



3R MATRIX

	+	=	-
Right Sector (RS)	Green	Grey with check	Red
Right Quality (RQ)	Green with check	Grey	Red
Right Valuation (RV)	Green with check	Grey	Red

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

Company details

Market cap:	Rs. 20,442 cr
52-week high/low:	Rs. 8,165/5,183
NSE volume: (No of shares)	4.45 lakh
BSE code:	500027
NSE code:	ATUL
Free float: (No of shares)	1.6 cr

Shareholding (%)

Promoters	45
FII	10
DII	24
Others	21

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	7.0	17.9	5.2	-1.0
Relative to Sensex	2.8	7.6	-8.1	-21.9

Sharekhan Research, Bloomberg

Atul Ltd

Signs of recovery evident in financial performance

Speciality Chem

Sharekhan code: ATUL

Reco/View: Buy



CMP: Rs. 7,225

Price Target: Rs. 8,294



Upgrade



Maintain



Downgrade

Summary

- ◆ Topline rose 17% y-o-y and 5% q-o-q, with operating Profit of Rs. 243 crore and adjusted PAT of Rs. 112 Crore surpassing our estimates, attributed to margin enhancements in LSC and POC.
- ◆ Revenue growth was due to higher volumes across all sub-segments in both domestic and international markets.
- ◆ Stable operations at Atul Products Ltd and higher sales from other Group companies such as Amal Ltd, Rudolf Atul Chemicals Ltd, and DPD Ltd, contributed to the increase in volume. Although selling prices were lower, reduced input costs led to a rise in profit.
- ◆ We are upgrading our rating on Atul Ltd. from Hold to Buy, with a revised target price of Rs. 8294. This upgrade reflects the recovery observed across various segments and a valuation of 35x FY26E EPS and 28x FY27E EPS, which indicates significant potential for further upside from current levels.

Revenue reached Rs. 1,393 crore, marking a 17% year-on-year (y-o-y) and 5% quarter-on-quarter (q-o-q) increase. EBITDA rose to Rs. 243 crore, reflecting a 56% y-o-y and 6% q-o-q growth, with margins improving to 17%, up by 443 basis points y-o-y and 54 basis points q-o-q. PAT stood at Rs. 112 crore, a 10% y-o-y increase. Revenue growth was driven by higher volumes across all sub-segments in both domestic and international markets. Volume increase was supported by the stabilization of operations at Atul Products Ltd and stronger sales from other Group companies like Amal Ltd, Rudolf Atul Chemicals Ltd, and DPD Ltd. Although selling prices were lower, reduced input costs contributed to an overall profit increase.

Key positives

- ◆ POC grew 18% y-o-y and a 9% q-o-q rise.
- ◆ Operating profit grew 56% y-o-y and 9% q-o-q alongside an expansion of 443 bps y-o-y and 54 bps q-o-q in OPM.
- ◆ Input cost went down resulting in expansion in margins

Key negatives

- ◆ LSC segment saw a revenue decline on a sequential note.

Revision in estimates – We have adjusted our FY25nd FY26 earnings and have introduced FY27 earnings.

Our Call

Valuation – Upgrade to Buy with a PT of Rs. 8294: We are upgrading our rating on Atul Ltd. from HOLD to BUY, setting a revised price target of Rs. 8,294. This upgrade is driven by significant improvements in the company's key financial metrics, which indicate a strong potential for future growth. Currently, valuation stands at 35x the projected earnings per share (EPS) for FY26 and 28x for FY27, suggesting considerable upside potential for investors. Additionally, we have observed a gradual reduction in margin pressures, a positive sign that points to a recovery in profitability. Combined with the company's solid financial health, consistent performance improvements, and favourable market conditions, these factors support a more optimistic outlook for Atul Ltd., making it a strong candidate for investment at this stage.

Key Risks

Faster ramp-up of new projects/products and proactive price hike to pass on higher raw-material/logistics/energy costs are key upside risks, while weak revenue growth amid likely delay in commissioning of capex and inadequate price hikes are downside risks to our earnings estimate and rating.

Valuation (Consolidated)

Particulars	Rs cr					
	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue	5,081	5,428	4,726	5,293	6,007	6,908
OPM (%)	18%	14%	13%	17%	18%	18%
Adjusted PAT	605	507	324	483	609	763
% y-o-y growth	-8%	-16%	-36%	49%	26%	25%
Adjusted EPS (Rs.)	204.23	174.15	109.54	163.91	206.88	259.18
P/E (x)	36x	42x	66x	44x	35x	28x
P/BV (x)	4.8x	4.6x	4.2x	3.9x	3.5x	3.2x
EV/EBITDA (x)	31x	23x	25x	24x	20x	0x
RoCE (%)	17%	14%	8%	11%	13%	16%
RoE (%)	14%	11%	6%	9%	10%	11%

Source: Company; Sharekhan estimates