

Reco: Buy

Atul came up with decent set of numbers and surpasses our estimates both top line and bottom line. In Q4,14 top line grew by 32% (YoY) while on a full year basis top line grew by 18%. We have incorporated FY 16 estimates and change our target price from Rs. 548 to Rs. 715.

Observations:

~ Atul Posted double digit growth of 32% in Q4,14 YoY on a consolidated level mainly because of lower base of Q4,13.

~ EBIDTA margin continue expanded from 12.3% to 14.8% in Q4,14 because of high absorption of fixed component.

~ Both segment life science and Performance chemical performed well grew by 6% and 43% respectively. EBIDTA also grew by 40% in Q4,14.

~ Company has indicated that Capex for FY 15 will be around Rs. 1000 million and focus on improvement in margin and working capital.

~ China is imposing strict regulation for chemical companies so as to protect environment and which is providing benefit not only atul but also entire chemical industries.

~ Later or sooner Indian government will also impose restriction to protect environment. Company has taken measure to make it zero discharge units.

~ International business contributes approx. 50% of total revenue which is actually helping company to reduce dependence on domestic growth.

Figures are in Rs. Cr.

Quarter Result	201403	201303	% Change	201312	% Change
Net Sales	648.07	491	32%	575.77	13%
Other Operating Income	19.92	11.99	66%	16.22	23%
Other Income	0.34	5.13	-93%	19.87	-98%
Total Income	668.33	508.12	32%	611.86	9%
Total Expenditure	568.05	455.86	25%	505.47	12%
PBIDT	100.28	52.26	92%	106.39	-6%
Interest	9.25	7.36	26%	7.38	25%
PBDT	91.03	44.9	103%	99.01	-8%
Depreciation	17.3	13.02	33%	11.94	45%
Tax	23.07	6	285%	15	54%
Deferred Tax	-0.9	4.44	-120%	6.83	-113%
Reported Profit After Tax	51.56	21.44	140%	65.24	-21%
Reference Items					
EBIDTA Margin %	15.0%	10.3%	472	17.4%	-240
PAT Margin %	7.7%	4.2%	350	10.7%	-300

Result Update Q4, FY 14

Target – Rs. 715

Figures are in Rs. Cr.

Income Statement	FY 12a	FY 13a	FY 14a	FY 15e	FY 16e
Net Revenue	1,792.4	2,042.9	2,457.8	2,797.9	3,189.7
EBIDTA	205.0	252.5	363.7	414.1	472.0
EBIDTA Margin %	11.4%	12.4%	14.8%	14.8%	14.8%
Depreciation	44.02	51.37	58.26	68.10	78.34
EBIT	161.0	201.1	305.5	346.0	393.7
Interest	43.31	34.88	33.44	30.23	30
EBT	117.7	166.2	272.0	315.7	363.7
Other Income	12.4	20.2	36.3	23.0	26.5
EBT	130.1	186.4	308.3	338.7	390.2
Tax	39.5	66.5	88.4	97.0	111.7
MI & Associates	-4.4	-8.2	-0.3	-0.3	-0.3
PAT	90.6	119.9	220.0	241.7	278.4

We increased our target price from Rs. 548 to Rs. 715 based on FY 16e earning. We continue to value the company based on DCF valuation and increased our target price from Rs. 548 to Rs. 715 based on improvement in ROIC (Post tax) and improvement in margins profile of company. At CMP stock is quoting at EV/EBIDTA of 4.95x and 4.34x for FY 15e and FY 16e.

Atul

5 May 2014

CMP- Rs. 590

Result Update Q4, FY 14

Target – Rs. 715

ANANDRATHI

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