

Estimate change 

TP change 

Rating change 

**CMP: INR6,488 TP: INR6,795 (+3%)**

**Neutral**

Bloomberg	ATLP IN
Equity Shares (m)	30
M.Cap.(INRb)/(USDb)	191.5 / 2.3
52-Week Range (INR)	7779 / 6120
1, 6, 12 Rel. Per (%)	-7/-9/-32
12M Avg Val (INR M)	351
Free float (%)	54.9

### Financials and Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	46.7	51.8	57.2
EBITDA	6.4	7.5	9.0
PAT	3.3	4.2	5.3
EPS (INR)	111.8	141.7	179.3
EPS Gr. (%)	-33.8	26.7	26.5
BV/Sh.(INR)	1,681.9	1,807.3	1,964.6

### Ratios

Net D:E	0.0	0.0	0.0
RoE (%)	6.9	8.1	9.5
RoCE (%)	6.8	7.8	9.1
Payout (%)	15.0	15.0	15.0

### Valuations

P/E (x)	58.9	46.5	36.8
P/BV (x)	3.9	3.6	3.4
EV/EBITDA (x)	30.3	26.2	21.8
Div. Yield (%)	0.3	0.3	0.4
FCF Yield (%)	0.2	-0.7	0.9

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	45.1	45.1	45.1
DII	26.1	26.5	24.2
FII	8.1	7.7	8.9
Others	20.8	21.2	21.8

FII Includes depository receipts

## Decline in earnings, led by lower realization and loss in some subsidiaries

- Atul (ATLP) reported revenue in line with our estimates in 3QFY24. While revenue in the Life Science Chemicals segment declined 31% YoY, it increased by 2% YoY in the Performance & Other Chemicals segment. **Gross margin came in at 47.1% (down 10bp YoY), while EBITDAM declined 30bp YoY to 13.3% during the quarter.**
- Management highlighted that realization was lower for the company with increased volumes in the domestic market partly compensating for the weak demand in the export market. Decline in earnings this quarter is attributed to lower prices and underperformance of certain subsidiaries.
- The Life Science Chemicals' contribution to EBIT dipped notably to 39% (from 82% in 3QFY23),** whereas the contribution of Performance & Other Chemicals to overall EBIT jumped to 61% in 3QFY24 (from 16% in 3QFY23). Lower price realization and subdued demand in LATAM markets resulted in weak performance in the Life Science Chemicals segment.
- In case of **Performance and Other Chemicals segment**, lower price realization and poor export demand was partly compensated by a better domestic demand. There was also loss in some of the subsidiaries, partly due to the stabilization of operations that adversely impacted the performance of the segment.
- The stock is trading at 46.5x FY25E EPS of INR141.7 and 26.2x FY25E EV/EBITDA.** We value the stock at 40x Dec'25E EPS to arrive at our TP of INR6,795. On a one-year forward basis, ATLP trades at 42.5x. We maintain our **Neutral** rating on the stock.

## Beat on EBITDA and margin; pressure on both segments continue

- Revenue stood at INR11.4b (down 10% YoY). Life Science chemicals revenue stood at INR3.4b (down 31% YoY). Performance chemicals revenue was at INR8.4b (up 2% YoY)
- Gross margin stood at 47.1% (down 10bp YoY) and EBITDA margin was at 13.3% (down 30bp YoY). EBIT margin contracted for Life Science Chemicals significantly on a YoY basis. Life Science Chemicals margin stood at 12.6% (down 10pp YoY); EBIT at INR424m. Performance Chemicals margin stood at 7.8% (up 520bp YoY); EBIT at INR657m.
- EBITDA came in at INR1.5b (est. of INR1.1b, down 12% YoY).** PAT stood at INR721m (est. of INR565m, down 30% YoY), **resulting in EPS of INR24.4.** **Contribution from the subsidiaries/JVs remained negative** (loss at INR377m in 3QFY24, vs. a loss of INR340m in 3QFY23 and a loss of INR121m in 2QFY24).
- For 9MFY24,** revenue stood at INR35.1b (down 17% YoY), EBITDA at INR4.9b (down 22% YoY), and PAT at INR2.7b (down 36% YoY). EBITDAM stood at 13.9% (down 90bp YoY).

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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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- For Life Science Chemicals, revenue stood at INR10.5b (down 32% YoY), EBIT at INR1.4b (down 59% YoY), while EBITM stood at 13% (down 840bp YoY). For Performance & Other Chemicals, revenue stood at INR25.8b (down 10% YoY), EBIT at INR2.3b (up 1% YoY), while EBITM was at 8.8% (up 100bp YoY).

### Valuation and view – reiterate Neutral

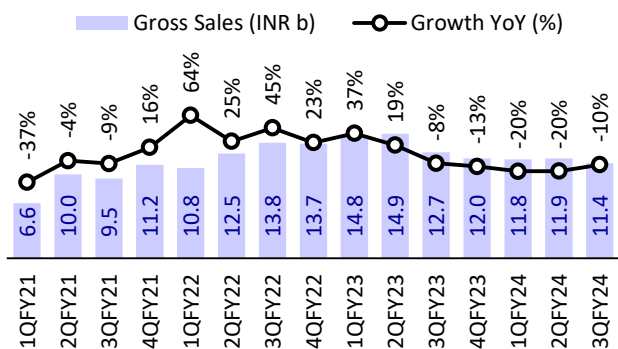
- We highlight that the continued weakness in the agrochemical industry would have a negative impact on the earnings in the short to medium term. ATLP is facing short-term challenges due to a global economic slowdown and overvaluation as a commodity chemical firm. We expect ongoing earnings fluctuations to continue.
- **The stock is trading at 46.5x FY25E EPS of INR141.7 and 26.2x FY25E EV/EBITDA.** We value the stock at 40x Dec'25E EPS to arrive at our TP of INR6,795. On a one-year forward basis, ATLP trades at 42.5x. We maintain our **Neutral** rating on the stock.
- The upside risk could be a faster-than-expected ramp-up of new projects and products. Downside risks include weaker-than-expected revenue growth and margin compression.

### Consolidated - Quarterly Snapshot

Y/E March	(INR m)											
	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
<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>11,937</b>	<b>11,378</b>	<b>11,548</b>	<b>54,275</b>	<b>46,683</b>	<b>11,041</b>	<b>3%</b>
YoY Change (%)	36.7	19.0	-8.1	-12.8	-20.0	-19.7	-10.3	-3.4	6.8	-14.0	-12.9	
Gross Margin (%)	48.5%	47.1%	47.2%	45.8%	46.5%	44.1%	47.1%	46.4%	47.2%	46.0%	43.3%	3.8%
<b>EBITDA</b>	<b>2,330</b>	<b>2,203</b>	<b>1,723</b>	<b>1,494</b>	<b>1,823</b>	<b>1,552</b>	<b>1,517</b>	<b>1,539</b>	<b>7,749</b>	<b>6,431</b>	<b>1,102</b>	<b>38%</b>
Margin (%)	15.8	14.8	13.6	12.5	15.4	13.0	13.3	13.3	14.3	13.8	10.0	3.4
Depreciation	473	491	504	511	519	540	612	631	1,978	2,302	543	
Interest	16	19	22	22	20	19	21	20	79	80	21	
Other Income	359	319	229	242	82	221	150	177	1,149	630	204	
<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>1,215</b>	<b>1,034</b>	<b>1,066</b>	<b>6,840</b>	<b>4,679</b>	<b>742</b>	<b>39%</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>1,215</b>	<b>1,034</b>	<b>1,066</b>	<b>6,840</b>	<b>4,679</b>	<b>742</b>	<b>39%</b>
Tax	577	544	394	297	364	325	334	269	1,812	1,291	198	
Rate (%)	26.2	27.0	27.6	24.7	26.7	26.7	32.3	25.2	26.5	27.6	26.7	
Minority Interest and P/L of Asso. Cos.	11	13	-3	16	20	22	21	23	38	86	22	
<b>Reported PAT</b>	<b>1,635</b>	<b>1,481</b>	<b>1,029</b>	<b>922</b>	<b>1,021</b>	<b>912</b>	<b>721</b>	<b>821</b>	<b>5,066</b>	<b>3,474</b>	<b>565</b>	<b>27%</b>
YoY change (%)	1.4	3.7	-32.1	-30.6	-37.6	-38.4	-30.0	-11.0	-15.2	-33.8	-45.1	
Margin (%)	11.1	10.0	8.1	7.7	8.6	7.6	6.3	7.1	9.2	7.1	5.1	1.2
<b>Segmental Revenue (INR mn)</b>												
Life Science Chemicals	4,847	5,742	4,917	4,086	3,502	3,620	3,378	3,652	19,592	14,152	3,361	1%
Performance & Other chemicals	10,570	9,913	8,280	8,299	8,745	8,684	8,406	8,558	37,062	34,393	8,168	3%
Others	113	94	159	130	117	165	109	204	496	596	156	-30%
<b>Segmental EBIT (INR mn)</b>												
Life Science Chemicals	795	1,418	1,107	906	522	417	424		4,227	1,364		
Performance & Other chemicals	1,302	730	213	157	890	722	657		2,403	2,269		
Others	-0	-24	26	11	18	41	-3		12	57		
<b>Segmental EBIT Margin (%)</b>												
Life Science Chemicals	16.4%	24.7%	22.5%	22.2%	14.9%	11.5%	12.6%		21.6%	9.6%		
Performance & Other chemicals	12.3%	7.4%	2.6%	1.9%	10.2%	8.3%	7.8%		6.5%	6.6%		
Others	-0.3%	-25.7%	16.0%	8.2%	15.5%	25.0%	-2.6%		2.3%	9.5%		

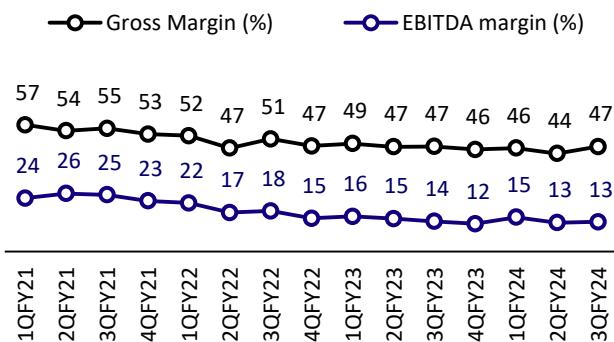
## 3QFY24 in charts

**Exhibit 1: Sales declined 10% YoY, with Life Science sales down 31% YoY**



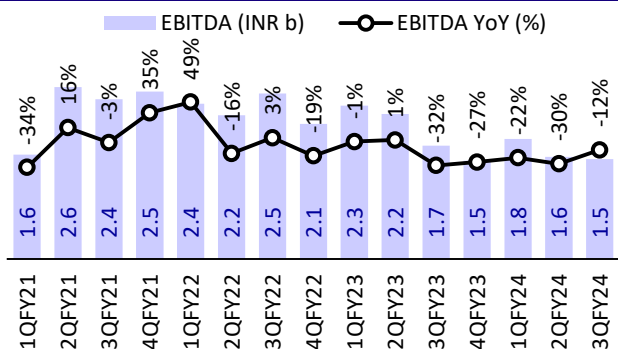
Source: Company, MOFSL

**Exhibit 2: Margins were stable YoY**



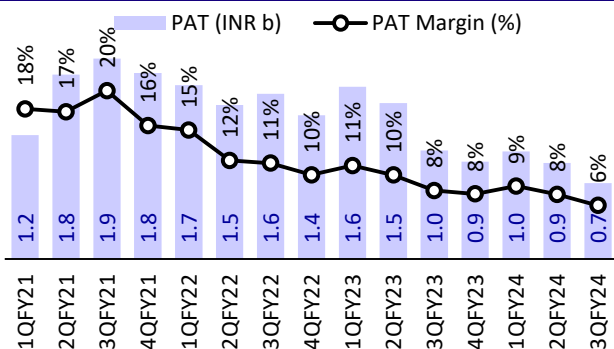
Source: Company, MOFSL

**Exhibit 3: EBITDA dipped 12% YoY...**



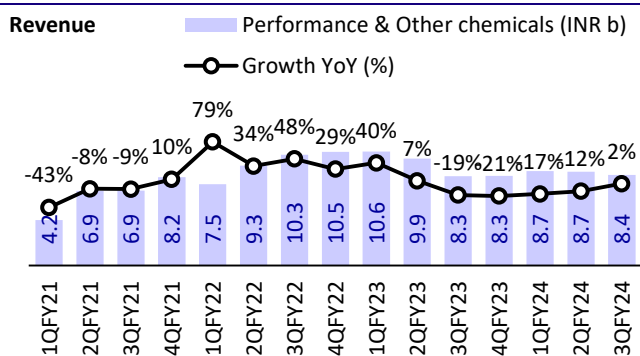
Source: Company, MOFSL

**Exhibit 4: ...while PAT was down 30% YoY, translating into an EPS of INR24.4 in 3QFY24**



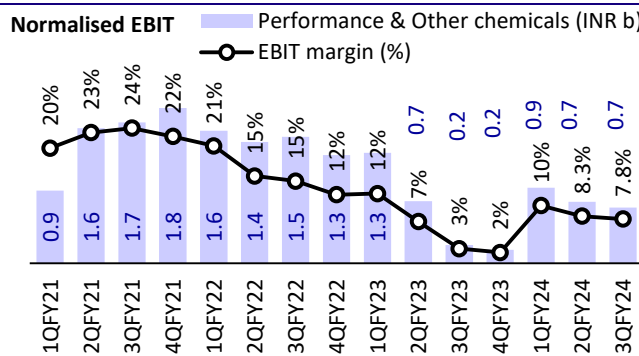
Source: Company, MOFSL

**Exhibit 5: Performance segment's revenue increased 2% YoY to INR8.4b...**



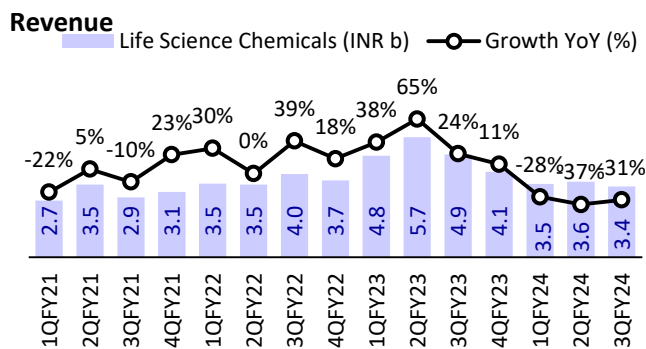
Source: Company, MOFSL

**Exhibit 6: ...while EBIT margin expanded 520bp YoY to 7.8%**



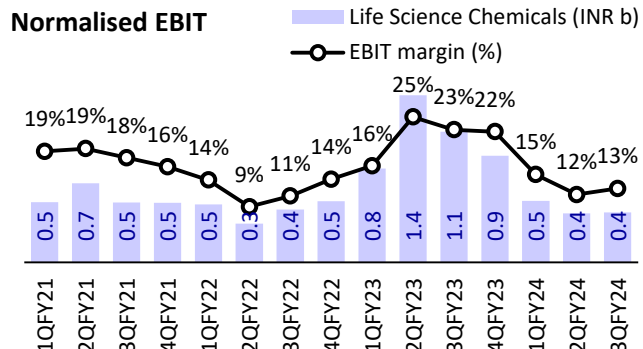
Source: Company, MOFSL

**Exhibit 7: Revenue from Life Science segment declined 31% YoY to INR3.4b**



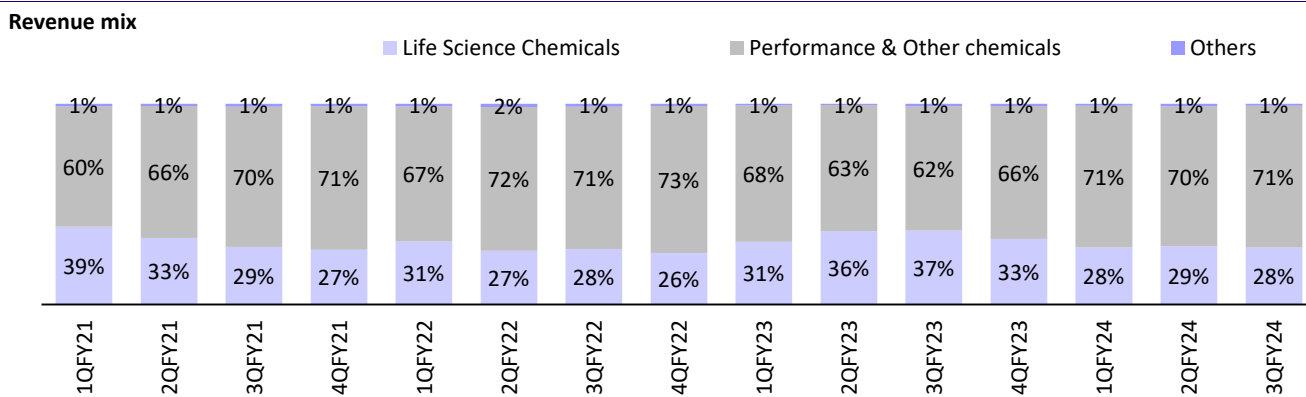
Source: Company, MOFSL

**Exhibit 8: ...while EBIT margin declined 10pp YoY to 12.6%**



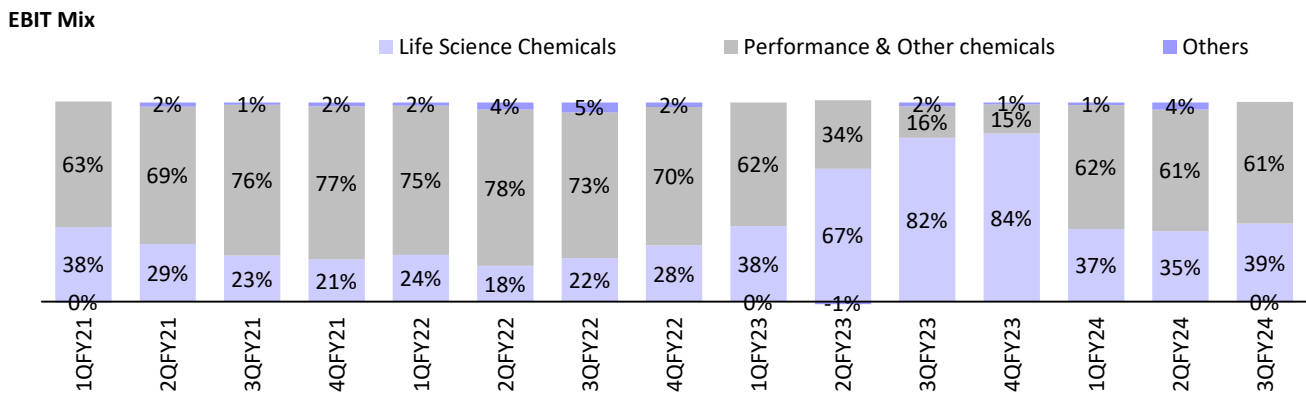
Source: Company, MOFSL

**Exhibit 9: Performance and Other Chemicals' contribution to overall mix stood at 71%, while the same stood at 28% for Life Science Chemicals**



Source: Company, MOFSL

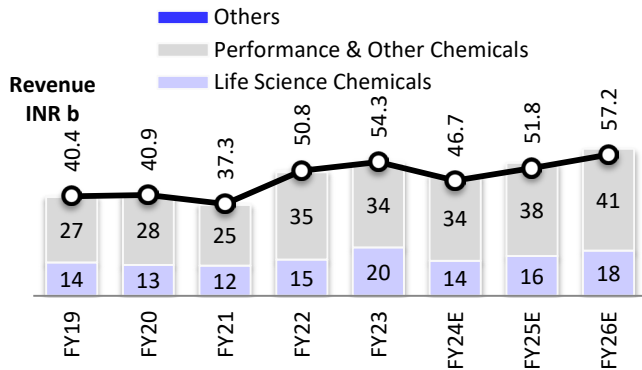
**Exhibit 10: EBIT mix for the Performance & Other Chemicals segment stood at 61%, while the same stood at 39% for Life Science Chemicals segment**



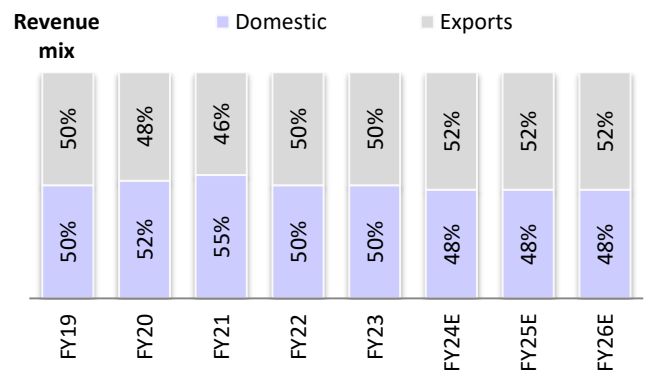
Source: Company, MOFSL

## Financial story in charts

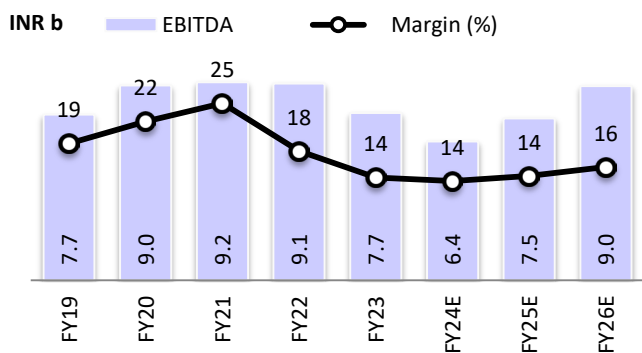
**Exhibit 11: Expect ~2% revenue CAGR over FY23-26...**



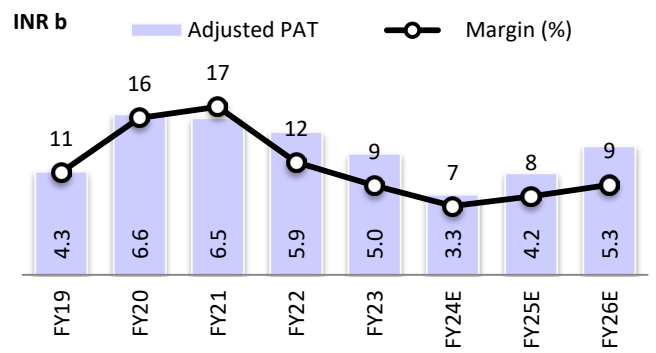
**Exhibit 12: ...with exports increasing to ~52%**



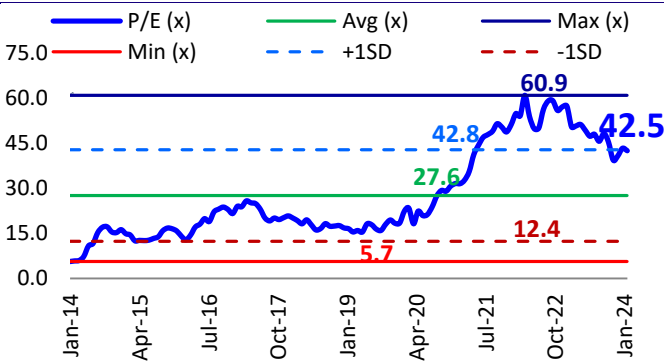
**Exhibit 13: Expect EBITDAM to recover to 16% in FY26...**



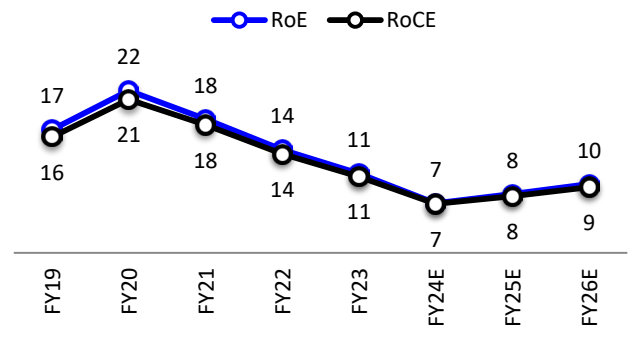
**Exhibit 14: ... with PAT margin improving to 9%**



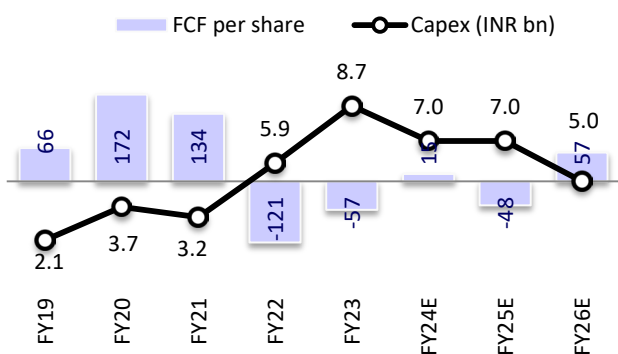
**Exhibit 15: One-year forward P/E trades at 42.5x...**



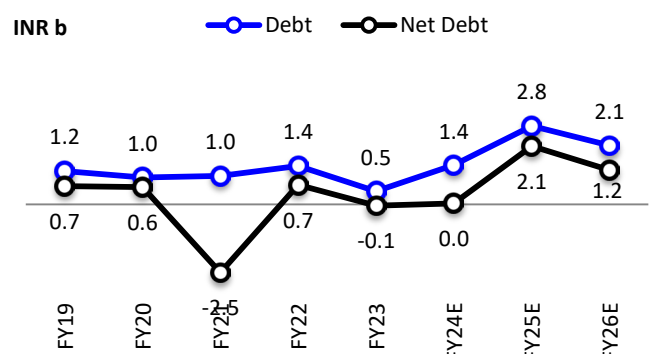
**Exhibit 16: ...with return ratios at 7-10%**



**Exhibit 17: Capex for FY24-25E 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	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total Income from Operations</b>	<b>40,378</b>	<b>40,931</b>	<b>37,315</b>	<b>50,809</b>	<b>54,275</b>	<b>46,683</b>	<b>51,800</b>	<b>57,220</b>
Change (%)	21.0	1.4	-8.8	36.2	6.8	-14.0	11.0	10.5
Gross Margin (%)	47.8	51.9	54.6	49.1	47.2	46.0	46.8	48.8
<b>EBITDA</b>	<b>7,668</b>	<b>9,020</b>	<b>9,171</b>	<b>9,114</b>	<b>7,749</b>	<b>6,431</b>	<b>7,499</b>	<b>8,999</b>
Margin (%)	19.0	22.0	24.6	17.9	14.3	13.8	14.5	15.7
Depreciation	1,189	1,302	1,363	1,767	1,978	2,302	2,356	2,403
<b>EBIT</b>	<b>6,479</b>	<b>7,718</b>	<b>7,808</b>	<b>7,348</b>	<b>5,770</b>	<b>4,129</b>	<b>5,143</b>	<b>6,596</b>
Int. and Finance Charges	74	94	94	92	79	80	85	92
Other Income	349	780	1,030	760	1,149	630	647	687
<b>PBT bef. EO Exp.</b>	<b>6,753</b>	<b>8,404</b>	<b>8,744</b>	<b>8,016</b>	<b>6,840</b>	<b>4,679</b>	<b>5,706</b>	<b>7,190</b>
<b>PBT after EO Exp.</b>	<b>6,753</b>	<b>8,404</b>	<b>8,744</b>	<b>8,016</b>	<b>6,840</b>	<b>4,679</b>	<b>5,706</b>	<b>7,190</b>
Total Tax	2,443	1,745	2,217	2,050	1,812	1,291	1,436	1,810
Tax Rate (%)	36.2	20.8	25.3	25.6	26.5	27.6	25.2	25.2
Minority Interest	50	50	73	82	38	86	86	86
<b>Reported PAT</b>	<b>4,360</b>	<b>6,709</b>	<b>6,600</b>	<b>6,047</b>	<b>5,066</b>	<b>3,474</b>	<b>4,356</b>	<b>5,466</b>
<b>Adjusted PAT</b>	<b>4,260</b>	<b>6,610</b>	<b>6,455</b>	<b>5,884</b>	<b>4,990</b>	<b>3,301</b>	<b>4,184</b>	<b>5,294</b>
Change (%)	56.2	55.2	-2.3	-8.8	-15.2	-33.8	26.7	26.5
Margin (%)	10.5	16.1	17.3	11.6	9.2	7.1	8.1	9.3

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	297	297	296	296	295	295	295	295
Total Reserves	26,998	31,252	37,969	43,994	46,419	49,371	53,074	57,720
<b>Net Worth</b>	<b>27,295</b>	<b>31,549</b>	<b>38,265</b>	<b>44,290</b>	<b>46,714</b>	<b>49,667</b>	<b>53,369</b>	<b>58,016</b>
Total Loans	1,200	970	1,017	1,384	470	1,409	2,819	2,114
Deferred Tax Liabilities	1,395	1,148	1,351	1,436	1,338	1,338	1,338	1,338
<b>Capital Employed</b>	<b>29,890</b>	<b>33,666</b>	<b>40,940</b>	<b>47,418</b>	<b>49,002</b>	<b>52,895</b>	<b>58,007</b>	<b>61,948</b>
Gross Block	14,135	17,868	19,874	23,835	27,191	34,191	41,191	46,191
Less: Accum. Deprn.	3,643	4,946	6,309	8,076	10,054	12,356	14,711	17,114
<b>Net Fixed Assets</b>	<b>10,491</b>	<b>12,922</b>	<b>13,566</b>	<b>15,760</b>	<b>17,138</b>	<b>21,836</b>	<b>26,480</b>	<b>29,077</b>
Goodwill on Consolidation	323	291	291	291	291	291	291	291
Capital WIP	1,723	3,681	2,497	4,205	10,329	10,329	10,329	10,329
<b>Total Investments</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>8,842</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>15,382</b>	<b>13,236</b>	<b>19,375</b>	<b>23,389</b>	<b>21,081</b>	<b>19,061</b>	<b>20,347</b>	<b>22,558</b>
Inventory	5,209	5,165	5,941	8,641	7,894	6,789	7,534	8,322
Account Receivables	6,985	7,197	7,332	9,890	8,446	7,265	8,061	8,904
Cash and Bank Balance	545	354	3,482	689	520	1,377	724	882
Cash	376	262	469	577	381	1,237	584	742
Bank Balance	169	92	3,013	112	140	140	140	140
Loans and Advances	2,644	520	2,619	4,169	4,221	3,631	4,028	4,450
<b>Curr. Liability and Prov.</b>	<b>5,550</b>	<b>7,838</b>	<b>8,432</b>	<b>9,645</b>	<b>8,678</b>	<b>7,464</b>	<b>8,282</b>	<b>9,149</b>
Account Payables	3,796	4,776	5,631	6,347	5,385	4,632	5,139	5,677
Other Current Liabilities	1,264	2,485	2,170	2,538	2,760	2,374	2,634	2,910
Provisions	490	577	631	760	533	458	509	562
<b>Net Current Assets</b>	<b>9,832</b>	<b>5,398</b>	<b>10,943</b>	<b>13,744</b>	<b>12,403</b>	<b>11,597</b>	<b>12,065</b>	<b>13,410</b>
<b>Appl. of Funds</b>	<b>29,890</b>	<b>33,666</b>	<b>40,939</b>	<b>47,419</b>	<b>49,002</b>	<b>52,895</b>	<b>58,007</b>	<b>61,948</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
EPS	143.9	223.2	218.0	198.7	169.0	111.8	141.7	179.3
EPS Growth (%)	56.2	55.2	-2.3	-8.8	-15.0	-33.8	26.7	26.5
Cash EPS	184.0	267.2	264.0	258.4	236.0	189.8	221.5	260.6
BV/Share	922	1,065	1,292	1,496	1,582	1,682	1,807	1,965
DPS	13.4	37.8	19.9	24.9	25.0	17.6	22.1	27.8
Payout (%)	9.1	16.7	8.9	12.2	14.6	15.0	15.0	15.0
<b>Valuation (x)</b>								
P/E	45.8	29.5	30.2	33.2	39.0	58.9	46.5	36.8
Cash P/E	35.8	24.7	25.0	25.5	27.9	34.7	29.8	25.3
P/BV	7.1	6.2	5.1	4.4	4.2	3.9	3.6	3.4
EV/Sales	4.8	4.8	5.2	3.9	3.6	4.2	3.8	3.4
EV/EBITDA	25.5	21.7	21.0	21.5	25.1	30.3	26.2	21.8
Dividend Yield (%)	0.2	0.6	0.3	0.4	0.4	0.3	0.3	0.4
FCF per share	65.9	171.6	133.9	-121.3	-56.6	14.6	-47.7	57.2
<b>Return Ratios (%)</b>								
RoE	17.1	22.5	18.5	14.3	11.0	6.9	8.1	9.5
RoCE	16.0	21.2	17.7	13.7	10.5	6.8	7.8	9.1
RoIC	21.5	31.9	29.5	21.7	14.5	9.7	10.9	12.3
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	3.9	3.5	2.8	3.5	3.3	2.4	2.1	2.1
Asset Turnover (x)	1.4	1.2	0.9	1.1	1.1	0.9	0.9	0.9
Inventory (Days)	47	46	58	62	53	53	53	53
Debtor (Days)	63	64	72	71	57	57	57	57
Creditor (Days)	34	43	55	46	36	36	36	36
<b>Leverage Ratio (x)</b>								
Current Ratio	2.8	1.7	2.3	2.4	2.4	2.6	2.5	2.5
Net Debt/Equity ratio	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0

### Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>(INR m)</b>								
OP/(Loss) before Tax	6,803	8,454	8,817	8,097	6,878	4,679	5,706	7,190
Depreciation	1,189	1,302	1,363	1,767	1,978	2,302	2,356	2,403
Interest Expenses	74	94	94	92	79	80	85	92
Others	-62	-536	-826	-580	-205	0	0	0
Direct Taxes Paid	-2,541	-2,168	-2,023	-2,017	-1,934	-1,291	-1,436	-1,810
(Inc.)/Dec. in WC	-1,427	1,667	-245	-5,046	271	1,662	-1,120	-1,187
<b>CF from Operations</b>	<b>4,036</b>	<b>8,813</b>	<b>7,180</b>	<b>2,314</b>	<b>7,067</b>	<b>7,431</b>	<b>5,590</b>	<b>6,689</b>
(Inc.)/Dec. in FA	-2,084	-3,733	-3,215	-5,905	-8,739	-7,000	-7,000	-5,000
<b>Free Cash Flow</b>	<b>1,953</b>	<b>5,080</b>	<b>3,964</b>	<b>-3,591</b>	<b>-1,672</b>	<b>431</b>	<b>-1,410</b>	<b>1,689</b>
Change in Investments	-1,994	-4,344	-3,899	4,136	3,572	0	0	0
Others	2	250	651	93	474	0	0	0
<b>CF from Investments</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>	<b>-5,000</b>
Inc./(Dec.) in Debt	389	537	182	117	-914	940	1,409	-705
Interest Paid	-74	-94	-87	-99	-79	-80	-85	-92
Dividend Paid	-412	-1,515	-617	-590	-1,828	-521	-653	-820
Others	87	-33	0	-3	246	86	86	86
<b>CF from Fin. Activity</b>	<b>-11</b>	<b>-1,106</b>	<b>-522</b>	<b>-575</b>	<b>-2,575</b>	<b>425</b>	<b>758</b>	<b>-1,531</b>
<b>Inc./Dec. in Cash</b>	<b>-49</b>	<b>-120</b>	<b>194</b>	<b>63</b>	<b>-202</b>	<b>856</b>	<b>-652</b>	<b>158</b>
Opening Balance	427	377	261	469	577	380	1,237	584
<b>Closing Balance</b>	<b>377</b>	<b>261</b>	<b>469</b>	<b>577</b>	<b>380</b>	<b>1,237</b>	<b>584</b>	<b>742</b>

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NOTES



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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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