extra ordinary items	-979	-	-	NA	NA	80	-703	
APAT after Extraordinary item (Cont Ops)	3,420	1,670	1,847	(46.0)	10.6	8,102	10,578	
Post tax exceptional item	667	-208	62,367	NA	NA	-2,331	-	
Reported PAT	4,087	1,462	64,215	NA	NA	10,433	10,578	-1.4
Reported EPS (Cont Ops)	13	7	7	-46.0	10.6	32	43	-25.6

Margins (%)				(bps)	(bps)			(bps)
EBITDA	17.4	18.0	16.8	-61	-122	18.8	18.0	80
EBIT	11.5	11.8	9.5	-200	-228	12.4	12.7	-37
EBT	11.6	11.1	9.1	-253	-205	12.2	13.2	-106
PAT	16.0	5.6	270.0	25407	26445	10.1	9.8	32
Effective Tax Rate	4.4	23.1	8.9	458	-1417	17.0	21.9	-487

Segment wise Revenue	Q4FY19	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY %
Basic Chemicals	22,144	20,095	19,987	-9.7	-0.5	80,137	60,947	31.5
Specialty Chem	3,466	6,044	3,776	8.9	-37.5	23,289	16,797	38.6

Segment wise EBIT								
Basic Chemicals	4673	3276	3544	-24.2	8.2	13,555	8,363	62.1
Specialty Chem	-95	397	-368	NA	NA	1,669	1,816	-8.1

EBIT Margin				(bps)	(bps)			(bps)
Basic Chemicals	21.1	16.3	17.7	-337	143	16.9	13.7	319
Specialty Chem	-2.7	6.6	-9.7	NA	NA	7.2	10.8	-364

Source: Company, Emkay Research

Exhibit 16: SOTP valuation (FY23E)

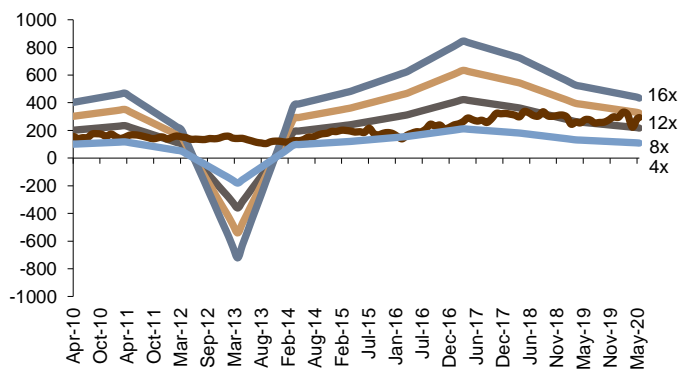
	EV/EBITDA	EBITDA	EV
India Soda Ash +Salt	4.0	8,430	33,720
US Soda Ash	5.0	8,351	41,754
Europe Soda Ash	5.0	2,737	13,685
Africa Soda Ash	5.0	711	3,556
Total	4.8	20,229	92,714
Less:- Debt			55,743
Add:- Cash & Cash equivalent			31,314
Less: MI			7,638
Mcap			60,648
Rallis Mcap (50.9% share)			16,398
Total Mcap			77,046
O/Shares			255
Target Price (Rs)			302

Source: Company, Emkay Research

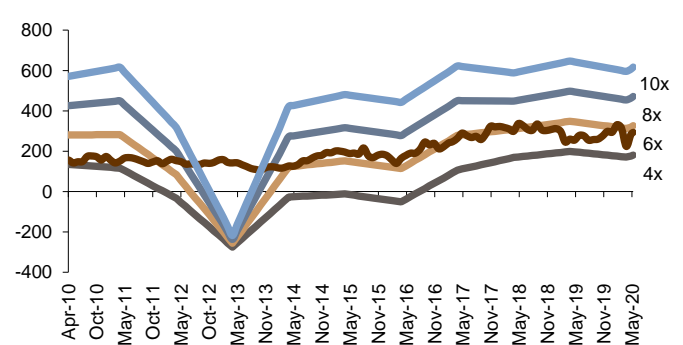
Exhibit 17: Change in estimates

(Rs mn)	FY21E			FY22E			FY23E Introduced
	Old	New	% Change	Old	New	% Change	
Revenues	99,775	97,797	-2.0	113245	1,11,958	-1.1	1,24,646
EBITDA	18,043	17,720	-1.8	20932	21,182	1.2	23,831
EBITDA margins %	18.1	18.1	0.2	18.5	18.9	2.4	19.1
Net profits	7,119	6,905	-3.0	9320	8,984	-3.6	10,752
EPS (Rs)	27.9	27.1	-2.9	36.6	35.3	-3.7	42.2

Source: Company, Emkay Research

Exhibit 18: P/E Band

Source: Company, Emkay Research

Exhibit 19: EV/EBITDA Band

Source: Company, Emkay Research

Conference call highlights

Industry

- The detergent industry remains fairly strong as Sodium Bicarbonate sees rising demand from Household Cleaning, Pharma, Feed and Food. Flat glass is substantially impacted due to muted demand from auto, construction etc. Container glass sees decent demand due to increased beverage consumption in US and UK markets.
- ADD on soda ash has been initiated by DGTR on imports coming into India from Turkey and North America.
- Soda ash margin is likely to remain in a narrow range, since other costs have come down.
- Globally, customers are looking to de-risk supply chain and management has seen increased order inquiry.

Geography

- India continues to be net importer of Soda ash. The impact of the lockdown was seen for one week in Mar'20. India has a relatively severe lockdown as compared to other markets. Flat glass demand accounts for ~25% of soda ash volumes in India and demand has been severely impacted.
- The Magadi plant was impacted mainly due to the lockdown and supply chain issues. This region does not cater to flat glass. Kenya market operates at 70-75% utilization. South Asian markets such as India, Thailand, Vietnam, and Malaysia are key export markets for Magadi, but were impacted from lockdown (3 weeks).
- The North America market operates at 80-85% utilization levels. Deep sea and export markets were affected. The Europe market operates at 70-75% utilization levels. Production levels have been adjusted accordingly in such markets.
- Raw material dependency for various geographies - Coal (India, partly in US), fuel (Kenya), natural gas (UK, partly in US). Other RM is in house.

Debt and Capex

- Capex for last quarter stood at Rs1.9bn. Plans for Rs9bn capex (most likely would be scaled down) would be revaluated going forward and plans for FY21/FY22 to be given in next quarter.
- Majority of debt is in Singapore SPV (~\$200-\$275mn), UK (~\$150mn), North America net debt (~\$300mn, \$92mn cash), Kenya (~\$45mn). Funds as a rule are not moved from India to other markets.

Others

- Four key focus areas for management: 1) Performance materials 2) nutrition science 3) AgriScience (Rallis) 4) a new segment, commissioning of which is currently taking longer than expected.
- Management also highlights vital areas to be monitored such as employee and assets protection, working capital and cost structures management, and long-term strategy post pandemic.
- Specialty Chemical losses resulting from volumes restricted due to delayed customer approvals and assets depreciation.

Exhibit 20: Peer comparison

Company Name	Price (Rs)	Mkt Cap (Rs bn)	Reco	TP (Rs)	PE			PB (x)			EV/EBITDA		
					FY20e	FY21e	FY22e	FY20e	FY21e	FY22e	FY20e	FY21e	FY22e
Advanced Enzyme Tech	156.8	17.5	Buy	214	13.3	12.0	10.2	2.2	1.9	1.6	8.3	7.2	5.9
Apcotex Industries	97.95	5.1	Buy	114	31.8	20.3	13.8	1.8	1.7	1.7	16.7	11.4	8.8
BASF India	1000	43.3	Hold	1055	327.5	30.9	20.2	3.1	2.8	2.5	17.8	12.7	10.2
Camlin Fine Sciences	37.35	4.5	Buy	70	14.8	8.3	6.3	1.6	1.4	1.1	7.4	5.2	4.3
GHCL	102.8	9.8	Buy	169	2.5	2.5	2.2	0.4	0.4	0.3	2.6	2.6	2.3
Navin Fluorine	1505	74.4	Buy	1600	45.2	35.5	28.9	6.2	5.4	4.7	30.4	26.8	21.9
SRF	3596	206.7	Buy	3860	23.6	24.1	17.1	4.3	3.7	3.0	17.5	15.0	11.4
Tata Chemicals	276	74.7	Hold	302	1.0	10.2	7.8	0.5	0.5	0.5	6.4	6.8	5.6
Vinati Organics	970.1	99.7	Hold	915	31.9	34.9	26.5	7.7	6.5	5.4	24.3	25.7	19.4

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,03,367	1,03,568	97,797	1,11,958	1,24,646
Expenditure	85,563	84,076	80,077	90,776	1,00,814
EBITDA	17,805	19,492	17,720	21,182	23,831
Depreciation	5,685	5,793	6,345	6,891	7,295
EBIT	12,120	13,698	11,375	14,290	16,537
Other Income	4,095	3,111	2,950	2,800	2,700
Interest expenses	3,537	3,419	3,213	3,255	3,075
PBT	12,677	13,391	11,112	13,836	16,162
Tax	2,744	2,197	2,445	3,044	3,556
Extraordinary Items	(3,936)	(61,959)	(500)	(500)	(500)
Minority Int./Income from Assoc.	(2,309)	(2,218)	(2,263)	(2,308)	(2,354)
Reported Net Income	11,559	70,935	6,905	8,984	10,752
Adjusted PAT	7,623	8,976	6,405	8,484	10,252

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	1,30,148	1,35,946	1,43,513
Net worth	1,23,413	1,28,977	1,32,696	1,38,495	1,46,062
Minority Interest	29,147	7,638	9,900	12,208	14,562
Loan Funds	67,556	74,774	71,774	68,774	67,274
Net deferred tax liability	0	0	0	0	0
Total Liabilities	2,20,116	2,11,389	2,14,370	2,19,477	2,27,898
Net block	1,43,248	1,61,906	1,61,561	1,71,169	1,80,375
Investment	66,979	52,892	52,892	52,892	52,892
Current Assets	58,460	62,570	62,535	64,639	69,773
Cash & bank balance	19,522	20,795	22,172	19,965	20,037
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	48,571	65,980	62,617	69,223	75,142
Net current assets	9,889	(3,410)	(83)	(4,585)	(5,369)
Misc. exp	0	0	0	0	0
Total Assets	2,20,116	2,11,389	2,14,370	2,19,477	2,27,898

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	8,583	10,279	8,162	11,036	13,462
Other Non-Cash items	0	0	0	0	0
Chg in working cap	6,942	14,572	(1,951)	2,295	856
Operating Cashflow	30,518	31,587	13,562	20,478	21,257
Capital expenditure	(16,977)	(24,451)	(6,000)	(16,500)	(16,500)
Free Cash Flow	13,540	7,136	7,562	3,978	4,757
Investments	(29,834)	14,087	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(46,811)	(10,365)	(6,000)	(16,500)	(16,500)
Equity Capital Raised	12,396	5,564	3,719	5,799	7,567
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)
Financing Cashflow	(9,014)	(19,949)	(6,185)	(6,185)	(4,685)
Net chg in cash	(25,308)	1,273	1,376	(2,207)	72
Opening cash position	44,830	19,522	20,795	22,172	19,965
Closing cash position	19,522	20,795	22,172	19,965	20,037

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	17.2	18.8	18.1	18.9	19.1
EBIT Margin	11.7	13.2	11.6	12.8	13.3
Effective Tax Rate	21.6	16.4	22.0	22.0	22.0
Net Margin	9.6	10.8	8.9	9.6	10.1
ROCE	7.5	7.8	6.7	7.9	8.6
ROE	6.5	7.1	4.9	6.3	7.2
RoIC	9.2	10.1	8.2	10.0	11.0

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	45.4	278.4	27.1	35.3	42.2
CEPS	52.2	58.0	50.0	60.3	68.9
BVPS	484.3	506.1	520.7	543.5	573.2
DPS	12.5	13.5	12.5	12.5	12.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	6.1	1.0	10.2	7.8	6.5
P/CEPS	5.3	4.8	5.5	4.6	4.0
P/BV	0.6	0.5	0.5	0.5	0.5
EV / Sales	1.1	1.2	1.2	1.1	0.9
EV / EBITDA	6.7	6.4	6.8	5.6	4.9
Dividend Yield (%)	4.5	4.9	4.5	4.5	4.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.4	0.4	0.4	0.4	0.3
Net Debt/EBIDTA	2.7	2.8	2.8	2.3	2.0
Working Cap Cycle (days)	(34.0)	(85.3)	(83.1)	(80.0)	(74.4)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	0.7	0.2	(5.6)	14.5	11.3
EBITDA	(18.7)	9.5	(9.1)	19.5	12.5
EBIT	(27.5)	13.0	(17.0)	25.6	15.7
PAT	(14.2)	513.7	(90.3)	30.1	19.7

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	25,614	25,773	27,670	26,234	23,781
EBITDA	4,466	5,113	5,607	4,735	4,002
EBITDA Margin (%)	17.4	19.8	20.3	18.0	16.8
PAT	4,087	3,274	3,550	1,462	64,215
EPS (Rs)	16.0	12.8	13.9	5.7	252.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	30.6	30.6	30.6	31.1	34.6
FII	10.1	10.7	9.4	9.8	9.3
DII	37.9	37.6	38.9	38.3	34.2
Public and Others	21.4	21.0	21.1	20.8	21.9

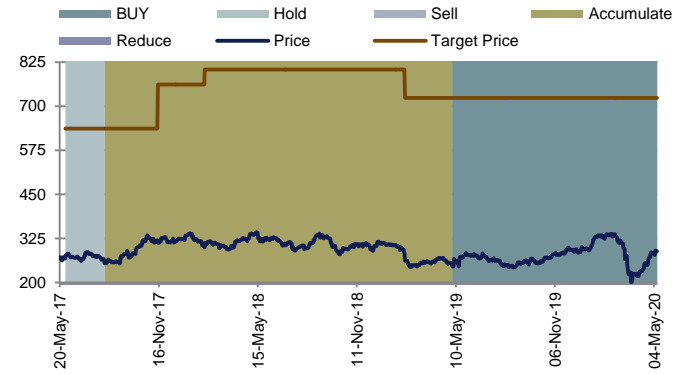
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
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
30-May-17	277	636	12m	Hold	Sumant Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Speciality Chemicals



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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)
Speciality Chemicals	0.20	0.18	-13%	-3	100.00
Advanced Enzyme Tech	0.00	0.00	NA	0	1.78
Apcotex Industries	0.00	0.00	NA	0	0.00
BASF India	0.00	0.00	NA	0	1.49
Camlin Fine Sciences	0.00	0.00	NA	0	1.51
GHCL	0.00	0.00	NA	0	0.94
Navin Fluorine	0.00	0.04	NA	4	21.41
Orient Refractories	0.00	0.00	NA	0	1.95
SRF	0.20	0.10	-51%	-10	49.05
Tata Chemicals	0.00	0.01	NA	1	6.54
Vinati Organics	0.00	0.00	NA	0	2.06
Cash	0.00	0.03	NA	3	13.28

Source: Emkay Research

* Not under coverage: Equal Weight

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

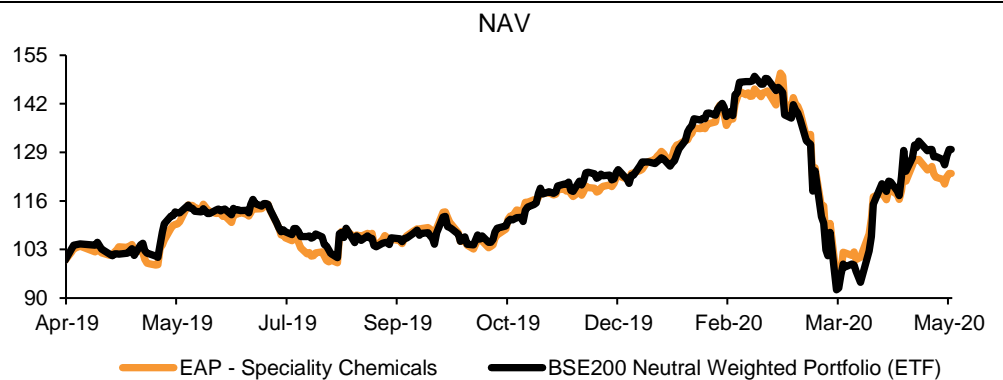
Sector portfolio NAV

	Base					Latest
	01-Apr-19	14-Aug-19	14-Nov-19	14-Feb-20	13-Apr-20	15-May-20
EAP - Speciality Chemicals	100.0	106.9	117.8	145.9	118.2	123.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	106.6	118.3	149.4	120.6	129.8

*Performance measurement base date 1st 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: 19 May 2020 02:54:57 (SGT)

Dissemination Date: 19 May 2020 02:55:57 (SGT)

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