

## India

**Underweight** (no change)

**Highlighted Companies**
**Anupam Rasayan India Ltd**
**REDUCE, TP Rs381, Rs749 close**

We are negative on Anupam Rasayan due to stagnating sales in key products, unsustainable margins in certain products and low return ratios.

**Gujarat Fluorochemicals Ltd**
**HOLD, TP Rs1622, Rs1675 close**

We don't see further upside and downgrade the stock to HOLD.

**Laxmi Organic Industries Ltd**
**REDUCE, TP Rs155, Rs370 close**

We think acetyls and specialty intermediates will remain Laxmi Organic's mainstay in the medium term. Fluorochemicals are, at best, an option value.

**Summary Valuation Metrics**

P/E (x)	Mar21-F	Mar22-F	Mar23-F
Anupam Rasayan India Ltd	94.86	51.97	42.14
Gujarat Fluorochemicals Ltd	-83.07	39.52	33.64
Laxmi Organic Industries Ltd	76.83	46.24	47.87
P/BV (x)	Mar21-F	Mar22-F	Mar23-F
Anupam Rasayan India Ltd	4.76	3.99	3.66
Gujarat Fluorochemicals Ltd	5.27	4.37	3.86
Laxmi Organic Industries Ltd	9.44	7.77	6.69
Dividend Yield	Mar21-F	Mar22-F	Mar23-F
Anupam Rasayan India Ltd	0%	0%	0%
Gujarat Fluorochemicals Ltd	0%	0%	0%
Laxmi Organic Industries Ltd	0.14%	0%	0%

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# Chemicals - Overall

## Q1FY22 – It's all about inventory gains!

- In this note, we analyze the results of 13 chemical companies. For most companies, their Q1 performance was led by inventory gains.
- We downgrade Vinati Organics, SRF, and Gujarat Fluorochemicals to HOLD. Deepak Nitrite, Laxmi Organics, India Pesticides, Heranba Industries, Aarti Industries, Atul Limited, and Anupam Rasayan remain REDUCE.
- Our ADD is Camlin Fine Sciences. Navin Fluorine remains HOLD and Clean Sciences is still UNRATED.

### Q1FY22 performance mainly led by inventory gains

Inventory gains masked the bad performance of many chemical companies during this quarter. Inventory gains as a percentage of Q1FY22 EBITDA was 26% for Laxmi Organics, 61% for Heranba, 21% for Deepak Nitrite, 27% for Atul Limited, 36% for Aarti Industries, 18% for Clean Sciences, 21% for India Pesticides, 116% for Anupam Rasayan, 3% for Vinati Organics, 52% for Camlin Fine Sciences, and 13% for Navin Fluorine. SRF and Gujarat Fluorochemicals were the only companies in our chemicals coverage universe who booked inventory losses that stood at 1% and 11%, respectively, of reported EBITDA. While logically one should not be EBITDA-driven by inventory gains or losses, the Bull market has its own logic. It will be interesting to point out that in the last Bull market (2003-08), at Suzlon Energy conference calls, the company would often highlight "XX MW shipment was in transit hence we could not book revenue, adjusted for that profit is YY." We advise investors to look at operational EBITDA rather than artificial numbers thrown in by inventory repricing. We believe the chemical cycle is at its peak, but even if you disagree then also look at recurring numbers. We downgrade SRF, Vinati Organics and Gujarat Fluorochemicals to HOLD. Laxmi Organics, Heranba Industries, Deepak Nitrite, Atul Limited, Aarti Industries, India Pesticides, and Anupam Rasayan remain REDUCE.

### Most of the tailwinds will turn into headwinds in coming quarters

Deepak Nitrite did well last year because of Covid-led higher acetone prices, but with the fall in acetone prices by 35% QoQ those gains are over. As highlighted earlier, Heranba's one-off gains in China are coming to an end. Stagnating sales of Prosulfo carb is a major headwind for India Pesticides. Ethyl acetate spreads are coming down, which is a negative for Laxmi Organics. Atul and Aarti Industries are witnessing multiple product spreads under pressure (covered in detail in last report). Navin Fluorine is still doing very well and is becoming more of a high-end API as well as agrochemical intermediary supplier. Gujarat Fluorochemicals and Vinati Organics will continue do well, but their high valuation leaves nothing on the table. SRF's caprolactam prices-led gains will reverse in coming quarters, but it appears the stock is building that in perpetuity, and hence we downgrade it to HOLD. We had highlighted the lack of product pipeline issue in case of Anupam Rasayan in our initiation note and the same is coming to the fore, Maintain REDUCE on it. Camlin Fine Sciences remains an ADD for us as we believe the effects of backward integration will start showing from coming quarters. Clean Sciences remains an UNRATED stock.

**Figure 1: We downgrade SRF, Vinati Organics and Gujarat Fluorochemicals to HOLD**

	Old Rating	New Rating	Old TP	New TP	EPS change		
					FY22F	FY23F	FY24F
Laxmi Organics	REDUCE	REDUCE	110	155	67.0%	47.3%	44.1%
Heranba Industries	REDUCE	REDUCE	457	436	9.8%	-2.5%	-3.6%
Deepak Nitrite	REDUCE	REDUCE	1680	1745	9.4%	12.6%	10.3%
Atul Limited	REDUCE	REDUCE	6370	6370	0.0%	0.0%	0.0%
Aarti Industries	REDUCE	REDUCE	544	625	7.0%	6.6%	3.5%
Clean Sciences	NOT RATED	NOT RATED	NA	NA			
India Pesticides	REDUCE	REDUCE	287	287	0.0%	0.0%	0.0%
Anupam Rasayan	REDUCE	REDUCE	379	381	-15.3%	-12.5%	0.0%
Vinati Organics	ADD	HOLD	1603	1798	3.3%	4.1%	0.0%
Gujarat Fluorochemicals	ADD	HOLD	904	1622	12.0%	10.0%	9.0%
Camlin Fine Sciences	ADD	ADD	225	225	0.0%	0.0%	0.0%
Navin Fluorine	HOLD	HOLD	2599	3476	17.0%	2.0%	0.0%
SRF	ADD	HOLD	6227	8481	1.9%	-2.0%	0.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Inventory gains galore

### Laxmi Organics

Market loves this stock and as it always happens, Bull market is all about P&L. More so, it's about PAT and adjusted PAT. Laxmi Organics' results for Q1FY22 were no different as it booked an inventory gain of Rs0.39 bn which elevated EBITDA, but it also means the analysis has become a bit easier. Now, one need not worry about any low-cost inventory in Laxmi's kitty for calculating Q2FY22 earnings.

### Q1FY22 numbers were a positive surprise, driven by inventory gains ➤

**Figure 2: Led by Rs0.39 bn inventory gains, Laxmi Organics reported Rs1.4 bn EBITDA - the highest in last four quarters**

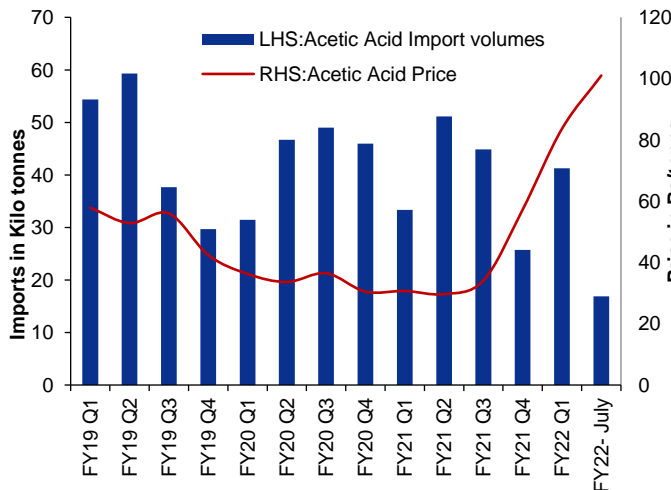
	Q4FY20	1QFY21	3QFY21	4QFY21	Q1FY22
<b>Net Revenue</b>	<b>3,865</b>	<b>4,036</b>	<b>4,355</b>	<b>5,195</b>	<b>7,364</b>
<b>Expenses</b>					
Cost of Materials Consumed	1,834	1,732	2,001	2,573	3,782
Purchase of Stock in Trade	884	1,344	826	733	1,377
<b>Change in Inventories</b>	<b>22</b>	<b>-180</b>	<b>-133</b>	<b>6</b>	<b>-385</b>
<b>Total Cost of Goods Sold</b>	<b>2,741</b>	<b>2,897</b>	<b>2,694</b>	<b>3,312</b>	<b>4,774</b>
Employee Benefit Expenses	197	169	215	357	302
Other Expenses	731	551	770	890	835
<b>Total Expenses</b>	<b>3,669</b>	<b>3,617</b>	<b>3,679</b>	<b>4,559</b>	<b>5,911</b>
<b>EBITDA</b>	<b>196</b>	<b>420</b>	<b>677</b>	<b>637</b>	<b>1,453</b>
Depreciation	134	112	122	116	109
EBIT	62	308	554	521	1,344
Other Income	14	5	19	17	43
Interest Expense	42	38	39	51	28
Exceptional Items	6				
<b>Profit Before Tax</b>	<b>40</b>	<b>275</b>	<b>535</b>	<b>487</b>	<b>1,359</b>
Current Tax	-17	52	75	85	287
Deferred Tax	-42	9	8	39	49
Other Tax Expenses	-3				
<b>Total Tax Expenses</b>	<b>-62</b>	<b>61</b>	<b>83</b>	<b>124</b>	<b>335</b>
<b>Profit After Tax</b>	<b>102</b>	<b>214</b>	<b>452</b>	<b>364</b>	<b>1,023</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

### The reasons behind acetic acid inventory gains ➤

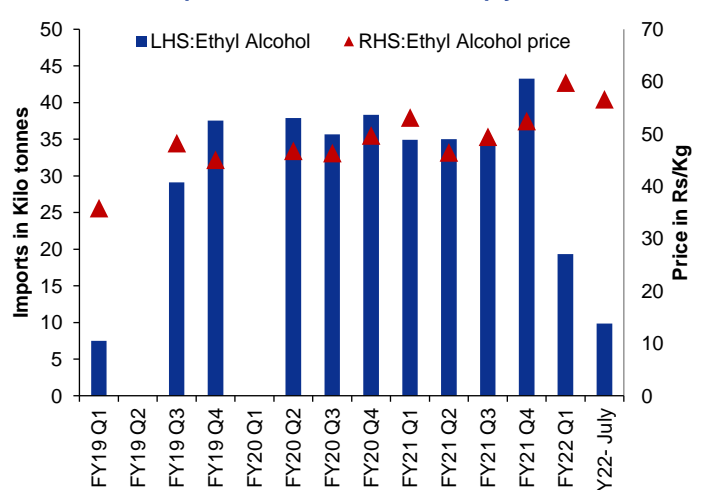
There was a rise in QoQ import of acetic acid, but sales volume of ethyl declined QoQ (as per our calculations). This would have led to higher acetic acid inventory accumulation. Acetic acid import prices have risen by ~Rs 18/kg. Our calculation indicates that the rise in acetic acid prices alone would lead to inventory gains of ~Rs4.9 bn. A part of acetic acid inventory gains would have got negated because of lower prices of ethyl alcohol.

**Figure 3: Laxmi imported a higher quantity (and higher prices) of acetic acid QoQ in Q1FY22**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

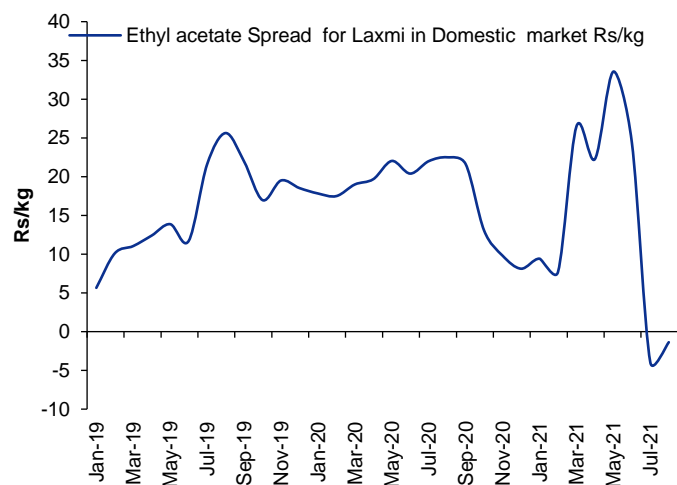
**Figure 4: Laxmi appears to have consumed low-cost ethyl alcohol as its imports have come down sharply**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

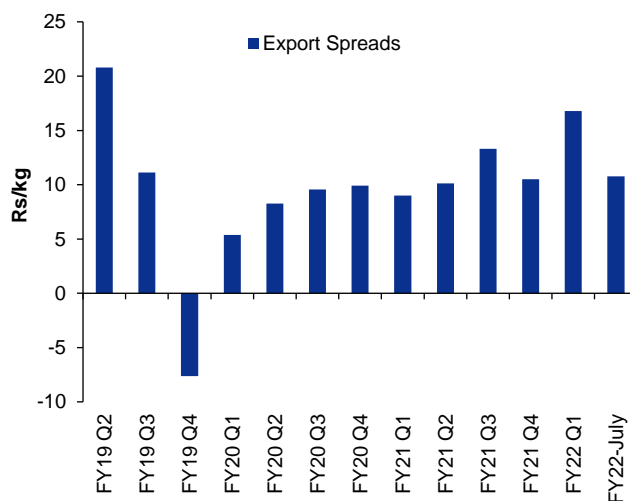
**Domestic as well as export spreads declined in Q2FY22 ➤**

**Figure 5: Rise in acetic acid import prices and the fall in ethyl acetate prices means that product spread has contracted sharply in domestic market**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

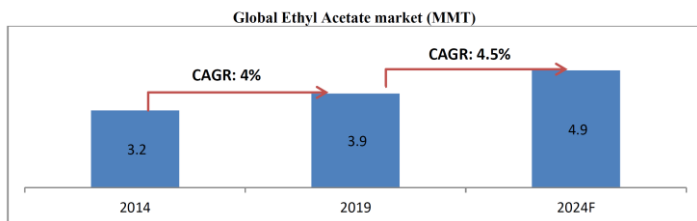
**Figure 6: Export spreads have also come down, but not as sharply as of domestic market**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

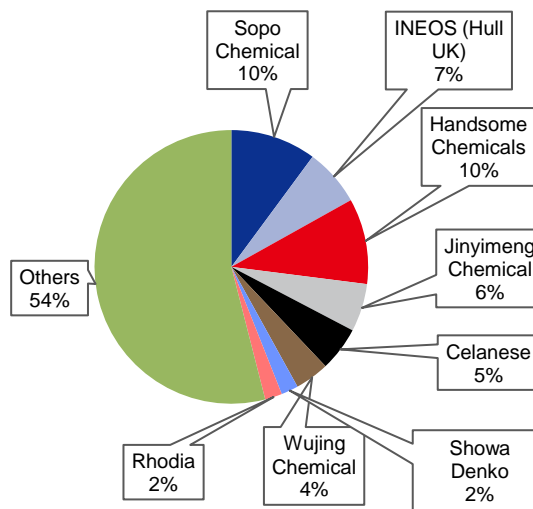
**Is there any structural demand driver in place for ethyl acetate? Nothing has changed its inventory stocking ➤**

**Figure 7: Global ethyl acetate demand is likely to post a 4.5% CAGR**



SOURCES: INCRED RESEARCH, LAXMI ORGANICS DRHP

**Figure 8: Demand was 3.9m tonne in FY20 against capacity of 4.9m tonne**



SOURCES: INCRED RESEARCH, LAXMI ORGANICS DRHP

The demand pattern has not changed in any manner. The distrust in supply chain is at its extreme, which is forcing the users to stock more and hence, there was a surge in spreads. In some time, normalcy may return.

**We are changing our EPS estimates and also changing TP to Rs155/share ➤**

**Figure 9: We change our EPS estimates to account for higher ethyl acetate spreads in Q1FY22**

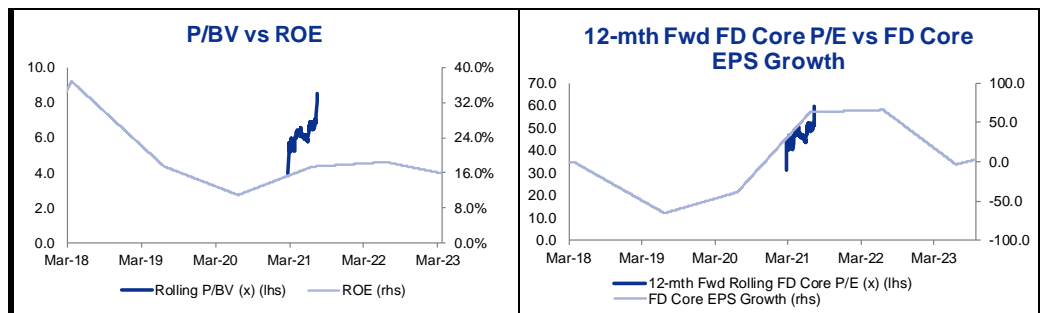
	Unit	Old	New
FY22F EPS estimates	Rs/ Share	4.79	8.01
FY23F EPS estimates	Rs/ Share	5.25	7.73
FY24F EPS estimates	Rs/ Share	6.46	9.32
FY22F EBITDA estimates	Rs million	2,156.67	3,277.87
FY23F EBITDA estimates	Rs million	2,318.26	3,167.43
FY24F EBITDA estimates	Rs million	2,985.83	3,771.42

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 10: We increase our TP to Rs155/share to account for the increase in our EPS estimates**

	Rs/ Share
FY23F EPS	7.7
FY24F EPS	9.3
August -23 EPS	7.8
PE (X)	20.0
Target Price (August 22)	155.2

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS (Laxmi Organic Industries Ltd)**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>15,341</b>	<b>17,684</b>	<b>22,990</b>	<b>24,599</b>	<b>27,674</b>
<b>Gross Profit</b>	<b>4,376</b>	<b>5,942</b>	<b>7,288</b>	<b>7,429</b>	<b>8,302</b>
<b>Operating EBITDA</b>	<b>1,135</b>	<b>2,167</b>	<b>3,278</b>	<b>3,167</b>	<b>3,771</b>
Depreciation And Amortisation	(489)	(465)	(586)	(601)	(681)
<b>Operating EBIT</b>	<b>647</b>	<b>1,702</b>	<b>2,691</b>	<b>2,566</b>	<b>3,090</b>
Financial Income/(Expense)	(140)	(164)	(20)	(20)	(20)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	45	46	151	180	214
<b>Profit Before Tax (pre-EI)</b>	<b>551</b>	<b>1,584</b>	<b>2,822</b>	<b>2,726</b>	<b>3,284</b>
Exceptional Items	257				
<b>Pre-tax Profit</b>	<b>808</b>	<b>1,584</b>	<b>2,822</b>	<b>2,726</b>	<b>3,284</b>
Taxation	(106)	(313)	(711)	(687)	(828)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>702</b>	<b>1,271</b>	<b>2,111</b>	<b>2,039</b>	<b>2,457</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>702</b>	<b>1,271</b>	<b>2,111</b>	<b>2,039</b>	<b>2,457</b>
Recurring Net Profit	479	1,271	2,111	2,039	2,457
<b>Fully Diluted Recurring Net Profit</b>	<b>479</b>	<b>1,271</b>	<b>2,111</b>	<b>2,039</b>	<b>2,457</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>1,135</b>	<b>2,167</b>	<b>3,278</b>	<b>3,167</b>	<b>3,771</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,006	(707)	(922)	(676)	(1,004)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(55)	(1)	(151)	(180)	(214)
Other Operating Cashflow	169	191	151	180	214
Net Interest (Paid)/Received	(140)	(164)	(20)	(20)	(20)
Tax Paid	(155)	(261)	(711)	(687)	(828)
<b>Cashflow From Operations</b>	<b>1,960</b>	<b>1,225</b>	<b>1,625</b>	<b>1,784</b>	<b>1,919</b>
Capex	(771)	(1,151)	(1,500)	(1,000)	(1,000)
Disposals Of FAs/subsidiaries	2				
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	211	(5,283)	151	180	214
<b>Cash Flow from Investing</b>	<b>(558)</b>	<b>(6,434)</b>	<b>(1,349)</b>	<b>(820)</b>	<b>(786)</b>
Debt Raised/(repaid)	(171)	681	(569)		
Proceeds From Issue of Shares	(821)	5,000			
Shares Repurchased					
Dividends Paid	(21)	(24)			
Preferred Dividends					
Other Financing Cashflow	(224)	(384)			
<b>Cash Flow from Financing</b>	<b>(1,238)</b>	<b>5,273</b>	<b>(569)</b>		
Total Cash Generated	165	64	(293)	964	1,133
<b>Free Cashflow to Equity</b>	<b>1,231</b>	<b>(4,528)</b>	<b>(293)</b>	<b>964</b>	<b>1,133</b>
<b>Free Cashflow to Firm</b>	<b>1,543</b>	<b>(5,045)</b>	<b>296</b>	<b>984</b>	<b>1,153</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	447	5,275	5,036	6,000	7,133
Total Debtors	3,594	4,344	5,816	6,410	7,428
Inventories	1,519	2,033	2,907	3,422	4,234
Total Other Current Assets	910	1,399	1,399	1,399	1,399
<b>Total Current Assets</b>	<b>6,469</b>	<b>13,050</b>	<b>15,158</b>	<b>17,230</b>	<b>20,194</b>
Fixed Assets	3,938	4,642	5,555	5,954	6,273
Total Investments		13			
Intangible Assets	114	88	114	114	114
Total Other Non-Current Assets	186	581	594	594	594
<b>Total Non-current Assets</b>	<b>4,237</b>	<b>5,323</b>	<b>6,263</b>	<b>6,661</b>	<b>6,980</b>
Short-term Debt	336	807	336	336	336
Current Portion of Long-Term Debt					
Total Creditors	4,116	4,750	6,174	6,607	7,433
Other Current Liabilities	834	2,118	2,118	2,118	2,118
<b>Total Current Liabilities</b>	<b>5,287</b>	<b>7,674</b>	<b>8,629</b>	<b>9,061</b>	<b>9,887</b>
Total Long-term Debt	902	99			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	84	58	58	58	58
<b>Total Non-current Liabilities</b>	<b>985</b>	<b>156</b>	<b>58</b>	<b>58</b>	<b>58</b>
Total Provisions	161	192	168	168	168
<b>Total Liabilities</b>	<b>6,433</b>	<b>8,022</b>	<b>8,854</b>	<b>9,287</b>	<b>10,112</b>
Shareholders' Equity	4,269	10,346	12,562	14,601	17,058
Minority Interests	4	5	4	4	4
<b>Total Equity</b>	<b>4,273</b>	<b>10,350</b>	<b>12,566</b>	<b>14,605</b>	<b>17,062</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	(2.2%)	15.3%	30.0%	7.0%	12.5%
Operating EBITDA Growth	(25.9%)	90.9%	51.3%	(3.4%)	19.1%
Operating EBITDA Margin	7.4%	12.3%	14.3%	12.9%	13.6%
Net Cash Per Share (Rs)	(3.51)	16.57	17.82	21.48	25.78
BVPS (Rs)	18.97	39.23	47.64	55.37	64.69
Gross Interest Cover	4.61	10.38	134.57	128.31	154.51
Effective Tax Rate	13.1%	19.8%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio		10.4%			
Accounts Receivables Days	81.55	81.91	80.65	90.71	91.26
Inventory Days	53.70	55.20	57.42	67.27	72.13
Accounts Payables Days	121.02	137.79	126.97	135.85	132.26
ROIC (%)	9.8%	25.7%	32.4%	23.7%	25.2%
ROCE (%)	11.0%	20.0%	22.0%	18.3%	19.0%
Return On Average Assets	5.4%	9.6%	10.7%	9.1%	9.7%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

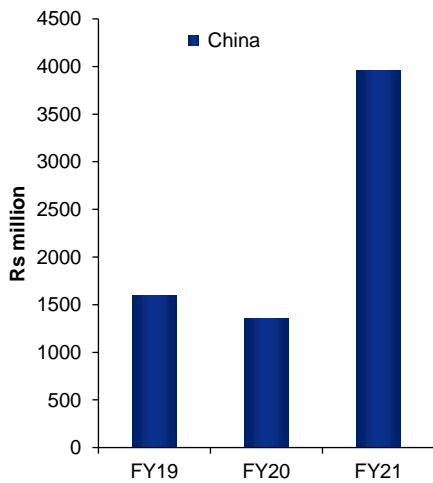
## Heranba Industries- Inventory gains give false hopes

**The key for Heranba’s good performance in FY21 was rising exports to China, which are trending downwards in FY22 ➤**

The export data analysis (Source: Corpiness Global Private Limited, an export data provider) reveals that a major portion of the increase in revenues will be driven by increased exports to China. Chinese farmers had a bad experience with armyworm attack last year and hence, as a natural tendency, they are stocking up material before the current rainy season. The link to the news is given here: (<https://www.reuters.com/article/us-crops-armyworm-china-idUSKBN25H14F>).

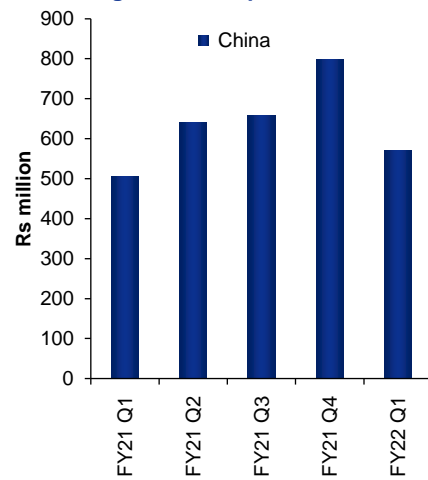
After the stocking is over, the prices of pyrethroids, particularly deltamethrin, will trend downwards. Cost increase appears to be resilient and given the global hesitancy in using pyrethroids, Heranba can face revenue headwinds as well in coming quarters.

**Figure 11: FY21 was an extraordinarily good year for Heranba vis-à-vis exports to China**



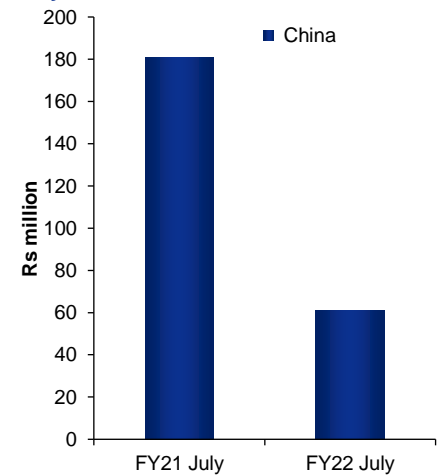
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 12: Growth trajectory kept increasing in all four quarters of FY21**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

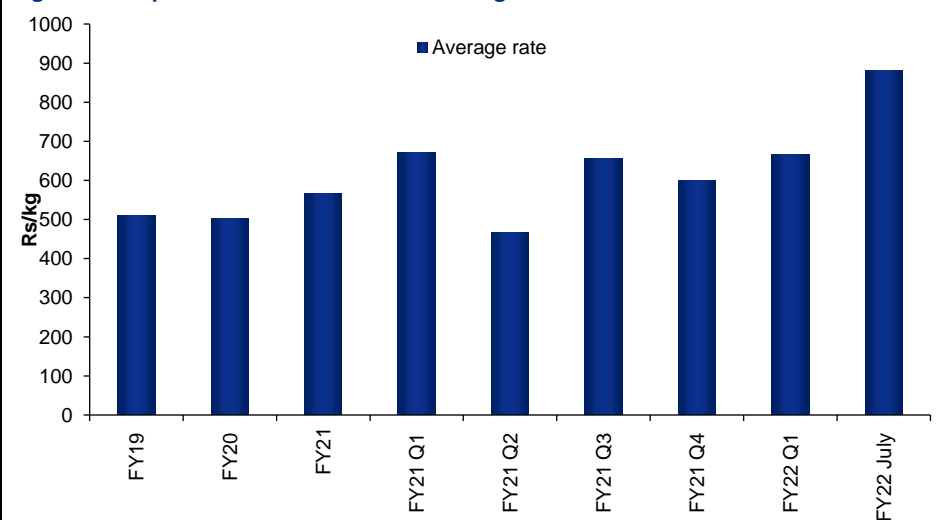
**Figure 13: However, after the decline in Q1, exports have also sharply declined in July FY22**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

## Raw material prices are rising which shows in rising cost of imports ➤

**Figure 14: Imported raw material cost is rising**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

## Inventory gains of Rs0.4 bn inflated Heranba's PAT in Q1FY22 ➤

**Figure 15: Inventory gains of Rs0.4 bn happened because of the steep rise in raw material prices as well as a moderate rise in product prices**

	Q4FY20	1QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	<b>2,137</b>	<b>2,692</b>	<b>3,325</b>	<b>2,678</b>	<b>3,514</b>
<b>Expenses</b>					
Cost of Materials Consumed	1,356	1,845	1,677	1,589	2,696
Purchase of Stock in Trade	97	138	2		
<b>Change in Inventories</b>	<b>-31</b>	<b>-142</b>	<b>330</b>	<b>3</b>	<b>-393</b>
<b>Total Cost of Goods Sold</b>	<b>1,422</b>	<b>1,842</b>	<b>2,009</b>	<b>1,591</b>	<b>2,303</b>
Employee Benefit Expenses	121	117	173	120	138
Other Expenses	340	298	499	390	424
<b>Total Expenses</b>	<b>1,882</b>	<b>2,257</b>	<b>2,681</b>	<b>2,101</b>	<b>2,866</b>
<b>EBITDA</b>	<b>255</b>	<b>435</b>	<b>644</b>	<b>577</b>	<b>648</b>
Depreciation	26	33	38	43	36
EBIT	229	401	606	534	613
Other Income	158	1	8	53	43
Interest Expense	28	14	9	10	12
Exceptional Items					
<b>Profit Before Tax</b>	<b>359</b>	<b>388</b>	<b>604</b>	<b>578</b>	<b>643</b>
Current Tax	106	101	181	152	176
Deferred Tax	-9	2	-24	-7	-7
Other Tax Expenses				1	0
<b>Total Tax Expenses</b>	<b>96</b>	<b>102</b>	<b>157</b>	<b>146</b>	<b>169</b>
<b>Profit After Tax</b>	<b>263</b>	<b>286</b>	<b>447</b>	<b>432</b>	<b>474</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## We tweak our numbers a bit for Heranba ➤

**Figure 16: We are increasing FY22F EPS estimates, but cut FY23F estimates and introduce FY24F estimates**

	FY22F	FY23F	FY24F
Revenue			
- Old	12,499.74	13,732.74	15,089.05
- New	13,039.52	13,732.74	15,089.05
EBITDA			
- Old	1,603.54	1,645.07	1,673.71
- New	1,798.26	1,651.31	1,666.81
EPS			
- Old	29.34	29.83	30.09
- New	32.22	29.09	29.01

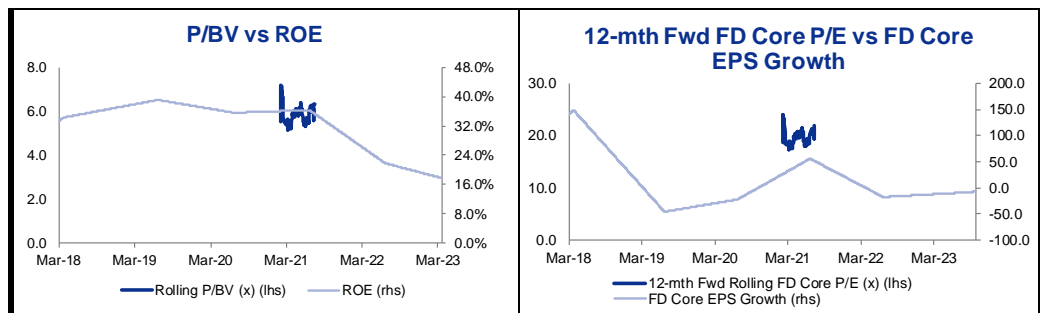
SOURCES: COMPANY REPORTS, INCRED RESEARCH

## We roll over our TP to FY24F, Retain REDUCE ➤

**Figure 17: We maintain Sell with a changed TP of Rs436/share**

<b>FY23F EPS</b>	<b>29.1</b>
FY24F EPS	29.0
August -23F EPS	29.1
Multiple (X)	15.0
Target Price (August -22 TP)	436

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS (Heranba Industries Ltd)**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>9,514</b>	<b>12,186</b>	<b>13,040</b>	<b>13,733</b>	<b>15,089</b>
<b>Gross Profit</b>	<b>3,139</b>	<b>4,391</b>	<b>4,303</b>	<b>4,532</b>	<b>4,979</b>
<b>Operating EBITDA</b>	<b>1,293</b>	<b>2,213</b>	<b>1,798</b>	<b>1,651</b>	<b>1,667</b>
Depreciation And Amortisation	(82)	(147)	(152)	(172)	(192)
<b>Operating EBIT</b>	<b>1,211</b>	<b>2,067</b>	<b>1,646</b>	<b>1,479</b>	<b>1,475</b>
Financial Income/(Expense)	(88)	(54)	(88)	(88)	(88)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	165	70	165	165	165
<b>Profit Before Tax (pre-EI)</b>	<b>1,288</b>	<b>2,083</b>	<b>1,723</b>	<b>1,556</b>	<b>1,552</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,288</b>	<b>2,083</b>	<b>1,723</b>	<b>1,556</b>	<b>1,552</b>
Taxation	(311)	(541)	(434)	(392)	(391)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>977</b>	<b>1,542</b>	<b>1,289</b>	<b>1,164</b>	<b>1,161</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>977</b>	<b>1,542</b>	<b>1,289</b>	<b>1,164</b>	<b>1,161</b>
Recurring Net Profit	977	1,542	1,289	1,164	1,161
<b>Fully Diluted Recurring Net Profit</b>	<b>977</b>	<b>1,542</b>	<b>1,289</b>	<b>1,164</b>	<b>1,161</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>1,293</b>	<b>2,213</b>	<b>1,798</b>	<b>1,651</b>	<b>1,667</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(513)	(1,212)	(29)	(445)	(477)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(5)	49			
Other Operating Cashflow	165	70	77	77	77
Net Interest (Paid)/Received					
Tax Paid	(399)	(517)	(434)	(392)	(391)
<b>Cashflow From Operations</b>	<b>542</b>	<b>604</b>	<b>1,412</b>	<b>892</b>	<b>876</b>
Capex	(398)	(240)	(354)	(300)	(300)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(122)	(167)			
<b>Cash Flow from Investing</b>	<b>(520)</b>	<b>(407)</b>	<b>(354)</b>	<b>(300)</b>	<b>(300)</b>
Debt Raised/(repaid)	(68)	129			
Proceeds From Issue of Shares		600			
Shares Repurchased					
Dividends Paid	(47)	(59)	(28)	(25)	(25)
Preferred Dividends					
Other Financing Cashflow	(84)	(51)			
<b>Cash Flow from Financing</b>	<b>(199)</b>	<b>619</b>	<b>(28)</b>	<b>(25)</b>	<b>(25)</b>
Total Cash Generated	(178)	816	1,030	566	551
<b>Free Cashflow to Equity</b>	<b>(46)</b>	<b>326</b>	<b>1,058</b>	<b>592</b>	<b>576</b>
<b>Free Cashflow to Firm</b>	<b>22</b>	<b>197</b>	<b>1,058</b>	<b>592</b>	<b>576</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS



## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash and Equivalents	32	848	2,032	2,572	3,077
Total Debtors	2,585	3,418	3,642	4,006	4,407
Inventories	1,455	1,660	2,199	2,432	2,805
Total Other Current Assets	641	627	641	641	641
<b>Total Current Assets</b>	<b>4,713</b>	<b>6,552</b>	<b>8,514</b>	<b>9,651</b>	<b>10,930</b>
Fixed Assets	1,332	1,431	1,639	1,792	1,945
Total Investments	37	101	37	37	37
Intangible Assets					
Total Other Non-Current Assets	165	349	165	165	165
<b>Total Non-current Assets</b>	<b>1,534</b>	<b>1,881</b>	<b>1,841</b>	<b>1,994</b>	<b>2,147</b>
Short-term Debt	431	503	431	431	431
Current Portion of Long-Term Debt					
Total Creditors	2,125	1,956	2,898	3,050	3,347
Other Current Liabilities	400	593	400	400	400
<b>Total Current Liabilities</b>	<b>2,955</b>	<b>3,051</b>	<b>3,728</b>	<b>3,880</b>	<b>4,177</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	61	78	61	61	61
<b>Total Non-current Liabilities</b>	<b>61</b>	<b>78</b>	<b>61</b>	<b>61</b>	<b>61</b>
Total Provisions	23	22	23	23	23
<b>Total Liabilities</b>	<b>3,039</b>	<b>3,152</b>	<b>3,812</b>	<b>3,964</b>	<b>4,261</b>
Shareholders' Equity	3,208	5,281	6,542	7,681	8,816
Minority Interests					
<b>Total Equity</b>	<b>3,208</b>	<b>5,281</b>	<b>6,542</b>	<b>7,681</b>	<b>8,816</b>

<b>Key Ratios</b>					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(5.3%)	28.1%	7.0%	5.3%	9.9%
Operating EBITDA Growth	(1.6%)	71.1%	(18.8%)	(8.2%)	0.9%
Operating EBITDA Margin	13.6%	18.2%	13.8%	12.0%	11.0%
Net Cash Per Share (Rs)	(10.21)	8.62	40.01	53.51	66.13
BVPS (Rs)	82.15	131.99	163.51	191.96	220.34
Gross Interest Cover	13.71	38.29	18.63	16.74	16.69
Effective Tax Rate	24.1%	26.0%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	40.0%	18.2%	1.8%	1.8%	1.8%
Accounts Receivables Days	98.17	89.89	98.80	101.64	101.75
Inventory Days	74.27	72.93	80.61	91.84	94.54
Accounts Payables Days	128.17	95.53	101.38	117.96	115.47
ROIC (%)	45.3%	56.6%	33.4%	29.7%	26.4%
ROCE (%)	37.4%	43.8%	25.8%	19.6%	17.0%
Return On Average Assets	18.0%	21.7%	14.7%	11.4%	10.1%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Deepak Nitrite - Phenol story is coming to an end

### 5 major chemicals form 2/3<sup>rd</sup> of sales; faces margin pressure ➤

Phenol, acetone, methoxylamine hydrochloride, 3- trifluoro methyl acetophenone and isopropyl alcohol (IPA) are Deepak Nitrite's major chemicals. Phenol and acetone are produced in a single chemical reaction, and so phenol spreads are calculated by adding acetone credits. Isopropyl alcohol is manufactured with acetone, which is used to make sanitisers/disinfectants. These five chemicals contribute roughly two-thirds to Deepak Nitrite's sales.

### EBITDA maintained at Q4FY21 level because of inventory gains in Q1FY22 ➤

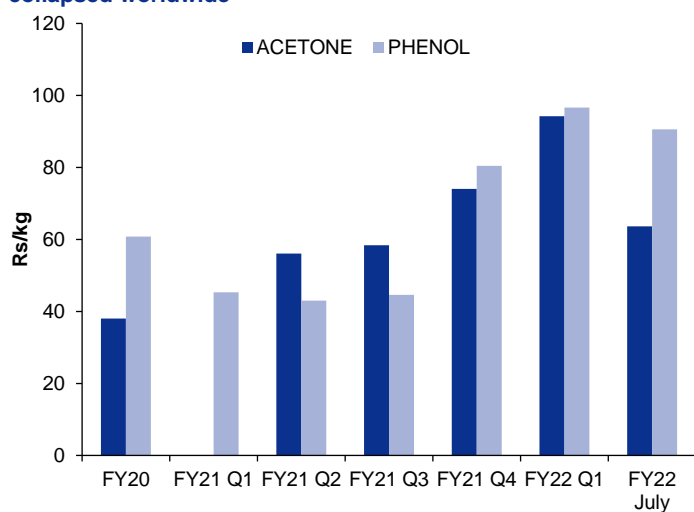
**Figure 18: Nearly Rs1 bn inventory gains hid the stress in business because of declining gross margin**

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	10,510	10,033	11,199	10,555	6,745	9,873	12,347	14,632	15,262
<b>Expenses</b>									
Cost of Materials Consumed	5,962	5,402	6,318	5,797	3,185	5,306	6,281	7,971	9,155
Purchase of Stock in Trade	0	0	0	0	0	0	0	0	0
<b>Change in Inventories</b>	-101	-51	174	235	153	-437	483	-300	-959
<b>Total Cost of Goods Sold</b>	<b>5,861</b>	<b>5,351</b>	<b>6,491</b>	<b>6,032</b>	<b>3,338</b>	<b>4,870</b>	<b>6,763</b>	<b>7,672</b>	<b>8,197</b>
Employee Benefit Expenses	552	519	567	547	618	602	669	582	690
Power & Fuel	766	775	678	634	422	670	728	828	890
Other Expenses	794	883	880	722	550	973	837	1,004	971
<b>Total Expenses</b>	<b>7,972</b>	<b>7,529</b>	<b>8,616</b>	<b>7,935</b>	<b>4,929</b>	<b>7,114</b>	<b>8,997</b>	<b>10,086</b>	<b>10,747</b>
<b>EBITDA</b>	<b>2,538</b>	<b>2,505</b>	<b>2,583</b>	<b>2,621</b>	<b>1,816</b>	<b>2,760</b>	<b>3,350</b>	<b>4,547</b>	<b>4,515</b>
Depreciation	332	351	351	362	310	312	339	565	436
EBIT	2,206	2,153	2,231	2,259	1,506	2,447	3,011	3,982	4,079
Other Income	116	79	147	22	68	37	49	59	83
Interest Expense	310	298	270	272	247	196	157	142	109
Exceptional Items	0	0	0	0	0	0	0	0	0
<b>Profit Before Tax</b>	<b>2,012</b>	<b>1,934</b>	<b>2,109</b>	<b>2,009</b>	<b>1,326</b>	<b>2,288</b>	<b>2,903</b>	<b>3,899</b>	<b>4,053</b>
Current Tax	619	285	507	510	266	491	636	1,003	998
Deferred Tax	77	145	35	-225	71	96	101	-5	29
Other Tax Expenses									
<b>Total Tax Expenses</b>	<b>696</b>	<b>430</b>	<b>542</b>	<b>286</b>	<b>337</b>	<b>587</b>	<b>737</b>	<b>998</b>	<b>1,026</b>
<b>Profit After Tax</b>	<b>1,316</b>	<b>1,504</b>	<b>1,567</b>	<b>1,723</b>	<b>990</b>	<b>1,702</b>	<b>2,166</b>	<b>2,901</b>	<b>3,026</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

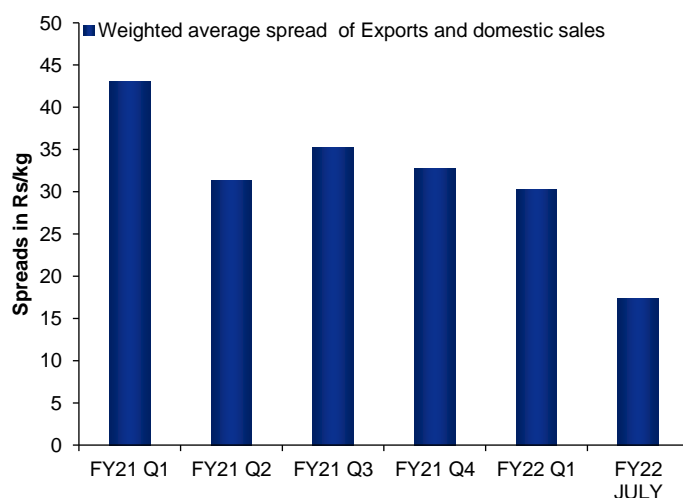
### Export/domestic prices of acetone collapsed in July-21, leading to a decline in overall spreads for Deepak Nitrite ➤

**Figure 19: With the Covid wave receding, acetone prices have collapsed worldwide**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

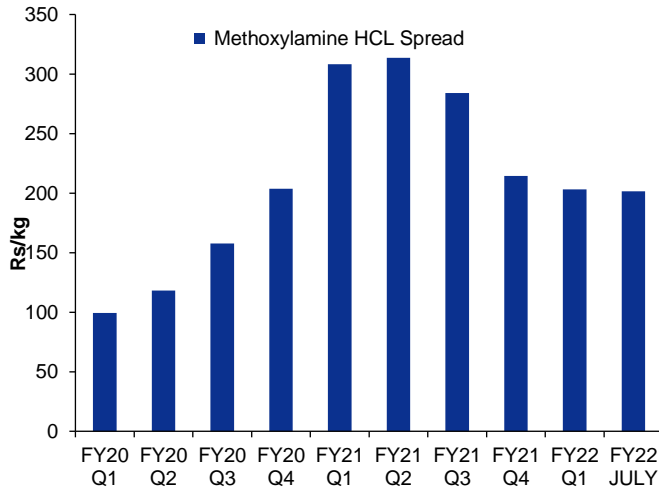
**Figure 20: ...leading to a decline in phenol spreads**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

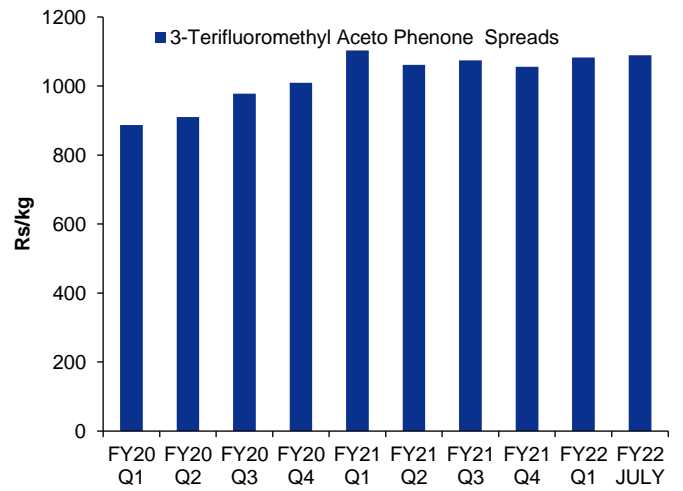
**Other two important materials are showing steady spreads ➤**

**Figure 21: Methoxylamine HCL spreads are steady at Q1FY22 level**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 22: Similarly, 3-Terifluoromethyl aceto phenone spreads are also steady**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**We revise our EPS estimates, Retain REDUCE ➤**

**Figure 23: To account for demonstrated higher capacity utilisation of phenol assets, we increase our EPS estimates**

	FY22F	FY23F	FY24F
<b>Revenue</b>			
-Old	46,376	50,118	54,230
-New	48,180	52,135	56,479
<b>EBITDA</b>			
-Old	12,679	12,868	14,115
-New	13,595	14,363	15,473
<b>PAT</b>			
-Old	8,001	8,150	9,061
-New	8,754	9,180	9,991
<b>EPS</b>			
-Old	59	60	66
-New	64	67	73

SOURCES: INCRED RESEARCH, COMPANY REPORTS

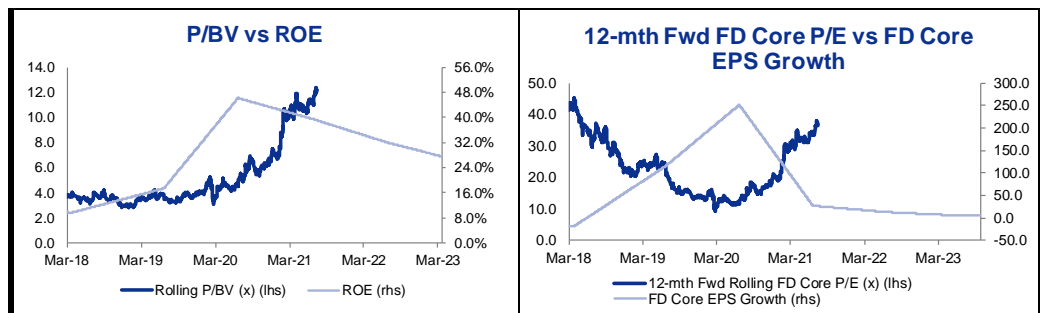
**We roll forward our TP to August-22, retain REDUCE ➤**

**Figure 24: Like earlier, we value Deepak Nitrite at 25X one-year forward EPS to arrive at August-2022 target price of Rs1,745**

<b>Valuation</b>	
FY23F EPS	67.30
FY24F EPS	73.25
August-23 EPS	69.78
PE multiple	25.00
Target price	1,745

SOURCES: COMPANY REPORTS, INCRED RESEARCH

## BY THE NUMBERS (Deepak Nitrite Ltd)



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>42,297</b>	<b>43,598</b>	<b>48,180</b>	<b>52,135</b>	<b>56,479</b>
<b>Gross Profit</b>	<b>18,562</b>	<b>20,955</b>	<b>22,885</b>	<b>24,243</b>	<b>25,980</b>
<b>Operating EBITDA</b>	<b>10,258</b>	<b>12,470</b>	<b>13,595</b>	<b>14,363</b>	<b>15,473</b>
Depreciation And Amortisation	(1,397)	(1,526)	(1,677)	(1,906)	(2,012)
<b>Operating EBIT</b>	<b>8,861</b>	<b>10,944</b>	<b>11,918</b>	<b>12,456</b>	<b>13,461</b>
Financial Income/(Expense)	(1,149)	(742)	(430)	(399)	(319)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	352	215	215	215	215
<b>Profit Before Tax (pre-EI)</b>	<b>8,064</b>	<b>10,417</b>	<b>11,703</b>	<b>12,273</b>	<b>13,357</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>8,064</b>	<b>10,417</b>	<b>11,703</b>	<b>12,273</b>	<b>13,357</b>
Taxation	(1,954)	(2,659)	(2,949)	(3,093)	(3,366)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6,110</b>	<b>7,758</b>	<b>8,754</b>	<b>9,180</b>	<b>9,991</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>6,110</b>	<b>7,758</b>	<b>8,754</b>	<b>9,180</b>	<b>9,991</b>
Recurring Net Profit	6,110	7,758	8,754	9,180	9,991
<b>Fully Diluted Recurring Net Profit</b>	<b>6,110</b>	<b>7,758</b>	<b>8,754</b>	<b>9,180</b>	<b>9,991</b>

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>10,258</b>	<b>12,470</b>	<b>13,595</b>	<b>14,363</b>	<b>15,473</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,112)	(441)	(1,368)	(689)	(757)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	133	111			
Other Operating Cashflow	1,501	957	430	399	319
Net Interest (Paid)/Received	(1,149)	(742)	(430)	(399)	(319)
Tax Paid	(1,985)	(2,365)	(2,949)	(3,093)	(3,366)
<b>Cashflow From Operations</b>	<b>7,647</b>	<b>9,990</b>	<b>9,278</b>	<b>10,581</b>	<b>11,350</b>
Capex	(4,174)	(2,096)	(4,655)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries	14	10			
Acq. Of Subsidiaries/investments	3	(1,854)			
Other Investing Cashflow	(123)	(21)			
<b>Cash Flow from Investing</b>	<b>(4,279)</b>	<b>(3,962)</b>	<b>(4,655)</b>	<b>(1,500)</b>	<b>(1,500)</b>
Debt Raised/(repaid)	(1,088)	(5,217)	213	(1,000)	(1,000)
Proceeds From Issue of Shares					
Shares Repurchased					
Dividends Paid	(1,060)	(4)	(800)	(800)	(800)
Preferred Dividends					
Other Financing Cashflow	(1,228)	(741)			
<b>Cash Flow from Financing</b>	<b>(3,376)</b>	<b>(5,961)</b>	<b>(587)</b>	<b>(1,800)</b>	<b>(1,800)</b>
Total Cash Generated	(8)	68	4,036	7,282	8,051
<b>Free Cashflow to Equity</b>	<b>2,280</b>	<b>812</b>	<b>4,836</b>	<b>8,082</b>	<b>8,851</b>
<b>Free Cashflow to Firm</b>	<b>4,516</b>	<b>6,771</b>	<b>5,053</b>	<b>9,480</b>	<b>10,169</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	314	2,202	5,162	12,259	20,206
Total Debtors	6,127	7,563	7,920	8,570	9,284
Inventories	3,945	3,827	4,620	4,999	5,416
Total Other Current Assets	1,177	930	930	930	930
<b>Total Current Assets</b>	<b>11,563</b>	<b>14,522</b>	<b>18,632</b>	<b>26,759</b>	<b>35,836</b>
Fixed Assets	20,043	20,842	23,983	23,577	23,065
Total Investments	24	25	25	25	25
Intangible Assets					
Total Other Non-Current Assets	457	214	214	214	214
<b>Total Non-current Assets</b>	<b>20,523</b>	<b>21,081</b>	<b>24,223</b>	<b>23,816</b>	<b>23,304</b>
Short-term Debt	2,484	31	2,484	2,484	2,484
Current Portion of Long-Term Debt					
Total Creditors	3,643	4,367	4,149	4,490	4,864
Other Current Liabilities	1,363	1,136	1,136	1,136	1,136
<b>Total Current Liabilities</b>	<b>7,490</b>	<b>5,535</b>	<b>7,770</b>	<b>8,110</b>	<b>8,485</b>
Total Long-term Debt	7,794	5,240	3,000	2,000	1,000
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	143	111	111	111	111
<b>Total Non-current Liabilities</b>	<b>7,937</b>	<b>5,352</b>	<b>3,111</b>	<b>2,111</b>	<b>1,111</b>
Total Provisions	940	1,250	968	968	968
<b>Total Liabilities</b>	<b>16,367</b>	<b>12,137</b>	<b>11,849</b>	<b>11,190</b>	<b>10,564</b>
Shareholders' Equity	15,719	23,467	31,005	39,385	48,577
Minority Interests					
<b>Total Equity</b>	<b>15,719</b>	<b>23,467</b>	<b>31,005</b>	<b>39,385</b>	<b>48,577</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	56.7%	3.1%	10.5%	8.2%	8.3%
Operating EBITDA Growth	147.8%	21.6%	9.0%	5.6%	7.7%
Operating EBITDA Margin	24.3%	28.6%	28.2%	27.5%	27.4%
Net Cash Per Share (Rs)	(73.05)	(22.50)	(2.36)	57.00	122.59
BVPS (Rs)	115.24	172.04	227.31	288.75	356.13
Gross Interest Cover	7.71	14.75	27.70	31.24	42.23
Effective Tax Rate	24.2%	25.5%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	12.1%	10.3%	9.1%	8.7%	8.0%
Accounts Receivables Days	51.25	57.31	58.65	57.72	57.69
Inventory Days	61.91	62.64	60.94	62.94	62.32
Accounts Payables Days	64.33	64.56	61.45	56.53	55.97
ROIC (%)	29.6%	30.6%	32.0%	28.8%	30.8%
ROCE (%)	35.8%	38.7%	35.5%	30.4%	27.6%
Return On Average Assets	22.8%	24.6%	23.1%	20.3%	18.6%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Atul Limited - Consensus earnings are at risk

Like many of its peers, almost 25% of EBITDA in Q1FY22 was because of inventory gains ➤

**Figure 25: Almost 25% of EBITDA was contributed by inventory gains**

Consolidated Quarterly	Q4FY20	Q1FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>9,655</b>	<b>6,606</b>	<b>9,529</b>	<b>11,159</b>	<b>10,802</b>
<b>Expenditure</b>	<b>7,774</b>	<b>5,019</b>	<b>7,099</b>	<b>8,616</b>	<b>8,441</b>
Raw Material Consumed	4,220	2,514	4,126	5,135	5,394
Purchases of Finished, Semi-Finished Steel	350	313	323	450	418
<b>(Increase)/Decrease in Stock in Trade</b>	<b>13</b>	<b>16</b>	<b>(195)</b>	<b>(316)</b>	<b>(629)</b>
<b>Gross margins</b>	<b>52.5%</b>	<b>57.0%</b>	<b>55.3%</b>	<b>52.8%</b>	<b>52.0%</b>
<b>RM cost as % of Sales</b>	<b>47.5%</b>	<b>43.0%</b>	<b>44.7%</b>	<b>47.2%</b>	<b>48.0%</b>
Employee Cost	785	740	794	802	796
Other Expenditure	2,406	1,436	2,051	2,545	2,462
<b>EBITDA</b>	<b>1,881</b>	<b>1,587</b>	<b>2,430</b>	<b>2,543</b>	<b>2,361</b>
<b>EBITDA margins</b>	<b>19.5%</b>	<b>24.0%</b>	<b>25.5%</b>	<b>22.8%</b>	<b>21.9%</b>
Other Income	356	406	373	186	296
<b>Operating Profit</b>	<b>2,236</b>	<b>1,993</b>	<b>2,802</b>	<b>2,730</b>	<b>2,657</b>
Depreciation	338	331	334	366	433
<b>EBIT</b>	<b>1,899</b>	<b>1,662</b>	<b>2,468</b>	<b>2,364</b>	<b>2,225</b>
Interest	24	27	22	24	21
<b>Profit Before Tax &amp; Exceptional Items</b>	<b>1,875</b>	<b>1,635</b>	<b>2,447</b>	<b>2,340</b>	<b>2,204</b>
Exceptional Items					
Profit Before Tax	1,875	1,635	2,447	2,340	2,204
<b>Tax Expense</b>	<b>460</b>	<b>459</b>	<b>567</b>	<b>595</b>	<b>572</b>
<b>Net Profit After Tax</b>	<b>1,415</b>	<b>1,177</b>	<b>1,879</b>	<b>1,746</b>	<b>1,632</b>

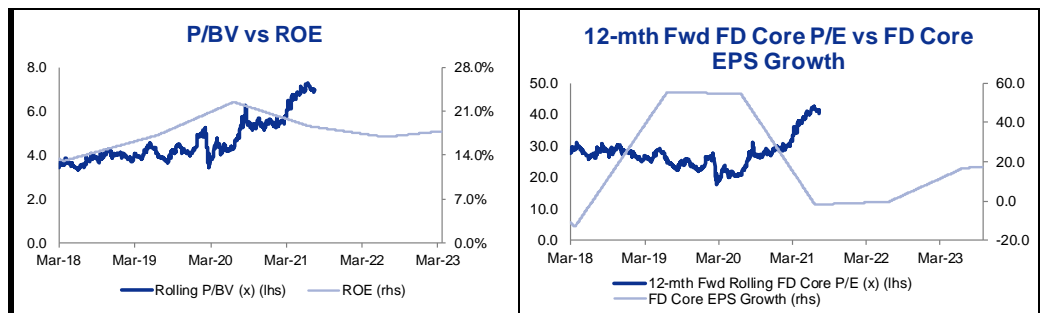
SOURCES: COMPANY REPORTS, INCRED RESEARCH

Going forward we expect margins to remain muted, consensus earnings remain at risk ➤

**Figure 26: Our EPS estimates are lower than consensus estimates for all years**

	FY22F	FY23F	FY24F
Revenue	45,524	50,987	57,105
EBITDA	10,069	11,556	13,431
EPS (INCRED)	219.1	256.0	306.5
EPS CONSENSUS	253.6	291.9	338.3

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS (Atul Ltd)**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>40,931</b>	<b>37,315</b>	<b>45,524</b>	<b>50,987</b>	<b>57,105</b>
<b>Gross Profit</b>	<b>21,230</b>	<b>20,363</b>	<b>22,762</b>	<b>25,748</b>	<b>29,124</b>
<b>Operating EBITDA</b>	<b>9,020</b>	<b>9,171</b>	<b>10,070</b>	<b>11,557</b>	<b>13,432</b>
Depreciation And Amortisation	(1,302)	(1,363)	(1,763)	(1,890)	(2,017)
<b>Operating EBIT</b>	<b>7,718</b>	<b>7,808</b>	<b>8,308</b>	<b>9,667</b>	<b>11,415</b>
Financial Income/(Expense)	(94)	(94)	(94)	(94)	(94)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	780	1,030	481	588	843
<b>Profit Before Tax (pre-EI)</b>	<b>8,404</b>	<b>8,744</b>	<b>8,695</b>	<b>10,160</b>	<b>12,163</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>8,404</b>	<b>8,744</b>	<b>8,695</b>	<b>10,160</b>	<b>12,163</b>
Taxation	(1,745)	(2,217)	(2,191)	(2,560)	(3,065)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6,659</b>	<b>6,528</b>	<b>6,504</b>	<b>7,600</b>	<b>9,098</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>6,659</b>	<b>6,528</b>	<b>6,504</b>	<b>7,600</b>	<b>9,098</b>
Recurring Net Profit	6,659	6,528	6,504	7,600	9,098
<b>Fully Diluted Recurring Net Profit</b>	<b>6,659</b>	<b>6,528</b>	<b>6,504</b>	<b>7,600</b>	<b>9,098</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>9,020</b>	<b>9,171</b>	<b>10,070</b>	<b>11,557</b>	<b>13,432</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,618	(245)	(2,012)	(1,159)	(1,298)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(486)	(826)			
Other Operating Cashflow	924	1,196	574	681	936
Net Interest (Paid)/Received	(94)	(94)	(94)	(94)	(94)
Tax Paid	(2,168)	(2,023)	(2,191)	(2,560)	(3,065)
<b>Cashflow From Operations</b>	<b>8,814</b>	<b>7,180</b>	<b>6,347</b>	<b>8,425</b>	<b>9,911</b>
Capex	(3,740)	(3,225)	(2,684)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries	6	10			
Acq. Of Subsidiaries/investments	(4,365)	(3,958)			
Other Investing Cashflow	243	709			
<b>Cash Flow from Investing</b>	<b>(7,857)</b>	<b>(6,464)</b>	<b>(2,684)</b>	<b>(1,500)</b>	<b>(1,500)</b>
Debt Raised/(repaid)	537	182			
Proceeds From Issue of Shares		(617)	1		
Shares Repurchased					
Dividends Paid	(1,504)		(936)	(1,094)	(1,310)
Preferred Dividends					
Other Financing Cashflow	(109)	(87)	(94)	(94)	(94)
<b>Cash Flow from Financing</b>	<b>(1,076)</b>	<b>(522)</b>	<b>(1,030)</b>	<b>(1,188)</b>	<b>(1,404)</b>
Total Cash Generated	(119)	194	2,633	5,737	7,007
<b>Free Cashflow to Equity</b>	<b>1,494</b>	<b>898</b>	<b>3,663</b>	<b>6,925</b>	<b>8,411</b>
<b>Free Cashflow to Firm</b>	<b>1,051</b>	<b>809</b>	<b>3,757</b>	<b>7,019</b>	<b>8,505</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	6,871	10,885	9,592	15,329	22,336
Total Debtors	7,197	7,332	8,731	9,778	10,952
Inventories	5,034	5,941	6,236	6,984	7,823
Total Other Current Assets	2,008	1,339	1,339	1,339	1,339
<b>Total Current Assets</b>	<b>21,110</b>	<b>25,498</b>	<b>25,898</b>	<b>33,431</b>	<b>42,450</b>
Fixed Assets	14,824	16,633	17,554	17,164	16,647
Total Investments	4,671	5,964	4,671	4,671	4,671
Intangible Assets	291	291	291	291	291
Total Other Non-Current Assets	900	676	676	676	676
<b>Total Non-current Assets</b>	<b>20,687</b>	<b>23,564</b>	<b>23,192</b>	<b>22,802</b>	<b>22,285</b>
Short-term Debt	104	35	35	35	35
Current Portion of Long-Term Debt					
Total Creditors	4,776	5,631	5,312	5,950	6,664
Other Current Liabilities	1,763	1,526	1,526	1,526	1,526
<b>Total Current Liabilities</b>	<b>6,643</b>	<b>7,192</b>	<b>6,873</b>	<b>7,511</b>	<b>8,225</b>
Total Long-term Debt	1,096	1,232	1,232	1,232	1,232
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	605	463	463	463	463
<b>Total Non-current Liabilities</b>	<b>1,701</b>	<b>1,694</b>	<b>1,694</b>	<b>1,694</b>	<b>1,694</b>
Total Provisions	1,348	1,604	1,604	1,604	1,604
<b>Total Liabilities</b>	<b>9,692</b>	<b>10,490</b>	<b>10,171</b>	<b>10,809</b>	<b>11,523</b>
Shareholders' Equity	31,840	38,265	38,655	45,160	52,948
Minority Interests	264	306	264	264	264
<b>Total Equity</b>	<b>32,104</b>	<b>38,572</b>	<b>38,919</b>	<b>45,424</b>	<b>53,212</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	1.4%	(8.8%)	22.0%	12.0%	12.0%
Operating EBITDA Growth	17.6%	1.7%	9.8%	14.8%	16.2%
Operating EBITDA Margin	22.0%	24.6%	22.1%	22.7%	23.5%
Net Cash Per Share (Rs)	191.07	325.05	280.49	473.80	709.88
BVPS (Rs)	1,072.79	1,293.18	1,302.39	1,521.58	1,783.97
Gross Interest Cover	82.11	83.51	88.38	102.84	121.43
Effective Tax Rate	20.8%	25.3%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	12.3%	12.0%	12.0%	12.0%	12.0%
Accounts Receivables Days	63.23	71.06	64.39	66.25	66.25
Inventory Days	94.05	118.15	97.64	95.60	96.57
Accounts Payables Days	79.42	112.05	87.74	81.44	82.27
ROIC (%)	27.4%	24.6%	24.8%	25.8%	29.7%
ROCE (%)	24.1%	20.6%	20.1%	21.6%	22.0%
Return On Average Assets	17.4%	14.5%	13.4%	14.6%	15.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS



## Aarti Industries- Same story of inventory gains

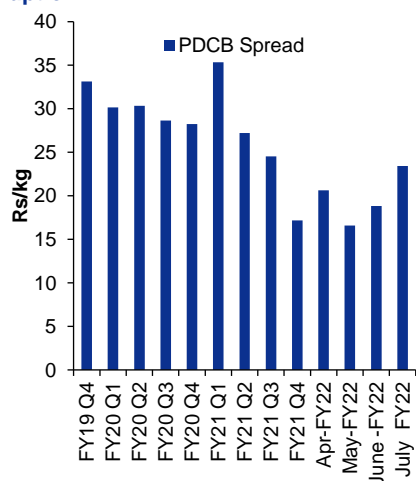
**Figure 27: Like all other chemical companies, Aarti Industries also booked Rs1.2 bn inventory gains which were Rs0.65 bn higher than last quarter and accounted for all QoQ increase in EBITDA**

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	<b>13,265</b>	<b>12,760</b>	<b>12,792</b>	<b>11,355</b>	<b>9,881</b>	<b>12,185</b>	<b>10,762</b>	<b>9,373</b>	<b>11,726</b>	<b>11,868</b>	<b>12,094</b>	<b>13,168</b>
<b>Expenses</b>												
Cost of Materials Consumed	7,849	7,180	6,653	5,580	4,236	5,578	4,735	4,294	4,867	4,685	5,530	6,651
Purchase of Stock in Trade	423	508	509	270	484	1,148	844	550	737	644	512	580
<b>Change in Inventories</b>	<b>-407</b>	<b>-289</b>	<b>198</b>	<b>191</b>	<b>-93</b>	<b>-74</b>	<b>-17</b>	<b>-374</b>	<b>178</b>	<b>120</b>	<b>-456</b>	<b>-1,131</b>
<b>Total Cost of Goods Sold</b>	<b>7,866</b>	<b>7,399</b>	<b>7,359</b>	<b>6,042</b>	<b>4,627</b>	<b>6,652</b>	<b>5,561</b>	<b>4,470</b>	<b>5,781</b>	<b>5,449</b>	<b>5,586</b>	<b>6,101</b>
Employee Benefit Expenses	584	626	778	695	740	832	785	897	935	906	976	995
Other Expenses	2,183	2,205	2,148	2,117	1,973	2,158	2,226	2,187	2,467	2,664	2,928	2,934
<b>Total Expenses</b>	<b>10,632</b>	<b>10,229</b>	<b>10,285</b>	<b>8,854</b>	<b>7,340</b>	<b>9,643</b>	<b>8,572</b>	<b>7,553</b>	<b>9,184</b>	<b>9,018</b>	<b>9,491</b>	<b>10,030</b>
<b>EBITDA</b>	<b>2,633</b>	<b>2,531</b>	<b>2,507</b>	<b>2,501</b>	<b>2,541</b>	<b>2,542</b>	<b>2,189</b>	<b>1,820</b>	<b>2,543</b>	<b>2,850</b>	<b>2,603</b>	<b>3,138</b>
Depreciation	417	437	455	432	457	470	493	520	550	587	656	686
EBIT	2,216	2,095	2,052	2,069	2,084	2,072	1,697	1,300	1,993	2,263	1,947	2,452
Other Income	7	40	0	25	56	4	4	2	0	4	0	1
Interest Expense	518	420	438	310	311	287	340	253	222	173	216	383
Exceptional Items												
<b>Profit Before Tax</b>	<b>1,706</b>	<b>1,715</b>	<b>1,614</b>	<b>1,784</b>	<b>1,829</b>	<b>1,788</b>	<b>1,361</b>	<b>1,049</b>	<b>1,772</b>	<b>2,094</b>	<b>1,731</b>	<b>2,070</b>
<b>Total Tax Expenses</b>	<b>320</b>	<b>318</b>	<b>343</b>	<b>365</b>	<b>311</b>	<b>361</b>	<b>257</b>	<b>217</b>	<b>337</b>	<b>403</b>	<b>337</b>	<b>419</b>
<b>Profit After Tax</b>	<b>1,386</b>	<b>1,397</b>	<b>1,271</b>	<b>1,419</b>	<b>1,518</b>	<b>1,427</b>	<b>1,104</b>	<b>832</b>	<b>1,435</b>	<b>1,692</b>	<b>1,394</b>	<b>1,651</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

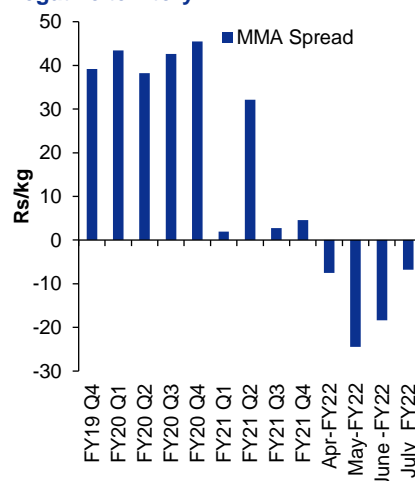
**Contrary to management guidance, Aarti Industries' margins are going to fall ➤**

**Figure 28: PDCB spreads show a small uptick**



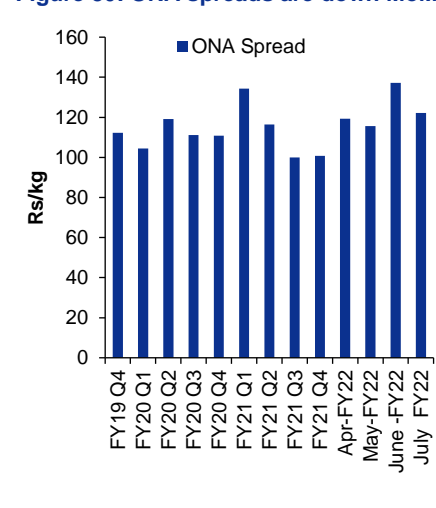
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 29: MMA spreads remain in negative territory**



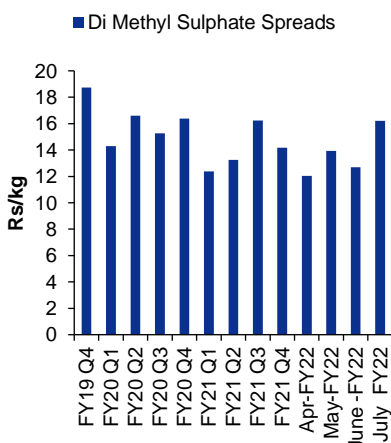
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 30: ONA spreads are down MoM**



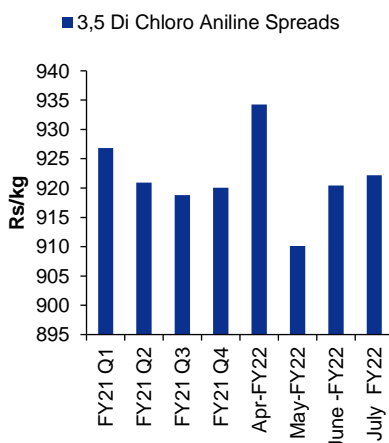
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 31: Dimethyl sulphate spreads show a minor uptick**



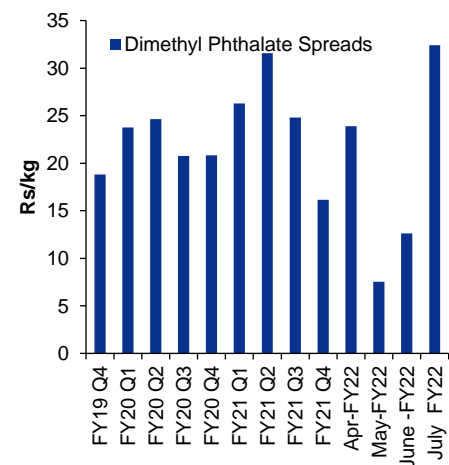
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 32: Dichloro aniline spreads are near Q1FY22 level**



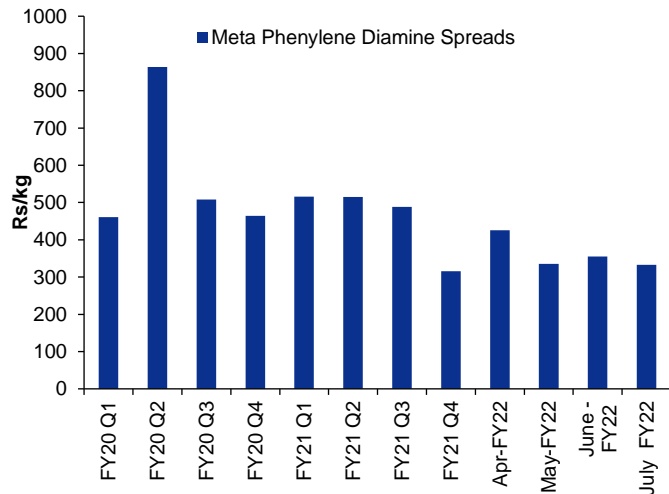
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 33: Dimethyl phthalate spreads have recovered a bit**



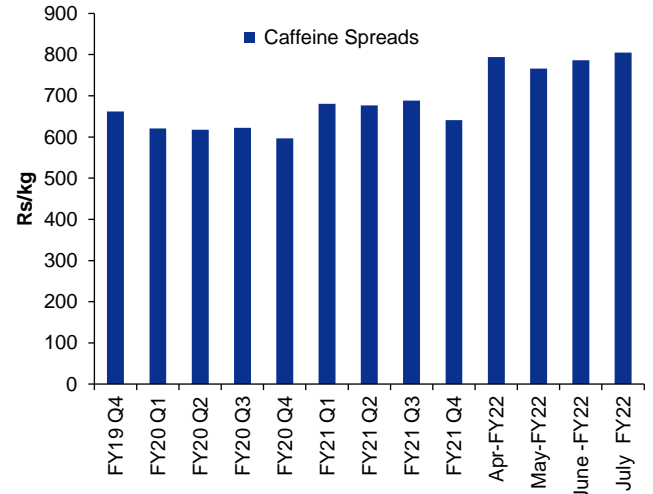
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 34: Meta phenylene diamine spreads are down MoM**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 35: Caffeine spreads are flattish**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

Please note that as Aarti Industries has booked big inventory gains in Q1FY22, the advantage of low-cost raw material is already behind us.

### We tweak our EPS estimates ➤

**Figure 36: We tweak our EPS estimates a bit to account for Q1FY22 results**

	FY22F	FY23F	FY24F
Revenue			
-Old	51,330	59,030	75,274
-New	53,128	61,097	70,261
EBITDA			
-Old	10,837	12,492	16,297
-New	11,288	13,005	14,958
EPS			
-Old	14.6	17.5	21.7
-New	15.6	18.7	22.5

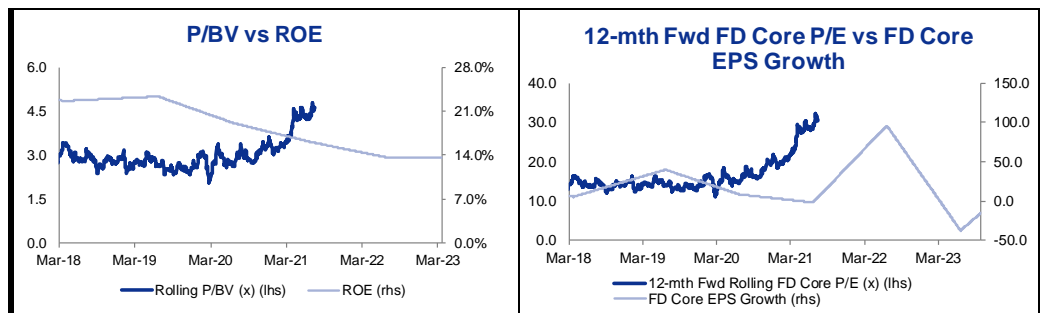
SOURCES: INCRED RESEARCH, COMPANY REPORTS

### We roll forward our TP to August-2022; Retain REDUCE ➤

**Figure 37: We value the stock at 30x FY23F EPS and add proceeds of Corteva settlement to arrive at TP of Rs625/share**

FY23F EPS	Rs/Share	18.7
FY24F EPS	Rs/Share	22.5
Cash from Corteva	Rs/Share	18.4
P/E (1-year forward on FY23F EPS)	x	30
Target Price	Rs/Share	625

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

**BY THE NUMBERS (Aarti Industries)**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>46,207</b>	<b>50,233</b>	<b>51,330</b>	<b>59,030</b>	<b>75,724</b>
<b>Gross Profit</b>	<b>21,300</b>	<b>23,775</b>	<b>24,638</b>	<b>28,334</b>	<b>36,347</b>
<b>Operating EBITDA</b>	<b>9,773</b>	<b>9,815</b>	<b>10,837</b>	<b>12,492</b>	<b>16,297</b>
Depreciation And Amortisation	(1,852)	(2,313)	(2,954)	(3,402)	(3,707)
<b>Operating EBIT</b>	<b>7,921</b>	<b>7,502</b>	<b>7,883</b>	<b>9,090</b>	<b>12,590</b>
Financial Income/(Expense)	(1,248)	(864)	(1,003)	(1,006)	(1,006)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	88	7	7	11	14
<b>Profit Before Tax (pre-EI)</b>	<b>6,762</b>	<b>6,646</b>	<b>6,887</b>	<b>8,095</b>	<b>11,597</b>
Exceptional Items			5,994		
<b>Pre-tax Profit</b>	<b>6,762</b>	<b>6,646</b>	<b>12,881</b>	<b>8,095</b>	<b>11,597</b>
Taxation	(1,294)	(1,293)	(2,507)	(1,575)	(2,257)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>5,468</b>	<b>5,352</b>	<b>10,374</b>	<b>6,520</b>	<b>9,340</b>
Minority Interests	(107)	(118)	(118)	(118)	(118)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>5,361</b>	<b>5,235</b>	<b>10,257</b>	<b>6,402</b>	<b>9,223</b>
Recurring Net Profit	5,361	5,235	5,429	6,402	9,223
<b>Fully Diluted Recurring Net Profit</b>	<b>5,361</b>	<b>5,235</b>	<b>5,429</b>	<b>6,402</b>	<b>9,223</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>9,773</b>	<b>9,815</b>	<b>10,837</b>	<b>12,492</b>	<b>16,297</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	2,902	(72)	(5,068)	(1,682)	(3,647)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(105)	(57)	2,270	(188)	
Other Operating Cashflow	(1,941)	(1,062)	1,991	(2,134)	(3,494)
Net Interest (Paid)/Received	(1,248)	(864)	(1,003)	(1,006)	(1,006)
Tax Paid	1,638	966	2,507	1,575	2,257
<b>Cashflow From Operations</b>	<b>11,021</b>	<b>8,727</b>	<b>11,533</b>	<b>9,058</b>	<b>10,407</b>
Capex	(11,255)	(13,144)	(4,639)	(6,000)	(6,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	14	(78)	265		
<b>Cash Flow from Investing</b>	<b>(11,241)</b>	<b>(13,221)</b>	<b>(4,374)</b>	<b>(6,000)</b>	<b>(6,000)</b>
Debt Raised/(repaid)	(3,032)	7,459	138		
Proceeds From Issue Of Shares	(6)				
Shares Repurchased					
Dividends Paid	(1,064)	(451)	(1,019)	(636)	(916)
Preferred Dividends					
Other Financing Cashflow	(1,248)	(864)	(1,003)	(1,006)	(1,006)
<b>Cash Flow from Financing</b>	<b>(5,349)</b>	<b>6,145</b>	<b>(1,884)</b>	<b>(1,642)</b>	<b>(1,922)</b>
Total Cash Generated	(5,569)	1,650	5,275	1,416	2,484
<b>Free Cashflow to Equity</b>	<b>(3,252)</b>	<b>2,965</b>	<b>7,297</b>	<b>3,058</b>	<b>4,407</b>
<b>Free Cashflow to Firm</b>	<b>1,028</b>	<b>(3,631)</b>	<b>8,162</b>	<b>4,064</b>	<b>5,413</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	2,473	4,123	9,398	10,814	13,298
Total Debtors	7,534	7,937	8,111	9,327	11,965
Inventories	8,357	9,357	9,561	10,995	14,105
Total Other Current Assets	1,685	2,259	1,718	1,737	1,780
<b>Total Current Assets</b>	<b>20,049</b>	<b>23,676</b>	<b>28,788</b>	<b>32,874</b>	<b>41,148</b>
Fixed Assets	38,857	48,905	50,590	53,188	55,481
Total Investments	370	635	370	370	370
Intangible Assets	4				
Total Other Non-Current Assets	4,045	3,201	3,093	3,281	3,281
<b>Total Non-current Assets</b>	<b>43,276</b>	<b>52,741</b>	<b>54,053</b>	<b>56,839</b>	<b>59,132</b>
Short-term Debt	12,297	12,241	12,297	12,297	12,297
Current Portion of Long-Term Debt					
Total Creditors	3,452	5,763	5,889	6,773	8,688
Other Current Liabilities	3,415	5,997	640	745	972
<b>Total Current Liabilities</b>	<b>19,164</b>	<b>24,001</b>	<b>18,826</b>	<b>19,814</b>	<b>21,957</b>
Total Long-term Debt	5,808	12,681	12,763	12,763	12,763
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	5,509	2,244	4,406	4,406	4,406
<b>Total Non-current Liabilities</b>	<b>11,317</b>	<b>14,925</b>	<b>17,169</b>	<b>17,169</b>	<b>17,169</b>
Total Provisions	2,110	2,339	2,339	2,339	2,339
<b>Total Liabilities</b>	<b>32,591</b>	<b>41,265</b>	<b>38,335</b>	<b>39,323</b>	<b>41,465</b>
Shareholders' Equity	29,788	35,029	44,267	50,033	58,340
Minority Interests	946	122	240	357	475
<b>Total Equity</b>	<b>30,734</b>	<b>35,151</b>	<b>44,507</b>	<b>50,391</b>	<b>58,815</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	(1.8%)	8.7%	2.2%	15.0%	28.3%
Operating EBITDA Growth	1.3%	0.4%	10.4%	15.3%	30.5%
Operating EBITDA Margin	21.2%	19.5%	21.1%	21.2%	21.5%
Net Cash Per Share (Rs)	(89.95)	(119.67)	(90.35)	(82.19)	(67.85)
BVPS (Rs)	171.41	201.56	255.38	288.65	336.57
Gross Interest Cover	6.35	8.69	7.86	9.04	12.51
Effective Tax Rate	19.1%	19.5%	19.5%	19.5%	19.5%
Net Dividend Payout Ratio	23.8%	11.9%	23.9%	9.9%	9.9%
Accounts Receivables Days	60.41	56.21	57.06	53.91	51.32
Inventory Days	117.78	122.19	129.35	122.22	116.33
Accounts Payables Days	(45.75)	(63.56)	(79.67)	(75.28)	(71.66)
ROIC (%)	14.8%	12.5%	11.8%	12.8%	16.4%
ROCE (%)	15.2%	13.2%	11.7%	12.1%	15.4%
Return On Average Assets	11.0%	8.9%	6.8%	8.7%	10.9%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Clean Sciences - Clean numbers, but expectations too high

Clean Sciences is covered by only one broker and hence, consensus numbers have little meaning, but the expectations of investors are quite high. Investors expect ~Rs2.5 bn PAT in FY22F, which is unlikely.

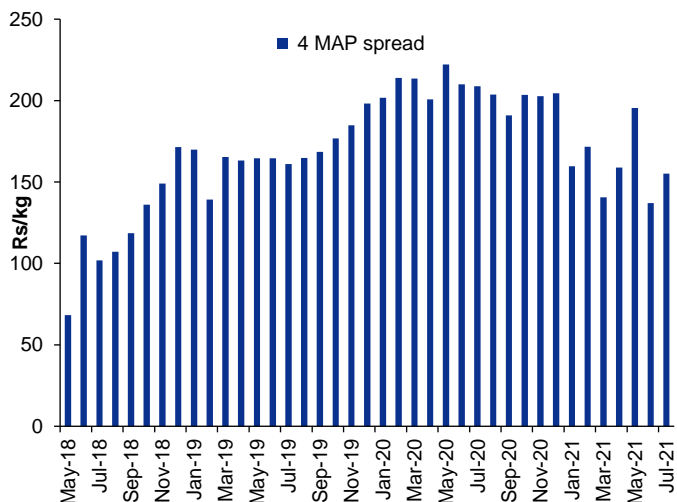
**Figure 38: Inventory gains accounted for ~17.5% of operational EBITDA**

	Q1FY21	4QFY21	Q1FY22
<b>Net Revenue</b>	<b>1,129</b>	<b>1,339</b>	<b>1,463</b>
<b>Expenses</b>			
Cost of Materials Consumed	304	385	547
Purchase of Stock in Trade	0	0	0
Change in Inventories	-5	-99	-125
<b>Total Cost of Goods Sold</b>	<b>300</b>	<b>286</b>	<b>422</b>
Employee Benefit Expenses	97	112	78
Other Expenses	172	240	250
<b>Total Expenses</b>	<b>568</b>	<b>638</b>	<b>750</b>
<b>EBITDA</b>	<b>561</b>	<b>701</b>	<b>713</b>
Depreciation	42	43	58
EBIT	520	658	655
Other Income	53	57	65
<b>Profit Before Tax</b>	<b>572</b>	<b>715</b>	<b>721</b>
<b>Total Tax Expenses</b>	<b>153</b>	<b>184</b>	<b>175</b>
<b>Profit After Tax</b>	<b>419</b>	<b>531</b>	<b>546</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

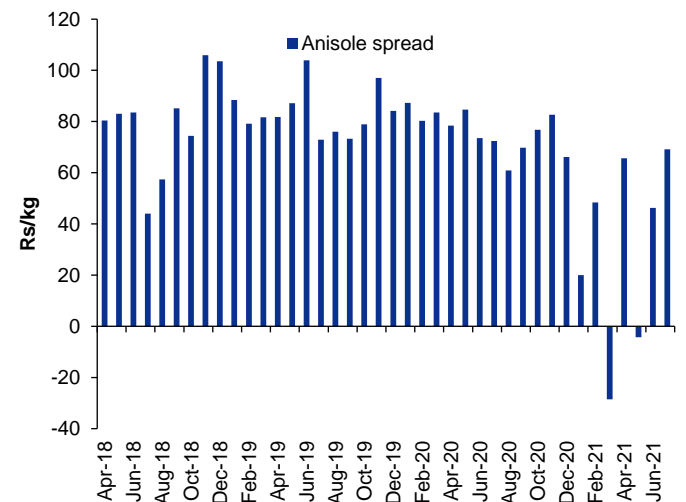
## The margins of main products are falling ➤

**Figure 39: 4 Methoxy acetophenone (4-MAP) spreads over raw material have fallen YoY**



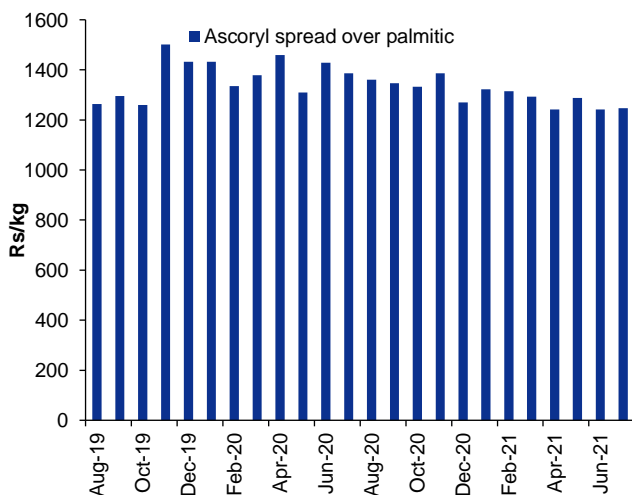
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 40: Similarly, anisole spreads over raw material have also fallen**



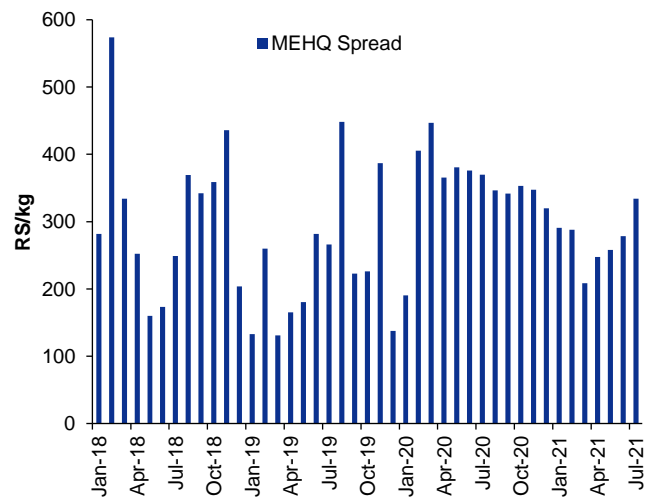
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 41: Ascorbyl palmitate spreads are steady**



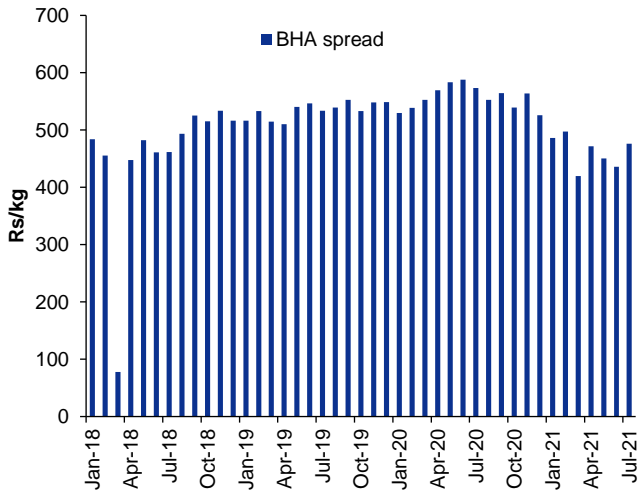
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 42: MEHQ spreads have also declined, but in past couple of months have seen an uptick led by the fall in acetone prices**



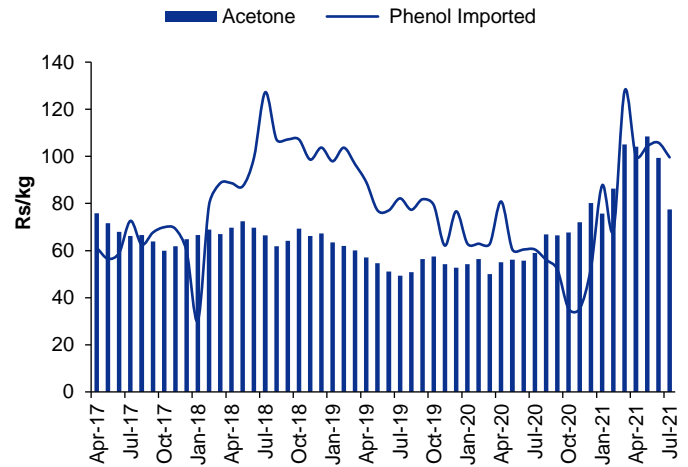
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 43: BHA spreads used to be very steady, but are again declining YoY**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

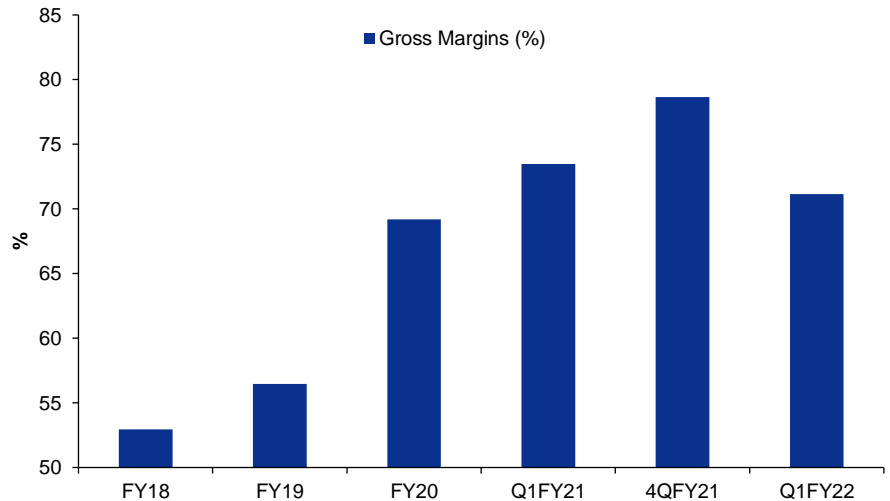
**Figure 44: Fall in acetone and phenol prices bode well for MEHQ, but it remains to be seen how Clean Sciences wards off Camlin Fine Sciences' competition**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

**It appears very unlikely that Clean Sciences will be able to maintain its high gross margin of last year ➤**

**Figure 45: Clean Sciences' gross margin declines**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS (Clean Sciences)

<b>Profit &amp; Loss</b>					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>4,193</b>	<b>5,336</b>	<b>6,104</b>	<b>7,093</b>	<b>8,274</b>
<b>Gross Profit</b>	<b>2,901</b>	<b>3,975</b>	<b>4,548</b>	<b>5,143</b>	<b>5,833</b>
<b>Operating EBITDA</b>	<b>1,853</b>	<b>2,712</b>	<b>3,142</b>	<b>3,589</b>	<b>4,127</b>
Depreciation And Amortisation	(137)	(172)	(185)	(209)	(233)
<b>Operating EBIT</b>	<b>1,716</b>	<b>2,541</b>	<b>2,957</b>	<b>3,380</b>	<b>3,894</b>
Financial Income/(Expense)	(1)	(1)	(1)	(1)	(1)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	109	220	239	374	533
<b>Profit Before Tax (pre-EI)</b>	<b>1,823</b>	<b>2,760</b>	<b>3,195</b>	<b>3,753</b>	<b>4,427</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,823</b>	<b>2,760</b>	<b>3,195</b>	<b>3,753</b>	<b>4,427</b>
Taxation	(427)	(695)	(805)	(946)	(1,115)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,396</b>	<b>2,064</b>	<b>2,390</b>	<b>2,807</b>	<b>3,311</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,396</b>	<b>2,064</b>	<b>2,390</b>	<b>2,807</b>	<b>3,311</b>
Recurring Net Profit	1,396	2,064	2,390	2,807	3,311
<b>Fully Diluted Recurring Net Profit</b>	<b>1,396</b>	<b>2,064</b>	<b>2,390</b>	<b>2,807</b>	<b>3,311</b>

<b>Cash Flow</b>					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>1,853</b>	<b>2,712</b>	<b>3,142</b>	<b>3,589</b>	<b>4,127</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	131	(324)	(126)	(162)	(194)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(67)				
<b>Other Operating Cashflow</b>	<b>110</b>	<b>220</b>	<b>239</b>	<b>374</b>	<b>533</b>
Net Interest (Paid)/Received	(1)	(1)	(1)	(1)	(1)
Tax Paid	(424)	(695)	(805)	(946)	(1,115)
<b>Cashflow From Operations</b>	<b>1,601</b>	<b>1,912</b>	<b>2,449</b>	<b>2,854</b>	<b>3,350</b>
Capex	(503)	(450)	(300)	(350)	(350)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(560)	(450)	(300)	(350)	(350)
<b>Cash Flow from Investing</b>	<b>(1,063)</b>	<b>(900)</b>	<b>(600)</b>	<b>(700)</b>	<b>(700)</b>
Debt Raised/(repaid)	1				
Proceeds From Issue Of Shares					
Shares Repurchased	(491)				
Dividends Paid	(153)	(516)	(597)	(702)	(828)
Preferred Dividends					
Other Financing Cashflow	89				
<b>Cash Flow from Financing</b>	<b>(554)</b>	<b>(516)</b>	<b>(597)</b>	<b>(702)</b>	<b>(828)</b>
Total Cash Generated	(16)	496	1,251	1,453	1,823
<b>Free Cashflow to Equity</b>	<b>539</b>	<b>1,012</b>	<b>1,849</b>	<b>2,154</b>	<b>2,650</b>
<b>Free Cashflow to Firm</b>	<b>539</b>	<b>1,013</b>	<b>1,850</b>	<b>2,155</b>	<b>2,651</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	1,423	2,188	3,775	5,587	7,748
Total Debtors	698	889	1,017	1,181	1,378
Inventories	346	440	504	585	683
Total Other Current Assets	105	109	109	109	109
<b>Total Current Assets</b>	<b>2,572</b>	<b>3,626</b>	<b>5,404</b>	<b>7,463</b>	<b>9,918</b>
Fixed Assets	1,690	1,920	1,981	1,957	1,774
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	38	300	300	300	300
<b>Total Non-current Assets</b>	<b>1,728</b>	<b>2,220</b>	<b>2,281</b>	<b>2,257</b>	<b>2,074</b>
Short-term Debt	24	1	1	1	1
Current Portion of Long-Term Debt					
Total Creditors	357	454	520	604	704
Other Current Liabilities	389	257	257	257	257
<b>Total Current Liabilities</b>	<b>770</b>	<b>712</b>	<b>778</b>	<b>862</b>	<b>962</b>
Total Long-term Debt	3	3	3	3	3
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
Total Provisions	105	161	161	161	161
<b>Total Liabilities</b>	<b>878</b>	<b>877</b>	<b>942</b>	<b>1,026</b>	<b>1,127</b>
Shareholders' Equity	3,422	4,969	6,743	8,694	10,865
Minority Interests					
<b>Total Equity</b>	<b>3,422</b>	<b>4,969</b>	<b>6,743</b>	<b>8,694</b>	<b>10,865</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	6.6%	27.2%	14.4%	16.2%	16.6%
Operating EBITDA Growth	35.9%	46.4%	15.8%	14.2%	15.0%
Operating EBITDA Margin	44.2%	50.8%	51.5%	50.6%	49.9%
Net Cash Per Share (Rs)	13.13	20.54	35.47	52.52	72.84
BVPS (Rs)	32.19	46.75	63.43	81.79	102.21
Gross Interest Cover	1,417.95	2,854.83	3,322.47	3,797.67	4,375.81
Effective Tax Rate	23.4%	25.2%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts Receivables Days	56.41	54.28	56.96	56.55	56.45
Inventory Days	101.13	105.43	110.64	101.86	94.79
Accounts Payables Days	81.94	108.78	114.15	105.09	97.79
ROIC (%)	64.4%	89.2%	75.0%	80.7%	89.0%
ROCE (%)	53.3%	58.5%	49.1%	42.9%	39.2%
Return On Average Assets	36.9%	40.7%	35.3%	32.3%	30.5%

SOURCES: INCRED RESEARCH, COMPANY REPORTS



## India Pesticides - Nothing to write about in terms of numbers

**Figure 46: Insignificant inventory change numbers**

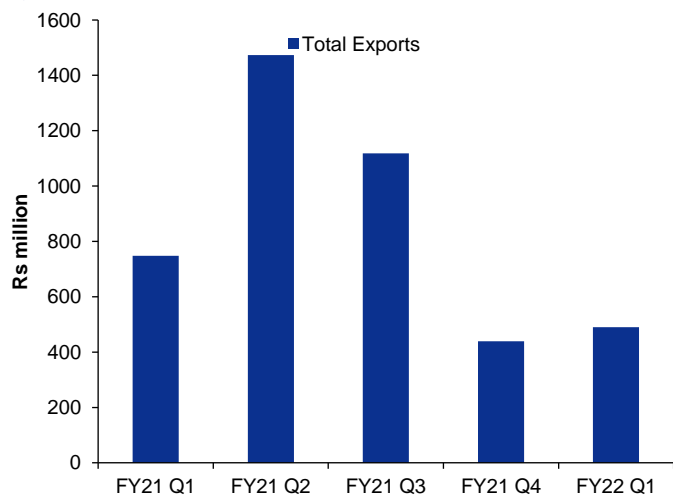
India Pesticide Quarterly

	Q1FY21	4QFY21	1QFY22
<b>Net Revenue</b>	<b>1,164</b>	<b>1,334</b>	<b>1,703</b>
<b>Expenses</b>			
Cost of Materials Consumed	519	713	897
Purchase of Stock in Trade			
Change in Inventories	9	-104	-118
<b>Total Cost of Goods Sold</b>	<b>528</b>	<b>609</b>	<b>779</b>
Employee Benefit Expenses	48	63	70
Other Expenses	252	297	302
<b>Total Expenses</b>	<b>828</b>	<b>970</b>	<b>1,150</b>
<b>EBITDA</b>	<b>335</b>	<b>364</b>	<b>553</b>
Depreciation	15	15	18
EBIT	320	349	535
Other Income	11	18	38
Interest Expense	6	7	11
Exceptional Items			
<b>Profit Before Tax</b>	<b>325</b>	<b>359</b>	<b>562</b>
<b>Total Tax Expenses</b>	<b>81</b>	<b>92</b>	<b>142</b>
<b>Profit After Tax</b>	<b>244</b>	<b>267</b>	<b>420</b>

SOURCES: COMPANY REPORTS, INCRED RESEARCH

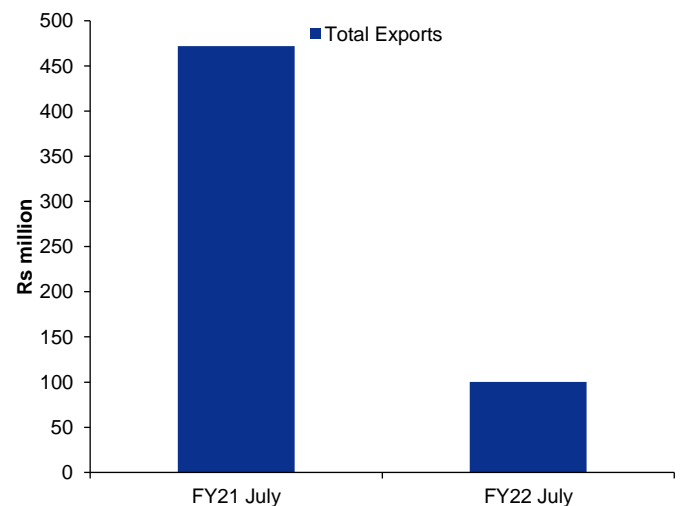
## Exports are declining as a key product - prosulfocarb - stagnates ➤

**Figure 47: Exports of prosulfocarb have started declining since Q1FY22**



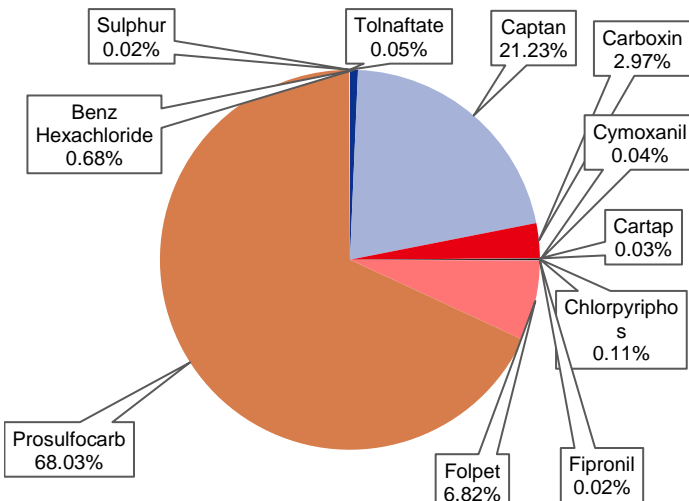
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 48: The decline gained pace in July-21**



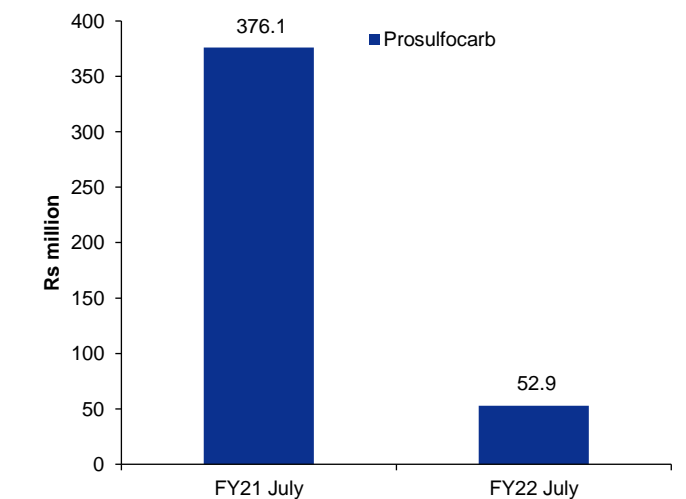
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 49: Prosulfocarb is the main molecule in export markets for India Pesticides**



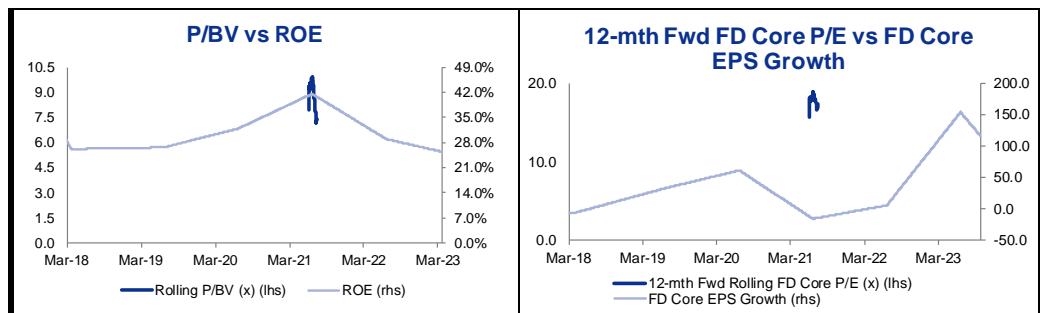
SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 50: In July-21, its sales declined by 86% YoY**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

## BY THE NUMBERS (India Pesticides Ltd)



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>4,796</b>	<b>6,490</b>	<b>7,101</b>	<b>7,757</b>	<b>8,512</b>
<b>Gross Profit</b>	<b>2,265</b>	<b>3,385</b>	<b>3,551</b>	<b>3,878</b>	<b>4,256</b>
<b>Operating EBITDA</b>	<b>936</b>	<b>1,831</b>	<b>1,907</b>	<b>2,155</b>	<b>2,449</b>
Depreciation And Amortisation	(51)	(61)	(75)	(85)	(95)
<b>Operating EBIT</b>	<b>885</b>	<b>1,769</b>	<b>1,832</b>	<b>2,070</b>	<b>2,355</b>
Financial Income/(Expense)	(52)	(34)	(34)	(34)	(34)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	101	64	101	101	101
<b>Profit Before Tax (pre-EI)</b>	<b>934</b>	<b>1,799</b>	<b>1,899</b>	<b>2,137</b>	<b>2,421</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>934</b>	<b>1,799</b>	<b>1,899</b>	<b>2,137</b>	<b>2,421</b>
Taxation	(226)	(454)	(479)	(538)	(610)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>708</b>	<b>1,345</b>	<b>1,420</b>	<b>1,598</b>	<b>1,811</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>708</b>	<b>1,345</b>	<b>1,420</b>	<b>1,598</b>	<b>1,811</b>
Recurring Net Profit	708	1,345	1,420	1,598	1,811
<b>Fully Diluted Recurring Net Profit</b>	<b>708</b>	<b>1,345</b>	<b>1,420</b>	<b>1,598</b>	<b>1,811</b>

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>936</b>	<b>1,831</b>	<b>1,907</b>	<b>2,155</b>	<b>2,449</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(34)	(616)	(978)	(284)	(328)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(28)	9			
Other Operating Cashflow	153	93	101	101	101
Net Interest (Paid)/Received	(52)	(34)	(34)	(34)	(34)
Tax Paid	(223)	(449)	(479)	(479)	(479)
<b>Cashflow From Operations</b>	<b>752</b>	<b>833</b>	<b>517</b>	<b>1,459</b>	<b>1,710</b>
Capex	(308)	(419)	(200)	(200)	(200)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2)	(413)			
<b>Cash Flow from Investing</b>	<b>(311)</b>	<b>(832)</b>	<b>(200)</b>	<b>(200)</b>	<b>(200)</b>
Debt Raised/(repaid)	(330)	28			
Proceeds From Issue Of Shares			800		
Shares Repurchased					
Dividends Paid	(8)	(35)	(213)	(240)	(272)
Preferred Dividends					
Other Financing Cashflow	(52)	(34)			
<b>Cash Flow from Financing</b>	<b>(390)</b>	<b>(41)</b>	<b>587</b>	<b>(240)</b>	<b>(272)</b>
Total Cash Generated	51	(40)	904	1,019	1,238
<b>Free Cashflow to Equity</b>	<b>110</b>	<b>28</b>	<b>317</b>	<b>1,259</b>	<b>1,510</b>
<b>Free Cashflow to Firm</b>	<b>493</b>	<b>35</b>	<b>351</b>	<b>1,293</b>	<b>1,544</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	80	437	1,341	2,300	3,407
Total Debtors	1,832	2,142	2,918	3,188	3,498
Inventories	386	701	973	1,063	1,166
Total Other Current Assets	254	396	396	396	396
<b>Total Current Assets</b>	<b>2,551</b>	<b>3,676</b>	<b>5,627</b>	<b>6,946</b>	<b>8,467</b>
Fixed Assets	1,006	1,364	1,489	1,604	1,709
Total Investments	30	91	91	91	91
Intangible Assets					
Total Other Non-Current Assets	69	40	40	40	40
<b>Total Non-current Assets</b>	<b>1,106</b>	<b>1,495</b>	<b>1,620</b>	<b>1,735</b>	<b>1,840</b>
Short-term Debt	135	225	225	225	225
Current Portion of Long-Term Debt					
Total Creditors	615	741	810	885	971
Other Current Liabilities	155	147	147	147	147
<b>Total Current Liabilities</b>	<b>906</b>	<b>1,112</b>	<b>1,182</b>	<b>1,257</b>	<b>1,343</b>
Total Long-term Debt	104	74	74	74	74
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities		1	1	1	1
<b>Total Non-current Liabilities</b>	<b>104</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>
Total Provisions	78	88	88	88	88
<b>Total Liabilities</b>	<b>1,089</b>	<b>1,276</b>	<b>1,346</b>	<b>1,420</b>	<b>1,507</b>
Shareholders' Equity	2,568	3,895	5,902	7,261	8,800
Minority Interests					
<b>Total Equity</b>	<b>2,568</b>	<b>3,895</b>	<b>5,902</b>	<b>7,261</b>	<b>8,800</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	40.8%	35.3%	9.4%	9.2%	9.7%
Operating EBITDA Growth	43.3%	95.7%	4.2%	13.0%	13.7%
Operating EBITDA Margin	19.5%	28.2%	26.9%	27.8%	28.8%
Net Cash Per Share (Rs)	(5.01)	1.23	32.70	62.84	97.62
BVPS (Rs)	80.68	34.84	185.41	228.09	276.45
Gross Interest Cover	16.96	51.54	53.37	60.30	68.59
Effective Tax Rate	24.2%	25.2%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	1.1%		15.0%	15.0%	15.0%
Accounts Receivables Days	137.55	111.76	130.05	143.67	143.35
Inventory Days	53.43	63.88	86.02	95.78	95.56
Accounts Payables Days	83.96	79.72	79.71	79.78	79.61
ROIC (%)	27.5%	47.6%	36.5%	31.9%	33.5%
ROCE (%)	32.9%	49.4%	34.7%	29.7%	28.0%
Return On Average Assets	21.9%	31.1%	23.3%	20.4%	19.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Anupam Rasayan - Poor numbers despite big inventory gains

**Figure 51: Almost all of EBITDA is due to repricing of inventory gains**

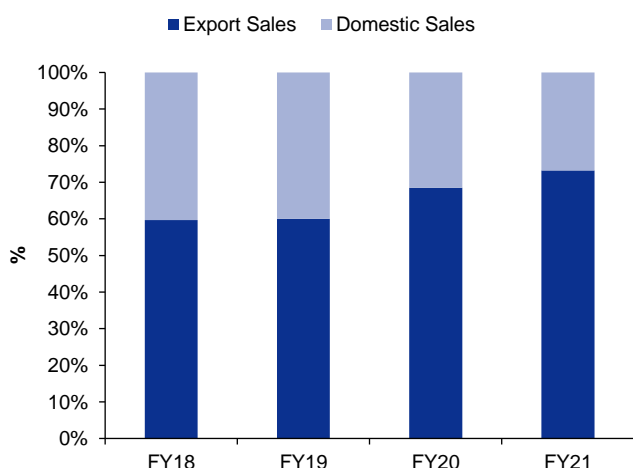
Anupam Rasayan CONSOL Quarterly

	Q4FY20	1QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	<b>1,571</b>	<b>1,354</b>	<b>1,841</b>	<b>2,717</b>	<b>2,337</b>
<b>Expenses</b>					
Cost of Materials Consumed	896	823	1,165	1,551	1,578
Purchase of Stock in Trade	-1				
Change in Inventories	-219	-307	-606	-338	-702
<b>Total Cost of Goods Sold</b>	<b>675</b>	<b>516</b>	<b>559</b>	<b>1,213</b>	<b>877</b>
Employee Benefit Expenses	59	75	71	120	109
Other Expenses	509	433	678	753	747
<b>Total Expenses</b>	<b>1,243</b>	<b>1,023</b>	<b>1,307</b>	<b>2,087</b>	<b>1,733</b>
<b>EBITDA</b>	<b>327</b>	<b>331</b>	<b>534</b>	<b>630</b>	<b>604</b>
Depreciation	113	125	131	133	144
EBIT	214	206	402	497	460
Other Income	82	-8	55	25	43
Interest Expense	132	179	144	190	66
Exceptional Items					
<b>Profit Before Tax</b>	<b>165</b>	<b>20</b>	<b>313</b>	<b>332</b>	<b>437</b>
<b>Total Tax Expenses</b>	<b>61</b>	<b>17</b>	<b>96</b>	<b>110</b>	<b>117</b>
<b>Profit After Tax</b>	<b>104</b>	<b>3</b>	<b>216</b>	<b>221</b>	<b>320</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

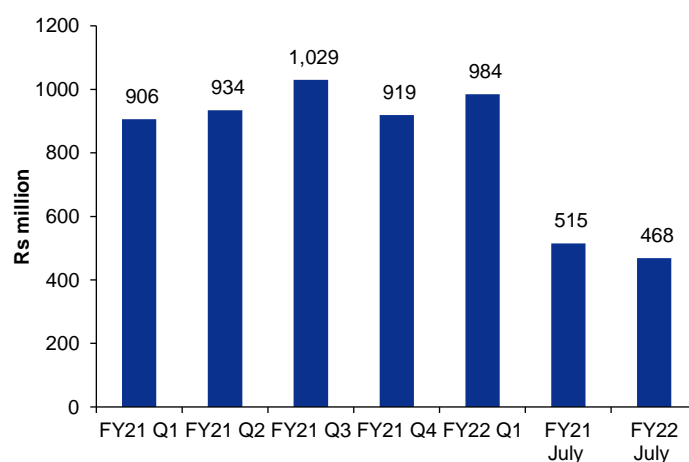
### Exports are declining, which form 70% of its sales ➤

**Figure 52: Exports form roughly 70% of overall sales**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 53: However, they are declining**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

### We cut our revenue and EPS numbers, Retain REDUCE with a TP of Rs381/share ➤

**Figure 54: We reduce our EPS estimates for FY22F and FY23F. We also introduce FY24F EPS at Rs20.8/share**

	FY22F	FY23F	FY24F
Revenue			
-Old	8,515	9,792	11,796
-New	8,920	10,258	11,796
EBITDA			
-Old	2,238	2,588	2,904
-New	2,114	2,481	2,904
EPS			
-Old	17.0	20.3	20.8
-New	14.4	17.8	20.8

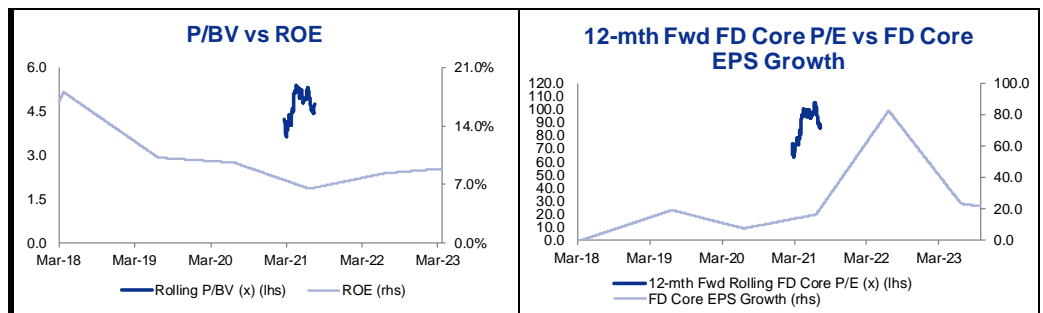
SOURCES: COMPANY REPORTS, INCRED RESEARCH

**Figure 55: We value the stock at 20X August-23 EPS to arrive at a TP of Rs381/share**

Target price calculation	
FY23F EPS	17.8
FY24F EPS	20.8
August-23F EPS	19.1
PE	20
TP	381

SOURCES: COMPANY REPORTS, INCRED RESEARCH

## BY THE NUMBERS (Anupam Rasayan India Ltd)



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>5,289</b>	<b>8,109</b>	<b>8,920</b>	<b>10,258</b>	<b>11,796</b>
<b>Gross Profit</b>	<b>3,183</b>	<b>4,719</b>	<b>5,173</b>	<b>5,847</b>	<b>6,606</b>
<b>Operating EBITDA</b>	<b>1,349</b>	<b>1,938</b>	<b>2,114</b>	<b>2,481</b>	<b>2,904</b>
Depreciation And Amortisation	(287)	(517)	(529)	(541)	(553)
<b>Operating EBIT</b>	<b>1,062</b>	<b>1,421</b>	<b>1,585</b>	<b>1,941</b>	<b>2,351</b>
Financial Income/(Expense)	(348)	(421)	341	435	435
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>714</b>	<b>1,000</b>	<b>1,926</b>	<b>2,376</b>	<b>2,786</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>714</b>	<b>1,000</b>	<b>1,926</b>	<b>2,376</b>	<b>2,786</b>
Taxation	(184)	(297)	(485)	(599)	(702)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>530</b>	<b>703</b>	<b>1,440</b>	<b>1,776</b>	<b>2,084</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>530</b>	<b>703</b>	<b>1,440</b>	<b>1,776</b>	<b>2,084</b>
Recurring Net Profit	530	703	1,440	1,776	2,084
<b>Fully Diluted Recurring Net Profit</b>	<b>530</b>	<b>703</b>	<b>1,440</b>	<b>1,776</b>	<b>2,084</b>

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>1,349</b>	<b>1,938</b>	<b>2,114</b>	<b>2,481</b>	<b>2,904</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(482)	(2,006)	(1,293)	(1,072)	(1,313)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	70	(5)			
Other Operating Cashflow	558	950	941	1,035	1,035
Net Interest (Paid)/Received	(453)	(685)	(300)	(300)	(300)
Tax Paid	(92)	(176)	(485)	(599)	(702)
<b>Cashflow From Operations</b>	<b>949</b>	<b>15</b>	<b>976</b>	<b>1,545</b>	<b>1,623</b>
Capex	(1,804)	(1,460)	(877)	(300)	(300)
Disposals Of FAs/subsidiaries	5	3			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	17	(474)			
<b>Cash Flow from Investing</b>	<b>(1,782)</b>	<b>(1,931)</b>	<b>(877)</b>	<b>(300)</b>	<b>(300)</b>
Debt Raised/(repaid)	1,170	(4,243)			
Proceeds From Issue Of Shares	354	9,436			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(510)	(1,035)	(300)	(300)	
<b>Cash Flow from Financing</b>	<b>1,014</b>	<b>4,158</b>	<b>(300)</b>	<b>(300)</b>	
Total Cash Generated	182	2,241	(201)	945	1,323
<b>Free Cashflow to Equity</b>	<b>338</b>	<b>(6,160)</b>	<b>99</b>	<b>1,245</b>	<b>1,323</b>
<b>Free Cashflow to Firm</b>	<b>(379)</b>	<b>(1,231)</b>	<b>399</b>	<b>1,545</b>	<b>1,623</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	268	2,957	4,290	5,162	5,945
Total Debtors	1,295	2,055	2,317	2,744	3,251
Inventories	2,970	4,922	5,608	6,800	8,242
Total Other Current Assets	982	1,212	1,212	1,212	1,212
<b>Total Current Assets</b>	<b>5,515</b>	<b>11,147</b>	<b>13,427</b>	<b>15,919</b>	<b>18,650</b>
Fixed Assets	10,783	11,583	11,932	11,691	11,438
Total Investments	4				
Intangible Assets					
Total Other Non-Current Assets	338	250	250	250	250
<b>Total Non-current Assets</b>	<b>11,125</b>	<b>11,834</b>	<b>12,182</b>	<b>11,942</b>	<b>11,689</b>
Short-term Debt	2,371	433	433	433	433
Current Portion of Long-Term Debt					
Total Creditors	1,302	1,996	2,195	2,524	2,903
Other Current Liabilities	1,267	1,776	1,232	1,451	1,707
<b>Total Current Liabilities</b>	<b>4,940</b>	<b>4,206</b>	<b>3,861</b>	<b>4,409</b>	<b>5,044</b>
Total Long-term Debt	5,242	2,474	2,474	2,474	2,474
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	330	322	322	322	322
<b>Total Non-current Liabilities</b>	<b>5,572</b>	<b>2,796</b>	<b>2,796</b>	<b>2,796</b>	<b>2,796</b>
Total Provisions	192	244	192	192	192
<b>Total Liabilities</b>	<b>10,703</b>	<b>7,246</b>	<b>6,849</b>	<b>7,396</b>	<b>8,032</b>
Shareholders' Equity	5,937	15,734	18,760	20,464	22,308
Minority Interests					
<b>Total Equity</b>	<b>5,937</b>	<b>15,734</b>	<b>18,760</b>	<b>20,464</b>	<b>22,308</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	5.5%	53.3%	10.0%	15.0%	15.0%
Operating EBITDA Growth	44.8%	43.6%	9.1%	17.4%	17.0%
Operating EBITDA Margin	25.5%	23.9%	23.7%	24.2%	24.6%
Net Cash Per Share (Rs)	(94.02)	0.50	13.84	22.56	30.40
BVPS (Rs)	76.00	157.47	187.75	204.80	223.26
Gross Interest Cover	2.34	2.07	5.28	6.47	7.84
Effective Tax Rate	25.8%	29.7%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	86.30	75.39	89.45	90.05	92.75
Inventory Days	426.85	424.94	512.95	513.38	528.91
Accounts Payables Days	176.80	177.56	204.18	195.27	190.83
ROIC (%)	9.4%	10.3%	9.8%	10.8%	12.6%
ROCE (%)	8.5%	8.7%	7.8%	8.5%	9.6%
Return On Average Assets	5.9%	5.7%	4.5%	5.0%	5.7%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Vinati Organics- Downgrade to HOLD

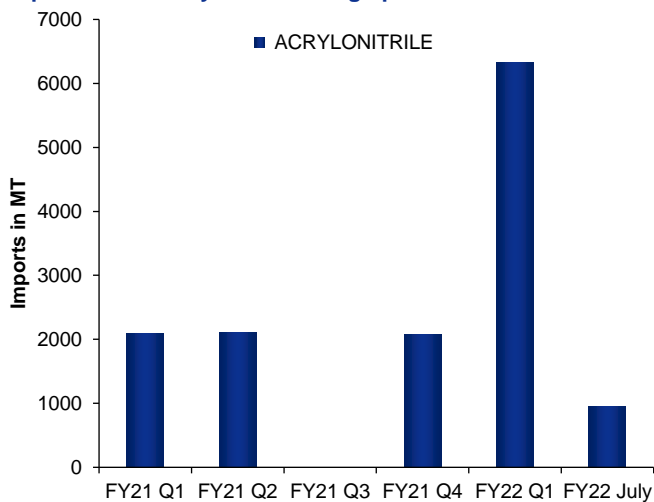
**Figure 56: Despite high-cost Acrylonitrile inventory, the company hasn't booked any inventory loss in Q1FY22**

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	<b>2,487</b>	<b>2,451</b>	<b>2,385</b>	<b>2,453</b>	<b>2,491</b>	<b>2,194</b>	<b>2,235</b>	<b>2,798</b>	<b>3,864</b>
<b>Expenses</b>									
Cost of Materials Consumed	1,213	1,059	1,022	987	1,059	900	958	1,418	2,230
Purchase of Stock in Trade	0	0	0	0	0	0	0	0	0
<b>Change in Inventories</b>	<b>-78</b>	<b>-75</b>	<b>61</b>	<b>3</b>	<b>-75</b>	<b>-20</b>	<b>49</b>	<b>-277</b>	<b>-90</b>
<b>Total Cost of Goods Sold</b>	<b>1,135</b>	<b>983</b>	<b>1,083</b>	<b>990</b>	<b>983</b>	<b>880</b>	<b>1,007</b>	<b>1,142</b>	<b>2,140</b>
Employee Benefit Expenses	135	160	171	159	160	181	184	177	209
Other Expenses	307	309	300	288	309	293	323	488	500
<b>Total Expenses</b>	<b>1,576</b>	<b>1,452</b>	<b>1,555</b>	<b>1,437</b>	<b>1,452</b>	<b>1,353</b>	<b>1,514</b>	<b>1,806</b>	<b>2,849</b>
<b>EBITDA</b>	<b>912</b>	<b>999</b>	<b>830</b>	<b>1,017</b>	<b>1,039</b>	<b>841</b>	<b>721</b>	<b>991</b>	<b>1,015</b>
Depreciation	69	72	93	97	72	108	108	107	110
EBIT	843	927	737	920	967	734	613	884	905
Other Income	148	112	154	162	71	14	93	66	176
Interest Expense	2	3	3	3	3	0	0	1	0
Exceptional Items	0	0	0	0	0	0	0	0	0
<b>Profit Before Tax</b>	<b>988</b>	<b>1,036</b>	<b>889</b>	<b>1,079</b>	<b>1,036</b>	<b>747</b>	<b>706</b>	<b>949</b>	<b>1,081</b>
<b>Total Tax Expenses</b>	<b>338</b>	<b>-64</b>	<b>220</b>	<b>333</b>	<b>-64</b>	<b>127</b>	<b>65</b>	<b>240</b>	<b>272</b>
<b>Profit After Tax</b>	<b>650</b>	<b>1,100</b>	<b>668</b>	<b>746</b>	<b>1,100</b>	<b>620</b>	<b>641</b>	<b>709</b>	<b>809</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

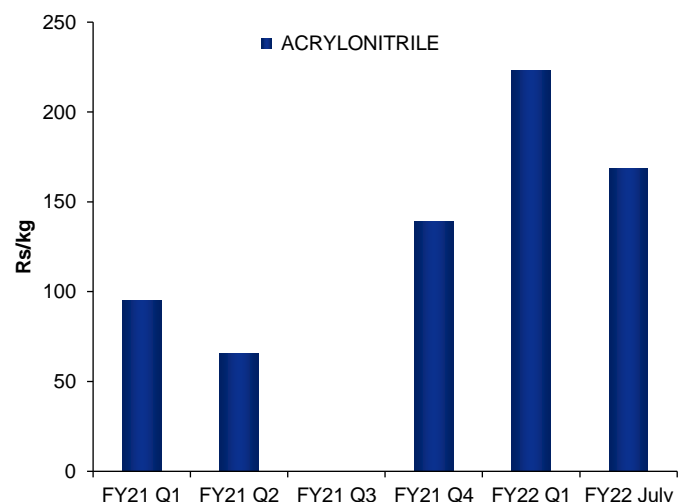
**Company has accumulated high-cost acrylonitrile inventory, but surprisingly didn't book any inventory loss in Q1 ➤**

**Figure 57: Company has accumulated almost 9-10 months' requirement of acrylonitrile at high prices in Q1**



SOURCES: INCRED RESEARCH, CORPINNESS GLOBAL PRIVATE LIMITED

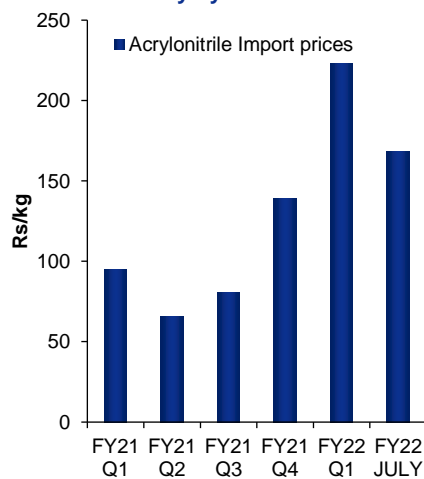
**Figure 58: Since then, prices of acrylonitrile corrected by 25%**



SOURCES: INCRED RESEARCH, CORPINNESS GLOBAL PRIVATE LIMITED

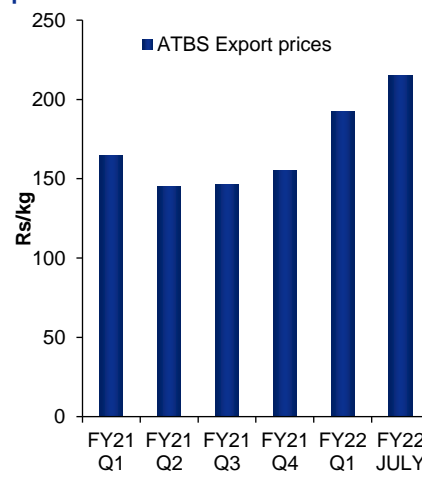
**Even though Vinati has a pass-through contract, still lower prices mean lower spreads going forward ➤**

**Figure 59: Acrylonitrile prices have corrected in July by 25%**



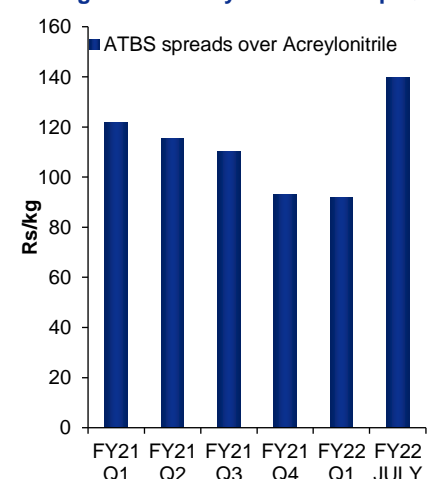
SOURCES: INCRED RESEARCH, CORPINNESS GLOBAL PRIVATE LIMITED

**Figure 60: At the same time, ATBS export prices have increased**



SOURCES: INCRED RESEARCH, CORPINNESS GLOBAL PRIVATE LIMITED

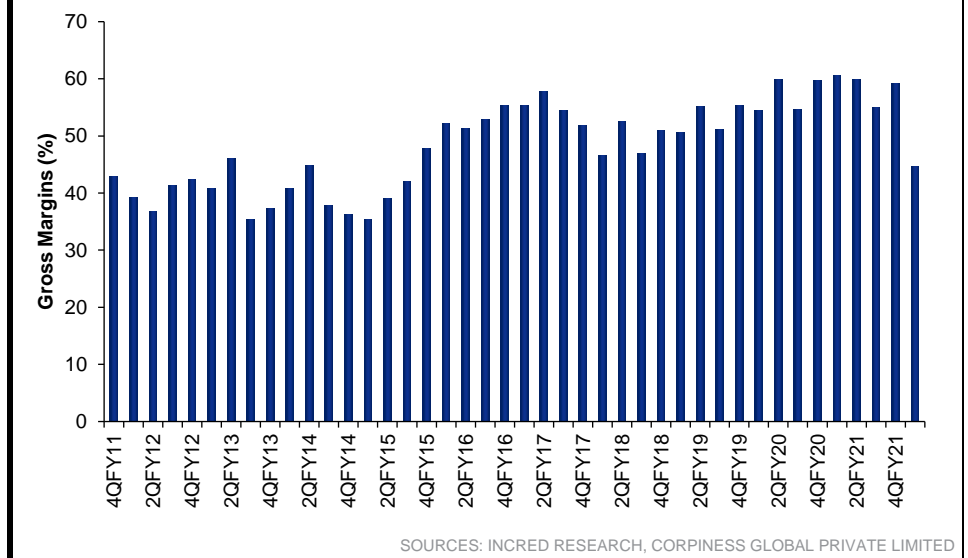
**Figure 61: ATBS spreads over weighted average cost of acrylonitrile are up QoQ**



SOURCES: INCRED RESEARCH, CORPINNESS GLOBAL PRIVATE LIMITED

**Q1 was worse in terms of gross margin and we can expect improvement from Q2 ➤**

**Figure 62: Q1 gross margin was the worst in last seven years while the damage due to high-cost inventory cannot be passed through**



**We tweak our EPS estimates in wake of higher-than-expected revenue run-rate, but lower margins in Q1FY22F, downgrade to HOLD ➤**

Vinati Organics had a sharp run in the recent past and currently it trades at 43X FY23F EPS. Because of high valuations, we downgrade the stock to HOLD from ADD with a TP of Rs1,798/share.

**Figure 63: While margins are low, the revenue run-rate is higher and hence, EPS hasn't seen much change**

	FY22F	FY23F	FY24F
Revenue			
-Old	12,448	14,413	NA
-New	14,791	15,700	18,055
EBITDA			
-Old	4,770	5,516	NA
-New	4,792	5,582	6,646
EPS			
-Old	36.90	42.60	NA
-New	38.10	44.33	52.73

SOURCES: COMPANY REPORTS, INCRED RESEARCH

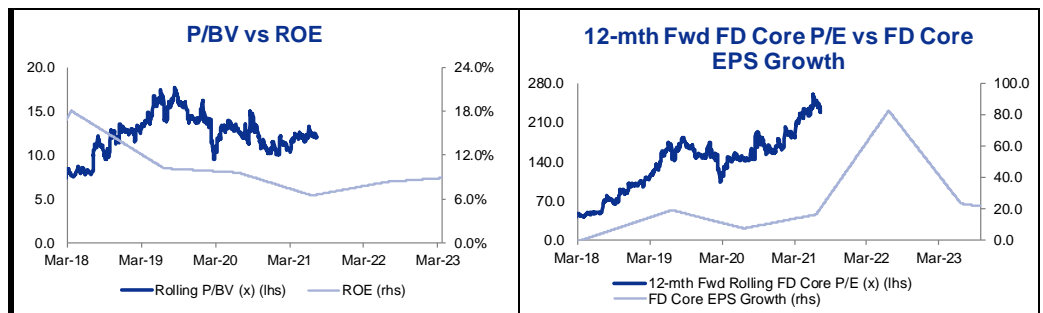
**Figure 64: We value the stock at a historical trading average PE of 37.6X, and downgrade it to Hold with a TP of Rs1,798/share**

Target Price Methodology		
FY23F EPS	Rs/Share	44.3
FY24F EPS	Rs/Share	52.7
August- 23EPS		47.8
P/E Multiple	x	37.6
Target Price	Rs/Share	1,798

SOURCES: COMPANY REPORTS, INCRED RESEARCH



## BY THE NUMBERS (Vinati Organics)



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>10,289</b>	<b>9,543</b>	<b>14,791</b>	<b>15,700</b>	<b>18,055</b>
<b>Gross Profit</b>	<b>10,289</b>	<b>9,543</b>	<b>14,791</b>	<b>15,700</b>	<b>18,055</b>
<b>Operating EBITDA</b>	<b>4,139</b>	<b>3,525</b>	<b>4,792</b>	<b>5,582</b>	<b>6,646</b>
Depreciation And Amortisation	(332)	(429)	(460)	(509)	(559)
<b>Operating EBIT</b>	<b>3,808</b>	<b>3,096</b>	<b>4,332</b>	<b>5,073</b>	<b>6,088</b>
Financial Income/(Expense)	(11)	(2)	(2)		
Pretax Income/(Loss) from Assoc.	8				
Non-Operating Income/(Expense)	450	259	544	599	659
<b>Profit Before Tax (pre-EI)</b>	<b>4,255</b>	<b>3,353</b>	<b>4,875</b>	<b>5,672</b>	
Exceptional Items					
<b>Pre-tax Profit</b>	<b>4,255</b>	<b>3,353</b>	<b>4,875</b>	<b>5,672</b>	
Taxation	(908)	(659)	(958)	(1,115)	(1,326)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>3,346</b>	<b>2,693</b>	<b>3,916</b>	<b>4,557</b>	
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>3,346</b>	<b>2,693</b>	<b>3,916</b>	<b>4,557</b>	
Recurring Net Profit	3,346	2,693	3,916	4,557	
<b>Fully Diluted Recurring Net Profit</b>	<b>3,346</b>	<b>2,693</b>	<b>3,916</b>	<b>4,557</b>	

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>4,139</b>	<b>3,525</b>	<b>4,792</b>	<b>5,582</b>	<b>6,646</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	811	(874)	(1,893)	(322)	(839)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(333)	(113)	1,384	17	
Other Operating Cashflow	(1,356)	(954)	(1,371)	(1,632)	(1,994)
Net Interest (Paid)/Received	(11)	(2)	(2)		
Tax Paid	908	607	958	1,115	1,326
<b>Cashflow From Operations</b>	<b>4,159</b>	<b>2,189</b>	<b>3,869</b>	<b>4,761</b>	<b>5,140</b>
Capex	(1,372)	(818)	(1,453)	(1,000)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(602)	(1,164)	613		
<b>Cash Flow from Investing</b>	<b>(1,975)</b>	<b>(1,982)</b>	<b>(840)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Debt Raised/(repaid)	(33)	17	(20)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,046)	(55)	(897)	(1,043)	(1,241)
Preferred Dividends					
Other Financing Cashflow	(11)	8	(2)		
<b>Cash Flow from Financing</b>	<b>(1,091)</b>	<b>(31)</b>	<b>(919)</b>	<b>(1,043)</b>	<b>(1,241)</b>
Total Cash Generated	1,094	176	2,110	2,717	2,899
<b>Free Cashflow to Equity</b>	<b>2,151</b>	<b>224</b>	<b>3,008</b>	<b>3,761</b>	<b>4,140</b>
<b>Free Cashflow to Firm</b>	<b>2,196</b>	<b>209</b>	<b>3,030</b>	<b>3,761</b>	<b>4,140</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash and Equivalents	2,811	1,878	4,452	7,170	10,068
Total Debtors	2,018	2,772	4,297	4,561	5,245
Inventories	932	1,219	1,890	2,006	2,307
Total Other Current Assets	665	680	710	719	742
<b>Total Current Assets</b>	<b>6,426</b>	<b>6,549</b>	<b>11,349</b>	<b>14,455</b>	<b>18,362</b>
Fixed Assets	7,817	7,878	8,871	9,362	9,803
Total Investments		1,078			
Intangible Assets					
Total Other Non-Current Assets	187	1,593	190	173	173
<b>Total Non-current Assets</b>	<b>8,004</b>	<b>10,549</b>	<b>9,061</b>	<b>9,534</b>	<b>9,975</b>
Short-term Debt	3	20			
Current Portion of Long-Term Debt					
Total Creditors	557	664	1,029	1,092	1,256
Other Current Liabilities	330	378	344	348	353
<b>Total Current Liabilities</b>	<b>890</b>	<b>1,062</b>	<b>1,373</b>	<b>1,440</b>	<b>1,608</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	41	60	41	41	41
<b>Total Non-current Liabilities</b>	<b>41</b>	<b>60</b>	<b>41</b>	<b>41</b>	<b>41</b>
Total Provisions	705	779	779	779	779
<b>Total Liabilities</b>	<b>1,636</b>	<b>1,901</b>	<b>2,193</b>	<b>2,260</b>	<b>2,429</b>
Shareholders' Equity	12,794	15,434	18,217	21,730	25,909
Minority Interests					
<b>Total Equity</b>	<b>12,794</b>	<b>15,434</b>	<b>18,217</b>	<b>21,730</b>	<b>25,909</b>

<b>Key Ratios</b>					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(7.2%)	(7.3%)	55.0%	6.1%	15.0%
Operating EBITDA Growth	2.6%	(14.8%)	35.9%	16.5%	19.1%
Operating EBITDA Margin	40.2%	36.9%	32.4%	35.6%	36.8%
Net Cash Per Share (Rs)	27.31	18.07	43.32	69.75	97.96
BVPS (Rs)	124.48	150.16	177.24	211.42	252.08
Gross Interest Cover	348.63	1,461.12	2,394.28		
Effective Tax Rate	21.4%	19.7%	19.7%	19.7%	
Net Dividend Payout Ratio	16.9%	22.9%	22.9%	22.9%	
Accounts Receivables Days	79.07	91.60	87.22	102.96	99.12
Inventory Days	nm	nm	nm	nm	nm
Accounts Payables Days	nm	nm	nm	nm	nm
ROIC (%)	35.5%	23.6%	29.7%	33.0%	36.5%
ROCE (%)	30.6%	20.8%	24.6%	24.4%	24.7%
Return On Average Assets	25.1%	17.1%	20.9%	20.5%	

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Gujarat Fluorochemicals - Downgrade to HOLD, pricing in all possible positives

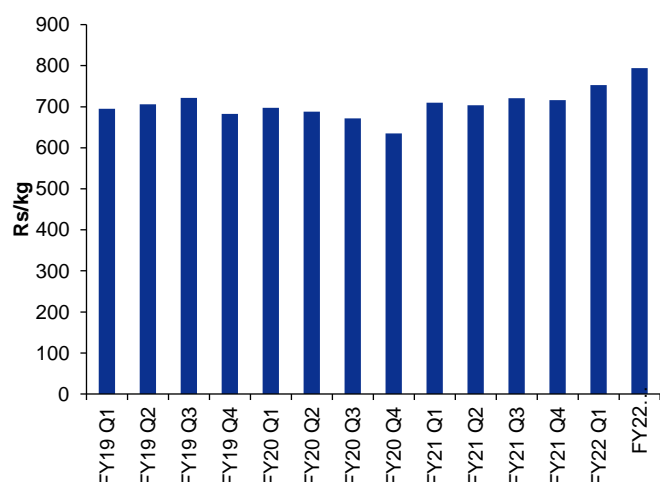
**Figure 65: Unlike other companies in our coverage universe, there are no inventory gains for Gujarat Fluorochemicals this quarter**

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	<b>7,401</b>	<b>6,624</b>	<b>5,712</b>	<b>6,327</b>	<b>5,588</b>	<b>5,917</b>	<b>6,342</b>	<b>8,403</b>	<b>9,119</b>
<b>Expenses</b>									
Cost of Materials Consumed	2,829	2,539	2,180	1,991	2,019	2,137	1,911	2,866	2,956
Purchase of Stock in Trade	2	1	3	0	0	0	0		
<b>Change in Inventories</b>	<b>-529</b>	<b>-214</b>	<b>-551</b>	<b>260</b>	<b>-236</b>	<b>-227</b>	<b>170</b>	<b>-119</b>	<b>268</b>
<b>Total Cost of Goods Sold</b>	<b>2,302</b>	<b>2,326</b>	<b>1,632</b>	<b>2,251</b>	<b>1,783</b>	<b>1,910</b>	<b>2,082</b>	<b>2,746</b>	<b>3,224</b>
Employee Benefit Expenses	536	514	508	490	545	485	554	545	642
Power & Fuel	1,274	1,294	1,168	1,077	947	1,107	1,090	1,238	1,402
Material extraction and processing cost	0	0	97	80	89	0	81	56	42
Other Expenses	1,386	1,250	1,015	2,148	671	825	970	1,857	1,259
<b>Total Expenses</b>	<b>5,499</b>	<b>5,384</b>	<b>4,420</b>	<b>6,046</b>	<b>4,035</b>	<b>4,327</b>	<b>4,776</b>	<b>6,442</b>	<b>6,568</b>
<b>EBITDA</b>	<b>1,902</b>	<b>1,241</b>	<b>1,292</b>	<b>281</b>	<b>1,553</b>	<b>1,590</b>	<b>1,566</b>	<b>1,961</b>	<b>2,551</b>
Depreciation	471	481	479	493	497	464	515	500	504
EBIT	1,431	760	812	-211	1,056	1,126	1,051	1,461	2,047
Other Income	29	40	41	1,728	282	318	292	349	263
Interest Expense	193	248	277	330	335	275	276	230	247
Exceptional Items	0	-260					-5,830		
<b>Profit Before Tax</b>	<b>1,267</b>	<b>292</b>	<b>576</b>	<b>1,187</b>	<b>1,003</b>	<b>1,169</b>	<b>-4,763</b>	<b>1,581</b>	<b>2,063</b>
<b>Total Tax Expenses</b>	<b>146</b>	<b>168</b>	<b>184</b>	<b>931</b>	<b>302</b>	<b>383</b>	<b>48</b>	<b>478</b>	<b>552</b>
<b>Profit After Tax</b>	<b>1,121</b>	<b>124</b>	<b>392</b>	<b>256</b>	<b>702</b>	<b>786</b>	<b>-4,811</b>	<b>1,103</b>	<b>1,512</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

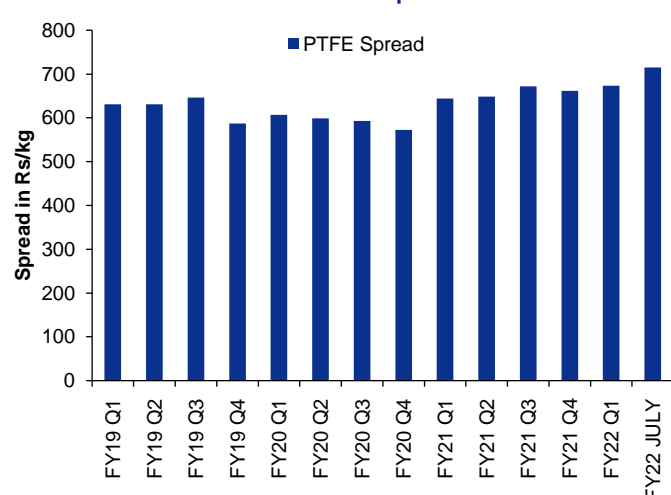
## PTFE prices and export volumes are very strong ➤

**Figure 66: PTFE price have remained strong for Gujarat Fluorochemicals**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 67: So does the spreads of PTFE above basic raw materials like chloroform and fluorspar**

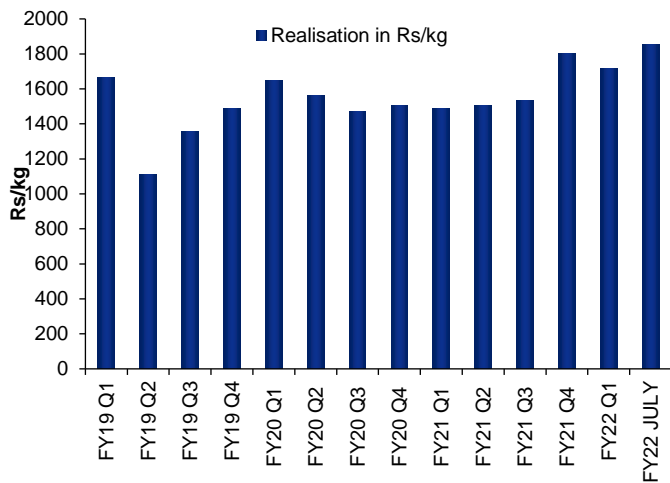


SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

## Perfluoroalkoxy alkanes (PFA) is another GFL polymer which is doing extremely well ➤

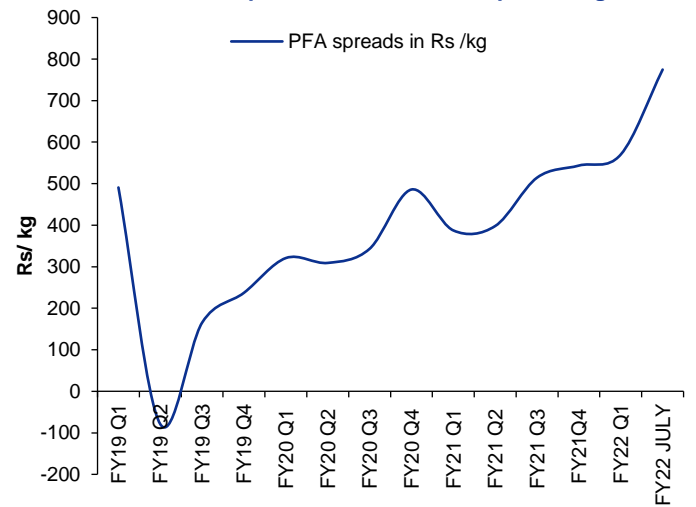
PFA is preferred when extended service is required in hostile environments involving chemical, thermal, and mechanical stress. PFAs offer high melt strength, stability at high processing temperatures, excellent crack and stress resistance, and a low coefficient of friction.

**Figure 68: PFA realisations are rising**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 69: Company's spreads over base raw materials PPVE, chloroform and fluorspar are also at a multi-quarter high**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

Hence, we increase our gross margin assumptions, revenue and EPS estimates ➤

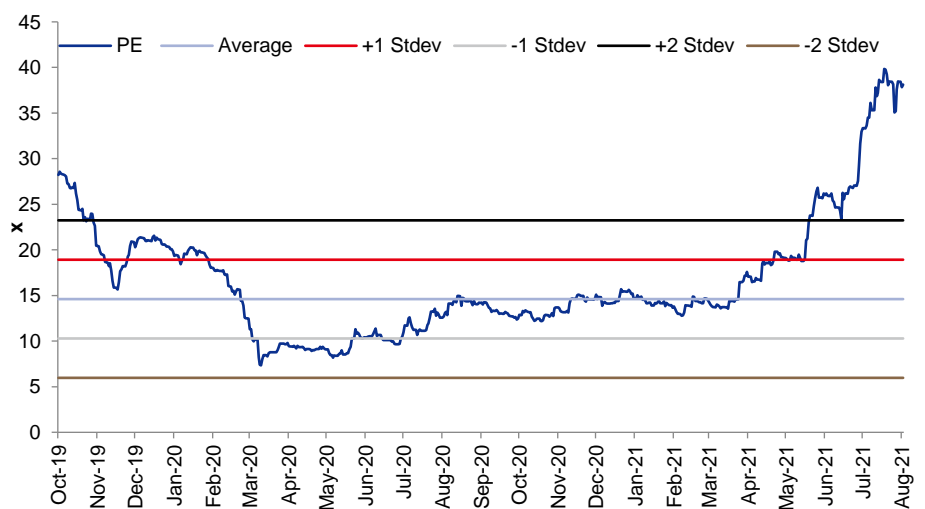
**Figure 70: We increase our EPS estimates by 10% for FY23F and 24F**

	FY22F	FY23F	FY24F
Revenue (Rs million)			
-Old	28,071	31,473	35,369
-New	28,791	32,242	36,191
EBITDA (Rs Million)			
-Old	7,558	8,514	10,027
-New	8,211	9,239	10,832
EPS (Rs /Share)			
-Old	37.90	45.19	54.96
-New	42.39	49.79	60.05
Gross Margin (%)			
-Old	70	70	70
-New	71	71	71

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Stock has been re-rated massively since our initiation ➤

**Figure 71: In line with all chemical companies, the stock has re-rated massively, but it doesn't change the fact that it's a commodity chemicals company**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

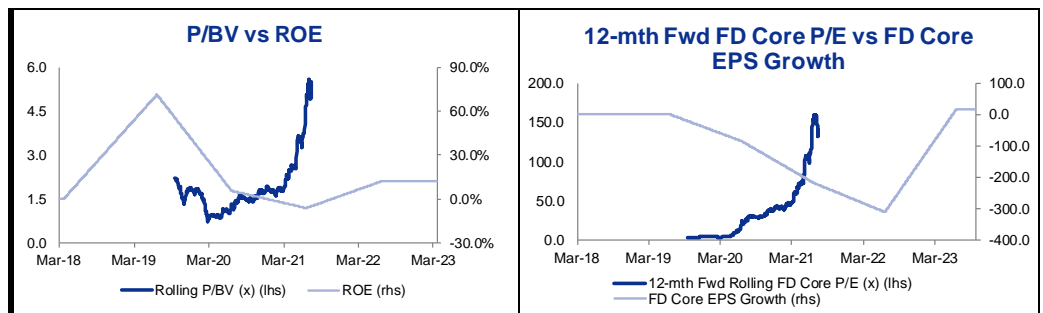
**We don't see further upside and downgrade the stock to HOLD with a 12-month TP of Rs1,622/share ➤**

**Figure 72: We downgrade the stock to HOLD with a 12-month TP of Rs1,622/share**

<b>Valuation</b>	
FY23 F EPS	49.79
FY24 F EPS	60.05
Sector average Multiple	40.0
Discount to sector average	25%
One year forward EPS	54.1
One year forward PE Multiple	30.0
One year forward TP	1,622

SOURCES: COMPANY REPORTS, INCRED RESEARCH

## BY THE NUMBERS (Gujarat Fluorochemicals)



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>26,064</b>	<b>26,505</b>	<b>28,791</b>	<b>32,242</b>	<b>36,191</b>
<b>Gross Profit</b>	<b>17,553</b>	<b>17,947</b>	<b>20,442</b>	<b>22,892</b>	<b>25,696</b>
<b>Operating EBITDA</b>	<b>4,391</b>	<b>6,729</b>	<b>8,211</b>	<b>9,239</b>	<b>10,832</b>
Depreciation And Amortisation	(1,924)	(2,021)	(2,205)	(2,389)	(2,574)
<b>Operating EBIT</b>	<b>2,466</b>	<b>4,708</b>	<b>6,006</b>	<b>6,849</b>	<b>8,259</b>
Financial Income/(Expense)	(1,048)	(1,126)	(981)	(737)	(640)
Pretax Income/(Loss) from Assoc.	(0)				
Non-Operating Income/(Expense)	2,163	1,241	1,200	1,200	1,200
<b>Profit Before Tax (pre-EI)</b>	<b>3,581</b>	<b>4,824</b>	<b>6,225</b>	<b>7,313</b>	<b>8,819</b>
Exceptional Items	(260)				
<b>Pre-tax Profit</b>	<b>3,321</b>	<b>4,824</b>	<b>6,225</b>	<b>7,313</b>	<b>8,819</b>
Taxation	(1,428)	(7,039)	(1,569)	(1,843)	(2,222)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,893</b>	<b>(2,215)</b>	<b>4,656</b>	<b>5,470</b>	<b>6,596</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,893</b>	<b>(2,215)</b>	<b>4,656</b>	<b>5,470</b>	<b>6,596</b>
Recurring Net Profit	2,042	(2,215)	4,656	5,470	6,596
<b>Fully Diluted Recurring Net Profit</b>	<b>2,042</b>	<b>(2,215)</b>	<b>4,656</b>	<b>5,470</b>	<b>6,596</b>

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>4,391</b>	<b>6,729</b>	<b>8,211</b>	<b>9,239</b>	<b>10,832</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(491)	(1,642)	716	(1,343)	(1,537)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	180	5,469			
Other Operating Cashflow	2,950	(4,672)	981	737	640
Net Interest (Paid)/Received	(1,048)	(1,126)	(981)	(737)	(640)
Tax Paid	(518)	1,405	(1,569)	(1,843)	(2,222)
<b>Cashflow From Operations</b>	<b>5,464</b>	<b>6,164</b>	<b>7,359</b>	<b>6,053</b>	<b>7,073</b>
Capex	(11,961)	(2,737)	(2,183)	(3,000)	(3,000)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments	17	(998)			
Other Investing Cashflow	22				
<b>Cash Flow from Investing</b>	<b>(11,922)</b>	<b>(3,734)</b>	<b>(2,183)</b>	<b>(3,000)</b>	<b>(3,000)</b>
Debt Raised/(repaid)	7,224	(1,355)	(3,688)	(2,417)	
Proceeds From Issue of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(1,007)	(1,125)			
<b>Cash Flow from Financing</b>	<b>6,217</b>	<b>(2,480)</b>	<b>(3,688)</b>	<b>(2,417)</b>	<b>-</b>
Total Cash Generated	(241)	(50)	1,488	636	4,073
<b>Free Cashflow to Equity</b>	<b>766</b>	<b>1,075</b>	<b>1,488</b>	<b>636</b>	<b>4,073</b>
<b>Free Cashflow to Firm</b>	<b>(5,410)</b>	<b>3,555</b>	<b>6,157</b>	<b>3,790</b>	<b>4,713</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	840	902	2,751	3,850	8,483
Total Debtors	5,647	6,671	6,238	6,986	7,842
Inventories	8,128	8,639	8,992	10,070	11,304
Total Other Current Assets	4,655	3,022	3,022	3,022	3,022
<b>Total Current Assets</b>	<b>19,270</b>	<b>19,235</b>	<b>21,004</b>	<b>23,929</b>	<b>30,651</b>
Fixed Assets	27,066	27,380	27,358	27,968	28,395
Total Investments	1,913	294	294	294	294
Intangible Assets	257	189	257	257	257
Total Other Non-Current Assets	12,164	12,590	14,975	14,975	14,975
<b>Total Non-current Assets</b>	<b>41,399</b>	<b>40,452</b>	<b>42,883</b>	<b>43,494</b>	<b>43,920</b>
Short-term Debt	10,417	10,183	10,417	8,000	8,000
Current Portion of Long-Term Debt					
Total Creditors	3,671	3,387	4,023	4,505	5,057
Other Current Liabilities	4,345	4,318	4,318	4,318	4,318
<b>Total Current Liabilities</b>	<b>18,433</b>	<b>17,888</b>	<b>18,757</b>	<b>16,823</b>	<b>17,375</b>
Total Long-term Debt	4,787	3,921			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	147	165	165	165	165
<b>Total Non-current Liabilities</b>	<b>4,935</b>	<b>4,086</b>	<b>165</b>	<b>165</b>	<b>165</b>
Total Provisions	253	2,924	2,924	2,924	2,924
<b>Total Liabilities</b>	<b>23,620</b>	<b>24,897</b>	<b>21,846</b>	<b>19,912</b>	<b>20,463</b>
Shareholders' Equity	37,156	34,928	42,148	47,618	54,215
Minority Interests	(107)	(139)	(107)	(107)	(107)
<b>Total Equity</b>	<b>37,049</b>	<b>34,789</b>	<b>42,041</b>	<b>47,511</b>	<b>54,108</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	(4.5%)	1.7%	8.6%	12.0%	12.2%
Operating EBITDA Growth	(44.3%)	53.3%	22.0%	12.5%	17.2%
Operating EBITDA Margin	16.8%	25.4%	28.5%	28.7%	29.9%
Net Cash Per Share (Rs)	(130.76)	(120.18)	(69.79)	(37.78)	4.40
BVPS (Rs)	338.24	317.96	383.68	433.48	493.54
Gross Interest Cover	2.35	4.18	6.12	9.30	12.90
Effective Tax Rate	43.0%	145.9%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts Receivables Days	79.74	84.82	81.83	74.85	74.77
Inventory Days	311.98	357.57	385.38	372.07	371.65
Accounts Payables Days	128.40	150.51	161.95	166.45	166.27
ROIC (%)	3.5%	(4.3%)	8.8%	9.8%	11.3%
ROCE (%)	5.1%	9.1%	11.3%	12.1%	13.4%
Return On Average Assets	5.0%	(4.5%)	8.7%	9.2%	10.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Camlin Fine Sciences - Inventory gains saved the day in Q1FY22, long-term positives in place though; ADD

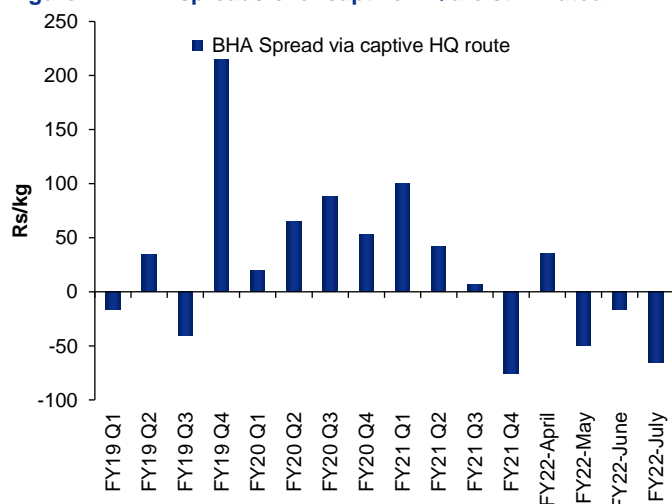
**Figure 73: Inventory gains saved the day for Camlin in Q1FY22, adjusted for that it would not have made any profits**

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	1,814	2,013	2,414	2,680	2,601	2,223	2,739	2,929	3,057	2,568	2,979	3,266	3,308
<b>Expenses</b>													
Cost of Materials Consumed	1,032	964	1,166	1,531	1,195	744	1,346	1,712	995	1,160	1,242	1,483	1,933
Purchase of Stock in Trade	28	182	29	24	40	368	86	41	355	120	201	106	133
<b>Change in Inventories</b>	-180	-98	76	-4	118	-75	-28	-209	283	-71	-101	70	-235
<b>Total Cost of Goods Sold</b>	<b>879</b>	<b>1,048</b>	<b>1,271</b>	<b>1,551</b>	<b>1,353</b>	<b>1,037</b>	<b>1,404</b>	<b>1,544</b>	<b>1,633</b>	<b>1,209</b>	<b>1,342</b>	<b>1,660</b>	<b>1,830</b>
Employee Benefit Expenses	198	218	226	237	227	236	258	276	254	284	315	351	328
Other Expenses	598	575	763	725	666	649	782	765	660	739	855	751	695
<b>Total Expenses</b>	<b>1,675</b>	<b>1,841</b>	<b>2,260</b>	<b>2,512</b>	<b>2,246</b>	<b>1,923</b>	<b>2,443</b>	<b>2,586</b>	<b>2,547</b>	<b>2,232</b>	<b>2,512</b>	<b>2,762</b>	<b>2,853</b>
<b>EBITDA</b>	<b>139</b>	<b>172</b>	<b>154</b>	<b>168</b>	<b>356</b>	<b>300</b>	<b>296</b>	<b>343</b>	<b>511</b>	<b>336</b>	<b>468</b>	<b>504</b>	<b>456</b>
Depreciation	72	76	68	73	76	77	84	91	95	96	134	118	134
EBIT	67	96	86	95	280	223	211	252	416	240	334	386	322
Other Income	38	99	8	46	7	6	7	28	5	13	11	21	105
Interest Expense	88	95	111	74	59	144	75	152	106	81	68	121	101
<b>Exceptional Items</b>													
<b>Profit Before Tax</b>	<b>17</b>	<b>100</b>	<b>-16</b>	<b>67</b>	<b>227</b>	<b>86</b>	<b>143</b>	<b>127</b>	<b>315</b>	<b>172</b>	<b>278</b>	<b>286</b>	<b>326</b>
<b>Total Tax Expenses</b>	<b>61</b>	<b>80</b>	<b>-8</b>	<b>4</b>	<b>63</b>	<b>10</b>	<b>104</b>	<b>107</b>	<b>110</b>	<b>75</b>	<b>84</b>	<b>129</b>	<b>88</b>
<b>Profit After Tax</b>	<b>-44</b>	<b>19</b>	<b>-8</b>	<b>64</b>	<b>164</b>	<b>75</b>	<b>38</b>	<b>21</b>	<b>206</b>	<b>97</b>	<b>194</b>	<b>157</b>	<b>238</b>

SOURCES: COMPANY REPORTS, INCRED RESEARCH

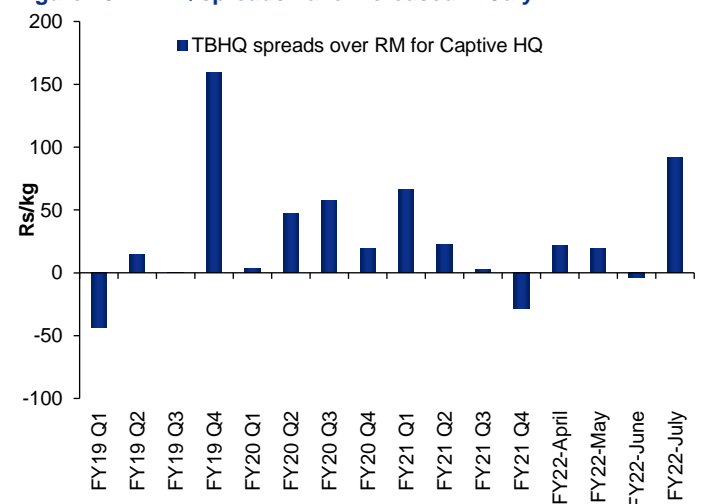
## Despite captive hydroquinone, TBHQ and BHA are facing margin headwinds ➤

**Figure 74: BHA spreads over captive HQ are still muted**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 75: TBHQ spreads have increased in July-21**



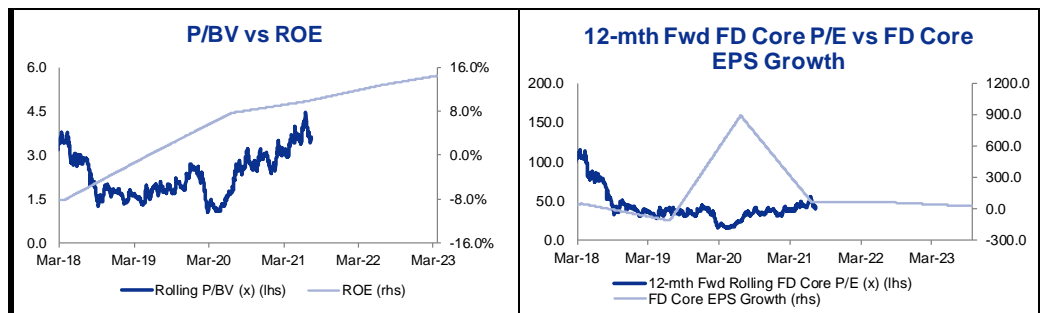
SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Future bodes well for Camlin Fine Sciences; we maintain ADD ➤

Until a few quarters ago, Camlin Fine Science (CFS) depended on raw materials it purchased like HQ and catechol to manufacture its products. However, with the commissioning of a 10,000-tonne diphenol (base chemical) plant in Dahej in 4QFY21 (Source: company website), CFS has captive raw materials which will help reduce its cost of production. Also, establishing vanillin capacity will result in value addition in guaiacol and EBITDA accretion of Rs330 mn in FY24F. On an overall basis, we expect backward integration and better product selection to result in the company's EBITDA margin expanding by 360bps over FY21-24F, driving EPS CAGR of 21.56%, in our view.



## BY THE NUMBERS (Camlin Fine Sciences)



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>10,491</b>	<b>11,871</b>	<b>13,240</b>	<b>14,840</b>	<b>16,946</b>
<b>Gross Profit</b>	<b>5,154</b>	<b>6,036</b>	<b>6,818</b>	<b>7,717</b>	<b>8,812</b>
<b>Operating EBITDA</b>	<b>1,307</b>	<b>1,819</b>	<b>2,180</b>	<b>2,614</b>	<b>3,199</b>
Depreciation And Amortisation	(328)	(443)	(514)	(574)	(634)
<b>Operating EBIT</b>	<b>979</b>	<b>1,376</b>	<b>1,666</b>	<b>2,041</b>	<b>2,566</b>
Financial Income/(Expense)	(431)	(375)	(375)	(375)	(375)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	34	50	60	74	129
<b>Profit Before Tax (pre-EI)</b>	<b>582</b>	<b>1,051</b>	<b>1,351</b>	<b>1,740</b>	<b>2,320</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>582</b>	<b>1,051</b>	<b>1,351</b>	<b>1,740</b>	<b>2,320</b>
Taxation	(284)	(397)	(340)	(438)	(585)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>298</b>	<b>654</b>	<b>1,010</b>	<b>1,301</b>	<b>1,735</b>
Minority Interests		(140)	(140)	(140)	(140)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>298</b>	<b>514</b>	<b>870</b>	<b>1,161</b>	<b>1,595</b>
Recurring Net Profit	298	514	870	1,161	1,595
<b>Fully Diluted Recurring Net Profit</b>	<b>298</b>	<b>514</b>	<b>870</b>	<b>1,161</b>	<b>1,595</b>

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>1,307</b>	<b>1,819</b>	<b>2,180</b>	<b>2,614</b>	<b>3,199</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(408)	(659)	(498)	(583)	(767)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	34	324			
Other Operating Cashflow	537	425	60	74	129
Net Interest (Paid)/Received	(431)	(375)	(375)	(375)	(375)
Tax Paid	(179)	(359)	(340)	(438)	(585)
<b>Cashflow From Operations</b>	<b>860</b>	<b>1,174</b>	<b>1,026</b>	<b>1,292</b>	<b>1,602</b>
Capex	(1,341)	(839)	(1,300)	(200)	(200)
Disposals Of FAs/subsidiaries	1	1			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	439	(490)			
<b>Cash Flow from Investing</b>	<b>(901)</b>	<b>(1,329)</b>	<b>(1,300)</b>	<b>(200)</b>	<b>(200)</b>
Debt Raised/(repaid)	507	166			
Proceeds From Issue Of Shares		299			
Shares Repurchased					
Dividends Paid	(28)	(54)	(101)	(130)	(173)
Preferred Dividends					
Other Financing Cashflow	(447)	(25)			
<b>Cash Flow from Financing</b>	<b>33</b>	<b>386</b>	<b>(101)</b>	<b>(130)</b>	<b>(173)</b>
Total Cash Generated	(8)	232	(375)	962	1,228
<b>Free Cashflow to Equity</b>	<b>466</b>	<b>11</b>	<b>(274)</b>	<b>1,092</b>	<b>1,402</b>
<b>Free Cashflow to Firm</b>	<b>390</b>	<b>221</b>	<b>101</b>	<b>1,468</b>	<b>1,777</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash and Equivalents	648	1,383	1,008	1,970	3,198
Total Debtors	2,528	2,707	3,019	3,384	3,864
Inventories	2,981	3,200	3,569	4,000	4,568
Total Other Current Assets	592	656	656	656	656
<b>Total Current Assets</b>	<b>6,750</b>	<b>7,947</b>	<b>8,252</b>	<b>10,011</b>	<b>12,287</b>
Fixed Assets	4,159	5,369	6,155	5,781	5,347
Total Investments	94	94	94	94	94
Intangible Assets	666	684	684	684	684
Total Other Non-Current Assets	672	722	722	722	722
<b>Total Non-current Assets</b>	<b>5,591</b>	<b>6,869</b>	<b>7,655</b>	<b>7,282</b>	<b>6,848</b>
Short-term Debt	2,781	2,169	2,169	2,169	2,169
Current Portion of Long-Term Debt					
Total Creditors	1,737	1,584	1,767	1,980	2,261
Other Current Liabilities	960	1,023	1,023	1,023	1,023
<b>Total Current Liabilities</b>	<b>5,478</b>	<b>4,776</b>	<b>4,959</b>	<b>5,172</b>	<b>5,453</b>
Total Long-term Debt	2,115	2,732	2,732	2,732	2,732
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	97	84	84	84	84
<b>Total Non-current Liabilities</b>	<b>2,212</b>	<b>2,817</b>	<b>2,817</b>	<b>2,817</b>	<b>2,817</b>
Total Provisions	49	91	91	91	91
<b>Total Liabilities</b>	<b>7,740</b>	<b>7,685</b>	<b>7,867</b>	<b>8,081</b>	<b>8,362</b>
Shareholders' Equity	4,031	6,434	7,203	8,234	9,656
Minority Interests	570	697	697	697	697
<b>Total Equity</b>	<b>4,601</b>	<b>7,132</b>	<b>7,901</b>	<b>8,932</b>	<b>10,353</b>

<b>Key Ratios</b>					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	17.6%	13.1%	11.5%	12.1%	14.2%
Operating EBITDA Growth	90.4%	39.2%	19.8%	19.9%	22.4%
Operating EBITDA Margin	12.5%	15.3%	16.5%	17.6%	18.9%
Net Cash Per Share (Rs)	(35.03)	(27.59)	(30.54)	(22.99)	(13.36)
BVPS (Rs)	33.25	50.46	56.50	64.59	75.73
Gross Interest Cover	2.27	3.67	4.44	5.44	6.84
Effective Tax Rate	48.7%	37.8%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	9.4%	10.5%	11.6%	11.2%	10.9%
Accounts Receivables Days	80.39	80.48	78.93	78.75	78.06
Inventory Days	199.52	193.34	192.38	193.93	192.24
Accounts Payables Days	115.68	103.88	95.23	95.99	95.16
ROIC (%)			11.6%	12.7%	15.7%
ROCE (%)	10.8%	12.7%	13.3%	15.2%	17.6%
Return On Average Assets	4.5%	6.5%	8.4%	9.5%	11.1%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Navin Fluorine - Solid Q1FY22, long-term positives in place; HOLD

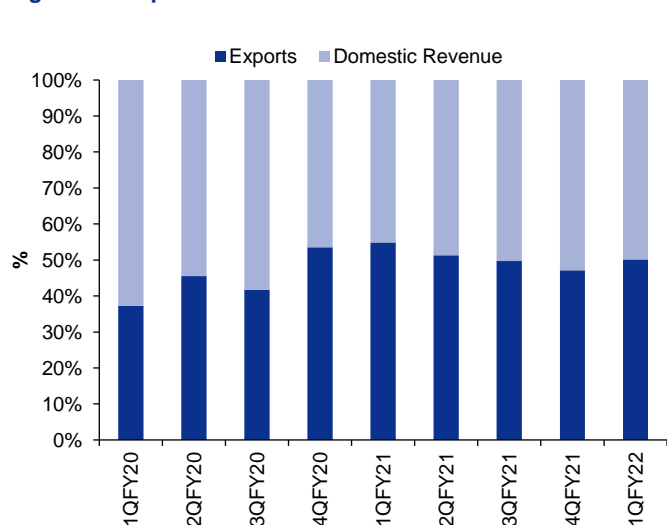
Figure 76: One of the cleanest numbers in Q1FY22, long-term growth drivers are in place

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Net Revenue</b>	2,561	2,534	2,339	2,526	2,515	2,729	2,605	2,766	2,149	3,189	3,091	3,364	3,265
<b>Expenses</b>													
Cost of Materials Consumed	1,167	1,166	1,174	1,047	1,228	1,244	1,292	1,296	831	1,437	1,409	1,602	1,525
Purchase of Stock in Trade	42	48	37	53	0	0	0	24	41	71	52	48	62
Change in Inventories	-45	52	-149	173	-26	23	-180	-64	39	-76	-35	-44	-103
<b>Total Cost of Goods Sold</b>	<b>1,163</b>	<b>1,267</b>	<b>1,062</b>	<b>1,273</b>	<b>1,202</b>	<b>1,267</b>	<b>1,112</b>	<b>1,257</b>	<b>910</b>	<b>1,432</b>	<b>1,425</b>	<b>1,607</b>	<b>1,484</b>
Employee Benefit Expenses	294	288	293	281	305	321	330	351	346	340	362	369	438
Other Expenses	465	469	465	457	396	461	508	470	355	510	512	546	566
<b>Total Expenses</b>	<b>1,922</b>	<b>2,024</b>	<b>1,820</b>	<b>2,010</b>	<b>1,904</b>	<b>2,048</b>	<b>1,950</b>	<b>2,078</b>	<b>1,611</b>	<b>2,282</b>	<b>2,299</b>	<b>2,522</b>	<b>2,487</b>
<b>EBITDA</b>	<b>640</b>	<b>510</b>	<b>518</b>	<b>516</b>	<b>611</b>	<b>681</b>	<b>655</b>	<b>688</b>	<b>538</b>	<b>907</b>	<b>792</b>	<b>842</b>	<b>778</b>
Depreciation	74	67	67	67	82	85	92	111	107	109	110	116	120
EBIT	565	442	452	449	529	596	563	577	431	799	682	727	658
Other Income	40	82	109	112	68	92	116	57	100	97	112	233	89
Interest Expense	1	1	2	3	5	4	6	5	3	4	4	8	5
Exceptional Items									262			155	
<b>Profit Before Tax</b>	<b>604</b>	<b>523</b>	<b>559</b>	<b>558</b>	<b>592</b>	<b>684</b>	<b>673</b>	<b>629</b>	<b>790</b>	<b>891</b>	<b>790</b>	<b>1,107</b>	<b>742</b>
Current Tax	202	176	164	188	186	220	203	223	260	304	243	386	186
Deferred Tax	-5	2	9	35	10	-1	18	-882	0	-57	-18	-12	-4
Other Tax Expenses	0	0	0	0	0	0	0	-1,413				1	
<b>Total Tax Expenses</b>	<b>197</b>	<b>177</b>	<b>173</b>	<b>223</b>	<b>196</b>	<b>219</b>	<b>222</b>	<b>-2,072</b>	<b>260</b>	<b>247</b>	<b>226</b>	<b>375</b>	<b>182</b>
<b>Profit After Tax</b>	<b>407</b>	<b>346</b>	<b>386</b>	<b>335</b>	<b>396</b>	<b>465</b>	<b>451</b>	<b>2,701</b>	<b>530</b>	<b>644</b>	<b>564</b>	<b>732</b>	<b>559</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

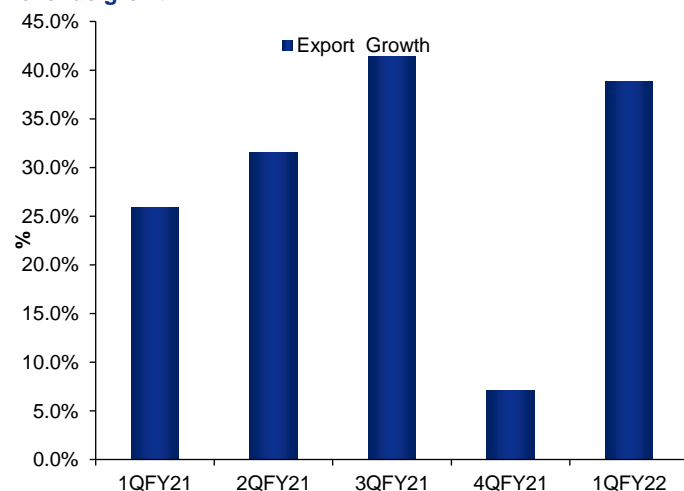
### Exports are growing at a fast pace ➤

Figure 77: Exports account for 50% of overall revenues



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 78: Export growth is consistent and outpacing domestic revenue growth



SOURCES: INCRED RESEARCH, COMPANY REPORTS

### Navin is increasingly becoming a API intermediary supplier ➤

While in domestic market, Navin Fluorine is essentially a fluoride and refrigerant supplier, but in export markets it is increasingly becoming a R&D partner of pharmaceutical companies. It is supplying specific chemicals to:

- Vertex Pharmaceuticals:** It's an innovator company for cystic fibrosis medicines. The overall market for cystic fibrosis medicines is ~US\$3.5bn. Vertex is the leader in that market. Navin supplies 3-(3,3,3-Trifluoro-2,2-Dimethyl Propoxy)-1H-pyrazole-4-Carboxylic Acid to Vertex Pharmaceuticals.
- Lek Pharmaceuticals:** It's an R&D arm of Sandoz and Novartis. Navin is supplying pyridine-based specialty chemicals to this company. Navin is supplying 4-METHYL-2-(2,2,2-TRIFLUORO-1,1-DIMETHYL-ETHYL)-PYRIDINE.
- Esteve Quimica-** Navin supplies 3-(3,3,3-Trifluoro-2,2-Dimethyl Propoxy)-1H-pyrazole-4-Carboxylic Acid to Esteve Quimica, which has **50 years of experience in developing manufacturing and marketing oral and**

**injectable-non-sterile APIs (NCEs and generics) for regulated markets. It appears the company is developing anti-cystic fibrosis medicines for Vertex Pharmaceuticals.**

- Dottikon Exclusive Synthesis:** Dottikon Exclusive Synthesis AG manufactures high-quality performance chemicals, intermediates, and exclusive active pharmaceutical ingredients (APIs) for the world's leading chemical, biotech, and pharmaceutical industries. Navin supplies 3-(2-Amino-6-Chloropyridin-4-yl)-2 Methyl Benzonitrile to Dottikon. It appears that this molecule is used to manufacture Etrumadenant, which is used as an immune suppressant.
- Fermion OY:** Fermion OY develops, manufactures, and markets APIs to companies in global generic market as well as under exclusive contracts to companies focusing on new chemical entities (NCEs). Navin supplies 5-(Trifluoromethyl) isoindoline hydrochloride to the company. As of now, it is only supplying sample size shipments.

### Agrochemical and chemical customer base is also increasing >

- Bayer, Dupont, Corteva:** These companies have been the traditional customers of Navin Fluorine. They buy mainly agrochemical intermediaries from the company.
- Kumiai Chemicals:** Navin supplies 4-chloro-2-Fluoro-5-(2,2,2-trifluoromethyl sulfanyl) phenol to Kumiai Chemicals. The latter has been a relatively new customer. It appears that the company is a part of some new molecule development.
- BASF, Solvay, Honeywell, Nisso Shoji:** Company supplies multiple chemicals to these companies.

### Introduce FY24F EPS estimates at Rs95.2 and change our FY22F and FY23F EPS estimates >

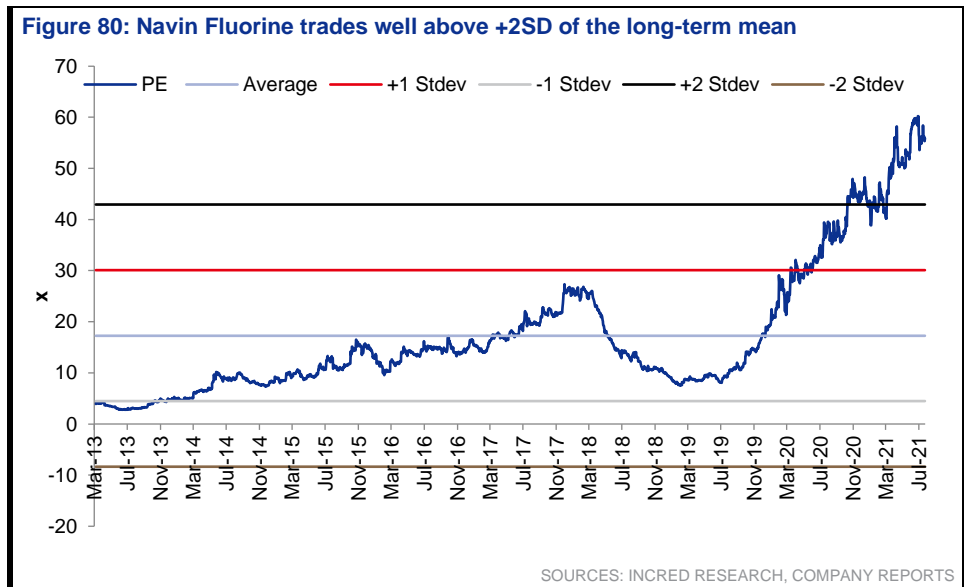
We introduce FY24F EPS estimates at Rs95.2. We also change our EPS estimates for FY22F and FY23F EPS due to better revenue growth in FY21.

**Figure 79: We change our EPS estimates for FY22F,23F and introduce FY24F**

	FY22F	FY23F	FY24F
<b>Revenue</b>			
-Old	13,716	18,602	NA
-New	14,344	19,308	24,404
<b>EBITDA</b>			
-Old	3,694	5,337	NA
-New	4,096	5,786	8,066
<b>Gross margins</b>			
-Old	55	53.5	NA
-New	55	53.5	55
<b>EPS</b>			
-Old	52.1	74.3	NA
-New	60.7	75.8	95.2

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Navin Fluorine trades well above +2SD of the long-term mean ▶**

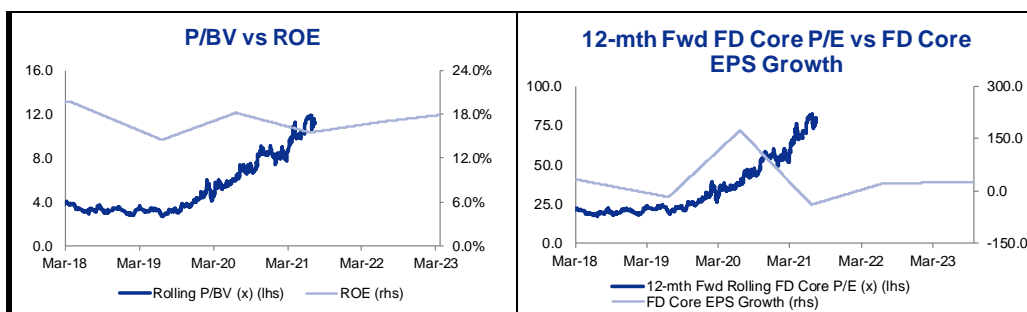


**We value Navin Fluorine at 36X August-23F EPS to arrive at a 1-year TP of Rs3,476 ▶**

**Figure 81: We value Navin Fluorine at +1.5SD of the long-term mean to arrive at TP of Rs3,476; HOLD**

Target Price Methodology		
Item	Unit	Valuation
FY23F EPS	Rs/Share	75.8
FY24F EPS	Rs/Share	95.2
August-23F EPS	Rs/Share	83.9
P/E Multiple	x	36.5
<b>Target Price</b>	<b>Rs/Share</b>	<b>3,476</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS (Navin Fluorine International Ltd)**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>10,616</b>	<b>11,794</b>	<b>14,344</b>	<b>19,308</b>	<b>24,404</b>
<b>Gross Profit</b>	<b>5,777</b>	<b>6,420</b>	<b>7,889</b>	<b>10,330</b>	<b>13,422</b>
<b>Operating EBITDA</b>	<b>2,635</b>	<b>3,093</b>	<b>4,096</b>	<b>5,786</b>	<b>8,066</b>
Depreciation And Amortisation	(370)	(442)	(382)	(569)	(988)
<b>Operating EBIT</b>	<b>2,265</b>	<b>2,651</b>	<b>3,714</b>	<b>5,217</b>	<b>7,078</b>
Financial Income/(Expense)	(20)	(18)	(11)	(645)	(1,290)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	333	790	312	205	214
<b>Profit Before Tax (pre-EI)</b>	<b>2,578</b>	<b>3,423</b>	<b>4,015</b>	<b>4,777</b>	<b>6,002</b>
Exceptional Items	2,148	155			
<b>Pre-tax Profit</b>	<b>4,726</b>	<b>3,578</b>	<b>4,015</b>	<b>4,777</b>	<b>6,002</b>
Taxation	(712)	(1,108)	(1,011)	(1,027)	(1,290)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>4,014</b>	<b>2,471</b>	<b>3,004</b>	<b>3,750</b>	<b>4,711</b>
Minority Interests	72				
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>4,086</b>	<b>2,471</b>	<b>3,004</b>	<b>3,750</b>	<b>4,711</b>
Recurring Net Profit	2,262	2,363	3,004	3,750	4,711
<b>Fully Diluted Recurring Net Profit</b>	<b>2,262</b>	<b>2,363</b>	<b>3,004</b>	<b>3,750</b>	<b>4,711</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>2,635</b>	<b>3,093</b>	<b>4,096</b>	<b>5,786</b>	<b>8,066</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(991)	(1,255)	(53)	(1,609)	(1,614)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	51	(238)	22	15	18
Other Operating Cashflow	353	964	323	850	1,504
Net Interest (Paid)/Received	(20)	(18)	(11)	(645)	(1,290)
Tax Paid	(462)	(173)	(1,011)	(1,027)	(1,290)
<b>Cashflow From Operations</b>	<b>1,566</b>	<b>2,373</b>	<b>3,367</b>	<b>3,370</b>	<b>5,393</b>
Capex	(1,077)	(987)	(3,970)	(4,000)	(4,000)
Disposals Of FAs/subsidiaries	98	81			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,830	(1,465)	845		
<b>Cash Flow from Investing</b>	<b>851</b>	<b>(2,371)</b>	<b>(3,124)</b>	<b>(4,000)</b>	<b>(4,000)</b>
Debt Raised/(repaid)	(27)	(38)	(25)	1,500	
Proceeds From Issue Of Shares	12				
Shares Repurchased					
Dividends Paid	(714)	(394)	(385)	(481)	(604)
Preferred Dividends					
Other Financing Cashflow	(80)	(18)	(11)	(645)	(1,290)
<b>Cash Flow from Financing</b>	<b>(809)</b>	<b>(451)</b>	<b>(421)</b>	<b>374</b>	<b>(1,894)</b>
Total Cash Generated	1,609	(449)	(179)	(256)	(501)
<b>Free Cashflow to Equity</b>	<b>2,390</b>	<b>(36)</b>	<b>217</b>	<b>870</b>	<b>1,393</b>
<b>Free Cashflow to Firm</b>	<b>2,438</b>	<b>20</b>	<b>253</b>	<b>16</b>	<b>2,684</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	3,513	6,284	5,260	5,004	4,503
Total Debtors	2,185	2,841	3,455	4,651	5,879
Inventories	1,579	1,804	1,965	2,857	3,610
Total Other Current Assets	559	1,019	1,106	1,339	1,578
<b>Total Current Assets</b>	<b>7,836</b>	<b>11,947</b>	<b>11,786</b>	<b>13,851</b>	<b>15,570</b>
Fixed Assets	4,798	5,472	9,060	12,491	15,503
Total Investments	1,279	145	145	145	145
Intangible Assets	878	878	878	878	878
Total Other Non-Current Assets	1,495	532	523	523	523
<b>Total Non-current Assets</b>	<b>8,449</b>	<b>7,028</b>	<b>10,606</b>	<b>14,037</b>	<b>17,049</b>
Short-term Debt	14	25			
Current Portion of Long-Term Debt					
Total Creditors	981	1,074	1,375	2,010	2,541
Other Current Liabilities	774	921	1,430	1,506	1,582
<b>Total Current Liabilities</b>	<b>1,769</b>	<b>2,020</b>	<b>2,806</b>	<b>3,517</b>	<b>4,123</b>
Total Long-term Debt	4			1,500	1,500
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	289	291	291	291	291
<b>Total Non-current Liabilities</b>	<b>292</b>	<b>291</b>	<b>291</b>	<b>1,791</b>	<b>1,791</b>
Total Provisions	103	325	338	354	372
<b>Total Liabilities</b>	<b>2,164</b>	<b>2,636</b>	<b>3,435</b>	<b>5,661</b>	<b>6,285</b>
Shareholders' Equity	14,122	16,339	18,958	22,227	26,334
Minority Interests					
<b>Total Equity</b>	<b>14,122</b>	<b>16,339</b>	<b>18,958</b>	<b>22,227</b>	<b>26,334</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	6.6%	11.1%	21.6%	34.6%	26.4%
Operating EBITDA Growth	19.6%	17.4%	32.4%	41.3%	39.4%
Operating EBITDA Margin	24.8%	26.2%	28.6%	30.0%	33.1%
Net Cash Per Share (Rs)	70.65	126.50	106.31	70.83	60.69
BVPS (Rs)	285.42	330.23	383.17	449.24	532.26
Gross Interest Cover	112.99	144.19	342.76	8.09	5.49
Effective Tax Rate	15.1%	31.0%	25.2%	21.5%	21.5%
Net Dividend Payout Ratio	28.1%	12.8%	12.8%	12.8%	12.8%
Accounts Receivables Days	67.26	77.77	80.11	76.62	78.75
Inventory Days	101.77	114.87	106.55	98.01	107.47
Accounts Payables Days	63.92	69.80	69.26	68.82	75.63
ROIC (%)	28.7%	18.8%	26.3%	28.9%	28.9%
ROCE (%)	17.9%	17.3%	20.8%	24.2%	27.2%
Return On Average Assets	12.8%	13.2%	14.6%	16.9%	18.9%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## SRF - Pricing in all possible positives, downgrade to HOLD

Figure 82: Good performance in Q1 FY22 was led Nylon tyre Cord division

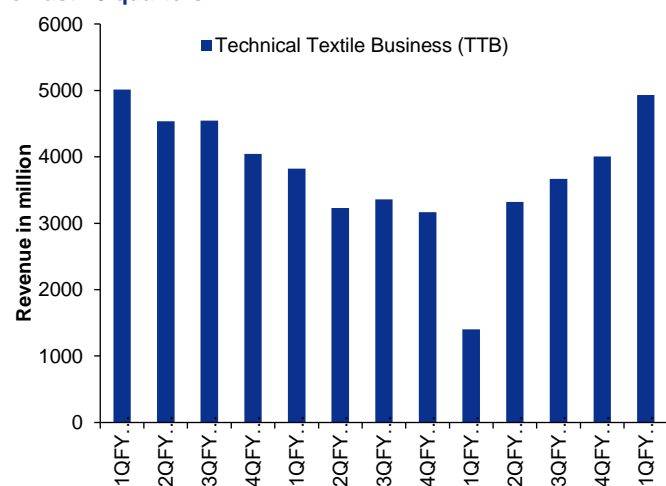
	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Revenue From Operations	16,530	17,215	17,535	19,002	17,322	17,022	18,075	18,203	15,131	20,630	21,294	25,899	26,788
Other Operating Income	233	334	553	367	311	356	430	376	320	379	170	178	206
<b>Net Revenue</b>	<b>16,762</b>	<b>17,550</b>	<b>18,088</b>	<b>19,370</b>	<b>17,633</b>	<b>17,378</b>	<b>18,505</b>	<b>18,578</b>	<b>15,452</b>	<b>21,008</b>	<b>21,464</b>	<b>26,077</b>	<b>26,994</b>
<b>Expenses</b>													
Cost of Materials Consumed	9,484	9,772	10,858	10,265	9,481	8,986	9,284	9,124	6,821	9,466	11,196	12,794	12,934
Purchase of Stock in Trade	114	124	120	128	169	245	312	189	121	207	113	189	294
Change in Inventories	-386	105	-724	297	-116	-396	-268	-138	474	-122	-1,123	55	90
<b>Total Cost of Goods Sold</b>	<b>9,213</b>	<b>10,002</b>	<b>10,254</b>	<b>10,690</b>	<b>9,533</b>	<b>8,834</b>	<b>9,328</b>	<b>9,175</b>	<b>7,415</b>	<b>9,550</b>	<b>10,186</b>	<b>13,038</b>	<b>13,317</b>
Employee Benefit Expenses	1,171	1,124	1,170	1,250	1,290	1,292	1,368	1,470	1,375	1,507	1,579	1,753	1,820
Power & Fuel Expenses	1,483	1,505	1,470	1,476	1,554	1,635	1,821	1,716	1,233	1,897	1,946	2,097	2,318
Other Expenses	1,709	1,744	2,076	2,213	1,809	2,265	2,088	2,334	1,705	2,233	2,307	2,846	2,895
<b>Total Expenses</b>	<b>13,576</b>	<b>14,375</b>	<b>14,970</b>	<b>15,630</b>	<b>14,186</b>	<b>14,026</b>	<b>14,603</b>	<b>14,694</b>	<b>11,728</b>	<b>15,188</b>	<b>16,018</b>	<b>19,734</b>	<b>20,350</b>
<b>EBITDA</b>	<b>3,186</b>	<b>3,175</b>	<b>3,118</b>	<b>3,740</b>	<b>3,447</b>	<b>3,352</b>	<b>3,902</b>	<b>3,884</b>	<b>3,723</b>	<b>5,821</b>	<b>5,446</b>	<b>6,343</b>	<b>6,644</b>
Depreciation	879	877	909	949	925	929	1,019	1,014	1,040	1,140	1,166	1,185	1,230
EBIT	2,307	2,298	2,208	2,791	2,522	2,423	2,883	2,870	2,683	4,681	4,281	5,158	5,414
Other Income	39	29	65	161	152	220	56	63	101	98	217	130	138
Forex (Gain) /Loss	144	172	-105	16	-151	42	-127	271	91	96	-215	-91	-72
Interest Expense	442	491	534	524	515	550	475	466	432	362	285	262	275
Exceptional Items													
<b>Profit Before Tax</b>	<b>1,760</b>	<b>1,664</b>	<b>1,844</b>	<b>2,412</b>	<b>2,309</b>	<b>2,051</b>	<b>2,591</b>	<b>2,196</b>	<b>2,262</b>	<b>4,321</b>	<b>4,428</b>	<b>5,117</b>	<b>5,349</b>
Current Tax	473	460	487	619	629	41	-660	255	493	1,164	1,185	1,302	1,396
Deferred Tax													
Other Tax Expenses	-11	-84	-177		-73		-205						
<b>Total Tax Expenses</b>	<b>462</b>	<b>376</b>	<b>310</b>	<b>619</b>	<b>556</b>	<b>41</b>	<b>-864</b>	<b>255</b>	<b>493</b>	<b>1,164</b>	<b>1,185</b>	<b>1,302</b>	<b>1,396</b>
<b>Profit After Tax</b>	<b>1,298</b>	<b>1,288</b>	<b>1,534</b>	<b>1,793</b>	<b>1,753</b>	<b>2,009</b>	<b>3,455</b>	<b>1,942</b>	<b>1,769</b>	<b>3,157</b>	<b>3,243</b>	<b>3,815</b>	<b>3,953</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

### Q1FY22 profit growth came from a surprising segment - nylon tyre cord ➔

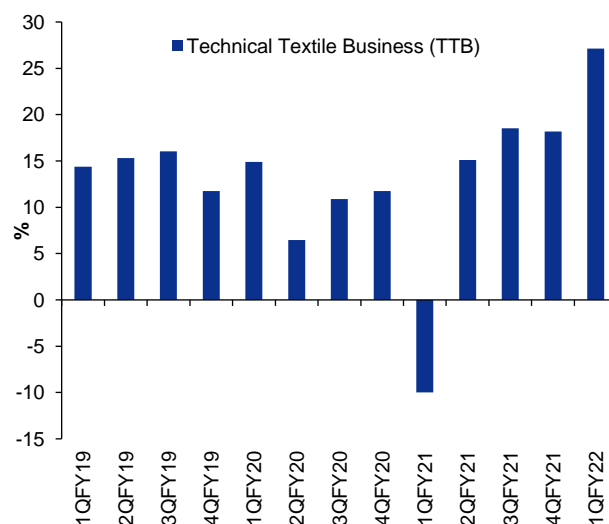
We guess that this surprising gain was led by low-priced caprolactam inventory. As far as we know, the prices of nylon tyre cord are based on spot prices of caprolactam and hence, there were margin gains in Q1FY22, which may not continue from Q2FY22.

Figure 83: Technical textiles business booked highest revenue of last 13 quarters



SOURCES: INCRED RESEARCH, COMPANY REPORTS

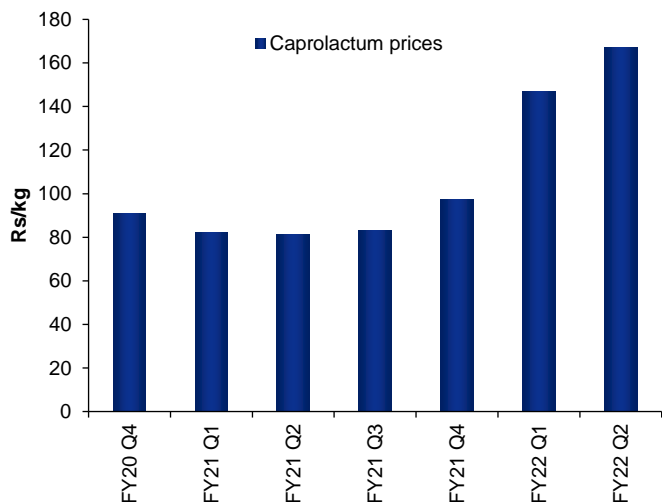
Figure 84: Margins were highest, surging by 1,200bps QoQ



SOURCES: INCRED RESEARCH, COMPANY REPORTS



**Figure 85: Caprolactam prices skyrocketed during the quarter, and it appears that SRF had low-cost inventory**



SOURCES: COMPANY REPORTS, INCRED RESEARCH

**Figure 86: Inventory gains would not have been material at the end of Q4FY21 as caprolactam price at the end of March was not materially different from March average**



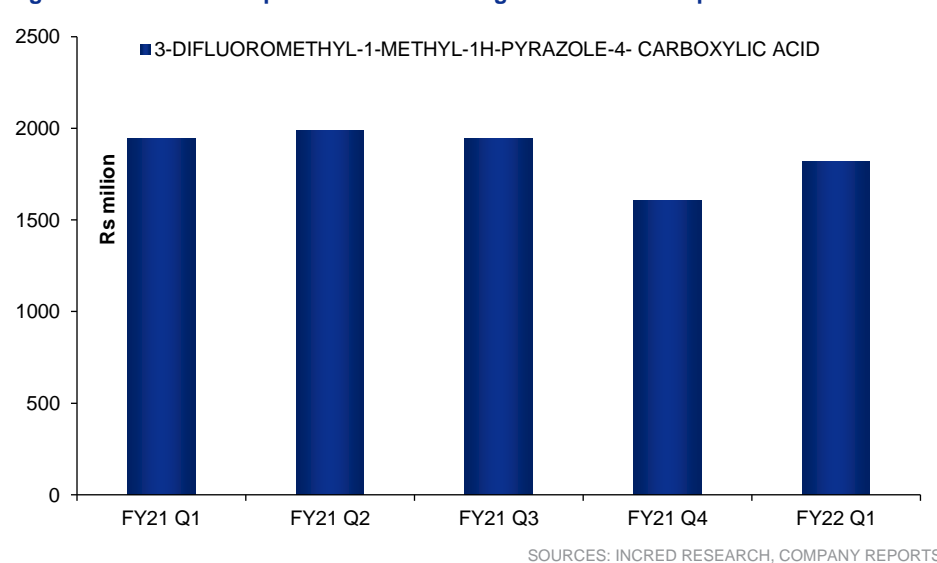
SOURCES: COMPANY REPORTS, INCRED RESEARCH

**We don't find any new molecules in chemicals, standard supplies continue ➤**

The analysis of export data indicates that same molecule supply continues.

- 3-difluoromethyl-1-methyl-1h-pyrazole-4- carboxylic acid is primarily used in SDHI fungicide applications. This is one of the main export molecules for SRF since many quarters.

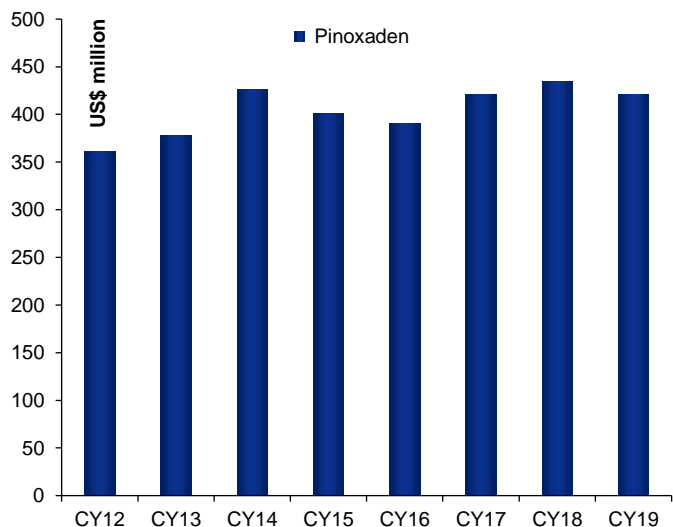
**Figure 87: Sales of this product remained stagnant for last five quarters**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

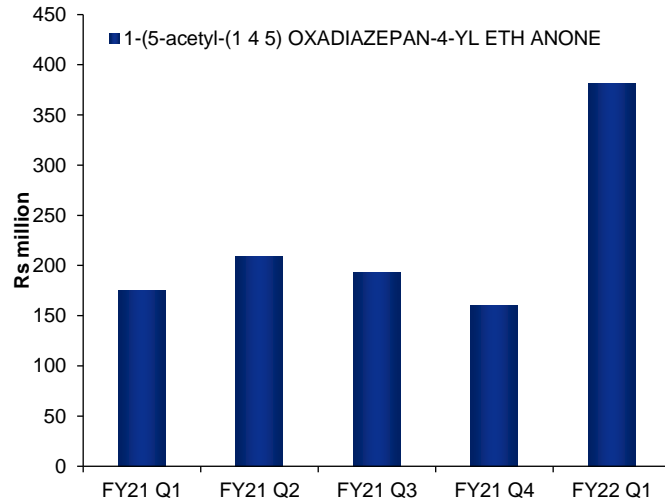
- 1-(5-acetyl-(1,4,5) oxadiazepan-4-yl) ethanone is used to manufacture pinoxaden herbicide.

**Figure 88: Pinoxaden is a stagnant molecule globally**



SOURCES: INCRED RESEARCH, IHSMARKIT

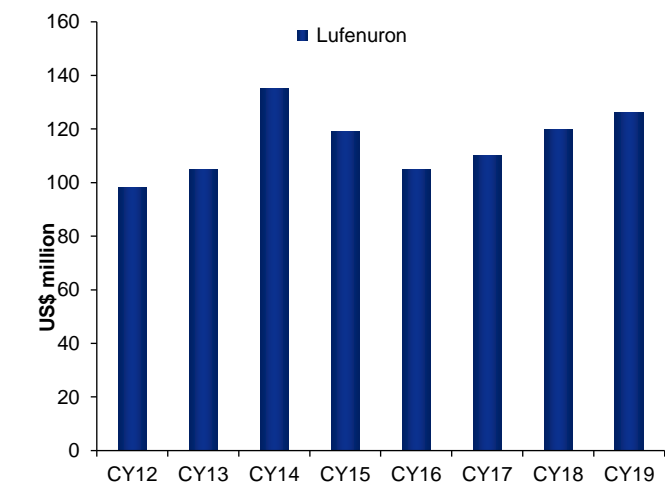
**Figure 89: In Q1FY22, sales of this molecule went up. However, in FY22, unless Syngenta diverts some of the material sourcing to SRF, sales growth won't sustain**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

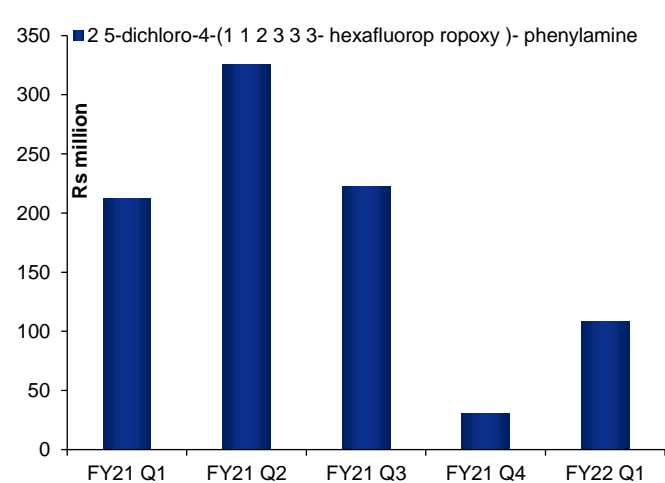
- 2,5-dichloro-4-(1,1,2,3,3,3-hexafluoropropoxy)-phenylamine is used to manufacture Lufenuron insecticide. Lufenuron, manufactured by Syngenta, is not a very widely used insecticide.

**Figure 90: Lufenuron sales have not shown much movement for past five years**



SOURCES: INCRED RESEARCH, IHSMARKIT

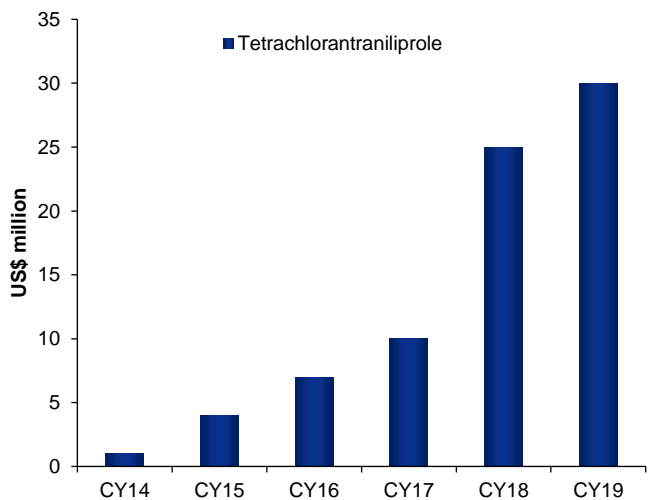
**Figure 91: 2,5-dichloro-4-(1,1,2,3,3,3-hexafluoropropoxy)-phenylamine sales are not showing any growth**



SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

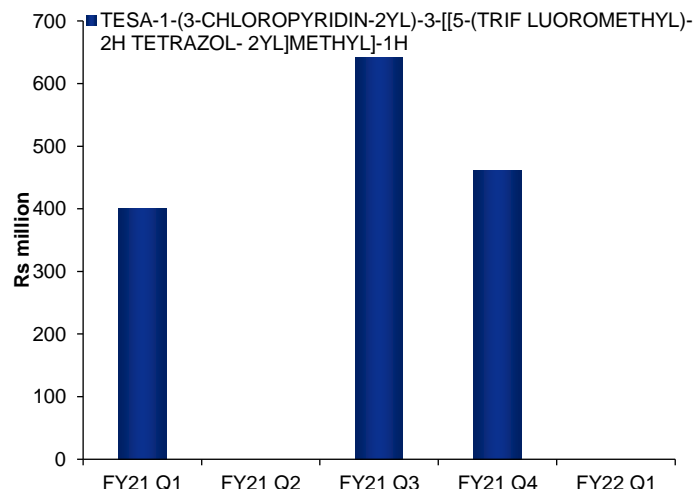
- Tesa-1-(3-chloropyridin-2-yl)-3-(5-(trifluoromethyl)-2H-tetrazol-2-yl)methyl-1H-pyrazole-5-carboxylic acid is used to manufacture Tetraniliprole insecticide. Tetrachlorantraniliprole, manufactured by Bayer, is a new insecticide.

**Figure 92: Tetrachlorantraniliprole (launched in CY14) is a new insecticide, but sales growth is impressive**



SOURCES: INCRED RESEARCH, IHSMARKIT

**Figure 93: Sales of 1-(3-chloropyridin-2yl)-3-(5-(trifluoromethyl)-2h tetrazol-2yl) methyl-1h-pyrazole-5-carboxylic acid are not consistent for SRF**

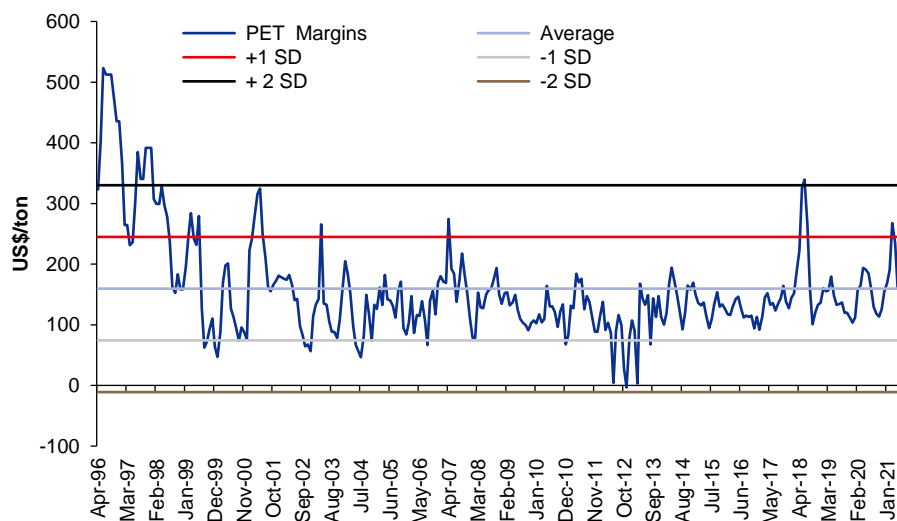


SOURCES: INCRED RESEARCH, CORPINESS GLOBAL PRIVATE LIMITED

- Apart from above molecules, our analysis doesn't indicate any big molecule either in pharmaceutical or in agrochemical intermediary. Rest all are commodity grade chemicals.

**PET and BOPP films are doing well for a relatively long time now, don't bet on the good times continuing perpetually ▶**

**Figure 94: PET margin appears to have peaked in the medium term**



SOURCES: COMPANY REPORTS, BLOOMBERG

**We change our EPS for FY22F by 2% to account for good Q1 performance and introduce FY24F EPS; downgrade to HOLD ➔**

**Figure 95: We tweak our EPS estimates to account for a better-than-expected performance in Q1FY22**

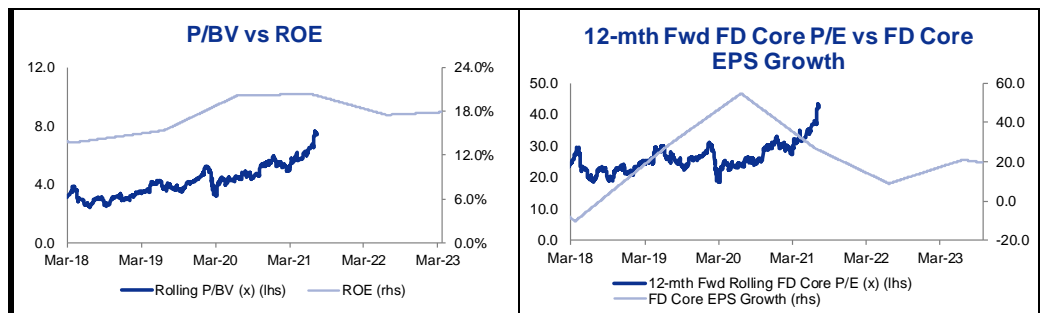
	FY22F	FY23F	FY24F
Revenue			
-Old	1,00,622	1,20,328	NA
-New	1,00,622	1,20,328	1,36,053
EBITDA			
-Old	22,454	27,728	NA
-New	23,168	28,050	32,357
EPS			
-Old	216	272	NA
-New	220	266	308

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 96: We change our TP to Rs8,481 and downgrade the stock to HOLD**

SOTP Valuation		
<b>Technical Textile Business</b>		
FY24F EPS	Rs/Share	28.3
P/E Multiple	x	15.0
Target Price	Rs/Share	424.0
<b>Chemical &amp; Polymers Business</b>		
FY24F EPS	Rs/Share	154.5
P/E Multiple	x	40.0
Target Price	Rs/Share	6,178.5
<b>Packaging Films Business</b>		
FY24F EPS	Rs/Share	121.0
P/E Multiple	x	15.0
Target Price	Rs/Share	1,814.5
<b>Other Business</b>		
FY24F EPS	Rs/Share	4.3
P/E Multiple	x	15.0
Target Price	Rs/Share	63.8
Consolidated FY24E EPS	Rs/Share	308.3
Implied P/E Multiple		28
<b>Consolidated Target Price</b>		<b>8,481</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS (SRF Limited)**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>72,094</b>	<b>84,000</b>	<b>100,622</b>	<b>120,328</b>	<b>136,053</b>
<b>Gross Profit</b>	<b>72,094</b>	<b>84,000</b>	<b>100,622</b>	<b>120,328</b>	<b>136,053</b>
<b>Operating EBITDA</b>	<b>14,584</b>	<b>21,452</b>	<b>23,168</b>	<b>28,050</b>	<b>32,357</b>
Depreciation And Amortisation	(3,886)	(4,531)	(5,051)	(5,831)	(6,806)
<b>Operating EBIT</b>	<b>10,698</b>	<b>16,921</b>	<b>18,118</b>	<b>22,220</b>	<b>25,551</b>
Financial Income/(Expense)	(2,007)	(1,340)	(1,408)	(1,821)	(1,821)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	456	545	850	850	850
<b>Profit Before Tax (pre-EI)</b>	<b>9,147</b>	<b>16,127</b>	<b>17,560</b>	<b>21,248</b>	<b>24,580</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>9,147</b>	<b>16,127</b>	<b>17,560</b>	<b>21,248</b>	<b>24,580</b>
Taxation	12	(4,144)	(4,512)	(5,460)	(6,316)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>9,159</b>	<b>11,983</b>	<b>13,047</b>	<b>15,788</b>	<b>18,264</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>9,159</b>	<b>11,983</b>	<b>13,047</b>	<b>15,788</b>	<b>18,264</b>
Recurring Net Profit	9,159	11,983	13,047	15,788	18,264
<b>Fully Diluted Recurring Net Profit</b>	<b>9,159</b>	<b>11,983</b>	<b>13,047</b>	<b>15,788</b>	<b>18,264</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>14,584</b>	<b>21,452</b>	<b>23,168</b>	<b>28,050</b>	<b>32,357</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(239)	(1,236)	(6,727)	(4,177)	(3,205)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(381)	(492)	1,933	464	329
Other Operating Cashflow	(331)	(3,221)	(6,766)	(8,249)	(9,961)
Net Interest (Paid)/Received	(2,016)	(1,340)	(1,408)	(1,821)	(1,821)
Tax Paid	1,427	2,553	4,512	5,460	6,316
<b>Cashflow From Operations</b>	<b>13,044</b>	<b>17,717</b>	<b>14,713</b>	<b>19,727</b>	<b>24,015</b>
Capex	(13,730)	(12,047)	(22,277)	(15,000)	(10,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,926	(2,950)	2,140		
<b>Cash Flow from Investing</b>	<b>(11,803)</b>	<b>(14,997)</b>	<b>(20,137)</b>	<b>(15,000)</b>	<b>(10,000)</b>
Debt Raised/(repaid)	1,207	(6,708)	10,523		
Proceeds From Issue Of Shares		7,500			
Shares Repurchased					
Dividends Paid	(2,040)	(1,574)	(1,146)	(1,387)	(1,387)
Preferred Dividends					
Other Financing Cashflow	(1,157)	(1,730)	(1,408)	(1,821)	(1,821)
<b>Cash Flow from Financing</b>	<b>(1,990)</b>	<b>(2,511)</b>	<b>7,969</b>	<b>(3,208)</b>	<b>(3,208)</b>
Total Cash Generated	(749)	209	2,544	1,519	10,807
<b>Free Cashflow to Equity</b>	<b>2,448</b>	<b>(3,988)</b>	<b>5,098</b>	<b>4,727</b>	<b>14,015</b>
<b>Free Cashflow to Firm</b>	<b>3,257</b>	<b>4,060</b>	<b>(4,016)</b>	<b>6,548</b>	<b>15,836</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash and Equivalents	3,240	6,945	7,349	8,868	19,676
Total Debtors	8,911	12,746	15,268	18,258	20,644
Inventories	12,012	14,658	17,559	20,997	23,741
Total Other Current Assets	4,899	5,040	5,287	5,635	5,914
<b>Total Current Assets</b>	<b>29,062</b>	<b>39,389</b>	<b>45,462</b>	<b>53,758</b>	<b>69,975</b>
Fixed Assets	77,603	80,794	98,021	107,191	110,385
Total Investments	42	42	42	42	42
Intangible Assets	6	6	6	6	6
Total Other Non-Current Assets	2,055	3,871	2,616	2,187	1,895
<b>Total Non-current Assets</b>	<b>79,706</b>	<b>84,713</b>	<b>100,685</b>	<b>109,425</b>	<b>112,328</b>
Short-term Debt	9,554	9,657	9,554	9,554	9,554
Current Portion of Long-Term Debt					
Total Creditors	11,117	15,852	18,989	22,707	25,675
Other Current Liabilities	4,611	10,202	6,008	4,889	4,127
<b>Total Current Liabilities</b>	<b>25,282</b>	<b>35,711</b>	<b>34,551</b>	<b>37,151</b>	<b>39,356</b>
Total Long-term Debt	30,914	20,288	30,914	30,914	30,914
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,109	433	1,109	1,109	1,109
<b>Total Non-current Liabilities</b>	<b>32,022</b>	<b>20,722</b>	<b>32,022</b>	<b>32,022</b>	<b>32,022</b>
Total Provisions	2,130	4,297	4,299	4,334	4,372
<b>Total Liabilities</b>	<b>59,434</b>	<b>60,730</b>	<b>70,873</b>	<b>73,508</b>	<b>75,750</b>
Shareholders' Equity	49,333	68,564	80,466	94,867	111,745
Minority Interests					
<b>Total Equity</b>	<b>49,333</b>	<b>68,564</b>	<b>80,466</b>	<b>94,867</b>	<b>111,745</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	1.5%	16.5%	19.8%	19.6%	13.1%
Operating EBITDA Growth	10.4%	47.1%	8.0%	21.1%	15.4%
Operating EBITDA Margin	20.2%	25.5%	23.0%	23.3%	23.8%
Net Cash Per Share (Rs)	(647.90)	(394.16)	(559.02)	(533.37)	(350.96)
BVPS (Rs)	858.56	1,174.99	1,358.18	1,601.27	1,886.14
Gross Interest Cover	5.33	12.63	12.87	12.20	14.03
Effective Tax Rate		25.7%	25.7%	25.7%	25.7%
Net Dividend Payout Ratio	8.8%	8.8%	8.8%	8.8%	7.6%
Accounts Receivables Days	48.60	47.05	50.81	50.85	52.18
Inventory Days	nm	nm	nm	nm	nm
Accounts Payables Days	nm	nm	nm	nm	nm
ROIC (%)	11.9%	18.6%	15.9%	17.5%	19.2%
ROCE (%)	12.3%	17.5%	16.0%	16.8%	17.3%
Return On Average Assets	10.8%	11.4%	10.7%	11.4%	11.6%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)

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### Recommendation Framework

#### Stock Ratings

Definition:

<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

<b>Overweight</b>	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
<b>Neutral</b>	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
<b>Underweight</b>	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

<b>Overweight</b>	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
<b>Neutral</b>	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
<b>Underweight</b>	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.