

We attended Atul's AGM, which was addressed by Sunil Lalbhai (CMD and Promoter), along with the respective CXOs. Atul posted in-line Q1FY26 results, with revenue/EBITDA/PAT higher at 12%/5%/14% YoY. Growth is largely attributed to i) volume ramp up in the liquid epoxy resin (LER) plant, ii) positive contribution from the caustic soda plant (PBT of Rs130mn vs loss in the previous year), and iii) volume growth across other products like para-cresol and its downstream (current utilization at 70%). However, growth was partially offset by lower utilization in the 2,4 D plant owing to some teething issues, which are expected to be resolved in Q2FY26. The management expects incremental revenue of Rs15-20bn over the next 2Y and Rs25bn on full ramp-up of existing capacities (Rs20bn capex). We retain BUY with an unchanged TP of Rs8,500 (30x Jun-27E EPS).

Performance and other chemical (POC) segment saw ramp-up in benefits in Q1

The POC segment reported revenue of Rs14.8bn in Q1 (+12% YoY/+2% QoQ), with EBIT margin improvement of 30bps YoY to 9.4%, from 9.1% in Q1FY25. Q1 margin improvement was supported by a ramp-up in the LER plant and improved profitability of Atul Products (caustic soda plant). The mgmt expects Rs7.5-10bn revenue from the expanded 50ktpa LER capacity and plans to debottleneck it further with a small capex. The caustic soda plant ran at optimal utilization and turned PBT-positive at Rs130mn vs a loss of Rs140mn in Q1FY25. PBT to improve gradually over the next few quarters on better operating leverage. The mgmt plans to add hydrogen and chlorine downstream products ahead. The aromatics sub-segment had underutilized p-cresol capacities (70% utilization) due to lower demand from EU customers earlier. Atul is planning to add a couple of products under this segment in FY26. The colors sub-segment can add Rs2-3bn of extra sales from underutilized capacities of sulphur black. Atul is entering the pigments industry to diversify beyond textile chemicals. Meanwhile, Amal delivered revenue growth of 124% YoY in Q1, repaid borrowings, and wiped-out all historical losses.

Life science chemicals (LSC) segment hurt by near-term operating challenges

The LSC segment reported revenue of Rs4.5bn in Q1 (+6% YoY/flat QoQ), with EBIT margin of 15.2% (-150bps YoY/ -650bps QoQ). The fall in margin was due to operating challenges in the 2,4-D plant under the crop protection sub-segment, coupled with lower realization in the export market (ex-US). Teething issues at the plant are expected to be resolved by end-Q2 (full ramp-up in Q3). The crop protection retail business is expected to generate revenue of Rs3-4bn in FY26. Anaven (the JV with Nouryon) became EBITDA-positive in FY25, however, it reached EBITDA breakeven in Q1, owing to lower plant utilization levels. Per the mgmt, the facility can produce 35-40ktpa of MCA (currently, 10-15ktpa). Atul is working with Nouryon to increase the output as there is enough captive and domestic demand. The mgmt is actively evaluating inorganic expansion opportunities across businesses. Pharma business to see a gradual improvement QoQ.

Target Price – 12M	Jun-26
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	28.1

Stock Data	ATLP IN
52-week High (Rs)	8,180
52-week Low (Rs)	4,752
Shares outstanding (mn)	29.4
Market-cap (Rs bn)	195
Market-cap (USD mn)	2,258
Net-debt, FY26E (Rs mn)	(13,183.7)
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	460.4
ADTV-3M (USD mn)	5.3
Free float (%)	54.8
Nifty-50	24,837.0
INR/USD	86.5

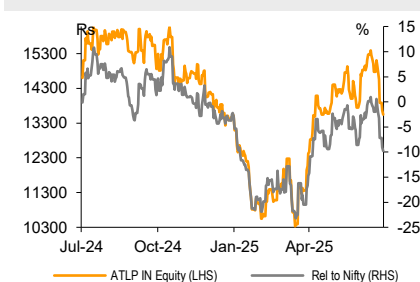
Shareholding, Jun-25

Promoters (%)	45.2
FPIs/MFs (%)	8.8/25.0

Price Performance

(%)	1M	3M	12M
Absolute	(9.8)	3.4	(9.1)
Rel. to Nifty	(8.3)	0.1	(10.7)

1-Year share price trend (Rs)



Atul: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	47,257	55,834	63,747	70,841	76,959
EBITDA	6,367	9,130	11,226	13,429	14,842
Adj. PAT	3,230	4,839	6,451	8,173	8,859
Adj. EPS (Rs)	109.7	164.4	219.1	277.6	300.9
EBITDA margin (%)	13.5	16.4	17.6	19.0	19.3
EBITDA growth (%)	(17.8)	43.4	23.0	19.6	10.5
Adj. EPS growth (%)	(37.0)	49.8	33.3	26.7	8.4
RoE (%)	6.6	9.0	11.0	12.5	12.2
RoIC (%)	8.4	10.8	13.6	17.0	17.5
P/E (x)	60.5	40.4	29.8	23.4	21.6
EV/EBITDA (x)	30.3	21.1	17.2	14.3	13.0
P/B (x)	3.8	3.5	3.2	2.8	2.5
FCFF yield (%)	0.8	2.0	3.1	2.0	0.1

Source: Company, Emkay Research

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Exhibit 1: Key highlights from the management discussion and analysis section of FY25 annual report

Sub-segmental revenue (Rs mn)	FY24	FY25	Growth	Volume	Pricing	Outlook
Life Science Chemicals segment						
Crop Protection – Bulk Actives	4,910	6,270	28%	23%	5%	During the year, Atul commercialised one product. Additionally, it defended an anti-dumping case against 2,4-D and is now awaiting final decision on the rates.
India	1,600	2,350	47%			The company will be focusing on: i) improving capacity utilization for its key products, ii) enhancing value-added products and improving efficiency, and iii) expanding the regulatory approval footprint and developing the portfolio.
Outside India	3,310	3,920	18%			Atul might face competition from China which may impact sales realizations and market share. Geopolitical developments might lead to near-term uncertainties, affecting profitability.
Crop Protection – Retail	2,050	2,560	25%	39%	-14%	The company launched 10 products during the year. Atul expects FY26 revenue at Rs3-4bn, led by i) organic growth of existing portfolio through market development, ii) widening breadth of the portfolio, iii) strengthening distribution channel and expansion into newer geographies, and iv) development of patented novel formulations.
Pharmaceuticals and Aromatics – I	5,560	6,330	14%	16%	-2%	Seven Drug Master Files were filed during the period, taking the total regulatory filings to 37 across regulated markets. All the three sites (incl two of ABL) have successfully cleared USFDA inspections with zero US-483 observations.
India	3,320	3,460	4%			
Outside India	2,240	2,870	28%			Atul will participate in this growth by i) leveraging the regulatory clearances obtained for all its facilities, ii) increasing manufacturing efficiencies, iii) debottlenecking and adding capacities, and iv) introducing new products.
Atul Bioscience	1,310	1,360	4%			
India	1,030	1,160	13%			
Outside India	280	200	-29%			
Performance and Other Chemicals segment						
Aromatics – II	7,360	8,370	14%	16%	-2%	The company completed one project during the year. It expects growth from i) broadening of market reach, ii) increasing manufacturing efficiencies, iii) introduction of products and applications, and iv) adding downstream value to co-products.
India	2,900	3,390	17%			
Outside India	4,460	4,980	12%			
Bulk Chemicals and Intermediates	2,680	2,520	-6%	0%	-6%	Atul is working toward i) increasing efficiencies, ii) debottlenecking and adding capacities, iii) introducing downstream products, and iv) widening its market reach.
India	1,580	1,360	-14%			
Outside India	1,100	1,160	5%			
Atul Products	650	3,520	442%			
Colors	5,460	6,340	16%	17%	-1%	The increase in volume is attributed to addition of customers and demand recovery.
India	3,340	4,008	20%			Growth in this segment will come from: i) higher capacity utilization and optimizing cashflow management, ii) broadening geographical reach to drive market expansion, iii) introducing sustainable solutions for textile and non-textile applications through product innovation, and iv) development of new applications for existing products.
Outside India	2,120	2,332	10%			
Polymers – Performance Materials	11,940	14,450	21%	17%	4%	Polymers business is bound to grow from further expansion of LER capacity and improving manufacturing and working capital efficiencies; introducing new advanced products (specialty resins), and expanding reach into newer geographies which would aid volume ramp-up.
India	7,120	8,600	21%			
Outside India	4,820	5,850	21%			The company expects lower demand in the export markets which shall keep markets competitive in the near term.
Polymers – Retail	2,430	2,450	1%	4%	-3%	Atul expects polymers - retail business to grow to Rs3-4bn in FY26. Growth will be supported by improvement in manufacturing and working capital efficiencies, product additions, debottlenecking, and widening of market reach to newer geographies.

Source: Company, Emkay Research

Exhibit 2: Results update

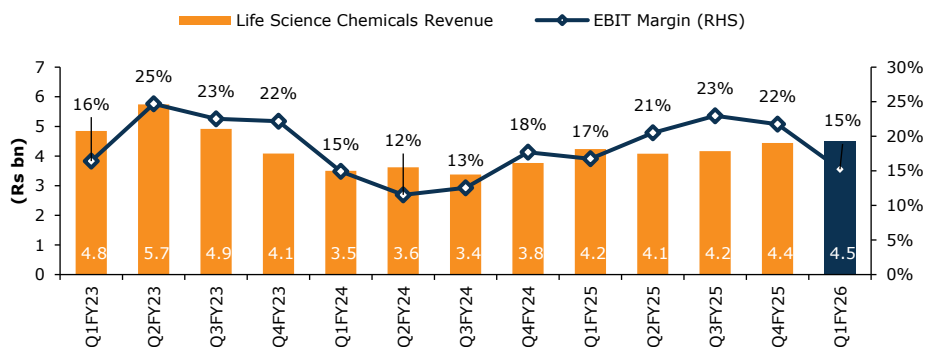
P&L (Rs mn)	Reported					Emkay estimate		Full-year ended		
	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)	Q1FY26E	vs est (%)	FY25	FY24	YoY (%)
Net revenue	13,221	14,516	14,780	12	2	14,474	2	55,834	47,257	18
Material cost	(6,604)	(7,305)	(7,586)	15	4	(7,116)	7	(27,456)	(25,105)	9
Gross Profit	6,616	7,212	7,194	9	0	7,358	-2	28,377	22,151	28
Gross margin (%)	50.0	49.7	48.7	-138 bps	-101 bps	50.8	-217 bps	50.8	46.9	395 bps
Employee cost	(1,050)	(1,189)	(1,200)	14	1	(1,158)	4	(4,546)	(3,980)	14
Other overheads	(3,334)	(3,794)	(3,639)	9	-4	(3,763)	-3	(14,702)	(11,804)	25
Total expenses	(10,988)	(12,287)	(12,425)	13	1	(12,037)	3	(46,704)	(40,890)	14
EBITDA	2,232	2,229	2,355	5	6	2,437	-3	9,130	6,367	43
EBITDA margin (%)	16.9	15.4	15.9	-96 bps	57 bps	16.8	-91 bps	16.4	13.5	287 bps
Other income	130	487	262	101	-46	202	30	1,090	582	87
Interest	(54)	(54)	(45)	-16	-16	(60)	-24	(240)	(111)	116
Depreciation	(766)	(817)	(820)	7	0	(824)	(0)	(3,168)	(2,429)	30
EO Items	-	-	-	-	-	-	-	-	-	-
PBT	1,543	1,845	1,752	14	-5	1,755	0	6,812	4,409	54
Tax	(455)	(560)	(447)	-2	-20	(500)	(11)	(1,937)	(1,265)	53
Share of JV/Associate	33	16	19	-43	18	33	(42)	113	97	16
Adj PAT	1,121	1,301	1,324	18	2	1,287	3	4,988	3,241	54
Minority interest	(2)	(36)	(46)	2316	26	(36)	26	(149)	(11)	1255
Reported PAT	1,119	1,265	1,278	14	1	1,251	2	4,839	3,230	50
EPS (Rs)	38.0	43.0	43.4	14	1	42.5	2	164.4	109.5	50
Costs as a % of sales										
Material cost	50.0	50.3	51.3	137 bps	100 bps	49.2	216 bps	49.2	53.1	-396 bps
Employee cost	7.9	8.2	8.1	18 bps	-7 bps	8.0	12 bps	8.1	8.4	-29 bps
Other overheads	25.2	26.1	24.6	-61 bps	-152 bps	26.0	-138 bps	26.3	25.0	135 bps
Income tax rate	29.5	30.3	25.5	-400 bps	-483 bps	28.5	-300 bps	28.4	28.7	-27 bps

Source: Company, Emkay Research

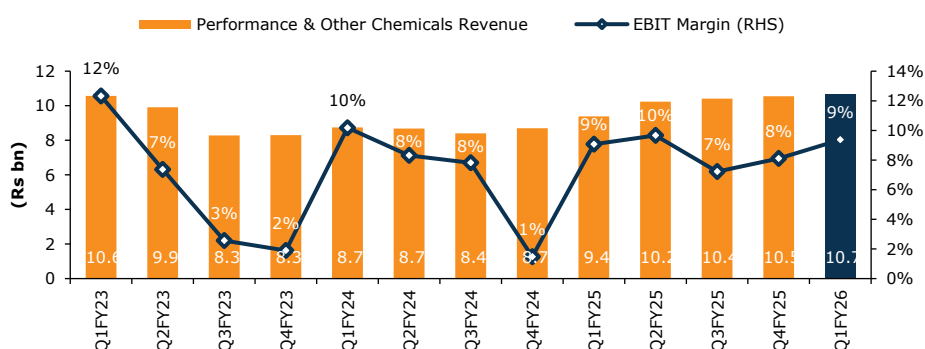
Exhibit 3: Segmental highlights

(Rs mn)	Quarter ended					Full-year ended		
	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)	FY25	FY24	YoY (%)
Segment revenues	13,221	14,516	14,780	12	2	55,834	47,257	18
Life Science Chemicals	4,236	4,439	4,492	6	1	16,917	14,267	19
Performance and Other Chemicals	9,386	10,547	10,669	14	1	40,582	34,531	18
Others	194	171	164	-16	-5	739	633	17
Inter-segment revenue	(596)	(641)	(545)	-9	-15	(2,405)	(2,174)	11
Segment margin (EBIT+OI)	1,597	1,899	1,797	13	-5	7,052	4,520	56
Life Science Chemicals	710	966	684	-4	-29	3,468	2,031	71
Performance and Other Chemicals	852	855	1,000	17	17	3,449	2,398	44
Others	50	12	23	-53	93	123	57	116
Un-allocable Expenditure	(15)	67	90	-713	35	13	35	-64
Segment margin (%)	12.1	13.1	12.2	7 bps	-93 bps	12.6	9.6	306 bps
Life Science Chemicals	16.8	21.8	15.2	-153 bps	-653 bps	20.5	14.2	626 bps
Performance and Other Chemicals	9.1	8.1	9.4	30 bps	126 bps	8.5	6.9	155 bps
Others	25.9	7.1	14.3	-1162 bps	724 bps	16.6	9.0	764 bps

Source: Company, Emkay Research

Exhibit 4: LSC business margin impacted in Q1 due to plant issues for one product under the crop protection segment

Source: Company, Emkay Research

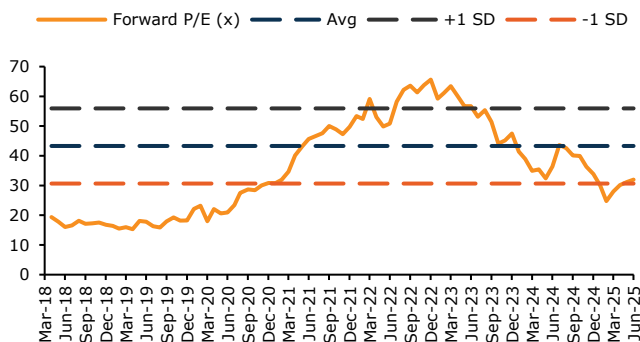
Exhibit 5: POC business margins are improving QoQ, along with ramp-ups in LER/caustic plant

Source: Company, Emkay Research

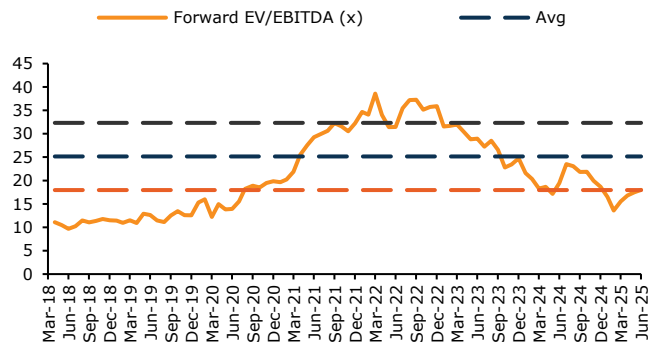
Exhibit 6: We trim our FY26/27/28E EPS by 2%, adjusting for the incremental revenue guidance of Rs15-20bn

Particulars (Rs mn)	FY26E			FY27E			FY28E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Revenue	63,747	65,307	(2)	70,841	72,632	(2)	76,959	79,061	(3)
EBITDA	11,226	11,377	(1)	13,429	13,654	(2)	14,842	15,105	(2)
EBITDA margin (%)	17.6	17.4	18 bps	19.0	18.8	15 bps	19.3	19.1	18 bps
PAT	6,451	6,559	(2)	8,173	8,334	(2)	8,859	9,047	(2)
EPS (Rs)	219	223	(2)	278	283	(2)	301	307	(2)

Source: Emkay Research

Exhibit 7: One-year forward P/E

Source: Company, Bloomberg, Emkay Research

Exhibit 8: One-year forward EV/EBITDA

Source: Company, Bloomberg, Emkay Research

Atul: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	47,257	55,834	63,747	70,841	76,959
Revenue growth (%)	(12.9)	18.1	14.2	11.1	8.6
EBITDA	6,367	9,130	11,226	13,429	14,842
EBITDA growth (%)	(17.8)	43.4	23.0	19.6	10.5
Depreciation & Amortization	2,382	3,168	3,446	3,656	4,096
EBIT	3,938	5,961	7,780	9,773	10,747
EBIT growth (%)	(31.8)	51.4	30.5	25.6	10.0
Other operating income	-	-	-	-	-
Other income	582	1,090	1,345	1,725	1,725
Financial expense	111	240	190	146	146
PBT	4,409	6,812	8,935	11,352	12,326
Extraordinary items	0	0	0	0	0
Taxes	1,265	1,937	2,584	3,278	3,560
Minority interest	(11)	(149)	(31)	(51)	(71)
Income from JV/Associates	97	113	130	149	164
Reported PAT	3,230	4,839	6,451	8,173	8,859
PAT growth (%)	(37.2)	49.8	33.3	26.7	8.4
Adjusted PAT	3,230	4,839	6,451	8,173	8,859
Diluted EPS (Rs)	109.7	164.4	219.1	277.6	300.9
Diluted EPS growth (%)	(37.0)	49.8	33.3	26.7	8.4
DPS (Rs)	25.1	20.0	25.0	30.0	50.0
Dividend payout (%)	22.8	12.2	11.4	10.8	16.6
EBITDA margin (%)	13.5	16.4	17.6	19.0	19.3
EBIT margin (%)	8.3	10.7	12.2	13.8	14.0
Effective tax rate (%)	28.7	28.4	28.9	28.9	28.9
NOPLAT (pre-IndAS)	2,808	4,267	5,530	6,951	7,643
Shares outstanding (mn)	29	29	29	29	29

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	3,924	5,835	7,720	9,777	10,765
Others (non-cash items)	2,132	2,703	2,290	2,077	2,517
Taxes paid	(1,073)	(1,506)	(2,584)	(3,278)	(3,560)
Change in NWC	1,730	(1,998)	(840)	(1,424)	(1,228)
Operating cash flow	6,675	6,031	7,932	8,876	10,219
Capital expenditure	(5,133)	(2,156)	(2,000)	(5,000)	(10,000)
Acquisition of business	(2,743)	160	0	0	0
Interest & dividend income	125	177	1,345	1,725	1,725
Investing cash flow	(6,832)	(4,951)	(6,655)	(8,275)	(8,275)
Equity raised/(repaid)	(1)	0	0	-	0
Debt raised/(repaid)	1,849	(342)	(157)	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(111)	(240)	(190)	(146)	(146)
Dividend paid (incl tax)	(738)	(589)	(736)	(883)	(1,472)
Others	(624)	(8)	0	-	0
Financing cash flow	375	(1,178)	(1,083)	(1,029)	(1,618)
Net chg in Cash	218	(97)	194	(428)	326
OCF	6,675	6,031	7,932	8,876	10,219
Adj. OCF (w/o NWC chg.)	4,945	8,030	8,772	10,300	11,447
FCFF	1,542	3,876	5,932	3,876	219
FCFE	1,556	3,813	7,087	5,455	1,798
OCF/EBITDA (%)	104.8	66.1	70.7	66.1	68.8
FCFE/PAT (%)	48.2	78.8	109.9	66.7	20.3
FCFF/NOPLAT (%)	54.9	90.8	107.3	55.8	2.9

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	295	295	295	294	294
Reserves & Surplus	50,849	55,691	61,405	68,695	76,082
Net worth	51,143	55,986	61,700	68,989	76,377
Minority interests	491	638	669	720	791
Non-current liab. & prov.	1,529	2,039	2,039	2,039	2,039
Total debt	2,319	1,977	1,820	1,820	1,820
Total liabilities & equity	55,481	60,640	66,229	73,569	81,027
Net tangible fixed assets	27,347	28,134	26,431	26,275	29,679
Net intangible assets	543	307	307	307	307
Net ROU assets	-	-	-	-	-
Capital WIP	2,808	1,243	1,500	3,000	5,500
Goodwill	291	291	291	291	291
Investments [JV/Associates]	9,689	9,529	9,529	9,529	9,529
Cash & equivalents	4,987	8,809	15,004	19,576	19,902
Current assets (ex-cash)	19,177	21,773	24,471	27,068	29,307
Current Liab. & Prov.	9,069	9,156	11,013	12,186	13,198
NWC (ex-cash)	10,108	12,617	13,457	14,882	16,110
Total assets	55,481	60,640	66,229	73,569	81,027
Net debt	(2,669)	(6,832)	(13,184)	(17,756)	(18,082)
Capital employed	55,481	60,640	66,229	73,569	81,027
Invested capital	37,998	41,058	40,196	41,464	46,097
BVPS (Rs)	1,737.2	1,901.7	2,095.8	2,343.4	2,594.3
Net Debt/Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)	(0.2)
Net Debt/EBITDA (x)	(0.4)	(0.7)	(1.2)	(1.3)	(1.2)
Interest coverage (x)	40.8	29.4	48.1	79.0	85.6
RoCE (%)	8.9	12.5	14.9	16.9	16.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	60.5	40.4	29.8	23.4	21.6
EV/CE(x)	3.6	3.3	3.0	2.7	2.4
P/B (x)	3.8	3.5	3.2	2.8	2.5
EV/Sales (x)	4.1	3.5	3.0	2.7	2.5
EV/EBITDA (x)	30.3	21.1	17.2	14.3	13.0
EV/EBIT(x)	48.9	32.3	24.8	19.7	17.9
EV/IC (x)	5.1	4.7	4.8	4.6	4.2
FCFF yield (%)	0.8	2.0	3.1	2.0	0.1
FCFE yield (%)	0.8	2.0	3.5	2.9	1.0
Dividend yield (%)	0.4	0.3	0.4	0.5	0.8
DuPont-RoE split					
Net profit margin (%)	6.8	8.7	10.1	11.5	11.5
Total asset turnover (x)	0.9	1.0	1.0	1.0	1.0
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	6.6	9.0	11.0	12.5	12.2
DuPont-RoIC					
NOPLAT margin (%)	5.9	7.6	8.7	9.8	9.9
IC turnover (x)	1.4	1.4	1.6	1.7	1.8
RoIC (%)	8.4	10.8	13.6	17.0	17.5
Operating metrics					
Core NWC days	78.1	82.5	77.1	76.7	76.4
Total NWC days	78.1	82.5	77.1	76.7	76.4
Fixed asset turnover	1.4	1.4	1.5	1.5	1.5
Opex-to-revenue (%)	33.4	34.5	33.4	32.7	32.7

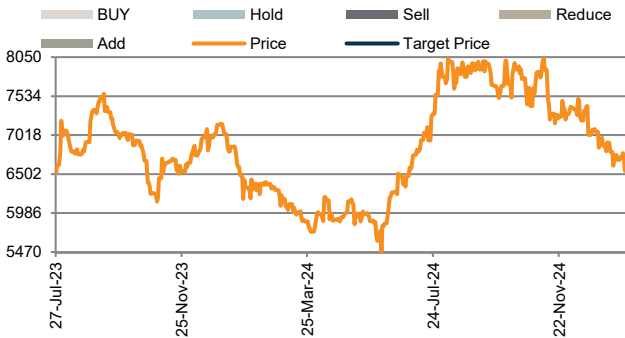
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
15-Jul-25	7,460	8,500	Buy	Meet Vora
15-Jul-25	7,460	8,500	Buy	Meet Vora
04-May-25	7,042	8,500	Buy	Meet Vora
04-May-25	7,042	8,500	Buy	Meet Vora
23-Apr-25	6,213	8,500	Buy	Meet Vora
23-Apr-25	6,213	8,500	Buy	Meet Vora

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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