



Portfolio Track Information Data	BSE Code	Grade	FV (Rs.)	CMP	52Weeks H/L
Atul Ltd.	500027	C	10	Rs.109	Rs. 111/34

STOCK DATA

Target Price	Rs.145	
Reuters Code	ATLP.BO	
Bloomberg Code	ATLP@IN	
NSE Symbol	ATUL	
Mkt.Cap.	Rs. 3234 mn	
Shares	29.67 mn	
Outstanding(*)		
Avg. Daily Volume (6m)	136,649 Shares	
Price Performance (%)		
1M	3M	6M
25	28	88
200 Days EMA Rs.71		

* fully diluted equity

SHARE HOLDING (%)

Promoters	40.3
FI / MF	7.2
Body Corporates	14.2
Public & Others	38.3

- ▶ Atul Ltd. (Atul) is a diversified Company, which manufactures colors, specialty & other chemicals and sells its products to industries such as aerospace, agriculture, automobile, construction, flavour & fragrance, paint & coatings, paper, personal care, pharma and textiles. It operates through its 6 business divisions viz. colors, aromatics, crop protection, bulk chemicals & intermediates, pharmaceuticals & intermediates and polymers.
- ▶ Its colors division is the largest supplier of dyestuffs in India and also exports nearly 40% of its production to more than 40 countries worldwide, while its aromatic division is one of the world's largest manufacturers of p-cresol, p-anisic aldehyde, p-anisic alcohol, which are used mainly by flavour & fragrance, personal care and pharmaceutical industries.
- ▶ Its crop protection division is among the world's five leading manufacturers of 2,4-D range of chlorophenoxy derivatives with close to 8% market share, while in bulk chemicals & intermediates division, the Company has leadership position in India in key products like resorcinol with 36% market share & Chlorosulphonic acid (CSA) with 16% market share.
- ▶ The Company has reduced its operational net working capital & borrowings significantly during FY09. Going forward, the Company is expected to continue its effort to reduce the cost further and improve working capital cycle. On business strategy front, Atul plans to focus on high margin products, new strategic business verticals, expanding its product portfolio & brand business.
- ▶ The Company has good track record of paying regular dividend in the past and total dividend of 30% had been paid during FY09, which works out to 3.0% yield at current price.
- ▶ During FY09, its consolidated revenues increased by 17.2% YoY to Rs. 12,239 mn. The revenues from colors division grew by 1.3% YoY to Rs. 3,197 mn, while speciality & other chemicals division's revenues grew by 21.1% YoY to Rs. 9516.8 mn. Its EBITDA margins increased by 190 bps to 9.0% & its EBITDA increased by 48.2% YoY to Rs. 1102.3 mn. Its net profit increased by 36.6% YoY Rs. 400.8 mn.
- ▶ At the CMP of Rs. 109, the stock is available at a very attractive valuation of 3.8x its FY11E EPS of Rs.29.

Y/E Mar. (Cons.)	REVENUE (Rs.mn)	APAT (Rs.mn)	AEPS (Rs.)	AEPS (% Chg.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY09	12239.3	400.8	13.5	36.6	8.1	11.1	8.8	0.7
FY10E	11742.9	716.7	24.2	78.8	4.5	14.0	13.9	0.6
FY11E	13436.8	859.7	29.0	19.9	3.8	15.7	14.6	0.5

Dhananjay Mishra | dhananjay.mishra@sushilfinance.com | +91 22 4093 5084

Q2 FY10 results update:

- During Q2FY10, the Company reported 20.2% YoY decline in its net sales to Rs. 2800 mn. The revenues from speciality & other chemicals division declined by 35.3% to Rs. 1910 mn, while its colors division grew by 26.4% to Rs. 910 mn. Its EBIDTA increased by 6.1% YoY to Rs.350 mn, while EBIDTA margins stood at 12.5%. However, its APAT increased by 16.7% to Rs. 210 mn.

Company Description:

- Incorporated in 1947, Atul Ltd (formerly Atul Products Ltd) is a member of Lalbhai Group, one of the oldest business houses of India, with interests mainly in textiles and chemicals.
- The Company commenced its business with just a few dyestuffs, the know-how of which was brought from foreign companies.
- Over the years, Atul formed joint ventures companies with American Cyanamid Corp (1952), Imperial Chemical Industries plc (1955) and Ciba-Geigy Ltd (1960) namely, Cyanamid India Ltd, Atic Industries Ltd and Cibatul Ltd respectively.
- Consequent to worldwide divestment of dyes and polymers business by ZENECA plc(formerly a part of ICI plc) and Ciba Ltd respectively, Atic Industries Ltd and Cibatul Ltd were merged into Atul in 1995 and 1998 respectively.
- The Company operates through its six business divisions, namely aromatics, bulk chemicals & intermediates, colors, crop protection, pharmaceuticals & intermediates and polymers.
- Atul manufactures over 700 products reaching to 2,500 customers. The Company has three manufacturing sites in India and four overseas subsidiary companies. It has about 2800 employees and about more than 1000 distributors. Atul also has offices in the USA, the UK, Germany, China and Vietnam that service its international customers.

Q2 Standalone FY10 Results

(Rs.mn)

Particulars	Q2FY09	Q2FY10	Y-o-Y (%)
Net Sales	3510.0	2800.0	(20.2)
RM cost	2090.0	1610.0	(23.0)
Staff costs	240.0	240.0	-
Power & Fuel Cost	320.0	200.0	(37.5)
Manufacturing Exp	180.0	140.0	(22.2)
Other Expenditure	350.0	260.0	(25.7)
Total Expenditure	3,180.0	2,450.0	(23.0)
EBITDA	330.0	350.0	6.1
Interest	110.0	60.0	(45.5)
EBDT	220.0	290.0	31.8
Depreciation	70.0	70.0	-
PBT excl other income	150.0	220.0	46.7
Other Income	70.0	60.0	(14.3)
PBT incl OI	220.0	280.0	27.3
Tax	40.0	70.0	75.0
PAT	180.0	210.0	16.7
AEPS	6.1	7.1	16.7
EBIDTA %	9.4%	12.5%	
NPM %	5.1%	7.5%	

BUSINESS DIVISIONS ANALYSIS

- ▶ **Colors:** The key products made by this division are textile dyes, paper dyes & pigments, which are used by textile, paper and paint & coatings industries. This division has about 435 products & close to 200 customers globally. Atul is the largest supplier of dyestuffs in India and exports nearly 40% of its production to more than 40 countries worldwide. Its competitors are based in China, India, & in European countries. The division possesses excellent and versatile facilities to manufacture different colorants & intermediates. Due to sluggish demand during FY09, the colors division grew by just 1.6% to Rs. 2580 mn, however going forward, with introduction of new value added products as required by the dyestuff and textile industries, the demand is expected to improve.
- ▶ **Aromatics:** Atul is one of the world's largest manufacturers of p-cresol, p-anisic aldehyde, p-anisic alcohol, which are used mainly by flavour & fragrance, personal care and pharmaceutical industries. Its main competitors are based in China & India. Dominated mainly by MNCs, end users in these industries are doing well & offer good growth potential. Atul has a global leadership in its key products, which are commodity plays by nature and therefore exposed to volatility in margins. Atul is exploring growth possibilities by introducing value-added products used in the above industries by leveraging synergy and strengths. During FY09, this division grew by a strong 42% to Rs. 3030 mn. The division is also exposed to variations in exchange rates, as exports constitute a significant portion of sales.

Segmental Performance	H1FY09	H1 FY10	Y-o-Y (%)
Revenues (Rs.mn)			
Colors	1920.0	1710.0	(10.9)
% of Sales	28.2	30.8	
Specialties and Other Chemicals	4900.0	3840.0	(21.6)
% of Sales	71.8	69.2	
Total Sales	6820.0	5550.0	(18.6)

PBIT (Rs.mn)			
Colors	60.0	40.0	(33.3)
% Margin	3.1	2.3	
Specialties and Other Chemicals	670.0	580.0	(13.4)
% Margin	13.7	15.1	
Total PBIT	730.0	620.0	(15.1)
% Margin	10.7	11.2	

- ▶ **Crop Protection:** The main products of the division are herbicides, insecticides & fungicides, which are used mainly in the crop protection segment of the agriculture industry. The division is among the world's five leading manufacturers of 2,4-D range of chlorophenoxy derivatives with 8% market share. Its competitors are based across the world & also in India. In recent times, the agriculture industry has performed well, due to robust demand and higher realizations by the farmers for their products. During FY09, this division's Revenues grew by 27% to Rs. 2360 mn. Atul enjoys cost leadership in some key products, given its backward integration and economies of scale. However, its existing product portfolio is not comprehensive for export and has limited market accessibility. Hence, the Company is exploring a new products with synergy and market potential. The performance of agriculture industry is also linked to weather, which is unpredictable.
- ▶ **Bulk Chemicals & Intermediates:** The main products of the segment are resorcinol, CSA, Oleum 65% & SO₃, which are used in varied industries like crop protection, dyestuff, paper, pharma, textile and tyres & rubber, and also for captive consumption. The division faces stiff competition in some of its products from large manufacturers based in China, India, Japan and the US. The Company has leadership in India in key products like resorcinol with 36% market share & CSA with 16% market share. During FY09, Revenues in this division grew by 10.7% to Rs. 1240 mn. The Company is exploring the possibility of expanding its capacities and introducing selected value-added downstream products. It also expects to grow in the export market.
- ▶ **Pharmaceuticals & Intermediates:** The Company manufactures API intermediates in this division, which are used mainly by pharmaceutical and aerospace industries. Its main competitors are based in China, India and in other countries. The division is backwardly integrated and possesses good infrastructure and has the ability to meet the emerging needs of the customers. Atul is relatively a new entrant in pharmaceutical industry and has still to establish itself in terms of reputation and size. During FY09, Revenues in this division grew by 10.6% to Rs. 730 mn. There are immense opportunities for products in this segment, and the segment is expected to grow rapidly in the near future.
- ▶ **Polymers:** The key product made by the division are epoxy resins, which are used mainly by the construction and paint & coatings industries. Its competitors are based in India and outside. There are large capacities installed by established companies operating world-wide, which are well integrated. The division is well established in the domestic marketplace in terms of quality and reach. During FY09, this division grew by 2% to Rs. 1960 mn. The Company is among the two large producers in India. However, it has a small capacity compared to world standards. The division is exploring new products based on synergy and strengths.

BALANCE SHEET CONSOLIDATED

(Rs.mn)

As on 31 st Mar.	FY08	FY09	FY10E	FY11E
Share Capital	296.7	296.7	296.7	296.7
Reserves	2820.8	3142.5	3737.7	4458.5
Revaluation Reserves	1147.6	1127.0	1127.0	1127.0
Shareholders Funds	4,265.1	4,566.3	5,161.5	5,882.3
Secured Loans	3679.2	3285.1	3120.8	2808.8
Unsecured Loans	621.5	410.0	410.0	410.0
Total Loans	4300.7	3695.1	3530.8	3218.7
Total Liabilities	8565.8	8261.3	8692.3	9101.0
Fixed Assets	4334.7	4432.8	4499.3	4483.3
Investments	533.4	548.4	548.4	548.4
Sundry Debtors	2573.0	2112.8	2324.1	2556.5
Cash and Bank	311.6	288.6	312.3	375.8
Loans and Advances	1162.3	1110.7	1221.7	1343.9
Inventories	2324.1	2127.8	2340.6	2574.6
Current Assets	6371.0	5639.9	6198.7	6850.8
Current Liabilities	2265.2	1928.8	2121.7	2333.9
Provisions	247.2	253.8	265.0	280.0
Current Liabilities	2512.4	2182.6	2386.7	2613.9
Net Current Assets	3858.6	3457.3	3812.0	4237.0
Deferred Tax Assets (Net)	-160.8	-177.1	-167.4	-167.7
Total Assets	8565.9	8261.3	8692.3	9101.0

P&L CONSOLIDATED

(Rs.mn)

Y/E March	FY08	FY09	FY10E	FY11E
Net Sales	10441.8	12239.3	11742.9	13436.8
RM Consumption	6023.8	6591.1	6733.8	7710.4
Power & Fuel Cost	1070.8	1105.8	885.0	1017.8
Staff Cost	841.2	946.8	1009.3	1135.3
Manufacturing Exp	829.8	930.7	605.5	714.5
Other Expenditure	932.7	1562.5	1139.3	1254.1
Total Expenditure	9698.3	11137.0	10373.0	11832.0
EBITDA	743.5	1102.3	1369.9	1604.7
Interest	329.4	414.1	284.3	298.7
EBTDA	414.1	688.2	1085.6	1306.0
Depreciation	297.3	318.7	326.7	365.9
PBT Excl. Other Income	116.9	369.5	758.9	940.1
Other Income	204.4	133.4	170.7	188.1
PBT Incl. Other Income	321.3	502.9	929.6	1128.2
Tax	27.8	102.1	212.9	268.5
Net Profit	293.5	400.8	716.7	859.7
Extra ord./ Adjusted Items	11.2	23.0		
Adjusted Net Profit	304.7	423.8	716.7	859.7
AEPS (Rs)	9.9	13.5	24.2	29.0

Source: Company, Sushil Finance Research Estimates

Please Note:

The objective of this report is to provide fundamental information on stocks covered under our product “Portfolio Track”. These stocks are likely to witness price up move in medium to long term. Companies are selected based on certain Fundamental / Technical indicators and it may be possible that our view on these stocks may have been formed without meeting the company management. All the data appearing in this report is from sources believed to be reliable but we do not guarantee that it is correct or accurate.

Disclaimer:

This report is prepared for the exclusive use of Sushil Group clients only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. Any unauthorized use, disclosure or public dissemination of information contained herein is prohibited. This report is to be used only by the original recipient to whom it is sent.

This is for private circulation only and the said document does not constitute an offer to buy or sell any securities mentioned herein. While utmost care has been taken in preparing the above, we claim no responsibility for its accuracy. We shall not be liable for any direct or indirect losses arising from the use thereof and the investors are requested to use the information contained herein at their own risk.

This report has been prepared for information purposes only and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. The information, on which the report is based, has been obtained from sources, which we believe to be reliable, but we have not independently verified such information and we do not guarantee that it is accurate or complete. All expressions of opinion are subject to change without notice.

Sushil Financial Services Private Limited and its connected companies, and their respective directors, officers and employees (to be collectively known as SFSP), may, from time to time, have a long or short position in the securities mentioned and may sell or buy such securities. SFSP may act upon or make use of information contained herein prior to the publication thereof.