

Axis Annual Analysis 2021



Apcotex Industries Ltd

Robust Demand Recovery to Drive Top-line Growth and Profitability

Summary

Apcotex Industries (Apcotex) delivered robust growth in FY21 on account of recovery in all the key end-user industries, capacity utilization running at ~100% by year-end, and the scale-up of new products.

Cost savings post-commissioning co-gen power plant in Q4FY20 aided in generating healthy margins.

Focus on capacity expansion to achieve future growth.

Key Highlights

Financial Review: In FY21, the company registered a value/volume growth of 9%/10% YoY despite a washed-out H1FY21 led by the COVID-19 led restrictions and lockdowns. The operating profit grew by 105% to Rs 69 Cr and the Operating Margin came in at 12.7%, recording a 600 bps YoY expansion for FY21. This was on account of inventory gains resulting in better gross margins, product mix optimization, and cost-saving initiatives. Exports reached pre-Covid levels and stood at 17% of total revenues in FY21, supported by growth in the gloves and carpet industry.

Operational Review: The company has filed for fresh anti-dumping duties against Russia, Japan, and France for which the hearing has been completed and the final recommendation from DGTR is expected in Q1FY22. The company introduced latex gloves in FY20 leveraging its in-house R&D capabilities and successfully scaled it up in FY21 which resulted in strong growth in exports. Additionally, diversifying end-user industries further has aided the company in reporting 10% YoY top-line growth in FY21.

Key competitive strengths: a) Well-diversified end-user customer base, b) Sustained high market share, c) Robust financial strength, d) Experienced and competent management bandwidth, and e) Wide product portfolio.

Growth drivers: a) High growth expectation in some of the key end-user industries, b) Focus on capacity expansion, c) Increasing share of company's exports and d) Focus on further increasing market share and e) Thrust on latex gloves having strong growth momentum.

Key Strategies moving forward: a) Expanding and upgrading capacity, b) Stabilize the top-line, c) Enhancing profitability, and d) Reducing dependence on imports for NBR.

Outlook & Recommendation

Apcotex posted an impressive set of numbers on the top-line, operating profit, and net profit front on account of growing demand as well as optimum capacity utilization at both its plants. Currently, the domestic players only cater to 30-40% of the demand, and thus, with the current Capex, the company will partly be able to cater to more domestic demand. The exports market, too, is expected to gain momentum considering traction gained in the gloves and carpet segment in Q4FY21. Moreover, any favorable outcome in anti-dumping duty would further boost earnings growth. Our estimates, however, do not factor in the impact of favorable ADD announcement and thereby stand as an upside risk to our estimates. **Given that the stock price has run up swiftly since the Q4FY21 result, we would await for a better entry point and thus downgrade the stock to HOLD (previously BUY) while valuing the stock at 20x FY23E EPS to arrive at a TP of Rs 315/share.**

Key Financials (Consolidated)

(Rs. cr)	FY20	FY21	FY22E	FY23E
Net Sales	496	541	729	805
EBITDA	33	69	98	117
Net Profit	17	44	71	85
EPS (Rs.)	3.2	8.5	13.6	16.5
PER (x)	30.2	18.4	11.5	9.5
EV/EBITDA (x)	15.8	11.8	7.9	6.1
P/BV (x)	2.0	2.7	2.3	1.9
ROE (%)	6.5%	14.4%	19.6%	20.1%

Source: Company, Axis Research

(CMP as of Jul 02, 2021)

CMP (Rs)	317
Upside /(Downside (%))	(-1%)
High/Low (Rs)	385/108
Market cap (Cr)	1,631
Avg. daily vol. (6m) Shrs.	93,071
No. of shares (Cr)	5

Shareholding (%)

	Sep-20	Dec-20	Mar-21
Promoter	58.12	58.15	58.17
FIs	0.0	0.0	0.0
MFs / UTI	0.39	0.39	0.39
Banks / FIs	0.01	0.01	0.01
Others	41.48	41.45	41.43

Financial & Valuations

Y/E Mar (Rs. cr)	FY21	FY22E	FY23E
Net Sales	541	729	805
EBITDA	69	98	117
Net Profit	44	71	85
EPS (Rs.)	8.5	13.6	16.5
PER (x)	18.4	11.5	9.5
EV/EBITDA (x)	11.8	7.9	6.1
P/BV (x)	2.7	2.3	1.9
ROE (%)	14.4%	19.6%	20.1%

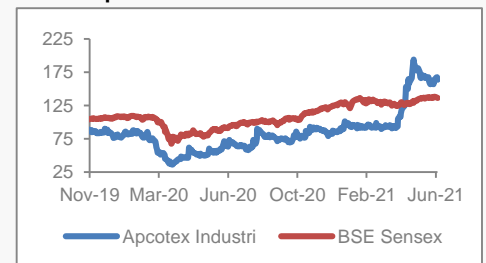
ESG disclosure Score**

Environmental Disclosure	N/A
Social Disclosure Score	N/A
Governance Disclosure Score	N/A
Total ESG Disclosure Score	N/A

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly, and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

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FY21 - Performance round-up

Apcotex Industries Limited is engaged in the business of producing synthetic emulsion polymers. The Company's product range includes Synthetic Latex, Nitrile Rubber, and High Styrene Rubber. The Company's range of latex is used for tyre cord dipping, paper/board coating, carpet backing, waterproofing, paints, textile finishing, and automotive components. Its high styrene synthetic rubber is used in various applications such as footwear, automotive components, v-belts, conveyor belts, and hoses. The company has manufacturing locations at Taloja, Maharashtra, and Valia, Gujarat.

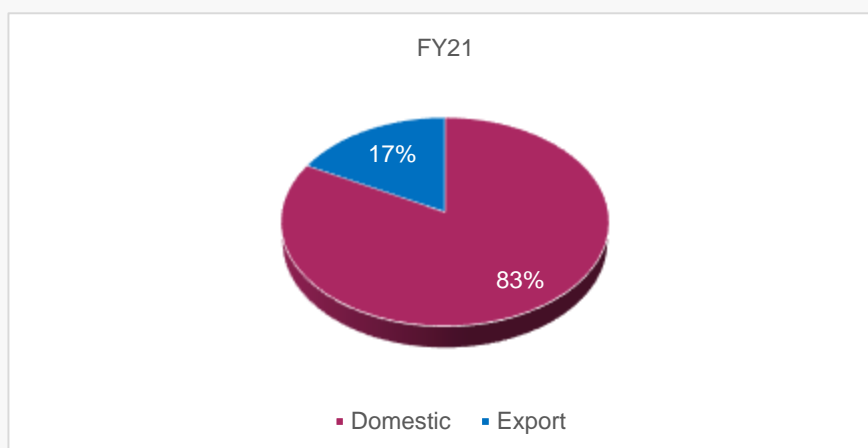
- Encouraging revenue growth:** The revenue for FY21 stood at Rs. 541 Cr, registering a growth of 9% YoY. This was led by a 10% volume growth despite Covid-19 induced lockdowns and restrictions. The revenue growth was also aided by improvement in the demand scenario of end-user industries such as Construction, Auto, Paper and Paper Board, Tyre, and Footwear in H2FY21. Diversification across key end-user industries has helped Apcotex in stabilizing its top-line, thereby improving the quality of its earnings.
- Robust GP growth:** The Gross Profit grew by 35% to Rs 201 Cr on account of inventory gains and increase in capacity utilization, leading to gross margin expansion of 720 bps to 37.2%.
- Excellent Operating Profit growth:** The operating profit grew by a robust 105% on a YoY basis as it reached pre-Covid levels. This was owing to a significant improvement in the gross profit, cost rationalization measures undertaken, and a superior product mix (X-NBR Latex higher growth – higher-margin product).
- Improved bottom line:** The PAT came in at Rs 44 Cr, registering a 166% YoY growth on account of strong operational performance.

Segmental Performance

Revenue by Geography

- Apcotex has been focusing on increasing its export share to reduce geographical concentration risk. However, India will remain the key strategic market for the company. In Q4FY21, the company reported the highest-ever quarterly exports contributing 20% to the top-line driven by specialty latex viz. Nitrile Latex for gloves. This enabled the company to increase its export contribution from 12% in FY20 to 17% in FY21.

Exhibit 1: Region-wise Contribution



Source: Company, Axis Securities

Cost Optimization Measures

- **Power/Fuel Cost:** In FY21, Power & Fuel cost dropped by 8% YoY post commissioning the co-gen power plant in Q4FY20.

Key Growth Drivers

- **High growth expectation in some of the key end-user industries:** The key end-user industries like Paper & Paperboard (packaging), Paints & Coatings, Adhesives, Water Proofing & Construction are expected to witness strong growth as the Covid-19 situation improves enabling lockdown relaxations and economic activity resuming to its normalcy. Besides, the new product range of Nitrile Latex for Gloves industry is also expected to aid in delivering robust top-line growth, moving forward.
- **Focus on Capacity Expansion:** Apcotex continues to consistently focus on expanding its capacity and has laid out strong plans for the next 3-5 years. A few of these include a) De-bottlenecking project at Taloja, b) Capacity addition for XNB Gloves at Valia, and c) Capex for additional capacity at Taloja (announced in Q1FY22). These will help the company report decent top-line growth along with increasing its market share further.
- **Increasing share of exports:** As of Q4FY21, the contribution from exports stood at 20% and was led by the gloves and carpet industry. While the domestic market will remain a strategic market for the company, it plans to proactively diversify into the international markets as well to reduce business and revenue concentration risk.
- **Sustained high market share:** The company currently has a market share of between 40%-75% in certain industries and belongs to the top 3 players in the country for NBR, HSR, and Synthetic Latex. With a stronghold in the industry, new Capex plans will only result in market share gains and consequently result in robust top-line growth as well.

Key operational activities during the year

- **New product launches:** In light of growing demand in the international markets, the company launched a new product - nitrile latex for gloves during the year to enhance export sales.
- **Capex plans:** The construction of the new project for the XNB Latex project for gloves at Valia was delayed on account of a delay in obtaining the statutory/environmental permissions from the environmental department.

Key R&D Highlights

- There are a few areas in which the company carried out its R&D in FY21. During the year, Apcotex spent Rs.3.5 Cr. for R&D.
- Introduction of latex gloves and scaling up of the same in FY21.

Business outlook

- Apcotex expects FY22 to be a challenging year in view of the advent of the second wave of COVID-19 which caused some slowdown in sectors like Automobile, Construction, and Tyre during Q1FY22.
- However, the sales from the newly introduced range of Nitrile Latex for the gloves industry have seen a healthy momentum during FY21 and are expected to continue in FY22 as well. As the growth in this product segment has been accelerated owing to the COVID-19 pandemic, the product range is expected to be one of the key future growth drivers moving ahead.
- The Company intends to install new capacities at both Valia and Taloja and is working on obtaining the required approvals.

Key strategies moving forward

- **Expanding and upgrading capacity:** The company is focusing on expanding its capacities at current locations and planning to add a manufacturing plant at a third location. Through these expansions, it aspires to add more value to the customers and meet their growing demands.
- **Bringing instability to the top-line:** Apcotex plans to expand its export portfolio to reduce business concentration risk. Additionally, over the years, the company has started supplying to a diverse range of end-user sectors, thus reducing dependence on any one particular sector and bringing stability in the revenue streams. The company has introduced its own branded product ApcoBuild which is expected to add incremental growth to the topline and minimize sector concentration risk being a sector-agnostic product.
- **Enhancing profitability:** The company plans to focus on new product development to drive growth, enhance its brand equity further, improve operational efficiency to achieve better margins, and focus on profitable markets and segments.
- **Capturing the import substitution potential in NBR:** Currently, ~75% of NBR is imported into India and the company plans to cater to 50-60% of the current market requirements. To meet this objective, it plans to undertake de-bottlenecking at its plants, expand capacities at the current location, and undertake greenfield expansion at different locations.

Sustainability: ESG score

- **Adherence to global safety standards:** Apcotex ensures compliance with statutes and global safety standards by implementing required process controls, safety equipment, and infrastructure in place. The company is certified in ISO 14001:2015, ISO 45001:2018, and Responsible Care, which addresses issues related to Environmental, Health, and Safety systems and processes.
- **Regular safety audits:** Safety Audits are conducted through independent agencies to identify the gaps if any, and corrective actions are taken immediately. Members of the company's safety committee at Taloja and Valia Plant regularly review the safety measures and their implementation to ensure adequate safety in material handling and processing, pollution control caused by liquid effluents, dust, and emissions from chimney, etc. Samples are periodically drawn and the reports are submitted to the Pollution Control Board indicating compliance with the standards.
- **Consent to operate plants in place:** Consent has been obtained from Maharashtra Pollution Control Board to operate the Taloja plant till Mar'31 and from Gujarat Pollution Control Board to operate the Valia plant at Ankleshwar till November 2024.
- **Zero Liquid Discharge:** The company is working towards exploring Zero Liquid Discharge (ZLD) for both plants.

Risks and Mitigation

The Company has laid down a well-defined Risk Management Framework covering the risk, risk exposure, potential impact and risk mitigation process. The key business risks and their mitigation plans are described as under.

Raw Material Risk:

- **Risk:** Some of the major raw materials for Apcotex are Styrene, Acrylonitrile, and Butadiene, among others. While Styrene and Acrylonitrile are imported as they are not manufactured in the country, Butadiene is currently available from limited manufacturers in India. Apcotex is exploring import arrangements. If there is an issue with the supply of any of these materials, production of several products would be affected hampering the company's revenue growth and profitability,
- **Mitigation:** To mitigate this risk, Apcotex has nurtured deep relations with multiple suppliers and keeps an adequate inventory and pipeline of these raw materials. Additionally, it has also developed alternate sources to ensure unobstructed supply.

Dependance on Single Manufacturing Unit:

- **Risk:** While Apcotex has 2 manufacturing units, some of its products can be manufactured only at a single plant location. Due to incidents such as strikes, political instability, pandemics in the local area, terrorist attacks, fire, natural calamities, etc. the operations of the Company may be materially affected.
- **Mitigation:** During FY21, the company made its plants more flexible and is now able to manufacture few products at both locations. The company has taken appropriate available insurance covers for some of these eventualities except pandemics and strikes.
- **HSR Obsolescence:**
- **Risk:** The HSR market has shrunk over a period of time and more or less has stagnated over the last couple of years which may result in under-utilization of the HSR production capacity.
- **Mitigation:** The Company has increased HSR export in overseas markets and is also exploring the alternative use of the production facility for other products.

Monomer Transportation:

- **Risk:** Monomers, some of whom are highly flammable and hazardous in nature are transported in specialized and insulated tankers. In case of an accident, these monomers may lead to fire or explosion resulting in damage to property and the environment in the surrounding area.
- **Mitigation:** To overcome this risk, the tankers are inspected by competent authorities on a regular basis and cleared for transportation of the dedicated material only. Apcotex is enrolled for the Nicer Globe initiatives under the Responsible Care program during FY20, which will help in managing this risk of monomers transportation.

Business Concentration Risk:

- **Risk:** 83% of the company's business depends on the domestic industry and therefore is highly dependent on the domestic market.
- **Mitigation:** To overcome this risk, the company has put in place a dedicated team for exports. During FY21, a specialty latex viz. Nitrile latex for gloves was introduced mainly for the export market, which will help to reduce the dependency on the domestic market significantly.

Overseas Competition- Dumping of Products

- **Risk:** During FY20, the company faced intense competition from overseas suppliers especially for NBR. Some of them supplied material at a very low price in the country, which forced the company to reduce the pricing which impacted margins during certain months of FY20.
- **Mitigation:** To mitigate this risk, the company has undertaken various initiatives such as filing of the Anti-Dumping petition against these countries for dumping and various initiatives for reducing costs, improving efficiencies, and making the plant more flexible to manufacture other products.

Financial Statement Analysis

Profitability Analysis

Particulars (Rs.cr)	FY20	FY21	Change	Comments/Analysis
Sales	496	541	9%	Revenue grew on account of 10% volume growth as demand started reviving.
Raw Materials	347	339	-2%	Raw material cost was lower due to lower RM prices.
Gross Profits	149	201	35%	Gross Profit grew on the back optimization in product mix and inventory gains.
Operating Expenses	463	472	2%	Remained under control as co-gen plant led to 8% YoY decline in power costs
Interest	1	4	190%	Interest cost was higher due to lower interest on income tax of earlier years and reduction of interest cost on deposits from dealers. Despite reduction in Total Borrowings, interest expenses increased sharply.
EBIT	20	54	171%	EBIT rose on account of improvement in gross margins, improved product mix and cost rationalization measures.
PAT	17	44	166%	PAT was higher on account of strong operational performance.
EPS	3.2	8.5	166%	

Source: Company; Axis Securities

Growth Indicators

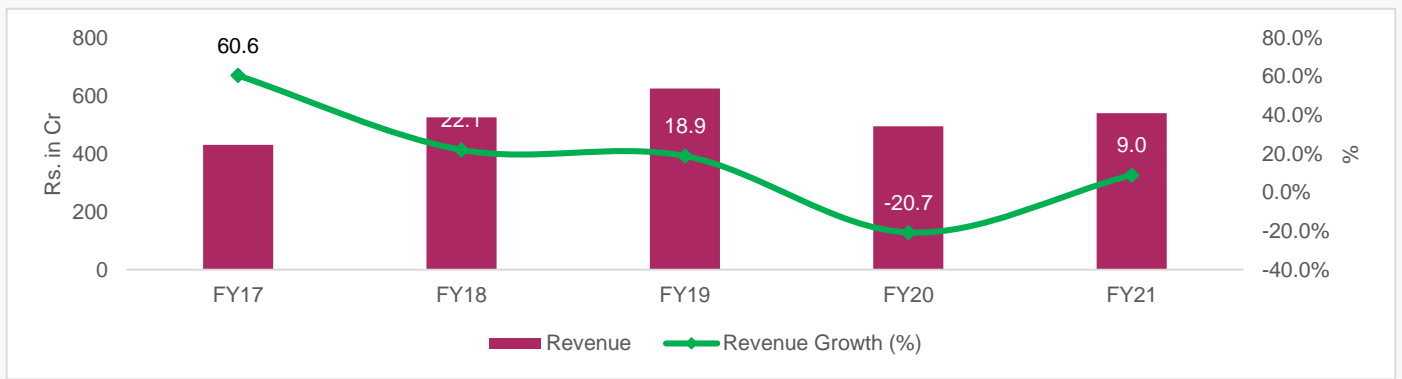
Particulars	CY19	CY20	Change	Comments/Analysis
Revenue	496	541	9%	Revenue grew on account of high pent-up demand in H2FY21 across key end user industries as normalcy kicked in once the COVID-19 led restrictions were lifted.
EBITDA	33	69	105%	EBITDA rose owing to improvement in the gross margins, fall in power and fuel cost, and product mix optimization.
PAT	1377	1430	4%	PAT was higher due to strong operational performance.
EPS	73.3	76.08	4%	EPS increased in line with PAT growth

Source: Company; Axis Securities

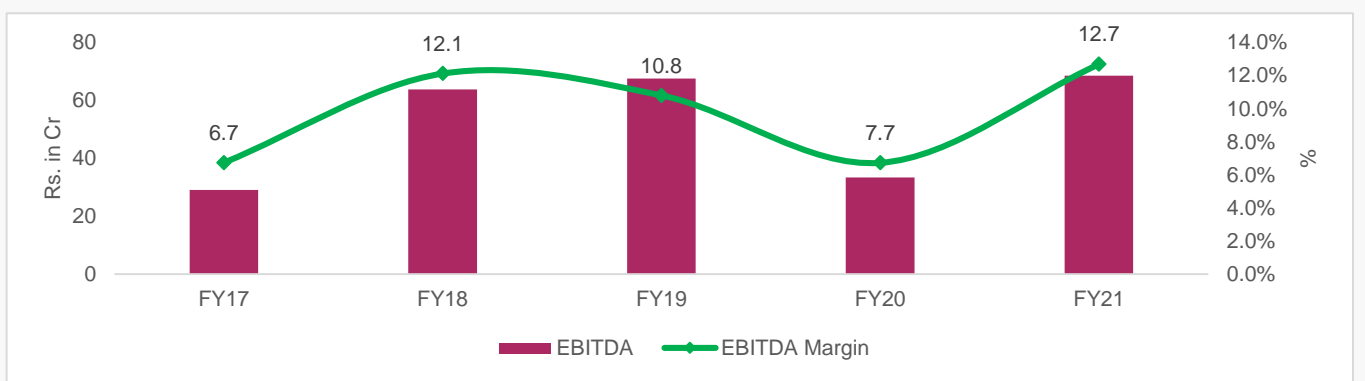
Profitability Margins

Particulars	CY19	FY20	Change	Comments/Analysis
GPM	30.0%	37.2%	720 bps	GPM was higher due to inventory gains as RM prices were lower in FY21
EBITDAM	6.7%	12.7%	595 bps	EBITDA Margins improved due to better realizations in new products and cost control measures. We expect EBITDAM to improve further due to cost efficiency measures undertaken.
PATM	3.4%	8.2%	481 bps	PAT Margin was higher due to strong operational performance.

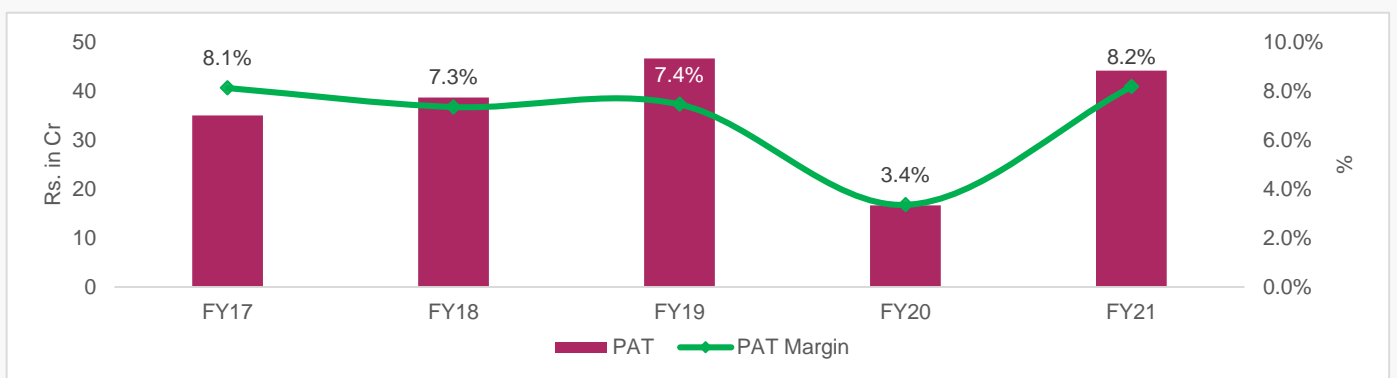
Source: Company; Axis Securities

Exhibit 2: Revenue and Revenue Growth Trend


Source: Company, Axis Securities

Exhibit 3: Blended EBITDA and Margin Trend


Source: Company, Axis Securities

Exhibit 4: Net Profit & Margin Trend


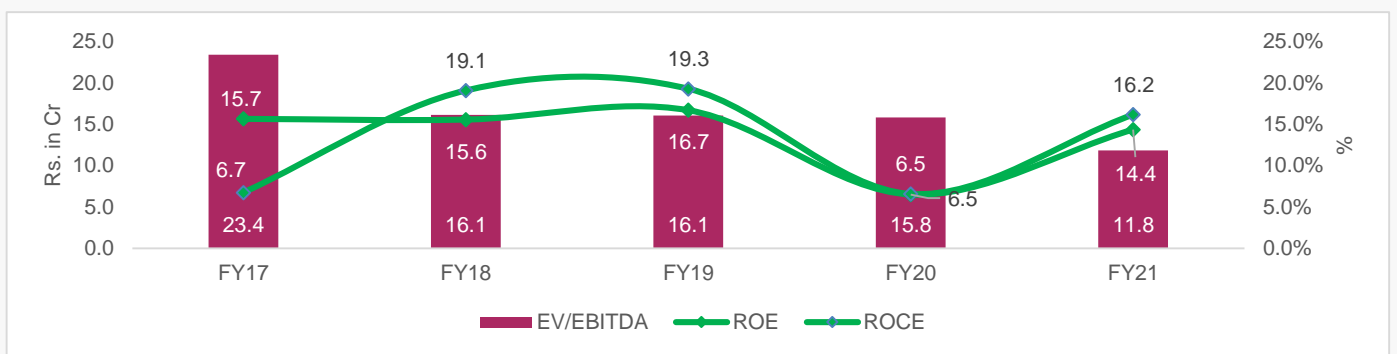
Source: Company, Axis Securities

Financial Ratios

Particulars	FY20	FY21	Change	Comments/Analysis
ROE	6.5%	14.4%	120%	ROE was higher as profitability improved
ROCE	6.5%	16.2%	146%	ROCE was higher due to higher EBIT driven by top-line growth
Asset Turn	3.2x	2.7x	-0.5x	Asset turn was lower as the asset base grew
Net Debt/Equity	0.2x	0.0x	-0.13x	Net debt was reduced further on account of Rs 30 Cr debt repayment in FY21.
EV/EBITDA	15.8x	11.8x	1.1x	EV/EBITDA was lower as EBITDA grew by 105% on YoY basis

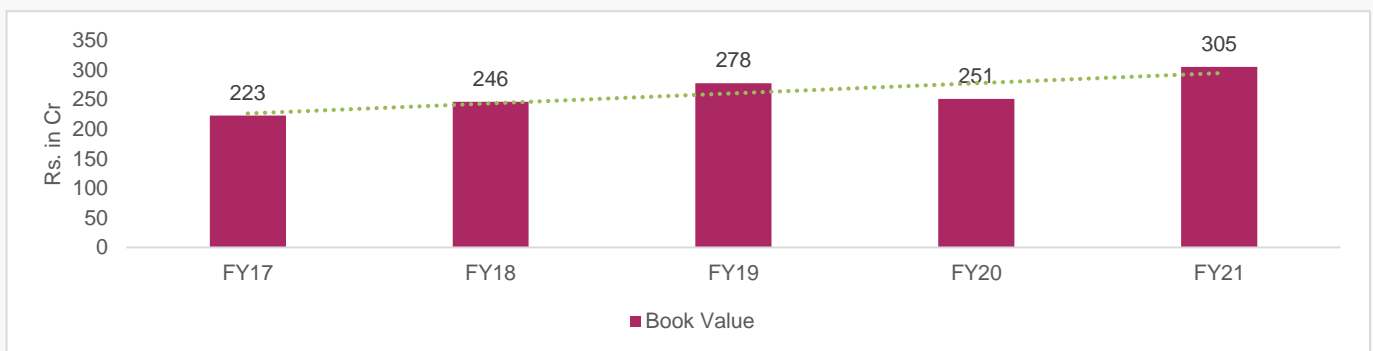
Source: Company; Axis Securities

Exhibit 5: EV/EBITDA, ROE & ROCE Trend



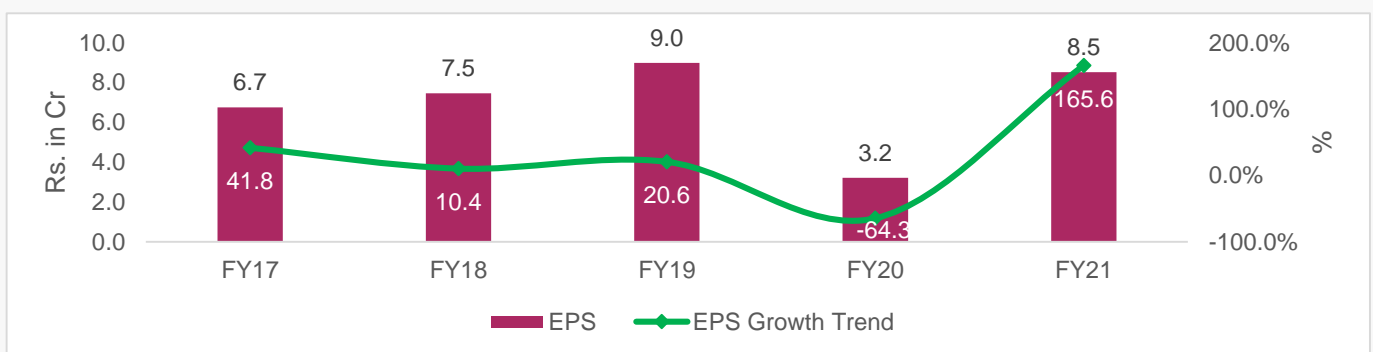
Source: Company, Axis Securities

Exhibit 6: Book Value (Rs)



Source: Company, Axis Securities

Exhibit 7: EPS & EPS Growth Trend



Source: Company, Axis Securities

Key Balance Sheet Takeaways

Working Capital Management

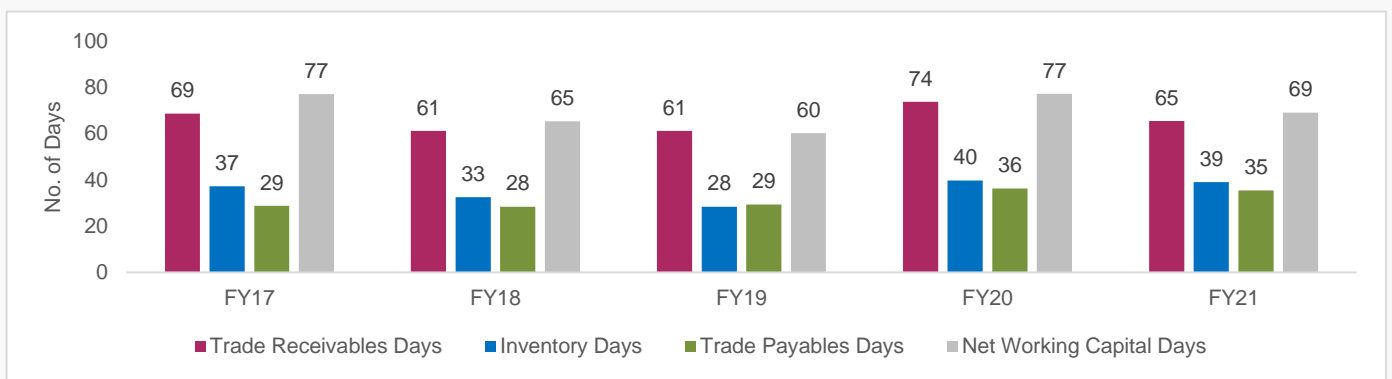
- During the year working capital intensity decreased as the cash conversion cycle improved from 77 days in FY20 to 69 days in FY21. This was on account of lower debtor and payable days.

Cash Conversion Cycle

Particulars	FY20	FY21	Change	Comments/Analysis
Inventory Days	40	39	(1)	Inventory days remained stable despite a rise in the raw material process as the company prudently stocked up on the low-priced raw materials.
Trade Receivables	74	65	(9)	Receivable days decreased due to better collection and strict credit terms.
Trade Payables	36	35	(1)	Trade payable days increased due to better terms with suppliers.
Cash Conversion Cycle	77	69	(8)	Overall CCC decreased to 8 days due to better WC management during the year.

Source: Company; Axis Securities

Exhibit 8: Cash Conversion Cycle

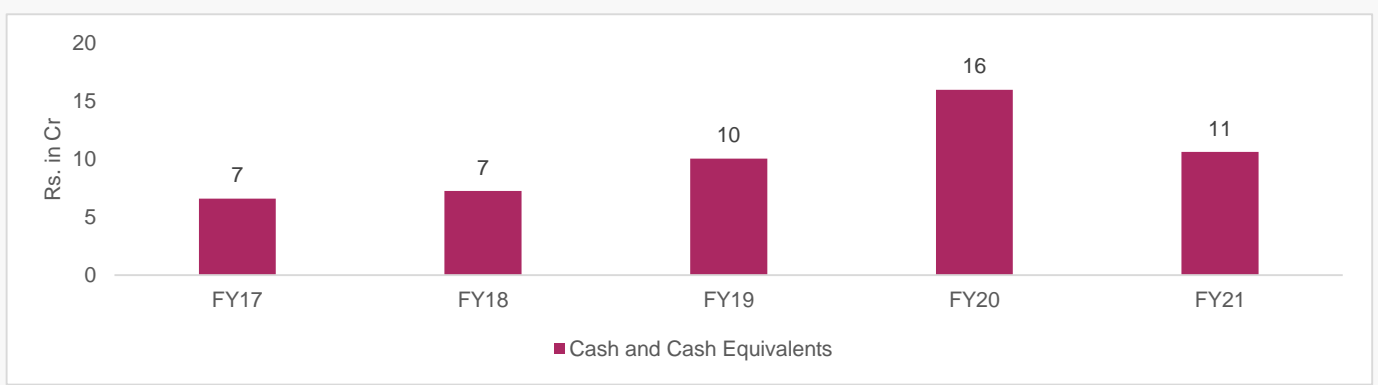


Source: Company; Axis Securities

Key Balance Sheet Takeaways (Contd.)

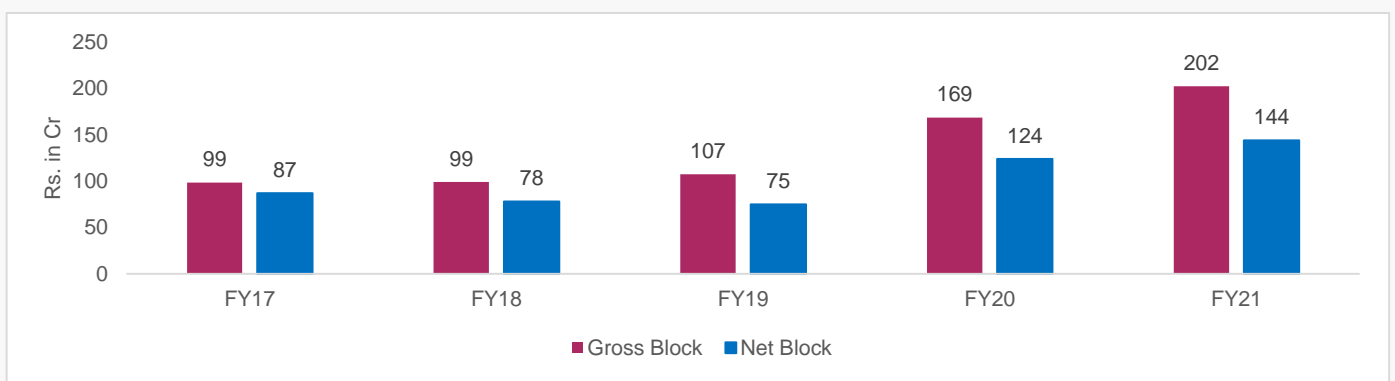
- **Debt Levels:** The company reduced its debt levels from 42 Cr in FY20 to 11 Cr in FY21.
- **Gross Block:** Gross Block rose by 20% from Rs 169 Cr in FY20 to Rs 202 Cr in FY21 on account of capacity addition from de-bottlenecking and line balancing.
- **Capex plans:** Currently, the company is expanding capacity at its Valia Facility for XNB latex for gloves. The expansion plan has been delayed due to delays in obtaining statutory clearance from the state environmental departments.
- **Cash and liquidity position:** The company's liquidity position has remained flattish at Rs 15 Cr in FY21 which was Rs 16 Cr in FY20. This is likely on account of Capex and debt repayment.

Exhibit 9: Cash & Cash Equivalent



Source: Company, Axis Securities

Exhibit 10: Gross & Net Block

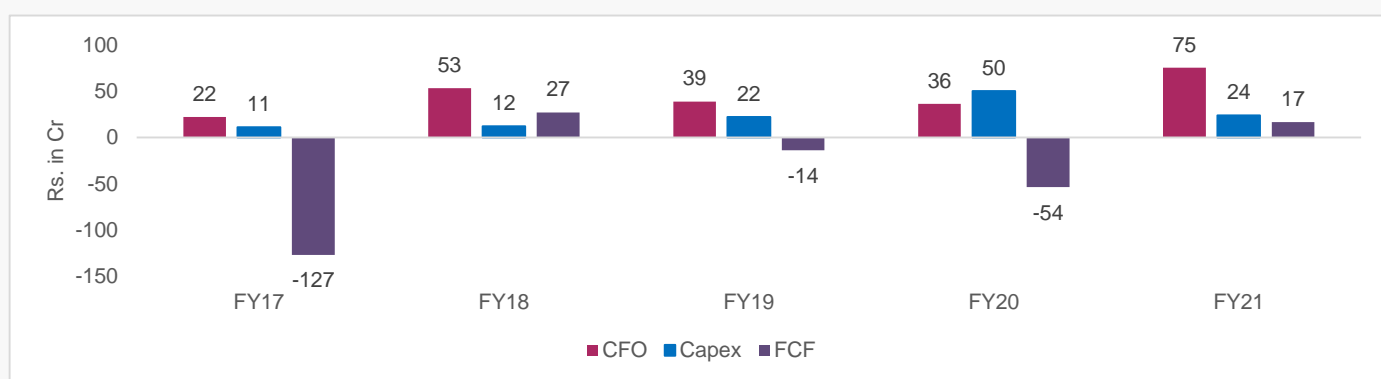


Source: Company, Axis Securities

Key Cash Flow Takeaways

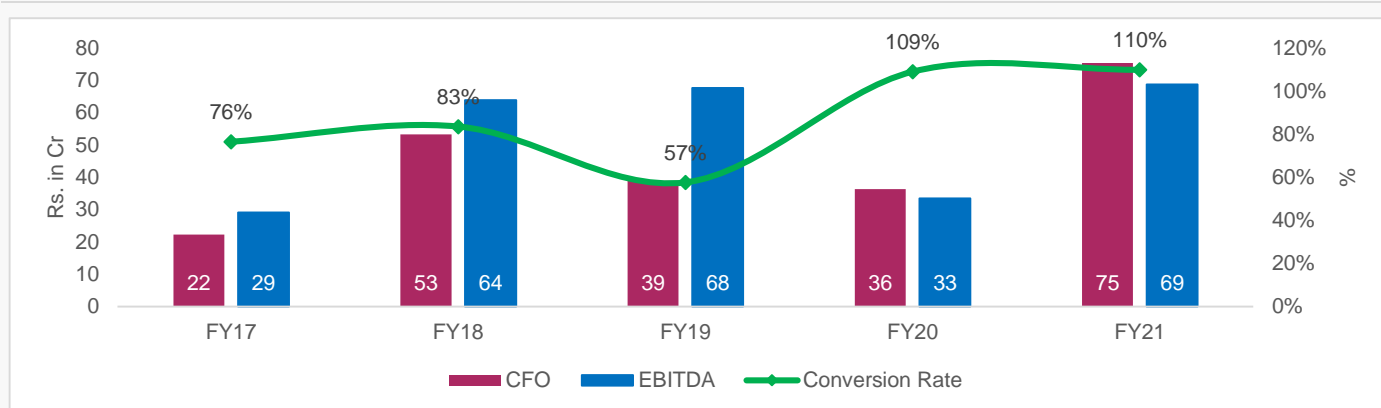
Particulars (Rs. Cr)	FY20	FY21	Change	Comments/Analysis
PBT	24.6	56.7	-17%	PBT was higher on the back of a 106% rise in EBITDA.
Non-cash expenses				
Depreciation	13.4	14.5	8%	Depreciation increased due to the addition in PPE.
Finance Cost	1.3	3.8	191%	Finance costs increased despite a reduction in total borrowings
Others	(5.1)	(3.3)		Lower due to falling foreign exchange difference and dividend income.
Working Capital Adjustments	7.4	15.2	106%	Increased due to increase in current liabilities.
CFO	36.3	75.2	107%	Higher YoY owing to healthy PBT growth
CFI	(42.1)	(36.9)		Lower YoY owing to fall in Capex during the year
CFF	6.8	(46.3)		Lower YoY owing to the repayment of short and long-term loans
Capex	(50.2)	(23.7)		Lower YoY owing to the impact of Covid-19
Free Cash Flow Generation	(53.6)	16.7		Higher YoY owing to higher CFO and lower Capex during the year.

Exhibit 11: OCF, Capex, FCF Trend



Source: Company, Axis Securities

Exhibit 12: OCF, EBITDA & Conversion Ratio trend



Source: Company, Axis Securities

Forex Analysis

- The company enters into forward exchange contracts to hedge against its foreign currency exposures relating to transactions and firm commitments and refrains from entering into any derivative instruments for trading or speculative purposes.

Expose in foreign currency - Hedged						
Particulars	FY20		FY21		Change	Comments/Analysis*
	Purchase	Sales	Purchase	Sales		
Total no. of contracts outstanding	4	1	2	-		NA
USD	646,530	--	213,770	530,000		NA
INR Equivalent (Rs. In Cr)	4.76	--	1.55	3.88		NA

Source: Company; Axis Securities

Particulars	FY20		FY21		Comments/Analysis
	Foreign Currency	Rs. in Cr	Foreign Currency	Rs. in Cr	
Trade Payables (USD)	532,399	4.01	870,102	6.38	
Trade Payables (EUR)	--	--	271,776	2.34	
% of Total Payables		9%		15%	The contribution rose on account of increased contribution from exports.
Trade Receivables (USD)	14,71,291	11.09	20,38,094	14.95	
Trade Receivables (EUR)			57,205	0.49	
% of Total Receivables		12%		15%	The contribution rose on account of increased contribution from exports.

Source: Company; Axis Securities

Contingent Liability Analysis

Particulars (Rs. crores)	FY20	FY21	Change	Comments/Analysis
Income Tax	4.16	4.16	--	It is in respect to a certain disallowance for R&D Section 801A Deductions and some transfer pricing adjustments by income tax authorities disputed by the company.
Service Tax	1.58	1.13	4.46	Lower on a YoY basis. Apcotex has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required and do not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
Excise Duty	0.2	0.2	--	It is relating to pending litigations and proceedings and has adequately provided for where provisions are required and do not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
Customs Duty	1.42	1.42	-	Customs authorities have raised vide notice dated 22-07-2005 a demand and penalty of Rs 1.4 Cr each for a dispute regarding high seas sale. The company has paid the demand of 1.4 Cr in FY12 and has claimed as a deduction in FY12. A balance penalty of Rs 1.4 Cr has been disclosed as contingent.
Profession Tax	0.31	0.31	-	Apcotex has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required and does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
Open Letters of Credit	15.2	4.0	(11.15)	Significant decline YoY. Apcotex has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required and does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
Bank Guarantee	26.1	30.0	3.94	Apcotex has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required and does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.
Total	48.47	40.81	(7.65)	

Source: Company; Axis Securities

Related Party Transaction Analysis

Particulars (Rs. in Cr)	FY20	FY21	Change	Comments/Analysis
Sale of goods Choksey Chemicals Pvt Ltd.	0.04	0.48	0.44	Transaction in the normal course of business with entities in which some directors are interested.
Rent & Other Expenses Apco Enterprises LLP	0.14	0.14	--	Transaction in the normal course of business with entities in which some directors are interested.
Reimbursements of medical expenses Mr. Atul C. Choksey	0.02	0.02	--	Chairman and Non-Executive Director
Leasing of premises and allied expenses Parul Atul Choksey	0.26	0.28	0.02	Relative of Chairman and Non-Executive Director
Sitting Fees	0.10	0.12	0.02	Non-Executive Director and Independent Directors
Commission paid in FY21 Atul A. Choksey	0.48	0.35	(0.13)	Chairman and Non-Executive Director
Other	0.14	0.15	0.01	Non-Executive Director and Independent Directors
Outstanding as of March 31, 2021				
○ Trade Payable -Abhiraj A. Choksey- Remuneration Payable	0.06	0.05	(0.01)	Managing Director
○ Trade Receivable Choksey Chemicals Pvt. Ltd.	0.02	0.28	0.26	Transaction in the normal course of business with entities in which some directors are interested.
○ Rent Deposits Apco Enterprises LLP	0.07	0.07	--	Transaction in the normal course of business with entities in which some directors are interested.

Source: Company; Axis Securities

Corporate Social Responsibility (CSR):

- The Company has under-taken projects in the areas of Healthcare and Education, around the area surrounding the factories/ corporate office.
- The Company spent Rs 0.9 Cr in FY21 which is ~2% of the average net profit of the last 3 years. The brief details of the amount spent are given below:

Particulars	Rs. in Cr
Healthcare	0.74
Education	0.16
Total	0.89

Financials

Profit & Loss

(Rs Cr)

Y/E March	FY20	FY21	FY22E	FY23E
Total Net Sales	496	541	729	805
% Change	-20.7%	9%	34.8%	10.5%
Total Raw material Consumption	347	339	468	511
Staff costs	39	43	55	59
Other Expenditure	76	90	107	118
Total Expenditure	463	472	630	666
EBITDA	33	69	98	117
% Change	-50.6%	105.5%	43.4%	18.7%
EBITDA Margin %	6.7%	12.7%	13.5%	14.5%
Depreciation	13.4	14.5	19.4	21.9
EBIT	20	54	79	95
% Change	-64.2%	170.6%	46.1%	20.0%
EBIT Margin %	4.0%	10.0%	10.8%	11.8%
Interest	1	4	1	1
Other Income	6	6	11	12
(as % of PBT)	24%	11%	12%	11%
PBT	25	57	89	106
Tax	8	13	20	23
Tax Rate %	32.4%	22.2%	22.0%	22.0%
APAT	17	44	69	83
% Change	-64.3%	165.6%	57.0%	19.3%

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY20	FY21	FY22E	FY23E
Share Capital	10	10	10	10
Reserves & Surplus	241	295	350	416
Net Worth	251	305	361	427
Total Loan funds	42	11	21	16
Deferred Tax Liability	6	11	11	11
Long Term Provisions	3	3	3	3
Other Long Term Liability	4	4	4	4
Capital Employed	305	335	400	461
Net Block	124	144	177	197
Investments	42	75	62	68
Sundry Debtors	89	105	120	132
Cash & Bank Bal	16	15	20	41
Loans & Advances	0	0	0	0
Inventory	60	56	74	77
Other Current Assets	13	16	22	24
Total Current Assets	205	213	256	295
Current Liab & Prov	92	117	124	132
Net Current Assets	114	96	132	163
Capital Deployed	305	335	400	461

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY20	FY21	FY22E	FY23E
PBT	25	57	89	106
Depreciation & Amortization	13	15	19	22
Provision for Taxes	1	4	1	1
Chg in Deferred tax	-5	-3	0	0
Chg in Working cap	7	15	-19	-16
Direct Tax Paid	-5	-12	-20	-23
Cash flow from operations	36	75	71	89
Chg in Gross Block	-50	-24	-61	-46
Chg in WIP	48	22	0	0
Cash flow from investing	-42	-37	-61	-46
Proceeds/(Repayment) of ST Borrowing (Net)	16	-14	0	0
Repayment of Long Term Borrowings	29	-21	0	0
Finance Cost paid	-1	-4	-1	-1
Dividends paid	-31	-8	-14	-16
Dividend Distribution Tax paid	-6	0	0	0
Cash flow from financing	7	-46	-5	-22
Net Increase/Decrease in Cash and Cash Equivalents	1	-8	5	21
Cash at start	32	33	25	30
Cash at end	33	25	30	51

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY20	FY21	FY22E	FY23E
Growth (%)				
Net Sales	-20.7%	9.0%	34.8%	10.5%
EBITDA	-50.6%	105.5%	43.4%	18.7%
APAT	-64.3%	165.6%	57.0%	19.3%
Per Share Data (Rs.)				
Adj. EPS	3.2	8.5	13.4	16.0
BVPS	48.5	58.9	69.6	82.3
Profitability (%)				
EBITDA Margin	6.7%	12.7%	13.5%	14.5%
Adj. PAT Margin	3.3%	8.1%	9.5%	10.2%
ROCE	6.5%	16.2%	19.8%	20.6%
ROE	6.5%	14.4%	19.1%	19.3%
ROIC	8.1%	21.7%	24.5%	26.6%
Valuations (X)				
PER	30.2	18.4	11.7	9.8
P/BV	2.0	2.7	2.3	1.9
EV / EBITDA	15.8	11.8	8.3	6.8
EV / Net Sales	1.1	1.5	1.1	1.0
Turnover Days				
Inventory days	40	39	37	35
Debtors days	74	66	60	60
Creditors days	36	35	33	33
Working Capital Days	77	69	64	62
Gearing Ratio				
Net Debt to Equity (x)	0.1	0.0	0.0	0.0

Source: Company, Axis Securities



Analyst: Suvarna Joshi

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Sector: FMCG, Consumption sector, Mid-Caps, Agrochemical

Analyst Bio: Suvarna Joshi is MBA (Finance) from Mumbai University with about 10 years of experience in Equity market and research

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Sector: Specialty Chemicals, Mid-Caps

Analyst Bio: Darshita Shah is CFA Level III candidate and has over a year experience in Equity Market and Research.

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